

PRESS RELEASE



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MSME Sector is key to COVID-19 Inclusive Recovery for PH

Manila, Philippines – Despite the lifting of the enhanced community quarantine (ECQ) in Metro Manila, majority of the micro, small, and medium enterprises (MSMEs) are still temporarily closed or are operating at decreased capacity—an indicator of the difficulties they are facing in getting back to their business operations according to the recent survey conducted by the United Nations Development Programme (UNDP) on the impact of COVID-19 on MSMEs in the Philippines.

MSMEs comprise 99.5% of business establishments in the Philippines and are employing approximately 63% of the country's workforce. In the past years, MSMEs were responsible for 40% of the country's Gross Domestic Product (GDP). During the second quarter of 2020 and almost four months since the community quarantine was put in place, the country's GDP sank to 16.5% as the Philippines experienced recession due to the COVID-19 pandemic.

In the first MSME online forum organized by the Philippine Disaster Resilience Foundation (PDRF) and UNDP Philippines through SIKAP (Synergizing Recovery Initiatives, Knowledge, and Adaptation Practices for MSMEs), the results of the survey were presented to more than 170 MSME owners and development organizations.

The survey also showed that out of the 285 respondents, 81% reported experiencing low consumer demand. This low demand alongside shortages related to transportation and logistics, and lack of financing capacity were cited as the primary challenges of MSME owners in resuming their operations.

Since the implementation of community lockdowns, MSMEs continued to suffer from disrupted cashflow and continuing expenses, which led to income losses. Close to 80% of the respondents reported a reduction in their average monthly income from April to June compared to their average monthly income prior to the pandemic. While 20% of the respondents tried to retain employees with full pay despite income losses, their cashflow was so severely affected that 25% of them began to lay off employees.

"We are in the middle of a once in a lifetime medical emergency. I know you are worried about your health, scared to open your businesses. But for the sake of our families and ourselves, we have to take that step and reopen while maintaining safety standards. We have to find a way to keep going as long as we need to," said Butch Meily, President of PDRF.

To address the adverse impacts of the COVID-19 pandemic, MSMEs started implementing adaptive business measures. Among which are digitalization or the use of online platforms for their business transactions, cost reduction, diversification of products and services, utilization of non-cash payment options, and allowing employees to work from home. However, despite these adaptive measures, majority of the MSMEs still need assistance to recover from their losses. At least 60% of the respondents reported that they have not received any assistance from any stakeholder (gov't, private sector, NGOs, and others) yet. Among the most pressing needs of MSMEs are access to credit facilities, tax breaks, and deferred loan payments.

"MSMEs play a crucial role in the Philippines' efforts to recover from the crisis brought about by this pandemic. UNDP will continue to support Government and its development partners to facilitate their sector representation in policy dialogues and program planning so as to capitalize on available solutions that could prevent further closures of MSMEs. We are also working very closely with the private sector to provide online resources and to ensure that all MSMEs can get the right access to e-commerce trainings to support their digital transition. Digital infrastructure in the country is key to

enable the development of a new market space online,” said Enrico Gaveglia, Officer-in-Charge of UNDP Philippines.

The result of the survey intended to provide data-driven recommendations that can help the Inter-Agency Task Force come up with more effective policies and programs that are responsive to the immediate and long-term needs of MSMEs.

Among these recommendations were the integration of MSMEs in public sector procurement, a balanced and complementing mix of monetary and fiscal policies including wide-reaching government guarantees for MSME lending that will support overall spending, and mechanisms to increase household consumption in the country. Other recommendations included addressing the challenges in public transportation to ensure safe and efficient mobility of people, products, and services, and the strengthening of supply chain management by integrating more local suppliers.

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