

Resilience and Rebuilding: MSMEs for Sustainable Development at the forefront of building back better and stronger from the impacts of the COVID-19 pandemic, Climate crisis and Conflicts

Background

The United Nations General Assembly designated 27 June as “Micro-, Small, and Medium-sized Enterprises Day” (A/RES/71/279) to raise awareness of the tremendous contributions of micro-, small and medium-sized enterprises (MSMEs) to the achievement of the 2030 Agenda and the Sustainable Development Goals. MSMEs account for 90 per cent of businesses, 60 to 70 per cent of employment and 50 per cent of GDP worldwide. The potential of MSMEs to contribute to the structural transformation of economies, drive inclusive, sustained and equitable economic growth and employment and to rebuild and recover from the economic shock caused by the COVID-19 pandemic can be enhanced if these enterprises are made more resilient to shocks and are able to access new markets, affordable financing, capacity building, technology and quality infrastructure services.

MSME Day 2022 will mark the 5th anniversary of this General Assembly resolution 71/279. This year’s celebration will also mark over 24 months from the onset of the COVID-19 pandemic, and takes place in the shadow of the climate crisis and conflicts that have contributed to rising inflation, particularly the conflict in Ukraine. After two years of responding to the pandemic and gradual recovery from its severe health and socio-economic impacts, most countries have begun to reopen their economies. At the same time, conflicts around the world are producing alarming effects in the global economy, impacting the prices and supply of food, energy, and fertilizers, worsening volatility of commodity prices, disrupting supply chains and business linkages, and driving high inflation. MSMEs have proven to be the backbone of society, providing invaluable support to local and national economies and sustaining livelihoods, in particular, among the working poor, women, youth, and groups in vulnerable situations, throughout this period of emergency response and recovery. They are the hardest hit by these multiple shocks but continue to play a critical role in building back stronger.

The 2022 MSME Day event will be held in a hybrid format, combining virtual and in person participation and will explore how to foster resilience and the survival of MSMEs in these critical times by discussing policies and strategies that countries have adopted to strengthening the capacities of policymakers, MSME entrepreneurs and the business ecosystem that is at the center of fostering the growth and formalization of MSMEs. It is critical that countries and their development partners continue to support and empower MSMEs and unlock their full potential in achieving the Sustainable Development Goals (SDGs) through inspiring innovation, creativity and fair work for all.

The Global Context

Across the world, the challenges and opportunities facing micro-, small and medium-sized enterprises have become more pronounced compared to the pre-COVID-19 pandemic era. To help these critical enterprises deal with these uncharted waters, governments in both developed and developing countries have made supporting MSMEs a priority throughout the COVID-19 pandemic through programs such as direct financial assistance, public guarantees on loans, and tax relief, and ensuring that MSMEs kept up with digitalization. To ensure the survival of MSMEs in today's environment, it is imperative to interrogate the effects of multiple shocks that include the COVID-19 pandemic, rising inflation, conflicts, , , climate change, and global supply chain disruptions that continue to make it difficult to source parts and products globally on the performance and survival of MSMEs. While these colliding forces are impacting all economies – developed and developing - their impact is disproportionately felt by low- and middle-income economies, where the contribution of MSMEs and informal enterprises to the GDP growth and employment creation is critical. Rising interest rates that are meant to tame rapid inflation are raising borrowing costs for businesses, but disproportionately more so for MSMEs. These developments will slow economic growth and could lead to higher unemployment levels.

Given these developments, policymakers must move beyond recovery, and consider ways in which to lower and eliminate barriers faced by MSMEs, improve the business environment and access to finance, markets and technology in these fragile times. Despite governments around the world vaccinating their populations, vaccine inequities continue to undermine recovery efforts and growth. New and recurring outbreaks of the pandemic have forced some countries to put in force curfews, travel restrictions and quarantines, putting pressure on supply chains and business operations.¹ Additionally, pre-existing conditions such as the ongoing effects of climate change, biodiversity loss, and pollution—if unabated—are likely to have catastrophic effects on economic growth, human and ecosystems health, employment, and livelihoods. The people least equipped to cope with these challenges are being hit the hardest, as they undermine food, nutrition and energy security and reinforce inequalities among and within countries, as they may lack the fiscal space to support their economies without concerted global actions.²

For instance, the SME Competitiveness Outlook 2021 showed that among African MSMEs, only 27 per cent of women-led firms reported investing in at least one measure to reduce exposure to environmental risks. In comparison, 45 per cent of men-led firms had done the same.³ Women- and youth-led businesses have less capital at their disposal to invest in mitigation and adaptation measures to prepare for external shocks like conflicts, pandemics, climate change and disasters. Sustained and targeted policy support to MSMEs, in particular women and youth-led MSMEs are crucial to unlock the

¹ <https://www.oecd.org/economic-outlook/september-2021/>

² <https://www.ipcc.ch/report/ar6/wg2/resources/press/press-release/>

³ <https://intracen.org/resources/publications/sme-competitiveness-outlook-2021-empowering-the-green-recovery>

full potential of MSMEs in promoting employment, acquiring new skills and elevating resilience towards uncertainties, according to the World Economic Situation and Prospects 2022.⁴

Going forward, countries and relevant stakeholders should consider questions including: what lessons can be captured from the emergency response to the COVID-19 pandemic and recovery measures to ensure that MSMEs—particularly those led by the working poor, women, youth and people in vulnerable situations—can not only recover but also withstand the devastating impacts of the COVID-19 pandemic and other emerging crises, and enhance resilience towards uncertainties looming in the horizon of recovery? Are there lessons that will help MSMEs mitigate and adapt to the adverse effects of environmental degradation and participate in inclusive and sustainable recovery efforts? What measures can help increase MSME resilience and ensure an inclusive transition to sustainable economies in times of fragility? How best should MSMEs be supported and involved to contribute to achieving the SDGs? How can digital connectivity be effectively harnessed for inclusiveness and sustainability?

To support MSMEs to be resilient to future shocks, efforts and stimulus packages must target those most heavily affected by disruptions to global supply chains, rising inflation, and the COVID-19 pandemic. Moreover, countries and their development partners should seize the opportunity the pandemic offers to address pre-existing challenges faced by MSMEs and entrepreneurs, while empowering and employing them to achieve the SDGs. Focusing on the remaining eight years of the Decade of Action and delivery, what can countries and stakeholders do to identify, design and/or update, and implement policies and approaches to uplift MSMEs as change agents contributing to sustainable, resilient and inclusive growth?

Theme: Resilience and Rebuilding: MSMEs for Sustainable Development at the forefront of building back better and stronger from the impacts of the COVID-19 pandemic, Climate Crisis and Conflicts

This MSME Day 2022 hybrid event, “Resilience and Rebuilding: MSMEs for sustainable development at the forefront of building back better and stronger from the impacts of the COVID-19 pandemic, climate crisis and conflicts” focuses on how purpose-driven MSMEs and social entrepreneurship are at the center of contributing to inclusive growth, combating inequalities and building back better and stronger, especially during challenging times. Entrepreneurs' adaptability and resilience have aided in responding to economic shocks, increasing the participation of women, youth and other disadvantaged groups part in the local, national and global economy.

⁴ [World Economic Situation and Prospects 2022](#)

The event and accompanying social media campaign will feature micro-, small and medium-sized enterprises, including women and youth-led social start-ups, alongside global leaders to highlight progress, gaps and challenges that MSMEs and entrepreneurs continue to encounter, undermining their contributions to the achievement of the 2030 Agenda for Sustainable Development and the SDGs.

Objectives

1. Strengthen awareness and capacities of policymakers on challenges and approaches to support MSMEs in the face of disruptions brought about by the COVID-19 pandemic, climate crisis and conflicts.
2. Contribute to global debates on MSMEs as key stakeholders for a sustainable, resilient and inclusive recovery, with a focus on youth, women, migrants, and refugees.
3. Create space for actions, recommendations, and practical tools to create more targeted policies and measures, including for a sustainable, inclusive and sustainable recovery, economic equity, and opportunities for MSMEs, especially for women and youth-owned MSMEs and sustainable MSMEs.

Programme & Speakers

To be announced