Policy Responses to the COVID-19 Crisis in Asia and the Pacific

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The COVID-19 pandemic served as a major and unexpected stress test for all countries' economic systems, including their micro, small, and medium-sized enterprises (MSMEs) and their banking and finance sectors. In addition to the immediate impact of the economic strains posed by the pandemic-related lockdowns and other measures enacted to address the public health crisis, we see COVID-19 as a potential watershed moment for an array of business endeavours, including the financing of MSMEs. While it is quite likely that some degree of 'snapping back' will occur, once the pandemic abates, there is a degree to which things will 'snap forward'. We lay the foundation for the post-crisis policy agenda in MSME finance for Asia and the Pacific. The paper is broadly divided into two main parts. In the first part, we summarize the economic impact of COVID-19 on MSMEs in the region, particularly concerning outcomes such as productivity, profits, and employment among MSMEs. In the second part, we explore the policy responses to this impact within the scope of MSME finance. We conclude the paper with several key takeaways for policymakers that then sets the stage for our analysis of how COVID-19 will change MSME finance in Asia and the Pacific in the years ahead.

Keywords: Asia and the Pacific, banking and finance sectors, COVID-19, MSMEs, policy

INTRODUCTION

The COVID-19 pandemic served as a major and unexpected stress test for the economic systems of all countries, including both their micro, small, and medium-sized enterprises (MSMEs) and their banking and finance sectors. A December 2020 report from the Asian Development Bank on the anticipated impact of COVID-19 on economies in 2020 and 2021 suggests that losses in global GDP will be anywhere between US$ 4.8 trillion and US$ 7.4 trillion in 2020, and between US$ 3.1 trillion and US$ 5.4 trillion in 2021. For developing Asia and the Pacific alone, the respective GDP losses in 2020 will be somewhere between US$ 1.4 trillion and US$ 2.2 trillion, and between US$ 0.8 trillion and US$ 1.4 trillion in 2021 (ADB, 2020a).

In addition to the immediate impact of the economic strains posed by the pandemic-related lockdowns and other measures enacted to address the public health crisis, we see COVID-19 as a potential watershed moment for an array of business endeavours, including the financing of MSMEs. While it is quite likely that some degree of 'snapping back' will occur, once the pandemic abates, there is a degree to which things will 'snap forward'. For example, the economic toll enacted on governments, businesses, and financiers will be felt for many years to come, as evidenced by reduced economic growth rates and higher debt levels. A recent paper from academics at the University of California at Davis in the United States, on the long-run economic consequences of global pandemics, cautions that significant macro-economic after-effects can 'persist for decades', and potentially up to 30-40 years (Jorda, Singh, and Taylor, 2020).[1] At the very least, the economic environment surrounding MSME finance activity in Asia and the Pacific will be markedly different in early 2022 than it was in late 2019. So, what does that economic toll look like for MSMEs and their financial providers? This is what this paper seeks to sketch out.

In this paper, we lay the foundation for the post-crisis policy agenda in MSME finance for Asia and the Pacific. The paper is broadly divided into two main parts. In the first part, we summarize the economic impact of COVID-19 on MSMEs in the region, particularly concerning outcomes such as productivity, profits, and employment among MSMEs. In the second part, we explore the policy responses to this impact within the scope of MSME finance. We conclude the paper with several key takeaways for policymakers that then sets the stage for our analysis of how COVID-19 will change MSME finance in Asia and the Pacific in the years ahead.

OVERALL EFFECTS OF THE PANDEMIC

The COVID-19 pandemic has wreaked havoc on both physical and economic health at both the individual and societal levels. Besides the ravages of the virus itself, containment measures such as lockdowns of cities and travel bans have burdened countless enterprises. Although governments are responding to support their beleaguered economies and businesses, there remain many unknowns about future public health and economic recovery. Given their relative lack of resources and economies of scale, as well as their weak capital structures, MSMEs are more vulnerable in the time of crisis compared to large corporations (Runyan, 2006). The disadvantageous position of MSMEs is highlighted by the fact that during the pandemic, the Global Top 100 companies saw their collective market capitalization grow by 48% from March 2020 to 2021 (PwC, 2021). This paper describes the overall impact of COVID-19, especially regarding MSMEs.

Global trade is experiencing huge disruptions due to the pandemic. According to the International Trade Centre (ITC, 2021) as of 29 March 2021, 98 countries have export restrictions, while only 12 have import restrictions. Many of the export measures constrain the shipment of medical and food products. On the other hand, many of the import measures liberalize access to these same products. The year-on-year decrease in exports from February 2019 to February 2020 was 21% for China, 8% for the European Union (EU), and 7% for the United States. These three economies constitute 64% of global supply chain exports (ibid.).

Employment has also suffered. The countries with mandatory or recommended workplace closures so far account for 81% of the global labour force (ILO, 2020a). In the United States, the country with the most confirmed cases in the world as of January 2021, the unemployment rate was 6.7% as of the end of December 2020 (U.S. Bureau of Labor Statistics, 2021). At its height, the unemployment rate in the United States hit nearly 15% in April 2020; in comparison, the highest unemployment rate during the Global Financial Crisis in 2007-2008 was about 10% (U.S. Bureau of Labor Statistics, 2020). Note that much of the decline between April and December 2020 is due to many people simply quitting their job search and therefore not being counted as unemployed; the pre-pandemic unemployment rate in February 2020 was 3.5% (U.S. Bureau of Labor Statistics, 2021). In Asia and the Pacific, for example, Singapore experienced its highest unemployment rate (2.4%) in the past decade although this rate is still lower than that during the recessions under the SARS outbreak in 2003 and the Global Financial Crisis in 2007-2008 (Ministry of Manpower, 2020).

The effects of COVID-19 on health fell disproportionally on those who were already vulnerable due to pre-existing burdens such as health conditions, poverty, or both. For instance, the economic effects of the pandemic have been especially pronounced on young people, women, and the lowest paid, as they normally work in sectors that have shut down or reduced activity. Informal employees, who are a major share of the MSMEs' workforce, have suffered, and continue to suffer, severely (ILO, 2020b). According to the ILO (2020b), the number of informal workers around the globe is approximately two billion, which accounts for almost 62% of total employment. Informal workers are at risk both because they often lack healthcare coverage and because their jobs do not allow them to work remotely – exposing them to higher risks of infection. When lockdowns occur, they are at a high risk of losing their jobs.

These trends particularly affected MSMEs. Consequences were suffered on several fronts, such as: (i) lack of manpower, since many workers went back to their hometowns; (ii) freezing of economic activities; (iii) difficulty in procuring raw materials at reasonable prices; and (iv) shutdowns due to decreased demand and, in some cases, due to mortality. A study by Roy, Patnaik, and Satpathy (2020) shows that 50% of MSMEs in India witnessed a loss of 20-25% in their earnings due to lack of adequate response measures.

To cope with the crisis, some measures have been taken worldwide by firms, for example, measures to enhance teleworking. Nevertheless, according to the ITC (2020), MSMEs have fewer options for teleworking compared to large enterprises. While 58% of large enterprises undertook teleworking to cope with the crisis, only 38% of medium and 25% of small enterprises opted for this measure, as table 1 shows. Micro enterprises did not shift to teleworking at a measurable level. Instead, MSMEs mainly reduced employment temporarily; 40% of medium, 42% of small, and 34% of micro enterprises took this approach (ibid.). MSMEs in the informal sector in developing countries have suffered even more than in the Global Financial Crisis of 2007-2008 due to the limited teleworking opportunities (ILO, 2020c). Other measures include online sales, customized or new products, and increasing marketing efforts (see table 1 again).

TABLE 1
HOW FIRMS COPED WITH THE CRISIS

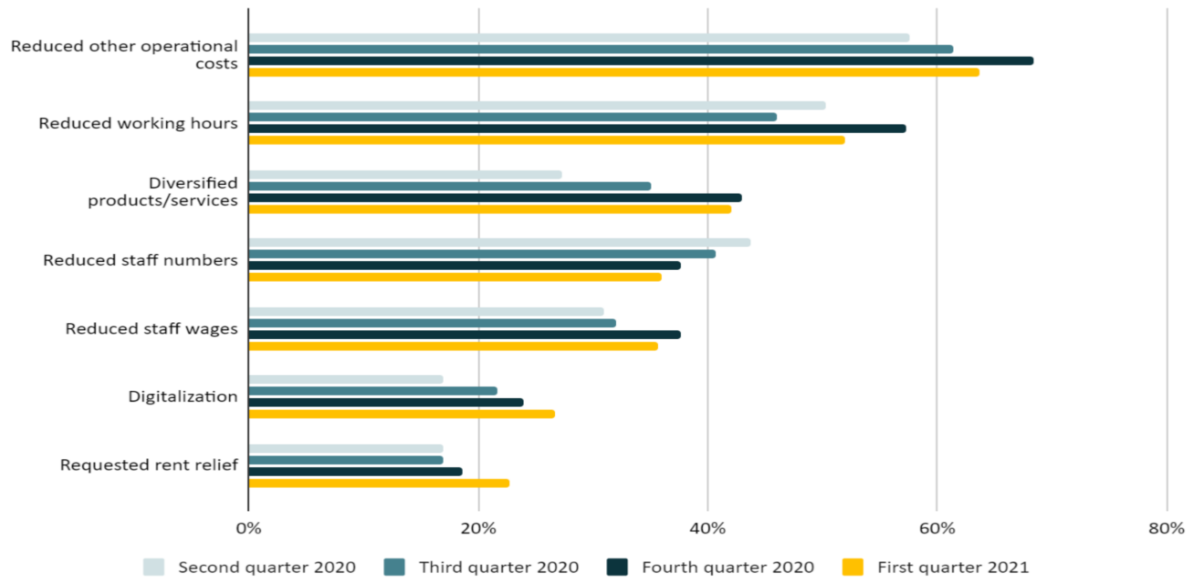
Micro		Small		Medium		Large	
Temporarily reduced employment	34%	Temporarily reduced employment	42%	Temporarily reduced employment	40%	Teleworking	58%
Online sales	31%	Online sales	25%	Teleworking	38%	Temporarily reduced employment	42%
Customized/new products	20%	Teleworking	25%	Increased marketing efforts	26%	Increased marketing efforts	26%

Source: Authors, modified from ITC (2020).

Following the same line, surveys by Pacific Trade Invest (PTI) suggest that the main measures taken by firms in the Pacific islands[2] to mitigate the COVID-19 damages to MSMEs since the outbreak of COVID-19 have been to: (i) reduce other operational costs; (ii) reduce working hours; (iii) diversify products and/or services; (iv) reduce the number of staff; (v) reduce staff wages; (vi) digitalize business; and (vii) request rent relief as seen in their order in figure 1 (PTI, 2021). There has been a consistent increase in the number of MSMEs that have taken measures in the direction of digitalization and rent relief, while fewer and fewer MSMEs have taken measures to reduce staff members.

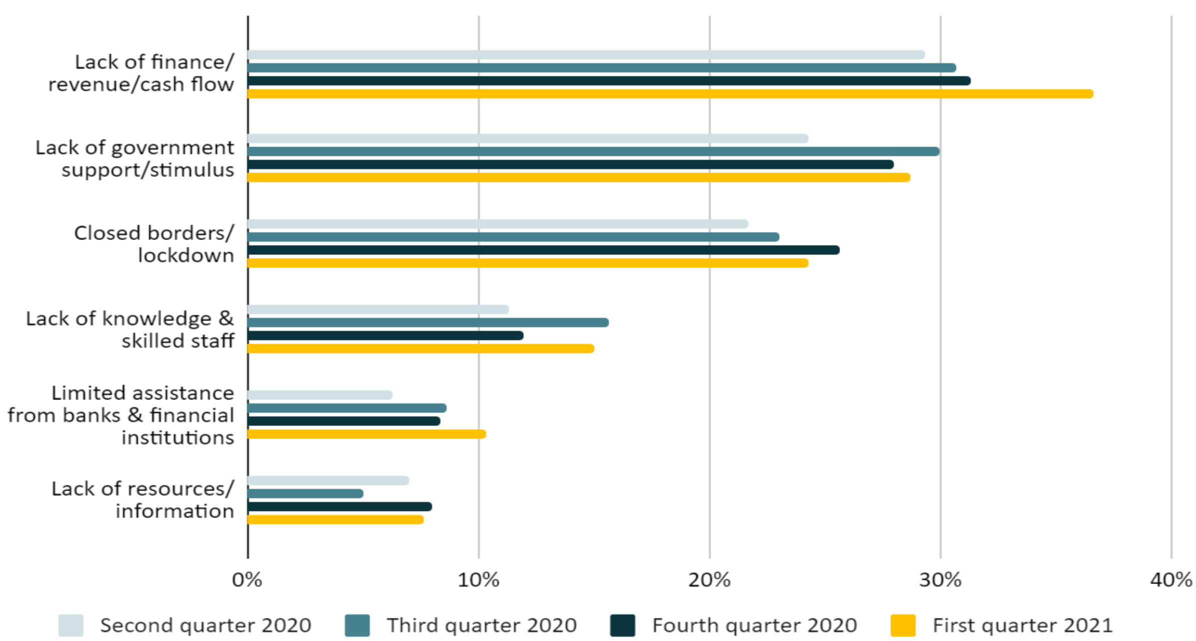
The surveys (ibid.) also state that the main obstacles that MSMEs have faced during the first quarter of 2021 are: (i) lack of finance, revenue, and cashflow (37%); (ii) lack of government support and stimulus measures (29%); (iii) closed borders and lockdown (24%); (iv) lack of knowledge and skilled staff (15%); (v) limited assistance from banks and financial institutions (10%); and (vi) lack of resources and information (8%), as figure 2 shows. Moreover, since the beginning of the surveys, there has been a consistent increase in the number of MSMEs that have reported the lack of finance, revenue, and cash flow as a major obstacle. A similar trend can be seen in the number of MSMEs that reported barriers due to limited assistance from banks and financial institutions, with a small exception in the fourth quarter of 2020 (which affected firms at a higher rate than in the second quarter of 2020, yet a bit lower than in the third quarter of 2020).

FIGURE 1
ACTIONS TAKEN TO REDUCE COST AND DAMAGE TO BUSINESS IN THE PACIFIC UNDER THE CRISIS



Source: Authors, based on the data of PTI (2021).
Notes: At the time of writing, PTI had conducted twelve surveys, finalized on 24 May, 7 June, 21 June, 12 July, 16 August, 13 September, 18 October, 15 November, and 13 December 2020 as well as 17 January, 14 February, and 14 March 2021. For details, visit: https://www.pacifictradeinvest.com/services/pti-pacific-business-monitor.

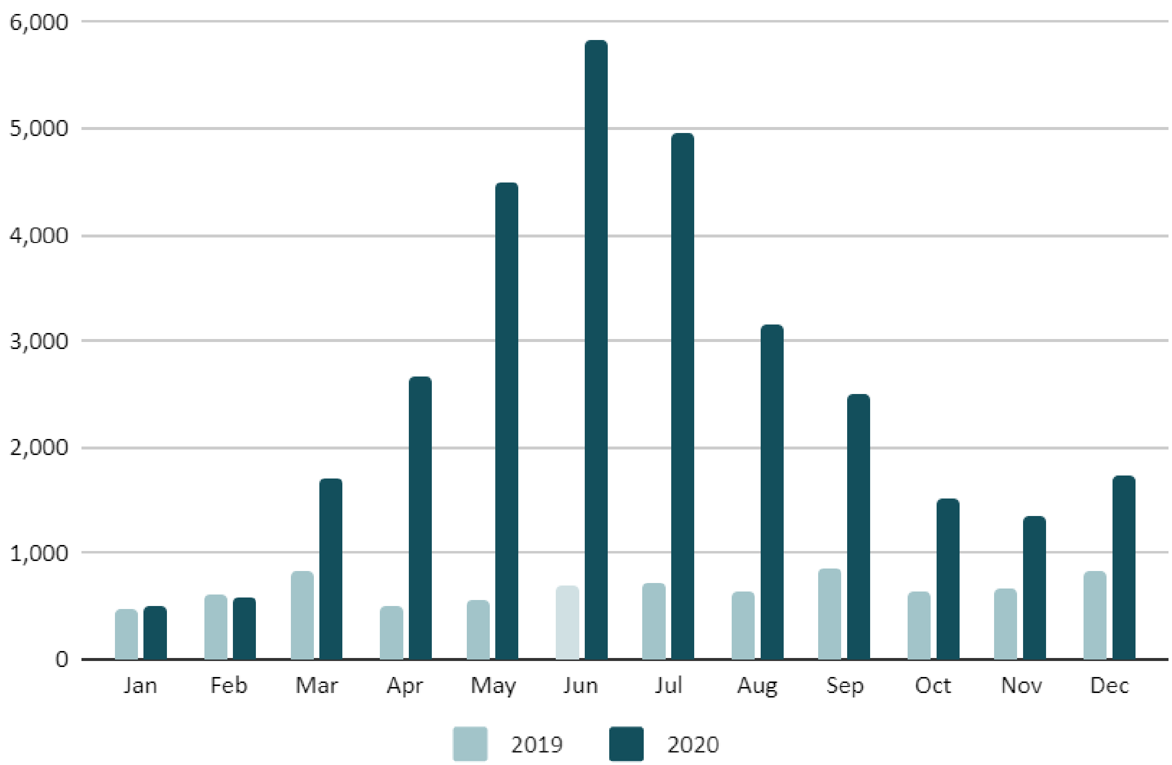
FIGURE 2
BARRIERS TO SUPPORT THEIR BUSINESS IN THE PACIFIC UNDER THE CRISIS



Source: Authors, based on the data of PTI (2021).
Notes: At the time of writing, PTI had conducted twelve surveys, finalized on 24 May, 7 June, 21 June, 12 July, 16 August, 13 September, 18 October, 15 November, and 13 December 2020, as well as 17 January, 14 February, and 14 March 2021. For details, visit: https://www.pacifictradeinvest.com/services/pti-pacific-business-monitor.

During this crisis, one of the main challenges has been the lack of finance, and consequently, there has been huge demand for financing from MSMEs facing illiquidity. Many governments have been arranging access to finance in response. For instance, the Japan Federation of Credit Guarantee Corporations (2021), a government controlled non-profit organization serving as public guarantors for MSMEs, has accepted a much higher amount of guarantees during the pandemic compared with the pre-pandemic year (ibid.). Figure 3 shows the amounts of accepted guarantees in 2019 and 2020. Although the amount in February 2020 is not largely different from that of 2019, acceptance of guarantees significantly grew from March 2020 onward. The amounts in 2020 against those in 2019 are 204% in March, 545% in April, and 807% in May, and peaked at 826% in June. Although declining from this point, acceptance of guarantees in November 2020 was still almost two times of that in the previous year (ibid.).

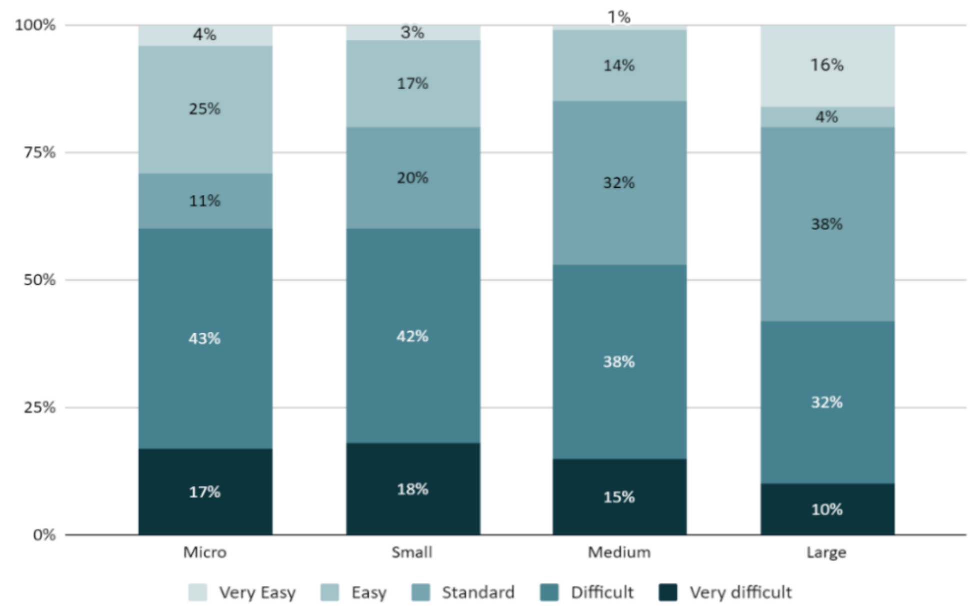
FIGURE 3
AMOUNTS OF ACCEPTED PUBLIC GUARANTEES FOR MSMES IN JAPAN (IN JPY BILLION)



Source: Authors, based on the data of the Japan Federation of Credit Guarantee Corporations (2021).
Note: A small increase in December 2020 can be explained with extra funds needed in the end of year before the new year holiday as the biggest holiday season of Japan.

Despite governments' efforts at relief, MSMEs may still be unable to avail themselves of financial resources mainly due to: (i) lack of information on MSMEs' side; (ii) cumbersome loan application processes; (iii) MSMEs' informal status; (iv) lack of collateral; (v) lack of business, managerial, and operational skills; and (vi) banks' unwillingness to deal with MSMEs. This trend predates the pandemic, just as the problem of conventional access to finance; however, the pandemic has exacerbated the difficulty. Regarding the lack of information on MSME side, small enterprises find it difficult to find COVID-related information and benefits more often than larger firms, as shown in figure III.4. Almost 42% of large enterprises answer that it is difficult to access, while 60% of micro and small firms feel it is difficult to find information (ITC, 2020).

FIGURE 4
FIRMS' EASE OF ACCESS TO INFORMATION AND BENEFITS FROM GOVERNMENT COVID-19 RELATED ASSISTANCE PROGRAMMES



Source: Authors, modified from ITC (2020).

The COVID-19 pandemic has amplified the risk of over-indebtedness due to difficulty in paying outstanding corporate debts, a situation that has increased NPLs and further exacerbated the impacts of the COVID-19 led economic downturn globally and regionally (CEIC, 2021; UNDP, 2021). Soares and others (2020) estimate that global NPLs due to the pandemic would be at the same level or even worse than those during the Global Financial Crisis of 2007-2008. For the United States alone, the amount of NPLs is expected to be twice that of the prior crisis. The Asia-Pacific region would also far worse: the study forecasts that pandemic-related NPLs in China would be more than 20 times what they were in the previous crisis, while Japan would also be face NPLs two to five times larger than the pre-outbreak condition (ibid.). The accumulation of NPLs could have significant impacts on economies for the long term since unresolved NPLs could discourage corporate investment and detain economic recovery (ADB, 2020b). The present liquidity crisis has been urging MSMEs to find new sources of financing to satisfy their financial obligations and their necessities.

Having depicted what the impact of the pandemic has been on MSMEs in Asia and the Pacific, we now turn to the policy responses of governments in the region to provide some relief to their respective MSME sectors.

POLICY RESPONSES TO THE IMPACT OF COVID-19 ON MSMES

As the COVID-19 pandemic gradually progressed during 2020 and early 2021, a more nuanced view of its ramifications for MSMEs, as well as whole economies, was able to develop. This more informed view comprised a number of elements, including: (i) a realization that the pandemic would not be a short-lived anomaly (i.e., that it would not conclude, particularly in Asia and the Pacific, by Christmas 2021); (ii) that the economic recovery would not take the form of a straight-line upward trajectory, but rather be a see-saw affair of 're-openings' and 'lockdowns'; (iii) that different economic sectors – and companies in those sectors – would be impacted to differing degrees and in differing ways; and (iv) that there would be no snapping back to a more familiar pre-pandemic world, as a number of trends in business had been accelerated, and some things have irretrievably changed. Rather, a 'new normal' was in the making.

Thus, as views on the pandemic evolved, so did the policy responses. Emergency measures around economic 'triage'[3] and ensuring adequate liquidity in the financial system, in a bid to simply keep the corporate sector afloat and minimize job losses, were clearly the order of the day in the first half of 2020. The urgency of the problem did not allow for accuracy and efficiency, as significant sums of public spending were thrown at the corporate communities in many countries. By the latter half of 2020, however, response efforts had become more measured, if only because the levels of public spending could not be sustained indefinitely without incurring immense levels of debt. As a number of COVID-19 vaccines started to be administered, policymakers' attention began to shift to the recovery process, and how that might be handled best, given finite resources.

A major concern has been that the economic recovery for the corporate sector in Asia and the Pacific – including MSMEs – will be 'K-shaped', with some firms rebounding well, and even benefiting from the pandemic in various ways, while other firms struggle to survive and revive (Clark, 2020). The prospect of expending resources on what are, in effect, 'zombie companies' (i.e., firms that are already insolvent and have no chance of long-term recovery) is unappealing; but so is allowing large numbers of firms to go under. In the United States, this K-shaped recovery has already been discerned, with mostly larger, 'tech-enabled' firms represented in the upper 'leg' of the K, and smaller firms making up the lower leg. Put another way, the strong are getting stronger, and the weak appear to be getting weaker (Edgecliffe-Johnson, 2020).[4] In this context, policy responses in support of MSME finance have sought to mitigate the mass cull of large numbers of firms that lack the resources that enable survival from a pandemic-induced economic downturn.

Governments have sought to lessen the number of company insolvencies and closures principally in order to cap the job and income losses and avert the kind of socio-economic instability that could result. In this context, the pandemic has posed an existential threat to governments that understandably worry about ensuring that the various systems and structures of the state continue to function. The scale of the global death toll from COVID-19 – 3.5 million as of 21 May 2021 (Worldmeters, 2021) – sometimes feels detached from what has been for most a relatively personal and 'silent war', with no dramatic broadcast images of battles and mass carnage. So too, the toll on MSMEs has also been relatively silent and personal; the closure of a single, sole proprietor here, and another small firm there, does not capture headlines. When measured in the aggregate, however, the damage and distress has been considerable.

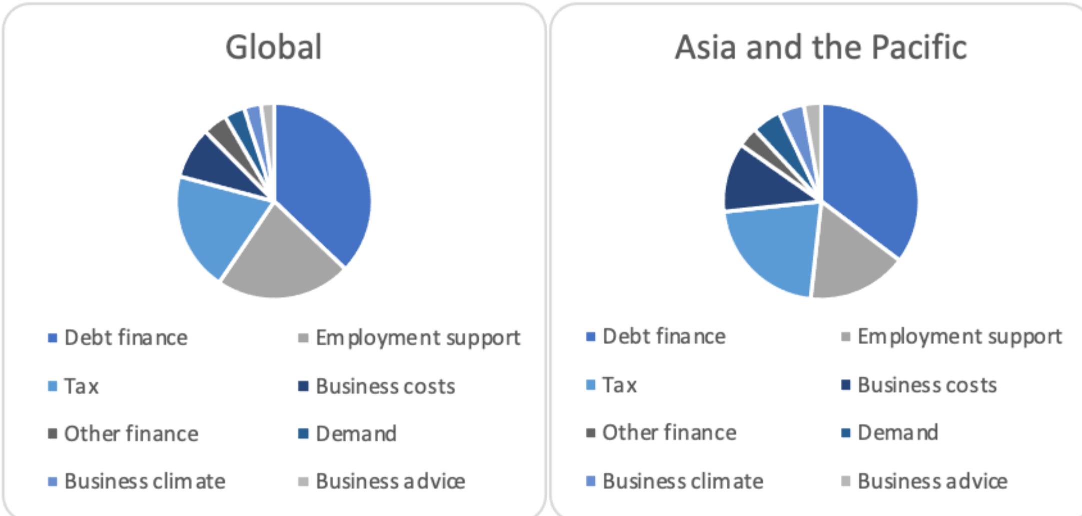
This paper elaborates various policy interventions that have been implemented to protect economies and their business and MSME sectors globally and in Asia and the Pacific. One can broadly define the policy measures introduced to support the MSME business community into two main components: (i) macro-economic measures enacted that also benefit MSMEs ('a rising tide lifts all boats'); and (ii) specific measures focused particularly on MSMEs ('targeted buoyancy measures'). This paper focuses largely on the latter, but first needs to be put in the context of the former.

Economy-Wide Support Packages

Economic policy responses to the impact of COVID-19 on MSMEs and the financial sectors in Asia and the Pacific, enacted through much of 2020-21, were quite broad in scope and lacked much in the way of careful calibration. Such was the magnitude of damage being inflicted on economies across the globe and so rapidly, with massive levels of unemployment anticipated, that all possible economic and financial pumps needed to be primed and activated in a bid to bail out economies in danger of going under.

When considering the various government measures to support MSMEs, the World Bank (2020) has categorized them into: (i) debt finance measures; (ii) tax measures; (iii) employment support; (iv) business cost reductions; as well as (v) other measures such as business advice, the business climate, and stimulating demand, as figure 5 shows. The broad aims have been to: (i) lower companies' working capital costs and preserve cash flows; (ii) strengthen balance sheets; (iii) find ways of boosting weak demand and buoying revenues; (iv) provide technical capacity support; and (v) explore ways of making the business environment less hostile (World Bank, 2020).

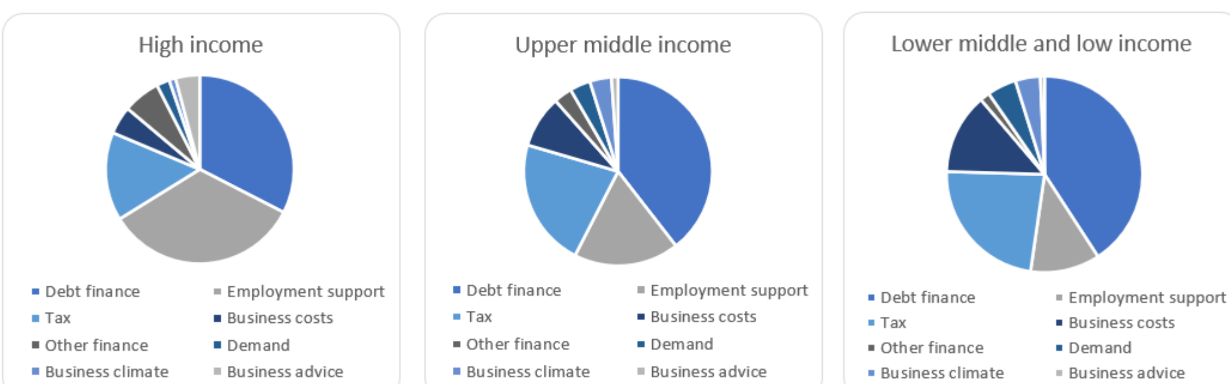
FIGURE 5
IMMEDIATE MEASURES TO SUPPORT MSMES IN RESPONSE TO COVID-19 AS OF APRIL 2020



Source: Authors, based on the World Bank data (2020).

The propensity of individual countries to implement these measures is a function of a number of economic and non-economic factors, including but certainly not limited to: (i) the strength of the state budget and public purse; (ii) the ability of state agencies to roll out such measures; and (iii) the absorptive capacity of MSMEs to benefit from this emergency largesse. For instance, high income countries adopt a higher number of measures when compared to lower-middle- and low-income countries. The latter barely adopt business advice as measure. As figure 6 presents, high income countries mainly choose measures on debt finance and employment support followed by tax related measures, while lower-middle- and low-income countries have smaller emphasis on employment support and relatively higher supports on debt finance, tax, and business costs (World Bank, 2020).

FIGURE 6
IMMEDIATE MEASURES TO SUPPORT MSMES IN RESPONSE TO COVID-19, BY COUNTRY'S INCOME LEVEL AS OF APRIL 2020



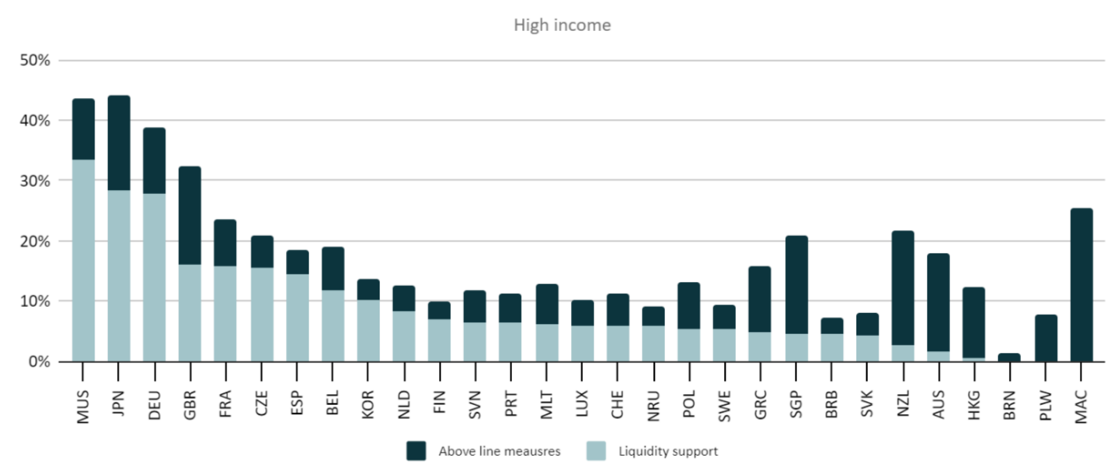
Source: Authors, based on the data of the World Bank (2020).

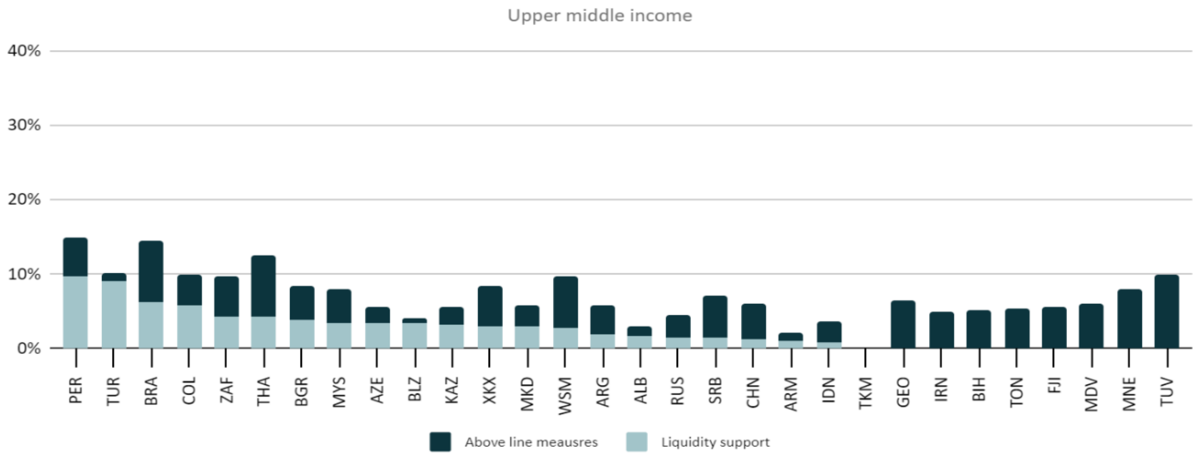
Initial analysis from data derived during the first months of the pandemic suggests that, as one might expect, the leading determinant of the size of economic packages announced by individual governments was the average per capita income of its citizens. The package per capita was also, however, "positively related to the COVID-19 deaths per 100 000 population, population of at least 65 years old as per cent of total population, and wage and salaried workers as per cent of total employment; and inversely related to self-employed as per cent of total employment, and vulnerable employment as per cent of total employment" (Felipe and others, 2020, p. 25). Put another way, the more affluent the country, the more formalized the economy, and the more deaths seen in the working population, the greater the relief package. Conversely, the greater the size of the informal business sector, the smaller the relief package.

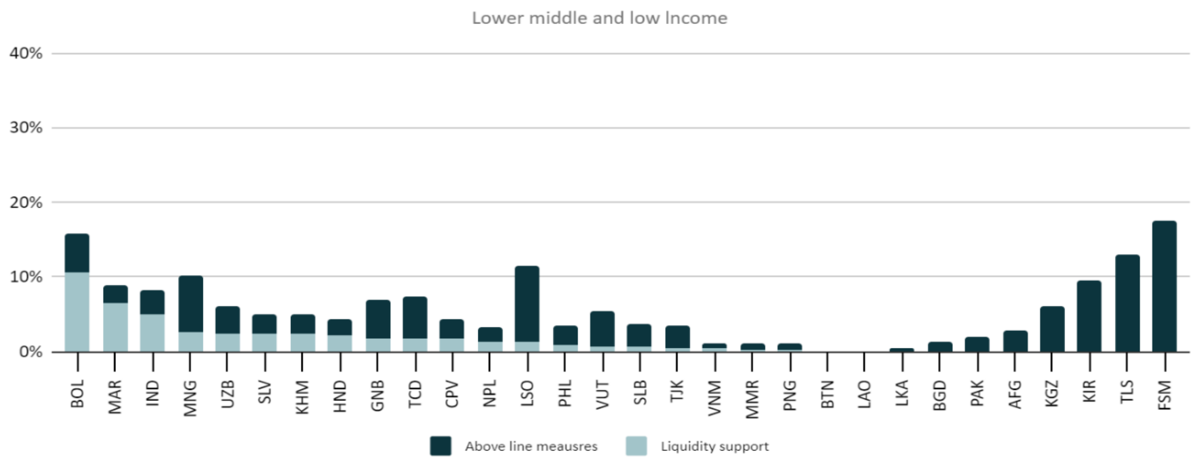
Figure 7 below, using data compiled by the IMF as of end-2020, gives an indication of both 'above the line'[5] and 'liquidity support'[6] macro-economic measures enacted by countries, as a percentage of the respective country's GDP. Regarding the above the line measures such as additional spending in the health sector and foregone revenue, Tuvalu has been most active in accelerated spending, followed by Iran (Islamic Republic of) and Japan. The latter, for example, designated US$ 243 billion (close to 5% of its GDP) in measures related to deferred revenue (e.g., deferral of payments of taxes and social security premiums).

As for the liquidity support measures, both Japan and the Republic of Korea responded quite stridently, relative to the rest of the region, and the global average. With regard to so-called 'below the line' measures (including equity injections, loans, and asset purchases), Singapore has probably been most vigorous in Asia and the Pacific, followed by Azerbaijan, Uzbekistan, and Kazakhstan. To enhance liquidity, Turkey, India, and Malaysia have led on the issuance of various kinds of guarantees, whereas Japan and the Republic of Korea have been exceptional in what are termed 'quasi-fiscal operations' (i.e., non-commercial activities by public corporations on behalf of the government, such as constructing infrastructure and providing social services). Putting the health sector to one side, additional spending has been most evident in Macao, China; New Zealand; Australia; Japan; Singapore; Micronesia; and Hong Kong, China.

FIGURE 7
FISCAL MEASURES' PERCENTAGE IN GDP IN SELECTED COUNTRIES, BY COUNTRY GROUPS, AS OF DECEMBER 2020







Source: Authors, based on the data of IMF (2020a).
Notes: Country groups are weighted by GDP in purchasing power parity-adjusted current United States dollars. 'Above the line' measures exclude deferred taxes and advance payments, referring only to additional spending and forgone revenues. 'Liquidity support' measures cover equity injections, loans, asset purchase, debt assumptions,[7] and guarantees.

The Asian Development Bank database, as of mid-June 2020, when the pandemic was less than six months old, indicated that the aggregate cost of government measures, across the globe, associated with fiscal interventions alone, was at least US$ 7.1 trillion, and a further US$ 14.9 trillion or more had been expended on monetary measures (ADB, 2020d; Felipe and others, 2020). It also suggests that within Asia and the Pacific, economic packages announced by Japan, China, and India have been some of the largest in scale recorded across the globe, being respectively of US$ 3.1 million, US$ 1.8 million, and US$ 0.4 million (ibid.). As a percentage of GDP, within Asia and the Pacific, Japan (59.5%); Hong Kong, China (50.6%); Malaysia (20.4%); Singapore (19.6%); Marshall Islands (16.8%); and Bhutan (16.6%) have been some of the biggest spenders. And on a per capita basis, the Hong Kong, China (US$ 25 567); Japan (US$ 24 224); Singapore (US$ 12 200); the Republic of Korea (US$ 3 885); Malaysia (US$ 2 296); and Cook Islands (US$ 1 912) have been the most vigorous in spending on economic measures intended to combat the impact of COVID-19.

One inadvertent but somewhat inevitable result has been that the profile of the state in the economies of many countries increased in 2020, reversing a broad trend of state withdrawal from large parts of the economy and productive assets over recent decades. The pandemic, therefore, was a promoter of state-owned enterprises.

Saving MSMEs

For policymakers, a momentous challenge has been how to ensure that economic policies reach many MSMEs effectively and efficiently, because a significant proportion of them have quietly become insolvent and gone out of business, even if they have not formally undergone closure procedures, during the crisis. In terms of MSME finance, the primary intervention by governments has been to inject liquidity into the financial sector, with instructions that this should feed through and down to firms that would otherwise 'go under'. And, where feasible, to also reduce the cost burden on firms through temporary breaks in various fiscal and other operating costs, so that small businesses in particular do not burn through their all-important cash flows necessary to sustain their operations. In this vein, key challenges here are how quickly and accurately those governmental interventions can reach out to targeted MSMEs through appropriate channels and actors. This has been an exercise in life support, not wholly unlike putting COVID-19 patients on ventilators.

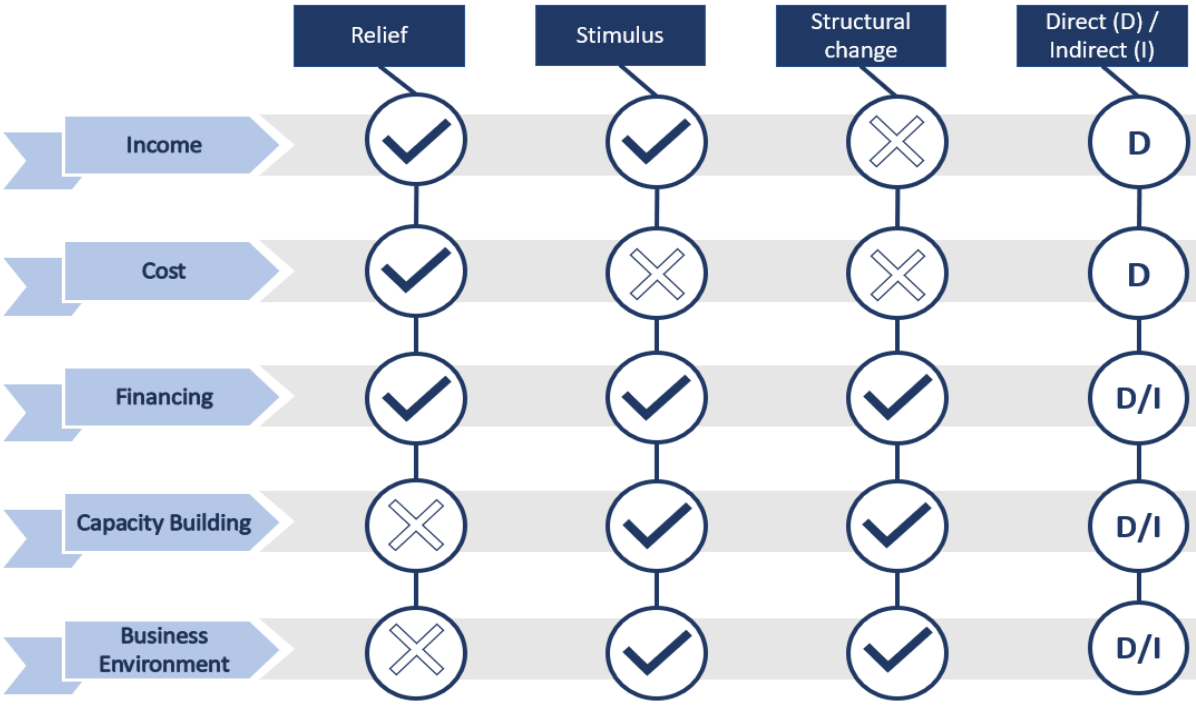
Reviewing impact response measures as a whole, the majority are fairly classic macro-economic, financial, and fiscal policy interventions, aimed at helping MSMEs, and businesses in general, to weather the storm and lighten their load of costs and other financial obligations, in hope that they can keep afloat. They are very much tactical emergency-cum-defensive measures, and strategic or more forward-looking initiatives are still shy, with only few structural policies put forward. One could go one step further and argue that they were always (and rightly) intended to be symptomatic care measures, aimed at lessening some of the pain being felt by MSMEs, rather than curative care measures aimed at addressing the long-term and underlying conundrum of how to alleviate MSME financing constraints.

To have a clear overview of those MSME policies under the crisis, we created a cluster that offers a comprehensive summary of responses' possibilities. The cluster intends to help policymakers worldwide to better assert their options and to choose the best measures to address specific businesses aspects and timings – offering policy recommendations for the pandemic, recovery, and new normal periods. It is an interesting tool to have a more holistic approach – not relying solely in tactical emergency-cum-defensive measures but offering further tactics to face these challenging times. In order to facilitate the analysis regarding policy measures, a simple and straightforward categorization was created: (i) business aspect (income, cost, finance, capacity building, and business environment), (ii) length of time that measures aim to affect (relief, stimulus, and structural change), and (iii) direct and indirect support, as figure 8 shows.

Regarding the business aspect, we categorized policies into: (i) increasing enterprises' income (Income); (ii) reducing enterprises' cost (Cost); (iii) strengthening enterprises' finance (Financing); (iv) other support for enterprises themselves (Capacity Building); and (v) support for enterprises' external environment (Business Environment). For instance, cash injection to enterprises are regarded as Income, while wage subsidies are classified as Cost, since they reduce enterprises' cost with wage.

Considering the length of time that measures aim to affect, three categories were prepared: (i) support to get through ongoing crisis for short-term (Relief); (ii) stimulating economy to foster internal strength for mid-term (Stimulus); and (iii) transforming society to move forward to new normal for longer-term (Structural Change). Relief measure includes Income, Cost, and Financing measures and are indicated for regions where the spread of disease is still under poor control and where the priority lies on dealing with ongoing issues. For Stimulus measures, Income, Financing, Capacity Building, and Business Environment are covered. They are indicated to respond to mid-term challenges, such as the recession resulted from the COVID-19 outbreak. Structural Change measure supports Financing, Capacity Building, and Business Environment that focus on long-term changes, aiming to solve structural constraints and bottlenecks and to create a more resilient, sustainable, and inclusive society.

FIGURE 8
OVERVIEW OF MSME POLICY MEASURES



Source: Authors, based on the databases of ADB (2020a), IMF (2020b), OECD (2020), and the World Bank (2020).

Finally, the last categorization divides the measures in direct or indirect support. For instance, the support which enterprises directly receive from governments are categorized as Direct (D), while support sent to MSMEs indirectly through other institutions or consumers are classified as Indirect (I). For example, while income and cost measure seems to be a direct support, other measures include both direct and indirect supports.

Business Aspects and Direct and Indirect Support Clusters

A diversity of support measures was taken by each country, depending on what governments wanted to tackle down and depending on the structure of each economy. To better analyze measures that focused on the impact of MSMEs' business aspects, this paper will detail Income, Cost, Financing, Capacity Building, and Business Environment.

Income

Most enterprises had their operating income reduced during the pandemic and many individuals lost their jobs, consequently, losing the means to sustain their livelihoods. In order to keep business operating and support citizens to guarantee the basics to survive, governments took several measures to cope with the crisis in the short term, such as cash injection, coupons, asset purchasing, corporate bailouts, and emergency loans. Those are measures taken – normally temporarily and directly (D) - to increase the MSMEs' income (ADB, 2020a; OECD, 2020; World Bank, 2020):

a) Cash injection: Cash injection for both business and individual are conducted in Asia and the Pacific to assist businesses or individuals under the coronavirus pandemic. This policy, however, presents two risks: (i) some cash might be reserved instead of being used; and (ii) it is often difficult for the governments to reach out to all in need quickly and comprehensively.

b) Coupons: Coupons stimulate economies through increasing consumption. It is like cash transfer, although coupons do not have much flexibility in what to be used for, therefore the risk for being reserved instead of being used is relatively low.
c) Asset purchasing (mortgage debts and corporate debts): Some central banks have injected money into markets through purchasing assets, such as mortgage debts and corporate debts to stabilize the markets.
d) Corporate bailouts: Financial help has been provided to prevent companies from experiencing significant financial downfall such as bankruptcy.
e) Emergency loans: Some governments are providing emergency loans and credit guarantees to struggling MSMEs – in some cases to large companies and individuals as well – with no or low interest rate.

Cost

During times of crisis, a business's priority is to maintain liquidity. At such times, it is essential to slash costs and to reduce burdens. Governments have been trying to waive or to compensate costs (particularly fixed costs), in an attempt to decrease MSMEs' burdens during a phase when they already face low revenue. The measures – such as tax relief, utilities payment waivers, deferrals of payments, subsidization of wages, etc. - taken to reduce an enterprise's costs are normally direct (D) and are categorized under this paper (ibid.):

a) Tax relief (exemption, break, refund, and deferral): According to ESCAP's database (as of 15 November 2020), 25 countries in the region supported MSMEs through tax exemptions, 18 countries did so through tax breaks, and 11 countries employed tax refunds (ESCAP, 2020).
b) Delays of filing deadlines for regulatory requirements: Required payments, such as utilities, are deferred in some countries often for short periods of less than one year. As the adverse impacts of this pandemic are projected to continue in the long term, updates of these deferrals might be needed.
c) Rental payment waivers: Fixed costs, such as rent, become huge burdens for MSMEs when revenues decline rapidly. To alleviate these burdens, relief for these fixed costs are granted in some countries.
d) Subsidization of wages: According to the World Bank's database (as of 14 April 2020), assistance to sustain MSMEs' employment, including subsidization of wages, is one of the most common measures globally implemented under the crisis (World Bank, 2020). However, this is more widely observed in high-income countries than lower-income countries.
e) Income support during sick leave: Given that health is one of the biggest social issues during the COVID-19 pandemic, income support during sick leave is highly important. Almost all OECD countries offer income support for eligible employees who are placed under mandatory quarantine.
f) Unemployment insurance and benefits: During the pandemic, employee layoffs and business shutdowns have occurred across Asia and the Pacific. To deal with this, governments undertake measures to assist the unemployed. While unemployment benefits are important to support people in the middle of the crisis, it is often difficult to reach all unemployed workers, due to limited eligibility and poor accessibility.
g) Crisis and disaster insurance: Public interventions are needed to establish more insurance programmes since those who are uninsured may suffer substantial hardship. This measure mitigates risks of uncertain financial loss due to sudden economic crisis or natural disaster.
h) Subsidization in important sectors: Several countries applied subsidies to support exports in particular sectors. Subsidization of personal protective equipment and disinfection materials is also important to ensure safe business operations.

Financing

Many MSMEs face difficulties in accessing financial support, which was exacerbated during the COVID-19 pandemic, and this issue is the origin of this paper. In this regard, many governments and institutions made efforts towards making this financial help easier to access and more abundant. Setting up new loan instruments and schemes or making them more accessible, expanding funding available for loans, simplifying and speeding up the process to receive credit, and offering more favourable terms and interest rates are some examples of measures taken to strengthen MSMEs' finance directly (D) or indirectly (I) (ADB, 2020a; OECD, 2020; World Bank, 2020):

a) Deferral of loan repayment: This measure is widely undertaken globally and helps to improve cash flows of MSMEs or individuals that face financial difficulties. In Asia and the Pacific, 40 countries carried out this policy (IMF, 2020b).
b) Concessional loans with credit guarantee: Some governments prepare concessional loans to support individuals or enterprises facing financial difficulties through providing additional funds and credit guarantee schemes. Zero-interest loans are also available in some countries. Increasing the availability of loans contributes to stimulating economic activity. However, it is extremely difficult to properly assess the solvency of an enterprise during the current uncertainty, although banks scrutinize the past performance or business plans of MSME applicants before approving loans. Due to the increased risk they face, such as increasing NPLs, further assistance to banks is also critical for avoiding further financial disruptions.
c) Provision of credit lines: Credit lines, agreements between financial institutions and their clients allowing borrowers to access the maximum loan amount when in need, also work to improve cash flow of MSMEs. Measures regarding credit lines include increasing credit lines, reducing interest rates, and deferrals of repayment.
d) Supply chain and trade finance: This covers financing methods to promote efficient transactions in supply chains through various measures, such as payments for sellers by financial institutions on behalf of buyers. This is a method to smooth transactions in international trade, including providing receivables with exporters to make importers process their transactions faster. This method plays an important role in business transactions such as mitigating risk and improving cash flow.

Capacity Building

With social distancing measures and lockdowns, digitalization and teleworking have become crucial. As a study from ADB (2020c) pointed out, enterprises that took advantage of technology and focused on innovation were better off during the crisis. Some governments and institutions focused on offering trainings and extra financial assistance, so that MSMEs could implement innovative digital solutions to cope with the outbreak. These measures focus on improving enterprises' capacities and they can be either direct (D) or indirect (I) and can have an impact in short, medium, and long term, depending on which one is implemented (ADB, 2020a; OECD, 2020; World Bank, 2020):

a) Training: Other than subsidization of wages, there are various measures to safeguard the employment of existing workers, for instance improving their skills and enhancing their operational and management knowledge. It is also important to teach technical and financial literacy to both employees and employers, which can enhance their business capacity and promote innovation.
b) Enhancing the role of business associations: Business associations are beneficial to MSMEs with regards to information collection, lobbying, and representation of interests, according to research conducted in the United Kingdom (Bennett and Ramsden, 2007). During the COVID-19 pandemic, some business associations supported entrepreneurs and lobbied their respective governments for further support.
c) Strengthening the banking and finance sector (including fintech applications): The COVID-19 pandemic has shed light on the necessity of strengthening the banking and finance sector. During lockdown and travel restrictions, the importance of online banking and payment

achieved greater recognition particularly among those who had difficulty in physically accessing financial institutions or stores. Some countries showed efforts to make their banking or payment systems more accessible and resilient.

d) Finding new and alternative markets: Some governments have adopted measures to support firms to find new or alternative markets in order to cope with or substitute the supply chains that were severely impacted during the lockdowns and restrictions. In this regard, promoting services that connect business – for instance, digital business-to-business (B2B) marketplaces that can link larger business to MSMEs – can play an important role.
e) Limiting the scope of foreign firms: Another idea would be to control competition with foreign multinationals, so that MSMEs would have a greater chance of surviving competitive threats during the crisis and could access wider consumer markets (and higher demand) for their products and services. Although this intervention can be implemented quickly, policymakers must be aware of its possible side effects such as negative impacts on foreign direct investment, productivity, and innovation in both the short and long term.
f) Digital literacy: At present, many of MSMEs are not using digital platforms for their business and financing amid the COVID-19 pandemic (1-2% of survey respondents in Indonesia, Lao PDR, the Philippines, and Thailand) (ADB, 2020b). Digital skills training for MSME owners and employees will be needed, so that they can survive and thrive in the new normal, and this will need to be addressed in government assistance programmes.
g) Business continuity planning: A business continuity plan (BCP) is a preparatory plan to prevent and recover from potential threats to business such as financial or economic crises, natural disasters, terrorism, and pandemics. Since the impacts of the spread of COVID-19 are much more serious than some expected in the beginning, current BCPs might need to be reviewed and upgraded for future risks, including a stronger focus on the digital economy and in social distancing-related innovations.

Business Environment

The government can also act to improve conditions for business and promote entrepreneurship, to help more MSMEs to flourish. Improving the spirits and confidence of producers and investors is an important step towards economic recovery. Below, some direct (D) and indirect (I) measures to exemplify how governments can create a better business environment (ADB, 2020a; OECD, 2020; World Bank, 2020):

a) Business enabling environment (legislations, incentives, fixing market failures, and infrastructure): Since this pandemic has had a tremendous impact on economies, reforms to enhance the business environment and which would eventually encourage more businesses to flourish will be necessary. Implementation of large-scale infrastructure projects also plays an important role in creating a better enabling environment for economic recovery. Moreover, improving the efficiency of government services – through electronic governance, for instance – can benefit MSMEs by increasing their ability to quickly access government support.
b) Supporting value chain creation: Governments could provide support to smaller businesses to organize into cooperatives and or benefit from economic clusters, generating more jobs and higher productivity.
c) Trade promotion: MSMEs play an important role in international trade, contributing to the domestic economy. By promoting trade internationally, governments can bolster the development of MSMEs.
d) Foreign exchange controls (including currency swapping): Since COVID-19 disrupted exchange rates and global capital flows, many governments intervened through foreign exchange (FX) controls to stabilize markets and currencies (Putnam, 2020; PwC, 2020).
e) Promotion of foreign direct investment: Inward investments of foreign multinationals develop cross-border networks to reach out to domestic MSMEs while encouraging them to participate in global supply chains. This development enhances MSMEs’ capacity building and productivity through accessing foreign markets and new technologies and knowledge.

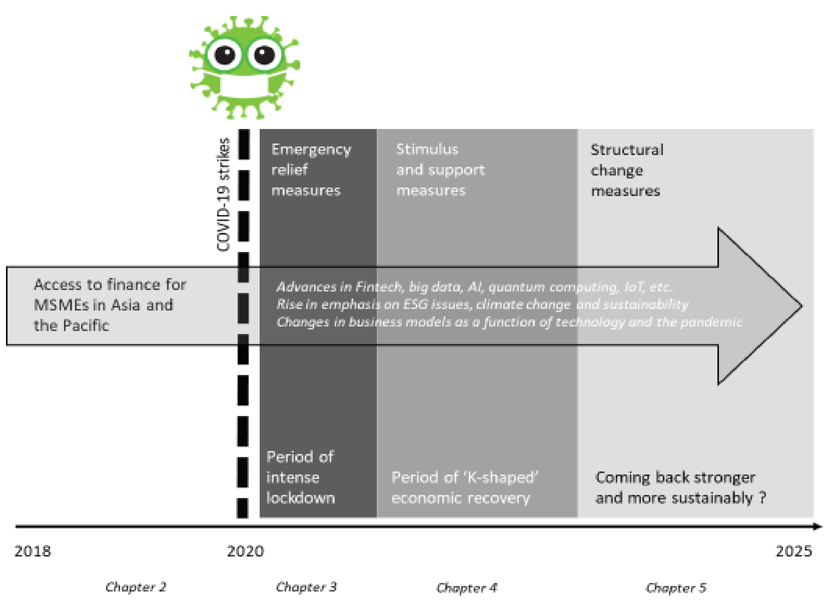
f) Digital economy: Digitalization is becoming an indispensable tool for any business in recent years. In the post COVID-19 era, or 'new normal', there will be greater demand for contactless transactions, and the corresponding demand for digital finance will also increase for MSMEs. For more conventional MSMEs, especially in wholesale and retail trade, their current business model is typically based on personal contact, suggesting they will need to shift to digital transactions in the coming years.
g) Tourism promotion: Encourage domestic and international travel to support the tourism industry which was devastated by the pandemic. However, an approach that can balance economic stimulus and recovery with containment of the disease is critical under the pandemic.

Timing Cluster

Due to the learning curve on how to cope with the pandemic and due to the start of vaccinations against COVID-19, the extent and severity of the impact of COVID-19 on businesses eased. Despite some improvement to the business environment, new waves of the pandemic, new and more contagious variants of the virus, and delays in vaccinations, however, decreased the expectations of returning to business as usual in 2021. It is also relevant to highlight that, during the first quarter of 2021, 17% of the MSMEs surveyed in the Pacific islands reported that their governments have not provided any support to their business, and that 38% are somewhat or extremely dissatisfied with the government response to the crisis (versus 12% and 39% in the past quarter, respectively) (PTI, 2021). Therefore, there could be still a crucial gap that must be fulfilled to overcome the disruptions caused by COVID-19. This cluster presents the measures both previously taken and recommended to address challenges at different periods of time – during the pandemic and beyond it.

As shown in figure 9, there are certain trends and challenges during and post COVID-19, therefore policies corresponding to each phase are needed, e.g., for the (i) lockdown, (ii) economic recession, and (iii) recovery period. Regarding the latter, the presented policies are not only linked to the recovery from the crisis but also linked to creating a more sustainable and resilient future, where societies would avoid crisis or – at best – be more prepared for them. In this paper, 'Relief', 'Stimulus', and 'Structural Change' policies that would respond to the challenges related to the different lockdown, economic recession, and recovery periods, respectively, are provided.

FIGURE 9
PRE- AND POST-COVID-19 TRENDS AND CHALLENGES



Source: Authors.

Relief Under Lockdown

As the situation was (and still is) unparalleled, policymakers faced an arduous challenge in reacting and in proposing measures in the beginning of the pandemic. The effects of the crisis disproportionally impacted the MSME sector. Lockdown on business and communities caused an immediate and large demand decrease through reduced customers and orders. Supply chains were also disrupted and the impact on the flows of goods and services enhanced the importance of information flows through information and communication technology (ICT) facilities.

For this phase, we propose measures listed as Relief (Income, Cost, and Financing). The implementation of those policies needs to be relatively fast, as the most vulnerable – such as MSMEs – do not have savings to fall back on and protect their operations and employment during such crisis. Governments must have channels and cooperating agencies to reach out to the majority of MSME clients in a quick and comprehensive manner. Additionally, policymakers need to make sure to reach out to those who are the most affected, such as informal workers, who struggles to access the formal benefits and support. Special attention should be paid to other marginalized communities as well, such as women, LGBTQIA+,[8] racial minorities, and indigenous communities, since they are also affected disproportionately.

Stimulus Under Economic Recession

Under the recovery phase, we propose measures listed as Stimulus (Income, Financing, Capacity Building, and Structural Change). In order to stimulate a large and diversified group of MSMEs, the government in cooperation with other agencies (business associations, such as chambers of commerce, and local financial institutions, such as credit unions and cooperatives) must provide tailor-made interventions to sectoral or geographically selected MSME clusters (ADB, 2020a; OECD, 2020).

Structural Change for Recovery

To achieve a satisfactory new normal, long-term policy interventions would have to move towards sustainability and development of the MSME sector after the crisis through Structural Change (Financing, Capacity Building, and Business Environment). This also indicates that policymakers must mobilize their resources and authorities to enhance the business environment of the sector and to provide more long-term development services to it, perhaps through developing solid, transparent, and stable frameworks of regulations and policies. Such regulations and policies must also increase trade and investment activities, while improving connectivity both at regional and sub-regional levels and at digital and physical spheres. In addition to capacity building activities for the MSME, the sector's capacity should also be enhanced particularly through fostering business associations. Financial institutions should provide training and technical support to their MSME clients as well. Moreover, transformative approaches, such as promoting digital economy and environmental, social, and governance (ESG) principles are very important to construct a more sustainable society (ADB, 2020a; OECD, 2020).

The banking and financial sector also needs to change its structures. Since marginalized communities such as women, LGBTQIA+, racial minorities, and indigenous people often face financial difficulty, it is essential to provide them with investment and financial support, as they are often bottlenecks for their businesses to survive and grow. Indeed, in many patriarchal societies - where the family assets belong to the man – women are often denied credit for their MSMEs, since they have no valuable asset to present as collateral. Moreover, low digital and financial literacy among women – for instance – is still high due to (but not only) gender stereotypes and unequal access to education. Considering the fact that women-led MSMEs that applied digitalization measures faced less negative effects on its revenues during the pandemic (ADB, 2020c); not investing in education and accessibility deteriorates their situation, preventing them to be better off during the crisis. Given this scenario, government, financial institutions, and civil society organizations should empower the marginalized by providing educational support and by developing technological, financial and digital means. Those changes can address MSMEs directly, but also indirectly, since addressing and enhancing equality are the 'a rising tide lifts all boats' type of measure mentioned before, which ends up benefiting the whole society, including MSMEs.

CONCLUDING REMARKS

What is clear from the schemes outlined before is that policymakers have been obliged to pursue emergency measures that are unsustainable beyond the short term, and come with considerable (but unavoidable) perils, including damage to national budgets, as expenditures climb and revenues contract. These observations are not intended as criticisms. The emergency measures were both necessary and unavoidable; however, the majority of these schemes will need to be phased out as soon as it is feasible. Unlike the virtually simultaneous roll-out of emergency measures in economies across Asia and the Pacific, the phaseout of these measures is likely to be a more staggered affair, depending on the extent and pace at which economic normalcy starts to return in each country. Countries that are slower to come out of the pandemic may have to keep emergency and relief economic measures in place for longer, despite the burden on the public purse. The inflection point between the rolling-out of the vaccine and the phaseout of the relief policy measures will differ from economy to economy.

Nevertheless, a legacy of heightened levels of sovereign and corporate debt will persist in the years to come, and be a shared legacy for much of the Asia-Pacific region (Fitch Ratings, 2021). The balance sheet damage inflicted on the MSME sector, and the financial sector that provides much of its funding needs, will not be easily overcome. There is no vaccine to aid recovery from the economic damage that has been inflicted. No economic ‘shot in the arm’ exists for what will be a drawn-out rehabilitation and recovery process for many MSMEs in Asia and the Pacific adversely impacted by this most recent – but unlikely to be the last – pandemic.

We made reference earlier to some sequential stages of the policy responses, from one of relief, through stimulus, and to structural change. What now follows will be a process of restructuring and advancement. The goal is not only to rebuild the MSME sector in the region back to its former vibrancy, but also ensure it is more resilient in the future. While innovation and efficiency have been two of the most alluring attributes that governments, investors, and businesses have sought to pursue in recent years, one suspects that resiliency will have added emphasis in the years ahead.

Business models will mutate accordingly. For example, overly extended value chains are likely to be pulled back to more robust and less complex networks of suppliers, which will have ramifications for MSMEs that operate inside these production networks, and may well source some or all of their financing through them. Efficiency gains derived from ‘lean’ and ‘just-in-time’ manufacturing methods will need to be balanced with an increased appreciation for dependability, particularly in times of economic stress, distress, and dislocations triggered by sudden and unwelcome exogenous events like pandemics. Indeed, the current pandemic and its resultant “virtual destruction of contemporary [global value chains] as we know them” has led scholars to argue for the need to take a longer-term approach when thinking about efficiency, given the potentially catastrophic impact of low-probability, high-impact events (Gölgeci, Yildiz, and Andersson 2020, P. 131).

At the time of writing, we are starting to see the development of more bespoke interventions intended to support MSMEs during the pandemic and post-pandemic economic turmoil. In November 2020, for example, an impact investment manager, founded in 2001 by an initiative of the United Nations, announced the establishment of an emerging and frontier markets MSME support fund. With a target size of US$ 350 million, the fund aims to provide additional liquidity, through existing financial institutions in emerging and frontier market economies, to support up to three million small-scale businesses (BlueOrchard, 2020). According to BlueOrchard’s own website, “BlueOrchard was founded in 2001, by initiative of the UN, as the first commercial manager of micro-finance debt” (BlueOrchard, 2021). A number of development finance institutions (DFIs) have pledged to invest in the fund, to be managed by a subsidiary of Schroders Group. The fund will also operate a technical assistance facility (BlueOrchard, 2020).

Members of the international development community are also starting to reorient their existing economic, financial sector, and private sector development projects, and/or launch new projects, intended to assist in the economic and corporate sector recovery process. These are likely to combine: (i) financial and technical inputs from development partner agencies; (ii) efforts and commitments from relevant government bodies; and (iii) inputs and support from the private sector itself. We envisage quite a lot of this activity shifting away from what might be thought of as 'hardcore' MSME financing issues as a discrete field (e.g., pursuing credit scoring, guarantee schemes, and liquidity infusions), and more towards the bundling of financial products and services within other service offerings that MSMEs can avail themselves of, thanks to advances around digitalization of business services, fintech, big data, AI, and blockchain. These advances – in many cases accelerated by the pandemic – have the potential to unlock some of the most stubborn constraints to MSME finance, including lessening perceived risk, and addressing the information asymmetry problem that has inhibited traditional finance providers from serving more MSMEs.

Within the economic consequences of the pandemic, and in the policy responses to those consequences, we have not witnessed – nor has there been triggered – any major new initiative or advance in addressing constraints to MSME finance, whether in Asia and the Pacific or elsewhere in the world. The response efforts taken were largely classical responses around palliative care, aimed at lessening some of the symptoms. COVID-19 will not be regarded as a blessing that helped bring about a cure for MSME finance, and the pandemic itself has not changed the long-term trajectory of our collective search for ways that MSMEs might better access inexpensive sources of finance; it has merely interrupted it, and probably served as a temporary distraction from it.

Thus, as the economic impact of the pandemic abates, there is therefore likely to be a return to the kinds of experimentation in MSME finance that pre-dated COVID-19 in 2020-21. Some of the trends, notably around digitalization and fintech, as well as increasing emphasis on issues pertaining to ESG and climate change, that can be discerned. Some of those trends have probably been accelerated by the pandemic, as the MSME appetite for solutions to various challenges brought about by the pandemic has increased. But while appetite may have increased, the financial capacity of many MSMEs to avail themselves of those solutions will have lessened. Indeed, some MSMEs in Asia and the Pacific will clearly not survive the pandemic, and some that do will face 'long tail' symptoms and weakness for years to come.

In that context, there will be a heightened need for government agencies and development partners, particularly in less developed and developing countries, to help MSMEs leverage the innovations now emerging in finance. For policymakers in Asia and the Pacific there will be a need to change gears immediately, and shift from the 'fire-fighting' efforts of 2020-21, towards the creation of an enabling environment – and catalyzing interventions where necessary – that will address the familiar foe: the MSME financing constraint. As public spending on emergency policy measures lessens, there will be a need to reallocate resources to the task of reconstruction. This 'building back better' project for Asia and the Pacific will need to include interventions in MSME finance that support a drive towards more efficient and green economies.

One example was the announcement, by Singapore in December 2020, of the city-state's first four digital banking licenses (MAS, 2020).[9] The expectation is that these digital banks will not contain themselves to Singapore alone, but will serve the wider ASEAN region. Using big data, AI, and other advances from digitalization, they will pursue alternative credit scoring mechanisms, and the expectation is that they will be able to issue small loans and other services to MSMEs normally under-served by conventional banks. This may then force more established banks to digitalize their core lending activities also, in a bid not to lose market share, thereby creating a systemic change dynamic that will benefit MSMEs across the region.

Another field where digitalization-driven innovations may prove useful, and for a category of MSMEs that received the least amount of policy response from governments in the wake of the pandemic, are informal micro and small enterprises. By the very nature of being informal, these businesses tend to be both off the radar of policymakers and the reach of government agencies providing support. Therefore, most have been left to their own devices during the pandemic. However, fintech offers the prospect of delivering wholly new financial products and services that can serve informal enterprises in a commercially viable, and therefore sustainable fashion by digital banks and others.

Despite the development and usage of new technologies, it is also essential to address financial and digital literacy – especially for women and others in vulnerable positions. In this way, the 'building back better' can be extended to marginalized communities as well, and the transformation of structures would not solely be limited to the economic sphere. By having a more holistic view, we can transform society into a more resilient and sustainable one.

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ENDNOTES

1. The paper analyzes long-term economic consequences emanating from 19 pandemic events since the fourteenth century. It concludes that "pandemics are followed by sustained periods—over multiple decades—with depressed investment opportunities, possibly due to excess capital per unit of surviving labour, and/or heightened desires to save, possibly due to an increase in precautionary saving or a rebuilding of depleted wealth" (Jorda, Singh, and Taylor, 2020, p. 16).
2. Cook Islands, Fiji, French Polynesia, Federated States of Micronesia, Kiribati, Marshall Islands, Nauru, New Caledonia, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu are the countries covered by Pacific Trade Invest.
3. Triage is the medical process of assigning degrees of urgency to decide the order of treatment of a large number of patients or casualties.
4. "The unequal, "K-shaped" recovery that economists fear is dividing the wider United States economy is also playing out across corporate America, as the pandemic deepens the gulf between the largest, best-financed companies and those lacking scale, leading brands or robust balance sheets. Bank and central bank policies coupled with shifts in consumer behaviour have accentuated trends that were already putting more wealth and growth in the hands of a few large companies, according to academics, consultants and corporate advisers. That, some of them warn, threatens to reduce competition, stifle innovation and hold back smaller businesses that are supposed to be sources of job creation and economic dynamism." (Edgecliffe-Johnson, 2020).
5. Above the line measures, in IMF database, includes: (i) additional spending or foregone revenues both in health and non-health sector; and (ii) accelerated spending/deferred revenue.
6. Liquidity support includes: (i) below the line measures (e.g., equity injections, loans, asset purchase, or debt assumptions); and (ii) contingent liabilities (including guarantees and quasi-fiscal operations).
7. "A debt assumption involves two simultaneous transactions; the first transaction cancels the original debtor's obligation, and the second transaction creates a new debt contract between the creditor and the new debtor, or assumer" (OECD, 2005).
8. Lesbian, gay, bisexual, transgender, queer, intersex, and asexual.
9. The Monetary Authority of Singapore has awarded operating licences to: (i) Sea Ltd.; (ii) a consortium led by SingTel and Grab Holdings; (iii) Ant Financial; and (iv) a consortium led by Greenland Financial Holdings, Linklogis, and Beijing Cooperative Equity Investment. These digital banks may offer the same range of services as conventional banks, but without a bricks-and-mortar presence, and are expected to focus on under-served market segments, such as MSMEs. These four banks are expected to commence operations sometime in 2022.

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