Better Local Business Environments for Pandemic Recovery in Southeast Asia

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Small Firms are the Foundation of Local Economies

Regional economic growth is an important policy issue in Southeast Asia, with local business environments throughout most parts of the region dominated by micro, small and medium-sized businesses.

It is estimated that MSMEs account for more than 97% of all enterprises, two-thirds of the total workforce, 40% of GDP in Southeast Asia, and 80% of them are based outside metropolitan areas.

<table>
<thead>
<tr>
<th>Country</th>
<th>No. of MSMEs</th>
<th>Total No. of Firms</th>
<th>MSMEs as % of All Firms</th>
<th>Persons Employed by MSMEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cambodia (2019)</td>
<td>460,000</td>
<td>510,000</td>
<td>90% +</td>
<td>1,200,000</td>
</tr>
<tr>
<td>Laos (2020)</td>
<td>134,000</td>
<td>178,600</td>
<td>99.8%</td>
<td>3,050,200</td>
</tr>
<tr>
<td>Thailand (2020)</td>
<td>3,105,100</td>
<td>3,119,700</td>
<td>99.5%</td>
<td>12,060,400</td>
</tr>
<tr>
<td>Vietnam (2017)</td>
<td>5,594,900</td>
<td>5,607,900</td>
<td>99.7%</td>
<td>26,210,700</td>
</tr>
</tbody>
</table>

What Matters to MSMEs?

**MSMEs in smaller Southeast Asian economies with lesser-developed governance systems face additional challenges.**

**Transparency**

There can be a lower quality of regulatory capacity, with many laws, regulations and markets poorly governed.

<table>
<thead>
<tr>
<th>Worldwide Governance Indicators (2020: Percentile rank = 0 lowest, 100 highest)</th>
<th>Cambodia</th>
<th>Lao PDR</th>
<th>Thailand</th>
<th>Viet Nam</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Voice and Accountability</strong></td>
<td>12.6</td>
<td>3.4</td>
<td>26.1</td>
<td>12.1</td>
</tr>
<tr>
<td><strong>Political Stability</strong></td>
<td>41.0</td>
<td>69.3</td>
<td>24.5</td>
<td>44.8</td>
</tr>
<tr>
<td><strong>Government Effectiveness</strong></td>
<td>38.0</td>
<td>22.6</td>
<td>63.5</td>
<td>61.5</td>
</tr>
<tr>
<td><strong>Regulatory Quality</strong></td>
<td>29.8</td>
<td>21.2</td>
<td>58.7</td>
<td>46.6</td>
</tr>
<tr>
<td><strong>Rule of Law</strong></td>
<td>17.8</td>
<td>20.7</td>
<td>57.7</td>
<td>48.6</td>
</tr>
<tr>
<td><strong>Control of Corruption</strong></td>
<td>11.1</td>
<td>14.9</td>
<td>38.5</td>
<td>42.3</td>
</tr>
</tbody>
</table>

**Enterprise indicators**

<table>
<thead>
<tr>
<th>Share of firms operating without official documents (%)</th>
<th>96.6 (2011)</th>
<th>69.6 (2020)</th>
<th>N/A</th>
<th>74.1 (2017)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of SMEs Per Capita (Persons)</td>
<td>1:33.5</td>
<td>1:51.5</td>
<td>1:22.2</td>
<td>1:16.4</td>
</tr>
</tbody>
</table>

How Do Governments Support MSMEs?

**Macro-level approaches** that address large scale structural factors impacting on large numbers of firms: infrastructure, communications, financing, regulations, tax and broad-range sectoral industry assistance.

**Micro-level strategies** that focus on the individual firm, its owner(s) and staff: business advisory services, training and business skills; assistance in employing staff; and helping firms develop marketing strategies.

**During COVID Support for MSMEs**
- Loan rescheduling
- Concessional finance
- Tax exemptions
- Enterprise subsidies

**Pre-COVID**
Institutional support for MSMEs has been structural and of a long-term perspective
Megatrends and MSEs

Several important issues for MSMEs that have tended to be overlooked in policy discussions:

- Despite their contribution to economic growth and livelihoods, MSMEs issues continue to remain hidden and largely invisible in publicly debated matters.
- MSMEs have remained mostly informal, and in doing so, may represent a drag on progress towards the transformational objectives of policy.
- It is therefore important to identify strategies to de-risk and create greater alignment between those of public policy and MSMEs as a major economic stakeholder.
We Need To Understand All The Factors That Drive MSME Behavior… Their Ecosystem

A wholistic approach to MSME development, dealing with the entire small business ecosystem.
Transition Process to an Ecosystem Approach

MSMEs are a major economic stakeholder. Progress on transformational policy objectives requires their alignment.

See a full ecosystem of potential through MSME mapping in regional communities.

Understand what MSMEs mean for economies and how to best support.

Opportunities:
- Institutional: Business regulations and engagement strategies
- Societal: Enable coverage of self-employed in welfare scheme
- Knowledge: Improve and standardize MSME data
- Risk: de-risk the MSME sector
- Digital: Support digital capacity
- Climate: MSME adaptative strategies

Baseline
Shared Goal
Transition targets for change
Planning and solution-oriented innovation
Evaluate

Source: Adapted from https://www.climateview.global/
Thank you!