Making Digital Connectivity Work for MSMEs

BACKGROUND:

*Increasing MSME connectivity in low- and middle-income countries has the potential to deliver significant social and economic benefits.*

- The connectivity of micro, small, and medium enterprises (MSMEs) to the Internet and broader digital economy is an under-looked development issue.
- MSMEs form the largest share of their economies and are critical to helping to achieve the SDGs.
- Increasing their digital connectivity can help them become more efficient and increase their revenues.

OBJECTIVE

*The Broadband Commission Advocacy Target 6 focuses on improving the connectivity of MSMEs by 50% by sector, before 2025.*

KEY CHALLENGES

1. **Accessing relevant data on MSME connectivity**

   There is a lack of global study and understanding of how MSMEs are using their connectivity and the barriers facing those MSMEs who are not online.

2. **The digital divide between micro and larger enterprises**

   Small enterprises have a lower propensity to use digital connectivity in their business.

3. **The gender digital divide**

   The gender digital divide has resulted in a lack of digital inclusion for female-led businesses.
Universal and Meaningful Connectivity for individuals and households is the focus of the UN and its agencies.

- The framework for achieving this goal includes making access available, affordable, and relevant, teaching digital skills, and making access safe and secure.
- ‘Digital enablers’ including cloud services, e-commerce platforms, digital financial services, and e-government services, can help MSMEs turn connectivity into economic value.

The Three Stages of MSME Connectivity

MSME connectivity is a journey through various stages, based on each MSME’s growth and digital advancement.

Progress – which tends to be non-linear - can be made by migrating MSMEs along a journey, beginning with basic connectivity and moving towards the acquisition of more advanced practices and skills.
**Advanced MSME connectivity.**
MSMEs using digital enablers, such as cloud computing and business applications, to get the full benefits of connectivity.

**Basic MSME connectivity.**
MSMEs using mobile or fixed broadband services, along with business accounts for social media and financial services.

**Individual connectivity.**
MSMEs using personal connectivity, devices and online services to initiate business online.

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**How all stakeholders can play their part in promoting MSME connectivity and removing connectivity barriers?**

**Governments** should play a leading role by implementing policies and regulations that enable MSME connectivity, as many barriers to MSME connectivity are at the national level.

**Companies** can provide connectivity, devices, and many of the digital enablers, which should target the needs of MSMEs.

**International organizations** can further cooperate on the development and dissemination of best practices in policies to promote connectivity, digital transformation, and digital enablers.

**NGOs and the technical community** can help to advocate for increased connectivity, safety, security, skills training, and other enablers for the digital inclusion of MSMEs.
**Specific recommendations and actions**

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<tr>
<th>Recommendation</th>
<th>Details</th>
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<td><strong>The Broadband Commission</strong></td>
<td>will continue to advocate for the importance of MSME connectivity, and seek to monitor progress in this regard.</td>
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<td><strong>International organizations</strong></td>
<td>in the Partnership on Measuring ICT for Development should work with national governments to stress the value of gathering relevant MSME connectivity data.</td>
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<td><strong>A specific reference</strong></td>
<td>to MSME connectivity should be included in the <em>Global Digital Compact</em> to be agreed at the Summit of the Future in September 2024.</td>
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<td><strong>All policies to increase MSME connectivity</strong></td>
<td>should prioritize digital inclusion to bridge the gender digital divide and support marginalized groups.</td>
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