

CONSULTATIVE WORKSHOP

Business Resilience of Micro, Small & Medium Enterprises

11 December 2019, Meeting Room E, UN Conference Center, Bangkok

The private sector plays a dominant role in the overall investment in a country, within which the MSMEs account for more than two-thirds of employment. The resilience of the business community, hence, is both important for the national GDP as well as for sustaining the job creation engine of the country. Such enterprises, however, are highly vulnerable to disasters and disaster risk at all scales. A majority of such businesses have limited awareness of the advantages of long-term resilience building and limited capacity to manage disaster risks, mainly owing to financial, human resource and technical limitations.

An increasingly riskier world means that MSMEs should not only focus on minimizing business disruptions, but also ensure their growth is through risk-informed investments. They need to look at the holistic socio-economic ecosystem of the resilience landscape to be able to address challenges including gaps in data, knowledge and governance.

The consultation will explore resilience pathways for MSMEs, and identify actions that can be taken to enhance MSMEs' resilience in the face of growing disaster risks in the region.

Background and Context

In most economies, 70-85 percent of overall investment is made by the private sector, including annual institutional investments worth over USD 80 trillion globally. Within the private sector, the engagement of micro, small and medium enterprises (MSMEs) in building resilience and climate security is of critical importance. Globally there are estimated 420 to 510 million MSMEs that account for more than two-thirds of all jobs and are an essential job creation engine.

MSMEs are also critical for a functioning labour market as they are a key element of stable and prosperous communities. The International Labour Organization (ILO) highlights that there is a strong relationship between job dependency and many climate and disaster sensitive sectors where MSMEs are active participants. MSMEs are considered instrumental to economic growth, innovation, job creation, and social integration, while also serving as an integral part of global supply chains, both as buyers and suppliers.

Many large global businesses rely on MSMEs as partners and suppliers, which means that supply chain risk is directly related to the capacity of MSMEs to manage their disaster risks. Given that the most frequent disaster risks faced by MSMEs are related to utilities such as power, water and telecommunications; interdependence also exists between disaster risk management in the public sector and supply chain risk.

As such, MSMEs thereby can and should be a force for resilience building:

- Their own resilience to disaster and climate risks determines the recovery of local and national markets and the wellbeing of their surrounding communities.
- Given their role as job creators, link to local economies and their contribution to social cohesion, the resilience of MSMEs has a clear impact on national and local political and social stability.
- In a globalized marketplace and globalized supply chains, MSME resilience is also a critical element for the stability of global markets and economies.
- The role of MSMEs as innovators and product developers for resilience.

Disaster Risk, Resilience and MSMEs

Compared with global businesses, informal sector producers and MSMEs are far less resilient, particularly in low and middle-income countries. Smaller businesses are at risk of recurrent localized and extensive disasters, such as landslides, fires, floods and storms. More likely to be located in hazardous areas, with evolving extensive risk, these businesses are less likely to have invested in protective risk-reducing schemes.

Disasters also have crucial consequences on employment. They directly affect the labour market for businesses, particularly SMEs, as well as for household economies and the macroeconomic environment. In today's increasingly interconnected world and cascading risk landscape, the full extent of opportunities and challenges for enhancing the resilience of MSMEs is still not clear.

Importantly, initial studies highlight that a majority of businesses seem to be unaware of the economic advantages of long-term resilience building for their businesses, opportunities for business continuity planning, available financing and capacity building support or tools.

While big enterprises have strong risk assessment, management strategies and mechanisms in place, the MSMEs are more likely to lack risk awareness and struggle to find the capacity to manage disaster risks, due to financial, human resource and technical limitations.

A Case for Business Resilience

The risk of disasters needs to be factored into investment decisions, to enable sustained, resilient growth. Indeed, if targeted correctly, investments in risk reduction can reward businesses and governments alike with better financial performance over the long term. There is a gap, however, not just in the understanding of the quantified benefits of DRR, but also in the incentivisation of resilient investments.

By analysing and valuing risks correctly, businesses can accept and own certain risks, which provide a competitive advantage; savings from effective risk management can fund other strategic corporate activities; and investments in risk reduction may lead to higher returns. Businesses that have invested the most in risk management may financially outperform their peers.

Most businesses currently address disaster risk through business continuity planning. By offering immediate and visible benefits, in terms of predictability and reduced losses, business continuity planning is essential to any corporate risk management strategy. But while essential, it is only a part and not the whole. Businesses not only need to strengthen their resilience when disasters occur but also measure how their investment decisions are modifying the levels of disaster risk they face.

The conceptual shift from managing disasters to managing risks will be facilitated in businesses where risk management is already viewed as an integral part of investment planning and corporate strategy rather than as a specialised department that helps the business plan and manages contingencies.

Challenges in MSME Business Resilience

The MSMEs face unique challenges owing to their financial, human resource and technical limitations, compounded by their position in the informal and unorganized sector. Limited documented information and data is available on the categories and focus/sectors of the MSMEs in a developing

economy. Access to and understanding of disaster and risk data is limited in such circumstances, while risks have differential impact on different MSMEs.

These limitations have an implication on risk management strategies that such MSMEs can resort to. Risk transfer and financing options remain a challenge due to unaffordable and inflexible insurance options, as a result, MSMEs rely on savings and informal financing to recover from disasters.

The Workshop

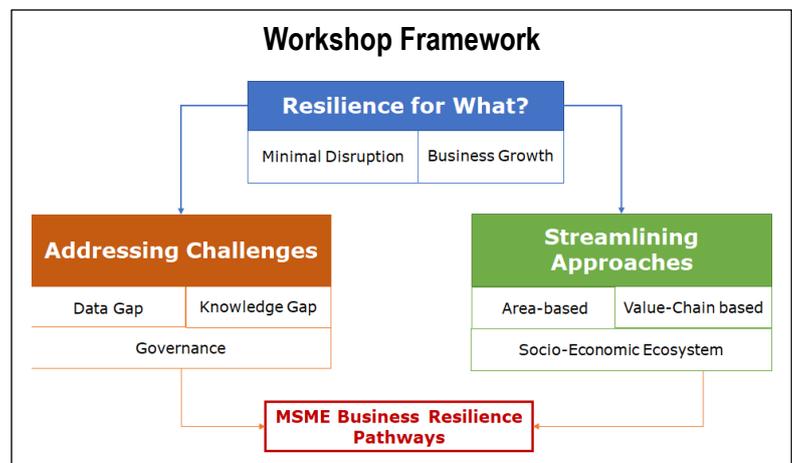
Recognizing the critical need to enhance business resilience to reduce economic losses and strengthen overall resilience of the national economies, the UN Office for Disaster Risk Reduction (UNDRR) has planned to organize a consultation among relevant business networks and technical experts. The consultation will focus on the resilience building needs of business enterprises, in particular, the MSMEs. The consultation will provide a platform where network organisations and technical experts in the Asia-Pacific region can share good practices on how to strengthen business resilience of the MSMEs.

The workshop will build on the work done in the Asia-Pacific region over the past few years to help build the resilience of MSMEs, in particular through the creation of various Business Continuity Tools. Previous such workshops organised by UNDRR have confirmed the need for simplified tools in local languages for small businesses to use.

The consultation will take place at the United Nations Conference Center, Bangkok, Thailand, on the 11 December 2019. It is expected that around 25 participants from the Asia-Pacific region will join the consultation, including [ARISE](#) network representatives, chambers of commerce and industries, academia, technical community and international organisations.

The consultation will aim to explore resilience pathways for the MSMEs, identifying actions that can be taken to enhance MSMEs' resilience in the face of growing disaster risks in the region. Key objectives include:

1. Enhance awareness on business resilience among MSMEs;
2. Discuss different approaches to assess and strengthen business resilience;
3. Identify means to address data and knowledge gaps to inform risk management approaches of MSMEs;



Target Participants

- ARISE national networks
- Private sector entities
- Intergovernmental Organisations
- Chambers of Commerce and Industry
- Technical experts on MSMEs and business resilience
- United Nations

Provisional Programme

09:00	09:30	Opening Session <ul style="list-style-type: none">• Welcome <i>Loretta Hieber Girardet, Chief, UNDRR Asia-Pacific</i>• Introductions• Objective and Expected Outcomes <i>Animesh Kumar, Deputy Chief, UNDRR Asia-Pacific</i>
09:30	10:45	Scene Setting: Business Resilience of the MSMEs <p>Moderator: <i>Bonnie Haskell, Technical Advisor, Red Cross Global Disaster Preparedness Center</i></p> <ul style="list-style-type: none">• Asif Ibrahim, Newage Group of Industries (Chairman, DCRR Taskforce, ESCAP Sustainable Business Network)• Arunabh Mitra, HCL Technology Ltd.• Rhiza Nery, Philippines Disaster Resilience Foundation• Takahiro Ono, Mitsubishi Corporation Insurance Co., Ltd• Asian Disaster Preparedness Center (tbc) <p>Discussion</p>
10:45	11:00	<i>Tea Break</i>
11:00	12:30	Approaches to MSME Resilience <p>Moderator: <i>Elizabeth Petheo, Regional Representative & Associate Principal, Miyamoto International, Inc.</i></p> <ul style="list-style-type: none">• An Area-based Approach to Strengthening Business Resilience: <i>Marcus Oxley, Resilience Advisors Network</i>• Hotel Resilience: Promoting Private Sector Investments in Climate and Disaster Risk Management: <i>Mareike Bentfeld, GIZ</i>• Case Study: Benchmarking MSMEs in Asia for Strengthening Disaster Resilience: <i>Ranit Chatterjee, Kyoto University, Japan (CEM member Business and Biodiversity Group, IUCN)</i> <p>Discussion</p>
12:30	13:30	<i>Lunch</i>
13:30	15:00	Breakout Group Discussion <ol style="list-style-type: none">1. Addressing data gaps2. Addressing knowledge gaps3. Approaches and tools (incl. risk transfer and financing) <p>What are the pathways to help SMEs build resilience?</p>
15:00	15:15	<i>Tea Break</i>
15:15	16:30	Plenary <p>Report back from breakout groups</p> <p>Discussion</p>
16:30	16:45	Conclusion and Way Forward