

15 September 2020

YB Dato' Sri Dr Hj Wan Junaidi Tuanku Jaafar

Chair, APEC SME Ministerial Meeting
Minister of Entrepreneur Development & Cooperatives
Malaysia

Honorable Minister:

The global economy is reeling from the impact of the pandemic, a health and economic crisis of unprecedented proportions. Micro, small and medium enterprises (MSMEs), which account for more than 95 percent of all enterprises and over 50 percent of employment across the APEC region, are amongst the groups most impacted by COVID-19 and are facing a sharp collapse in earnings, unpayable office operation costs, and falling demand for goods and services. Many face the prospect of permanent closure.

Responding to the Immediate Impact of the Pandemic

Last month the APEC Business Advisory Council (ABAC) shared with Ministers Responsible for Trade its COVID-19 Report which, as you will see from the attached documents, contains our recommendations for responding to the immediate impacts of the pandemic, and laying the groundwork for economic recovery and building resilience. These include actions to address the pandemic itself, temporary and tailored fiscal support, particularly to address the economic consequences for MSMEs.

Ensuring that essential goods, services, and people can go where they are needed and minimizing supply chain disruption, as outlined in our report, will assist MSMEs as much as, if not more than, larger enterprises. Our report also argues for specific measures to assist MSMEs to address operational challenges, while recognizing the widely varying specific circumstances of economies and businesses. These measures include:

- Intensifying efforts to enhance the financial inclusion of MSMEs and their participation in international trade through a more robust enabling environment and capacity building for digital transformation.
- Alleviating liquidity challenges where needed through temporary support measures and emergency credit programs tailored to the specific circumstances of MSMEs and economies including offering financial support, e.g., loan payment holiday, low-interest liquidity funds, to keep business running, keep their workforce, and expand financial ability to pay costs.
- Consider, in specific circumstances, providing incentives, income or consumption measures to stimulate consumer demand to help local business and boost local economy.
- Facilitating speedy restructuring of non-viable businesses and accelerate fresh starts of insolvent businesses by streamlining personal insolvency regimes and exploiting newly-established online dispute resolution platforms to speed and lower the cost of insolvency, and introducing well-designed support programs where needed.

- Facilitating the shift of MSMEs to e-commerce and digital platforms through capacity building, including through training and re-training programs and upskilling.

Laying the Groundwork for Economic Recovery

As economies move through the immediate aftermath of the pandemic, it is clear that policymakers will need to turn their attention to laying the groundwork for economic recovery. As well as continuing attention to market openness and supply chain connectivity, MSMEs will need to be readied for the “contactless and cashless” economy; and digital connectivity will need to be strengthened to ensure that it is affordable and reliable as more of our daily activities take place online.

Among the measures we recommend to assist MSMEs include the following:

- Enabling better, more inclusive access to financial services.
- Appointing within economies multi-disciplinary advisory bodies including government and non-government agencies and business representatives to advise on MSME resilience and ways of simplifying the operating environment for MSMEs.
- Facilitating MSME’s capacity to adjust to the “new normal” of business post COVID-19, including supporting MSMEs’ digital transformation for remote work and operations, preparedness for cyber security threats through providing framework to protect MSMEs from attacks, training, business continuity protocols, adequate information systems with built-in security layers, among others.

Building Future Resilience

Even in the midst of the crisis it is important to look to the future. Two groups stand out in terms of requiring additional support as we move from crisis to recovery.

First, micro and small enterprises (MSEs), especially in developing economies, need tools to increase productivity and develop their commercial ecosystems through recourse to greater digitalization and financial inclusion. This will assist their transition towards more sustainable business models and put them on a pathway for growth. This year, ABAC has implemented a pilot project focused on MSE resilience and growth intended to identify policy recommendations for MSEs within APEC, which we will share in our 2020 report to APEC Economic Leaders.

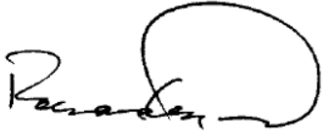
Second, there is no doubt that in our region as around the world, women generally receive lower incomes, represent the majority of single-parent households, and are more likely to be employed in MSEs and the informal sector. These factors have been exacerbated amid the COVID-19 pandemic, generating a setback in inclusion and gender equality.

To mitigate the negative impacts of the pandemic and to continue advancing towards full gender equality, ABAC encourages policy makers to take into account the particular vulnerabilities, pre-existing discrimination and inequality and threatened wellbeing that women face developing and implementing COVID-19 economic recovery plans.

According to McKinsey research in 2020, advancing women's equality during this unprecedented time could lead to a substantial economic opportunity and increase of around \$13 trillion of incremental GDP by 2030, an 11 percent increase relative to the do-nothing scenario. Against this backdrop, we believe that that the faster policymakers and business leaders act to push for greater gender equality, even as the COVID-19 crisis continues, the bigger the benefits both for gender equality and economic growth.

In conclusion, COVID-19 has provided a catalyst for greater collaboration towards inclusiveness of MSMEs and the removal of institutional inequalities that prohibit such inclusiveness. We have no doubt that the region's recovery and resilience are best served by staying true to APEC's fundamental belief that regional cooperation, open markets, integration, innovation and inclusive, secure and sustainable growth best equip APEC economies to achieve the well-being and prosperity of our communities across our region. These ideas, along with recognition of the importance of MSMEs, MSEs and the distinct challenges faced by women, are critical for APEC as we confront the crisis and develop a vision for the region post-2020.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Rohana', with a large, stylized circular flourish above the name.

Dato' Rohana Tan Sri Mahmood
ABAC Chair 2020