



**COVID-19  
RESPONSE**

## Leveraging Standards and Trade Facilitation for MSMEs' Development

*30 November 2021, Online*

**Making trade facilitation and standards implementation work  
for MSMEs: What lessons to draw from the COVID-19 crisis?**

***Evidence from UNECE's impact assessments***

**UNECE**

# UNECE COVID-19 Impact Assessments



UNECE

## MSMEs (Armenia, Belarus, Georgia, Republic of Moldova and Serbia)



Up to 2000 micro, small and medium enterprises (**MSMEs**) engaged in manufacturing and agriculture along with main freight forwarders operating in the five countries.



The transmission channels of the pandemic's effects on the economy and the influence of non-tariff measures (**NTMs**) governing trade in goods on these channels.



**Supply chain disruptions** and their impact on trade activities.



The MSMEs' **coping strategies**: how they used their assets to maintain operations.

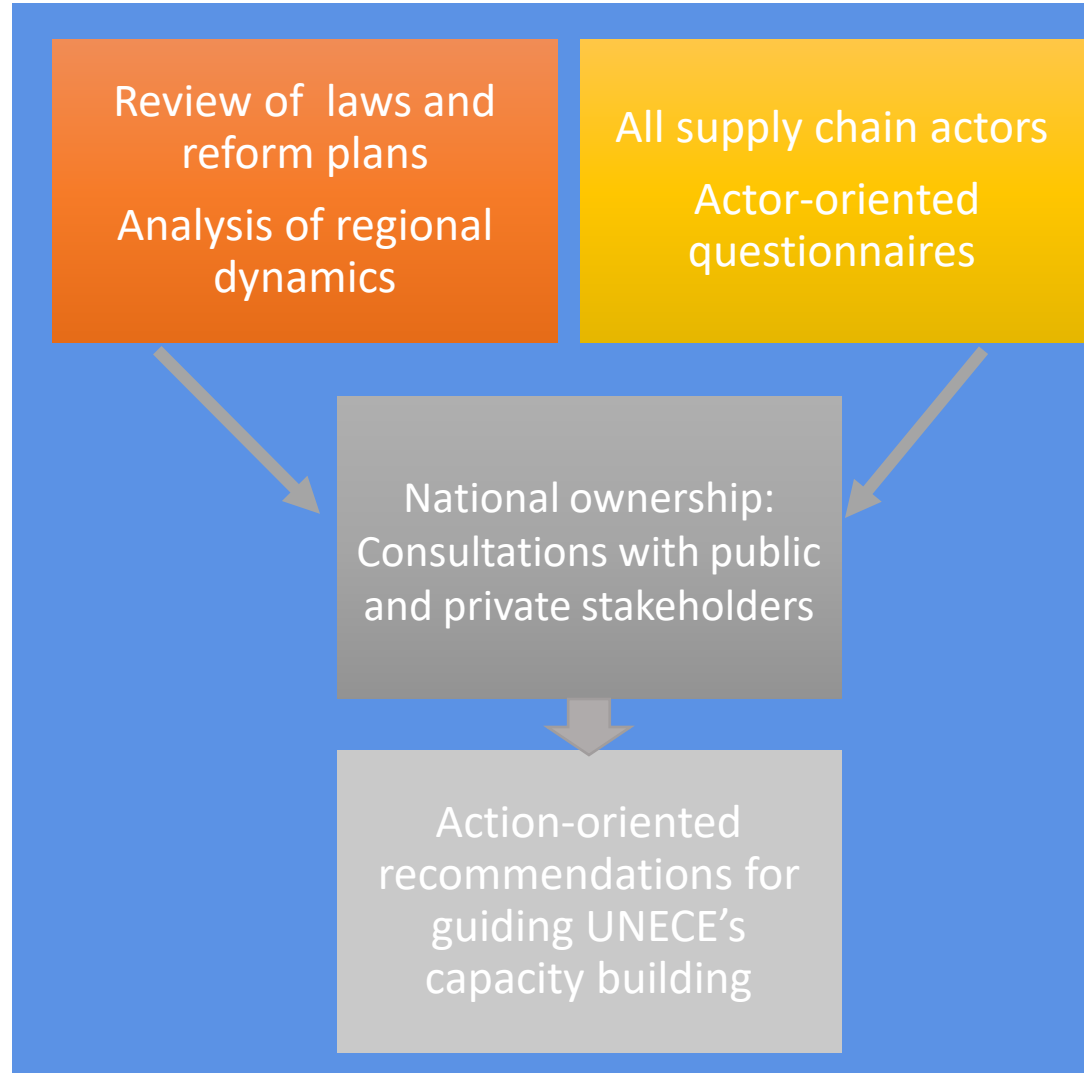
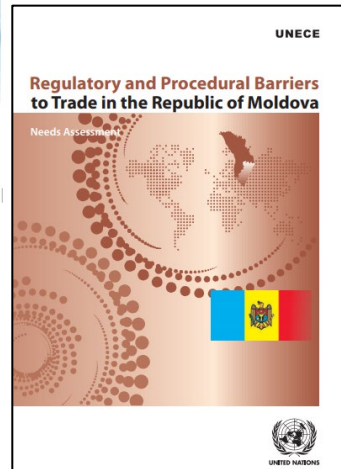
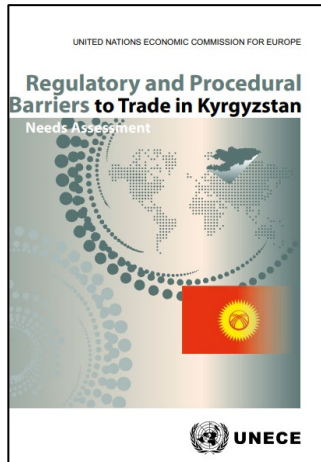
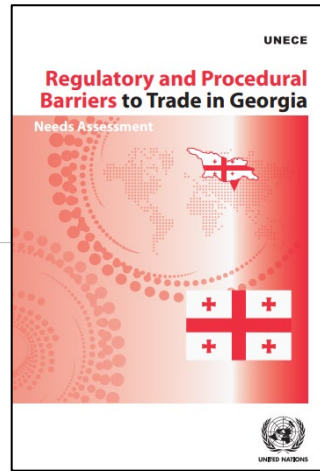
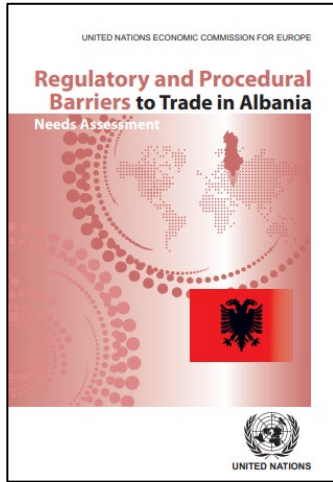


The **ripple effects** of trade disruptions on the economy, including those generated by the MSMEs' coping strategies.

# UNECE COVID-19 Impact Assessments



Grounded in intimate knowledge of the impact of NTMs on trade and structural transformation



# NTMs Harnessed for Curbing Supply Chain Disruptions



UNECE



## Minimum restrictions to address shortages

**Temporary export bans** on personal protective equipment (PPE) and certain pharmaceutical products.

**Temporary export bans** on certain food items.



## Trade facilitation measures to generate efficiency gains

**Transparency measures:** Online publication of new NTM regulations. Call centres and online inquiry points.

**Cutting down red tape:** Simplification of procedures for issuing trade documents.

**Priority treatment for critical imports (food, animal feed, sanitary products and medical equipment):** Green corridor.



## Exemptions to ease the financial pressure

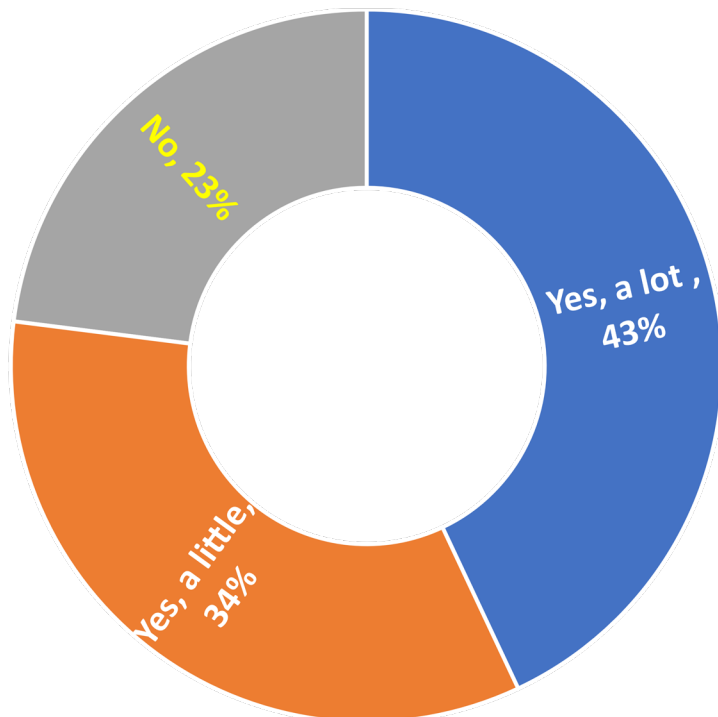
**Temporary customs duties exemptions** on certain imported PPE, pharmaceutical and medical products.

**Anchored in regional cooperation arrangements**

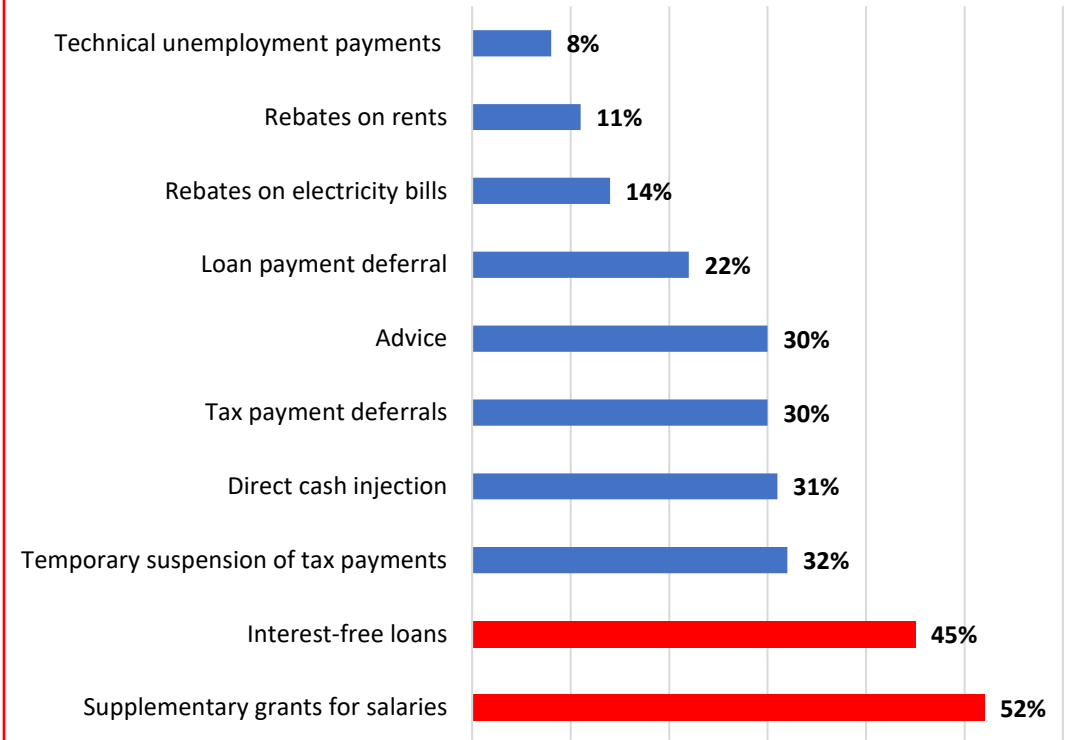
# Resilient Versus Vulnerable MSMEs



## MSMEs requiring emergency support (% of total respondents)



## MSMEs' emergency needs to maintain operations (% of total respondents)



Source: UNECE (2020) *The impact of COVID-19 on trade and structural transformation in Georgia: Evidence from UNECE's survey of MSMEs (Armenia, Belarus, Georgia, Republic of Moldova and Serbia)*

# MSMEs' Coping Strategies

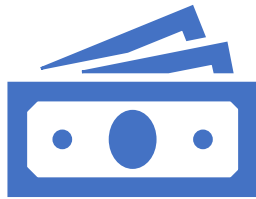


UNECE

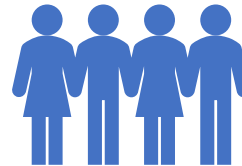


## Social responsibility

### Pre-occupied with employees' welfare



*Salary cuts and putting staff on furlough were implemented on a limited basis.*



*Top management assumed the brunt of salary cuts.*



*Layoffs as a measure of last resort.*

# MSMEs' Coping strategies



UNECE

## Preemptive

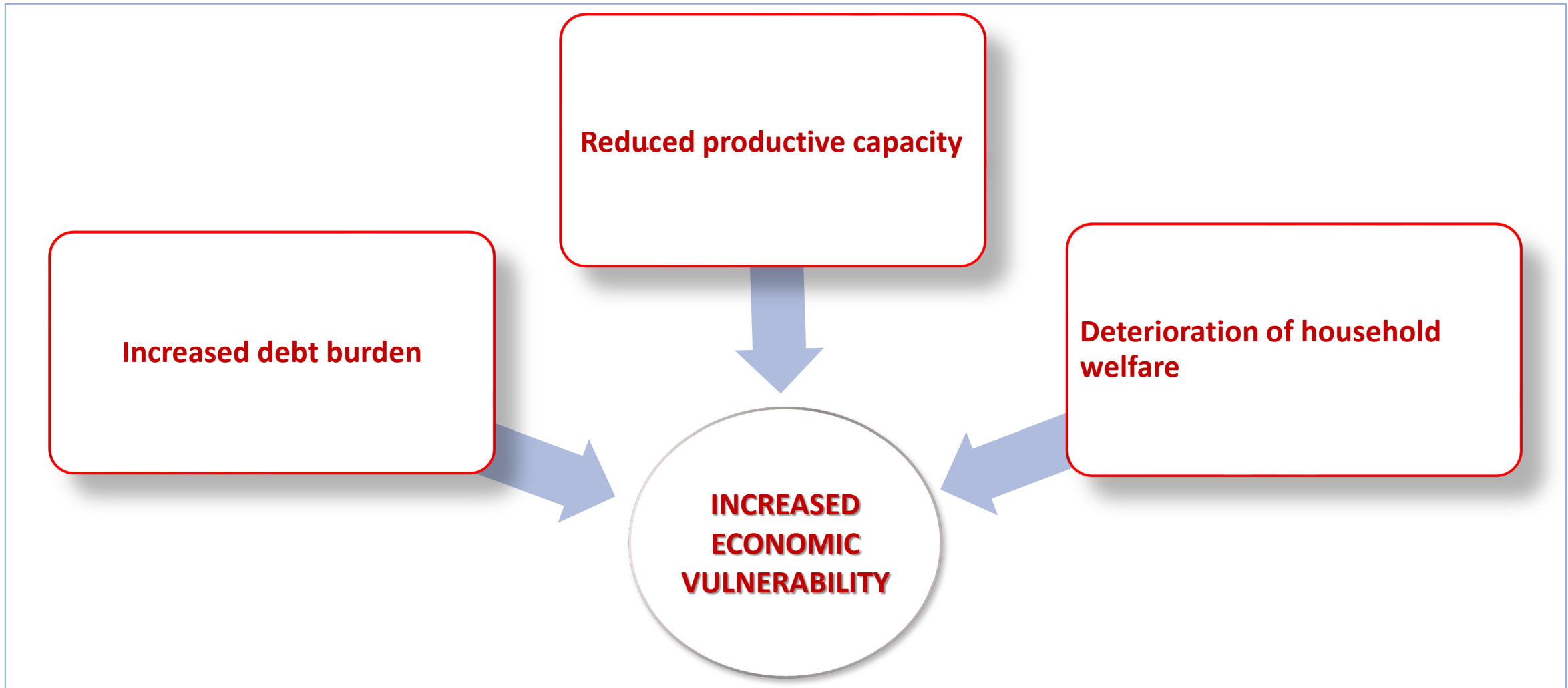
- ***Combined shipments (with other MSMEs)*** to reduce road transport costs.
- ***Refocused exports towards new destinations*** away from destinations included in national lists of highly affected countries.
- ***Renegotiated delivery deadlines*** with long-standing international buyers.
- ***Arranged shipments in January-February proactively*** before the pandemic placed stress on transport operations.

## Erosive

- ***Deferred business payments***, particularly loan repayments, utility bills (including electricity, internet and phone bills), wages and rent payments.
- ***Owners used their personal savings*** to cover business expenses, to the detriment of their households' welfare. The owners had to cut back on, among other things, school tuition, medical bills and food expenditures.

**Assisted by Customs (hotlines), enterprise support institutions (free advice) and freight forwarders**

# Increased Economic Vulnerability

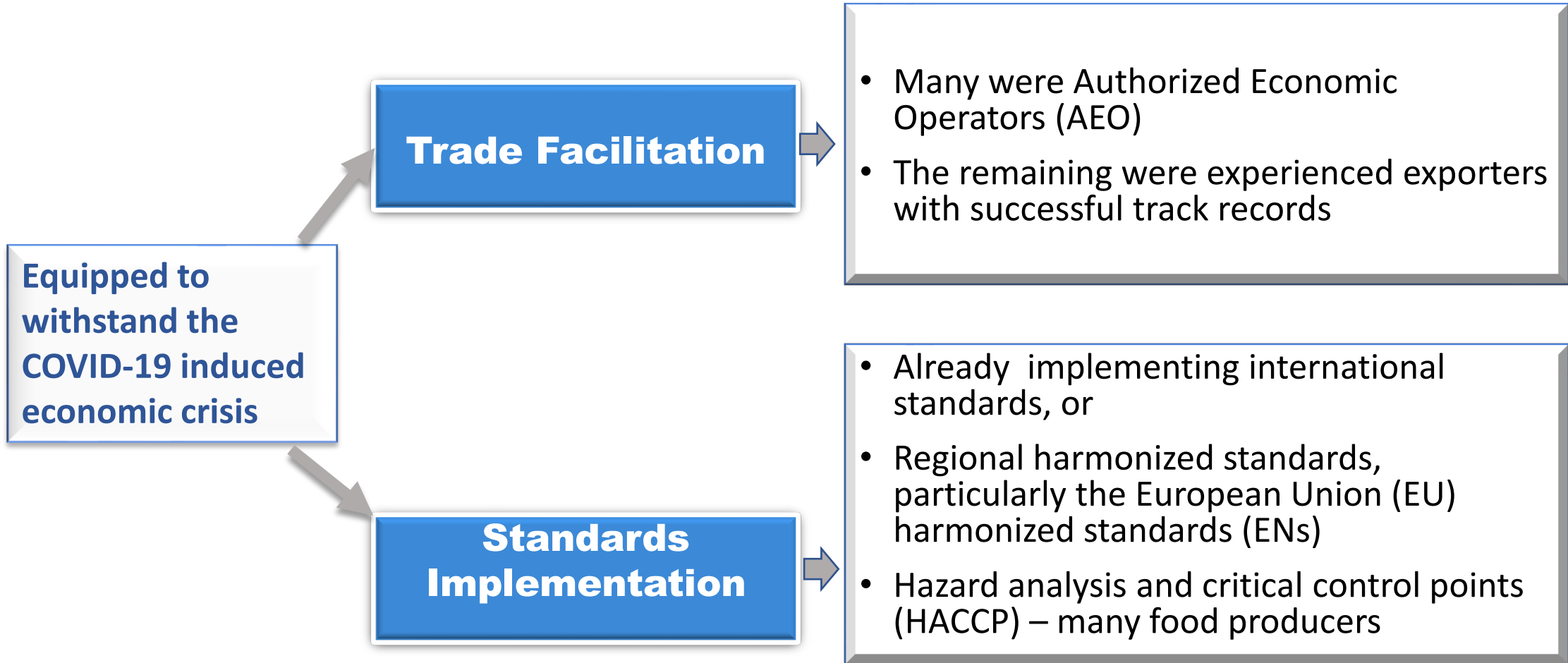




# The Resilient MSMEs

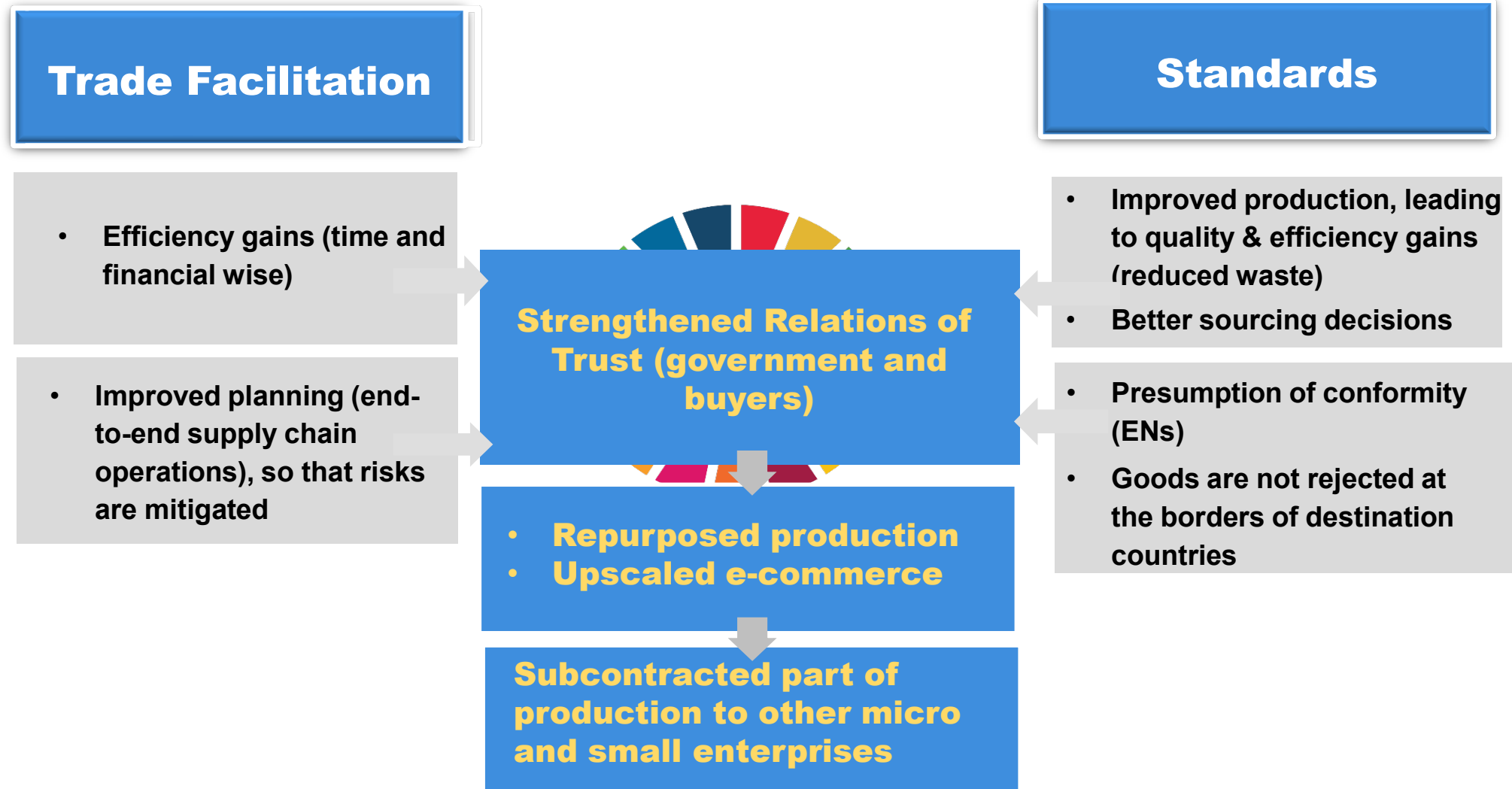


UNECE



# The Resilient MSMES

## Growth enabling coping strategies



# How Standards Implementation Drove Production Repurposing

## An example from the Republic of Moldova

- ***International standards drove the repurposing*** activities of a leading medium-sized textiles manufacturing enterprise, which repurposed to disposable protective clothing for medical personnel after receiving a large purchase order from an EU buyer.
- ***The enterprise was familiar with this production line***: long experience in manufacturing disposable protective clothing in the early 2000s (160,000 units/month) under subcontracting arrangements with Kimberly-Clark.
- **Ensured compliance with the EU harmonized standards (ENs)**: Found ISO and ENs-certified suppliers and dispatched product samples abroad for testing by accredited laboratories.



# Standards Implementation Drove Production Repurposing

## Examples from Georgia

Sector	Size	Product	Size of investment	Standards Implementation
Metals and fabricated metals	Small	Dowel bars for pavement (New production line)	Zero (repurposed part of the production lines)	ISO 9001:2015 Quality Management Systems
Metals and fabricated metals	Medium	Face shields and protective plastic dividers for cars	Zero (repurposed part of the production lines)	ISO 9001: 2008 ISO 9001: 2015
Textiles	Medium	Cloth face masks (New product)	Zero (repurposed part of the production lines).	ISO 9001:2015
Food	Medium	Raisins (New product) instead of salt and pepper	USD 20,000 in machinery equipment	In the process of implementing ISO 9001:2015
Beverages	Small	Vodka/Chacha (New flavour)	Zero (Repurposed part of the production lines)	ISO 9001:2015
Food	Medium	Frozen fruits and vegetables	Zero (Repurposed part of the existing lines)	ISO 22000 Food Safety Management System (Combines the ISO9001 approach to food safety management and HACCP)

Source: UNECE (2020) The impact of COVID-19 on trade and structural transformation in Georgia: Evidence from UNECE's survey of MSMEs

# Profile of the Resilient MSMEs



UNECE

## Drivers



- Own initiative: Invest significant time in exploring growth opportunities
- In most countries, implemented standards without receiving any support
- Integrated into regional supply chains via subcontracting arrangements
- Many are driving national supply chains (contracting parties)
- In some countries, Diaspora constitute the link to international markets

## Bottlenecks



- High exploratory costs
- Skills mismatch
- Unfair competition from cheaper low-quality products and counterfeits
- Low demand for standards
- High transport costs
- Conformity assessment results are not recognized internationally
- In some countries:
  - Limited appetite for e-commerce
  - High corporate taxes (concern for micro and small enterprises)
  - Quality of electricity supply



## What lessons to draw?

Transparency is a major element in reducing MSMEs' exploratory costs



- **Public-private consultations:** mechanisms for ensuring systemic, continuous consultations
- **Online publication:** One-stop resource center of not only trade related-rules & administrative procedures, but also of user-friendly explanatory brochures highlighting the implications of new/revised rules and procedures for supply chain operations



Source: Unknown Author, licensed under [CC BY](#)

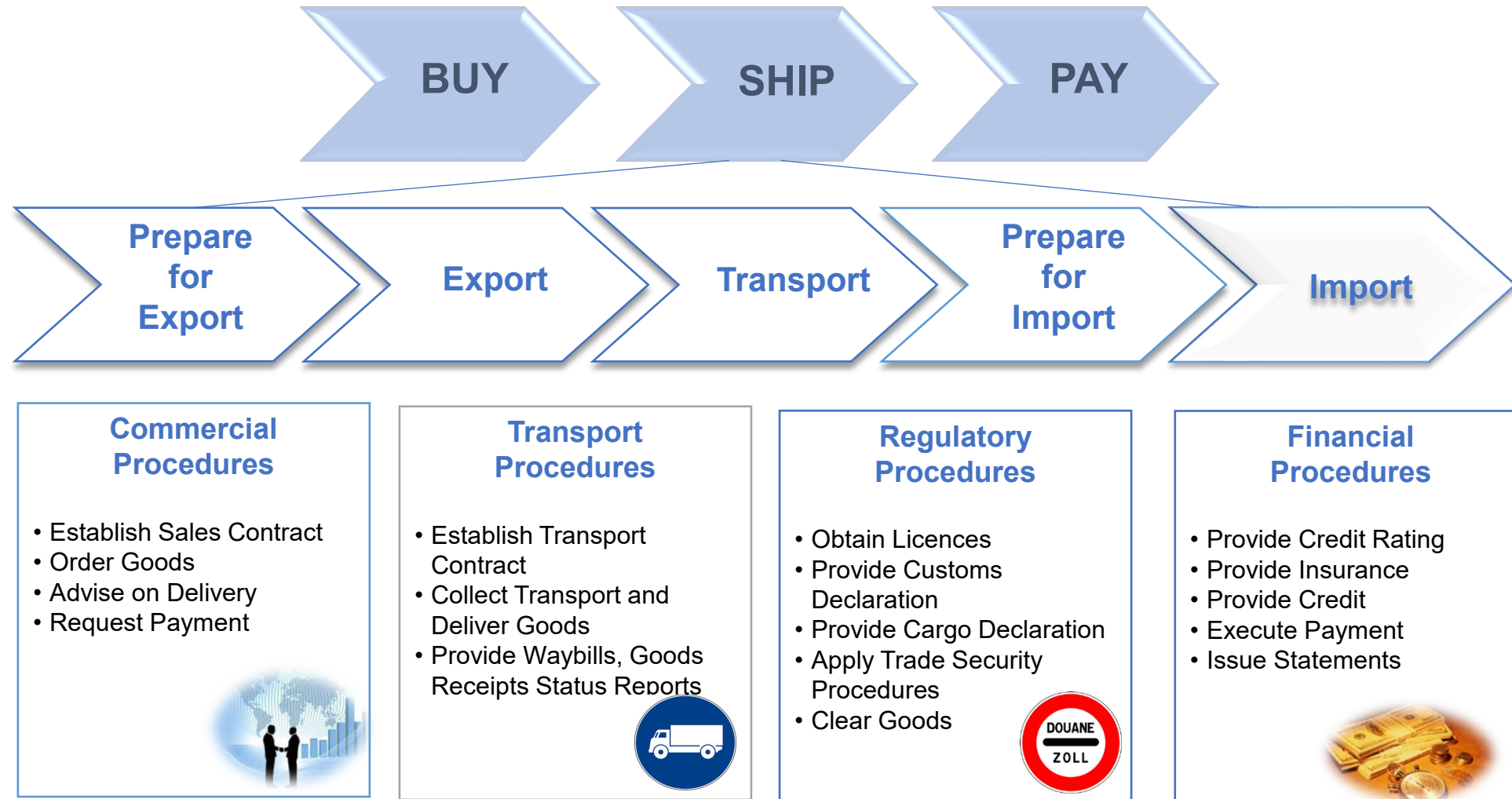
# What lessons to draw?



UNECE



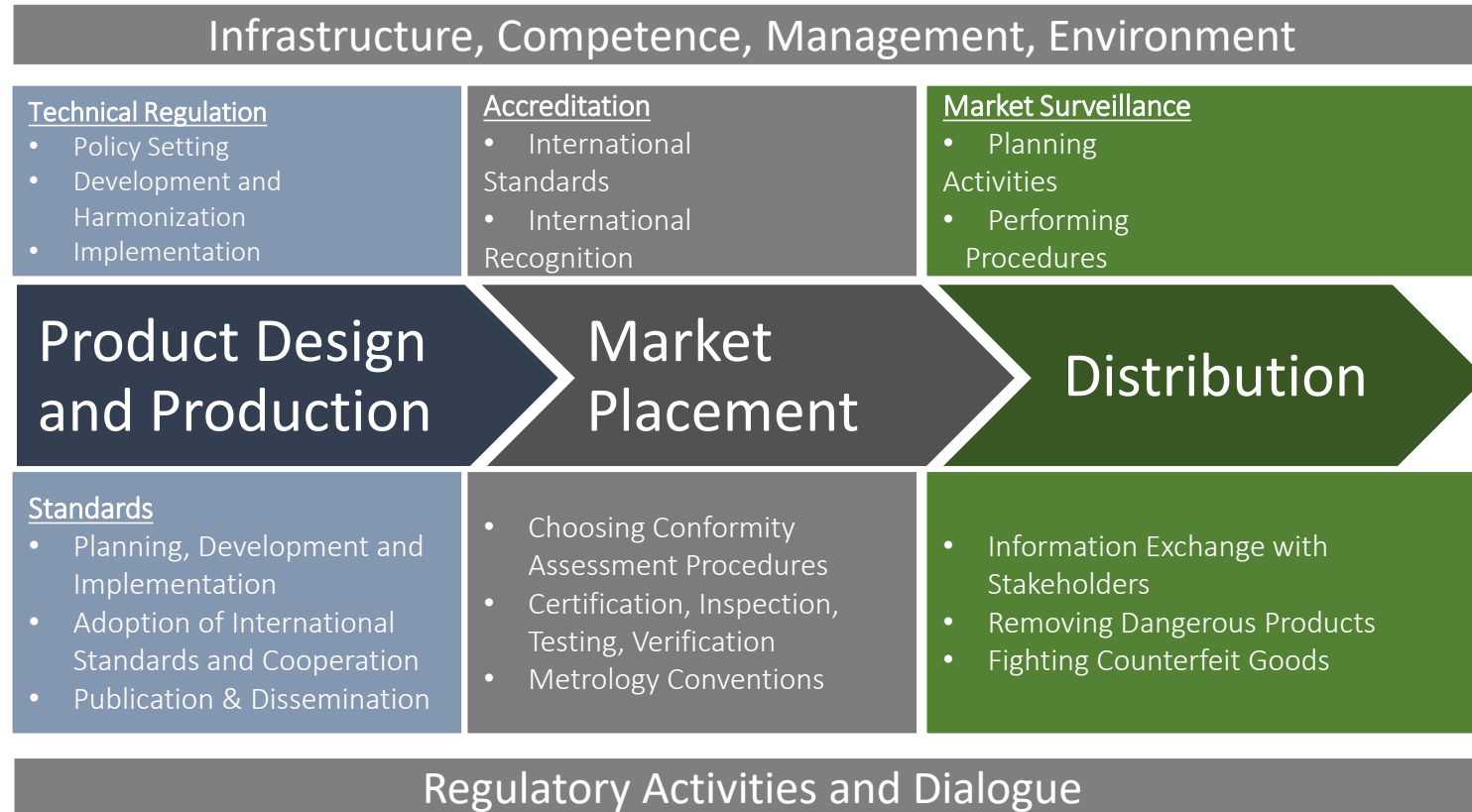
## Trade facilitation gaps amplify trade disruptions & weaken business incentives





# What lessons to draw?

## Quality infrastructure gaps amplify trade disruptions & weaken business incentives

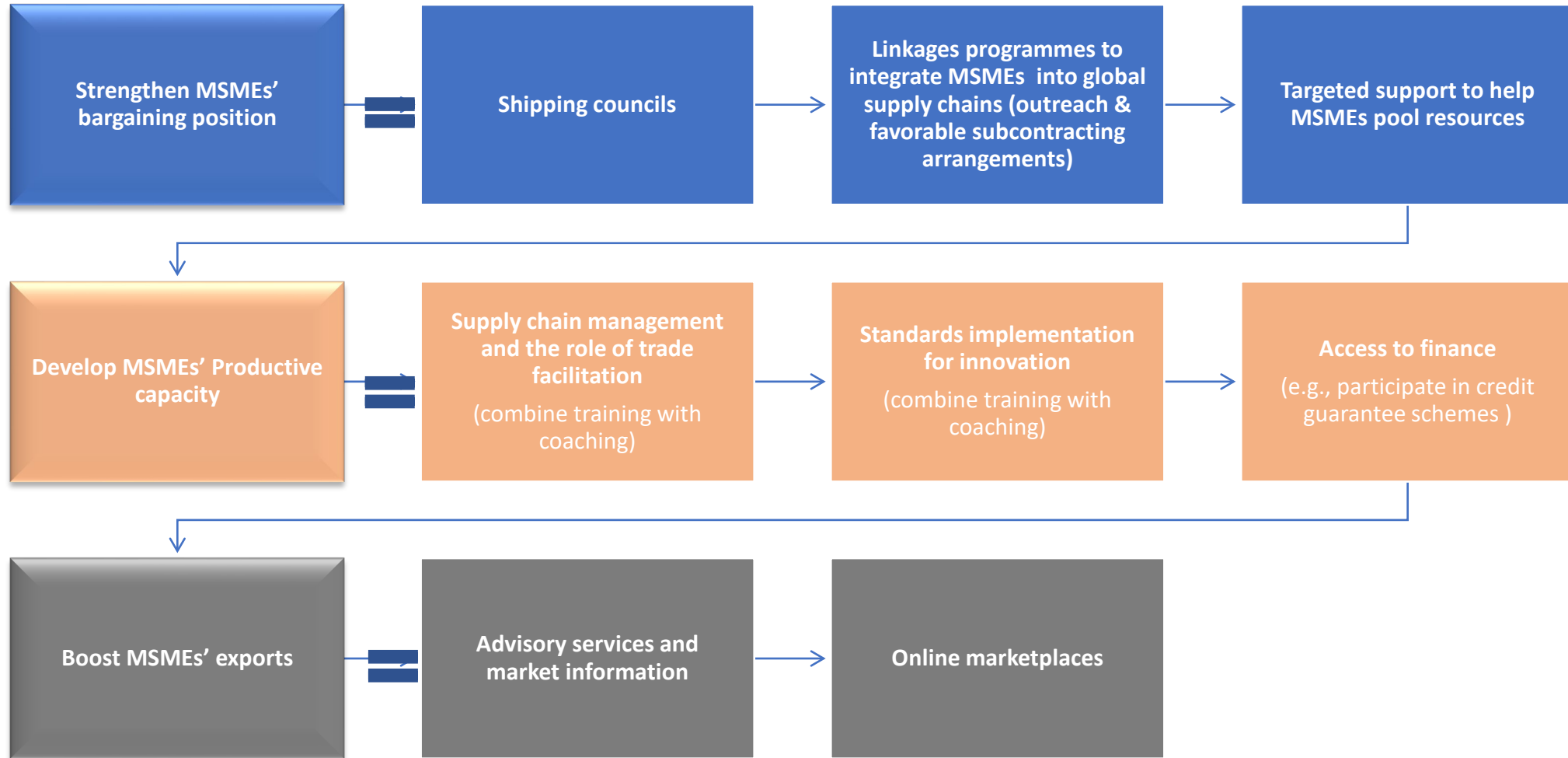




# What lessons to draw?



## Enterprise support institutions are a critical element of business incentives



# What lessons to draw?



UNECE



## In short: A system of incentives for stronger and more resilient MSMEs

- Bolstered transparency
- Common regulatory objectives between different state agencies and with trade partners
- Effective and efficient systems for ensuring health, safety and environmental conservation concerns.
- Interoperability (ICT)
- Effective and efficient procedures grounded in international best practices

Economic and trade reforms

Trade facilitation and quality infrastructure

Enterprise support organizations

Stronger and more resilient MSMEs, capable of competing domestically and globally

- Community of MSMEs capable of reaping emerging opportunities

# THANK YOU

Ms. Hana Daoudi  
Economic Affairs Officer  
Market Access Section  
Economic Cooperation and Trade Division  
hana.daoudi@un.org  
www.unece.org

UNECE COVID-19 impact assessments and studies on regulatory and procedural barriers to trade are available at:

<https://unece.org/trade/studies-regulatory-and-procedural-barriers-trade>