

Project Savannah: Maximising the potential of digital ESG credentials for MSMEs

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Roundtable Participants



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Takeaways

Elevandi Insights 2023 convened regulators, policymakers, industry leaders, and regulators to foster meaningful dialogue in digital and sustainable finance. This year, the event brought together two cornerstone platforms – The Capital Meets Policy Dialogue and Public-Private Roundtables.

Environmental, Social and Governance (ESG) is at the forefront of corporate decision-making, and it is imperative for organisations to demonstrate their capabilities in addressing ESG priorities. As pressure mounts for organisations to integrate sustainability reporting and data collection into their overall business strategy, it is crucial to direct increasing attention towards understanding how smaller companies are navigating these complex changes.

On 14 November 2023, the highly anticipated Digital ESG Credentials for Micro, Small and Medium-sized Enterprises (MSMEs) Roundtable brought together 15 distinguished representatives from international organisations, regulators, data providers, financial institutions, and non-governmental organisations (NGOs). Moderated by **Antony Ruddenklau, Global Head of Fintech, and Innovation, KPMG International**, the roundtable served as an open platform to foster productive discussions on the challenges MSMEs face in digitalisation and ESG reporting and further reaffirmed the commitment to support MSMEs in their sustainability journey through Project Savannah.

Project Savannah is a global initiative by the United Nations Development Programme (UNDP), the Monetary Authority of Singapore (MAS), and the Global Legal Entity Identifier Foundation (GLEIF) to develop basic ESG digital credentials for MSMEs. It aims to foster a consistent practice of green inclusion amongst MSMEs while bettering access to green financing and cross-border supply chain opportunities. The challenges faced by

MSMEs are effectively addressed through the project's three pillars – Metrics, Technology, and Opportunities.

In-depth discussions during the roundtable unveiled valuable perspectives and emphasised the pivotal role of digitalisation and the support needed by MSMEs to smoothly transition towards the green economy. Participants highlighted various pressing issues that require immediate attention. Among these challenges were the lack of resources that MSMEs face, technological constraints, and the absence of a standardised reporting framework. Participants unanimously emphasised the importance of trust and transparency in ESG reporting. There was also a consensus on the need to provide resources for MSMEs through green financing, and incentives to encourage proper ESG reporting. While there was resounding support for the need for a common framework, participants emphasised the importance of considering context, more specifically how MSMEs face different region-specific and sector-specific needs.

The discussion also touched on how MSMEs can tap on supply chains and leverage on their existing relationship with multinational corporations to gain expertise and knowledge. This could help MSMEs proficient in ESG reporting and compliance develop a competitive advantage and thereby increase business opportunities. Amidst the diverse insights shared, there was a unanimous call for collective effort and collaboration with MSMEs to set the stage for inclusive and sustainable growth.

The end of the roundtable armed participants with insightful knowledge and a renewed commitment to work together alongside MSMEs to help them in the sustainability journey, to simplify sustainability reporting which would cultivate a seamless ESG credential generation process for MSMEs.

MSMEs backbone of the global economy

MSMEs constitute a vital component of the global economy, contributing significantly to employment and GDP. Despite their economic importance, these firms face a major blind spot in ESG reporting, a focus currently largely reserved for multinational corporations. To bridge this gap, implementing tailored educational programs, simplified reporting requirements, and standardised ESG metrics is essential. Customising these metrics for MSMEs, along with deploying technology for data collection, verification, and interoperability, can empower these enterprises to actively contribute to the global ESG agenda.

MSMEs major ESG data blind spot

As stated by a participant “Micro, Small and Medium Enterprises (MSMEs) and Small and Medium Enterprises (SMEs) form the lifeblood of growth and sustainable economic development”. They represent up to 90% of businesses and are significantly responsible for up to 70% of employment and more than 50% of GDP globally¹. As of 2020, there was a reported 365-445 million MSMEs in emerging markets; with 25-30 million constituting formal SMEs, 55-70 million being formal micro firms and 285-345 million being informal enterprises² (Exhibit 1).

These companies are pivotal in economic and social development, engaging in value-adding activities, participating in global supply chains, fostering innovation, and catalysing inclusive growth through job creation. Crucially, MSMEs, often family businesses, start-ups, and young firms, have a front-row seat to witness and bear the brunt of urgent ESG challenges, including the consequences

of climate change and the imperative for inclusive and sustainable labour practices.

Amid the global drive for sustainability transformation, it is evident that businesses play a crucial role in integrating ESG reporting into their practices. However, the focus has primarily been on multinational corporations, leaving a significant gap in the involvement of MSMEs.



In driving the journey of sustainability transformation, businesses are increasingly

¹ ‘MSMEs: Key to an inclusive and sustainable recovery’, [United Nations Conference on Trade and Development \(UNCTAD\)](#)

² ‘Micro-, Small and Medium-sized Enterprises (MSMEs) and their role in achieving the Sustainable Development Goals’, [United Nations Department of Economic and Social Affairs \(UN-DESA\)](#)

recognising that they have a pivotal role to play by integrating ESG reporting into their practices. Two-thirds of business leaders surveyed by KPMG emphasised that companies must report ESG data now or will soon be required to do so with growing scrutiny and regulatory pressure³. However, while multinational corporations are familiar with sustainability reporting and have continuously shown impact and measurable support for proper reporting standards, efforts to include more MSMEs in the conversation towards a seamless reporting process has been lacking.

Helping MSMEs navigate the high seas

MSMEs, often grappling with limited resources and information, find it challenging to prioritise ESG reporting. Their focus on survival and profitability leaves little room for navigating the complexities of ESG metrics (Exhibit 2). Additionally, the dearth of accessible information on financing avenues and collaboration opportunities exacerbates their struggle. This gap is further compounded by a lack of expertise, making it difficult for MSMEs to recognise the significance of ESG in their operations.

Standardising ESG metrics is pivotal for MSMEs to assess their impacts objectively. A participant also stressed the importance of creating technology that is “thoughtful and inclusive” rather than creating a “monolithic platform” for all MSMEs. Implementing an internationally accepted baseline framework for ESG data disclosure is the foundational step towards ensuring strong MSME participation in the global ESG agenda.

Efforts should extend to deploying technology for data collection and verification, ensuring inclusivity and interoperability with local ecosystems. By addressing the challenges faced by MSMEs, the international community can foster a more comprehensive and collaborative approach to achieving global sustainability goals.



Simplifying the mechanics

Strengthening the resourcing and incentivising of MSMEs is paramount, requiring a concerted effort from multinational corporations (MNCs) and financial institutions (FIs) to lead the way. By making it more frictionless for MSMEs to adopt ESG practices and providing resources such as feedback and data, MNCs and FIs can play a pivotal role in encouraging sustainable practices even if financing a MSME may be less profitable.

Tapping into supply chains becomes a strategic avenue, given that MSMEs often operate within MNC supply networks. This symbiotic relationship can be leveraged to impart the importance of ESG reporting, fostering collaboration and mutual benefit. A good example as raised by a participant, is the case in Europe where large corporations are facing mounting pressures to report their sustainability-related performance. As a result, these large corporations are requiring MSMEs in their supply chain to comply with sustainability reporting requirements. Arming MSMEs with tools for ESG integration not only aligns with sustainability goals but also positions them favourably for supplier contracts with MNCs aiming to reduce emissions throughout their value chains.

Enter Project Savannah, a global initiative spearheaded by the UNDP, MAS and GLEIF. This collective effort involves governments,

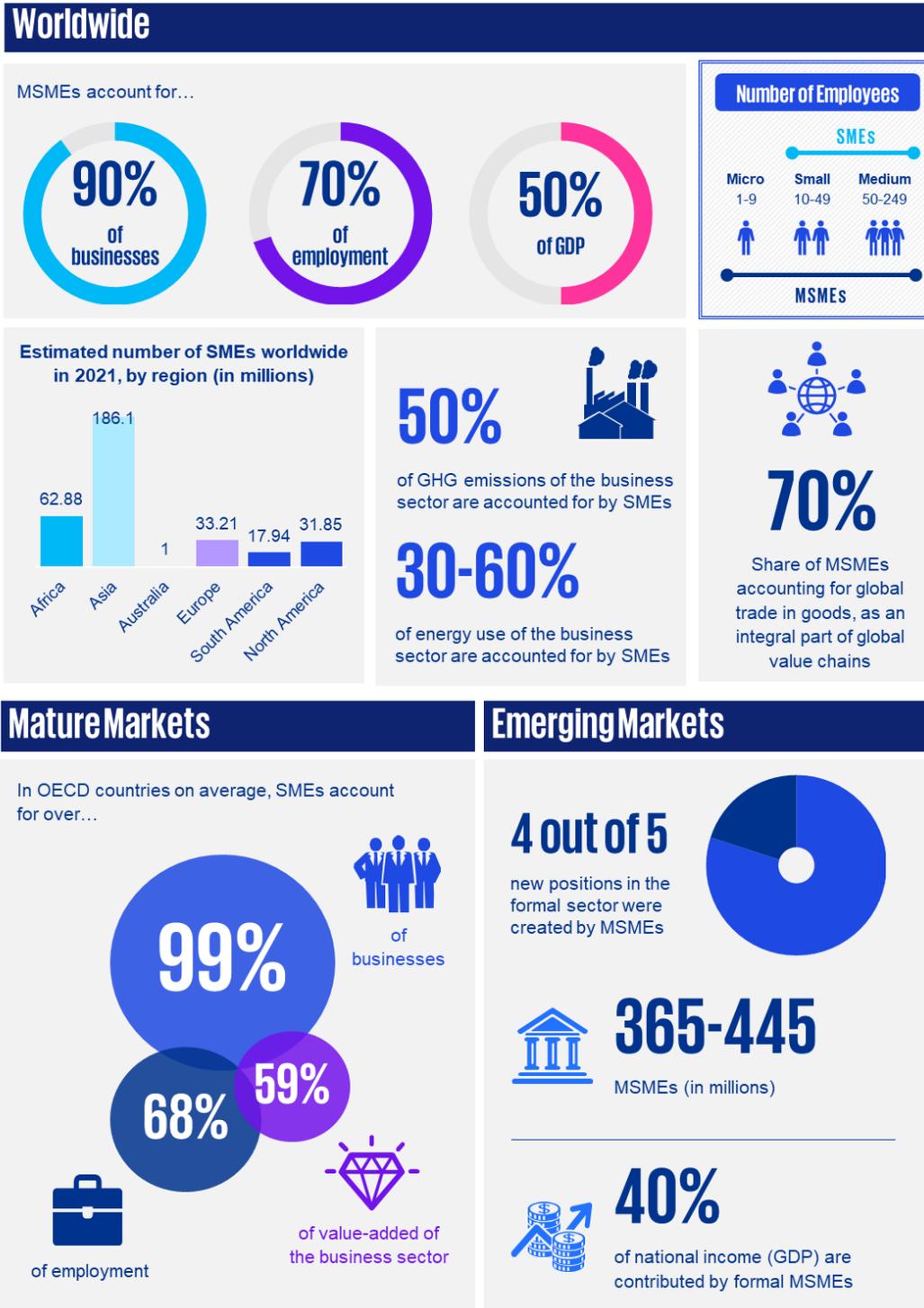
³ 'Road to readiness: KPMG ESG Assurance Maturity Index 2023', [KPMG](#)

financial institutions, and technological solution providers to simplify the complexity faced by MSMEs in ESG integration. As a participant highlighted, “The path ahead is a shared venture for the entire global

community.” By breaking down the mammoth task into bite-sized action items and providing trusted business identification and ESG credentials, Project Savannah aims to empower MSMEs on the global stage.



Exhibit 1: The oversized economic importance of MSMEs

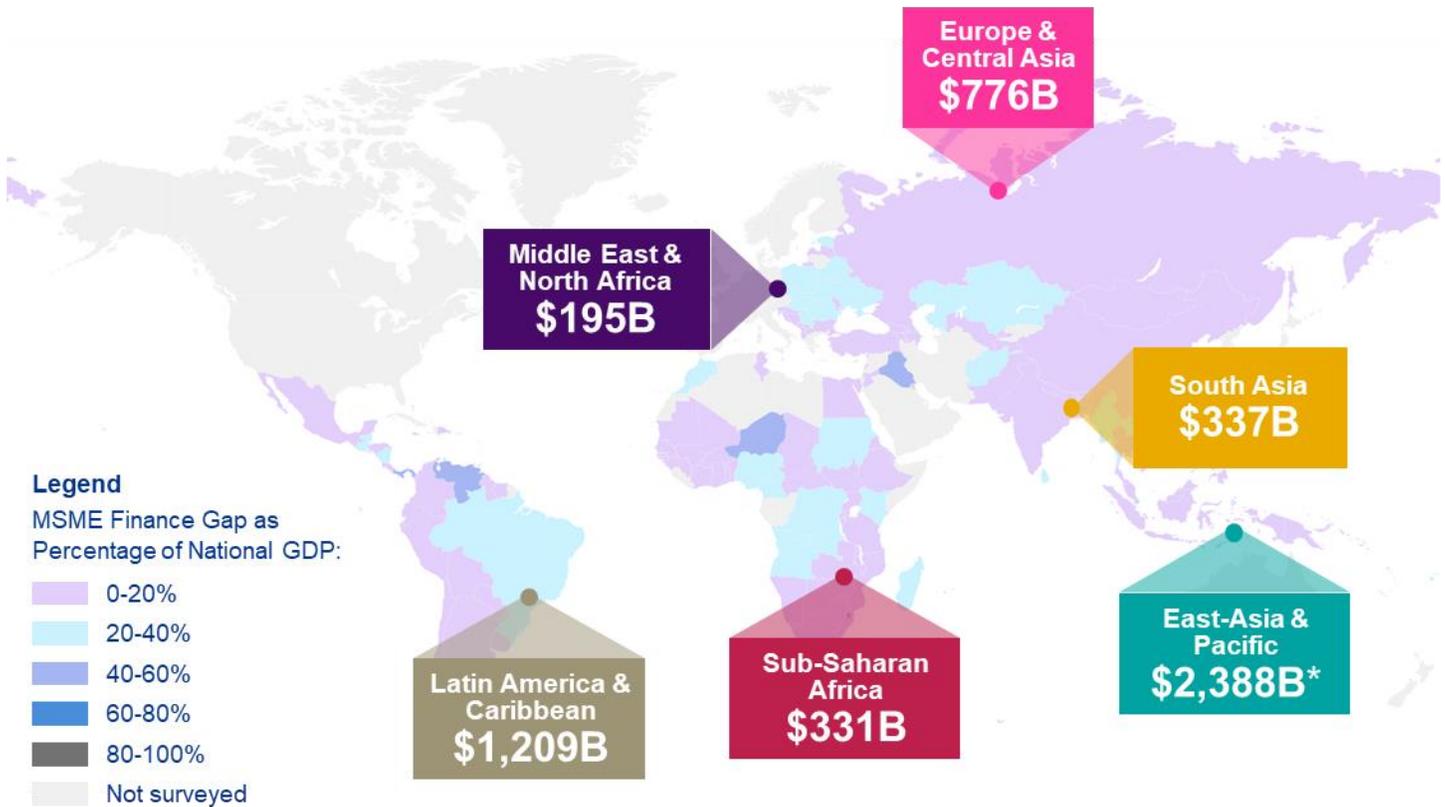


Sources: Statista: Global SMEs 2021 (2023), OECD, Financing SMEs for sustainability (2022), World Bank: SMEs Finance (2022), UN: MSMEs: Key to an inclusive and sustainable recovery (2021), UN: MSMEs and their role in achieving the SDGs (2020)

Exhibit 2: MSMEs require better access to financing

MSME Finance Gap

The MSME finance gap for each region is defined as the difference between the potential demand for financing by MSMEs and the current supply of such financing.



*Figure includes China's MSME Finance Gap of \$1,890B

Sources: SME Finance Forum, International Finance Corporation (2018)

Bringing ESG data collection & reporting to the digital age

MSMEs face a daunting digital divide, hindered by resource constraints and limited access to affordable technology solutions. The one-size-fits-all approach to technology can exacerbate the steep learning curve for MSMEs, creating a widening digital adoption gap compared to multinational corporations. Project Savannah, a global initiative, aims to bridge this gap by engaging tech solution providers and leveraging technology to simplify ESG data collection and reporting for MSMEs.

Steep learning curve for MSMEs

Hindered by resource constraints, numerous MSMEs remain non-digitalised, limiting their operational technology use (Exhibit 3). Accessibility and affordability further exacerbate the issue, with technology options often beyond the financial reach of these enterprises. This digital divide is particularly pronounced in regions such as ASEAN, where technology adoption rates in MSMEs, notably in Malaysia and Indonesia, lag significantly.

Moreover, the lack of inclusivity and tailored digital solutions compounds the challenge. As one participant highlighted, “Technology is not a silver bullet”. While technology can be transformative, the adoption of technology for MSMEs should be tailored towards their needs. Despite a global surge in digital innovation, MSMEs persistently lag, widening the digital adoption gap between MNCs and smaller enterprises. This disparity is evident not only between developed and developing nations but also within different regions. Countries like Greece, Hungary, and Türkiye struggle with digital adoption rates below 40%, while more advanced nations like Denmark, Finland, and Sweden boast double that figure.⁴

Participants in the roundtable identified technological constraints as a key hurdle for MSMEs in accurate sustainability reporting. Beyond the financial burden of digitalisation, MSMEs grapple with the challenge of implementing technology designed for a generic audience, intensifying the learning curve for these enterprises. The journey towards seamless technology integration in ESG reporting for MSMEs is not only about financial investment but demands a thoughtful and inclusive approach tailored to the diverse needs of these enterprises.



⁴ ‘Digital Trends in Europe’, [McKinsey & Company](#)

Unlocking MSMEs' digitalisation potential

Unlocking the digitalisation potential for MSMEs is pivotal in advancing ESG reporting, offering a transformative approach to capacity building and sustainability. Digitalisation serves as a dynamic tool to enrich knowledge, capture essential data, deliver training, and enhance overall capabilities among MSMEs.

Automation and AI-ML technologies further streamline data collection and ESG reporting, amplifying efficiency and accuracy.

Project Savannah aspires to create a global, inclusive tech community by engaging tech solution providers worldwide. By simplifying ESG data collection and reporting through technology, Project Savannah aims to onboard MSMEs into the digital era. Leveraging verified-at-source data, validating

MSME inputs, and linking to third-party assurance, this project seeks to ensure robust and reliable reporting mechanisms.

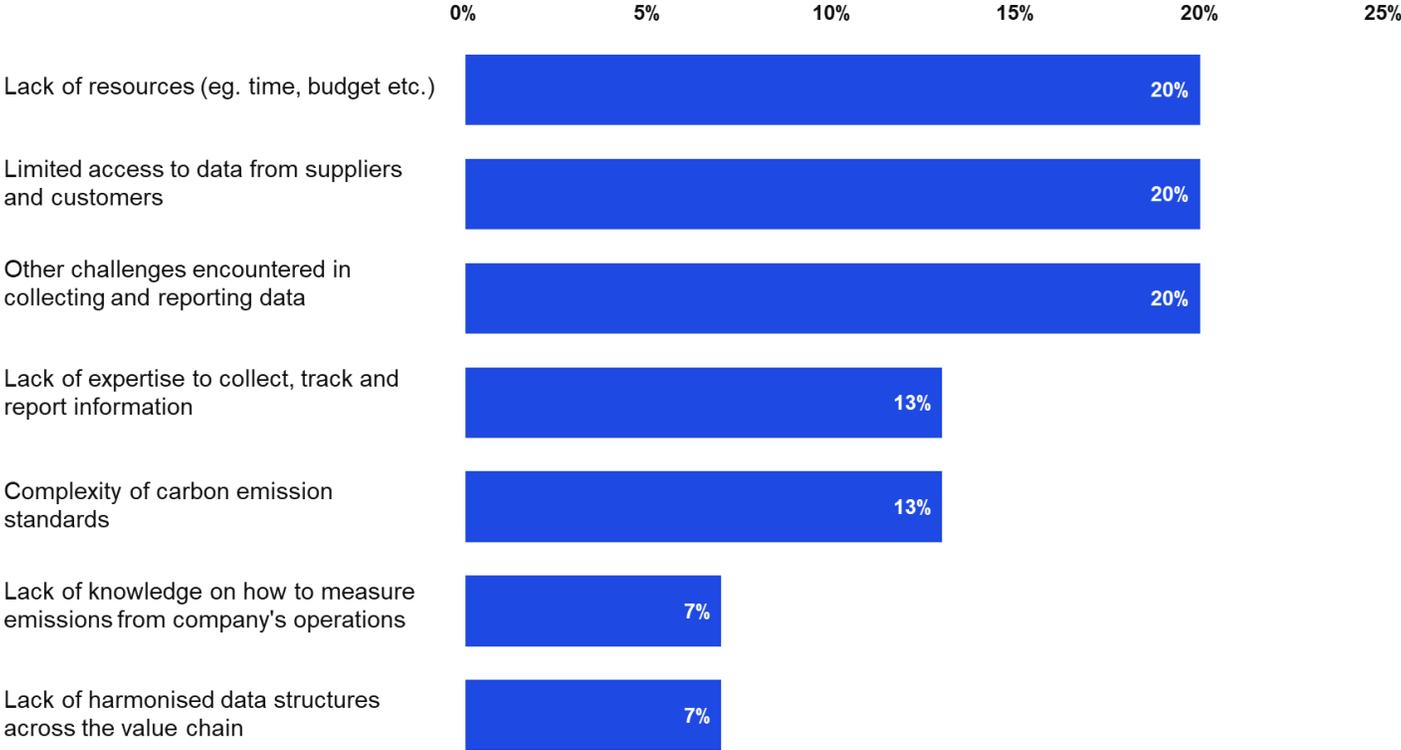
Digital tools play a crucial role in enabling MSMEs to visualise their sustainable growth journey, overcoming resource constraints and knowledge gaps. The Greenprint initiative by Greenprint Technologies, in collaboration with MAS, HSBC, KPMG in Singapore, Microsoft, and MUFG Bank, exemplifies how digital platforms can simplify and streamline MSMEs' reporting processes.

Digital platform companies like Ant can play an instrumental role “in helping millions of MSMEs make their first step into the digital economy”, as articulated by a participant. These platforms, with their tech expertise, can be leveraged to onboard MSMEs to ESG adoption, forging a path towards a sustainable and digitally empowered future.



Exhibit 3: Difficulties SMEs encounter in collecting and reporting carbon disclosure (study of 42 countries and 21 sectors between February and May 2023)

What difficulties have you encountered in collecting and reporting your carbon disclosure?



Source: Bloomberg Media Studios and DBS, Catalysts of Sustainability, March (2023)

Overcoming fragmented landscapes and specificities

ESG reporting frameworks are undergoing continuous transformation. Recognising the urgent need for a cohesive solution, Project Savannah advocates for a unified global framework that considers the distinct challenges faced by MSMEs. Leveraging GLEIF’s Legal Entity Identifiers (LEIs), the project aims to facilitate easy and cost-effective baseline implementation. Metrics developed with UNDP regional offices acknowledge regional and sector-specific nuances and support UN Sustainable Development Goals (SDGs).

A fragmented yet evolving ESG disclosure landscape

MSMEs face a particular challenge, as existing frameworks may sometimes prove divergent and burdensome. The urgent need for a common global framework has spurred discussions among stakeholders, advocating for the incorporation and potential convergence of existing standards. As a participant pointed out, “How do we bring about globally, MSMEs on board sustainability in a more coherent and universal manner?”

Participants highlighted notable initiatives such as the International Sustainability Standards Board (ISSB), the Corporate Sustainability Reporting Directive (CSRD), and the G20’s Common Reporting Standard (CRS) as potential reference points. A survey conducted by the International Chamber of Commerce (ICC) revealed that, despite considering the Global Reporting Initiative (GRI) framework, MSMEs found it to be restrictive and overly complex⁵. Concerns about the substantial costs associated with data processing and collection further dissuaded them from extensive ESG reporting (Exhibit 4).

The proliferation of sector or issue-specific frameworks has resulted in significant fragmentation, emphasising the crucial need to consolidate existing standards into a unified global framework tailored to the unique challenges faced by MSMEs. Project Savannah acknowledges these challenges and aims to support UN Sustainable Development Goals through easy and cheap baseline implementation by MSMEs. By leveraging the Global Legal Entity Identifier Foundation (GLEIF) to communicate ESG reporting progress globally, Project Savannah aims to develop flexible metrics adaptable to diverse regional and business contexts.



⁵ ‘Scaling MSME Sustainability Report,’ [International Chamber of Commerce \(ICC\)](#)

Accounting for regional and segment specificities

Implementing ESG disclosures for MSMEs requires a nuanced approach that considers regional and segment-specific factors. This was further affirmed by participants as they underscored the importance of context, especially in aligning with the national development agenda. While established frameworks provide a foundation for ESG reporting, the success of standards depends on understanding the diverse contexts in which MSMEs operate.

As elaborated upon by a participant, “It is crucial to recognise the unique challenges in the global context, especially in Africa where informality is widespread, and money is strapped.” (Exhibit 5). National and regional disparities, language barriers, and differing ESG priorities such as climate change or unemployment necessitate tailored approaches. Comparative analyses of countries exemplify the need to navigate regional differences and formality levels effectively.

Sectoral and industrial specificities further influence ESG prioritisation, with different sectors attaching varying significance to environmental, social, and governance

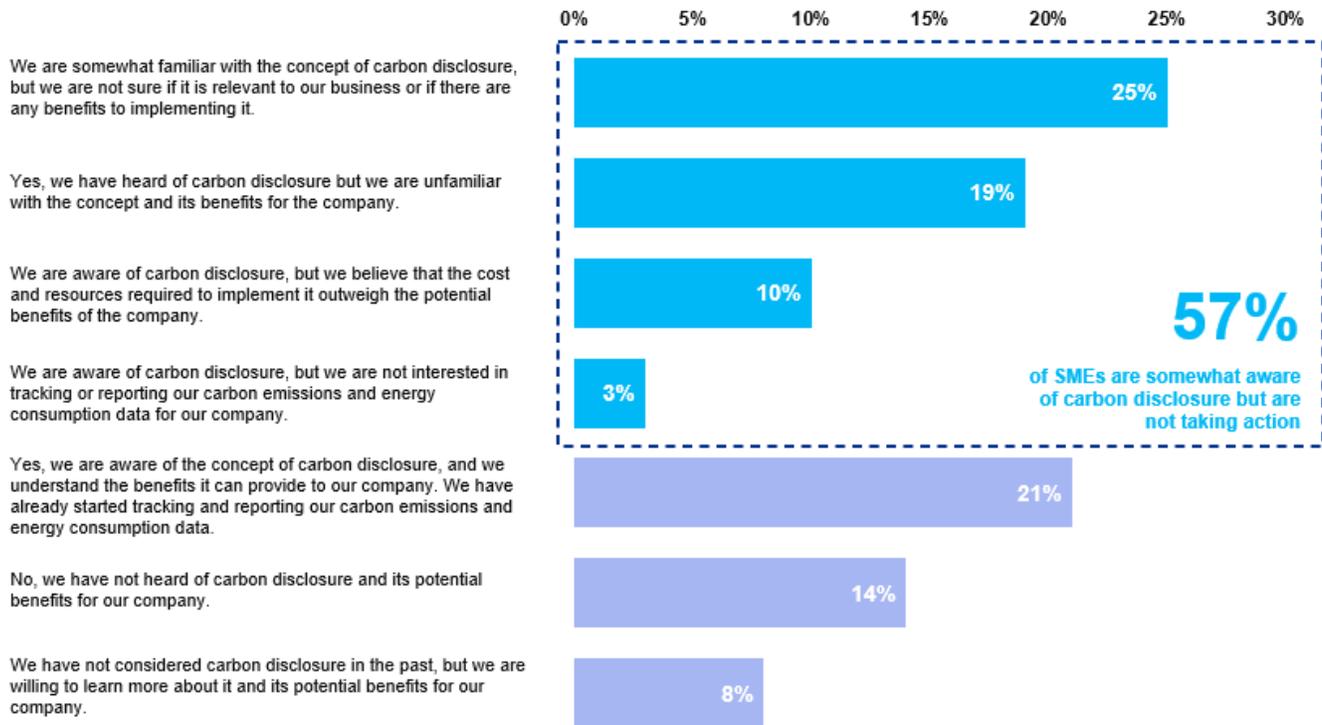
metrics. For instance, the metrics deemed material for manufacturing may differ from those pertinent to technology.

Project Savannah’s proposed ESG metrics, developed in collaboration with UNDP regional offices, aim to address these challenges. Environmental metrics focus on quantifiable measures like greenhouse gas emissions, energy consumption, and waste generation. Social metrics delve into the complexities of quantifying social impact, emphasising diversity, equity, and inclusion. Governance metrics highlight the importance of regional compliance, business transparency, and accurate financial reporting.



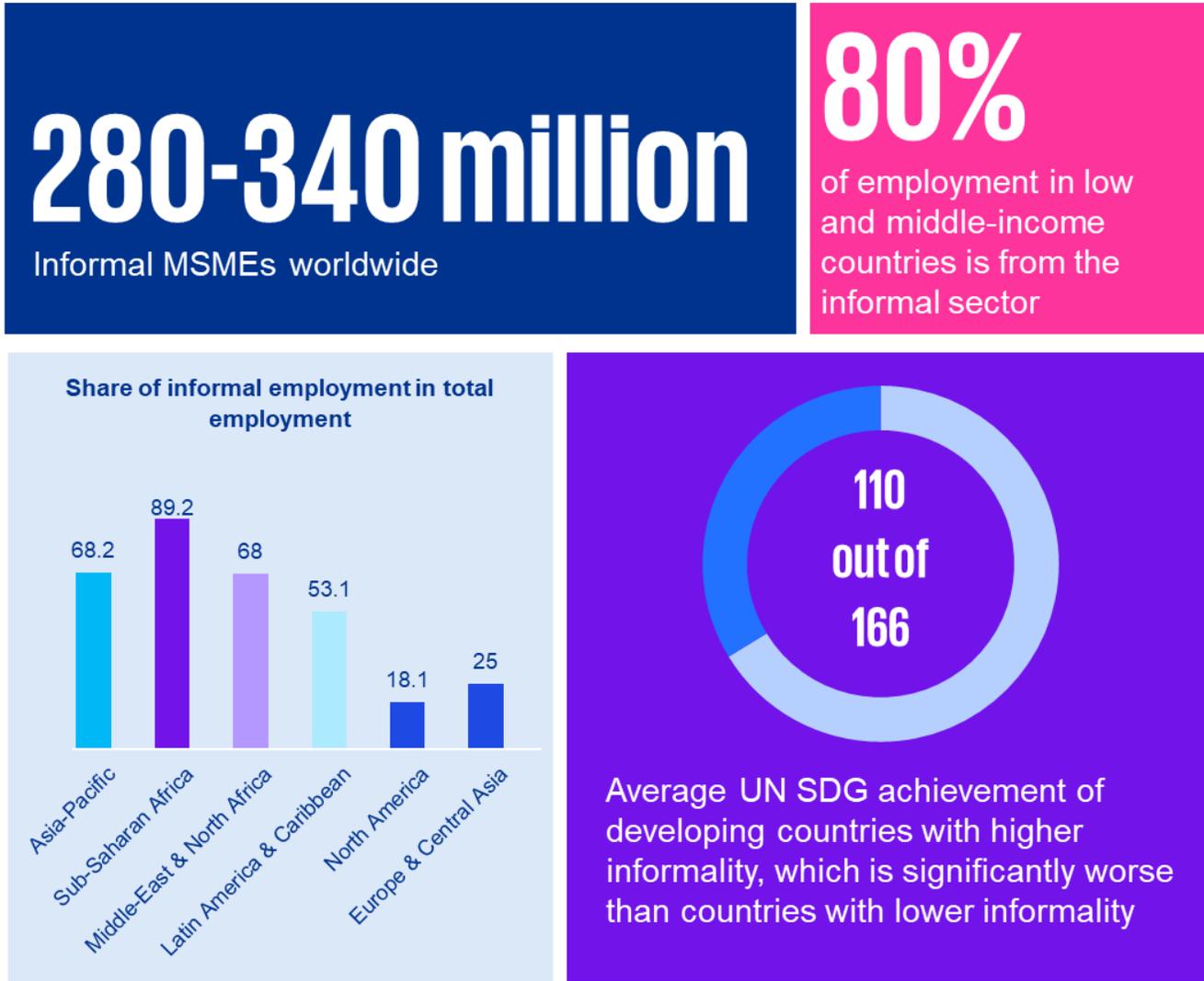
Exhibit 4: Awareness of carbon disclosure by SMEs (study of 42 countries and 21 sectors between February and May 2023)

Are you aware of the concept of carbon disclosure (tracking, measuring and reporting of greenhouse gas emissions and energy consumption) and the benefits for your company?



Source: World Economic Forum, Data Unleashed: Empowering Small and Medium Enterprises (SMEs) for Innovation and Success, June (2023)

Exhibit 5: Many MSMEs are informal



Sources: UN ESCAP (2023), World Bank (2022), International Labour Organization (ILO) (2018), OECD/ILO (2019)



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