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China's Supporting Policies for SMEs to Cope With the Impacts of COVID-19

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China's balance between virus control and reopening economy

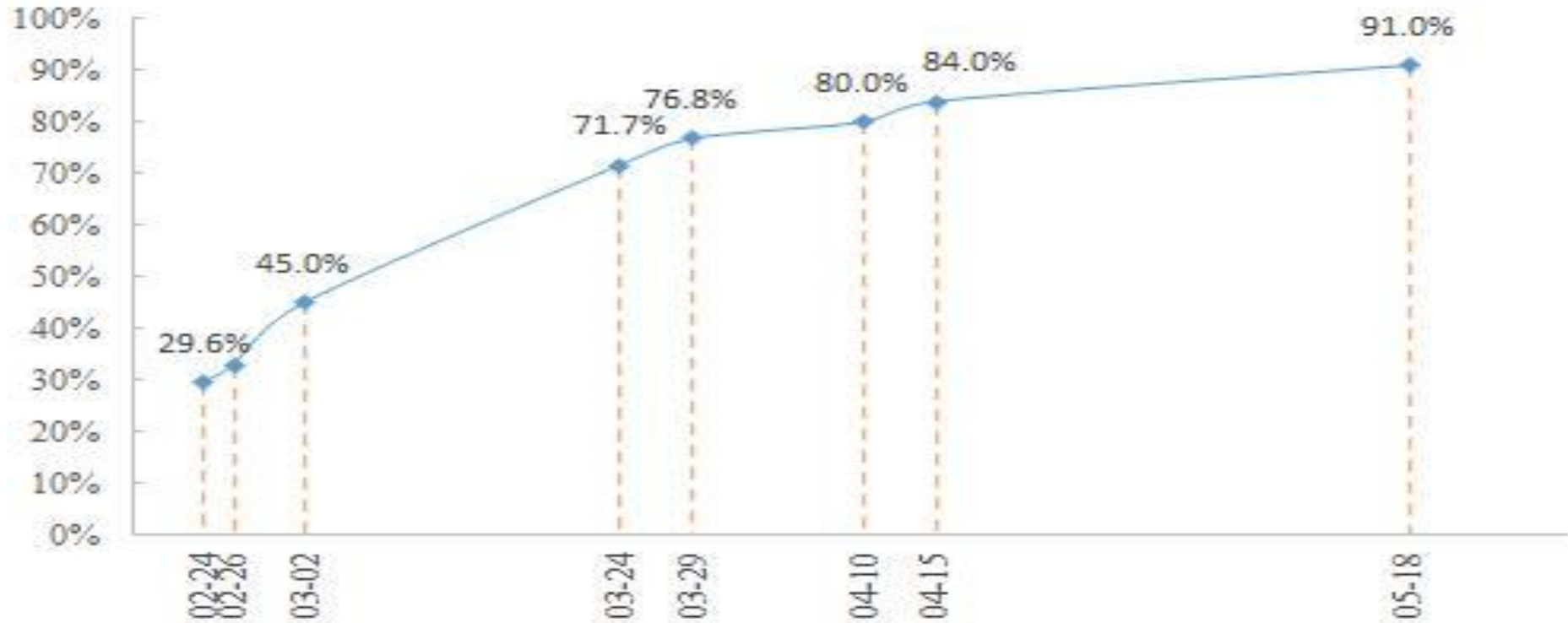
- 1st phase: Ambitious and aggressive approach to virus control
- 2nd phase: To permit local economy to reopen, while still ensuring strict virus control.

A very limited tolerance of new cases or community transmission!



China's balance between virus control and reopening economy

Figure 1 The Resumption Rate for SMEs



Data Source: The Chinese Ministry of Industry and Information Technology

To address interrupted flow of intermediate goods, labour and cash

- Supporting policies to the entire industry or the supply chain working better than that to a small number of leading enterprises;
- Some assistance to migrant workers was widely adopted: such as helping them to return from their hometown through a coordinated Health Coding system and a door-to-door transportation system;
- Targeted loans to ensure cash-flow was also helpful: all together 1.6 trillion yuan (roughly 250 billion dollars) was available for SMEs, half of which was delayed repayment of existing loans and interests, another half was additional loans.



To address declining demands

- To promote lowering entry thresholds for SMEs participation on digital platforms in order to boost online sales and marketing.
- Distributing consumption discount coupons in some localities has stimulated spending of general population or targeted groups on goods from hardest-hit industries.
- By 1 June, more than 19 billion RMB (2.8b USD) had been allocated to local residents in about 170 cities.
- Stimulating result: a multiplier effect of 10-15.



To address recovery of operating costs

- Better measures: Reducing VAT rate; temporarily waiving social insurance contributions for SMEs, and waiving the rent of SMEs for certain period if the property is state-owned.
- Not so attractive: Delayed payment of social insurance contributions because of uncertainty.



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To address policy relevance and delivery:
pulling together of all policy actors is a good approach.

- The Central Government: to dispatch study groups to local levels to better understand the need and to make detailed operational policies; to set up an online policy database, which provides categorized information for various enterprises.
- Local authorities: to establish mechanisms to promptly respond to SMEs: for example, Shenzhen government requires responses to individual enterprises within 24 hours.
- Industrial association for SMEs: delegated to listen to and respond to specific demands of SMEs.



Discussions: ESG legislation liberalized?

- **Environmental protection:** use of chemical fertilizers; setting tables outside the restaurants, use of e-bikes?
- **Social protection:** guarantee of minimum wages, instead a pure sale-based wage system?
- **Governance on financial institutions:** non-performing loans more attributed to corruption or to force majeure?
- **Governance of local authorities:** local performance higher weights to virus control or to economic growth?



Some takeaways

- To adopt strategies and measures relevant to individual national conditions:
e.g. Higher household savings: A proactive but cautious strategy of reopening the economy and the measure of stimulating consumption
- To use whatever you have:
e.g. To take advantage of digital technology to develop a health coding system to tell the risks of potential employees, later to widely use nucleic acid testing
- Policy administration equally important as policy itself!



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THANK YOU



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