The Power of Small: Supporting MSMEs to Achieve their Full Potential



Author: Safiya Reid is an Advisor in the Trade and Sustainable Development Directorate. She is responsible for the Trade and External Economic Relations and Transport focal areas.

Since June 27th, 2017, the international community has been paying tribute to the significant contribution of Micro, Small and Medium-Sized Enterprises (MSMEs) to economies and communities across the globe. For World MSME Day this year, the Association of Caribbean States (ACS), Caribbean Export Development Agency and the University of the West Indies (UWI) Shridath Ramphal Centre (SRC) will celebrate this day together with the rest of the world. As the world emerges from the COVID-19 pandemic and the ACS sets in motion its own strategic plan to accelerate a new phase of sustainable, inclusive growth in the Greater Caribbean, World MSME Day 2022 is a fitting occasion to reflect on why small businesses matter.

Although there's no uniform metric accepted to define a business as an MSME, most countries in the Latin American and Caribbean region identify them by the number of employees which can go up to 50 staff members depending on the country. As small as they may be in size, the contribution MSMEs make to our societies cannot be understated. The World MSME Day 2022 theme "Celebrating the Power of Small" captures the socioeconomic significance of small businesses. MSMEs are net job creators, accounting for over 90%[1] of businesses worldwide and approximately 67%[2] of employment in the Latin American and Caribbean region. In fact, given this net positive socioeconomic contribution, MSMEs are considered especially relevant to the achievement of the Sustainable Development Goals (SDGs). Through their significant job creation impact, MSMEs can play a pivotal role in reducing poverty and income inequality, especially amongst underrepresented groups. Another illustration of the big impact by small businesses is their capacity to create innovative solutions to complex problems. As they operate outside of set paradigms typically dominant in larger firms, MSMEs have more scope to be nimble and explore novel, fresh ideas to create new or niche products and services. And as we have seen in times of crisis during the COVID-19 pandemic, the ability to adapt business models to a rapidly changing environment is crucial to a firm's survival.

Although larger enterprises may be more present in the mainstream media that surround us, MSMEs are more prominently featured in our daily lives than we think. From our local bakeries to grocery stores to healthcare centres, small businesses contribute more than the goods and services they sell: They foster a strong sense of community. Small business owners are more likely to be directly involved in their communities through volunteer work or being an inspiration to other neighbours. Moreover, a shopping district – whether in a densely populated urban area or small town – demonstrates the values and unique character of that community. For instance, locally owned restaurants, cafes and markets showcase the foods and interests of that particular area and create the opportunity for people to build enduring connections. Although MSMEs in the Greater Caribbean operate across a wide range of productive sectors, the community identity created by MSMEs directly influences the tourism industry on which so many countries in the Greater Caribbean depend. This means that enhancing the competitiveness of MSMEs and assisting them to navigate the challenges must be priority in order to support the economic progress of the region.

The ACS has long recognised the need to do its part in stimulating entrepreneurship and MSME development in the Greater Caribbean. As its membership spans the Caribbean and Latin America, the ACS is well positioned to not only advocate for the right policy actions to be taken for MSME competitiveness, but also to actively build strong market linkages. The Business Forum of the Greater Caribbean organized annually is one example of how the ACS utilises its network of partners to connect MSMEs with gateway markets through exhibitions, seminars and B2B meetings. Through this Business Forum, the ACS facilitates cooperation between MSMEs, business development service providers, chambers of commerce and business policy officials; creating an all-inclusive space where all parties grow to achieve one mutual goal: economic prosperity. Additionally, considering the support MSMEs require to develop and scale, satisfy regulatory measures, lower operating expenses and widen their network, the ACS developed a series of projects that directly address these needs. For instance, the MSME Competitiveness and Development project includes the creation of a suite of tools for capacity development, clustering and e-commerce that would support the internationalisation of MSMEs in three key sectors: community-based tourism, agribusiness and the creative industry.

Business support organisations – trade and investment-related institutions, chambers of commerce, business associations and the like – play a crucial role in addressing the aforementioned challenges by providing specific support for MSME and entrepreneurship development. As such, the ACS has developed a programme of technical assistance in key areas – trade negotiation, digital trade, data analysis, and trade and investment facilitation – that address the needs of these trade and business support institutions. In this way, business support organisations in the Greater Caribbean can hone their expertise in assisting MSMEs to get a foothold in regional and global markets.

In summary, there is more to MSMEs than meets the eye. Although they may be perceived as small, MSMEs create lasting value in our societies in a way that compels us to dedicate our efforts to making them more competitive. As a regional cooperation and development agency, the ACS recognizes its responsibility to the Greater Caribbean through the active support and promotion of MSMEs. By promoting entrepreneurship and working to create a business environment that allows for the growth of MSMEs, the ACS hopes to stimulate the kind of economic growth that would

trickle down to local communities throughout the Greater Caribbean.

[1] The World Bank, “SMEs Finance”. https://www.worldbank.org/en/topic/smefinance#:~:text=SMEs%20account%20for%20the%20majority,(GDP)%20in%20emerging%20economies.

[2] IDB Invest, “Micro, Small and Meidum-Sized Enterprises” https://idbinvest.org/en/solutions/advisory-services/micro-small-and-medium-sized-enterprises