



Division for Sustainable Development Goals, UN DESA

Webinar

EXPLORING THE IMPACT OF THE COVID-19 PANDEMIC ON MICRO, SMALL AND MEDIUM ENTERPRISES

20 May 2020

Key Challenges, Gaps, Policy Messages and Recommendations

The Division for Sustainable Development Goals in the Department of Economic and Social Affairs held a webinar on the impact of COVID-19 on micro, small and medium enterprises (MSMEs) on May 20, 2020. The webinar discussed policy measures adopted by countries to support MSMEs in response to the outbreak of the novel corona virus (COVID-19) pandemic and to enhance MSMEs resilience towards external shocks during the recovery phase. The speakers were Mr. Ayman El Tarabishy of the International Council for Small Business; Ms. Asteria Caberte of the Department of Trade and Industry in the Philippines; Mr. Dragan Radic of the International Labour Organization; and Ms. Majda Dabaghi of the International Chamber of Commerce. Over 200 participants joined the webinar.

Some of the **key messages** from the presenters and the discussion were the following:

- Micro, small and medium enterprises (MSMEs) make up the largest share of enterprises around the world, ranging from micro businesses to medium-sized enterprises. They comprise an estimated 70% of global employment and account for around 50% of GDP in developing countries. The economic slow-down stemming from the COVID-19 pandemic continues to take a heavy toll on MSMEs. Even during normal times, many MSMEs operate with thin profit margins and have limited cash reserves to tide them over during downturns. Larger and formalized business can tap credit lines and have established relationships with banks for lending. By contrast, other smaller enterprises and unregistered and informal businesses, often employing the poorest and most vulnerable, have little recourse particularly when demand for their goods and services evaporates. MSMEs in developing countries tend to concentrate in the manufacturing and service sectors that are highly susceptible to the Covid-19 pandemic and other external shocks.
- Sustained policy support is necessary for MSME business continuity and resilience. Suitable policies and support measures can help MSMEs bounce back, contributing to economic recovery with resilient and innovative business models, such as e-commerce and online marketing. To ensure a job-rich recovery in the post-COVID-19 period,



policy measures to spur economic resurgence need to be delivered rapidly and tailored to the specific demands of both formal and informal MSMEs. The post-pandemic phase also presents an opportunity to pave the way for new start-ups and businesses.

- National governments have adopted stimulus packages to shore up their economies, with many containing measures that benefit MSMEs. These include special credit lines, grants, debt relief, tax and social contribution relief, wage subsidies and extension of social protection. The Government of Philippines, for example, has passed the Philippine Economic Stimulus Act 2020 which provides investments in expanding infrastructure on health care, education and food security, in addition to providing wage subsidies and free-interest loans to MSMEs. Subsidies and free training are also being provided on e-commerce and marketing using digital platforms. This recognizes the need of MSMEs for skills development and access to technology that will help them deliver goods and services more effectively. As economies re-open, clear and consistent guidance on health and safety will help instill confidence, while also keeping workers and customers safe. In this regard, enterprises, including micro businesses, will need to access personal protective equipment.
- As an example of support for MSMEs to expand in the digital space, the Department of Trade and Industry (DTI) of the Philippines is providing free webinars supporting MSME entrepreneurs in building new online business models. Free technical tools for enhancing online business skills are also being made available, covering aspects of ecommerce, e-payment and digital marketing. The Livelihood Seeding Programme (LSP), implemented by Negosyo sa Barangay, provides packages of livelihood kits and business advisory services to MSMEs led by vulnerable groups affected by Covid-19.
- Informal MSMEs are at significant risks linked to the economic lockdown due to the COVID-19 outbreak, largely because they are unable to access economic stimulus packages as unregistered business entities. Globally, 62 per cent of the workforce are engaged in the informal economy, which provides livelihoods for over 800 million people. There are over 260 million informal, self-employed workers in Asia, 80 Million in Africa and 44 million in Latin America. A large majority of workers in the informal sector are women and youth, and a focus on these groups must be included in any policy responses to the Covid-19 crisis.
- In addition to emergency loans, debt relief, tax and social contribution relief and employee wage subsidies, which are accessible to formal MSMEs, national governments may consider cash transfers, utilities payment and extension of social protection programmes to address the needs of informal MSMEs. It may also be useful to consider diversifying distribution channels of the support programmes to ensure their quick reach to informal MSMEs, such as through micro-lending institutions and other non-bank lenders.
- Access to information, including resources and tools, are key for MSMEs to understand the nature of COVID-19 related benefits available to them. Governments are encouraged to establish online information sources on domestic measures taken to serve as an



information portal for MSMEs. Chambers of commerce have a key role to play in both advocating for the interests of MSMEs, as well as the dissemination of information.

- International organizations play an important role in strengthening the global ecosystem for MSMEs in getting out of the crisis. The establishment of the Response and Recovery Fund, an inter-agency fund mechanism established by the UN Secretary-General to help support low- and middle-income countries overcome the health and development crisis caused by the COVID-19 pandemic, is an important beginning. Going forward, more can be done, with partnerships that unlock the potential of full collaboration between international organizations, the private sector, and national governments, for the benefit of the most vulnerable and those at risk of being left behind. The UN system is stepping up support to foster MSME resilience and enhance their preparedness for risk recovery, including the [Guideline for Business Continuity Planning](#) and variety of online resources and other training opportunities.
- All measures taken to respond to the COVID-19 pandemic should remain firmly anchored in the 2030 Agenda and the Sustainable Development Goals (SDGs). The response to the crisis cannot be de-linked from actions on the SDGs. Achieving the SDGs is important to ensure a solid foundation to dealing with the global crisis.

Participants raised as challenges the impact of the COVID19 crisis on MSMEs in small island developing States (SIDS), particularly those that depend highly on tourism, foreign markets and imports. The impact of COVID-19 on smallholder farmers and rural entrepreneurs was also underscored. Specific challenges were raised in relation to the liquidity crisis. Developing countries, with limited fiscal capacity and significant financial vulnerabilities, were less able to provide financial and cash support, prevent reduction in worker layoffs and avoid permanent closures.

- Participants highlighted that policy measures should not only focus on compensating loss of revenue but also help leverage the entrepreneurial potential and innovativeness of MSMEs and help them become more resilient to absorb future shocks. Participants suggested increased collaboration between the public and private sector and partnerships between multinational co-operations and MSMEs to rehabilitate MSMEs in the post-COVID-19 contexts; and forums for sharing good practices and innovative solutions from countries around the globe for effective government policy measures to address the impact of Covid-19 on MSMEs and to share experiences on the role of MSMEs in their own recovery efforts.