

# Supporting Measures for Belarusian SMEs: the Context of the Covid-19 Pandemic

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SMEs often become the focus of state policy in a period of adverse and unstable economic situations and the recent pandemic is not an exception. This special attention can be motivated by the following basic assumptions:

- 1) SMEs are more flexible and respond faster to both negative and positive trends in the economy (Muller et al., 2018);
- 2) the activity of SMEs is more labor-intensive compared to large enterprises (Beck et al., 2005; Cravo et al., 2012);
- 3) a period of economic uncertainty creates new opportunities (new niches, exits of competitors from the market) that can be used by the most proactive SMEs (Cowling et al., 2015).

### Three basic SMEs' strategies during the economic decline:

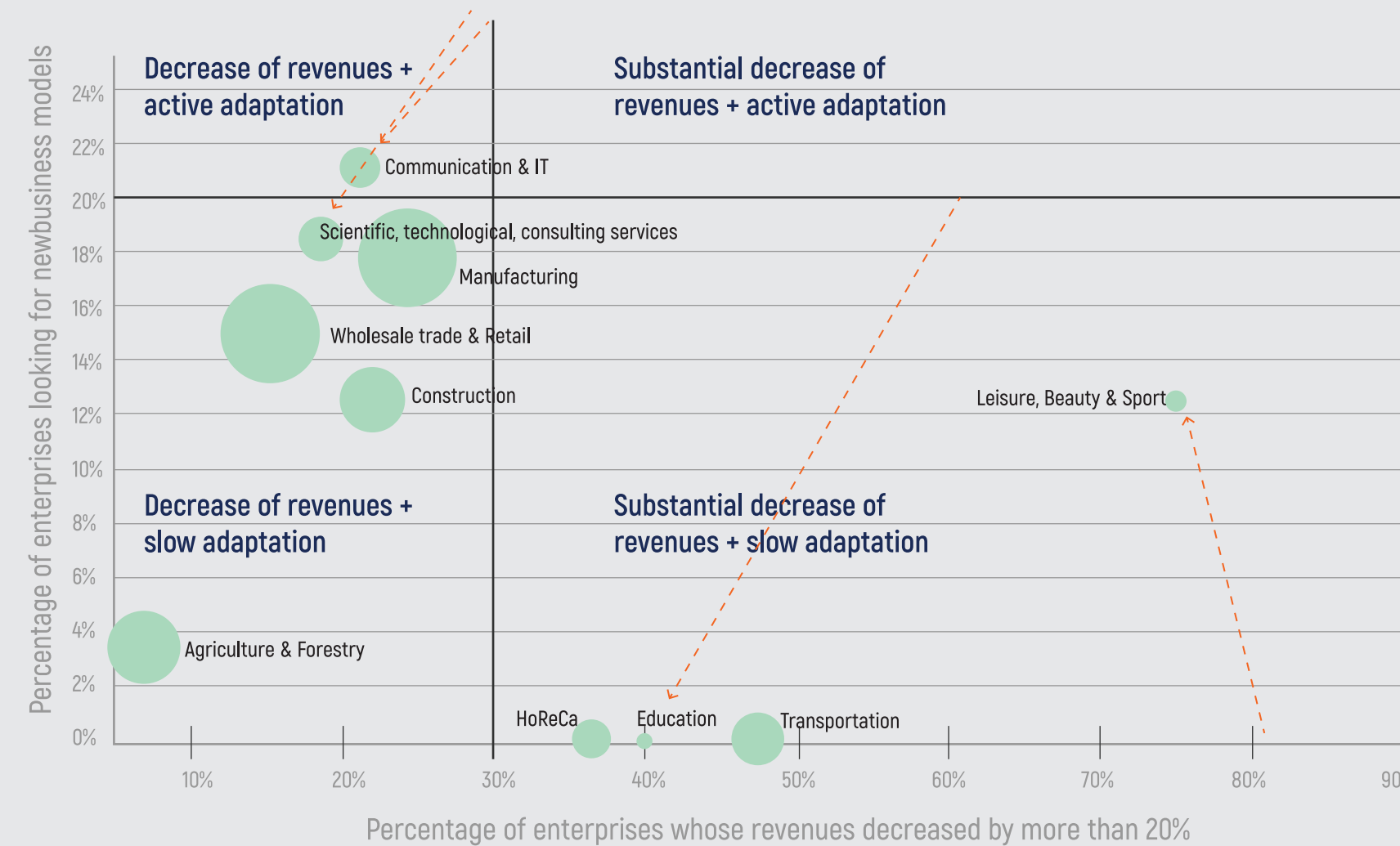
- 1) reducing costs by firing employees, cutting wages and by increasing productivity;
- 2) increasing revenue by introducing innovations (product, process, organizational, marketing), diversification, and entering new markets;
- 3) suspension of activities or liquidation of an enterprise (OECD, 2009).

### Classification and sequence of SME-support measures undertaken by governments:

1. Health measures, and information for SMEs on how to adhere to them;
2. Measures to address liquidity by deferring payments (taxes, social security & pension contribution, rental, utilities);
3. Measures to provide extra and more easily available credit to strengthen SME resilience;
4. Measures to mitigate the consequences of lay-offs by extending possibilities for temporary redundancies and wage subsidies;
5. Structural policies (digitalization, training and education for SMEs, support in finding and entering new markets etc.).

Group	Sectors	Recommended strategy	Relevant Measure (number in the OECD classification)
1. Decrease of revenues + slow adaptation	Construction Wholesale trade & Retail Manufacturing	Re-configuring supply chains, entering new niches, business process optimization	2, 3, 5
2. Decrease of revenues + active adaptation	Communication & IT Scientific, technological, consulting services	Focusing on development of anti-crisis solutions in B2B and B2C segments	2, 4
3. Substantial decrease of revenues + slow adaptation	Transportation HoReCa Education Leisure, Beauty & Sport	«Conservation» or liquidation of a business	2, 3, 5
4. Substantial decrease of revenues + active adaptation	Not identified in the survey	Diversification to adjacent market segments	2, 4, 5
5. No changes or growth of revenue	Agriculture & Forestry E-commerce, pharmacy, online services, online games...	Expansion to new markets while competitors are on quarantine.	5

## Area of circles is proportional to the number of SME employees in a sector



In Belarus, SMEs provide nearly 1.3 million jobs or 30% of total employment (including individual entrepreneurs and micro-organizations).

According to the survey conducted in July:

- During the last month, 55% of SMEs faced a decline in revenue, for 25%, revenue decreased by more than 20%.

- During the last month, about 15% of enterprises laid off people.

- 37.8% of SMEs have got acquainted with the Edict of the President "On supporting the economy" enacted on April 24.

- 2.5% of SMEs have benefitted from the Edict.

## Competencies in which areas does an enterprise lack?

