



## Your Monthly Tabadool

### **RegioGreenTex: an inspiring European circular economy initiative**

Helping SMEs recover textile waste and supporting them in the transition to a **new sustainable economic model**, this is the mission of the **RegioGreenTex** project, supported by the European Commission, which brings together 11 European regions with 24 pioneering SMEs in innovative solutions for recycling of textile waste. Lasting three years, it will contribute to maintaining and creating jobs in the European textile sector, in particular by making the EU value chains more competitive and resilient. The project is implemented by **Euratex**, the European Apparel and Textile Confederation. The **Réseau Alliance** (Hauts de France) illustrates also the relevance of the regional anchor to promote CSR<sup>1</sup>.

### **The SME Finance Forum**

Created in 2012 by the G20's Global Partnership for Financial Inclusion (GPII), the **SME Finance Forum** is managed by the International Finance Corporation (IFC). Its mission is to **accelerate access to finance for SMEs worldwide**, by stimulating research and innovation and promoting the knowledge sharing and the exchange of best practices. The Forum operates a global network of more than 240 institutions (banks, fintechs, development finance institutions, etc.). The platform contains a range of resources: partnerships, events, training, communities of practice, data, such as the **Fintech and MSMEs** study that spots a gap of financing for MSMEs estimated at 4.5 trillion Euros (Jan. 2023) and **Lessons learned on inclusive digital finance in APEC countries** (Feb. 2023).

### **SMEs and the "functional economy"**

Reconciling value creation, process efficiency and sustainable use of resources: "the functional economy" is a model gradually developing in SMEs, i.e., promoting a **service-oriented approach** (focused on the use rather than the sale of a product) and adapting the offer to actual needs (a response to the current imperatives of sobriety). An example of the "performance of use" or "useful effects" of the model is often cited, such as a tire manufacturer replacing the sale by the use of the good, tires being invoiced per km

driven and accompanied by value-added services (cycle management, maintenance). The French experience of the Agency for Ecological Transition (**ADEME**) – is instructive. A toolbox to further explore the subject is also available [HERE](#).

### **Global trade finance and SMEs**

The global trade finance gap is estimated, according to an [article by Marsh](#) (March 2023), between 2 and 30 trillion Euros<sup>2</sup>. SMEs, which are the source of almost 50% of the flows, only have access to around 10% of the financing. More than 50% of financing refusals concern SMEs, which is attributable to the use of conventional risk assessment methods based on the solidity of financial statements, the importance of equity and guarantees, elements that often weak in SMEs. Integrating performance benchmarking would help bridge the trade finance gap as highlighted in the above-mentioned Marsh article. The digitalization and sharing of data play a key role in this perspective as they facilitate assessment based on reliable sources. The **EU Payment Services Directive 2** provides an inspiring regulatory framework in this regard.

### **A toolkit to strengthen FDI-SMEs linkages**

The OECD is addressing the linkages between foreign direct investment (FDI) and SMEs by providing policymakers with a **toolkit** combining a conceptual framework, guidance and diagnostic tools to assess the potential in countries and regions. The objective is **to foster the impact of FDI on SMEs** in terms of increased productivity and innovation through knowledge and technology diffusion. FDI can also facilitate the adoption of new, more **sustainable, and responsible standards by SMEs** within value chains. The realization of such impacts requires, according to the OECD, several conditions in the host countries, involving both the absorptive capacities of the SMEs themselves, as well as the quality of the institutional and regulatory environment and targeted and operationalized public policies (encouraging strategic partnerships, targeted investment promotion and facilitation programs, etc.) The [CSR rating tool developed by Anima Investment Network](#) can contribute to this objective.

<sup>1</sup> Corporate Social Responsibility.

<sup>2</sup> Depending on the method used.

