

EFSE conducts study to identify targeted measures to support MSEs in combating economic effects of COVID-19

More than 2,800 entrepreneurs surveyed in rural and urban areas in Serbia, Turkey, Georgia, Bosnia and Herzegovina

Luxembourg, 1 October 2020 – The European Fund for Southeast Europe (EFSE) has conducted an [impact study](#) to learn more about the current challenges facing micro and small enterprises (MSEs) due to the COVID-19 crisis. The findings are being applied toward targeted measures to respond to the needs of MSEs. The study was conducted by the [EFSE Development Facility](#) from 15–31 May 2020 in Serbia, Turkey, Georgia, and Bosnia and Herzegovina, with a sample of over 2,800 entrepreneurs from urban and rural areas.



EFSE STUDY COVID-19 IMPACT ON MSEs

The European Fund for Southeast Europe (EFSE) conducted an impact study to learn more about and respond to the current challenges and needs of micro and small enterprises (MSEs) dealing with the impact of the COVID-19 crisis and the first lockdown.

Focus	Participants	Countries
Effect of COVID-19 containment measures on MSEs in selected countries. Survey conducted from 15 to 31 May 2020	Representative sample of 2,822 entrepreneurs in rural and urban areas	Serbia, Turkey, Georgia, Bosnia and Herzegovina

EFFECTS OF THE FIRST COVID-19 LOCKDOWN ON MSEs

- Negative impact**
4 out of 5 companies confirm a negative or extremely negative impact. Hospitality and retail sectors are the most affected in all countries.
- Decrease in revenues**
More than half of respondents across all countries have seen their sales decrease by at least 50% due to lack of demand for their products.
- Liquidity problems**
Threats to the survival of MSEs due to complete shutdowns and fall in demand, which lead to a vicious cycle of delivery delay, payment delays, and limited or no sales. Because of this, MSEs struggle to meet customer obligations and are facing insolvency.
- Employment**
Businesses in Turkey (84%), Georgia (21%), and Bosnia and Herzegovina (23%) have temporarily laid off employees. In Serbia, the temporary government subsidy to cover for salaries of businesses with reduced turnover has prevented temporary layoffs. Businesses expect that some temporary layoffs will become permanent and overall unemployment will increase.
- Survival**
At least 75% of respondents believe the negative impact will last up to a year. However, only a small minority think they will have to close business.

Since the outbreak of the coronavirus, 4 out of 5 MSEs in Southeast Europe have reported severe disruptions to their business, as containment measures have drastically affected domestic supply and demand. This is highlighted by the fact that more than half of respondents across all countries have seen their sales decrease by at least 50% due to lack of demand for their products. Results from the study also reveal that only 1 out of 5 businesses believe they can overcome the crisis without any support; and the majority think they will need a business-centered and integrated support package to kick-start recovery.

Additionally, statistics from EFSE’s survey revealed that at least 75% of respondents believe the negative impact will last up to a year. The study also noted that the sectors affected the most in all countries were hospitality and retail. This confirms findings from the [EBRD Regional Economic Prospects](#) report, published in May 2020. The international development bank found that “on average, trips to recreation facilities including restaurants and retail shops ... were 54 per cent below the usual levels,” and the expectation is that there will be severe decline in personal income, industrial production, and retail sales, particularly for the rest of 2020. The FMO’s [Rapid Impact Assessment](#) from September 2020 states that, indeed, “the situation is likely to worsen as 50-70% businesses claim to have reserves for less than 3 months.”

EFSE’s impact study concluded that the best way to support MSEs financially is through one-time, non-repayable financial support; more favorable loans provided by financial institutions; and the temporary freezing of taxes and levies, permitted by governments. This is in alignment with actions the EBRD have suggested in terms of disbursing fiscal and monetary policy packages to boost the region’s economies

and support livelihoods. EFSE is now applying the findings of this study toward honing its own strategy to help MSEs and the financial infrastructure they rely on to confront these challenges, with targeted measures including advisory services, flexible loan terms, and grants.

EFSE Board Chairman Christoph Tiskens said: “The outbreak of COVID-19 has disrupted the normal operations of many entrepreneurs who serve as the region’s economic backbone. This study provides revealing information on the various ways MSEs can be supported financially. Now more than ever, we see it as our responsibility to play a crucial role in strengthening the financing base for local entrepreneurs, in order to alleviate the economic burden created by the global pandemic.”

To read the full impact study report, click [here](#).

About EFSE

An impact investment fund established in 2005, the European Fund for Southeast Europe (EFSE) aims to foster economic development and prosperity in Southeast Europe and the Eastern Neighbourhood Region by investing in the success of micro and small enterprises as well as improved living conditions for private households. As access to financial services is key to developing this segment, EFSE focuses on helping local financial sectors strengthen their ability to provide responsible financing for this target group. Alongside its investment activities through local partners, EFSE multiplies its impact through the EFSE Development Facility, which provides technical assistance, training, and other nonfinancial support to entrepreneurs and institutions.

EFSE was initiated by KfW Development Bank with the financial support of the German Federal Ministry for Economic Cooperation and Development (BMZ) and the European Commission. As the first public-private partnership of its kind, EFSE draws its capital from donor agencies, international financial institutions, and private institutional investors.

Finance in Motion GmbH, Germany, serves as EFSE’s advisor and Hauck & Aufhäuser Fund Services S.A., Luxembourg, acts as manager.

For more information on the European Fund for Southeast Europe, please visit: www.efse.lu

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