

SUPPORT TO AN ENABLING BUSINESS ENVIRONMENT FOR MSME DEVELOPMENT & FINANCIAL INCLUSION

FROM POLICIES TO IMPACT

MED MSMEs PROGRAMME | APRIL 2021 NEWSLETTER

OPENING A NEW CHAPTER IN THE EUROMED PARTNERSHIP

February 9, 2021 marks the beginning of a **renewed partnership between the European Union and the countries of the Southern Neighbourhood**. Twenty-five years after the Barcelona Declaration, the new Agenda aims at strengthening the partnership and at providing a common response to challenges.

The new Agenda seeks to increase the quality of life for people in the region and to ensure that the economic recovery following the COVID-19 pandemic leaves no one behind. Support to the private sector, and SMEs in particular, will have a fundamental role to play in the rolling-out of the agenda that aims – inter alia – at building up the green and the digital transition.

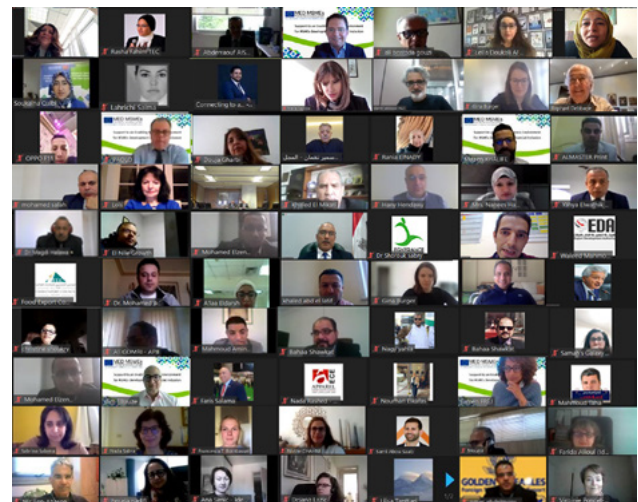
The 2020-2027 Agenda focuses on five policy areas:

- human development, good governance and rule of law;
- resilience, prosperity and digital transition;
- peace and security;
- migration and mobility;
- green transition.

It forms a resourced framework that draws on the EU toolbox and the opportunities generated by the twin green and digital transitions in the EuroMed region.

The MED MSMEs Programme Annual Work Plan for 2021 is aligned with the new Agenda's economic development pillar. It focuses on promoting digitalisation for exporting SMEs, on capturing opportunities generated by the value chain transformation, and on the emergence of new breeds of alternative finance tools that generate more impact for MSMEs, as a means to contribute to the prosperity of the people.

Christophe MALHERBE
Team Leader



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Policies for inclusive growth
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[Full Agenda here](#)

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SME EXPORTS AND INTERNATIONALISATION: A DIGITAL LENS FOR 2021

The 2020 comparative study on “policies to support the development of MSMEs exports” highlighted the great interest of Partner Countries in **digitalisation as a lever for MSMEs exports and the integration of MSMEs into global value chains** that are witnessing post-Covid transformation.

This was a strong motivation for the MED MSMEs Programme to develop support actions that will be rolled out in 2021 in these areas of interest. These notably include awareness-raising **webinars and capacity building** for agencies in charge of SME export promotion in the area of digital policies and services facilitating the access of MSMEs to international markets.

In partnership with International Network for SMEs (INSME), a member of the EU regional program “The Next Society”, the MED MSMEs Programme will organise a webinar on **How the digitalisation of international trade procedures contributes to the development of SMEs’ exports and innovation**.

This will be an opportunity to disseminate the success story of PortNet (Morocco) in the eight partner countries targeted by the Program.



In addition, SBA Coordinators and working group members will be briefed on the new EU industrial and green transition policies and will take part to a circular economy project study tour planned by the end of 2021 (to be confirmed depending on the COVID-19 pandemic situation).

MSME FINANCE: ALTERNATIVE SOLUTIONS FOR INCLUSIVENESS

The activities of the 2021 Annual Work Plan, which are also articulated in the results of the “2021 A2F comparative studies” and the proposed shortlisted instruments, aim at **supporting MSMEs access to finance through alternative and innovative financing tools and instruments**.



Similar to internationalisation, the digitalisation is a powerful driving force that deeply transforms not only financial sectors, but also the nature of the financing demand. Simplified **access to alternative financing through platforms and fintech** fosters the emergence of disintermediated and affordable financial services that will be more accessible to the “missing middle”.

In the same vein, the MED MSMEs program will identify and disseminate policy practices for **increasing the impact of microfinance institutions (MFIs)** through a mapping of successful experiences in the South MED region and the EU.

The Programme will also work on a **better access to cost efficient refinancing**, a prerequisite for the emergence of robust and impactful alternative finance institutions. Besides, it will raise **awareness about the EU payment service directive (PSD2)** that could enhance the development of national fintech sectors attracting the young talents.

The implementation will be closely coordinated with the SBACs / working groups at national levels.



RELENTLESS SUPPORT TO POLICY DIALOGUE

No less than 16 working groups were held over the last 12 months to discuss the country's outlooks and recommendations issued by regional experts in the fields of SME export and MSME access to finance. These events (two could be organized off-line) gathered more than 300 practitioners representing ministries, regulators and the private sector.



As regards MSME Export Development, the discussed key findings revolved around the following:

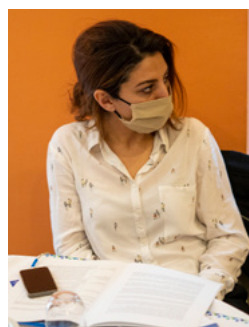
1. Insufficient statistical data on SME exports and their integration into value chains,
2. Need to simplify import/export procedures,
3. Need to strengthen export support services for MSMEs at national and international level
4. Need for coordination among institutions and programmes in charge of MSME export development,
5. Development of new skills for administrations and private companies in the field of international trade and digitalisation.

[Watch the After Movie here](#)

As regards access to finance:

1. Insufficient public private dialogue for enhanced MSME access to finance (A2F),
2. The demand for A2F remains vivid and is a strong driver of alternative finance development,
3. A2F for women entrepreneurs remains an obstacle,
4. The use of fintech services varies from one country to another in partner countries,
5. The missing middle sector continues to face difficulties in accessing alternative financing,
6. The need for developing online lending platforms to provide simplified and affordable A2F for MSMEs.

The dialogue that ensued helped identify with stakeholders the AWP 2021 activities.



FACTORING IN THE NEW EU STRATEGIES AT POLICY LEVEL TO SEIZE OPPORTUNITIES



As regards the policy component of the Programme, the 2021 **MED MSMEs Programme will focus on digital and green transition**. Indeed, the consequences of the COVID-19 pandemic have resulted in the simplification of certain SME trade and payment procedures via digitalisation. Regarding SMEs exporting, the OECD SME and Entrepreneurship Outlook 2019 confirm that:

“Digitalisation can help SMEs integrate global markets and global value chains (GVCs). Digitalisation has created effective mechanisms to reduce size disadvantages in international trade, such as by reducing the absolute costs associated with transport and border operations. In addition, the fragmentation of production worldwide has provided smaller businesses with significant scope for competing in specialised GVC segments and scaling up activities abroad, while capturing international knowledge spill-overs and capitalising on more robust growth in emerging markets”.

Regarding green transition, the EU Member States have committed themselves to rolling out the green deal which provides for the decarbonisation of the energy sector (from brown to green economy), better control of consumption and more efficient use of available resources through greater recourse to the circular economy.

As far as SMEs are concerned, the priorities of EU policies in the framework of the green transition are twofold:

1. **to help SMEs to become greener and more eco-friendly and**
2. **to encourage SMEs to participate in this new economy.**

The objectives of the green deal have also been incorporated into the new EU’s industrial strategy. Indeed, one of the principles of this strategy is that of an industry that paves the way to climate neutrality. As a result, to become more competitive while becoming greener and more circular, the EU industry will need to secure the supply of clean and affordable energy and raw materials. All these developments will impact the economic context of the South Neighborhood region both in terms of investment and trade. For this reason, it is important that political decision-makers and the economic world can organise and position themselves in relation to these new trends.

91% Consider access to finance an impediment for increasing investments Can alternative finance take up the challenge?

Despite huge efforts deployed over the past decades, the last EBSOMED MEDA Advocacy Survey 2021 “Assessment by the Business Community” highlights that **“access to finance” remains one of the key limitations for MSME development**.

Out of the **56,000 respondents** (of which 72% of SMEs), 98% of the considered access to finance a major obstacle for growth, while 90% also considered “lack of targeted MSME support and digitalization” a hindrance. North-South investments are also affected, 91% of interviewees considering access to finance an impediment for “Increasing European Investments in the Mediterranean”.

The survey has shown that 97% of SMEs requested access to non-banking traditional financing (alternative finance) and 96% asserted that digitalization can promote the growth of investment.

The conclusion is that alternative financing tools should be further supported as they can better include MSMEs that have difficulties to meet traditional requirements. The MED MSMEs Programme aims to contribute to the emergence of such tools by studying the feasibility of a regional counter-guarantee fund and raising the awareness on the Payment Services Directive 2 that can pave the way for the banking 4.0 revolution.

[Access the full survey](#)

EBSOMED

ENHANCING BUSINESS SUPPORT ORGANISATIONS

THE NEXT SOCIETY/INSME POLICY LAB: Dematerialisation of external trade procedures: PortNet SA, a backbone of internationalisation and innovation

On April 27, 2021, a Policy Lab was organized in partnership with The Next Society and INSME, on **the dematerialization of external trade procedures as a means to support SMEs exports and innovation**. Gathering 70+ participants, the event focused on PortNet SA (Morocco) with contributions from the Ministry of External Trade, the CEO of PortNet, Portnet Users and sector specialists who discussed the impact of the virtual hub on competitiveness and the project's key factors of success.



[Watch the Policy Lab video](#)

The PortNet experience well illustrates the **MED MSMEs Programme's vision statement "From policies to impact"**: started as a project in 2008 under the National Plan of Facilitation of the External Trade Procedures, the virtual hub now serves and coordinates 48,000 users, 10 administrations, 11 ports, 20 banks and 70% of supply chains in Morocco. It is the fruit of **vision, policies, regulatory reforms and governance structure** that were aligned around a pilot project launched with Casa Port. After being duplicated in 10 other ports in the country, Morocco recorded a 42 ranks jump (2020 vs. 2017) in the Doing Business as regards Trading Across Border.

In 2012, the Project was turned into a **customer-oriented limited liability company** including relevant stakeholders either as shareholders (PPP) or Board Members (notably, operators and banks). These stakeholders agree on annual action plans implemented by PortNet whose mission is also to accompany **change management**. Services offered are continuously upgraded, a process that is driven by internal innovation and the mobilization of new technologies (e.g. blockchains).

The project was supported by the EU through the **Programme d'Appui à la Croissance et à la Compétitivité du Maroc** (2016-2022). From a South Med countries integration perspective, challenge ahead remains the interoperability of systems that could be facilitated by further exchanges of practices.



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