

EXECUTIVE SUMMARY

From 2016 to 2021, the APEC-Canada Growing Business Partnership (the “Partnership”) has sought to build the capacity of micro, small and medium enterprises (MSMEs) in developing economies in the Asia-Pacific Economic Cooperation (APEC) region. The goal of the Partnership is to build the capacity of MSMEs toward an ultimate goal of promoting poverty reduction and sustainable economic growth in the APEC region. The Partnership recognizes the central role of MSMEs in directly providing economic opportunities to local populations in APEC economies, while also contributing to overall economic growth in the region. APF Canada has implemented a four-year program focusing on research, training, and mentorship of MSMEs with the end goal of offering best-practice tools, ideas, knowledge around fostering economic growth and poverty reduction.

While MSMEs have immense potential to achieve these goals, these smaller businesses face a number of challenges to their growth and success. The Partnership has endeavoured to build the MSMEs’ capacity in four main thematic areas: technology and innovation, human capital, market access, and social entrepreneurship. Now in its final year of implementation, as MSMEs in the APEC region grapple with the short-term and long-lasting impacts of the COVID-19 pandemic, the Partnership is further examining the on-the-ground research and activities that have been undertaken in Indonesia, Peru, the Philippines and Vietnam, with the goal of illustrating the pre-pandemic challenges that MSMEs have faced, and identifying the gaps and priorities for the “new normal” era during the COVID-19 pandemic. In this report, the Partnership has compiled its best practices and lessons that it has learned in its on-the-ground activities and working with various project stakeholders including governments, entrepreneurial networks, academia and most of all, MSMEs themselves.

This capstone policy paper highlights the key policy findings and recommendations from throughout the Partnership’s implementation cycle in response to six key thematic areas featured in the project’s capstone conference. These themes are as follows:

- 1. Promoting Inclusive Growth**
- 2. Supporting Women and Youth Entrepreneurs**
- 3. Aiding MSMEs’ Digital Transformation**
- 4. Securing MSMEs’ Access to Financing**
- 5. Ensuring Access to MSME Support Services**
- 6. Encouraging Broader Market Access**

In responding to these themes, this paper features findings from the Partnership's on-the-ground implementation experience in Indonesia, Peru, the Philippines, Vietnam, and a cross-national analysis of the project's national survey datasets. This paper aims to draw comparisons between entrepreneurs' experiences of running an MSME in the Partnership's four focus economies, and the landscapes that they operate in. In doing so, this paper provides policy recommendations for MSME capacity building moving forward, during and beyond the COVID-19 pandemic.

The policy recommendations in this report are based on qualitative and quantitative evidence taken from the Partnership's on-the-ground activities and national survey datasets. These recommendations are guided by regional MSME policy visions and frameworks, particularly the APEC SMEWG Strategic Plan for 2020-2025 and Putrajaya Vision 2040.

The main policy recommendations provided by this report include the following:

1. **Promoting Inclusive Growth:** Dialogue between governments, MSMEs and other key stakeholders is critical for achieving an inclusive crisis response and sustainable routes to recovery. Governments must ensure that the needs of small businesses are addressed through action plans that work toward long-term economic recovery.
2. **Supporting Women and Youth Entrepreneurs:** Further capacity building, knowledge networks and collection of disaggregated data are needed to address systemic barriers that limit the economic empowerment of women and youth.
3. **Aiding MSMEs' Digital Transformation:** Policymakers must assess the existing efforts of MSMEs to incorporate a digital strategy into their business model, and provide additional support for digitalization, such as stronger ICT infrastructure and upskilling in social media usage.
4. **Securing Access to Funding:** Governments must make access to finance and various funding mechanisms well-known, accessible, as well as targeted to the distinct needs of MSMEs and entrepreneurs (e.g., by enterprise size, industry, gender and age). These needs can be assessed through data collection.
5. **Ensuring Access to MSME Support Services:** Governments are encouraged invest more resources in the marketing and information distribution of MSME support programs and services, and targeting these resources to women and youth entrepreneurs.
6. **Encouraging Broader Market Access:** Entrepreneurs and MSMEs must be supported by government actors in gaining international market experience and expanding their markets overseas. This includes investing in clear promotion of international opportunities, and in entrepreneurs' upskilling to participate in international markets.