Executive Education Program on Disaster Risk Finance for Indonesia

SESSION: Disaster Risk Finance for SMEs in Indonesia

Meditya Wasesa, Daniel Anthony McGree
AGENDA

Introductions

- Module 1: Importance of SMEs in the Economy
- Module 2: Impact of Disasters on SMEs
- Module 3: Options for Government Intervention

Break

- Module 4: DRF for SMEs – Global Examples
- Module 5: Case Study
- Module 6: Key messages on the importance of good data

Q&A
Module 1
Importance of SMEs in the Economy
Importance of SMEs in the economy

In 2019, over 64 million SMEs were operating in Indonesia, equivalent to 99.99% of the total business population and employing 96.9% of the total workforce.

SMEs contribute 60.5% to the national GDP and 15.6% to Indonesia's non-oil exports.

<table>
<thead>
<tr>
<th>Business establishment by firm size in Indonesia, 2014-2019</th>
<th>Annual, in units (number of enterprises)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. MSMEs</td>
<td>57,895,721</td>
</tr>
<tr>
<td>Micro-enterprises</td>
<td>57,189,393</td>
</tr>
<tr>
<td>Small enterprises</td>
<td>654,222</td>
</tr>
<tr>
<td>Medium-sized enterprises</td>
<td>52,106</td>
</tr>
<tr>
<td>B. Large enterprises</td>
<td>5,066</td>
</tr>
<tr>
<td>Total (A+B)</td>
<td>57,900,787</td>
</tr>
</tbody>
</table>

Indonesian SMEs account for nearly 97% of domestic employment and for 56% of total business investment.
Enterprise classification in Indonesia

Small and Medium Enterprises, SMEs: enterprises with a maximum turnover of IDR 50 billion or maximum assets (excluding building land asset) of IDR 10 billion.

Micro-enterprise: business with maximum turnover of IDR 2 billion or assets (excluding land and building assets) maximum of IDR 1 billion

Small enterprise: business with a turnover more than IDR 2 billion up to the most IDR 15 billion or assets (excluding land and building assets) more than IDR 1 billion up to the most IDR 5 billion

Medium enterprise: business with a turnover more than IDR 15 billion up to the most IDR 50 billion or assets (excluding land and building assets) more than IDR 5 billion up to the most IDR 10 billion

Large enterprise: business with a turnover above IDR 50 billion or assets (excluding land and building assets) above IDR 10 billion

Source: Government Regulation Number 7 of 2021 Concerning Ease, Protection, and Empowerment of Cooperatives and Micro, Small and Medium Enterprises and https://www.oecd-ilibrary.org/sites/13753156-en/index.html?itemId=/content/component/13753156-en#section-d1e1
Definition of enterprise/business

Business
the practice of making one's living by engaging in commerce.

Enterprise
a company or a business
Business value chain

Porter 2001
## SMEs operational characteristics

<table>
<thead>
<tr>
<th>Type</th>
<th>General Description</th>
<th>Operations</th>
<th>Financial Management</th>
<th>Access to Finance</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro-Enterprise</td>
<td>Small-scale, owner-operated businesses with minimal staff.</td>
<td>Limited task divisions; informal day-to-day operations.</td>
<td>Basic financial tracking; often relies on manual methods.</td>
<td>Limited access to traditional financing; may depend on personal savings.</td>
<td>Local street vendors, home-based crafts businesses.</td>
</tr>
<tr>
<td>Medium Enterprise</td>
<td>Established businesses with a structured organizational setup.</td>
<td>Well-defined task divisions; regional or national operations.</td>
<td>Robust financial systems; compliance with accounting standards.</td>
<td>Access to a mix of bank loans, venture capital, and government grants.</td>
<td>Regional manufacturing companies, professional services firms.</td>
</tr>
</tbody>
</table>

*SMEs: enterprises with a maximum turnover of IDR 50 billion or maximum assets (excluding building land asset) of IDR 10 billion.
Module 2
Impact of Disasters on SMEs
History of Natural Hazards in Indonesia

Key Natural Hazard Statistics for 1980-2020

Average Annual Natural Hazard Occurrence for 1980-2020

The extent to which each hazard affects SMEs will depend on various factors, including their geographical location, the nature of their business activities, the level of preparedness and resilience measures in place, the availability of financial resources for recovery, and the effectiveness of local and national disaster risk management strategies.

### Post-disaster outcomes for SMEs

<table>
<thead>
<tr>
<th>Category</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Damages</td>
<td>Damaged buildings, stock and/or produce&lt;br&gt;Supply chain delays&lt;br&gt;Limited access to markets and market activity (e.g. economic slowdown)&lt;br&gt;Liquidity squeeze (higher immediate costs, reduced borrowing capacity/opportunities)</td>
</tr>
<tr>
<td>Psychological impacts</td>
<td>Trauma experienced by business owners&lt;br&gt;Emotional distress due to the potential loss of physical assets or the business itself&lt;br&gt;Anxiety about the uncertain future of the business and its ability to recover</td>
</tr>
<tr>
<td>Response measures and limitations</td>
<td>Production paused&lt;br&gt;Inability to meet surge demand of consumer staples&lt;br&gt;Community support (in some instances)&lt;br&gt;Government assistance (in some instances)</td>
</tr>
<tr>
<td>Recovery measures</td>
<td>Remain connected to clients and business partners&lt;br&gt;Rebuilding and restarting production&lt;br&gt;Finding new markets to expand and accelerate sales and trade</td>
</tr>
<tr>
<td>Inherent capacities</td>
<td>Creativity and innovation during difficult times&lt;br&gt;Togetherness / unity / community support&lt;br&gt;Entrepreneurial attitude, problem solving, and networking skills</td>
</tr>
<tr>
<td>Resilience process/capacities</td>
<td>Knowledge creation and discovery of new business opportunities&lt;br&gt;External agency support, i.e. government—yet not evenly distributed and not always effective&lt;br&gt;Understanding self-capacity and financial management</td>
</tr>
<tr>
<td>Resilience outcome</td>
<td>More responsive to repairing damage&lt;br&gt;Able to overcome business problems caused by disasters&lt;br&gt;More adaptive business strategies&lt;br&gt;More knowledgeable to preparing for future disasters</td>
</tr>
</tbody>
</table>

In the aftermath of the 2004 tsunami, up to 80,000 small enterprises were destroyed, which provided income to approximately 140,000 people in the affected areas. Such events may severely hinder the abilities of individuals and households to sustain themselves and their families, especially if they do not have access to risk-transfers such as savings and insurance.


## Context on DRF in Indonesia

| Vulnerability | Situated in the “Ring of Fire,” making it prone to earthquakes, volcanic eruptions, and tsunamis. Tropical cyclones, floods, and other climate-induced natural disasters are contributing to a high level of disaster risk. The impact of climate change exacerbates the frequency and severity of these events. |
| Economic Impact | Natural disasters have a significant economic impact on Indonesia, affecting various sectors. SMEs are highly susceptible to disruptions caused by natural disasters, given their limited resources and resilience. |
| SME’s role in the economy | SMEs are crucial to the Indonesian economy, constituting a substantial portion of businesses. |
| Government Response | The Government of Indonesia has implemented various disaster risk reduction and response strategies. The national DRFI strategy highlights the increasing need for comprehensive DRF across all areas of the economy. |
| Insurance Gaps | Low insurance penetration, especially for SMEs. Limited access to appropriate coverage for disaster-related losses contributes to the financial vulnerability of businesses and households. |
Recap: What is Disaster Risk Finance?
Situated in the “Ring of Fire,” making it prone to earthquakes, volcanic eruptions, and tsunamis. Tropical cyclones, floods, and other climate-induced natural disasters are contributing to a high level of disaster risk. The impact of climate change exacerbates the frequency and severity of these events.

Protecting livelihoods and development
Natural disasters have a significant economic impact on Indonesia, affecting various sectors
SMEs are highly susceptible to disruptions caused by natural disasters, given their limited resources and resilience.

SME’s role in the economy
Increasing the Financial Resilience of the national and subnational governments, businesses (including SMEs), households, farmers, and the most vulnerable against natural disasters by implementing sustainable and cost-effective financial protection policies and operations.
Recap: Financial Protection and DRM

Pillar 1: Risk Identification
Improved Identification and understanding of disaster risks through building capacity for assessments and analysis

Pillar 2: Risk Reduction
Avoided creation of new risks and reduced risks in society through greater disaster risk consideration in policy and investment

Pillar 3: Preparedness
Improved capacity to manage crisis through developing forecasting and disaster management capacities

Pillar 4: Financial Protection
Increased Financial resilience of governments, private sector and households through financial protection strategies

Pillar 5: Resilient Recovery
Quicker, more resilient recovery through support for reconstruction planning

Disaster Risk Finance is one component of a comprehensive approach to risk management

Financial protection complements, but does not replace, risk reduction and resilience measures
Importance of DRF for SMEs in managing disaster-related risks

DRF provides financial protection against the economic impact of natural disasters, enabling a quick response and faster recovery to unexpected costs and business interruptions.

DRF increases the awareness of disaster-related risks and can prompt SMEs to implement effective risk mitigation strategies to support insurance and creditworthiness such as contingency planning to reduce vulnerability.

By incorporating DRF measures, SMEs can strengthen their financial capacity to absorb disaster-related losses and ensure business continuity.

DRF mechanisms can improve SMEs’ access to capital during post-disaster recovery, facilitating the restoration of operations and minimizing long-term financial strain.

Investing in DRF protects individual SMEs and communities. Strengthening local businesses helps local economies to recover faster and reduce indirect economic losses.

Integrating DRF into business strategies promotes sustainable growth for SMEs by safeguarding against unforeseen events, allowing them to focus on core business activities such as innovation, expansion, and contributing to the broader economic landscape.
Module 3
Options for Government Intervention
### Scenario: General Government Intervention

Recognizing the extent of the impacts and the vital role of SMEs in the local economy, the government needs to step in. Options:

<table>
<thead>
<tr>
<th>Option</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emergency financial assistance</td>
<td>Aid and grants to help them rebuild and resume operations.</td>
</tr>
<tr>
<td>Support programs</td>
<td>To ensure the affected population continues to access essential goods and services. Examples may include policies or schemes to increase access to affordable credit for extended periods, insurance for SMEs, economic stimulus, linkages to adaptive social protection etc.</td>
</tr>
<tr>
<td>Broader financial assistance</td>
<td>Government budget allocations to fund SME recovery through the provision of low-interest loans and subsidies to support rebuilding efforts and support until businesses fully recover.</td>
</tr>
<tr>
<td>Infrastructure Rehabilitation</td>
<td>Government agencies fund the repair of critical infrastructure, facilitating a quicker return to normal business operations for SMEs.</td>
</tr>
<tr>
<td>Market Access Programs</td>
<td>To stimulate demand for local products and services, the government connects affected SMEs with broader markets, both domestically and internationally.</td>
</tr>
<tr>
<td>Long-term resilience building</td>
<td>Measures to reduce vulnerability to future disaster events (e.g. disaster-resilient infrastructure, early warning systems etc.)</td>
</tr>
<tr>
<td>Awareness</td>
<td>Programs to increase overall awareness of government support to overcome existing challenges in communicating the impact of disasters to SMEs.</td>
</tr>
</tbody>
</table>
Module 4
DRF for SMEs – Global Examples
Introduction to ECLGS - Supporting India’s MSMEs During COVID-19

• The Emergency Credit Line Guarantee Scheme (ECLGS), a part of the Atma Nirbhar Bharat package, was launched in May 2020 as a response to the economic distress caused by the COVID-19 pandemic.

• Aimed at providing immediate financial assistance, the ECLGS targeted MSMEs and MUDRA borrowers, especially in the manufacturing sector.

• This initiative reflects the Indian government’s commitment to self-reliance.

• Note: MUDRA borrowers: Borrowers under the Pradhan Mantri MUDRA Yojana (PMMY) scheme, that provides loans up to 10 lakh (~US$650,000) to non-corporate, non-farm small/ micro enterprises. These loans are classified as MUDRA loans under PMMY).
What is ECLGS

The scheme provides a form of shock response safety net

This scheme is helpful for SMEs and MSMEs

Scheme helps in both vertically (enhancing borrowing for existing borrowers) and horizontally (enables to help new borrowers)
WHY ECLGS?

- Banks significantly reduced lending to defaulters after the 2009 farm-loan waiver (Mukherjee, Subramanian, and Tantri, 2018).

- Three Categories of Borrowers: Non-Distressed Individuals; Temporarily Distressed Borrowers; Continuously Distressed Borrowers

- Role of Guarantees: MFIs would not lend to the latter two categories without the guarantee.

- India recognized that financial sector not only possesses granular information on borrowers, which the sovereign can never rival, but also employs financial leverage. So, India provided sovereign loan guarantees for lending to SMEs by banks and the urban poor by MFIs. Kapoor and Dasher (2023)

- Quasi-Cash Transfer and Liquidity Support: The scheme functions as such for genuinely and temporarily distressed borrowers.

- Importance of Default Costs: Crucial for separating the borrower categories.

- Financial Leverage of the Scheme: Allows for larger support (loans up to 1.25 lakh, ~US$80,000) than possible with direct cash transfers.

- Government Guarantees: Create contingent liabilities for future claims, enabling targeted use of taxpayer money.
Achievements

- 1.35 million MSME accounts were saved due to ECLG scheme. Almost 93.7% of such accounts are in micro and small category.

- MSME loan accounts worth INR 1.8 trillion (US$21.6 billion) in loans protected from becoming NPAs (non-performing assets).

- If these units had turned nonperforming, then 15 million workers would have become unemployed. In effect, the ECLG scheme saved the livelihood for 60 million families.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Guarantees Issued</th>
<th>Total Amount (INR billion)</th>
<th>Equivalent (US$ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2020-2021</td>
<td>9.03 million</td>
<td>1567.10</td>
<td>18.9</td>
</tr>
<tr>
<td>FY 2021-22 (up to February 2022)</td>
<td>2.16 million</td>
<td>546.04</td>
<td>6.6</td>
</tr>
</tbody>
</table>

- This support was crucial in preventing a significant number of MSME credits from becoming NPAs and preserving numerous jobs and livelihoods.

- Major sectors benefitted: Trading, Food Processing, Textiles, Real Estate
Key Features and Expansion of ECLGS

- Original Framework: The scheme initially provided additional funding up to Rs. 3 lakh crores (~US$3,600), guaranteeing 100% coverage by the National Credit Guarantee Trustee Company Limited (NCGTC) to Member Lending Institutions, including banks and NBFCs.

- ECLGS 4.0: In May 2021, ECLGS 4.0 was introduced, expanding the guarantee to loans up to Rs. 2 crores (~US$240,000) at a 7.5% interest cap, particularly for healthcare facilities establishing on-site oxygen plants.
Eligibility and terms

- All eligible enterprises had turnovers up to Rs. 250 crores (~US$30 million) and outstanding loans up to Rs. 50 crores (~US$6 million).

- The credit provided was up to 20% of the borrower’s total outstanding credit as of February 29, 2020.

- Loan tenure was initially set for 4 years, later extended to 5 years, with interest rates capped at 9.25% for banks and 14% for NBFCs.
Key benefits for MSMEs

- Increased Access to Credit
- Enabled economic revival and self-reliance
- Provided low-cost credit opportunities
- The scheme provided support to various sectors including Healthcare which was critical during the Covid period.
Enabling continued access to credit to SMEs in Rwanda

Demand for finance is high but supply is low
DRF provides financial protection against the economic impact of natural disasters, enabling a quick response and faster recovery to unexpected costs and business interruptions.

Exposure to shocks is one of the key issues
By incorporating DRF measures, SMEs can strengthen their financial capacity to absorb disaster-related losses and ensure business continuity.

Problems are exacerbated by the COVID-19 crisis
COVID-affected MSMEs have higher needs for, but receive less, credit (by April 2020, +50% of MFIs initiated to discontinue lending)
Financing Structure for protecting SMEs

- **Future Shocks (Non-COVID)**
  - **Risk Transfer Market** (PRIVATE INSURANCE COMPANIES)
    - CAPITAL INJECTION → PREMIUM PAYMENT

- **Severe Shocks**
  - **Bridge Lending Window (BLW)** (OPERATED BY AND BASED ON BDF)
    - CREDIT GUARANTEE → PROVIDES BRIDGE LOAN → BRIDGE LOAN REPAYMENT

- **Moderate Shocks**
  - **Financial Institutions** (BANKS, FCIS, SaccoS)
    - CREDIT AGREEMENT → BRIDGE LOAN COST

- **Normal Conditions**
  - **Beneficiaries** (VULNERABLE MSMEs)
    - BRIDGE LOAN COST

**IPF Investments**

11. CAPITALIZATION OF BRIDGE LENDING WINDOW

**Global Shield Financing Facility**

Executive Education Program on Disaster Risk Finance for Indonesia
Module 5
Case Study (Breakout Groups)
Disaster scenario impacts

**Scenario**
- Small town
  - Heavily reliant on a cluster of SMEs for its economy.
- **Example SMEs industry sectors:**
  - Farming and agriculture
  - Fisheries,
  - Shops/restaurants,
  - Artisanal markets
- Tourism-related service providers

**Disruption: Natural Disaster Strikes**
- A flood hits the town
- Business operations damaged
- Supporting infrastructure damaged (e.g. roads)
- Surrounding land inundated and coastal areas affected by debris

**Discuss in break out groups how this will affect**
1. SMEs
2. SME lending market
3. Financial Institutions
4. Government

Executive Education Program on Disaster Risk Finance for Indonesia
**Scenario: Disaster-related Disruptions on SMEs**

### Scenario:
- Small town
- Heavily reliant on a cluster of SMEs for its economy.

**Example SMEs industry sectors:**
- Farming and agriculture
- Fisheries,
- Shops/restaurants,
- Artisanal markets
- Tourism-related service providers

### Disruption: Natural Disaster Strikes
- A flood hits the town
- Business operations damaged
- Supporting infrastructure damaged (e.g. roads)
- Surrounding land inundated and coastal areas affected by debris

### Impact on SMEs:
- Direct Impacts: For instance, artisanal markets face physical damage to their place of business and the products they sell.
- Indirect Impacts: Local fisheries are unable to continue to operate decreasing their income, or tourism-related services experience a sharp decline in visitors.
- Financial Strain: SMEs struggle to recover financially due to the combined effect of asset losses, inventory losses, income decline, and reduced customer base.
- Operational Challenges: Infrastructure damage impedes day-to-day operations, hindering the ability to generate income and linkages to unaffected areas to identify new business opportunities.
Scenario: Disaster-related Disruptions on SME lending

Scenario:
- Small town
- Heavily reliant on a cluster of SMEs for its economy.

Example SMEs industry sectors:
- Farming and agriculture
- Fisheries,
- Shops/restaurants,
- Artisanal markets
- Tourism-related service providers

Disruption: Natural Disaster Strikes
- A flood hits the town
- Business operations damaged
- Supporting infrastructure damaged (e.g. roads)
- Surrounding land inundated and coastal areas affected by debris

Impact on SME lending market:
- Non-Performing Loans rates: Likely to increase as SMEs face financial constraints
- Credit Market Contraction: The uncertainty around SMEs’ repayment ability may lead to financial institutions becoming more cautious in lending to SMEs across various sectors.
- Increased Interest Rates: To compensate for the heightened risk, financial institutions might raise interest rates on new loans, affecting both affected and unaffected SMEs and potentially slowing down economic recovery.
- Negative Coping Strategies: SMEs, facing restricted access to formal credit, may turn to informal financial sources, potentially exposing them to exploitative lending terms and exacerbating financial vulnerabilities through higher-interest loans.
Scenario: Disaster-related Disruptions on Financial Institutions

Scenario:
- Small town
- Heavily reliant on a cluster of SMEs for its economy.
  - Example SMEs industry sectors:
    - Farming and agriculture
    - Fisheries
    - Shops/restaurants
    - Artisanal markets
  - Tourism-related service providers

Disruption: Natural Disaster Strikes
- A flood hits the town
- Business operations damaged
- Supporting infrastructure damaged (e.g. roads)
- Surrounding land inundated and coastal areas affected by debris

Impact on FIs:
- Liquidity Squeeze: Experience increased drawdown on savings and increased lending applications.
- Reduced collateral: The impacts of the disaster may lead to damage or loss of collateral used to back existing loans. In the event of default, the lender may only be able to recoup a small portion of their lending losses affecting their operation.
- Reduced revenues: Limits to further lending to affected sectors will reduce expected profits they would otherwise expect to receive.
- Market Contraction: Financial institutions restricting access to credit may contribute to a broader contraction of the local market, impacting not only SMEs directly affected by the disaster but also those indirectly linked to the affected sectors.
Scenario: Disaster-related Disruptions on Government

Scenario:
- Small town
- Heavily reliant on a cluster of SMEs for its economy.

Example SMEs industry sectors:
- Farming and agriculture
- Fisheries
- Shops/restaurants
- Artisanal markets
- Tourism-related service providers

Disruption: Natural Disaster Strikes
- A flood hits the town
- Business operations damaged
- Supporting infrastructure damaged (e.g. roads)
- Surrounding land inundated and coastal areas affected by debris

Impact on Government:
- Limited Resources: Governments at different levels are faced with fiscal constraints and competing priorities on what activities to finance.
- Political consequences: The inability to provide comprehensive support may result in negative views of the government by affected SME owners and workers.
- Impact on Vital Expenditures: Limited resources may lead to funds being diverted from essential social programs or investments, affecting the overall well-being of the community beyond the business sector.
- Equity Concerns: Providing subsidies to a subset raises concerns about equity, potentially causing dissatisfaction and disputes among SMEs who are not included, leading to social and economic disparities.
### Scenario: Disaster-related Disruptions on Government

#### Scenario:
- Small town
- Heavily reliant on a cluster of SMEs for its economy.

**Example SMEs industry sectors:**
- Farming and agriculture
- Fisheries,
- Shops/restaurants,
- Artisanal markets
- Tourism-related service providers

#### Disruption: Natural Disaster Strikes
- A flood hits the town
- Business operations damaged
- Supporting infrastructure damaged (e.g. roads)
- Surrounding land inundated and coastal areas affected by debris

#### Impact on Government:
What financial protection options (existing or potential) might the Government of Indonesia provide to SMEs in this scenario?
Scenario: General Government Interventions

How can Government’s Better Prepared for the potential scenario?

**Business Continuity Planning:** An emphasis on government preparedness may encourage SMEs to adopt robust business continuity plans, enhancing overall economic resilience to future disruptions.

**Public-Private Partnerships:** The discussion around the role of financial institutions may open avenues for exploring public-private partnerships and greater collaboration in developing sustainable financing solutions based on DRF to enhance disaster resilience.

**Enhanced Regulatory Framework:** Addressing risk management requirements may lead to the development of an enhanced regulatory framework, ensuring that SMEs proactively manage risks, reducing the burden on government intervention during crises.

**Create an enabling environment:** Develop policies that incentivize the private sector to develop DRF options for SMEs, creating a synergy that benefits both the government and private enterprises in managing and mitigating risks.

**Capacity Building and Knowledge Exchange:** Invest in programs that build the capacity of both government and private entities to create a shared understanding of DRF strategies, and simultaneously establish platforms for knowledge exchange. This collaborative environment ensures that insights, expertise, and resources are shared, promoting a unified approach to building economic resilience through enhanced DRF at different levels.

**Innovative Financial Solutions for SME Resilience:** Support product development initiatives within a broader framework of financial inclusion, ensuring the creation of accessible and tailored options for DRF. This approach meets the specific needs of SMEs, providing them with diverse and effective financial tools to enhance their resilience in the face of disasters.
Module 6
Key Messages
Recap: Disaster Risk Finance for SMEs in Indonesia

**Economic Backbone**
SMEs are a major contributor to the overall economy, constituting 60.5% of GDP and employing 96.9% of the workforce.

**Vulnerability to Disasters**
Vulnerability to Disasters
SMEs suffer disproportionate impacts of disasters, facing financial strain, and operational challenges, with fewer financial means to recover.

**Preparedness**
A proactive approach using DRF can help to prearrange financing options to shield SMEs from financial strain and encourage SMEs to adopt robust risk management practices.

**Secondary effects**
Impacts on the SME sector create a ripple effect on the broader population, underlining the government's responsibility to step in and ensure the continued access of communities to essential goods and services.

**Government’s Role**
The government will likely need to intervene when disasters strike, potentially through financial support to protect affected SMEs, ensuring their survival, and supporting populations dependent on SME products/services.

**Options for Strategic Action by Government**
A strategic approach to government support based on financial innovation that supports economic growth can enhance the resilience of the SME sector and bolster the entire economy.

**Collaboration for Resilience**
Global examples have emerged where collaborative efforts between governments and financial institutions can create sustainable financing models that enhance SME resilience and contribute to overall economic recovery.