



**Division for Sustainable Development Goals**

**Webinar: “Exploring the Impact of the COVID-19 Pandemic on Micro, Small and Medium Enterprises”**

**Wednesday, 20 May 2020, 9:00 a.m. – 10:15 a.m. EST**

**Opening remarks by Alexander Trepelkov, Officer-in-Charge, DSDG/DESA**

Distinguished participants, Dear colleagues and friends, Ladies and Gentlemen,

The COVID-19 pandemic has caused a devastating socio-economic impact around the world. According to the latest United Nations report, *World Economic Situation and Prospects as of mid-2020*, the global economy is projected to shrink by 3.2 per cent this year and only modestly recover in 2021. The cumulative output losses during the next two years are estimated at \$8.5 trillion, wiping out nearly all output gains of the previous four years. World trade is forecast to contract by nearly 15 per cent in 2020 amid sharply reduced global demand and disruptions in supply chains.

With nearly 90 per cent of the world economy under some form of lockdown, unemployment rates have soared worldwide, exacerbating poverty and inequalities within and between countries. The transportation, travel, tourism, retail and hospitality sectors bear the brunt of job losses, as these jobs typically require close physical proximity with clients and fellow workers. The pandemic has disproportionately hurt low-skilled, low-wage workers, pushing an estimated 34.3 million people into extreme poverty, with 56 per cent of this increase occurring in African countries.

Developing economies, especially those dependent on tourism and commodity exports, face heightened economic risks. The least developed countries, land-locked developing countries, small island developing States and sub-Saharan Africa face particular vulnerabilities and are likely to suffer huge economic losses. Falling exports and growth are rapidly undermining their debt sustainability, against the backdrop of reduced trade, tourism and remittance flows, decreased foreign direct investment and tightened credit. The pandemic has also exerted a blow on the food systems, with particular risks for food-importing developing countries.

To minimize the fallout of the crisis, Governments around the world have rolled out large, but uneven, fiscal stimulus measures, equivalent overall to roughly 10 per cent of the world GDP. However, most developing countries – saddled with chronic fiscal deficits and high levels of public debt, coupled with diminished access to liquidity and credit – are constrained in their ability to implement necessary and adequate fiscal response, which has thus far averaged less than 1 per cent of their GDP. In the immediate term, the increased availability and rapid deployment of international funds to address liquidity shortages and free up fiscal space are paramount.

Micro, small and medium enterprises (MSMEs) represent majority of business entities worldwide, contributing to a significant share of employment and GDP. MSMEs in developing countries are frequently concentrated in the manufacturing, service and tourism sectors, which are highly susceptible to external shocks. The drastic drop in international tourism and travel has put many MSMEs – making up 80 per cent of the global tourism sector – at high risk, rendering millions jobless in many tourism-dependent economies. Unlike bigger enterprises, MSMEs lack sufficient cash reserves to weather external shocks and they are less able to tap emergency credit.



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Moreover, informal and unregistered enterprises, which represent the majority of MSMEs in developing countries, are left with very few ways to seek support. Without targeted policy measures to improve MSME resilience to the crisis, survival of many MSMEs may be jeopardized and their contributions to the crisis response and recovery will be seriously constrained. MSME support will be critical for accelerating recovery, building resilience and putting the world back on the trajectory of sustainable development.

This webinar aims to explore the impact of the COVID-19 pandemic on MSMEs, with a view to assessing progress and identifying gaps in policy measures adopted by countries to support MSMEs in immediate response to the current crisis. Looking ahead, our discussions should also serve to inform policy options for enhancing MSME resilience to withstand external shocks and fostering sustainable development in the medium and longer terms.

I look forward to an interesting and fruitful meeting. Thank you.