Rethinking MSME Finance in Asia-Pacific: A Post-Crisis Policy Agenda

Asian Impact webinar: Asia’s SMEs Beyond the COVID-19 Crisis
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Research objectives and publication title

🔍 Objectives

- Develop a capacity building tool for MSMEs to facilitate resurgence and strengthen resilience of MSMEs in Asia and the Pacific to mitigate the socioeconomic impact of the Covid-19 crisis
- Examine issues surrounding access to finance by MSMEs and share policy recommendations
- Facilitate the MSMEs’ contribution to the SDGs implementation

💡 Working publication title

- “Rethinking MSME Finance in Asia and the Pacific: A Post-Crisis Policy Agenda”
Pre- and post-COVID-19 trends and challenges

Access to finance for MSMEs in Asia and the Pacific: pre-COVID-19 trends and challenges

COVID-19 strikes

Lockdown period

Economic recession period

Recovery period

Coming back even stronger

What is now invalid / less likely to work?

What remains valid, and may even accelerate?

What has changed / is new and now feasible?
Publication outline

- **Before**: Challenges and trends in MSMEs’ access to finance in Asia and the Pacific before COVID-19

- **During (1) The Impact**: Impact of COVID-19 and its economic ramifications for MSMEs in Asia and the Pacific

- **During (2) The Response**: Policy measures being taken to mitigate the impact of COVID-19 on MSMEs in Asia and the Pacific

- **After**: New trends in access to finance for MSMEs in Asia and the Pacific and enhancing MSMEs’ access to finance through strengthening institutional capacity and governance

- **Beyond**: Rethinking MSME finance in a post-COVID-19 world
COVID-19 responses, percent of GDP

Sources: ESCAP based on IMF (2020)
COVID-19 responses for MSMEs, global vs. AP

Global
- Debt finance
- Employment support
- Tax
- Business costs
- Other finance
- Demand
- Business climate
- Business advice

Asia and the Pacific
- Debt finance
- Employment support
- Tax
- Business costs
- Other finance
- Demand
- Business climate
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Sources: ESCAP based on the data of the World Bank (2020)
COVID responses for MSMES, by income

Sources: ESCAP based on the data of the World Bank (2020)
An overview of policy measures for MSMEs

<table>
<thead>
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<th>Support measures</th>
<th>Relief</th>
<th>Stimulus</th>
<th>Structural change</th>
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<td>Business environment</td>
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Sources: ESCAP based on the data of the World Bank (2020) and ADB(2020)
An example: Acceptance of credit guarantee in Japan

Source: ESCAP based on the data of the Japan Federation of Credit Guarantee Cooperation (2020)
Schedule for this publication

Dec 2020
Draft completion

Jan 2021
Review meeting

Mar 2021
Final publication
Tentative policy recommendations

• Avoid drastic restriction measures that impact MSMEs’ operations
  o Lockdown
  o Movement of goods and people
  o Sectoral restrictions

• Provide holistic and long-term support to MSMEs
  o Balance in relief and stimulus
  o Prolonged pandemic

• Build back better
  o Structural change
  o Access to finance, capacity building, business environment

• Focus on key trends
  o ESG, digitalization, gender
Thank you