Guidance note: High-impact MSME programmatic intervention options – last updated: 9 April 2020

COVID 19 - Guidance Note
High-impact MSME programmatic intervention options

Objective

To provide an overview of high-impact programmatic intervention options to support micro, small and medium enterprises (MSMEs) prepare, respond and recover from COVID-19. The interventions introduced here target stabilizing and sustaining livelihoods and employment, as well as companies and social enterprises that directly contribute to fighting the Covid-19 crisis. Interventions are framed around the three objectives of the UNDP response to COVID 19, which aims to help countries to *prepare*, *respond* and *recover.* Tools and examples added: here.

This Guidance Note complements Guidance Note #3: Overview of Assessment Tools for COVID-19 impacts on value chains, SMEs and livelihoods. Based on results from the assessments, intervention options described in this Guidance Note can be considered and adapted.
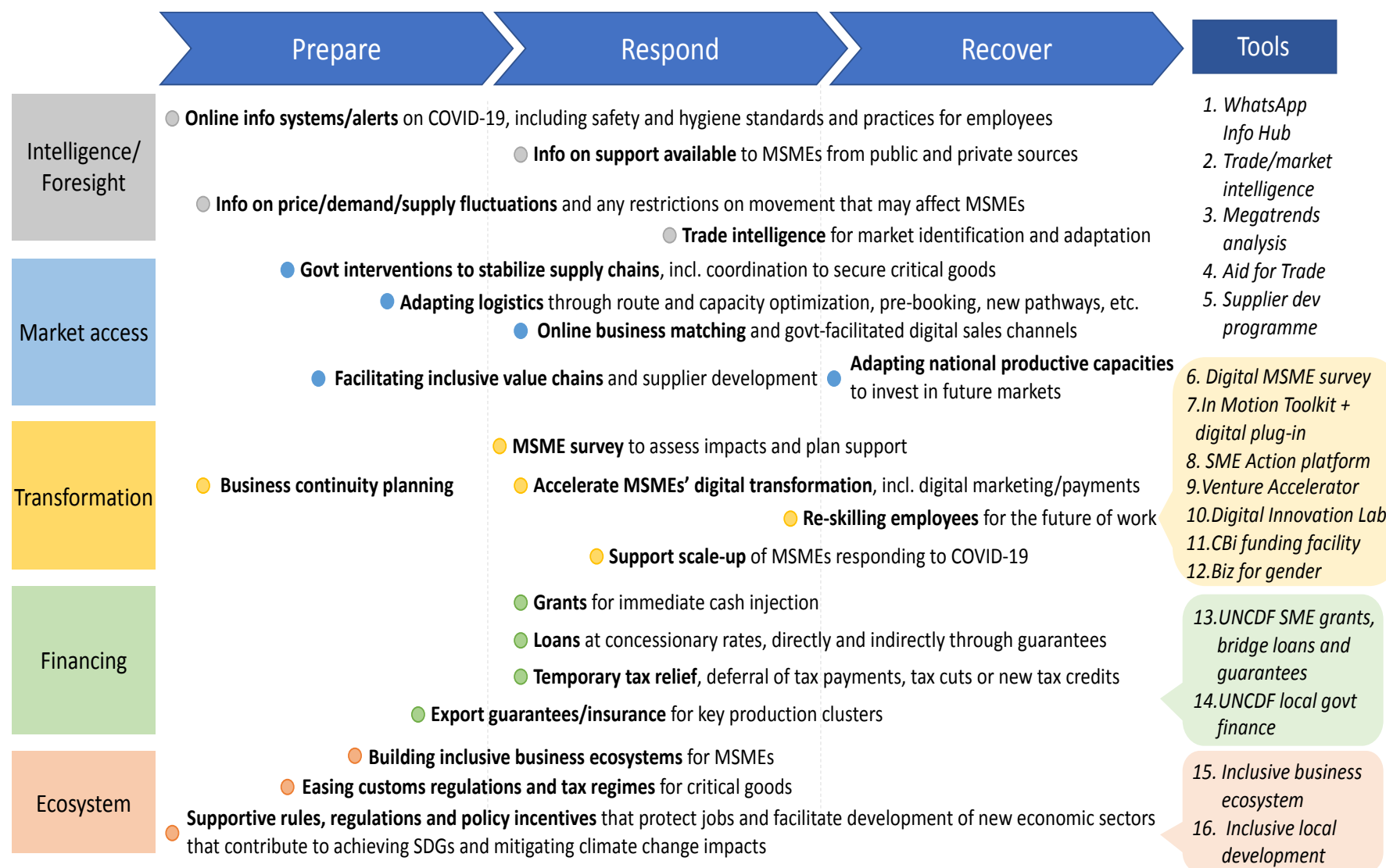
Intervention options

UNDP's overall approach to supporting MSMEs centers around 5 pillars:

1. **Provide forward-looking market intelligence**
2. **Facilitate market access and build inclusive markets including with larger companies**
3. **Accelerate digital transformation**
4. **Deploy financing for MSMEs and local governments with UNCDF**
5. **Strengthen ecosystem for MSMEs to survive and grow**.

Pillars can be pursued with national and local govts, directly with MSMEs, and with large companies to better include and support MSMEs in their supply chain.

A range of intervention options for each pillar are mapped below:

	Prepare	Respond	Recover	Tools

Intelligence/ Foresight

○ **Online info systems/alerts** on COVID-19, including safety and hygiene standards and practices for employees

○ **Info on support available** to MSMEs from public and private sources

○ **Info on price/demand/supply fluctuations** and any restrictions on movement that may affect MSMEs

○ **Trade intelligence** for market identification and adaptation

1. WhatsApp Info Hub
2. Trade/market intelligence
3. Megatrends analysis
4. Aid for Trade
5. Supplier dev programme

Market access

● **Govt interventions to stabilize supply chains**, incl. coordination to secure critical goods

● **Adapting logistics** through route and capacity optimization, pre-booking, new pathways, etc.

● **Online business matching** and govt-facilitated digital sales channels

● **Facilitating inclusive value chains** and supplier development ● **Adapting national productive capacities** to invest in future markets

Transformation

○ **MSME survey** to assess impacts and plan support

○ **Business continuity planning** ○ **Accelerate MSMEs' digital transformation**, incl. digital marketing/payments

○ **Re-skilling employees** for the future of work

○ **Support scale-up** of MSMEs responding to COVID-19

6. Digital MSME survey
7. In Motion Toolkit + digital plug-in
8. SME Action platform
9. Venture Accelerator
10. Digital Innovation Lab
11. CBi funding facility
12. Biz for gender

Financing

○ **Grants** for immediate cash injection

○ **Loans** at concessionary rates, directly and indirectly through guarantees

○ **Temporary tax relief**, deferral of tax payments, tax cuts or new tax credits

○ **Export guarantees/insurance** for key production clusters

13. UNCDF SME grants, bridge loans and guarantees
14. UNCDF local govt finance

Ecosystem

○ **Building inclusive business ecosystems** for MSMEs

○ **Easing customs regulations and tax regimes** for critical goods

○ **Supportive rules, regulations and policy incentives** that protect jobs and facilitate development of new economic sectors that contribute to achieving SDGs and mitigating climate change impacts

15. Inclusive business ecosystem
16. Inclusive local development

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Tools – Examples & Experts

1. WhatsApp Coronavirus Information Hub

In partnership with UNDP, UNICEF, and WHO, the WhatsApp Coronavirus Information Hub provides simple, actionable guidance for local governments, local businesses, health workers, educators, and community leaders that rely on WhatsApp to communicate. Guidance for small businesses include how to use WhatsApp Business Tools to run their businesses effectively.

2. Trade & market intelligence

UNDP works with the International Trade Center to provide trade intelligence for market identification, including Covid-19 temporary export/import bans. Existing free of charge tools for trade intelligence and in-house training capacity are already in place: trade map, market access map (ITC). Trade and market intelligence will be crucial not only to deal with supply side constraints such as logistical barriers, but also ensuring that national productive capacities can be reactive to changes in global value chains (whether demand or supply side).
  ▶ *Contact: Daniele Gelz (daniele.gelz@undp.org)*

3. Megatrends Analysis

Covid-19 will accelerate productive capacities changes which already started before the pandemic. Drivers of these megatrends include population changes, environmental degradation, technology, changing values as well as power shifts. Consumption patterns tend to become more personalized. Covid-19 is likely to increase transformation especially around technology and the digitalization of services within economies.
  ▶ *Examples: Megatrends identified prior to Covid-19 included smart cities and homes, personalization, health and well-being, localized consumption, sharing economy, connected consumers, circularity, premiumization[1]. Covid-19 will likely accelerate these megatrends. Preparing producers in developing economies to meet emerging demands both of consumers and within the global supply chain is critical to support recovery and transformation.*
  ▶ *Contact: Sahba Sobhani (sahba.sobhani@undp.org)*

4. Aid for Trade Initiative

Aid for Trade is bilateral official development assistance provided to developing countries to address trade and supply-side related challenges. Between 2006 and 2017, US$ 410 billion have been disbursed as aid for trade to developing countries. [2] The UN Development System encourages and supports countries to upscale their Aid for Trade to meet the Covid-19 challenges,

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[1] Aid for Trade in Central Asia (2019), Green products
[2] Aid for Trade at a Glance 2019.

particularly to mitigate the income loss in developing countries which is expected to exceed US$ 220 billion.[3]

> ▶ *Contact: Luisa Bernal (luisa.bernal@undp.org)*

5. Supplier Development Programme

The Supplier Development Programme seeks to implement systems that optimize suppliers' development in productive value chains. The objective is to boost the economy by reinforcing the competitive capacities of strategic sectors. The programme aims to strengthen value chain coordination so that large enterprises – referred to as "track enterprises" demanding goods and services – integrate MSMEs into strategic relationships that allow them to become suppliers. The programme's adaptation in Africa through the Agribusiness Supplier Development Programme focuses on the agricultural sector and supports smallholder farmers' linkages with markets.

> ▶ *Training manual: http://www.undp.org/content/dam/undp/library/corporate/Partnerships/Private%20Sector/ASDP%20Africa%20Training%20Manual_English_Low%20Res.pdf*
> ▶ *Concept and templates: https://www.undp.org/content/undp/en/home/librarypage/poverty-reduction/private_sector/african-agribusiness-development-programme-toolkit.html*
> ▶ *Examples: Angola (horticulture), DRC (maize), Kenya (passion fruit, banana), Nigeria (rice, cassava)*
> ▶ *Contact: Tomas Sales (tomas.sales@undp.org)*

6. Digital MSME survey

The digital MSME survey can be deployed to assess impacts of the COVID-19 crisis on micro, small and medium-sized enterprises to propose comprehensive actions aimed at improving their economic situation and situation in the market. The survey collects information digitally, using Microsoft's data collection and data visualization platform (Power BI). It is offered as a module in the Household Building and Damage Assessment (HBDA) Tool and questions/answer choices can be customized to each country context by the CO. The output is a dashboard of collected data mapped and aggregated by region, sector, size of business or other characteristics. The dashboards and reports will inform the support measures required.

> ▶ *Prototype MSME survey: https://ee.humanitarianresponse.info/x/#aEwEM9Bh*
> ▶ *Guidance on MSME assessment: Link here (click GN3)*
> ▶ *Contact: Luca Renda (luca.renda@undp.org), Yuko Hirose (yuko.hirose@undp.org)*

7. IN MOTION Toolkit with Digital Transformation plug-in

Based on the results of the MSME Survey, the IN MOTION Toolkit can be used to support MSMEs to respond and recover from the crisis. The Toolkit is available on the Crisis Response Portal (click

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[3] UNDP, as of 30 March 2020.

Programme Tools → click En Marcha/In Motion Toolkit box for full list of resources in English, Spanish and French, Webinar recordings: English - French - Spanish). As a plug-in to the IN MOTION Toolkit, Ecuador CO is developing a digital transformation module that supports MSMEs to adapt their business operations and business model to COVID-19.

> ▶ *Example: Ecuador CO is preparing for pilot in mid-April*
> ▶ *Contact: Carlo Ruiz (carlo.ruiz@undp.org), Carla Gomez (carla.gomez@undp.org)*

8. SME Action Platform

Business Call to Action supports companies implementing innovative business solutions to reduce poverty in all its dimensions. The initiative is developing, in partnership with Istanbul International Center for Private Sector Development (IICPSD), a SME Action Platform that works as a one-stop shop for SMEs to overcome the challenges brought by the COVID-19 pandemic. Features of the platform includes free access, open source, multilingual, easy–to–use in web and mobile phone, interface that allows users to find content, online training, videos, webinars, mentoring and online collaboration. Contents provide actionable toolkits that emphasize collaborative technology tools and support on digital transformation, partnership with corporations and business schools to leverage their resources, and materials from advertising companies for digital marketing.

> ▶ *Contact: Luciana Trindade de Aguiar (luciana.aguiar@undp.org)*

9. Venture Accelerator

UNDP is running impact venture accelerators (IVA) in several countries for both growing and established companies, originally built to support and scale effective private sector-originated solutions to SDGs, which have been quite effective and operative in addressing COVID-19 immediate challenges. UNDP IVA format combines business acceleration programs with robust dedicated efforts for impact scaling and measurement and management, which will be now adjusted to boost the effectiveness of addressing COVID-19 in the short, mid and long term, in the context of the SDGs. Combined business and impact acceleration programs will be entirely virtual and include promotion to relevant governments and other stakeholders.

> ▶ Examples: Healthcare Solutions Challenge (e.g., medical supplies, equipment, services, infodemics and e-health)
> ▶ *Contact: Artak Melkonyan (artak.melkonyan@undp.org), Stine Junge (stine.junge@undp.org)*

10. UNCDF Digital Innovation Lab

UNCDF with its strong digital team, is running innovations labs in several countries, mostly LDCs, to support digital transformation of MSMEs in the areas of business processes, alternate markets, digitizing value chains, digital solutions for real economy enterprises, and overall for achievement of SDGs. UNCDF's private sector partners are presently changing their business models using digital infrastructure to sustain themselves and address service needs during COVID-19 crisi.s

- *Indonesia Microenterprise Fintech Innovation Challenge Winners:* https://medium.com/pulse-lab-jakarta/winners-of-the-microenterprise-fintech-innovation-challenge-fund-prepare-to-pilot-their-ideas-23dc8f39f243
- *Women MSME Fintech Fund Winners:* https://spark.adobe.com/page/nRfb6azvvA968/
- *FinLab:* https://www.uncdf.org/finlab
- *Gig Economy Challenge:* https://www.uncdf.org/article/5438/gig-economy-challenge
- *Nepal AgriTECH Innovation Challenge:* https://www.uncdf.org/finlab/nepal-agritech-challenge
- *Startup innovation challenge in Uganda:* https://www.uncdf.org/article/5052/uncdf-and-startup-uganda-launch-initiative-to-spur-innovation-in-uganda
- *Contact: Francois Coupienne (*francois.coupienne@uncdf.org*)*

11. CBi Funding Facility and Guidance

The UNDP and OCHA-led Connecting Business Initiative (CBi) supports business networks to engage in disaster preparedness, response and recovery efforts in a coordinated manner together with the UN and the governments. In 2019 CBi supported business networks in 19 locations, who collectively responded to a total of 31 disasters, some of which were health related. Since the launch of CBi in 2016, CBi networks have supported MSMEs through business continuity trainings as well as recovery support after disasters. They have also worked with partners on impact and needs assessments of the MSMEs and engaged in national dialogue to represent the voice of the private sector collectively. CBi provides technical assistance to business networks as well as the UN system, it has developed guidance on how enterprises can support the COVID-19 response and also made available 60,000 USD per country proposal between these business networks and the UN system.

- *Examples: Philippines network providing cash vouchers to urban poor , CBi Member Networks response to COVID-19 , Emergency page on COVID-19, UN Business Guide on COVID-19 , Tools for SME resilience*
- *Contact: Karen Smith (*karen.smith@undp.org*), Tiina Turunen (*tiina.turunen@undp.org*), Tiina Mylly (*tiina.mylly@undp.org*)*

12. Business for gender equality platform

This platform includes close 1,000 companies UNDP has already certified with its Gender Equality Seal for Private Sector, reaching more than 2 million workers. The Platform is responding to the COVID-19 crisis with a focus on protecting workers, protecting supply chains and on identifying and sharing solutions. It is also creating a pooled fund to channel private sector contributions towards gender equality in four lines: 1) COVID-19 Fund for MSMEs and Women-Owned Business Liquidity, 2) COVID-19 Fund for MSMEs and Women-Owned Business Digitisation, 3) COVID-19 Fund for Resilient Health Systems and Social Services for Women, and 4) COVID-19 Gender-Lens Investing Fund (for funding commercial solutions to COVID-19).

- *Contact: Diana Gutierrez (*diana.gutierrez@undp.org*)*

13. Grants, bridge loans and guarantees for MSMEs

In partnership with UNCDF, UNDP can offer immediate cash injection to MSMEs in the form of grants or loans at concessional rates. Improving cash flow of MSMEs is critical for MSMEs to continue operating during crises. UNCDF has developed a fully online process to provide relief grants to MSMEs within 14 days, which can be deployed at national level through the vast network of UNDP county offices. Concessional loans can serve to bridge the liquidity crisis many companies will face. Guarantees can be issued to banks to absorb some of the increased risks faced by banks and indirectly soften the conditions for repayments to MSMEs. UNCDF has also initiated setting up of MSME aggregator platforms (www.gemportal.co.zw) that brings investors and capacity building services providers together at national level to address the emergent needs of COVID-19 socio-economic fallout and to create future pipelines for inclusive economic growth. Monitoring of financial flows, assessing risks and tracking impacts are all incorporated in one platform.

- ▶ *Webinar:* [Recording on Microsoft Teams](#)
- ▶ *Contact: Henri Dommel (henri.dommel@uncdf.org), Ander Berlin (anders.berlin@uncdf.org), Peter Malika (peter.malika@uncdf.org), Luca Renda (luca.renda@undp.org), Yuko Hirose (yuko.hirose@undp.org)*

14. Local development finance

Local governments are in the frontline of the COVID-19 response. In partnership with UNCDF, UNDP can support governments design and implement immediate solutions to help channel necessary resources to support local government officials to meet the needs of the immediate crisis, as well as strengthen their capacity to deliver services to their citizens afterwards. Performance-based fiscal transfers to local governments are very effective in delivering targeted resources at scale for specific purposes while enabling efficient delivery, cost-effective procurement, and transparent reporting. This mechanism leverages local knowledge and capacity and avoids costly parallel project structures.

- ▶ *Guidance: [Immediate Action: COVID-19 and Local Government Finance](#)*
- ▶ *Examples: Daily blog with examples from [Lao PDR](#) and [Bangladesh](#)*
- ▶ *Contact: David Jackson (david.jackson@uncdf.org), Luca Renda (luca.renda@undp.org), Yuko Hirose (yuko.hirose@undp.org)*

15. Inclusive business ecosystem approach

An inclusive business ecosystem refers to a network of interconnected, interdependent actors whose actions make it possible for inclusive businesses to succeed and generate impact at increasingly large scales. UNDP offers tools, templates and structures to support governments and the private sector to cultivate an inclusive business ecosystem that supports MSMEs.

- ▶ *Training manual: http://www.undp.org/content/dam/undp/library/corporate/Partnerships/Private%20Sector/IBE/IBE-TrainingHandbook-ENG.pdf*

> ▶ *Concept and templates: [Link here](#)*
> ▶ *Examples: IBEI on Tourism in Uganda, IBEI on Mobile Money in Lesotho*
> ▶ *Contact: Tomas Sales (tomas.sales@undp.org)*

16. Inclusive and Equitable Local Development (IELD)

UNCDF/UNDP/UN Women developed as part of the Inclusive and Equitable Local Development (IELD) global program a package for gender-responsive local economic development, also valid for economic recovery, with a set of tools to be implemented jointly or independently. They focus on public and private partnerships, multi-stakeholder platforms, and put SMEs at the center.

> ▶ *Tools:*
>> 1) *Women´s economic empowerment index (WEEI): helps evaluate the extent to which business and public investment projects are gender-responsive and helps ensure that COVID-19 economic recovery does not leave anyone behind. It can also be adapted to other relevant social groups and be used by financial and public institutions.*
>> 2) *Gender-responsive local economic assessment tool (LEA): maps existing bottlenecks for women´s economic empowerment, with a focus on entrepreneurs and SMEs, and helps develop local development or recovery plans that benefit both women and men.*
>> 3) *Course on gender-responsive local economic development: The course can be conducted in person and online and helps governmental officials understand the gender issues to consider when planning for economic development or recovery.*
> ▶ *Contact: Aroa Santiago (aroa.santiago@undp.org), Samina Anwar (samina.anwar@uncdf.org).*

Design principles

Plan for recovery from the on-set. While most efforts during a crisis tend to focus on immediate response, planning for recovery from the on-set determines whether impacts are sustainable. Seeking out opportunities to "build back better" by identifying forward-looking changes to economic systems, including shifts that mitigate climate change impacts, will strengthen the resilience of economies, enterprises and communities to not only overcome the current crisis but withstand future shocks, protecting livelihoods over the long-term.

> ▶ *Tools to help: Megatrends analysis, Aid for Trade initiative, IN MOTION Toolkit*

Strengthen the ecosystem, not only individual firms. When designing interventions, it is vital to consider the business ecosystem[4,5]. Factors within the business ecosystems are inter-dependent. Linkages/dependencies need to be factored into interventions and interventions should seek to build the ecosystem of support available to MSMEs vs. targeted support to individual firms. This

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[4] The IBEI tool to identify gaps in the business ecosystem support and to engage relevant ecosystem stakeholders can be shared by Tomas Sales (tomas.sales@undp.org)

[5] A business ecosystem refers to a community of interconnected, interdependent players whose actions determine whether or not an enterprise's business model will succeed.

also includes pursuing an integrated approach targeting micro, meso and macro levels to ensure effective response and sustainable recovery.

▶ *Tools to help: Inclusive business ecosystem, UNCDF local dev finance, IELD*

Inclusive design and implementation that leaves no one behind. Practitioners should ensure that design and participant selection for interventions are inclusive, with particular attention to gender, risks of exasperating gender-based violence, as well as vulnerable groups that may not be covered in national support systems such as refugees. For more information on designing gender responsive interventions for COVID, please consult Gender for COVID-19 resources.

▶ *Tools to help: Digital MSME survey, UNCDF grants/loans, Gender and recovery toolkit (especially GN2 on economic recovery and livelihoods), Supplier Development Program*

Support opportunities to achieve the SDGs. Sustainability and circularity are cornerstones of productive capacities of the future. Support Governments and producers to invest along these principles, leveraging COVID-19 as an opportunity to accelerate SDG achievement for the future. Prepare Governments and SMEs to identify opportunities of the future.

▶ *Tools to help: SME Action Platform, CBi facility, Venture Accelerator, Megatrends*

To share additional tools and examples, please contact:

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