

# Supporting SMEs and Businesses during the COVID-19 Pandemic: Examples from the Republic of Korea

코로나19 관련 중소기업 지원 정책 및 기업 대응: 대한민국과 UNDP 사례

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# Private Sector and COVID19 response

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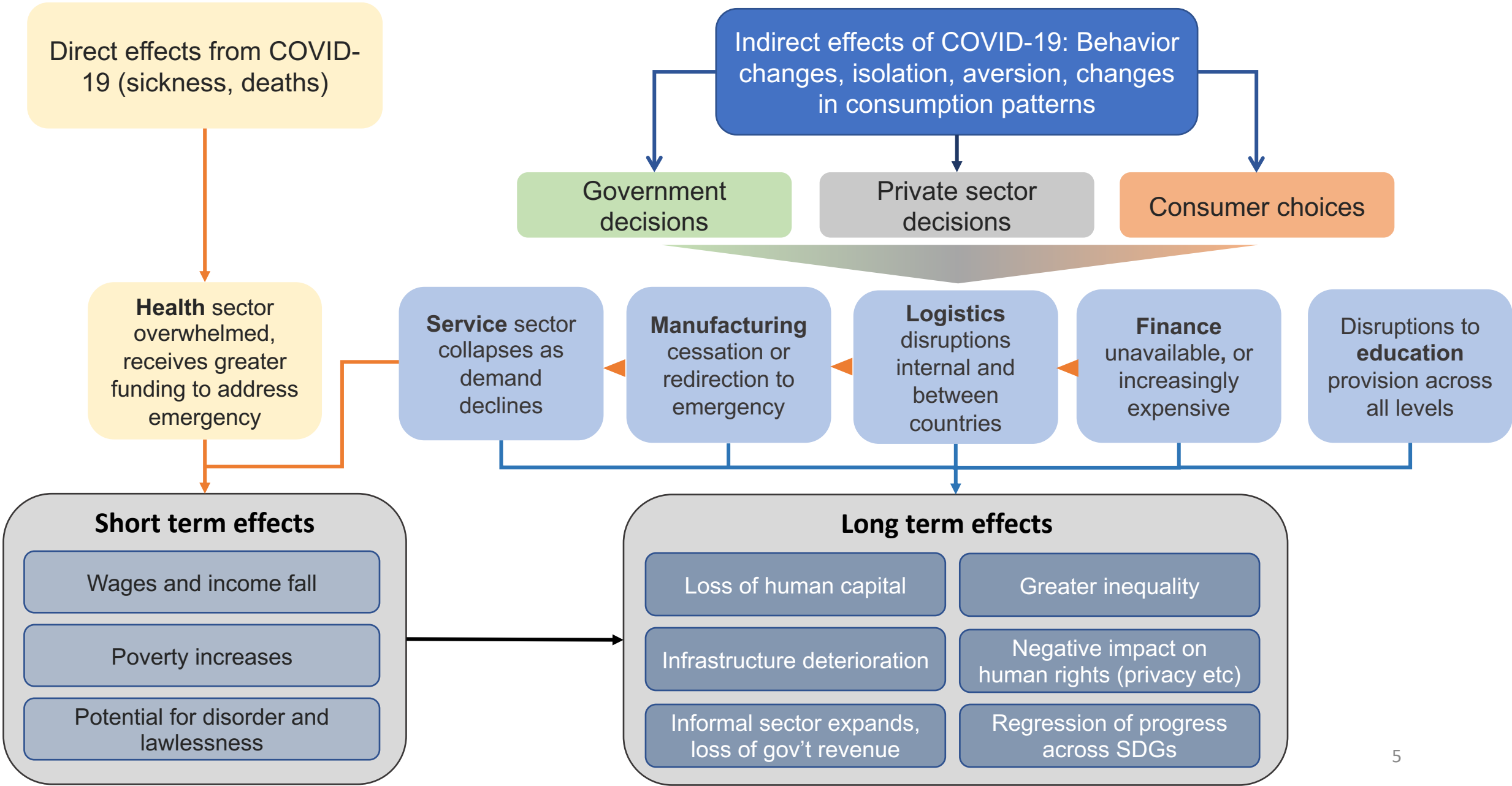
# Understanding the impacts of COVID-19

## Dimensions of the impact of COVID-19

- As a **global pandemic** that threatens to **profoundly deepen inequalities and undo progress on the sustainable development goals** and humanitarian responses more broadly, COVID-19 is already devastating individuals, families, communities, businesses, economies. As we have learned from disease outbreaks and pandemics of the past, an effective response must be driven by solidarity, science and human rights, involved governments, civil societies and the private sector, whilst focusing on the most vulnerable people.
- **Economic impacts will include short-term fiscal shocks and longer-term negative shocks to economic growth**, as well as **individual behavioral changes** that affect consumption patterns both in short and long term.
- **Private sector is impacted by COVID-19** (from disruptions in global supply chains, to the cessation of the SME sector which in some countries accounts for 40%+ of national economies) **but are also innovating and responding** by making available their assets in new ways.
- COVID-19 has demonstrated potential of technology to bring together global and local actors in unprecedented ways. Linking global actors and their pandemic response assets to local action is possible and may create a more impactful and sustainable approach.
- **Each country will be impact differently**, so a **one-size-fits-all approach is not possible**. Rather a 'marketplace' approach with a global facility in specific sectors, anchored in country settings and tangible action, could have significant impact across the phases of the pandemic.

# Country COVID-19 impact tracing

\*\* adapted from Center for Global Development [\(link\)](#)





# There is a need for a comprehensive response mechanism that supports countries at each stage of the crisis

## Prepare

- Activating sectors that are critical for frontline COVID-19 response (e.g., PPE production, communications for raising awareness)
- Working with government to establish a national public-private platform linked to the COVID-19 response and conduct scenario planning for meeting critical demand
- Supporting the setup of digital platforms to support data-driven decision-making

# of COVID-19 Cases

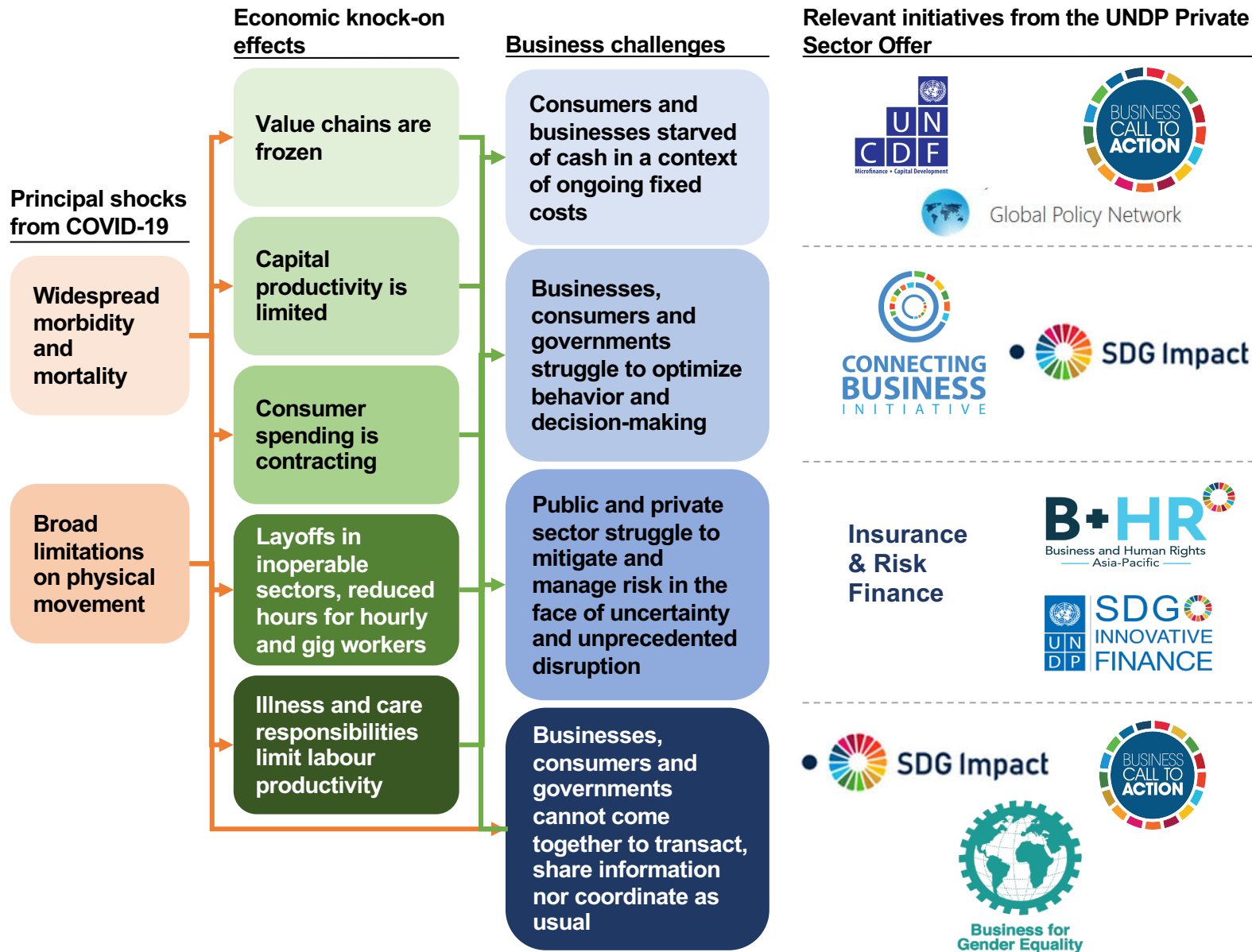
## Respond

- Supporting governments to think through shifts in economic activity
- Providing advisory services to MDB or national government financing facilities
  - Extending grants and concessionary loans intended for SMEs
  - Special credit lines in the form of Business Disaster Loans (i.e., a risk mitigating facility) for medium-sized companies
  - Grants directed to affected micro and small enterprises that have no productive assets left and negligible creditworthiness
- Restoring the livelihoods of employees affected by engaging in COVID-19 response through national cash-for-work programmes in partnership with gig economy tech platforms (e.g., food delivery, transportation)
- Convening actors from key sectors to assess particular local needs and develop locally-conceived collaborative solutions
- Bringing appropriate technology solutions to match on-the-ground needs

## Recover

- Supporting medium- and long-term business investments that lead to resilient supply chains for critical goods and services
- Building capacity for long-term digital transformations in national private sector and public services (i.e. 'e-government')
- Seizing upon digital finance mechanisms to support the SDGs and reach economically vulnerable populations
- Leveraging investments towards a more sustainable trajectory in energy production, transportation services, etc. based on UNDP's SDG integration offer
- Laying groundwork with governments and private sector to build a more resilient workforce (e.g., upskilling programs, ensuring health and safety of labour)

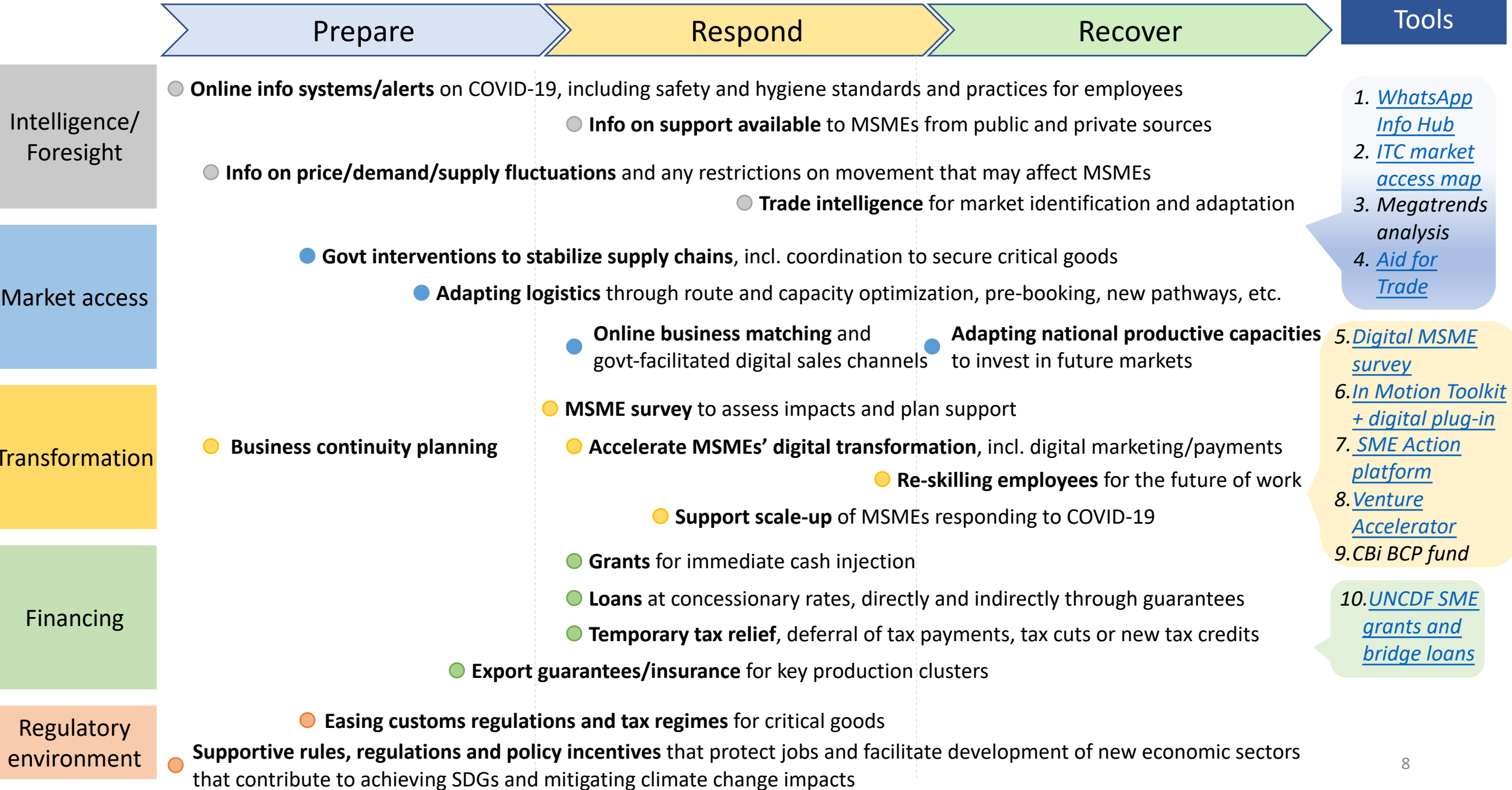
# The established UNDP portfolio of private sector initiatives can deploy a multi-dimensional response to address the key business challenges arising from the COVID-19 crisis



**Broad dynamics with heterogeneous implications**

- Although economic actors will face broadly similar realities, the **heterogeneity of business and development requires a tailored, locally-relevant approach**
- The informal sector, SMEs, the self-employed, and daily wage earners are particularly vulnerable
- Gains made on gender equality are at risk, as are the feminization of poverty, vulnerability to violence, and women’s equal participation in the labour force
- Massive job losses among migrant workers (accounting for nearly one-third of workers in some of the most affected sectors in OECD countries) will have knock on effects in heavily remittance-dependent economies
- Just as the crisis will **evolve over the three surge phases**, so does our approach to sustaining and supporting the private sector (detail in following pages)
- The realities that emerge over the progression of this crisis cannot be known from the outset; **our approach will remain flexible and iterative to integrate new information and lessons** to ensure the effectiveness of our interventions

## 8 UNDP's support to MSMEs is comprehensive, inclusive and integrated across the 3 crisis phases





# SME Action Platform

[www.smeactionplatform.com](http://www.smeactionplatform.com)



## BACKGROUND

**SMEs play a vital role in global economic development**, particularly in developing countries where they work as drivers for inclusive and sustainable growth.

- Account for 90% of businesses worldwide
- Contribute to job creation, responding to more than 50% of employment worldwide
- In emerging markets, most formal jobs are generated by SMEs, which create 7 out of 10 jobs
- Contribute up to 40% of national income (GDP) in emerging economies\*
- In rural areas and small cities, contribute to local development

However, SMEs...

- **Need higher investment in skills, innovation and tech to boost wages and productivity**
- **Lag in digitalisation. face more difficulties in undertaking the complementary investments in skills and organisational changes that are needed to adopt and benefit from technology \*\***
- **Have limited access to finance hindering their growth in emerging markets and developing countries.\***

**SMEs suffer the highest impact in times of crisis, but work as the main drivers of job creation, after crisis. In a global pandemic event:**

- Managers lack clear guidance on how to respond
- Retailers face a brutal drop in the movement and even closure
- Lack of available operating funds, particularly those operating manufacturing, tourism, and construction, operate on small margins and are burdened with debt.
- Lack of cash and stock, among others

Sources:

\*World Bank, Small and Medium Enterprises (SMEs) Finance: Improving SMEs' access to finance and finding innovative solutions to unlock sources of capital.

\*\*OECD SME and Entrepreneurship Outlook 2019;

## CONCEPT

**A platform that works as a one-stop shop to SMEs to overcome the challenges brought by the COVID-19 pandemic, combining different streams of work on preparedness, response and recover.**

- free access
- open source
- multilingual portal
- easy-to-use in web and mobile phone
- Interface that allows users to find content, online training, videos, webinars, mentoring and online collaboration
- Actionable toolkits that emphasize collaborative technology tools.
- Support on digital transformation to reduce structural disadvantages faced by SMEs in responding to COVID and achieving economies of scale.
- Partnership with corporation and business schools to leverage the support in various sectors, prominently on information and communication technology.
- Advertising companies to develop materials that can be displayed online

## CONTENT

- **Digital transformation support** - help small business to get online for the first time and sell during the period of social isolation promoted to COVID
- Online mentorship on first steps to operate in e-commerce in the face of the new coronavirus
- Space for networking (connecting business to suppliers or distributors, financial instruments and services)
- Best practices in response to the crisis:
  - Shifted production – how to change production
  - Adjust distribution channels - opportunities for e-commerce
  - Inclusive business (thematic and sectoral approach)
  - Basic principles on women economic empowerment
- Marketing – work on reputational legitimacy. Take the lead in providing outreach during the crisis, and the reputational effects apparent on traditional and social media
- Impact management tools

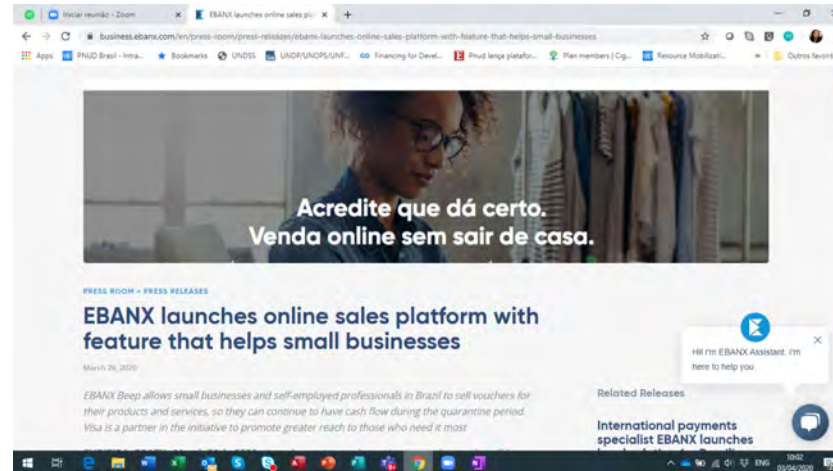
Themes to be displayed:

- Guidelines on preparedness
- Basic business management practices for the age of COVID19: finance, marketing, human resources and insurance:
  - trends and tips to minimize the impact in according to key economic segments
  - guide on how to protect your employees
  - How to find cash to make salary payments
  - How to find alternative suppliers
  - How to negotiate for extending loans, terms, and other short-term obligations
  - How to develop supply chain resilience and buffer stocks
  - Basic tips on digital marketing
- Sectoral approaches
  - World class training. guidelines on food sector
  - How to adapt and comply with COVID sanitary requirements
  - Food safety tips for delivery amid Covid-19
  - Next steps in the tourism sector
- Managerial practices for companies that implement inclusive business models

Sources:

MIT Sloan, How Companies Can Respond to the Coronavirus, 2020; ; Makinsey, COVID implications for Business, 2020.

## EXAMPLES OF CURRENT RESPONSE TO COVID



DIGITAL PAYMENT COMPANY HELPING THEIR B2B CLIENTS TO GO ONLINE

Available at <https://business.ebanx.com/en/press-room/press-releases/ebanx-launches-online-sales-platform-with-feature-that-helps-small-businesses>

## SME Toolkit:

*IBM, IFC support community economic development through small businesses growth*



More than 1200 small business service providers around the world have been trained in the use of the Toolkit for business management classroom instruction.

FOCUS ONLY IN ENHANCING MANAGEMENT SKILLS

Developed in the 2000's and no longer Available



### About BLUETOWN

Danish BLUETOWN has developed a Wi-Fi solution that runs entirely on solar energy.

### SDG solution: Local cloud solution that brings internet to rural areas

BLUETOWN has developed a Wi-Fi hotspot running entirely on solar energy. In addition to internet access, the hotspot allows access to a local cloud. Here, authorities, private companies, and NGO's can post free learning material to the communities.

**COVID19 response:** BLUETOWN has provided free data-access to all users on their local cloud platform in Ghana to view informational COVID-19 videos from the WHO. The local cloud platform, which BLUETOWN worked on in UNDP's SDG Accelerator for SMEs, will allow BLUETOWN users in Ghana to access health information on the coronavirus pandemic.

