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Findings and recommendations emerging from the COVID-19 impact assessments targeting female-owned micro-, small and medium-sized enterprises (MSMEs) in selected countries

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Note by the secretariat

Summary

With funding from the United Nations Development Account, and drawing on the experience gained from the United Nations Economic Commission for Europe (ECE) studies on regulatory and procedural barriers to trade, ECE assessed the impact of the coronavirus disease (COVID-19) pandemic on female-owned micro-, small and medium-sized enterprises (MSMEs) in Armenia and the Republic of Moldova.

Undertaken in 2021–2022 upon the request of the Governments of the two States, the assessments look at the impact of non-tariff measures (NTMs) governing trade on end-to-end supply chains, and of additional challenges that emerged for female-owned MSMEs during the COVID-19 pandemic. The assessments also highlight the lingering effects for trade and economic development that should be considered for building stronger and more resilient economies post-pandemic, and the achievement of the Sustainable Development Goals (SDGs) of the United Nations 2030 Agenda for Sustainable Development. The assessments provide action-oriented recommendations to bolster women’s participation in economic activities, and point to the assistance that ECE could provide to support these initiatives.

This document provides the main findings emerging from the assessments, with a view to informing discussions during the seventh session of the Steering Committee on Trade Capacity and Standards.

The document is presented to the Steering Committee for decision.
I. Introduction

1. The COVID-19 pandemic brought unprecedented challenges for all countries. Governments saw their priorities shift overnight towards upscaling public health preparedness and emergency support measures to cater to the vulnerable segments of their populations. The challenges facing Governments were further complicated by supply chain disruptions, which left enterprises struggling to survive.

2. It is from this perspective that the impact of the pandemic on female-owned MSMEs was assessed. Consistent with the mandate of the ECE Steering Committee on Trade Capacity and Standards, two assessments analyse the impact of existing NTMs combined with lockdown measures in Armenia and in the Republic of Moldova on these countries’ supply chains and long-term development prospects. The assessments particularly focus on such impact on female-owned MSMEs, and provide action-oriented recommendations to bolster women’s participation in economic activities.

3. The assessments are based on a survey of agricultural and manufacturing female-owned MSMEs engaging in international trade. The focus on MSMEs is consistent with their important role in driving the countries’ economies. According to the latest official statistics, in Armenia, MSMEs represented 99 per cent of active enterprises in 2017, and in the Republic of Moldova, MSMEs accounted for 98.6 per cent of active enterprises in 2019.

4. Despite these countries’ impressive progress in achieving gender equality, female-owned enterprises constitute a limited segment (in Armenia, around 15 per cent of registered enterprises were owned by women in 2019; and in the Republic of Moldova, around 34 per cent of registered enterprises in 2017 were owned by women). These enterprises are concentrated in the services sector, and are dominated by microenterprises.

5. The assessments are based on surveys that were conducted over the course of January–March 2021. They used a comprehensive questionnaire that was developed by ECE, with a view to informing gender-responsive trade policies. The questionnaire drew on the knowledge gained from the ECE COVID-19 impact assessments in Armenia and the Republic of Moldova, and was pilot-tested in December 2020. In total, 155 female-owned MSMEs from Armenia and 101 female-owned MSMEs from the Republic of Moldova participated in the survey.

6. The assessments showed that the surveyed female-owned MSMEs were hard hit by the pandemic, despite limited trade restrictions in the countries, upscaled trade facilitation measures and relief measures. The majority were operating at a loss, and were unsure about their ability to maintain operations.

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1 Draft resolution recommended by the Economic Commission for Europe, as contained in the addendum to the report of the Secretary-General on regional cooperation in the economic, social and related fields (E/2019/15/Add.2 and ECOSOC decision 2019/253), available at www.unece.org/fileadmin/DAM/trade/documents/ToR_SCTCS_Appendix5.pdf.
5 The studies are available at https://unece.org/trade/studies-regulatory-and-procedural-barriers-trade.
II. Key findings

A. Trade disruptions

7. The female-owned MSMEs surveyed saw their supply chain operations disrupted by lockdown measures, as well as by the special health and safety arrangements at main border crossing points, and in partner countries. The impacts of the resulting disruptions were compounded by capacity shortfalls within State agencies, which manifested themselves in the form of non-tariff barriers. These barriers acted as negative transmission channels, which amplified supply chain disruptions by creating operational bottlenecks:

(a) Lack of clarity over trade-related regulations and applied administrative procedures: Most of the surveyed MSMEs were not familiar with these regulations and procedures. This meant that they were unable to adjust their supply chain operations in a timely manner.

(b) Extended waiting time for obtaining trade documents: The issuance of trade documents was slowed by continued reliance on paper-based procedures, as the Governments have yet to fully transition to a paperless trading environment.

(c) High product-certification costs: Enterprises reported on delays in obtaining the required trade documents and high product-testing costs. MSMEs were forced to obtain conformity certificates from abroad at a high cost, since certificates issued domestically were not recognized internationally.

B. The impact of trade disruptions

8. In both countries, around 25 per cent of the surveyed female-owned MSMEs suspended their export activities, and as a result lost all their export earnings in 2020. Another 20 per cent saw their export earnings decrease compared with pre-pandemic levels. This declining trend continued, with many reporting that they were operating at a loss in March 2021. These losses were triggered by:

(a) Loss of traditional partners and subcontracting arrangements: Many of the export-oriented MSMEs lost their traditional international buyers, who were forced to suspend production or shut down altogether under the weight of the pandemic-induced economic crisis. This caused damage to the subcontracting arrangements of MSMEs.

(b) Supply shortages: These were caused by the closure of non-essential businesses in partner countries, delayed deliveries and increased prices. The owners reported experiencing difficulties in finding new international suppliers.

(c) Increased transport costs: Transport by road became more expensive as freight forwarders raised their fees to cover additional operating costs that were out of their control. The higher fees, combined with COVID-19-induced delivery delays, forced several MSMEs to shift to air transport at additional cost.

C. The ripple effects of trade disruptions

9. The impact of supply chain disruptions in Armenia and the Republic of Moldova was compounded by the coping strategies introduced by MSMEs. Only a limited segment used growth-enabling coping strategies, such as production repurposing and e-commerce:

(a) Reduced productive capacity: The majority of the female-owned MSMEs surveyed reduced production under the weight of dwindling demand and supply shortages.

(b) Limited production repurposing: About 35 per cent of female-owned MSMEs in Armenia and 22 per cent of female-owned MSMEs in the Republic of Moldova repurposed their production. The majority of these belonged to the clothing
industry, and repurposed production to make cloth masks and disposable gowns for health-care workers and medical professionals.

(c) **Limited engagement in e-commerce:** Only 10–22 per cent of the MSMEs surveyed reported using e-commerce for boosting exports. The remainder were not engaged in e-commerce.

(d) **Export expansion plans cancelled or put on hold:** This was the case for around 56 per cent of MSMEs, the majority of which were planning to increase exports to traditional markets.

D. **Income fallout**

10. At the beginning of 2021, many of the exporting female-owned MSMEs in Armenia and the Republic of Moldova had stopped selling their products abroad and were operating at a loss. The impact of these losses was compounded by the coping strategies introduced by MSMEs:

(a) **MSMEs that saw their exports rebound were unsure as to their ability to maintain exports:** This was the case for 35 per cent of the female-owned MSMEs surveyed that regained their pre-pandemic earning levels in 2020. They were unsure of their ability to maintain exports, given the inflated transport costs placing a strain on their budgets, and aggravating supply shortages.

(b) **Sharp increase in the debt burden of MSMEs:** Some of the female MSME owners and managers were able to mitigate the stress on their wage bill and other operating costs by borrowing from relatives or using their spouses’ income.

(c) **Marked deterioration in the living conditions of the households of MSMEs:** The majority of enterprises used personal savings to maintain operations over the period January 2020–March 2021. This came at the expense of their families’ welfare.

(d) **Need of government support:** In March 2021, around 66 per cent of MSMEs in Armenia and 92 per cent of MSMEs in the Republic of Moldova emphasized the need for government assistance to maintain operations.

E. **Growth bottlenecks**

11. The assessments show female-owned MSMEs as being challenged by ongoing, deep-seated growth bottlenecks, such as:

(a) lack of skilled staff

(b) high exploratory costs associated with understanding trade rules and procedures

(c) lack of adequate warehousing facilities

(d) weak production capacities

(e) lack of extended-hour childcare at a reasonable cost.

12. These bottlenecks, which are specific to female-owned MSMEs, have translated into high production costs which, combined with the prevalence of counterfeits, have been undermining ability of MSMEs to compete in domestic markets, let alone to boost exports. The current conditions have aggravated these bottlenecks, with adverse consequences for the development prospects of MSMEs and the welfare of their families and communities.

III. **Key recommendations**

13. The table below provides the main recommendations emerging from the assessments. These recommendations, which address the challenges listed in the previous section, are
geared towards enabling dynamic synergies between emergency relief measures and long-term development objectives for female-owned MSMEs. They involve action-oriented policy measures aimed at:

(a) addressing the financial crisis
(b) reducing trade-related exploratory costs
(c) supporting business growth, including through strengthening the entrepreneurial spirit
(d) bolstering the participation of female-owned MSMEs in trade policymaking processes
(e) supporting knowledge generation for gender-responsive trade policies
(f) further enabling people to strike a work-family balance.

14. Consistent with the Governments’ long-term strategic goals, the recommendations aim to contribute to structural transformation and the achievement of the Sustainable Development Goals. They directly contribute to achieving Goals 1 (no poverty), 8 (decent work and economic growth), 9 (industry, innovation and infrastructure), 11 (sustainable cities and communities), 16 (peace, justice and strong institutions) and 17 (partnerships for the Goals).

IV. Concluding remarks

15. The COVID-19 pandemic and associated lockdown measures have significantly affected the economies and societies of ECE member States. This includes countries with economies in transition, such as Armenia and the Republic of Moldova. Supply chain disruptions and the resulting challenges to international trade have particularly affected female-owned MSMEs. Building resilient, sustainable and diversified supply chains is one of the key overarching strategies for the post-COVID-19 recovery.

16. Sustainable approaches can play a supporting role in building resilient supply chains for MSMEs. Increased implementation of circular economy business models can change production, consumption and distribution patterns, and improve efficiency along the supply chain. In the long term, such strategies can bring multiple economic, social and environmental benefits, and serve as a global resilient growth strategy.6 Relatedly, following decisions by ECE at its sixty-ninth session, in April 2021, regarding the circular economy and the sustainable use of natural resources, the ECE secretariat has been integrating a circular economy approach in its relevant activity streams, including in relation to trade.7

17. Digitalization can also play a supporting role in building resilient supply chains for MSMEs, such as through integrating a higher number of MSMEs into e-commerce operations. In this regard, the topic of “Digital and green transformations for sustainable development in the ECE region” has been identified by ECE member States as the cross-cutting priority topic for the forthcoming seventieth session of the Commission in 2023.8

18. In many countries with economies in transition, MSMEs, including female-owned businesses, are key drivers of economic growth. At the same time, MSMEs in these

economies operate primarily in low value-added areas of the economy, such as retail and certain areas of manufacturing; thus, they have limited opportunities for upgrading, innovating and growing. It is therefore critical to enhance entrepreneurial skills. To support capacity and empower MSMEs to harness opportunities in the transition to sustainable trade and a circular economy in the context of the post-COVID-19 recovery, ECE organized a series of webinars in May and June 2022.9

19. ECE, through its three core functions – development of norms, standards and legal instruments; hosting of a convening platform; and technical cooperation across a number of relevant sectors – supports countries in their efforts to achieve a sustainable, inclusive and resilient post-pandemic recovery10 and transition to a circular economy.

20. For the challenges summarized in this paper, the tools developed under the ECE Economic Cooperation and Trade Division (ECTD) are particularly relevant. They include standards and best-practice recommendations for trade facilitation and electronic businesses (United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT)), regulatory cooperation, agricultural quality standards, innovative policies and public-private partnerships. Several give particular attention to issues of relevance to MSMEs and gender-specific challenges.

21. As Governments continue their efforts to “build back better”, a wide range of normative tools and technical cooperation-related support activities by ECE are at their disposal.

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## Key policy measures for stronger and more resilient female-owned MSMEs

<table>
<thead>
<tr>
<th>Area</th>
<th>Challenges</th>
<th>Recommendations</th>
<th>ECE ECTD tools</th>
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<tbody>
<tr>
<td>Emergency measures</td>
<td></td>
<td>Scale up efforts to familiarize female-owned MSMEs with available government support schemes through partnering with women’s and support organizations targeting female-owned enterprises.</td>
<td>UN/CEFACT White Paper on Integrated Services for MSMEs in International Trade (ISMIT)</td>
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<tr>
<td>Financial support</td>
<td>Female-owned MSMEs are experiencing shortages in working capital.</td>
<td>Launch subsidized loan schemes and scale up microloans to enable female-owned MSMEs to address shortages in working capital (especially raw materials and shipping costs), and publish detailed information on eligibility criteria and application procedures.</td>
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<tr>
<td>Trade-related exploratory costs</td>
<td>Female-owned MSMEs are not familiar with trade-related rules and administrative procedures.</td>
<td>In addition to upscaling online publication of up-to-date information on trade-related regulations and administrative procedures, priority should be given to familiarizing female MSME owners with applicable regulations and procedures, and their implications for supply chain operations and business development. This will also put the owners in a better position to contribute to trade policymaking processes. Support could take the form of user-friendly explanatory materials and online training courses, and tailored in-person training programmes. In this respect, it is important to strengthen existing women’s organizations, with additional capacity (e.g. experts and training facilities) so that they can integrate training as part of their services.</td>
<td>UN/CEFACT White Paper on Integrated Services for MSMEs in International Trade (ISMIT) ECE Guide to Drafting a National Trade Facilitation Roadmap ECE online self-paced training programme of studies on standards implementation for MSMEs</td>
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11 Not each of the ECTD tools listed might necessarily focus on the specified challenges; but each of the tools might contribute to addressing some of challenges indirectly.
Participation in trade policymaking processes

Participation of female-owned MSMEs in trade policymaking processes tends to be erratic.

Create mechanisms for ensuring continuous participation of female-owned MSMEs in public/private sector consultations on trade policy reforms. While such consultations are held by women’s associations, they tend to be organized on an ad hoc basis given the lack of funds.

UN/CEFACT Recommendation No. 40 (Consultation approaches Best Practices in Trade and Government Consultation on Trade Facilitation matters)

UN/CEFACT Recommendation No. 4 (National Trade Facilitation Bodies)

ECE Gender-Responsive Standards

ECE Informal Policy Brief Small and Medium Sized Enterprises in Economies in Transition: Challenges, Opportunities, and UNECE Tools

Structural measures for supporting development of MSMEs

Enterprise support

MSMEs are experiencing difficulties in finding new international buyers and suppliers.

Support women’s and enterprise-support organizations targeting female-owned MSMEs in their efforts to scale up networking initiatives.

Equip women’s organizations with the capacity to establish sector-specific market-intelligence services to help female-owned MSMEs identify export opportunities and efficient supply sources. As a starting point, these organizations could focus on sectors exhibiting a significant presence of female-owned MSMEs.

Launch dedicated support programmes for facilitating participation of female-owned MSMEs in international fairs.

ECE Report Findings and recommendations emerging from the COVID-19 impact assessments targeting micro-, small and medium-sized enterprises in selected countries”

ECE Portal on Standards for the SDGs

ECE Agricultural Quality Standards (covering Fresh Fruit and Vegetables; Dry and Dried Produce; Meat; and Seed Potatoes)

ECE “Sustainability Pledge” (comprising a UN/CEFACT Policy Recommendation, information exchange standard and implementation guidelines)

ECE Recommendations on Regulatory Cooperation and Standardization policies

ECE Gender-Responsive Standards

ECE online self-paced training programme of studies on standards implementation for MSMEs

MSMEs are not equipped to meet regulatory requirements in destination countries.

Develop training programmes on standards implementation as part of the support services for female-owned MSMEs.

To ensure sustainability beyond the international funding cycle, these programmes need to be housed in women’s and enterprise-support organizations targeting women and complemented by mentoring and
coaching programmes to facilitate training on standards implementation.

ECE e-learning modules on Conformity Assessment, Risk Management, Market Surveillance and Gender-Responsive Standards (forthcoming, June 2022)
ECE e-learning modules on Agricultural Quality Standards and Food Loss and Waste (forthcoming, mid-2022)

MSMEs lack warehousing facilities. Launch initiatives aimed at helping female-owned enterprises establish joint production and warehousing facilities through financial support and professional advice, including on the choice of equipment, as well as on legal and financial matters. This will reduce costs and enable enterprises, particularly those faced with low demand, to gradually increase production.
UN/CEFACT White Paper on Integrated Services for MSMEs in International Trade (ISMIT)
UN/CEFACT Recommendation No. 41 (Public-Private Partnerships in Trade Facilitation)

MSMEs lack experience in supply chain management. Equip existing women’s organizations, as well as enterprise-support organizations targeting female-owned MSMEs, with the required capacities to diversify their services. This includes additional expertise skills and training materials, so that they can offer training services in the areas of entrepreneurship, modern information and communication technology management information systems, marketing, strategic planning and supply chain management. This will help the female-owned MSMEs grow and facilitate their access to bank loans.
UN/CEFACT White Paper on Integrated Services for MSMEs in International Trade (ISMIT)
ECE “Sustainability Pledge” (comprising a UN/CEFACT Policy Recommendation, information exchange standard and implementation guidelines)

Ability of MSMEs to participate in e-commerce is undermined by the lack of adequate online payment systems. Expand available online payment systems for cross-border e-commerce.
Consider distinguishing between major and occasional exporters. Given their modest export volumes, it would be more effective to help occasional exporters sell products on regional and international online marketplaces. Major exporters could be assisted through targeted financial support. For example, as part of the loan schemes, a special credit line could be established to help MSME owners to obtain the
UN/CEFACT White Paper on Integrated Services for MSMEs in International Trade (ISMIT)
UN/CEFACT White Paper on Blockchain in Trade Facilitation
| MSMEs have limited access to bank loans. | Scale up lending schemes targeting female-owned MSMEs to enable them to invest in modernizing their production facilities. To facilitate the owners’ access, consider providing these loans within the context of guaranteed schemes in collaboration with women’s organizations. |
| MSMEs have limited capacity to engage in innovative business activities | Enhance opportunities for MSME’s for upgrading and innovating through promoting entrepreneurial skills trainings. Design effective policies and institutions to support MSMEs value creation in innovative sectors. |
| Knowledge generation for gender-responsive trade policies | There is a lack of statistical and non-statistical systems for capturing and monitoring the specific challenges facing female-owned enterprises. Strengthen the statistics agencies with the required capacity to generate gender-disaggregated data on enterprises. |

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**Required equipment and information technology systems to bolster their online presence.**

Equip women’s and enterprise-support organizations targeting female-owned MSMEs with the required capacity to help owners navigate e-commerce laws.

**ECE Regional Report on Digital and Sustainable Trade Facilitation**

**ECE Report Supporting Innovative High-Growth Enterprises in Eastern Europe and South Caucasus**

**ECE Report Business Incubators for Sustainable Development in the SPECA subregion**

**ECE Gender-Responsive Standards**