

Enterprise Policy Responses to COVID-19 in ASEAN

Measures to boost MSME resilience



Policy Insight

ENTERPRISE POLICY RESPONSES TO COVID-19 IN ASEAN

MEASURES TO BOOST MSME RESILIENCE



Table of Contents

Overview of key findings.....	5
1. Introduction	8
1.1 World leaders are faced with the biggest global crisis in generations.....	8
1.2 Impact on firms: Businesses will face extraordinary stress, particularly MSMEs	9
1.3 Impact on ASEAN growth and economic integration	10
2. Overview of enterprise policy responses in ASEAN	13
2.1 Shorter-term stimulus measures.....	14
2.2 Longer-term structural measures	16
2.3 An overview of sector-specific measures	18
3. International policy learnings and suggestions on ways forward	21
3.1 Shorter-term stimulus measures: Particular considerations.....	21
3.2 Longer-term structural measures: Particular considerations.....	24
4. Addendum: What can businesses do to find pathways out of the crisis?	27
References	31
Annex A. Policy responses by country.....	33
A.1 Brunei Darussalam.....	33
A.2 Cambodia	35
A.3 Indonesia	37
A.4 Lao PDR.....	40
A.5 Malaysia	41
A.6 Myanmar	44
A.7 The Philippines	45
A.8 Singapore	48
A.9 Thailand	51
A.10 Viet Nam.....	53

Overview of key findings

The world is currently facing the biggest global crisis in generations, caused by the sudden and rapid spread of a novel coronavirus. The global economy appears to be experiencing its deepest recession since the 1930s, with many countries undergoing a GDP decline of over 20% and a rapid surge in unemployment (OECD, 2020). All ASEAN countries have revised their growth forecasts downwards, in some cases substantially – Indonesia, for instance, has revised its forecast from 5.3% growth in 2020 to 0.4-2.3%, whilst the Philippines’ forecasts -0.6%-4.3% in 2020, from 6.5-7.5% originally (ASEC, 2020).

The lockdown measures introduced by many governments between March and June 2020 were necessary to curtail the spread of the virus, but they have also halted business activity in many sectors, disrupted education, placed stress on many channels of global connectivity, and undermined confidence. These outcomes have already widened inequality, disrupted financial markets, frayed supply chain connectivity and caused deep and broad economic hardship in many countries, including those in Southeast Asia.

Many governments have stepped up and rolled out rapid and substantial policy measures to tide businesses, households and institutions through the crisis. The fiscal price tag is almost unprecedented – in the US, Congress recently approved a USD 2 trillion stimulus package, whilst in Germany, an emergency “supplementary” budget of EUR 156 billion for 2020 has been passed. The same is true in ASEAN, where the budget for stimulus packages can run as high as 12% (Singapore), 10% (Thailand) and 6% (Brunei Darussalam, Cambodia and the Philippines) of GDP (CSIS, 2020).

Whilst strong fiscal support is merited, it will have consequences and should be carefully managed. The OECD expects the median debt ratio of its member countries to increase by almost 15% of GDP in 2020 in the event of a second outbreak, and to continue rising in 2021, reaching around 87% of GDP (OECD, 2020). In the event that the virus is brought under control, the median debt-to-GDP ratio will rise by only slightly less. Similar trends are expected worldwide, including in ASEAN. The situation may be particularly challenging for emerging economies, who are less likely to absorb the fiscal costs and more likely to face binding constraints to borrowing on international markets.

Governments should therefore ensure that debt-financed spending is measured and well targeted. Interventions should be steered towards the most vulnerable and ensure the investment necessary for a transition to a more resilient and fair economy. Such measures should include accelerated efforts to modernise taxation, public spending and service provision, social protection systems, and to make competition and regulation smarter.

A pivotal part of this policy support will be to ensure that businesses can navigate the crisis. Many will struggle to weather it, and those that do are likely to undertake sizeable layoffs and defer investment. The confinement period was particularly challenging for firms, and

compounded by uncertainty. Many businesses have loaded up on debt in recent years (BIS, 2019), and few have a clear picture on how the pandemic will affect their business operations over the coming months and years. MSMEs, which tend to have fewer internal resources and more limited access to information, are likely to be particularly affected. This stress is likely to disproportionately impact economically vulnerable communities, who are much less likely to be employed in large enterprises. Surveys suggest that roughly two thirds of ASEAN MSMEs had less than two months' worth of cash reserves left in early April, whilst over a third expected to lay off over 40% of their staff (AMTC, 2020).

Many policy measures have therefore been targeted at supporting enterprises. These measures include a mix of shorter-term stimulus measures, as well as longer-term structural policies – aimed to build a “new normal.” This is true in ASEAN, where comprehensive packages of policy measures have been rolled out, ranging from deferral measures, direct financial assistance and information provision (shorter-term measures) to support in training workers, digitising, accessing new markets and formalising (long-term measures).

Going forward, this report proposes a number of considerations for ASEAN:

- **Ensure that policy responses combine shorter term stimulus measures with longer-term structural ones.** The COVID-19 crisis has pushed both policymakers and enterprises to rapidly adapt to new ways of working as well as new and emergent challenges. It is clear that fallout from the crisis will last many years, and thus policymakers may do well to consider measures that would boost enterprise and economic resilience over the longer term, alongside shorter-term crisis management measures. This approach may reduce drag on public finances over the long run, and provide a fillip to build up smarter and more inclusive economies.
- **Design targeted measures for MSMEs.** MSMEs will play a pivotal role in emerging from the crisis. First, they form the fabric of most economies, and so large scale bankruptcies are likely to have a deep and long-run impact on the economic machine. They are also likely to be more vulnerable – tending to possess fewer internal resources, they may be less able to weather liquidity gaps and rapidly adjust their business models, working methods and marketing channels. This is particularly the case for traditional enterprises, which constitute the vast majority of MSMEs. However the grouping also includes a small number of firms that can use their small size to innovate and adjust more quickly than larger firms. These firms may play a second role – helping to develop innovative and rapid solutions out of the crisis. As a result, dedicated programmes for MSMEs (rather than general business-support schemes) may be necessary to keep the economic machine running and ensure that it is as dynamic and adaptable as possible.
- **Pay close attention to the delivery and performance of support schemes.** Initial feedback from a number of countries has suggested that many enterprises face difficulties accessing government support schemes. Many of these difficulties arise from the fact that governments are not used to acting rapidly at scale. In France,

for instance, a large number of enterprises applied for wage subsidies during the lockdown period, but approvals were significantly delayed, causing great uncertainty for businesses, particularly smaller companies. Others may be caused by inattention to pre-existing restrictions and policy coordination. A number of guarantee schemes have been rolled out, for instance, that fail to consider the standard reporting requirements and other operational procedures of banks, thus rendering the guarantee ineffective; unable to address firm financing constraints.

- **Consider accelerating efforts to encourage enterprise digitalisation.** ASEAN meetings on the COVID-19 response have repeatedly highlighted the importance of digitalisation as a pathway out of the crisis. The Special ASEAN Plus Three Summit on Coronavirus Disease 2019,¹ for instance, highlighted the need to leverage digital technologies and digital trade to allow businesses, particularly MSMEs, to stay afloat during the crisis. With physical stores closed and potential clients locked at home, online platforms have been the only recourse for many enterprises to continue functioning. Many MSMEs have been slow to digitise, however, due to an array of factors; including, but not confined to: limited access to fast and secure broadband connections, weak payment systems, frayed logistical infrastructure and services, and weak legal frameworks governing cybersecurity, and consumer protection. Scams and phishing campaigns, generally linked to COVID-19, have risen during the crisis.
- **Take social considerations into account.** MSMEs represent between 52% and 97% of total employment in AMS, and thus are an important source of livelihoods. They also tend to be more vulnerable, as are their workers – studies have suggested that an own account worker, and their family, may fall below subsistence level in many countries should they be obliged to forego income for just one week. Policymakers should consider how to effectively engage with more vulnerable actors – for instance those individuals and firms operating in the informal economy and/or those located in rural areas – and ensure they take up the schemes available to them. In many cases, this will involve engaging with social and solidarity economy players such as CSOs and social enterprises. This may particularly be the case in more remote areas where the central government has reduced reach.
- **Consider measures that target the most deeply-affected sectors.** A handful of sectors have been particularly hit by the crisis, and these have tended to be traditional sectors where MSMEs are highly represented. These actors are generally less likely to innovate, but they are essential for the provision of services, as well as the production and distribution of goods, for proximity markets. Comprehensive packages, that take a holistic approach towards the recovery of otherwise-healthy sectors, should be considered.

¹ Which took place in April 2020.

1. Introduction

1.1 World leaders are faced with the biggest global crisis in generations

Almost every country in the world is currently fighting to curtail the spread of COVID-19, a highly infectious respiratory disease that has already infected 8.99 million people and claimed over 469 000 lives worldwide (WHO, 2020).² The disease has now been classified as a pandemic, and there is little clarity on how and when humans will acquire immunity to the virus at scale.

Since COVID-19 is caused by a novel virus (Sars-CoV-2), humans have not yet acquired immunity to the disease. There is also little clarity on when a vaccine or antiviral treatment could be rolled out at scale, or for how long immunity would last once an individual has been infected or vaccinated. In addition, the disease appears to spread particularly quickly, quietly, and with far more devastating impact than other respiratory diseases such as Severe Acute Respiratory Syndrome (SARS-CoV-1).

Faced with a rapidly deteriorating public health crisis, many governments put strict containment measures in place. These measures have included nationwide shutdowns, with many businesses being obliged to temporarily close and widespread restrictions on travel and mobility. By 25 March 2020, as India announced a nationwide lockdown, an estimated one third of humanity had been instructed to stay indoors.

The result has been a sharp and immediate decline in economic activity. The OECD has estimated that the initial direct impact of shutdowns could be an output decline of one-fifth to one-quarter in many economies, with consumers' expenditure dropping by potentially around one-third (OECD, 2020). This is far greater than anything experienced during the 2008 financial crisis. The global economy is now in the midst of its deepest recession since the Great Depression of the 1930s, with many countries experiencing a GDP decline of over 20% and a surge in unemployment (OECD, 2020).

Beyond the immediate and obvious impact on national economies, the pandemic also threatens to severely disrupt international trade and investment flows. As the world's largest supplier of intermediate goods, strict containment measures in China have had a substantial impact on supply chain connectivity. The United Nations Conference on Trade and Development (UNCTAD) has estimated that the outbreak could cause a USD 50 billion decrease in exports across global value chains (UNCTAD, 2020). Foreign Direct Investment (FDI), meanwhile, is expected to shrink by 5-15% (UNCTAD, 2020), with significant implications for capital development, particularly in emerging markets.

² Data as of 22 June 2020.

The impact of the virus will not be felt across an entire economy evenly, but will place particular stress on specific sectors and constituencies. The travel and tourism industries will be particularly hit, but also those activities that rely on a high degree of client contact and footfall, such as hospitality and leisure, transportation, and personal care service – such as hairdressing salons and dentistry – industries. It is also likely to have a disproportionate impact on “just in time” manufacturing, particularly those that rely on inputs sourced from severely affected countries and regions. Those individuals and firms most at risk are those without sufficient savings or cash and inventory stockpiles – and this will particularly be the case in countries with only light social protection systems in place – as is the case across much of Southeast Asia.

Many governments have announced stimulus packages to address the economic fallout from efforts to curb the spread of the virus. They often combine a mix of fiscal and monetary measures, and include tax deferrals, loans, grants and guarantees, furloughing schemes, and emergency rate cuts. In many cases these have been sizeable – the US Congress has recently approved a USD 2 trillion stimulus package, Germany has passed an emergency “supplementary” budget of EUR 156 billion for 2020, whilst the UK has already offered direct fiscal support of between GBP 39-50 billion. China has also announced a slew of stimulus measures to support SMEs, for instance a new CNY 1 trillion (around USD 141.6 billion) credit line for small and medium-sized banks, offering an additional 1 trillion yuan for them to lend out, to allow them to lend at a special rate and reduce their provisioning requirements.

1.2 Impact on firms: Businesses will face extraordinary stress, particularly MSMEs

This shock is unlike others that have come before. As noted by Baldwin (Baldwin, 2020) and others, its particularity is that it is striking the economic machine at multiple sites almost in unison – rather than one site, say the banking sector, as we have seen previously. Moreover, it did not start in one or two countries, but, rather, the economic shock is hitting most G20 nations almost at the same time. Policymakers will therefore need to roll out a raft of measures for many different actors – households, businesses and the financial sector – to keep the machine running.

A very large share of the stimulus measures being put in place are targeted at businesses. The shock is exerting a sharp pressure on their balance sheets, and this is exacerbated by the fact that many businesses have loaded up on debt in recent years (BIS, 2019). Many do not feel they would be able to survive an extended confinement period – in the UK, for instance, five out of six firms believe they would be unable to survive a six-month lockdown (BWCC, 2020). This precarious position is being compounded by uncertainty – few businesses or consumers know how the public health emergency is going to impact economic activity over the coming months. This has left many in a holding position, delaying investments and purchases. Indicators of business confidence, such as purchasing manager indices (PMIs), have all dropped sharply.

The bankruptcy of one firm can also set in motion a chain of new bankruptcies, as these firms lose important suppliers and buyers. For this reason, it is important for policymakers to keep the fabric of their economies intact, at least as far as possible, over the emergency response period.

MSMEs are likely to be particularly affected. These businesses tend to have fewer internal resources and more limited access to information, both of which would help them to weather this crisis. Many are to be found, meanwhile, in the sectors that have been most affected – wholesale and retail trade and travel and tourism, to name a few. The heightened risk of bankruptcy and unemployment especially for SMEs will disproportionately impact economically vulnerable communities, and large-scale business and household loan defaults could generate losses that could undermine confidence in the financial system.

1.3 Impact on ASEAN growth and economic integration

The COVID-19 pandemic poses great challenges for ASEAN countries, as well as for economic integration across the region. All ASEAN economies are expected to experience sharp economic slowdowns in 2020, on a par with the 1997-98 Asian Financial Crisis, or perhaps even greater (CSIS, 2020). Growth forecasts for 2020 have been revised downward, in some cases significantly. The IMF expects ASEAN-5 economies to grow by -0.6% in 2020, whilst the World Bank forecasts GDP growth in ASEAN countries³ to range from -0.5% to -5.0% in 2020 (IMF, 2020; World Bank, 2020).

Whilst most forecasts expect a strong rebound in 2021, the future remains highly uncertain. The region faces a number of structural characteristics that may render it particularly exposed to fallout from COVID-19. These include:

- **The fact that most countries are highly dependent on international trade and investment flows.** Depressed demand and breaks in supply chain connectivity are likely to particularly affect those economies that are most integrated into global value chains. The region is particularly exposed to economic shocks in China – the country is ASEAN’s biggest external trade partner and investor, accounting for 17.1% of ASEAN’s total trade and 6.5% of its total FDI inflows in 2018, and it is tightly woven into its supply chains (ASEC, 2020). International trade is expected to plummet by between 13% and 32% in 2020 (WTO, 2020), which will likely have a broad and deep impact on the ASEAN region (ASEC, 2020). FDI is also expected to decline sharply in 2020, with reinvested earnings – an increasingly important source of FDI flows – dropping substantially in the short term (OECD, 2020). This would compound other financial difficulties facing ASEAN, which has seen a swift outflow of capital, with a sharp drop in stock market value and a swift depreciation of exchange rates across the region (Figure 3). Around a quarter of stock market value was wiped out in Indonesia, Philippines, Thailand, and Viet Nam (ASEC, 2020).

³ Singapore is not included.

- **Most countries have a sizeable informal economy.** A significant share of economic activity across Southeast Asia remains informal. Informal employment is estimated to account for around 75% of the labour force across the region, albeit with sizeable differences between countries.⁴ This structural trait means that many businesses may be unable to access policy support measures, and that many workers, who are unable to access social security benefits, are particularly vulnerable to declines in income. It also has a strong gender skew. Women tend to operate more frequently in the informal sector than men, are more present as migrant workers, and tend to take on a greater share of household and childcare duties. These are likely to have a significant impact as firms begin to lay off workers, countries close borders, and schools close.
- **Few countries have comprehensive social protection systems in place.** ASEAN countries direct a relatively small share of GDP towards social protection programmes – around 6% of GDP, relative to 25% in Western Europe and 12.5% in Latin America. As a result, relatively few workers may have access to social insurance benefits (for instance, unemployment benefits and/or health insurance) that could help to tide them through the crisis. Instead, civil society organisations (CSOs) may need to take on an important role in helping to support workers and firms, and to signpost them to support measures, particularly in more disconnected communities. In Singapore, for instance, CSOs played a key role in providing support to migrant workers.
- **Many of the region’s strongest sectors have been particularly hit by the crisis.** Many of Southeast Asia’s key sectors are particularly vulnerable to fallout from the pandemic. The tourism and hospitality industry, for instance, which accounts for a significant share of national GDP⁵ and foreign currency receipts in many countries, has taken a heavy hit from international travel bans and other restrictions. Manufacturing firms operating in the textile, electronics and automobile sector, many of which rely on a “just in time” operating model, have had to slow or stop production, laying off thousands of workers in the process. MSMEs engaged in global and regional supply chains are likely to be particularly disrupted by these developments, as access to their supply lines is curtailed.

Dialogue and coordination between ASEAN Member States will remain key to effectively tackle the crisis and sustain the momentum of integration. In March 2020, following its 26th retreat, the ASEAN Economic Ministers (AEM) issued a statement calling for collective action to mitigate the impact of the virus, with a particular focus on leveraging technology and digital trade, as well as trade facilitation platforms to foster supply chain connectivity and sustainability. This commitment to collective action is encouraging and commendable. A month later, in April 2020, ASEAN Leaders convened the Special ASEAN Summit on Coronavirus Disease 2019 (COVID-19). During the Summit, Leaders

⁴ Ranging from 10% in Malaysia, around 50-60% in Indonesia, Thailand and Viet Nam, and over 70% in Cambodia, Lao PDR and Myanmar.

⁵ Around 20%, for example, in Thailand and the Philippines.

issued a declaration calling for the implementation of measures to boost confidence and improve regional economic stability, including through policy stimulus, by assisting those individuals and businesses suffering from the impact of COVID-19, particularly MSMEs and vulnerable groups. ASEAN Committees are also stepping up to identify concrete pathways out of the crisis. In June 2020, for instance, the ACCMSME announced the “Go Digital ASEAN” initiative – a USD 3.3 million partnership with the Asia Foundation and Google to equip 200 000 micro and small enterprises with digital skills and tools.

2. Overview of enterprise policy responses in ASEAN

Most AMS started rolling out COVID-19-related policy measures for enterprises in mid-March. Indonesia, Malaysia and Singapore, and to some extent Viet Nam, initiated programmes a little earlier – at the end of February in Indonesia and Malaysia, the end of January in Singapore, and early March in Viet Nam.

These measures were rolled out relatively rapidly, initially focused on managing the immediate consequences of the crisis, and evolved over time – from shorter-term to longer-term measures, and to more sectors of the economy. In many cases, policy measures were directed first to the tourism, transportation, hospitality and food and beverage sectors, and then broadened to other sectors. Early measures also reflected the structural characteristics of each economy. In Indonesia, for instance, early measures were targeted towards low income households, in Singapore, early measures provided business continuity planning for enterprises and advice on good sanitation standards, and in Viet Nam, early measures looked at ways to address supply chain blockages.

Table 1. Overview of enterprise policy responses in ASEAN

	BRN	KHM	IDN	LAO	MYS	MMR	PHL	SGP	THA	VNM
Shorter-term stimulus measures										
<i>Deferral measures</i>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<i>Direct financial assistance</i>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<i>Information and guidance</i>			✓					✓	✓	✓
<i>Wage support and temp. redundancy measures</i>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Longer-term structural measures										
<i>Formalisation</i>					✓			✓		
<i>Workforce training</i>	✓		✓				✓	✓	✓	✓
<i>Digitisation</i>	✓		✓		✓		✓	✓	✓	
<i>New market access</i>	✓		✓				✓		✓	

Sector-specific measures										
<i>Tourism & hospitality</i>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<i>Manufacturing</i>			✓		✓	✓			✓	✓
<i>Garments & footwear</i>		✓				✓				✓
<i>Aviation</i>	✓		✓		✓		✓	✓	✓	✓
<i>Agrofood</i>	✓		✓		✓		✓	✓	✓	✓

As mentioned, policy support for enterprises has evolved over time to include a mix of both shorter-term stimulus measures as well as longer-term structural measures. Through the latter, governments are increasingly attempting to identify pathways through which they can build more resilient and future-facing enterprises – and, in so doing, economies.

2.1 Shorter-term stimulus measures

Deferral measures

All AMS have offered deferrals for a range of social expenditures.⁶ This is intended to free up enterprise cash flow and discourage employee layoffs. The scope and duration of these measures vary by country, but were typically extended for an initial period of 2-3 months. Over time, however, the scope of deferrals has increased – to 6-12 months in many cases. In a number of cases (for instance Indonesia, Cambodia, Malaysia and Viet Nam) deferrals have only been extended to specific sectors, whilst in others they have been applied economy-wide (for instance in Brunei Darussalam, Thailand and Myanmar). A number of countries have attempted to reduce the reporting burden for enterprises, for instance in Lao PDR and the Philippines, where the due date for the tax report was extended.

Direct financial assistance

To help enterprises address their immediate working capital requirements, all ten AMS have extended direct financial assistance facilities.

These facilities have typically taken the form of loan and guarantee schemes. They have largely been rolled out by national SME agencies or analogue institutions, and have been designed to ease financing conditions for enterprises.⁷ In a number of cases they have targeted at specific sectors – a loan scheme in Myanmar, for example, is targeted at the

⁶ Including VAT, corporate tax, and social security contributions, among others.

⁷ For instance through reduced interest rates or extended payment deadlines.

country's textile sector, whilst one in Cambodia is targeted at the country's agricultural sector. A few AMS have also developed more sophisticated mechanisms, designed to address the specific crisis-related needs of enterprises and tailored to their size.

In Malaysia, the country's Central Bank (Bank Negara Malaysia, or BNM) has established a Special Relief Facility worth MYR 10 billion (BNM, 2020). This vehicle offers guarantees to financial institutions (both commercial banks as well as development banks) that are willing to extend working capital loans to MSMEs at a rate of up to 3.5% per annum inclusive of guarantee fees. The scheme also contains a clause obliging banks to offer a moratorium period of 6 months. In addition, the government is exploring ways to broaden moratoriums on MSME loans across the banking sector as a whole, encouraging banks to consider restructuring and rescheduling (R&R) business loans.

Other countries have established similar schemes. In Singapore, for instance, a Temporary Bridging Loan Programme has been extended to all sectors, providing loans of up to SGD 5 million, and an Enterprise Financing Scheme Working Capital Loan programme has been extended to help enterprises with their working capital needs. In Thailand, the Bond Stabilisation Fund has been extended to provide bridge financing to good-quality businesses owning bonds that are due to mature in 2020-2021.

In a number of cases, however, direct financial assistance has taken the form of grants and subsidies. At least four AMS offer such measures; typically for vulnerable sectors or smaller companies, in order to encourage workforce retention. In Brunei Darussalam, for instance, MSMEs can claim up to 25% salary subsidy for their Bruneian employees with salaries less than BND 1 500 for a period of three months, whilst in Indonesia a voucher programme has been extended to around one million MSMEs.

Information and guidance

One of the most helpful measures that governments can provide during periods of economic uncertainty and a sharp economic shock is information and guidance. A number of AMS have rolled out services to advise businesses on how to adjust their operations during the crisis, and to raise awareness of available support schemes. Singapore, for instance, developed a Business Continuity Guide, which advises enterprises on how to plan for and manage potential operating risks that could arise due to COVID-19. Indonesia, meanwhile, has established a hotline for MSMEs and Cooperatives, which is managed by the Ministry of Cooperatives and MSMEs. On the demand side, a number of AMS are also encouraging domestic consumers to source products and services from local MSMEs.

Temporary redundancy and wage support measures

One of the biggest threats of the COVID-19 crisis is that it will lead to large-scale layoffs, severing income generation opportunities for a large number of people and contributing towards rising inequality. The situation in Southeast Asia is particularly delicate given high

levels of informality, thin social security nets, and structural dependence on highly labour-intensive sectors such as garment manufacturing, agrofood, and tourism and hospitality.

Accordingly, all AMS have implemented programmes to address temporary redundancies, but only seven have extended concrete financial support programmes, and these are often restricted to a small number of sectors. In Malaysia, the government has extended a range of support measures, including the Employment Retention Programme – which provides financial assistance to employees and employers fulfilling certain criteria; the Employer Advisory Services Programme – which has enabled over 480 000 SMEs to defer social security payments for their workers; and a Wage Subsidy Programme – which provides assistance to enterprises, conditional on retaining employees for three months afterwards. In the Philippines a wage subsidy has also been introduced, and the country’s social security system was mobilised to cover unemployment benefits for dislocated workers. In Thailand, meanwhile, employees covered by national social insurance will receive compensation of 62% their daily wages for up to three months.

A number of countries have directed temporary redundancy and wage support towards their most vulnerable citizens. Thailand, for instance, through its Economic Relief Loan Programme, supports the social rehabilitation of the country’s lowest-income earners. Viet Nam, meanwhile, is offering social benefit payments to select groups between April and June 2020, including individual business households with yearly revenues below VND 100 million who have been obliged to temporarily close down. In Indonesia, informal workers can also benefit from support through the Pre-employment Card Program, which offers cash aid and a training subsidy for unemployed workers and micro and small business owners. The programme aims to reach 5.6 million individuals.

A small number of AMS offer support programmes for the self-employed. In Brunei Darussalam, these workers can benefit from new COVID-19-related schemes allowing for bank loan repayment deferral and the restructuring of credit card debt into a loan of up to three years. In Singapore, SGD 100 was extended to eligible self-employed individuals during the lockdown period. The country has developed other programmes to support self-employed workers. These include the SEP Income Relief Scheme (SIRS), whereby eligible Singaporean will receive SGD 1 000 a month for nine months, and the Point-to-Point Support Package, whereby taxi and private hire car drivers will receive SGD 300 per vehicle per month until the end of September 2020. In Thailand, the government is providing THB 5 000 compensation to a cross-section of low-income earners that have been temporarily obliged to cease economic activity, including own account workers. This programme will run for three months, and aims to reach nine million people.

2.2 Longer-term structural measures

The pandemic has pushed many governments and enterprises to adapt rapidly to unfamiliar challenges and new ways of working. As they struggle to navigate the “new normal,” many may be more receptive to innovate and engage in previously-difficult structural reform. As physical interactions are curtailed, for instance, many entities may select to accelerate the

adoption of digital technologies. A growing awareness of supply chain dependencies may encourage many entities to diversify their sources of supply and demand. Escalating levels of public debt may encourage governments to enact “smarter” regulations and to modernise taxation, public spending and social protection systems. These efforts are commendable and likely to ensure that policy measures are more cost-effective and impactful over the long term. In ASEAN, structural measures have largely focused on four angles: *i*) enterprise formalisation; *ii*) workforce training; *iii*) enterprise digitisation; and *iv*) new market access.

Formalisation

Some AMS are utilising support measures to promote formalisation. In Malaysia, for instance, the Special Prihatin Grant (GKP) has been designed to concurrently promote company formalisation, and is also available for micro enterprises. A scheme for the self-employed in Singapore has been designed in a similar way.

Workforce training

It is widely expected that the current crisis will accelerate the adoption of new ways of working and demand for new skill sets. Accordingly, a number of AMS have begun to offer training programmes targeted at upskilling and reskilling temporarily displaced workers. In the Philippines, for instance, the Technical Education and Skills Development Authority has initiated a PHP 3 billion programme to upskill and reskill temporarily laid off workers, including through online courses. Thailand is offering special training courses for 40 000 workers affected by the pandemic. In Singapore, the SGUnited scheme offers traineeship programmes for fresh graduates and training courses for jobseekers. The latter aims to reach around 30 000 individuals and provides an allowance of SGD 1 200 allowance per month for the course duration (6-12 months in total).

Digitisation

Likewise, it is expected that the crisis may accelerate the adoption of digital technologies in many enterprises, and the adaptation of business models to make this possible. The push is twofold: first, social distancing measures have obliged many enterprises to consider the benefits of automation and other digital tools; and, second, closed markets are encouraging many enterprises to move online.

Utilising this juncture, a number of AMS have extended advice and training to enterprises on how to use e-commerce platforms, how to promote and describe their products or services better, and how to adjust their business models. This is the case in Brunei Darussalam, Indonesia, the Philippines, Singapore and Thailand, and has typically been provided through online platforms. In Singapore, the government has launched Food Delivery and E-Commerce Booster Packages, which aim to support local F&B establishments and retailers to bring their businesses online and diversify revenue streams. In Thailand, meanwhile, the government has helped develop an online platform that connects technology start-ups to pharmacies, in order to help local pharmacies provide

consultations virtually. In Brunei Darussalam, the government has launched an e-commerce platform in order to help its enterprises market local products and services.

Other similar processes have also pushed for innovation around smart urban farming, robotics, artificial intelligence and the Industrial Internet of Things (IIoT). This trend also creates additional demand for new kinds of skills and enhanced training and capacity building support. These initiatives is an important opportunity for the region as it can boost productivity and accelerate the competitiveness of the region in the global stage.

A number of AMS are also providing support to automate. Malaysia, for instance, has rolled out a special SME Automation and Digitalisation facility, which provides SMEs with lower interest rates to purchase related equipment. The facility ties into its overarching plan for digital transformation by obliging beneficiaries to complete a round of digitalisation training and certification, which covers aspects of digital transformation, cybersecurity and new market expansion. Thailand has also been pushing for operational innovation in traditional industries through new technologies such as artificial intelligence and the Industrial Internet of Things (IIoT). As such, it is co-developing additional platforms to connect technology start-ups with more traditional industries such as agrofood in order to promote innovative practices such as smart urban farming.

New market access

The crisis has underlined the danger of depending too much on any one partner to source and supply goods and services. This is particularly the case for companies wound tightly into global supply chains, and even greater for those companies that produce a relatively limited range of goods and services. Many countries are therefore exploring how they can help their domestic firms to access new markets. In the Philippines, for instance, companies are being helped to identify new supply sources and markets for goods. In a number of countries, efforts are being made to expand MSME access to public procurement contracts. In others, such as Indonesia, trade facilitation efforts are being ramped up.

2.3 An overview of sector-specific measures

Measures to tackle the spread of COVID-19 have hit certain sectors particularly badly, and this has been recognised in public policies. A large number of AMS have extended targeted support measures to their garments and footwear, tourism and hospitality, transportation, and agrofood sectors, among others.

Tourism and hospitality

The tourism and hospitality sector is one of the worst hit by the crisis. According to the World Travel and Tourism Council, fallout from the pandemic could result in a loss of 75 million jobs in the travel and tourism industry worldwide, with 49 million of these in Asia-Pacific (WTTC, 2020). In response, all AMS have extended policy support to their tourism and hospitality sectors. These measures include tax deferrals (Brunei Darussalam,

Cambodia, Indonesia, Lao PDR, Singapore and Viet Nam), low interest rate loans (Myanmar and Singapore), and comprehensive support packages for the entire sector (Indonesia, Malaysia and the Philippines).

Garments and footwear

In many countries, the garments and footwear sector accounts for a significant share of GDP, and has been particularly hit by the crisis. The sector has faced shocks on both the supply and demand side – nationwide lockdowns in high-income countries have curtailed demand from major fashion brands, and disruptions in supply chain connectivity have left many firms unable to access key inputs. In addition, it is difficult to comply with social distancing rules in a setting where production depends on workers operating in close proximity. As a result, a number of countries have extended targeted support programmes. In Cambodia, a six-month tax holiday has been announced for textile and garment factories, as well as a relief package for garment workers who are forced to take leave. In Myanmar, garment manufacturers have been offered low-interest rate loans. In Viet Nam, a number of tax support initiatives have been extended to enterprises in the textile sector.

Manufacturing

Manufacturing activities have been dealt a considerable blow during the crisis, due to slumps in demand, breakdowns in supply chain connectivity (particularly *vis-à-vis* China), and confinement rules that obliged many factory workers to stay at home. Countries with large manufacturing sectors such as Viet Nam, Myanmar, Thailand and Indonesia have offered a number of stimulus measures to support the sector. In Indonesia, income tax rules were relaxed for workers in 19 manufacturing sectors for a period of six months. In Myanmar, manufacturing enterprises were offered low interest rate loans. In Viet Nam, enterprises in select industries, including manufacturing, have been offered five-month deferrals on interest payments and tax duties.

Transportation, particularly aviation

The pandemic is taking a devastating toll on the global aviation industry. The International Air Transport Association has announced that international airline passenger demand fell by 55.8% in March 2020 relative to the previous year. Airlines in Asia Pacific were particularly affected – they experienced a 65.5% drop in traffic relative to March 2019 (IATA, 2020). This will affect not only large airline freights but also the entire chain of subcontractors, many of which are SMEs. AMS have implemented a range of measures to support the sector. These include direct financial support in the case of Indonesia and the Philippines, deferral of taxes and loan interest payments in Malaysia and Viet Nam, and the facilitation of procedures to reduce logistics costs in Viet Nam. Singapore has also extended an enhanced jobs support scheme to the sector, as well as an Aviation Sector Assistance Package, which aims to provide immediate cost relief to affected enterprises in the sector, including airline companies, ground handling agents and the cargo industry.

Agrofood

The agrofood sector has faced particular pressure since the outbreak. Confronted by supply chain blockages and limited access to labour, the industry has struggled to maintain production. This is compounded by the fact that many agrofood enterprises are SMEs, and thus have less leeway to remain operational for an extended period of time without financial assistance. So far, most AMS have managed to broadly sustain food supply, assisted by special exemption schemes as well as the operational agility of these businesses. Notwithstanding, the food value chain contributes around USD 500 billion of economic output to the region, or around 17% of ASEAN's total GDP (PWC, 2020), and it provides a fundamental good. As a result, specific measures have been directed towards the sector in most AMS, for instance loan interest rate deferrals and tax exemptions.

3. International policy learnings and suggestions on ways forward

Most AMS have responded quickly and commendably to the challenges posed by COVID-19; extending a raft of measures to support their business sectors. A review of these measures and a consideration of efforts in other jurisdictions suggest some ways forward for ASEAN. Some of these suggestions are directed at shorter-term stimulus measures, whilst others are directed at longer-term structural measures.

3.1 Shorter-term stimulus measures: Particular considerations

Many shorter-term stimulus measures have been rolled out at speed and come with a sizeable cost. For this reason, policymakers could consider a number of principles in their design and implementation, namely:

There is a need for close coordination and cooperation between different government agencies in order to ensure a rapid and robust response

Since the crisis is affecting many different areas of the economic machine at once, there is a need to ensure information exchange and consensus building across multiple government agencies. This is often facilitated through the establishment of a high-level committee or task force, as we have seen in countries such as Malaysia and Myanmar.⁸ This body would typically comprise representatives of the country's Ministry of Economy (or its analogue), the country's Ministry of Finance, and its Central Bank, among others. It can help to collate information, avoid inefficiencies, and properly plan fiscal stimulus packages, as well as the breakdown of support from different institutions.

Close consultation with other stakeholders, particularly the private sector, is key

Government should engage in dialogue with a variety of stakeholders in order to better understand what kind of support is needed and the level of engagement that is necessary. Enterprise development and export promotion agencies, industrial associations, trade unions, state funded banks and commercial bank associations should work together to identify the scale and scope of support needed, the types of enterprise that should be targeted⁹. Business associations should be encouraged to run regular enterprise surveys and to share this information with other stakeholders, particularly on perspectives of the policy support measures that would be most useful. Industry associations should also be brought

⁸ In Malaysia, a Unit for the Implementation and Coordination of National Agencies on the Economic Stimulus Package (LAKSANA) has been established. In Myanmar, the Control and Emergency Response Committee on COVID-19 was setup on March 30 2020.

⁹ For instance, whether this should be enterprises occupying a central position in important production networks, or those that make a particular contribution to employment.

in to help draft guidelines for enterprises on how to operate in the “new normal,” as well as other forms of support.

Public support should be targeted, adequate and limited in time

All AMS have provided stimulus packages for businesses, though the scale and scope varies considerably. Given the large numbers that will be affected by this crisis, it will be essential to allocate limited resources wisely. Most AMS have strengthened their support to the private sector over time, with increased scope, scale, and duration periods. This approach can help policymakers to ascertain where the greatest need is, and to ensure that support measures are well-designed. For instance, crisis management measures should typically be implemented with sunset clauses attached. Policymakers should endeavour to leverage the private sector in order to reduce public expenditure and longer-term dependency on government support. In Australia, for instance, the government has recently announced a relief programme for commercial tenants. This provides commercial property owners with various benefits (for instance reduced charges, land tax and/or deferred loan payments) if they agree to comply with a mandatory code of conduct to support SMEs affected by the crisis. The code covers 14 principles, including an obligation that: i) landlords should not terminate leases for non-payment of rent during the pandemic or a reasonable recovery period; and ii) landlords should offer reductions in rent based on their tenant’s reduction in trade during the pandemic and a reasonable recovery period.

Governments should consider targeted programmes for the most vulnerable

Stay-at-home restrictions will deny some of the most vulnerable in society their opportunity to earn a regular income and cover their basic needs. Such households may therefore need to receive financial support in order to help them access these necessities – particularly in countries where large swathes of the population are not covered by social protection systems. Many are likely to be informal micro enterprises. Targeted assistance could take the form of direct cash transfers or deferrals of tax and / or mortgage repayments. These measures could also help to boost local consumption and provide stimulus for local retailers, which are often micro-enterprises. The governments could consider setting aside additional funding for unemployment insurance payments in the event that affected MSMEs are forced to lay off employees.

Efforts should be made to ensure that new programmes are clearly communicated

Without clear communication, many policy initiatives will be rendered ineffective. Many businesses, especially MSMEs, may be unaware of the support measures available to them, and this could particularly be the case where new schemes are rolled out quickly and businesses are struggling to fight an economic shock. Providing clear information online, promoting new schemes, and providing hotlines or chatbots, can go a long way to ensuring that new schemes reach their targeted beneficiaries. They could also help businesses to navigate the crisis by providing information on the epidemic, disease prevention methods, as well as information on how to access personal protective equipment (PPE) and testing

facilities. The extension of updated and clear information to local law enforcement authorities would ensure that they enforce the “correct” rules – for instance on business closure and confinement policies. Singapore’s Business Continuity Planning guide was a good example of how policymakers can communicate the right messages and help firms adjust to an evolving situation.

Stimulus packages should include financial support measures for enterprises

MSMEs tend to be more financially fragile and cash-strapped when market demand is down. Therefore emergency financing programmes targeted at MSMEs should typically play a role in any stimulus package. These programmes could include the provision of loans and grants, the extension of guarantees to support bank lending, subsidies, and/or the deferral or waiving of taxes and fees (Box 1 presents an overview of schemes enacted in a handful of OECD and partner countries).

Box 1. Examples of financial support measures for SMEs related to COVID-19

Grant schemes

In Australia, the Boosting Cash Flow for Employers scheme initially provided grants of up to AUD 25 000 grant to SMEs, with a minimum tax-free payment of AUD 2 000 for eligible businesses (those with turnover under AUD 50 million that employ staff). A new government package announced on 22 March raised this tax free cash payment to AUD 100 000 and expanded its eligibility criteria to include not-for-profit charities. Western Australia also offers SMEs with payroll between AUD 1 million and AUD 4 million one-off grants of AUD 17 500.

In Belgium, SMEs can apply for grants amounting to between EUR 1 300 and EUR 1 600 per month. The municipality of Brussels also offers EUR 4 000 grants for businesses that have had to shut down during the crisis (EUR 2 000 for hairdressers). The government of Wallonia, meanwhile, provides EUR 5 000 grants to businesses that have had to close their doors and EUR 2 500 for companies that have had to adjust their opening hours. Flanders provides grants of EUR 4 000 payment for businesses that have to temporarily shut down.

In France, small companies and self-employed workers can apply for compensation of EUR 1 500 per month, if their turnover is under EUR 1 million and drops by 70% or more.

Other financial support measures

In Brazil, the state-owned Federal Savings Bank is currently offering USD 14.9 billion in credit lines to SMEs for working capital, and is purchasing payroll loan portfolios from medium-sized banks and agribusiness. It has also cut interest rates on certain types of credit and offered clients grace periods of 60 days.

Source: OECD (2020).

One of the most popular measures for central banks is to take a number of monetary policy measures such as cutting interest rates, relaxing bank reserve requirements, and increasing the size of refinancing schemes. Yet this might not be sufficient to facilitate access to finance for businesses, particularly MSMEs. In order to stimulate financing to these entities, many governments set up guarantee programmes, whereby they share the risk of default with the lender and the borrower. Since guarantees are only paid out in the event of default, these schemes generally have greater additionality, reaching out to a higher number of beneficiaries. During the current crisis, however, guarantee schemes have not always proved effective.

Stimulus measures should be implemented with their longer term impact in mind

Stimulus measures implemented now can have a deep impact over the long term, and these potential consequences should be carefully considered. Poorly targeted and calibrated schemes could lead to rapidly escalating public debt, for instance. Measures to reduce regulatory and other requirements for MSMEs could reduce protection for investors and consumers. Efforts to accelerate enterprise digitisation without parallel work to strengthen data security and privacy laws could leave many vulnerable to scams and phishing campaigns. They could also have positive longer term impacts. A number of AMS, for instance, have used COVID-19-related support schemes to promote formalisation.

3.2 Longer-term structural measures: Particular considerations

Longer-term structural measures will have an important impact on how quickly and completely countries can emerge from the crisis. The importance of the challenge is rivalled only by its difficulty: policymakers are obliged to implement policies for a future that is highly uncertain, with very little clarity on how the crisis will unfold. Policymakers could consider a number of principles in the design and implementation of interventions, namely:

Consider measures that may reduce negative economic impact over the long run

Policymakers could consider measures that would reduce economic scar tissue in the long run. For instance, a number of countries have encouraged enterprises to reduce the working hours of their employees rather than lay them off entirely. This would hopefully enable them to pick up more hours as the economy begins to recover, and ensure that they retain their skills and knowledge of the business. Germany has been a firm proponent of this approach. A number of countries have calibrated their large-scale programmes, and this may help them to avoid an escalation of costs, and potentially serve as a good practice example for AMS. Singapore, for instance, has developed a tiered wage support programme for enterprises, which runs across all sectors. It extends 75% of wage costs to enterprises in sectors that were particularly affected by travel restrictions and/or safe distancing measures, such as aviation, hospitality and tourism; 50% of wage costs to linked sectors such as food services, retail and land transport; and 25% to enterprises operating in any other sector.

Continue to invest in hard and soft connectivity infrastructure, including digital

Given the severity and transmissibility of the virus, it is likely that some degree of social distancing measures will be in place, in most countries, for an extended period of time. This will compel a growing wedge of economic activity to be conducted online. In addition, a need to rapidly adjust economic activity and respond to new, fundamental challenges is likely to increase demand for innovative technology solutions. Many policymakers across Southeast Asia has long seen the benefits that digital technologies can bring to drive rapid growth and development across their economies. In the period of COVID-19 breakout MSMEs could benefit from diversifying business platforms. Many economies, such as Indonesia, Singapore and Viet Nam, have already seen the growth of powerful digital platform services over recent years – and these companies are driving a wave of innovation, for instance in providing financial services to previously unbanked citizens. Government policies to further stimulate the hard and soft infrastructure for digital connectivity would seem a worthwhile investment to prioritise – not just to ride out the current crisis, but also to manage its after effects and to drive longer-term growth.

Pre-existing trends are encouraging. Internet use has grown exponentially over the past ten years – mobile broadband subscriptions, for instance, have increased from 1.3% in 2009 to almost 85% by 2017 (ITU, 2018). Since the start of the COVID-19 crisis, demand for broadband communication services has soared, with some operators experiencing as much as a 60% increase in Internet traffic compared to before the crisis. However, the region continues to a number of face structural challenges which policymakers could continue to address. On the supply side, for instance, this includes refining regulatory and policy frameworks to encourage private sector investment in communication infrastructure, and on the demand side, this could include measures to enhance digital awareness and trust in digital services (OECD, 2019).

It would also mean policy interventions, working with the private sector, to improve auxiliary services such as logistics. Online-based platforms and virtual service provisions could be crucial for MSMEs to sustain business during quarantines or travel bans. Reducing barriers to the delivery of small packages, for instance, would enable a growing share of MSMEs to engage in e-commerce. Many of these actions would benefit from dialogue and coordination at the ASEAN level. This is particularly the case in areas such as data security.

Continue to promote entrepreneurial competencies and innovation

In many cases, governments have focused on compensating firms for the loss of revenue and maintaining social stability rather than enhancing the entrepreneurial potential and innovativeness of firms. Yet the current crisis calls on entrepreneurship, innovation and operational agility now more than ever. Policymakers may be discouraged from maintaining such programmes due to the fact that results usually only pay off in the longer term. However, patience may pay off, helping economies to emerge more quickly and positively from the crisis, which itself could be long run.

Ramp up regulatory simplification efforts, including smarter regulation

Further measures could be considered on the regulatory side, particularly looking at regulatory incentives that could lower administrative burdens for the MSMEs, making use of any uptick in the use of digital technologies following COVID-19.

Review investment policy frameworks to ensure they imbibe the principles of non-discrimination, transparency, predictability, proportionality and accountability,

Policymakers, particularly in emerging markets, should carefully consider the current slump in FDI and outflow of assets. In a period where economies need foreign investment, it is imperative to ensure that investment policies are guided by principles of non-discrimination, transparency, predictability, proportionality and accountability, and that related measures are closely monitored (OECD, 2009). Policymakers could also consider the incentives they have in place, to ensure that they are both sufficiently attractive and safeguard the country's long-term economic interest.

Continue to cooperate and liaise with both international partners and domestic stakeholders, not least the private sector

International co-operation took a hit in the early days of the pandemic, but it will be crucial to end the pandemic more quickly, speed up the economic recovery, and avoid harming the catch-up process of emerging economies (OECD, 2020). Protectionist measures, in particular, are likely to damage confidence and reduce global welfare in the long run – and small countries with highly-specialised productive structures are likely to be particularly affected. Policy dialogue will be crucial to ensure that countries can face supply constraints and depressed demand together.

4. Addendum: What can businesses do to find pathways out of the crisis?

How ventures are adjusting their business models to respond to COVID-19 adjusted demand

The public health response to COVID-19, whilst necessary, has dealt a severe blow to many parts of the economic system simultaneously, and businesses are struggling to adjust. Many have reported that they will not be able to survive the next one to two months under “business as normal” conditions, and this has propelled the release of huge stimulus packages for the sector. Whilst many of these measures will be critical, there are also actions that businesses can take themselves to adjust to the demand and supply shocks that have accompanied the pandemic.

A few firms may be able to pivot during the crisis response period to realise new products, services and customers. Examples have been widely discussed – automakers like Rolls-Royce and Ford shifting their production to manufacture ventilators, distilleries like Inverroche Gin (in South Africa) producing hand sanitiser, and garment manufacturers and tailors – such as the US company Flow fold or tailors in Nigeria’s Abiah state – pivoting to produce personal protective equipment (PPE). These examples, whilst impressive, are nevertheless rare. Only a few companies will have the right factors and flexibility to respond to these huge demand surges in a limited number of product categories. They have also often been made possible by public programmes or private collective action initiatives, which may not be viable in all contexts. The UK’s Ventilator Challenge initiative – driven by a consortium of businesses that have agreed to pool resources – and a grant programme (equivalent to NGN 12 000 000, or USD 31 169) for 100 tailors in Nigeria’s Abia state to buy new equipment, materials, and employ more people, are two examples of this.

There are measures that can be taken by more traditional firms, including MSMEs, to respond to this crisis, however. One of the particularities of this crisis is the huge amount of uncertainty that accompanies it – making it difficult for the owners and managers of otherwise-healthy companies to plan how to operate their businesses over the coming months, and potentially further into the future. This is a time when leadership, vision, creativity, and close attention to market intelligence as well as business fundamentals will be paramount. Policymakers will also have a role to play here - by ensuring that data on the impact of the pandemic is accurate and timely, and that it is made freely available.

Thankfully, we are already seeing the emergence of many inspiring examples of businesses that are adapting to this crisis. Common approaches have been taken across countries and regions, including in ASEAN, as reflected in a recent survey conducted by the Asia-Pacific MSME Trade Coalition (AMTC) (AMTC, 2020). There are five main areas in which this pivot is taking place: namely, in the areas of marketing, staffing, financial management, sourcing inputs, and in overall strategy setting.

First, in the area of *marketing*. Many businesses, currently unable to access traditional marketplaces and trade fairs, are increasingly taking their business online, often in creative ways. There has been an uptick in online concerts, theatre screenings, conferences and tutorials, using media such as webinars, Facebook Live, and virtual conferencing facilities like Zoom. Many beauty and fitness outlets, such as hairdressing salons, gyms and yoga studios, have started to offer online tutorials and consultations, as well as fitness classes (including big name brands like Gold's Gym and Planet Fitness). Many of these are provided free-of-charge to consumers, but may help to supplement income through advertising kick-backs. Many of these engagement strategies may remain in place, even once the emergency response period has passed. It is likely that many businesses will also look to further diversify their customer and product base, in order to limit concentration by product, geography and industry. This could in turn generate further product and process innovation. Smaller firms may only be able to use such options as an alternative marketing channel, however, whilst such services remain affordable, or free-of-charge.

Second, in the area of *staffing*. Whilst this crisis is placing an almost unprecedented pressure on many business owners to manage staff costs, it would be a shame to unravel an otherwise healthy employer-employee relationship – quite aside from the impact that this would have on employee livelihoods. Business operators could consider creative solutions, such as sharing jobs across departments (which may also encourage the further cross-pollination of ideas, and thus innovation, as an additional advantage), or requesting employees to work alternative week shifts (this is a policy that is being adopted in many French banks, for instance). Implementing more flexible working hours and vacation policies, to enable workers to manage new childcare needs, could also be an option. In the meantime, it could also be a valuable moment for training and reflection – business operators could use this time to train up employees and help them to obtain needed certification, or to work on “back burner” projects that until now have not been possible due to competing demands on time. Many businesses have started to ramp up investment in digital platforms that could facilitate this – eLearning platforms such as Coursera and Udemy, collaboration tools such as Slack, and delivery platforms such as Zoom and WebEx, just to name a few examples.

Third, in the area of *financial management*. This may be an area in which most businesses face the greatest stress – which is why most policy measures aim at buoying their cash flow over the crisis period. To address this, having a strong and dynamic financial plan – which particularly focuses on cash budgets and includes a sensitivity analysis – will be critical. Building on this, businesses will need to focus on securing a sustainable level of income by retaining core clients where possible, looking for new opportunities, and, in the case of B2B transactions, ensuring that remaining clients are invoiced swiftly and pay on time. In some countries, smaller firms can take advantage of innovative solutions to convert some of these invoices into cash. The Belgian company Ebedex – an online marketplace where MSMEs can sell client invoices to investors –, for instance, has seen a 25% demand increase since the start of the country's lockdown in mid-March. Larger companies may also consider delaying planned capital expenditure or temporarily modifying their usual

dividend policy in order to conserve cash, or decide to use remaining opportunities to sell bonds or raise new equity on capital markets. Blue chip companies in particularly affected sectors, such as the entertainment and leisure industry, rushed to sell tens of billions of dollars in investment-grade corporate bonds when markets opened in mid-March (FT, 2020).

Fourth, in the area of *sourcing inputs*. Many businesses may face severe supply chain disruptions in the wake of COVID-19. For larger companies, the longer-term response may be to look at diversifying their supplier base and building up regional value chains that may be better able to withstand shocks. A global agri-trading business in ASEAN, for instance, has announced that they are rethinking their supply chain, with a view to diversifying their operations and reducing exposure to any single plants (PWC, 2020). For small companies, however, the most viable long-term strategy may be to invest in technologies and warehousing solutions, whenever the moment permits. New technologies such as 3D printing and flexible warehousing solutions, such as those offered by the logistics start-up Flexe, may help smaller companies to withstand short-term supply shocks, without the need to build up a sizeable, and costly, inventory. Businesses, particularly smaller enterprises, would benefit from maintaining a regular dialogue with policymakers on the specific constraints they face – whether that is regulatory barriers to using digital signatures that could help to minimise human contact, work to fast-track customs clearance, or actions to increase the availability of supply chain data, to name a few examples.

Finally, in the area of *overall strategy setting*. As mentioned previously, this is a moment which will call for strong leadership, vision and creativity. Business owners and managers that can develop smart strategies to ride out the crisis may be best-placed to weather it. Considering the uncertainty that also faces consumers could be a helpful starting point. A number of travel companies have started to sell holidays with no-cost cancellation offers built in, whilst other companies, such as hairdressing salons, are offering vouchers that can be bought now and used later. This could also be an opportune time to build up the company's brand and strengthen trust with consumers. As consumers spend more time online, it could be a good moment to ramp up engagement through social media content and targeted advertising. It could also be a good moment to build up visibility in the local community, by providing much needed goods and services, or other forms of outreach. Hotel companies and online accommodation platforms like the IHG Group and AirBnB have started to offer rooms for those in need, such as the homeless or for healthcare workers. These initiatives will only be successful, however, with complementary policy measures to safeguard consumers against scams and phishing exercises. These measures should include efforts to strengthen legal and regulatory frameworks, but also efforts to strengthen consumer awareness and literacy on the risks of e-commerce.

It is likely that adjustment strategies will vary in line with the firm's specific characteristics (e.g. sector) and the duration and evolution of the crisis – of which much is uncertain at this point. Recent surveys conducted in ASEAN's food and beverage sector, for instance, suggest that the two most common response measures have been workforce protection and

inventory protection – in keeping with the fact that the crisis is still in its early days (PWC, 2020). It seems likely that other, longer term, trends will start to emerge – for instance (and in particular) investment in digital technologies. Digital platforms will be the main *modus operandi* for businesses over the coming months, but this could also be a valuable impetus for MSMEs. Investment in these technologies would likely reap significant long-term benefits for those businesses that hold fewer internal resources – helping them to increase productivity, innovate, and reach out to new consumers.

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Annex A. Policy responses by country

A.1 Brunei Darussalam

To date, Brunei Darussalam has reported a total of 141 cases with 3 deaths since the first case of COVID-19 was detected on 9 March 2020 (WHO, 2020).¹⁰ Through testing, isolation, contact tracing and treatment, the government has successfully control the spread of the virus. Central to this was the establishment of several dedicated testing facilities, and a new Molecular Diagnostic Unit for Respiratory Viruses. These facilities have enabled the country to increase SARS-CoV-2 testing capacity significantly. Following the first reported cases in Brunei, the government implemented a range of social distancing measures, including school closures, a ban on mass gatherings, and travel restrictions. As it enters its fifth week with no new cases, the government is slowly easing these restrictions. Its national de-escalation plan gravitates around three key strategies: *i*) upholding a whole-of-government approach; *ii*) continuing to monitor, survey and conduct regular risk assessment; *iii*) ensure transparent public communication.

Brunei Darussalam has been hit by two shocks; the spread of COVID-19 and a sharp decline in global crude oil prices. Crude oil and natural gas production account for about half of the country's GDP and more than 90% of its exports. MSMEs alongside tourism seems to be other worst hit sectors in the country (ADB, 2020). To support the impacted sectors and minimise disruption to economic activity, under the guidance of the Ministry of Finance and Economy Autoriti Monetari Brunei Darussalam (AMBD) and Brunei Associations of Banks (BAB) announced a set of interim measures by the banking sector effective 1st April 2020.

Brunei Darussalam has accelerated its SME policy since the recent slowdown in global oil prices. It is beginning to adopt the “service delivery” approach to SME policy, providing services to help SMEs to increase their competitiveness. An estimated 6 047 enterprises were operating in Brunei Darussalam as of 2017, of which MSMEs accounted for 97.2% (5 876) (JPES, 2020). The MSME density in Brunei Darussalam is around 1.4 per 100 people (OECD, 2018).

Socio-economic stimulus packages

- Business sectors in the *i*) tourism, *ii*) hospitality / event management, *iii*) restaurants / cafes (food and beverages); *iv*) air transport and *v*) food and medical supplies importers will be exempt from trade and payment transaction fees, except for third party charges.
- Banks have been encouraged to expand their Corporate Social Responsibility (CSR) initiatives as well as to review lending rates in the prevailing environment.

¹⁰ Data as of 23 June 2020.

- To encourage social distancing and promote the usage of digital banking, fees and charges related to online local interbank transfer fees and charges will be waived for a period of six months for all customers.
- To facilitate measures targeted at the banking industry, the AMBD has extended support to banks with temporary flexibility to the Single Borrower Limit framework.

Fiscal measures

On 13 March 2020, the Ministry of Finance and Economy (MOFE) proposed a budget of BND 5.86 billion for the FY 2020/2021 financial year. This proposed budget (including its growth and revenue forecasts), does not take into account the recent plunge in global oil prices. The MOFE will continue to monitor its fiscal position while calling for sustainable spending programs across all ministries, moving forward. The Ministry of Finance and Economy on 31 March announced on behalf of AMBD and BAB additional steps to the interim measures taken by the banking sector by the Brunei government in aiding affected businesses and individuals particularly in the private sector including self-employed MSMEs that are one of the worst hit due to the pandemic. These steps include an additional economic relief package that was introduced on 1 April, amounting to approximately BND 250 million in the form of deferment of principal or loan repayment, loan restructuring and exemption of fees and charges. The ADB estimates that the outbreak could cause a decline in tourism revenue by as much as -0.086% of GDP in the best case scenario, -0.113% in the moderate case and -0.192 per cent in the worst case (ADB, 2020).

Deferral measures

- A six-month deferral on Employees Trust Fund (TAP) and Supplementary Contribution Pension (SCP) payments for local employees earning less than BND 1 500 per month in all sectors under the MSME category with employees less than 100 people. Continued government monthly contributions to ensure the smooth running of annual dividend payments to employees with a need of the MSME to apply for the deferment and repay within a year after the final month of deferment.
- A 50% discount on corporate income tax payable for FY 2020 (Year of Assessment 2021) will be offered to firms operating in the tourism, hospitality (including registered hotels and lodging houses); restaurant and cafes; and sea and air passenger transport service sectors. To obtain this relief, taxpayers are required to submit income tax returns for the Year of Assessment 2021 by 30 June 2021.

Direct assistance to companies

- Up to 25% salary subsidy for MSMEs with less than 100 employees for three months and full TAP contribution for three months for their Bruneian employees with salaries less than BND 1 500.

- Darussalam Enterprise (DARe) will be prioritising its existing co-matching grant of up to BND 20 000 for businesses looking to start or expand into e-Commerce and logistic which would act as a safe alternative to buying goods.
- Temporary exemption of customs and excise duties on personal hygiene products to help retailers and consumers manage prices amidst increasing demand. Business matching by Darussalam Enterprise (DARe) for MSMEs to on board e-commerce platforms to help market their services/products online more effectively to mitigate challenges in offline retail.
- Full Supplementary Contributory Pension (SCP) contribution to the self-employed. A 30% discount on rental rates for government building for MSMEs for the sectors of tourism, hospitality, food and beverage, air and water transport.

Other measures

- The Authority and Info-communication Technology Industry (AITI) and Darussalam Enterprise (DARe) launched Brunei's first local online e-commerce directory, www.ekadaiBrunei.bn on 1 April 2020. The portal aims to help businesses and the public find trusted providers, and provides links to e-commerce platforms, delivery and logistics service providers and the One Kampung One Product (1K1P) official website. It also allows MSMEs to look for e-commerce platforms that can host their products and services online as an alternative channel to reach out to their customers.
- The utilisation of digital tools has surged, with DARe offering its Industry Business Academy online through Coursera, a leading online learning platform that provides business capacity building classes by accredited experts around the globe. Over 300 business-related courses in seven key domains including marketing and sales, finance and accounting, innovation and design and data skills will be accessible to businesses and fully sponsored by DARe.

A.2 Cambodia

As of 23 June 2020, there were 129 reported cases of COVID-19 in Cambodia, and zero virus-related deaths (WHO, 2020). The government has announced foreigners wishing to travel to Cambodia need to obtain a visa at a Cambodian diplomatic mission abroad, a health certificate before departure, and sufficient travel insurance. Migrant workers returning from Thailand are to self-isolate for 14 days. Schools and casinos are closed and the government has banned public events with more than 50 participants. The government has approved a draft law for state of emergency, which is being forwarded to the National Assembly.

The garment sector is affected more than other sectors accounting for 80% of the country's exports. Hence the facilitation of the import of raw materials and mid-finished components for production and assembly in the country, ready for export has been carried out (ASEAN Briefing, 2020). Despite slowing a little in 2019, growth remained strong as garment manufacturing, construction, and tourism continued to expand. The current account deficit

widened significantly. Growth is expected to slow sharply in 2020 as export growth eases following partial suspension by the European Union of trade preferences for Cambodia and as the external environment worsens under COVID-19. Issuing government bonds in local currency would promote the development of local capital markets and domestic investment (ADB, 2020).

Cambodia's SME policy has principally focused on improving the legal and regulatory environment to support SME development. The country is at a relatively early phase in the development of targeted SME policies, but it has undergone a wave of long-term economic planning over recent years with the aim of accelerating diversification and maintaining robust economic growth. Cambodia counted 513 759 enterprises in 2014, according to the last economic census, of which 99.8% were MSMEs, mainly micro enterprises (97.6%). SMEs provide a similar structural contribution to the economy as in OECD countries, accounting for around 71.7% of employment, with micro enterprises accounting for 58.3% of employment. Information is not collected on their contribution to GDP or value added (OECD, 2018).

Socio-economic stimulus packages

New measures of the National Bank of Cambodia (NBC) allows banks and other financial institutions to have stronger liquidity and to continue lending to the private sector amid the COVID-19 pandemic. Some of the important measures include:

- Delaying additional increases in the Capital Conservation Buffer.
- Cutting the interest rate on Negotiable Certificates of Deposit, hence encourage to disburse loans.
- Cutting the interest rate in its Liquidity Providing Collateralized Operations, decreasing banks funding costs in domestic currency.
- Lowering required reserves that banking and financial institutions must maintain at the National Bank of Cambodia both for local (riel) and foreign currencies; the NBC has also issues guidelines to financial institutions on loan restructuring for borrowers experiencing difficulties in priority sectors like tourism, garments, construction, transportation and logistics (IMF, 2020).

Fiscal measures

The government has put aside between USD 800 million to USD 2 billion to help the economy weather this crisis. A package of tax concessions, expenditure support (including wage subsidies), and credit support has been announced. Savings on current spending of about USD 30 million are also planned with capital spending to be streamlined by around USD 370 million. The government will disburse special low-interest loans to specialized banks, in addition to packages issued to SMEs and rice producers. On 25 February, Cambodia issued regulations to support businesses recently impacted by the outbreak that provides tax breaks and holidays for the country's manufacturing, tourism, agriculture, and property industries.

Deferral measures

- Tax holidays of six months to one year for textile and garment factories; extending the number of products that qualify for the ‘green lane’ custom clearance (which would be immediately assessed and issued custom clearance documents).
- To support the tourism sector, hotels and guesthouses located in the Siem Reap province exempted from paying tax up to May 2020.
- 4% stamp duty tax exemption on the transfer of residential properties from February 2020 to January 2021 with a hope to support SME sized property developers to purchase houses (ASEAN Briefing, 2020).

Direct assistance to companies

- USD 50 million in low-interest loans have been allocated to help SMEs in the agriculture sector.
- Stimulus package given to those businesses that are legally registered and verified, also to incentivize informal SME owners to formally register for both the benefit of their businesses and employees.
- Relief package for garment workers who are made to take enforced leave if factories close because of the outbreak.
- To support the agriculture sector, the government is allocating USD 50 million in the form of low-interest loans to help SMEs (ASEAN Briefing, 2020).

Other measures

- The ADB and the ILO have been helping the National Social Protection Council (NSPC) and the Ministry of Economy and Finance (MEF) to develop a financing model for a social protection system that could also cover informal workers.

A.3 Indonesia

As of 23 June 2020, Indonesia had recorded over 46 845 cases of COVID-19 and 2 500 virus-related deaths (WHO, 2020). Containment measures have been adopted including travel bans for foreign nationals, screening at ports of entry, school closures, and other restrictions on public events. In addition to travel ban large scale social restrictions are imposed including the capital Jakarta which has become the epicentre of the outbreak (ASEAN Briefing, 2020).

The food and beverage industry has taken the worst hits in Indonesia due to the pandemic with 13 of the 17 cities showing significant decrease in earnings. The Asian Development Bank (ADB) reports a slowdown in growth last year as stronger domestic consumption could only partly offset a worsening external environment and weakening domestic investment. Inflation fell and the current account deficit narrowed. COVID-19 disruptions would have severe implications for the country, wherein it would need to improve its productivity and resilience, not least through greater technology adoption.

Indonesia has traditionally used its SME policy as another lever to achieve its social protection and income distribution objectives. Its most significant SME development programme is a financing scheme that enables its lower-income citizens to access capital, and this operates with rather low entry requirements mostly run by local government authorities. The number of SMEs in Indonesia is relatively opaque given the fact that sole proprietors, including subsistence farmers, are included in official SME statistics. Based on this definition, around 57.9 million enterprises were estimated to be operating in Indonesia in 2016, of which 99% (or 57.2 million) are classified as micro enterprises. Alongside these micro enterprises, there were estimated to be 645 222 small enterprises, 106 medium-sized enterprises and 5 066 large enterprises active in the country. The number of large enterprises is relatively low given the size of the economy, contrasting with 7 156 large enterprises in Thailand and 13 813 in Malaysia (2016). By the country's definition as well as a standardised OECD definition, Indonesia appears to have a very high MSME density, with around 22.1 MSMEs per 100 people (OECD, 2018).

Monetary, macro-financial and stimulus packages

- Reduced policy rate by 25 bps to 4.75% on 20 February 2020 by Bank Indonesia (BI) and another 25bps reduction to 4.5% on 19 March.
- Measures have been put in place to ease liquidity conditions including:
 - i) Lowering bank reserve requirement ratios,
 - ii) Increasing duration for repo and reverse repo operations,
 - iii) Daily repo auctions introduction,
 - iv) Increased size of the main weekly refinancing operations etc. (IMF, 2020)

Fiscal measures

- Stimulus package of IDR 405 trillion (2.6% of GDP), announced as of 31 March, 2020 including IDR 255 trillion (1.6% of GDP) in additional spending and tax reliefs. This is in addition to the first two fiscal packages of IDR 33.2 trillion (0.2% of GDP). The stimulus packages comprise (i) support to the health care sector to boost testing and treatment capability for COVID-19 cases; (ii) increased benefits and broader coverage of existing social assistance schemes to low-income households such as food aid, conditional cash transfers, and electricity subsidy etc. In addition to tax and spending measures, the last stimulus package includes IDR 150 trillion (0.9% of GDP) additional financing for a national economic program, including to support credit guarantees for the private sector.

Deferral measures

- Restaurants and hotels exempted from regional government taxes for a 6-month period; central government provision of IDR 3.3 trillion cover for the shortfall in regional budgets.

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- Lower import duties for raw materials for exporters and importers boosting production; one year postponement of credit or leasing payments for loan up to IDR 10 billion for MSME and informal workers; postponement of credit or leasing payments without ceiling limits with the debtor's ability to pay the credit and the agreement with banks or leasing companies of SMEs and non-SMEs.
 - Manufacturing sector import tax payments deferred for 6 months in 19 of them as well as workers exempted from 6-month income taxes with incomes below IDR 200 million per year.
 - Corporate income tax reduced from 25 to 22%; debt payments delayed by 6 months for micro loan credit for businesses affected by COVID-19.
 - Excise exemption for factories or storage areas of ethyl alcohol (raw material for sanitizers, antiseptics, etc.)
 - As a means to support trade and financial sector certain relaxation rules have been put in place: rules on export and import restrictions and procedures; income tax rules for workers in manufacturing industry for 6 months; income tax rules by 30% for 6 months for industry in selected sectors; tax refunds rules to accelerate tax refunds and promote financial liquidity.

Direct assistance to companies

- Conversion of IDR 147 billion of fiscal transfers to support tourism; State energy company Pertamina and two state airport operators would be ordered to cut jet-fuel prices and airport charges for three months.
- Economic policy stimulus for bank through lower credit assessment rules for SMEs.
- Indonesia's IDR 10 trillion pre-employment card programme will have its budget raised to IDR 20 trillion. The programme will aim to provide support to 5.6 million laid-off workers, informal workers and micro and small business owners.
- Credit restructuring and financing for SMEs, among other business.

Other measures

- Call centre opening for MSMEs and Cooperatives affected by COVID-19, through hotline number or text messages for data collection and identification; voucher incentives (discount) for 1 million selected SMEs to increase public spending and consumption.
- The social safety net budget of (IDR 110 trillion) will prioritize 10 million families in the family hope program as well as the 15.2 million families in the staple food program. This would also include free electricity for 24 million customers using 450 KV_a and 7 million customers using 900 KV_a. Economic policy stimulus for bank through lower credit assessment rules for SMEs.

A.4 Lao PDR

As of 23 June 2020, Lao PDR had reported 19 COVID-19 cases and zero virus-related deaths (WHO, 2020). A nationwide lockdown declared with travel restrictions, domestic passenger transport services suspended, closed borders. Educational institutions, garment and other factories, large projects, entertainment centres etc. closed, banning large gatherings. Price control of essential goods; mining operations and construction of hydropower dams suspended; closure of businesses, reduced international and domestic flights. The Task Force Committee for COVID-19 Epidemic Prevention, Control and Response monitors latest developments and coordinates the authorities' response. A separate Task Force Committee was also appointed to address the economic impact of the crisis (IMF, 2020).

The tourism, construction, and manufacturing sectors have been hit hardest. The ADB reports predicts deceleration in growth as services suffer under the pandemic but is expected to bounce back next year as services recover and electricity production capacity increases. Inflation rose sharply in the second half of last year, and the current account remained a concern. Lao PDR has focused its SME policy on improving the legal and regulatory environment to support SME development. It has been developing targeted SME policies since the early 2000s and benefits from a relatively good institutional framework and a dedicated fund for SME development.

A total of 178 557 registered enterprises were operating in Lao PDR as of 2013, of which around 75%, or 134 577, participated in the country's 2013 Economic Census. According to it around 99.8% of the participating units, or 124 567, were classified as SMEs; majority were micro enterprises, with those employing five workers or less accounting for 86% of all enterprises. This, alongside data from other surveys, a "missing middle" in the country's production structure, in common with many other emerging economies in Southeast Asia and beyond. Laotian MSMEs provide a slightly higher structural contribution to employment than in OECD countries, accounting for around 82.2% of total private-sector employment, according to the 2013 census. Data is not collected on contribution to GDP or value added (OECD, 2018).

Socio-economic stimulus packages

- The Bank of Lao PDR (BOL) announced a reduction in reserve requirements, from 10% to 8% on foreign exchange, and from 5% to 4% on local currency effective from 2 April. On 26 March, BOL issued a new credit card policy for the impacted, asking banks and financial institutions to restructure loans and provide new loans and businesses affected by the outbreak. Under this policy, banks and financial institutions that implement debt restructuring and new loan provisions will benefit from regulatory forbearance on loan classification and provisioning.
- On 30 March 2020, BOL cut its policy rate from 4% to 3% for one-week loans; from 5% to 4% for one-two week loans; and from 10% to 9% for two-week to one-year loans.

Direct assistance to companies by the Bank of Lao PDR

- Provide special financing facility to enable viable business and individuals to swiftly resume economic activities.
- Restructure loan. This facility can be offered for more than two times, and the loan class will be remained the same after restructuring. The affected businesses or individuals who were classified to non-performing loans (NPLs) from 1 January 2020 will be sorted to special mention loans.

Fiscal measures

The Government of Lao PDR has allocated LAK 10 billion (slightly under 1% of GDP) for the prevention and control of COVID-19. A separate budget plan for the effective and efficient implementation of recent government measures and the mobilisation of necessary assistance is being considered. A proposed 13-measure economic stimulus package has been endorsed by the cabinet. Measures include establishing a separate task force to address the economic impact of COVID-19. A new electricity tariff, to ensure supply of electricity, in effect from 1 May 2020 until 31 December 2025, has been approved. Extra efforts to ensure revenue collections through automated platforms and inspections targeting at stockpiling of essential goods are being considered (IMF, 2020). The government endorsed a 13-measure package at the cabinet's two-day monthly meeting for March that ended on 20 March 2020.

Deferral measures

- For a period of 3 months: Income tax exemption for salary below LAK 5 million; profit tax exemption for micro-enterprises with annual income between LAK 50-400 million for 3 months; duty fee exemption for import goods to be used towards outbreak; deferring tax collection from tourism related business; postponing mandatory contribution to social security by affected businesses; tax road payment extension.

A.5 Malaysia

As of 23 June 2020, Malaysia has reported 8 587 cases of COVID-19 and 121 virus-related deaths (WHO, 2020). A Movement Control Order (MCO) was put in place for 18-31 March and subsequently extended to 14 April with borders are closed; schools, universities and non-essential businesses are closed; all public gatherings are banned (IMF, 2020). In addition to the COVID-19 pandemic, Malaysia also faces an additional shock – namely, a sharp decline in global crude oil prices. The fallout from the virus has caused havoc over supply chains in Malaysia, particularly since China has been Malaysia's largest trading partner for the last 10 years. Trade between the two nations was valued at USD 68 billion in 2019.

These developments are placing particular stress on MSMEs, which accounted for 98.5% of total business establishment in Malaysia, 38.3% of GDP (MYR 521.7 billion), 66.2% of

total employment (7 million workers) and 17.3% of total exports (MYR 171.9 billion) in 2018. The majority of MSMEs in Malaysia are micro enterprises, constituting 76.5% (693 670) of total business establishments.

Other than MSMEs, the informal sector is sizeable. It accounted for around 11.2% of total employment (or 1.52 million people) in Malaysia in 2019. Of these, 70% (1.06 million) were unregistered businesses comprising own account workers such as hawkers, night market traders, e-hailing drivers, riders, online entrepreneurs and home-based businesses.

The informal sector is the group that has been most affected by the COVID-19 pandemic, since they were not able to operate during the MCO period. Although the livelihoods of these individuals has been badly affected, they have also been the group that has recovered the fastest and helped to stimulate the economy as the country lifts confinement measures.

Realising the urgency of tackling declining economic performance, the Malaysian Government has allowed certain economic sectors to operate at full capacity from 4 May, subject to them fully complying with standard operating procedures (SOP) set out by the government. Failing to comply will result in penalties or legal action.

Socio-economic stimulus packages

- Bank Negara Malaysia (BNM) lowered the Overnight Policy Rate (OPR) by 25 basis points to 2.5%, citing market disruptions, greater risk aversion and financial market volatility, and tighter financial conditions due to COVID-19.
- Lowered the Statutory Reserve Requirement (SRR) Ratio by 100 basis points to 2% allowing each Principal Dealer to recognize Malaysian Government Securities (MGS) and Malaysian Government Investment Issue (MGII) of up to MYR 1 billion as part of the SRR compliance until March 2021.
- Announced measures temporarily easing regulatory and supervisory compliance on banks to enable them to support loan deferment and restructuring (IMF, 2020).
- A Special Relief facility worth MYR 2 billion, particularly in the form of working capital for SMEs at an interest rate of 3.8%.
- A MYR 200 million micro-credit scheme for companies in the tourism and other affected sectors at an interest rate of 4%; a financial relief to viable borrowers by restructuring or rescheduling loans, including potentially payment moratoriums.

Fiscal measures

A fiscal stimulus package of MYR 6 billion (0.4% of GDP) was approved on February 27 2020, including increased health spending; temporary tax relief; a temporary reduction of the Employer Provident Fund (EPF) minimum statutory contribution rate from employees from 11% to 7%; cash transfers to affected sectors; and rural infrastructure spending. Additional measures—electricity discounts and temporary pay leave—for MYR 0.62

billion (less than 0.1% of GDP) were announced on 16 March 2020. Some investment spending planned for 2020 is being frontloaded.

Deferral measures

- Tax instalment for businesses in the tourism industry deferred for 6 months. Companies affected to be allowed to revise profit estimates for 2020 w.r.t monthly income tax payments without penalty; 6% service tax for hotels exempted.
- Human Resources Development Fund levies for 6 months for businesses in tourism sector, shopping malls, convention centres etc.; SMEs involved in food production at the size of MYR 1 billion will be offered at maximum 8-year tenure, financing rate at 3.75% and MYR 5 million per SMEs.
- Deferment of loan repayment of Skills Development Fund Corporation (PTPK) borrowers for the same period beginning 1 April 2020 to 30 September 2020 with an estimated collection amounting to MYR 149.2 million.

Direct assistance to companies

- MYR 40 million is allocated towards helping small and medium enterprises involved in agriculture and food production to access larger markets through e-commerce platform and enhance their incomes.
- Government has allocated MYR 60 million in addition to MYR 60 million from the Social Security Organisation (SOCSO) for providing temporary financial assistance per month for employer or employees affected by the pandemic.
- MYR 100 billion to support businesses, including SMEs, MYR 2 billion to strengthen the economy, and the previously announced MYR 20 billion economic stimulus package.
- To assist SMEs and individuals, banking institutions offer a 6-month moratorium, conversion of credit card balance to term loans and restructuring of corporate loans.

To assist SMEs, including micro-entrepreneurs, the Government and Bank Negara Malaysia provides additional funds worth MYR 4.5 billion which covers five key initiatives:

- Increasing funds to the Special Relief Facility (SRF) for SMEs by MYR 3 billion bringing the total to MYR 5 billion with interest rate for the entire fund reduced from 3.75% to 3.5%; all Economic Sector Facility fund size increased by MYR 1 billion to MYR 6.8 billion to enhance access to financing for SMEs.
- Providing additional funds of MYR 500 million under the Micro Credit Scheme, to a total of MYR 700 million for soft loans administered by Bank Simpanan Nasional at 2% interest rate with no collateral; Loan eligibility requirements relaxed to a minimum of 6 months of operation compared to 1 year of operation. Maximum financing amount is also increased from MYR 50 000 to MYR 75 000 for each entrepreneur. The

initiative is open to all micro-entrepreneurs in all business sectors including child-care centres, taxi and bus operators as well as the creative industry and online traders.

- SMEs with business records of less than 4 years can also leverage the schemes for financing up to MYR. MYR 5 billion worth of guarantees provided and increased guarantee coverage from 70% to 80% for SMEs that face difficulties in obtaining loans.

Other measures

- MYR 300 million SME Automation and Digitalisation Facility is available for SMEs to upgrade, modernise and rejuvenate their productive assets i.e. purchasing equipment, machinery, ICTs (hardware, software, IT solutions and services) and other intangible asset to enhance productivity and efficiency.
- To ease the financial burden of SMEs, the Government has also undertaken a number of initiatives to facilitate SMEs in deriving the full benefits from all the assistances that have been announced including abolition of interest rate under Micro Credit Scheme, extension of soft loan scheme for microenterprise, waiving rentals to SMEs, reducing levy on foreign workers etc.
- In addition, the Ministry of Entrepreneur Development and Cooperatives (MEDAC) has introduced the specific Recovery Plan for Entrepreneurs and Cooperatives. This Plan is designed for all business categories including micro enterprises, SMEs, cooperatives, start-ups and the informal sector, to ensure the sustainability and rapid recovery of business operations. It is scheduled for implementation in one year and in two phases. The first phase of implementation will be from May 2020 until December 2020 and the second phase of implementation will be from January until May 2021. 30 programmes have been devised specifically under this recovery plan to revitalise the MSMEs including informal sector, to promote their resilience and competitiveness.

A.6 Myanmar

As of 23 June 2020, Myanmar had 291 confirmed cases with 6 reported deaths in the country (WHO, 2020). The outbreak has caused deep cuts in the economy with sharp declines in tourist arrivals, supply chain disruptions for the garment sector, and losses for SMEs, which have resulted in large layoffs and factory closures. Travel restrictions (including quarantine requirements, suspension of visa issuances and international flights), closure of several land borders, and banning mass public gatherings are in place. A National Central Committee on Prevention, Control and Treatment of 2019 Novel Coronavirus as well as a second committee, the Control and Emergency Response Committee on COVID-19, was setup on 30 March 2020 (IMF, 2020).

Similarly to other Southeast Asian countries, growth is expected to slow due to risks posed by COVID-19 before picking up again in FY2021. Data are scarce on the number of MSMEs in Myanmar. Around 127 000 enterprises are registered with various government agencies, of which 99.4% are counted as MSMEs. In addition, some 620 000 unregistered firms are estimated to be operating in the country. Of the registered firms, 4 749 enterprises were registered with the Ministry of Industry (MOI) as of 2017, of which 87.1% were

SMEs and a relatively high share (18.9%) were medium-sized enterprises. Estimates account SMEs for around 80% of employment (OECD, 2018).

Socio-economic stimulus packages

The Central Bank of Myanmar cut the policy interest rate by 0.5 percentage points on 12 March 2020 and announced a further 1 percentage point cut to be effective 1 April 2020. Deposit auctions have been halted to maintain adequate liquidity in the interbank market.

Fiscal measures

Measures include financial assistance to Ministry of Health and Sports for additional expenditures; tax deferrals and exemptions; funds to establish soft loans to help businesses and other measures to provide regular income for households without one etc. (IMF, 2020).

Deferral measures

- Deferment of quarterly income tax and monthly commercial tax payments for qualifying businesses until the end of fiscal year 2019-20, which ends on 30 September.
- Businesses exempted from paying the 2% advance income tax on exports until the end of current fiscal year.

Direct assistance to companies

- Loans for cut-make pack (CMP, garments and manufacturing) and hotel and tourism businesses, as well as SMEs owned by local business people with only 1% interest with a loan period of one year.
- COVID-19 fund worth MMK 100 billion (USD 71.9 million, 0.1% of GDP) established at the Myanmar Economic Bank to provide soft loans to affected business, garment and tourism and SMEs at reduced interest rates; fee renewal license of hotels and tourism businesses exempted for one year up to March 2021.

A.7 The Philippines

As of 23 June 2020, the Philippines has reported 30 682 cases of COVID-19 and 1 177 related deaths (WHO, 2020). The government has put the Luzon Island, including Metro Manila, under an “enhanced community quarantine” (ECQ) until 30 April, together with other containment and mitigation measures, such as suspension of flights from high-risk economies, restrictions on mass gathering, and school closures. Financial market volatility has risen since end-February (IMF, 2020).

The transport, storage, and communication sector has been expected to suffer substantial losses due to expected declines in tourism as per the Philippine Institute for Development Studies (PIDS). Other sectors include manufacturing; wholesale and retail trade; financial

intermediation; agriculture; mining; real estate etc. The government has announced a PHP27.1 Billion package to help contain the spread of the coronavirus disease 2019 (COVID-19) and to provide economic relief to businesses and livelihood affected by the threat.

The Philippines has traditionally adopted a “service delivery” approach to SME policy, providing services to help SMEs increase their competitiveness. However, the country also pursues a secondary objective, which sees SME policy as a tool to decrease poverty and regional inequalities as part of its goal of building a predominantly middle-class society by 2040. As such, the Negosyo Centres function as its main policy tool, but interventions currently focus on the provision of microfinance and the development of entrepreneurship. In 2018, there were 1 003 111 registered enterprises operating in the Philippines, of which 88.4% were micro-sized, 10.5% were small, 0.49% were medium-sized, and 0.48% were large. SMEs accounted for around 63.1% of employment and 45% of GDP in 2018. They also account for 25% of export revenue, and an estimated 60% of exporters are SMEs.

Socio-economic stimulus packages

The Bangko Sentral ng Pilipinas (BSP) plans to purchase PHP 300 billion worth of government securities (about 1.6% of 2019 GDP) to support government’s programs to counter the impacts of COVID-19. The BSP has also announced a series of regulatory relief measures for the banking sector, including: (i) a temporary relaxation of requirements on compliance reporting, penalties on required reserves, and single borrower limits; (ii) easier access to the BSP’s rediscounting facility; (iii) a temporary relaxation of provisioning requirements (subject to the BSP approval), and (iv) a relaxation of prudential regulations regarding marking-to-market of debt securities.. These relief measures are intended to encourage banks, in turn, to provide financial relief to their borrowers (e.g., temporary grace period for loan payments). Banks are also expected to suspend all fees and charges imposed on online banking platforms during the period of regulatory relief (IMF, 2020).

Fiscal measures

The government has announced a PHP 27.1 billion fiscal package (about 0.15% of 2019 GDP), which comprises the following measures: additional purchase of COVID-19 testing kits and health equipment; social protection for vulnerable workers; and support to the tourism and agriculture sectors. Under the Social Amelioration Program, a PHP 200 billion cash aid programme was released for 18 million low-income households.

Deferral measures

- The grant of temporary and rediscounting relief measures for financial institutions, as approved by the Monetary Board (MB).
- Liberalising grant of incentives for manufacturing or importation of critical equipment which should be exempted from import duties, taxes and other fees; Direct all banks, quasi-banks, financing companies, lending companies, and other financial institutions,

public and private, including the Government Service Insurance System, Social Security System and Pag-ibig Fund, to implement a minimum of a thirty (30)-day grace period for the payment of all loans including but not limited to salary, personal, housing, and motor vehicle loans, as well as credit card payments, falling due within the period of the ECQ without incurring interests, penalties, fees or other charges.

- Providing for the grant of exemption from Documentary Stamp Tax (DST), including DST imposed in credit extensions and credit restructuring, micro-lending including those obtained from pawnshops and extensions thereof.

Direct assistance to companies

- PHP 1 billion allotted by the Department of Trade and Industry (DTI) for its Pondo sa Pagbabago at Pag-Asenso (P3) Micro financing special loan package of the Small Business Corp (SBCorp) for affected micro entrepreneurs/micro, small and medium enterprises (MSMEs).
- Finding new supply sources and non-traditional markets for industries affected by supply chain disruptions; Programs and projects of the Department of Tourism (DOT) amounting to PHP 14 billion to support the tourism industry.
- Small Business Wage Subsidy provides wage subsidy for affected employees of small businesses to help mitigate the impact of the quarantine in Luzon and various local government units.
- Livelihood Seeding Program allotted funding amounting to PHP 203 million, which will be used to provide a package of livelihood kits and business advisory assistance and services, to MSMEs affected by natural and human-induced calamities including health disasters.
- PHP 2.8 billion for the Survival and Recovery (SURE) Aid Program of the Department of Agriculture-Agricultural Credit Policy Council (DA-ACPC), which provides loans of up to PHP 25 000 each at zero interest for smallholder farmers and fisher folk affected by calamity and disasters, and PHP 2.03 billion worth of a credit programme that grants a one-year moratorium without interest on payments of outstanding loans.
- LBP Interim Rehabilitation Support to Cushion Unfavorably-Affected Enterprises (iRESCUE) a PHP 10 billion support program for the SMEs, cooperatives, and microfinance institutions (MFIs) which are affected by the economic impact of the COVID-19 pandemic to the country.
- Mobilisation of funds from government-owned or controlled corporations (GOCCs) to support tourism industry.

Other measures

- The Technical Education and Skills Development Authority (TESDA)'s Scholarship Programs amounting to PHP 3 billion will support affected and temporarily displaced workers through upskilling and reskilling of affected and temporarily displaced workers. It is also offering free courses for all who would like to acquire new skills in

the convenience of their own homes, mobile phones and computers through the TESDA Online Program.

- PHP 2 billion representing the initial budget set aside by the Department of Labor and Employment (DOLE) for social protection programs for vulnerable workers, to be used for wage subsidy/financial support to COVID affected establishments and workers; mobilisation of an existing PHP 1.2 billion in the Social Security System (SSS) to cover unemployment benefits for dislocated workers.

A.8 Singapore

Singapore had reported over 42 313 cases of COVID-19 as of 23 June 2020, with 26 deaths (WHO, 2020). Containment measures and travel restrictions have been replaced by a series of Circuit Breaker measures until 1 June. These measures included shutting down most workspaces and all schools, while also curbing public gatherings. On 19 May 2020, it was announced that Singapore would embark on a three-phased approach to resume activities safely when the Circuit Breaker ends on 1 June.

A contraction is likely to be seen in key sectors such as manufacturing, services, and construction, which have all taken hard hits. Between February and May 2020, the Singapore Government launched four stimulus packages – the Unity Budget (18 February), the Resilience Budget (26 March), the Solidarity Budget (6 April) and the Fortitude Budget (26 May) to counter the economic fallout of the coronavirus (COVID-19) pandemic. The stimulus plan is estimated to be worth SGD 92.9 billion (USD 66.9 billion), drawing on national reserves for the first time since the global financial crisis in 2009 (ASEAN Briefing, 2020). In 2019 there were an estimated 271 800 enterprises operating in Singapore, of which 99% were MSMEs. Singaporean MSMEs appear to demonstrate a structural contribution to the economy similar to MSMEs in other ASEAN and OECD countries. They accounted for 45% of nominal value added and 72% of employment in 2019 (SingStat, 2019).

Socio-economic stimulus packages

On 14 February 2020, the Monetary Authority of Singapore (MAS) welcomed the announcements from banks and insurers in Singapore to support their customers facing financial difficulties due to the impact of COVID-19 outbreak, while adhering to prudent risk assessments. MAS has worked with financial institutions in Singapore to offer two relief packages to support individuals and SMEs facing financial difficulties due to the COVID-19 pandemic. On 31 March 2020, the MAS and the financial industry announced the first package of measures to help individuals and SMEs facing temporary cash flow difficulties related to the COVID-19 pandemic. The package has three components: *i)* help individuals meet their loan and insurance commitments; *ii)* support SMEs with continued access to bank credit and insurance cover; and *iii)* ensure interbank funding markets remain liquid and well-functioning. A second package announced on 30 April 2020 extended the scope of relief for individuals to a broader set of loan commitments (IMF, 2020).

In addition, MAS has worked with financial institutions in Singapore to offer options for SMEs in need to lower their short-term repayment obligations for their secured loans and to stay insured despite facing financial difficulties. These options include the following:

- SMEs may opt to defer principal payments on their secured term loans (up to 31 December 2020), subject to banks' and finance companies' assessment of the quality of the SMEs' security. SMEs will also be able to extend the tenure of their loans up to the corresponding principal deferment period. This relief will be available to SMEs that continue to pay interest and are in good standing with their banks and finance companies.
- Banks and finance companies may apply for low-cost funding through a new MAS SGD Facility for loans granted under Enterprise Singapore's SME Working Capital Loan scheme and Temporary Bridging Loan Programme.
- Corporates, including SMEs, may apply to their insurer to pay their companies' general insurance premiums (e.g. property, trade credits, vehicles) in instalments so that they can pay their premiums in smaller amounts and still enjoy coverage for the paid-up period.

Fiscal measures

The 4 packages of measures launched by the Singapore Government amounted to a total stimulus of SGD 92.9 billion (19.2 percent of GDP). Funds to contain the outbreak are about SGD 800 million (mainly to the Ministry of Health). The Care and Support Package provided support to households (SGD 4.6 billion), including a cash pay out to all Singaporeans aged 21 years and above, and additional payments for lower-income individuals and the unemployed (ASEAN Briefing, 2020).

Deferral measures

- The licence fees for hotels, travel agents and tour guides would be waived as part of measures to help the tourism sector; cleaning and disinfecting charges for hotels that provided accommodation to confirmed and suspected cases of COVID-19 infections defrayed.
- To help ease the immediate cash flow problems businesses had been facing, the government has granted an automatic three-month deferment of income tax payments for companies and self-employed persons.
- Qualifying commercial properties impacted by the pandemic, such as hotels, tourist attractions, and serviced apartments would be granted property tax rebate for the 2020 financial year (ASEAN Briefing, 2020).
- Rental relief would be extended to SME tenants and property owners who run a business on non-residential properties.
- Foreign Worker Levy waivers and rebates were introduced for the months of April to July 2020 to support businesses in key sectors employing migrant workers that had to suspend operations during the Circuit Breaker period.

Direct assistance to companies

- A Stabilisation and Support Package amounting to SGD 4 billion was introduced as part of the Unity Budget in February 2020 to support firms by defraying their wage costs and addressing short-term cash flow needs. Additional assistance was provided for sectors that were impacted severely, including tourism, aviation, retail and food services.
- The Food Delivery Booster Package was launched in April 2020 to support F&B businesses to diversify operations by leveraging third party logistics partners for food deliveries. The package also comprises a capability development pack to assist F&B businesses in optimising their online presence and improving sales.
- The E-Commerce Booster Package was launched in April 2020 to support retailers' business transformation efforts to diversify their sales channels and revenue streams by selling online.
- A SGD 77 million Point-to-Point Support Package was announced in February 2020 to provide targeted assistance for point-to-point transport services including private-hire companies.
- A Temporary Bridging Loan Programme was introduced to alleviate immediate cash flow needs for enterprises across sectors.
- The Government's risk share of loans was increased from 80% to 90% for loans initiated from 8 April 2020 till 31 March 2021, including those under the Temporary Bridging Loan Programme, Enterprise Financing Scheme – SME Working Capital Loan and Enterprise Financing Scheme Trade Loan.
- The Self-Employed Person Income Relief Scheme (SIRS) was introduced to support eligible Self-Employer Persons (SEPs) in the form of quarterly cash pay outs (May, July and October 2020) to tide them over the period of economic uncertainty.
- The SMEs Go Digital programme was enhanced to help businesses adopt both foundational and advanced digital solutions, and a Digital Resilience Bonus was introduced subsequently in May 2020 to support businesses which had basic digital capabilities to digitalise further by collaborating with digital platform solution providers and other industry stakeholders).
- The Enhanced Training Support Package (ETSP) and Enhanced Absentee Payroll were launched to encourage employers in key sectors directly affected by the COVID-19 outbreak, such as air transport, food services, retail and tourism, to make use of the downtime to send their employees for eligible courses, so that companies could better position themselves for economic recovery.

Other measures

- A guide on business continuity planning for enterprises was developed to help companies better manage potential business operational risks, and uphold good sanitation and hygiene practices to minimise transmissions.
- A Leave of Absence Support Programme (LOASP) was introduced in February 2020 to provide support to help businesses and self-employed persons who are affected by

the Leave of Absence (LOA) requirements due to COVID-19. As part of the programme, eligible employers could apply for SGD 100 daily per affected worker for the required duration of paid LOA granted.

- The SGUnited Traineeships programme supports employers by providing traineeships to fresh graduates entering the labour force, to help boost employability for new graduates.
- The Hiring Incentive was introduced as part of the SkillsFuture Mid-Career Support Package (SMCSP) in February 2020 to encourage more employers to hire local workers aged 40 and above through eligible reskilling programmes. Given the impact of COVID-19, the Hiring Incentive was enhanced to cover local workers of all age, with increased support for those aged 40 and above.
- The SG Together Enhancing Enterprise Resilience (STEER) Programme was launched to support funds set up by Trade Associations and Chambers (TACs) or industry groupings¹¹, with the aim of supporting other businesses in the wider business community to tide over the COVID-19 outbreak and push on with transformation efforts in preparation for economic recovery.

A.9 Thailand

Thailand had reported 3 156 cases of COVID-19 as of 23 June 2020, and 58 related deaths (WHO, 2020). Prime Minister Prayut Chan-o-cha announced a state of emergency, effective March 26 and to last until further notice, under which foreigners are banned from entering the country except for shippers, diplomats, drivers, pilots and others permitted by the Prime Minister. Inbound flights have been banned until April 30, and a nationwide curfew (diplomats exempted) from 22:00 and 04:00 has been effective since April 3 and until further notice. The government had previously taken other measures, including the postponement of the Songkran holidays and shutdown of schools and entertainment venues in the Bangkok Metropolitan Region. Movement from Bangkok to the provinces is now being restricted, and Phuket is now shut down for 30 days (IMF, 2020).

Tourism and manufacture-exporting sectors have been particularly hit in Thailand. These two sectors account for two-thirds of the country's GDP. The government has declared three stimulus packages in three phases, providing assistance for businesses and households in the form of low-interest loans and cash handouts (ASEAN Briefing, 2020).

Thailand's SME policy has its roots in the Asian Financial Crisis and a push by policy makers to diversify and establish a broader base for growth. It broadly adopts the "service delivery" approach to SME policy, providing services to help SMEs increase their competitiveness. Its main policy priorities in this area are internationalisation and productivity enhancement. According to calculations of Thailand's Office of SME Promotion (OSMEP), in 2018 the country counted more than 3 million enterprises, of

¹¹ An industry grouping is defined as a group of at least five companies collaborating to set up a fund, with an independent legal entity set up and an independent third party secretariat supporting the management of the fund.

which 99.8% are MSMEs and 0.2%, or about 6 455, are large enterprises (OSMEP, 2019). In common with much of Southeast Asia, there appears to be a “missing middle” in the country’s production structure: only 0.5% of enterprises, or around 15 000, are observed to be medium-sized (OECD, 2018).

Socio-economic stimulus packages

The Bank of Thailand released measures to assist SMEs affected by COVID-19 outbreak as well to stabilize the corporate bond market. They include:

- Six months postponed debt payment for SMEs with a limit not exceeding THB 100 million of credit line.
- Soft loans for SMEs not exceeding THB 500 million of credit limit at 2% interest rate per annum for 2 years (exemption of interest in the first 6 months).
- Initiating the Corporate Bond Stabilisation Fund (BSF) as bridge financing to good quality businesses reaching maturity in the period 2020-2021 to alleviate the liquidity shortage
- Providing Financial Institutions Development Fund (FIDF) fee reduction to financial institutions in order to lessen the financial burden of business and household by lowering the loan rates.

Fiscal measures

In response to COVID-19, Cabinet has approved a fiscal package with phases I, II, and III amounting THB 3.4 trillion including: health-related spending; assistance for workers (includes 3 million workers outside the social security system), farmers, and entrepreneurs affected by COVID-19; support for individuals and businesses through low-interest soft loans from specialised financial institutions (SFIs) and Social Security Office, and tax relief; and lower water and electricity bills, and lower employees’ and employers’ social security contribution. While part of this would be financed within the original FY 20 budget, about THB 1 trillion in additional borrowing is expected (IMF, 2020).

Deferral measures

- Tax exemptions and a reduction in debt restructuring fees for non-bank creditors until December 2021 e.g. personal loan, hire purchase, and leasing credit; Reducing tax withholding rate for service fees to boost liquidity.
- Allowing SMEs to claim deductions from the salary expenses of employees registered with social security in order to encourage an employment stability.
- Tax payment extension of corporate income, revenue taxes (speeding up VAT refunds for domestic entrepreneurs), and excise tax of entertainment businesses.

Direct assistance to companies

- THB 10 000 million total credit supported by SME Development Bank; THB 3 million loans are offered to lessen SMEs at 3% interest rate for the first two years; Promoting capital investments with Super Saving Funds.
- Thailand's cabinet has approved a third economic package, estimated to cost about THB 1.9 trillion to assist individuals and businesses; A total of THB 500 billion credit limit in soft loan are allocated for small and medium-sized businesses under the implementation of Bank of Thailand (BOT).
- SMEs will be offered a debt moratorium for six months of principal and interest with a maximum THB 100 million credit line by SFIs and private financial institutions.

Other measures

- Providing THB 5 000 compensation each to low-income earners, temporary employees, independent workers, and agriculturists due to the temporary shutdown for 3 months (9 million people).
- 62% daily wages contributed to the Social Security Office will be distributed to insured person as compensation during period of work cessation.
- Reducing the rate of social security contributions for employers and insured employees during March – August 2020.
- Ministry of Higher Education, Science, Research, and Innovation (MHESI) has organized training program for enhancing and promoting work skills and recruiting project for over 40 000 positions in phase 2 (10 000 positions in phase 1) in order to assist people affected by COVID-19 situation throughout the country. The employment period is 3 months from this July - September.
- The National Innovation Agency (NIA), a tech-focused government agency, assists local tech start-ups, particularly public services in health care in order to reduce visits to hospital.
- For tourism industry, the payment of rent which is a royal property will be granted to postpone until September 2020.

A.10 Viet Nam

As of 23 June 2020, Viet Nam had reported 349 cases of COVID-19 with zero deaths (WTO, 2020). Approximately 70 000 people are currently quarantined in centralized facilities or self-locations. With the government adopting strict containment measures since late January, including social distancing, travel bans on all foreign travellers (except for diplomatic, official and other extraordinary purposes), screening at ports of entry, a 14-day self-isolation requirement for all international arrivals, school closures, and public events cancellations. Other measures include strictly enforcing wearing of masks at public venues from 16 March 2020 and shutting down non-essential services nation-wide (IMF, 2020).

With the onset of the pandemic, businesses especially those in the manufacturing sector have been understood to take the worst hit due to lack of raw materials from China like steel and components for electronics, automobile, and phone manufacturers in Viet Nam. An estimated 17% of Viet Nam's economy is exposed to trade with China (ASEAN Briefing, 2020).

Viet Nam's SME policy has its roots in the country's reforms of 1986, and subsequently in the Asian financial crisis, which drove policymakers to ramp up efforts to reduce dependency on FDI by establishing a broader base for growth. The country has traditionally focused on enhancing the legal, regulatory and operational framework for SMEs, but it is increasingly developing targeted measures to enhance productivity and innovation. Around 442 486 enterprises were known to be operating in Viet Nam when the last official study was conducted in 2015, but the real figure is likely to be much larger. Of those enterprises studied, around 98% were MSMEs (GSO, 2015), and 72.8%, or 322 236, were micro firms (OECD, 2018).

Socio-economic stimulus packages

The State Bank of Vietnam (SVB) is directed to launch a credit support package worth VND 250 trillion for businesses and the Ministry of Finance to offer a support package of VND 30 trillion to compensate the losses due to containment measures.

SVB will work with credit institutions to facilitate access to capital, strengthen the administrative procedure reforms, shorten review time for lending dossiers as well as restructure loan repayment and consider reducing interest rate and fee for clients under adverse effects of the COVID-19 outbreak while continuing to implement measures to strengthen cashless payment. Credit package worth VND 285 trillion (around USD 12.3 billion) for businesses, to cover extended payment deadlines for taxes and fees (worth VND 30.1 trillion or USD 1.3 billion), from Viet Nam's banking sector, including the 4 biggest banks (Vietcombank, Vietinbank, BIDV and Agribank). As of early April, banks have supported more than 410 000 customers, with outstanding loans of about VND 300 000 billion, by either rescheduling repayment, exempting, and reducing interest on existing debts, and extending new loans. Banks have been exempting and reducing fees (including interbank transaction fees for small amounts, and credit information subscription fees). Several fees for securities services have been also reduced or made exempt between 19 March and 31 August to support the stock market (IMF, 2020).

Fiscal measures

The government introduced a fiscal support package valued VND 226 trillion (3.0% of GDP) to support the economy. Announced measures include: VND 180 trillion (2.2% of GDP) of tax cut (VAT, CIT, and PIT) and land rental payment deferrals (for 5 months) to support affected entities; deferring contribution (up to 12 months) to the pension fund and survivorship fund without interest penalty with total delayed contribution estimated at VND 9.5 trillion for affected workers, potentially lower corporate income tax (CIT) for

SMEs and micro firms; tax exemptions for medical equipment; lower business registration fee effective from 25 February (one-year exemption of business registration tax for newly established household business; first 3-year exemption of business registration tax for SMEs, etc. (IMF, 2020).

Deferral measures

- The Finance Ministry will propose to the government the fee and tax exemption and reduction solutions to help firms especially MSMEs cope with the difficulties posed by the outbreak; ministries requested to review and cut down on the administrative procedures and fee for enterprises.
- Government plans to provide incentives, including tax break, delayed tax payments, cut or delay interest payments on loans to companies facing losses due to the coronavirus outbreak, and reduction in land lease fee. This includes delaying tax payments by 5 months for affected businesses, worth VND 23 trillion (USD 989 million), in agriculture, textiles, footwear, automotive, aviation, electronics, food processing, and tourism sectors, etc. and delaying land-use fees until 31 October, worth VND 4.5 trillion (USD 194 million).
- All local authorities, within their competence to reduce charges and fees for those affected by the COVID-19 outbreak, and not increase prices in the first and second quarters of 2020 for goods that are inputs for manufacturing where the prices are managed/fixed by the government.
- The Ministry of Industry and Trade (MOIT) was instructed to coordinate with MOF to facilitate customs clearance, and address difficulties faced by importers and exporters.

Direct assistance to companies

- The MOIT should ensure the supply of raw materials for manufacturing/business; to organize production/distribution/circulation/supply of goods to meet consumer demands; to consolidate the domestic market and support retail trading activities.
- The government is considering a VND 61.6 trillion (equivalent to around USD 2.6 billion) relief package for those affected by COVID-19 in the form of cash payments during a 3-month period starting April through June for six groups of people. Those eligible for more than two types of support in this bill will only be able to receive the highest value support.
- Employers can borrow from the Viet Nam Social Policy Bank with zero interest rate over 12 months to pay salaries for their furloughed workers in the 3-month period.
- Individual business households with yearly revenues below VND 100 million who have to temporarily close down as part of the Government's stay-at-home order and social distancing measures will be given VND 1 million a month over a 3-month period.

Other measures

- The Ministry of Transport to reform administrative procedures and reduce logistics costs for maritime, aviation, road, inland waterways, and railway usage; to review and implement legislation on price/fee/charge/expense discounts in the aviation industry; the Tax and Customs authorities to simplify administrative procedures.
- The Ministry of Labour, War Invalids and Social Affairs to draw up plans to support labour training and/or support employees who are laid off due to the COVID-19 outbreak; to find solutions for managing foreign employees working throughout Viet Nam, especially those coming from or moving through epidemic regions; and to make plans to support enterprises to find alternative employee resources in case of a lack of foreign experts.
- Social policy beneficiaries and those who have rendered services to the State during the revolution and wards receiving merit payments will be given an additional VND 500 000 (around USD 21.5) every month throughout April, May, and June.

ENTERPRISE POLICY RESPONSES TO COVID-19 IN ASEAN

Measures to boost MSME resilience

The world is currently facing the biggest global crisis in generations, caused by the sudden and rapid spread of a novel coronavirus. All ASEAN countries have revised their growth forecasts downwards, in some cases substantially, and this is particularly true in the region's most populated member states.

Businesses, especially micro, small and medium-sized enterprises (MSMEs), have been particularly affected, and face huge financial and operational stress. Accounting for 88.8-99.9% of total establishments and 51.7%-97.2% of total employment in ASEAN, these entities sustain the livelihoods of millions of people and form the fabric of many ASEAN economies. Policy support to help them push through the crisis should be considered as a matter of priority.

This report looks at measures being undertaken in ASEAN Member States (AMS) to mitigate the economic impact of COVID-19 on businesses, in particular MSMEs. It proposes some possible ways forward, drawing upon lessons learnt and success stories collected from OECD and partner countries. It notes the commendable efforts being made by AMS policymakers to implement longer-term structural measures alongside short-term stimulus measures. Many AMS recognise that this is a pivotal moment to encourage MSMEs to re-evaluate business models, upskill staff, digitise and explore new partnerships.

The report was developed by the ASEAN Coordinating Committee on Micro, Small and Medium Enterprises (ACCMSME) and the Organisation for Economic Cooperation and Development (OECD), with financial support from the Government of Canada. It is an ACCMSME contribution to ASEAN Leader and Economic Minister statements that commit to help people and firms navigate the crisis through cooperative action.

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