



## Asia-Europe Meeting

### **ASEM Seminar on All-Dimensional Support to the Financing of SMEs**

#### **Concept Paper**

(Proposed by China)

#### **Background**

Small and medium-sized enterprises (SMEs) play a crucial role for employment, job creation, investment, innovation and economic growth around the world. They account for about 90% of businesses and more than 50% of employment worldwide, and are therefore essential for the recovery of the world's economy. In ASEM countries, SMEs account for a very high percentage of all enterprises (98% in Asia, 99% in Europe). To promote the development of SMEs has always been an important focus of ASEM, as leaders and ministers have repeatedly emphasized the pivotal role of SMEs in contributing to inclusive and sustainable economic growth, decent job creation and to increasing trade, investment and tourism in and between the two regions.

However, access to finance is a key constraint to SME growth. This situation is even worsened in the aftermath of the financial crisis. In reality, SMEs are less likely to secure bank loans than large firms; instead, they rely on internal or "personal" funds to launch and initially run their enterprises. 50% of formal SMEs don't have access to formal credit. The financing gap is even larger when micro and informal enterprises are taken into account. The current credit gap for formal SMEs is estimated to be US\$1.2 trillion; the total credit gap for both formal and informal SMEs is as high as US\$2.6 trillion (World Bank). In the context of a weak recovery of the global economy, this insufficient access to funding has limited the capabilities of SMEs to improve their operations, up-grade or expand and therefore is undermining the role of SMEs in reenergizing the market and spurring economic growth.

To address the common challenges facing both Asia and Europe in SMEs financing, and to implement the decision of ASEM leaders at the Milan Summit to "improve framework and working conditions for ASEM SMEs, including expanding their access to credit", Italy hosted the ASEM Seminar on Financing SMEs in Asia and Europe in Rome on 29-30 October 2015 which has provided a platform for policymakers, experts and professionals from Asia and Europe to exchange views and share best practices on this issue of common interest. At the 11<sup>th</sup> ASEM Summit in 2016, leaders once again "underlined the

importance of promoting dialogue and cooperation to address common social and economic challenges, to support long-term economic growth, to implement targeted policy measures in support of micro, small and medium enterprises (MSMEs) and to undertake more concerted efforts to this effect within ASEM, including by promoting business start-up support services and financing, and implementing continued reform of the regulatory environment." To build on the progress and continue the discussion in Rome and to implement the decision of leaders at the 11<sup>th</sup> ASEM Summit , China is to host the ASEM Seminar on All-Dimensional Support to the Financing of SMEs in Guangzhou on 11 October 2017.

## **Objectives**

The seminar aims to look into the prominent issues on the financing of SMEs in Asia and Europe, including SMEs' lack of access to finance, high cost of finance, overwhelming collateral requirements, gaps in obtaining credit information, cumbersome documentation processes, etc..It intends to provide the platform for policy exchanges, best practices sharing and case studies among ASEM members. It is hoped that relevant stakeholders would work together, through this seminar, to identify the priority areas of cooperation and formulate recommendations for future actions.

## **Expected Outcomes**

A brief summary of the discussion on the seminar will be generated and reported to the ASEM SOM meeting, the ASEM Finance Ministers Meeting and the ASEM Summit.

## **Programme, Date & Venue**

The Seminar will take place in Guangzhou, China on 11 October 2017. It will be organized by the Ministry of Industry and Information Technology (MIIT) and the Ministry of Foreign Affairs (MOFA) of China, the People's Government of Guangdong Province and Bank of China.

## **Tentative Topics**

### **1. SME Financing Policies and Measures of ASEM Members**

Relevant financing policies and measures in support of SMEs will be discussed with a special focus on inclusive finance.

### **2. Innovative SME Financing Methods Based on Current Circumstances**

Research achievements and successful experience on how to innovate SME financing methods will be shared by participants.

### **3. Suggestions for Improving SME Financing Environment**

Participants will illustrate current measures and future directions on improving SME financing environment and service system. They will share some suggestions on enhancing accommodation of funds and financing service system establishment.

#### 4. Roundtable Dialogues

A roundtable dialogue is planned to be organized as the extension of the above-mentioned topics. Participants will discuss around the following sub-topics:

- a. Innovating SME Financing Products and Models
- b. Expanding Diversified Financing Channels for SMEs
- c. Improving the SMEs Financing Service System

### **Participation**

The Seminar aims to gather a wide range of participants, including government officials, civil experts/researchers, representatives from business circles and financial institutions, as well as from related regional and international organizations. The aim is to bring together policy-making and professional practice/expertise.

### **Co-Sponsors**

China welcomes all members, particularly those who place a particular importance on SME driven sectors, to co-sponsor this initiative. Co-sponsors are invited to:

- provide ideas for the concept paper and agenda,
- suggest a number of relevant speakers, including keynote and guest speakers for the event,
- chair a number of Sessions of the Seminar,
- support the drafting of the summary of discussion of the event.

### **Expenses**

The venue and organization will be handled by the host country. Travel and accommodation costs shall be covered by the participants.

### **For Further Information**

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