

# COVID-19 RESPONSE: CORPORATE STRATEGIES FOR SUPPORTING SMALL AND MEDIUM ENTERPRISE SUPPLIERS IN THE ANDEAN REGION

## KEY FACTS

**60%**

of jobs in the Andean region are generated by **Small and Medium Enterprises (SMEs)**.<sup>1</sup>

**18.1%**

of firms in Colombia, Ecuador, and Peru have **majority female ownership**.<sup>2</sup>

**95%**

of Women-Owned SMEs (WSMEs) in the WEConnect International network in LAC have seen a **significant decrease in sales or revenue** due to the COVID-19 crisis.<sup>3</sup>

**International Finance Corporation (IFC) and WEConnect International** have **partnered** to boost market access for women entrepreneurs by i) raising awareness on the business case for gender-inclusive sourcing, and ii) encouraging firms to adopt best practices to increase sourcing from WSMEs.

The COVID-19 crisis is disrupting global, regional, and local value chains and is causing **significant challenges for both corporations and their SME suppliers, including WSMEs**. A virtual roundtable was organized on June 24, 2020 for corporate representatives to **learn about the impact of COVID-19 on value chains and to share strategies to support SME suppliers**, including WSMEs, during and post-crisis. The event brought together managers in procurement, purchasing, and sustainability from companies sourcing goods and services from Colombia, Bolivia, Ecuador, and Peru. This brief highlights learnings from the roundtable.

## THE IMPACT OF COVID-19 ON WSMEs IN LATIN AMERICA AND CARIBBEAN<sup>4</sup>



Most WSMEs surveyed reported a drastic drop in sales, and some said their sales had stopped completely.



WSMEs have seen a decrease in employee morale and have had to furlough employees or decrease employees' hours due to the decrease in their revenue.



WSMEs need new sources of capital to cover operational costs such as rent and deal with cancelation of contracts or booked revenue.



Not everything is negative – WSMEs are adapting to optimize and refocus their businesses: many are identifying and cutting unnecessary expenses, shifting to digital business models, and some are also creating a new business line in response to local or global needs.

**Download the infographic of survey findings in Latin America and the Caribbean [here](#).**

<sup>1</sup> [Comunidad Andina, 2017.](#)

<sup>2</sup> [World Bank Group, 2017.](#)

<sup>3</sup> [WEConnect International, 2020.](#)

<sup>4</sup> In April 2020, WEConnect International conducted a **survey** of 139 women-owned businesses across Latin America to understand how the pandemic has affected their businesses.

## REBUILD STRONG: STRATEGIES TO SUPPORT SMEs IN SUPPLY CHAINS, INCLUDING WSMEs, DURING AND AFTER COVID-19

The strategies below include i) information shared by corporate participants in the COVID-19 Response Roundtable, ii) publicly available information from corporates, and iii) strategies surfaced during meetings that IFC and WEConnect International had with their clients and member companies, respectively, between March-June 2020.

### Communication: Provide Information, Counseling, and Capacity Building

- **Inform SME suppliers about changes to procurement needs** (i.e. new requests for COVID-19 related products and services) and processes through webinars and workshops.
- **Communicate proactively** with SME suppliers to understand their challenges and needs, and how they are adjusting to meet new procurement needs.
- **Share resources and practical advice on COVID-19**, such as health and safety measures, business continuity strategies in times of crisis, and available government support.
- **Draw from internal resources to support SMEs in their crisis response** (e.g. extend legal services, storage facilities or fuel for transportation).

### Financing: Increase SME Access to Liquidity and Working Capital

- **Modify payment terms** (e.g. reduce payment terms or make advance payments) to address critical cash flow challenges faced by suppliers.
- **Educate and pilot the use of factoring<sup>5</sup> with one creditworthy supplier** and, if successful, implement with other SME suppliers.
- **Facilitate access to supply chain financing programs** where possible through streamlined onboarding processes, by relaxing eligibility requirements, and identifying financial partners for greater access to financing.

### Collaboration: Collective Action and Advocacy

- **Participate** in global or local platforms that **promote initiatives to support SMEs**.
- **Explore collaboration** with **governments, other companies, civil society organizations, development finance institutions**, etc. to share learnings to support SMEs.

### Opportunity: Honor Existing Contracts and Pursue New Business Opportunities

- **Avoid canceling or postponing purchase orders** and/or stockpile additional inventory if necessary, until market demand resumes.
- **Break up large purchase orders into several smaller ones** to give opportunities to SMEs and WSMEs to bid and win smaller pieces of business.
- **Host and participate in virtual business matchmaking** with SMEs to identify new suppliers that can meet fast-changing procurement needs. (See Box below)

### Virtual Matchmaking Sessions

In June 2020, WEConnect International, with the support of IFC and the Women Entrepreneurs Finance Initiative (We-Fi), hosted a series of **virtual business matchmaking meetings with WEConnect International certified WSMEs in the Andean Region**. The event was organized as five separate meetings across different product/service categories (technology, business services, communications and marketing, agricultural and food products, and COVID-19 products and services). During each meeting, procurement teams and purchasing decision-makers from participating corporations shared information about their acquisition processes and opportunities. This was followed by short business pitches delivered by WSMEs in attendance. One month after the event, **four corporate buyers have expressed interest in follow-up meetings with 18 WSMEs in various product/service categories**.

<sup>5</sup> A transaction where an SME supplier sells its accounts receivables (or invoices) to a third-party financial intermediary (referred to as a factor) in exchange for a partial prepayment. The factor collects the accounts receivable on behalf of the supplier and pays the remainder (less service fees) upon final payment by the buyer.