



BUSINESS AND **COVID-19**

ACTION TOOLKIT

SUPPORTING MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES (MSME)

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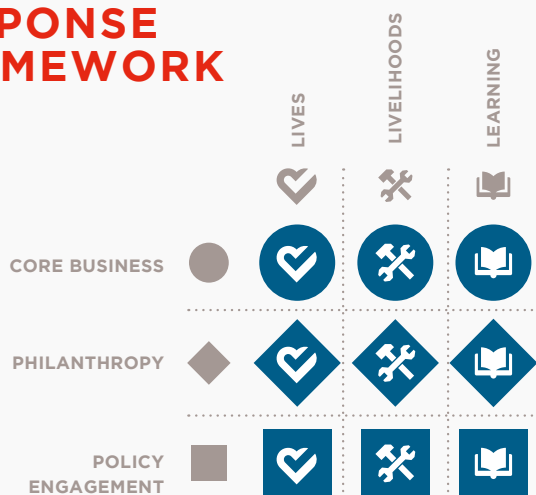
FOREWORD

BUSINESS AND COVID-19

The novel coronavirus (COVID-19) pandemic is creating the worst humanitarian and economic crisis in a generation, threatening the lives, livelihoods, and learning of people around the world.

COVID-19 poses risks for everyone and the impacts across all aspects of life will be profound and long-lasting for every segment of society. They are especially serious for those who are most vulnerable.

COVID-19 RESPONSE FRAMEWORK



Find the [Framework rationale here](#)

This Action Toolkit provides guidance on what businesses can do immediately and in the longer term to **support micro and small and medium businesses**. Government leadership is crucial, but companies and civil society organisations also have a vital role in working together to support the most vulnerable people.

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We recently published a COVID-19 Response Framework¹ that sets out guidance for how businesses can support the most vulnerable across three areas of impact: on their **lives** (health and safety), **livelihoods** (jobs and incomes) and **learning** (education

¹ Available in our Business and COVID-19 Response Centre: https://snipbfp.org/C19_ResponseCentre



and skills). The Response Framework set out actions that businesses can take through their **core business** capabilities and activities, **philanthropic donations** and volunteering, and **policy engagement**, advocacy, and support for institution strengthening. This can be visualised as a three-by-three matrix (see figure). We have separately published an online Action Mapping Tool² that sets out over 200 examples.

In this Action Toolkit, which is one of a series³, we build on the Response Framework to provide guidance on what actions companies can take immediately and in the longer term to support micro and small businesses in their value chains and beyond.

The Action Toolkit is one part of a wider response that we are convening to crowdsource and share best-practice examples and insights from a variety of companies, industry sectors, and countries. For more information, and to get involved, visit our Business and COVID-19 Response Centre at https://snipbfp.org/C19_ResponseCentre

² Available in our Business and COVID-19 Response Centre: https://snipbfp.org/C19_ResponseCentre

³ Current topics include gender-based violence, vulnerable workers, micro and small enterprises, supporting NGO partners, and promoting handwashing and other preventative measures. We will be adding further topics. If you would like to suggest or support another topic, please get in touch with us at team@businessfightspoverty.org.

In this Action Toolkit, which is one of a series, we build on the Response Framework to provide guidance on what actions companies can take immediately and in the longer term to support micro and small businesses in their value chains and beyond.

This work is being funded with UK aid from the UK government. We are working with an international coalition of partners, businesses and business networks. For this Action Toolkit, we are grateful for the additional support of AB InBev and CEMEX and the expert input of TechnoServe, Oxfam and The Partnering Initiative.

We hope that you will find this Action Toolkit useful as you frame both your immediate response and longer-term strategy for rebuilding.

Zahid Torres-Rahman, CEO, Business Fights Poverty

Jane Nelson, Director, Corporate Responsibility Initiative, Harvard Kennedy School.

CONTEXT

THE IMPACT OF COVID-19 ON MSMES

The global health emergency is making an already tough situation far worse for MSMEs

Micro-, small- and medium-sized enterprises (MSMEs) are the lifeblood of economies and communities. They make up over 90% of all firms and account on average for 60-70% of total employment and 50% of GDP worldwide.⁴

They are also key business partners for large companies as suppliers (including small-scale farmers), distributors, retailers and customers.

COVID-19 is severely impacting MSMEs in every country touched by the virus. Even in good times, MSME owners and workers face many challenges, including limited access to finance, markets and key business skills.⁵ The global health emergency is exacerbating these challenges.

As economic activity grinds to a halt, cash flow is the primary challenge. MSMEs typically have very limited cash flow reserves, often less than two months, and for the smallest, as little as two weeks even in large economies like



the US⁶ and China.⁷ Even a temporary disruption to cash flow could prove catastrophic for these businesses.

Moreover, small businesses that operate stores or cash models are not able to transition to remote working. Even if they close their doors temporarily, it can have a devastating economic and social impact, both for the enterprise themselves and the low-income households and communities that many of them serve.

4 IFC: https://www.ifc.org/wps/wcm/connect/news_ext_content/ifc_external_corporate_site/news+and+events/news/insights/smes-covid-19

5 Growing Together: Strengthening Micro-Enterprises in Value Chains: <https://businessfightspoverty.org/articles/download-centre-131-register/>

6 <https://www.jpmorganchase.com/corporate/institute/document/jpmc-institute-small-businessreport.pdf>

7 <http://www.oecd.org/cfe/COVID-19-SME-PolicyResponses.pdf>



Coupled with limited workforce mobility and absenteeism, restrictions on the movement of goods and cross-border trade, which, for example, makes it hard for small-scale farmers to get crops to market, COVID-19 is creating the most challenging of operating environments for MSMEs.

In many developing countries, informal MSMEs are particularly vulnerable

In countries with seriously constrained national budgets, weaker social protection systems and/or a large informal economy, MSME owners and workers are particularly vulnerable. In these countries, many MSMEs are informal, which means they have no social protection or rights at work, and they are unable to access most forms of emergency finance being provided by governments.

As MSMEs struggle, the impact on their communities can also be significant as they are often the only source of goods and key services for the most poor and vulnerable populations. As prices rise because of the crisis, MSMEs are often forced to pass on higher operating costs to local customers, already under pressure due to the loss of their livelihoods.

“The government (in India) has urged people to work from home. But that is not an option for around 81 percent of India’s workforce, comprising daily wage earners and the self-employed who have no paid leave, sick leave or other benefits to fall back on when demand for their goods and services dries up.”

Al Jazeera

Although many large companies do not have a direct relationship with informal MSMEs in their value chains, they can still provide support to them through partnerships with their suppliers, business partners, donors and NGOs who have established networks and relationships.

IMMEDIATE RESPONSE

CORE BUSINESS

Harness policies, processes, products, services, technologies, financing mechanisms or business models.

LIVES



Reach and empower MSME partners with advice and support to enable their workers, families and communities to stay safe

- Where you have a direct relationship with MSMEs in your value chains, reinforce existing public health messages and provide health and hygiene information for business partners to share with workers and communities. Small retailers, for example, often act as community hubs and are ideally placed to share information. Where you have an indirect relationship, encourage

and support suppliers, local business partners and existing NGO partners to do the same.

- Use marketing expertise and access to media channels to support TV, radio, online and print media public information campaigns, harnessing key influencers including community and faith leaders, to reach MSMEs in local communities.

For example:

- Cargill is using its mobile application to raise awareness among their cocoa suppliers in Côte d'Ivoire of government public health messages to help fight the spread of the COVID-19 virus.



LIVELIHOODS



Keep MSMEs in business and help them adapt to new market conditions

- **Support cash flow and keep finance flowing:** Helping MSMEs with cash flow is a top priority. There are a number of actions you can take now to do this:
 - + Provide contractual flexibility: If you source directly from an MSME business partner, pay suppliers immediately to improve cash flow. If you distribute through an MSME, consider stock buy backs (for retailers). If you work indirectly, encourage your local network of suppliers and business partners to do the same. Also work with suppliers and business partners to ensure that MSME partners are protected from exploitation and profiteering.
 - + Consider direct financial support: Consider opportunities to provide cash grants, extend credit or make affordable loans to provide temporary relief.
 - + Work with others to make financial support quick and easy for MSMEs to access through digital technology: Explore with existing bank partners, mobile money providers, micro-finance

institutions and NGOs ways to keep finance flowing to MSMEs through grants and affordable credit. Mobile money and app-based digital payment systems can play a key role in reducing the need for cash transactions (thus reducing the risk of infection), enabling MSMEs to continue to accept and make payments and ensuring finance gets to where it is most needed quickly and efficiently. Adapting and building on existing technological infrastructure to deliver these services is key.

- **Help to re-focus MSMEs on new opportunities:** With the right support, MSMEs can be remarkably agile, innovative and adaptable. Either directly or indirectly through suppliers and intermediaries, help MSMEs to offer products and services to meet new areas of demand, enabling them to generate fresh sources of revenue and re-assign workers to other jobs. For example, small-scale retailers have strong local networks in local communities, and could focus more on distributing essential health products, for example hand sanitiser, and providing health advice and information.

- **Re-orientate existing MSME support programmes from a growth to survival focus:** If you have existing support programmes for MSMEs, work with implementation partners to re-configure support activities from a long-term growth orientation to a focus on short-term survival. Engage existing government, donor or NGO partners on what needs to be done differently in the short-term, adapt and reset. TechnoServe has developed [a specific guide](#) to help support this process.
- **Coordinate action and learning:** Harness existing MSME-orientated collaboration platforms and partnerships to coordinate action with business partners and other stakeholders in specific value chains and locations to develop more joined up solutions, reduce duplication of effort and share learnings. Identify ways to work together with other large companies within regulatory parameters. For example, mobile telecoms companies can work together to increase interoperability of devices and technology across their networks to facilitate the use of mobile money and payment apps.

CORE BUSINESS

LIVELIHOODS



- **Maintain dialogue with local representative groups:** Sustain dialogue with local groups representing MSMEs to stay informed about changing needs and challenges on the ground.

For example:

- Mastercard, alongside consumer goods partners, is enabling extra credit to small retailers in East Africa to enable them to make larger purchases of stock as their source of supply becomes more unpredictable and disrupted due to the COVID-19 crisis.

- The three biggest private banks in Brazil, Itau-Unibanco, Banco do Brasil and Santander, have announced a partnership on the creation of an emergency fund for credit lines, focusing on the payroll of clients whose annual revenue is less than R\$ 10 million (£1.5 million) to preserve current jobs and guarantee small businesses survival during the COVID-19 crisis.
- iFood, Latin America's leading platform for food delivery, has announced support to the 140,000 restaurants in its network. The company has changed its payment terms from 30 to 7 days. It has also set up an emergency fund for its couriers.

- To support small and medium-size businesses through the COVID-19 crisis, Alibaba is offering merchants and couriers subsidies and low-interest loans to mitigate short-term risks and damage and providing free resources and tools for small businesses to accelerate their migration online.
- Mastercard, with BSR, has developed a digital wage toolkit to help small businesses transition to digital payments to enable them to pay their workers more reliably and safely. The toolkit is being rolled out globally with global garment manufacturers and retailers.

LEARNING



Provide MSMEs with business and financial advice on how to manage through the crisis

- Either directly or through intermediaries, provide reassurance, tailored advice and support to MSMEs on key steps they could take to protect and manage their businesses through the crisis. Encourage suppliers and intermediaries working with MSMEs to do the same.

- Make use of the variety of digital tools, remote working apps and global social media platforms available to support and mentor MSMEs through the crisis, taking into account their familiarity with technology and device and connectivity constraints.

For example:

- TechnoServe has undertaken extensive research on remote learning and has [developed a guide](#) to setting up digital learning and engagement platforms for MSMEs.

PHILANTHROPY

Explore ways to leverage corporate philanthropy, employee engagement and social investment.

LIVES & LIVELIHOODS



- ◆ Identify ways to channel flexible, emergency and unrestricted grants to NGOs supporting MSMEs.
- ◆ Engage with international government donors, development finance institutions and foundations providing financing support in relevant locations and value chains and look for ways to combine resources for greater impact.
- ◆ Continue to fund economic development programmes supporting MSMEs.

For example:

- Visa Foundation has pledged \$210 million to fund programmes that will support small and medium enterprises during coronavirus crisis.
- Mastercard has also announced a \$250 million fund to support small businesses in countries where it operates.
- Amazon has announced the creation of the Neighborhood Small Relief Fund to provide cash grants to local small businesses in need during the

novel coronavirus outbreak. The \$5 million fund will focus on small businesses with fewer than 50 employees or less than \$7 million in annual revenue, and in the vicinity of its headquarters.

LEARNING



- ◆ Free up staff time to support and mentor MSME partners.

POLICY ENGAGEMENT

Engage in policy dialogue, awareness raising and institution strengthening partnerships.

LIVES



- Advocate to national governments and international donors to ensure the necessary health resources are available to tackle the crisis.

- Advocate to other businesses to keep investing in countries and supply chains, and doing business with MSME partners.

For example:

- South Africa's largest business association, Business Unity South Africa, is coordinating large-scale private-sector involvement in addressing both the health and economic aspects of the crisis.

- The Confederation of Indian Industry has established an MSME relief fund and has set out a series of policy measures to help MSMEs through the crisis.

LIVELIHOODS



- Advocate to governments to ensure supportive policies are put in place for MSMEs through the crisis, for example tax breaks and other forms of targeted financial support.

- The US Chamber of Commerce has been working with Congress to promote policies to support small businesses and the administration to ensure clear guidance on how to access funds, resources and other assistance programmes.

FUTURE REBUILDING

CORE BUSINESS

- Support recovery efforts by sustaining medium and long-term investments in core operations and value chains to aid reconstruction efforts.
- Accelerate efforts to re-calibrate the company's business models to ensure the economic value created is more equitably shared with MSME partners across the value chain. Re-double efforts to build supportive commercial relationships with value chain partners, ensure decent work and protect human rights.
- Work in partnership with other companies, governments, donors and civil society to build MSME's resilience and ability to withstand future shocks. There is growing recognition that governments, large companies and civil society share the same goal of helping MSMEs to thrive and that there is significant scope to join forces and combine know-how and resources to address deep-rooted systemic challenges that hold back MSMEs.

PHILANTHROPY

- ◆ Continue to provide grant support to sustain the longer-term recovery of the most impacted MSME partners. Continue to support enterprise development programmes and community-based economic development organisations, focusing on areas worse hit by the crisis.

POLICY ENGAGEMENT

- Engage with national governments, international donors, other companies and civil society to develop more strategic, long-term platforms capable of bringing together different players to build a more supportive overall environment for MSMEs and to address the complex, interconnected challenges that they face. A key focus should be on building resilience to withstand future challenges.
- Support business networks and other partners to document and share learnings of what has worked and what hasn't in supporting MSMEs through the global health emergency – for future reference.

RESOURCES

RECOMMENDED RESOURCES, TOOLS AND ORGANISATIONS

TOOLS AND RESOURCES

The Coronavirus and Entrepreneurs in the Developing World: Learning to Support Businesses in Crisis,

TechnoServe: [A guide](#) for re-orientating enterprise support programmes from a growth to survival focus.

Supporting Entrepreneurs with Digital Tools: How to Make Remote Learning Impactful, **TechnoServe:** [A guide](#) for setting up effective remote learning support for small businesses.

Helping small businesses navigate through COVID-19, IFC: [An information hub](#) to help small businesses through the crisis:

Supporting small businesses through the COVID-19 crisis, International Trade Centre: [A hub](#) with insights and guidance to small businesses searching for ways to cope in the crisis.

Coronavirus small business survival guide, US Chamber of Commerce: [A comprehensive listing](#) of all resources available to small businesses.

Five actions retail supply chains can take to navigate the coronavirus pandemic, McKinsey: [This article](#) identifies five actions retailers can take to resolve the immediate challenges that COVID-19 presents to supply-chain workers, business partners, and operations.

COVID-19 Entrepreneur Relief, CASE at Duke's: [A comprehensive and global database](#) of relief finance available to entrepreneurs affected by the pandemic, ranging from grants to loans.

ANDE COVID-19 Resource Centre, Aspen Network of Development Entrepreneurs: This is a [repository of resources](#) for supporting small and growing businesses through the crisis.

Resilience in a Box, The US Chamber of Commerce Foundation: This [toolkit](#) provides information, best practices, and resources for small businesses on how to plan and prepare for crises.

Endeavor Entrepreneur: [Here](#) you can find resources to support entrepreneurs through the crisis.

ILO briefing: <https://www.ilo.org/g>

IDB Response to Covid-19: [This hub](#), co-ordinated by the Inter-American Development Bank, lists initiatives and solutions to support SMEs in Latin America through the crisis.

OECD - SME Policy Responses: [This guide highlights](#) how SMEs are affected by the current COVID-19 pandemic, reports on early evidence and estimates about the impact, and provides a preliminary inventory of country responses to foster SME resilience.

RESOURCES (CONTINUED)

COVID-19: The Impact on Small Businesses and Gaps in Current Solutions, Centre for Development and Enterprise: [This report](#) provides a South Africa perspective on supporting small business through the crisis.

Griffith Centre for Sustainable Enterprise: [This guide](#) aims to assist small businesses to navigate the disruptions caused by COVID-19.

UNCDF Response to COVID-19: The United Nations Capital Development Fund is providing [guidance on digital payment](#) innovations and subnational finance options to accelerate response and recovery as well as policy and regulatory support for governments during the crisis.

The Impact of COVID-19 on Global Start-up Ecosystems: Startup Genome has launched [a series of reports](#) on policy initiatives around the world set up by governments to support start-ups and entrepreneurs.