Building the resilience of SMEs in SEE

Findings and Recommendation for Resilient SMEs
Financing Disaster Risk Reduction

• 21 questions
  • Establishing DRM term
  • Coordination
  • Core documents (Risk Assessment, DRR strategy/Plan or other equivalent)
  • Link DRR and national budget
  • Incentives for DRR investment
  • DRR fund
Questionnaire

- 28 questions – 7 groups
- On-line
- UNDRR

1. Country
2. Administrative Division
3. Type of Business
4. Experience with Disasters
5. Risk Management
6. Investing in DRR and Risk Transfer
7. Business Dependencies
1. Participating countries

- **Albania**: 2%
- **Croatia**: 80%
- **Montenegro**: 10%
- **Republic of North Macedonia**: 2%
- **Slovenia**: 6%
- **Croatia**: 80%

**Separate studies:**
- Bosnia and Hercegovina
- Serbia
3. Type of Business

1. Sector
2. Age of company
3. Ownership/legal status
4. Size (number of people)
5. Turnover
4. Experience with Disasters

1. Which of the following hazards are significant for your business (have possible negative impact)?

2. Most common hazards that have impacted SMEs in the last five years.

3. Impact of disasters on businesses in the last five years.

4. If affected by specific hazard (most significant hazard form Q.2.), what was the length of impact to operations?

5. Have you ever owned or been a part of a business that was closed due to the disasters?
Experience with Disasters

Significant hazards

Investing in Disaster Risk Reduction in South East Europe Workshop 25. – 27. October 2022. Dubrovnik, Croatia
Experience with Disasters

Type of impact

- Physical damage
- Loss of revenue/reduce sales
- Inability to continue business activities more than few days
- Loss of funds
- Loss of labour
- Closure/bankruptcy
- Other (please specify)
Experience with Disasters

Period of disruption

- <1 day: 10%
- 1-2 days: 15%
- 3-4 days: 8%
- 5-6 days: 8%
- >7 days: 59%

Owned/part of Closed SMEs

- Yes: 25%
- No: 75%
5. Risk management

1. Does your country, county or municipality have a disaster risk assessment?

2. If yes, does the risk assessment assess risk that can have negative impact on your business (from Q.1.)?

3. Does your business conducts risk assessments before new investments?

4. Does your business have an emergency plan?

5. Does your company have a strategy/plan in place to deal with the risks that you have identified? (business continuity plan/recovery plan)
SMEs’ Risk Assessment

- Yes: 39%
- No: 20%
- Do not know: 50%

National/Regional /Local Risk Assessment

- Yes, it is common procedure: 15%
- Yes: 39%
- No: 35%
- Do not know: 85%

Risk with possible negative effect on SMEs included

- Yes, upon the request of a bank, insurance company...
6. Investing in DRR and Risk Transfer

1. Does your business have adequate disaster insurance?
2. If yes, what does it cover?
3. What kind of incentives are offered by national/local governments or other institutions to invest in resilience?
4. Has your business taken any disaster risk reduction (hazard proofing) measures?
5. Please specify main barriers to investing in disaster risk reduction (hazard proofing) measures
Yes – for all hazards (fully) 5%
Yes – (partially) 35%
Do not know 9%
No 51%

Disaster insurance

Insurance coverage

Loss of revenue 8%
Raw materials 20%
Tools and other assets 22%
Physical damage 30%
Damage to third parties 20%

Investing in Disaster Risk Reduction in South East Europe Workshop

Dubrovnik, Croatia
Main Barriers

- No incentives: 66%
- There is no incentives: 63%
- Lack of incentives: 19%
- Yes: 17%
- Lack of knowledge and skills within the business: 12%
- Lack of awareness of risk and potential impacts on business: 14%
- Lack of resources and capacity: 28%
- Too complicated administrative procedures: 26%
- Other (please specify): 1%
- Resilience incentives
- Hazard proofing measures

Tax breaks: 4%
Easy access to credits: 17%
Reduced insurance premiums: 10%
Co-financing DRR projects: 12%
Other incentives: 6%
There is no incentives: 63%
Lack of incentives: 19%
Yes: 17%
7. Business dependencies

1. Which utility sector do you need to operate?
2. How long could your business operate without deliveries from suppliers?
3. If business disruption continues for a prolonged period, how soon would your business be at risk of closing permanently?
4. Does your national/local government have a disaster fund or some kind of budgetary reserve for disaster recovery for SMEs?
5. If yes are you eligible for this kind of financial support?
Operate without deliveries from suppliers

Time to close permanently

Sector needed

- >6 months: 35%
- 3-6 months: 10%
- 1-2 months: 19%
- Less than one month: 36%
- Not a problem: 0%
- Do not know: 14%
- 1 day: 33%
- 2 weeks: 2%
- 2-7 days: 31%
- 3 and more weeks: 20%
- >6 months: 35%
- 3-6 months: 10%
- 1-2 months: 19%
- Less than one month: 36%
- Not a problem: 0%
- Do not know: 14%
- 1 day: 33%
- 2 weeks: 2%
- 2-7 days: 31%
- 3 and more weeks: 20%

Business dependencies

Investing in Disaster Risk Reduction in South East Europe Workshop

25. – 27. October 2022. Dubrovnik, Croatia
Disaster fund for SMEs

Financial eligibility

Investing in Disaster Risk Reduction in South East Europe Workshop
Dubrovnik, Croatia
SMEs resilience analysis – Serbia & BiH

Investing in Disaster Risk Reduction in South East Europe Workshop

Dubrovnik, Croatia
Findings - Disasters

• ¼ closed due to disasters

• Impact of disaster on businesses
  • Loss of revenue/Reduce sales
  • Physical damage
  • Inability to continue business activities more than few days
Findings – Risk Management

• Low awareness of
  • National/local disaster risk assessment
  • Risk assessment importance for (sustainable) investments

• Small share of developed Emergency Plans / Business Continuity Plans / Recovery Plans
Findings – Investment in DRR and Risk Transfer

• 53% of business without insurance
  • 8% of insurance covers Loss of revenues

• 66% did not implement hazard proofing measures

• 63% no incentives for resilience investment
Findings - Dependencies

• SMEs dependent on
  • Electricity, Internet, Communications

• Non existing Disaster/Relief fund for SMEs

• SMEs low resilience
  • 54% in danger of closing inside of 2 month
Recommendation - Policy

- **Develop / Improve**
  - DRM legislative to enhance preventive measures implementation and post-disaster planning
  - Incentives tailored for investing in SMEs resilience
  - Incentives for Disaster Risk Insurance

- **Enhance**
  - Hazard and Risk awareness activities
  - Collaboration between SMEs and Risk Assessment experts
  - Collaboration between economy, financial and DRR sector

- **Boost**
  - SMEs willingness to increase disaster resilience by creating clusters
<table>
<thead>
<tr>
<th>Recommendation - SMEs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capacity</strong></td>
</tr>
<tr>
<td>• Build capacities within SMEs</td>
</tr>
<tr>
<td><strong>SMEs Emergency Fund</strong></td>
</tr>
<tr>
<td>• &quot;put some money aside for rainy days&quot;</td>
</tr>
<tr>
<td><strong>Risk Assessment</strong></td>
</tr>
<tr>
<td>• Before doing anything, conduct risk assessment</td>
</tr>
<tr>
<td><strong>Resilience testing</strong></td>
</tr>
<tr>
<td>• Test your SME's resilience for different disturbances/pressures</td>
</tr>
<tr>
<td><strong>Business Continuity Plan</strong></td>
</tr>
<tr>
<td>• For safer and sustainable future</td>
</tr>
<tr>
<td><strong>Insurance</strong></td>
</tr>
<tr>
<td>• Be safe, create &quot;outside&quot; backup</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rise</strong></td>
</tr>
<tr>
<td><strong>Start</strong></td>
</tr>
<tr>
<td><strong>Develop</strong></td>
</tr>
<tr>
<td><strong>Conduct</strong></td>
</tr>
<tr>
<td><strong>Create</strong></td>
</tr>
<tr>
<td><strong>Invest</strong></td>
</tr>
</tbody>
</table>

Investing in Disaster Risk Reduction in South East Europe Workshop


Dubrovnik, Croatia
Thank you.

For more info:
Zaviša Šimac
zsimac@mup.hr
Nataša Holcinger
nholcinger@mup.hr