



UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

GUIDANCE FOR MICRO, SMALL, AND MEDIUM ENTERPRISES BUSINESS RECOVERY

in the Wake of the COVID-19 pandemic

MSME COVID-19 Recovery
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LIST OF ACRONYMS AND ABBREVIATIONS

- CNY** Chinese Yuan
- COVID-19** Coronavirus disease
- SARS-CoV-2** Severe acute respiratory syndrome coronavirus 2
- UNDRR** United Nations Office for Disaster Risk Reduction
- UNIDO** United Nations Industrial Development Organization

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1 INTRODUCTION TO THIS BUSINESS RECOVERY GUIDANCE

1.1 WHY BUSINESS “RECOVERY”?

This guidance treats the COVID-19 epidemic as a disaster. A disaster can be described as a serious disruption of the functioning of a community or society involving widespread human, material, economic or environmental losses and impacts, which exceeds the ability of the affected community or society to cope with using its own resources.¹ Though often caused by nature, disasters can also have human origins. International literature on disaster management usually classifies epidemics and pandemics as disasters.

Whether a disaster is formally declared is not important here. It is important to recognize that a disaster type of situation can put affected businesses under significant stress, including failure for those businesses that are less fortunate or less capable to directly respond. While the COVID-19 disaster did not involve as much physical destruction of businesses which we are used to when discussing natural disasters like floods or earthquakes, the situation of an epidemic bears many similarities because the effects on business come as a shock (without early warning) and because a significant number of businesses are affected in a very short time.

COVID-19 has affected the whole of China, with most of the hardship at all levels endured in Hubei province. In an interconnected economy, effects are not only felt in Hubei but also in other places of the country. Ripple effects have already reached other countries.

¹ United Nations Office for Disaster Risk Reduction (UNDRR)

G.01

Disaster risk Management Cycle

SOURCE: UNDRR



“Recovery” is defined as the restoration, and improvement where appropriate, of facilities, livelihoods and living conditions of disaster-affected communities, including efforts to reduce disaster risk factors. When the term “business recovery” is used in this document, “recovery” refers to what is called the cycle of disaster risk management (see graph G.01 above). In other words, as the COVID-19 epidemic constitutes the “disaster” in this cycle, a disaster “response” has been organized by the Chinese government with the whole society participating at all different levels. As the “response” is leading to the containment of the disaster, opportunities for “rehabilitation and recovery” are opening up and need to be leveraged to return life “back to normal” or to “better than before”, as far as it is possible depending on the damages the disaster has left.

One element in this process of rehabilitation and recovery is the recovery of businesses affected by the disaster, most of them usually micro, small, and medium enterprises. It is this aspect the present guidance addresses.

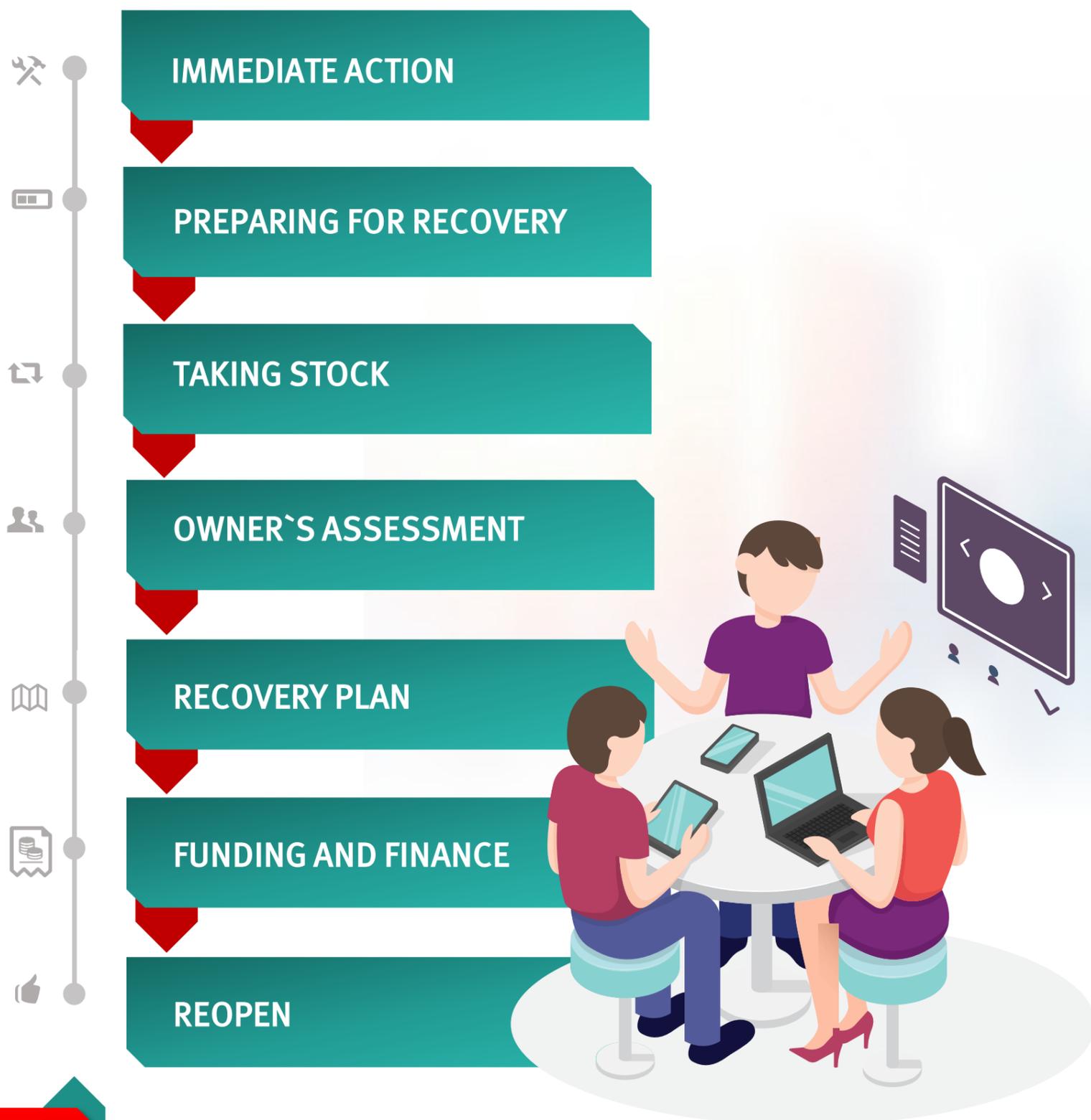
PROCESS OF BUSINESS RECOVERY



There are too many different types of enterprises that figure as micro, small, and medium enterprises in order to provide quick guidance that will be a perfect fit for each enterprise concerned. Enterprises may range from processing agricultural products, over food production to carpentry, information technology, metal working, textile and apparel production, to name a few only and not even mentioning services and agriculture. They may employ less than 8 or maybe hundreds of persons. They may be located at the epicentre of the COVID-19 outbreak or in completely different regions and climate zones.

Not only is there a high variation between the types of enterprises, but there is also a high variation between enterprises regarding the degree they are affected COVID-19. Some enterprises may have not been affected at all whereas others may have lost key staff, lost customers and clients to competitors due to the longer-than-usual interruption, may have seen their stocks perish during the extended period of closure, or simply run out of cash.

There are no one-size-fits-all solutions for these problems. In some cases, it may be possible to simply pick up where business stood before the Spring Festival, in others the whole business may need a turnaround, for example, if the buyers of your products were catering to the tourism sector in Hubei province which may need additional time to recover. Some businesses may even face inevitable closure. Experience from disaster recovery around the world shows that businesses may also experience decline and bankruptcy during the phase that follows a disaster even if they survived the disaster itself because they were not fully aware the situation in the market changed in the wake of a disaster.



G.02

Steps in a business recovery process following disaster

SOURCE: UNIDO

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