



International
Trade
Centre

Supporting small businesses
through the COVID-19 crisis
and towards the future:
A 15-Point Action Plan



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Supporting small businesses through the COVID-19 crisis and towards the future: **A 15-Point Action Plan**

The COVID-19 pandemic is an unprecedented global crisis that is affecting human health and economic welfare across the globe.

The COVID-19 pandemic is first and foremost a health crisis: according to the World Health Organization, to date there are several million confirmed cases worldwide (including over 150,000 deaths), with figures continuing to rise¹. The health crisis has placed severe pressure on national health systems, which face shortages of medical staff, hospital beds and equipment, such as ventilators, personal protective equipment and testing kits.

In response, governments of 132 countries have ordered 'lockdowns' – meaning restricting non-essential movement of people and travel bans – to prevent the spread of the disease and ease the pressure on health systems². In some cases, economic activities have been able to continue as people and businesses adopt remote working arrangements and technologies – but where personal interaction is unavoidable, these activities have ground to a halt.

The combination of an acute health crisis and an abrupt economic slowdown has, and will continue to have, a major impact on the global economy. In its World Economic Outlook released in April 2020, the International Monetary Fund forecasts an aggregate contraction of 3% across the globe in 2020, but goes on to warn of 'severe risks of a worse outcome' if the pandemic does not fade in the second half of 2020³. The United Nations Conference on Trade and Development (UNCTAD) estimates that cross-border investment flows will plunge by as much as 30% to 40% in 2020-2021⁴.

The International Labour Organization estimates that the crisis has caused a decline in aggregate working hours of 6.7% in the second quarter of 2020, equivalent to the loss of 195 million full-time jobs⁵.

1 <https://auravision.ai/covid19-lockdown-tracker/>

2 *ibid.*

3 <https://www.imf.org/en/Publications/WEO/Issues/2020/04/14/weo-april-2020>

4 https://unctad.org/en/PublicationsLibrary/diaeiainf2020d3_en.pdf

5 https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms_740877.pdf

Small businesses in developing and transition economies relying on international trade flows are particularly vulnerable to the negative repercussions of the crisis.

The International Trade Centre (ITC) is dedicated to supporting the competitiveness of micro, small and medium-sized enterprises (MSMEs) in international markets, seeking thereby to create job opportunities and raise incomes, especially for women, young people and poor communities. ITC is uniquely sensitive to the impacts that the crisis will have on MSMEs in developing and transition economies and that depend on imports or exports to keep their businesses going. The nature of these businesses makes them particularly susceptible to the crisis in three ways:

1. MSMEs have less in-built resilience to economic shocks.

MSMEs are facing a variety of problems because of the crisis: on the supply side, they include movement restrictions on workers or a constricted supply of inputs due to supply chain disruptions; on the demand-side, they include weak consumer confidence or government-imposed stoppages that have cut off access to customers.

Although these problems are similar to those larger businesses are facing, micro, small and medium-sized enterprises are much more vulnerable to them. MSMEs are overrepresented in sectors that have been hit the hardest by the crisis, such as transport, manufacturing, construction, wholesale and retail trade, tourism, hospitality, real estate, professional services, and other personal services (e.g. hairdressing)⁶.

MSMEs tend to rely on a narrower supply base and are less able to switch suppliers quickly if the COVID-19 response prevents them from accessing essential inputs. They also tend to have fewer assets and less cash than larger businesses and find it more difficult to access

credit, meaning that sudden and prolonged drops in revenue can rapidly turn into a cash crunch⁷. For similar reasons, MSMEs may be unwilling to invest in the technologies required to continue operations during a lockdown (for example IT software and hardware, digitization of work processes, video-conferencing facilities), reducing their resilience even further.

In light of these challenges, the Organisation for Economic Co-operation and Development (OECD) has predicted that 'over 50% of SMEs will not survive the next few months'⁸. ITC confirms this statement with its survey findings that over 25% of micro firms risks business closure within three months and another almost 20% within six months.

6 https://read.oecd-ilibrary.org/view/?ref=119_119680-di6h3qgi4x&title=Covid-19_SME_Policy_Responses

7 https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms_740877.pdf

8 https://read.oecd-ilibrary.org/view/?ref=119_119680-di6h3qgi4x&title=Covid-19_SME_Policy_Responses

2. MSMEs in developing and transition economies will face greater disruption over a longer period.

In developing and transition economies, the policy response to COVID-19 may be undermined by fragile, under-funded health systems and limited institutional capacity within the government to enforce social distancing measures. This renders it much more difficult to manage the disease.

Developing and transition economies are also more exposed to the economic fallout from the crisis, including falling commodity prices, capital flight, a collapse in remittances (as the diaspora in developed countries lose their jobs) and resulting balance-of-payments crises⁹. This macroeconomic squeeze will inhibit the scope for borrowing and fiscal stimulus in these countries as well as limiting the availability of hard currencies for businesses that trade internationally.

Developing and transition economies are further disadvantaged by high rates of informality: 69.9% of their workers and 82.5% of their businesses are informal, according to the most recent statistics collected by the International Labour Organization (ILO 2018)¹⁰. Informal workers can be laid off more easily and are generally not protected by unemployment insurance or other social safety nets. At the same time, informal businesses may find it hard or even impossible to access government-sponsored support programmes for MSMEs. Business-owners in developing countries will have to navigate all these challenges to safeguard the health and well-being of their personnel while preserving the viability of their business and protecting their market shares at home and abroad.

3. MSMEs that rely on imports and/or exports will face a more challenging trade environment.

World merchandise trade is set to plummet by 13% to 32% in 2020, according to World Trade Organization (WTO) estimates, exacerbating the 0.1% decrease in volume terms that the world experienced in 2019¹¹.

International trade in services will also crash as a result of government-imposed restrictions on movement and the closure of retail and hospitality establishments; in 2017, transport, tourism, and distribution services, all of which are now hamstrung by the crisis, accounted for almost 40% of world trade in commercial services¹².

The global pandemic is driving these trends on the demand side as consumers and businesses tighten their belts in response to rising unemployment, economic uncertainty and revenue losses.

But trade is also impeded on the supply side: producers, transport and logistics companies, freight forwarders and other actors across international supply chains are facing a growing list of precautionary measures to contain the spread of the virus.

This includes new government regulations and enhanced controls at the border in origin,

9 <https://www.economist.com/leaders/2020/03/26/the-coronavirus-could-devastate-poor-countries>

10 https://ilo.userservices.exlibrisgroup.com/discovery/delivery/41ILO_INST:41ILO_V2/1252879760002676?lang=en

11 https://www.wto.org/english/news_e/pres20_e/pr855_e.htm

12 https://www.wto.org/english/res_e/publications_e/wtr19_e.htm

transit and destination countries, new guidelines issued by industry associations or international organizations, and voluntary measures adopted by the private sector.

In the case of sensitive product categories such as medical supplies or staple foods, a growing

number of countries have even imposed export bans. The effects of global disintegration magnify for least developed countries, landlocked developing countries and small island developing states, which already struggle to link into global value chains.

Notwithstanding these challenges, small businesses will be protagonists in the crisis response and recovery efforts.

MSMEs are often the driving force behind the 'essential services' that have been allowed to continue during government-imposed lockdowns. Those in the construction sector can play a vital role in the push to build new hospitals or repurpose existing buildings into large-scale intensive care units. Those in the manufacturing sector have repurposed their production lines to churn out personal protective equipment or ventilator components. Micro and small businesses are active in transporting health workers to and from hospitals, cleaning public spaces, producing and distributing food products and delivering them to our doorsteps.

In almost all cases, MSMEs rely on goods that have been sourced internationally or will be moving those goods themselves, either as exporters or as part of the logistics process. It is more important than ever, therefore, to conserve the links between small businesses and international markets, especially in those developing and emerging economies that stand to suffer the most from this crisis.

It is critical to remember that our societies will depend on micro and small businesses to power the recovery process once the immediate health crisis will pass. MSMEs represent around 70% of jobs and around half of economic activity around the world, employing a disproportionate share of less qualified workers, young people and women. They were already expected to generate 600 million new jobs by 2030, before the crisis began. Without a strong MSME sector, it will be impossible to recover a positive trajectory towards achieving the UN Sustainable Development Goals by 2030.

Governments should implement support measures for small businesses, informed by best practices from across the world.

In contrast to the 2008 financial crisis, policymakers have recognized that MSMEs are on the front line of this crisis: they have been quick to announce support measures for small businesses and their employees. ITC has organized these measures as follows:

13 <http://www.intracen.org/uploadedFiles/intracenorg/2015SMEComp.pdf>

14 <http://www.intracen.org/uploadedFiles/intracenorg/Content/Publications/SMECO2019.pdf>

1. Concessional financing

Low-interest and zero-interest loans are the first-line defence in many countries seeking to safeguard the short-term liquidity of MSMEs. Government-backed credit guarantees and government-ordered debt repayment moratoriums are relatively easy to implement, but have the drawback that they

increase debt exposure of firms taking advantage of it. Trade finance can help cash-strapped small businesses keep their export clients and is particularly relevant for firms exporting to compensate for lower local demand.

2. Tax reductions and grants

Governments are reducing corporate tax rates and offering grants to businesses in hard-hit sectors in an effort to help reduce costs and boost the bottom line. With the prospects of replacing revenues lost to pandemic-induced shocks being slim in many cases and the uncertainty of how long the crisis

will last, these measures have the advantage of not increasing a business' indebtedness. To shore up export-dependent firms, many countries are waiving customs fees and providing grants to replace lost export revenues.

3. Employment incentives

Employment incentives refer to measures aiming at maintaining workers on the payroll. The German short-term work allowance is an example of this. The Great Recession has shown that this works well for dealing with relatively short-term shocks. Subsidizing business sick-pay expenses, expanding health insurance to cover costs for test, treatment

and vaccination can help small businesses reduce costs for maintaining employment. These programmes are available to businesses in affected sectors, including those adversely affected by export shocks, and are at times explicitly targeting export-oriented sectors.

4. Targeted interventions to assist specific groups of firms or activities

Certain interventions deployed during the pandemic target specific groups of firms or certain activities. Numerous examples exist that directly target trade-

related activities. The 15-Point Action Plan outlines the five main categories of interventions supporting importing and exporting firms.

Governments across the world are implementing different combinations of such measures to: lift the immediate pressure on companies' cash flow; strengthen the resilience of MSMEs by diversifying their sources of revenue; help MSMEs keep workers on the payroll and mitigate the negative consequences of unemployment or underemployment; harness private-sector innovation to address the urgent short-term challenges that our societies face; and boost post-crisis competitiveness in the digital economy.

Internationally minded small businesses need governments to remain open to trade, so that they can continue to do business with their suppliers and customers in other countries.

Some countries have announced export controls that ensure an adequate supply of essential goods, principally medical supplies and food, within their domestic market. Trade-restrictive measures on essential products could have a raft of unintended consequences. First, by introducing their own trade restrictions (sometimes referred to as a 'tit-for-tat'), they could set off a chain reaction of protectionist policies as countries retaliate against their trade partners' measures. This could both prevent supplies from moving to areas with the greatest need and inadvertently block the flow of intermediate goods required to produce the supplies in the first place (as has been the case for some of components used to build hospital ventilators).

Export restrictions on essential goods such as medical supplies and food products could increase the price of these goods both domestically and on the international market, with devastating repercussions for low-income countries. This would constitute an avoidable rerun of the mistakes made during the 2008-2011 food crisis, when food price spikes were exacerbated by export restrictions in numerous countries, causing hunger among consumers (due to the supply squeeze) and among producers (whose access to markets and, by extension, revenue streams were curtailed). For MSMEs active in the global value chains responsible for the production of essential goods as well as those relying on well-nourished people in their surrounding communities, the extent to which goods are allowed to flow freely will be an important factor in determining their survival during, and economic health subsequent to, the COVID-19 pandemic.

Governments, business support organizations and small businesses should develop and coordinate the immediate crisis response in a collaborative manner. Multilateral institutions can support national players in these efforts and – in an interconnected world – play a crucial role when it comes to coordinating responses at the international level.

To avoid the worst possible outcomes, internationally minded MSMEs must reach out to border regulatory authorities and governments, to keep them informed of the specific ways in which the crisis is affecting their business and to provide feedback on the design of support policies and crisis-response legislation.

Governments are also responsible for consulting MSMEs and the private sector more broadly before introducing policies or regulations that could potentially affect business. Such consultations can help ensure that interventions are appropriate, well designed and targeted. Business support organizations are often best placed to act as a conduit for the flow of information between the private sector and public sectors,

15 <https://www.piie.com/blogs/trade-and-investment-policy-watch/eu-limits-medical-gear-exports-put-poor-countries-and>

16 <https://openknowledge.worldbank.org/handle/10986/33514>

collecting and aggregating the views of MSMEs, building consensus on common positions and offering policy recommendations that promote the interests of the business community.

Business support organizations should also liaise between MSMEs and multinational companies that occupy a systemic position within the international trading system (e.g. shipping lines, air cargo operators, commodity trading companies and consumer goods corporations) – these companies' internal policies will have an impact on the MSMEs that act as their suppliers, third party service providers or distributors.

Lastly, policymakers, border regulatory authorities and business support organizations must coordinate and harmonize their actions with their counterparts in other countries. It is unlikely that small business needs with transnational business interests are met if policies and regulations are applied inconsistently on either side of the borders across which they transact. International organizations are of great assistance in this regard.

Governments have a duty to address the needs of vulnerable populations – such as women, youths and minorities – when developing support policies for small businesses.

Women are disproportionately concentrated in the MSME and informal sectors, both as workers and as business owners. Research shows that women within these sectors are often employed on a casual or temporary basis and are therefore the first to lose their jobs in a crisis.

Moreover, women's participation in international value chains is often invisible and poorly or not remunerated. For example, men often manage and own smallholder farms in African coffee and cocoa value chains, but women perform the bulk of tasks related to production (coffee) and post-harvesting (cocoa). While a fall in demand and commodity prices will severely affect them, they may be overlooked when policymakers estimate impacts and draw responses. It is therefore important to ensure that women benefit from existing or new government interventions by providing access to relevant information and collecting gender-disaggregated data to monitor the uptake and effectiveness of public policies.

Youths are similarly exposed. One in five of the world's youth are not in employment, education or training. Youth unemployment rates are about three times as high as those of adults, according to the ILO. Young people, and especially young women, often work within an informal economy and have low-paid, less secure and less protected jobs. It is imperative that governments encourage or incentivise MSMEs to maintain employment, improve social protection and offer training for the most vulnerable groups in exchange for the support they receive.

17 Barrientos, Stephanie, Naila Kabeer, and Naomi Hossain. 2004. "The Gender Dimensions of the Globalization of Production." Policy Integration Department Working Paper Series 17. International Labour Organization: Geneva.
18 https://www.ilo.org/global/research/global-reports/weso/2019/WCMS_670542/lang-en/index.htm

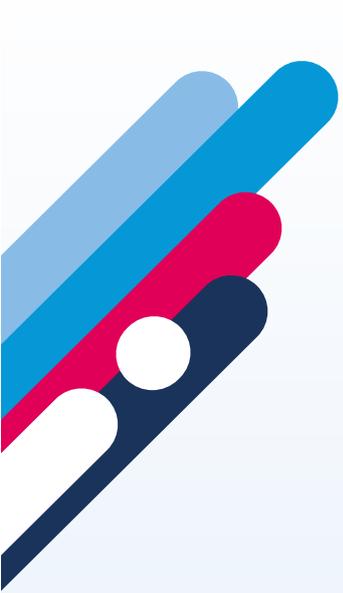
Governments, business support organizations and small businesses need to begin reflecting upon the challenges and opportunities of operating in a 'post-crisis' world.

There are many reasons to believe that economies will not revert to a pre-crisis state of affairs once the pandemic has passed. Health is likely to be at the forefront of people's minds over the medium-term, at least until a vaccine is developed. MSMEs and business support organizations may have to work with governments to define a set of sanitary measures that become 'permanent' or 'semi-permanent' features of the business environment.

Internationally, governments will have to convince their counterparts in other countries that their sanitary and phytosanitary control systems are adequate to ensure the unencumbered movement of goods and services between their respective territories. International buyers may also impose voluntary standards on their suppliers, to guarantee the safety of their products and safeguard their reputation among consumers.

In response to this, small businesses will have to reorganize manufacturing lines, office space, call centre operations, hygiene facilities and other spaces to address these immediate demands. For the service sector to bounce back, governments and airlines will need to find ways to reduce quarantines in the business, events, education and leisure travel sectors.

Over the longer term, MSMEs, business support organizations and governments in developing countries will have to adapt to an economic system that places greater emphasis on digital processes and on supply-chain reliability. The ITC 2017 *SME Competitiveness Outlook* showed that companies respond to uncertainty by strengthening operations in places where the policy environment is most stable and where trade costs are lowest. This newfound concern with supply-chain reliability is therefore likely to result in a greater geographical concentration of economic activities, raising the prominence of regional value chains. To remain competitive, businesses will have to adjust, and governments will have to support them by pursuing further regional integration with their nearest neighbours.



A 15-POINT ACTION PLAN FOR OPEN ECONOMIES

To support our partners through these difficult times, ITC has developed the following 15-Point Action Plan for micro, small and medium-sized enterprises (MSMEs), business support organizations and governments. The plan supports internationally minded MSMEs through the crisis and allows them to be on the forefront of generating resilience, inclusiveness, sustainability and growth in the future.

Business support organizations play the important role of agile, expert and trusted connectors between MSMEs and the government. We should not underestimate their role: ITC survey results show that half of the business respondents consider it difficult or very difficult to access information and benefits from COVID-related governmental assistance programmes.

For governments, the plan proposes five action points directly targeting the facilitation of exports and imports. Such measures should complement other measures that governments may take to support the economic well-being of small businesses and their employees who form the backbone of every economy.

RECOMMENDATIONS FOR BUSINESSES

Prepare your immediate response to the crisis...

1. Adapt business processes by applying common-sense precautions and restructuring operations.

Export-oriented MSMEs, like other businesses, can revise and reorganize their internal business processes to curb the spread of the virus. To the extent possible, businesses should introduce remote working arrangements by leveraging information and communication technologies, such as teleconferencing software, instant messaging services, cloud-based file-sharing systems, collaborative work apps, and so on.

Businesses should empower their staff by offering them tailored training programmes, cancel business travel and replace it with telecommunication. If remote working arrangements are not feasible, businesses should take common-sense precautions to ensure that workplaces are hygienic and safe, for example by regularly cleaning workspaces, ensuring availability of

hand sanitizer and soap, instructing staff to avoid handshakes, keep a minimum distance and staggering work hours¹⁹.

In a post-crisis world, work spaces may also have to be adapted, for instance restructured manufacturing lines to support distancing, reorganized markets to support hygiene and innovative logistics and packaging to reduce the possibility of contamination. Small businesses should anticipate buyers requesting this of their suppliers when trade restarts. Staff having to undertake unavoidable work-related travel should receive explicit instructions on the hygiene and social distancing guidelines that apply in the execution of their duties. Although these measures may imply additional costs in the short run, they will reduce a small business' costs in the future.

2. Optimize cash management and identify efficiency gains.

MSMEs can free up liquidity trapped inside the business to increase their chances of survival and improve resilience and sustainability: they can do so by introducing cost reduction measures,

negotiating new terms with input suppliers and service providers, reviewing portfolios of receivables and offering discounts for early payment to large buyers.

¹⁹ https://www.who.int/docs/default-source/coronaviruse/getting-workplace-ready-for-covid-19.pdf?sfvrsn=359a81e7_6

On the financing side, many banks are providing short-term loans or allowing renegotiation of payment terms. Business owners should reach out to local investors to expand the equity of their company and bring in liquidity. They may also want to focus on product and service lines that provide the quickest access

to cash, even if they are not of the highest value. Informal businesses and those not connected to formal financing networks, should reach out to understand government support programmes and take the necessary action to benefit from them.

3. Re-orient your activities and your resources to ensure business continuity during the lockdown.

As demand for certain goods or services collapses, others may increase. Many businesses have therefore chosen to adapt their business models temporarily to cope with the lockdown. Food producers who would typically sell their produce to restaurants are experimenting with direct home deliveries²⁰.

Hotels have offered to accommodate health workers who do not want to return home between shifts, either to avoid commuting during their short breaks or to fend off the risk of contaminating their homes and their families. The apparel industry in several countries is reorganizing its businesses to produce

medical masks, overcoats, caps and waterproof, sterilized suits. Other manufacturers are repurposing their production lines to produce ventilators or ventilator components, in response to pleas from governments.

Some businesses that are unable to adapt their activities have chosen to 'loan' their workers to others who are experiencing a boom in demand, such as home delivery services. Measures such as these can allow businesses to survive for long enough to resume operations after the lockdown, better prepared than they would otherwise have been.

4. Foster relationships by improving communication with partners and employees.

Frequent and frank communication with suppliers, customers and third-party service providers, such as transport companies and banks, will largely determine whether a micro, small or medium-sized enterprise can ensure business continuity. Close contact with

freight forwarders and customs officials can provide useful information on alternative routes or shipment modalities. Communication with customers in the destination market could yield valuable market information, including tentative signs of a recovery – signals that will

²⁰ <https://freakonomics.com/podcast/covid-19-food-supply/>

ultimately inform decisions to reengage a supply network or restart operations.

In addition, MSMEs should maintain an open channel of communication with workers, who may be taking on new responsibilities (e.g. childcare) or facing unexpected physical or mental health problems. Open and honest exchanges with employees are more likely to result in mutually agreeable solutions. Maintaining relationships with dismissed or furloughed workers will allow calling upon skilled workers at short notice when demand picks up.

Next to operational concerns, businesses should seek support from chambers of commerce, export promotion agencies, sectoral associations and other support organizations, which can offer advice on government support and advocate on their behalf. Now more than ever, it is crucial that businesses and their representatives take advantage of public-private dialogue forums and consultation mechanisms to make their views known to policymakers and regulatory authorities.

...and get ready for the “new normal”.

5. Build business models that foster resilience, inclusiveness and sustainability and ride the digital wave.

The decisions that business owners take today will help define the world in which they will live and operate tomorrow – for instance by contributing to inclusion and sustainability. Well-prepared companies emerging from this crisis will be able to deal with the ‘new normal’, manage their teams,

win over new customers and increase their market-share. MSMEs need to act now to transform their crisis-mitigation measures into productivity gains and a long-lasting strategic repositioning in the market. The following aspects are likely to be key for them in the new global economy:

Resilience

Strengthening the resilience of supply chains has been high on the agenda of businesses for the past ten years – and it is likely to gain importance in the aftermath of the COVID-19 pandemic. This may imply refocusing on regional value chains that offer a more stable and predictable policy environment.

Sustainability

In terms of cost reductions during this crisis, businesses should consider improving their resource efficiency by frontloading investments in energy efficiency and renewable energy and adopting circular economy principles. This could include, for example, the optimization of water and energy consumption using smart technologies, or the generation of energy from waste products. Careful monitoring of input use can provide useful insights into operational cost savings. Changes made now will pay off later in a company’s life as the global pandemic recedes from view and the climate emergency reclaims its status as the most serious problem the world is facing.

Inclusiveness

Employers will have to be increasingly conscious of how they relate to employees. Stakeholders will increasingly push for more inclusive, safe, humane ways to relate to workers – and evidence shows that well-treated workers are more productive.

Digitalization

Many businesses will use their downtime during the crisis to improve their digital capabilities. Product-based businesses will begin to offer their entire product portfolio online, while service providers will develop 'productized' and simple-to-buy online services packages. E-commerce will most likely accelerate and may even boom after the crisis. Digital facilities will no longer be optional: consumers, clients, business partners and workers will come to expect them as a matter of a course. Cash payments and paper-based documents (for example, invoices or pay slips) will become 'a thing of the past'. Files that move onto the cloud will not migrate back to their owners' hard drives.

RECOMMENDATIONS FOR BUSINESS SUPPORT ORGANIZATIONS

Prepare your immediate response to the crisis...

6. Channel the flow of trusted information and build bridges to rapidly deploy solutions.

Business support organizations play the important role of agile, expert and trusted connectors between MSMEs and the government. They benefit from their convening power to collect and aggregate the views of small businesses, build consensus and offer policy recommendations to governments. They can leverage internal and external networks to ensure micro enterprises, women-led businesses, rural MSMEs and others are not left behind.

Business support organizations can very quickly provide MSMEs with information about business continuity, teleworking, crisis leadership and cash flow management by curating and sharing external links. Once governments announce their support packages, such organizations can help disseminate information to MSMEs and distribute

resources, mobilizing their existing networks and leveraging their credibility.

They also play the role of trusted intermediary, for instance by promoting an emergency bank loan with reduced collateral requirements for businesses with a record of having engaged with a business support organization.

To the extent possible, business support organizations should design interventions that build on the broader ecosystem within which they function; a good ecosystem of business support actors will include public, quasi-autonomous and private organizations from a range of sectors (such as finance and logistics). These actors can work together to develop system-wide responses to the health and economic crises that MSMEs are currently facing.

7. Coordinate collective actions by MSMEs for resilience, scale and efficiency.

Business support organizations have knowledge about business supply capability and difficulties. With this expertise, they can encourage businesses to join forces, develop and promote new standards or brands with collective

marketing campaigns, reduce costs through shared procurement during the health crisis, create a new local supply chain or cluster to respond to new opportunities.

The support organizations can also intermediate between small businesses and multinational companies that occupy a systemic position within the international trading system (e.g. shipping lines, air cargo operators, commodity trading companies and consumer goods corporations). Shipping and airlines are modifying their routes, reducing frequencies, or cancelling port calls. Next to providing up-to-date information on these changes, business support organizations can combine the freight requirements of many businesses to influence the decisions.

Trading companies or consumer goods corporations may choose to cancel their orders in response to logistical difficulties or suppressed demand. In many cases, small businesses using the services of, or acting as suppliers to these companies, need to communicate their concerns collectively through business support organizations. Such an approach requires the organization's leadership, bringing businesses together, matching opportunities with a shared offer or a common need, and testing the willingness to cooperate in ways that are neutral, fair and respect commercial sensitivities.

8. Be both global and local to inform and reduce the risks that business owners must take during the crisis.

Research is an essential activity that MSMEs rarely have the time or the resources to carry out themselves. They suffer from a lack of information about global trends in supply and demand that might be relevant to their business, and how these trends are changing in response to the crisis. Business support organizations can play an instrumental role in using international networks and partners to carry out research on these topics and disseminating the findings to MSMEs and other interested parties.

Empowering businesses with cutting-edge intelligence, including highly customized research in trade barriers and

opportunities, ensures optimal decision-making during the lockdown, minimize losses and reduce the pressure to shed staff. In all these cases, MSMEs can profit from the shared branding and credibility that business support organizations can provide in international markets. Because such organizations act on behalf of many businesses, they are in a great position to shoulder some of the risks when entering new markets or international value chains. They do so by building in-market networks of partners and experts and jointly negotiating with trade partners to break down tariff and non-tariff barriers.

9. Use digital platforms to enhance the competitiveness and agility of your MSMEs to reach customers.

Most of the services offered by business support organizations – such as trade missions, business matchmaking events and conferences – involve face-

to-face meetings or large gatherings of people. Before the crisis, many of these organizations had already begun to experiment with digital technologies,

to reduce the cost of their activities and reach a wider audience. Over the course of the ongoing crisis, this process will accelerate. Face-to-face meetings and business matchmaking can go digital, at least partially, through a combination of online platforms and videoconferencing facilities. But their role as trust-builder between actors will be even more critical. Conferences and workshops can transform into webinars, however, questions remain about the degree to which these tools can support sustained interactions among participants.

In the case of developing and transition economies, business support organizations have to pay considerable attention to the quality and reliability of local internet connections as well as internet penetration rates and levels of computer literacy. In some cases, the digital platforms they offer may be a business' only online presence. In this case, businesses may rely entirely on the support organization to intermediate between them and their potential customers abroad. Digital platforms could also pool resources, allowing businesses to reduce costs through shared procurement, create economies of scale and access new opportunities.

...and get ready for the 'new normal'.

10. **Be a leader in enabling MSMEs to thrive within a digital, global economy geared towards resilience, inclusiveness and sustainability.**

With a focus on rapid business recovery, this crisis could result in even greater vulnerability, inequality and higher climate risks. Business support organizations have a crucial role in supporting business recovery but also in ensuring sustainable and inclusive growth along the newly found importance of resilience.

The crisis creates an opportunity to shift efforts away from existing businesses and towards innovative start-ups, from urban towards rural areas, from exploitative business practices towards environmentally and socially responsible

sectors. Digital solutions will play a key role in this.

Business support organizations will be most effective in achieving these goals when they empower a network of actors with shared objectives and complementary strengths, delivering seamless solutions for business growth and generating sustainable, equitable and climate-friendly impacts for small businesses, their workers and their surrounding communities alike.

RECOMMENDATIONS FOR GOVERNMENTS

Prepare your immediate response to the crisis...

11. Resist the allure of trade protectionism, as it could lead to a shortage of essential goods.

The free movement of goods and services is critical to producing essential products (such as medical equipment and food), ensuring relative abundance and low prices across the world. Trade is also integral to the health of the global economy. Governments should therefore refrain from imposing export restrictions such as bans or taxes. If they use export restrictions, they should be targeted, proportionate, transparent and temporary²¹.

Governments can facilitate access to essential medical supplies by reducing to zero or temporarily waiving customs duties, VAT payments and withholding taxes due on products identified in the joint WCO-

WHO HS Classification reference guide for COVID-19 medical supplies (2nd edition)²².

Governments should do the same for food products to enhance nutritional intake and boost their populations' immune systems. To compensate for the outflows of foreign exchange that will result from the crisis, governments can abolish bans, quantitative restrictions and taxes on exports as well as removing non-tariff barriers to trade. This would include licensing and permit requirements that are not needed to maintain market access or protect human, animal or plant health. This will boost exports and attenuate the shortage of foreign exchange for MSMEs.

12. Expand and facilitate access to trade finance for MSMEs, including those run by women or young entrepreneurs.

Exporters often need credits to cover the costs for the inputs they use to manufacture products, or to finance their operations during the time between the initial placement of an order and receiving a client's payment.

The ongoing pandemic has had a negative effect on both the cost and the availability of trade finance for small businesses with commercial lenders limiting their exposure due to the higher liquidity costs and the perceived risk

21 <https://openknowledge.worldbank.org/handle/10986/33516>

22 http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/nomenclature/covid_19/hs-classification-reference_en.pdf?la=en

of short-term finance. As a result, governments increasingly need to provide short-term trade finance and export credit for companies.

Several economies have announced new and/or expanded short-term programmes to provide financial support to national exporters, with a focus on MSMEs. Governments should put their attention on young and women entrepreneurs in the design and rollout of such programmes since the crisis has worsened their existing disadvantage in accessing formal finance.

In developing and transition economies, constraints on the operational capacity and capital of local banks are limiting the availability of trade finance for MSMEs, and governments are unable to bridge the gap. Multilateral development banks are therefore stepping in with

emergency initiatives dedicated to trade finance and working capital for businesses. However, declines in inter-firm trade credit can have a faster and larger impact on firms than reduced credit from the financial system, due to knock-on effects of any firm insolvency on other firms in the value chains. This can limit the effectiveness of public-sector interventions.

To address this problem, governments can set up funds to reinsure major trade credit insurers committing to not reducing credit lines: enforce payment discipline by larger firms to small businesses (especially when these are receiving state support), and expedite payments in the public procurement system.

13. Facilitate cross-border trade in goods and services and streamline the movement of essential products.

Border officials face the unenviable task of balancing the need to expedite imports, exports and transit, including of necessary medical supplies, donations and relief consignments, while ensuring epidemic prevention and providing adequate customs clearance and compliance controls of goods and transport personnel. They can achieve that by following trade facilitation principles and best practices, including those listed in the WTO Trade Facilitation Agreement. Below are some examples how governments and border regulatory authorities can facilitate trade during the crisis²³:

- mutually recognizing conformity assessments and certificates for medical equipment, essential food items and farming inputs conducted in countries with similar or higher standards;
- enhanced border management coordination, for example, between customs and sanitary and phytosanitary authorities on identifying essential goods and the relevant derogations that should be applied;

23 <https://openknowledge.worldbank.org/handle/10986/33516>

- special regimes for expedited clearance of essential medical goods, food products and farming inputs;
- establishing enquiry points to inform on crisis-related restrictions and regulations and their impact on moving people and goods across borders;
- expanding the use of integrated risk management to include health-related criteria, allowing border regulatory authorities to accurately identify high-risk shipments and rapidly clearing low-risk goods;
- accelerating clearance processes for trusted traders / authorized economic operators who respect health-related rules and regulations.

14. Spur the digitalization of trade documents and procedures, in collaboration with the private sector.

The WTO Trade Facilitation Agreement encourages countries to introduce digital clearance processes (for example, article 7.1 on pre-arrival processing, article 7.2 on electronic payments and article 10.2 on the acceptance of copies).

Clearance procedures based on electronic documents and payments are simpler, faster and safer, limiting physical, in-person interactions between traders and border regulatory authorities. In addition to the digital processing of documents (sometimes based on scanned versions of paper-based originals), governments can

consider issuing original documents electronically. This could build on existing initiatives, like the effort to issue e-Certificates of Origin in the West African Economic and Monetary Union region.

In some cases, the responsibility for digitalizing trade documents lies mainly with the private sector, as in the case of e-BLs (electronic Bills of Lading) or e-LCs (electronic Letters of Credit), but governments can facilitate the process by providing legal certainty that such documents will be recognized within their jurisdictions.

²⁴ Article 10.4 on Single Window systems also encourages the use of information technology, but the implementation of this measure takes time and is therefore not a viable response to the crisis.

...and get ready for the ‘new normal’.

15. Prepare to operate in a digital, global economy geared towards resilience, inclusiveness and sustainability.

The COVID-19 crisis has illustrated how vulnerable supply chains are to shocks in other countries. This is not the first event in the 21st century that has highlighted this vulnerability. The Great Recession, climate events (for example, the Fukushima tsunami) and an increase in protectionist rhetoric had already led to a rethinking of value chain operations.

The COVID-19 crisis is likely to lead to an even stronger focus on resilience of supply chains. Governments and companies will attempt to diversify their supply sources, yet at the same time strengthen operations where the policy environment is most stable and reliable.

To compete effectively in this changing environment, governments will need to upgrade their sanitary and phytosanitary control systems and embrace digital technologies. Resilience in the light of climate change will continue to matter. Policy and regulatory reforms in information and communications technology services will need to accelerate to increase access, improve reliability and reduce costs. Inclusiveness will become an inherent element of agility to adjust to change and of resilience in the light of change. Those who begin to ‘upgrade’ now will be able to test this economic model and gain a head start over their competitors in the future.

For more information related to COVID-19 and
#SMERecovery, please visit our website:

www.intracen.org/covid19

and follow us on social media with:

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