

UNDRR ASIA PACIFIC
COVID-19 BRIEF

BUSINESS RESILIENCE IN THE FACE OF COVID-19

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COVID-19
RESPONSE

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The COVID-19 pandemic is having a devastating impact on businesses across Asia-Pacific. Many are closed while others are struggling to maintain operations while ensuring the safety of their workers. Small and medium enterprises (SMEs)- which comprise more than 90% of all businesses in most Asia-Pacific countries- are especially hard hit. However, businesses that can adapt their operations to the new environment stand a chance of not only surviving the crisis, but emerging leaner and more resilient.

This brief, developed by the UN Office for Disaster Risk Reduction, Regional Office for Asia and the Pacific, highlights the challenges businesses face in building their resilience and offers recommendations to business owners and policymakers. This brief reflects the interventions and feedback of speakers and participants in the webinar on Business Resilience in the Face of COVID-19, co-organized on April 23, 2020, with the ARISE network and the Asian Disaster Preparedness Center (ADPC).

The COVID-19 pandemic has caused an upheaval in social and economic life across the Asia-Pacific region. Many businesses have closed while others are struggling to maintain operations and to keep their workers safe. With many major cities and entire countries in lockdown, travel and tourism have nearly ceased and many retail businesses that rely on “foot traffic” and in-person transactions are struggling to stay afloat. Moreover, the disruption to global and regional supply chains has hampered the ability of many suppliers to move materials and products to vendors, even where demand has remained strong.

While the full impact of the COVID-19 crisis on the private sector and national economies will not be known for some time, it is likely to be severe. The International Monetary Fund forecasts that for the first time in 60 years, the region will not register any economic growth this year. This is in sharp contrast to the past:

even during the 2008-2009 global financial crisis, Asia-Pacific experienced an average growth rate of 4.7%ⁱ.

Helping small and medium businesses withstand the impact of COVID-19 and recover from the crisis is critical to maintaining social wellbeing and guarding against a slide towards poverty. Micro, Small and Medium Enterprises (MSMEs) makeup over 90% of registered businesses, employ large swaths of the population, and often lack the capital reserves to withstand prolonged disruptions. As a result, many countries have taken steps to introduce economic stimulus packages such as low-interest loans and financial grants. However, these measures will only work in the short-term. To achieve long term resilience, businesses need to examine their own deficiencies and vulnerabilities, adapt to the crisis and modify how they operate.

Tourism sector: an important player in both response and recovery

The tourism sector has been particularly hard hit from the travel restrictions imposed to curb the spread of COVID-19. It is estimated that the impact on travel and tourism alone may cause GDP losses up to \$800 billion in the Asia-Pacific region in 2020, with millions of jobs at risk in this sector.

Recent data analysis undertaken by ESCAP reveals that many small island developing states, such as the Maldives, derive over 60% of their GDP from tourism. Middle-income countries such as Thailand derive almost 15% of their national GDP from tourism.

Even as the world starts to recover, it is very likely that international travel restrictions will continue in some form to avoid importing new COVID-19 cases. This will further exacerbate the financial loss and negative effects on the tourism sector. In response, the tourism industry has undertaken a number of efforts to be part of the COVID-19 solution and support recovery efforts.

These have included hotel chains offering free accommodation to more than a million healthcare workers, cruise operators making their ships available to act as floating hospitals, and airlines offering free flights to medical personnel or to transport medical supplies.

Meanwhile, the tourism industry is preparing for significant changes to adjust to a post-COVID-19 world. Ensuring 'safety' of travel and preventing tourism from becoming a channel for further transmission is essential for the sustainable recovery and future development of the sector. The industry is currently organizing teams and task forces to design the "new normal" of post-crisis tourism, and to define the new traveler experience.

RESPONSE CHALLENGES

Throughout the region, countries are taking measures to prevent the spread of COVID-19 and mitigate the economic impact through stimulus packages aimed to assist MSMEs. As countries design and roll out response measures, the following emerging issues warrant immediate attention:

1. Existing business resilience tools are not suitable for addressing pandemics

Existing business resilience tools such as traditional business continuity plans and business recovery plans are mostly geared towards addressing natural hazards or operational risks, whose scope is local and limited. Health-related hazards seldom get reflected in their risk registers. COVID-19, hence, poses severe challenges to the efficacy of such plans as a pandemic affects the supply and value chains on multiple fronts. It also severely distorts scenario-based planning as the timing and duration of a pandemic can be difficult to predict.

In Pakistan, partial and complete lockdowns in various areas and cancelled orders from global clothing brands have led to many factory closures. Reports estimate between 12 to 18 million workers could potentially lose their jobs, including garment and textile workers,



A woman sells masks on the side of the street in Tehran, Iran (April 2020, West Asia News Agency/Ali Khara)



A vendor wearing a protective face mask sells food during in Bangkok, Thailand (April 2020, Reuters)

domestic workers, home-based workers, and other workers in low-income householdsⁱⁱ.

2. Difficulty in accounting for different levels of COVID-19 risk

While many business communities are calling on their governments to relax lockdown measures, governments are not able to offer MSMEs or retail shops with blanket guidelines on when or how they can resume businesses. As the primary objective is to contain the spread of the COVID-19 virus, governments face the challenge of trying to design different guidelines for different industries and businesses. These guidelines cannot possibly address the unique circumstances of each shop or business, and as a result, generalizations and lumping of different businesses together is unavoidable. Moreover, as governments look towards recovery and restarting certain sectors, they face the challenge of trying to balance between implementing measures to allow businesses to operate to reduce the economic impact on them while also guarding against new outbreaks.

3. Assistance to MSMEs may be slow and limited

Most governments in the region have announced stimulus packages for the private sector. However, the translation of these measures into action is not smooth and often takes time to reach the intended recipients. Moreover, many MSMEs fall in the informal sector, which means governments may lack any means to reach them even if they wanted to include them in assistance packages. This places MSMEs operating in the informal sector at an elevated level of vulnerability given they often have limited capacity to understand and manage their risks to begin with and in the face of the pandemic are left with limited or access to services and resources.

Outside of government schemes, private sector disaster risk transfer mechanisms such as insurance policies may be of limited benefit because in most cases they cover direct damage caused by disasters but not indirect damage due to business disruption and associated liabilities.

4. Cascading impacts of business losses

MSMEs play an important role in providing goods and services to their communities, in addition to creating job opportunities. The employment generated by MSMEs is also a source of livelihoods, well-being, and social coherence, especially for more vulnerable groups since many MSME operate in the informal sector. Moreover, MSMEs in Asia-Pacific play a critical role in the global value chain as many chains are sourced from here.

Therefore, the impact of COVID-19 on MSMEs is expected to have a cascading impact on sectors and populations at the local, regional and global levels. For instance, disrupted supply chains will impact food systems at all levelsⁱⁱⁱ, while impacting the smaller units in the global and regional value chains.

COVID-19 Small Business Continuity and Recovery Planning Toolkit



UNDRR Asia-Pacific has partnered with Asian Disaster Preparedness Center (ADPC) to develop a toolkit designed specifically to help build the resilience of small businesses being translated to a number of languages in the region. The toolkit aims to support MSMEs:

- Protect their employees and customers from contracting and passing COVID-19.
- Rapidly take measures that can protect their businesses from the incoming disruptions, especially in countries that have not yet been severely impacted by COVID-19.
- That have been impacted by COVID-19 to utilize all resources that might be available to them to remain solvent and operational.

The toolkit includes the following:

1. Planning Tool organized around '10 tips' to make businesses resilient.
2. Brief guide for impacted businesses with an 'additional 5 tips.'
3. Awareness-raising brochure summarizing the '10 tips' and the '5 additional tips.'

To access the toolkit, please go to undrr.org/bcp-ap

POLICY GUIDANCE

Business and industries of all sizes need to adopt short and long-term measures to minimize the impact of the COVID-19 pandemic. This includes addressing the immediate challenges the pandemic poses to workers and customers' health and combating the economic knock-on effects. What follows are some recommendations to ensure MSMEs and the informal sector not only survive but increase their resilience to future pandemics and disasters.

1. Develop business continuity and recovery plans for pandemics

Business continuity planning has long been an important part of building business resilience against disasters throughout the region. However, most planning has focused on helping businesses prepare disasters caused by natural hazards, which often are limited in terms of location and duration. The COVID-19 crisis has demonstrated that businesses must also plan for different types of large-scale disruptive events, including epidemics and pandemics, which have unique characteristics and consequences. Such disasters may be less frequent, but as COVID-19 has demonstrated, can be especially devastating for businesses when they occur.

For businesses, especially MSMEs, to survive the shock of a pandemic they must be able to quickly adapt their operations, and operating procedures. Developing contingency planning for such disasters is most effective when done before the shock occurs, but nonetheless can still be helpful even if it is developed in the midst of the crisis. This is especially valid in the context of a slow-moving disaster like COVID-19. Business networks, chambers of commerce, and governments should mobilise

their networks and encourage partnerships to support wide scale training for business continuity and recovery planning. One example is Isuzu motor company's partnership with the Asian Disaster Preparedness Center (ADPC) to train its suppliers to develop business continuity plans and increase the resilience of their overall supply chain^{iv}.

More recently, network organisations of the Connecting Business Initiative including the Philippine Disaster Resilience Foundation (PDRF) developed and rolled out the Enterprise Pandemic Preparedness Checklist^v while the Vanuatu Business Resilience Council (VBRC) rolled out nation-wide pandemic business continuity planning materials and ran BCP workshops before Cyclone Harold hit.



Best Practices for Food Stores, Restaurants, and Food Pick-Up/Delivery Services during the COVID-19 Pandemic (US FDA)

2. Protect employee health and livelihoods

With the closure of workplaces and layoffs of employees by businesses trying to stay afloat, the need to ensure the wellbeing and food security of workers becomes essential. As 60 percent of the Asia-Pacific population lack access to social protection, along with 70 percent of workers who are employed in the informal sector, it is essential that governments expand social protection networks to cover

employees who have seen their wages drop as a result of the pandemic.

For workers who remain employed, businesses need to protect the health of workers who are still working and reduce their exposure to COVID-19. The UNDRR Asia Pacific and ADPC toolkit for Small Business Continuity and Recovery Planning Toolkit includes a section on ensuring the health of workers^{vi}. Among the recommendations are developing alternative methods of working, working in shifts and implementing social distancing measures.

Care must also be taken of the employees who return to workplaces after prolonged closures, both through measures to reduce exposure and through psycho-social measures, informed by workplace risk assessments.

3. Ensure economic stimulus and recovery programs reach MSMEs

Governments should collaborate with the private sector and development partners to design economic stimulus programs to reach all businesses and workers, not only those in the formal sector. These programs and incentives need to be contextualized to the needs of the MSMEs, coupled with social protection mechanisms.

In particular, efforts should be made to ensure assistance is accessible to MSMEs that employ large segments of those in the informal sector. These informal workers often lack access to social protection, which makes them especially vulnerable in times of economic downturns. Collaboration with civil society and faith-based organisations is critical to reaching the informal sector.

The Royal Government of Thailand, for example, has expanded its economic stimulus program to include cash handouts for workers not registered in the country's social security system. For businesses in the formal sector, it has offered additional incentives such as

extensions on the due dates for businesses to file tax returns, exemption of customs duties for products and materials related to the COVID-19 response; and loans for MSMEs with a fixed low-interest rate.



On April 7, 2020, the Thai government issued its third stimulus package worth 1.9 trillion baht (US\$58 billion) to mitigate the economic impact caused by the COVID-19 outbreak (Reuters)

4. Adapt business operations to a “new normal” and invest in new digital and green solutions

National responses to the pandemic have required strong measures to stop the spread of COVID-19, with social distancing the primary prevention measure put in place throughout the region. This measure has brought significant difficulties for businesses in the region, in particular restricting access to their customers, and in some sectors such as tourism, it has stopped the flow completely.

The need for businesses to adapt to this measure is essential to their financial survival and to allow customers access to needed products and services.

There are many examples of businesses changing their operations to adapt to this crisis, from turning to online sales to changing their products or services to meet unmet demands.

Thailand provides a good example of this type of adaptive flexibility, where in order to meet the demand for face masks, a number of small

textile businesses modified their production lines to produce up to 350,000 face masks per month^{vii}. Another is in Sri Lanka, where the banking industry is utilising mobile banking to reach customers who may not have access to the internet and where branches have been closed. The Asia Pacific Alliance for Disaster Management in Sri Lanka partnered with HSBC to spur local production of PPEs and donate them to frontline healthcare workers, which also helped link the local manufacturers with export markets for longer term sustenance.



Hatton National Bank in Sri Lanka has been helping its business client digitize their services and payment systems to adjust to realities of the “new normal” (Sri Lanka, HNB).

Business organizations should also look to increasingly focus on the opportunities emerging from this crisis, especially in regard to diversification of markets, seeking more resilient supply lines, and potentially reassessing their business models.

In many ways, the COVID-19 crisis is spurring a business transformation and investments, particularly in the digital economy which is allowing businesses to extend their reach to more customers and markets.

The COVID-19 recovery process also offers opportunities to ensure adoption of climate-sensitive and green solutions, which are cost-effective and can attract climate financing.

RECOMMENDED ACTIONS

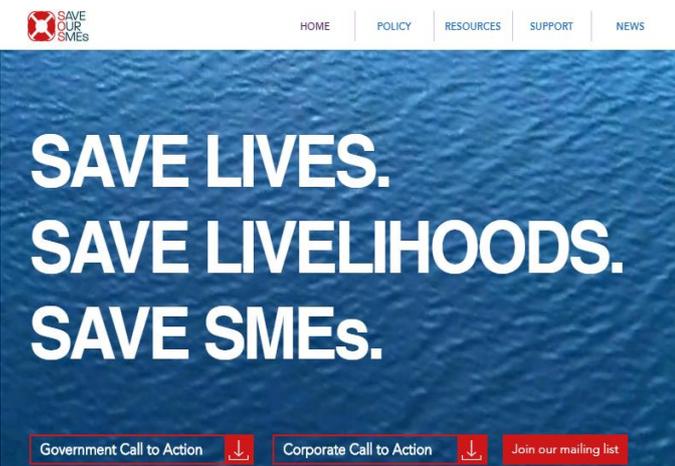
1. **Develop business continuity and recovery plans for pandemics.**
2. **Protect employee health and livelihoods.**
3. **Ensure economic stimulus and recovery programs reach MSMEs.**
4. **Adapt business operations to a “new normal” and invest in new digital and green solutions.**
5. **Strengthen public-private partnerships.**
6. **Encourage business-to-business cooperation.**
7. **Promote the formalization of the informal economy.**

5. Strengthen public-private partnerships

The COVID-19 crisis represents an opportunity for strengthening public-private partnerships as the private sector can play a crucial role in responding to and recovering from disasters, as well as building future community resilience. Specifically, support for government actions can be greatly enhanced if decision-makers consult with and engage in discussions with impacted businesses. This can be done by applying a community-based approach that sees a gradual easing of lockdowns based on the different business type, geographic and social levels of risk^{viii}.

Governments should also ensure that the private sector is engaged in the early stages of recovery planning. Dialogue with the private sector and workers’ unions is important to

ensure their voices are included and to ensure government assistance reaches all businesses in need. This dialogue is particularly important for the informal work sector, which makes up a large proportion of businesses in the region.



Organizations such as the International Chamber of Commerce have launched surveys and “calls to action” support SMEs.

6. Encourage and facilitate business-to-business cooperation

With increased globalization and specialization, businesses have evolved from an era of competitive co-existence to a paradigm of mutual interdependence. This is visible both in the national and regional value chains, and collaborative mechanisms at national, regional and global levels. As such businesses have an interest in sharing information and knowledge that can help them collectively wither disasters and economic hardships. Specifically, business-to-business partnerships can facilitate co-learning and risk-sharing, while optimizing co-presence to maximize impact and resources. In addition, governments can tap into business networks to reach multiple enterprises of all sizes at scale.

Chambers of Commerce, trade and industry associations, and the Global Compact Networks all present potential entry points. Other examples include networks operating in

the field of disaster risk reduction and resilience building such as the UNDRR-led Private Sector Alliance for Disaster Resilient Societies (ARISE)^{ix}, the OCHA and UNDP-led Connecting Business initiative (CBI),^x and the ADPC-led Asian Preparedness Partnership (APP).^{xi}

7. Formalization of the informal economy

Over two-third of the employed population in Asia-Pacific are estimated to be in the informal sector (ILO, 2018^{xii}). Moreover, more female-led SMEs (85 percent) operate in the informal sector compared with male-owned SMEs (77 percent) across the Asia-Pacific Economic Cooperation (APEC) region.^{xiii} The informal sector in Asia-Pacific is not only growing but has become a permanent fixture and a basic component of many national economies.

It hence makes sense to seek to formalize this sector to help these business gain access to financing and protection. It should be noted that formalization of the informal sector is not limited to inclusion of enterprises in the formal tax and financial systems. It should also mean the inclusion of workers in the social protection system, while respecting workers’ fundamental rights and ensuring opportunities for income security, livelihoods and entrepreneurship (ILO, 2015).^{xiv}

To achieve this, the formalization process should be easy for MSMEs to implement with simple procedures within the framework of existing laws (which should be amended or new laws created, if necessary). Creating a one-stop-shop dedicated to microentrepreneurs is a good way to cut time and steps for the entrepreneurs. Finally, the benefits of formalization should be clearly communicated and reinforced.

Acknowledgement

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Additional Resources

1. UNDRR (2020) [COVID-19 Small Business Continuity and Recovery Planning Toolkit](#)
2. UNDRR (2018) [Public Health System Resilience: Disaster Resilience Scorecard for Cities](#)
3. PDRF (2020) [Enterprise Pandemic Preparedness Checklist](#)
4. Connecting Business initiative (CBI) (2020) [UN Business Guide on COVID-19](#)
5. Other COVID-19 related business resilience resources: <https://www.connectingbusiness.org/novel-coronavirus-2019>
6. WHO (2020) [Considerations for public health and social measures in the workplace in the context of COVID](#)
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- ^v Philippine Disaster Resilience Foundation: [MSME Resilience](#)
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