SESSION 7:

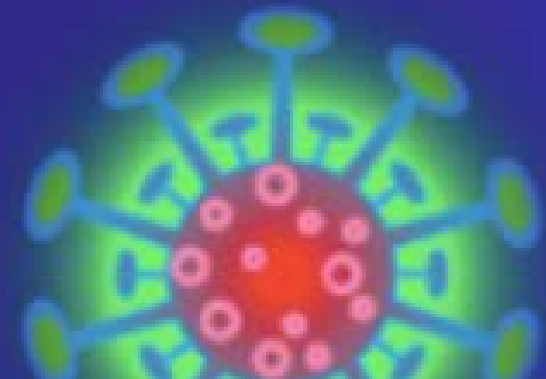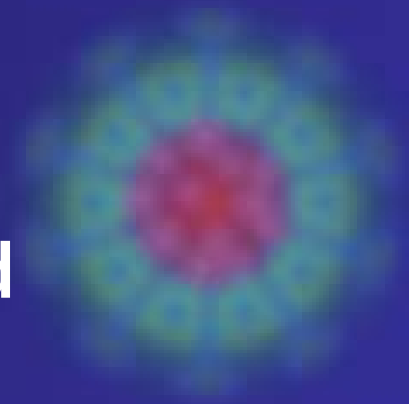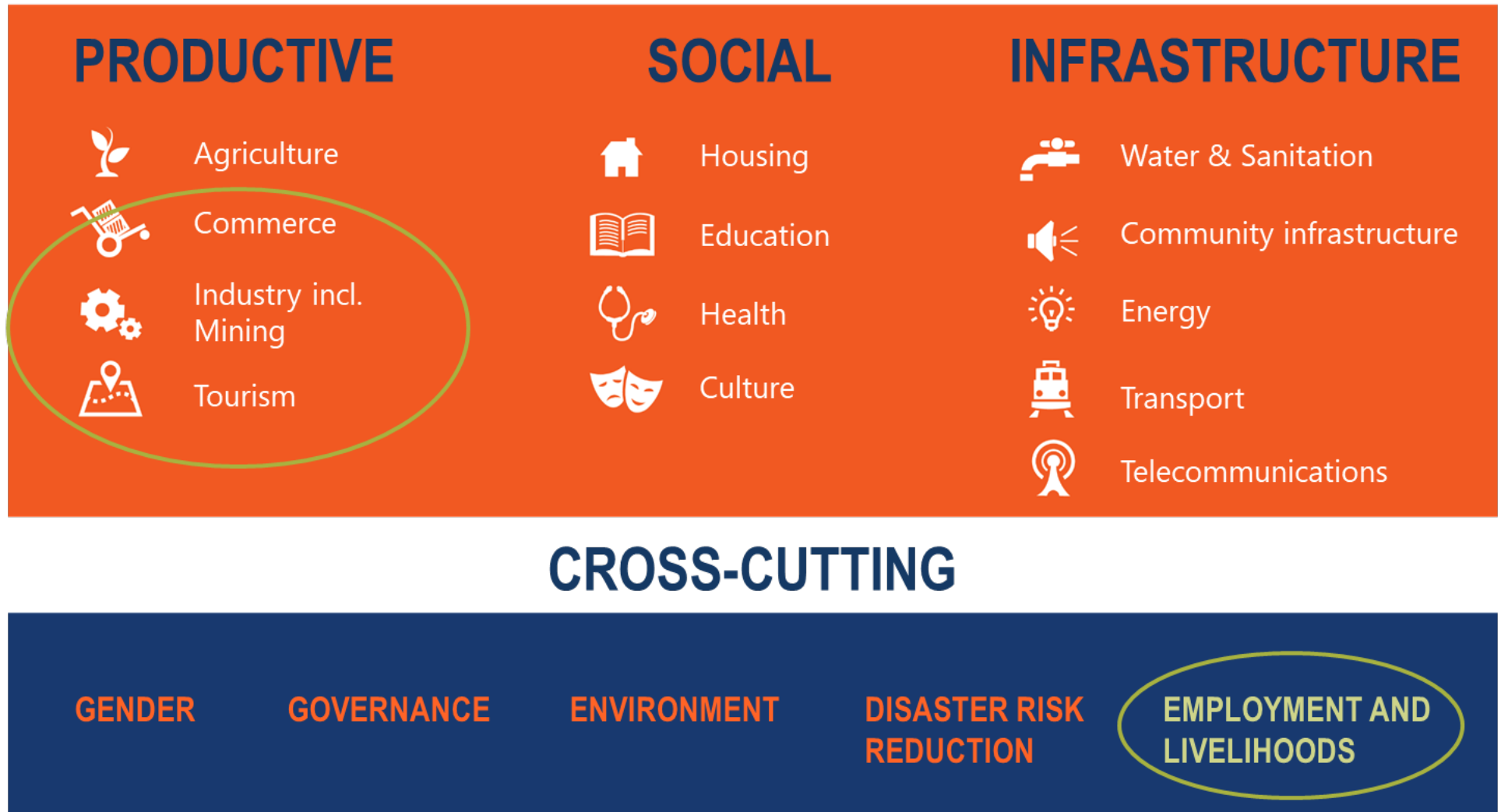## Approach to Economic Recovery Productive Sectors – Tourism; Trade and Commerce; and MSMEs

SPEAKER: DR. PARTHA S BANERJEE

Typical sectors and subsectors

PRODUCTIVE
- Agriculture
- Commerce
- Industry incl. Mining
- Tourism

SOCIAL
- Housing
- Education
- Health
- Culture

INFRASTRUCTURE
- Water & Sanitation
- Community infrastructure
- Energy
- Transport
- Telecommunications

CROSS-CUTTING

GENDER   GOVERNANCE   ENVIRONMENT   DISASTER RISK REDUCTION   EMPLOYMENT AND LIVELIHOODS

Note: The diagram above illustrates the typical sectors that are assessed in the PDNA, this can vary from country to country.

Sub-sectors to be assessed

1 — Trade, Commerce and Manufacturing – includes agro-industrial units and other MSMEs – Loss Estimation, Recovery Needs

2 — Tourism – Loss Estimation, Recovery Needs

3 — Artisanal Small-scale Mining – Loss Estimation, Recovery Needs

4 — Informal Economic Units – Loss Estimation, Recovery Needs

Above sub-sectors are Illustrative, can vary by country

Insights into extent of losses: inputs for recovery planning

Step 1: Pre-pandemic Information	***Identify baseline data sources:*** trade and commerce data, industrial statistics, relevant data micro, small and medium enterprises, industrial parks. Estimate informal eco. units	***Assemble the data*** qualitative and quantitative characterization Tourism, Trade and Commerce, light manufacturing, fabrication, agro-industrial units and other MSMEs. Collate data on Informal and vulnerable eco. units	
Step 2: Pandemic Information	***Look for relevant pieces of information from other sectors:*** transport, energy, housing, agriculture (lost harvest, agricultural workers affected),	***Field visits:*** meet with district authorities, community key informants. Small Group meetings and Focus Group Discussions	***Triangulation and assortment of sources:*** secondary data, market traders, community key informants, enterprises and households. Biz. Associations, Civil Society Org., Workers Org.
Step 3: The pandemic effect	***The quantitative goal is rapid assessment of losses:*** to draw insights and take inputs into the recovery planning process	***1: Economic losses for the enterprises,*** may be based on loss reports of sample surveys / assessed by intermediaries ***2: Income losses for the workforce,*** may be based on direct or indirect estimation	
Step 4: The pandemic impact	• The impact assessment caused by the pandemic is a *qualitative* exercise. • It contextualizes the quantitative findings of the effect of pandemic and provides a **short, medium** and **long term** analysis		

Productive Sectors: Economic Recovery planning

- Follow a three track approach to plan economic recovery

    - *Track A*: Easing of access to finance, concessionary bank credit flow, collateral free credit during recovery, cash-transfer and social protection for groups / clusters / communities with urgent needs, provide short-term employment opportunities (e.g. Cash for Work)

    - *Track B*: Access to market, promote linkages, opportunities by reskilling and up skilling workforce, facilitation schemes for technology upgrades, widen the scope for entrepreneurship (green initiatives)

    - *Track C:* Promote enhanced regional trade, promote sustainable investments, improve the functioning of Industrial Parks, creation of common facilities in Processing Zones

- Capacity Building: Entrepreneurship orientation, Technical Training in new techniques, Skilling / Vocational Education, Initiation of digitalisation, Fostering social networks and platforms.

- Indicate costs / budgets: short, medium and long term preferably by financial year

Estimating Recovery Needs

MSME and Informal Economic Units

Sub-sector examples:

- **Light Manufacturing**

- **Trade and Commerce**

- **Own Account Enterprises**

Tourism recovery will include key segments

- Accommodation services;

- Food and beverage services;

- Passenger transport services;

- Travel agency services;

- Cultural services;

- Recreation and other entertainment services; and

- Miscellaneous and insurance services.

Example 1: South Africa
MSME and Informal Economic Units Recovery Needs

	Resource requirement head	Cost
		(R million)
1	**Credit Guarantee Scheme**	**59 850**
	· **Formal SME – R 59,85 billion for six months**	
2	**Job Creation, support to SME and informal businesses**	**149 000**
	· **Formal SME – R 89 billion for six months**	
	· **Informal SME – R 60 billion for six months**	
3	**Support to vulnerable households for 6 months**	**28 750**
	· **Own Account Workers and those who 'Do not know' size of employers – R 12 billion for six months**	
	· **Expanded Public Works Programme – R 10.75 billion**	
	· **Discouraged job seekers – R 6 billion**	
4	**Wage protection (UIF) – R 11 billion disbursed April 2020**	**40 000**
	Total	**277 600**

Illustrative

Example 2: Azerbaijan
MSME and Informal Economic Units Recovery Needs

Working Capital assistance for impacted MSMEs
Source: SSC Azerbaijan, MSME Rapid Survey, Own Calculations

	Micro	Small	Medium	Total
	Number of Non-State, private property			
Total number of MSMEs	232520	3788	1238	237546
MSMEs impacted (estimated to be 70% from the rapid survey)	162764	2652	867	166282
	Amount (Million Manat)			
Cost of Goods Sold (COGS) in a year: cost of goods loaded, works executed, services rendered (source: SSC)	6621.94	1701.96	4222.52	12546.41
Average COGS for the full year per MSME	0.028	0.45	3.41	-
Working Capital assistance need for each MSME for a full year (assumption: 25% for Micro, 30% for Small, 35% Medium of average COGS per MSME)	0.007	0.135	1.19	-
Working Capital assistance need for six months for estimated number of MSME to be impacted	569.67	179.01	515.87	1264.55
Credit guarantee by government (60% of the Working Capital assistance loan)				758.73
(A) Projected government budget impact if 25% of all credit guarantees are invoked				189.68
(B) 50% interest subsidy considering 15% interest on the loan portfolio for one year				94.84
(C) Technical Assistance to support MSME recovery (2% of W. Capital Assistance)				25.29
Estimated budget impact of W. Capital assistance credit guarantee package (A+B+C)				309.81

Illustrative

Other recovery support measures

- Active Labour Market Programmes

  - Entrepreneurship orientation, business planning assistance, initial handholding

  - Technical and Vocational Education and Training (TVET), assistance in new skill acquisition

  - Apprenticeships, Learnerships, Internships: support work-based learning and on-job-training

  - Operationalize digital platforms

    — demand-side linkages, access to markets, aggregation, value chain integration

    — supply-side linkages, job-search engines, labour market intermediaries

- Promote new business eco-systems (incubators, accelerators): agro-industrial, green-tech, biotech, fintech, and other digital services

- Supporting policy: facilitating access to credit, temporary easing of regulations and compliance requirement, deferred rates or taxes or licensing renewal needs, new business start-ups

Example 3: African Union Commission
MSME and Informal Economic Units Recovery Needs

- Agro-industrial production systems

  - Agri food processing, Horticulture, Floriculture, Value Chain Development

  - Expand Blue Economy: marine and inland fishery (capture and aquaculture), cold chains

  - Non-Timber Forest Produce

- Non-farm MSME and Informal Economic Units

  - Light manufacturing and construction

  - Tourism: leisure tourism, adventure tourism (safari), art and heritage tourism, islands

  - Artisanal and Small-scale Mining

  - Transportation services

Discussions