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TRADE IMPACT
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Building MSME Resilience towards Inclusive COVID-19 Economic Recovery

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***APEC PPD – Driving Services for an Inclusive
and Resilient Economic Recovery***

Session 2: Broadening the Reach of Recovery
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 - Building MSME Resilience
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Impact of COVID-19 to MSMEs and the Services Sector

ITC's Global Business Survey 2020 (6,476 companies in 138 countries)
"COVID-19: The Great Lockdown and its Impact on Small Business"

- **MSMEs particularly vulnerable to repercussions of the crisis**
 - The smaller the company, the stronger the harms felt.
 - 2 out of 3 small companies (vs. 43% big firms) strongly affected
 - 64% women-led firms (vs. 52% men-led companies)
 - 26% micro firms (vs. 9% large firms) at risk of closing permanently w/in 3 mos.
 - Youth-led enterprises at high risk of closing (26%)
- **Services companies hardest hit around the world**
 - Accommodation and food services, followed by non-food manufacturing, retail and wholesale, and travel and transport
 - MSMEs are overrepresented in these sectors
 - Women-led firms operate in most immediately affected industries

MSMEs and Services Sector Vital to the Economy

IMPORTANCE OF SERVICES

For sustainable economic development

- Export diversification
- Value chain participation
- Innovation and bridging “digital gap”

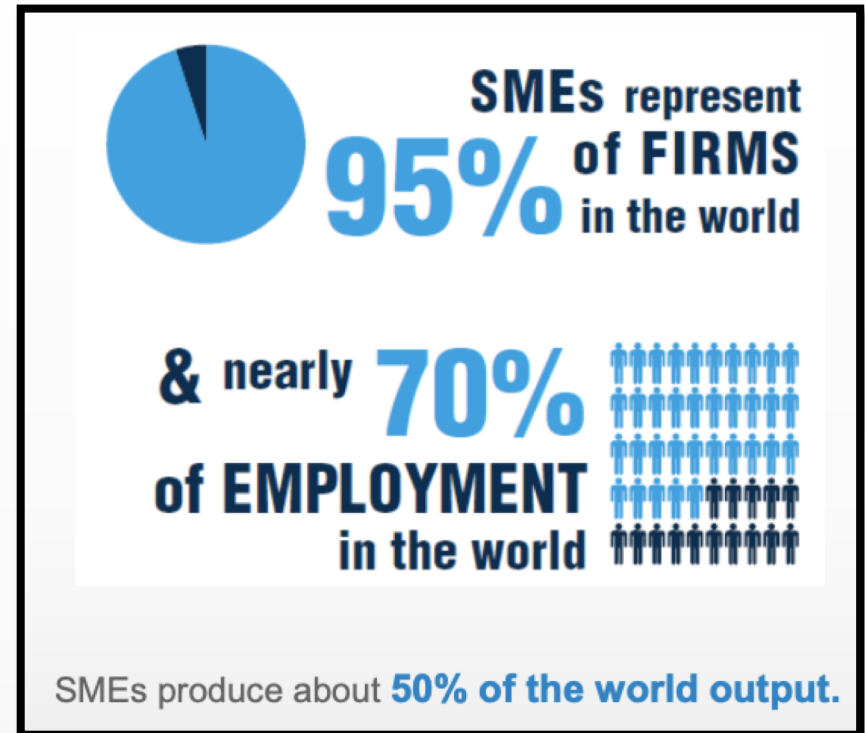
For MSMEs

- Less capital intensive and agility matters
- Greater spill-over effect (soft skills)

For sustainability and inclusiveness

- Women’s participation in services accounts for 41% of the total female employment
- Women-owned companies 2X as many in e-commerce than offline

→ **Services sector vital to better and strong COVID-19 economy recovery.**



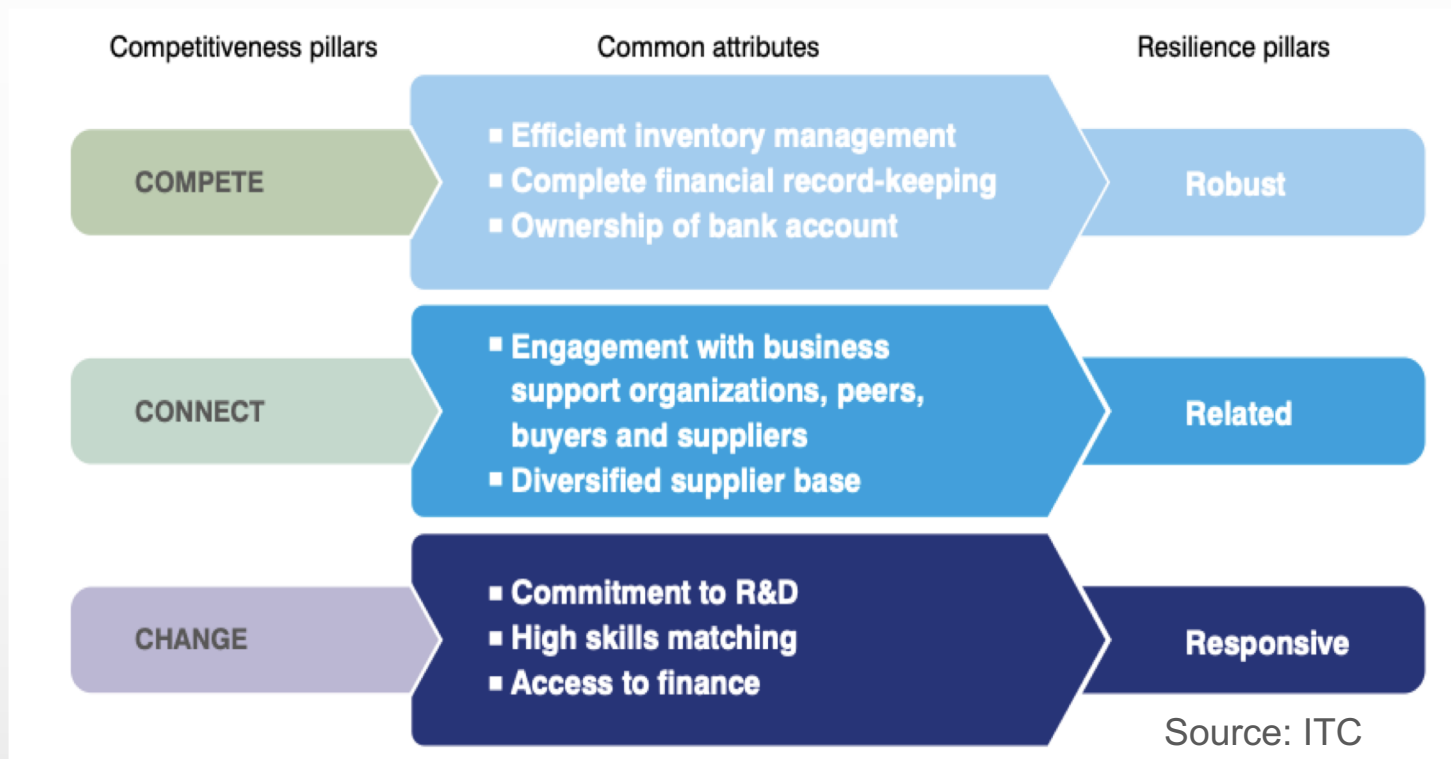
→ **Improving MSME productivity contributes to growth and inclusiveness at the same time.**

Building MSME Resilience

Lessons learned from the COVID-19 pandemic:

- **Resilience matters** – resilient firms 5x less likely to lay off workers (stable sales)
- **Competitive firms are more resilient** to shocks (e.g. pandemic, climate change)

Competitiveness builds resilience



Digital Services: MSME Resilience and Opportunities

ICT services kept MSMEs running amid COVID-19-induced lockdowns

- Increases efficiency and reduce costs, and provides new opportunities
 - Telework, digital finance services and e-commerce platforms
 - New offerings: telemedicine/telehealth offerings (e.g. Indonesia, Philippines, Singapore), online learning opportunities
 - Helped creative industries connect with audiences and consumers

Promotes sustainability and inclusiveness

- Provides opportunities to start-ups and youth-led SMEs – primary source of net creation in many countries and driving force of innovation and sustainability in the private sector (World Bank, 2021)

ITC technical assistance in services trade

→ Increasing demand for TRTA in services trade

Trade and market intelligence

- Identifying services trade barriers through business surveys, ecosystem mapping, research
- Assessing services export potential (e-commerce data)

Conducive policy environment

- Bring SME perspective to policy discussions (PPDs, publications)
- Developing strategies: National Export Strategies; ICT, BPO, software, creative industries etc.)
- Regional integration → facilitating services exports through FTAs
- Infrastructure, taxation, programmes and incentives (e.g. creative industries)
- Capacity building for policymakers (trainings, e-learning courses)
- Strengthening inter-agency coordination

SMEs competitiveness

- Capacity development (know-how, management)
- Connect to global markets (linking MSMEs with buyers and investors, e.g. trade fairs, B2B)

Strengthening business support organisations (BSOs)

- Capacity building for BSOs and business associations (CSIs) as multipliers
- Enhancing export promotion (branding and marketing, events, festivals, videos, social media)

Mainstreaming inclusiveness and sustainability

- SheTrades
- Youth projects (e.g. YE! Boost Programme)
- Environment

Conclusion

- COVID-19 increased the urgency to take action for a services-led transformation – a key element of economic recovery strategy
- New normal to build back better – resilient, digital, inclusive and sustainable
 - Invest in competitiveness today for resilience tomorrow – promotes sustainable and inclusive growth
 - Digital services improves connectivity and provides cost-effective solutions for MSMEs, enhancing (supply and export capacity) economic resilience and recovery
 - Promoting youth entrepreneurship SMEs contributes to growth and innovation, and further drives developing economies (quality jobs, increased income opportunities)

THANK YOU!

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