

# **UNCITRAL United Nations Commission International Trading Law**

## **Working Group 4 to 8 Oct 21**

**Re: Access to credit for micro, small and medium-sized enterprises (MSMEs)**

### **STATEMENT OF WUSME**

#### **Introductory remarks**

The subject Note A/CN.9/WG.I/WP.124 mentions, in many places, the importance of “information” for easier access for SMEs to loan finance from banks and other lenders.

This consideration is also in line with our practical experience that the lack of a supporting information infrastructure limits the lending of financial institutions and private lenders.

It is true that banks and state financiers, including EU programs for small businesses, have very high requirements for applying for loans and guarantees, such as the submission of a bankable business plan, which the company owners can usually not work out themselves, and, therefore, they rely on the advice of experts, whose fees most MSMEs cannot afford.

#### **MSMEs need better crisis preparedness**

Smaller companies were hit particularly hard by the COVID policy restrictions: A painful decline in the demand for goods and services, great difficulties in finding new clients and customers, numerous businesses had to close due to the pandemic regulations (e.g. hotels, inns, hairdressers, etc.), liquidity bottlenecks, as around 50% of SMEs had not more cash reserves than for one month. When facing financial difficulties, MSMEs often do not have the resources to cope with high restructuring costs after a crisis (including professional advice).

#### **Capacity Building of SMEs and Development financing**

In the first place, we may appreciate the revised document in our statement A/CN.9/WG.I/WP.124 which covers the legal framework for credit to MSMEs in the LDCs, developing countries and transitional economies.

However, the framework may take a liberal view for lending to Micro & Small Enterprises in the LDCs particularly with respect to the collateral security. Capacity Building for financiers and MSMEs has been covered on page 51 & 52 of the document. There is definite need to strengthen the Capacity Building areas since developing countries & LDCs need Development Financing. The attitude of the bankers and financial intermediaries need to be changed and it should be part of Capacity Building of the financiers.

The foregoing suggestions have been made keeping in view with field level experience dealing both with the bankers and other financial intermediaries in many African and Asian countries.

WUSME may play an important role particularly for Capacity Building of LDCs, African countries for their financiers & financial intermediaries in-cooperation with member countries.

### **Role of MSMEs Organizations in financial information and training**

Although the Note in the analytical part is comprehensive, we lack the reference to the paramount role of entrepreneurial organizations (NGOs) in the areas of information and advice to SMEs in regard to loan applications and innovative financing.

ICC's world chambers network comprises around 40 million companies – giving a total employment footprint of more than 1 billion people. A considerable number of Entrepreneur Organizations on national and international level inform and advise their members of their rights and fight for their interests and competitiveness.

Perhaps with the exception of state chambers of commerce with compulsory membership, most business organizations are financially unable to meet the constantly increasing information and advice needs of their members.

It would be advisable that the Working Group dealt more intensively with the question of how underprivileged chambers of commerce and entrepreneur NGOs can get better access to financing for their crucial information and advisory activities in the interest of MSMEs.

WUSME welcomes the offer of UNCITRAL that non-governmental organizations (NGOs), chambers of commerce and other stakeholder associations that are interested or actively involved in improving the legal framework of access to credit for MSMEs may also benefit from the Future Text

### **Priority topics for Governments**

After the financial crisis of 2008 and 2009, many governments have not taken adequate measures on how to prepare the economy, and especially the millions of MSMEs, for the next crises.

Economic Experts have repeatedly pointed out the following priority topics:

1. To strengthen the resilience and liquidity of the companies,
2. to set up national funds for crisis prevention, crisis preparedness and further development of companies, which should be financed, among other sources, from a small percentage of sales tax funds (value Added Tax - VAT) and possibly by the "Tobin Tax", the Currency Transaction Levy, and administered by business organizations - and not by government offices,
3. To seize the opportunity to ensure that worldwide funding in the trillions of EUROs and USDs is used to promote energy-saving-, environmentally-, and climate-friendly technologies and to achieve the UN SDGs - Sustainable Development Goals, and last not least, for the working capital of MESMEs supporting NGOs.

### **A Study of the "best practices" to ensure the financing of SMEs.**

As International NGO in support of MSMEs, Wusme proposes for the year 2022 to conduct a study on best practices to ensure the funding of MSMEs. The collection of information would be done on about twenty countries around the world. This approach, country by country will make it possible to list the best practices and highlight innovative solutions. Through its network, contributions would be collected in Africa, America, Asia and Europe in order to produce a survey of high quality. The Working Group could stimulate the interest of countries' Members to follow and support this initiative.

### **An appeal to the UNCITRAL delegations**

We appeal to the distinguished Delegations of the UNCITRAL States to work with their governments to ensure that the UNCITRAL recommendations for actions are as soon as possible been implemented in practical measures. It is in the very interest of every country that the MSME supporting organizations can work efficiently and that the financial prerequisites are in place.

*Statement submitted by*

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