

## **Building Better Forward – a joint effort, in mutual interest**

Key-note speech Steven Collet, Ambassador for Business and Development, Ministry of Foreign Affairs of the Netherlands, at the conference 'Building Back Better – the recovery of SMEs in developing countries' by PUM, 27 May 2021

*[Intro – wat does this phase mean for the next?]*

Good afternoon. It is my pleasure to be connected to so many participants joining this conference from different corners of the world. This underlines the importance of today's topic and the potential of digital technology. Thank you PUM for bringing us together.

I would like to share my vision on what we need to do next and how we can do it together. A vision that has been inspired by many interactions over the past months with SME-faced program partners that we invest in through Dutch development cooperation, aiming to reduce poverty and inequality in low income countries through private sector development. Last year alone, we have supported hundreds of thousands of micro small and medium-sized enterprises and jobs, improved working conditions for over 1 million workers and helped exports of sustainable products and services from low income countries worth over 600 billion us dollars. For the Dutch government economic support to low income countries is a priority, especially now.

In many parts of the world, [the](#) COVID-19 pandemic has badly hurt companies of all kinds– but in particular those with smaller operating margins, such as micro, small and medium-sized enterprises (MSMEs). Business and liquidity have dried up, jobs have been lost, and many companies have shut their doors – some temporarily, many for good.

Moreover, COVID-19 has enhanced inequalities. Those hit hardest by the impacts of the pandemic, are women, youth and poor communities. Women and youth are typically in more vulnerable job conditions, in sectors that are currently challenged by reduced demand, like the tourism and hospitality industry, the textile and garment sector, retail and consumer services. And when it comes to SMEs run by women or youth, they are on average less resourced, have less access to markets, information and finance than other enterprises.

Small businesses account for two-thirds of the globe's jobs and half of its GDP. Unlike the Netherlands, most developing countries are not able to provide financial support programmes, reducing the competitiveness of their SMEs and affecting the households that they support. The pandemic has reversed the gains in global poverty for the first time in a generation.

Ladies and gentlemen,

The pandemic is far from over. Here in Holland we allow ourselves some careful optimism for the first time in a very long year thanks to the increasing rate and speed of vaccinations. Many in low income countries do not share our fortune. Their vulnerability is our vulnerability. Solidarity is a common interest – that is more clear than ever.

We already allow ourselves to think beyond COVID-19, about the 'new normal', as we do today. That is wise. We need to prepare ourselves. Back to business will not be enough to address the challenges we are facing and the vulnerabilities COVID-19 has laid bare. Building Back Better will not do the trick either. We cannot afford to go back to a situation that is unsustainable. We will need to Build Better *Forward*. We will need to use this crisis as an opportunity to make systemic improvements that will not only look at recovery needs, but that will tackle problems that pre-date the pandemic at the same time. We will need to invest in more robust ecosystems and address market failures in order for businesses and related production, jobs, livelihoods and communities to develop and thrive. We will need new and more flexible business models. We need fairer, more equitable and more sustainable economic outcomes to ensure a prosperous, resilient, inclusive and greener world – the Sustainable Development Goals.

*[why change now?]*

You may ask why companies need to change their business models right now, at a time when it is even difficult to keep their head above water, let alone invest in new ways of doing business. For me there are two reasons. First, for your business to be future proof, it ought to be shock proof, and flexible to waver different storms. Second, we will all need to internalise externalities in our business models to secure that prosperous, stable and equal future for our children. Global public investment is steering towards green, inclusive recovery and growth, and private investment will follow suit. So this is where business opportunities lie.

*[the importance of digital]*

A no-brainer in my view is to capitalize on digital technology and data. One thing that has become clear is that access to digital skills, services and internet has become ever more important for the way we learn, work and do business – now and in the future. Technology and digitalisation offer new ways to grow businesses and economies. But businesses need to make sure that changes are not too small, otherwise they run the risk of digitizing the past instead of innovating and transforming for the future. And we as the public sector need to secure access for all, to narrow the digital divide.

Digitization can tap into the huge potential of women in the labor market. I am convinced that women entrepreneurship is key for resilient and sustainable economies. Women reinvest up to 90% of their income into their families. Hence we support women leaders in e-commerce to inspire and address the challenges of the digital gender divide through UNCTAD, as part of the Dutch digital agenda for trade and development. And through our Orange Corners Innovation Fund, we invest in the success of locally developed digital products and services that offer innovative solutions to local challenges, so that more diverse and inclusive ecosystems can be established.

*[relevant knowledge transfer and what PUM can do]*

It will probably be quite difficult for SMEs to adapt, especially without sufficient support. So, I ask you, entrepreneurs and business representatives, how can we best support you in building better forward? What can the Netherlands do and what can PUM do in particular?

For both resilience and transformation knowledge is key. Knowledge can be an enabler for growing a business in a more sustainable way. We as the Netherlands financially support PUM to share practical hands-on knowledge with those businesses with limited access to it in. What value can Dutch knowledge bring in Building Better Forward?

Three things come to my mind:

- 1) Empower. Capacitate SMEs in low- and middle-income countries to create a better position for themselves within supply chains. Case in point is the garment sector, where the drop in global demand – the many closed shops in our shopping centres - left many small producers with empty hands and many jobless. Their negotiating and contracting capacity has to improve. This can be strengthened through business associations;
- 2) Diversify. Help businesses become less dependent on single suppliers when sourcing their components. Help them diversify their products and services, and their markets. Support female entrepreneurship.
- 3) Connect. SME's need strong ecosystems, including digital platforms, financial services, knowledge. The Dutch are good in fintech. We invest heavily in financial services for MSMEs in developing countries – the missing middle as it is so often labelled. Help them connect. Connect them to new opportunities arising when the globe build better forwards – also in Europe.

These are some thoughts from my end. I'd love to hear yours.

[Closing]

Ladies and gentlemen,

Allow me to leave you with a personal reflection. The past year we have all been busy coping. Trying to run business as usual in very unusual times. Doing more videoconference calls then is healthy from a neurological point of view. But have we also started adapting? Speaking to some friends from Africa they challenged me on my coping strategy. They are far more senior then me in terms of resilience, having faced so many economic, social, health, environmental shocks in only one lifetime – already for generations. "Are you really planning to continue to do your works in the same speed, with the same ways of being productive, at the same cost in terms of personal and societal energy?", they ask me. This made me pause. I am not adapting.

I have come to realise more than before that learning is a two-way street. If we want to Build Better Forward we will need knowledge from places in the world that have learned to be far more resilient then we are. How can that be part of our agenda today?

Building better *forward* is by definition an international challenge that can only be addressed if we work together, building on the strengths of each other – from governments to private sector to knowledge institutes and to individual citizens. Let us not shy away from the massive challenge ahead by using each other's strong points and our innovative power to realise a new and better future from today onwards.

Thank you.