WORLD ALLIANCE
of International Financial Centers

Supporting Ecosystem for Sustained Recovery and Growth of SMEs

WORKING PAPER

IMPRINT

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CONTENTS

PREFACE

The World Alliance of International Financial Centers (WAIFC), promoting the benefits of sharing best practices and new financial and regulatory initiatives, continues to bring together international financial centers to further develop their efforts as hubs of the global finance industry. The WAIFC members continue to share a broad consensus that sustainability and inclusive growth lie at the core of financial centers of the future, and that small and medium enterprises (SMEs) are crucial to accelerate these efforts.

The work of the SME workstream of the WAIFC has focused on the role of financial centers to stimulate innovation, foster entrepreneurship, encourage pro-business regulation, facilitate access to the essential strategic resources – access to finance, access to competence, and access to markets – and promote stability and growth of SMEs. The current global challenges such as climate change, disruption of global supply chains and high inflation have caused immense burden on SMEs and entrepreneurs and compounded the complexities already caused due to the COVID-19 pandemic.

In this context, the WAIFC is pleased to share the *Supporting Ecosystem for Sustained Recovery and Growth of SMEs* paper ("the Paper"), which is part of the contribution to our broader work of developing an ecosystem for SMEs and entrepreneurs, and in continuing our efforts to support the recovery and growth of SMEs. This Paper provides recommendations to address the added complexities that SMEs and entrepreneurs face through regulatory measures, capacity building and financing landscape.

I would like to thank the Astana International Financial Centre for leading this important workstream, the following project members: Belgian Finance Center, Casablanca Finance City, Frankfurt Main Finance, Paris Europlace; and the following contributors: FinCity Tokyo, FinanceMalta Malta, Enterprise Nigeria for their contribution to the SME workstream and this Paper.

Jennifer Reynolds

WAIFC Chairperson

INTRODUCTION

Supporting Ecosystem for Sustained Recovery and Growth of SMEs aims to explore the role of international financial centers in supporting start-ups, small and medium-size enterprises (SMEs) and entrepreneurs given the recent global crises. This paper builds on the previous report *Supporting SMEs with Sustained Post-COVID Recovery*, and analyses some of the continued support to help SMEs and entrepreneurs transition to a state of recovery. As support and relief measures introduced by governments during COVID-19 are phased out, it is crucially important for cross-sector partnerships – with governments, policy makers, international financial institutions, investment community, the industry and private sector – to support the recovery and growth of SMEs.

The knock-on effect from COVID-19 and the recent geopolitical developments together with climate change implications, continue to result in pressing challenges globally such as high inflation rates, supply chain disruption and shortage of raw materials and commodities. SMEs and entrepreneurs are being hit the hardest.

This paper sheds light on some of the current issues that SMEs face and the role we, as international financial centers, play in developing and evolving holistic frameworks to enable start-ups, SMEs and entrepreneurs launch and grow. In particular, this paper recognizes the urgent need for innovative solutions and draws on approaches through which some of the WAIFC member countries are addressing these issues in the form of regulatory measures, capacity building and financing landscape.

Financial centers, at the intersection of these cross-sector partnerships, are well positioned to understand, highlight and drive the collaborative effort across sectors to help address some of the long-standing and deep-rooted problems to ensure continued development of enabling ecosystems where SMEs and entrepreneurs can better access the critical strategic resources they need thrive.

Kairat Kelimbetov

AIFC Governor

Executive summary

- Small and medium size enterprises (SMEs) and entrepreneurs received unprecedented levels of support and relief measures by governments during the COVID-19 pandemic, in many cases, rescuing them from potentially grave consequences. Rescue packages have proven effective, as seen by declining levels of bankruptcies among SMEs in 2020 in most countries (Figure 2). However, as support and rescue packages are phased out by governments, SMEs face increasing risks of default and bankruptcy.

- In addition to the rising cost of commodities during COVID-19, the recent geopolitical situation and more frequent extreme weather conditions have caused energy prices to soar and disrupted the global supply chains, resulting in growing levels of inflation and market volatility adding to the scale and complexity of global challenges. There is a growing need for innovative solutions to drive a faster shift to alternative sources of energy and to tackle climate change risks. Additionally, enhancement of global supply chain is a common challenge for firms across all sizes with effect more acutely felt by SMEs.
- This makes the role of international financial centers (IFCs) crucial in continuing to help develop enabling ecosystems where innovative solutions can be implemented to address the growing global problems such as climate change and in supporting the sustained recovery and growth of SMEs through essential cross-sector partnership – with governments, policy makers, multilateral financial institutions, other IFCs, investment community, the industry and private sector.

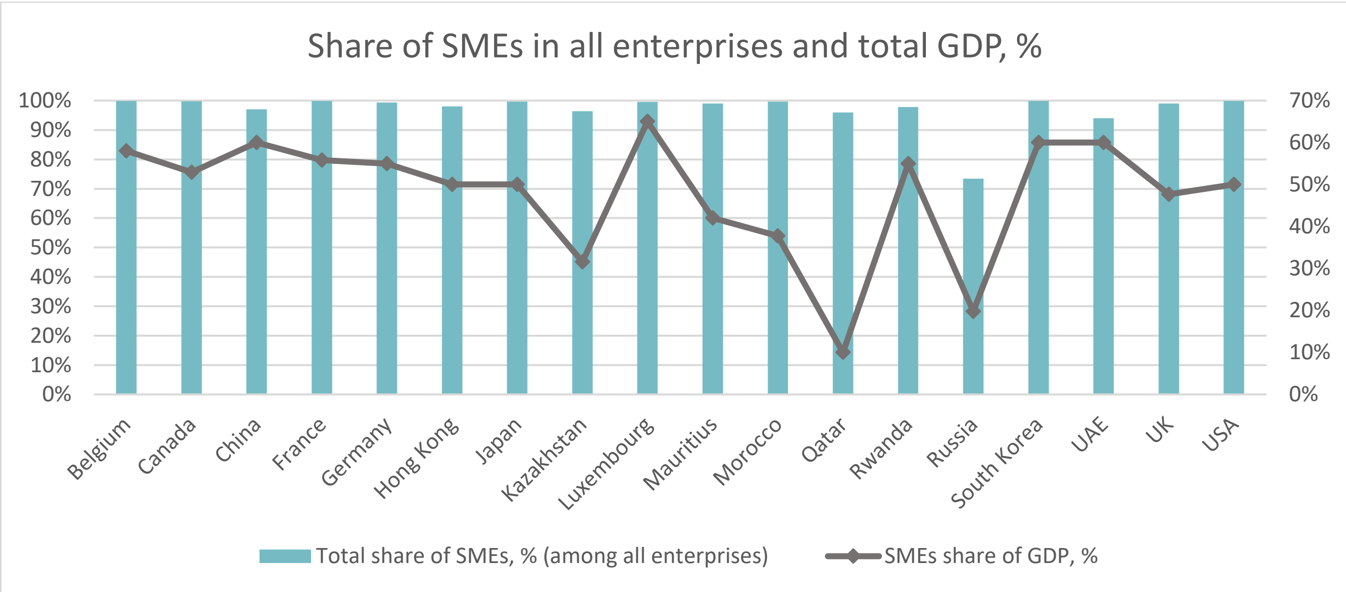
- WAIFC members are committed to further their work in supporting the transition of SMEs and entrepreneurs into a state of recovery and sustained growth, and to foster innovative solutions to tackle global problems. This paper draws on approaches through which some of the WAIFC member countries are addressing these matters.
    - **Alternative financing** lies at the core of a well-functioning SME ecosystem as they tend to provide both capital and strategic direction required for the launch and growth of start-ups. During COVID-19, while financing through venture capital and business angels saw a decline, fintech and other online alternative financing rose in popularity – both having significant potential to grow.
    - **Innovative and tech-enabled solutions**: the growing need to tackle global challenges such as climate change and achieve the UN Sustainable Development Goals (SDGs), makes the role of SMEs and entrepreneurs critical as they tend to be more agile and dynamic compared to larger companies with the ability to enable innovation, sustainable and more inclusive economic growth. Recent geopolitical developments demand an accelerated transition into alternative sources of energy.
    - **Lower market barriers and capacity building**: SMEs face a relatively higher degree of market barriers among other regulatory hurdles. Policy and regulatory measures aimed at improving business development and job creation, training and continued professional development can aid in lowering market barriers eliminating information asymmetry and facilitate inclusive growth.
- In recognizing that IFCs play a key role in creating and adopting enabling ecosystems with holistic support mechanisms for start-ups, SMEs and entrepreneurs, WAIFC members are committed to further grow the potential of alternative financing that will, in turn, foster innovative and tech-enabled solutions by providing capital, – pre-seed, seed and growth capital – know-how, strategic direction and scalability. WAIFC will further develop a holistic assessment of the SMEs market within the context of the entire value chain and across industries, in order to develop and implement recommendations on both economic and policy factors required to enhance resiliency and transparency across global supply chains.

SMEs in global economies

Small and mid-size enterprises (SMEs) are businesses that maintain revenues, assets or a number of employees below a certain threshold. While there is no standard definition for SMEs, the most commonly used denominator for a definition is the number of employees. A majority of governments, namely middle income and high-income economies, the Organization for Economic Co-operation and Development (OECD) and European Union, define a SME as an enterprise employing up to 249 persons. They further divide the category into micro (1-9 employees), small (10-49 employees) and medium (50-249 employees) enterprises. Lower income economies more frequently use 50 or 100 employees as a threshold for defining an SME. Different classifications of SMEs by international organizations such as the World Bank, OECD, European Bank for Reconstruction and Development (EBRD) and World Federation of Exchanges are provided in the APPENDIX: MSMEs classifications by international organizations.

SMEs are major drivers of economic growth and development globally. Although SMEs make up the majority of businesses around the world, their contribution to national GDPs, while differing across countries, is significantly lower demonstrating lower productivity and competitiveness compared to large enterprises. Only a small proportion of all SMEs producing goods and services show higher levels of productivity and added value. (Figure 1).

Figure 1: Share of SMEs as a percentage of GDP [1]



Source: OECD, Eurostat, Moroccan MSMEs observatory, www.damu.kz, www.statista.com

Supporting SMEs with sustained economic recovery

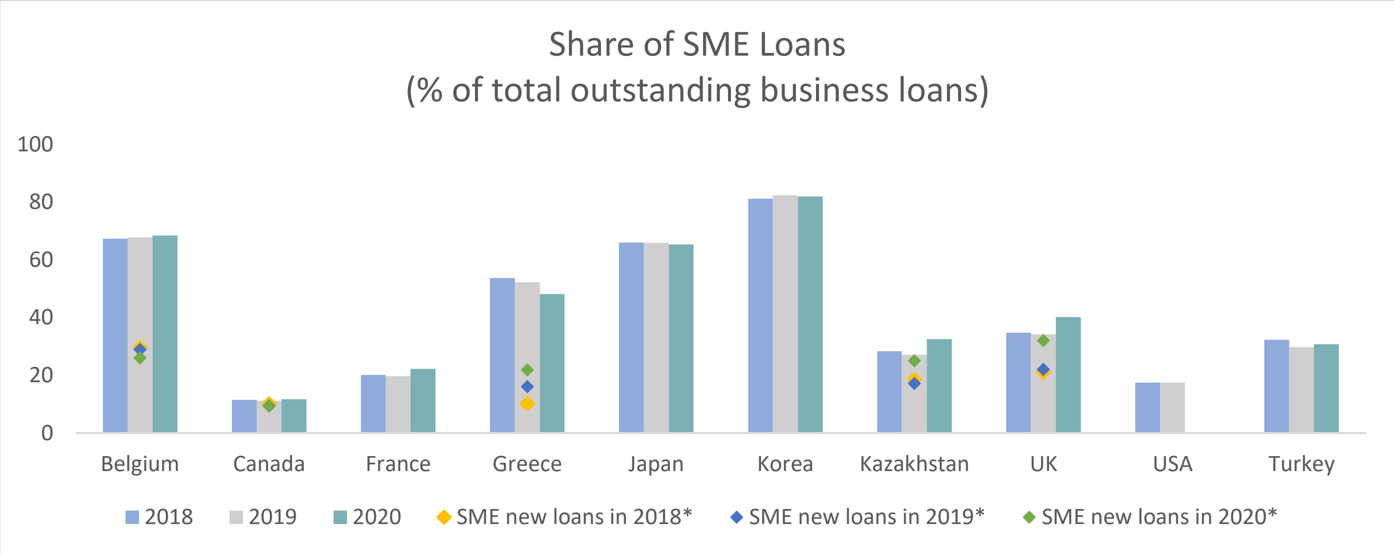
The scale and complexity of COVID-19 brought about unprecedented challenges in economic conditions globally, testing the resilience of global value chains. The pandemic placed immense stress on businesses of all sizes and across all sectors, with SMEs and entrepreneurs being impacted the most. One of the major

[1] For OECD countries, OECD data was used for the year 2019. For non-OECD countries, the latest available data was used. For OECD countries, share of SMEs as a percentage of GDP was calculated with value added at factor costs which is the gross income from operating activities after adjusting for operating subsidies and indirect taxes.

challenges that SMEs faced was a strain on cashflow to meet some of the fixed or unavoidable costs such as ongoing rental costs, energy costs and costs towards working capital. In both developed and emerging markets, governments introduced several measures to meet the needs of SMEs in response to pandemic in the form of regulatory easing measures as well as targeted financial interventions.

Most governments and authorities were quick to respond with relief measures, easing some of the pressures in the early stages of the pandemic, to a certain extent rescuing businesses and in particular the SMEs, from relatively grave consequences. Swift actions from governments aided in the injection of capital to support SMEs and entrepreneurs manage the initial economic shock and safeguarding millions of jobs. Immediate relief measures across all economies included tax reliefs, deferral of tax and interest payments, and exemption on income tax and social security payments. Others forms of assistance included concessional loans and government guaranteed loans, whilst some countries lowered barriers in the form regulatory easing measures.

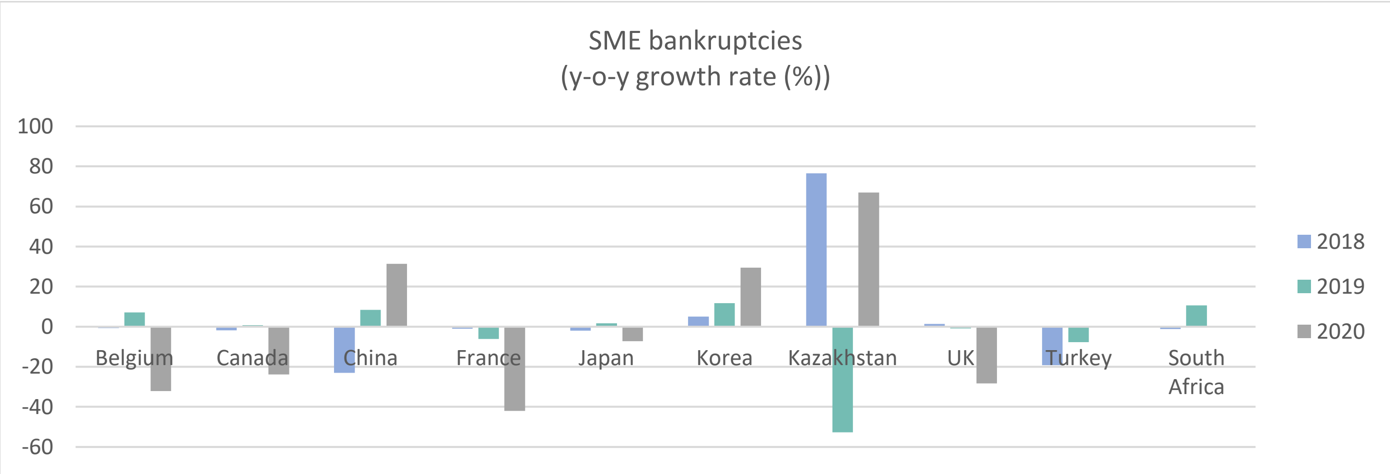
Figure 2: Share of SME lending and new loans



Source: OECD; *where data is available

While SMEs received quick support during the COVID-19 pandemic resulting in the increase of new SME loans through to 2020 as seen in Figure 2, the risk of default and bankruptcies is growing. Bankruptcies among SMEs declined globally as shown in Figure 3 despite the crisis owing to a large degree to the unprecedented financial support offered by governments. However, as these support and relief measures are phased out, SMEs face increasing risks of default and bankruptcy.

Figure 3: Bankruptcy levels among SMEs

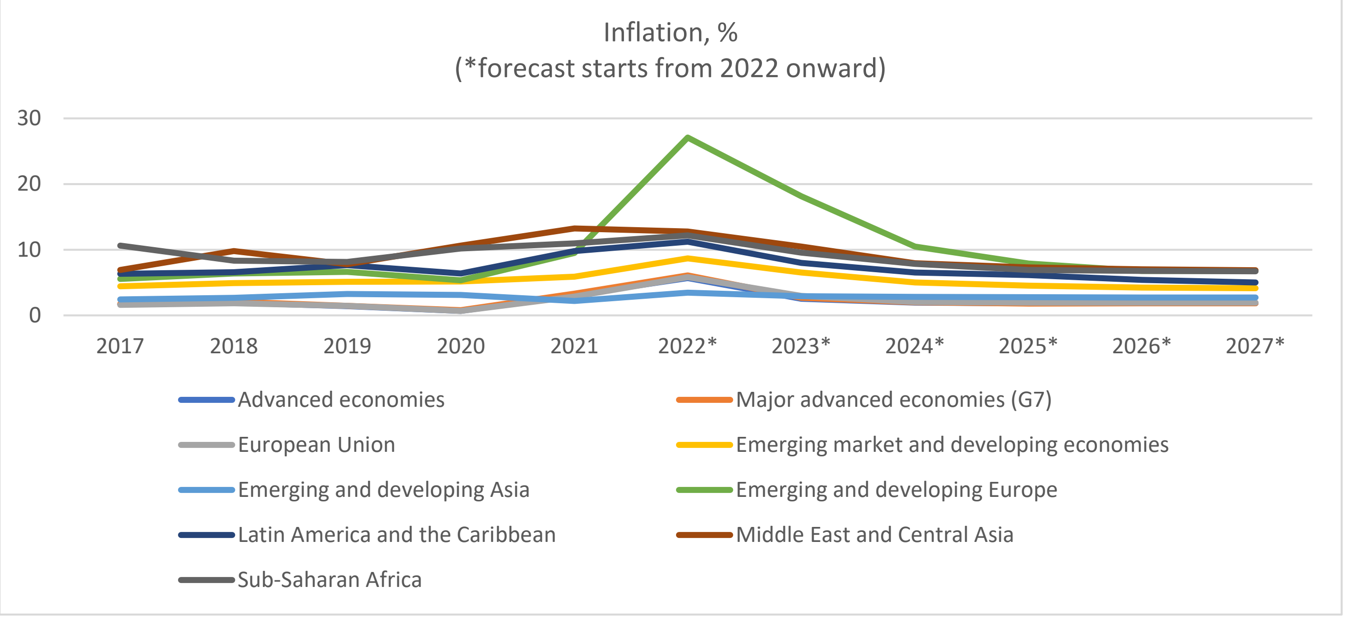


Source: OECD

Urgent need for innovative solutions

Energy prices were already on the rise during COVID-19 causing a knock-on effect on prices of other commodities. The recent geopolitical situation and more frequent extreme weather conditions have led to prices soaring even further than that caused as a result of COVID-19. For instance, Europe is facing drought and Pakistan suffering extreme flooding and we are witnessing these extreme weather events occurring more frequently. Rising cost of energy and other commodities, disruption in supply chains, and market volatility have caused growing levels of inflation adding to the scale and complexity of global challenges. For example, in September 2022, the global wheat prices saw a 25% year-on-year increase.

Figure 4: Inflation



Source: IMF

These challenges affect SMEs, start-ups and entrepreneurs the most as larger corporations are relatively more resilient to withstand economic shocks. However, SMEs and entrepreneurs play a critical role in delivering novel and innovative solutions as they tend to be more agile and dynamic compared to larger companies, therefore driving innovation, sustainable and more inclusive economic growth. While SMEs are more conducive to innovation, increased requirements of ESG factors cause additional burdens on SMEs. Costs and risks for dealing with ESG requirements could be unfairly allocated to SMEs at the bottom end of the global supply chains. Additionally, greenwashing by large corporations is increasingly emerging as a risk and these corporations tend to be consumers of goods and services produced by SMEs generally found to be domiciled in developing countries without adequate levels of ESG scrutiny. Disruption of supply chains emerges as a common challenge for firms across all sizes however with effects more acutely felt among the SMEs. In order to better understand the challenges of SMEs, it is essential to assess the supply chains as a whole across the value chain and across industries, and not to view SMEs in isolation. This will help develop and implement recommendations on both economic and policy factors required to enhance resiliency and transparency.

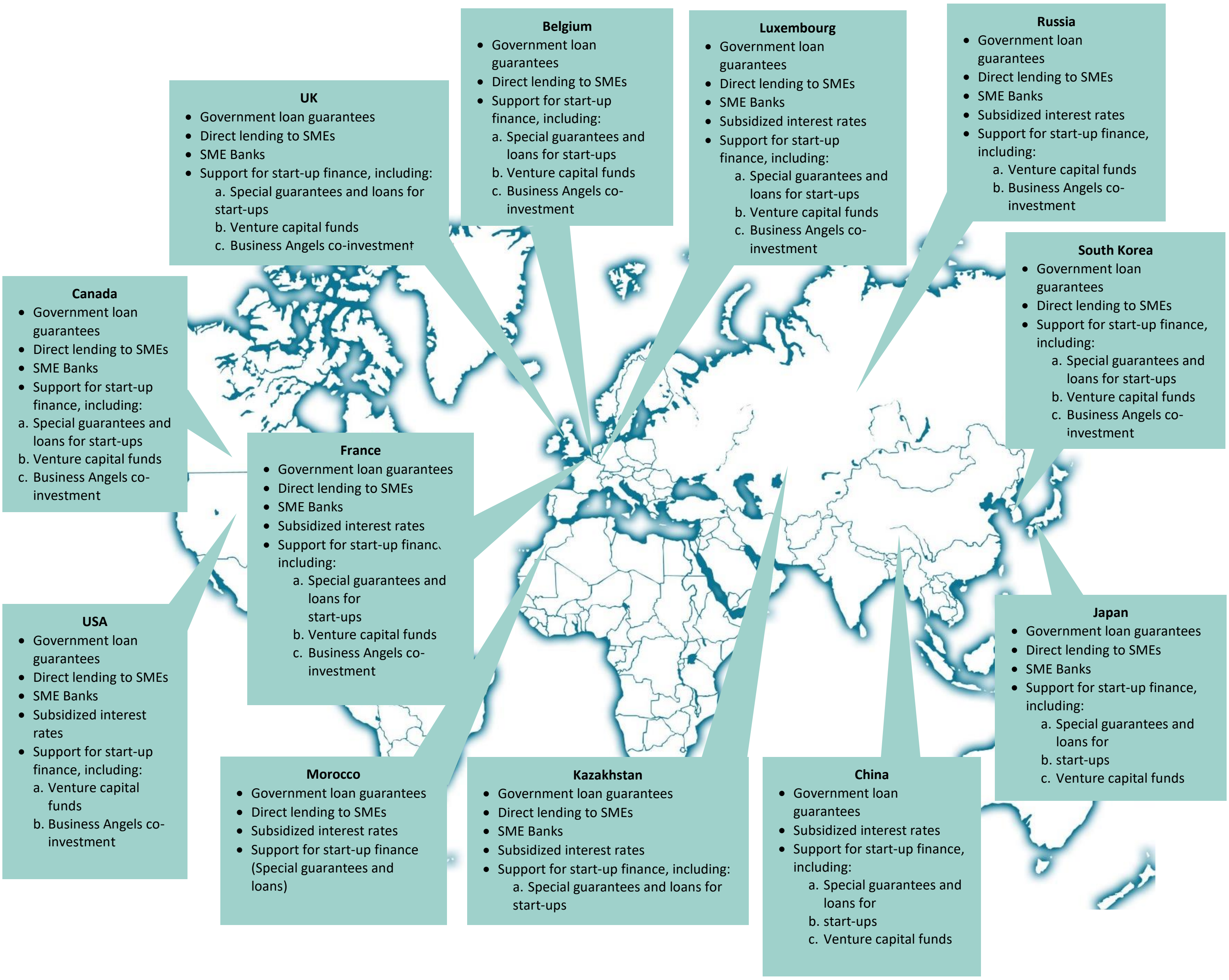
This makes the role of IFCs crucial in continuing to help develop enabling ecosystems where innovative solutions can be implemented to address the growing global problems while also supporting the sustained recovery and growth of SMEs by forming essential cross-sector partnerships – with governments, policy makers, multilateral financial institutions, other IFCs, investment community, the industry and private sector. IFCs, at the intersection of these cross-sector partnerships, are well positioned to understand, highlight and through successful partnerships help address some of the long-standing and deep-rooted problems to develop and evolve holistic frameworks that enable start-ups, SMEs and entrepreneurs better access the critical strategic resources they need to launch and grow.

Financing instruments for SMEs

According to the OECD, the most common policy instruments aimed at fostering access to finance for SMEs are in the form of government loan guarantees and special loan guarantees for start-ups, direct lending to SMEs, dedicated SME banks and subsidized interest rates. Additionally, the OECD notes the active presence of venture capital funds and business angels in providing alternative sources of capital in the form of equity financing, in member countries while this is underdeveloped and still in its nascency in OECD non-member countries. The number of financing and policy instruments available for SMEs differs across countries as shown in Figure 5.

While SMEs have been supported by governments and public authorities, this is far from being adequate. SMEs require access to sustainable and diversified sources of financing and this needs to be addressed to ensure recovery and growth of start-ups, SMEs and entrepreneurs.

Figure 5: Financing and policy instruments available to SMEs



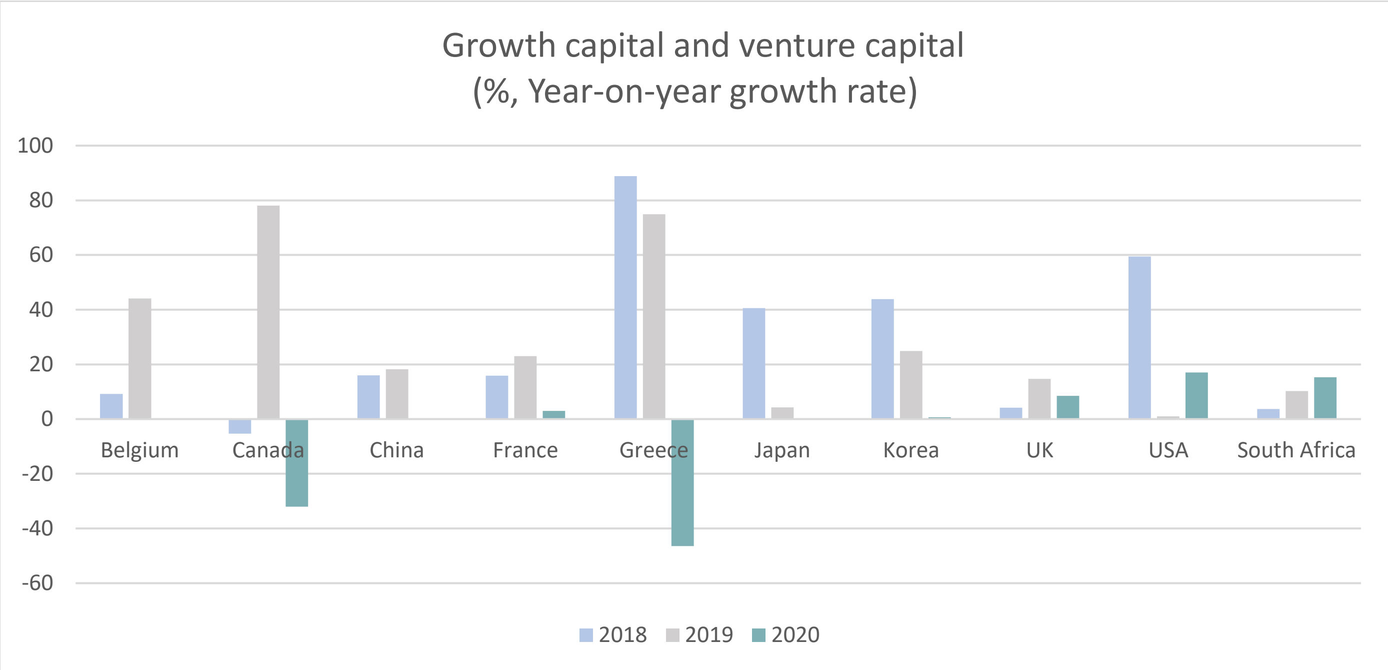
Alternative financing

Leading up to COVID-19, alternative sources of financing through venture capital and business angels saw a steady increase but these declined in the initial phase of the crisis in most countries (Figure 6). Fintech and other online alternative financing rose in popularity during COVID-19 and has significant potential to support SMEs in accessing capital. WAIFC member countries are focused on creating suitable environment and support to help alternative financing deliver this potential.

In 2020, Germany launched a new investment grant programme, "Digital Now - Investment Support for SMEs" aimed at strengthening SMEs in digitization, supporting investments in digital technologies and related qualification of its employees. Germany also created a new “KMU-innovativ” funding initiative dedicated to support cutting-edge research by German SMEs.

Venture Rocket Eurasia (VRE) which is a joint venture between the AIFC Tech Hub and Titanium Technologies Group is the first Central Asian start-up co-investment platform that allows accredited professional investors to provide capital to highly vetted tech start-ups in a fully regulated environment.

Figure 6: Growth and venture capital (year-on-year growth)



Source: OECD

Lowering market barriers

There is concerted effort from WAIFC members to support SMEs, start-ups and entrepreneurs by evolving and adapting its infrastructure to lower market entry barriers. Common themes include (1) introducing simplified procedures for incorporation of certain types of companies and regulatory relief measures while still maintaining international standards; (2) ecosystems fostering communities of startups, investors, mentors to build and enhance capacity and scalability; and (3) eliminating information asymmetry through provision of guidance documents and online platforms and public databases containing information necessary for market participants.

Policy and regulatory measures

In 2020, the AIFC’s regulatory body, Astana Financial Services Authority (AFSA), simplified procedures to obtain licenses to conduct certain types of activities including advisory on investments and credit facilities, arranging deals in investments, insurance management and for insurance intermediaries. AFSA also issued guidance documents for firms conducting regulated activities to assist with the required policies and procedures including compliance, risk management, business continuity, and conflicts of interest. In practice, this has significantly simplified the application form and excluded requirements to provide certain documentation. This simplified approach is tailored for regulated activities while providing the regulator with the key information necessary for carrying out its regulatory functions.

AIFC's diverse range of financing landscape has recently introduced niche market segments and incentives targeted towards sustainability and access to public finance for SMEs:

1. A Regional Market Equity Segment with simplified requirements including free-float market capitalization not exceeding USD200 million, simplified prospectus without a requirement to demonstrate revenue earning track record;
2. Reimbursement of expenses related to the provision of a mandatory external verification required for the issuance of Green Bonds; and
3. Junior Mining Segment with internationally recognized Junior Mining Rules at AIX allowing issuers to qualify for exemptions from several AIX listing requirements.

Similarly in Morocco, dedicated one-stop-shops at regional investment centers have been established to support SMEs in their various administrative procedures such as company setup, tax process, import and export activities and foreign exchange controls, and guides and templates developed by the financial industry are being made available to SMEs.

Japan has taken several measures to strengthen sustainability and overall performance of SMEs by promoting support from the private sector. Private financial institutions provide policy guidance to SMEs including on evaluation and reporting of their regulated activities. Private corporate service providers offer assistance in merger and acquisition activities and business continuity. These efforts have aided in enhanced know-how among the SMEs, and improved performance and efficiency.

Fostering innovative and tech-enabled solutions

Developed markets such as Germany and France provide support through fully fledged campuses hosting a community of start-ups, mentors and investors. In Paris, a unique start-up campus and community was established in 2017 with more than 1,000 start-ups and more than 30 programmes run by either a corporation, an educational institution or an entrepreneurial organization. It offers mentorship offices and a full range of services with perks and public services offering entrepreneurs the essential resources they need to launch and grow their businesses.

In Germany, an acquisition grant is provided to private investors or business angels who acquire shares in a company and hold them for at least three years. This grant amounts to 20% of the venture capital and is also reimbursed tax-free.

In developing markets such as Kazakhstan and Morocco, whilst ecosystems to support start-ups are being established, there are limited number of early-stage investors – venture capitalists, business angels, and private equity firms – and obtaining loans and credit is accompanied by heavy collateral requirements. Alternative financing in these countries is still in its infancy and financial centers in Kazakhstan and Morocco are making efforts to further develop this sector. In Kazakhstan, AIFC's Tech Hub is an ecosystem bringing together startups, entrepreneurs, mentors, investors, and industry's experts, to provide support startups with launch and growth of domestic technology companies. Morocco offers tax incentives to business angels and plans to implement incubation and acceleration programmes for high-potential start-ups.

Eliminating information asymmetry

Information asymmetry is a deterrent to both companies and investors alike. Member countries address this by targeted business forums, roadshows and through guidance documents necessary for launching a start-up and to SMEs to obtain licenses to operate and conduct businesses therefore lowering barriers. The Africa Insights platform set up by Casablanca Finance City (CFC) provides useful market data, news and contracts to the Casablanca Finance City (CFC) community members willing to scale-up their business in Africa. In Morocco there are dedicated databases to provide information on MSMEs which is useful for the investment community and other market participants. The National Observatory for MSMEs involving key Moroccan institutions provides useful statistics, studies and policy recommendations on domestic MSMEs and consolidated MSMEs databases and credit bureau allow data sharing and pooling amongst market participants.

Africa Innovation Lab launched by CFC is another initiative that aims to inspire, attract, and bring out the best innovative African FinTech in finance and connect them to business opportunities around the world.

AIFC's Tech Hub has launched the first online platform, Venture Rocket Eurasia, connecting start-ups from Central Asia with global professional venture capital investors and providing support for both start-ups and investors through selection of start-ups and deal matching, onboarding (KYC, AML requirements), fundraising, venture studio, and capacity building. More details on VRE can be found in the Case Study 1 below. AIFC has developed guidance documents for start-ups seeking to avail pre-seed and seed funding through venture capital, and for companies carrying out regulated activities to support them with the required policies and procedures including compliance, AML/CFT, risk management, business continuity, and conflicts of interest.

Case Study 1: Venture Rocket Eurasia - An ecosystem providing holistic support for start-ups and investors

Venture Rocket Eurasia (VRE) is the first Central Asian start-up co-investment platform that allows accredited professional investors to provide capital to highly vetted tech startups in a fully regulated environment. VRE is a joint venture between the Astana International Financial Centre Tech Hub and Titanium Technologies Group (a global group of companies that delivers top-notch R&D, venture studio, blockchain, machine learning and artificial intelligence services).

VRE's mission is to create a regional venture capital (VC) ecosystem, by connecting tech enabled start-ups from Central Asia with global professional VC investors by providing support for both start-ups and investors including but not limited to selection of start-ups and deal matching, onboarding (KYC, AML requirements), fundraising, venture studio, and capacity building.

VRE leverages Central Asia's growing demand for innovative solutions backed with highly talented and promising start-ups, government support for research and development, and the benefits of doing business through the AIFC including a transparent and independent international standard regulatory and dispute resolution infrastructure and special privileges for companies registered in the AIFC including tax benefits.

Capacity building through skills and competence

WAIFC member countries undertake significant measures to address financial literacy and inclusion. Kazakhstan and Morocco have dedicated academies and training centers to support SMEs and entrepreneurs with continued professional development in areas such as business planning, corporate finance and investments, budgeting, taxation, risk management and treasury.

Outlook on Kazakhstan

The AIFC launched the Bureau for Continuing Professional Development (BCPD) in 2017 and has passed through various stages of development: from a corporate university, an operator of international certifications to a competence center in the professional development industry.

One of the most successful projects is the QWANT programming school which was deployed in the midst of the COVID-19 pandemic. The process of QWANT growth, from idea to implementation, took a little more than year and a half and today has successfully passed the acceleration stage. Now it is a successful player in the open market, training specialists for the digital economy and it is significant that more and more young people join the project: 20% of the students are schoolchildren.

Some of the remarkable achievements of QWANT include:

- > 2000 applications for training were received at the QWANT school in 2021, of which 15% were from the regions of Kazakhstan, 10% were from abroad;
- > 560 QWANT developers were trained in 2021 with 46% of them women; and
- > 90% of QWANT graduates are employed; and
- the QWANT programming school entered the TOP 100 most innovative companies in the HolonIQ 2021 international rating.

BCPD also runs the Upskill programme, where experts from other industries – doctors, lawyers and biologists – train to become IT specialists. Young people tend to be more adaptive, adopting a lifelong learning.

BCPD acts as a corporate accelerator, providing assistance to many companies and startups, launching joint courses and initiatives with e-partners, matching with investors, and assisting to build a client base. Additionally, BCPD has a social agenda organizing programmes beneficial for a wide range of audiences: the AIFC Olympiad in Finance and Economics for senior high school students, LinkedTeen — a digital camp for schoolchildren, the Be-a-Star internship program, the EdTech Forum on educational technologies, and others.

Within five years from inception, AIFC's BCPD has made a significant contribution to the development and formation of a new educational industry. AIFC also acted as the national coordinator of World Economic Forum of Rural Women of Kazakhstan initiative to implement World Economic Forum's "Closing the Gender Gap" accelerator in Kazakhstan with Coca-Cola and Kazyna Capital Management co-chairs of this initiative. The companies will support the AIFC in expanding economic opportunities for women, ensuring their access to finance, education, post-covid labor market and leadership roles.

Outlook on Morocco

Launched in 2013 by the national financial industry protagonists (Ministry of Finance, regulatory authorities, banking & insurance professional federations, Casablanca Stock Exchange), the Moroccan foundation for financial education is a non-profit organization whose mission is to disseminate financial literacy and strengthen the financial skills of its targeted audiences: general public, households, and businesses.

Its objectives include:

- Promoting principles and good practices related to financial education and literacy
- Raising awareness on broader financial products and services (e.g., banking, credit, insurance, personal finance & savings)
- Contributing to the overall well-being and financial resilience.

The foundation works on the design and the integration of financial literacy modules in school curricula, universities programs as well as vocational trainings (for instance financial guides and simulators, e-learning platforms, serious games & quiz). It also dedicates efforts to promoting entrepreneurship and supporting startups on matters related to their financial management (e.g., business planning, budgeting, taxation, risk & treasury management).

Last year and as part of its strategic roadmap, the foundation signed instrumental partnerships with domestic banks and chambers of commerce to extend its reach to micro-entrepreneurs, people with low income-generating activities, as well as women and rural dwellers.

Since its inception, over 1 million beneficiaries took advantage of the foundation's initiatives.

<u>The CFC Academy</u>

In an effort to strengthen further the African talent pool in the field on finance, Casablanca Finance City initiated the CFC Academy.

The program includes:

- A master's in business administration developed with Moroccan and international universities
- Professional training and certification programs in partnership with leading institutes such as the Chartered Institute for Securities and Investments (CISI), the Chartered Insurance Institute (CII) or the Chartered Financial Analyst Institute (CFA).

Africa Innovation Lab

- The acceleration of digital transformation, the growing adoption of technology in finance (AI, Cloud, Big Data, Blockchain…) and the radical change in consumer aspirations are game changers that can potentially boost the levels of financial inclusion and literacy in Africa.
- In this perspective, CFC launched the Africa Innovation Lab, an initiative that aims to inspire, attract, and bring out the best innovative African startups in finance and connect them to business opportunities around the world. The lab hosts multiple initiatives bringing together players from the tech and finance ecosystems (startups, regulators, banks, insurance companies, investment funds, professional service providers, incubators/accelerators, academia, etc.).
- As part of the lab's 1st incubation program, 8 FinTechs have been shortlisted to take part in a 3-month acceleration bootcamp. Interestingly, some of these startups operate in verticals related to financial inclusion, such as crowdfunding, payment solutions, personal finance & robo-advisors.

Recommendations

The Ecosystem for Sustained Recovery and Growth of SMEs paper proposes a number of support measures and recommendations:

- In the wake of the current geopolitical developments globally and as governments phase out COVID relief measures, SMEs and entrepreneurs face further complexities and increased risks of default and bankruptcy. While SMEs have been supported by governments and public authorities, this is far from being adequate. They require access to sustainable and diversified sources of financing and this needs to be addressed to ensure recovery and growth of start-ups, SMEs and entrepreneurs.

- **Innovative solutions**: foster the growth and supply of new financial instruments that direct capital toward supporting the growth of SMEs and entrepreneurs through explicit actions to support innovation and tech-enabled solutions.

- **Alternative financing:** Fintech and other online alternative financing rose in popularity during COVID-19. This has further potential to grow significantly and can effectively address better access to finance, existing market barriers and information asymmetry for both companies and investors.

- **Capacity building** continues to be a critical area of focus for member countries to address financial literacy and inclusion. Continued support for SMEs and entrepreneurs is crucial through training and development in areas such as business planning, corporate finance and investments, budgeting, taxation, risk management and treasury.

- **Lower market barriers**: SMEs face a relatively higher degree of market barriers and governments, IFCs, and policy makers are encouraged to consider addressing this through policy and regulatory measures which have proven to aid in lowering market barriers, eliminating information asymmetry and facilitating inclusive growth.

- **Holistic assessment across global supply chains**: While SMEs are more conducive to innovation, costs and risks for dealing with ESG requirements could be unfairly allocated to SMEs at the bottom end of the global supply chains. Additionally, larger corporations that tend be consumers of goods and services produced by SMEs in developing markets could cause greenwashing due to the lack of adequate levels of ESG scrutiny across the value chain and activities in developing markets can get unnoticed. Therefore, it is recommended to analyze SMEs within the context of entire value chain rather than viewing SMEs in isolation, in order to develop and implement recommendations on both economic and policy factors required to enhance resiliency and transparency across global supply chains.

APPENDIX: MSMEs classifications by international organizations

№	MSME Size	International Finance Corporation (World Bank Group)[2]	OECD	EBRD	WFE
1.	Micro	**Employees number:** <10 **Total asset:** < USD 100,000 **Annual sales:** USD 100,000 **Loan size at origination:** < USD 10,000	**Employees number:** < 10		
2.	Small	**Employees number:** 10-49 **Total asset:** USD 100,000 – < USD 3,000,000 **Annual sales:** USD 100,000 – < USD 3,000,000 Loan size at origination: < USD 100,000	**Employees number:** 10-49	**Turnover:** < EUR 50m (USD 49m) (or a balance sheet of under EUR 43m (USD 42m) **Employees number:** 10 - 250 (exceptionally up to 500 employees)	**Employees number:** =<50
3.	Medium	**Employees number:** 50-300 **Total asset:** USD 3,000,000 - USD 15,000,000 **Annual sales:** USD 3,000,000 – USD 15,000,000 **Loan size at origination:** < USD 1,000,000 or USD 2,000,000[3]	**Employees number:** 50-249		**Employees number:** 51- 249

[2] The World Bank continues to have no definition of what an SME is. It generally relies on country standards, which vary widely and do not necessarily follow criteria rooted in empirical differences in the behaviors, characteristics or constraints of firms. IFC and the Multilateral Investment Guarantee Agency (MIGA) use a common standard definition, according to which **"an enterprise qualifies as a micro, small or medium enterprise if it meets two out of three criteria of the IFC MSME Definition (employees, assets and sales), or if the loan to it falls within the relevant MSME loan size proxy"**

[3] The USD 2 million range was for countries including Argentina, Brazil, Chile, China, Colombia, India, Korea, Mexico, Morocco, Peru, the Russian Federation, South Africa, Thailand, Tunisia, Turkey, and all EU accession countries – Poland, Hungary, Czech Republic, the Baltics, and Slovenia.

№	Country	Annual Turnover	Employees number
1.	Belgium	**Micro:** <= EUR 2,000,000 (USD 1.9m) **Small:** EUR 2,000,000 (USD 1.9m) – EUR 10,000,000 (USD 9.7m) **Medium:** < EUR 50m (USD 49m), and/or an annual balance sheet total not exceeding EUR 43m (USD 42m)	**Micro:** 1-9 **Small:** 10-49 **Medium:** 50-249
2.	France	**Micro:** <= EUR 2,000,000 (USD 1.9m) **Small:** EUR 2,000,000 (USD 1.9m) – EUR 10,000,000 (USD 9.7m) **Medium:** < EUR 50m (USD 49m), and/or an annual balance sheet total not exceeding EUR 43m (USD 42m)	**Micro:** 1-9 **Small:** 10-49 **Medium:** 50-249
3.	Germany	**Micro:** <= EUR 2,000,000 (USD 1.9m) **Small:** EUR 2,000,000 (USD 1.9m) – EUR 10,000,000 (USD 9.7m) **Medium:** < EUR 50m (USD 49m), and/or an annual balance sheet total not exceeding EUR 43m (USD 42m)	**Micro:** 1-9 **Small:** 10-49 **Medium:** 50-499
4.	Canada	**SME:** <CAD 10m (USD 7.2m)	**Micro:** <5 **Small:** 5 – 99 **Medium:** 100 - 499
5.	Kazakhstan	**Micro:** Average annual revenue < USD 200,000 *(no more than 30,000 times the monthly calculation index established by the law on the republican budget and effective as of January 1 of the corresponding financial year)* **Small:** Average annual revenue = USD 200,000 - USD 2m *(no more than 300,000 times the monthly calculation index established by the law on the*	**Micro:** 1-15 **Small:** 16-100 **Medium:** 101-250

		republican budget and effective as of January 1 of the corresponding financial year) **Medium:** Average annual revenue = USD 2m - USD 20m *(no more than 3,000,000 times the monthly calculation index established by the law on the republican budget and effective as of January 1 of the corresponding financial year)*	
6.	**Morocco**	**Micro:** 0 - USD 0.3m (DHS 0 – DHS 3m) **Very Small:** USD 0.3m – USD 1mn (DHS 3m - 10m) **Small:** USD 1m – 5m (DHS 10m – 50m] **Medium:** USD 5m – 17.5m (DHS 50m – 175 m)	**Micro**: 1 - 10 **Very Small:** 11 – 50 **Small:** 51 – 100 **Medium:** 101 - 500
7.	**Qatar**	**Micro:** < =QAR1m (USD 275,000) **Small:** QAR1m - QAR20m (USD 275,000 - USD 5.5m) **Medium:** QAR20m - QAR100m (USD 5.5m – USD 27.5m)	**Micro:** 1-10 **Small:** 11-50 **Medium:** 51-250
8.	**UAE**	**Small:** <DH50m (USD 13.6m) in manufacturing and trading, <DH20m in services (USD 5.4m) **Medium:** <DH250m (USD 68m) in manufacturing and trading, <DH200m (USD 54.4m) in services	**Small:** 6-50 in trading and services, 10-100 in manufacturing **Medium:** 51-250 in trading, 101-250 in manufacturing, 51-200 in services
9.	**Rwanda**	**Micro:** < RwF 0.5m (USD 470) **Small:** RwF 0.5m-15m (USD 470 - USD 14,100) **Medium:** RwF 15m-75m (USD 14,100 - USD 70,500)	**Micro:** 1-3 **Small:** 4-30 **Medium:** 31-100

Source: Moroccan MSMEs observatory

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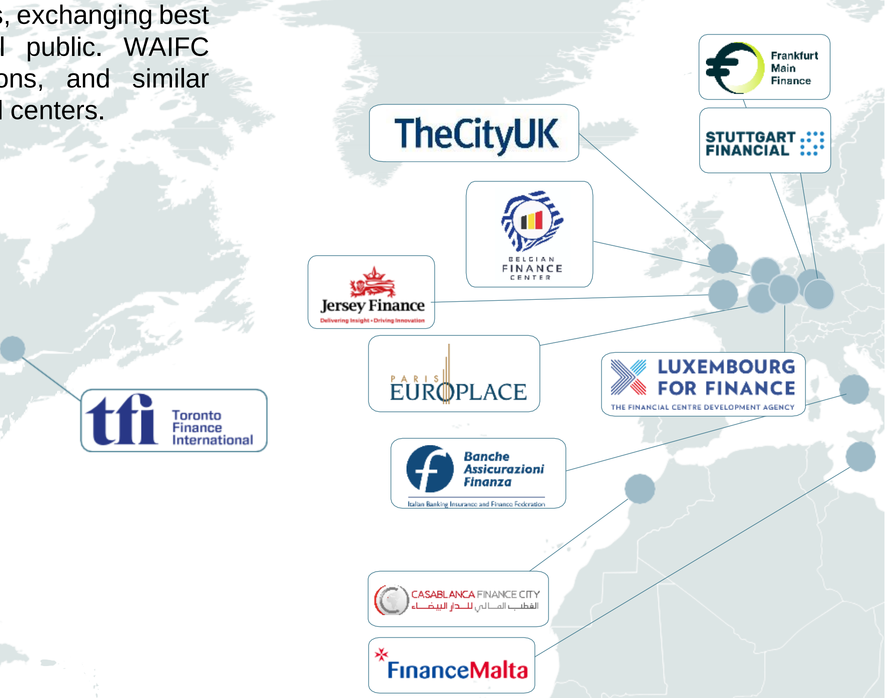

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