



Regional Policy Dialogue

On

Unleashing the Potential of MSMEs in the CAREC Region: Recommendations for Overcoming Barriers to Finance

Central Asia Regional Economic Cooperation (CAREC) Institute
Asian Development Bank (ADB) Institute

Webinar

10 May 2023

15:00 – 17:30 (Beijing time, UTC+8)

Draft Concept Note as of 03 May 2023

I. Background

Micro, small, and medium-sized enterprises (MSMEs) play a significant role in driving economic growth and development by providing employment opportunities and contributing to poverty reduction. However, MSMEs are particularly vulnerable to external shocks and crises, such as the COVID-19 pandemic, global trade tensions and geopolitical instability. The unprecedented uncertainty created by these factors has intensified the challenges faced by MSMEs, including reduced access to finance, disruptions to supply chains, and changing consumer behavior. As a result, policymakers in many regions have prioritized MSMEs development and financial inclusion as key components of their national growth strategies.

MSMEs are the backbone of the CAREC economies, making up 98.9% of all businesses, 46.1% of the workforce, 40.7% of economic output, and almost one-third (32.4%) of total exports on average, according to data available through 2021. While the region quickly rebounded from the COVID-19 pandemic, local wars and related sanctions have since upended MSME operations. Exports have been especially affected, due to the high reliance on the Russian Federation as a trading partner. Some service sectors strongly impacted by the pandemic continued to suffer setbacks, and agriculture and mining showed a mixed picture.

Most MSMEs are in services (mainly wholesale and retail trade), followed by manufacturing. Agriculture's share of MSMEs is relatively high (8.1% in 2021) in most CAREC countries, which exclusively focus on domestic markets. The entrepreneurial base—essential for inclusive growth—has yet to take hold across the region. Expanding this growth-oriented base will help unlock new productivity. Internationalizing MSMEs, business clustering, and innovation will accelerate economic recovery and inclusive, resilient growth. MSME participation in domestic and global supply chains must

deepen. And entrepreneurial development should continue to target youth, women, agribusiness, and tech startups. In addition to the business structure of the single problem, trade finance is a critical aspect of MSME financing. The availability of trade finance is essential for the healthy growth of MSMEs involved in domestic trade and regional and global transactions. To date, 80% of global trade is supported by financing or credit insurance. Lack of access to trade finance is a key barrier to the integration of MSMEs in international supply chains.

In light of the critical issues facing MSMEs in the CAREC region, the CAREC Institute, in collaboration with ADBI and other leading institutional organizations within and beyond the region, will hold a virtual panel discussion. This discussion aims to bring together policymakers and interested audiences to exchange views and discuss practical recommendations with experts and country representatives on how to improve MSMEs' access to finance and unleash their potential, with a focus on promoting renewal and inclusive growth based on research projects undertaken by the CAREC Institute, ADBI, and other development partners. By bringing together policymakers, experts, and stakeholders from the region, the dialogue will help build a stronger regional network and promote innovative solutions to the challenges facing MSMEs.

Overall, the webinar on "Unleashing the Potential of MSMEs in the CAREC Region: Recommendations for Overcoming Barriers to Finance" is a critical event for anyone who cares about the future of MSMEs in the region. It provides an opportunity to learn from leading experts and to engage with development partners who are committed to supporting the growth and success of MSMEs in the region.

II. Key Objectives

The key objective of the webinar is to provide participants with a comprehensive understanding of the challenges and opportunities facing MSMEs in the CAREC region, and equip them with the knowledge and tools needed to support their development and financial inclusion. To achieve this objective, the webinar aims to:

1. Enhance participants' capacities to analyze the supply- and demand-side challenges and obstacles for MSMEs, and provide an enabling environment for their trade finance.
2. Increase awareness among government officials of trends, prospects, and options for supporting MSMEs' access to trade finance, addressing regional financing gaps, and leveraging innovations for MSMEs in the region.
3. Provide participants with lessons learned from country experiences, as well as data and information availability, to support policy dialogue and cooperation among CAREC countries.
4. Provide policy recommendations for supporting MSMEs through a panel discussion with leading experts, policymakers, and country representatives.

III. Expected Outcomes

The webinar aims to achieve the following outcomes:

1. Provide policymakers with deeper understanding of the importance of MSME development and financial inclusion for driving economic growth, and provide them with insights into successful strategies and best practices.

2. Offer a platform for policymakers to network, share experiences, and discuss challenges related to promoting MSME development and financial inclusion in their respective countries.

3. Develop and disseminate additional policy-oriented educational materials, such as presentations and proceedings, that capture key discussion points raised by experts and country representatives during the workshop, with the aim of promoting broader impact and knowledge sharing.

By achieving these outcomes, the webinar seeks to support policymakers in advancing MSME development and financial inclusion in their respective countries and driving inclusive and resilient growth in the region.

IV. Target Participants

The target participants are mid and senior-level government officials/experts from relevant ministries/agencies of CAREC member countries (3-4 from each country). Further criteria for target participants will be reflected in the invitation letter communicated with the CAREC National Focal Point Offices for participant's nomination. International experts and representatives from international organizations and regional research institutes involved in developing and financing MSMEs are also welcome to attend.

V. Workshop Methodology

The workshop will be based on a blended learning program consisting of three phases: attendance of pre-recorded expert presentations and learning materials, virtual policy dialogue, and follow up activities. In order to ensure that all participants have a shared understanding of the challenges and opportunities facing MSMEs in the CAREC region, and to equip them with the knowledge and tools needed to support their development and financial inclusion, it is recommended that they review the learning materials for the workshop and recordings from previous events. Materials will be available on the CAREC Institute e-learning platform (<https://elearning.carecinstitute.org>).

The workshop will be conducted online in a dialogue mode to ensure maximum participant engagement in detailed discussions. The first session will feature experts from the CAREC Institute and ADBI who will inform the audience about research findings and policy recommendations on the subject, and representatives from CAREC member countries will be invited to share information about supporting MSMEs in their respective countries. The second session will be an open panel discussion format. The facilitation methods used in the workshop will encourage active participation and engagement from all participants through open discussion and dialogue. The workshop will provide a platform for policymakers to exchange views with leading experts and country representatives on the subject. After the event, participants will be encouraged to visit an e-learning platform to access workshop recordings and attend a forum to ask questions.

The workshop will be delivered in English, with simultaneous interpreters available for English-Russian and vice versa to keep the virtual dialogue effective and engaging for multilingual participants. The material presented will be in English as well, and the Russian version of the written material will be uploaded later on the e-learning platform. All participants are required to have access to the internet and webinar software like Zoom. They are also required to have either English or Russian proficiency.

VI. Time, date and venue

3pm-5.30 pm Beijing time (UTC+8), 10 May 2023, online

Register here:

Meeting ID: 823 8321 5698

Passcode: 038244

VII. Agenda

14:50-15:00 Virtual Connection to the Dialogue and Webinar Rules
Steven Liu, Capacity Building Specialist, CAREC Institute

Opening Remarks

15:00-15:05 **Jingjing Huang**, Deputy Director One, CAREC Institute

15:05-15:10 **Tetsushi Sonobe**, Dean and CEO, ADBI (TBC)
Group Photo

Session 1

Keynote 1. Presentations from academic/respected scholars

15:10-15:25 **Introduction to MSMEs: Trends and challenges**
This session will provide an overview of MSME development in the CAREC region, trends, and challenges affected by the pandemic
Speaker: Kamalbek Karymshakov, Vice-rector, Associate professor, Kyrgyz-Turkish Manas University

15:25-15:40 **Recovery strategies for MSMEs in the CAREC region**
This session will provide an overview of the post-pandemic government support measures for MSMEs in the CAREC region.
Speaker: Ghulam Samad, Senior Research Specialist, CAREC Institute

15:40-15:55 **Improving access to finance for MSMEs: Evidence from China**
This session will explore how digital payment platforms and tools can be used to provide MSMEs in the region with greater access to finance, reduce the cost and complexity of financial transactions, and enhance financial inclusion.
Speaker: Shi Li, Associate Professor of Accounting, Vice Dean, Xiamen National Accounting Institute

15:55-16:15 **Key policy recommendations for digital payment platforms and tools to help MSMEs:**
This session will discuss key recommendations to support MSMEs in the CAREC region.
Speaker: Dina Azhgaliyeva, Research fellow, ADBI

Keynote 2. Presentations from CAREC member countries

16:15-16:50 **Sharing experiences of the challenges and opportunities, key policies for the MSMEs in the respected CAREC member countries**
Representatives of the CAREC member countries (Azerbaijan, PRC, Georgia, Kazakhstan, Kyrgyzstan, Mongolia, Pakistan, Tajikistan, Turkmenistan, Uzbekistan) will share their experience of the challenges and opportunities for MSMEs in their respective countries, key policies, and actions taken. (3-5 minutes for a representative of each CAREC country, in alphabetical order)

Q&A Session (10 min)

Moderator: **Riznaldi Akbar**, Senior Capacity Building and Training Economist, ADBI

Session 2: Panel discussion

16:50-17:25 This is an open dialogue session with leading international experts from key implementing partner organizations. Each expert will be given 5-7 minutes to address the following guiding questions and engage in open dialogue with other experts, and participants.

- 1. What role can international financial institutions play in supporting the growth and development of MSMEs in the CAREC region, and what specific initiatives are currently in place?**
- 2. What activities and measures are local financial institutions to be encouraged to provide greater access to financing for MSMEs in the CAREC region? Please highlight the expected outputs from your projects.**
- 3. What innovative financing models or technologies could be implemented to overcome financial barriers and support the growth of MSMEs in the CAREC region?**
- 4. What measures should be taken by international institutions to ensure the effective coordination of joint, mutually beneficial activities in the field of development of MSMEs and how to promote effective partnership between international institutions in the region?**

Distinguished Discussants:

- Shigehiro Shinozaki, Senior Economist, Economic Research and Regional Cooperation Department, ADB
- Ahmed Eiweida, Sector Leader, Sustainable Development Global Coordinator for Cultural Heritage and Sustainable Tourism, The World Bank
- Svenja Petersen, Senior Economist, EBRD
- International Finance Corporation, World Bank Group (TBC)

Moderator: Iskandar Abdullaev, Deputy Director Two, CAREC Institute

17:25-17:30 Closing remarks

Iskandar Abdullaev, Deputy Director Two, CAREC Institute
ADBI (TBC)

VIII. Useful links

- CAREC Institute. Research Report. Impact of COVID-19 on Micro, Small, and Medium-sized Enterprises (MSME) in Selected CAREC Countries: Pakistan, Uzbekistan, Kazakhstan, Georgia. July 2021 <https://www.carecinstitute.org/wp-content/uploads/2021/07/CI-COVID-19-impact-on-MSME-in-CAREC-July-2021.pdf>
- CAREC Institute. Policy Brief on COVID-19 and Micro, Small, and Medium-sized Enterprises (MSMEs) in Selected CAREC Countries <https://www.carecinstitute.org/wp-content/uploads/2021/09/CI-policy-brief-MSME-July-2021.pdf>
- CAREC Institute. Second Annual Book. Resilience and Economic Growth in Times of High Uncertainty. 2022. [RESILIENCE-AND-ECONOMIC-GROWTH-IN-TIMES-OF-HIGH-UNCERTAINTY.pdf \(carecinstitute.org\)](https://www.carecinstitute.org/RESILIENCE-AND-ECONOMIC-GROWTH-IN-TIMES-OF-HIGH-UNCERTAINTY.pdf)
- ADB. Asia Small And Medium-Sized Enterprise Monitor 2022 Volume I—Country And Regional Reviews. 2022. <https://www.adb.org/sites/default/files/publication/843146/asia-sme-monitor-2022-volume-1.pdf>
- ADB. Access to Finance for Micro, Small, and Medium-Sized Enterprises in Central Asia. 2018. <https://www.adb.org/sites/default/files/publication/455831/access-finance-msmes-central-asia.pdf>

- ADBI. The Impacts of The Covid-19 Pandemic on Micro, Small, And Medium Enterprises in Asia And Their Digitalization Responses. 2021.
<https://www.adbi.org/sites/default/files/publication/692466/adbi-wp1241.pdf>
- ADBI and Karymshakov, Kamalbek and Azhgaliyeva, Dina and Mishra, Ranjeeta and Aseinov, Dastan, Evaluating COVID-19's Impact on Firm Performance in the CAREC Region Using Night-Time Light Data: Azerbaijan, Georgia, Kazakhstan, and Mongolia (July 2022). ADBI Working Paper 1332, Available at SSRN: <https://ssrn.com/abstract=4204213> or <http://dx.doi.org/10.2139/ssrn.4204213>
- Aseinov, Dastan and Sulaimanova, Burulcha and Karymshakov, Kamalbek and Azhgaliyeva, Dina, What Determines the Adaptation of Enterprises to COVID-19 in CAREC Member Countries: Empirical Evidence from Azerbaijan, Georgia, Kazakhstan, and Mongolia (January 1, 2022). ADBI Working Paper 1299, 2022, Available at SSRN: <https://ssrn.com/abstract=4204133> or <http://dx.doi.org/10.2139/ssrn.4204133>
- EBRD. Improving Access to Finance for SMEs in Central Asia. 2020.
<https://www.ebrd.com/publications/technical-reports/improving-access-to-finance-for-smes-in-central-asia.html>
- IFC. Small and Medium-Sized Enterprises (SMEs) in Central Asia. 2019.
https://www.ifc.org/wps/wcm/connect/region__ext_content/ifc_external_corporate_site/eca/regions/central-asia/publications/small-and-medium-sized-enterprises-central-asia
- UNCTAD. The Covid-19 Pandemic Impact on Micro, Small And Medium Sized Enterprises: Market Access, Challenges And Competition Policy. https://unctad.org/system/files/official-document/ditccplp2021d3_en.pdf
- World Bank Group. Central Asia's Small and Medium Enterprises: A Golden Opportunity for Investment and Growth. 2018.
<https://www.worldbank.org/en/news/feature/2018/04/11/central-asias-small-and-medium-enterprises-a-golden-opportunity-for-investment-and-growth>

IX. Notes: (evaluation survey from participants)

Time limits

Presentations of research findings (10-15 minutes each)

Interventions by the panelists: 5 minutes each

Questions and answers: 15 minutes. The chair/moderator will pick up some questions from the floor for the panelists from the 'Q&A' box or 'raised hands'.

Panel open discussion: 55 minutes.

Questions

Questions will be welcomed during the workshop. After presentations, there will be a live discussion. Attendees may use 'Q&A' at the bottom of your screen to type their questions. Speakers, please type answers to the questions in 'Q&A' after your presentation.

Evaluation of webinar

The interactive survey will be provided via Zoom software, and participants will be asked to complete it. This survey will be designed to measure the participants' level of understanding and engagement and to gain feedback on their experience with the webinar. Additionally, open-ended questions will allow participants to provide additional comments and suggestions.

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Simultaneous interpretation by Zoom will be available. Please select from the bottom panel which language for interpretation you would like: English or Russian.