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E-Services for MSME enablement - Australia

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A world of opportunity exists

Domestic Market

Export Market

Lucky MSME
But there are some obstacles

Obscurity
How will customers find me?

Trust
How will buyers trust me?

Regulations
How to navigate all the rules?
Intermediaries provide a safe path

MSME

Intermediaries

Distributors
Directories
Logistics Providers
Customs Agents
Trade Financers
Insurers

Foreign Buyer
But they all take a fee

Sometimes the barriers are so high it’s not worth crossing the bridge
E-services can be helpfully disruptive

**Discovery** (search)

**Trust** (feedback/ buyer protection / escrow)

**Logistics** (platform partner services)
But tend to exploit their dominance

Positive-sum partnerships drive collaborative growth behavior

Zero-sum partnerships drive exploitative growth behavior
Becoming another kind of bridge troll

Platform operator fees can be around 20% of sale value and so drive MSME margins to zero.
So what are the right policies?

That allow e-services to flourish whilst maximizing benefits to the MSME sector?

Lets look at some examples from Australia..
Case #1 – Single Window API

First released in 2004, UNECE Rec 33 describes a “single window” as a means to reduce the regulatory compliance burden.

From this

Trader

Multiple different forms

Agency1  Agency2  Agency3  Agency4

To this

Trader

Unified data

Single Window

Agency1  Agency2  Agency3  Agency4
Case #1 – Single Window API

But as we approach 2020, we find that 99% of regulatory lodgements are already digital and there are dozens of ”windows” that service international trade stakeholders.
Case #1 – Single Window API

The real “single window” is whatever platform the trader has chosen. Regulatory APIs mean that multiple platforms can integrate so there’s “no wrong door”!
Case #2 – Inter-customs Ledger

Problem – our exporters still face a pile of paperwork. Certificates of Origin are a good example

But AU has 99% digital uptake – so the problem is not national. The problem is cross-border
Case #2 – Inter-customs Ledger

The inter-customs ledger is essentially a “trust bridge” between national identity schemes.

Depends on national identity platform and complements national SW and commercial platforms.
Case #3 – Trade Finance

Problem – In AU, B2B trade of $4Tn/yr averages 60 day payment. That’s $600Bn of cashflow stuck in AP, about $100Bn of which is owed to MSME sector.

Financing at 4% per month

MSME Seller (Platform A) — “Here’s my invoice” — Bigger Buyer (Platform B)

Lender — “I sent this invoice”

Trade finance is hard to get and expensive because lenders must risk assess seller finances
Case #3 – Trade Finance

But with a strong national identity scheme and invoice API standards.

Trade finance is easy to get and cheap because lenders can verify buyer promise to pay.
Q1 – MSME Challenges?

• discovery, identity, trust, regulatory complexity
• E-services platforms help. But they are walled gardens. Each seeks to dominate its segment.

Policy settings must focus on profitable growth for MSMEs – by levelling the playing field so they can survive the sharks & trolls
Q2 – How can standards help?

Standards are critical because they help level the playing field.

**API standards**
- Commoditization – more choice
- Composition – “no wrong door”
- Portability – switch providers easily

Watch the ICSO domain and edi3.org

**Identity standards**
- Independence – my identity crosses platforms
- Federation – my identity crosses borders
- Trust – attached / returned to the MSME

Watch the e-Gov domain : Interledger and Identity projects.
Q3 – Economic & social impacts?

Reduced barriers & increased choice

More power & profits retained by MSME

API Standards
Identity Standards

Social cohesion
Economic uplift
Tax revenue
Q4 – Addressing the last mile?

If this means the “integration” last mile then APIs and independent identity let us switch:

From this

Hubs own identity and data standards – last mile is complex and expensive.
Q4 – Addressing the last mile?

Platforms are already the last mile. API standards and independent national identity services allow platforms to interconnect.
Thank you

Q&A

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