



## **Promoting Born Green via Digital MSMEs and Entrepreneurship in Global Supply Chains:**

### **Non-Binding Policy Toolkit<sup>1</sup>**

G20 members are deeply concerned about the impact of the COVID-19 pandemic on entrepreneurs and Micro, Small and Medium-Sized Enterprises (MSMEs). They fully recognize the critical role of MSMEs in economic and social development, the creation of employment, as well as their crucial contribution to any inclusive and sustainable recovery effort. G20 members also emphasize that trade and investment provide an important channel to boost MSMEs' growth and development and their integration into global markets.

The myriad difficulties faced by MSMEs and entrepreneurs are of a much broader nature. MSMEs face disproportional challenges in their efforts to become more competitive and more integrated into the global economy. They are particularly vulnerable to shocks, such as the COVID-19 pandemic, are disproportionately affected by the lack of resources, information and skills, including to adapt to technological changes, encounter challenges in adapting to different regulatory frameworks and new regulations, and face difficulties in joining regional and global value chains. This is particularly the case for women-owned MSMEs which often have limited access to finance and business opportunities.

In the context of the current global endeavor, the transition to a green economy as well as the technological advances of the new industrial revolution present both new challenges and strategic opportunities for MSMEs and entrepreneurs, particularly in developing countries, to participate effectively in international trade and investment and contribute to sustainable development and inclusive growth.

The strive for sustainable development, coupled with the digitalization process, can foster a new generation of MSMEs and entrepreneurs that is “born green via digital”, and also support the transition of traditional ones towards more sustainable business models. The concept of “born green via digital” refers to those entrepreneurs and MSMEs that invest and trade in green products and services and integrate ESG and responsible business conduct into their business model. It encompasses not only those entrepreneurs and MSMEs that do so from the outset (born green), but also those that successfully adapt their traditional

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<sup>1</sup>. This policy toolkit was prepared by the Italian Presidency of the G20, in collaboration with UNCTAD, ITC, OECD, World Bank and WTO, under the Presidency's own responsibility, drawing on various inputs from the member States of the G20, including through the TIWG (2-3 March meeting). It is without prejudice to the positions of individual G20 members and the member States of the international organizations involved.

business model and production techniques by utilizing modern technologies to produce environment-neutral (or positive) goods and services for the domestic and international markets (re-born green).

Born-green MSMEs and entrepreneurs, in turn, can become key levers for building forward better in the post-pandemic era, including in the context of trade and investment. Capturing this strategic opportunity requires a supporting entrepreneurial ecosystem, as well as inclusive policies and initiatives to help entrepreneurs and MSMEs address the key emerging challenges, including those associated with the environmental and digital transformation. Such endeavor should take into account national circumstances and the three interrelated pillars of sustainable development: the economic, social and environmental dimensions.

This policy toolkit, non-binding in nature, aims to assist policymakers in this endeavour. While no *one-size-fits-all* solution exists, this policy toolkit provides guidance for G20 members and other countries looking to support both existing and new entrepreneurs and MSMEs in the green and digital transformation. Such a toolkit could facilitate the sharing of best practices and experiences. It could also help guide countries as they consider the package of voluntary policy measures to promote sustainable MSMEs and entrepreneurs in their participation in international trade, investment and global supply chains.

Effective policy, technical and technological support at the national level could be provided in the areas of regulatory environment, education and skills development, capacity-building, facilitation of environmentally friendly technology exchanges and innovations, commercialization, access to finance, access to information and the promotion of partnerships, among others.

## Pillar I

### Optimizing the regulatory framework



**Governments seeking to establish an optimal national regulatory environment for supporting the emergence of born green via digital MSMEs and the rejuvenation of traditional ones, particularly in the trade and investment context, may consider:**

- Ensuring an open, inclusive, non-discriminatory, transparent and predictable legal and regulatory environment through the application of good practices to support the emergence of green MSMEs and entrepreneurs and enable all traditional MSMEs to achieve a green and digital transformation.
- Promoting the use of e-Government and encouraging the adoption of digital technologies at all levels of government and business, aimed at reducing the regulatory burden on MSMEs and entrepreneurs.
- Encouraging the engagement of MSMEs and entrepreneurs in the public consultation process and considering the regulatory impacts on MSMEs when drafting regulations for the green economy, in their respective jurisdictions.
- Ensuring that any legal and regulatory requirements for the transition to a green and digital economy are transparent, non-discriminatory, publicly available and accessible, and do not constitute unnecessary barriers to trade and investment for MSMEs.
- Emphasizing the importance of respecting internationally recognized guidelines and principles on responsible business practices, including encouraging evidence-based due diligence to identify and address potential environmental and labour impacts in MSMEs value chains and providing guidance to MSMEs on compliance, in accordance with relevant international and domestic laws. This should take into account the limited resources MSMEs have, and the challenges and difficulties they face, especially in developing countries.
- Encouraging governments to provide in post-pandemic recovery packages additional stimulus for MSMEs and entrepreneurs engaged in the green and digital transition, with a special focus on MSMEs in developing countries and LDCs, and vulnerable and marginalized segments of the population, including women, youth, indigenous and geographically-disadvantaged communities.

- Providing support in the adoption of e-platforms, B2B online platforms and technology support infrastructure.
- Incentivizing investments and outputs by large players and their MSME partners adapting to research and development, innovation, and global technologies.

## Pillar II

### Enhancing entrepreneurship education and skills



**Acquiring technological skills and know-how for the adoption of new digital business tools are essential to promote born green MSMEs and to enable traditional MSMEs to achieve a successful green and digital transformation. In this regard, governments may consider:**

- Providing MSMEs and entrepreneurs with training tools and facilitation to embrace digital solutions, including basic digital skills and more advanced competences, such as digital marketing, accounting, digital identification systems, digital security and transactions, and digital financial services to support their transition towards a green and digital business model, with a view to enhancing their competitiveness in international trade and investment.
- Strengthening education and training to equip MSMEs with the skills required to promote sustainable production models and business practices, including in the context of the capacity-building for international trade and investment.
- Providing opportunities to participate in and access training of MSMEs and entrepreneurs for digital readiness and green and digital transformation.
- Developing tailored entrepreneurship education (including specific programs for women and youth entrepreneurs of MSMEs), and support and accelerate programs on green and digital business models for promoting access to global markets.
- Supporting the establishment of knowledge networks among educational institutions, business support organizations, the public administration and MSMEs to share information, skills and best practices on achieving the green and digital transformation.
- Rewarding MSMEs for initiatives towards digital skill development and employment generation, particularly for women and vulnerable or marginalized segments of the population, by way of direct financial support.

### **Pillar III**

## **Facilitating green technology exchanges and innovation**



**Innovation is not only a key enabler for born green via digital MSMEs, but also a core element of their business model. Policymakers can enhance innovation systems by:**

- Encouraging technology development centers and clusters, including representatives from academic institutions, industry, technology partners, digital platform players and financial institutions to support R&D and the emergence of innovative green technologies by MSMEs and entrepreneurs.
- Encouraging industry adoption of digital technologies to increase voluntary traceability to support the further integration of MSMEs into the global supply chain, so as to increase their capability to access global markets in a sustainable manner.
- Accelerating the innovation, commercialization and growth processes of green and digital entrepreneurs and MSMEs through policies that strengthen the links and synergies with technology and applied research needed for their green transition (e.g. open innovation networks, universities and research institutions).
- Promoting special digitalization empowerment, including through emerging digital technologies such as AI, IoT, big data, blockchain, broadband connections and internet-enabled programs for MSMEs, while encouraging governments to work with the private sector to develop tailored toolkits and resources for MSME's transition towards green and digital manufacturing.
- Supporting voluntary licensing of green and efficient technologies to MSMEs on mutually agreed terms, including through existing mechanisms such as access pools.

## Pillar IV Improving access to finance



As recognized in the G20 High-Level Principles on SME Financing, inadequate access to finance remains one of the biggest obstacles for entrepreneurs and MSMEs, especially in developing countries. In their transition to sustainable business models, MSMEs may face additional compliance hurdles and entry costs to meet new standards, technical regulations and production processes. Governments may consider:

- Fostering the development of specific policy measures for improving access to finance, venture capital, angel investment, equity crowdfunding and export credit, as appropriate for the development, adaptation and adoption of greener, more circular solutions, such as technologies that enable renewable energy, sustainable mobility, solid-waste treatment, GHC treatment programs, etc.
- Facilitating access to finance for green and digital MSMEs by encouraging the coordination among domestic financial institutions and supporting the provision of financial products tailored to MSMEs.
- Reducing barriers to accessing finance for green MSMEs and entrepreneurs dealing with energy industry and environmental projects.
- Adopting policies to encourage investment in low carbon growth pathways and energy efficiency schemes developed by MSMEs.
- Designing mechanisms and incentives for the financial industry that promote better valuation of investment payoffs (e.g. as regards GHC management technologies-related); and including a clear baseline for voluntary climate-related disclosure and reporting or risk management processes, which take into consideration climate-related impacts and opportunities.
- Developing specific financing mechanisms and incentives for MSMEs, aligned with the implementation of sustainable business practices and sustainability standards.
- Encouraging further development of the Sustainable Stock Exchange Initiative<sup>2</sup> to promote innovative ways and means for financing MSMEs and entrepreneurs in their transition to more sustainable business models.

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<sup>2</sup> The Sustainable Stock Exchange Initiative includes over 100 stock exchanges as its partners for promoting financing for sustainable development and sustainability reporting.

## Pillar V

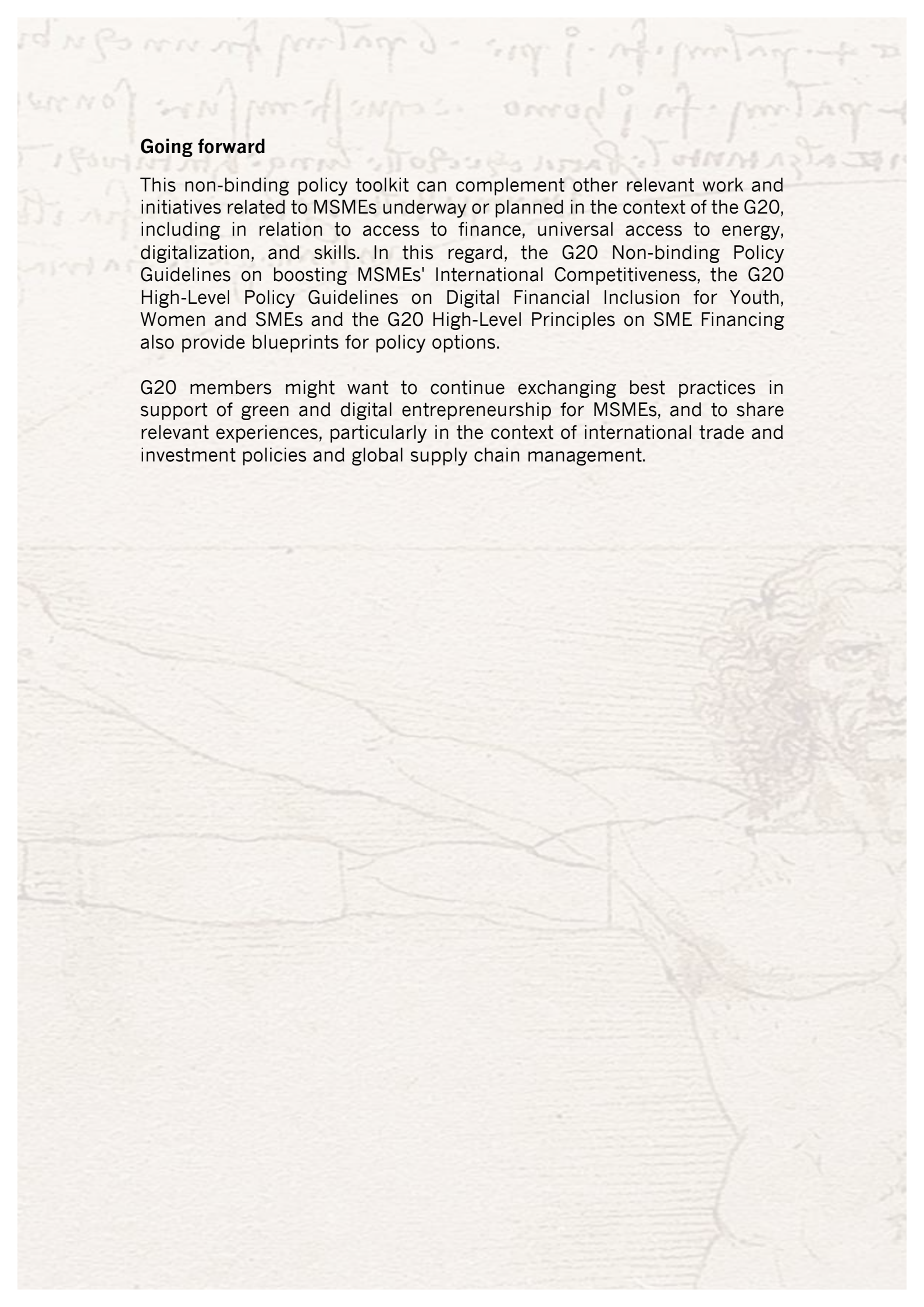
### Promoting partnerships and linkages



**Fostering business linkages and a cross-cutting entrepreneurial culture could greatly benefit green entrepreneurs and born green via digital MSMEs. Benefits from these interactions include enhanced access to global and regional value chains, technological know-how and business processes. Governments could promote and facilitate robust partnership networks among relevant business actors by:**

- Assisting MSMEs and entrepreneurs in the green and digital economy to increase their international competitiveness and connect to national, regional and global markets, including through working to achieve greater international regulatory coherence to facilitate data flows and interoperability of technology.
- Supporting national investment and trade promotion agencies in their efforts to facilitate MSMEs and entrepreneurs in benefiting from the growing green and digital business opportunities on global markets.
- Establishing communication mechanism among G20 trade and investment promotion agencies, so as to better share information and promote MSMEs' integration into GVCs.
- Improving the quality and availability of information on access to the growing international markets for green and digital products and services for entrepreneurs and MSMEs.
- Developing policies and programmes to support linkages between MSMEs and MNEs as well as large domestic firms, enable MSMEs' integration into the global supply chains, and help green and digital MSMEs and entrepreneurs to serve global customers.
- Scaling up the use of clusters as a conveyor belt for collaborative innovation and productive networks for the promotion of green and digital MSMEs and entrepreneurs
- Ensuring that trade policy instruments to achieve green standards and production process do not constitute unnecessary barriers to MSMEs engaged in the green transition.





## Going forward

This non-binding policy toolkit can complement other relevant work and initiatives related to MSMEs underway or planned in the context of the G20, including in relation to access to finance, universal access to energy, digitalization, and skills. In this regard, the G20 Non-binding Policy Guidelines on boosting MSMEs' International Competitiveness, the G20 High-Level Policy Guidelines on Digital Financial Inclusion for Youth, Women and SMEs and the G20 High-Level Principles on SME Financing also provide blueprints for policy options.

G20 members might want to continue exchanging best practices in support of green and digital entrepreneurship for MSMEs, and to share relevant experiences, particularly in the context of international trade and investment policies and global supply chain management.