



Highlight

Side Event of the 2nd G20 Development Working Group Meeting “Strengthening MSMEs Productivity, Competitiveness, and Resilience in Facing Future Shocks Post COVID-19 Pandemics in Developing Countries, LDCs, and SIDS”

The side event was held as a part of the 2nd G20 Development Working Group series of meeting from 23rd to 25th of May, 2022. This event ran in a hybrid manner from Hotel Tentrem, Yogyakarta starting from 9.00 AM to 12.20 PM.

Ms. Diana Octary, the Advisory Project Lead from ASYX Holdings Pte. Ltd. was the moderator who led the seminar. Nine panelists came from respective countries, the private sector, academicians, associations, and international organizations and development partners. Three panelists representing each of their respective countries shared their country experiences. The first was Mr. Ahmad Dading Gunadi, serving as the Director of SMEs and Cooperative Development, Bappenas, Indonesia, and followed by Mr. Jayesh Ranjan, the Principal Secretary of Industries, Commerce and Information Technology of the Government of Telangana, India. Lastly, to represent the view from Small Island and the Developing States and academician, we invited Mr. Antonio Alleyne as a Lecturer from the University of West Indies, Barbados.

Some international organizations and development partners also contributed to this side event, such as Ms. Diana Gutierrez from UNDP, Mr. Marco Kamiya from UNIDO, Ms. Wendy Teleki from We-Fi (World Bank), and Mr. Mohamed Abida from IsDB. To represent the private sector and chamber of commerce, we had Mr. Aria Widiyanto from Amarthia, and Ms. Cinthia Jeremy from the Caribbean Chamber of Commerce shared their experience in helping MSMEs based on private and association views.

This document aims to highlight and describe key takeaways delivered by the panelists based on the presidency’s view on the issue of MSMEs. The issue MSMEs are one of the key focus areas chosen by the presidency as part of priority number one entitled “Strengthening Recovery from the COVID-19 Pandemic and Ensuring Resilience in Developing Countries, LDCs and SIDS”.



KEY TAKEAWAYS

KEY CONCEPTS

1. MSMEs are the backbone for the growth of the economy both in developed and developing countries. Their contribution is immense to the global economy.
2. COVID-19 pandemic is seen as two sides of the coin, representing challenges and opportunities. COVID-19 is a momentum for the MSMEs to transform their business practices into sustainable business practices, including through digitalization of business operationalization.
3. Inclusive green recovery could be seen as an opportunity to apply more sustainable business practices for MSMEs. This adds the point to their critical role which helps to put attention to its environmental impact on their business practices. This will also lead the MSMEs to adopt sustainable business practices.
4. There is a need for MSMEs to have a business continuity plan from their side to prepare MSMEs for facing both natural and non-natural shocks.
5. An ecosystem approach is needed to strengthen and support MSMEs' productivity and resilience. This approach involved entities from the government and private sectors as a system and needs to support each other to run the business ecosystem well. It offers a wide landscape to provide an enabling environment on policy and program, financing access, technology and innovation, capacity building, and private sector engagement. This ecosystem approach has also shown in the detail of each stakeholder.
6. Digital Transformation should be inclusive and leave no one behind. The innovation that we create must not make a new disparity in society. The needs for digital transformation should also be aligned based on the MSMEs type and condition (targeted policies).
7. A unified database of MSMEs is needed to integrate with industry 4.0 and support the implementation of inclusive and sustainable business practices. It is a must for respective countries to implement this initiation to support the MSMEs business ecosystem

CHALLENGES FOR MICRO, SMALL, AND MEDIUM ENTERPRISES

1. Financing is still one of the main challenges for MSMEs to increase their productivity, competitiveness, and resilience. There is also significant gender inequality in entrepreneurship, whereby, access to finance for women is still uneven, coupled with a struggle with legal constraints. This situation is distressing, as women entrepreneurs are particularly important as they sometimes provide income to their families.
2. An unintegrated database between all institutions related to MSMEs (regional and national) is also being seen as a challenge from the supply side to stress the implementation of inclusivity and creating targeted policy toward all types of MSMEs. The unintegrated database could also lead to a lack of coordination among all institutions related to MSMEs.



3. MSMEs, including the women MSMEs, do not have enough capacity to increase their productivity to compete and participate in the Global Value Chain. This condition will lead their business progress to a stagnant level.
4. In processing their business, MSMEs often did not implement a sustainable business process which caused environmental aspects globally due to their existence in every country. MSMEs generate around 60% of pollution in certain economies.
5. Fragmented-policy design in supporting the MSMEs is also a challenge in supporting sustainable plans for the MSMEs.
6. Many MSMEs do not have business continuity plans and disaster risk management for any shocks.

OPTIMIZING OPPORTUNITIES

1. MSMEs' contributions to the achievement of SDGs are immense and could also be catalyzed by supporting MSMEs in transitioning to a sustainable business practices approach. The green recovery approach is one of the examples to be followed. Due to their large amount of number, by implementing sustainable business practices, MSMEs could contribute to creating 20.5 million jobs and lift out 146 million people from extreme poverty.
2. The business ecosystem is one of the key aspects of the MSMEs to become more productive and competitive. The ecosystem approach could lead to the improvement of the business ecosystem that is matched for the MSMEs. Besides, this approach could also be taken as a first step in supporting the improvement of the MSMEs' vulnerability, supporting and engaging MSMEs to have business continuity and disaster risk management, strengthening coordination between all stakeholders, and helping in the development of unified database.

LESSONS LEARNED FROM THE EVENT

1. From the demand side, MSMEs need to have a mindset to develop their business. Business should not be seen as the last resort but as a way to contribute to the growth of national economies. An advanced mindset would accelerate MSMEs' progress in their business.
2. The key to supporting the MSMEs to achieve optimum productivity, competitiveness, and resilience is coordination and collaboration among all stakeholders.
3. Women MSMEs need more attention to get involved and supported in contributing to the global economy. Investment towards gender equality for the Women MSMEs is needed.
4. MSMEs should be encouraged and accompanied to get transitioned toward sustainable business practices. This will lead to their preparedness and coping mechanisms to face any kind of shock and give benefaction to the achievement of SDGs.



5. International cooperation plays an immense role in supporting developing countries to get more information and build the capacity to develop MSMEs policies at the national level such as through regional chamber of commerce. Some global platforms for MSMEs are widely operating under several coordinated forums. The existing global platforms can be leveraged in implementing the innovation of supportive policies toward MSMEs.
6. Regional institution as such the chamber of commerce is an important counterpart for MSMEs to be the platform for knowledge and experience exchanges.
7. There is no one solution fits all, so targeted policies for each type of MSME are needed.

IDEAS ON G20 ACTIONS

1. The G20 shall leverage the existing global platforms which aim to support the MSMEs' advancement. The engagement among the public, private sector, and all other stakeholders should be strengthened under the existing platform.
2. The G20 could promote and helps to support the mobilization of financing to help the growth of MSMEs, including through the engagement with the private sector investor and by using innovative financing schemes.
3. The G20 needs to promote integrated coordination in terms of national circumstances to develop sustainable and targeted policies to support each type and sector of MSME.
4. The G20 must support the MSMEs in developing countries, LDCs, and SIDS in adopting technology both in manufacturing and digital.
5. The G20 shall support and contribute to forming a comprehensive and unified database of MSMEs in developing countries, LDCs, and SIDS.
6. The G20 should also encourage and accompany MSMEs in adopting sustainable business practices parallel with enhancing their capacities and skills, including designing long-term business continuity plans and disaster risk management. The transition to sustainable business practices could help MSMEs in line with current development trends.