

Concept Note: Global Symposium on the Role of Micro-, Small- and Medium-Enterprises (MSMEs) in the achievement of the Sustainable Development Goals (SDGs)

Location:	New York, United States of America
Venue:	United Nations Headquarters
Dates:	7-8 June 2018
Duration:	2 days
Organizer:	Division for Sustainable Development Goals, United Nations Department of Economic and Social Affairs (DESA/DSDG)

1. MSME Development for SDGs: Potentials and Constraints

The 2030 Agenda for Sustainable Development, together with the Sustainable Development Goals (SDGs) and targets, was adopted in 2015, demonstrating the joint commitment of Member States to free humanity from poverty, secure a healthy and sustainable planet, and to build peace and inclusive societies that promote prosperity and dignity for all

To meet these aspirational goals, contributions from Micro-, Small- and Medium-Sized Enterprises (MSMEs) are crucial. In view of their contributions to achieving the SDGs, the United Nations General Assembly adopted the resolution (A/71/L60) that designated 27th June as “Micro-Small and Medium-Sized Enterprise Day”. This resolution recognized the importance of encouraging the formalization and growth of MSMEs in international, regional and local markets, including through access for all to capacity building and financial services. Likewise, the Addis Ababa Action Agenda on Financing for Development duly underscored the important role of MSMEs in job creation and innovation for sustainable development in developing countries. The Addis Ababa Action Agenda also advocates for the concerted support of national governments, financial institutions and development banks to support MSME growth by providing a conducive regulatory framework, innovative financing solutions and systematic entrepreneurship training programmes.

According to the World Bank research¹ and a recent OECD report², MSME development is critical for achieving the SDGs including for the following reasons:

¹ World Bank, Small and Medium Enterprise Finance, <http://www.worldbank.org/en/topic/sme/finance>

² OECD (2017) Unlocking the potential of SMES for the SDGs, <https://oecd-development-matters.org/2017/04/03/unlocking-the-potential-of-smes-for-the-sdgs/>

- MSMEs take a major role in most national economies, particularly in developing countries. Formal MSMEs contribute up to 45% of total employment and up to 33% of Gross Domestic Product (GDP) in emerging market economies. These numbers would be significantly higher when informal MSMEs are included.
- According to World Bank studies, 600 million jobs will be needed in the next 15 years to absorb the growing global workforce, mainly in Asia and Sub-Saharan Africa. In emerging markets, 4 out of 5 new positions were created by MSMEs, which is about 90% of total employment, in the formal sector.
- OECD research also notes that MSMEs will take a leading role in meeting most economic related goals of the SDGs. This includes promotion of inclusive and sustainable economic growth, increasing employment opportunities and decent work especially for the poor, in addition to promoting sustainable industrialization and innovation, and creating a positive push for higher quality of life, better education and good health for all.
- A large proportion of MSMEs in most developing countries often have little or no financial resources, and face tremendous barriers in accessing conventional financial institutions for start-up businesses due to their poverty and lack of collateral assets. This financial challenge is particularly affecting entrepreneurs among rural women and other socially disadvantaged groups. The development of MSMEs is therefore crucial to the Leaving No-One Behind principle, central to the 2030 Agenda.

The 17 SDGs are integrated and indivisible, and the development of MSMEs may impact on all SDGs. However, there is a more tangible impact on certain goals³.

Notwithstanding heightened global commitment to their growth, MSMEs are still faced with multiple challenges, including limited access to finance and lack of capacity and knowledge, particularly with regards to business development, marketing and strategic management skills. In addition, developing countries have not been able to fully tap the potential of MSMEs due to weak political, institutional and regulatory mechanisms. Regarding access to finance, MSMEs are less likely to secure bank loans than large firms, which hampers their growth, rendering them more vulnerable to market risks. According to the World Bank, about 70% of MSMEs in developing countries lack access to credit, and the current credit gap for formal SMEs is estimated to be US\$1.2 trillion globally⁴.

MSME entrepreneurs suffer disproportionately from asymmetric information, including lack of market information and limited support on strengthening business management skills such as financial planning and bookkeeping, which are crucial to formalize their business operations, capture market share and cope with market fluctuations. Lack of professional business management skills may further limit appreciation of MSME entrepreneurs on the value of

³ Please see Annex I for detailed elaborations on SDG goals relevant to MSME development

⁴ World Bank (2017) Small and Medium Enterprise Finance, <http://www.worldbank.org/en/topic/smefinance>

Research and Development (R&D) and innovation in promoting productivity and keeping a competitive edge within the global digitalized economy.

Both the potential and constraints in MSME development for SDGs require transformation in policy and how financial markets and institutions operate. These would not only reduce constraints of MSMEs in accessing financial resources, but also catalyze growth of informal MSMEs into formal MSMEs, generating multiple impacts, including unlocking sources of capital and providing additional economic growth and employment opportunities.

2. Synergies between MSMEs and Science, Technology and Innovations

The immense contributions of Science, Technology and Innovations to SDGs can hardly be underestimated, and there are strong synergies between MSMEs as well as the generation and dissemination of science, technology and innovations. A substantial part of scientific and technical innovations come from MSME entrepreneurs in developing countries. MSME entrepreneurs, with their in-depth knowledge on demands of local communities, possess strong power to transform scientific, technical innovations into replicable development solutions. MSMEs have become not only incubators, but also facilitators for replication, of innovations.

In view of the complementarity between innovations and MSMEs, organization of the International Symposium back to back with the third Science Technology and Innovations (STI) Forum, will unleash substantial development impacts. Synergies between the two events will provide tremendous opportunities for participants to connect and jointly explore opportunities on transforming scientific innovations into development solutions. In view of the diverse profiles of participants, including policymakers, donors, banking and private sector representatives, participants would access to enhanced financial and marketing resources, in addition to learning opportunities on good practices of MSME growth and harnessing scientific and technical innovations. This would effectively support MSME growth in expanding their contributions to SDGs, particularly in developing countries.

3. RATIONALE FOR AN INTERNATIONAL SYMPOSIUM

In view of the potential development and constraints that MSMEs face in the realization of the SDGs, along with their synergies with the creation and dissemination of innovations, the Division of Sustainable Development Goals in the Department of Economic and Social Affairs (DESA/DSDG) of the United Nations is convening an international symposium to explore pathways and enabling factors to scale-up best practices and develop recommendations in the development of MSMEs for achieving the SDGs globally. The symposium will be held on 7-8 June. The symposium will be held back-to-back with the Third International Science, Technology and Innovation (STI) Forum scheduled on 5-6 June 2018.

It is envisioned that through knowledge exchange and learning among international participants involved in MSME development and the sharing of innovations, this symposium will identify best practices and develop recommendations to eliminate bottlenecks and maximize the potential of MSMEs for the achievement of the SDGs, which will inform global policymakers attending the

2018 HLPF. It will also facilitate the development of operational mechanisms that can be integrated into national development plans to harness momentum of MSME development for SDGs.

The symposium will be organized by DESA/DSDG. DESA/DSDG has been providing leadership to catalyze action in promoting and coordinating implementation of SDGs globally, and engage in policy analysis, implementation and capacity development. To ensure broad stakeholder participation at the symposium, DESA/DSDG will partner with relevant UN agencies, international organizations, international financial institutions, the private sector, MSMEs and entrepreneurs, as well as members of civil society and prominent researchers from think tank organizations, in addition to policymakers from national governments.

4. SYMPOSIUM OBJECTIVES AND EXPECTED OUTCOMES

The overall objective of this symposium is to inform 2018 High-Level Political Forum (HLPF) on Sustainable Development with key messages on contributions of MSMEs to achieving the SDGs globally. It will further systematize strategic recommendations on measures to maximize potentials of MSMEs to sustainable development.

Through intensive exchanges of knowledge and ideas on policies and programmes that promote MSME development for SDGs, the symposium will:

- Explore theoretical frameworks and operational mechanisms that promote MSME development for SDGs;
- Identify, document and exchange experiences, and lessons learned through case studies on MSME development for SDGs;
- Provide an in-depth analysis and strategic discussion on enabling factors of successful and non- successful cases related to MSEMS development for SDGs;
- Develop policy recommendations on MSME development for SDGs globally, particularly in the contexts of developing countries ; and
- Exchange experience in practical ways to promote innovation, creativity and decent work for all through incentives to MSMEs

Discussions will focus on the following questions (non-exhaustive):

- What are the relevance and contributions of MSME development to SDGs? What are existing examples on effective MSME development that achieve demonstrable impacts on SDGs?
- What existing MSME development programmes are currently being led by development partners globally? Are there opportunities to create synergies and added value?
- What tools can be developed or strengthened at national, regional and global levels to scale-up impacts of MSME development on achieving SDGs?
- How can access to finance by MSMEs be improved?

- What are the gaps and opportunities for transforming informal MSMEs into more formalized business entities?
- What are the gaps, opportunities and demands for strengthening national capabilities in supporting MSMEs development for SDGs?
- What solutions could be provided by international organizations and national governments?
- How could capacity building programmes be better designed and delivered to support MSME contribution to the SDGs?
- How could MSME development programmes be leveraged to promote sector-wide transformation for SDGs?
- Where are potential entry points, in terms of innovation, industrialization, education and nurturing the culture of entrepreneurship?

EXPECTED OUTCOMES

- Enhanced knowledge on latest trends, opportunities and challenges of MSME development globally, and its implications for SDGs;
- Identification and exchange of good practices, experiences and lessons learned and recommendations on MSME development;
- Identification of opportunities and constraints of upscaling MSME development for SDGs;
- Strategic recommendations for enhancing the role of MSMEs in achieving the SDGs;
- Exploration and expansion of strategic partnerships on MSME development for SDGs
- Suggestions on pathways for pursuing MSME development for rural women, women with disabilities, unemployed youth and other socially disadvantaged groups;
- Suggestions on pathways for pursuing MSMEs for SDGs, for the private sector and relevant stakeholders;
- Development of key messages on MSMEs for SDGs for consideration by the HLPF, financial institutions and national governments;
- Establishment of a steering committee on MSMEs development for SDGs, consisting of representatives from the host country, DESA/DSDG and other key partners; and
- Delivering groundwork for launching the “Global Network of MSMEs for SDGs”, formulating structure of feasibility studies

PARTICIPATION

The symposium aims to bring on board experts and practitioners from diverse backgrounds, including senior government officials, development partners, donor agencies, international organizations, and the private sector, research community, private sector representatives, industry organizations and relevant stakeholder groups.

The symposium will be on an invitation-only basis. However, it will make every effort to ensure a balanced representation from developed and developing countries, as well as a broad sectoral

representation. In addition to the STI Forum and the International Symposium, participants from the nine project pilot countries would also attend a strategic planning consultation.

5. LOGISTICAL ARRANGEMENT AND FOLLOW UP PLANS

Based on available funding, DESA/DSDG will provide travel support to developing country participants, in addition to covering expenses related to preparation of background documents and travel costs of resources persons and symposium coordinators.

The working language of the meeting will be English.

The symposium report will be submitted to the HLPF 2018 session for its review and consolidation.

In close consultation with partners, DESA/DSDG will lead :

- 1) Develop a detailed programme of work;
- 2) Identify and secure the participation of key speakers;
- 3) Develop the framework and formats for the group breakout work, preparing key questions and standardized templates with which findings of the discussion will be recorded;
- 4) Finalize the draft of the symposium report to be submitted to the HLPF.

PLANNED FOLLOW UP STEPS

Follow-up steps will be planned and implemented after the symposium. These include:

- Prepare a draft symposium report, including key findings to be submitted to HLPF 2018; and
- Convene an operational team to coordinate implementation of follow-up steps, under the auspices of DESA/DSDG.

Annex 1. SDGs targets relevant to MSME Development

Goal 1: End poverty in all its forms everywhere

1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance

Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture

2.3 By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment

Goal 5: Achieve gender equality and empower all women and girls

5.a Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws

Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services

8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all

Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets

Goal 10. Reduce inequality within and among countries

10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

10.4 Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality

Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable

11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries

Goal 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development

14.b Provide access for small-scale artisanal fishers to marine resources and markets

Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

16.5 Substantially reduce corruption and bribery in all their forms

Goal 17. Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development

Finance

17.5 Adopt and implement investment promotion regimes for least developed countries

Capacity-building

17.9 Enhance international support for implementing effective and targeted capacity-building in developing countries to support national plans to implement all the Sustainable Development Goals, including through North-South, South-South and triangular cooperation.