



The Impact of COVID-19 to MSME Sector in Sri Lanka

Ministry of Industry and Supply Chain Management and Ministry of Small and Medium Business and Enterprise Development in conjunction with the Division for Sustainable Development Goals, Department of Economic and Social Affairs, the United Nations (DESA/DSDG)



SPEAKERS



Mr. Padmasiri Gunawardana
National Consultant, Sri Lanka



Dr. Premasiri Gamage
Training Expert for
MSME Sector, Sri Lanka



Mr. Monty Ranathunga
Secretary, Ministry of Small and
Medium Business and Enterprise
Development, Sri Lanka

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Join us to discuss impacts of the Covid-19 on MSMEs in Sri-Lanka

Streamed at

<https://www.gotomeet.me/BDC01/theimpactofcovid-19>

The Impact of COVID19 to MSME Sector in Sri Lanka

Opening Remarks

Dr. Amson Sibanda

Chief, National Strategies and Capacity Building Branch
Division for Sustainable Development Goals
Department of Economic and Social Affairs, United Nations

Mr. Padmasiri Gunawardana was the National Consultant, Sri Lanka UN-Division of Sustainable Development Goals (DSDG) supporting the Ministry of Industry & Commerce, in the implementation of SME action plan. He has been working in this capacity since 2019 May to 2020 May. Prior to this he has worked as a consultant covering a wide range of fields and has been involved with the MSME sector traveling widely in Sri Lanka meeting MSMEs in rural areas through consultancy assignments undertaken by him. Mr. Gunawardana was also the Technical Consultant (Textile & Apparel) to Ministry of Textile/Industry Development from 2007 to 2009. He is a Chartered Textile Technologist has held the positions of Director/CEO of the Textile Training & Services center (TT&SC) and the Clothing Industry Training Institute (CITI) from 2000 to 2006 the main public sector training institute in the country serving the textile and apparel sector prior to his retirement. Mr. Gunawardana was the consultant engaged by the Ministry of Industry and Commerce in preparation of the SME action plan and Build Back Better Guidelines (BBB) for disaster recovery for MSMEs in Sri Lanka.



Mr. Padmasiri Gunawardana



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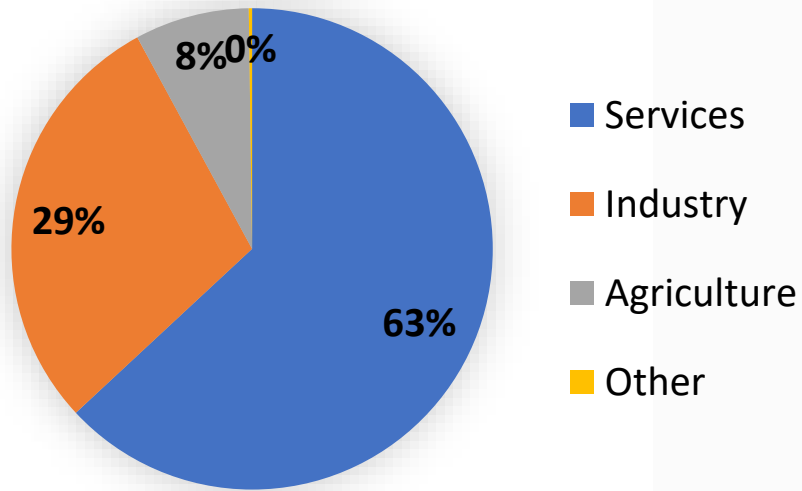
PADMASIRI GUNAWARDANA

Socio-economic indicators at a glance

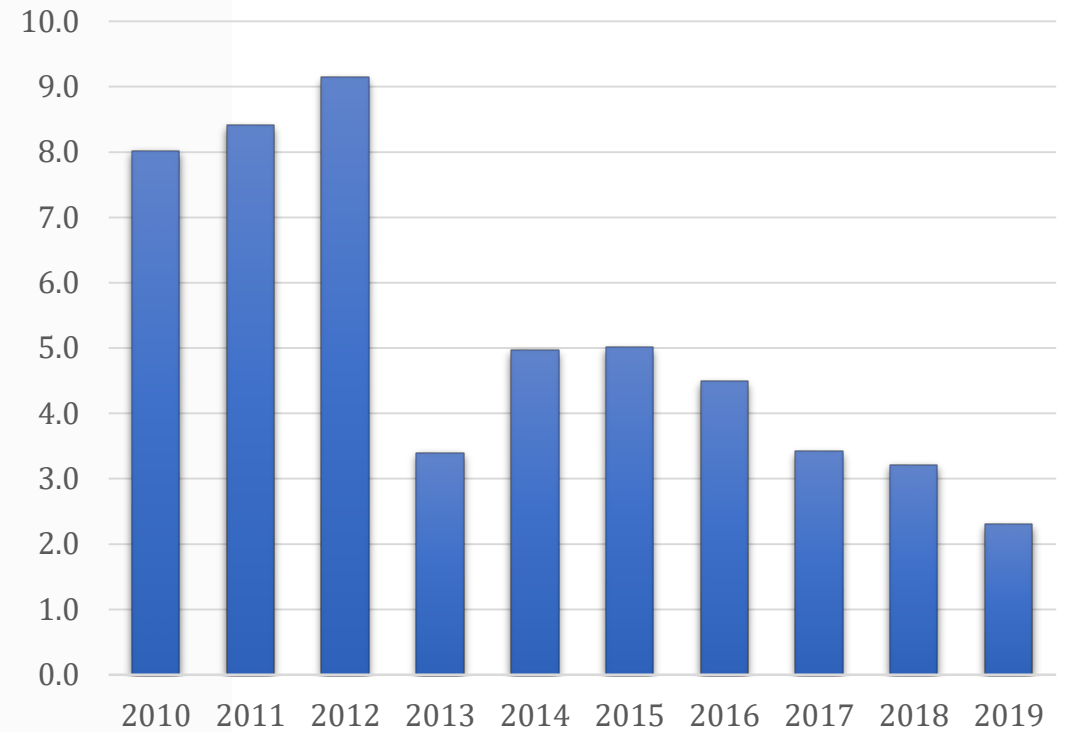


- Area 65,610 sq.km
- Population of 21.67 Million
- Estimated GDP in 2019 US \$ 84.0 billion
- Per capita GDP in 2019 US \$ 3,852
- Literacy rate 91.71%
- Life expectancy at birth is 76.8 years

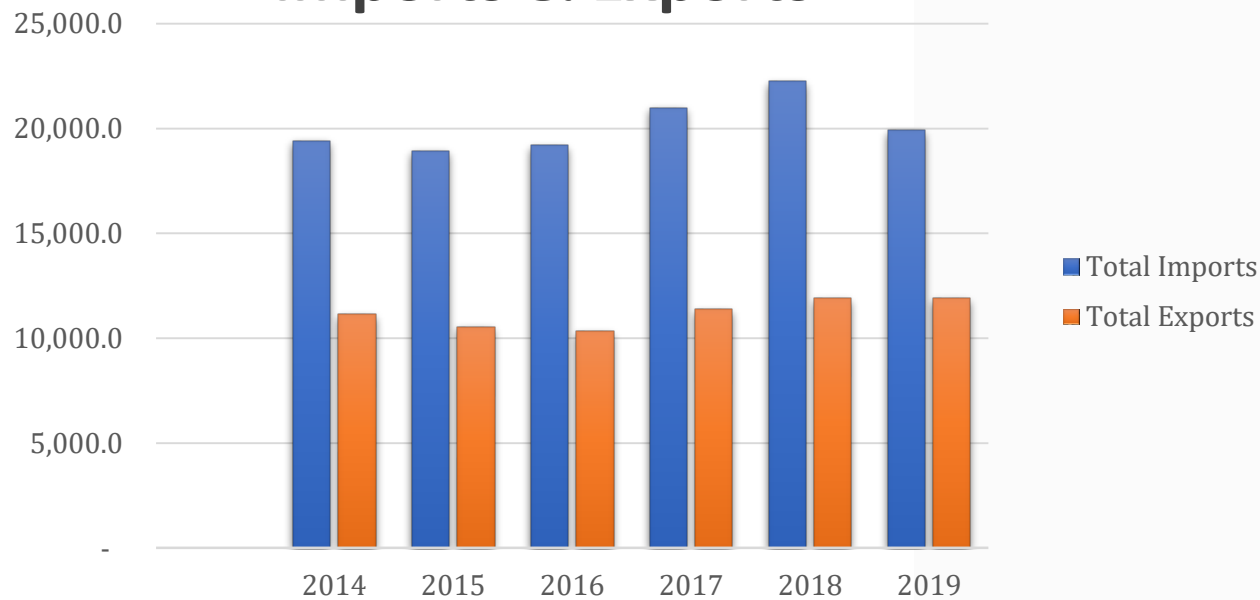
GDP Contribution - Sector wise



GDP Growth

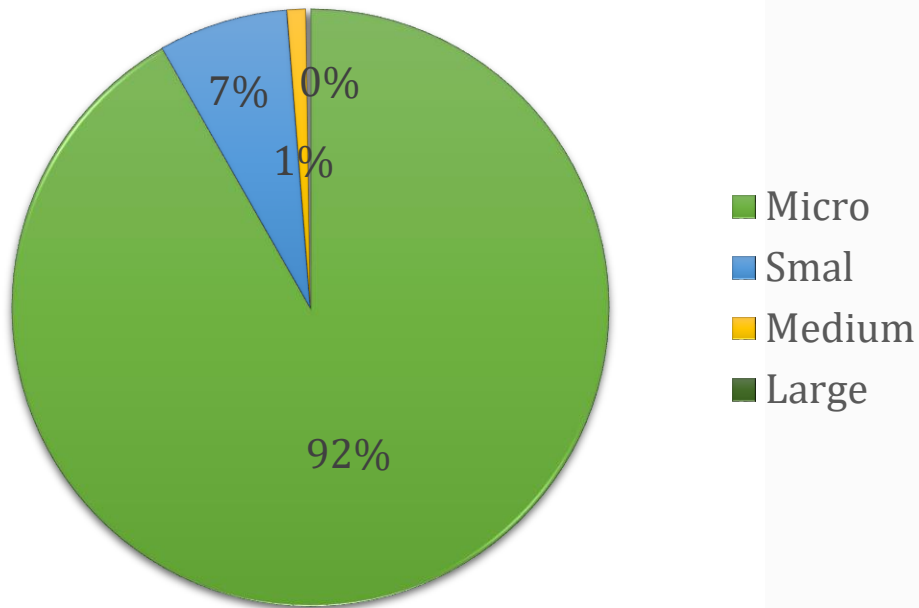


Imports & Exports

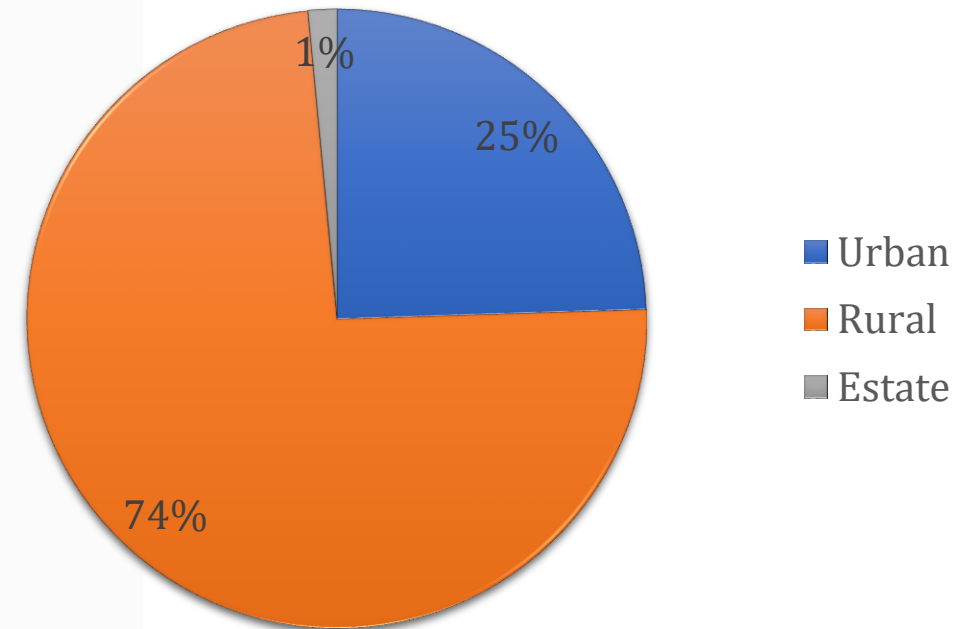


Distribution of Establishments-Non Agricultural sector

Scale wise

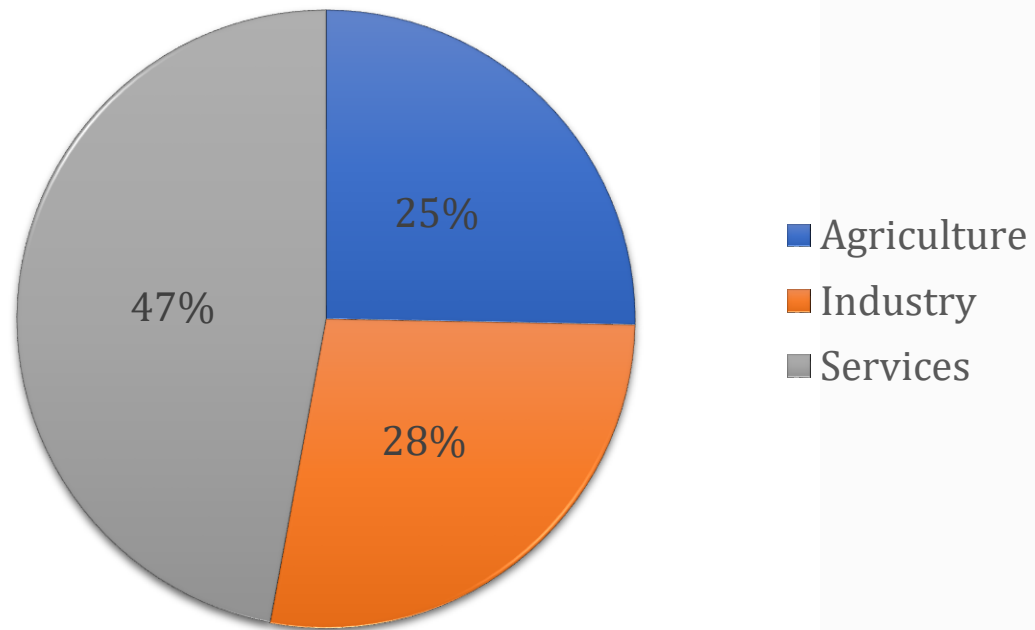


Geographical

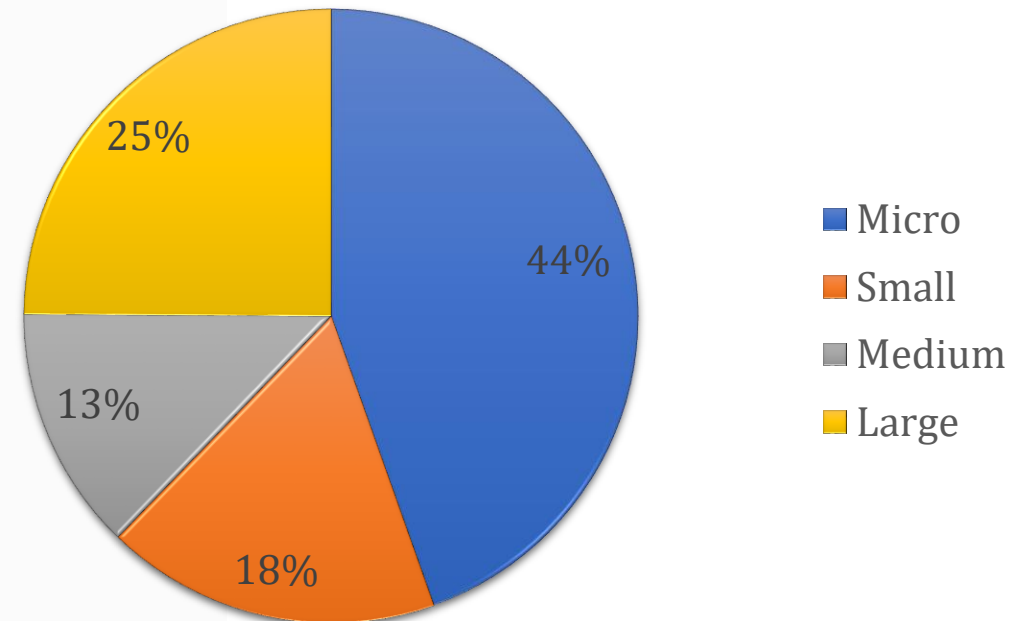


Employment MSME -2.25 million

Distribution by main Economic sectors



Distribution scale wise
non agriculture sector



Impact of COVID 19 on MSMEs Sub Sector wise



Sub Sector	Importance	Impact
Tourist industry	<p>Income US \$ 4.38 billion, (2018) 4.9% GDP , total registered, 2164, star class hotels 136 Total Employment- 388,487 , MSMEs.-219,484 <i>(Source SLTDA reports)</i></p>	<ul style="list-style-type: none"> • 70% drop in arrivals-February 2020 • Airport closed down for tourists in March • No social functions, corporate events & Local tourists • All most entities are closed, lay offs are inevitable, • MSMEs are the most affected ,may take about 6 months to revive even after normalcy is achieved
Textile & Apparel sector	<p>Export 2019, US\$ 5.3 Billion, 6 % GDP, Employment direct 300,000, total estimated 600,000 including the micro level. Predominantly women. <i>(Source central Bank, Apparel Associations)</i></p>	<ul style="list-style-type: none"> • Exports-orders cancelled, payments not received for supplies, • Local market-Severely affected due loss of sales targeted for April New Year season • Lay-offs are inevitable in SME factories.
Leather & Footwear	<p>Average Annual production is estimated US \$ 550 Mn (Rs 100 Billion) Export US\$ 119 Million in 2018,Employment 40,000 3000 MSMEs <i>(Source-EDB capability reports)</i></p>	<ul style="list-style-type: none"> • Exports affected • Local-Severely affected due loss of sales targeted for April New Year season
Handloom & Crafts	<p>Estimated around 10,000 weavers are in operation Provide livelihood to a large number of craftsman in rural areas</p>	<ul style="list-style-type: none"> • Exports affected • Local market-Severely affected due loss of sales targeted for April New Year season

Sub Sector	Importance	Impact
Processed food	<p>Around 110 manufacturing & marketing companies Export value close to US\$400 million (2016), Large number of SMEs estimated at domestic level 2 million <i>(Source-EDB capability reports)</i></p>	<ul style="list-style-type: none"> Exports affected Local Market Severely affected due loss of sales targeted for April New Year season
Rubber, plastic, metal, automobile other spare parts. .	<p>The main area finished rubber products exports US\$ 866 Mn (2019) Plastic industry 400 companies, export & caters to local market Machinery and Mechanical Appliances export – US\$ 400 Mn <i>(Source-EDB capability reports, Central bank)</i></p>	Same as above
Electrical & Electronic Industry	Provide an essential service in manufacture, assembly, repair services.	Since the activities came to a halt they were affected, will gain once the businesses start functioning
Services	<p>57 % to the GDP (2019), 28% of the total employment. ICT/BPM contribution is around 15% to GDP, workforce estimated as 124, 873 (2018) <i>Central Bank Annual reports</i></p>	Same as above, IT may have better opportunities in new normal environment.

Present major issues

- Supply chain Breakdowns
- Working Capital
- Marketing
- Lay-offs, loss of livelihood opportunities.
- Psychological Trauma

Government relief packages-summary

CONCESSIONS ON PERFORMING LOANS

- Debt Moratorium – extending from 3-6 months
- Extension of OD facilities, TOD on concessionary 13% interest

NON PERFORMING LOANS

- Waive off Penal interest rates.
- Rescheduling of loans and advances
- Suspension of recovery actions. Legal action

Government relief packages-summary

NEW WORKING CAPITAL OR INVESTMENT PURPOSE LOAN

- Loan for working capital or investment .
Limit Rs 25 mn for Banks, 10 mn for financial institutions at 4% interest, two year period, CBSL will subsidize the special interest cost.
- Financial institutes may obtain collateral to mitigate the risk under this refinancing facility.

SAMURDHI- SOCIAL WELFARE SCHEME

- Grant of Rs 5000/ per beneficiary for affected months
- Special loan on Rs 10,000/ through Samurdhi Development Bank

Observations



- MSMEs are the most vulnerable, affected by natural disasters in 2016,2017, Easter Sunday terrorist attack in 2019, was in a recovering stage when COVID 19 threat came.
- Loosing the target sales in April, May festival season is the major blow to MSMEs
- Most of the entrepreneurs have not been able to reap the benefits of Government relief packages due to lack of awareness and/or inability to meet the requirements of banks.
- The entrepreneurs are fighting a lone battle to get out of the financial crisis.

Observations



- It is noteworthy that many MSMEs in rural areas are in a positive mind and expectations are there to return to normal soon.
- The Agro based, localized MSMEs have shown a good resilience to the impact.
- The enterprises who have established backward linkages has been able to cushion the impact to some extent.
- However, there are many who needs coaching, counselling to get out of the traumatic condition.
- Some have created new opportunities, diversified product range.
- Online marketing, home based online operations has improved significantly.

Recommendations

- Appoint a Task Force, or a Coordinating Body without delay for a concerted effort to assist the MSMEs to revive businesses.
 - *Identify gaps & draw up strategies*
 - *Coordinate to avoid duplication, optimization of resources of BDS*
 - *Develop a mechanism to provide one to one coaching and guiding sessions focused to generate working capital, revive supply chain, develop marketing links, Business continuity plans*
- Ensure government relief packages for Micro enterprises/self employed are strictly disbursed for reviving economic activities.
- Develop a scheme to provide a guarantee by the government for MSMEs to raise working capital on viability basis,

Recommendations

- Disbursement of relief packages should be apolitical, transparent to gain trust of the MSMEs.
- Simplify the application procedure for special bank loans, extend the ultimatums.
- MSMEs should be guided by the public, private service providers , chambers on obtain the benefits.
- It is also important that gender sensitive policies are implemented as a large number of MSME are run by women. They should have equal access to bank facilities.
- Assist to commercialize suitable innovations, adaptations emerged during the period, provide guidance for commercialization and patent rights for appropriate cases.

New normal



Thank you

Dr. Premasiri Gamage is a training expert for MSME sector in Sri Lanka. He has a diversified experience on conducting trainings, Business & Entrepreneurship Development, Strategic Planning, Project Management, Personality Development and other applications. Dr. Gamage has completed his studies under Psychological Counseling and professional accounting which would give an added value for his profession. He has more than 30 years of experience under similar capacity covering all the districts by studying each aspect of local activities. He has successfully completed many consultancy assignments that related to ever-changing business environment in Sri Lanka. He is specialized in performing tasks of on Management, Marketing, Financial and Growth Matters of MSMEs. Dr. Gamage holds several other positions including, Executive Director of Small-Scale Enterprise Promotion foundation, Chairman of Small-Scale Enterprise Promotion for Joint project with the GoSL and Swiss contact and was the Chairman of Industrial Development Authority (Western Province). At present he is the stand-in Chairman of South Asian Entrepreneurs Development Faculty and Chairman/ Co-founder of Business Development Center.



Dr. Premasiri Gamage

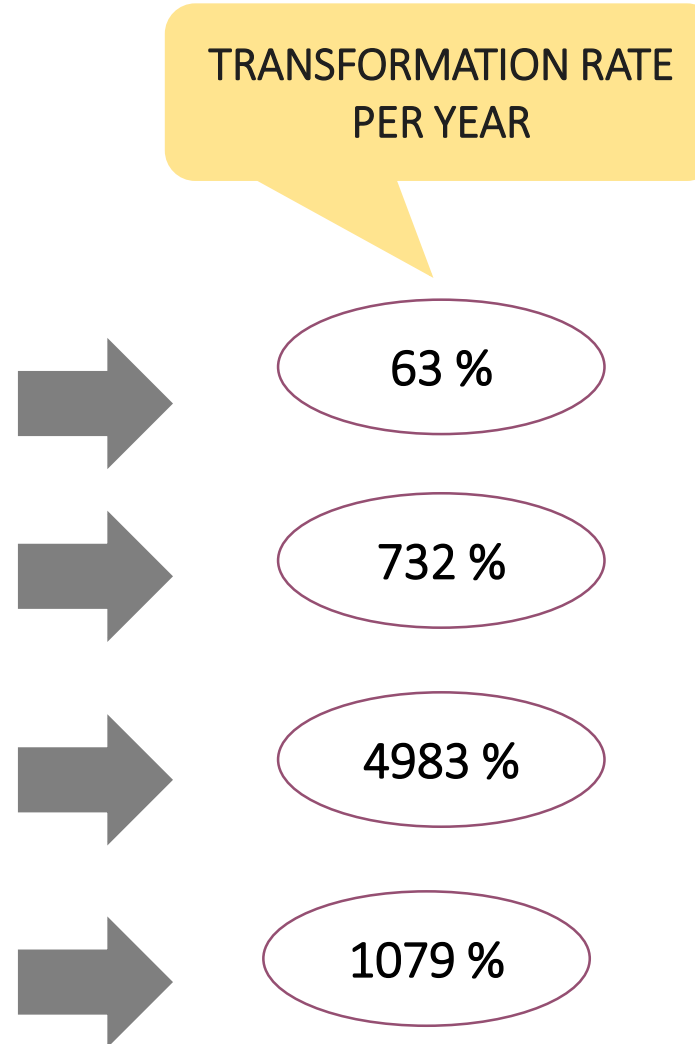


The Way Forward to MSME Growth

Dr. Premasiri Gamage

Transformation speed matters.....

COUNTRY	PER CAPITA INCOME (\$) 1950
SRI LANKA	89
JAPAN	90
SINGAPORE	30
SOUTH KOREA	60



PCI (\$) 2019
3947 (43 T)
45,546 (505 T)
103,181 (3,438 T)
44,740 (744 T)



MSME
Sector is the
engine of
growth

It needs
more tuning

Post-Covid
tuning
should be
very specific

INCULCATING
ENTREPRENEURIAL
CAPABILITY

IMPROVED
MENTORING &
COUNSELING
SUPPORT



MSME SHOULD DO THEIR BUSINESSES LOOKING AT DASHBOARDS

(Blind Journey Will Be Slippery)





**Business Doing Enabling
Environment should be
strengthened**

Thank You

Mr. Monty Ranatunge has been working as the Secretary to the Ministry of Small and Medium Business and Enterprise since November 2019 to date. Prior to this he was the Director General Technical of the Ministry of Fisheries and Aquatic Resources Development since 2015 to 2017. Mr. Ranatunge has worked as an Additional Director General in the Department of Project Monitoring and Evaluation 2014 to 2015. He has further worked as the Director General Regional Development and Planning in the Ministry of Economic Development from 2004 to 2014. Mr. Ranatunge was also the National Director to plan, coordinate, monitor and evaluation of the Mine Action programme (mine and UXOs removing in war affected areas) since 2006 to 2014. He has further worked as the Project Coordinator of the Conflict Affected Region Emergency (CARE) project funded by the ADB and North East Local Service Improvement project (NELSIP) funded by the World Bank from 2009 to 2014. He has worked in the Southern Province Rural Economic Advancement (SPREAP) Project funded by the ADB coordinating and monitoring the SMEs. He is a Special Grade officer in the Sri Lanka Planning Service having vast range of experience in project planning, monitoring, evaluation and human resource development as well.



Mr. Monty Ranatunga

The Impact of COVID₁₉ to MSME Sector in Sri Lanka

Policies and Strategies to Overcome the Situation


MONTY RANATUNGE
SECRETARY

MINISTRY OF SMALL AND MEDIUM BUSINESS AND ENTERPRISE DEVELOPMENT

DEFINITION MSME

SECTOR	CRITERIA	MEDIUM	SMALL	MICRO
Manufacturing Sector	Annual turnover	Rs. Mn. 251-750	Rs. Mn.16-250	Rs.Mn.15 or less than
	No. of employees	51 - 300	11-50	10 or less than 10
Service Sector	Annual turnover	Rs.Mn.251-750	Rs. Mn.16-250	Rs.Mn.15 or less than
	No. of employees	51-300	11-50	10 or less than 10

COVID-19 DESTROYS MANY THINGS



- has disturbed the political, social, economic, religious, and financial structures all over the world




- estimates so far indicate the virus could cut the global economic growth by as much as 2.0% per month if current conditions continue.




- It is not possible to know / measure full impact until the effects of the pandemic reach a peak (CRS report, 2020).



- has had a major impact on the lives of people of all kinds, industries, and businesses



- the crisis has already turned into an economic and labor market shock, affecting all businesses irrespective of their size.



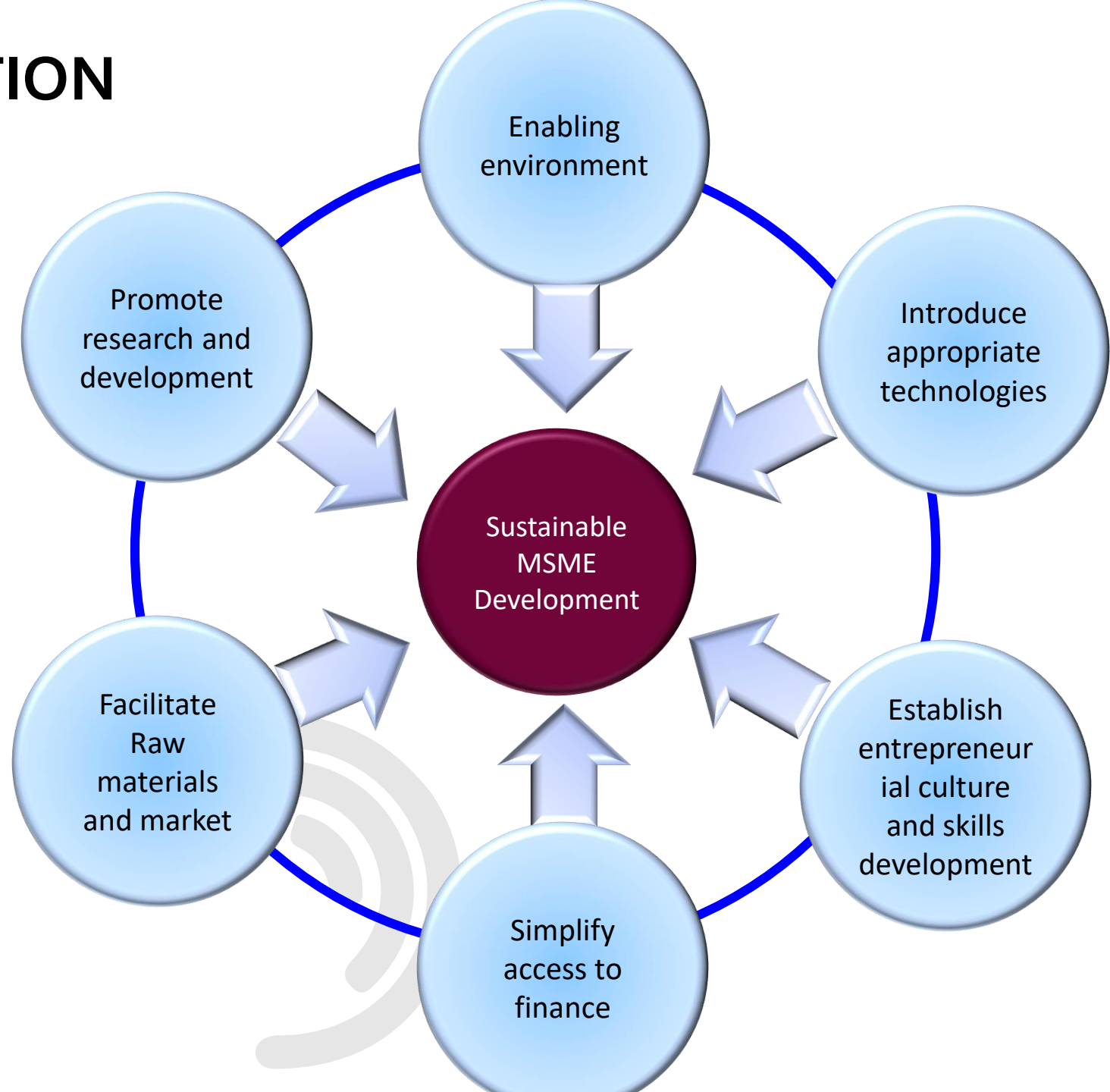
- receiving phone calls repeatedly by MSMBED asking for relief, solutions and advices about the problems faced by Micro, Small and Medium Enterprise

COVID-19 BEATS SMES

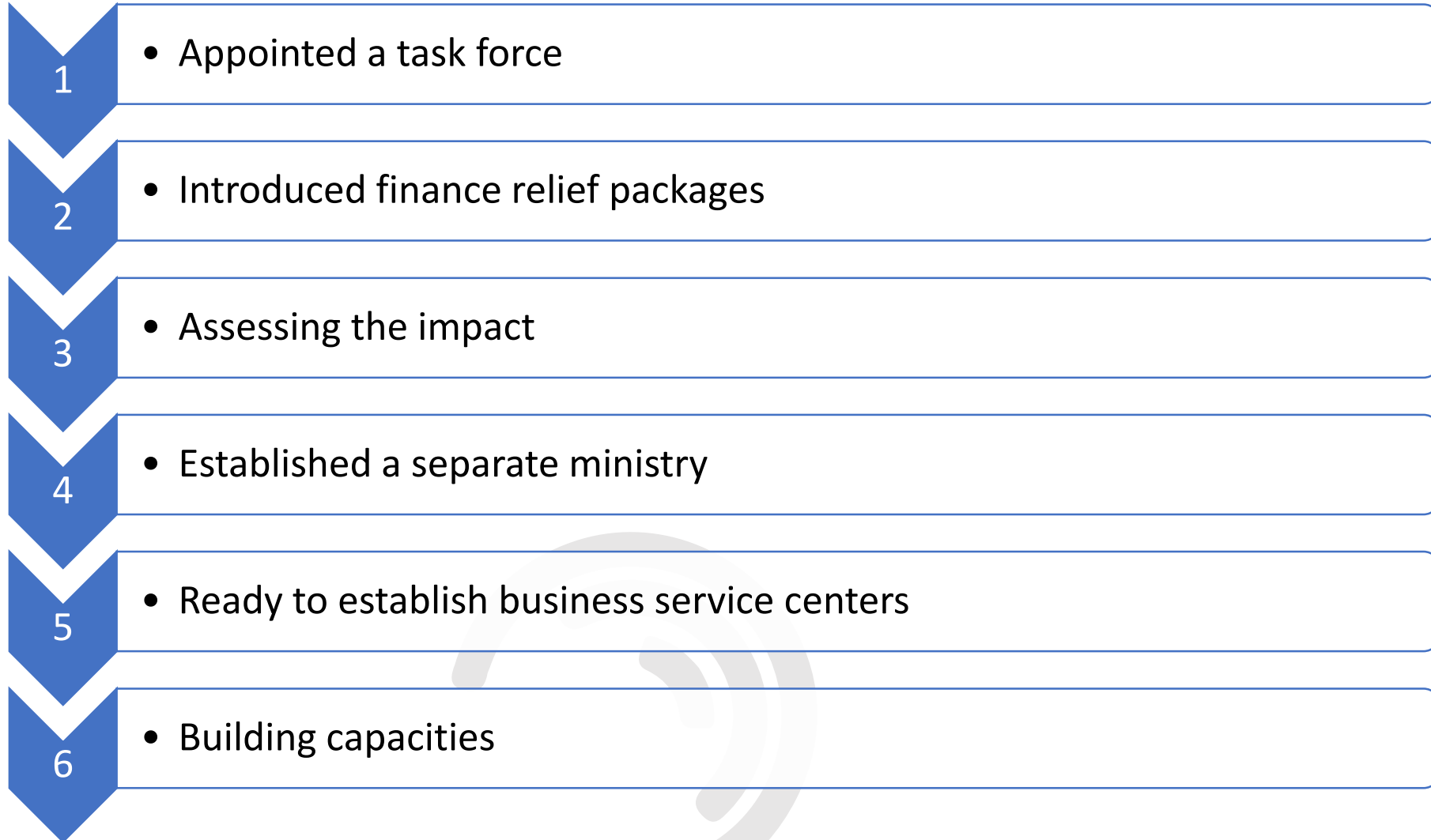
Consequences



POLICY INTERVENTION STRATEGIES



GOVERNMENT INTERVENTION IN RESPECT OF COVID-19 IMPACT



COVID-19 BEATS SMES

Strategies



WAY FORWARD

- Conclude the study

- Identify priorities through findings

- Generate Short-term, Intermediate-term and long term plans

- Increase capability of banks

- Establish 25 BSCs to ease of doing business


COLLABORATION SOUGHT



Share global experience with success stories



Extend cooperative hands to revive SMES in every possible ways



Extend financial support through donor funding to create a fund for MSME development



Extend financial support to proliferate banking capacity

THANK YOU!



Mr. J.A. Ranjith
Secretary, MISM



Mr. Monty Ranatunga
Secretary, MSMBE



Mr. D.P. Gunawardena
Consultant



Dr. Premasiri Gamage
Consultant



Moderator
Mr. Bhadraraja Pamudu

Discussion

Mr. Ranjith is the Secretary to the Ministry of Industries and Supply Chain Management, a special grade officer of the Sri Lanka Administrative Service. Prior to this position he has held the positions of Secretary, Ministry to Plantation Industries, Director General, Department of Technical Education and Training, Ministry of Youth Affairs and Skills Development, Additional Secretary, Ministry of Defense and Urban Development and many senior positions during his career in the Administrative Service of Sri Lanka. He holds Bachelor of Laws Degree, Open University of Sri Lanka, Master of Public Policy and Management, Mount Eliza Business School, Monash University, Australia, Postgraduate Diploma in Provincial Administration, Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura, Bachelor of Arts (Special) Degree in Economics with second class (Lower Division), University of Sri Jayewardenepura Sri Lanka.



Mr. J.A. Ranjith

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Closing Remarks

Mr. J. A. Ranjith