Implementation of the Strategy on Green, Sustainable and Innovative SMEs

Purpose: Information
Submitted by: Thailand
Discussion Paper
APEC Strategy for Green, Sustainable and Innovative MSMEs
Discussion Paper
(Submitted by SMEWG)

Background

1 At the 23rd APEC SME Ministerial Meeting and the 28th APEC Ministerial Meeting held in Lima, Peru in 2016, APEC Ministers welcomed the initiative to develop an APEC Strategy for Green and Sustainable MSMEs, and encouraged the public-private partnership approach as a means to create an enabling environment where MSMEs can participate in green activities in a cost-effective manner, and to enhance green awareness and necessary skills of MSMEs and other stakeholders, such as government officers, to foster green MSME production processes develop accessible green technologies, and enhance market opportunities for green MSMEs;

2 At the 24th APEC Economic Leaders Meeting in Lima, 2016, the Leaders also recognized the potential of greening MSMEs for sustainable development in APEC and encouraged officials to carry out additional work on this topic in 2017.

Opportunities and Challenges

3 We recognize the benefits of greening MSMEs. On one hand, it can help reduce carbon emissions, decrease contribution of MSMEs to environmental degradation, improve energy and resource efficiency, as well as enhance food security. Greening MSMEs can also help APEC meet the target of reducing our energy intensity by 45 percent by 2035 and help create low-carbon societies in our region.

4 On the other hand, greening MSMEs in the APEC region can help enhance their competitiveness through the use of green production processes, accessible and applicable modern technologies, improving organizational reputation, and thus enhancing MSMEs’ marketability and sustainability. Greening MSMEs also strategically provides excellent opportunities for MSMEs including young entrepreneurs and start-ups to participate in e-commerce and or in green procurement practices of large companies.

5 We also agree that promotion of competitive green clusters (i.e., industry associations and farmer association, producer cooperatives) would provide another supporting factor to enable MSMEs to engage more in Global Value Chains (GVCs), as well as improve their market access, especially in meeting the emerging international environmental standards through capacity building programs undertaken collectively by these clusters..

6 We acknowledge that greening MSMEs could contribute to the growth of green jobs. According to the United Nations Environment Programme (UNEP), de-carbonization would lead to an increase of about 22.9 million green jobs by 2030.

7 Innovation is an important driver of growth in the context of the Fourth Industrial Revolution and the emerging digital age, not only via its role in spurring investment in physical and intangible capital (the latter including such things as R&D, software, data and firm-specific
skills), but also through its role in reorienting resources towards more productive and
dynamic firms. Given that small- and medium-sized enterprises account for a large share of
employment and job creation in APEC member economies, it is critical that they play a full
role in economies’ innovation systems - if not, the goal of achieving sustainable innovation-
led growth is much harder.

However, we recognize that there are certain challenges that MSMEs in the region must
address in order to adopt green and sustainable business practices. These include a lack of
awareness on the benefits of the green economy, lack of skills in developing green
technologies, limited access to financial resources and lack of regulatory capacity.

At the same time, the demand for green products is growing among consumers, but is still
insufficient to guarantee the success due to lack of good understanding green values and
environmental issues, as well as the perception of high purchasing cost.

In this light, setting a strategy for green, sustainable and innovative MSMEs is a valuable
step towards creating an environment for MSMEs to thrive and play their full role in driving
innovation.

**Related Initiatives in APEC and Alignment with the United Nations’ Sustainable
Development Goals (SDGs)**

The APEC Growth Strategy was adopted by Leaders in 2010. It indicates that moving
toward a more sustainable and green growth model provides both significant challenges and
opportunities for APEC member economies and that APEC economies should encourage
new green industries and jobs.

Following the adoption of the Growth Strategy, efforts have been made to promote the
green economy and sustainable development, such as promoting low-carbon and energy
efficient technologies and improving natural disaster resilience to mitigate climate-related
risks in order to facilitate MSMEs engagement in GVCs.

In 2011, an APEC SME Green Innovation Conference was held in Korea and an
APEC Green Initiative was endorsed by member economies, having the SMEWG as the key
proponent.

Other forums and workshops under the APEC SME Working Group (SMEWG) were held
during 2012 – 2016 such as an APEC Green Business Forum - Preparing SMEs for
International Green Supply Chain hosted by Korea; an APEC Forum and Brainstorming
Workshop on Green MSMEs: A Pathway Towards Sustainable Economic Growth in the
Region hosted by Thailand; and, a Workshop on Green and Sustainable MSMEs held by
Peru, among others.

Moreover, an APEC Cooperation Network on Green Supply Chain (GSCNET) proposed by
China was established in 2014 under the Committee of Trade and Investment (CTI) to
facilitate greater cooperation in the areas such as green supply chain, green production and
consumption, and green trade.
16 The greening of MSMEs is relevant to the SDG no. 9, which targets the building of resilient infrastructure, promoting inclusive and sustainable industrialization and fostering innovation; as well as SDG no. 12 which targets sustainable consumption and production patterns.

The 2017 APEC Strategy for Green, Sustainable and Innovative MSMEs

17 The APEC Strategy for Green Sustainable, and Innovative MSMEs will serve as guidance for APEC policymakers to create an enabling environment for MSMEs to engage in activities, such as the adoption of green technologies, the use of eco-friendly packaging materials and design, the compliance with international environmental standards and socially responsible investment, which would lead to the sustainable and inclusive Asia-Pacific. The Strategy will also outline future plans for activities on promoting green and sustainable MSMEs by different APEC fora.

18 We encourage APEC member economies to take the following prioritized actions into consideration.

a) Raising green awareness for enhancing competitiveness among stakeholders

We are aware that most of the smaller enterprises tend to focus mainly on economic benefits, while ignoring social and environmental impacts. We recommend member economies to promote green awareness among stakeholders by:
- Providing appropriate information and guidance on the benefits and ways of going green to MSMEs;
- Encouraging larger companies and successful green companies to share best practices on adopting a green business model to MSMEs to increase their opportunities in engaging in international markets where green standards are widely accepted; and,
- Educating the younger generation on the green economy, environmental awareness and sustainable development to enhance their understanding and demand for green products and services.

b) Providing training and skills development for MSMEs and government officials

We recognize that most MSMEs lack the capacity for adopting green economy practices. In addition, for the majority there exists insufficient skills to adopt green and innovative technologies coupled with low levels of digital literacy. At the same time, governments play an important role in enhancing MSMEs’ capacity to better access to innovation and technologies and compete internationally and engaging in GVCs, as well governments play a role in bridging the digital divide by offering necessary training programs and courses, as well as assisting green MSMEs to establish online and offline marketing strategies to effectively communicate the unique attributes of their eco-friendly products and services to potential consumers.

We also recognize that a number of MSMEs are suppliers to large enterprises, possibly through green procurement programs. We thus welcome the engagement of larger companies in offering mentoring schemes to support the greening of MSMEs.
Moreover, we encourage such companies and universities to arrange Train-the-Trainer programs for relevant government officials to improve their knowledge and capacity to nurture future green MSMEs.

c) Promoting the compliance with related international standards and the development of an integrated policy framework, at the regional and domestic levels

We support APEC member economies in launching policy instruments for creating an enabling environment for MSMEs to engage in green activities. These instruments can include the establishment of green standards and certifications, eco-labeling schemes as well as the effective implementation of environmental laws. We also encourage APEC member economies to ensure the successful implementation of related international standards among MSMEs including ISO 14001. Moreover, we support policies and regulatory frameworks that facilitate the export of green products by MSMEs and to help green MSMEs invest abroad.

Partnerships among multi-stakeholders, including different concerned agencies, the private sector and academia, should also be strengthened to push forward green business policies.

d) Financing and providing economic incentives; and promoting science, technology and innovation (STI)

We encourage APEC member economies to create economic incentives to facilitate MSMEs’ shift towards the green economy by providing tax deductions and establishing soft loan schemes to allow MSMEs access to green equipment, facilities and technologies.

We welcome research institutes as the sources of green technologies. We encourage universities and research institutes in the APEC region to conduct joint research to promote green innovation that is applicable to MSMEs.

We recognize the importance of e-commerce platforms as the pathway to increase the sales of green products and services, as well as to allow green products to be more accessible to the purchasing population. We also welcome APEC members’ support for MSMEs’ innovation with the focus on development and commercialization of highly applicable products and capacity building programs that support MSMEs’ innovation in term of products, procedure, marketing and management, etc.

We urge APEC members to foster incentives for innovation awards, initiatives and creative and green industries; share best practices on appropriate technology adoption among MSMEs to support higher production; coordinate the policies, regulatory practices that can maximize the potential of MSMEs to contribute to innovation and green growth; and strengthen public – private partnership to support MSMEs’ innovation.
We encourage the formation of proper mechanisms for technology diffusion and facilitation in APEC in order to foster the transition to green technologies for MSMEs.

e) Promoting green supply chain development and establishing the networks for green, sustainable and innovative MSMEs

We support green government procurement and green procurement policies by large companies to encourage MSME suppliers to provide environmentally sustainable goods and services. We also encourage partnerships among green, sustainable and innovative MSMEs. We support the establishment of green sustainable and innovative MSMEs' networks and encourage the use of e-commerce as a means to expand the green supply chain.

We encourage APEC member economies to build global and regional networks of MSMEs innovators and accelerators, (e.g. internship consortium, APEC SME Service Alliance [ASSA], innovation centers, supply chain institutes, women and youth networks) as part of an ecosystem which supports enterprise creation, increases the innovative capabilities of MSMEs and joint collaboration among MSMEs, large enterprises and academia.

We encourage discussions and partnerships between green and non-green MSMEs and further support the efforts to turn non-green MSMEs to green MSMEs as well.

19 The above-mentioned prioritized actions for greening MSMEs should be based on the Public-Private Partnership (PPP) approach.

20 Five sectors can be considered, at an initial stage, by the Strategy to be prioritized, namely
- Bio-commerce
- Infrastructure
- Tourism
- Food industries
- Textile

We encourage member economies to volunteer as the champion economies to take lead in promoting green and sustainable MSMEs in the suggested pilot sectors; for example, by initiating the projects or organizing relevant activities,

21 Also, in developing the Strategy, member economies must come to an understanding on the parameters that can help define or identify what a green and sustainable MSME is, taking into account the existing green growth indicators developed by other organizations including OECD and UNEP

Implementation

22 As a cross-cutting issue, cross-fora collaboration will be required. Aside from the APEC SMEWG, efforts to promote green and sustainable MSMEs should be expanded to other APEC fora including the Committee on Trade and Investment (CTI) on encouraging MSMEs'
participation in green value chains; the Economic Committee on structural reform towards a
green economy; the Human Resources Development Working Group (HRDWG) on
education, skills development and training on green economy values; the Energy Group,
Urbanization Group, Transportation Group, PPSTI, PPFS, Tourism Group among others; as
well as the APEC Business Advisory Council (ABAC) on strengthening PPP in greening MSMEs.

23 As a first step, the SMEWG and the APEC Secretariat can undertake a stock-take and
review of related APEC projects and literature, with a view to consolidate all previous and
on-going efforts and initiatives that APEC has embarked on as far as green MSMES or
green growth is concerned. Engagement and close collaboration with relevant
organizations and experts including OECD, UNIDO and UNEP, will be advisable.

24 An Action Plan to promote green and sustainable MSMEs, to be implemented during 2018-
2022, must be developed once the Strategy has been endorsed. APEC member economies
may consider taking a mid-term review of the Action Plan in 2020 to monitor the progress
and to ensure effective implementation of the Strategy.

Proposed timeline

SMEWG 1/2017: Economies to discuss the paper in Sydney and identify the process of drafting
the Strategy
March – April 2017: The paper to be circulated to other related groups/fora for comments inter-
sessionally

SOM2/2017: Presentation of the first draft of the Strategy. Intersessional discussion.
June – July 2017: The 1st draft of the Strategy to be circulated to other related groups/fora for
comments inter-sesionally

SOM3/2017: Senior Officials to be updated on the draft Strategy

SMEWG 2/2017: Economies to finalize the Strategy for endorsement Ministers’ endorsement.

SMEMM 2017: Ministers to endorse the Strategy.