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**VIII Inter-American Dialogue of High-Level MSME Authorities and
Conference: “Expanding International Market Opportunities for MSMEs”**
U.S. Chamber of Commerce, Washington D.C., March 13-14, 2024

**DEFINING THE WAY FORWARD: 2024-2027 PRIORITY AREAS OF ACTION FOR
MSME INTERNATIONALIZATION**

(Summary prepared by the OAS Executive Secretariat for Integral Development)

I. Introduction

The VIII Inter-American Dialogue of High-Level Micro, Small and Medium enterprises (MSME) Authorities was held within the framework of the MSME Internationalization Conference “Expanding International Market Opportunities for MSMEs,” jointly organized by the Organization of American States (OAS) and the US Chamber of Commerce and held at the US Chamber of Commerce in Washington DC on March 13 and 14, 2024.

The Dialogue brought together 28 OAS member states represented by Ministers, Vice Ministers, and Directors responsible for promoting MSME development, alongside agencies and authorities in charge of innovation and international policies impacting the sector. Other stakeholders undertaking programs related to strengthening MSME competitiveness also attended, including representatives from the private sector, academia, development banks, and international organizations.

The meeting provided a unique space for policy dialogue between the different stakeholders, helping to identify policy priorities, practical solutions, best practices, successful experiences, and innovative programmatic approaches for supporting the competitiveness, innovation, and internationalization of MSMEs. The program focused on issues identified by member states as key areas to promote the development and internationalization of MSMEs.

II. 2024-2027 Priority Areas of Action:

Prior to the meeting, the OAS Technical Secretariat requested that member state authorities, practitioners, and other relevant stakeholders identify at least three priority policy issues that need to be addressed in the region to facilitate MSME internationalization and improve their integration in the international supply chain. In addition to the responses received from the survey, the priority actions were also informed by the discussions during the Dialogue and the wider Conference. The intent is to have a concrete set of actions for implementation to advance MSME internationalization over the next three years. Among the key priorities identified are the following:

1. Accelerate MSME formalization;
2. Promote multidimensional approaches and an enabling environment for providing access to finance for MSMEs;
3. Address the specific needs of women entrepreneurs facing financial and digital exclusion;

4. Accelerate MSME digital transformation;
5. Alleviate customs and international regulatory obstacles for MSMEs;
6. Address transportation and logistics barriers for MSMEs;
7. Expand trade opportunities for MSMEs and increase market access, particularly through e-commerce; and
8. Strengthen MSME capacity building programs.

III. Policy and programmatic recommendations for each priority area of action:

In defining policies and programs for MSMEs, governments must consider the diversity of this collective. A micro, needs-based enterprise does not require the same type of assistance that a growing medium business may need to reach the global market. The process of defining and identifying MSMEs is central to guiding and tailoring policy and programmatic interventions. It is essential to meet businesses where they are in order to successfully support their growth and internationalization.

While the MSME Dialogue centered around expanding international markets for MSMEs, authorities raised concern regarding the sector's high levels of informality in the region. Formalization is in many ways the first step towards internationalization, opening new opportunities for businesses to access finance, technical assistance, and training services that can help them become more productive and competitive, meet international standards, and compete in the global markets.

1. Accelerate MSME formalization

Situation analysis: Addressing formalization in the Latin America and Caribbean (LAC) region requires a tailored approach due to diverse needs and challenges in OAS member states. Providing targeted services and benefits can incentivize formalization and foster the internationalization prospects of MSMEs. Tailored strategies acknowledging gender-specific needs can enhance inclusivity and empower women entrepreneurs in the formal economy.

By assisting informal MSMEs in the formalization process, governments can improve and reinforce the competitiveness and internationalization of their economies.

Policy and programmatic recommendations:

- Make the formalization process more flexible and agile. Digital registration processes can be a first step towards MSME digitalization.
- Create tax incentives encouraging MSME formalization.
- Facilitate access to transparent information to mitigate MSMEs' lack of trust in public institutions.
- Raise awareness among MSMEs that beyond tax implications, formalization also expands access to services, including finance, training opportunities, and government support programs.
- Bear in mind the impact of the "deformalization" trend that is being stimulated by technologies that enable businesses to be profitable outside of the formalization route.

2. Promote multidimensional approaches and an enabling environment for providing access to finance for MSMEs

Situation analysis: The regional ecosystem continues to suffer from risk adverse financing for startups and MSMEs via commercial banks, credit unions, government funding initiatives, venture capital and investors, and development banks. Despite their significant contribution to employment, small businesses face challenges in accessing credit while also having high production costs. In LAC, the banking sector typically offers limited and rigid options for MSME financing due to the lack of assets as collateral, low levels of sales and financial flows, and often inadequate financial information.

To overcome these barriers, governments in Latin America and the Caribbean must design policies and programs that facilitate access to financing for entrepreneurs and MSMEs. Policy measures should focus on creating a financial system capable of tailoring financial instruments to the needs of MSMEs, based on their stages of development to support their growth and foster internationalization. By working in tandem with the private sector, governments can enact policy measures and programs to ensure that debt financing is not cost-prohibitive for MSMEs and build trust in the ecosystem, which can have a transformative effect in the region.

Policy and programmatic recommendations:

- To increase financial inclusion, bring more MSMEs into the formal sector.
- Promote access to credit and attract risk capital under favorable conditions for startup and MSME financing through policies and programs that provide state guarantees, especially for working capital.
- Encourage the participation of financial institutions in supporting a greater number of financing instruments tailored to the development phase and needs of MSMEs:
 - For MSME in growth phase, offer viable supply-chain financing during their internationalization process, leasing, factoring, and mezzanine financing.
 - For start-up ideation, MSMEs in early stages, and MSMEs taking concrete steps towards internationalization, design grants, reimbursable grants, subsidized loans, and crowdfunding.
- Build commitment and buy-in from key ecosystem stakeholders around a common vision. Work with financial institutions to join a concerted effort to offer better rates, products, and services for MSMEs.
 - Increase MSME demand for and access to financial products and services, based on higher levels of financial inclusion and literacy, leading ultimately to a growing cadre of firms scaling from “micro” to “small” and beyond, in their growth.
- Effectively leverage public resources and build trust in the ecosystem: Consider blended finance schemes (public and private sector) and include Monitoring and Evaluation (M&E) to track results & for accountability.
- Explore programs that expand access to finance with lower interest rates contingent upon training and counseling for MSMEs to “de-risk” MSMEs and eliminate the mismatch between training provided and market needs.
- Capitalize on the growing presence of Fintechs for financial inclusion. Services like e-wallets that provide financial information of MSMEs in real time to banks is mitigating the perception of risk and expanding access to finance.
- Create funding platforms that connect MSMEs with potential investors, venture capitalists, and financial institutions, while mitigating risk and the perception of risk.

3. Address the specific needs of women entrepreneurs facing financial and digital exclusion

Women are disproportionately affected by digital and financial exclusion in LAC, with deep implications for women-owned and women-led MSMEs. The policies and programs designed to address the priority areas identified herein, should strive to level the playing field for women by being gender inclusive, ensuring that women and their businesses have equal access to the technology, skills, and financial services they need to thrive in international markets.

4. Accelerate MSME digital transformation

Situation analysis: Embracing digitalization is crucial for MSMEs to expand sales, increase productivity levels, compete internationally, and integrate into the global value chain. For Latin American and Caribbean MSMEs to leverage the new opportunities presented by digitalization and respond to the evolving business landscape, they must accelerate their digital transformation. As more consumers and competitors are transitioning to e-commerce and adopting more efficient digital processes, many small businesses have not digitized basic business processes or developed an online presence. The lack of technical skills or resources to pay for technical support is a barrier for MSMEs to develop and maintain a website, accept electronic payments, develop a mobile app, or manage social media channels.

A specific challenge in many LAC countries is the often-hostile business and financial ecosystem towards MSMEs, which, for example, are forced to absorb high costs to accept electronic payments via local banks. Cumbersome requirements for small businesses to accept credit card or electronic payments include extensive application processes that involve presenting a business plan, long turnaround periods, and high set up and maintenance fees that hinder further adoption by MSMEs.

Policy and programmatic recommendations:

- Promote MSME digital literacy and the adoption of e-commerce fundamentals including online presence, digital marketing, and online payment systems.
- Encourage the adoption of digital skills, digitalization of processes, and advanced technologies to help MSMEs improve their productivity, efficiency, and ability to reach and adapt to international standards.
- Assist MSMEs integrate technology into their operations and encourage the adoption of digital technologies and innovation within MSMEs, including data management systems, data storage, analysis, reporting, and cybersecurity.
- Develop local hubs for shared services and tools among MSMEs that want to improve their online presence and sell online, such as mobile applications and online marketplaces with customizable storefronts, access to digital payments, and promotion amongst businesses and consumers.
- Increase electronic payment gateways by enabling mobile peer-to-peer payment services.

5. Alleviate customs and international regulatory obstacles for MSMEs

Situation analysis: Customs and border procedures remain a major pain point for intraregional and international trade in LAC. MSME authorities and support institutions play an important role in advocating for and coordinating with customs authorities in efforts to reduce bureaucracy and simplify administrative and customs procedures to ensure that the process of exporting products is more efficient and convenient for MSMEs, thereby aiding their effective internationalization.

Policy and programmatic recommendations:

Increase coordination with the appropriate authorities to:

- Ensure the inclusion of specific provisions for MSME's in trade agreements, setting the stage for them to reach international markets.
- Design and implement a regional trade facilitation program targeting MSMEs. This involves simplifying and streamlining trade processes, focusing on reducing bureaucracy while maintaining safety and compliance, and promoting customs digitalization and automation systems.
- Reduce the costs and time associated with cross-border trade through trade facilitative measures such as customs single windows that incorporate all border agencies, greater border agency cooperation, better pre-arrival processing, and other standardization efforts.
- Raise awareness and understanding among MSMEs about regulatory requirements for goods and services crossing borders, including packaging and labeling requirements and international production standards.

6. Address transportation and logistics barriers for MSMEs

Situation analysis: While beyond the direct purview of MSME support institutions, advocating for improving the physical and logistical infrastructure in LAC countries -- including ports, roads, transport systems, and airports – is essential to facilitate the efficient movement of goods within and outside the region. Inadequate infrastructure causes costly logistic operations, discouraging the participation of MSMEs in international trade.

Policy and programmatic recommendations:

Increase coordination with the appropriate authorities to:

- Address inadequate infrastructure and costly logistics as direct barriers for MSME internationalization.
- Encourage logistics providers to be transparent about their costs and pricing estimates for transportation and other charges.
- Improve the ecosystem's ease of doing business by safely digitizing ports and free trade zones, helping to ensure that port authorities have the ability to process and clear goods more quickly.
- Create a directory of local freight companies indicating specialization in terms of volume, destination, and types of products. These businesses, which may be MSMEs themselves, will likely be the first point of contact for businesses seeking to move their products across borders.
- Continue the dialogue to address the volume and production barriers limiting access to international markets for MSMEs, who are often unable to fill a container or fulfill large orders. Potential solutions include regional trade and logistics facilitation arrangements and production schemes such as clusters and cooperatives.

7. Expand trade opportunities for MSMEs and increase market access, particularly through e-commerce

Situation analysis: MSMEs often lack access to information, knowledge, and opportunities to understand and reach international markets. Market access and export promotion programs that are traditionally accessed by larger exporting firms should include MSME participation.

Policy and programmatic recommendations:

- Provide MSMEs access to market research and intelligence to identify export opportunities and understand market trends. Specifically support the identification of the most appropriate markets and buyers for the type of company, product, and volume handled.

- Enable MSME participation in regional and international trade missions, trade shows, trade fairs and exhibitions with country pavilions to showcase their products and services to a wider audience and capture clients at a global scale. Offer financial assistance or a sliding fee scale to facilitate MSME inclusion.
- Develop online tools such as marketplaces, digital export catalogs, export dashboards, virtual trade fairs and roundtables, and directories for both physical and virtual MSMEs.
- Promote collaboration and technical assistance programs between multinationals and MSMEs to facilitate and strengthen their integration into the international value chains.
- Develop guidelines for MSME sensitive trade facilitation and modernization projects.
- Develop assessment tools to evaluate a business's strengths, weaknesses, and readiness for global markets. Offer advisory services to interpret assessment results and guide businesses in developing tailored internationalization strategies based on their specific needs.
- Promote MSME inclusive trade international cooperation initiatives.
- Support a robust connection between various actors in the entrepreneurship and innovation ecosystem.
- Connect to diaspora populations abroad to market MSME products across borders.
- Explore duty free concession schemes.

8. Strengthen MSME capacity building programs

Providing adequate capacity building programs and technical assistance is essential to enhance the productivity of MSMEs and their ability to navigate the complexities of global trade. Interventions include training, technical assistance, coaching and mentorship programs to improve digitalization, financial skills, business operations, and enhance production processes to meet international standards (environmental standards, ISO certification, AEO programs, intellectual property, and branding, etc.). Collectively, these interventions can contribute to creating a supportive ecosystem conducive to growth, unlocking the potential of MSMEs, and equipping them to overcome market access barriers to access and succeed in international markets. Also, critical to the effort of strengthening MSME capacity building programs is the implementation of systems to continuously measure the efficacy and impact of support programs. This in turn, lends itself to a more transparent, data driven approach to policy development.

Policy and programmatic recommendations:

- Assist entrepreneurs and emerging business development efforts through entrepreneurial training and assistance for business formalization and registration.
- Design MSME-focused capacity building programs to develop practical skills on business management and strategy, financial literacy, marketing strategies, digitalization, product development and innovation, and more efficient production processes for business longevity.
- Facilitate access to training, knowledge sharing, workshops, webinars, and one-on-one services designed to enhance the understanding and application of best practices by MSMEs within the international supply chain.
- Expand training on product regulations, quality standards and market access. Offer programs to educate MSMEs on international quality and safety standards and certifications, product labelling, and other compliance needs to enhance the competitiveness of their products in global markets.
- Establish mentorship programs connecting experienced exporters with newcomers to provide guidance and practical insights and expand access to specialized technical assistance.

- Develop and update online learning platforms and workshops offering accessible and user-friendly modules covering essential aspects of international trade such as market research, business development, export compliance, customs regulations, and logistics.
- Ensure that businesses seeking internationalization support can access trade readiness assessments to tailor assistance to their specific needs, promoting a comprehensive and strategic readiness for global markets.