



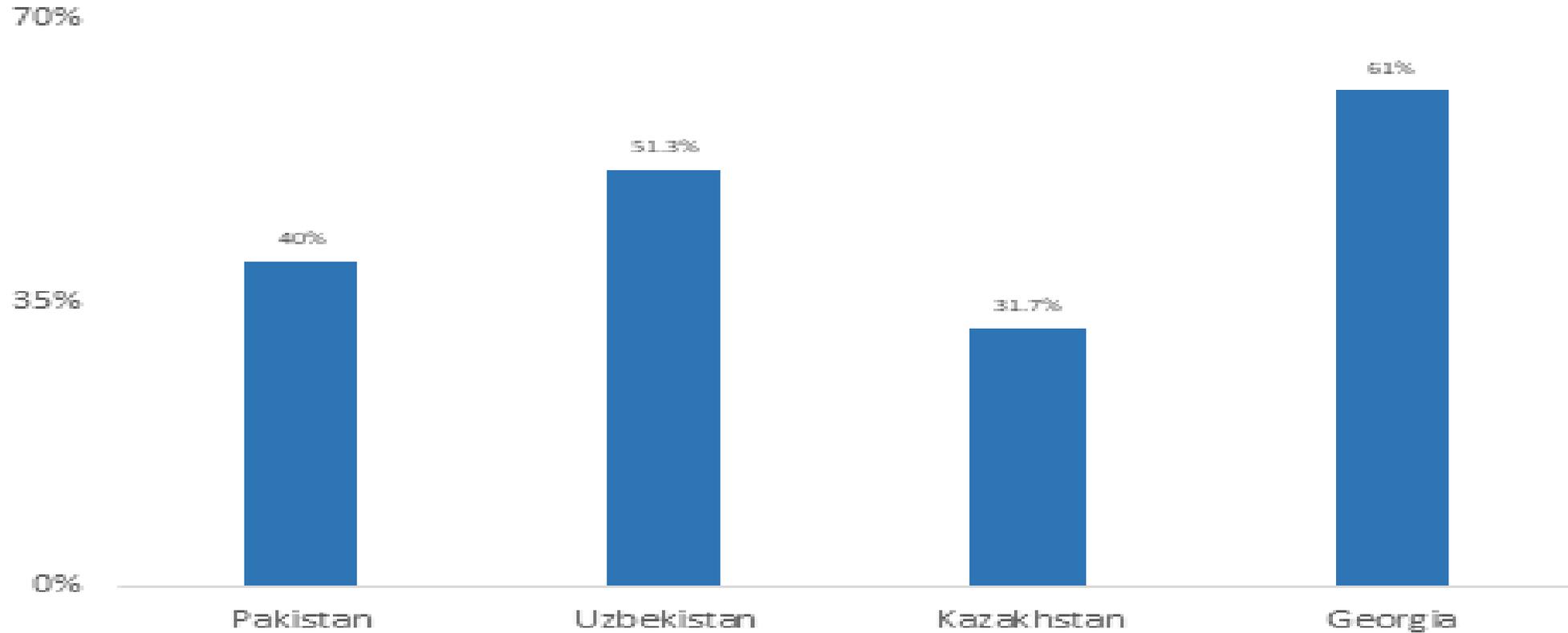
MSMEs Economic Recovery in
the CAREC region: Covid-19
Impacts and Coping Strategies

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Introduction

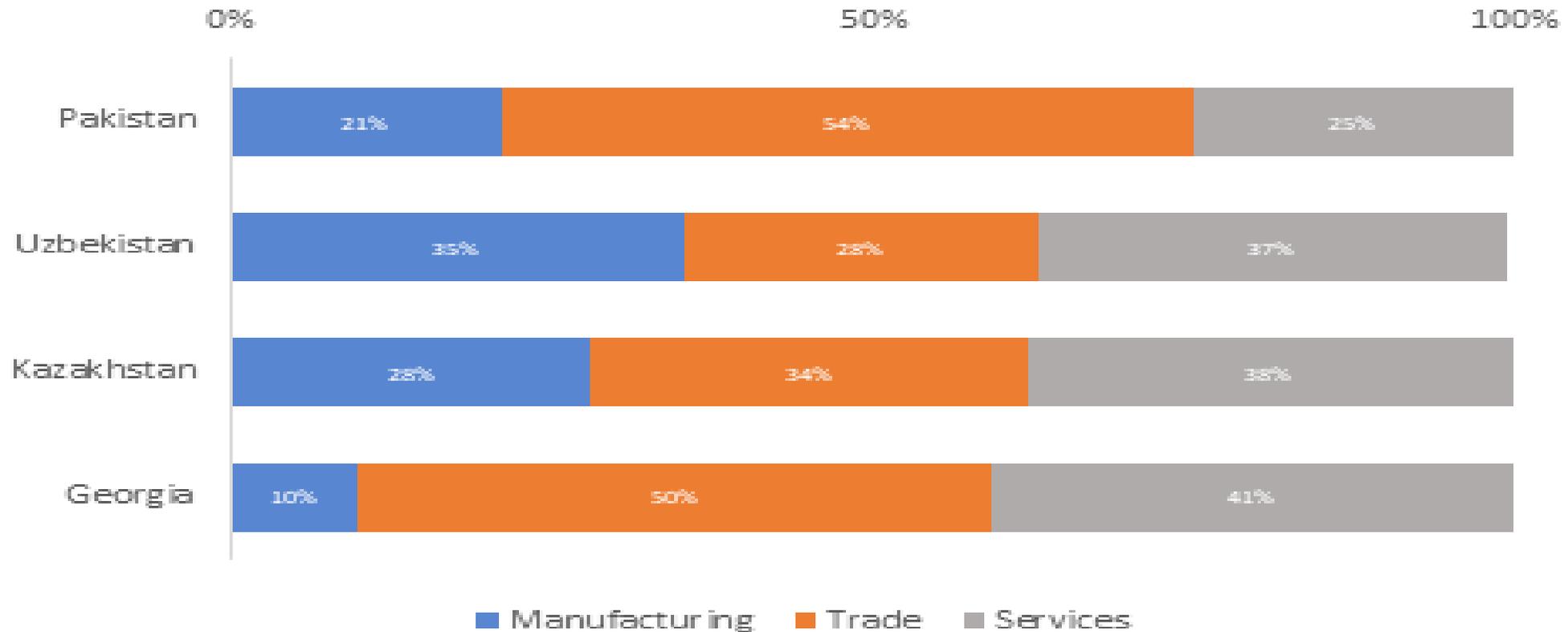
- COVID-19 impacted economic activities by disrupting consumer spending and halting production activities at large and small firms level.
- Micro, Small and Medium Enterprises (MSMEs) impacts are amplified due to the nature of the businesses and structure it contains globally and in the CAREC region.
- The intensity of the disruption was largely contingent on the MSMEs regional integration and disrupted economies' origin.
- The impact of the pandemic augmented if MSMEs are integrated into the shocked economies.
- In the early phase of the pandemic, the global institutions had projected global recession and stagflation that would cause the MSMEs sector substantially.

State of MSMEs



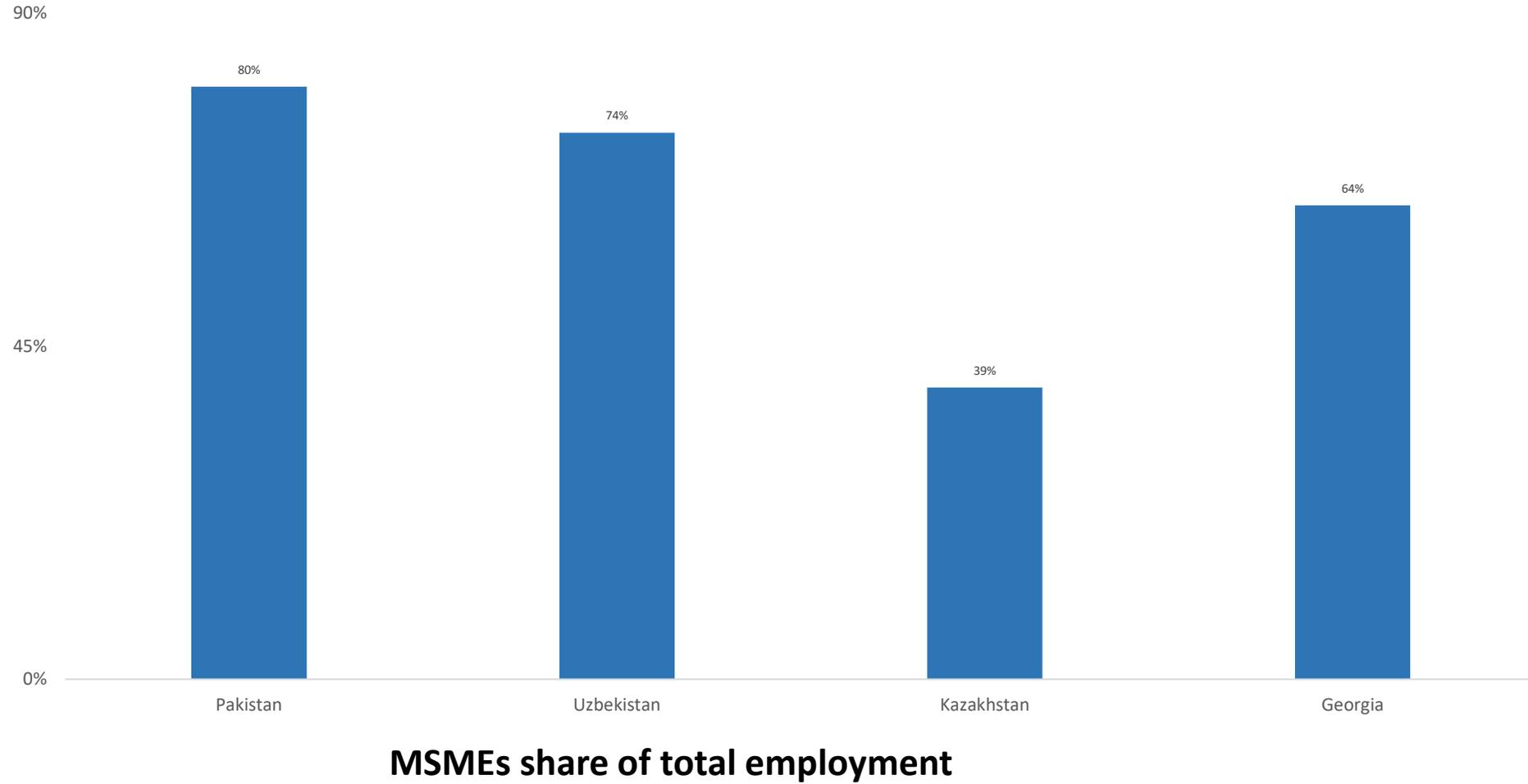
MSMEs share of GDP

State of MSMEs

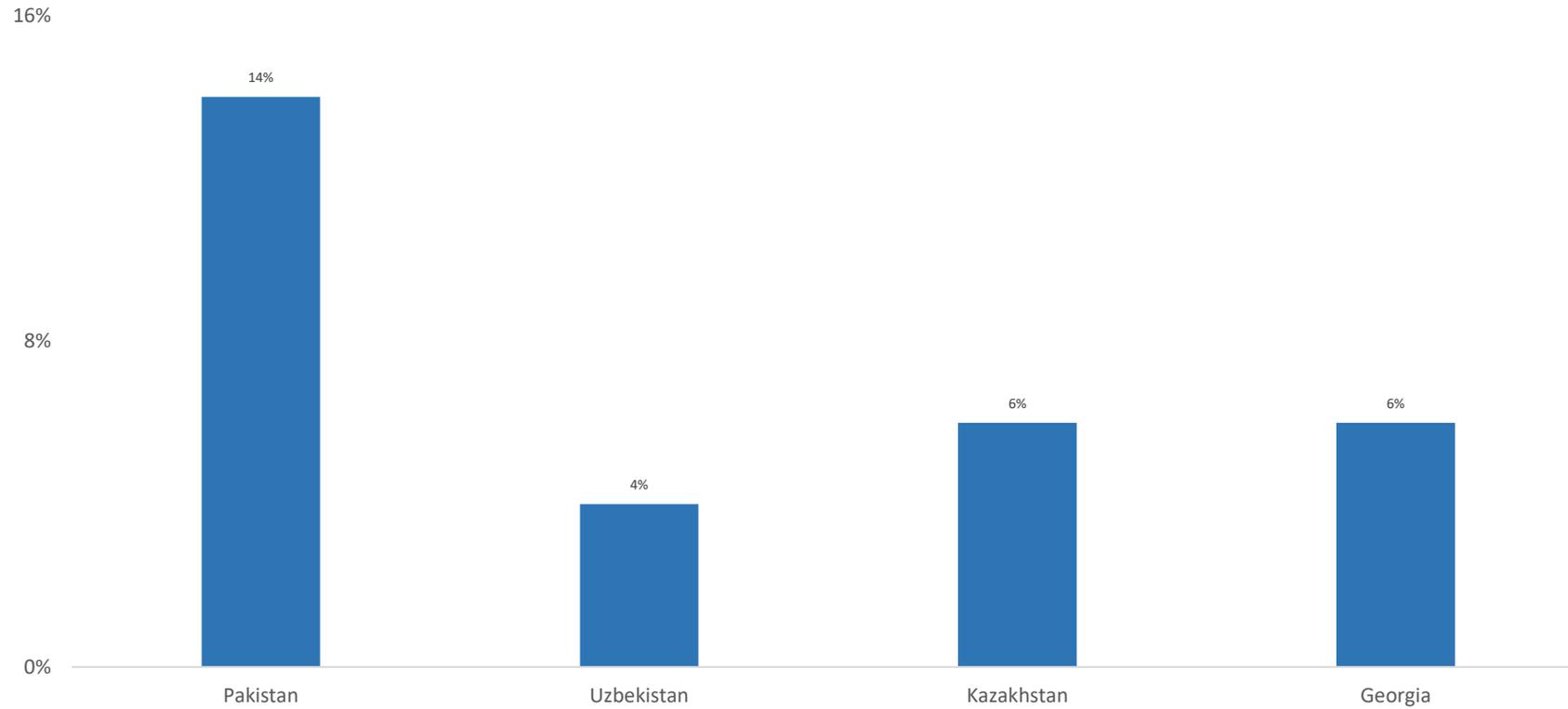


MSME sectoral breakdown

State of MSMEs



State of MSMEs



Share of MSMEs who engaged in any export/ import activity

Operational Impacts

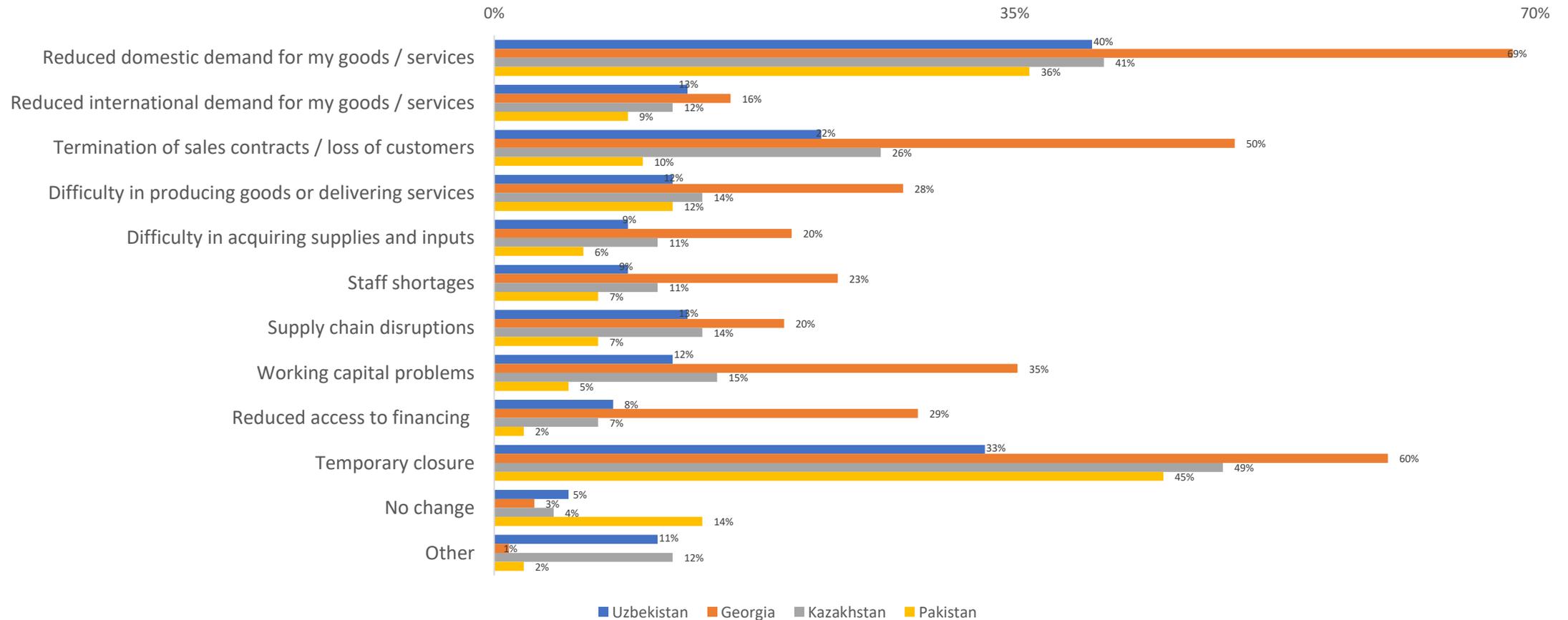
The surveyed firms were less integrated regionally and globally; therefore, international market volatility did not cause MSMEs good and services trade largely.

However, domestic demand was crippled and caused to reduce sale purchase of MSMEs good and services. The effect was significant for the Georgia, whose domestic demand for services and goods reduced by 69 %, followed by Pakistan, Kazakhstan, and Uzbekistan of around 40 %.

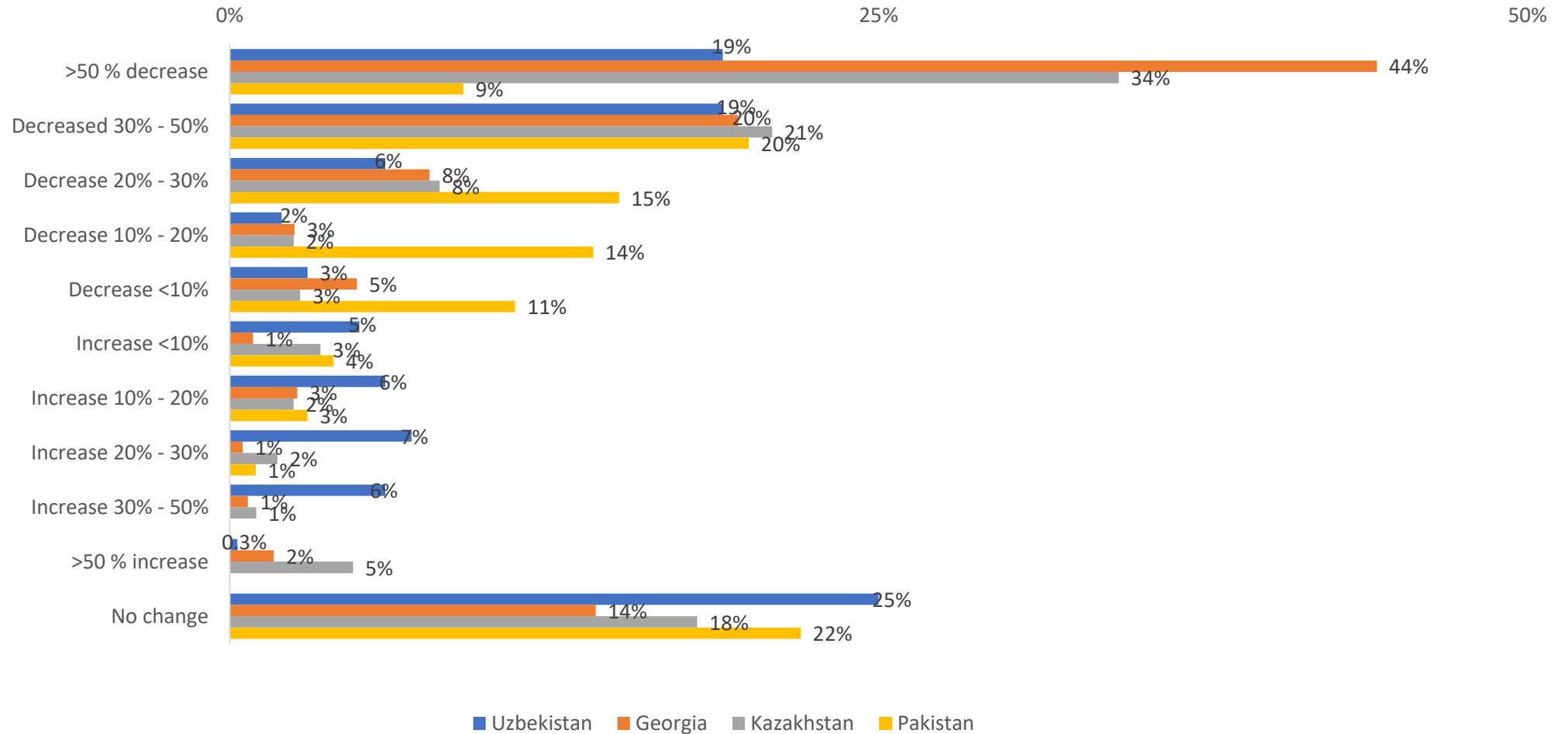
These firms were not highly integrated; therefore, the reduction in international demand for goods and services were not significant. However, termination of the contract was prominent for Georgia, 50 %. Similarly, acquiring difficulties in the supply of inputs were a problem for Georgia, 20 %. Kazakhstan was the second economy whose MEMs operation were closed temporarily, 49 %. The first in a row whose operations were closed temporarily was Georgia, 60 %, followed by Pakistan 45 %, and Uzbekistan, 33 %.

For all the indicators that are considered for the impact analysis, Georgia shows more disruptions with respect to other economies. Similarly, the intensity of the disruption was limited to the smaller and micro firms.

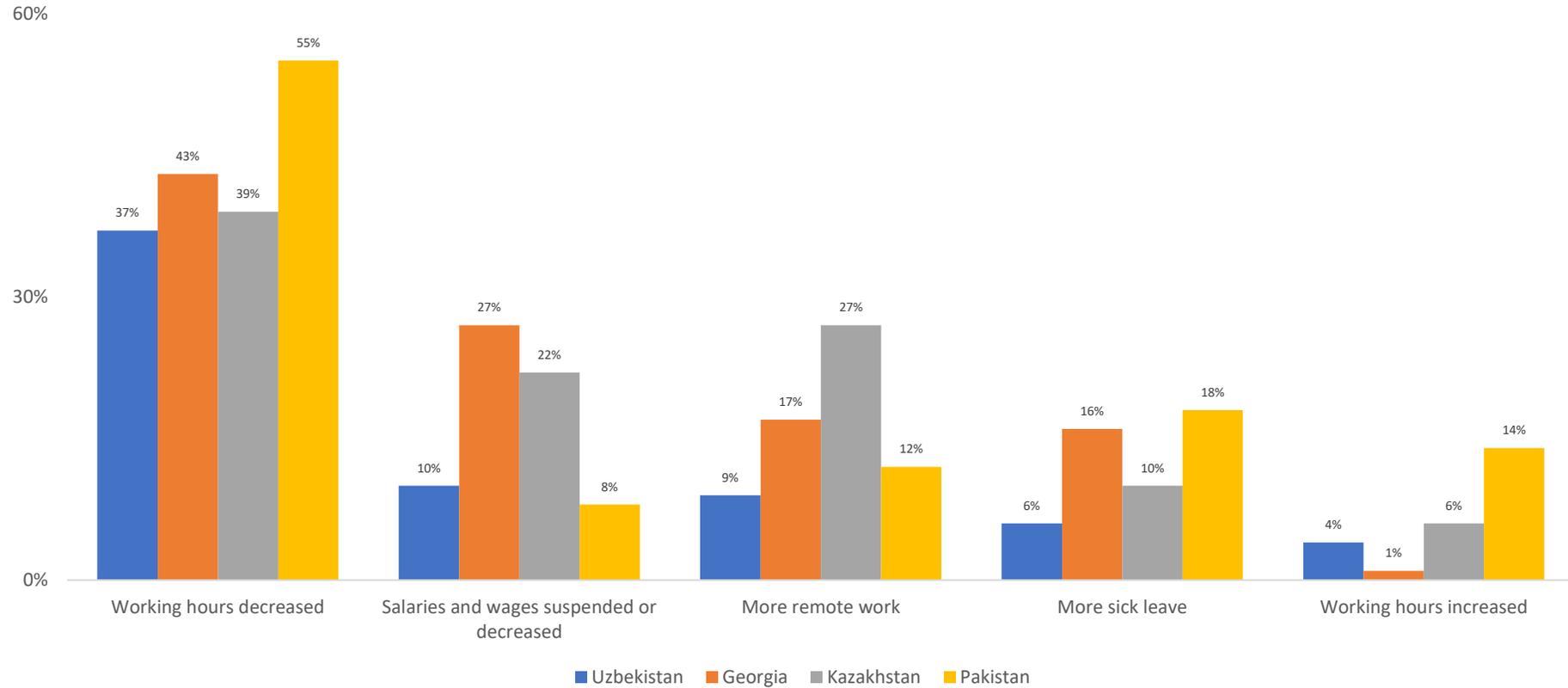
Consequences of the COVID-19 pandemic



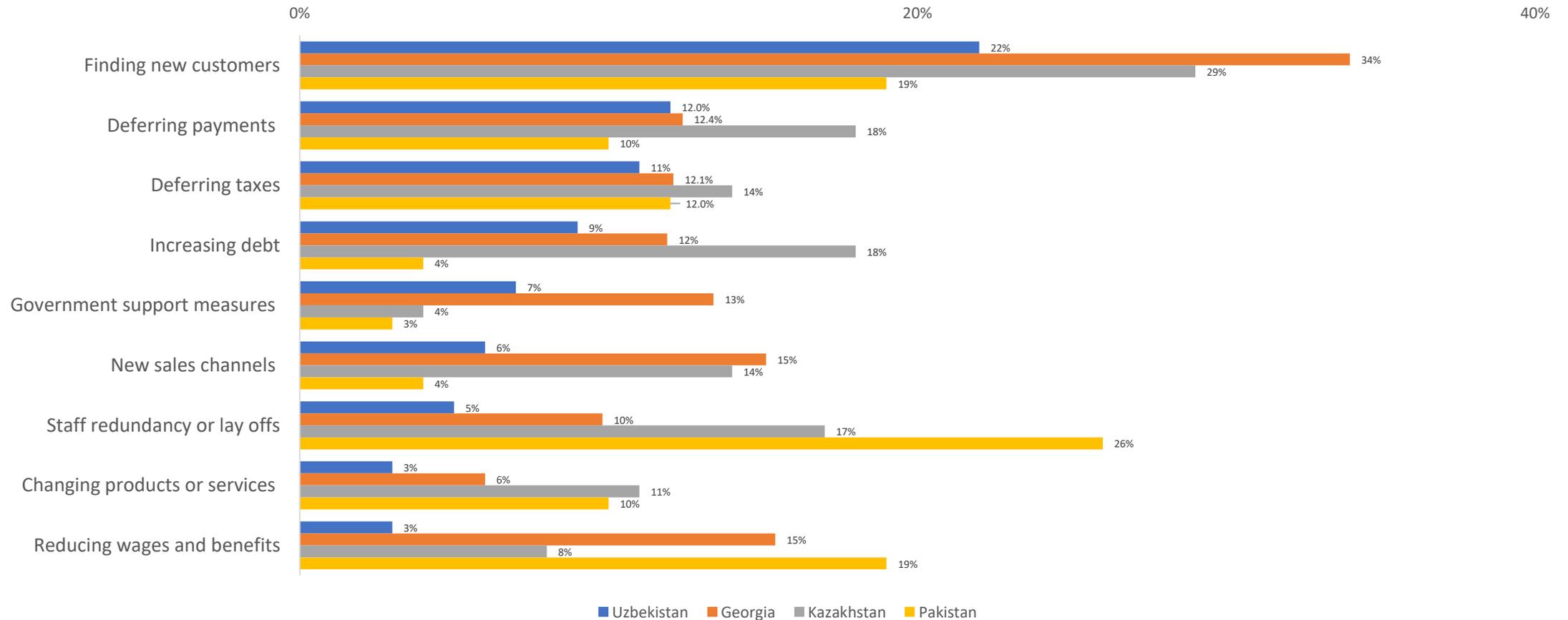
Revenue Impact



Impact of COVID-19 on Employment Conditions



Coping with the impact of COVID-19 disruptions



Coping Strategies

Domestic demand for goods and services was crippled and international orders were also cancelled and/or postponed. Therefore, most of the MSMEs were interested in boosting demand both at the domestic and international markets.

A sizeable fiscal stimulus was proposed to generate economic activities at the domestic market, however, the actual disbursed fiscal support was limited and untargeted. A targeted support was suggested based on the size and structure of the MSMEs to regain market access.

Similarly, targeted fiscal support to the general public was suggested to increase the purchasing power of the general public to generate domestic demand. The volatility in the international markets didn't largely impact CAREC MSMEs, because CAREC MSMEs were not highly integrated. Integrating MSMEs with the regional economies can provide a coping mechanism, for example, diversifying supply chains to overcome Covid-19 shocks.

Coping Strategies

Several fiscal stimulus measures (deferring in payments, taxes and debts relief, reducing wages and benefits), and other initiatives (staff layoffs and changing products or services) were adopted, however, these were not considered significant measures across the four countries to revise MSMEs sales and boost domestic demand.

Further support from government (tax relief, zero interest rate/collateral free loan, subsidies and grants), financial institutions and insurance companies, suppliers and customers, and family and friends were solicited to overcome Covid-19 impacts.

To overcome the Covid-19 negative consequences, the government and businesses strategies were to explore new potential customers, sales channels, and shift to online trade, among others.

Digital transformation is the key coping mechanism that was mainly adopted by the MSMEs so that transition to online trade and sales can be possible.

However, digital infrastructure platform and regulatory environment are at the development stage in the CAREC region except for China; therefore, the government should on a priority basis, consider supporting digital transformation so that MSMEs can get easy transition towards online trade and sale in the CAREC region to overcome the negative consequences of the Covid 19.

Thank you !