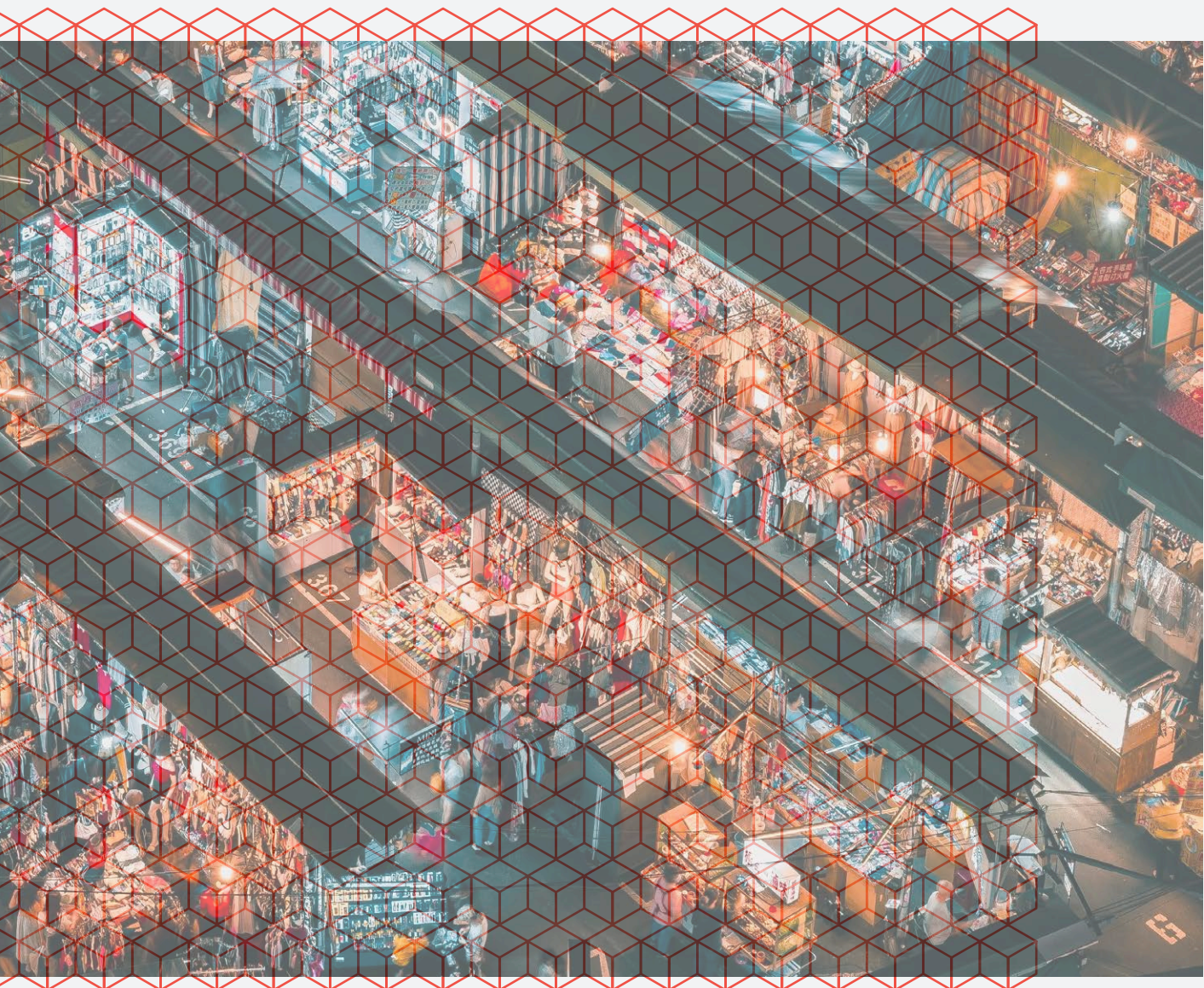


THE NEW MSME ECONOMY

Post-Pandemic Drivers for Growth

APEC Business Advisory Council
University of Southern California Marshall School of Business

October 2022





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ABAC

EXECUTIVE SUMMARY

THE NEW MSME ECONOMY: POST-PANDEMIC DRIVERS FOR GROWTH

Economies that promote their MSMEs achieve higher economic and social growth. Given that 97% of enterprises in APEC are MSMEs, enabling these businesses to thrive in the new MSME economy can have tremendous societal impact, especially considering trickle-down effects of initiatives focused on women and other underrepresented group-led MSMEs. In turn, MSMEs will be more competitive, pay higher wages, be more innovative, and benefit their home economies.

A collaborative effort with the ABAC MSME & Inclusiveness Working Group, this report presents a new post-pandemic comparative APEC MSME economy scorecard. The scorecard and this report are a synthesis of over 60 interviews with MSME thought leaders across APEC economies, analysis of a detailed APEC MSME questionnaire (856 responses), and an extensive review of post-pandemic MSME research and rankings. Its intended purpose is to stimulate active discussions and to generate urgency and action to improve MSME resilience and competitiveness in the new MSME economy.

KEY FINDINGS ON THE NEW MSME ECONOMY

MSMEs expressed high levels of frustration and anxiety about the future. Even in economies that scored highly on the MSME scorecard, MSMEs indicated that programs to support MSMEs are not especially effective and support ecosystems are underdeveloped. Findings indicate that there is room for improvement across training programs and more effective delivery of support programs.

The New MSME economy: new imperatives and challenges. Consumers increasingly wish to transact digitally and expect MSMEs to have those capabilities, and larger firms have more advanced digital capabilities and can better compete. While the pandemic accelerated digital adoption among MSMEs, they must continue to invest in upgrading digital competencies and improving their digital proficiency. Global Value Chains (GVCs) and trade pipelines are becoming increasingly digital, creating new opportunities for MSMEs, but most of them do not have sufficient technical capabilities to effectively participate and compete in this market. Digital technologies reduce trade costs, expand the reach of MSMEs, and increase the competitive advantages of being small, specialized, and best-of-breed. Availability of digitally skilled talent and the changing nature of work dynamics present ongoing challenges for MSMEs.

Economic overhang of the pandemic disruption will be long-lasting. For those MSMEs that survived, repaying debt, overcoming supply chain disruptions, and rebuilding customer relationships are coupled with increased geo-political tensions, trade disputes, and reduced international economic cooperation. With many MSME support programs set to expire, survival challenges for MSMEs are all-consuming.

Poorly focused and delivered MSME support programs is THE major challenge in improving MSME resilience. Most economies have an abundance of MSME resources, but they are disjointed, challenging to navigate, and underutilized. New digitally delivered support programs are necessary and must be designed with MSMEs needs in mind.

PIVOTAL CHANGES TO THE MSME SUPPORT AGENDA

Rethink MSME support programs from the MSME perspective – Creating more effective MSME support programs. MSMEs don't need more programs; they need initiatives to be better designed and delivered to meet them where they are. Rather than considering size or revenue, MSMEs should be classified by needs and stages of development. With that in mind, policy makers should completely rethink how to deliver programs in engaging and digitally delivered formats, and coordinating systematic "MSME school"-like approaches with single entry points.

Digitally delivered services can have a catalytic effect and should be first on the APEC MSME agenda. Focusing on digitally delivered services and building the digital market infrastructure needed to support them addresses challenges faced by all MSMEs. Harmonizing regulations and trade rules among economies, resolving challenges of non-collateral financing, ensuring more timely payment periods, and improving the operating and regulatory environments are all essential to allowing digitally delivered services to prosper.

CRITICAL LEVERS OF THE NEW MSME ECONOMY

Accelerating MSME digitalization and the development of digital ecosystems. The new MSME economy is digital first. Supporting MSMEs and improving resilience and competitiveness requires commitment to developing a digital-first economy. A partial digital ecosystem does not work. It begins with delivering affordable and accessible internet connectivity and extends to providing MSMEs with cybersecurity and fraud protection. Policy makers must, first, fully commit to developing both a supportive digital operating environment and regulatory ecosystem for MSMEs; and second, ensure MSMEs can access needed digital skills training. Policy makers must also foster confidence and trust in digital technologies for MSMEs.

Promoting and supporting private-public digital ecosystems. Focus on developing sector/industry specific collaborative business ecosystems in which MSMEs can participate and compete. Built around digital platforms, ecosystems bring together IT providers, large firms, banks and fintech firms providing digital financing solutions, services firms, and MSMEs, along industry associations, and regulatory bodies. These two-sided markets develop around independent business interests and need light-touch regulatory guidance to allow innovation to thrive.

Making meaningful progress on economic inclusion can only be made with full commitment, persistence, and tailored approaches. The pandemic was particularly harsh on businesses led by women, youth, and other underrepresented groups – all of which continue to disproportionately face barriers. Policy makers and businesses must focus attention on getting underserved and underrepresented groups into viable business opportunities, especially digitally delivered services. To transform economic inclusion, a cultural change is essential – this will require outreach intentionality, tailored support, and increased legal protections.

KEY ENABLERS FOR THE NEW MSME ECONOMY

MSME financing needs new solutions – support innovations beyond the traditional banking system. Innovative banks and fintech firms are introducing new financing solutions for MSMEs. Policy maker support is needed to: (1) reduce MSME skepticism by communicating “trust and credibility” in these new financing approaches, (2) provide light-touch regulation to encourage the emergence of fintech firms, and to limit potential negative behavior, (3) anticipate and limit vested-interest driven behavior by established banking institutions.

Policy maker support is needed to develop new alternative data-derived MSME credit-worthiness scores as alternatives to collateral-based financing. Digital data trails of MSMEs will allow banks and fintech companies new ways to assess MSME clients based on their potential, providing essential access to funding to MSMEs.

Successfully engaging MSMEs in social development goals requires proving the business case. For MSMEs, survival trumps concern for national and global sustainable development goals. Proving the profitability of sustainable business practices is critical to drive MSME adoption. Enabling MSME participation in GVCs also ensures they bring their business practices to global standards.

ACTION AGENDA

For policy makers:

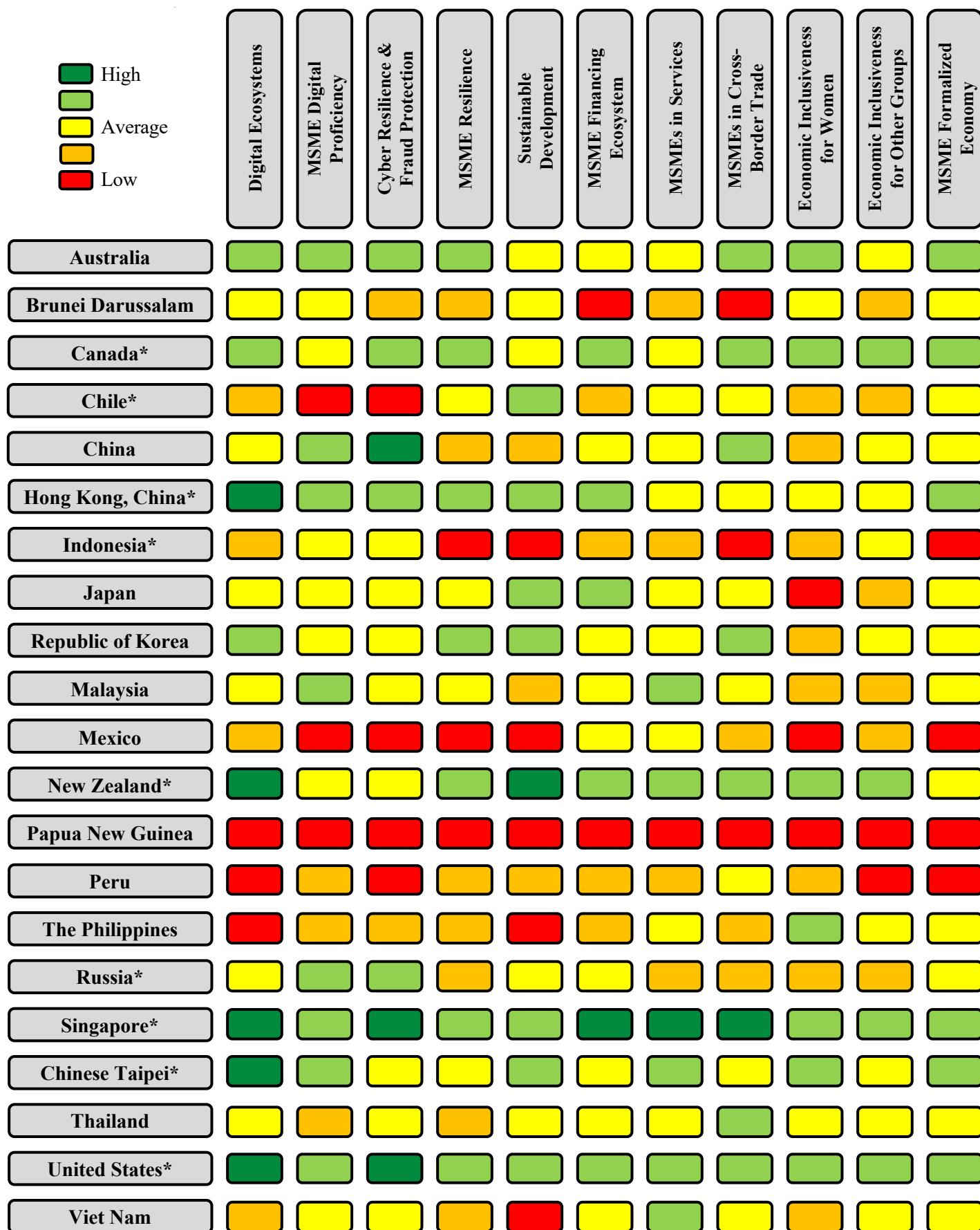
1. Collaborate with MSME associations and the business sector on new designs and delivery approaches of MSME support programs.
2. Put digitally delivered services first on the APEC MSME agenda. Collaboration across APEC economies to eliminate the barriers and resolve the challenges that MSMEs face in digitally delivered services will open new opportunities. The benefits will be felt by all MSMEs.
3. Actively support the financial sector, including new innovative fintech firms, in developing data-derived non-collateral financing alternatives for MSMEs. Lead the conversation and be quick to provide supportive regulations to guide industry players.

For business leaders:

1. Collaborate with policy makers and MSME associations in tackling the demand-side of MSME support programs. Share “bleeding edge” innovations in corporate training with policy makers for application to MSME training and skills development.
2. Actively engage with policy makers, Telcos, IT providers, large firms, financial institutions, and MSME associations in creating frameworks for the design, investment, and support of industry-specific digital ecosystems.

Comparative APEC MSME Scorecard

Assessment of MSME Future-Readiness



Denotes low survey response, scores based more heavily on secondary indices
 Note: Please see appendix for descriptions of scorecard categories in the Research Methods section

Foreword by Dato' Rohana Tan Sri Mahmood, Chair of the ABAC MSME & Inclusiveness Working Group and ABAC Malaysia Lead Member: The New MSME Economy: Post-Pandemic Drivers for Growth Report

Micro, Small, and Medium Enterprises (“MSMEs”) are integral towards facilitating sustainable and resilient economic growth within the APEC region. Moreover, they account for over 97 percent of all businesses and employ more than half of the labour force across the 21 APEC economies.

As Chair of the ABAC MSME & Inclusiveness Working Group (“ABAC MSMEWG”), I have had the pleasure of working with several industry experts over the years who have greatly assisted both myself and the ABAC MSMEWG in generating key recommendations to APEC Leaders, APEC policy makers, and Business leaders on how to best facilitate the growth and development of MSMEs across the APEC region.

The onset of the COVID-19 pandemic, and the many disruptions that it has brought upon the broader business landscape over the past two years, have greatly highlighted the vulnerability of MSMEs to severe economic shocks. Such challenges were further exacerbated by global events including, but not limited to, protracted geopolitical tensions, supply chain disruptions, and mounting inflationary pressures.

Now, given that many APEC economies are steadily entering endemicity and are beginning to embrace the “new normal”, it is crucial that APEC Leaders, APEC policy makers, and Business leaders leverage on this transitional period to push the reset buttons and build back better.

Towards this end, the ABAC MSMEWG had collaborated with the USC Marshall School of Business to produce a comprehensive report titled, “The New MSME Economy: Post-Pandemic Drivers for Growth” (“Report”), which aims to analyse the growth opportunities and challenges faced by MSMEs across the 21 APEC economies and their readiness to navigate through the looming post-pandemic business environment.

Findings from the Report were sourced from in-depth thought leader interviews with various business leaders and MSME practitioners. Furthermore, a questionnaire was disseminated to MSMEs across the APEC region to gauge their opinions regarding which policy measures or structural frameworks within their respective economies needs to be amended to better facilitate resilient and sustainable MSME growth moving forward. Extensive literature review was conducted by the researchers at the USC Marshall School of Business as well to ensure relevancy of the findings and policy recommendations within the Report.

Key deliverables from the Report include a new APEC MSME Scorecard, which assesses the progress and readiness of each APEC MSME economy in traversing through the post-pandemic business environment. Additionally, the Report includes the provision of focused MSMEs initiatives, a few powerful and pivotal policy recommendations, which will have cascading effects across individual APEC economies.

It is my hope that the findings and policy recommendations within this Report will provide substantive support to APEC Leaders, APEC policy makers, and Business leaders in revitalising their respective MSMEs economies.

While this Report may not be the panacea towards resolving every challenge faced by APEC economies in facilitating resilient MSME growth and development, it can act as the catalyst to encourage APEC economies to begin thinking and moving in the right direction.

The generation of this Report would not have been possible without the support of my fellow ABAC MSMEWG Co-Chairs and their respective lead staffers who undertook extensive efforts to identify and explore key priority areas and pathways to enhance MSME resiliency across the APEC region.

The first key priority area of Promoting Digital Transformation was helmed by ABAC USA Alternate Member, Ms. Monica Hardy Whaley with support from her lead staffer, Mr. Alex Parle. The second key priority area of Enhancing Sustainable Practices was led by ABAC Peru Member Mrs. Julia Torreblanca with assistance from her lead staffer, Mr. Luciano Paredes. Khun Kobsak Duangdee, ABAC Thailand Member and Co-Chair to the ABAC Finance and Economics Working Group, along with his lead staffer, Dr. Julius Caesar Parreñas, assisted the ABAC MSMEWG with our third key priority area of Building the Digital Market Infrastructure for MSME Supply Chain Finance. The fourth and final key priority area of Fostering Greater Economic Inclusion was spearheaded by none other than my dearest friend, the ever-hardworking, ABAC Brunei Member, Ms. Hafimi Abdul Haadii, and supporting her throughout was ABAC Brunei lead staffer, Rabi'atul Halim.

I would like to also express my sincerest gratitude to my fellow ABAC Malaysia Members, Datuk Ruben Emir Gnanalingam Abdullah, Group Managing Director of Westports Holdings Berhad, and Datuk Tengku Muhammad Taufik Tengku Kamadjaja Aziz, President & Group CEO of Petroliam Nasional Berhad, for their tremendous support and invaluable encouragement.

Finally, from the bottom of my heart, I would like to thank Mr. Haris Shaiful Bahari, lead staffer to the ABAC MSMEWG and ABAC Malaysia. His dedicated support to both me and the ABAC MSMEWG as a whole proved immeasurable.

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Introduction

The pandemic disruption forced a new reality on MSMEs - what is now called the new MSME economy. The true reality of the pandemic disruption is that it forced 56% of MSMEs to close. It was exceptionally harsh on women-led MSMEs, and other underrepresented groups. MSMEs in services, where in-person delivery was required, were particularly hard-hit. Those MSMEs that survived have been saddled with massive debt, and government support programs propped up an entire cadre of zombie MSMEs that continue to have a distorting impact on many markets.

But it also created a potentially brighter MSME future - a new MSME economy with new growth opportunities. By being forced to digitalize, MSMEs are now capable of operating in competing in new ways. Digitalization has reduced or eliminated many of the size and scale disadvantages traditionally faced by MSMEs. It is also extended their reach into new markets, GVCs, and created cross-border opportunities. Additionally, it has allowed MSMEs to access new financing alternatives and to engage with emerging two-sided MSMEs ecosystems.

Intended contribution of this research project is to complement the work of the ABAC MSME & Inclusiveness Working Group by capturing the opinions and insights of APEC MSME thought leaders through in-depth interviews, and by surveying APEC MSMEs and thought leaders. This report seeks to complement the working group's recommendations to APEC leaders with added insights.

The New MSME Economy – what's changed? [Section One](#) of our report focuses on the characteristics of the new MSME economy and the future readiness challenges MSMEs face as they learn to compete in the new MSME economy. It concludes with one of the key findings of our study. Our research found a wide array of support programs available in all APEC economies. However, we also found that the great majority of these MSME support programs and initiatives go unused. We dubbed this the "Supply versus Demand" problem. We recommend focusing on designing new approaches to deliver support programs to MSMEs.

MSME Digital transformation. [Section Two](#) provides a high-level overview of how the pandemic accelerated digital transformation in MSMEs, and how the emergence of digital ecosystems will allow MSMEs to operate differently and to prosper. It highlights a number of critical gaps. It brings to light how the pandemic disruption exposed APEC economies that were slow to invest in ICT infrastructure and how it put their MSMEs at a real disadvantage. It also highlights gaps in digital proficiency and cybersecurity preparedness. Our study reinforces the ABAC MSME & Inclusiveness Working Group's recommendations in addressing these critical gaps.

Inclusive MSMEs. [Section Three](#) tackles the economic inclusiveness challenge. It highlights why inclusion must be renewed as a central priority for all APEC economies. The pandemic disruption set back even the minimal progress made in inclusiveness. Our interviews sadly did not uncover any new silver bullets. What it did find is a widening gap between perceptions and reality. Today, people are eagerly willing to believe that things are better. Reality tells a different story. Without addressing the difficult reality of inclusion head-on, economies will continue to operate at less than full capacity limiting growth and prosperity.

Sections 4-7 focus on enablers of MSME resilience and competitiveness.

MSMEs in Services. [Section Four](#) focuses on a key idea that we believe could have a cascading effect on MSMEs across APEC economies. Digital technologies have created real new opportunities for MSMEs to enter and compete in digitally delivered services. The key insight for us was if economies were to prioritize their attention on supporting and removing challenges for MSMEs in digital services, it would have a catalytic impact on other MSMEs. More MSMEs, in particular women-led MSMEs, compete in the services sector. Concentrating and focusing attention on resolving challenges in financing and dispute resolution, improving payment terms, and harmonizing regulations across economies, first for MSMEs in digitally delivered services, would have a positive externality for all other MSMEs.

Financing MSMEs. [Section Five](#) focuses on new opportunities for financing MSMEs. The digitalization of finance is a potential game changer for MSMEs. The emerging supply chain finance innovations – e-Payments, e-Invoices, e-KYC, e-Contracts, etc., highlighted by the ABAC MSME & Inclusiveness Working Group all have a positive impact on MSME competitiveness. Our report stresses the potential breakthrough benefits that will come from making advances in developing non-collateral-based loans for MSMEs.

MSMEs in Trade & GVCs. [Section Six](#) reminds us of the catalytic impact on industries and economies that comes from globalizing MSMEs. Again, the focus is on the benefits gained from advances in digital technologies. With cross-border collaboration, policy makers can fully digitalize trade pipelines. Doing this would greatly enhance opportunities for MSMEs to compete either directly in cross-border trade or by participating in GVCs. A key insight that emerged in our research was the potential benefits that can be captured by supporting the emergence of collaborative digital ecosystems.

MSMEs & Sustainable Development. Our last section highlights the importance of engaging MSMEs in accomplishing sustainable development objectives. It, however, presents the on-the-ground reality in the new MSME economy. MSMEs are prioritizing survival over sustainable development as they attempt to recover from the pandemic disruption. This section concludes by stressing the importance of building the business case for MSMEs to engage in sustainable development practices.

Conclusions & Recommendations. The report concludes with overall conclusions and recommendations. It has three specific recommendations for policy makers:

1. Collaborate with SME associations and the business sector on new design and delivery approaches of MSME support programs.
2. Put digitally delivered services first on the APEC MSME agenda. Collaboration across APEC economies to eliminate the barriers and resolve the challenges that MSMEs face in digitally delivered services will open new opportunities. The positive knock-on effect will benefit all MSMEs.
3. Actively support the financial sector, including new innovative fintech firms, in developing data derived non-collateral financing alternatives.

It has two specific recommendations for businesses:

1. Collaborate with policy makers and SME associations in tackling the demand-side of MSME support programs.
2. Actively engage policy makers, Telcos, IT providers, large firms, and financial institutions in creating frameworks for the design, investment, and support of an industry focused ecosystem.

Appendices. Individual economy scorecards are provided in the appendix. The voice and opinions of APEC MSMEs are presented in a series of tables in the appendix.

Acknowledgements

The University of Southern California Marshall ABAC-MBA research team would like to begin our acknowledgements by expressing our deepest appreciation to the ABAC for the opportunity to engage in this field research project. This project afforded us the unique opportunity to gain insights from leading business executives, industry leaders, and policy makers across all of the APEC economies. We are grateful to all 61 of our interviewees for graciously sharing their experiences, knowledge, frustrations, and optimism with us. Their insights and recommendations are the foundation of this report. In particular, our sincerest gratitude is given to project sponsors **Dato' Rohana Tan Sri Mahmood of ABAC Malaysia** and **Ms. Hafimi Abdul Haadi of ABAC Brunei**. Their tireless and continuous support is superbly commendable. We express our deep thankfulness to **Mr. Sanit Viengsri and ABAC Thailand** for hosting us during ABAC IV. Without the support of the **ABAC MSME & Inclusiveness Working Group**, our research would not be possible. Thank you.

We also thank the **ABAC Secretariats from each APEC economy** who were a tremendous help in coordinating interviews and introductions. Moreover, we are grateful to the numerous business executives, leaders of non-governmental organizations, and government officials from every economy that provided us with information. Names of these individuals are not mentioned due to confidentiality, however, many of the organizations and companies who assisted are included in the appendix.

Furthermore, we would like to thank the following individuals who generously contributed time and insight to the development of this study:

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THE NEW MSME ECONOMY

Defining the Change

The New MSME Economy – How has it changed?

Uncertainty, digitalization, and ecosystems define the new economy for MSMEs in a post-pandemic world.

The COVID-19 Pandemic created new challenges for MSMEs.

The pandemic eliminated more than half of MSMEs, including many businesses with previously strong financials.

Supply chain activity decreased dramatically, and associated costs tripled as borders closed and geopolitical tensions rose. MSMEs that survived had to either take on debt or rely on economies' emergency support funding.

Despite these pressures, some MSMEs were able to quickly adapt and evolve. New technologies were leveraged to continue operations, and networks began to create collaborative ecosystems.

Economic uncertainty continues to impede MSMEs' willingness to invest.

MSMEs reported that survival uncertainty is the current dominant source of concern. This is fueled by concerns about financial security, supply chain complications, and onboarding technological innovation.

The uncertainty in the new market is actively discouraging MSMEs from investing in development necessary to climb out of low-productivity cycles.

Without assisting MSMEs overcoming this uncertainty, economies will see their businesses fall behind their peers.

The new MSME economy is digital first, creating new opportunities & challenges.

Thought leaders reported that MSMEs adopted digital technologies at a rate significantly faster than before to connect and catch up to a rapidly evolving customer base.

The data trail that is created from technologies like online platforms generate cascading opportunities for the MSMEs and other stakeholders in the market. However, many MSMEs lack the means, knowledge, and skilled resources to successfully leverage these digital solutions.

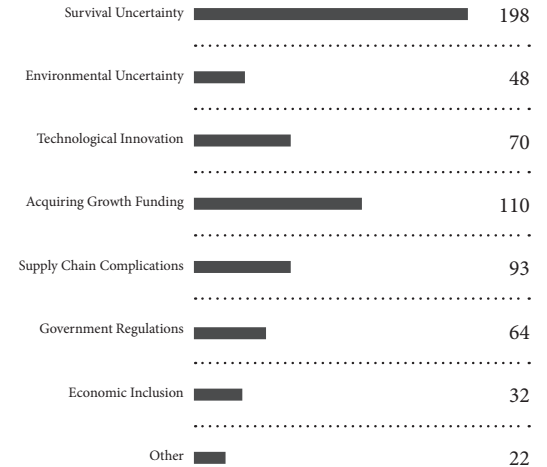
Continued development and promotion of digital skills is essential to the continued growth of MSMEs and the overall economy. Digitization is expected to transform the workforce and human capital landscape, and it will increasingly become more ingrained in everyday life.

Traditional business networks are rapidly evolving into digitally connected ecosystems.

MSMEs and thought leaders indicated that they are utilizing digital resources (e.g., video conferencing, information sharing platforms) to connect with supportive networks to solve business problems. These networks often took the form of public-private partnerships, and as more elements began to integrate, some have started to evolve in sustaining ecosystems similar to "competitive clusters" found around areas like Shenzhen, China and Silicon Valley, USA.

Survey respondents reported that

MSMEs main sources of concern are:



56%

MSMEs closed in 2020-2021 (UNCTAD, 2022, COVID Impact on MSMEs)

110%

Increase in government backed loans (OECD, 2022, Financing SMEs and Entrepreneurs 2022: An OECD Scoreboard)

\$3.14T

USD in direct public sector pandemic support to MSMEs (OECD, 2022, Financing SMEs and Entrepreneurs 2022: An OECD Scoreboard)

150M

Additional people pushed into poverty during the pandemic (World Bank, 2020 COVID to Add as Many as 150M to Extreme Poverty)

300%

Supply chain cost increases (ICSB, 2022, Global MSME Report).

Key elements of the new MSME economy

- MSMEs are still struggling with the economic consequences of COVID-19
- Geopolitical events, trade tensions, and supply chain shortages heighten market uncertainty
- Consumers are increasingly digital, are moving faster than MSMEs, and expect firms to keep up to earn business
- Digital skills and proficiency more important than ever
- Labor shortages are common, especially for digitally skilled talent
- MSMEs are particularly vulnerable to cyber threats and online fraud
- Remote work creates new opportunities to find talent and serve customers

What Does the New Economy Mean for Businesses?

What are MSMEs Saying?

Thought leaders reported a few key requirements for MSMEs and economies to succeed in the post-pandemic economy.

What does this mean for MSMEs?

FULLY EMBRACING DIGITALIZATION IS A NECESSITY.

- Digitalizing basic business practices creates new opportunities, including increasing customer interaction points, automating tasks, and improving efficiency.
- Thought leaders believe MSMEs that fail to keep up with customer digitization will continue to lose market share.
- The data that comes with digitization is essential for full participation in the new economy and ecosystems.
- Digital adoption comes with major knowledge and training obstacles, especially for micro and small enterprises.
- Fully digitized trade pipelines create greater opportunities for MSMEs that can be paired with single-window efficiencies.
- Digital advancement generates massive opportunities for MSMEs in digitally delivered services and in onboarding data backed financing.
- Participation in private-public ecosystems allows MSMEs to specialize and generate stable revenues in B2B markets.

INTEGRATION WITH NETWORKS AND ECOSYSTEMS WILL HELP MSME ACCESS RELIABLE BUSINESSES.

- Thought leaders believe that the nature of networks is changing.
- These are beginning to encompass elements of the public and private sectors in a way that is moving from basic advice and mentorship toward nearly self-sustaining ecosystems.
- Large businesses are likely to begin pulling MSMEs, public sector organizations, financial institutions, and others into their orbit in a way that creates synergistic effects as all elements will be able to connect with each other and share easily and instantly data through digital platforms.

What does this mean for Economies?

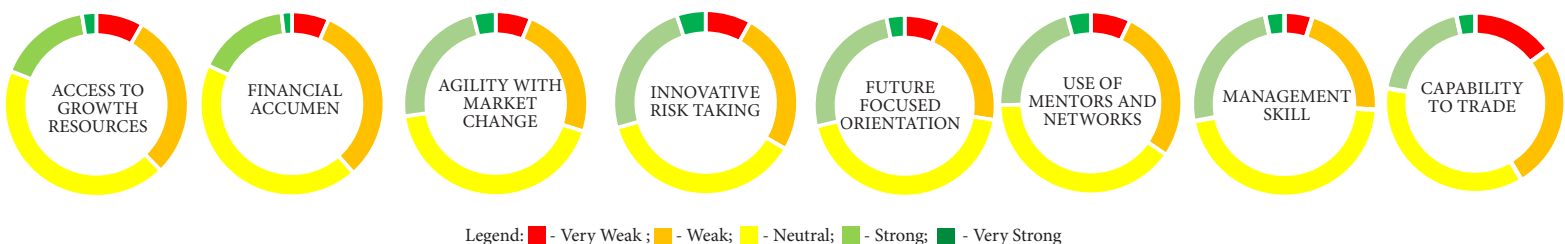
INVESTING IN DIGITAL INFRASTRUCTURE IS CRUCIAL TO ENSURE THAT ECONOMIES DO NOT FALL BEHIND.

- In order for MSMEs to achieve sustainability in the new economy, they need affordable, inclusive, high-speed Internet access.
- Economies that do not continue to invest in their ICT or broadband coverage will see their MSMEs fail to keep up with customer expectations, and the economies will fall behind.
- Enforcing data protection regulations and developing digital security legislations creates the right environment for MSME transformation.

REDUCING UNCERTAINTY AND REGULATORY BURDEN ARE TWO WAYS ECONOMIES CAN ENCOURAGE MSME INVESTMENTS.

- The burden of complying with unnecessary or complicated regulations is an important factor that adds unnecessary obstacles and locks MSMEs in vicious cycles.
- Economies should ensure rapid delivery of MSME policy support that is inclusive and reaches vulnerable MSMEs.
- Economies will soon have the opportunity to leverage the cumulative weight of MSMEs in achieving sustainable development goals.

Survey results show MSMEs are struggling with future readiness:





RETHINKING HOW WE SUPPORT MSMEs

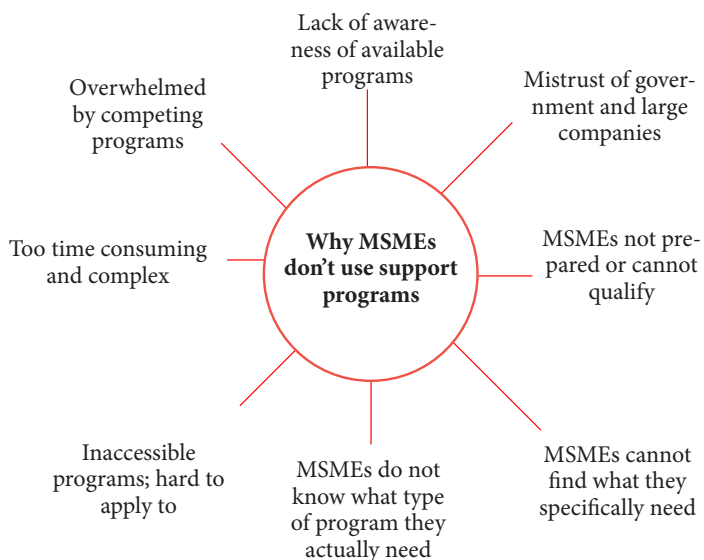
Designing MSME Support Programs from the MSME's Perspective

MSME support programs are unused or underutilized

Policy makers and the business sector in all APEC economies invest heavily in supporting MSMEs and helping them thrive in the new MSME economy. Unfortunately, the intended impact is not achieved. Only a small percent of MSMEs use available programs

Not more MSME support programs... the critical challenge is better delivery. Across APEC economies, with little variance, thought leaders reported limited use and poor results from both public sector and business-led MSME support programs and initiative. Our review of available MSME support programs within and across MSME economies showed an overwhelming number of initiatives and programs. There was no evidence of a lack of willingness by economies to fund and support their MSMEs.

The real challenge is on the MSME-side, the demand-side not the supply side. A key question we asked every APEC MSME thought leader was “what new big ideas should economies be focusing in on to improve MSME resilience in the post-pandemic MSME economy?” The consensus answer was “there are no new big ideas...” economies are essentially doing what is needed to help MSMEs thrive. In different words, across economies, thought leaders expressed that it is not a “supply side” problem – the availability of programs and initiatives to support and improve MSME resilience. The problem is on the MSME side - “the demand side” – MSMEs’ ability to receive the help provide to them.



"Japan has 3.58 million MSMEs. One program has 8,500 FTEs supporting it, but only 12,000 MSMEs use the program" Thought Leader, Japan

*"If all our government support MSME programs were to close today, very few, if any, MSMEs would notice!"
Managing Director, National Small Business Association*

"SMEs use about 20 different sources to find the right program, and 72 percent of them research for at least 30 hours a week for three weeks before deciding to join."



Rethinking MSME Programs and Initiatives: Designing Targeted MSME Programs

Economies will need to update and/or introduce new MSME support programs to ensure MSMEs are resilient and are able to thrive and grow in the new MSME economy. Unless new approaches are taken, MSMEs will not receive the benefits

CHALLENGES WITH EXISTING APPROACHES

Multiple uncoordinated, competing programs.

Tackling the challenge of uncoordinated, overlapping, and competing government sponsored and private sector programs is an important step. Establishing single-window, single portal, single entry points for MSMEs is critical.

A thought leader presented it this way: It is an efficiency problem. There are so many programs trying to do helpful things. We need to better convey to MSMEs what programs exist with a clear journey map. There needs to be simplicity of language to minimize the complexity.

Poorly designed MSME support programs.

A particular criticism of MSME training programs is they merely adapt and attempt to apply big firm business solutions and approaches to MSMEs. Chief among the criticisms is the assumption that “all MSMEs should grow to become bigger firms.” Not all MSMEs need to or should grow.

Limited understanding of MSMEs challenges.

MSMEs complain that policy makers and those tasked to represent their concerns do not adequately understand the real challenges of MSMEs. A particular criticism of MSME training programs is that these programs merely adapt and attempt to apply big firm business solutions and approaches to MSMEs.

Categorizing MSMEs on size/revenue is counterproductive.

The MSME classification scheme is based on government statistics categories. Continuing to use the size/revenue classifications for MSMEs contributes substantially to the MSME demand-side problem, leading to poorly designed programs, wasted resources, and increased frustration among MSMEs.

Disparate collection of programs, ideas, and aspirational goals.

Most MSME support programs are single-issue program initiatives. A disproportionate majority of MSME support programs focus on financing, and those programs focus on start-up and expansion financing. Ignored are the perhaps more important program relating to management practices, business R&D, firm linkages, and market access and feasibility.

A Canadian thought leader summarized it this way “we don’t which MSME programs work. And which don’t and why.” “We don’t really when and why MSMEs fail. We don’t know when the failure was introduced.” “We poorly understand the life cycles of MSMEs.”

RECOMENDATIONS FOR MORE EFFECTIVE APPROACHES

MSME “school”- a permanent systemic approach for supporting MSMEs.

To deliver the proper training and support to MSMEs in a way that is easily accessible to them, there needs to be a more permanent systematic approach; equivalent to “school” for MSMEs. Thought leaders recommended that economies approach MSME programs using a systematic life-cycle approach to supporting MSMEs with clear entry points.

Sector/Industry focused programs... we know one-size-fits-all programs don’t work

While MSMEs may be similar in size and scale, they span across different industries and have disparate challenges, needs, and goals; as such, a one size fits all approach is ineffective.

New MSME training approaches.

Opportunity exists to tie into advances in corporate training. Corporate training is pivoting away from “binge-learning” multi-day training programs to short micro-learning approaches. Microlearning delivers short, specific, bite-sized training content (delivered through videos, interactive guides, or short articles), specifically directed toward people who are too busy to engage in alternative learning. Additional learning approaches and content delivery methods recommended include using “Inspiring videos” produced and delivered in tik tok-like lessons, peer-to-peer learning delivered to smart phones. Buddy system learning and “gamifying learning” with healthy competition, have proven effective new training approaches.

PATHFINDER APPROACH: Private-Public digital Ecosystems (PPEs)

Industry-focused collaborative private-public digital ecosystems are being documented (BCG 2022), as effective ways to better engage and support MSMEs. While beyond the scope of this research project we wanted to highlight this new development as a potential pathfinder approach to building resilient competitive MSME ecosystems. Focusing attention of developing industry-specific collaborative private-public ecosystems that engage MSMEs could potentially produce cascading effects.



MSME DIGITAL TRANSFORMATION

Unprecedented Opportunities

The pandemic changed the landscape for MSMEs, rapidly accelerating digital transformation

The Covid-19 pandemic accelerated digital transformation for MSMEs

Covid-19 has accelerated the digital economy by 7 years, and APAC by 10 years (Huawei, 2022). Amid the Covid-19 pandemic, the process of digitalization created new opportunities for MSMEs, particularly in areas such as e-commerce, digital marketing, online education, online working, and online business-to-government interactions. With this change comes significant opportunities, but also tremendous challenges.

The digital divide expanded rapidly, and MSMEs and economies who are starting to build digital capability now will continue falling further behind. Infrastructure, digital proficiency, and skills gap remain primary divers behind the digital divide. Government and private enterprises must provide affordable and accessible support to assist MSMEs and prevent many from being left behind.

53%

Of MSMEs interviewed do not use cloud-based technologies for their business management needs

88%

Of MSMEs do not have a comprehensive understanding of cyber threats

67%

Of MSMEs interviewed indicated that MSMEs digital training was very limited or inaccessible

61%

Of MSMEs interviewed do not leverage mobile commerce.

The adoption of digital technologies has an accelerating impact on MSMEs by:

Improving the customer experience by increasing customer channels and customer support capabilities

Accessing the global talent pool and capitalizing on a skilled remote labor market

Easing business-to-government interactions, reducing processing time and costs, and increasing trust in government agencies

Handling bigger transaction volumes and reaching new customers in international markets, particularly in the e-commerce space

Establishing a digital record of business operations which can be used to evaluate credit worthiness and access credit

Improving efficiency in supply chain management through interconnectivity, automation, and data-based predictions

Streamlining cross-border trade, especially of digitally delivered services

Improving economic inclusion as underserved and underrepresented groups can overcome barriers and reach new markets

Digital Ecosystems will allow MSMEs to prosper

Digital Ecosystems provide a wider array of interconnected services and products to MSMEs in a more efficient way than if providers were to act alone – creating a two-way self-sustaining relationship with a cascading effect.

A digital ecosystem is a network of inter-connected companies or products, partnering to offer a wider range of products or services than they could on their own. Digital ecosystems allow MSMEs to better meet evolving customers' demands, develop innovative business models, test them on the market, and transform their value chain.

MSMEs cannot always achieve their digital transformation goals with their own resources. Within digital ecosystems, the integration of business-to-business (B2B) practices, enterprise applications and data allow MSMEs to leverage new and old technologies, build automated processes, and consistently grow their business. APEC economies need to encourage the development of strong digital ecosystems that allow MSMEs to digitalize, reach new customer segments, reduce cross-border challenges, and increase their network.

The COVID-19 pandemic has strengthened the role of online platforms by serving as main channels for growth to MSMEs going digital (OECD, 2021). Some of the benefits of online platforms include:

- Positive network effects
- Enhanced client trust
- Access to global markets
- Advanced analytics
- Broader marketing/advertising
- Lower transaction and financing costs.

Some examples of these platforms include Amazon, Alibaba, Ebay, DoorDash, PayPal, Square, Airbnb, etc.

Governments should play an active role in increasing adoption of these tools, while also raising awareness of their risks. Governments should invest in the development of skills of these business owners, as well as increased awareness related to potential cyber and data threats. This can be done through awareness campaigns, consultancy vouchers, self-assessment tools or training.

The electronic payment systems allow MSMEs to be part of digital ecosystems.

E-payments enable MSMEs to drive higher sales across more channels, like online and mobile, in addition to their physical stores. Government endorsement of e-payments would motivate MSMEs to adopt these technologies, promote healthy competition between traditional and non-traditional banks, and encourage financial innovations within the economy.

Digital IDs provide reliable authentication and allows individuals and businesses to trust each other online

In APEC economics, Digital IDs is in need for both the consumers (protect them from fraudulent attacks of online vendors) and for the online sellers (protect them from all kinds of fraud).

Digital IDs limit MSMEs exposure to fraud, in which MSMEs are required to take on the loss accrued due to disputed transactions. Working with business partners without undergoing a proper due diligence and vetting process may result in failed business relationships and significant losses incurred by MSMEs.

With cloud technologies, MSMEs can improve security, reliability, and flexibility

Cloud computing enables MSMEs to be more agile, resilient and connected, by allowing them to overcome the limitations of the physical office and empower their employees to work from anywhere, at any time.

Cloud computing allows MSMEs to:

- Enhance collaboration
- Access data from any internet-connected device
- Share files securely
- Enhance operational areas, such as sales development, accounting and finance management, and marketing communications

How do we address gaps in developing digital ecosystems?

Improving digital proficiency is the most important enabling factor for MSMEs growth

The digital divide is an expanding barrier for MSMEs attempting to survive and prosper in the post-pandemic economy.

Skill gaps and a lack of awareness from business owners about the applicability of technologies slows adoption and expands the digital divide.

New Zealand: Digital Boost Initiative

Digital Boost is a free digital skills training platform available to all MSMEs to accelerate their digital transformation and build trust in digital tools. The training platform offers over 500 video tutorials, Q&A sessions, daily live workshops with experts, and live helpdesk support.

Many MSMEs will be unable to achieve a digital transformation without support.

Governments and business can promote digital training and upskilling by:

- Reducing training costs through tax incentives and subsidies
 - Connecting MSMEs to digital talent
 - Promoting micro-learning by breaking complex topics into short and digestible learning sessions viewable at the convenience of MSMEs
 - Leveraging Public-Private Partnerships (PPPs) for the expertise and resources of the private sector
-



Business incubators and accelerators also provide a range of educational services to support MSMEs

MSMEs will benefit from systems that improve the business environment through innovation programs that have education measures targeting entrepreneurship and digital skills, as well as greater networking opportunities.

While MSMEs establish and develop quickly, they are in need of an ecosystem which encourages physical spaces for them to work, expand networks, and gain training. Co-working spaces, incubators, and accelerators help MSMEs bridge gaps in networks, access to resources, and in some cases, financial backing.

Cybersecurity preparedness is essential to a prosperous and productive digital ecosystems

MSMEs are unequipped to combat threats, and cultivating a strategic plan to respond to the cybersecurity challenge can have multiplying effects in MSMEs and consumer confidence.

MSMEs require support and affordable offerings to cyber-resilience and readiness. APEC economies must invest to develop talent, strong security technology, and leading global standards to drive cyber-resilience and readiness.

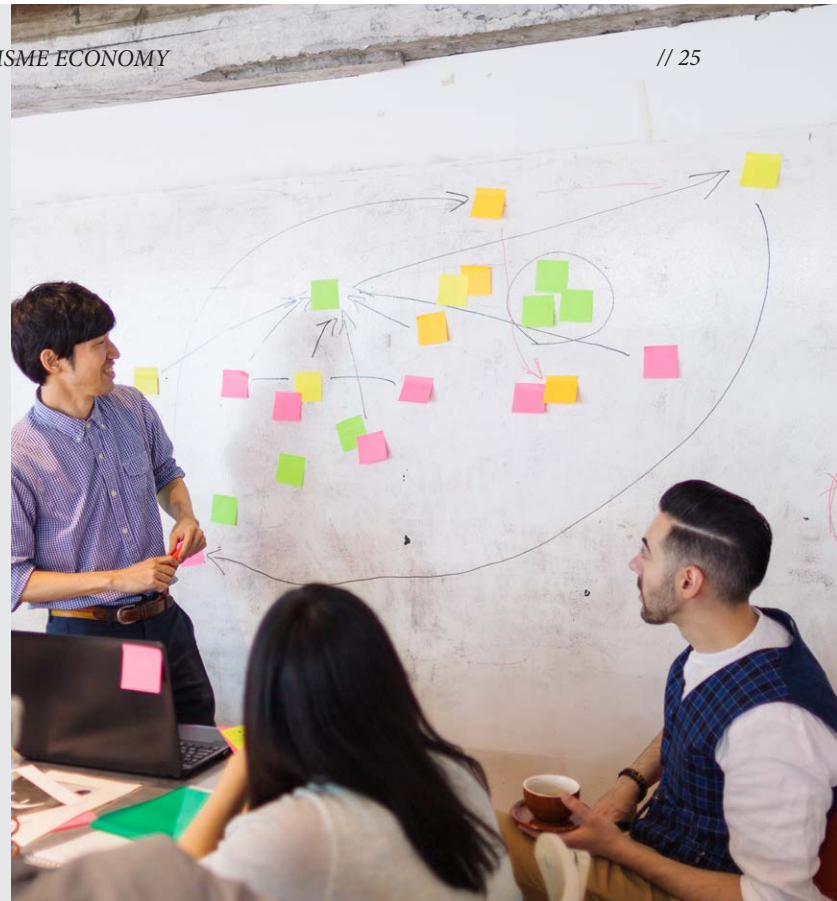
Cybersecurity capabilities not only prevent criminal activity, they also build public trust.

Many emerging digital technologies include confidential business and customer information that can be jeopardized through cyber threats. Widescale public adoption of these technological capabilities will require this fear to be mitigated by strong cyber protections that continually build trust and confidence.

APEC economies are responsible for enhancing trust in digital solutions and encouraging MSMEs from participating in the digital economy.

Public and private sectors in APEC economies must collaborate to tackle data protection and privacy issues, including cybersecurity and protection from digital fraud by:

- Creating cybersecurity awareness across the population
- Regulatory coordination across agencies
- Information sharing between public and private organizations to create best-in-class capabilities
- Supporting MSMEs to increase adoption of cyber protections



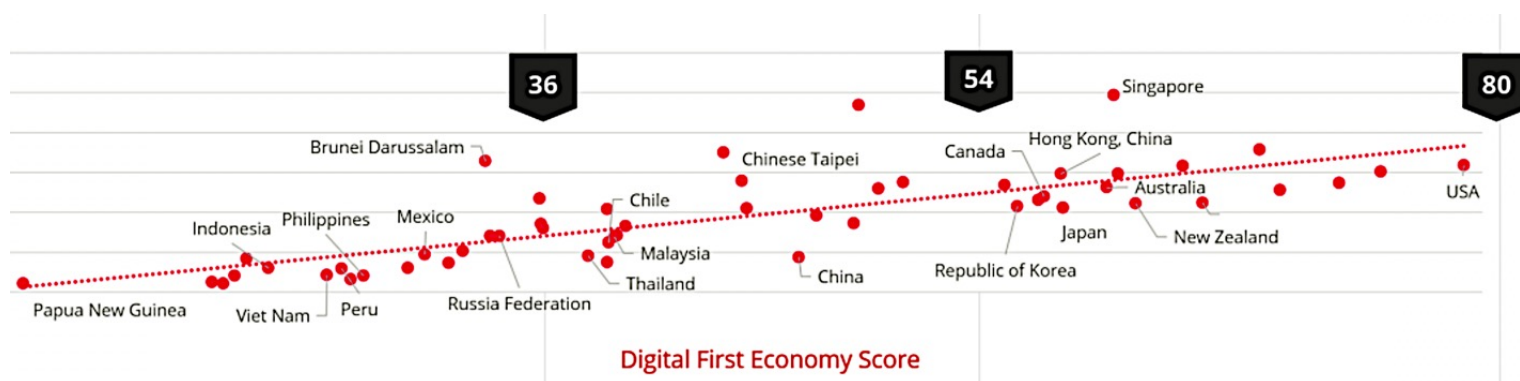
ABAC Proposal

In the 2022 Towards a Cybersecure APEC Report, ABAC proposes the development of a shared cybersecurity platform to (ABAC, 2022):

- Mainstream the development of cybersecurity awareness and skills amongst the general population
- Establish a process to achieve alignment of cybersecurity regulations
- Create partnerships between public and private sectors on regional information sharing
- Support MSMEs in the adoption of sophisticated security practices and tools, and partner with large firms across the region to provide resources and information on building a culture of cybersecurity.

To achieve successful MSME digital transformation, economies must consider their current state and the challenges faced by MSMEs

Our review of existing research and interviews with thought leaders in APEC economies highlighted that the MSME challenges are largely tied to the stage of digital development of the economy. Therefore, to more effectively outline the MSME challenges, we have utilized the categorization outlined in the Digital First Economy Report (Huawei, 2022).



Adopter Economies

Economies with policies in place to support the development of a robust digital economy but lack nationwide digital connectivity.

- Trouble accessing broadband and phone services, as a result, reducing effectiveness in business communications and overall access to information
- Lack of digital literacy and talent, limited awareness and knowledge on how to modernize business processes, and lack of financial resources to get external IT support or training.
- Lack of protection from online misinformation and inability to discern between safe and unsafe digital tools
- Vulnerability to ransomware attacks and data breaches
- Lack of a centralized support directory where MSMEs can seek relevant information across government agencies

Accelerator Economies

Economies with policies that focus on industry digitalization but need to further drive cloud computing and accelerate digitalization.

- Difficulty keeping up with the pace at which technologies evolve, losing out to large corporations who have the financial and human resources required to undergo digital transformations
- Overemphasis on digitalizing general administration and marketing, with limited capabilities to leverage more sophisticated technologies for data analytics and enterprise planning
- Limited access to the relevant talent and skills needed to transform their business operations
- Little to no government incentives for MSMEs to digitalize and expand to international markets
- Difficulty managing evolving government regulations and restrictions

Advanced Economies

Economies that regularly upgrade their networks and mandate a cloud-first environment with ICT and talent investments as their priority.

- Inability to manage increasing customer expectations and operations, including customer support, customer data, and sales automation
- Limited awareness and resources to increase defenses against phishing and malware attacks
- Limited understanding of long-term benefits of digitalization, limiting productivity enhancements and cost reductions
- Disjointed systems across the enterprise, impacting data quality, productivity, and access to real-time insights
- Lack of a long-term culture of innovation that encourages employees to initiate and implement transformation processes

INCLUSIVE MSMEs

Getting it Right Through Action

Programs that improve inclusion haven't changed, but require additional effort

Closing the gender gap in business continues to be the greatest opportunity to improve economic outcomes, but thought leaders had few to no recommendations on how to improve inclusion.

The current economic gender gap will take 268 years to reach parity.

Pre-pandemic it was 257 years, representing another setback for economic inclusion. (WEF).

Women make up roughly half of the world's population yet make up only 39% of global employment. Failing to fully engage the potential of women will diminish opportunities for economic growth and prosperity.

The pandemic dramatically and disproportionately impacted women and women-led MSMEs globally. Women accounted for 54% of global pandemic job loss as they disproportionately assumed homemaking, childcare, and other domestic responsibilities (McKinsey, 2020, COVID-19 and gender equality).

Reversing this backwards step on inclusion will require intentionality and increased efforts.

There is an alarming discrepancy between the reality and perceptions regarding inclusion. Men and women continue to have differing views.

Cultural barriers continue to drive the exclusion of women – implicit and explicit bias are common. Both interviewees and survey respondents tended to answer in politically correct ways, yet upon further examination demonstrated significant bias.

However, there are new opportunities for women in the new MSME economy, especially digitally delivered services.

“There’s absolutely no differences in opportunity or discrimination between men and women... the problem with women’s progress is pregnancy.”

– Thought Leader when asked about the state of women, demonstrating the one of the more extreme examples of bias.

84%

of survey respondents believe women-led MSMEs were not disproportionately impacted by the pandemic – demonstrating a weak grasp on the reality of the situation

\$12T

potential global GDP growth if gender equality is achieved.

(McKinsey, 2015, How advancing women's equality can add \$12 trillion to global growth)

Mastercard Women's Inclusion Index

APEC Rank	Economy	Score
1	USA	69.9
2	New Zealand	69.8
3	Canada	68.6
4	Australia	67.2
5	Chinese Taipei	66.3
6	Hong Kong	62.7
7	Singapore	62.2
8	Thailand	61.8
9	Chile	61.7
10	Indonesia	60.5
11	Philippines	60.4
12	China	60.2
13	Malaysia	59.3
14	Russia	59.2
15	Korea	58.5
16	Peru	56.2
17	Viet Nam	54.7
18	Mexico	53.3
19	Japan	51.3
20	Brunei	N/A
21	Papua New Guinea	N/A

Improving women’s inclusion requires a renewed focus and a new level of intensity

Economies must restart inclusion efforts by implementing effective proven programs – most critical is improving women’s rights and protections. This requires intentionality. The alternative – inaction – will be devastating.

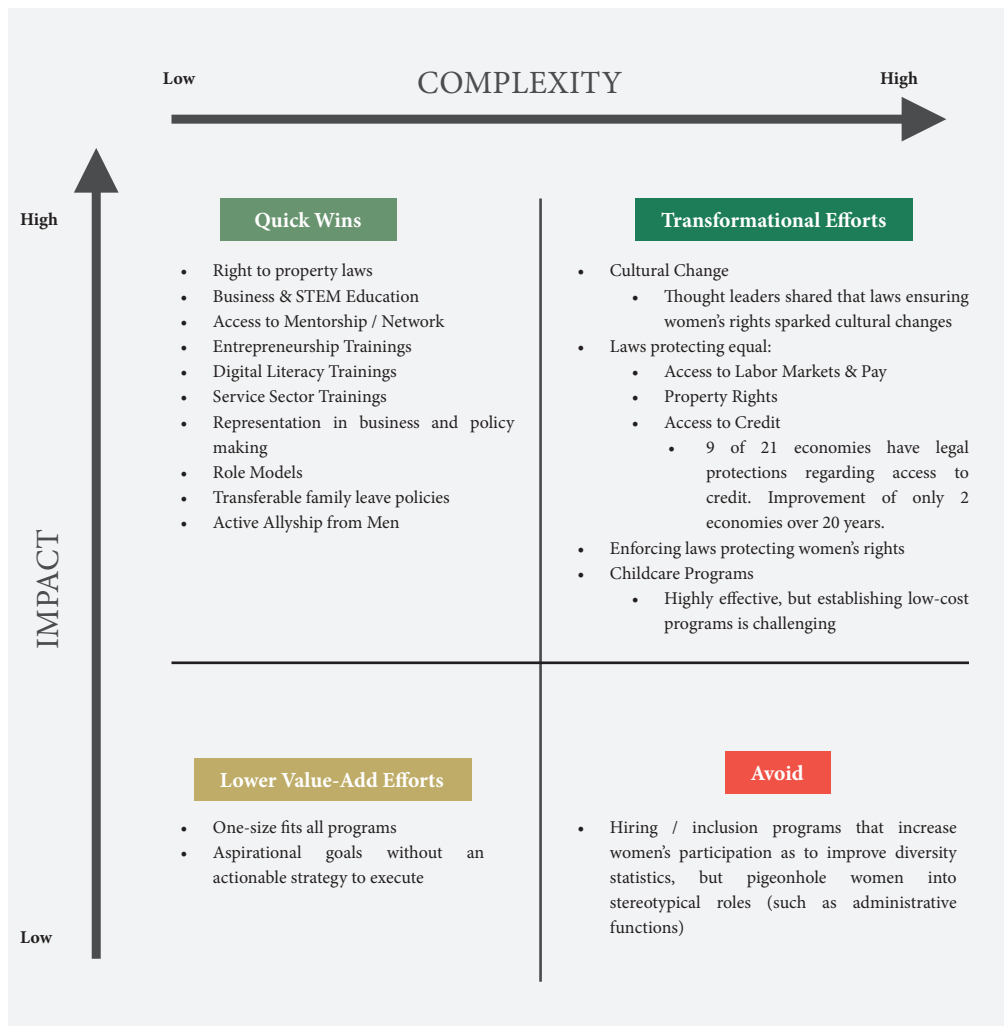
Increased consideration of women’s needs and further outreach is critical.

The types of programs that improve inclusion haven’t changed, but the circumstances have. Outreach to women to connect them to these programs will need to be adjusted to reach them more effectively as more women are at home. Digital delivery of training could bridge this gap. Additionally, women will need additional support as they transition into the workforce.

Historically, the implementation of inclusion strategies are composed of goals without action steps to achieve. To reach more successful outcomes, goals and initiatives need to be more specific.

Initiatives with positive results must be renewed and tweaked to drive progress. Throughout our research and interviews we found numerous examples of successful initiatives that were stopped due to timeline constraints, stagnating progress for women.

The matrix below, categorizes women’s inclusion initiatives into four quadrants based on level of effectiveness and complexity of achieving inclusion goals.



Youth & Seniors: A generational transition & an opportunity to support and learn from each other during disruption

Many of the challenges that youth and seniors face in MSMEs can be addressed through partnerships with one another.

Youth are eager to be entrepreneurs, but need a jumpstart

Estimates indicate that 40-45% of youth are interested in entrepreneurship but are about half as likely as all adults to be self-employed.

Youth-led MSMEs face numerous challenges and most often close due to profitability issues. Youth tend to have a slight advantage over other MSMEs in terms of digital proficiency, making them more likely to succeed in the new MSME Digital First Economy.

Engaging with existing MSMEs can provide exposure to entrepreneurship and provide youth with skills necessary to running their own MSME. Working in or “shadowing” MSME leaders provides youth with mentoring and low-risk exposure to running their own businesses providing them with a realistic view of business ownership and valuable skills.

Youth programs that are especially helpful include:

- Foundational business & entrepreneurship trainings – with less experience, youth require additional levels of training
- Assistance establishing networks, mentorship, and coaching – tend to have smaller networks due to shorter professional tenure
- Incubators – connect youth to essential resources that help develop sustainable business models
- Specialized financing – lack of credit history and lower levels of collateral make financing especially challenging.

68%

of survey respondents do not feel that youth support programs are widespread and accessible

80%

of survey respondents do not feel that senior support programs are widespread and accessible

Seniors are consistently underserved by support schemes

Seniors are more likely to start business out of necessity, face higher levels of self-employment and are more likely to have employees than any other age group (OECD). Forced retirement programs and rising costs of living drive seniors back into the workforce, as they are financially unable to retire. Declining rates of self-employment is creating a crisis for seniors seeking to transition out of businesses without exit strategies.

Programs that are especially helpful to seniors include:

- Technology training – digital proficiency remains the most common skills gap.
- Re-establishing or adjusting networks – while seniors have existing networks, many connections may have fallen out of touch or not be especially useful.
- Transitional skills training – adjust skills from employee to entrepreneur.
- Exit strategies – a reoccurring theme in our interviews is that there is a seniors do not have many options to exit or cash out of their business.

Opportunities for cross-generational learning

Youth and seniors have an opportunity to address many of each other's challenges and shape their futures together. Youth can address gaps in seniors' technology proficiency, while seniors can teach business and entrepreneurship skills and provide mentorship to youth. Together these groups can learn from each other to grow businesses and networks.

A self-reinforcing ecosystem for Youth and Seniors could assist both groups where they need it most. This relationship could provide additional stability and assist in a generational transition of MSMEs – rapidly accelerating the curve of starting and understanding a business while providing an exit strategy to seniors.

Indigenous Peoples – Require additional outreach and support to improve business and community outcomes

Case studies show programs for Indigenous peoples have strong impact to economies' GDP growth

There are 370 million Indigenous peoples living in the Asia-Pacific region (70-80% of the global population of Indigenous peoples) (ILO, 2019, We need Indigenous communities for a better world). Despite this large population the outreach for Indigenous groups has been varied and smaller scale. Data continues to be quite limited making it impossible to understand situation these groups face.

Indigenous peoples are highly vulnerable groups in society, particularly during global crises. Indigenous peoples are disproportionately disconnected from other social groups.

Governments are often unable to provide effective support to these groups.

Indigenous groups face several unique challenges:

- Access to networks and mentorship due to geographic remoteness and language barriers
- Technology infrastructure & digital literacy
- Continuously widening educational divide between Indigenous Peoples and general population which continues to widen
- Most work in the informal
- There is minimal engagement in policy making
- Limited access to capital and market information

What works:

- Community approach
- Improved access to financing
- Better access to education
- Job training programs
- Digital infrastructure & literacy

What additional work needs to be done:

- Improved data collection
- Inclusion of Indigenous groups in policy making
- Outreach to remote areas

In Canada and New Zealand, inclusion of Indigenous Peoples has boosted national GDP by ~3% and ~6% respectively

(Statcan, 2021, A snapshot: First Nations people in Canada; WEFForum, 2022, How Indigenous Peoples are reshaping modern economies).

78% of survey respondents do not feel that support programs for Indigenous Peoples are widespread and accessible

Indigenous peoples account for:

Initiatives Improving Inclusion of Indigenous People - Canada

- In Canada, the government sought to advance the Indigenous peoples' access to economic opportunities by incorporating their interests in international trade.
- Created an Indigenous Working Group – Global Affairs Canada
- Focus on fostering dialogues, learning, and developing evidence-based policy to respond to the needs of the Indigenous Peoples in trade negotiations (APEC, 2020, Implementing Inclusion).

5%

of the world's population

19%

Of the world's extreme poor (APEC, 2021, Understanding the Economic Impact of COVID-19 on Indigenous Peoples)

85%

Work in the informal sector (APEC, 2021, Understanding the Economic Impact of COVID-19 on Indigenous Peoples)

<50%

Of Indigenous communities have internet access at home – many do not have access at all (APEC, 2021, Understanding the Economic Impact of COVID-19 on Indigenous Peoples)

Formalizing the Informal Economy – A critical action step towards inclusion

Informal MSMEs should be provided incentives and programs to provide value to them as formalization will have a positive cascading effect across economies and communities.

Formalizing businesses into the economy is a vital and often overlooked aspect of economic inclusion.

Informal MSMEs are unable to receive critical support to improve the viability of their businesses and develop their community.

Due to the lack of support available, informal MSMEs and their employees were disproportionately impacted by the pandemic.

Informal MSMEs are often formed by underserved and underrepresented communities. Informal employment among developed countries is on average 18.3% in comparison to developing and emerging countries, with an average of 69.6% (International Labour Office, 2018, Women and men in the informal economy).

Economies are negatively impacted by informal businesses. Informal businesses can undercut prices of the formal sector, and they are more susceptible to exploitation and government corruption. Guadalajara, Mexico launched an electronic business licensing and land use system in 2018 resulting in 74% fewer bribery cases (APEC, 2022, Stepping Outside the Shadows: Informality and Digitalization).

The vast majority of informal MSMEs are created out of necessity or lack of awareness; many remain informal because they see no benefits in formalization. This leads to a problem of governments being unable to help businesses they don't know exist and sparks a vicious cycle for MSMEs.

MSMEs should not fear penalties for formalizing. Many MSMEs fear that they will be incurred penalties when they register their businesses, such as back taxes. Amnesty could be an option to promote formalization.

Incentives should be used to promote formalization. Incentives such as microloans, trainings, and cheaper access to supply chains could provide a strong incentive for registration.

Registering businesses needs to be quick, easy, and should highlight benefits. Time remains the MSMEs' scarcest resource, simplifying registration both in terms of determining the process and registering should reduce burdens on businesses.

MSME support platforms can help register MSMEs and provide essential management capabilities. Most Australian MSMEs use a digital accounting system which feeds into Australia's digital tax system. These platforms are inexpensive, simplify work for MSMEs, and reduce informality.

2B

People work in the informal sector representing ~61.2% of global employment (International Labour Office, 2018, Women and men in the informal economy).

75%

75% of survey respondents did not feel that formalization efforts are effective.

2x

More likely that people working in rural areas are informally employed than those in urban areas (International Labour Office, 2018, Women and men in the informal economy).

“The contribution of the informal sector in APEC economies was between 8.2 percent (US) and 56.6 percent (Peru) of the economy’s official GDP in 2018”

(Stepping Outside the Shadows: Informality and Digitalisation, pg 2)

MSMEs IN SERVICES

A Cornerstone of the New MSME Economy

MSMEs in Services: Unprecedented New Growth Opportunities

The new MSME economy will continue to be heavily service focused, albeit with some significant changes.

MSMEs in the services sector are an APEC priority.

The well understood reasons include:

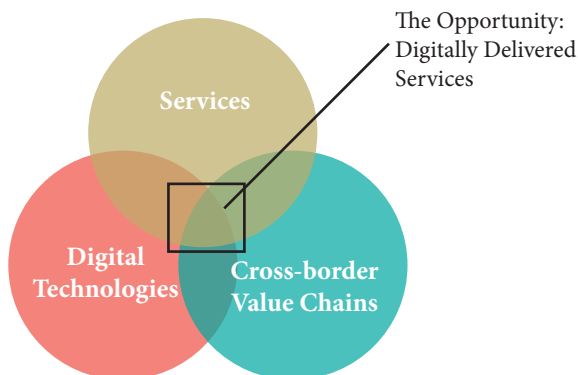
- MSMEs are disproportionately in services
- Services are comparatively higher-margin business activities, pay higher wages, and are typically more innovative
- Services businesses avoid many of the scale-related issues of physical goods businesses
- Start-up costs and capital expenditures in services businesses are typically much lower than comparative agricultural and manufacturing businesses
- MSMEs that get into tradable services grow faster and have a more positive impact on their economies
- Digitally delivered services eliminate physical distance and open the world of opportunities to entrepreneurial MSMEs
- Increases inclusion, as it offers women, seniors, and youth more opportunities

Unprecedented opportunities in digitally delivered services.

The “next big things” will come at intersection of digital technologies, services, and cross-border trade. Unprecedented opportunities exist for enterprising and forward-thinking entrepreneurs’ opportunities to re-invent traditional services business.

Advancements in digital technologies led to even more traditionally in-person services changing radically. The pandemic forced creative thinking within education and health services. Further advances only serve to create new opportunities:

- Remote working is likely to become a permanent feature in MSMEs, enabling them to leverage digital talent without physical presence requirements
- Digital technologies make it possible to implement new ways to communicate with customers, automate business processes, and optimize production operations
- Advances in virtual reality and augmented reality stand to fundamentally change how consumers interact with businesses



*The pandemic caused
services trade to decline by*

22.3%

*in 2020; more than double
the decline following the
2008 financial crisis.*

(APEC, 2022)

70%
Of MSMEs are in
the service sector
(WTO, 2016)

85%
Of micro businesses
are in services
(WTO, 2016)

2/3
Of women-led MSMEs
are in services
(APEC, 2022)



Digital Services have a Cascading Impact – they must be prioritized & supported

Focus on Services, first.

There is real merit in economies focusing, first, on promoting MSMEs in services. Opportunities at the intersection of digital technologies, services, and cross-border trade can be fertile ground for entrepreneurial MSMEs that can drive economic prosperity. This brings into play the comparative advantages of economies with lower cost skills. Specifically, this could be an opportunity for emerging economies with sectors of talented individuals to offer their services globally

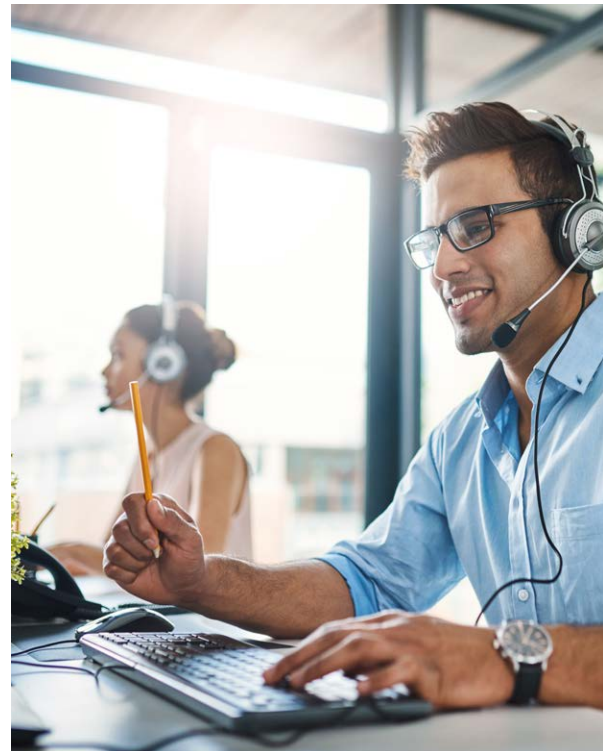
Benefits to MSMEs from digitalizing delivered services include:

- Improving the regulatory and operating environment for MSMEs in tradeable services
- Accelerating advances in developing alternative transaction-history derived MSME loan-worthiness assessments
- Adopting and maximizing benefits from digital business solutions such as e-Invoices, digital IDs, e-Contracts, digital banking and financing, etc.
- Moving to enforce shorter, more rapid payment periods for services MSMEs in the global supply chains of large global MNCs
- Establishing an e-Services platform, and integrated services for MSME in international trade (e.g. ISMIT)
- Reducing transaction costs
- Increasing access to need talent, including securing needed skills and global markets
- Access to financing beyond local financial institutions. Digital financing is a potential game changer for MSMEs offering them better products at more competitive rights
- Accessing new markets, both domestically and globally. Digital technologies remove geographic constraints, allowing MSMEs to effectively consider the entire world as their market and or as potential supply partners. MSMEs are no longer constrained to delivering services domestically or to local GVCs.
- Gaining increased access to opportunities to collaborate in global value chains
- Avoiding at-the-border trade barriers
- Allowing MSMEs to become highly specialized best-of-breed competitors who can now offer their services to customers globally
- Both providing and leveraging B2B and B2C services. MSMEs now can leverage partner firms for business management solutions such as HR, accounting, inventory management, marketing and branding, etc. Being able to access these business solutions globally offers MSMEs access to higher quality solutions and options

Supporting MSMEs in Services Economy

There is a clear consensus on what needs to be put in place to improve the resilience of MSMEs in services. The APEC PSU (2022) briefing highlights:

- **Enhancing digital skills and digital literacy.** Without adequate support and training MSMEs will quickly fall behind larger better resourced firms. Obtaining digitally skilled talent is a critical challenge.
- **Ensuring digital access.** MSMEs without affordable access to digital hardware and internet connectivity will not be able compete. Economies that lag in digital first economy infrastructure harm the competitiveness of their MSMEs.
- **Adopt a coordinated approach to the regulation of digital technologies.** Uncoordinated piecemeal regulations combine to inhibit the resilience of MSMEs.
- **Actively support new MSME financing approaches.** Guide and encourage digital banking solutions and fintech firms that focus on financing MSMEs in services.
- **Tackle cross-economy regulatory heterogeneity.** Coherence in digital trade rules, interoperability, and plain language regulations are crucial to enabling services MSMEs to engage in international trade.





FINANCING MSMEs

Digital Approaches Provide New Solutions

Access to finance remains a critical constraint for MSMEs, but is demonstrative of the supply-side demand-side issue

The COVID-19 pandemic accelerated digital transformation for MSMEs

Despite focus, access to finance remains the top cited obstacle experienced by enterprises trying to formalize and grow. Given the plethora of programs that outlay funds for MSMEs, there is an evident mismatch of effort and outcome.

Access to finance did not worsen for MSMEs due to the pandemic. Support programs, monetary easing measures, and governments stimulus packages provided emergency capital and policies to reduce burdens to help MSMEs survive.

The pandemic brought to the forefront new opportunities to improve access to capital for MSMEs, with digital providing new solutions for more MSMEs.

Impacts of the pandemic on MSME Financing

- +** Use of digital solutions like e-payments and e-invoices across supply chains increased during the pandemic.
- New alternative lending models have emerged that leverage technology to utilize alternative data to derive business credit worthiness.
- Fintech enabled new forms of financing emerged to respond to the surge of loan applications triggered by business shutdowns and layoffs.
- Lower interest rates have led to over-leveraged MSMEs.
- The initial boost in liquidity led to poor business decisions – some companies expanded capacity faster than demand leading to lower focus on profits.
- Rise of New Zombie MSMEs: Emergency funding and policies provided cheap credit that gave birth to zombie firms – firms that are unable to generate enough profits to cover debt-servicing costs and that need to borrow to stay alive.

40%

Formal MSMEs in Developing Countries are underfunded or unfunded (World Bank SME Finance)

32%

Women-owned businesses comprise 23% of MSMEs and account for 32% of the MSME finance gap (SME Finance Form, SME Finance Gap)

\$5T

MSME finance gap in developing countries, 1.3x times the current level of MSME lending (OECD 2020, "COVID-19 Government Financing Support Programmes for Businesses")

2.5/5

Ease of access to financing across APEC Economies as reported by survey responses

MSMEs need Non-Financial and Policy Support

Improve traditional lending using new technology and big data

- Invest in process automation
- Encourage innovative use of technology and data sharing

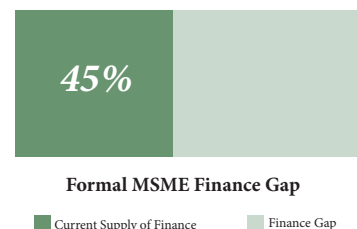
Broaden the range of financing

- Form special investment funds for SMEs
- Improve SME access to capital markets
- Strengthen the Angel and Venture capital ecosystems

Design an appropriate regulatory environment for Fintech

- Launch programs to improve financial literacy and education for borrowers and investors
- Regulate detection of fraud, data leaks, and cyber criminality
- Enabling a legal framework to accommodate technological changes (e.g., contracts, data ownership, and digital payments)

Focus on non-financial, advisory, and educational support



Acquiring Financing that Corresponds to Growth Stages requires tailored advice

MSMEs in different stages have distinct needs, and often do not know which source of funding to access

CHALLENGES

POSSIBILITIES

MSMEs have no track record to qualify for a bank loan. Owners often shell out from their own pocket or take a personal loan

Inception

Companies should be encouraged to seek angel funding and/or access government backed startup funds

As the business develops a customer-base, it issues invoices and starts selling on credit.

Seed

Accounts Receivables can be used as security for invoice financing

Companies have survived the riskiest stage of the business cycle and have a cash flow outlook but still do not have physical assets to be used as collaterals

Growth

Equipment and business finance can be given out on the basis of cash flow outlook

Companies develop robust cash flows and strong assets on the balanced sheet

Expansion

Equipment, business Invoice, and trade financing can be made available.

Rapid growth slows down and businesses decide to run or sell

Maturity

Continue to access secure debt financing at attractive rates

While there is capital, economies need to invest in mechanisms to provide non-financial and educational support to help MSMEs find the right source of funds and access them.



Digitalization of Finance is a Potential Game Changer

MSMEs remain underfunded despite the system having under-utilized capital. Digitalization of finance can help bridge the gap connecting more MSMEs to financing and improving capital deployment.

Alternative Means of Assessing & Accessing Finance

Digitalization of finance creates opportunities for financial services companies to leverage data to access customers. Demand-side platforms have the ability to gather data to access MSMEs on verifiable performance to determine viability and credit worthiness.

Lower Cost of Service for Financiers

Banking MSMEs is a volume game for financial institutions given the higher risk profile and lower levels of returns. Evaluating businesses and creditworthiness of business is very expensive and time consumer, but digitalization of lending processes could dramatically reduce costs and accelerate service time for MSMEs.

Demand Side

Digital IDs & Payroll Systems

will enable informal MSMEs to register and operate formally, opening the door to formal financing

Access to Global Financing Opportunities

As value chains become global, a digital presence allows MSMEs to tap into overseas funding

Billing Transaction History

creates a data trail of receivables and reoccurring revenue that can be used for data backed financing in lieu of traditional collateral assessments

Access to Information

is traditionally a shortfall for MSMEs, but information flow is more pervasive and quicker with digitally connected networks

Supply Side

Data-driven Intelligence

can inform initial decision-making and ease portfolio management for banks

Technology-focus alternative MSME lenders can use data

in the absence of collateral, lending institutions can use MSMEs digital trail to assess their credit worthiness

Lower Transaction Costs

can be reduced by digital options like embedded finance, and available data can reduce bank application review costs and time.

Exchange of Data between Different Platforms

allows financial applications to access data from things like order processing, inventory management, and accounting platforms for better integration



Emerging Applications: Data Based Credit Scores and Embedded Finance

Alternative Data Based Credit Scores

In the absence of typical information such as credit scores, repayment rates and collaterals, data analytics can help MSME lending.

- Advanced data analytics provide lenders a granular view of their potential and existing customers
- Financial institutions can more quickly and accurately assess credit risk
- Institutions can adequately respond to the specific needs of MSMEs

Embedded Finance: SMEs can sample banking services via digital platforms

Embedded finance is the integration of firm branded financial services like store credit cards, employee checking accounts, lending, and purchase insurance into non-financial businesses' employee or customer offerings.

- Delivers financial services at the right contextual moment
- MSMEs can use financial services without logging into a separate application
- May include value-added services such as financial management and analytics tools for MSMEs

85%

of SMEs state they are using digital services in their day-to-day operations.

\$92B

Expansion to global MSME banking market due to embedded finance

20%

Rely on digital services for at least half of their revenue

Examples in Action

WeLab

WeLab is a leading fintech company in Asia, with operations in Hong Kong, mainland China, and Indonesia. It offers online credit solutions to sole proprietors of MSMEs by obtaining two types of alternative data:

- Merchant business data that includes merchant profiles, popularity, refund histories, and sales data on a transaction level or a summarized level
- Personal credit history of business owners that includes delinquencies, number of existing loans, fraud blacklists, and defaults

The data collected are fed into a credit decision engine for modelling and decision-making.

Thunes



Singapore based cross-border payment company Thunes focuses on creating relationships with local digital payment firms to help businesses and consumers make quicker and cheaper payments to and from China. In January, 2022, it announced plans to expand its foothold into Greater China, spanning mainland China, Hong Kong, Chinese Taipei, and Macau.



MSMEs IN TRADE & GVCs

Digitalizing the trade pipeline opens the world to MSMEs

Getting MSMEs to globalize has catalytic impacts on industries and economies

The positive spillover effects that occur when a high number of firms of all sizes engage in cross-border trade are well-known: higher economic growth, faster upgrading of business practices, technology diffusion, and social benefits in the form of higher family incomes, education, and health.

Globalizing MSMEs enables them to break out of potentially vicious low-growth, low-productivity cycles. Firms that engage in cross-border trade bring back spillover benefits that have multiplying effects: new innovations, improved productivity, competitiveness that forces improvements in domestic competitors, and the ability to offer better jobs with higher wages.

The pandemic disruption has revived thinking about international fragmentation of production. It needs to be resisted. The pandemic disruption and its impact on supply chains, first health supplies, then food, then technology inputs, have revived discussions about the costs and benefits the interconnectedness of economies through GVCs. Caught in the middle are MSMEs. The empirical evidence (OECD, Global Value Chains: Efficiency and Risks in the Context of COVID-19, 2021) suggests the benefits of connectedness outweigh localized GVCs. However, business and government need to focus on risk management and supply-chain management.

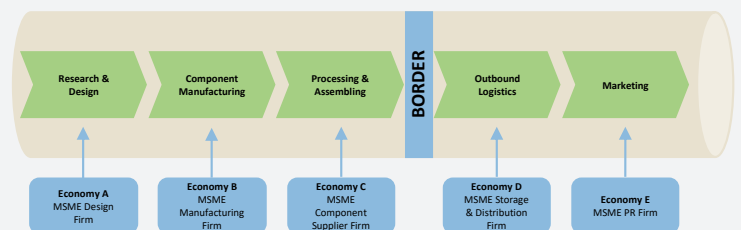
Despite the “prize” a global mindset is absent in most MSMEs. While many MSMEs trade domestically, especially through e-Commerce, very few MSMEs engage in cross-border trade. Most find the impediments and challenges – trade costs, lack of access to trade financing, complex trade procedures, and problematic foreign dispute resolution – too difficult to overcome. Real progress must be made on the Boracay Action Agenda to Globalize MSMEs (BAA) (May 2015).

Two pathways for MSMEs to engage in cross-border trade – direct cross-border trade or participation in global value chains (GVCs). Direct cross-border trade includes both exporting goods and services, and e-Commerce. Participating in GVCs as providers of intermediate goods or services allows MSMEs to engage in and benefit from indirect trade. With two-thirds of the world’s trade conducted through GVCs, this represents a huge opportunity for MSMEs (WTO 2019).

1) Direct cross-border trade – goods & services and e-Commerce



2) MSMEs in Global Value Chains (GVCs) at points in the supply chain



2/3

of the world's trade is conducted through GVCs (WTO 2019)



Fully digitalizing the entire trade pipeline must be an APEC priority

The positive spillover effects that occur when a high number of firms of all sizes engage in cross-border trade are well-known: higher economic growth, faster upgrading of business practices, technology diffusion, and social benefits in the form of higher family incomes, education, and health.

Advances in digitalization and IR 4.0 technologies can empower MSMEs into cross-border trade. An important characteristic of the new MSME economy is that more MSMEs are capable of “going global” than at any prior period of time. Whether MSME will become more engaged in cross-border trade is dependent on whether economies can collaborate to eliminate trade barriers and adopt more coherent regulations.

Digital technologies have increased the connectedness, collaboration, and innovations, within GVCs. In so doing, made it easier for MSMEs to participate. Digital advances reduce transaction costs and improve MSME operational efficiencies.

Getting MSMEs into GVCs is not easy. When MSMEs can engage in GVCs they capture the benefits of trade and the accompanying virtuous cycles. However, “beachhead” costs in the form of improving systems, training, obtaining certifications, etc., are major barriers for MSMEs, especially when contracts with larger GVC firms are not guaranteed. Additionally, the power differential between MSMEs and MNCs in payment terms and in dispute resolution is a major challenge for MSMEs. These are areas in need of policy maker attention.

Digitalization of trade and supply chain finance is facilitating access to finance for MSMEs. Second and third-tier suppliers, for which traditional credit underwriting has been difficult at the early stages of the order-to-payment cycle are obtaining financing more easily. Automation is making it feasible to process credit transactions at lower cost, enabling smaller loan sizes to be economically viable for lenders, and low-value letters of credit to be viable for bankers. E-invoicing, digital ID, and e-KYC are key foundations for digital supply chain finance, along e-contracts that remove requirements for paper documentation. Distributed ledger technology provides a transparent and trusted system enabling cross-border supplier and distributor financing.

Improving the successful participation of MSMEs in GVCs requires both business and policy makers to focus on:

- Setting and enforcing standards for timely payment of MSME suppliers
- Providing policy assistance to industry clusters and digital ecosystems
- Promoting export credit guarantees and innovative financing mechanisms, including supply chain, trade, and working capital financing.
- Encouraging MSMEs to move into higher parts of the value chain
- Supporting industry initiatives that link MSMEs to larger companies, particularly through technical assistance to meet global standards and technical requirements
- Improving customs and border facilitation to reduce MSME trade cost
- Bringing MSMEs to the table when discussing initiatives to liberalize trade
- Collaborating across economies to improve regulatory coherence

Policy makers must lead in fully digitalizing the entire trade pipeline and supporting ecosystem. This includes:

- Moving quickly to adopt and coordinate cross-border e-Payments, e-Invoices, digital IDs, e-Contracts, and data compatibility and security. Coherence and compatibility both with and across borders is crucial.
- Coordinating with Telcos, IT providers, and large firms to ensure access to digital “backbone” trade platforms. Ensuring ITC connectivity into GVCs is foundational.
- Improving transparency, cooperation and consistency in trade, transportation and border-related policies.

Improving the successful participation of MSMEs in GVCs requires both business and policy makers to focus on:

- Setting and enforcing standards for timely payment of MSME suppliers
- Provide policy assistance to industry clusters and digital ecosystems (see below)
- Promote export credit guarantees and innovative financing mechanisms, including supply chain, trade, and working capital financing.
- Encouraging MSMEs to move into higher parts of the value chain
- Support industry initiatives that link MSMEs to larger companies, particularly through technical assistance to meet global standards and technical requirements

New digital innovations can bring more MSMEs into cross-border trade

Promoting and guiding the development of collaborative sector-specific digital ecosystems along with integrated services for MSMEs in international trade will create opportunities for more inclusive growth opportunities for MSMEs.



Beyond GVCs to collaborative digital ecosystems. The emergence of digital platforms/ marketplaces like Alibaba, Facebook, and others, is creating new opportunities for MSMEs to engage in trade. Sector-focused digital ecosystems built around digital platforms can complement and even replace GVCs as vehicles for MSMEs to engage in both domestic and cross-border trade.

Digital technologies such as social, mobile, cloud, big data analytics, etc., enable the emergence of digital ecosystems which promise to transform how industries will work. Sometimes referred to as two-sided platforms or marketplaces, they can provide real opportunities for MSMEs to engage in trade as suppliers or customers, or both. Digital ecosystems need to be guided by light-touch regulations

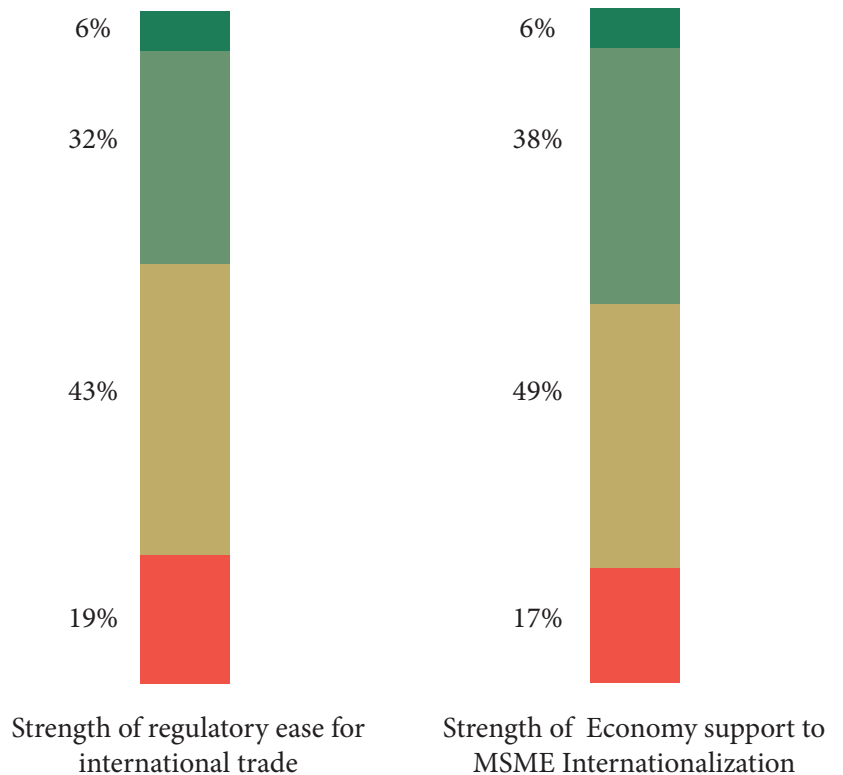
Invest in ISMITs – Integrated Services for MSMEs in International Trade. ISMITs are eServices platforms that provide, in a single place, all the services required to conduct cross-border trade (UN/CEFACT 2020). They include customs clearance, foreign exchange settlement, logistics, financing, legal advice, insurance, and other services for MSMEs. With all the parties connected to the eServices platform it allows for traceability across the trade transaction.

ISMITs can (and should be) connected to national single window and customs systems. ISMITs

- Reduce business transaction costs for MSMEs
- Allow data on transactions to be stored and used for loan-worthiness
- Expand market access for MSMEs by facilitating compliance with local regulations in foreign markets
- Facilitate faster trade financing on better terms of policy maker attention

Surveyed MSMEs report that support to trading enterprises still needs improvement

- - Very Weak
- - Weak
- - Strong
- - Very Strong



MSMEs & SUSTAINABLE DEVELOPMENT

An Intractable Challenge

Sustainable Development – a wicked problem that cannot be addressed without MSMEs

The cumulative impact of poor MSME practices (e.g. pollution, waste, lack of regulatory compliance) is greater than that of larger firms. Achieving national and global sustainability goals cannot be accomplished without engaging MSMEs.

MSMEs are essential to economies achieving environmental goals.

Climate issues are expected to cost global market up to **\$500B** per year by 2050, but can generate **\$26T** and over **65,000,000 jobs** by 2030 (UN Environment Programme, 2022).

The importance of MSMEs, when it comes to economies achieving their stated sustainability targets, cannot be overstated. When considering the statistics to the right, the cumulative effect of MSMEs is greater than that of large firms for initiatives like waste reduction, net-zero carbon emissions, and reducing ocean plastics.

Nonetheless, while MSMEs and economies want to be sustainable, survival is the top priority. Thought leaders report that MSMEs are becoming increasingly aware of sustainability issues and desire to be more environmentally friendly.

However, truly impactful sustainable changes will often require hiring skilled people, taking time off to learn, or purchasing materials and equipment with significant capital investments. Therefore, MSMEs struggle to implement these practices, as they first need to achieve survivability before environmental sustainability can be a real consideration.

Cumulative Impact of MSMEs > Large Firms



93%

93% of micro and small MSME surveyed said that they do not prioritize sustainability goals when making business decisions

95%

of APEC Enterprises are MSMEs (USC, 2018)

~65%

of Global Industrial Pollution (OECD, 2018, Key Drivers of Clean and Inclusive Growth)

Challenges of Creating Sustainable Development

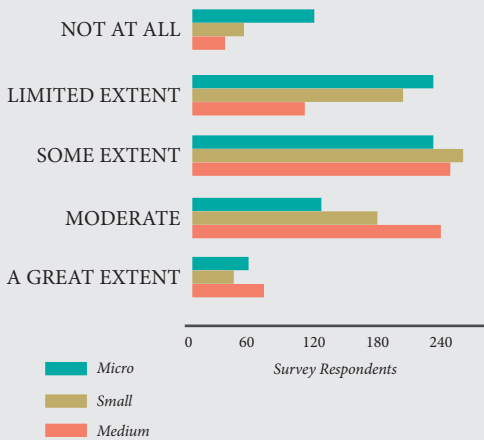
MSMEs are prioritizing survival over sustainable development as they attempt to recover from the pandemic.

MSMEs lack the knowledge and resources to make the most impactful sustainable improvements. Currently, MSMEs are more likely to adopt superficial “green” practices in a piecemeal fashion due to cost pressures. These adoptions are usually “ex-post” actions that do not affect the largest source of pollution in the production processes for minimal and unsustainable change.

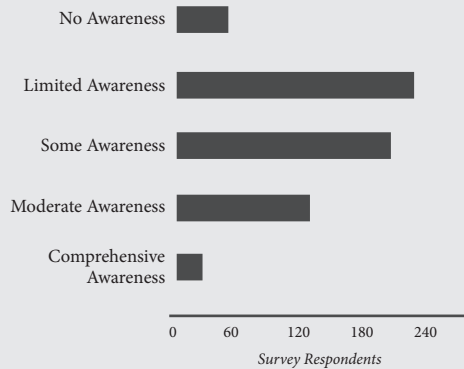
Additionally, MSMEs are more likely to purchase and use older and less sustainable equipment to keep their investment costs low.

- MSMEs can’t afford the up-front costs of the more expensive materials and/ or equipment
- MSMEs don’t know what their environmental impacts are, or how to become sustainable
- MSMEs lack access to skilled labor with the correct expertise
- MSMEs lack training on how to access, design, and implement sustainable options

As MSMEs grow, they are more likely to incorporate more sustainable initiatives



MSME Awareness of Sustainable Development



The case for social enterprise must be marketed to MSMEs as an opportunity.

2.6x

Higher revenues than peers

25%

Customers pay cost premiums for sustainable businesses in developing economies

66%

Customers pay cost premiums for sustainable businesses in developed economies

(OECD, 2018, Key Drivers of Clean and Inclusive Growth)

MSMEs choose survival over green investment. MSMEs will normally choose the fiscally conservative options over investing in additional measures like green business practices in markets with high levels of uncertainty. This is especially true in times of heightened uncertainty.

Economies must work to mitigate the uncertainty in the market to incentivize MSMEs to invest in green business practices.

Although the beachhead costs for MSMEs to adopt environmental practices are relatively high, the benefits to MSMEs are worth it for those who can make the changes. Truly green businesses generally have higher revenues, reach more customers, and have better margins. MSMEs are also often to fill in sustainability gaps for larger firms and economies, giving green MSMEs with these capabilities create competitive advantages.



CONCLUSIONS & RECOMMENDATIONS

MSMEs // 2022

Conclusions & Recommendations

APEC MSMEs REPORTED CHALLENGES AND CONCERNS REGARDING THEIR READINESS FOR THE NEW MSME ECONOMY – BUT THERE IS HOPE.

This is problematic since these organizations need more support to fully realize the new opportunities available and to stay relevant in the market. Digital ecosystems for MSMEs are still poorly developed, despite their importance for the new MSME economy. Overall levels of digital proficiency are low and MSMEs find it difficult to close the skill gap. Respondents also reported very limited awareness of rapidly evolving cyberthreats.

Despite new opportunities in services powered by digitalization, MSME services sectors in most economies are minimally developed. MSMEs continue to report significant challenges accessing finance – according to respondents, the main issue isn't the amount of money available, but MSME preparedness and eligibility to accept finance.

Progress in women's inclusion is slow, but many respondents elected to answer survey questions in a way that would reflect more positively on their economy but do not reflect the reality on the ground indicating that people are either unaware of the reality of the plight of women or are unwilling to address it head on. Youth remain the primary focus of inclusion initiative, but programs were ranked as only moderately developed while programs targeting groups like seniors or immigrants were considered even less developed. Formalization of MSMEs remains a critical component to supporting underserved and underrepresented communities, but government programs to formalize MSMEs tend to be ineffective at best.

Sustainable development goals are not considered a main driver for making business decision by MSMEs, and generally these organizations are not really equipped to do so. However, medium-sized enterprises did begin to consider sustainability goals more regularly. Similarly, opportunities to engage in cross-border trade and GVCs are limited due to the complexity of trade procedures.

The findings in the survey should provide APEC policy makers with a real call to action. Progress has been made, but from the perspective of MSMEs it is not enough.

With 97% of enterprises in APEC economies being MSMEs, APEC policy makers need to engage more directly with the challenges faced by MSMEs, if they are serious about improving growth and prosperity.

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Conclusions & Recommendations (cont.)

RETHINK THE DELIVERY AND DESIGN OF MSME SUPPORT

By their nature, MSMEs are hard to support. The natural birth and death churn of MSMEs, their high degree of informality, and their lack of scale makes them “hard to assist.” Effective MSMEs support also requires a sequenced “crawl, walk, run” approach that few MSMEs have patience and commitment to accept. Additionally, MSMEs in different industries and at different stages of development require different forms of support.

Programs have not been developed from the MSME perspective. Most programs are designed for ease of implementation; not ease of use by MSMEs. Our research uncovered several contributing challenges:

1. Multiple uncoordinated competing programs offered by the business sector and government agencies
2. Programs designed as if MSMEs were just small “big” firms
3. Categorizing MSMEs on the basis of size/revenue without concern for purpose or ambition
4. One-size-fits-all programs

With those in mind, we concluded that **the problem was not a need for more programs, but the need for better designed and delivered programs.**

Creating more effective MSME support programs. Three recommendations were shared with us by thought leaders.

1. MSME support programs need to be developed and coordinated within the context of a permanent “school for MSME” framework. Programs need single entry points and MSMEs need guided training across topics and skills over their different stages of development.
2. The need to take advantage of digital technologies, leveraging innovations in corporate trainings to offer MSMEs trainings in bite-sized focused pieces (microlearning) directly to MSMEs through relevant channels (such as mobile)
3. Develop focused MSME programs concentrated on economic sectors/ industries.

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Conclusions & Recommendations (cont.)

PRIORITIZE POLICY ATTENTION ON MSMEs IN DIGITALLY DELIVERED SERVICES

Put MSMEs in services first on the APEC MSME agenda. Digitally delivered services present the greatest future competitive opportunity for MSMEs. With the greater majority of MSMEs in services and given that two thirds of women-led firms are in services, there is a potential cascading effect of focused attention on digitally delivered services.

Enabling MSMEs in digitally delivered services benefits all MSMEs. Focusing on digitally delivered services and building the digital market infrastructure needed to support them addresses challenges faced by all MSMEs. Harmonizing regulations and trade rules among economies, resolving challenges of non-collateral financing, ensuring more timely payment periods, and improving the operating and regulatory environments are all essential to allowing digitally delivered services to prosper.

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PROMOTE AND SUPPORT THE DEVELOPMENT OF SECTOR-SPECIFIC PRIVATE-PUBLIC DIGITAL ECOSYSTEMS

Coordinate the development of collaborative digital networks with policy support and light-touch regulations. MSMEs are empowered if they have opportunities to compete in well-developed digital ecosystems. Built around digital platforms, these collaborative business ecosystems bring together IT providers, large firms, banks and digital financing providers (fintech firms), services firms, and MSMEs, along industry associations and regulatory bodies. MSMEs also need light-touch regulatory guidance. Promising examples, in multiple countries and in different industry sectors (BCG, 2022), suggest that supporting the development of focused sector-specific digital ecosystems can have a catalytic impact on MSMEs. These business networks are two-sided markets where participants can be both simultaneously sellers and buyers, permitting MSMEs opportunities to offer goods or services, and obtain B2B services back.

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Conclusions & Recommendations (cont.)

THE NEW MSME ECONOMY IS DIGITAL FIRST – COMMIT TO BUILDING GROWTH ENABLERS

Partial digital ecosystems do not work – economies must fully commit. Supporting MSMEs and improving their resilience and competitiveness requires commitment to developing complete digital ecosystems, which allow MSMEs to provide more value to their customers. These ecosystems are key to promoting digital transformation for MSMEs, and affordable and accessible internet connectivity is a key component of that strategy. Policy makers can create a hospitable regulatory environment through regulations that allow companies to innovate without being hindered by government regulations and must address all the forms of digital divides – urban vs rural, gender gaps in MSMEs. Additionally, policy makers must establish confidence and trust in digital technologies for MSMEs.

Accelerating MSME digital proficiency (literacy and skills) is crucial. Having access to affordable and relevant digital training is fundamental to driving MSME growth. Policy makers should consider ways to partner with public or private entities to develop training materials for MSMEs and boost digital literacy rates.

Adaptability to technological advances – a critical component of digital proficiency and a determining factor in MSME survivability. With markets becoming more competitive, MSMEs must learn how to adopt emerging technologies to stay relevant. From using automation and implementing cloud technologies, to blockchain and AI solutions, technology adoption from MSMEs is on the rise and should be promoted by APEC economies’ leaders.

Supporting MSMEs with cybersecurity and fraud protection is critical. MSMEs are largely unaware of threats, often ill-equipped, and can least afford needed cybersecurity. It must be a priority at the APEC-level for collaborative, affordable, and effective solutions. Within economies, policy makers need to establish either centrally developed and executed cybersecurity programs for MSMEs or incentivize IT providers and online marketplaces to offer cybersecurity protection.

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Conclusions & Recommendations (cont.)

DRIVING ECONOMIC GROWTH REQUIRES BUSINESS LEADERS AND POLICY MAKERS TO TAKE ECONOMIC INCLUSION SERIOUSLY

Pursuing economic growth with only half the team playing is a losing strategy

The business case for inclusion is well established, but cultural biases dictate outcomes. Across economies, conscious and unconscious biases control the narrative and slow down progress on inclusion initiatives. The pandemic set back inclusion progress by over a decade, but with intentionality and focus this trend can be reversed.

Perception does not match reality – we cannot address an issue we do not acknowledge exists. We found a significant gap between the sad reality of poor progress on inclusion across APEC economies and perceptions of progress toward better inclusiveness according to survey responses. People tend to either believe the narrative that the world is more equitable than it is or are unwilling to have the difficult conversations to confront challenges facing economic inclusion. Both cases are detrimental to improving inclusion.

Underserved and underrepresented groups require persistent, intentional, and tailored outreach. People in these groups are often the hardest to reach for a variety of reasons including geographic remoteness, lack of connectivity, and time restrictions balancing stereotypical gender roles but respond well when connected to support programs.

Placing people into viable business opportunities, especially digital services, is a game changer. The new economy is an opportunity for many to build sustainable and successful businesses – meaningfully improving their own economic situation as well as their community's and the overall economy. Demonstrating that that women's impact of business more positively impacts their families and communities can have a cascading effect on economic inclusion and improve general prosperity.

Transformational change to economic inclusion requires a cultural change. Legal protections and enforcement of those protections are critical to shifting behaviors and meaningfully accelerating cultural change. Legal protections change behavior which eventually becomes part of the new and evolved culture.



Conclusions & Recommendations (cont.)

SUPPORTING DIGITAL FINANCING OPTIONS FOR MSMEs – ESSENTIAL FOR GROWTH

MSME financing needs new solutions – support innovations beyond the traditional banking system.

Innovative banks and fintech firms are introducing new digitally delivered financing solutions for MSMEs. Policy maker support is needed to: (1) reduce MSME skepticism by communicating “trust and credibility” in these new financing approaches, (2) provide light-touch regulation to encourage the emergence of fintech firms, and to limit potential negative behavior, and (3) anticipate and limit vested-interest driven behavior by established banking institutions which could inhibit innovation in an effort to protect their business interests.

Data-derived MSME credit-worthiness approaches offer alternatives to collateral-based financing. Policy maker support is necessary to allow for these solutions to be developed, reducing barriers placed on MSMEs by requiring collateral. Digital data trails of MSMEs will allow banks and fintech companies to assess potential MSME clients in new ways.

CREATE THE BUSINESS CASE FOR MSMEs TO ENGAGE WITH SUSTAINABLE DEVELOPMENT GOALS

MSMEs are not, sadly, engaged in achieving Sustainable Development Goals

Survival trumps national and global sustainable development concerns. With MSMEs accounting for 97% of APEC enterprises and contributing 50% or more to GDP, their participation in achieving sustainable development goals is critical. While MSMEs appreciate their importance, surviving the challenges of the post-pandemic world and the emerging new MSME economy dominate their attention and cause a general disinterest towards sustainability.

Successfully engaging MSMEs in social development goals requires proving the business case. Proving the profitability of sustainable business practices is critical for adoption. Enabling MSME participation in GVCs also ensures they bring their business practices to global standards.

ACTION AGENDA FOR LEADERS

For policy makers:

1. Collaborate with MSME associations and the business sector on new designs and delivery approaches for MSME support programs.
2. Prioritize digitally delivered services on the APEC MSME agenda. Collaboration across APEC economies to eliminate barriers and resolve challenges that MSMEs face in digitally delivered services will open new opportunities, which will benefit all MSMEs.
3. Actively support the financial sector, including new innovative fintech firms, in developing data-derived non-collateral financing alternatives for MSMEs. Lead the conversation and be quick to provide supportive regulations to guide industry players.

For business leaders:

1. Collaborate with policy makers and MSME associations in tackling the demand-side of MSME support programs. Share “bleeding edge” innovations in corporate training with policy makers for application to MSME training and skills development.
2. Actively engage with policy makers, Telcos, IT providers, large firms, financial institutions, and MSME associations in creating frameworks for the design, investment, and support of industry-specific digital ecosystem.



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MSME ECONOMY SCORECARDS

MSMEs // 2022

The Voice of MSMEs – Key Findings across APEC (APEC MSME Questionnaire Analysis)

Digital Ecosystems

The development level of digital ecosystems are relatively weak for the new MSME economy, which is largely digital. Thought leaders indicated that the current state of ecosystems is poor but improving. The usage of digital tools varies widely, and the level of digital sophistication is generally low. Many economies overestimate their level of technological sophistication – likely driven by a lack of exposure to levels of development in other economies.

MSME Digital Proficiency

On average, most APEC economies overstated their level of digital proficiency. MSMEs use relatively few technology capabilities that could, if leveraged effectively, fill many management capability gaps. MSMEs reported limited access to digital trainings, with many economies indicating that there were very few available and accessible levels of training.

Cyber Resilience & Fraud Protection

MSMEs reported limited awareness of cybersecurity. MSMEs felt only some positive support from policy makers in terms of providing them with resources to combat cyber threats. In terms of cybersecurity providers, MSMEs indicated there were limited affordable options for providers – indicating that this area of the ecosystem is underdeveloped.

MSME Resilience

MSMEs reported a basic level of future readiness across APEC – with a score of 58%. Even economies with the highest ratings did not report a strong level of future readiness among their MSMEs. MSMEs found that government vision for MSMEs are fragmented. While government support programs were available, MSMEs reported the support ecosystem were difficult to navigate and complex to evaluate which programs are the best fit and to access support.

Sustainable Development

MSMEs indicated that they only considered sustainable development goals to a limited extent across APEC. Micro and small MSMEs indicated little concern for sustainable development goals. However, medium-sized enterprises indicated that they considered sustainable develop goals to some extent when making business decisions. MSMEs reported minimal consultation by policy makers when national sustainable development goals were set. MSMEs had limited awareness of incentive programs to boost sustainable development.

The Voice of MSMEs – Key Findings across APEC (APEC MSME Questionnaire Analysis)

MSME Financing Ecosystem

Despite thought leaders reporting there was sufficient available financing, MSMEs report that access to finance remains difficult to access 49%. The traditional banking sector, grant programs, and small business association loan programs were quite developed but alternative forms of financing and funding (including FinTech) for MSMEs remained largely underdeveloped across APEC. MSMEs reported that new approaches to credit worthiness and non-collateral-based loans were limited as were financing options for MSMEs in services. MSMEs continued to report being unprepared for financing 58%, with only medium sized businesses reporting feeling somewhat prepared for financing.

MSMEs in Services

MSMEs reported that the ecosystem for services were weak to somewhat developed across APEC economies. Challenges faced by services MSMEs included specialized financing 55%, resolution dispute mechanisms 53%, and training programs 58%. Policy maker support was viewed as limited to neutral across most economies as was the presence of platforms that allow service companies to sell online.

MSMEs in Cross-Border Trade

MSMEs reported that the cross-border trade ecosystem were moderately developed but tended to be on the weaker side, 55%. Economies would benefit from simplifying cross-border trade processes for MSMEs. Simplifying rules, improving dispute resolution, and making access and submission of documents more digitally available were indicated as beneficial steps. MSMEs also indicate that private support programs for international trade are generally weak.

Economic Inclusiveness for Women

Assessment of women's inclusiveness indicated high levels of bias and an unwillingness to have honest conversations on levels of inclusion. Many economies answered the survey in a "politically correct way" indicating that there is complete equity between men and women despite the reality of vast gender equity gap. Interestingly, economies that are ranked higher global rankings in terms of women's equity reported much lower levels of satisfaction of women's inclusiveness. This signals that they are more willing to have difficult conversations to improve inclusion, that respondents are dissatisfied about the pace of inclusion initiatives, or other economies are relatively unaware of the realities of their lack of inclusion.

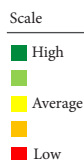
Economic Inclusiveness for Other Groups

Youth focused support programs were the highest ranked of any group. However, with an average score of 61% there is significant room for improvement. Seniors 51% and immigrants 50% lagged well behind with MSMEs reporting that these programs were much less common. Inclusion of Indigenous peoples scored at 57%. The majority of inclusion focus tends to be on women and youth, but even youth programs are largely underdeveloped signaling additional opportunities to improve support for them and other demographic groups.

MSME Formalized Economy

Survey respondents felt that the size of the informal economy was about equal to the formal economy across APEC. Whether this point is correct or not, it is impossible to support businesses we don't know exist, it does demonstrate that additional work needs to be done to improve business registration both to provide support to informal MSMEs and level the playing field. MSMEs reported that government programs to formalize MSMEs tended to be at best ineffective.

Australia



Key Demographics

Number of MSMEs: 2,418,037
 MSME Percentage of Total Enterprises: 99.80%
 MSME Percentage of Total Employment: 68%
 MSME Percentage Contribution to GDP: 32%
 Percentage of Women in Workforce: 61%

ABAC RESEARCH SURVEY SCORECARD

Digital Ecosystems Third-party global indices rank Australia's digital ecosystems in the high range, enabled by strong connectivity and ease of conducting digital business. Ranking highly in terms of availability of digital platforms and IT service providers relative to APEC average 60.4 / 58.02 but lagging APEC average in terms of affordability.

MSME Digital Proficiency Strong levels of foundational digital proficiency, especially in terms of accounting & financial planning, data storage, invoicing / billing, and e-Payments. However, the prevalence of mobile commerce is in line with APEC average and global indices. Digital skills were ranked to be in line with the APEC average.

Cyber Resilience & Fraud Protection High levels of MSME awareness of cybersecurity and fraud threats, but MSMEs report an average levels of confidence in solutions and availability of affordable and high-quality providers. Global indices indicate a slightly above average level of cyber resilience.

MSME Resilience While Australia ranked above average among APEC economies in terms of resilience, most categories of resilience were ranked neutral to weak by MSMEs. Growth resources 48 / 54.8 was the notable laggard in the categories measured. MSMEs did rate the future focused orientation of MSMEs to be on the higher end of APEC economies, but this remained a neutral rating in the survey. Global indices ranked MSME resilience at the higher end of APEC.

Sustainable Development Sustainable mindset was rated very low across micro, small, and medium sized businesses. 52.7 / 58.8. MSMEs were unaware of incentive programs to adopt sustainable practices 42.4 / 52.8 and felt that programs were ineffective in boosting sustainable practices. Multiple global indices pointed to a relatively high level of sophistication of sustainable development practices relative to other economies.

MSME Financing Ecosystem MSMEs found access to finance to be a challenge 44.8 / 49.5 but global indices rank access to finance on the higher end of APEC economies signaling MSME frustration. FinTech was rated as underdeveloped, especially in terms of alternative forms of assessing credit worthiness 39.2 / 52.2. Given the level of digitalization of financial record keeping, Australia scored above average in terms of preparedness for financing 60.9 / 57.9.

MSMEs in Services Australian ranked average in terms of MSMEs in services. Relative to other economies, survey results indicated room for improvement across training programs for MSMEs in services 53.6 / 58.2 and specialized financing for MSMEs in services 50 / 55.

MSMEs in Cross-Border Trade MSMEs reported difficulty engaging in cross-border trade than the average APEC economy 52 / 54.7. However, digital capabilities facilitate cross-border trade in a much stronger way than other APEC economies 81 / 68.9 as reflected in global indices. There remains room for improvement in terms of private support programs for MSMEs looking to boost international trade and accessing cross border trade programs.

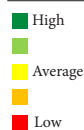
Economic Inclusiveness for Women Australia ranks highly on global indices, but there is still more work to do in terms of gender equity. MSME respondents were either much more aware of the challenges facing women and/or more comfortable discussing the challenges or were angry with progress. In terms of capabilities and competitiveness, Australian women-led MSMEs ranked at the APEC average (equitable to men).

Economic Inclusiveness for Other Groups Support programs for Youth ranked below the APEC average 50 / 60.8, as did support programs for Seniors 41.6 / 50.8.

MSME Formalized Economy Formalization of MSMEs in Australia is quite effective relative to other APEC economies, however, survey results indicated there is room for improvement in formalizing MSMEs. During a thought leader interview, it was noted that Australia's digital tax system has been very effective on formalizing MSMEs and providing them with low-cost services business management services.

Australia

Scale



Key Demographics

Number of MSMEs: 2,418,037

MSME Percentage of Total Enterprises: 99.80%

MSME Percentage of Total Employment: 68%

MSME Percentage Contribution to GDP: 32%

Percentage of Women in Workforce: 61%

	Leading Indices	World Rank	APEC Rank
DIGITALIZATION	Digital First Economy Index		4
	Digital Quality of Life Index	17	5
	Global Cybersecurity Index	11	5
	Digital Skills Gap 2022	33	11
SUSTAINABILITY	Global Resilience Index 2022	20	10
	Best Countries to do Business	14	6
	Sustainable Competitiveness Index 2021	47	9
SUSTAINABLE DEVELOPMENT	Progress in Achieving Sustainable Development Goals 2022	2	1
	Environmental Performance Index 2022	17	1
FINANCING	Government Support	48	10
	Financial System Support	2	2
TRADE	Access of domestic companies to international trade (2022)	12	4
INCLUSION	Mastercard Index of Women Entrepreneurs 2022	4	4
	Global Gender Gap Index 2022	43	7
	Youth Progress Index 2021	10	3

Brunei Darussalam

Key Demographics

Number of MSMEs: 5,913

MSME Percentage of Total Enterprises: 97.30%

MSME Percentage of Total Employment: 59%

MSME Percentage Contribution to GDP: 35.5%

Percentage of Women in Workforce: 54%

Scale



ABAC RESEARCH SURVEY SCORECARD

Digital Ecosystems



Ecosystems for MSMEs are less developed than other APEC economies in terms of infrastructure 58.8 / 60.4, as is access to affordable internet 57.6 / 60.6. This was reflected in indices. Policy maker responsiveness to digital trends was slightly above average, and the second highest rating from the global indices. Respondents indicated above average e-Government ratings 66.4 / 60.9. Mobile Commerce was also an above average driver at 66.8 / 63.5.

MSME Digital Proficiency



Overall, in line with the APEC average; but digital solutions for the supply chain lagged behind other APEC economies 59.2 / 64.2. Training availability was in line with other APEC economies, but workforce technology skills were ranked significantly behind other economies by third-party global indices. Overall global indices ranked Brunei as average among APEC economies in terms of overall digital proficiency.

Cyber Resilience & Fraud Protection



MSME trust and confidence in digital solutions to cyber threats was in line with the APEC average. However, awareness of cybersecurity threats was below average. MSMEs say that there are underdeveloped and limited affordable options for cybersecurity protection 48.2 / 56.3. Global indices rank cybersecurity performance below APEC average.

MSME Resilience



Brunei reported a high level of regulatory burden on MSMEs 57 / 65.9. MSME future readiness was also rated low relative to other APEC economies 51.5 / 57.7. MSMEs reported an above average level of a policy maker vision for MSMEs 62.6 / 59.7. Support programs considered to be challenging to navigate, but in line with other APEC economies 56.6 / 56.5.

Sustainable Development



MSMEs reported average levels of policy maker consideration of MSMEs in development of national sustainability goals 56.6 / 56.6 and average awareness and effectiveness of policy maker programs 52.2 / 53.3. MSMEs reported that they do not actively consider sustainable development goals when making business decisions 53.6. However, medium-sized businesses noted that they have begun to consider the environment. Global indices reported average levels of sustainable development performance.

MSME Financing Ecosystem



Respondents indicated average levels of access to finance 51.6 / 49.5. Development of various forms of financing were rated lower than most APEC economies 46.0 / 59.1. Financial services innovation 48.3 / 53.7, and preparedness to access financing 52 / 57.9 were below average. Global indices point to higher levels of challenges accessing finance and lower levels of online payments.

MSMEs in Services



Brunei's service ecosystem development lagged other APEC economies 51.1 / 57.2. Availability of digital sales platforms 53.6 / 61.4 and the presence of capacity building and training programs for services 54.6 / 58.2 were opportunities for improvement.

MSMEs in Cross-Border Trade



MSMEs in Brunei indicate that the cross-border trade ecosystem is weak 47.2 / 54.7. Opportunities for improvement include simplifying rules of Origin and trade requirements 50 / 55.4, existence of higher "de minimis values" 47 / 53.2, digital access to trade information and document submission 49.8 / 58. Digital enablement of cross-border trade was below APEC average 59.6 / 68.9. Digital agreements 55.8 / 65.2, and Digital IDs 51.4 / 63.3 presented the greatest opportunities for improvement.

Economic Inclusiveness for Women



MSME survey respondents indicated that access for women is in line with other APEC economies 69 / 67.1. Women's capabilities were also in line with other APEC economies with women's willingness to take risks ranked slightly above average 66.6 / 61.6 relative to other economies.

Economic Inclusiveness for Other Groups



MSMEs felt that support programs for youth were above average 68 / 60.8. Support for seniors was in line with other APEC economies. Support for immigrants, Indigenous peoples, and other underserved and underrepresented groups fell significantly below the APEC average. Overall inclusiveness of groups other than women scored 50.2 / 53.

MSME Formalized Economy



Respondents indicated that the proportion of the informal economy was in line with the APEC average 59 / 61.6. Similar to other APEC economies, initiatives to formalize businesses are generally considered to be ineffective.

Brunei Darussalam

Scale



Key Demographics

Number of MSMEs: 5,913

MSME Percentage of Total Enterprises: 97.30%

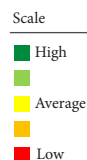
MSME Percentage of Total Employment: 59%

MSME Percentage Contribution to GDP: 35.5%

Percentage of Women in Workforce: 54%

	Leading Indices	World Rank	APEC Rank
DIGITALIZATION	Digital First Economy Index		15
	Digital Quality of Life Index		
	Global Cybersecurity Index	69	18
	Digital Skills Gap 2022	32	10
SUSTAINABILITY	Global Resilience Index 2022	50	12
	Best Countries to do Business	56	15
	Sustainable Competitiveness Index 2021	74	13
SUSTAINABLE DEVELOPMENT	Progress in Achieving Sustainable Development Goals 2022	122	19
	Environmental Performance Index 2022	71	9
FINANCING	Government Support	6	2
	Financial System Support		
TRADE	Access of domestic companies to international trade (2022)	62	12
INCLUSION	Mastercard Index of Women Entrepreneurs 2022		
	Global Gender Gap Index 2022	104	16
	Youth Progress Index 2021		

Canada



Key Demographics

Number of MSMEs: 1,223,476
 MSME Percentage of Total Enterprises: 99.76%
 MSME Percentage of Total Employment: 89%
 MSME Percentage Contribution to GDP: 53.80%
 Percentage of Women in Workforce: 61%

ABAC RESEARCH SURVEY SCORECARD

*Low survey response, scores based more heavily on secondary indices

Digital Ecosystems



Third-party global indices rank Canada's digital ecosystem highly and generally as one of the best in APEC. Due to limited survey responses, insights are limited but from what was submitted by respondents they felt that e-Government was above average as was mobile commerce.

MSME Digital Proficiency



Insights from small sample of respondents suggest MSMEs generally feel that digital proficiency is underdeveloped across a variety of categories. However, global indices indicate that there is generally a high level of digital proficiency across Canada.

Cyber Resilience & Fraud Protection



Global indices indicate that Canada's cybersecurity resilience is in line with other APEC economies if not slightly higher. Survey respondents indicated that they are generally highly unaware of the types of security threats MSMEs face and that protection providers are unaffordable.

MSME Resilience



MSMEs report above average levels of MSME resilience. Higher levels of policy maker responsiveness to the pandemic 70 / 58.7, effectiveness of support programs 60 / 56.5, and lower levels of regulatory burden 71.4 / 65.9 assist in creating a productive environment for MSMEs. MSMEs report a high level of future readiness 64.2 / 57.7.

Sustainable Development



MSMEs report lower levels of a sustainable development mindset 56.6 / 58.8 as they prioritize survival over sustainable development goals. MSMEs reported above average levels of engagement with policy makers in formulating sustainable development programs 60 / 56.6. However, there are below average levels of awareness and effectiveness of sustainability programs 50.5 / 53.3. Global indices reporter slightly above average levels of sustainable development performance.

MSME Financing Ecosystem



Global indices point to above average levels of access to finance and development of the financing ecosystem – especially through digital channels.

MSMEs in Services



Access to platforms for services to sell online fell behind other APEC economies 65 / 61.4 and were underdeveloped. MSMEs noted that there were poor mechanisms for dispute resolutions in the service sector. Global indices point to an above average level of development of the service sector in Canada.

MSMEs in Cross-Border Trade



Global indices point to above average levels of ease in conducting cross-border trade with a high level of ease conducting business across borders.

Economic Inclusiveness for Women



While Global indices pointed to an above average level of inclusiveness, survey respondents (while limited) indicated major challenges for women within Canada. Women's access to various capabilities, including finance, was lower than APEC average. Women's capabilities were also ranked slightly lower than APEC average. As with other economies with higher levels of inclusion, Canada recognizes the challenges facing women and is addressing more directly, but the sample size was too small to provide specific insights on women's inclusion.

Economic Inclusiveness for Other Groups



External global indices point to above average levels of youth support. The limited survey responses indicted high levels of support for other groups; but indicated below average levels of support for seniors.

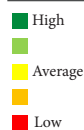
MSME Formalized Economy



Survey responses, while limited, indicated average levels of policy maker effectiveness in formalizing informal MSMEs.

Canada

Scale



Key Demographics

Number of MSMEs: 1,223,476

MSME Percentage of Total Enterprises: 99.76%

MSME Percentage of Total Employment: 89%

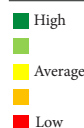
MSME Percentage Contribution to GDP: 53.80%

Percentage of Women in Workforce: 61%

	Leading Indices	World Rank	APEC Rank
	Digital First Economy Index		6
DIGITALIZATION	Digital Quality of Life Index	20	6
	Global Cybersecurity Index	9	4
	Digital Skills Gap 2022	23	7
SUSTAINABILITY	Global Resilience Index 2022	21	5
	Best Countries to do Business	18	8
	Sustainable Competitiveness Index 2021	37	6
SUSTAINABLE DEVELOPMENT	Progress in Achieving Sustainable Development Goals 2022	15	7
	Environmental Performance Index 2022	49	6
FINANCING	Government Support	53	12
	Financial System Support	7	6
TRADE	Access of domestic companies to international trade (2022)	15	5
INCLUSION	Mastercard Index of Women Entrepreneurs 2022	3	3
	Global Gender Gap Index 2022	25	3
	Youth Progress Index 2021	8	2

Chile

Scale



Key Demographics

Number of MSMEs: 1,005,366
 MSME Percentage of Total Enterprises: 98.60%
 MSME Percentage of Total Employment: 47.70%
 MSME Percentage Contribution to GDP: N/A
 Percentage of Women in Workforce: 44%

ABAC RESEARCH SURVEY SCORECARD

*Low survey response, scores based more heavily on secondary indices

Digital Ecosystems ■ Third-party global indices rank Chile toward the bottom of digital ecosystem development among APEC economies. Digital responsiveness is a main driver of Chile's lagging response to digital trends relative to other economies.

MSME Digital Proficiency ■ Despite the limited survey response from Chile, an interesting trend emerged regarding digital proficiency. Of the limited responses, survey respondents claim Chile has some of the highest levels of digital proficiency in APEC, but also indicated that there is a shortage of digitally available talent. However, other global indices indicate that digital skills are incredibly limited in Chile. MSMEs are potentially unaware of their digital proficiency challenges.

Cyber Resilience & Fraud Protection ■ Global indices rank Chile's cybersecurity performance as one of the lowest in APEC. Survey responses indicate that MSMEs are unaware of threats facing them.

MSME Resilience ■ MSME respondents, while limited, reported being unprepared for the new MSME economy. Global indices point to a slightly below average level of MSME resilience. The limited MSME respondents indicated lower levels of engagement with policy makers and a lack of vision for MSMEs.

Sustainable Development ■ Global indices point to above average levels of sustainable development performance relative to other APEC economies. Respondents, while limited, indicated that they felt supported by sustainable development programs at a level slightly higher than the average APEC economy.

MSME Financing Ecosystem ■ Global indices point to below average levels of access to digital financing solutions. Access to finance was in line with the average APEC economy. Survey responses, while limited, indicated challenges accessing finance and low levels of preparedness to access finance.

MSMEs in Services ■ Global indices point to a slightly below average level of development in the services sector. MSME respondents, while limited indicated that service platforms were moderately developed.

MSMEs in Cross-Border Trade ■ Global indices point to an average level of conducting business across borders.

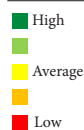
Economic Inclusiveness for Women ■ Global indices rank Chile's environment for women to be slightly below APEC average. The Mastercard inclusion index ranks Chile to be in line with the APEC average, but women are often left behind in terms of digital inclusion and women's employment with advanced degrees and a large STEM gender gap. While survey responses were limited, respondents indicated a low level of women's capabilities.

Economic Inclusiveness for Other Groups ■ The environment for youth is in line with other APEC economies according to Global indices. Limited survey responses indicate lower than average levels of support for other support groups, especially seniors and immigrants.

MSME Formalized Economy ■ Formalization is in line with other APEC economies, but limited survey responses indicate below average effectiveness of formalization initiatives.

Chile

Scale



Key Demographics

Number of MSMEs: 1,005,366

MSME Percentage of Total Enterprises: 98.60%

MSME Percentage of Total Employment: 47.70%

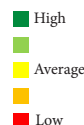
MSME Percentage Contribution to GDP: N/A

Percentage of Women in Workforce: 44%

	Leading Indices	World Rank	APEC Rank
DIGITALIZATION	Digital First Economy Index		12
	Digital Quality of Life Index	43	10
	Global Cybersecurity Index	87	19
	Digital Skills Gap 2022	98	20
SUSTAINABILITY	Global Resilience Index 2022	46	11
	Best Countries to do Business	55	14
	Sustainable Competitiveness Index 2021	38	7
SUSTAINABLE DEVELOPMENT	Progress in Achieving Sustainable Development Goals 2022	6	3
	Environmental Performance Index 2022	65	8
FINANCING	Government Support	76	18
	Financial System Support	28	13
TRADE	Access of domestic companies to international trade (2022)	20	7
INCLUSION	Mastercard Index of Women Entrepreneurs 2022	20	9
	Global Gender Gap Index 2022	47	8
	Youth Progress Index 2021	40	8

People's Republic of China












Scale



Key Demographics

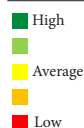
Number of MSMEs: 140,000,000
MSME Percentage of Total Enterprises: 99.80%
MSME Percentage of Total Employment: 82%
MSME Percentage Contribution to GDP: 60%
Percentage of Women in Workforce: 62%

ABAC RESEARCH SURVEY SCORECARD

Digital Ecosystems		Availability of digital platforms and IT service providers was high 62.9 / 58 relative to other economies, as was policy maker responsiveness. Survey respondents indicated a very high level of development of digital ecosystems across most categories, but third-party global indices indicated that ecosystems are more in line with the APEC average or slightly under-developed. Connectivity, digitalization and access to IT products lagged across Global indices for China.
MSME Digital Proficiency		Across both global indices and survey responses, digital proficiency was quite strong in China, generally scoring slightly above average. e-Payments ranked very high 80.2 / 72.3 in China, but e-Commerce ranked slightly below APEC average 69.3 / 71.7. There is a strong digital workforce, but survey respondents indicated that China could continue to improve the availability of digital training noting that it was quite limited, 59.5 / 60.6.
Cyber Resilience & Fraud Protection		Both third-party global indices and survey respondents indicated a strong level of MSME cyber resilience and fraud protection with high levels of awareness 76.2 / 62.6 and trust in solutions 81.7 / 62.9. Survey respondents did note that solutions providers could be more affordable and ranked affordability in line with APEC average 59.7 / 56.3.
MSME Resilience		Global indices point to low levels of MSME resilience in China. However, MSME respondents indicated average levels of MSME future readiness 59.4 / 57.7. MSMEs report heavy levels of regulatory burdens 48 / 65.9, but high levels of effectiveness of policy maker programs 67 / 56.5.
Sustainable Development		Global indices rank China toward the bottom of APEC rankings. Survey respondents indicated significant awareness of sustainable development goals 64.6 / 58.8 and high levels of effectiveness of programs in improving sustainable development. This disconnect signals that either MSMEs are unaware of the severity of the environmental crisis, are ill-prepared to effectively face the crisis, efforts to improve the situation are not making progress, or respondents wanted to paint a picture of the situation that is better than the reality.
MSME Financing Ecosystem		Respondents indicated above average levels of financial ecosystem development. MSMEs reported average levels of development for various forms of financing 61.3 / 59.1. Respondents differed from other third-party global indices regarding access to finance. Respondents indicated that access to finance was above average 56 / 49.5 and access to finance at various stages of development was well above average 61.4 / 53.8. However, global indices point to average levels of access to finance.
MSMEs in Services		Global indices point to a highly restrictive environment for digitally delivered services in China. Respondents indicated an above average level of services ecosystem development.
MSMEs in Cross-Border Trade		Global indices point to an above average ability for MSMEs to engage in cross-border trade. Survey responses indicated a high level of sophistication in E-invoices 82.2 / 71.6 and digital agreements 75 / 65.2. Chinese MSMEs reported a moderately developed cross-border ecosystem for MSMEs 63.9 / 54.7.
Economic Inclusiveness for Women		Global indices indicate that women's inclusion is in line with other APEC economies. Survey respondents claimed that China's business environment was best in the world for women and that women had equal access to all necessary business resources. However, survey respondents also indicated that women were below average in terms of capabilities 61.1 / 62.3 despite having an above average performance on regarding the STEM gender gap. Both primary and secondary sources indicate discrepancies with the perceptions of inclusion and the reality of inclusion in China.
Economic Inclusiveness for Other Groups		The Youth Progress Index indicates that Youth are quite disadvantaged relative to other APEC economies. Survey responses indicate that Youth are highly supported 70 / 60.8. Inclusion of other groups was generally above average, but primary and secondary sources indicate inclusion challenges throughout various groups in China.
MSME Formalized Economy		There was a strong disconnect between survey responses, thought leaders, and secondary sources in regarding formalization of MSMEs. Survey respondents indicated that there are almost zero informal MSMEs in China while other sources indicate that like other economies formalization remains a challenge. Acknowledging and addressing the challenges of the informal economy is critical to addressing the challenges faced by informal MSMEs.

People's Republic of China

Scale



Key Demographics

Number of MSMEs: 140,000,000

MSME Percentage of Total Enterprises: 99.80%

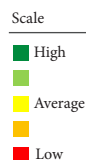
MSME Percentage of Total Employment: 82%

MSME Percentage Contribution to GDP: 60%

Percentage of Women in Workforce: 62%

	Leading Indices	World Rank	APEC Rank
DIGITALIZATION	Digital First Economy Index		9
	Digital Quality of Life Index	22	7
	Global Cybersecurity Index	28	9
	Digital Skills Gap 2022	13	5
SUSTAINABILITY	Global Resilience Index 2022	71	17
	Best Countries to do Business	78	19
	Sustainable Competitiveness Index 2021	33	5
SUSTAINABLE DEVELOPMENT	Progress in Achieving Sustainable Development Goals 2022	74	17
	Environmental Performance Index 2022	160	17
FINANCING	Government Support	17	5
	Financial System Support	18	8
TRADE	Access of domestic companies to international trade (2022)	158	20
INCLUSION	Mastercard Index of Women Entrepreneurs 2022	27	12
	Global Gender Gap Index 2022	102	14
	Youth Progress Index 2021	72	15

Hong Kong, China



Key Demographics

Number of MSMEs: 340,000

MSME Percentage of Total Enterprises: 98%

MSME Percentage of Total Employment: 47%

MSME Percentage Contribution to GDP: 41%

Percentage of Women in Workforce: 62%

ABAC RESEARCH SURVEY SCORECARD

*Low survey response, scores based more heavily on secondary indices

Digital Ecosystems



Hong Kong generally was rated highly in terms of the digital ecosystem across survey responses and third-party global indices. Access to affordable internet was ranked very highly by survey respondents 70 / 60.6. However, respondents noted that there was room for further improvement regarding cloud solutions (indicating that most MSMEs were using digital solutions but were not aware if they were cloud solutions), mobile commerce, and e-Government.

MSME Digital Proficiency



MSMEs generally rated digital proficiency levels in Hong Kong slightly higher than the APEC average but noted that access to digital trainings was extremely limited and difficult to access 55.2 / 60.2.

Cyber Resilience & Fraud Protection



Global indices ranked Hong Kong's cyber resilience and fraud protection slightly above APEC average.

MSME Resilience



Global indices point to above average levels of MSME resilience. Survey respondents, while limited, indicated that government support programs have been more effective than average at assisting MSMEs.

Sustainable Development



Global indices point to above average levels of sustainable development. Survey respondents, while limited, were in line with other APEC economies in terms of mindset and awareness.

MSME Financing Ecosystem



Global indices point to above average levels of financial ecosystem development. Survey respondents, while limited indicated above average levels of ecosystem development compared to other APEC economies.

MSMEs in Services



Global indices point to an average level of service ecosystem development in Hong Kong with above average levels of digital services trade development and lower than average levels of service network preparedness. Respondents, while limited indicated a moderate level of service ecosystem development.

MSMEs in Cross-Border Trade



Global indices indicate that MSMEs have relatively easy time conducting business across borders, however trade facilitation was moderately effective. While survey respondents were limited, they indicated a moderate level of development of a cross-border trade ecosystem.

Economic Inclusiveness for Women



Both third-party global indices and the limited survey response indicate an average level of inclusion for women relative to other APEC economies. The STEM gender gap is above average. The limited survey responses indicated a below average environment for women-led MSMEs.

Economic Inclusiveness for Other Groups



Data for inclusion of other groups in Hong Kong was limited, but in general inclusion is in line with other APEC economies. The limited survey results indicated that inclusion of other groups is in line with other APEC economies and that there is a slightly higher focus on youth relative to other groups.

MSME Formalized Economy



Hong Kong has a relatively lower level of informal MSMEs, but limited survey responses indicate that policy maker formalization programs are only moderately effective.

Hong Kong, China

Key Demographics

Number of MSMEs: 340,000
 MSME Percentage of Total Enterprises: 98%
 MSME Percentage of Total Employment: 47%
 MSME Percentage Contribution to GDP: 41%
 Percentage of Women in Workforce: 62%

Scale



	Leading Indices	World Rank	APEC Rank
DIGITALIZATION	Digital First Economy Index		6
	Digital Quality of Life Index		
	Global Cybersecurity Index	30	10
	Digital Skills Gap 2022	19	6
SUSTAINABILITY	Global Resilience Index 2022	26	7
	Best Countries to do Business	5	4
	Sustainable Competitiveness Index 2021		
SUSTAINABLE DEVELOPMENT	Progress in Achieving Sustainable Development Goals 2022		
	Environmental Performance Index 2022		
FINANCING	Government Support	38	7
	Financial System Support	6	5
TRADE	Access of domestic companies to international trade (2022)		
INCLUSION	Mastercard Index of Women Entrepreneurs 2022	17	6
	Global Gender Gap Index 2022		
	Youth Progress Index 2021		

Indonesia

Key Demographics

Number of MSMEs: 64,194,056

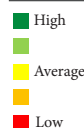
MSME Percentage of Total Enterprises: 99.99%

MSME Percentage of Total Employment: 97%

MSME Percentage Contribution to GDP: 60.50%

Percentage of Women in Workforce: 54%

Scale



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*Low survey response, scores based more heavily on secondary indices

Digital Ecosystems



MSMEs responded that digital ecosystems are quite undeveloped in Indonesia relative to other APEC economies. Access to affordable internet, 55.2 / 60.6, access to cloud-based solutions 48.6 / 63.6, and e-Government development 48.6 / 60.9 were significantly lower than the average APEC economy. Global indices indicated that the development of Indonesia's digital ecosystems were among the lowest in APEC, with connectivity as a key driver.

MSME Digital Proficiency



Third-party global indices indicate that many MSMEs' level of digital proficiency is average to slightly above average, but results vary depending on the index. While survey responses were limited, respondents indicate wide gaps in digital proficiency – particularly in terms of inventory management, recruiting, payroll & compensation, supply chain, and data storage.

Cyber Resilience & Fraud Protection



Survey respondents indicate a low level of cybersecurity awareness and difficulty finding affordable security providers. However, global indices indicate that Indonesia is slightly above average in terms of cybersecurity performance.

MSME Resilience



Global indices point to low levels of MSME resilience in Indonesia. Survey responses, while limited, state that MSMEs do not feel prepared for the new MSME economy and could benefit from access to growth resources and international trade.

Sustainable Development



Global indices point to low levels of environmental performance. The limited number of survey responses indicated a minimal awareness of issues and programs to improve sustainable development.

MSME Financing Ecosystem



Global indices point to challenges accessing financing, lower levels of online payments compared to other APEC economies, and lower access to online financial accounts. Survey respondents, while limited, argued that financial innovation and preparedness for financing lagged significantly behind the APEC average economy's financial ecosystem.

MSMEs in Services



Global indices and survey respondents indicated a below average level of service ecosystem development. Digital services trade is not well enabled within Indonesia.

MSMEs in Cross-Border Trade



Global indices and survey respondents indicated significant challenges conducting cross-border trade. Challenging digital capabilities led to MSME complications in effectively engaging in trade. Respondents also indicated that simplifying Rules of Origin for MSMEs would improve the ecosystem for cross-border trade.

Economic Inclusiveness for Women



Global indices and survey responses indicate a difficult environment for women – somewhere between the average APEC economy and slightly below average. Survey respondents indicated that the environment for women is less hospitable than the average APEC economy 60 / 67.2. Capabilities of women-led MSMEs was also ranked low relative to other APEC economies 56.1 / 62.3.

Economic Inclusiveness for Other Groups



Global indices point to a difficult environment a challenging environment for youth, but that inclusion is generally in line with the rest of APEC. Survey respondents, while limited, indicated an average level of inclusion for various groups relative to the rest of APEC.

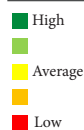
MSME Formalized Economy



Limited survey responses indicate significant challenges in both the proportion of the informal economy and minimal effectiveness of policy maker programs in formalizing MSMEs.

Indonesia

Scale



Key Demographics

Number of MSMEs: 64,194,056

MSME Percentage of Total Enterprises: 99.99%

MSME Percentage of Total Employment: 97%

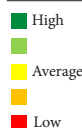
MSME Percentage Contribution to GDP: 60.50%

Percentage of Women in Workforce: 54%

	Leading Indices	World Rank	APEC Rank
DIGITALIZATION	Digital First Economy Index		20
	Digital Quality of Life Index	72	16
	Global Cybersecurity Index	44	14
	Digital Skills Gap 2022	47	14
SUSTAINABILITY	Global Resilience Index 2022	69	16
	Best Countries to do Business	72	18
	Sustainable Competitiveness Index 2021	75	14
SUSTAINABLE DEVELOPMENT	Progress in Achieving Sustainable Development Goals 2022	17	8
	Environmental Performance Index 2022	164	18
FINANCING	Government Support	57	14
	Financial System Support	30	14
TRADE	Access of domestic companies to international trade (2022)	63	13
INCLUSION	Mastercard Index of Women Entrepreneurs 2022	25	10
	Global Gender Gap Index 2022	92	12
	Youth Progress Index 2021	76	16

Japan

Scale



Key Demographics

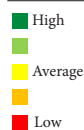
Number of MSMEs: 3,580,000
 MSME Percentage of Total Enterprises: 99.70%
 MSME Percentage of Total Employment: 60%
 MSME Percentage Contribution to GDP: 50%
 Percentage of Women in Workforce: 53%

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Digital Ecosystems	■	Third-party global indices indicate a high level of sophistication for the new Digital First Economy, where Japan has high levels of connectivity and digital responsiveness. However, policy maker responsiveness lags across both primary and secondary sources 50.6 / 60.9 and is a main driver preventing more rapid development of digital ecosystems. MSME Mobile commerce was well below APEC average 55 / 63.5.
MSME Digital Proficiency	■	Digital proficiency was in line with the average APEC economy 66.3 / 68.6. Global indices also indicated a digital skills gap challenge that was slightly more significant than some other APEC economies. During our research, we found that there was a large gender discrepancy relative to digital proficiency and while this issue is not unique to Japan it's an opportunity specific to Japan to improve proficiency.
Cyber Resilience & Fraud Protection	■	Survey respondents indicated a below average awareness of cybersecurity threats 58.2 / 62.6 indicated a limited awareness of threats and lower than average level of trust & confidence in digital solutions based on policy maker action. Global indices ranked Japan's cybersecurity resilience in line with other APEC economies.
MSME Resilience	■	Global indices point to a higher level of economic resilience. Respondents indicated an average level of effectiveness of support programs and MSMEs indicated below average levels of future-readiness 52.7 / 57.7. Thought leaders indicated that the aging population in Japan leads to challenges in terms of both technological proficiency and MSME owners exiting the workforce without a pipeline of laborers to backfill.
Sustainable Development	■	MSMEs report above average levels of policy maker engagement of MSMEs when creating national sustainability goals 59.3 / 56.6 and above average levels of awareness and effectiveness of programs 57.1 / 53.3. MSMEs report that they do not consider sustainable development goals any more than other APEC economies 57.4 / 58.8. Japan scores highly on environmental performance third-party global indices.
MSME Financing Ecosystem	■	Access to finance in Japan is on the higher side of APEC 57.6 / 49.5 and MSMEs report a more sophisticated financing ecosystem for service MSMEs 65.2 / 53.6. Preparedness for financing 56.1 / 57.9, financial innovation 52.5 / 53.7, and levels of development for various forms of financing were in line with APEC economies 59.2 / 59.1. Access to funding at various stages of development was above APEC average 55.9 / 53.8 and usage of online payments was on the high end of APEC rankings.
MSMEs in Services	■	Japan is above average in digitally delivering services according to global indices, but there are also challenges in terms of delivering services across borders. MSME respondents indicated that the services ecosystem was slightly underdeveloped relative to other APEC economies 52.6 / 57.2. MSMEs indicated that improvements to services training 53 / 58.2, the presence of services platforms 57.2 / 61.4, and policy maker support 51 / 58.4 could improve the ecosystem.
MSMEs in Cross-Border Trade	■	While third-party global indices pointed to above average cross-border trade capabilities, survey respondents argued that the ecosystem was in line with other economies 54.9 / 54.72 and digital transaction capabilities were behind other APEC economies 61.5 / 68.9. Digital agreements were noted as an opportunity for improvement 57.2 / 65.2 as was digital access to trade documents 49 / 58.
Economic Inclusiveness for Women	■	Global indices point to Japan having relatively low levels of inclusion for women. While both survey respondents and thought leaders discussed progress made in terms of inclusion, secondary research indicates a strong foothold in stereotypical gender roles despite higher levels of women's education relative to other APEC economies. Women continue to face significant inclusion barriers due to cultural practices.
Economic Inclusiveness for Other Groups	■	Both global indices and survey responses indicated below average levels of inclusion for various groups. There was a high level of support and focus on youth 68.4 / 60.8. Support for seniors, immigrants and other groups fell dramatically behind other APEC economies 45.6 / 51.4 indicating that support for other groups is uncommon in Japan. During thought leader interviews the topic of succession planning for senior MSMEs was a major topic of concern without a clear path to resolve – largely driven by the aging population challenges in Japan.
MSME Formalized Economy	■	Survey respondents indicated that formalization is not as much of an issue as other APEC economies. However, policy maker programs to formalize MSMEs were viewed as ineffective 54 / 57.2.

Japan

Scale



Key Demographics

Number of MSMEs: 3,580,000

MSME Percentage of Total Enterprises: 99.70%

MSME Percentage of Total Employment: 60%

MSME Percentage Contribution to GDP: 50%

Percentage of Women in Workforce: 53%

	Leading Indices	World Rank	APEC Rank
DIGITALIZATION	Digital First Economy Index		5
	Digital Quality of Life Index	12	4
	Global Cybersecurity Index	15	6
	Digital Skills Gap 2022	36	13
SUSTAINABILITY	Global Resilience Index 2022	24	6
	Best Countries to do Business	34	11
	Sustainable Competitiveness Index 2021	13	1
SUSTAINABLE DEVELOPMENT	Progress in Achieving Sustainable Development Goals 2022	12	6
	Environmental Performance Index 2022	25	2
FINANCING	Government Support	46	9
	Financial System Support	19	9
TRADE	Access of domestic companies to international trade (2022)	35	9
INCLUSION	Mastercard Index of Women Entrepreneurs 2022	47	19
	Global Gender Gap Index 2022	116	17
	Youth Progress Index 2021	17	5

Republic of Korea

Key Demographics

Number of MSMEs: 6,88,435

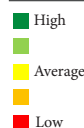
MSME Percentage of Total Enterprises: 99.90%

MSME Percentage of Total Employment: 86%

MSME Percentage Contribution to GDP: 60%

Percentage of Women in Workforce: 53%

Scale



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Digital Ecosystems ■ High levels of connectivity 69 / 60.6, digital infrastructure 68.6 / 60.4, and e-Government 67.1 / 60.9 enable Korea to be well positioned for digital ecosystems, but Korea lags in cloud-based solutions 57.7 / 63.6 and mobile commerce 55.7 / 63.5.

MSME Digital Proficiency ■ Both survey respondents and global indices indicate Korea's level of digital proficiency is average relative to other APEC economies. MSME respondents indicate that MSME e-Commerce has room for improvement and digital trainings show significant room for improvement 56.8 / 60.6 as MSMEs find trainings to be difficult to find or access.

Cyber Resilience & Fraud Protection ■ As an economy, Korea's digital resilience is slightly above APEC average, but MSMEs demonstrate an average level of awareness of cybersecurity threats. In addition to average levels of awareness, MSMEs find cybersecurity and fraud solutions providers to be unaffordable and slightly underdeveloped.

MSME Resilience ■ Global indices point to an above average level of MSME resilience. However, MSMEs report that their level of future readiness is in line with other APEC economies 56.2 / 57.7. MSMEs reported that assistance accessing networks and mentors 55.8 / 58, and financial skills 49.4 / 55.6 could improve their levels of resilience.

Sustainable Development ■ Global indices report above average levels of sustainable development effectiveness. Respondents reported that policy makers consider MSMEs while formulating sustainable development goals in line with other economies 55 / 56.6. MSMEs reported above average effectiveness of sustainable development training programs 59.4 / 54.6.

MSME Financing Ecosystem ■ Access to finance was in line with other APEC economies 47.2 / 49.5. MSMEs reported average levels of development for various forms of financing 59.7 / 59.1, access to financing at various stages of development 52.8 / 53.8, and financial services innovation and fintech development 51.8 / 52.2. Global indices point to above average levels of access to finance.

MSMEs in Services ■ Global indices pointed to average levels of service ecosystem development and capabilities. MSMEs indicated that improving services platforms 57.2 / 61.4, training 55.8 / 58.2, and policy maker support for services 54.4 / 58.4 could further develop the ecosystem.

MSMEs in Cross-Border Trade ■ Global indices indicated an above average ability for MSMEs to conduct cross-border trade. Survey respondents indicated that the ecosystem is moderately developed 54 / 54.72. Digital Agreements were noted as an opportunity for the Korean policy maker to improve digital transaction capabilities for MSMEs.

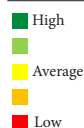
Economic Inclusiveness for Women ■ Thought leader interviews indicated that there was a high level of equity and inclusion within Korea. However, global indices and survey respondents indicate challenges. Global indices, generally rank women's inclusion below the APEC average despite having higher levels of education. Survey respondents indicated that women's capabilities are on the low end relative to the APEC average 59.1 / 62.3 arguing that women are less capable. Survey respondents also indicated a high level of gender equity. These discrepancies indicate a potential underlying bias.

Economic Inclusiveness for Other Groups ■ Survey respondents indicated inclusion of various groups to be in line with APEC averages 51 / 53. Global indices point to above average levels of youth support.

MSME Formalized Economy ■ Survey respondents indicated that the proportion of informal MSMEs is in line with APEC average 63.6 / 61.6. Effectiveness of formalization initiatives were also in line with APEC average 57.2 / 57.2.

Republic of Korea

Scale



Key Demographics

Number of MSMEs: 6,88,435

MSME Percentage of Total Enterprises: 99.90%

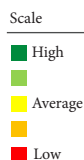
MSME Percentage of Total Employment: 86%

MSME Percentage Contribution to GDP: 60%

Percentage of Women in Workforce: 53%

	Leading Indices	World Rank	APEC Rank
DIGITALIZATION	Digital First Economy Index		8
	Digital Quality of Life Index	2	1
	Global Cybersecurity Index	16	7
	Digital Skills Gap 2022	15	4
SUSTAINABILITY	Global Resilience Index 2022	30	8
	Best Countries to do Business	4	3
	Sustainable Competitiveness Index 2021	21	3
SUSTAINABLE DEVELOPMENT	Progress in Achieving Sustainable Development Goals 2022	50	6
	Environmental Performance Index 2022	63	7
FINANCING	Government Support	12	4
	Financial System Support	22	12
TRADE	Access of domestic companies to international trade (2022)	19	6
INCLUSION	Mastercard Index of Women Entrepreneurs 2022	32	15
	Global Gender Gap Index 2022	99	13
	Youth Progress Index 2021	22	6

Malaysia



Key Demographics

Number of MSMEs: 1,226,494
 MSME Percentage of Total Enterprises: 99%
 MSME Percentage of Total Employment: 48%
 MSME Percentage Contribution to GDP: 38.20%
 Percentage of Women in Workforce: 51%

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Digital Ecosystems ■ Ranked by both MSMEs and third-party global indices as average relative to other APEC economies, Malaysia's digital ecosystems are generally in line with the average across most categories measured. Lower than average levels of ICT infrastructure 57.9/ 60.6 and affordable internet 55.1 / 60.4 present challenges while usage of cloud-based solutions is slightly more sophisticated than the average APEC economy 67.2 / 63.6.

MSME Digital Proficiency ■ Global indices indicate that Malaysia has a high level of digital proficiency relative to other APEC economies and generally has digitally skilled workers. MSMEs indicated an average level of digital proficiency with training accessibility being in line with other APEC economies. However, Malaysia had high levels of proficiency across e-Payments 80.4/ 72.3, and accounting & financial planning 74.9 / 71.2 relative to other economies.

Cyber Resilience & Fraud Protection ■ MSMEs voiced an above average level of cybersecurity awareness 70.0 / 62.6, however they felt that security providers were either unaffordable or underdeveloped 52.8 / 56.3. Global indices indicated average levels of cyber resilience.

MSME Resilience ■ MSME respondents and global indices point to average levels of MSME resilience. MSMEs report average levels of preparedness for the new MSME economy 58.2 / 57.7. Mentorship and networks were noted as an area for improvement 55.6 / 58. Policy maker responsiveness and support were also noted to be in line with other APEC economies.

Sustainable Development ■ Global indices point to a slightly below average level of sustainable development performance. Respondents indicated that MSME sustainable development mindset is in line with the average APEC economy 59.2 / 58.8. MSMEs reported an average level of awareness and effectiveness of support programs to address sustainable development 54.3 / 53.3.

MSME Financing Ecosystem ■ MSMEs report average levels of development for the financing ecosystem. Access to finance 49.4 / 49.5, development of various forms of financing 56.9 / 59.1, and financing at various growth stages 54.3 / 53.8 were in line with other APEC economies. Digital financing solutions were rated above average by global indices, but MSME respondents reported only average levels of financial innovation – signaling a potential supply vs demand side disconnect.

MSMEs in Services ■ Above average levels of service ecosystem development 61.2 / 57.2 are driven by higher-than-average presence of service platforms and more sophisticated levels of financing for services 62.2 / 55.

MSMEs in Cross-Border Trade ■ MSME respondents indicated a moderately developed cross-border trade ecosystem is slightly above average compared to other APEC economies 57.7 / 54.7. Digital transaction capabilities for cross-border trade were in line with other APEC economies 66.9 / 68.9. Global indices point to a trade ecosystem in line with other APEC economies.

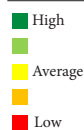
Economic Inclusiveness for Women ■ MSME respondents indicated that women have above average levels of access to critical business networks and capabilities 72.6 / 67.1. However, survey respondents acknowledged a capability gap 60.1 / 62.3 and a more challenging environment for women 64.4 / 67.7. Global indices point to additional challenges for women in Malaysia but a higher level of STEM education for women relative to other APEC economies.

Economic Inclusiveness for Other Groups ■ The inclusion of other groups in Malaysia was in line with the APEC average 50.6 / 53. Programs to support youth were slightly above average, but Global indices point to challenges for Youth. Global indices point to below average levels of inclusion across groups in Malaysia.

MSME Formalized Economy ■ Survey respondents indicated an above average performance relative to APEC in terms of the perception of size of the informal economy 66 / 61.6. The effectiveness of policy maker programs focused on formalizing MSMEs was in line with the APEC average 56.8 / 57.2.

Malaysia

Scale



Key Demographics

Number of MSMEs: 1,226,494

MSME Percentage of Total Enterprises: 99%

MSME Percentage of Total Employment: 48%

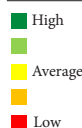
MSME Percentage Contribution to GDP: 38.20%

Percentage of Women in Workforce: 51%

	Leading Indices	World Rank	APEC Rank
	Digital First Economy Index		11
DIGITALIZATION	Digital Quality of Life Index	31	9
	Global Cybersecurity Index	8	3
	Digital Skills Gap 2022	18	3
SUSTAINABILITY	Global Resilience Index 2022	44	10
	Best Countries to do Business	24	9
	Sustainable Competitiveness Index 2021	67	12
SUSTAINABLE DEVELOPMENT	Progress in Achieving Sustainable Development Goals 2022	38	10
	Environmental Performance Index 2022	130	15
FINANCING	Government Support	7	3
	Financial System Support	23	12
TRADE	Access of domestic companies to international trade (2022)	42	10
INCLUSION	Mastercard Index of Women Entrepreneurs 2022	28	13
	Global Gender Gap Index 2022	103	15
	Youth Progress Index 2021	48	9

Mexico

Scale



Key Demographics

Number of MSMEs: 4,000,000
 MSME Percentage of Total Enterprises: 97.40%
 MSME Percentage of Total Employment: 71%
 MSME Percentage Contribution to GDP: 12.40%
 Percentage of Women in Workforce: 44%

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Digital Ecosystems ■ Both third-party global indices and survey respondents rank the development of Digital Ecosystems below the average APEC economy. ICT infrastructure 59.4 / 60.6, policy maker responsiveness 42.4 / 53.44, e-Government capabilities 53.3 / 60.9, and availability of digital platforms and IT service providers 53.3 / 58 lag other APEC economies and are critical enablers.

MSME Digital Proficiency ■ MSMEs responded that their level of digital proficiency is low relative to other APEC economies. Limited usage of inventory management systems and recruiting tools were especially behind APEC peers. MSMEs indicated that availability of digital training was very limited 53.5 / 60.6. Global indices further demonstrated a large gap in digital skills relative to other APEC economies.

Cyber Resilience & Fraud Protection ■ Low levels of MSME awareness of cybersecurity threats and limited affordable digital solutions drive the rating. MSMEs indicated that they do not have trust and confidence in policy maker endorsements or actions to improve availability of cybersecurity resources.

MSME Resilience ■ MSMEs report poor levels of assistance from policy makers 42.1 / 56.5. Respondents indicated low levels of MSME future readiness 47.9 / 57.7. Access to growth resources 46.8 / 54.8 and capabilities to trade internationally 44.2 / 54.8 were rated as areas requiring additional focus. Global indices report low levels of resilience.

Sustainable Development ■ Respondents indicated little consideration for sustainable development across all sizes of MSMEs 47.6 / 58.8. MSME felt that policy makers did not consider MSMEs when forming national sustainable development goals 40 / 56.6 and rated low levels of awareness and effectiveness of sustainable development programs 42.6 / 53.3.

MSME Financing Ecosystem ■ MSMEs generally report average levels of financial ecosystem of development. Access to finance is a challenge 46.4 / 49.5 as is the level of development of various forms of financing 53.7 / 59.1. MSMEs report being unprepared to access financing 40.6 / 57.9. Access to digital payments is above APEC average. Access to financing at various stages of development was in line with APEC average 54 / 53.8.

MSMEs in Services ■ Survey respondents indicated below average levels of service ecosystem development 51.1 / 57.2. Challenges included availability of training programs for services 51 / 58.2 and platforms 58.2 / 61.4. Global indices indicated average levels of service capabilities, but a more favorable environment than the average APEC economy for delivering services digitally.

MSMEs in Cross-Border Trade ■ Survey respondents indicated that cross-border trade is slightly below the APEC average. The trade ecosystem was ranked significantly lower than other APEC economies and is quite underdeveloped 47.2 / 54.7. Opportunities for improvement include digital access to trade documentation and support for internationalism. Global indices and digital transaction capabilities were in line with the APEC average.

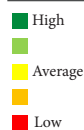
Economic Inclusiveness for Women ■ Respondents indicate a challenging environment for women 50.4 / 67.7. Women also face greater challenges with access to business capabilities and support relative to men 62.4 / 67.1. Global indices point to increased challenges for women including lower levels of STEM education and inclusive digitalization.

Economic Inclusiveness for Other Groups ■ Youth support was underdeveloped in Mexico 55.4 / 61.6. Seniors, immigrants, and Indigenous peoples and other underserved and underrepresented groups all lagged other APEC economies 47.8 / 53. Global indices pointed to challenges with inclusion across all groups.

MSME Formalized Economy ■ Survey respondents indicated a significant proportion of informal MSMEs within Mexico 43 / 61.6. Policy maker programs to formalize MSMEs were also given low rankings and were considered ineffective in addressing the problem 44.6 / 57.2.

Mexico

Scale



Key Demographics

Number of MSMEs: 4,000,000

MSME Percentage of Total Enterprises: 97.40%

MSME Percentage of Total Employment: 71%

MSME Percentage Contribution to GDP: 12.40%

Percentage of Women in Workforce: 44%

	Leading Indices	World Rank	APEC Rank
DIGITALIZATION	Digital First Economy Index		16
	Digital Quality of Life Index	67	14
	Global Cybersecurity Index	68	17
	Digital Skills Gap 2022	92	19
SUSTAINABILITY	Global Resilience Index 2022	66	15
	Best Countries to do Business	49	13
	Sustainable Competitiveness Index 2021	89	16
SUSTAINABLE DEVELOPMENT	Progress in Achieving Sustainable Development Goals 2022	10	5
	Environmental Performance Index 2022	73	10
FINANCING	Government Support	117	21
	Financial System Support	31	15
TRADE	Access of domestic companies to international trade (2022)	67	14
INCLUSION	Mastercard Index of Women Entrepreneurs 2022	41	18
	Global Gender Gap Index 2022	31	7
	Youth Progress Index 2021	69	13

New Zealand

Key Demographics

Number of MSMEs: 532,371

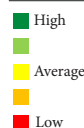
MSME Percentage of Total Enterprises: 99.52%

MSME Percentage of Total Employment: 70%

MSME Percentage Contribution to GDP: 30%

Percentage of Women in Workforce: 65%

Scale



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*Low survey response, scores based more heavily on secondary indices

Digital Ecosystems



Third-party global indices indicate a strong level of preparedness for the Digital First Economy. Survey respondents, while limited indicated that components on the digital ecosystem are well developed relative to other APEC economies.

MSME Digital Proficiency



Global indices pointed to mixed results in terms of digital proficiency with some pointing to slightly above average digital skills and others pointing to below average digital skills across the workforce. The limited survey respondents indicated that there was room for improvement across inventory management and recruiting, but invoicing / billing and marketing were fairly sophisticated.

Cyber Resilience & Fraud Protection



Global indices point to an average level of cybersecurity capabilities for MSMEs.

MSME Resilience



Global indices point to above average levels of resilience for MSMEs. Survey responses, while limited indicated high levels of future-readiness and positive sentiments about policy maker responsiveness.

Sustainable Development



Global indices rank New Zealand's sustainable development performance significantly higher than most other APEC economies. Respondents indicated a higher-than-average level of MSME consideration of sustainable development goals (it's worth noting that the score indicates that MSMEs only somewhat consider sustainable development goals).

MSME Financing Ecosystem



Higher than average levels of financing and digital sophistication to the financial system are reported in global indices. Limited survey responses indicate challenges accessing finance (especially for services), and lower levels of development for alternative forms of credit worthiness.

MSMEs in Services



Global indices and the limited survey responses indicate a more favorable than average environment for services, especially in terms of cross-border digitally delivered services.

MSMEs in Cross-Border Trade



Global indices point to an above average ecosystem for cross-border trade. Survey respondents, while limited, indicated that strong digital capabilities support MSMEs in cross-border trade.

Economic Inclusiveness for Women



Global indices point to a high level of inclusion for women in New Zealand. Improvement of the STEM gender gap is an opportunity for improvement. While the number of survey respondents were small, they demonstrated a frustration with the pace of improving women's equity and access to business support functions. Like other more inclusive economies, people are more generally aware of the issues faced by women and are eager to remedy.

Economic Inclusiveness for Other Groups



Despite having an inclusive environment generally and a high level of support for youth businesses the limited number of survey respondents indicated some areas for improvement. Support for seniors was especially low 33.4 / 50.8, but support for all groups other than women was in line with APEC average. Again, pointing to a desire for additional support despite the far above average levels of inclusion relative to other APEC economies.

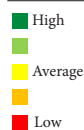
MSME Formalized Economy



While survey responses were limited, they indicated that the informal economy is relatively small and that policies to formalize MSMEs were moderately effective.

New Zealand

Scale



Key Demographics

Number of MSMEs: 532,371

MSME Percentage of Total Enterprises: 99.52%

MSME Percentage of Total Employment: 70%

MSME Percentage Contribution to GDP: 30%

Percentage of Women in Workforce: 65%

	Leading Indices	World Rank	APEC Rank
DIGITALIZATION	Digital First Economy Index		2
	Digital Quality of Life Index	23	8
	Global Cybersecurity Index	39	13
	Digital Skills Gap 2022	30	9
SUSTAINABILITY	Global Resilience Index 2022	19	3
	Best Countries to do Business	1	1
	Sustainable Competitiveness Index 2021	15	2
SUSTAINABLE DEVELOPMENT	Progress in Achieving Sustainable Development Goals 2022	8	4
	Environmental Performance Index 2022	26	3
FINANCING	Government Support	50	11
	Financial System Support	5	4
TRADE	Access of domestic companies to international trade (2022)	4	2
INCLUSION	Mastercard Index of Women Entrepreneurs 2022	2	2
	Global Gender Gap Index 2022	4	1
	Youth Progress Index 2021	7	1

Papua New Guinea

Key Demographics

Number of MSMEs: 50,000

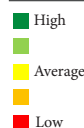
MSME Percentage of Total Enterprises: N/A

MSME Percentage of Total Employment: N/A

MSME Percentage Contribution to GDP: 10%

Percentage of Women in Workforce: 46%

Scale



ABAC RESEARCH SURVEY SCORECARD

Digital Ecosystems



Poor ICT infrastructure 47.4 / 60.4 and lack of affordable access to internet 42.1 / 60.6 prevent the development of digital ecosystems and have a trickledown effect to all other metrics of digital ecosystems. Solving for the digital ecosystem infrastructure will create an opportunity for Papua New Guinea to digitalize and create new business opportunities for MSMEs.

MSME Digital Proficiency



Digital proficiency is also very low 56.1 / 68.6. Without the prevalence of digital tools for MSMEs to leverage, MSMEs are not exposed to opportunities to improve their proficiency. Digital training is viewed as not widespread and underdeveloped relative to other APEC economies 54.4 / 60.6. Global indices rank Papua New Guinea's level of digital proficiency to be very low relative to other APEC economies.

Cyber Resilience & Fraud Protection



MSMEs are unaware of cybersecurity threats 41.6 / 62.6, do not have confidence in policy maker actions to improve the cybersecurity environment 42.2 / 62.9, and do not feel that cybersecurity providers are well developed or affordable. Global indices indicate a poor level of cybersecurity performance.

MSME Resilience



MSMEs reported that support programs have been ineffective in supporting MSMEs 37.7 / 56.5. MSMEs report low levels of future readiness 40.2 / 57.7. Limited access to growth resources 38.8 / 54.8, access to international trade 35.2 / 54.8, and financial skills 39.4 / 55.6 were the largest opportunities for improvement.

Sustainable Development



Global indices point to low levels of environmental and sustainable development performance. MSMEs voiced that they do not have a sustainable development mindset when making business decisions 47 / 58.8. Awareness and effectiveness of programs, including training, to improve sustainable development were also viewed as ineffective 33.9 / 53.3.

MSME Financing Ecosystem



MSMEs identify challenges accessing finance 28.9 / 49.5, levels of development for various forms of financing 37.3 / 59.1, access to financing at various stages of development 46.4 / 53.8 (especially in early stages), and financial innovation and fintech development at a lower level than other APEC economies 40.3 / 52.2. MSMEs also report being unprepared to access finance 40.6 / 57.9.

MSMEs in Services



Development of the services ecosystem was well below APEC average 36.7 / 57.2. Significant challenges faced MSMEs in terms of training 36.8 / 58.2, platforms 34.4 / 61.4, dispute resolution mechanisms 33 / 53.4, and 36.2 / 55.

MSMEs in Cross-Border Trade



Global indices and survey respondents both indicated that cross-border trade ecosystems are underdeveloped 32.6 / 54.72. Limited digital capabilities impact cross-border trade as well 48.3 / 68.9.

Economic Inclusiveness for Women



Survey respondents indicated a significantly more challenging business environment for women than men 49.6 / 67.7. Lower levels of access for women into business ecosystems impact women's ability to conduct business 57.3 / 67.1. Women's business capabilities were lower than the average APEC economy 61 / 62.3. Global indices pointed to high levels of gender disparities.

Economic Inclusiveness for Other Groups



Both survey responses and third-party global indices pointed to low levels of economic inclusion for groups other than women 43.1 / 53. Youth fell far behind APEC economies indicating a gap of support for young and future business owners 44.8 / 60.8.

MSME Formalized Economy



Survey respondents indicated very high levels of informality 34.6 / 61.6. Policy maker programs were deemed to be extremely ineffective by survey respondents 35.2 / 57.2.

Papua New Guinea

Key Demographics

Number of MSMEs: 50,000

MSME Percentage of Total Enterprises: N/A

MSME Percentage of Total Employment: N/A

MSME Percentage Contribution to GDP: 10%

Percentage of Women in Workforce: 46%

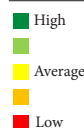
Scale



	Leading Indices	World Rank	APEC Rank
DIGITALIZATION	Digital First Economy Index		21
	Digital Quality of Life Index		
	Global Cybersecurity Index	101	20
	Digital Skills Gap 2022	109	21
SUSTAINABILITY	Global Resilience Index 2022		
	Best Countries to do Business		
	Sustainable Competitiveness Index 2021	129	19
SUSTAINABLE DEVELOPMENT	Progress in Achieving Sustainable Development Goals 2022	70	16
	Environmental Performance Index 2022	175	19
FINANCING	Government Support	100	20
	Financial System Support	37	16
TRADE	Access of domestic companies to international trade (2022)	123	11
INCLUSION	Mastercard Index of Women Entrepreneurs 2022		
	Global Gender Gap Index 2022		
	Youth Progress Index 2021		

Peru

Scale



Key Demographics

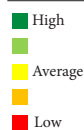
Number of MSMEs: 1,780,117
 MSME Percentage of Total Enterprises: 99.50%
 MSME Percentage of Total Employment: 89.40%
 MSME Percentage Contribution to GDP: 42%
 Percentage of Women in Workforce: 66%

ABAC RESEARCH SURVEY SCORECARD

Digital Ecosystems	■	MSMEs indicate that digital ecosystems are poorly developed in Peru relative to other APEC economies 49.2 / 56.9, pointing to opportunities to improve access to affordable internet and improving policy maker responsiveness to digital trends. Usage of cloud-based solutions was low 53.2 / 63.2, as was the prevalence of mobile commerce 58.9 / 63.5, and level of e-Government 51.6. Third-party global indices further pointed to low levels of ecosystem development, especially regarding connectivity, access to products, digital responsiveness, and ease of doing digital business.
MSME Digital Proficiency	■	Digital proficiency was below APEC average 64.2 / 68.6. Usage of inventory management tools, e-Payments, and recruiting tools demonstrated the greatest gaps in digital proficiency. Availability to trainings was also below average 54.4 / 60.6. Global indices pointed to lower levels of workforce technology skills and a shortage of digital skills supply.
Cyber Resilience & Fraud Protection	■	MSMEs indicated that they only had some awareness of cybersecurity threats 61.6 / 62.6 and were neutral on levels of trust and confidence in digital solutions and policy maker's actions to promote these solutions 41.3 / 62.9. There are some affordable options for cybersecurity solutions providers, but most are unaffordable or underdeveloped. Global indices point to lower levels of cybersecurity performance relative to other APEC economies.
MSME Resilience	■	MSMEs report an average level of future-readiness 55.7 / 57.7. MSMEs indicate that access to growth programs and an innovative environment are underdeveloped. MSMEs feel that policy makers do not have a vision for MSMEs 43.2 / 59.7 and that support programs are generally ineffective 48.6 / 56.5. Global indices point to a below average level of resilience.
Sustainable Development	■	Global indices point to an average level of sustainable development performance relative to other APEC economies. Survey respondents indicate that MSMEs are not considered by policy makers when designing national sustainable development goals 46.7 / 56.6. MSMEs reported consideration of sustainable development while making business decisions to be limited 54.1 / 58.8. Sustainable development programs were also considered to be ineffective 47.8 / 53.3.
MSME Financing Ecosystem	■	Respondents indicated an average level of financing ecosystem development. Access to finance was in line with other APEC economies (challenging to access) 49.4 / 49.5. Financing for various stages of development was slightly above the APEC average 56.5 / 53.8, but state of financial innovation and fintech was below APEC average 50.5 / 53.7. Global indices point to lower levels of access to finance and digital financing solutions.
MSMEs in Services	■	Peru's service ecosystem was slightly less developed than the average APEC economy 52.9 / 57.2. MSMEs argue that platforms are underdeveloped 53.4 / 61.4 and a lack of mutual recognition of qualifications of licenses 51.6 / 56.6 challenge the services environment. Services trainings were in line with the APEC average in terms of level of maturity 57 / 58.2.
MSMEs in Cross-Border Trade	■	Survey respondents indicated a moderately to slightly underdeveloped cross-border trade ecosystem 55.6 / 54.7. Global indices indicated that cross-border trade is in line with other APEC economies. For MSMEs conducting cross-border trade, they noted that digital capabilities enabling cross-border trade were in line with other APEC economies 67.3 / 68.9.
Economic Inclusiveness for Women	■	Survey respondents indicated that Peru had a difficult environment for women 54.2 / 67.7. Women have below average access to various business capabilities relative to men 63.1 / 67.1, especially in terms of access to finance 56.3 / 62.7. Survey respondents did indicate that women's capabilities were slightly above APEC average, when they had opportunities 64.7 / 62.3, especially in terms of ambition. Global indices pointed to below average levels of inclusion.
Economic Inclusiveness for Other Groups	■	Both Global indices and survey respondents indicated a low level of inclusion for groups other than women in Peru. Youth were well below APEC average 53.4 / 60.8 as were seniors 36.6 / 50.8, immigrants 40.6 / 50, and Indigenous peoples 44.6 / 56.6.
MSME Formalized Economy	■	Survey respondents indicated a high level of informality within Peru 38.2 / 61.6. Policy maker programs are also viewed as very ineffective in formalizing MSMEs 43.8 / 57.2.

Peru

Scale



Key Demographics

Number of MSMEs: 1,780,117

MSME Percentage of Total Enterprises: 99.50%

MSME Percentage of Total Employment: 89.40%

MSME Percentage Contribution to GDP: 42%

Percentage of Women in Workforce: 66%

	Leading Indices	World Rank	APEC Rank
DIGITALIZATION	Digital First Economy Index		18
	Digital Quality of Life Index	68	15
	Global Cybersecurity Index	62	16
	Digital Skills Gap 2022	61	17
SUSTAINABILITY	Global Resilience Index 2022	78	18
	Best Countries to do Business	58	16
	Sustainable Competitiveness Index 2021	39	8
SUSTAINABLE DEVELOPMENT	Progress in Achieving Sustainable Development Goals 2022	82	18
	Environmental Performance Index 2022	101	12
FINANCING	Government Support	73	17
	Financial System Support		
TRADE	Access of domestic companies to international trade (2022)	51	11
INCLUSION	Mastercard Index of Women Entrepreneurs 2022	36	16
	Global Gender Gap Index 2022	37	6
	Youth Progress Index 2021	70	14

The Republic of the Philippines

Scale



Key Demographics

Number of MSMEs: 995,745
 MSME Percentage of Total Enterprises: 99.50%
 MSME Percentage of Total Employment: 62.66%
 MSME Percentage Contribution to GDP: 35.70%
 Percentage of Women in Workforce: 44%

ABAC RESEARCH SURVEY SCORECARD

Digital Ecosystems ■ Both third-party global indices and survey results point to underdeveloped digital ecosystems relative to other APEC economies. Access to affordable internet 52 / 60.6 and ICT infrastructure 53.5 / 60.4 are a challenge which has a trickle-down effect to other components of the digital ecosystem. Very few MSMEs were leveraging cloud-based solutions and mobile commerce. e-Government levels were also below APEC average.

MSME Digital Proficiency ■ Survey respondents indicated a very low level of digital proficiency 60.8 / 68.6. The greatest opportunities to improve digital proficiency were in invoicing / billing, recruiting, e-Payments, payroll & compensation, supply chain management tools. MSMEs did indicate an above average level of digital trainings 62.6 / 60.6, but global indices pointed to a below average level of digitally skilled workers.

Cyber Resilience & Fraud Protection ■ MSMEs indicated a slightly below average level of awareness of cybersecurity threats and found that providers were relatively underdeveloped and unaffordable. Global indices point to a slightly below APEC average level of cybersecurity performance.

MSME Resilience ■ Global indices pointed to significant resilience challenges for MSMEs in the Philippines. Survey respondents indicated that MSMEs have higher than average levels of future readiness 61.3 / 58.8. This disconnect between the reality of the challenges facing MSMEs and the perception of readiness is concerning and must be addressed to avoid significant challenges to MSMEs.

Sustainable Development ■ Global indices tell a story of poor performance for sustainable development. Survey respondents indicate that there are above average levels of awareness of sustainable development goals and that policy makers considers MSMEs while formulating goals. Survey respondents also indicated that these programs were highly effective. The gap between the perceptions of sustainable development goals and actual performance must be remedied to effectively address sustainability challenges faced by the Philippines.

MSME Financing Ecosystem ■ Survey respondents below average levels of development of the financing ecosystem. Access to finance 42 / 49.5, access to financing at various stages of development 46.4 / 53.8 were lower than other APEC economies. Innovation of financing and the fintech ecosystem was in line with the APEC average 53.5 / 53.7. Preparedness for financing was also lower than average 53.8 / 57.9. Survey respondents were in line with index rankings.

MSMEs in Services ■ MSMEs argue that there is an average level of development of the services ecosystem 57.5 / 57.2. Respondents indicated that trainings, existence of platforms, dispute resolution, and specialized financing for services were all at the APEC average – however, the APEC average deems that these ecosystems tend to be underdeveloped relative to the needs of the new MSME economy.

MSMEs in Cross-Border Trade ■ Digital ecosystems are underdeveloped in the Philippines 51.5 / 54.7. Opportunities to improve the ecosystem include simplifying Rules of Origin requirements, improving digital access to conduct trade, and support for internationalization. MSMEs indicated underdevelopment of digital transaction capabilities 59.9 / 68.9. Digital contracts are an opportunity to improve cross-border trade 58.8 / 65.2.

Economic Inclusiveness for Women ■ Global indices point to an average level of inclusion for women relative to other APEC economies and an above average level of STEM education for women. Survey respondents point to an above average level of access for women 71.4 / 67.1 and capabilities of women-led MSMEs 64.4 / 62.2. Respondents indicated that the environment for women-led MSMEs is significantly higher than the average APEC economy 78.4 / 67.7.

Economic Inclusiveness for Other Groups ■ Survey respondents indicated that inclusion of other groups was above the APEC average 59.4 / 53. Survey respondents indicated that support for youth-led MSMEs was significantly higher than the average APEC economy 68 / 60.8, but global indices on youth point to a more challenging story. Other Global indices point to inclusion levels in line with other APEC economies.

MSME Formalized Economy ■ Survey respondents indicated a that the proportion of informal MSMEs is slightly greater than the average APEC economy 54 / 61.6. The effectiveness of policy maker programs to improve formalization was viewed as moderately effective, in line with other APEC economies 58.4 / 57.2.

The Republic of the Philippines

Scale



Key Demographics

Number of MSMEs: 995,745

MSME Percentage of Total Enterprises: 99.50%

MSME Percentage of Total Employment: 62.66%

MSME Percentage Contribution to GDP: 35.70%

Percentage of Women in Workforce: 44%

	Leading Indices	World Rank	APEC Rank
DIGITALIZATION	Digital First Economy Index		17
	Digital Quality of Life Index	48	12
	Global Cybersecurity Index	27	8
	Digital Skills Gap 2022	51	15
SUSTAINABILITY	Global Resilience Index 2022	99	20
	Best Countries to do Business		
SUSTAINABLE DEVELOPMENT	Sustainable Competitiveness Index 2021	118	18
	Progress in Achieving Sustainable Development Goals 2022	32	9
	Environmental Performance Index 2022	158	16
FINANCING	Government Support	56	13
	Financial System Support		
TRADE	Access of domestic companies to international trade (2022)	80	16
INCLUSION	Mastercard Index of Women Entrepreneurs 2022	26	11
	Global Gender Gap Index 2022	19	2
	Youth Progress Index 2021	85	17

The Russian Federation

Key Demographics

Number of MSMEs: 6.184.204

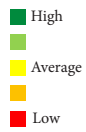
MSME Percentage of Total Enterprises: 64.20%

MSME Percentage of Total Employment: 26.30%

MSME Percentage Contribution to GDP: 22.30%

Percentage of Women in Workforce: 54%

Scale



ABAC RESEARCH SURVEY SCORECARD

*Low survey response, scores based more heavily on secondary indices

Digital Ecosystems



The Russian Federation did not participate in thought leader interviews and did not have enough survey results to provide insights. Scores based on a combination of secondary indices, some of which are listed on the next page.

MSME Digital Proficiency



Cyber Resilience & Fraud Protection



MSME Resilience



Sustainable Development



MSME Financing Ecosystem



MSMEs in Services



MSMEs in Cross-Border Trade



Economic Inclusiveness for Women



Economic Inclusiveness for Other Groups

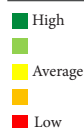


MSME Formalized Economy



The Russian Federation

Scale



Key Demographics

Number of MSMEs: 6.184.204

MSME Percentage of Total Enterprises: 64.20%

MSME Percentage of Total Employment: 26.30%

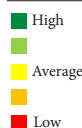
MSME Percentage Contribution to GDP: 22.30%

Percentage of Women in Workforce: 54%

	Leading Indices	World Rank	APEC Rank
	Digital First Economy Index		14
DIGITALIZATION	Digital Quality of Life Index	52	13
	Global Cybersecurity Index	6	2
	Digital Skills Gap 2022	35	12
SUSTAINABILITY	Global Resilience Index 2022	55	13
	Best Countries to do Business	35	2
	Sustainable Competitiveness Index 2021	50	11
SUSTAINABLE DEVELOPMENT	Progress in Achieving Sustainable Development Goals 2022	51	13
	Environmental Performance Index 2022	112	14
FINANCING	Government Support	66	16
	Financial System Support	3	3
TRADE	Access of domestic companies to international trade (2022)	113	18
INCLUSION	Mastercard Index of Women Entrepreneurs 2022	29	14
	Global Gender Gap Index 2022		
	Youth Progress Index 2021	63	11

Singapore

Scale



Key Demographics

Number of MSMEs: 273,100

MSME Percentage of Total Enterprises: 99.50%

MSME Percentage of Total Employment: 71%

MSME Percentage Contribution to GDP: 48%

Percentage of Women in Workforce: 59%

ABAC RESEARCH SURVEY SCORECARD

*Low survey response, scores based more heavily on secondary indices

Digital Ecosystems



Third-party global indices point to a very high level of digital ecosystem development relative to other APEC economies. Survey responses, while limited, pointed to a high level of policy maker responsiveness in promoting and regulating the digital economy.

MSME Digital Proficiency



Global indices point to an above average level of digital proficiency relative to other APEC economies. Survey responses, while limited, indicated easy access to digital trainings.

Cyber Resilience & Fraud Protection



Global indices point to an above average level of cybersecurity resilience relative to other APEC economies. Survey responses, while limited, indicated a high level of awareness of threats, along with a high level of trust in policy maker actions, and a large number of affordable cybersecurity solutions providers.

MSME Resilience



Global indices tell a story of above average levels of MSME resilience. The limited number of survey responses indicate a similar sentiment and above average levels of future readiness.

Sustainable Development



Singapore ranks above the average APEC economy in terms of sustainable development goal performance.

MSME Financing Ecosystem



High levels of access to online payments, digital finance, and financial accounts place many MSMEs into the finance ecosystem. Limited survey respondents also indicated high levels of sophistication of the financing ecosystem.

MSMEs in Services



Global indices point to a high level of maturity of the services sector with the ability to trade across borders.

MSMEs in Cross-Border Trade



Global indices point to a high level of ease conducting trade across borders digitally and strong support for trade facilitation and logistics.

Economic Inclusiveness for Women



Global indices point to an above average level of inclusion for women relative to other APEC economies. Survey responses, while limited, were in line with third-party indices pointing to challenges for women that were in line with other APEC economies.

Economic Inclusiveness for Other Groups



Global indices point to a slightly average level of inclusion for other groups relative to other APEC economies. Global indices and survey responses pointed to higher-than-average levels of support for youth. Survey responses, while limited, were in line with global indices pointing to inclusion for other groups were also above average compared to other APEC economies.

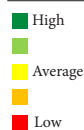
MSME Formalized Economy



The issue of informal economies in Singapore is relatively small compared to other APEC economies and policy maker programs to improve formalization have been more effective than the average APEC economy.

Singapore

Scale



Key Demographics

Number of MSMEs: 273,100

MSME Percentage of Total Enterprises: 99.50%

MSME Percentage of Total Employment: 71%

MSME Percentage Contribution to GDP: 48%

Percentage of Women in Workforce: 59%

	Leading Indices	World Rank	APEC Rank
DIGITALIZATION	Digital First Economy Index		3
	Digital Quality of Life Index	6	3
	Global Cybersecurity Index	16	7
	Digital Skills Gap 2022	1	1
SUSTAINABILITY	Global Resilience Index 2022	4	1
	Best Countries to do Business	2	3
	Sustainable Competitiveness Index 2021	48	10
SUSTAINABLE DEVELOPMENT	Progress in Achieving Sustainable Development Goals 2022		
	Environmental Performance Index 2022	44	5
FINANCING	Government Support	2	1
	Financial System Support	22	11
TRADE	Access of domestic companies to international trade (2022)	19	6
INCLUSION	Mastercard Index of Women Entrepreneurs 2022	18	7
	Global Gender Gap Index 2022	49	9
	Youth Progress Index 2021	16	4

Chinese Taipei

Key Demographics

Number of MSMEs: 1,491,420

MSME Percentage of Total Enterprises: 97.65%

MSME Percentage of Total Employment: 78.73%

MSME Percentage Contribution to GDP:

Percentage of Women in Workforce: 51.50%

Scale



ABAC RESEARCH SURVEY SCORECARD

*Low survey response, scores based more heavily on secondary indices

Digital Ecosystems



Third-party global indices point to an above average level of digital ecosystem development. Survey respondents, despite being a small number, indicated a strong level of ICT infrastructure and availability of affordable internet. Global indices did note that ease of doing digital trade could be easier for MSMEs.

MSME Digital Proficiency



Global indices point to an average to slightly above average level of digital proficiency. The limited number of MSME respondents indicated that mobile commerce and cloud-based solutions were above the APEC average.

Cyber Resilience & Fraud Protection



Global indices point to an average level of cybersecurity performance relative to other APEC economies.

MSME Resilience



Global indices point out that Chinese Taipei's level of resilience is in line with most APEC economies. The limited number of survey respondents indicated that they felt slightly more future-ready than the average of other APEC economies.

Sustainable Development



Chinese Taipei's performance on sustainable development Global indices is ranked slightly above other APEC economies. The limited number of survey responses received, indicated that there is an above average level of awareness of sustainable development goals.

MSME Financing Ecosystem



Access to online payments was in line with other APEC economies, but access to finance lagged behind other APEC economies. Survey respondents, while limited indicated above average levels of finance ecosystem development. Discrepancies between the limited survey respondents and Global indices could indicate a disconnect between challenges facing Chinese Taipei's finance ecosystem and perceptions.

MSMEs in Services



Survey respondents and secondary sources indicate that the services ecosystem in Chinese Taipei is slightly more developed than the average APEC economy.

MSMEs in Cross-Border Trade



Global indices point to an above average ease of conducting cross-border trade digitally, but a lower level of trade facilitation and logistics support.

Economic Inclusiveness for Women



Global indices and survey respondents indicated a higher-than-average level of inclusion for women. Respondents indicated that women had high levels of access to business resources and ecosystems relative to other APEC economies 73.5 / 67.1. Women-led MSMEs were also identified as being equally as capable as men at a higher level than many other economies.

Economic Inclusiveness for Other Groups



Global indices point to above average levels of inclusion for other groups as do the limited number of survey respondents.

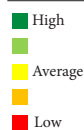
MSME Formalized Economy



Survey respondents, while limited, indicated that the proportion of informal MSMEs in Chinese Taipei is smaller than the average APEC economy and policy maker programs tend to be more effective than the average APEC economy.

Chinese Taipei

Scale



Key Demographics

Number of MSMEs: 1,491,420

MSME Percentage of Total Enterprises: 97.65%

MSME Percentage of Total Employment: 78.73%

MSME Percentage Contribution to GDP:

Percentage of Women in Workforce: 51.50%

	Leading Indices	World Rank	APEC Rank
DIGITALIZATION	Digital First Economy Index		10
	Digital Quality of Life Index		
	Global Cybersecurity Index	30	10
	Digital Skills Gap 2022	13	3
SUSTAINABILITY	Global Resilience Index 2022	40	9
	Best Countries to do Business	15	7
	Sustainable Competitiveness Index 2021		
SUSTAINABLE DEVELOPMENT	Progress in Achieving Sustainable Development Goals 2022	65	12
	Environmental Performance Index 2022	74	11
FINANCING	Government Support	20	6
	Financial System Support	15	7
TRADE	Access of domestic companies to international trade (2022)	6	3
INCLUSION	Mastercard Index of Women Entrepreneurs 2022	6	5
	Global Gender Gap Index 2022		
	Youth Progress Index 2021		

Thailand

Key Demographics

Number of MSMEs: 3,130,000

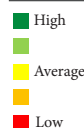
MSME Percentage of Total Enterprises: 99.60%

MSME Percentage of Total Employment: 80.4%

MSME Percentage Contribution to GDP: 45%

Percentage of Women in Workforce: 55%

Scale



ABAC RESEARCH SURVEY SCORECARD

Digital Ecosystems



Survey respondents and third-party global indices pointed to an average level of digital ecosystem development relative to other APEC economies 57.08 / 56.9. Usage of cloud-based solutions was in line with APEC average 60.4 / 63.6 as was e-Government levels 58.3 / 60.9.

MSME Digital Proficiency



Digital proficiency was below average relative to other APEC economies. Availability of digital training was limited 58.7 / 60.6 and global indices pointed to lower levels of in terms of a digitally skilled workforce. There was a disconnect between survey respondents who indicated that they had a slightly above average level of digital proficiency and the global indices that indicated a fairly low level of digital proficiency.

Cyber Resilience & Fraud Protection



MSMEs indicated average levels of awareness of threats and trust in policy maker supported programs to combat cyber threats. Global indices pointed to an average level of cybersecurity resilience for Thailand.

MSME Resilience



MSMEs reported that future-readiness was in line with other APEC economies. Global indices indicate that Thailand has lower than average levels of MSME resilience. Survey respondents said that support programs were rather ineffective 50.5 / 56.5 and policy makers do not have a clear vision for MSMEs 54.2 / 59.7.

Sustainable Development



Global indices point to sustainable development performance that is in line with most APEC economies but note that environmental performance is slightly lower than average. MSMEs report moderate awareness and effectiveness of sustainable development goals 50.8 / 53.3. In terms of a sustainable development mindset, Thailand was also in line with other APEC economies where medium-size businesses began to more actively consider sustainable development 59.3 / 58.8.

MSME Financing Ecosystem



MSMEs note challenges with the level of development of various forms of financing 55.8 / 59.1, especially government loans and grants. Respondents indicated above average levels of preparedness for financing. Global indices point to lower levels of access to online payments, challenges to the digital banking system, and an average level of access to finance.

MSMEs in Services



Survey respondents indicate a higher-than-average levels of service ecosystem development 60.58 / 57.2. MSMEs pointed to higher-than-average levels of service platform development 66.4 / 61.4. Global indices point to a well below average level of service ecosystem development in Thailand.

MSMEs in Cross-Border Trade



Both Global indices and survey respondents report above average cross-border trade abilities. The digital ecosystem is more developed than the average APEC economy 59.6 / 54.7. Thailand ranked especially high in private support programs for services to engage in cross-border trade 62.2 / 54.8. Opportunities for improvement surrounded digitalizing the process, which was in line with other APEC economies 68.4 / 68.9.

Economic Inclusiveness for Women



Respondents indicate that the business environment for women is generally in line with the average APEC economy 67.8 / 67.7. Access to resources for women-led MSMEs was above average 73.6 / 67.1, but women's capabilities remained in line with APEC average 61.9 / 62.3. Global indices pointed to Thailand's level of inclusion for women being at the APEC average.

Economic Inclusiveness for Other Groups



In line with global indices, Thailand's level of inclusion for other group was identified to be in line with other APEC economies. Support for other groups including youth, seniors, and immigrants was identified to be close the APEC average 54.4 / 53. Secondary global indices point to an opportunity to further boost support for youth, but survey respondents indicated that youth support was at the APEC average 60.6 / 60.8.

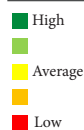
MSME Formalized Economy



Survey respondents indicated that the level of informality in Thailand was slightly below APEC average 54.2 / 61.6. Effectiveness of policy maker programs to reduce informality was perceived to be slightly above average 59.4 / 57.2.

Thailand

Scale



Key Demographics

Number of MSMEs: 3,130,000

MSME Percentage of Total Enterprises: 99.60%

MSME Percentage of Total Employment: 80.4%

MSME Percentage Contribution to GDP: 45%

Percentage of Women in Workforce: 55%

	Leading Indices	World Rank	APEC Rank
	Digital First Economy Index		12
DIGITALIZATION	Digital Quality of Life Index	44	11
	Global Cybersecurity Index	38	12
	Digital Skills Gap 2022	78	18
SUSTAINABILITY	Global Resilience Index 2022	60	14
	Best Countries to do Business	26	10
	Sustainable Competitiveness Index 2021	88	15
SUSTAINABLE DEVELOPMENT	Progress in Achieving Sustainable Development Goals 2022	39	11
	Environmental Performance Index 2022	108	13
FINANCING	Government Support	96	19
	Financial System Support	20	10
TRADE	Access of domestic companies to international trade (2022)	70	15
INCLUSION	Mastercard Index of Women Entrepreneurs 2022	19	8
	Global Gender Gap Index 2022	79	10
	Youth Progress Index 2021	67	12

The United States of America

Key Demographics

Number of MSMEs: 33,200,000

MSME Percentage of Total Enterprises: 99.90%

MSME Percentage of Total Employment: 42%

MSME Percentage Contribution to GDP: 44%

Percentage of Women in Workforce: 55%

Scale



ABAC RESEARCH SURVEY SCORECARD

*Low survey response, scores based more heavily on secondary indices

Digital Ecosystems



Third-party global indices point to a high level of digital ecosystem development in the USA with a high level of ease conducting digital business. Survey respondents, while limited pointed to high levels of mobile commerce and an above average level of e-Government capabilities. An area noted by both global indices and respondents was that policy maker responsiveness could be improved.

MSME Digital Proficiency



Both global indices and the limited number of survey respondents indicated an above average level of digital proficiency. e-Commerce and digital marketing stood out as strength for the USA.

Cyber Resilience & Fraud Protection



Global indices point to a very high level of cybersecurity resilience relative to other APEC economies. MSMEs are highly aware of the threats facing them but only have an average amount of trust and confidence in policy maker supported solutions to cybersecurity threats.

MSME Resilience



Global indices and survey responses indicate an above average level of future resilience. Survey responses, while not statistically significant, indicated a higher-than-average level of future-readiness 65.2 / 57.7. Even at this level did not feel either prepared nor unprepared for the new MSME economy – signaling a great amount of uncertainty.

Sustainable Development



Global indices point to higher-than-average levels of sustainable development performance relative to other APEC economies. Survey respondents indicated that they were aware of sustainability issues and considered them but felt that MSMEs were only moderately included by policy makers when establishing sustainable development goals.

MSME Financing Ecosystem



Global indices point to high levels of access to online payments and access to finance. Survey respondents, while limited indicate an above average level of development to the financing ecosystem but not that MSME note challenges accessing funding for various stages of development.

MSMEs in Services



Global indices point to a higher level of development for the services ecosystem both in terms of digital delivery and an environment to export digitally delivered services. The limited survey respondents pointed to an above average level of service platform development 64.2 / 61.4.

MSMEs in Cross-Border Trade



High levels of ease of conducting cross-border trade through digital channels drive the USA's ability to tap MSMEs into the trade ecosystem. Survey respondents, while limited, indicated that the USA did an above average job at simplifying Rules of Origin requirements.

Economic Inclusiveness for Women



Global indices and survey responses indicate a higher-than-average level of economic inclusion for women in the USA. Survey respondents indicated that they are not satisfied with the level and pace of equality despite having some of the strongest protections in APEC. Many women have advanced degrees, but there is a gap in STEM education.

Economic Inclusiveness for Other Groups



Survey responses indicate that USA is above average in terms of inclusion initiatives for a variety of groups beyond women 58.8 / 53. Global indices point to above average programs for youth as did survey respondents 63.6 / 60.8. Similar to other economies, seniors are one of the more underserved groups, but still rank slightly above the APEC average.

MSME Formalized Economy



The USA's informal sector is smaller than the average APEC economy, but additional work needs to be done to reduce the number of informal businesses. Similar to other economies, informal MSMEs are most concentrated in underserved and underrepresented groups.

The United States of America

Key Demographics

Number of MSMEs: 33,200,000
 MSME Percentage of Total Enterprises: 99.90%
 MSME Percentage of Total Employment: 42%
 MSME Percentage Contribution to GDP: 44%
 Percentage of Women in Workforce: 55%

Scale



	Leading Indices	World Rank	APEC Rank
DIGITALIZATION	Digital First Economy Index		1
	Digital Quality of Life Index	5	2
	Global Cybersecurity Index	2	1
	Digital Skills Gap 2022	26	8
SUSTAINABILITY	Global Resilience Index 2022	10	2
	Best Countries to do Business	6	5
	Sustainable Competitiveness Index 2021	30	4
SUSTAINABLE DEVELOPMENT	Progress in Achieving Sustainable Development Goals 2022	5	2
	Environmental Performance Index 2022	43	4
FINANCING	Government Support	59	15
	Financial System Support	1	1
TRADE	Access of domestic companies to international trade (2022)	25	8
INCLUSION	Mastercard Index of Women Entrepreneurs 2022	1	1
	Global Gender Gap Index 2022	27	4
	Youth Progress Index 2021	23	7

Viet Nam

Key Demographics

Number of MSMEs: 776,000

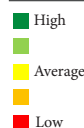
MSME Percentage of Total Enterprises: 97%

MSME Percentage of Total Employment: 37.5%

MSME Percentage Contribution to GDP: 45%

Percentage of Women in Workforce: 70%

Scale



ABAC RESEARCH SURVEY SCORECARD

Digital Ecosystems



Survey respondents indicated an average level digital ecosystem development relative to other APEC economies. However, third-party global indices point to a low level of preparedness for the Digital First Economy with low levels of access to IT products and challenges conducting digital business. Usage of cloud-based solutions was slightly below APEC average.

MSME Digital Proficiency



MSMEs felt that the availability of digital trainings was above APEC average 62.9 / 60.6. However, there is a disconnect between the perceived level of digital proficiency and what global indices point to – survey respondents point to an above average level of proficiency while global indices point to major gaps in digital skills and availability of a digitally skilled workforce. There is improvement in digital proficiency, but trainings must continue to boost proficiency.

Cyber Resilience & Fraud Protection



Global indices point to an average level of cyber resilience for Viet Nam. Survey respondents indicate a lower level of cybersecurity awareness 57.9 / 52.6 but feel that there are a number of viable options for protection providers and are neutral on policy makers' impact on cybersecurity issues.

MSME Resilience



Viet Nam's level of MSME resilience is still lower than the average APEC economy. However, survey respondents indicated that they feel policy makers have a stronger vision for MSMEs than many other economies 65.4 / 59.7. MSMEs did not feel prepared or unprepared for the new MSME economy – signaling uncertainty. Respondents indicated that policy maker programs were moderately effective 54.3 / 56.5, but that regulations were burdensome 61.4 / 65.9.

Sustainable Development



There is a significant disconnect between the perceptions of sustainable development and the reality. Global indices point to poor environmental performance while survey respondents indicate a high level of awareness and effectiveness of programs.

MSME Financing Ecosystem



MSMEs indicated an average level of development relative to other APEC economies. Access to financing 50 / 49.5, financing for various stages of development 53.6 / 53.8, and the level of development for various forms of financing 59.5 / 59.1 were all in line with the APEC average. Respondents indicated an above average level of preparedness for financing 63.3 / 57.9. However, global indices point to lower levels of access to finance and online payments.

MSMEs in Services



MSME respondents indicated an above average level of service ecosystem development 62.9 / 57.2. Above average levels of platform development 63 / 61.4, availability of trainings 62 / 58.2, and mutual recognition of qualifications and licenses 63 / 56.6 were strong points for MSMEs in Viet Nam. Global indices point to an opportunity to improve infrastructure for cross-border digitally delivered services.

MSMEs in Cross-Border Trade



Trade ecosystems were slightly more advanced than the average APEC economy 57.4 / 54.7. MSMEs reported slightly higher levels of digital transaction capabilities relative to other economies with a stronger footing in e-Payments and digital agreements. However, global indices point to a high level of difficulty for MSMEs to conduct trade digitally across borders.

Economic Inclusiveness for Women



Global indices pointed to low levels of economic inclusion for women. However, survey respondents indicated that the business environment for women is committed to non-discriminatory regulations, but cultural biases remain. Survey respondents indicated below average access for women into support programs and business ecosystems 64.4 / 67.1. Respondents indicated that when given the opportunity women are as capable as men, which is slightly above the APEC average 64.6 / 62.3.

Economic Inclusiveness for Other Groups



Inclusion of other groups was in line with other APEC economies 51.4 / 53. Concerningly, support for youth lagged other groups 51 / 60.8 which was also in line with Global indices.

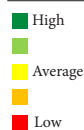
MSME Formalized Economy



Survey respondents indicated that the size of the informal sector is in line with the other APEC economies. Policy maker programs are also viewed as largely ineffective which is also in line with other APEC economies.

Viet Nam

Scale



Key Demographics

Number of MSMEs: 776,000

MSME Percentage of Total Enterprises: 97%

MSME Percentage of Total Employment: 37.5%

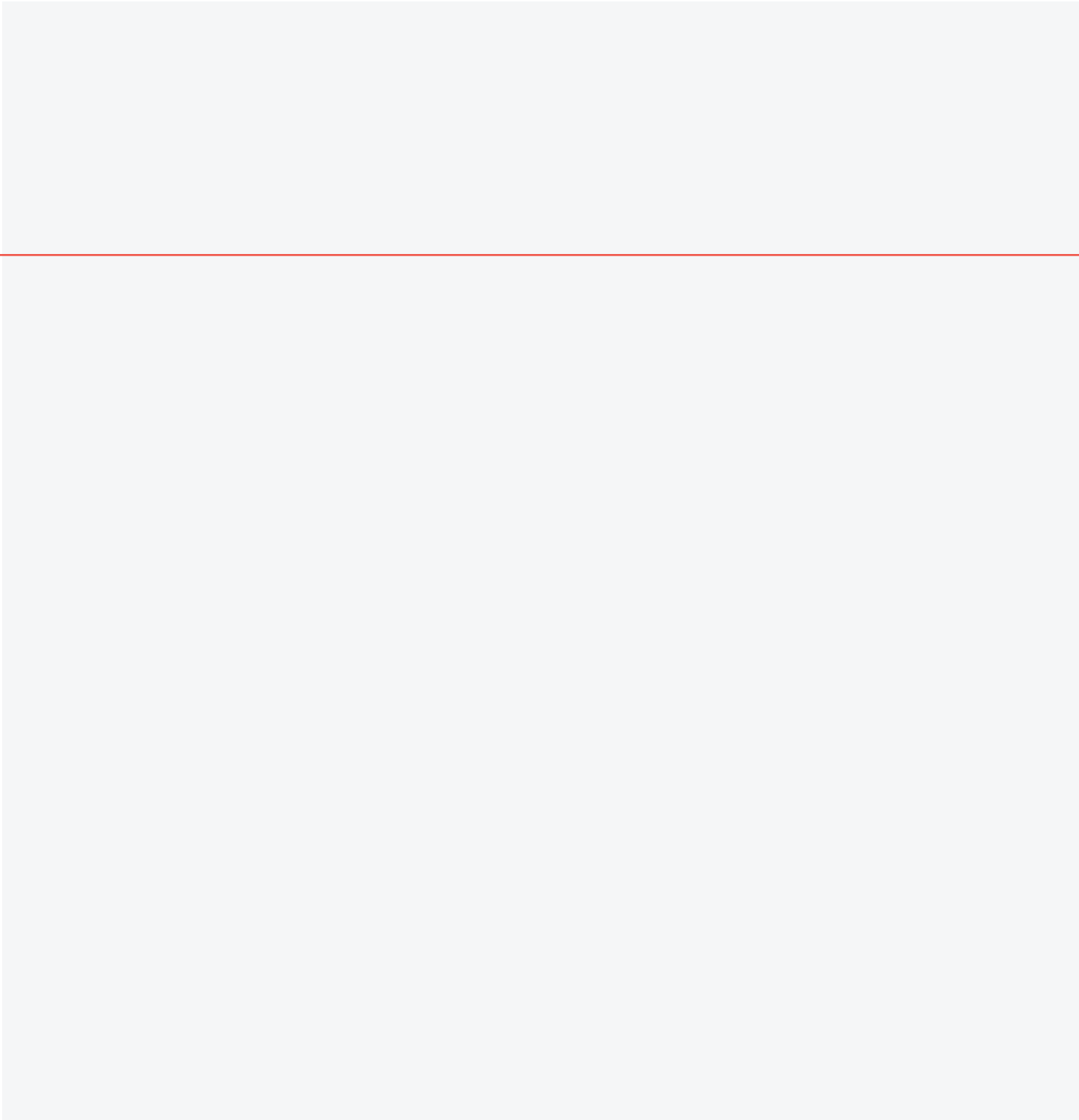
MSME Percentage Contribution to GDP: 45%

Percentage of Women in Workforce: 70%

	Leading Indices	World Rank	APEC Rank
DIGITALIZATION	Digital First Economy Index		19
	Digital Quality of Life Index	73	17
	Global Cybersecurity Index	53	15
	Digital Skills Gap 2022	53	16
SUSTAINABILITY	Global Resilience Index 2022	89	19
	Best Countries to do Business	68	17
	Sustainable Competitiveness Index 2021	115	17
SUSTAINABLE DEVELOPMENT	Progress in Achieving Sustainable Development Goals 2022	68	15
	Environmental Performance Index 2022	178	20
FINANCING	Government Support	42	8
	Financial System Support	39	17
TRADE	Access of domestic companies to international trade (2022)	84	17
INCLUSION	Mastercard Index of Women Entrepreneurs 2022	38	17
	Global Gender Gap Index 2022	83	11
	Youth Progress Index 2021	55	9

APPENDIX

MSMEs // 2022

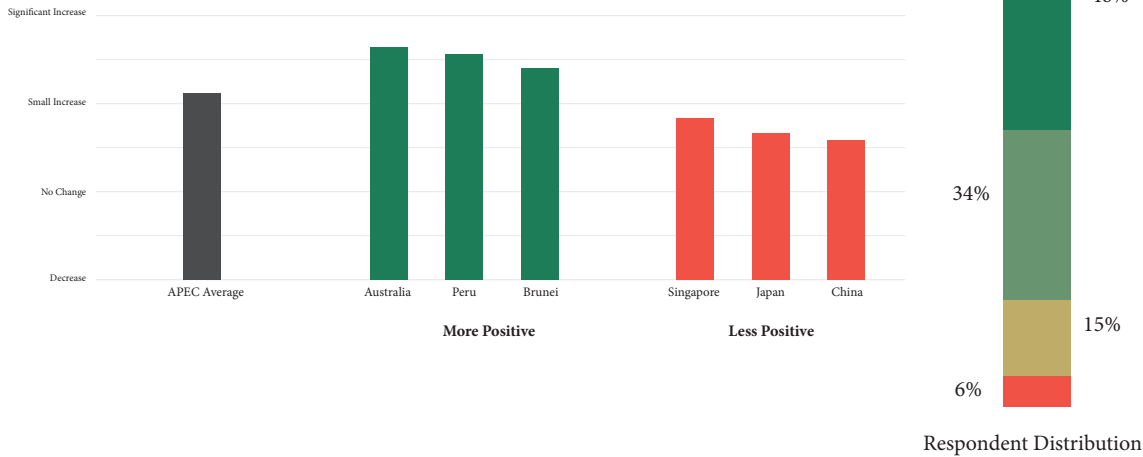
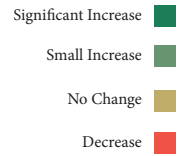


THE VOICE & OPINIONS OF APEC MSMEs

MSMEs // 2022

Two-thirds of APEC MSMEs are committed to an increasingly more in their economies.

Question: Over the next three to five years, the relative contribution of MSMEs to economic growth will...



Most Positive

1. Australia
2. Philippines
3. Singapore
4. Canada
5. New Zealand
6. Thailand
7. Brunei
8. Malaysia
9. Indonesia
10. Papua New Guinea
11. Peru
12. China
13. Mexico
14. USA
15. Chile
16. Viet Nam
17. Japan
18. Chinese Taipei
19. Hong Kong
20. Republic of Korea

Least Positive

MSMEs are divided, but more negative, on short-term growth opportunities.

Question: Do you believe that opportunities for MSME growth over the next 12 months is better than it was pre-pandemic?



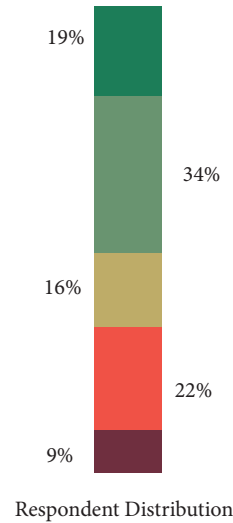
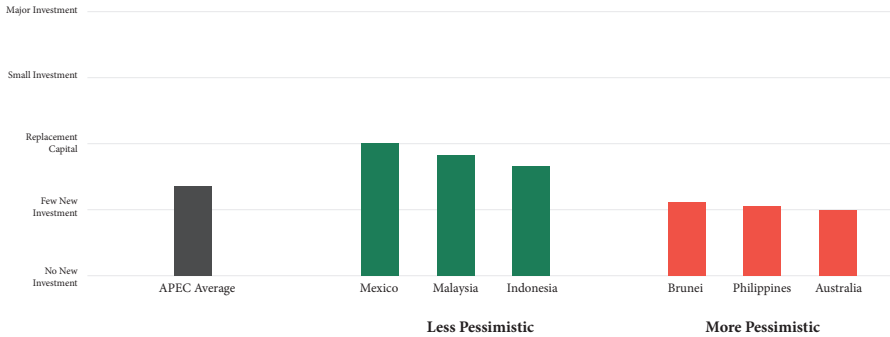
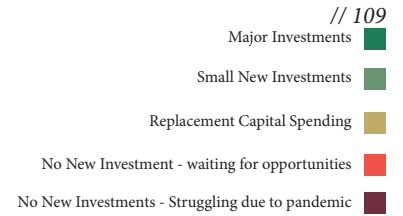
More Optimistic

1. Philippines
2. Japan
3. Brunei Darussalam
4. Indonesia
5. Canada
6. Viet Nam
7. Malaysia
8. Peru
9. USA
10. Thailand
11. Chinese Taipei
12. Australia
13. Singapore
14. Mexico
15. New Zealand
16. Papua New Guinea
17. Republic of Korea
18. China
19. Chile
20. Hong Kong

More Pessimistic

APEC MSMEs remain uncertain and pessimistic about near-term investment opportunities.

Question: What are your expectations about making new investments in the coming 1-3 years?



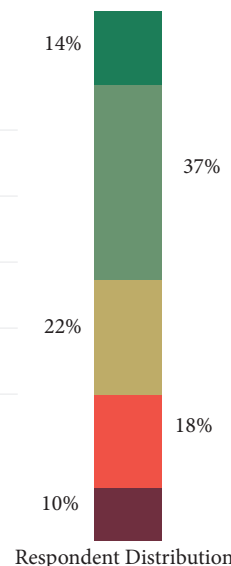
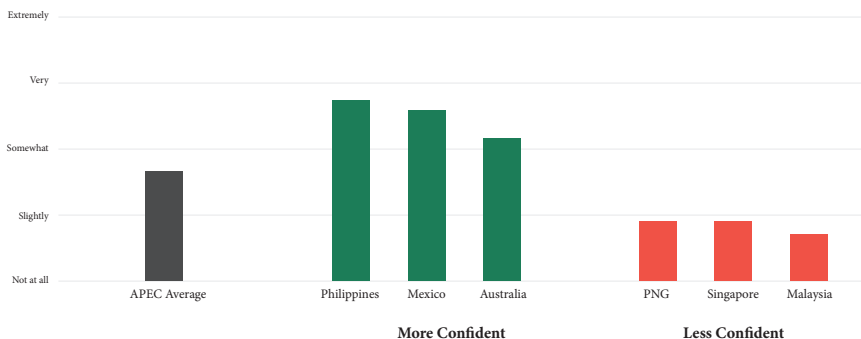
Most Positive

1. Philippines
2. Singapore
3. Canada
4. New Zealand
5. Thailand
6. Brunei Darussalam
7. Malaysia
8. Australia
9. Indonesia
10. Papua New Guinea
11. Peru
12. China
13. Mexico
14. USA
15. Chile
16. Viet Nam
17. Japan
18. Chinese Taipei
19. Hong Kong
20. Republic of Korea

Least Positive

Confidence in APEC policy makers to develop support of MSME economies is mixed.

Question: to what extent: I am confident that policy makers will effectively lead in developing a post-pandemic economy that is supportive for MSMEs?



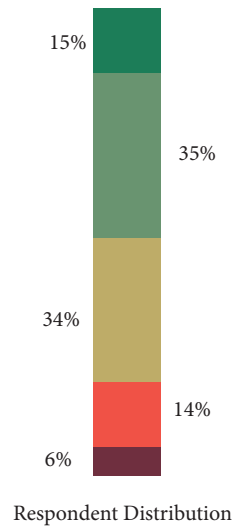
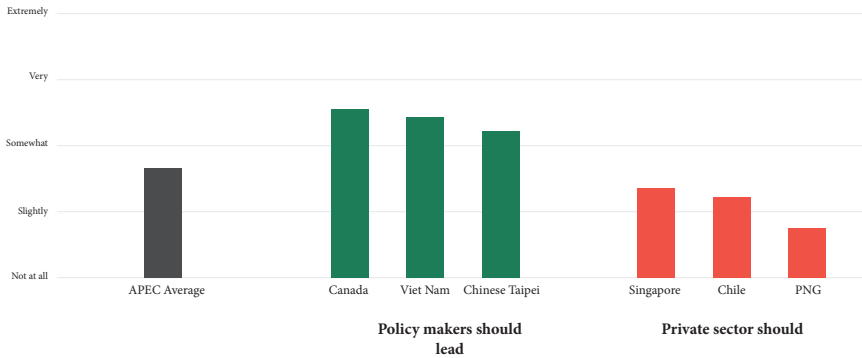
More Confident

1. Philippines
2. Mexico
3. Australia
4. Republic of Korea
5. Viet Nam
6. Japan
7. USA
8. Canada
9. China
10. Thailand
11. Indonesia
12. Brunei Darussalam
13. Peru
14. Hong Kong
15. New Zealand
16. Chinese Taipei
17. Chile
18. Papua New Guinea
19. Singapore
20. Malaysia

Less Confident

APEC MSMEs still look to policy makers to lead.

Question: It is more effective for my government to directly invest in MSME support programs rather than incentivizing private MSME associations, large firms, and banks to engage and help MSMEs?



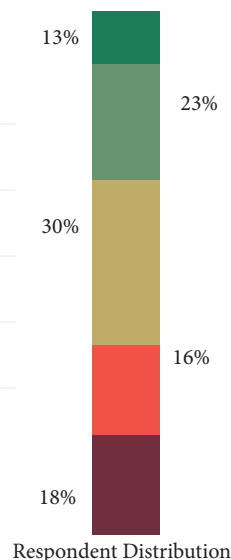
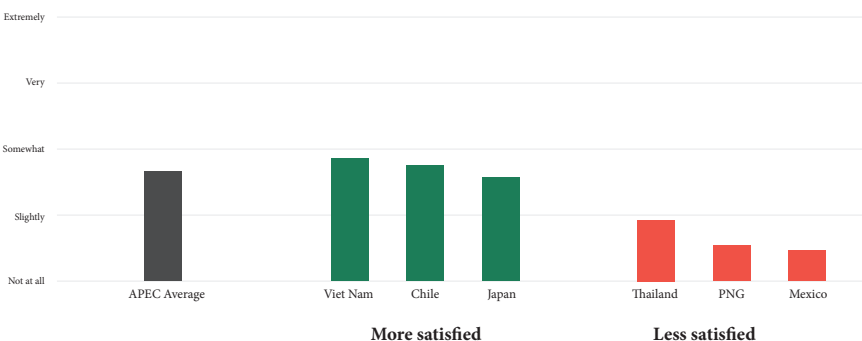
Policy Makers Should Lead

1. Canada
2. Viet Nam
3. Chinese Taipei
4. Thailand
5. USA
6. Malaysia
7. Indonesia
8. Japan
9. Mexico
10. Hong Kong
11. Australia
12. Peru
13. China
14. New Zealand
15. Republic of Korea
16. Brunei Darussalam
17. Philippines
18. Singapore
19. Chile
20. Papua New Guinea

Private Sectors Should Lead

APEC MSME’s satisfaction levels with pandemic support programs are economy-specific.

Question: How effective was your nation’s response to post-pandemic support MSMEs through the disruption caused by the COVID-19 pandemic?



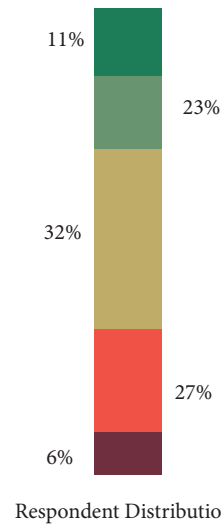
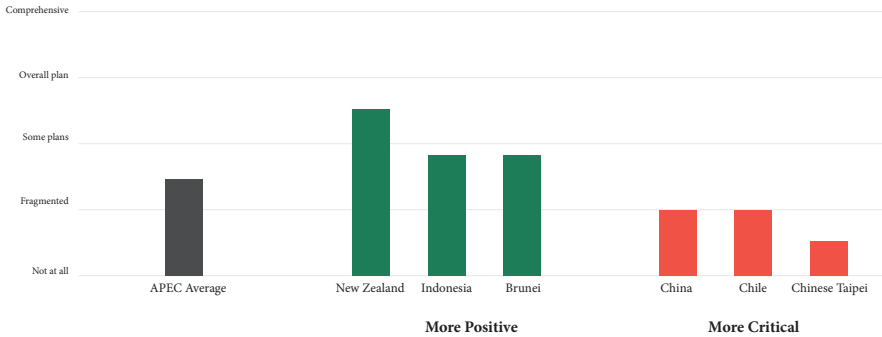
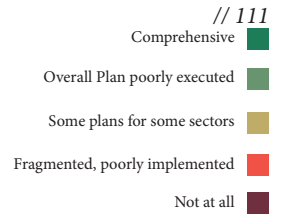
More Satisfied

1. Viet Nam
2. Chile
3. Japan
4. USA
5. Malaysia
6. Republic of Korea
7. New Zealand
8. Philippines
9. Chinese Taipei
10. Hong Kong
11. Brunei Darussalam
12. Indonesia
13. Australia
14. Canada
15. Peru
16. Singapore
17. China
18. Thailand
19. Papua New Guinea
20. Mexico

Less Satisfied

APEC MSME's are a critical part of their economy's long-term vision for MSMEs.

Question: Do policy makers have a long-term vision for MSMEs in place?



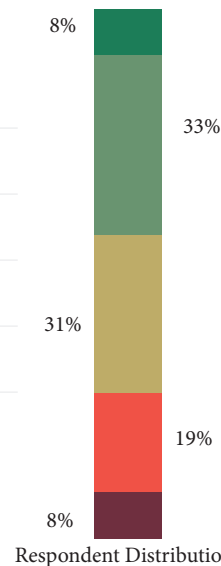
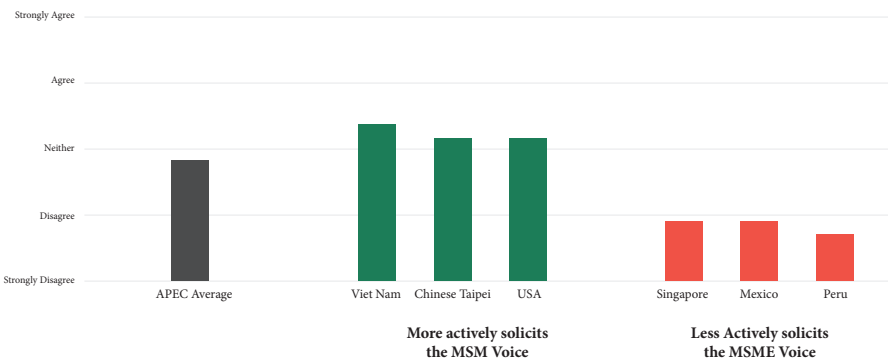
More Positive

1. New Zealand
2. Indonesia
3. Brunei Darussalam
4. USA
5. Hong Kong
6. Japan
7. Republic of Korea
8. Viet Nam
9. Philippines
10. Papua New Guinea
11. Malaysia
12. Thailand
13. Australia
14. Singapore
15. Peru
16. Canada
17. Mexico
18. China
19. Chile
20. Chinese Taipei

More Critical

Some APEC economies listen to the voices of MSMEs better than others.

Question: Do my policy makers actively solicit the voices of MSMEs and prioritize MSMEs concerns when creating programs, policies, and regulations?



More Actively

1. Viet Nam
2. Chinese Taipei
3. USA
4. Brunei Darussalam
5. Malaysia
6. Philippines
7. Japan
8. China
9. New Zealand
10. Thailand
11. Canada
12. Australia
13. Hong Kong
14. Republic of Korea
15. Chile
16. Papua New Guinea
17. Indonesia
18. Singapore
19. Mexico
20. Peru

Less Actively

Services MSMEs continue to be challenged with finding financing.

Question: In your economy, to what extent are there specialized financing options for MSMEs in the service sector?



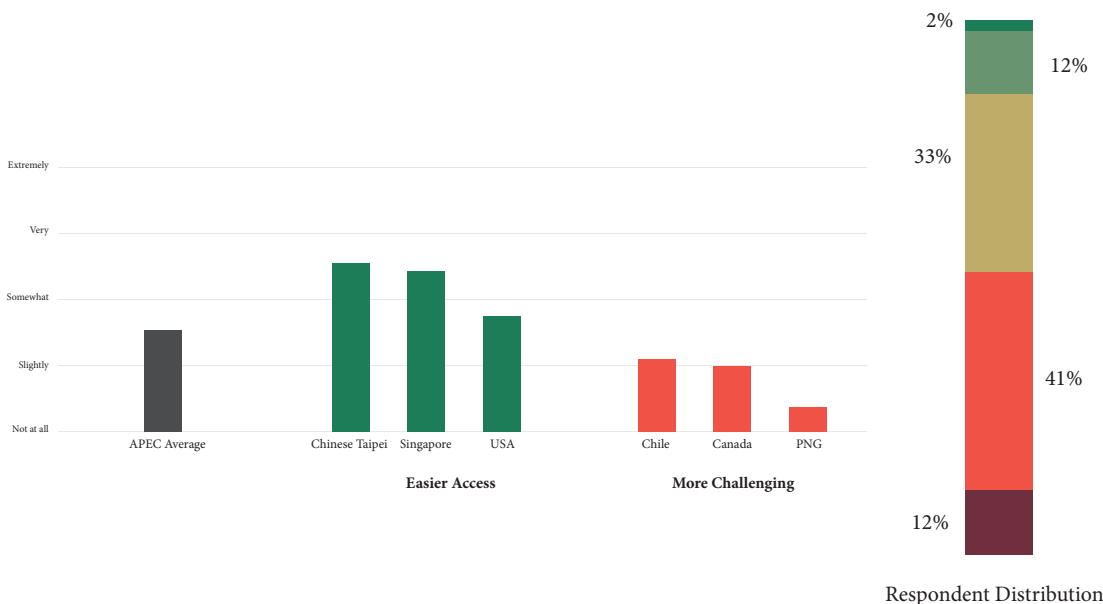
Easier Access

1. Chinese Taipei
2. Singapore
3. USA
4. Canada
5. Peru
6. Viet Nam
7. Thailand
8. Malaysia
9. Chile
10. Brunei
11. Republic of Korea
12. Hong Kong
13. Japan
14. Indonesia
15. Philippines
16. China
17. Australia
18. Papua New Guinea
19. Mexico
20. New Zealand

More Challenging

Access to MSME financing continues to be a challenge in many APEC economies.

Question: In your economy, to what extent (how easily) can MSMEs access funding for business financing / operations through the formal financial sector (i.e., traditional banks)?



Easier Access

1. Chinese Taipei
2. Singapore
3. USA
4. China
5. Brunei
6. Viet Nam
7. Japan
8. Peru
9. Indonesia
10. Thailand
11. Malaysia
12. Republic of Korea
13. Hong Kong
14. Australia
15. Philippines
16. New Zealand
17. Mexico
18. Chile
19. Canada
20. Papua New Guinea

More Challenging

Accessing non-collateral based loans remain an almost intractable challenge for MSMEs (87% of MSMEs report difficulties).

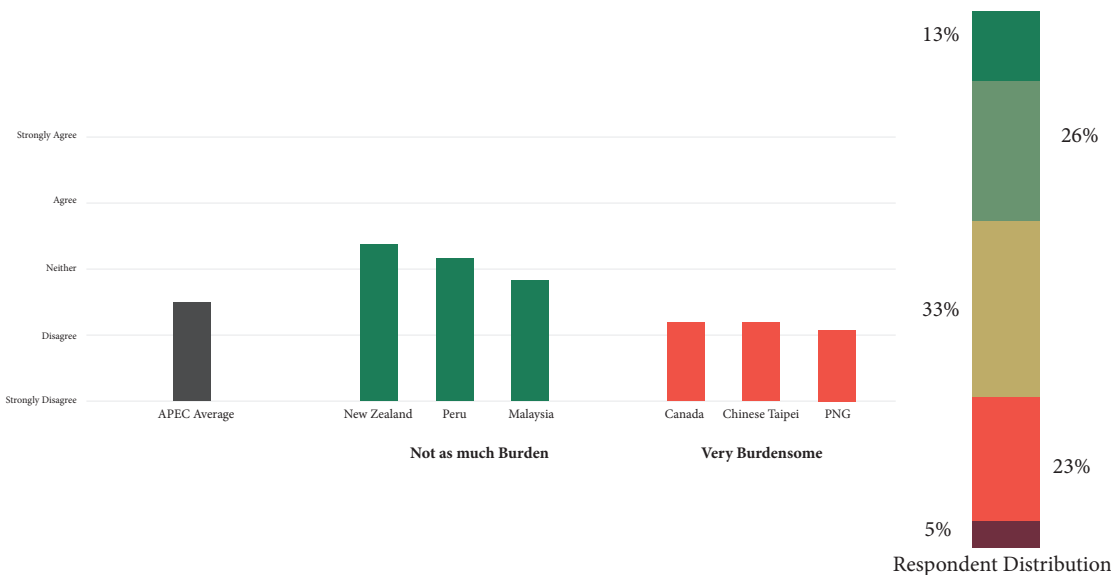
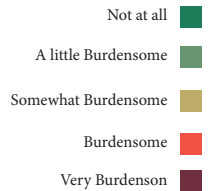
Question: To what extent are non-collateral-based loans readily available for MSMEs?



- More Available**
1. Singapore
 2. Chinese Taipei
 3. Thailand
 4. Chile
 5. Philippines
 6. USA
 7. Hong Kong
 8. Japan
 9. Mexico
 10. China
 11. Malaysia
 12. Viet Nam
 13. Indonesia
 14. Republic of Korea
 15. Peru
 16. Australia
 17. Brunei
 18. Canada
 19. New Zealand
 20. Papua New Guinea
- Less Available**

Compliance with regulations and policies remains a burden for MSMEs.

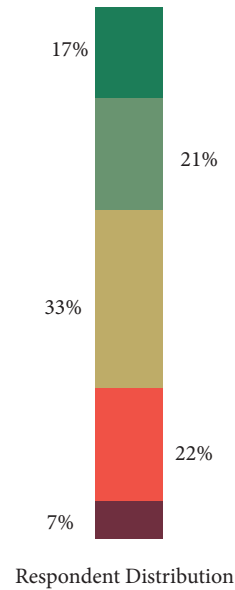
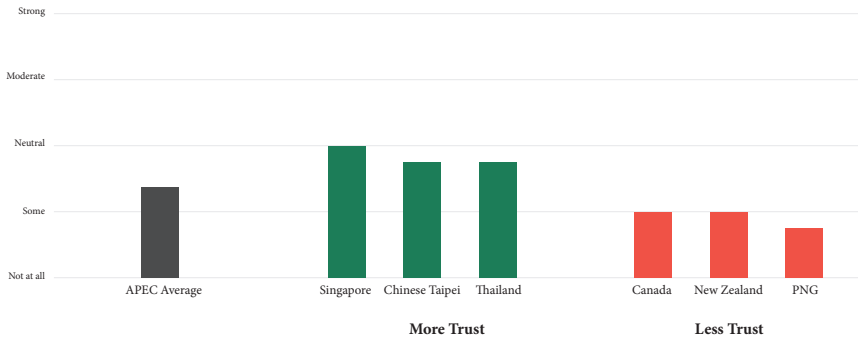
Question: In your economy, to what extent are government regulations and policies a heavy burden on MSMEs?



- Less Burdensome**
1. New Zealand
 2. Peru
 3. Malaysia
 4. Thailand
 5. Viet Nam
 6. Chile
 7. Indonesia
 8. Republic of Korea
 9. Japan
 10. Singapore
 11. USA
 12. Mexico
 13. Hong Kong
 14. Philippines
 15. Australia
 16. Brunei
 17. China
 18. Canada
 19. Chinese Taipei
 20. Papua New Guinea
- More Burdensome**

Levels of trust and confidence in using digital solutions provided by policy leaders varies across APEC economies.

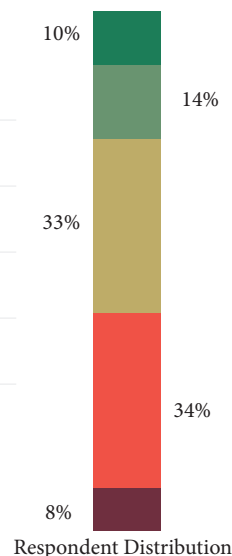
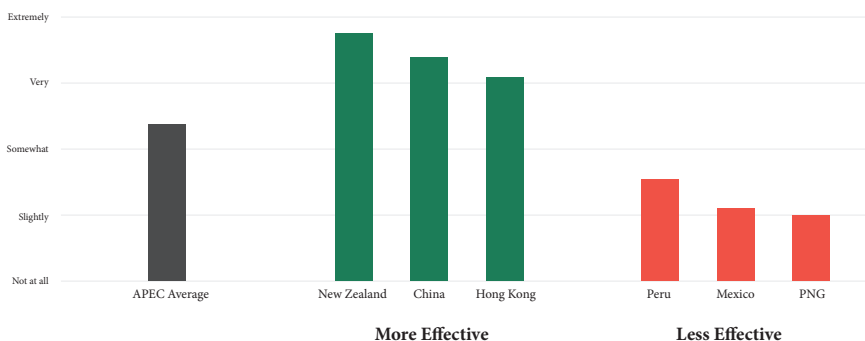
Question: To what extent does the government provide the appropriate policies to support and promote the MSME digital economy (use of e-payments, e-commerce, e-contracts, e-invoices, etc.)?



- More Trust and Confidence**
1. New Zealand
 2. Thailand
 3. Singapore
 4. USA
 5. Canada
 6. Indonesia
 7. Japan
 8. Brunei
 9. Peru
 10. Viet Nam
 11. Malaysia
 12. Mexico
 13. Republic of Korea
 14. Philippines
 15. Australia
 16. Chile
 17. Papua New Guinea
 18. Hong Kong
 19. Chinese Taipei
 20. China
- Less Trust and Confidence**

Most MSMEs (75%) find support programs difficult to access and/or poorly designed.

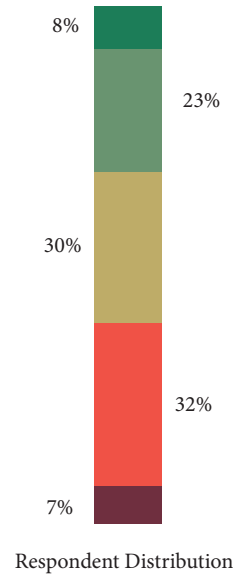
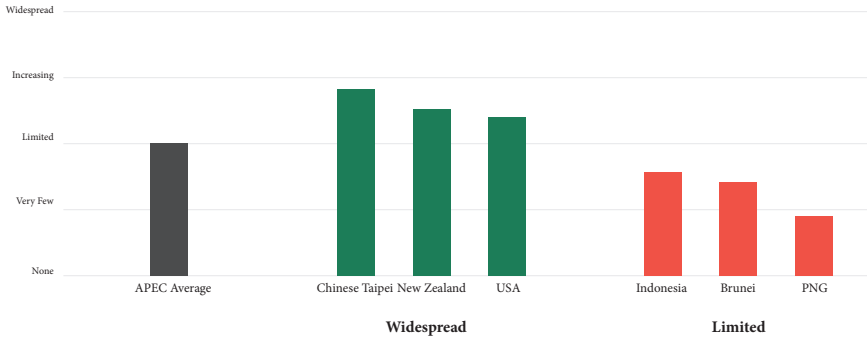
Question: To what extent are government MSME support programs convenient to access and designed appropriately to support your (or MSMEs) needs?



- More Effective**
1. New Zealand
 2. China
 3. Hong Kong
 4. USA
 5. Chinese Taipei
 6. Singapore
 7. Malaysia
 8. Chile
 9. Republic of Korea
 10. Philippines
 11. Brunei
 12. Canada
 13. Viet Nam
 14. Australia
 15. Japan
 16. Thailand
 17. Indonesia
 18. Peru
 19. Mexico
 20. Papua New Guinea
- Less Effective**

Though important for MSME resilience and competitiveness, sector-specific clusters are poorly developed in most APEC economies.

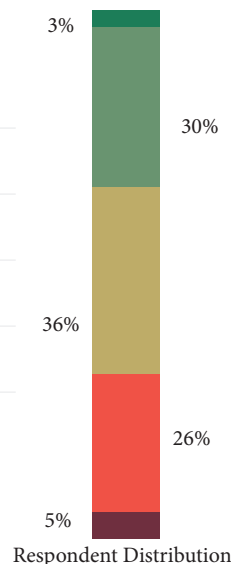
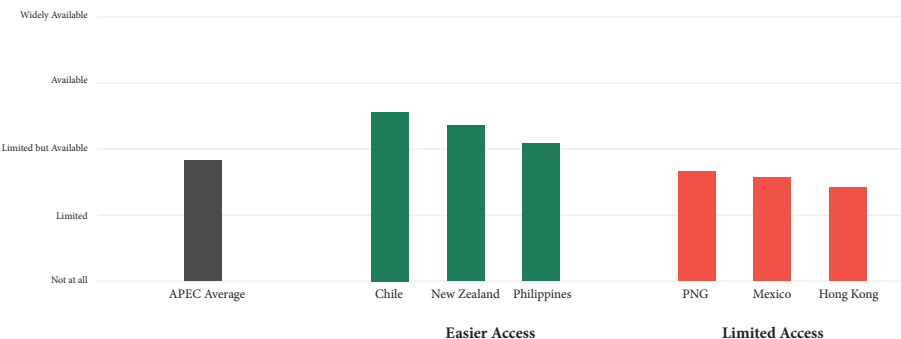
Question: In your economy, how widespread and/or well developed are sector specific clusters which engage MSMEs? (a collaborative group of large firms, suppliers, producers, specialized institutions & financing, trade associations, and government agencies that cooperate and compete within specific industries, for example, manufacturing clusters, high-tech clusters)



- Widespread and Developed**
- Chinese Taipei
 - New Zealand
 - USA
 - China
 - Mexico
 - Japan
 - Singapore
 - Hong Kong
 - Viet Nam
 - Thailand
 - Malaysia
 - Chile
 - Republic of Korea
 - Australia
 - Canada
 - Philippines
 - Peru
 - Indonesia
 - Brunei
 - Papua New Guinea
- Very Few or Limited Clusters**

Two-thirds of APEC MSMEs grapple with limited access to digital training.

Question: To what extent can MSMEs access training opportunities to upskill employees with digital technologies?



- Easier Access**
- Viet Nam
 - Chinese Taipei
 - USA
 - Brunei Darussalam
 - Malaysia
 - Philippines
 - Japan
 - China
 - New Zealand
 - Thailand
 - Canada
 - Australia
 - Hong Kong
 - Republic of Korea
 - Chile
 - Papua New Guinea
 - Indonesia
 - Singapore
 - Mexico
 - Peru
- More Limited Access**

Acronyms

ABAC	Asia-Pacific Economic Cooperation Business Advisory Council
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
B2B	Business to Business
B2C	Business to Consumer
EU	European Union
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GVC	Global Value Chain
ICT	Information and Communications Technology
KPI	Key performance Indicator
MNC	Multinational Corporation
MSME	Micro-, Small-, Medium-Sized Enterprises
NGO	Non-Governmental Organization
NTB	Non-Tariff Barrier
NTM	Non-Tariff Measure
PPPs	Public-Private Partnerships
RTA	Regional Trade Agreement
STEM	Science, Technology, Engineering, and Math
STEAM	Science, Technology, Engineering, Arts, and Math
USC	University of Southern California
WEF	World Economic Forum
WTO	World Trade Organization

University of Southern California – ABAC Coordination

Since 2003, the Asia-Pacific Economic Cooperation's Business Advisory Council (ABAC) has engaged the University of Southern California in an annual research study on a topic of special interest to that year. Four University of Southern California MBA students are selected to conduct the study under the guidance of ABAC leaders and faculty advisors.

As part of the research, each MBA researcher meets and interviews business and policy leaders. Through these candid, anonymous interviews, the research team gains a unique perspective to capture and report the voice of business. After synthesizing the feedback from the interviews and finishing a comprehensive report, the research team travels to the ABAC meeting and presents their findings. The research is included in the annual prioritized advice report that ABAC provides to the 21 APEC economies. Topics that University of Southern California research teams have tackled in the past include foreign direct investment, the investment landscape of sustainable energy, and trade in services across APEC.

Reports can be found at both the APEC Secretariat and USC.

MSME Project Goals and Objectives, Design and Research Method

MSME Project Goals and Objectives

The ABAC MSME & Inclusiveness Working Group within the APEC Business Advisory Council requested that a team of researchers from the University of Southern California Marshall School of Business work collaboratively on a project to identify drivers of MSME resilience and competitiveness in the post-pandemic MSME economy – the new MSME economy. Specifically, goal of this research project has been to identify a few focused MSME initiatives that will have cascading effects on MSME growth and resilience. The scope of the research project was defined to align with the objectives of ABAC MSME & Inclusiveness Working Group's four key priority areas of 1) Promoting Digital Transformation, 2) Enhancing Sustainable Practices, 3) Building the Digital Market Infrastructure for MSME Supply Chain Finance, and 4) Fostering Greater Economic Inclusion. ABAC commissioned this study because they believe that an APEC-wide connected environment is the most effective way to increase opportunities for MSMEs and improve prosperity within APEC economies.

Specifically undertaken for ABAC, University of Southern California—ABAC field studies focus on capturing the voice of business within the APEC region; for this research project, specifically the voice of the MSME. These field studies have as their goal gathering and reporting the APEC business perspective, in contrast to government perspectives. They are specifically designed to complement existing policy and academic research. By highlighting the points of pain and frustration encountered by business, the hope is to better inform policy makers of the real issues that can then be more effectively addressed to strengthen and improve an economy's economic and social environment. .

Research Design

The research design had four major components. First, **Research Report Review**. We completed an analysis of existing reports on MSMEs in the post-pandemic economy. A real limitation encountered was both a lack of extensive publicly available post-pandemic MSME research, and the volume of new research studies being released during the six-month research and analysis period.

Second, **MSME Thought Leader Interviews**. Teams of researchers conducted more than 60 in-depth hour-long interviews with thought leaders recognized within each APEC economy as having deep knowledge on their MSME economies. Zoom interviews were conducted in all APEC economies, except Russia. Typically, these thought leaders were directors of SME Associations, academics, policy makers with MSME responsibilities, finance executives with MSME portfolios. Thought leader interviews used open discussion protocol, asking about key post-pandemic challenges for MSMEs and about any effective public sector or

Third, **MSME Questionnaire**. A detailed questionnaire to capture the voice of MSMEs was developed from the thought leader interviews and the analytical review of MSME research reports. The goal was to secure 25-20 responses from MSMEs in each APEC economy. 952 MSME executives, thought leaders, policy makers responded to the questionnaire. After carefully screening we had 856 viable responses. Respondents by economy are presented in the table.

Four, **Comparative APEC MSME Scorecard**. In collaboration with the co-chairs of the ABAC MSME & Inclusiveness Working Group we developed an MSME scorecard with 11 pillars. Composite scores were developed to assess each pillar for each APEC economy based on a combination of MSME questionnaire responses, thought leader interviews, and globally recognized economy rankings. Each assessment was reviewed and qualified for accuracy against published post-pandemic rankings. Where economy questionnaire response rates were low, greater reliance was placed on secondary source rankings. The table below details the information used to create the composite scores for each of the 11 pillars.

APEC economy assessments are relative scores. Composite scores for each pillar were standardized. For visual effect the scorecard uses color codes: green (better) to red (poorer). Cuts-offs were set at:

above +0.8 (green), +0.3-0.8 (light green), +0.29- -0.29 (yellow), - 0.3- -0.8 (amber), below -0.8 (red).

It is important to consider the implications of using a relative ranking approach. Relative scores may lead overly pessimistic or optimistic interpretations. For example, being assigned a red within APEC may not mean poorest in the world. It merely means among the lower ranked economies in APEC. In many areas APEC economies are ranked among the world's best in different areas. To assist in interpreting the scorecard we have included comparative data from other recognized global ranking in the economy profile pages. The global ranking used are listed below.

Caveats and Research Study Limitations

This study is intentionally a field research project based on interviews with APEC thought leaders, academics, and policy makers, and responses to the MSME questionnaire. It is not longitudinal. If it proves valuable it will be because it complements and expands upon more secondary data-based studies. It is not intended to substitute for the rigor of econometric studies. The obvious advantage field research is that the primary data collected is interview data and questionnaire responses that captures the real problems and challenges encountered by MSMEs. The major disadvantage is that the data is qualitative, making it extremely difficult to compare across MSMEs and economies which leads to challenges in drawing out rigorous generalizations.

The validity and generalizability of any and all findings and conclusions of this report is constrained by the quality and knowledge of the set of thought interviewed, and those who elected to answer the MSME questionnaire. The ABAC Secretariats from each APEC economy made honest attempts to have researchers interview a representative sample of thought leaders and "multipliers." Similarly, the MSME questionnaire respondents were identified by the ABAC secretariats.

MSME Questionnaire Responses	
APEC Economy	Total Viable Responses
Australia	53
Brunei Darussalam	55
Canada*	11
Chile*	12
China	124
Hong Kong*	18
Indonesia*	21
Japan	38
Republic of Korea	89
Malaysia	97
Mexico	37
New Zealand*	14
Papua New Guinea	39
Peru	38
Philippines	74
Russian Federation*	4
Singapore*	12
Chinese Taipei*	14
Thailand	48
United States*	27
Viet Nam	30
Total	856
* denotes low response rates	

MSME Scorecard Pillar Descriptions

Digital Ecosystem	<ul style="list-style-type: none"> ● ICT Infrastructure development ● Access & affordability of internet ● Supporting regulatory environment ● Availability of digital platforms & IT providers ● eGovernment 	<ul style="list-style-type: none"> ● Extent of use of digital solutions beyond eCommerce, social media marketing & ePayments ● Digitally skilled talent ● Use of cloud-based solutions ● Extent of M-Commerce
MSME Digital Proficiency	<ul style="list-style-type: none"> ● Availability of digital training ● Extent of use of basic and advanced digital business solutions 	<ul style="list-style-type: none"> ● Extent of use of M-Commerce & cloud-based business solutions ● Digital skills gaps
Cyber Resilience & Fraud Protection	<ul style="list-style-type: none"> ● MSME awareness of cybersecurity & fraud threats ● Availability/affordability of cybersecurity/ fraud solution providers 	<ul style="list-style-type: none"> ● MSME trust & confidence in digital regulations and government engagement in providing needed protections
MSME Resilience	<ul style="list-style-type: none"> ● MSME future readiness: <ul style="list-style-type: none"> ○ financial/ business acumen, ○ management skills & proficiency ○ access to growth resources, ○ use of mentoring & advisors ○ Innovativeness & risk-taking 	<ul style="list-style-type: none"> ● MSME future readiness: <ul style="list-style-type: none"> ○ future focused orientation ○ agility & responsiveness to market changes, ○ capability to trade internationally ● Use of MSME support programs
Sustainable Development	<ul style="list-style-type: none"> ● MSME sustainable development mindset ● Inclusion of MSMEs in national sustainable development goals ● MSME support & training programs for sustainability practices 	<ul style="list-style-type: none"> ● Awareness of incentive programs ● Effectiveness of incentive programs ● Extent of compliance monitoring
MSME Financing Ecosystem	<ul style="list-style-type: none"> ● MSME access to funding from financial sector ● Access to level of development financing: <ul style="list-style-type: none"> ○ banks, government loans & grants, small business organization loans, crowdfunding, angel funding, venture capital, private equity ● Access to supply chain financing 	<ul style="list-style-type: none"> ● Access to stage of growth financing: <ul style="list-style-type: none"> ○ start-up, early growth, expansion, mature, acquisition ● Level of development of digital banking and fintech sector ● Access to non-collateral loans ● Extent of new credit worthiness approaches
MSMEs in Services	<ul style="list-style-type: none"> ● Access to funding for services MSMEs ● Strength of the MSME services ecosystem: <ul style="list-style-type: none"> ○ services platforms, training programs for services MSMEs, mutual recognition agreements, specialized services financing, government support for services MSMEs, effective dispute resolution mechanisms 	
MSMEs in Cross-Trade & GVCs	<ul style="list-style-type: none"> ● Strength of the MSME cross border trade ecosystem: <ul style="list-style-type: none"> ○ programs (government & business sector) to increase access to foreign markets, plain language trade requirements, simplified rules of origin, higher de minimus values, special trade programs (AEO & TTP), effective dispute resolution mechanisms 	<ul style="list-style-type: none"> ● Development of digital market infrastructure: <ul style="list-style-type: none"> ○ e-Invoices, e-Payments, digital agreements, digital IDs
Economic Inclusiveness for Women	<ul style="list-style-type: none"> ● Impact of pandemic on women-led MSMEs ● Equality of access to: financing, training, networking & mentoring, subsidy programs, eCommerce opportunities, GVCs, cross border trade opportunities, digital technologies 	<ul style="list-style-type: none"> ● Environment for women-led MSMEs ● Capabilities and competitiveness of women-led MSMEs: business skills & expertise, technological proficiency, entrepreneurial mindset, ambition & risk-taking
Economic Inclusiveness for Other Groups	<ul style="list-style-type: none"> ● Availability of programs for youth ● Availability of programs for seniors ● Availability of programs for Indigenous ● Availability of programs for immigrants 	<ul style="list-style-type: none"> ● Availability of programs for LGBTQ+ ● Availability of programs for other underserved & underrepresented groups
MSME Formalized Economy	<ul style="list-style-type: none"> ● Size of informal MSME economy 	<ul style="list-style-type: none"> ● Effectiveness of programs for tackling MSME informality

Key Reports

Digitalization

OECD, "Digitization to Build Back Better", 2021
 APEC, "Digital First Economy", 2022
 OECD, "The Digital Transformation of SMEs", 2021
 APEC, "Guidebook on SME Embracing Digital Transformation", 2020
 APEC, "Supporting MSMEs Digitalization Amid Covid-19", 2020
 United Parcel Service of America, "Supporting SMB Growth: Unlocking Recovery through E-Commerce", 2022
 APEC, "Guidebook on SME Embracing Digital Transformation", 2020
 ABAC Digital Working Group, "Toward a Cybersecure APEC", 2022
 APEC Policy Support Unit, "Supporting MSMEs' Digitalization Amid COVID-19", 2020
 "APEC Internet and Digital Economy Roadmap", 2017
 Center for Digital Acceleration, "Insights from Emerging Markets: MSMEs and Digital Tool Use amidst the COVID-19 Pandemic", 2022
 ADB Economics Working Paper Series, "Digital Divide Decoded", 2022
 UNCTAD, "Digital Economy Report", 2021

Sustainability – Resilience

WEF, "Future Readiness of SMEs: Mobilizing the SME Sector to Drive Widespread Sustainability and Prosperity", 2021
 APEC Emergency Preparedness Working Group, "UNAPEC Risk Management Guide for MSMEs", 2022
 BCG Henderson Institute, "Are You Ready to Become an Ecosystem Player?", 2022
 BCG Henderson Institute, "How Public-Private Ecosystems Can Help Solve Societal Problems", 2022
 Maju Bersama, Naik Kelas Bersama, DPN APINDO Entrepreneurship Development SME Committee
 McKinsey, "Beyond financial: Helping small and medium-size enterprises thrive", 2022
 APEC, "Final Report of the Boracay Action Agenda Study Report, 2021
 CTAD, "The COVID-19 Pandemic Impact on Micro, Small and Medium Sized Enterprises" 2022

Sustainable Development

DESA, "Micro-, Small, and Medium-sized Enterprises (MSMEs) and their role in achieving Sustainable Development. Goals"
 ICSB, "Global MSME Report," 2022

Financing

APEC, "Supporting MSMEs' Digitalization COVID-19", 2020
 APEC, "APEC Financial Services: Increasing APEC's Fintech and RegTech Capabilities Post-COVID-19", 2021
 Hong Kong Monetary Authority, "Alternative Credit Scoring of MSMEs"
 IFT, "MSME Digital Finance – Resilience and Innovation during COVID 19", 2021
 APEC Small and Medium Enterprise Working Group, "Public Policy, Fintech and SMEs: Recommendations for Promoting a New Financing Ecosystem", 2022
 UN ESCAP, "Rethinking MSME Finance in Asia and the Pacific: Post COVID-19 Crisis: A Policy Agenda", 2021

Services

APEC, "Resiliency in a Post-Pandemic APEC: Approaches to Driving Growth in Digital Services", 2022
 APEC, "Tackling Trading Costs and Facilitating Supply Chain Networks. Sustainable Recovery amid Uncertainty", 2022

Trade

APEC Policy Support Unit, "Overview of the SME Sector in the APEC Region: Key Issues on Market Access and Internationalization", 2020
 Institute of Strategic & International Studies, Google, "Strengthening Digital Trade and Digitalisation in Malaysia", 2022
 UN / CEFAC, "Integrated Services for MSMEs in International Trade (ISMIT)", November 2020
 Emanuelle Ganne (WTO) and Kathryn Lundquist (WTO), "Ch 6: The digital economy, GVCs and SMEs, Technological Innovation, supply chain trade, and workers in a globalized world", 2021

Inclusion

OECD, "The Missing Entrepreneurs 2021: Policies for Inclusive Entrepreneurship and Self-Employment", 2021
 APEC, "The APEC Women and the Economy Dashboard 2021", 2021
 Mastercard, "Mastercard Index of Women Entrepreneurs", 2022
 World Economic Forum, "Global Gender Gap Report", 2022
 APEC, "Implementing Inclusion: APEC Case Studies on Inclusive Policies", 2020
 BCG Henderson Institute, "The Pandemic's Lasting and Surprising Effects on Women in Tech", 2022
 Harvard Business Review, "Women-Led Startups Received 2.3% of VC Funding in 2020", 2021

Research Team Biographies



PAOLA BRIGNONI BRAVO | PUERTO RICO

Economies: Chile, Indonesia, Mexico, New Zealand, Peru

Paola has worked as a Management Consultant at Accenture, where she led large-scale digital transformation projects, designed target operating models, and created and executed change management strategies for Fortune 100 companies in the U.S. Paola received a Bachelor's degree in Business Administration and Finance from the University of Puerto Rico, and post-MBA, she hopes to pursue a career in the technology industry within a strategy & operations.

Focus: Digital Transformation



WILLIAM KEOUGH | UNITED STATES OF AMERICA

Economies: Australia, Hong Kong, Japan, Republic of Korea, Thailand, United States of America

William has worked in Corporate Strategy & Development, Business Transformation, and internal consulting roles at MUFG Americas. There, he led the development and implementation of enterprise business plans and transformation programs. He hopes to pursue a career in corporate strategy post-MBA at the intersection of entertainment and technology. William received Bachelor's degrees in Business Administration and Law & Society from The American University in Washington, D.C..

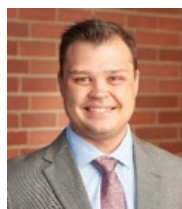
Focus: Economic Inclusion; MSME Scorecard



PARUL "KIMMY" NAGPAL | INDIA

Kimmy has worked in Brand Management and Business Operations roles in multi-category retail chains and start-ups in UAE and India. Within start-ups, in India she was instrumental in raising capital and navigating the venture capital ecosystem. She is passionate about impact in business and is involved in diversity and inclusion initiatives at USC Marshall. After her MBA, she strives to work in big tech within product management or strategy.

Focus: Finance



AARON RAIDT | UNITED STATES OF AMERICA

Economies: Brunei, Papua New Guinea, Philippines, Chinese Taipei, Singapore, Viet Nam

Aaron graduated from Arkansas State University in 2011 with a Bachelor's degree in Business Management and Southern New Hampshire University in 2021 with a Bachelor's degree in Mathematics. He previously worked as a United States military officer where he was selected for multiple command positions and performed as a subject matter expert and instructor on several topics.

Focus: Sustainability



CARL VOIGT | NEW ZEALAND

Economies: Canada, China, Malaysia

Carl Voigt serves as faculty director for the USC Marshall-ABAC research program. He is a Professor of Clinical Management & Organization. He has worked jointly with ABAC since 2005 to direct teams of MBA researcher on 15 research projects for ABAC. He specializes in teaching business, corporate, and global strategy, and management courses in USC Marshall's undergraduate, MBA and EMBA programs. His academic interests are business, corporate and global strategy, and in particular, in the "cleverness" which is that heart of all good strategy.

Faculty Director

Research Support Team



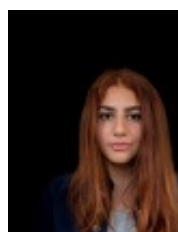
Lily Tang is a USC 2024 Business Undergraduate hoping to start a career in finance after graduation



Phuonggy Pham is a USC 2023 Business Undergraduate. After graduation, Phuonggy hopes to start a career in alternative investment after graduation



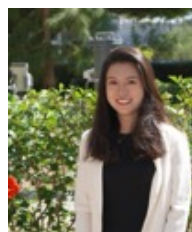
Trang Dang is a USC 2023 Business Undergraduate hoping to start a career in Product Management after graduation



Julia Petrallo is a Business Administration Undergraduate in the class of 2023. After graduation, Julia hopes to work for an intergovernmental organization in economic policy analysis or technology expansion.



Lessly Villa is a USC 2024 Business Undergraduate hoping to start a career in Human Resource Management after graduation.



Ningfei Sun is a USC 2023 Business Undergraduate from China hoping to start a career in Strategy and Business Development after graduation.



George Gutierrez is a USC 2024 Accounting Undergraduate hoping to start a career in Law after graduation.



Alana (Alani) Hill is a USC 2024 Business Undergraduate hoping to start a career in Asset/Wealth Management at a Global Bank after graduation.



Serena Xiao is a USC 2024 Accounting Undergraduate. After graduation, Serena hopes to start a career in management and strategy consulting.



Junxia Zhou received Bachelor's and Master's degrees in Computer Science. She received her MBA from USC Marshall School of Business.

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