

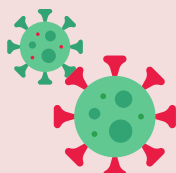
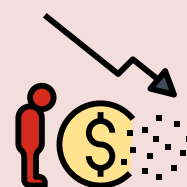
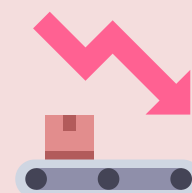


SMALL AND MICRO ENTERPRISES (SME) IN COVID-19 SITUATION

Covid-19 has impacted negatively on SMEs across the globe. Both rural, with agriculturally based activities and urban, with manufacturing and services-based micro-enterprises, are suffering heavily. The pandemic interferes the supply chain of the food and agriculture market with impaired production and distribution accompanied with lack of labor and supply of inputs, being a serious impact on SME and the food security.

IMMEDIATE EFFECTS OF COVID-19 IN SME

- **Impact on SME supply & service - Total or partial closure** of non-essential SME, **curfews, prevention measures** and **movement restrictions** have impacted on the ability of businesses to offer their services and products.
- **Drastic fall in incomes and reduction in working capital** – SMEs are **more vulnerable and less resilient**. Working capital is directly related to sales. Drops in demand due to restrictions and/or loss of consumer purchasing power, leads to a scaling-down of business operations and incomes. Savings are minimal and usually in stocks.
- 1. • **Job losses and decline in employment opportunities**. The drop in business operations results in a decrease of the labour force needed, and therefore in job losses.
- **Delay in payments from customers - unemployment**, loss of incomes and restrictions have increased customers' debt and reduced and delayed their average payment period.
- Increase in **operational expenses** resulting from:
 1. **High cost of supplies** - the restrictions have led to an increase in transport costs, which adds to the increase in supply costs.
 2. Increase of **fees/charges** to adapt to **prevention measures** (e.g. providing hydroalcoholic gel, PPE equipment, reducing the number of customers that can be in the shop at the same time, etc.)
 3. **High financial costs** – less financial institutions are willing to lend money.



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RESPONSE RECOMMENDATIONS

1 ADVOCACY WITH RELEVANT STAKEHOLDERS

1. Advocate with **governments** and **public institutions** to support SMEs with the following actions:

- Updated government policies on taxes, registering, labour and social protection (extended sick leave benefits, partial unemployment benefits to workers whose hours have reduced due to lower demand, tax waivers/remissions/exemptions to make it easier for SMEs to comply with their obligations in an extended period of time, restructuring loan repayment schedules, etc.).
- Promote market linkages.
- Provide financial and technical support for SMEs.



2. **Advocate** with **other relevant stakeholders (private institutions)** to support teleworking and smart working measures to reduce face to face contact, and organize new work-sharing programmes to avoid layoffs and provide financial and technical support.



3. **Advocate** with **microfinance institutions** to channel funding to the most vulnerable populations and SMEs and cutting interest rates so that loans become affordable.



2 GENERAL DIRECT ACTIONS

- Support SMEs to **adapt** and **recover their activity** (adapt marketing channels, digitalisation, teleworking, etc.) through **skills development, cash grants** and **technical support**.
- **Support to diversify or reconvert their Income Generating Activities (IGAs)** after having identified new market opportunities.
- Include the **necessary protective measures** to facilitate access and protect customers when supporting IGAs.
- **Awareness actions** on **how to deal with Covid-19** targeting SMEs and consumers, including occupational safety and health trainings in workplaces.
- Promote Business Continuity planning to mitigate the impact of disasters. Use [ATLAS Ready for business!](#) Free App to help SMEs in their journey to resilience.
- Support to enhance and adapt **marketing channels** (speed up digitalisation, include delivery service, etc.).
- **Income support to affected households** (workers and consumers) to increase demand for services and products provided by SMEs.
- Support access to **financial services**.
- Linking, building on, or aligning **humanitarian cash responses with national social protection programmes and systems**.

