

SDG 9. Resilient Infrastructure, Inclusive and Sustainable Industrialization, and Innovation

SMEs' Linkage with Sustainable Industrialization

Key Takeaways of the Asia-Europe Environment Forum (ENVforum) on "Circular Industry: Innovation & Digitization as Enablers for SMEs"



*Presented by Hyun JEE, Policy Team Leader,
ASEM SMEs Eco-Innovation Center (ASEIC)*

26 October 2022 (Wed.)

UNOSD-SDTF 2022, in Incheon, Republic of Korea

Asia-Europe Meeting (ASEM)

● Asia group (21 countries + ASEAN Secretariat)

1 New Zealand, 2 Korea, 3 Lao PDR, 4 Russia, 5 Malaysia, 6 Mongolia, 7 Myanmar, 8 Bangladesh, 9 Brunei Darussalam, 10 Vietnam, 11 Singapore, 12 India, 13 Indonesia, 14 Japan, 15 China, 16 Kazakhstan, 17 Cambodia, 18 Thailand, 19 Pakistan, 20 The Philippines, 21 Australia

● Europe group (30 countries + European Commission)

1 Greece, 2 Norway, 3 Netherlands, 4 Germany, 5 Denmark, 6 Latvia, 7 Rumania, 8 Luxembourg, 9 Lithuania, 10 Malta, 11 Bulgaria, 12 Belgium, 13 Cyprus, 14 Switzerland, 15 Sweden, 16 Slovakia, 17 Slovenia, 18 Spain, 19 Ireland, 20 United Kingdom, 21 Austria, 22 Italy, 23 Estonia, 24 Czech Republic, 25 Croatia, 26 Portugal, 27 Poland, 28 France, 29 Finland, 30 Hungary



Spin-Off Conference: “Circular Industry - Innovation and Digitalisation as Enablers for SMEs”

Hybrid 24-25 October 2022

in linkage with the UNOSD-SDTF
(25-28 October 2022)

At the Sheraton Grand Incheon Hotel,
in Songdo, Incheon, Republic of Korea



Outline

- Background
- Key Issues & Challenges
- Opportunities & Solutions
- Ways Forward by Actors

Background : Industry 4.0 / Green & Digital Transition / SMEs

4th Industrial Revolution

- The **full integration and digitalization of industrial value creation** with **innovative technologies**
- Potential for enhanced **capital productivity and efficiency** (*enable companies to increase profitability with lower capital inputs*)
 - Defining factor not only for **enterprises** but also for **national growth**

Green & Digital Transition Policies and Regulations

- **Accelerated use of digital technologies** since the COVID-19 pandemic
- **Digitalization** provides **tools for greener practices** in relation to energy and resource efficiency in **different economic sectors** (*e.g. clean energy, sustainable transport, and sustainable food systems*), and the **potential to enhance transparency**, facilitating businesses' adoption and monitoring of environment-friendly processes
 - **The digital transformation of enterprises** is linked with the **green transition**
- **Policies and Regulations:** EU Green New Deal, Korean Government's Green New Deal and Digital New Deal

Why SMEs?

- As a core driver of **innovation and growth**, MSMEs account for 90% of businesses, 60-70% of employment, and 50% of GDP worldwide (*UN MSME Day, 27 June 2022*)
- Critical to leading to the **decarbonization of industry** and **responsible business practices** individually and in the **value chains**, often playing a key role in large firms' supply chains
- **SME & Environment Nexus:** (1) **Environmental footprint** of SMEs; (2) Climate change affects **growth and jobs in SMEs**; (3) SMEs as **sources of green innovation**; and (4) Environmental challenges and solutions open up **new market opportunities for SMEs**

SMEs : Moving from compliance to value creation

- Through **innovation, digitalization, clean technology transfer, and sustainable business model and management**

Key Issues & Challenges / Opportunities & Solutions

- How to **maximize the benefits of digital and green transition for SMEs?**
- **Environmental sustainability and digitalization as an opportunity** for enhanced efficiency, transparency (reporting, etc.), creating new markets, jobs, etc.

Key Issues & Challenges

- **Limited capacity and access** to data, information, skills, financing, markets, internationalization, etc.
- **Uneven distribution of resources:** Large companies get more incentives than SMEs
- Lack of **digital transformation experts** in the country
- **Heavy regulations** to follow through, and lack of common standards and regulations
- Lack of **network infrastructure for digitalization**
- **Trust and confidentiality of data and information**
- **Intellectual Property (IP) rights** and access to innovative and matching technologies
- **Corruption** in government and big corporations prevents SMEs from getting involved
- Weak **public and private partnership:** lack of incentives for the private sector to join
- Lack of **awareness** about opportunities for innovation and digitalization shared by high-level government officials (e.g. renewable energies)

Opportunities & Solutions

- **Better coordinated policies and regulations across countries**
- **Tailor-made guidelines** for SMEs to increase efficiency (e-book), categorized by different countries, industries, sectors, and **customized consulting services**
- Access to regularly updated **open data (including prescriptive analytics)**, and environmental and financial matrix for sustainability
- **SMEs membership in industry associations** to enhance knowledge and access to data
- **Balanced representation** of all voices to be heard
- Better **cooperation between large companies and SMEs** (linked in supply chains, co-funding, etc.)
- **Innovative business model development for the circular economy**, by bringing **various stakeholders**, supporting **startups** (seed funding etc.), raising digital awareness, and promoting **upskilling** and **technology transfer** between countries and companies
- **National coordination structure for PPP**
- **Accountability of governance system** to monitor changes

Ways Forward by Actors

**“SMEs as connecting the dots for the missing link in sustainable industry and circular economy”
- Require a strategic foresight, and right mix of regulations and support -**

Governments and policymakers

- **Policy coherence** across ministries and government offices, countries, and global regions;
 - **Smart regulations and enforcement;**
 - **Easy-to-understand guidelines** on policies and regulations tailor-made for SMEs;
- **Incentive mechanisms for SMEs** (e.g. better access to data, information, knowledge, skills, market, finance etc.);
- **Enabling eco-system for SMEs** (e.g. a better coordinated and/or one-stop service for SMEs);
 - **Infrastructure for digitalization;**
 - **Inclusive policy-making process**, ensuring balanced voices to be heard

SMEs and business community

- Take **initiative for change** by doing their own parts;
- **Transform themselves**, tackle inefficiency, and solve their own challenges;
 - **Advocacy through associations**

SMEs support organizations & expert communities

- **Facilitate cooperation** across different countries, industries, and sectors, by sharing information and best practices, and lessons learned;
- **Partnerships** among various actors (e.g. governments, the business community, international, regional, national and organizations etc.)
 - **Advocacy** for SMEs

ASEIC as an international cooperation platform for the eco-innovation of SMEs in ASEM countries



2008

**7th ASEM Summit
(Beijing, China)**

2010

**ASEM Forum on Green Growth and SMEs
(Seoul, Korea)**

**8th ASEM Summit (Brussel, Belgium)
Endorsement of ASEIC establishment in Korea**

2011

**Consignment Operation of
ASEIC
(by the predecessor of MSS)**

2014

**Formal
Establishment
(as a foundation)**

Thank you for listening!