Building the resilience of SMEs in SEE

Findings and Recommendation for Resilient SMEs
Building the resilience of SMEs in Serbia

Findings and Recommendations for Enhanced SME Resilience

October 2022
About the ‘Building SMEs Resilience in Serbia’ initiative:

- Qualitative and quantitative survey of **550 SMEs**
- Multi-stakeholder **National Dialogue** to develop recommendations
- Results supported **COVID-19** Socio-economic impact assessment and recovery plan
- Dissemination of results and unpacking the report in **6 Regional Chamber of Commerce**
- **Possible next steps:** supporting risk assessments and development of Business Continuity Plans
SMEs and disaster risks

Top five hazards facing SMEs in Serbia

- COVID – 19
- Extreme Weather Events
- Floods
- Cyber Incidents
- Earthquakes

What was the impact of the event on your business?

- Reduced sales / loss of income: 55%
- Reduced productivity: 40%
- Inability to maintain business activity for more than a few days: 30%
- Loss of assets: 19%
- Physical damage to property: 12%

How did you respond to these impacts?

Only 12% of SMEs stated to have used insurance to recover from disaster.
Levels of SMEs preparedness

One in two SMEs state that they don’t have:

- Business Continuity Plans
- Resources and capacities
- Adequate insurance

Preparedness level:

- 80% of SMEs do not receive DRR information from local authorities
- 54% of SMEs do not have Business Continuity Plans
- 94% Of SMEs not aware of initiatives that can help them in res. building

Dependence of SMEs on utilities:

- 90% electricity
- 85% Internet
- 80% telecommunications
- 71% water

SMEs insurance coverage:

- 53% No insurance
- 30% Partial insurance
- 17% Full insurance
Levels of SME preparedness

In case of a disaster, which of the following organizations/networks would you be able to get support from?

- Trade and investment support organisations (banks, etc): 45%
- National government: 30%
- Insurance companies: 21%
- Friends and family: 20%
- Local administration: 17%
- Other: 11%
- Non-governmental organisations (NGOs): 3%
- Cooperatives: 1%
Levels of SME preparedness

Does your business have appropriate insurance to help recover from a disaster?

- No: 53%
- Yes - partial insurance: 30%
- Yes - full insurance: 17%

One in two SME did not have adequate insurance

- SMEs may not have enough information on the insurance products available,
- the products offered by insurance companies may not cover disasters,
- the cost of insurance is too high,
- SMEs do not trust that the insurance will adequately cover any damage incurred.
In addition,

- Almost 74 per cent of SMEs stated that there are no incentives for investing in resilience – such as tax incentives, improved access to loans, or reductions in insurance premiums provided by the national/local administration or other stakeholders.
- Only 14 percent of SMEs were aware of any incentives, while around 11 per cent of them did not answer this question.
Investing in resilience challenges

Main obstacles:

- **Company level:**
  - Lack of capacity and resources 51%
  - Lack of awareness of risks and potential impact on business 33%
  - Lack of incentives 16%

- **Business environment:**
  - Uncertainty and lengthy bureaucratic procedures 59%
  - Lack of regulatory framework for initiatives and recovery 37%
  - Lack of financial resources 29%
How to strengthen the resilience of SMEs?

Policy makers:

- **EXPAND** the regulatory framework to include both post-disaster recovery and preventative measures
- **CREATE** incentives tailored to SMEs for investing in long-term resilience
- **ESTABLISH** incentives for risk insurance
- **ENCOURAGE** collaboration of SMEs to strengthen capacities and investments in resilience
## How to strengthen the resilience of SMEs?

**SMEs:**

<table>
<thead>
<tr>
<th>ENHANCE</th>
<th>SET UP</th>
<th>RISK ASSESSMENT</th>
<th>INCREASE</th>
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</thead>
<tbody>
<tr>
<td>knowledge, skills and practices related to disaster risk reduction</td>
<td>a systemic approach to planning and integrated management of risks</td>
<td>and prepare business continuity plans for key risks</td>
<td>investment in different types of insurance</td>
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Dissemination of results and unpacking the report in 6 Regional Chamber of Commerce

Number of participants per P 2 P regional meetings in Regional Chamber of Commerce and Industry and Belgrade Chamber of Commerce and Industry

<table>
<thead>
<tr>
<th>Chamber</th>
<th>Number of economic entity</th>
<th>Number of institutions</th>
<th>Number of participants</th>
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</thead>
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<tr>
<td>RCCI Valjevo</td>
<td>11</td>
<td>18</td>
<td>30</td>
</tr>
<tr>
<td>RCCI Sremtska Mitrovica</td>
<td>6</td>
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<td>RCCI Uzice</td>
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<td>RCCI Kraljevo</td>
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<td>CCI Belgrade</td>
<td>5</td>
<td>20</td>
<td>27</td>
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</tbody>
</table>
Dissemination of results and unpacking the report in 6 Regional Chamber of Commerce

Two state secretaries of the Ministry of Economy and the Ministry of Agriculture participated in all P2P meetings.
Dissemination of results and unpacking the report in 6 Regional Chamber of Commerce - Conclusion

- Companies of all sizes and from different sectors are exposed to risks
- There is good practice;
- There is openness for mutual cooperation to strengthen own resilience, as well as, for cooperation between SMEs and institutions at the local, regional and national level, to strengthen the resilience of the local community, that is, the regional and national community;
- there are “resilient champions“ and that they are ready to share their practice, experience and lessons learned with other stakeholders. "Learning from each other and learning on the fly" can significantly reduce time because most SMEs are aware of the risks but are not sure where and how to start.
- It has been shown that investing in long-term resilience requires significant funds, which in fact many SMEs see as a cost, and they are not sufficiently familiar with the incentives (which exist, for example, in the field of agriculture) and do not have much confidence, therefore there is often a perception that "they will not I guess that will happen to me .”
- The exchange of good practice shows that there are simple solutions that can be incorporated into daily operations as part of best practices that SMEs can advance their disaster preparedness, as disasters can happen without warning.
How to strengthen the resilience of SMEs? – next steps

SMEs:

- **ENHANCE**
  - knowledge, skills and practices related to disaster risk reduction

- **SET UP**
  - a systemic approach to planning and integrated management of risks

- **RISK ASSESSMENT**
  - and prepare business continuity plans for key risks

- **INCREASE**
  - investment in different types of insurance
Next steps - SME risk assessment Initiative

- SME risk assessment methodology for Serbia developed based on the existing UNDRR tools - Quick Risk Estimation Tool for Micro, Small and Medium Enterprises (MSMEs)
  - Desk review of current SME risk assessment tools and methodologies
  - First draft of SME risk assessment methodology for Serbia developed based on the existing UNDRR tools
  - Final SMEs risk assessment tool developed in Serbian language
  - Workshop organized with the focus group testing the methodology and tool

UNDRR tools - Quick Risk Estimation Tool for Micro, Small and Medium Enterprises (MSMEs)
- to help micro, small and medium-sized enterprises to develop a basic understanding of their level of risk and is meant to be one tool among many to help enterprise/business owners understand their risk levels & build their resilience.

- Scope of the tool
  - To support business owners in identifying possible internal and external risks to their business
  - To provide a general estimation of individual business risk (MSMEs) based on potential Impact (direct) and likelihood (possible indirect and wider impacts)
  - Strengthen risk awareness and communication between business owners.

- Two tools
  - COVID
  - MULTIHAZARD
Next steps - SME risk assessment Initiative

UNDRR tools - Quick Risk Estimation Tool for Micro, Small and Medium Enterprises (MSMEs)

- Business profile
- Understanding the Organization
- Human Resources
- Operations
- Finance
- IT and Technology
- Market
- Physical Infrastructure
- Governance Policy

5 RISC LEVEL
- Very high
- High
- Moderate
- Low
- Very low
Next steps - SME risk assessment Initiative

UNDRR tool - Quick Risk Estimation Tool for Micro, Small and Medium Enterprises (MSMEs) - The most appropriate Tool for SME`s

- Because:
  ✓ Flexible for use in companies of different sizes that operate in different sectors and have different capacities or resources
  ✓ It is easily applied in practice for external risk assessment and self-assessment
  ✓ A simple tool to measure progress
  ✓ The questions are clear and understandable.
  ✓ No difference was observed between the approach of the SME of the Asian region and the SME sector of Serbia.
  ✓ The risk assessment is given through the risk radar and gives a total score.
  ✓ Also, through the graph you can clearly see the achieved result by key areas.
SME risk assessment Initiative - next steps

- Analysis and adaptation of the UNDRR assessment tool for micro, small and medium enterprises (MSMEs) for Serbia.
- Prepare draft of SME risk assessment methodology for Serbia developed based in the existing UNDRR Quick Risk Estimation Tool for Micro, Small and Medium-sized Enterprises (MSMEs).
- Workshop organized with the focus group testing the methodology and tool.
- Final SMEs risk assessment tool developed in Serbian language.

Dissemination throughout South-eastern Europe
Thank you!