

Bouncing back support to SMEs for COVID-19 recovery

8 July 2020, 10:30-12:00 (Manila Time), via Microsoft Teams

I. Background and Context

1. The coronavirus disease (COVID-19)¹ pandemic is an unparalleled crisis, affecting human health and economic welfare across the globe. While initially a health crisis, with governments taking measures to prevent the spread of the virus, the COVID-19 pandemic has resulted in global economic slowdown affecting trade, investment, growth and employment.
2. The extent of the economic losses will depend on how the outbreak evolves, which remains highly uncertain. Asian Development Bank's (ADB's) impact assessment, estimates a global impact of US\$2.0 trillion–US\$4.1 trillion in losses, equal to 2.3%–4.8% of global gross domestic product (GDP).² Developing Asia is expected to incur 22%–36% of these losses with aggregate impacts of 1.0%–2.2% of combined GDP. The World Trade Organization estimates that world merchandise trade in 2020 could fall sharply, between 13% and 32%. In terms of growth, ADB forecasts stunted growth given containment measures to address the COVID-19 pandemic hamper economic activity and weaken external demand. The Asian Development Outlook 2020 supplement on COVID-19 forecasts growth of 0.1% for the region in 2020. Economic activity in Southeast Asia is expected to contract by 2.7% this year before growing by 5.2% in 2021. Estimated contraction figures for Southeast Asian economies hit hard by COVID-19 are at -1.0% for Indonesia, -3.8% for the Philippines, and -6.5% for Thailand given containment measures affect their domestic consumption and investment.
3. The International Labor Organization (ILO) estimates the impact of COVID-19 to result in a rise in global unemployment of between 5.3 million (“low” scenario) and 24.7 million (“high” scenario), signaling that ‘sustaining business operations will be particularly difficult for Small and Medium Enterprises (SMEs).³ ILO estimates 436 million enterprises in the hardest-hit sectors worldwide are currently facing high risks of serious disruption and the percentage of work hours lost in the second quarter of 2020 for Southeast Asia is at 10% compared to 10.7% globally.⁴ Unemployment rates have also spiked in Southeast Asian countries.
4. SMEs are considered the backbone of the Asian economy making up more than 96% of the region's economy and contributing 42% of GDP.⁵ In ASEAN, SMEs provide between 52% and 97% of employment in member countries. With rapid and sharp declines in demand, disruptions in economic activities, and a surge in

¹ COVID-19 is the short term for severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). As of 1 July 2020, 10,591,079 people have been infected with 514,021 deaths.

² ADB. 2020. What Drives Innovation in Asia? Special Topic: The Impact of the Coronavirus Outbreak—An Update. Asian Development Outlook. Manila.

³ ILO. 2020. ILO Monitor: Covid-19 and the World of Work. First Edition. 18 March 2020 ILO. 2020. ILO Monitor: Covid-19 and the World of Work. First Edition. 18 March 2020. Accessed on 26 June 2020 from https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_738753.pdf

⁴ ILO. 2020. ILO Monitor: Covid-19 and the World of Work. Third Edition. 29 April 2020. Accessed on 26 June 2020 from https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_743146.pdf

⁵ N. Yoshino and F. Taghizadeh-Hesary. 2018. The Role of SMEs in Asia and Their Difficulties in Accessing Finance. ADBI Working Paper 911. Tokyo: Asian Development Bank Institute. Accessed on 27 June 2020 from <https://www.adb.org/publications/rolesmes-asia-and-theirdifficulties-accessing-finance>.

job losses at the global and regional levels, many SMEs are at risk. SMEs tend to be vulnerable in an economic crisis because they have limited resources to adapt to the crisis.

5. With the impact of COVID-19 being most felt by SMEs, governments in Southeast Asia and the People's Republic of China are introducing economic stimulus packages and other measures to help SMEs respond to and begin recovering from the crisis. Government policies are designed to help SMEs cope with the short-term financial risks and long-term business implications. Examples of interventions include: (i) credit guarantees; (ii) tax relief; (iii) wage subsidy; (iv) enterprise pivot (towards new markets and exploring alternative business models); (v) skills training; and (vi) advice to weather the crisis. These interventions are designed to reduce layoffs, prevent bankruptcy, encourage investments and innovations, and help SMEs get back on their feet swiftly in the aftermath of the COVID-19 crisis, among others.

II. Fifth PACER Dialogue

6. Countries in Southeast Asia and the PRC have been affected differently by COVID-19 and are in different phases of managing the crisis and are providing support to SMEs. Countries can learn how others are mitigating the negative effects of COVID-19 by implementing SMEs support interventions to kick-start the recovery process. Several policy options drawn from good practice examples are available for governments to consider and adapt to their own phased economic recovery efforts.

7. In this context the ADB will convene the fifth **Policy Actions for COVID-19 Economic Recovery (PACER) Dialogue** in virtual format on 8 July 2020 (Wednesday) from 10:30–12:00 (Manila time) using Microsoft Teams. The title of the fifth PACER Dialogue is **Bouncing back support to SMEs for COVID-19 recovery**. PACER Dialogues are organized under the ADB-supported BIMP-EAGA, IMT-GT, and GMS (B-I-G) Capacity Building Program, and will explore measures that can help “B-I-G” member countries, Singapore, and Timor-Leste “bounce back better” from the COVID-19 pandemic.

III. Objectives

8. The fifth PACER Dialogue will feature global good practice examples of effective SMEs crisis recovery policies, featuring phased approaches to manage and mitigate COVID-19 impacts, and build-back more sustainable, inclusive, and resilient economies. The objectives are to:

- promote a better understanding of policy options available for governments to support SMEs in mitigating COVID-19 impacts and recover in the aftermath of the crisis;
- disseminate global best practices and lessons on how SMEs could “bounce back better” from the COVID-19 pandemic; and
- provide a platform for policy makers and development planners to share knowledge and experience and collaboratively learn from each other.

9. At the end of the dialogue, a Policy Brief will be produced to summarize the policy options and recommendations discussed.

IV. PACER Dialogue Background Paper, Structure and Timing

10. The PACER Dialogues are envisaged to help decision makers broaden their perspectives, appreciate the wider implications of critical policy choices, and identify concrete policy actions. During the open discussions, lead participants are requested to provide inputs, share analysis, country experiences and lessons on SMEs policies and measures taken to mitigate the negative effects of the COVID-19 pandemic and accelerate recovery.

11. A background paper will be circulated to all participants as advance reading. The indicative structure of the 1.5-hour (90 minute) PACER Dialogue is summarized in the attached program.

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TIME	DETAILS
10:30-10:35	<p>Fifth PACER Dialogue – Overview and Objectives <i>Moderator: Mr. Ramesh Subramaniam</i> <i>Director General, Southeast Asia Department (SERD), Asian Development Bank (ADB)</i></p> <p>Moderator to deliver introductory remarks on the fifth PACER Dialogue context, objectives, and structure.</p>
10:35-10:55	<p>Bouncing back support to SMEs for COVID-19 recovery <i>Mr. Paul Vandenberg</i> <i>Senior Economist, Economic Research Department, Asian Development Bank</i></p> <p>Presentation on global good practice examples of effective SMEs crisis recovery policies, featuring phased approaches to manage and mitigate COVID-19 impacts, and build-back more sustainable, inclusive, and resilient economies.</p>
10:55-11:05	<p>Panel of Expert Input/Reaction <i>Support for SMEs to weather the COVID-19 crisis</i> <i>Mr. Foo Nge Kee, Co-founder and President, Sabah SMEs Association, and National Council Member, SMEs Association of Malaysia</i></p> <p>Panelist to discuss how government and SMEs can work together to effectively implement measures to help SMEs weather the COVID-19 crisis.</p>
11:05-11:55	<p>Open Discussion and Questions <i>Moderator: Mr. Ramesh Subramaniam</i></p> <p>PACER Dialogue participants exchange information on SMEs crisis recovery policies and measures in an open discussion format.</p> <p>To enrich the PACER dialogue discussions, the moderator will request country delegations to provide inputs and share analysis, country experiences, and lessons on SMEs policies aimed at mitigating the negative effects of the COVID-19 pandemic and achieving medium- and long-term economic recovery.</p>
11:55-12:00	<p>Synthesis and Summary Closing Remarks <i>Mr. Ramesh Subramaniam</i> <i>Director General, SERD, ADB</i></p> <p>Moderator to provide summary of the policy discussions and key recommendations and deliver the closing remarks.</p>