Background Paper: Women, SMEs, and Inclusive Growth

Purpose: Information
Submitted by: Chile
Introduction

Participation in the global economy is at the core of APEC’s work. The APEC region reflects a broad and diverse community of people, where levels of economic development vary considerably. APEC’s value proposition is to demonstrate how accelerating regional economic integration can enable an integral, inclusive, sustainable, innovative and secure growth for all segments of the population. In this sense, achieving greater participation of women and SME’s in the economy has become a growing priority.

These groups demand our attention to overcome the structural barriers which keep them from engaging in our economies and increase their participation in global market. Likewise, these groups represent an opportunity to identify new sources of growth and create new and dynamic economic opportunities for them.

Women

Inclusive growth is central for development and foundational for the success of women’s economic empowerment, in both developed and developing countries. Even after decades of progress, women’s ability to join the labor market remain almost 27 percent lower than men while differences in occupational employment by gender persist. Women continue to lag behind men regarding access to technology, which limits their ability to reach their full economic potential. We must address the constraints that hinder women’s participation in the labor market, reflected in terms of income, occupational sectors, mobility, and access to digital dividends.

According to the International Labor Organization (ILO), increasing the employability of women can be a key factor in reducing poverty, as it ensures a more comprehensive distribution of the benefits of economic growth. OECD studies go further, by indicating that increasing the participation of women in the labor force makes economies grow faster.

A United Nations report indicates that limiting the participation of women in the labor force throughout the Asia-Pacific economies has an estimated cost of US$ 89 billion per year. On the other hand, a 2016 McKinsey Global Institute report shows that increasing women’s participation in the labor market could add US$ 12 trillion to global growth, and up to US$ 28 trillion if the role in labor market of women is equal to that of men.

Inclusive growth not only delivers significant macroeconomic gains, but also strengthens business outcomes. A study by the Peterson Institute and Ernst & Young (2016), which involved more than 21,000 public companies in 91 states, determined that adding more women to senior management increased the profitability of companies. A study by McKinsey & Company (2017) found that companies that showed greater diversity of gender at executive level were 22 percent more likely to exceed the national average of their sector in terms of profitability.

Relevance for APEC
In 1999, APEC Leaders recognized gender as a cross-cutting theme and committed to actions that would integrate women into the mainstream of APEC processes and activities. A decade after, the public and private sectors came together to discuss the importance of the economic potential of women, during the first APEC Women and the Economy Summit held in San Francisco, US in 2011, where the San Francisco Declaration was adopted.

That same year, the APEC Policy Partnership on Women and the Economy (PPWE) was created with the objective of advancing towards the economic integration of women in the Asia Pacific region, undertaking the responsibility of coordinating gender activities in other working groups of the Forum.

In 2014, APEC Ministers encouraged members to establish voluntary, measurable and ambitious goals to make progress in the economic integration of women. Especially, to promote women in leadership roles by the end of 2020.

Each year, the APEC host economy, the PPWE and the APEC Business Advisory Council (ABAC) organize the Women and Economic Forum (WEF). At this event APEC ministers, business leaders and experts take note of ongoing actions to advance women's issues and the economic agenda.

**Key Issues**

1. **Increasing the participation of women in non-traditional sectors.**

Gender segregation - the concentration of women in specific occupations and industries of the labor force, such as education, domestic services, social services and health - inhibits inclusive economic growth.

Since 2015, the APEC Women in Transportation (WiT) Data Framework and Best Practices Initiative has fostered policies and practices to promote the employment and engagement of women in the transportation sector. Additional efforts have taken place updating information on government and businesses’ efforts to increase women’s engagement in transportation. Chile seeks to support and assist the existing APEC Women in STEM initiative to contribute to the under-representation of women and girls in science and technology jobs.

- Activities and Outcomes:

To further the progress made, Chile proposes to develop an ‘Action Strategies Toolkit’, to assist economies in the development and implementation of effective gender diversity strategies. The aim is to attract, retain and promote talented women in industries traditionally dominated by men, specifically mining, transportation, and energy.

- Conduct a survey research and prepare an assessment report containing: an overview of women’s participation in each sector, current barriers that women face, best organizational practices and benefits for increasing participation. (Intersessional before SOM2) (PPWE, EWG, TPTWG, MTF)

- Hold a Workshop on Transport and Energy to discuss and prioritize assessment findings women (SOM 2 – PPWE).

- An additional Workshop will take place in Antofagasta – in the context of the Canada-Chile project on Women’s Participation in the Mining Industry.
- Submit a final Action Strategies Toolkit for discussion and approval, which will be made available for other APEC economies for use (Women’s Ministerial Meeting, WEF).

2. *Bridging the digital literacy gender gap*

Equal access to technology and learning opportunities are instrumental to increase women’s economic empowerment. According to a recent Global System for Mobile Communications (GSMA) study, there are an estimated 1.1 billion unconnected women in low- and middle-income economies in the Asia Pacific.

The Republic of Korea recently completed a project on “Women’s Economic Empowerment and Information Communications and Technology (ICT): Capacity Building for APEC Women Entrepreneurs in the Age of the 4th Industrial Revolution”. Additionally, Viet Nam has initiated a new project in 2018 on “Advancing Inclusion through Enhancing Women and Girls’ Digital Literacy and Skills in the Context of Industry 4.0” designed to share experience and policies on facilitating women’s participation in STEM and ICT education and training, and access to digital services.

➢ Activities and Outcomes:

Chile plans to carry out a ‘Gap Assessment on Digital Literacy’, to ensure continued progress on addressing the digital divide which prevents women from fully participating in trade.

- Analyse gaps in digital literacy, according to key industries, identifying the most demanded literacy skills and devise educational improvements to bridge the gap (Intersessional before SOM2). (PPWE, HRDWG, PPSTI, SMEWG)

- Hold a Workshop to identify and share opportunities and challenges of the digital transformation and effective educational programs to eliminate digital differences (SMEs Week)

- Circulate key findings and conclusions, propose a preliminary set of improvement mechanisms to stimulate action for one each of the sectors use (Women’s Ministerial Meeting, WEF).

3. *Advancing women’s economic empowerment through data*

Data collection is crucial to increase women’s economic empowerment. It allows policy makers to take well-informed decisions based on data. Experts are encouraging the production of data to depict the “extent to which the systems and structures that keep women disempowered are being transformed”. According to the World Bank, less than one-third of the international community disaggregate statistics by sex on informal employment, entrepreneurship and unpaid work.

➢ Activities and Outcomes:

Following the efforts made by the PPWE APEC’s Dashboard and other initiatives, to make progress in the economic integration of women in the APEC region, Chile will carry out a ‘Good practices Assessment report’ that allows to identify gender gaps to guide public policy actions that aim to increase women labor participation.
- Stock-taking of existing gender indicators in APEC economies and recurrent issues affecting women’s economic participation. (Intersessional before SOM2) (PPWE, PSU)

- Organize a Workshop on the importance and challenges of producing and/or collecting data to give perspective on the market entry barriers for women (SOM 2 – PPWE)

- Submit the Assessment Report at the Women’s Ministerial Meeting WEF, to decide at a ministerial level on appropriate recommendations for the collection of data in the region.

4. **Women and Inclusive Growth Roadmap**

Chile looks forward to reaching agreement on a separate declaration (annexed to the Leaders Declaration), determined to encourage efforts to increase women’s participation in the APEC economies. This declaration should stand as a guiding statement to further gender equality within APEC.

➢ Activities and Outcomes:

- ‘The Santiago Roadmap for Women and Inclusive Growth’, to encourage bold and sustained collective actions for increasing the participation of women in the economy and further gender equality within APEC (Intersessional circulation and endorsement at the Women’s Ministerial Meeting).

**Small and Medium Enterprises (SMEs)**

APEC acknowledges Small and Medium enterprises (SMEs) as the engines of growth and innovation in the region. SMEs contribute significantly to economic growth - accounting over 97 per cent of all businesses and employing over half of the APEC economies workforce. However, across APEC, SMEs only account for 35 per cent of less of the direct exports. Trade barriers and export challenges prevent them from fully participating in the global marketplace.

In 2019, Chile will promote the economic integration of SMEs in the APEC region and their participation in international trade. Through initiatives that focus on reducing trade barriers by simplifying regulations, improving access, and strengthening the capabilities of SMEs to obtain the benefits of globalized digital trade.

SMEs need a high quality but simplified regulatory environment to start-up and thrive. According to the World Bank, economies where regulation is accessible, transparent, and predictable, have higher labor force participation rates and lower levels of income inequality. APEC economies make up four of the five top performers in the World Bank’s ease of doing business rankings, but as a forum, APEC has only made small improvements to its average performance since it began work in this area.

**Relevance for APEC**
Promoting SMEs in the APEC region has for long been a priority under APEC. The APEC SME Ministerial Meeting has been held annually since 1994. The SME Working Group (SMEWG) has also been operating since 1995, when it started as an ´Ad Hoc Policy Level Group on MSMEs´. In 2015, APEC ministers endorsed the Boracay Action Agenda (BAA) which underscores participation of MSMEs in global commerce for inclusive growth.

Key issues

1. **Make business easier in APEC economies for MSMEs**

The 2018 mid-term review of the Boracay agenda found that economies should continue their focus on the expansion of opportunities and internationalization of micro and small enterprises providing goods and services through ICT and e-commerce. Also, the provision of online information from ABAC has identified this as a priority for joint work in 2019.

Considerable efforts have already been made in APEC to improve the APEC MSME Marketplace inventory system. However, there is a need for further guidance in developing common standards to provide updated MSME-friendly information on doing business in each APEC economy. In addition, Free Trade Agreements (FTAs) such as the CPTPP encourage their members to provide information to SMEs on the following: customs procedures; IP regulations; technical regulations; SPS measure; foreign investment regulations; business registration procedures; employment regulations and taxation. Providing this information on the APEC MSME Marketplace would help support economies in fulfilling their FTA obligations and provide a single resource for businesses.

In 2019 Chile would like to update and promote the APEC MSME Marketplace, an online platform to promote trade and internationalization of micro, small, and medium enterprises (MSMEs), launched during the 2017 APEC SME Ministerial Meeting held in Ho Chi Minh City, Viet Nam, to encourage economies to share information and case studies on best practices for MSME internationalization.

- **Activities and Outcomes:**

  - Develop common standards for APEC economies to use when providing information in the APEC MSME Marketplace, to make information easier to access. (Intersessional before SOM3). (SMEWG, PPWE, Ease of Doing Business, Friends of the Chair)

  - Promote the APEC MSME Marketplace during to encourage economies to share information on doing business within their economies. Furthermore, use the marketplace as a mechanism to fulfil FTA provisions and share best practices for SME internationalization (SMES Week).

2. **Strengthen the knowledge and awareness of the Fintech industry**

Technology and digitalization are transforming the financial sector mainly because of the raise of financial technology or Fintech which is defined as innovative applications of digital technology for financial services. Data suggests the Fintech industry is growing at an exponential rate, registering a global investment level that went from ~$1.1b in 2010 to ~$31b in 2017 (The Pulse of Fintech, KPMG, 2018). In this sense, Fintech brings a series of benefits related to democratizing financial services by creating new ways to interact with
financial service providers; assisting SMEs in accessing financial services that were once unavailable such as digital funding, promptly payment, B2B digital channels, and others; as well as facilitating structural change in financial markets such as improving financial inclusion, improving institutional security and compliance and increasing transparency.

Chile seeks to create awareness on Fintech’ impact on access to financing for SMEs and woman-led SMEs as well as building capacity on public policy and regulation development to support SMEs through Fintech, by developing a ‘Fintech Digital Toolkit’, which will summarize best practices and recommendations.

➢ Activities and Outcomes:

- Elaboration of a Web site for participant APEC economies, which will communicate Summit’s key information: Summit’s program, speakers, logistics, key data, post Summit information such as speakers’ presentations, Digital Toolkit, etc. Website will be built and owned by the Ministry of Economy, Development and Tourism of Chile following APEC’s Guidelines. (Intersessional before SOM3). (SMEWG, PPSTI)

- Hold a Summit, that will include talks, panels, workshops surrounding the Fintech’s impact and an investors-startups networking. Pre-Summit work includes identification of priorities and needs assessment of the participant APEC economies. (SMEs Week).

- Digital Toolkit: which will summarize best practices, recommendations and conclusions on key subjects surrounding Fintech.