



# Survey Report

## Effects of COVID-19 on Philippine MSMEs

Institute for Small-Scale Industries  
University of the Philippines

May 2020

## **Survey Report on the Effects of COVID-19 on Philippine MSMEs**

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## List of Acronyms

ADB	Asian Development Bank
BC	Business Continuity
BCMAP	Business Continuity Managers Association of the Philippines
BCP	Business Continuity Planning
BSMED	Bureau of Small and Medium Enterprise Development
BSP	Bangko Sentral ng Pilipinas
CAMP	COVID-19 Adjustment Measures Program
COVID-19	Coronavirus Disease 2019
DA	Department of Agriculture
DOF	Department of Finance
DOLE	Department of Labor and Employment
DRR	Disaster Risk Reduction
DTI	Department of Trade and Industry
ECQ	Enhanced Community Quarantine
GOCC	Government-owned or -Controlled Corporation
HANDA	Honing Agents for National Disaster Awareness Program of UP ISSI
ICT	Information and Communications Technology
LGU	Local Government Unit
MSME	Micro, Small, and Medium Enterprise
NAS	Network-attached Storage
NCR	National Capital Region
NGA	National Government Agency
P3	Pondo sa Pagbabago at Pag-asenso Program
Philhealth	Philippine Health Insurance Corporation
SBWS	Small Business Wage Subsidy Program
SSS	Social Security System
SURE	Survival and Recovery Aid Program
UP ISSI	University of the Philippines - Institute for Small-Scale Industries
WFH	Work-from-home
WHO	World Health Organization

## Executive Summary

The *Survey on the Effects of COVID-19 on Philippine MSMEs* conducted by the UP Institute for Small-Scale Industries (UP ISSI) between April 2, 2020 to April 21, 2020 gathered online responses from 64 micro enterprises, 30 small-, and 14 medium-scale enterprises. Fifty-nine respondents are in the service sector, 32 manufacturing, 15 trading, and 2 in the agricultural sector.

The major findings are as follows:

### Effects of the Enhanced Community Quarantine on Business Operations

- Ninety-five percent of the respondents were affected by the enhanced community quarantine (ECQ).
- The most common effects include closure of business (65%), employees not being able to report for work (58%), and cashflow problems (58%).
- With the disruption of business operations and their current cashflow, 68% of the respondents would not be able to survive in three months' time, with 25% saying their cashflow could only keep them running for a month, another 25% in two months, and 17% in three months.
- Eighty-four percent of the respondents suffered 50% - 100% sales decline, with 47% saying their company sales have been wiped out by 100%.
- Raw material supply challenges remain among the concerns of the MSME respondents. Among the 63 respondents who required raw materials for their major products and services, 41 (or 65%) said their current supply could only sustain one month's operation.
- Among the coping mechanisms employed by the respondents affected by the ECQ were as follows: work-from-home arrangement (36%), laid off employees (19%), and used online sales channels (19%). This meant additional costs and new challenges to MSMEs, and loss of regular income to retrenched employees.
- The most common challenge experienced by the respondents with their work-from-home arrangement – intermittent internet connection (70%) – highlights a chronic problem in the country that has long been taken for granted: weak and inadequate Information and Communication Technology infrastructure. Other challenges – employees cannot access work files from the office (57%), and employees do not have laptops and/or desktops at home (46%) – point to the lack of readiness of MSMEs to do WFH set-up.
- The total percentage of employees laid off by the respondents reached a minimum of 3% and a maximum of 100% of their personnel complement, with an average of 58%. This is a huge loss of jobs in a short span of time. The most common assistance provided by the respondents to their employees include: provision of food (46%); work-from-home option (33%); payment of advanced salary (29%); paid leave (29%) and temporary shelter for employees (21%).

### Assistance received during ECQ

- Assistance from the government was dismal and unimpressive: 14% received relief goods, 6% availed of the Department of Labor and Employment's CAMP (COVID-19 Adjustment Measures Program). Assistance from other stakeholders (suppliers, financial institutions, industry associations) was also minimal but more relevant: telecommunication support, loan and logistics support.

### Recovery: Challenges and Assistance Needed

- Asked what major challenges and issues they were likely to encounter as they try to resume their business operation, the most common answers were: loss of clients, lack of/limited operational capitalization, employee welfare, problematic cashflow, availability of raw materials, and logistical requirements.

- On the kind of assistance or support they would need to be able to recover from the COVID-19 situation, the top five choices for most of the respondents were: tax break (70%), interest-free loan (68%), training on business continuity planning (66%), wage subsidy of affected MSME employees (60%) and provision of working capital (57%).

#### **Business Continuity Planning (BCP) and Disaster Preparedness**

- Majority (75%) of the respondents do not have business continuity and/or disaster preparedness-related plans for their enterprise.
- The 27 respondents whose enterprises have business continuity and disaster-related plans mentioned having the following: business continuity plan, disaster risk reduction and management plan, emergency communications plan, and emergency response plan. Notably, only three respondents mentioned having a pandemic response contingency plan – two from micro enterprises involved in the manufacturing sector, and one from a small enterprise involved in information and communication service.
- The top reasons that motivate the respondents in developing their business continuity and/or disaster preparedness plans were as follows: for sustainability of the enterprise (67%), ensure safety of employees (67%), and mitigate risks associated with the business disruption (48%), and to fulfill their contractual obligations with customers (33%).
- The top challenge faced by the MSME respondents in developing BC plans and/or disaster preparedness-related plans were lack of awareness on the importance of Disaster Preparedness and BCP, lack of funds, and lack of organizational capacity.

#### **Recommendations to support MSMEs in relation to the enhanced community quarantine**

- Seventy percent of the respondents recommended for local government units (LGUs) to waive taxes and other business-related fees. 52% recommended to defer taxes and other business-related fees, and 37% recommended for LGUs to facilitate access to both market and suppliers.
- Eighty-nine percent of the respondents recommended for National Government Agencies (NGAs) to develop a national policy on tax relief program for MSMEs, while 54% recommended for a national policy on loan program for MSMEs.
- For banks and financial institutions, the respondents recommended to provide lower interest rates for loan programs for MSMEs (81%), defer credit card payments (76%), defer loan payments (75%) and easier lending policies for loan programs for MSMEs (74%).
- For the academe, the respondents recommended to do research studies on business continuity and disaster preparedness for MSMEs (84%) and to conduct capacity building for MSMEs on those areas (83%). Other recommendations provided by the respondents focused on capacity building and research studies on digital literacy and disruptive technologies for MSMEs (10%).

#### **Recommendations from UP ISSI**

Considering the issues and concerns highlighted in the survey results, UP ISSI makes the following recommendations:

1. Provide one-time financial grant to cash-strapped MSMEs
2. Facilitate MSME's access to interest-free loans and other financial assistance
3. Look into the feasibility of waiving taxes and other business-related fees of MSMEs for at least six months
4. Eliminate barriers to the movement of goods and personnel in essential sectors
5. Realign budget and allocate to industries severely affected by the pandemic
6. Strengthen the ICT infrastructure in the country
7. Increase the capability of MSMEs on business continuity planning
8. Increase the capacity of MSMEs to leverage disruptive technologies.

## Introduction

The UP Institute for Small-Scale Industries (UP ISSI) is a research and extension unit that promotes the development of the Micro, Small, and Medium Enterprise (MSME) sector in the country. One of the Institute's services for the MSMEs is the HANDA Program or the Honing Agents for National Disaster Awareness (HANDA): Disaster Preparedness and Business Continuity Planning Program. The HANDA program aims to build a culture of preparedness among the MSMEs in the Philippines.

At the onset of the year, an outbreak of the COVID-19, an infectious disease caused by a new strain of the coronavirus, started affecting several countries. The Philippines reported the first case of COVID-19 in the country on January 30. On March 7, the first local transmission of COVID-19 was confirmed. On March 11, the World Health Organization (WHO) declared COVID-19 a pandemic.

As a response, President Rodrigo R. Duterte has placed the whole Luzon under Enhanced Community Quarantine (ECQ) on March 16 and has declared a State of Calamity throughout the Philippines on March 17. Under the ECQ, the following restrictions were declared: public transportation suspension, travel restriction, classes and work suspension, etc.

With these developments, the MSME sector which comprises 99.52% of all business establishments and generates 63.19% of total employment in the country (Philippine Statistics Authority, *2018 List of Establishments*), is among the most vulnerable.

In line with its HANDA program, the UP ISSI recognizes the need to investigate how the MSMEs are affected by COVID-19 pandemic and the Philippine government's responses to it.

This study gathered information on the following: (1) effects of COVID-19 on business operations of MSMEs; (2) preparedness of MSMEs in facing the COVID-19 situation; and (3) support programs needed by MSMEs to cope with the effects of the COVID-19 situation. The UP ISSI will put forward the results of this Survey as policy recommendations to national government agencies and legislation to support MSMEs recover from the negative impacts of COVID-19.

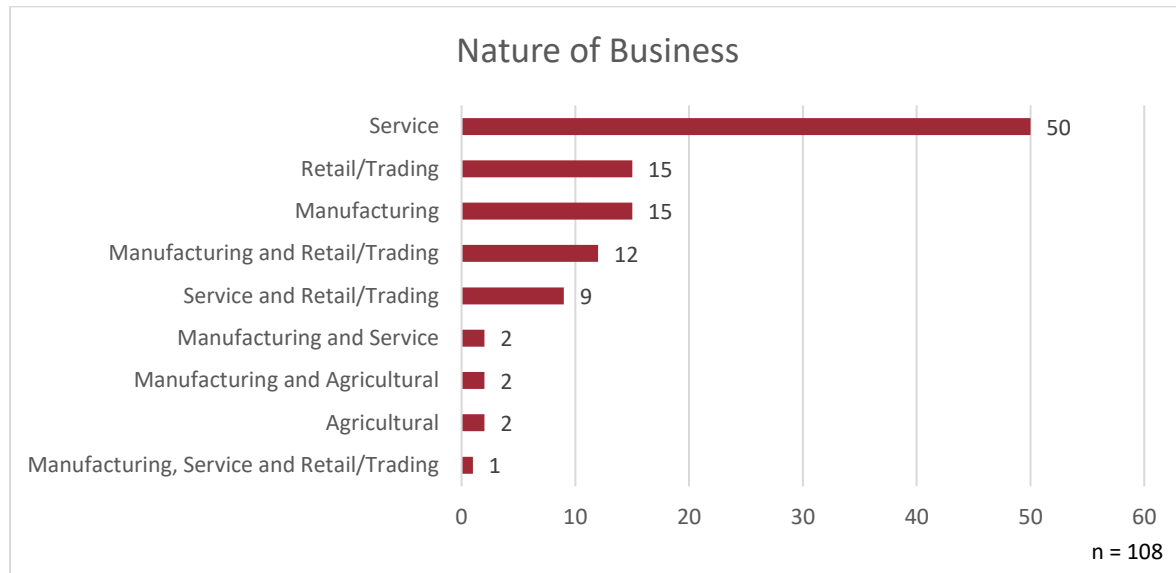
The results presented in this report are based on the responses gathered from the online survey conducted between April 2, 2020 to April 21, 2020.

## Survey Results

### I. Enterprise Profile

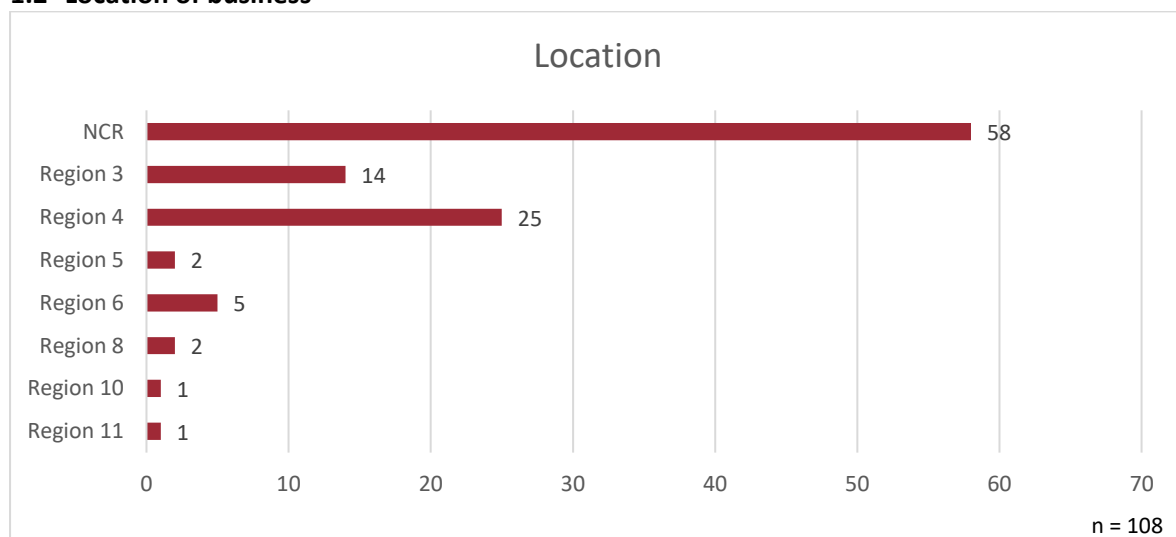
This section presents a profile of the 108 MSME respondents that took part in the UP ISSI survey conducted in April 2020.

#### 1.1 Nature of Business



Forty-six percent of the respondents are in the service sector, 14% in the retail/trading sector and another 14% in the manufacturing sector. Twenty-six (26%) respondents are engaged in a combination of service, manufacturing, retail/ trading and agricultural activities. Only two respondents belong to the agricultural sector.

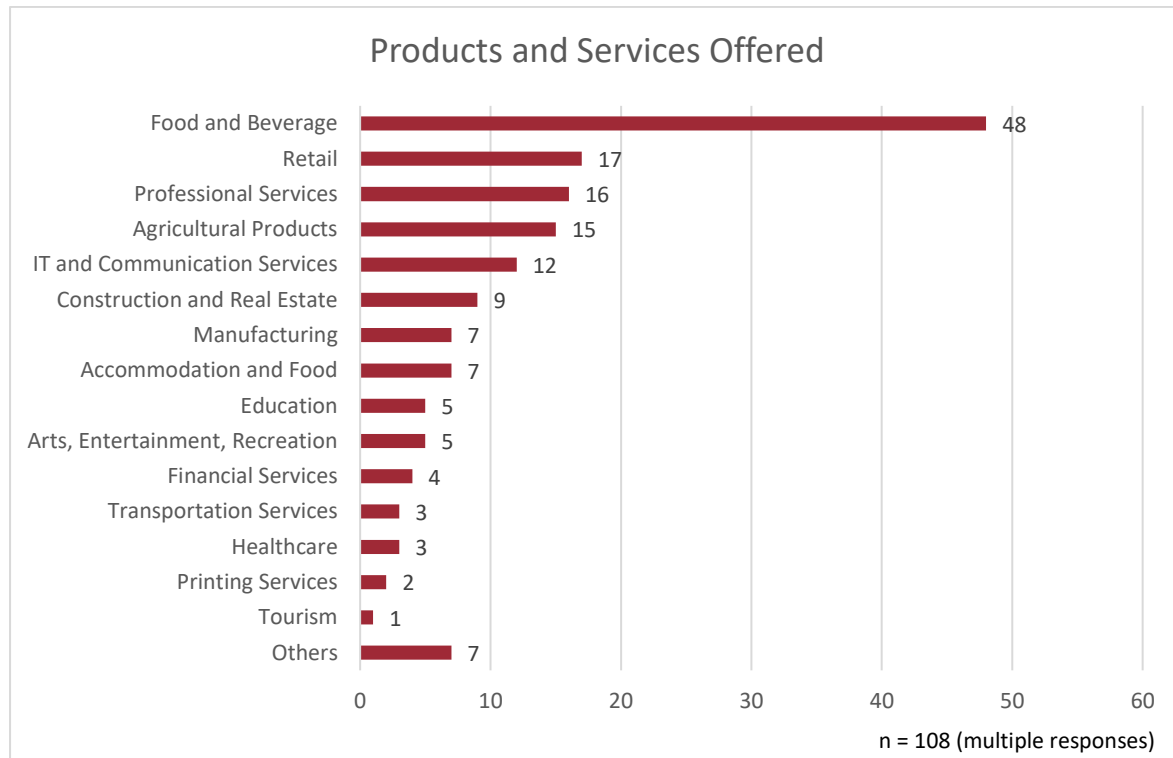
#### 1.2 Location of business



More than half of the businesses represented in the survey are in the National Capital Region (NCR). The closest regions to NCR, i.e., Regions 3 and 4, had the next biggest numbers of businesses that took part in the survey.

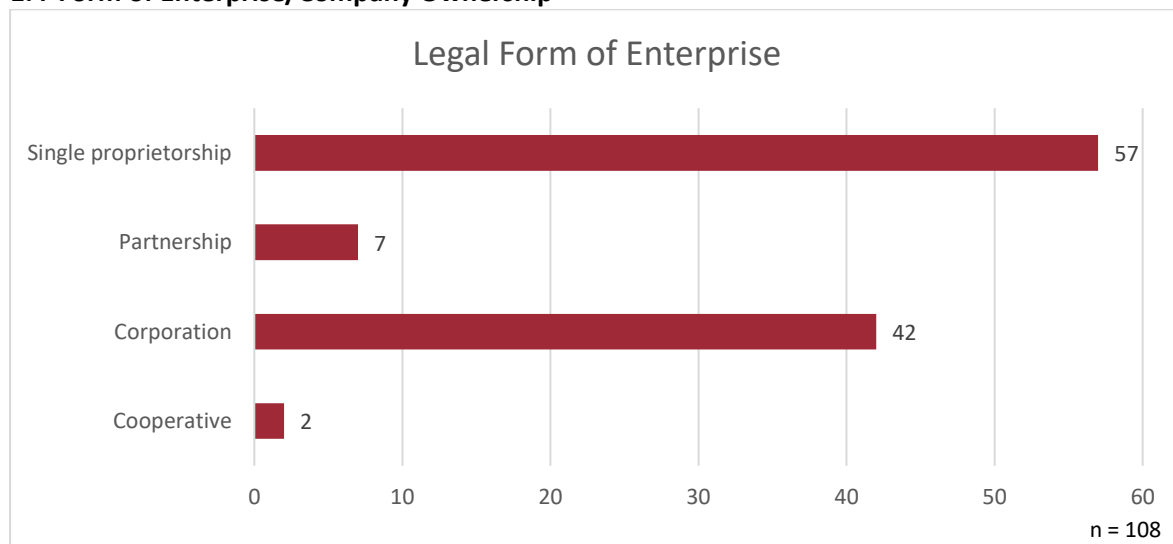


### 1.3 Products and Services Offered



Majority of the manufacturers/retailers/traders offer food and beverage products. This is followed by retail, professional services, agricultural products, and IT and communication services.

### 1.4 Form of Enterprise/Company Ownership



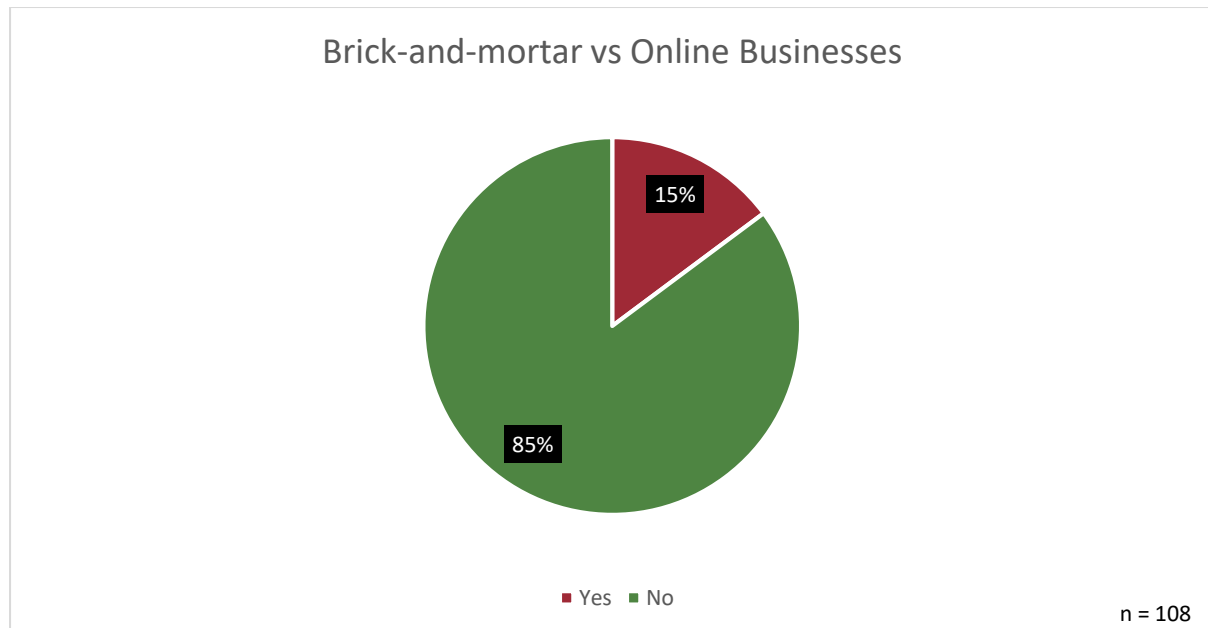
More than half (53%) of the respondents are registered as single proprietorships, 42 (39%) are corporations, 7 (6%) partnerships and two (2%) cooperatives.

### 1.5 Asset Size



The firms represented in the survey are predominantly (59%) micro enterprises or firms whose asset size does not exceed PhP 3 million. Twenty-eight percent are small-scale enterprises, or firms whose assets range from over PhP 3 million to PhP 15 million. The remaining 13% are medium-scale enterprises.

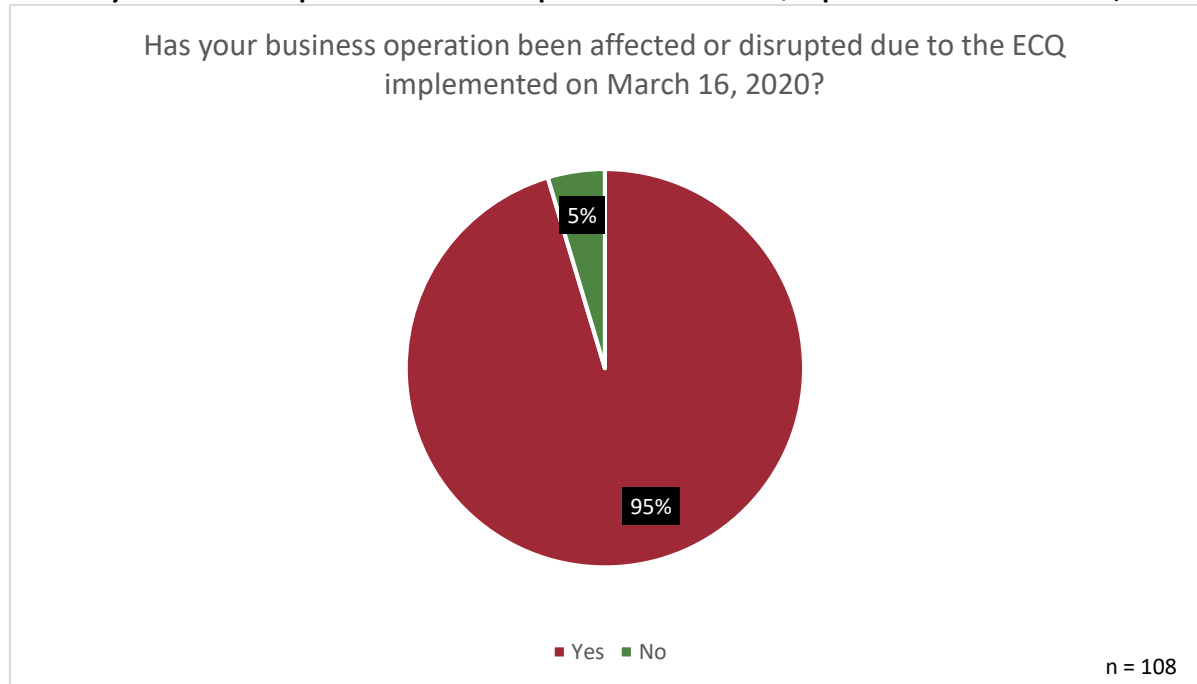
### 1.6 Brick-and-mortar Stores vs Online Businesses



Of the 108 business establishments, majority (85%) are regular brick-and-mortar businesses while the remaining 16 (15%) are online businesses.

## II. Effects of the COVID-19 on Business Operations

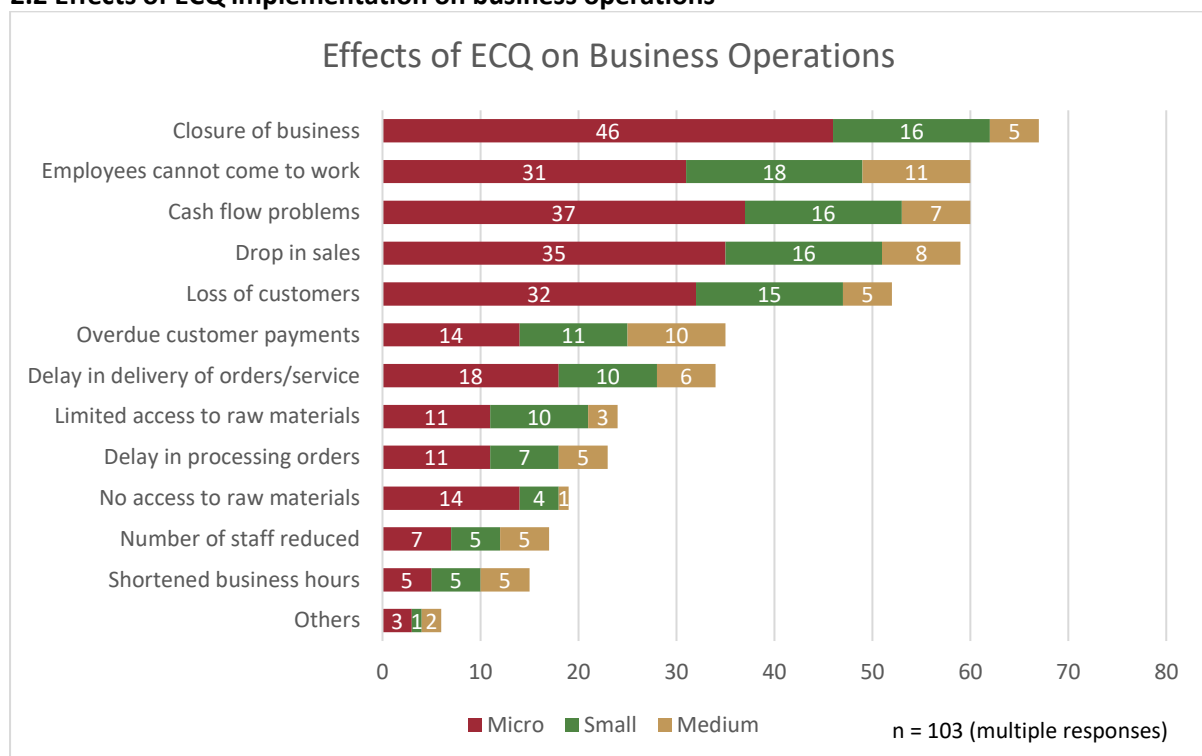
### 2.1 Has your business operation been disrupted due to the ECQ implemented on March 16, 2020?



An overwhelming 103 respondents, or 95%, were adversely affected by the implementation of the ECQ. Four of the five respondents who were not affected by the ECQ are in the NCR with the fifth one located in Bulacan. Three of the firms are service-oriented firms while the other two are manufacturing entities.

The summarized answers for Sections 2.2 to 2.19 were from the 103 respondents who indicated that their business operations were adversely affected by the implementation of the ECQ.

## 2.2 Effects of ECQ implementation on business operations



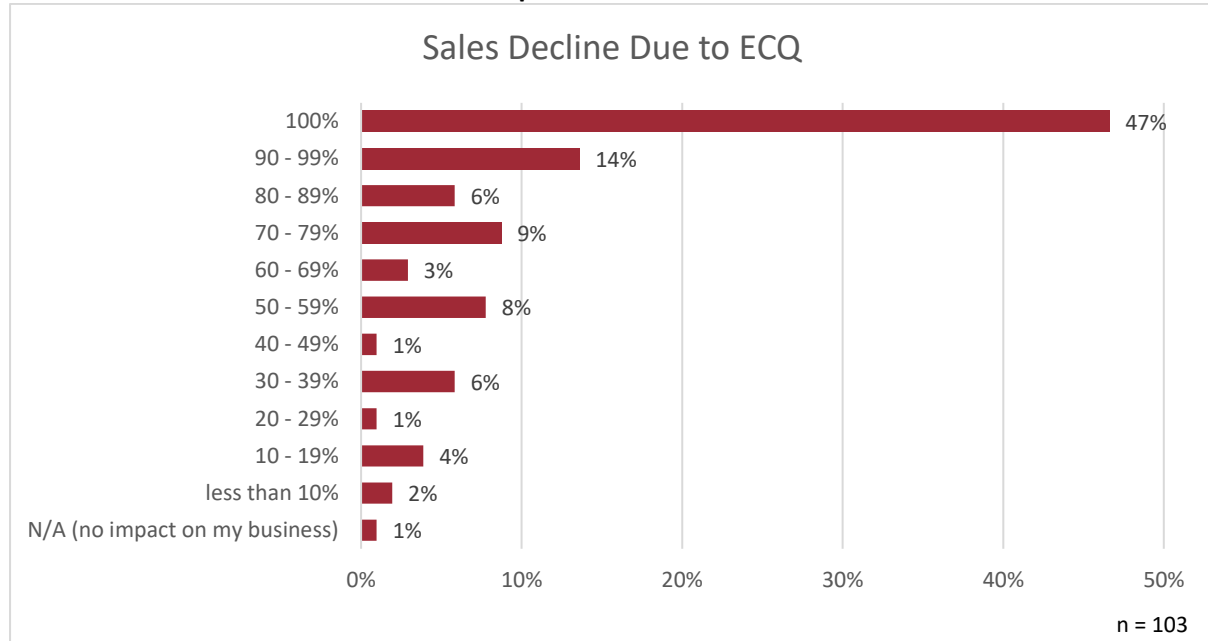
In general, MSMEs were most affected with closure of business (65%), employees being unable to come to work (58%), and cash flow problems (58%). Looking at specific MSME categories, however, we see slightly different concerns.

Micro enterprises were most concerned with closure of business (74%), cash flow problems (60%), and drop in sales (57%).

Small enterprises were most affected with employees being unable to come to work (62%), closure of business (55%), cash flow problems (55%), and drop in sales (55%).

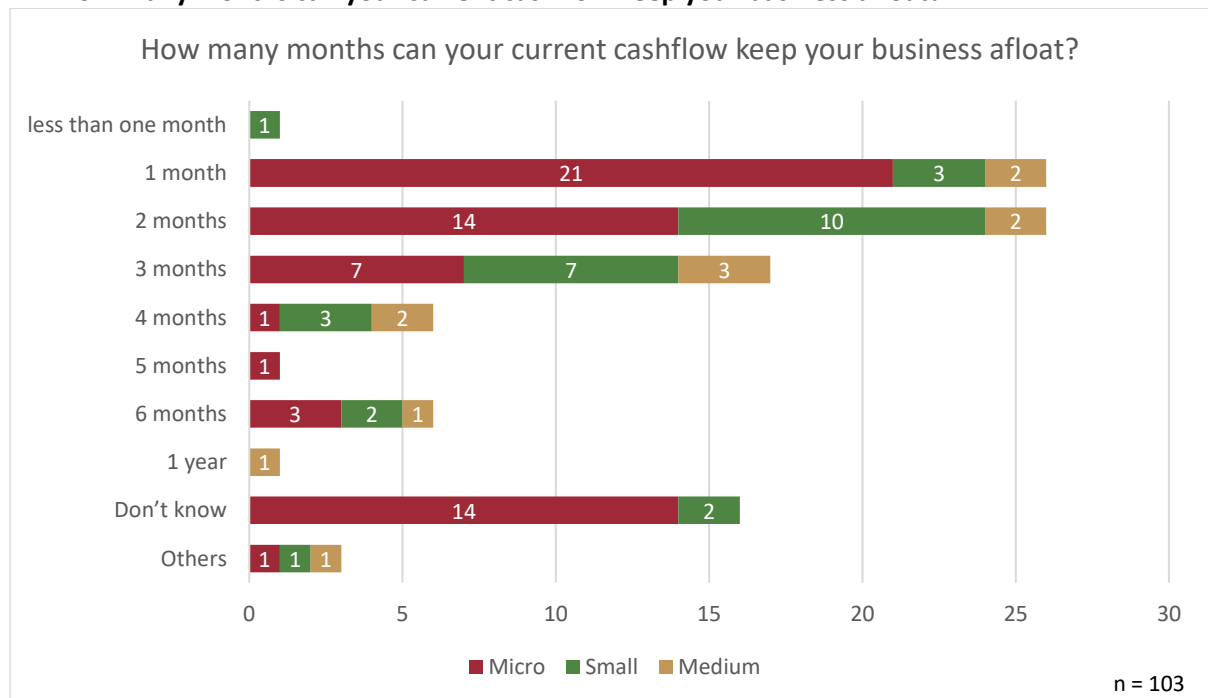
Medium enterprises were most concerned with employees being unable to come to work (92%), overdue customer payments (83%), and drop in sales (67%).

### 2.3 Sales decline as a result of the ECQ implementation



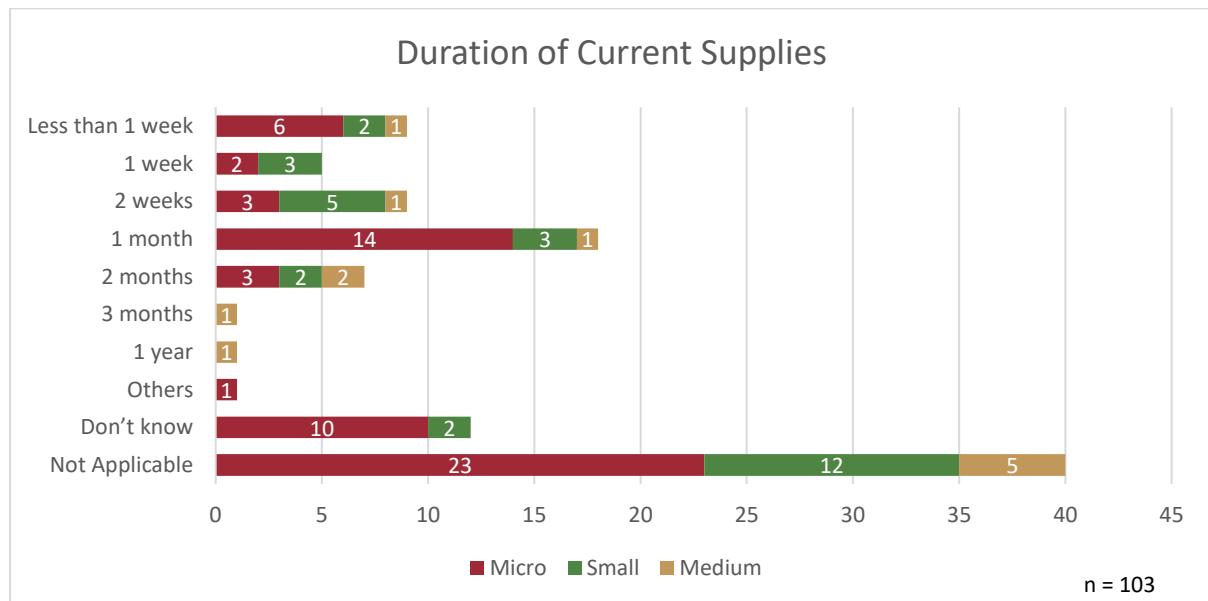
MSMEs in general suffered great losses in their sales. A majority (84%) sustained decline of 50% or more, with almost half (47%) experiencing 100% sales decline.

### 2.4 How many months can your current cashflow keep your business afloat?



A little more than half (51%) of the respondents stated that their current cash flow could only sustain them for 2 months. A significant percentage (16%) do not know long they would be able to keep their business going.

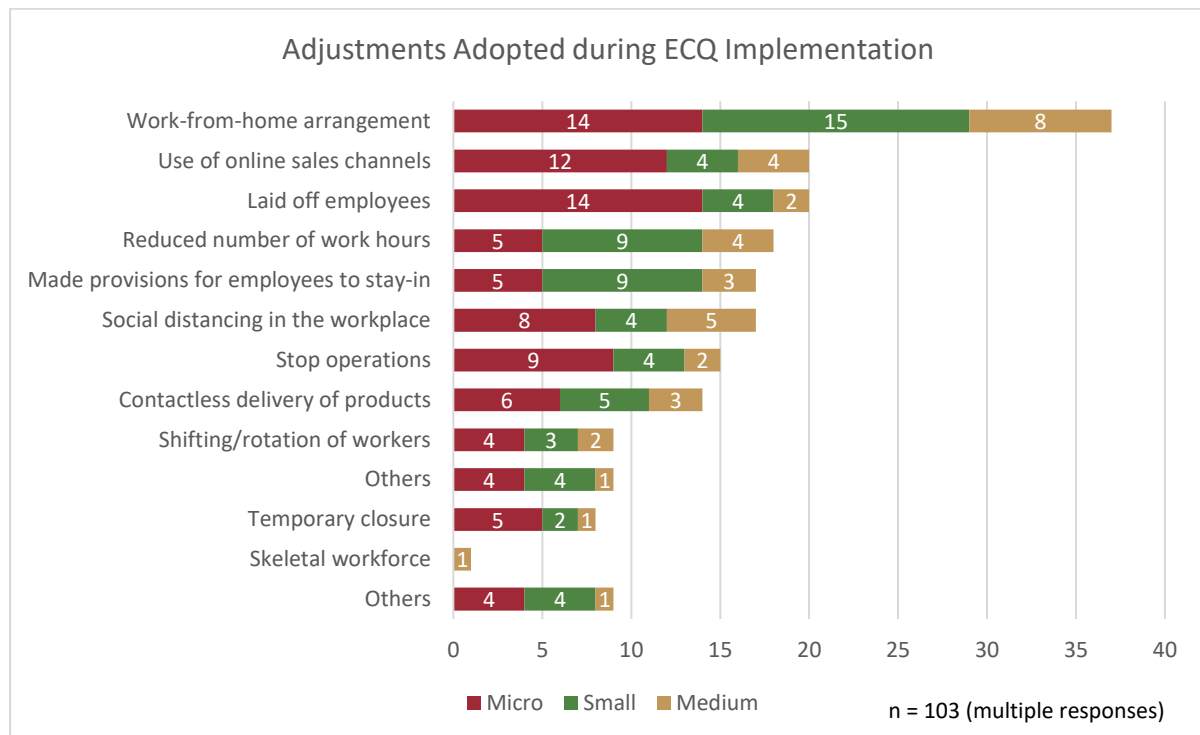
**2.5 In view of the supply chain disruption brought about by the ECQ implementation how long will your existing stocks of raw materials and supplies last to enable you to continue processing your major products?**



More than a third (39%) of the respondents do not rely on raw materials from external suppliers. Eleven percent do not know how long their current supplies will last.

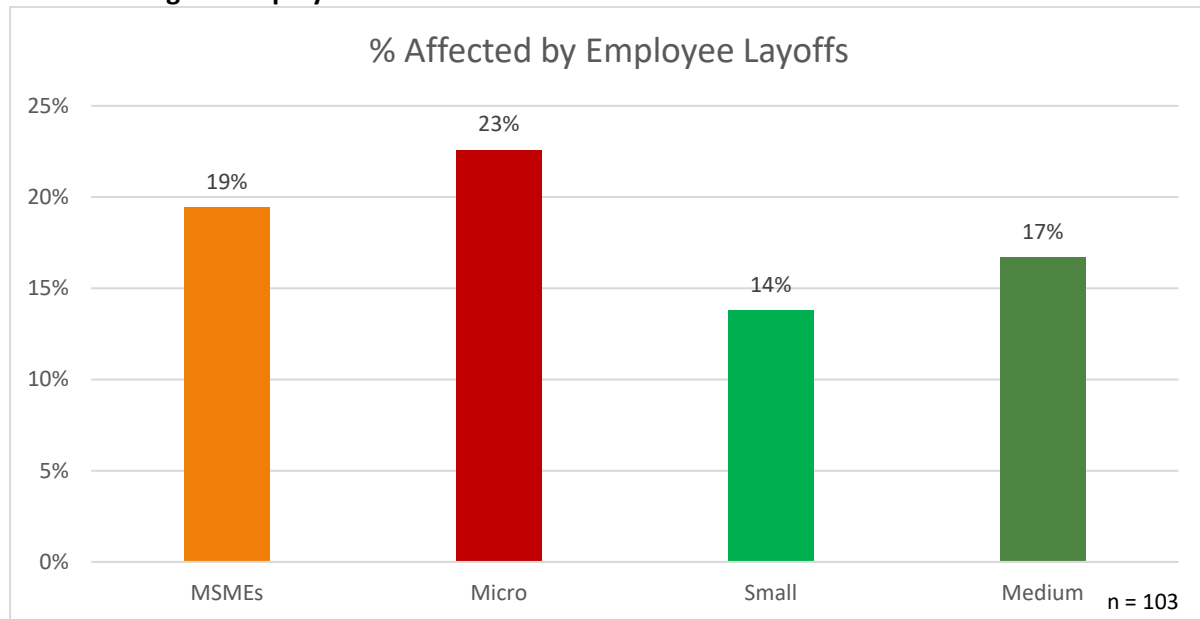
Among the 63 respondents who required raw materials, 41 (or 65%) said their current supply could only last for a month or less.

## 2.6 Workplace adjustments adopted to cope with the ECQ implementation

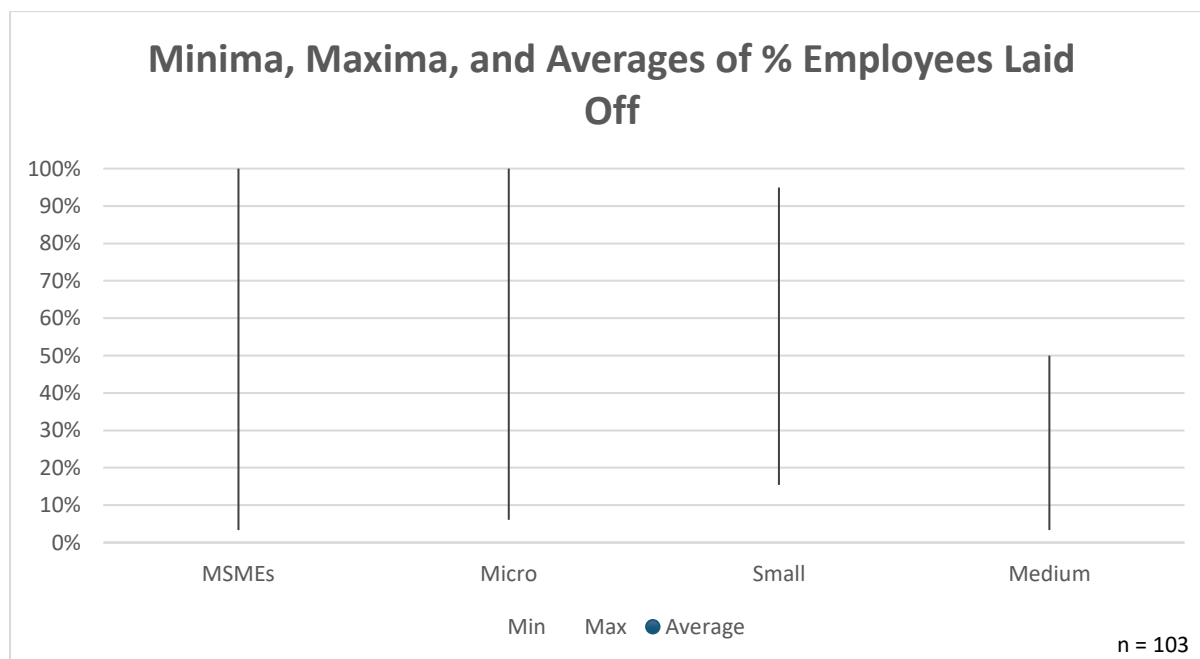


For those who were affected by the ECQ implementation, the top adjustments made were: work-from-home arrangement (36%), laid off employees (19%) and the use of online channels (19%).

### 2.7 Percentage of employees laid off

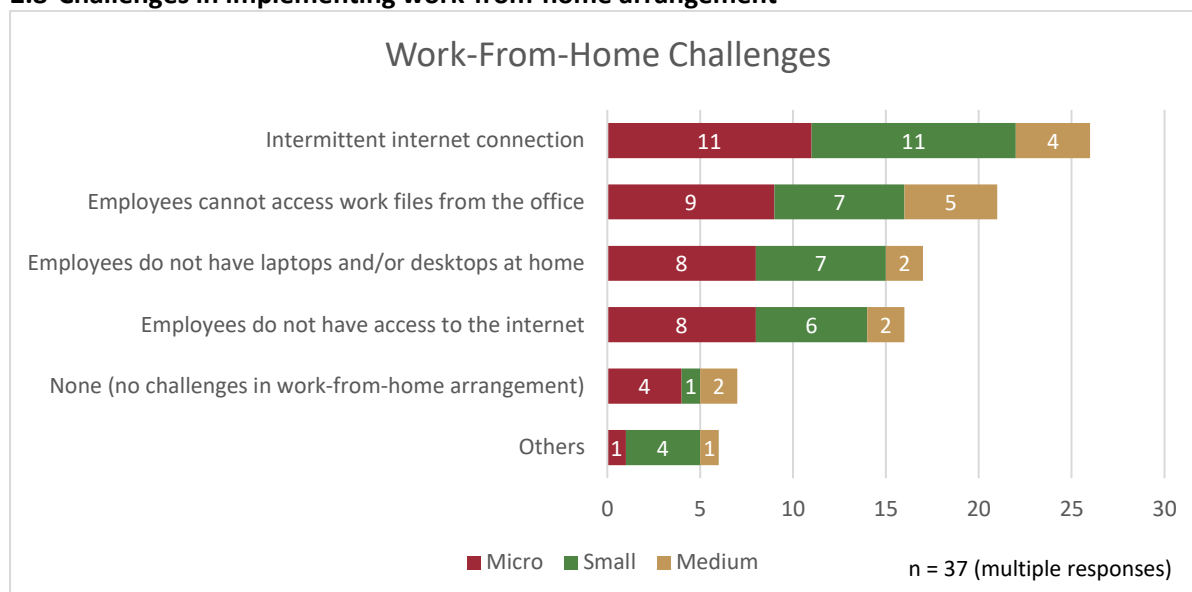


Out of the 103 respondents affected by the ECQ, 20 resorted to laying off employees to cope with the situation. This coping mechanism was most common among micro enterprises (23%). The total percentage of employees laid off by these respondents reached a minimum of 3% and a maximum of 100%, with an average of 58% of their personnel complement.





## 2.8 Challenges in implementing work-from-home arrangement



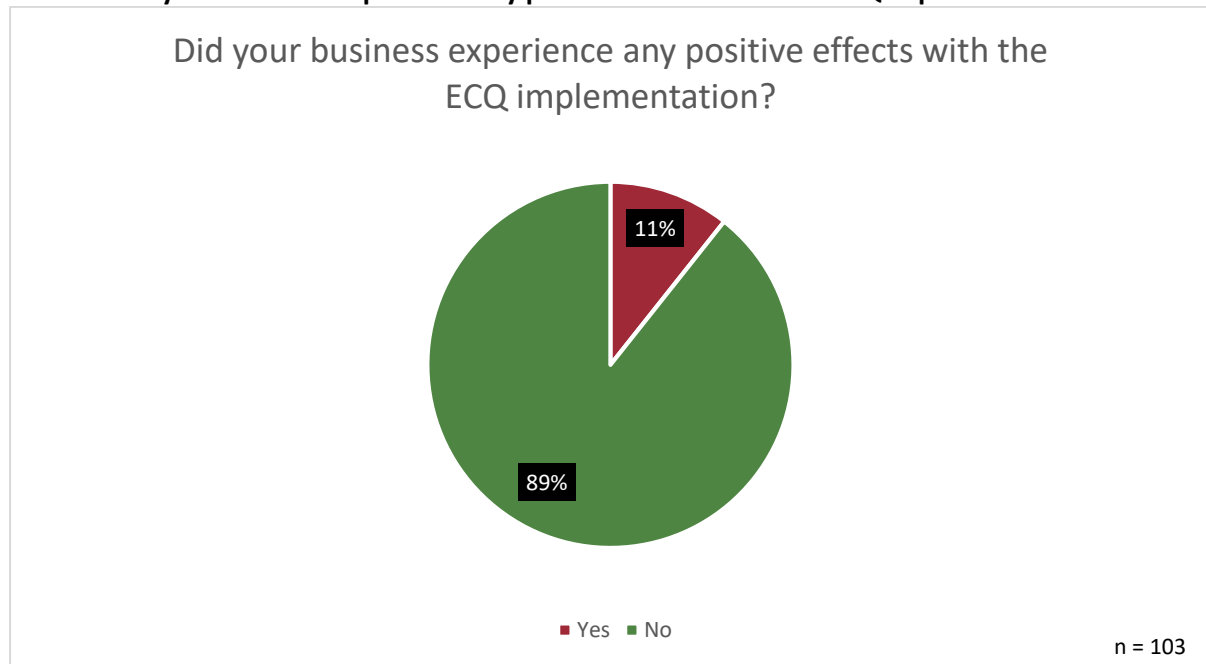
For the 37 enterprises with work-from-home arrangement, the top challenges encountered were intermittent internet connection (70%), employees cannot access work files from the office (57%), and employees do not have laptops and/or desktops at home (46%).

## 2.9 Other challenges experienced due to the ECQ implementation

The other challenges the respondents noted that were not mentioned in the earlier Survey questions deal mainly with employee concerns and how they could be supported. One respondent said, *“Most of the employees are daily rate wage earners and no work no pay. I know that they need money for their basic living and it’s very hard for me that I can’t give them all what they need. That is the biggest challenge.”*

Other concerns mentioned were the uncertainty of being able to recover after the pandemic and the low morale and unproductivity at home. Still another mentioned the importance of a stable internet connection and properly working computers so as not to disrupt work. One respondent cited internet congestion and the need to shut down computer equipment temporarily to prevent overheating due to the summer season.

## 2.10 Did your business experience any positive effects from the ECQ implementation?

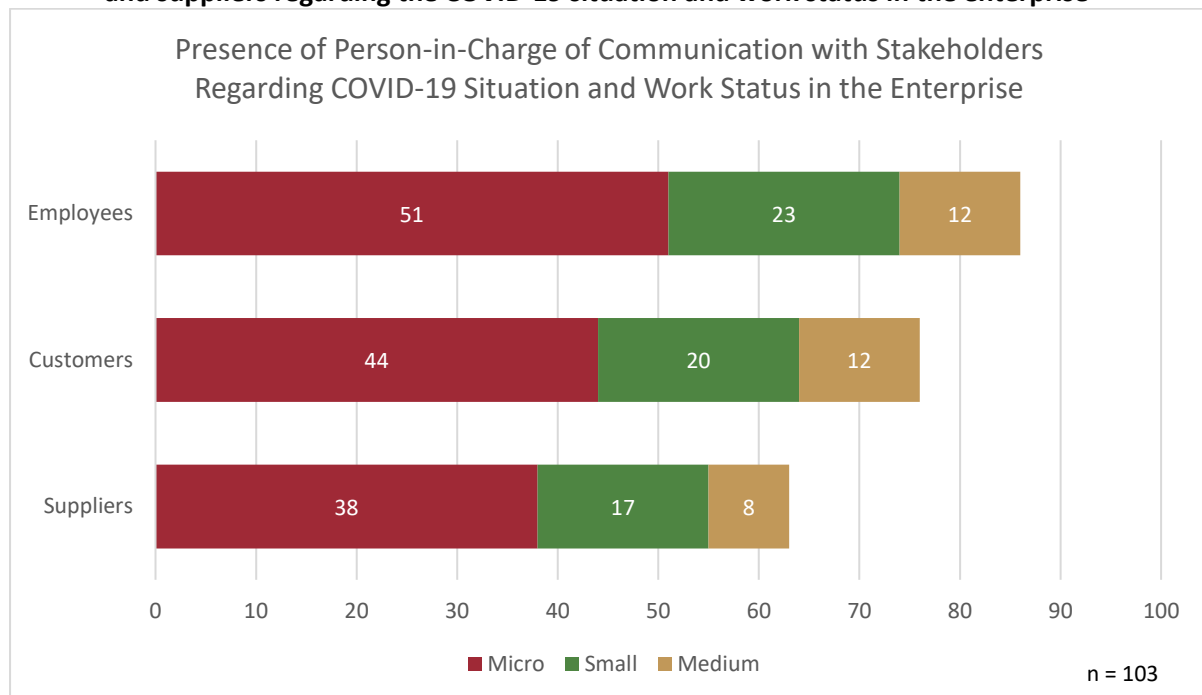


While majority (89%) of the survey respondents did not experience any positive effects from the ECQ, eleven percent (11%) did. Interestingly, some of the positive effects experienced by these respondents were financial-related, i.e. increase in sales or a decrease in overhead expenses. Some were productivity-related, with respondents saying they were able to focus on overdue tasks, process digitally, encode inventories up to date, update computer systems, etc. Other important aspects also surfaced, such as rest for employees, good health of workers and time spent with family members.

When asked about any positive effects experienced during the ECQ, eleven of the respondents enumerated the following:

- “Actual implementation of BCP and DRR. We are able to cope with all pending projects.”
- “Our grocery here in QC has increased its sales by a 100% despite the shorter working hours and despite closing on Sundays. We need to decrease working hours to fully disinfect the area.”
- “Less employees (35% of workforce) and less operating hours (60% of normal) but still made 40-50% increase in gross sales thru utilization of delivery service, online ordering service and marketing campaigns.”
- “Reduced overhead expenses.”
- “As the owner, I was able to encode inventories up to date and other things that needed recording.”
- “I have time to update the system of my computer shop and do general cleaning.”
- “Some overdue tasks were done. Employees get to rest.”
- “No employee has been infected.”
- “Started processing everything digitally.”
- “We were able to do live webinars.”
- “We have plenty of time to spend with our families which we couldn’t afford to do before because summer season is our peak season.”

**2.11 Presence of person in-charge with communicating and updating employees, customers, and suppliers regarding the COVID-19 situation and work status in the enterprise**



Majority of the respondents from both the micro enterprises (82%) and the small enterprises (79%) have a person in charge of contacting their employees regarding the pandemic and the work status of their organization. For the medium enterprises, the respondents who answered all had a person in-charge of communications.

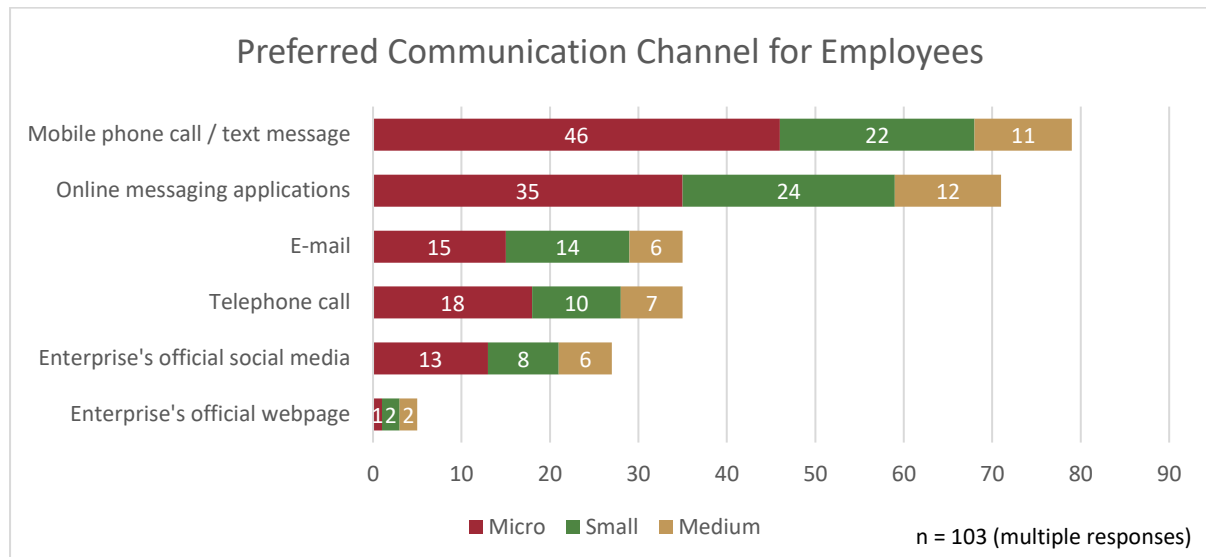
When it comes to staying in touch with customers, it is still majority of both the micro (71%) and small enterprises (69%) that have a communications person, but the numbers decrease, compared to those who reach out to the employees. For the medium enterprises, the number is the same.

In terms of connecting with their suppliers, majority of all three MSME sector respondents have someone in-charge (61% for micro enterprises, 59% for small enterprises and 67% for medium enterprises).

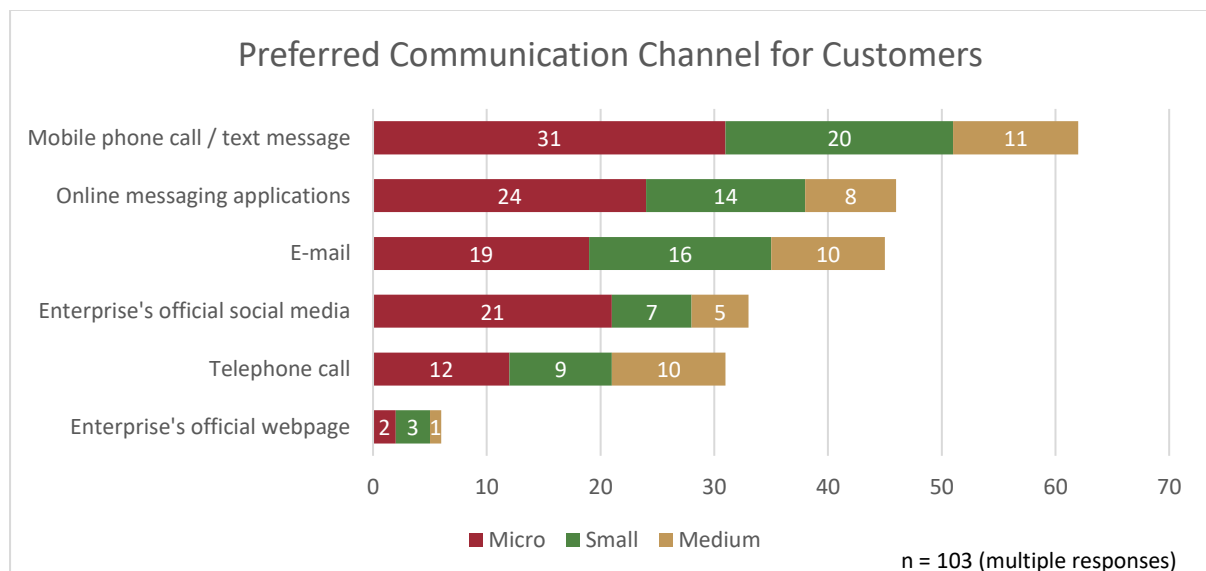
In general, the majority of the MSME respondents have a person in charge of communications in order to connect with the employees, customers and suppliers. Notably, these enterprises prioritize communicating with their own employees over customers and suppliers.

## 2.12 Communication channels used for employees, customers, and suppliers

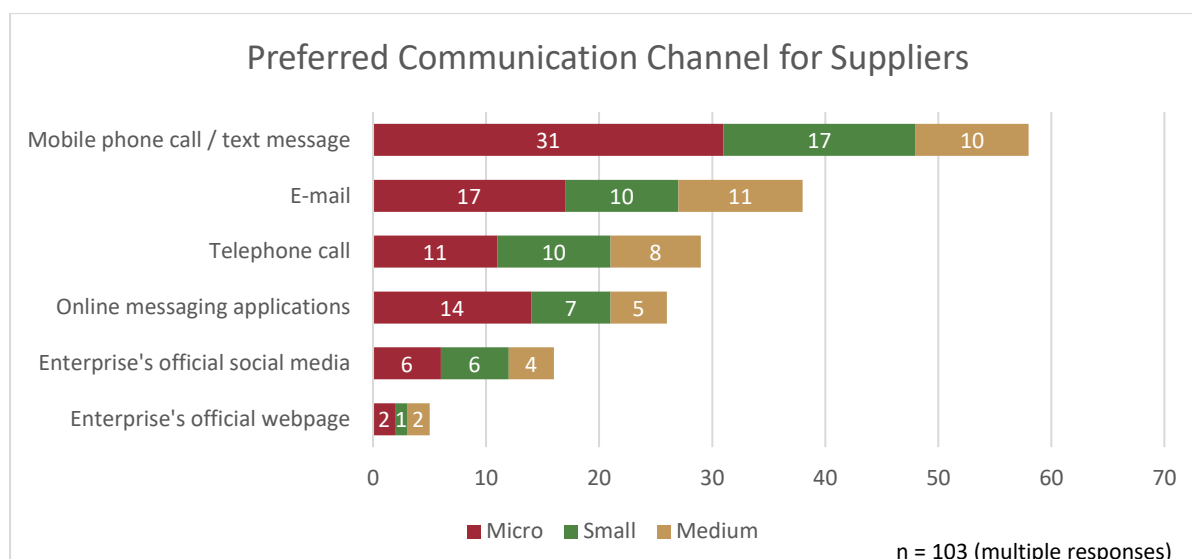
Majority of the respondents communicate with their employees, customers and suppliers through mobile phone calls/text messages and the use of online messaging applications such as Messenger, Viber and Zoom. Meanwhile, three participants said they still communicate through face-to-face interaction, with one respondent sharing, “I still meet my employees, suppliers and customers following social distancing and wearing face mask.”



Micro enterprise respondents (74%) prefer mobile phone calls/text messages when communicating with employees, while small (83%) and medium enterprise respondents (100%) prefer online messaging applications.

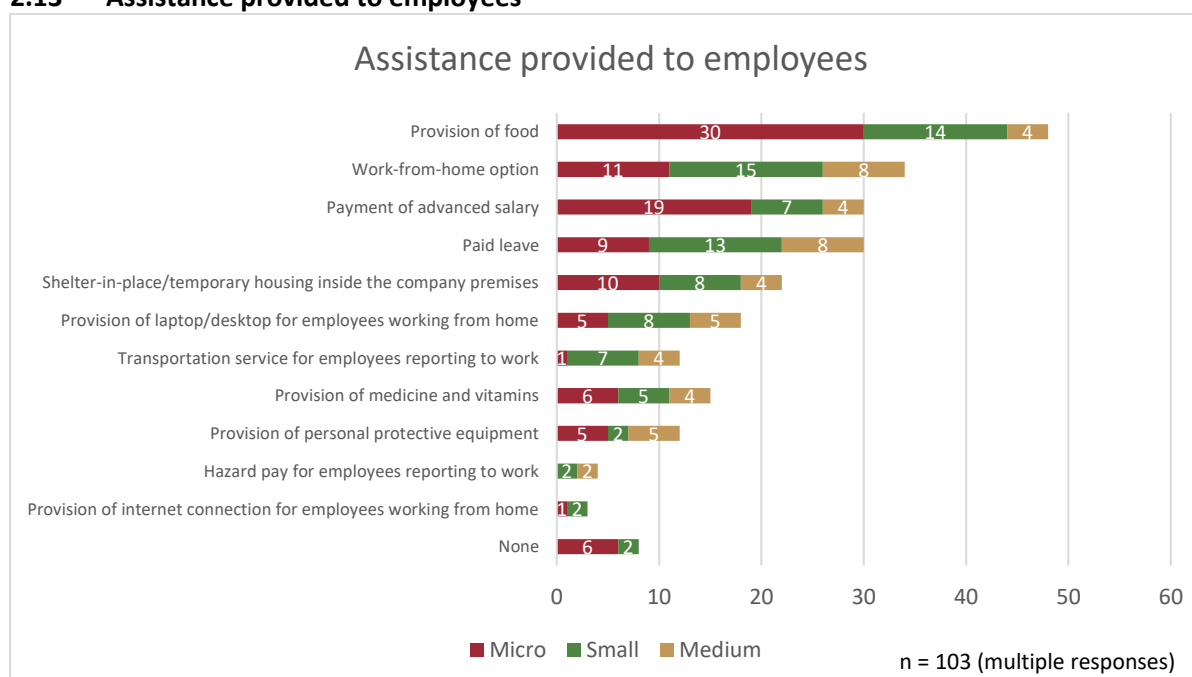


When contacting customers, the micro enterprise respondents (50%) still prefer using mobile phones for calls or text messages the most. The small enterprise respondents (69%) and medium enterprise respondents (92%) similarly prefer this channel.



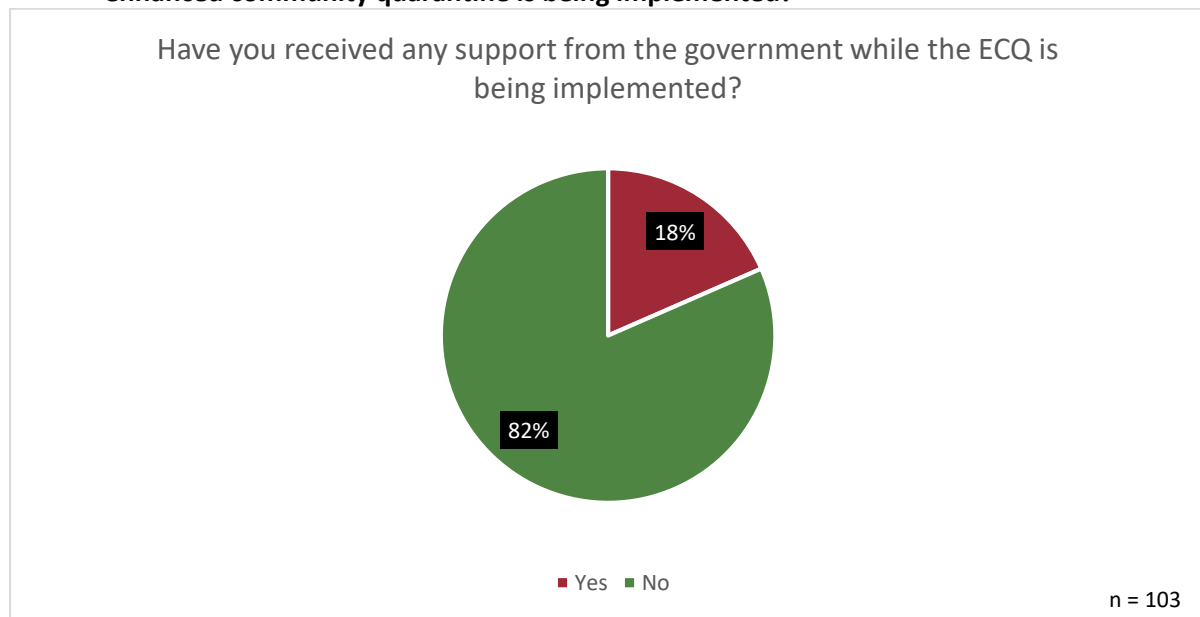
When communicating with suppliers, there is no change in communication channel preference for the micro enterprise respondents (50%) and the small enterprise respondents (59%). Mobile phones are still heavily used. Medium enterprise respondents on the other hand, mostly prefer to use email (92%).

### 2.13 Assistance provided to employees



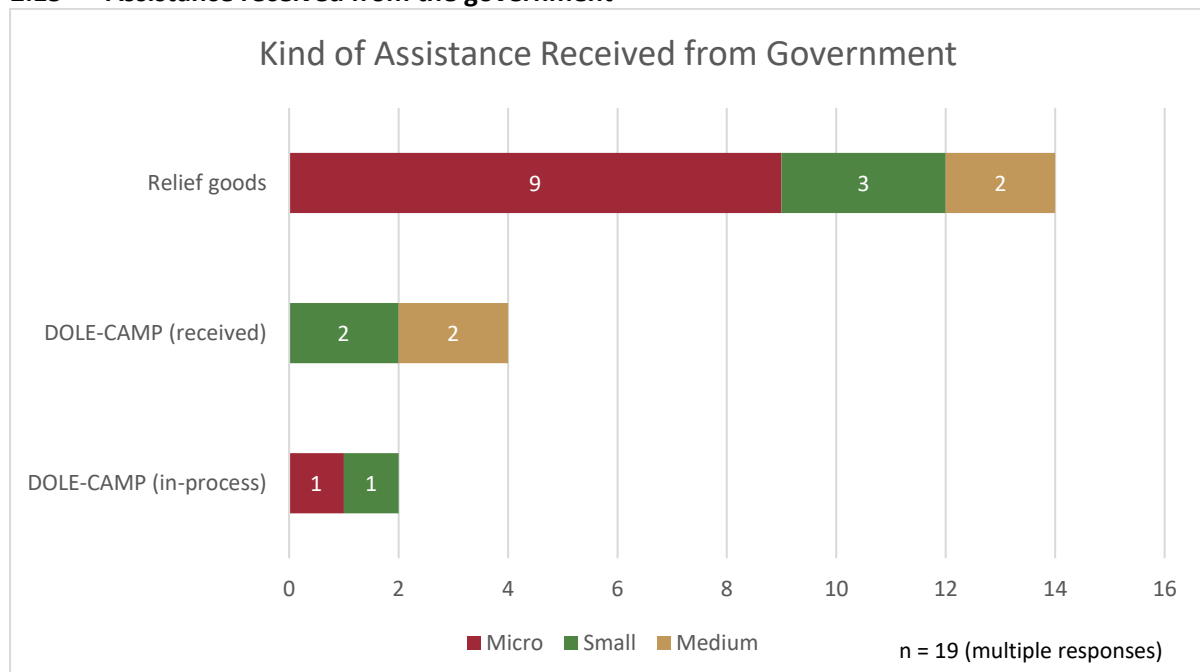
Among the given options on the assistance provided to employees, the most common answers were: provision of food (46%); work-from-home option (33%); payment of advanced salary (29%); paid leave (29%) and temporary shelter for employees (21%). Notably, the “work-from-home option” was prominent among respondents from small and medium enterprises. Further, of the 26 who answered “work-from-home option”, only 18 provided laptop/desktop to their employees and only three (3) provided Internet connection.

**2.14 Have you received any support from the government (national and/or local) while the enhanced community quarantine is being implemented?**



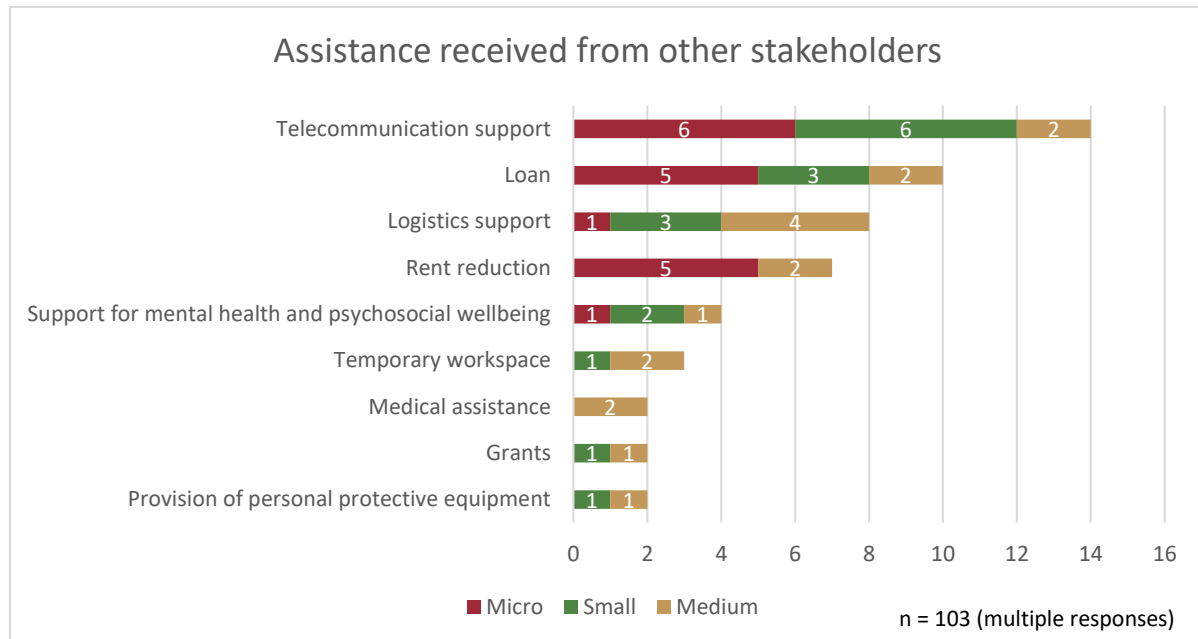
Of the 103 respondents who indicated that their business operations were adversely affected by the implementation of the ECQ, only 19 respondents (or 18%) received assistance from the government (as of the conduct of the Survey).

**2.15 Assistance received from the government**



Out of the 19 respondents who received assistance from the government (as of the conduct of the Survey), 14 received relief goods and 6 availed of the Department of Labor and Employment's CAMP (COVID-19 Adjustment Measures Program).

### 2.16 Assistance received from other stakeholders

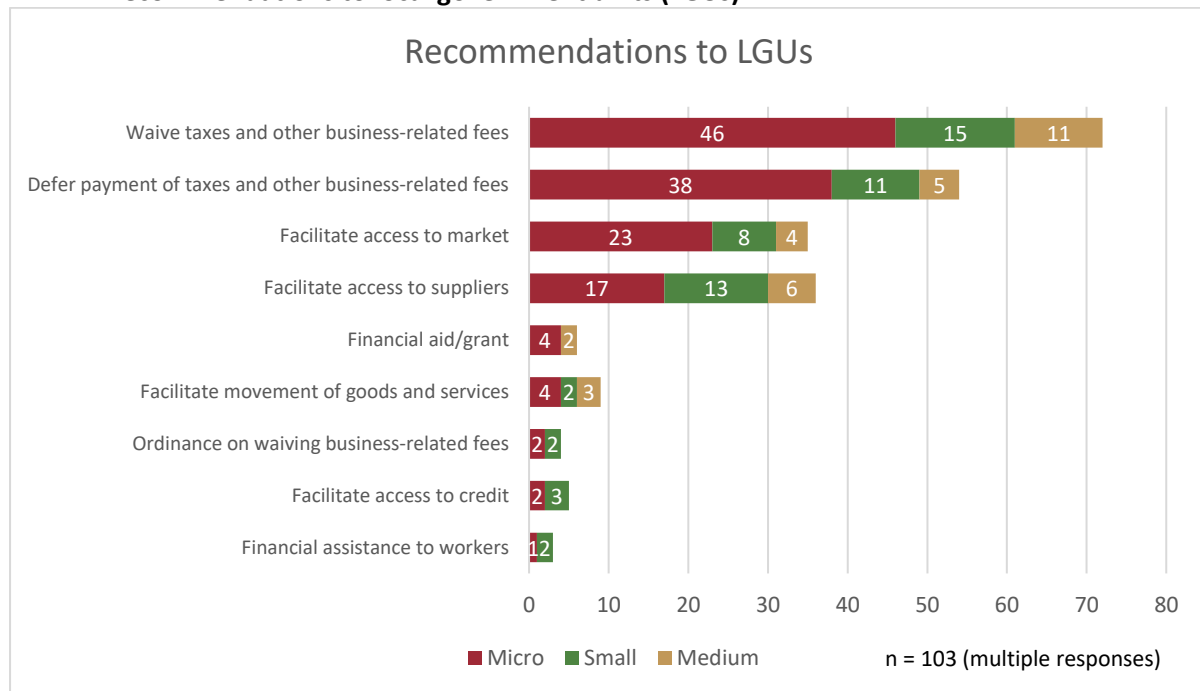


The Survey respondents received minimal assistance from other stakeholders (suppliers, financial institutions, industry associations). The top three most common assistance received were: telecommunication support, loan and logistics.

## 2.17 Recommendations in relation to the enhanced community quarantine

Below are the respondents' recommendations for local government units, non-government agencies (NGAs), banks and financial institutions, and the academe to support MSMEs in relation to the enhanced community quarantine.

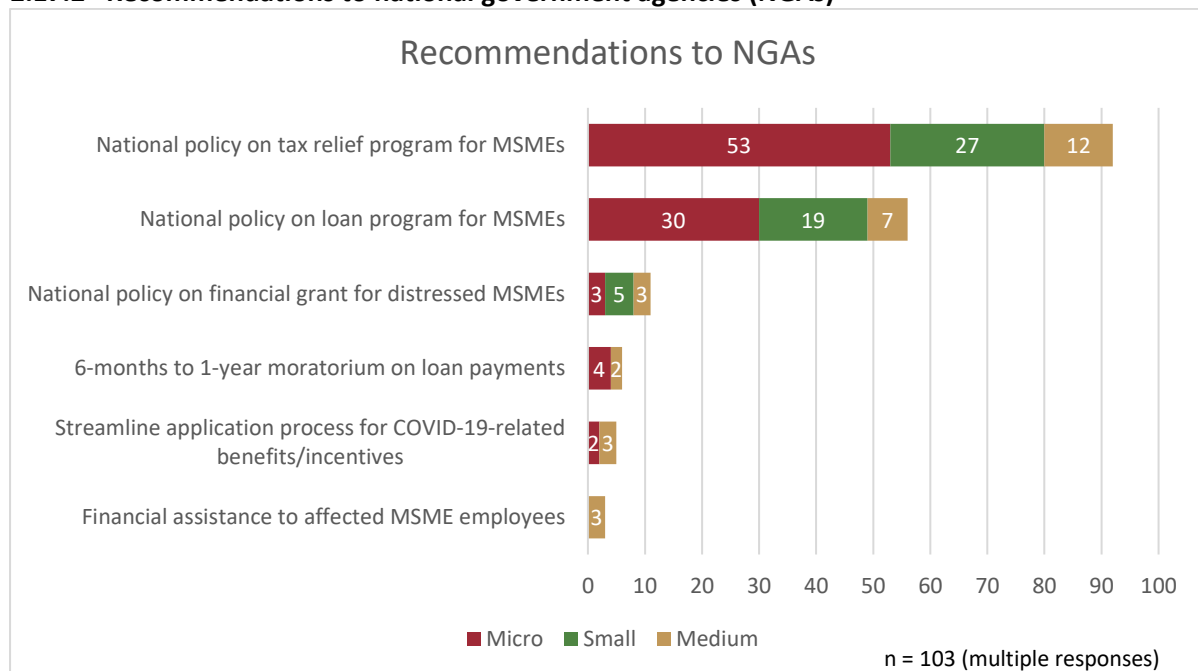
### 2.17.1 Recommendations to local government units (LGUs)



Among the given options, most respondents (70%) recommended for LGUs to “waive taxes and other business-related fees”. Half of the respondents (52%) recommended to “defer taxes and other business-related fees”, while 37 percent recommended for LGUs to facilitate access to both market and suppliers. The access to suppliers was particularly important to respondents belonging to small enterprises. Other recommendations provided by the participants were for LGUs to: facilitate movement of goods and services, provide financial aid/grant, facilitate access to credit, come up with local ordinance on waiving of business-related fees and provide financial assistance to distressed workers of MSMEs.

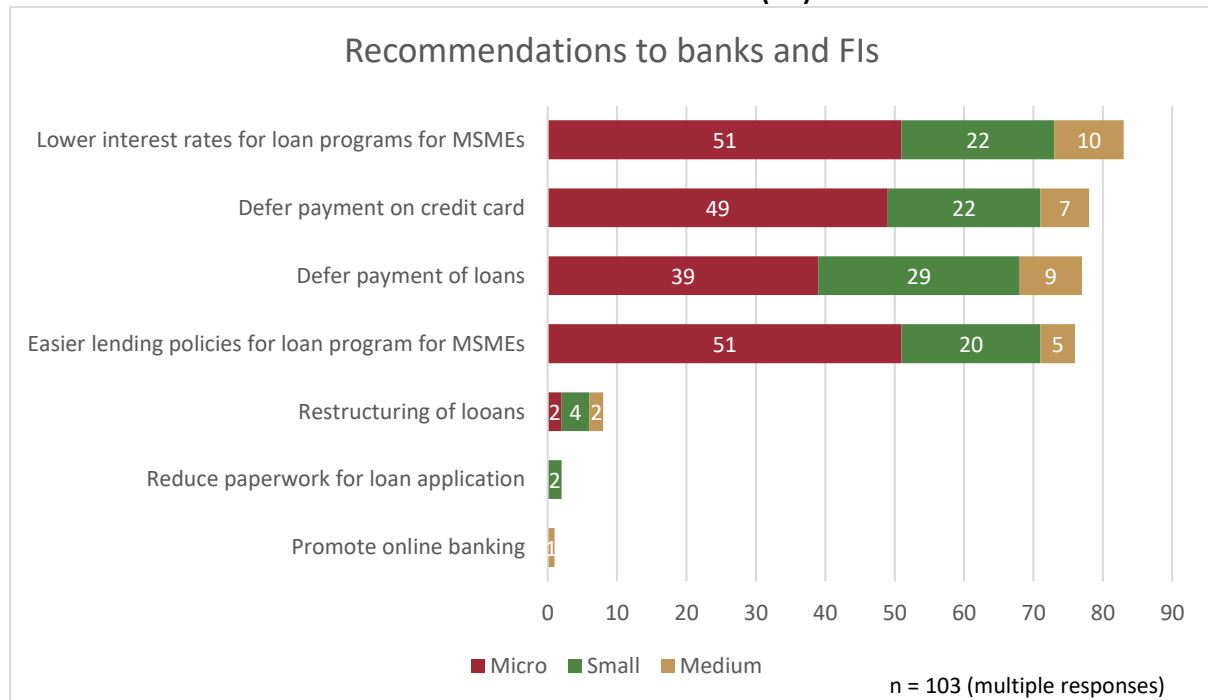


### 2.17.2 Recommendations to national government agencies (NGAs)



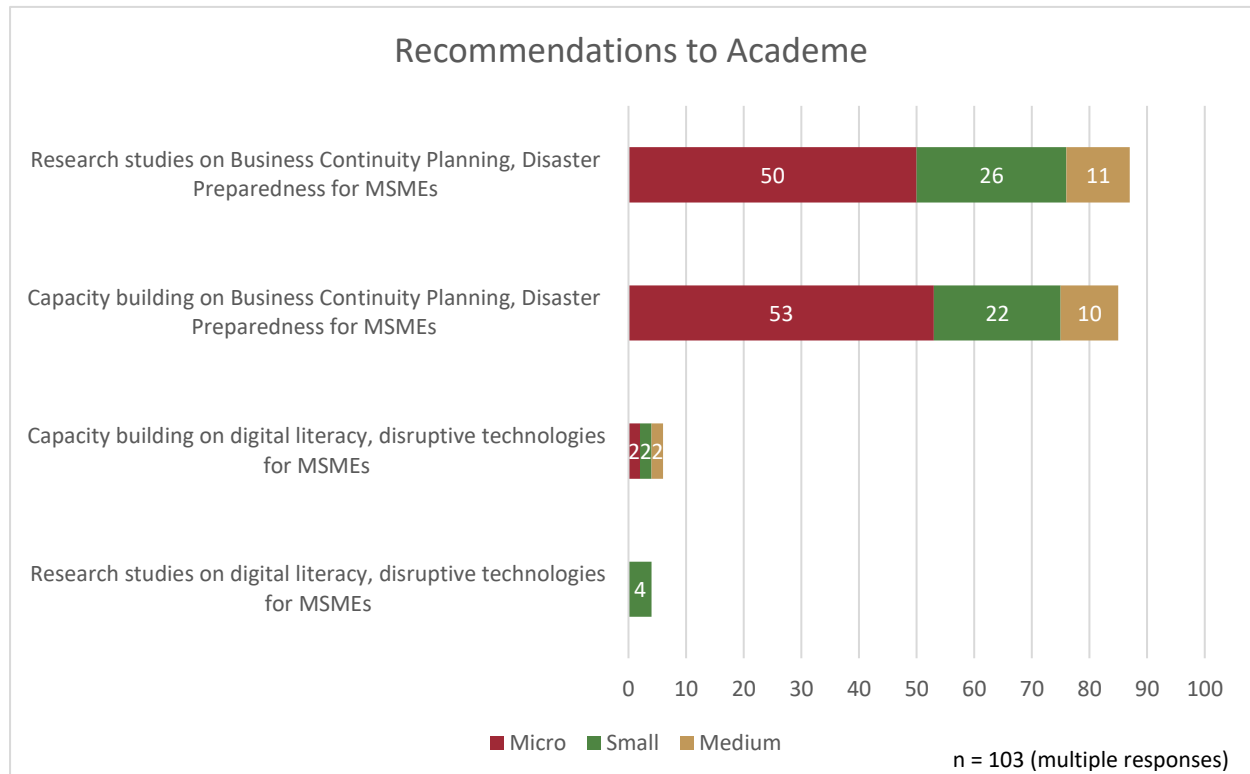
Among the given options, 89 percent of the respondents recommended for NGAs to develop a national policy on tax relief program for MSMEs, while 54% recommended for a national policy on loan program for MSMEs. Other recommendations that were provided by the respondents were: national policy on financial grant for distressed MSMEs, 6-months to 1-year moratorium on loan payments and government payments such as the Philippine Social Security System (SSS), Philippine Health Insurance Corporation (Philhealth) and Pag-IBIG, financial assistance to affected government employees and streamlining of application processes for COVID-19-related benefits/incentives.

### 2.17.3 Recommendations to banks and financial institutions (FIs)



Among the given options, majority of the respondents recommended for banks and financial institutions to: provide lower interest rates for loan programs for MSMEs (81%), defer credit card payments (76%), defer loan payments (75%) and easier lending policies for loan programs for MSMEs (74%). Other recommendations provided by the respondents were: restructuring of loans, reduced paperwork for loan application and the promotion of online banking.

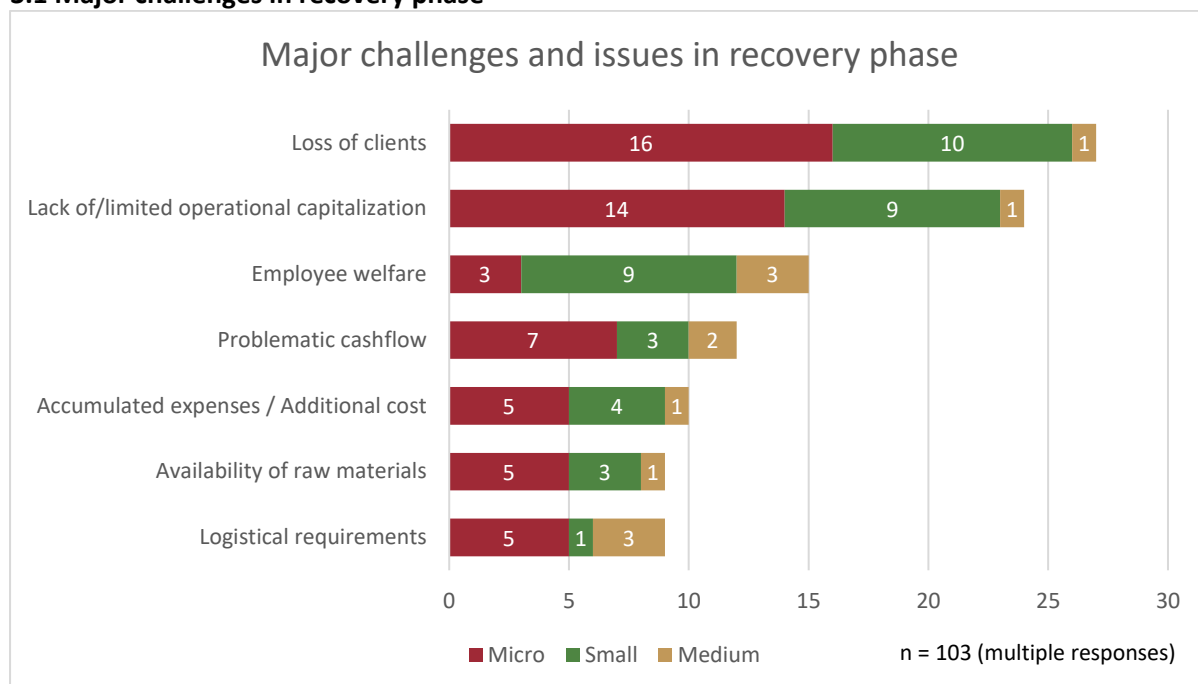
#### 2.17.4 Recommendations to academe



Among the given options, majority of the respondents recommended for the academe to do research studies on business continuity and disaster preparedness for MSMEs (84%) and to conduct capacity building for MSMEs on those areas (83%). Other recommendations provided by the respondents focused on capacity building and research studies on digital literacy and disruptive technologies for MSMEs (10%).

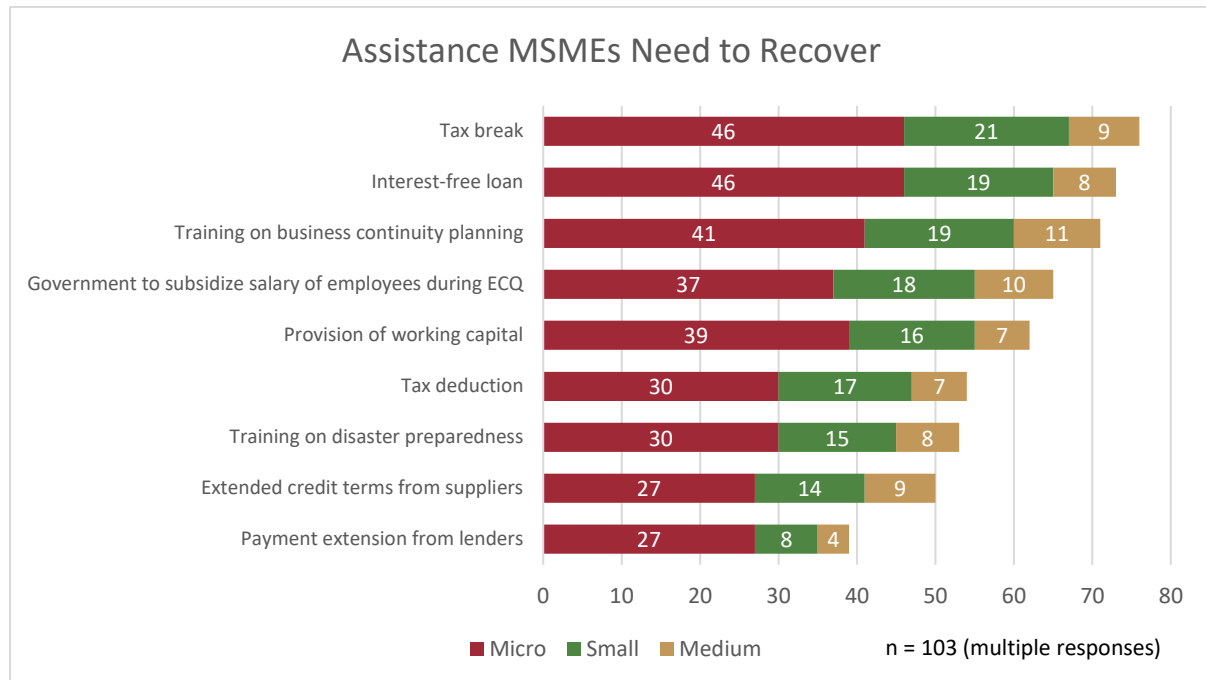
### III. Recovery

#### 3.1 Major challenges in recovery phase



Asked what major challenges and issues they were likely to encounter as they try to resume their business operation, 25 percent of the respondents answered “Loss of clients”; majority of those who answered this came from micro (16) and small (10) enterprises. The second major challenge/issue was “lack of/limited operational capitalization”; out of the 24 respondents who answered this, 14 came from micro while 9 came from small enterprises. “Employee welfare” came in next with 15 respondents, 9 of which came from small enterprises. Another challenge was “problematic cashflow” with 12 respondents, 7 of which came from micro enterprises. Other challenges stated by the respondents were availability of raw materials and logistical requirements with 18 respondents, 10 of which came from micro enterprises.

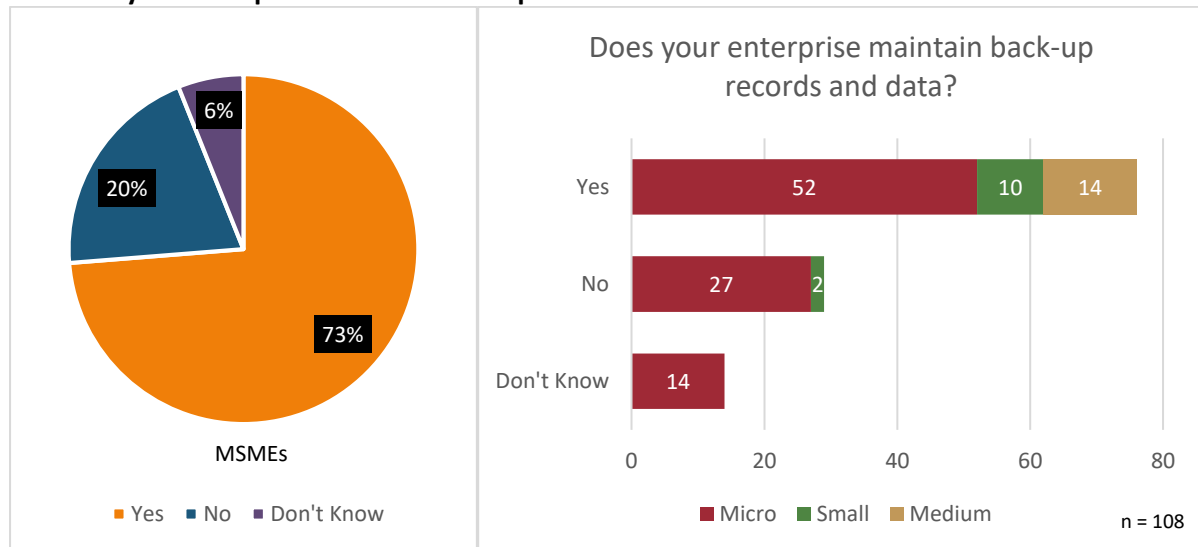
### 3.2 Assistance MSMEs need to recover



Among the given options on the kind of assistance or support they would need to be able to recover from the COVID-19 situation, the top five choices for most of the respondents were: tax break (70%), interest-free loan (68%), training on business continuity planning (66%), wage subsidy of affected MSME employees (60%) and provision of working capital (57%). Meanwhile, it should be noted that for respondents from medium enterprises, their top choice was training on business continuity planning followed by wage subsidy of affected MSME employees.

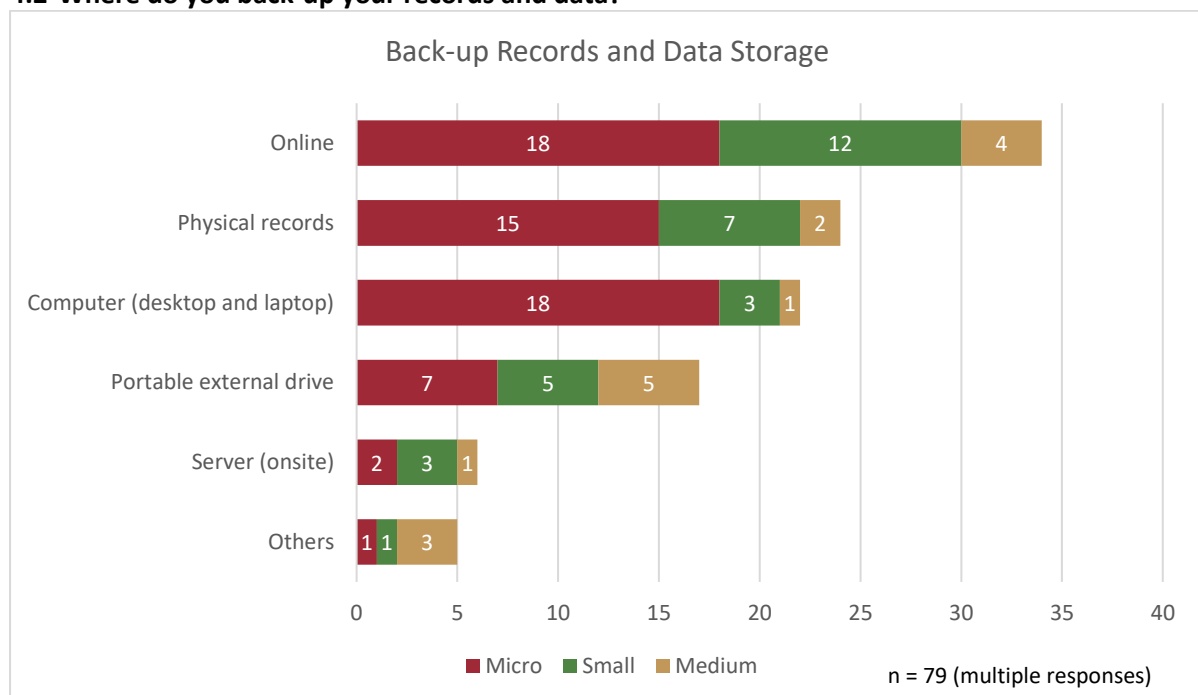
## IV. Disaster Preparedness and Business Continuity Planning

### 4.1 Does your enterprise maintain back-up records and data?



Majority (73%) of the respondents maintain back-up records and data. Of the three MSME sector respondents, only 56% of the micro enterprises maintain back-up records and data. Meanwhile, 100% of the medium enterprise respondents maintain back-up records and data, followed by the small enterprises (83%).

### 4.2 Where do you back-up your records and data?



Online storage is the most common way of keeping back-ups, for both the micro and small enterprise respondents. The online storage used by the respondents include Cloud storage, while others use Google Drive, Google Docs, and e-mails.

The respondents also use physical records as data back-up. This includes the use of books, record books, journals, logbooks, and books of accounts. One respondent shared that their enterprise maintains “hard copy of Production Records, Delivery Receipts, and Monthly Sales Report”. Another shared that they still do “manual accounting and keep essential financial records in-house.”

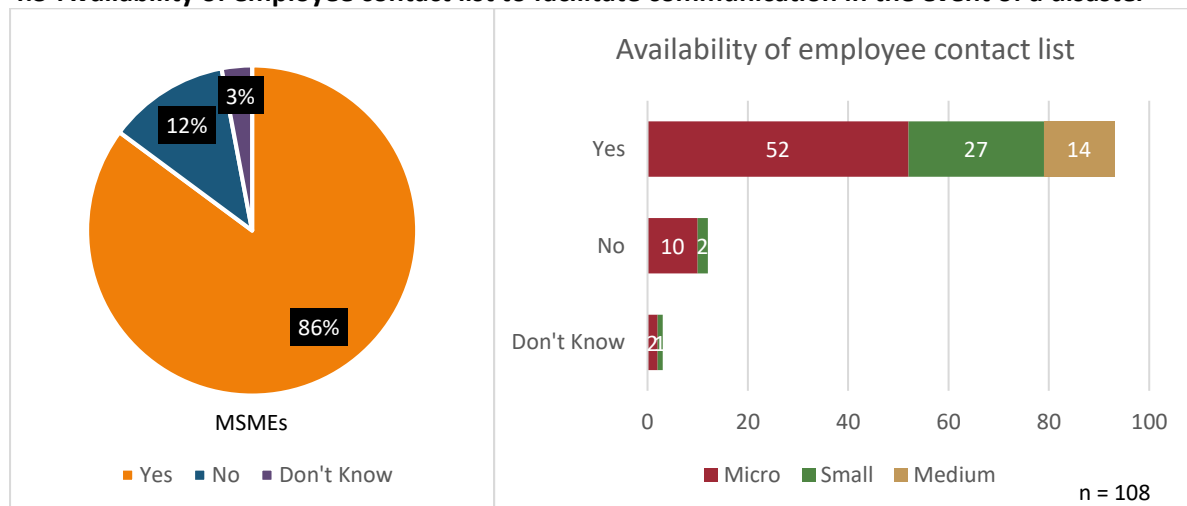
The use of desktop and laptop computers, including computer application software such as MS Excel and Quick books were cited as well.

For the medium enterprise respondents, the top form used is the portable external hard drive such as external hard drives and USB flash drives for back-up storage. One respondent noted having two external drives where “one drive can be brought to the house of the officer and/or placed in a bank vault.”

One respondent shared having a local network-attached storage (NAS), while another claimed having back-up records with the company's accountant.

Due to confidentiality reasons, however, two respondents opted not to share where they maintain their back-up data and records.

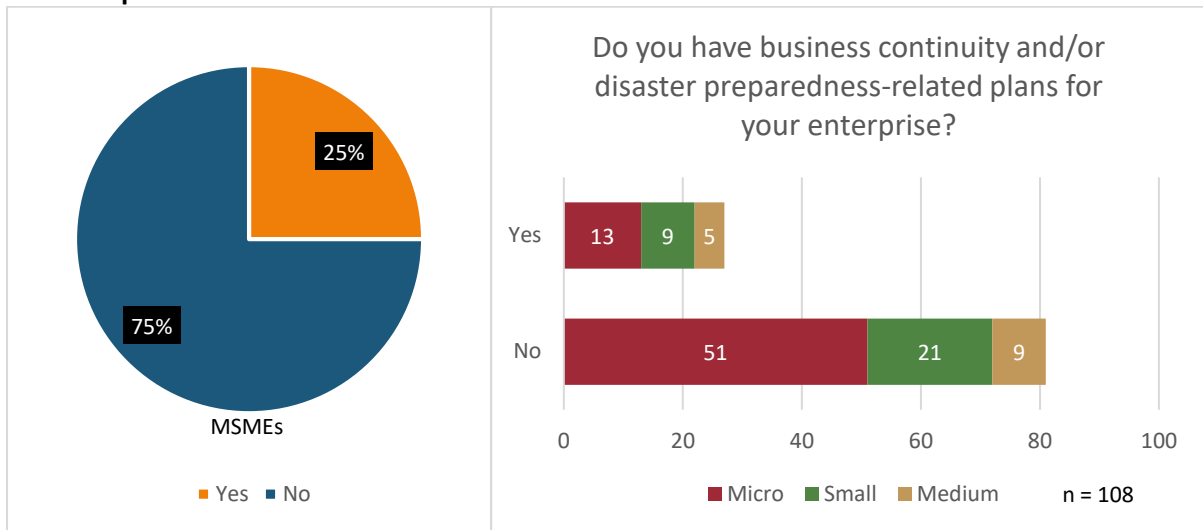
#### 4.3 Availability of employee contact list to facilitate communication in the event of a disaster



Majority (86%) of the respondents shared that their enterprise has an employee contact list used for communicating with employees in the event of a disaster.

Majority of the micro and small enterprise respondents said that they have an employee contact list that allows them to reach their employees during a disaster. For the medium enterprise respondents, all of them have this list for communication.

#### 4.4 Do you have business continuity and/or disaster preparedness-related plans for your enterprise?

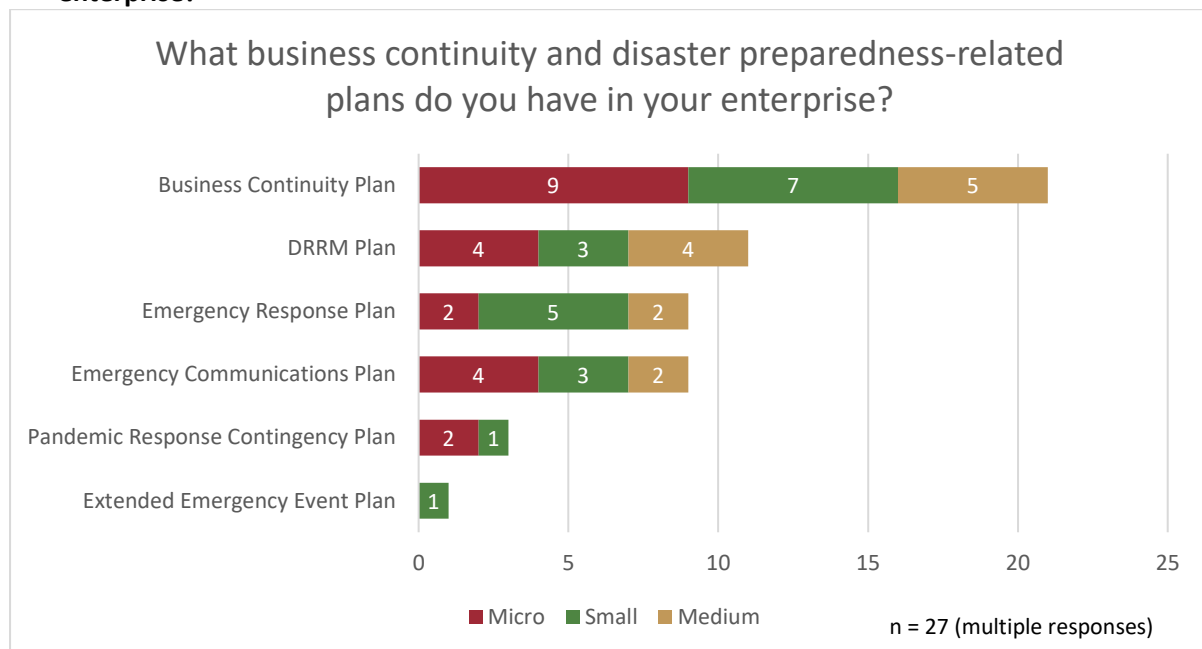


Majority (75%) of the respondents do not have business continuity and/or disaster preparedness-related plans for their enterprise.



The summarized answers for Sections 4.5 to 4.8 were from the 27 respondents who indicated having business continuity and disaster preparedness-related plans in their enterprise.

#### 4.5 What business continuity and disaster preparedness-related plans do you have in your enterprise?



*Business Continuity Plans* are the top type of plans that all three MSME sector respondents have in their enterprises. For the micro enterprises, the next are *disaster risk reduction and management plans* and *emergency communications plans*. For the small enterprises, on the other hand, they have *emergency response plans*. For the medium enterprises, it is also the *disaster risk reduction and management plan*, same as that of the micro enterprises.

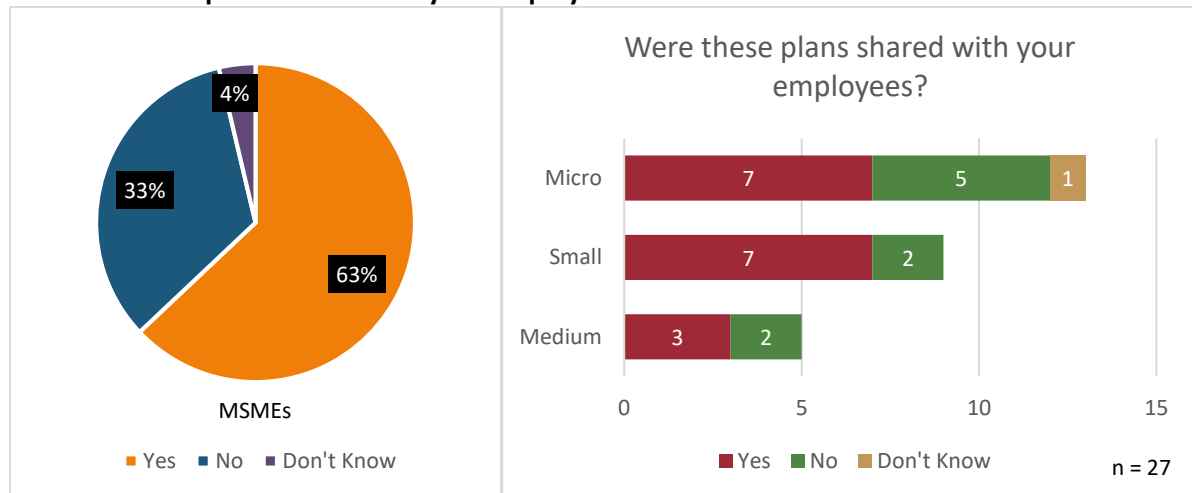
The 27 respondents whose enterprises have business continuity and disaster-related plans mentioned having the following: business continuity plan (78%), disaster risk reduction and management (DRRM) plan (41%), emergency communications plan (33%), and emergency response plan (33%).

Notably, only three respondents (11%) mentioned having a pandemic response contingency plan:

- Two from micro enterprises involved in food manufacturing, and furniture manufacturing
- One from a small enterprise involved in Information and Communication Service

Meanwhile, one respondent from a small enterprise from the Information and Communication service sector claims to have an extended emergency event plan.

#### 4.6 Were these plans shared with your employees?

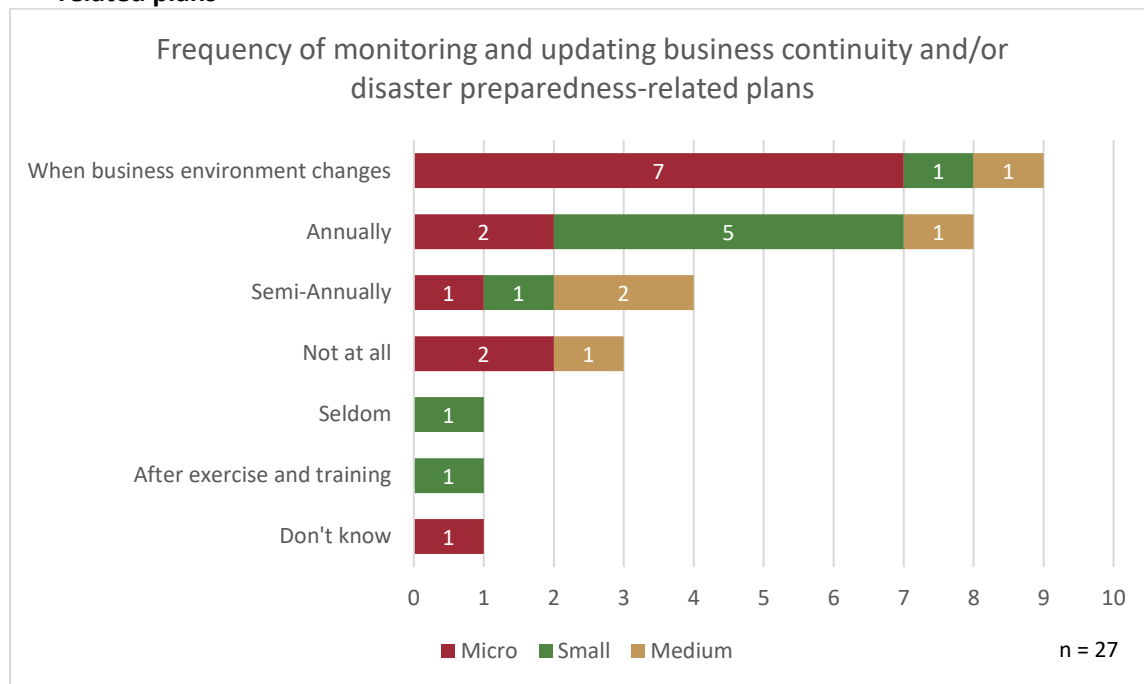


The BC and disaster preparedness-related plans are shared to the employees by most of all three MSME sector respondents. Only one respondent, from the micro enterprise, is unaware if the plans are cascaded to the employees.

Sixty-three percent (63%) of the respondents who prepared plans admitted that their business continuity and disaster-related plans were being shared with their employees.

The remaining thirty-seven percent (37%) either claimed that their plans were not shared with their employees, or they do not know the status of plan dissemination to employees.

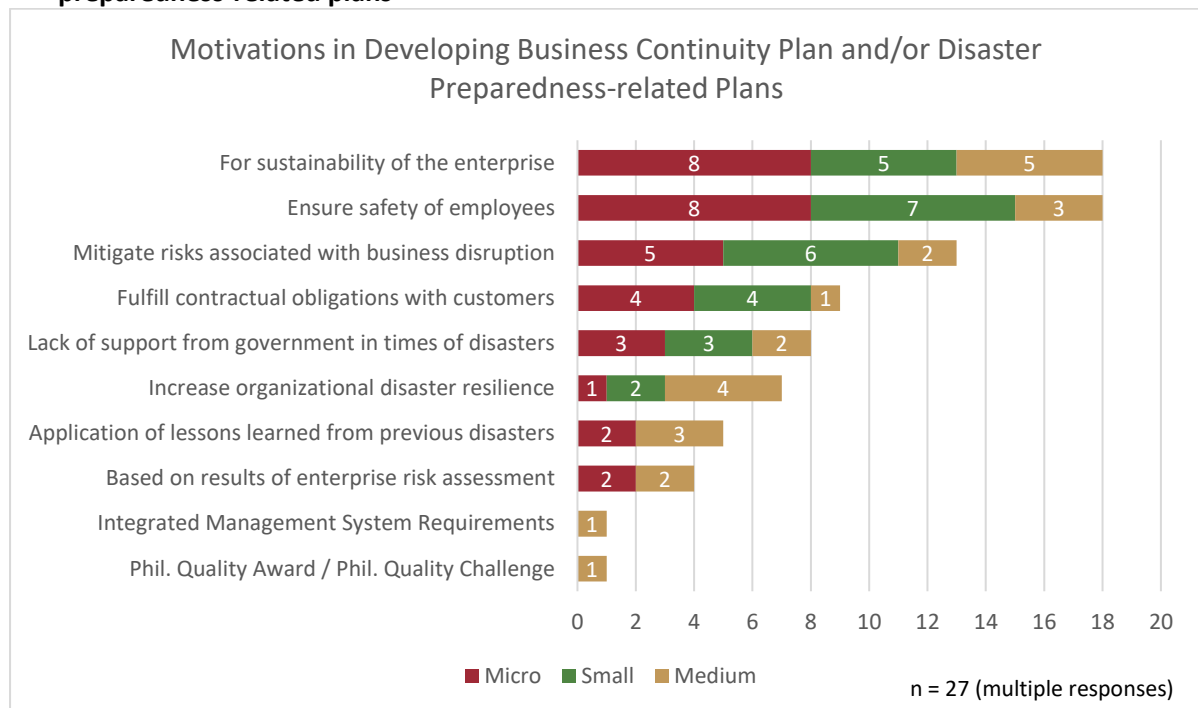
#### 4.7 Frequency of monitoring and updating business continuity and/or disaster preparedness-related plans



For the micro enterprise respondents, the monitoring and updating of the BC and disaster preparedness-related plans are done mostly when the business environment changes. For the small enterprises, the most common practice is monitoring and updating every year. Medium enterprises, on the other hand, mostly check and make changes semi-annually.

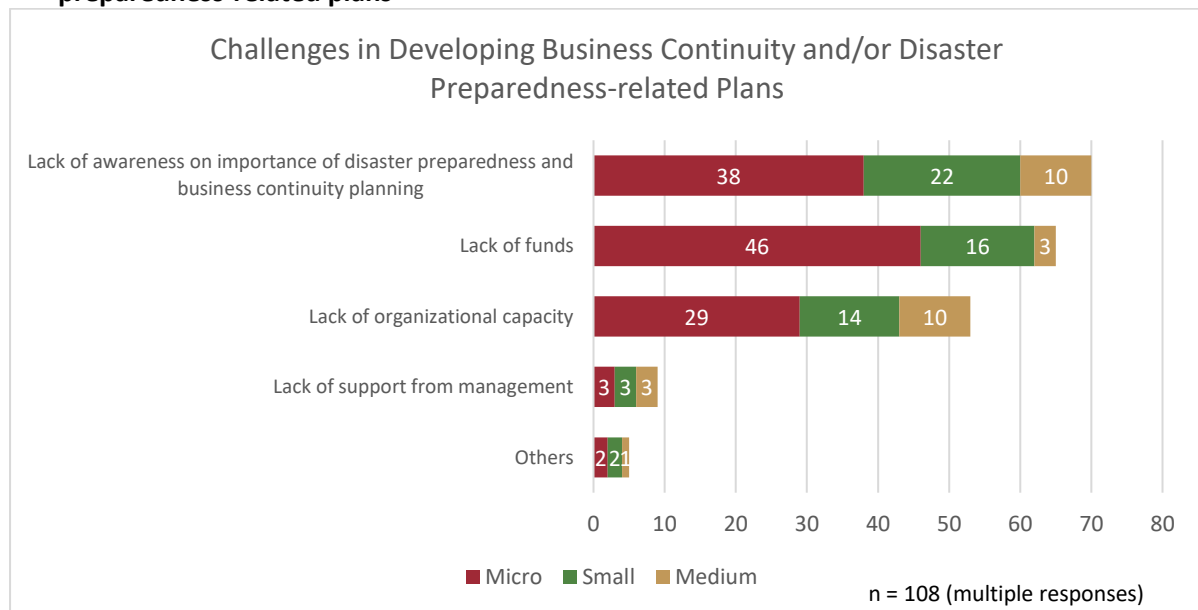
A small number of micro and medium enterprise respondents do not monitor nor update their plans.

#### 4.8 Reasons that motivate MSMEs to develop a business continuity plan and/or disaster preparedness-related plans



Most of the respondents create business continuity and/or disaster preparedness-related plans for the sustainability of their enterprise (67%), safety of their employees (67%), and to mitigate risks associated with the business disruption (48%). Thirty-three percent (33%) are motivated to fulfill their contractual obligations with customers, while 30% noted the lack of support from government in times of disaster and disruptions.

#### 4.9 Challenges encountered by MSMEs in developing business continuity and/or disaster preparedness-related plans



All of the 108 respondents were asked about the challenges they encounter in developing a disaster preparedness and/or business continuity plan. The most common challenge faced by the small and medium enterprise respondents is the lack of awareness on the importance of disaster preparedness and BCP. What follows closely for the small enterprise is lack of funds, which happens to be the most common challenge for the micro enterprise sector respondents.

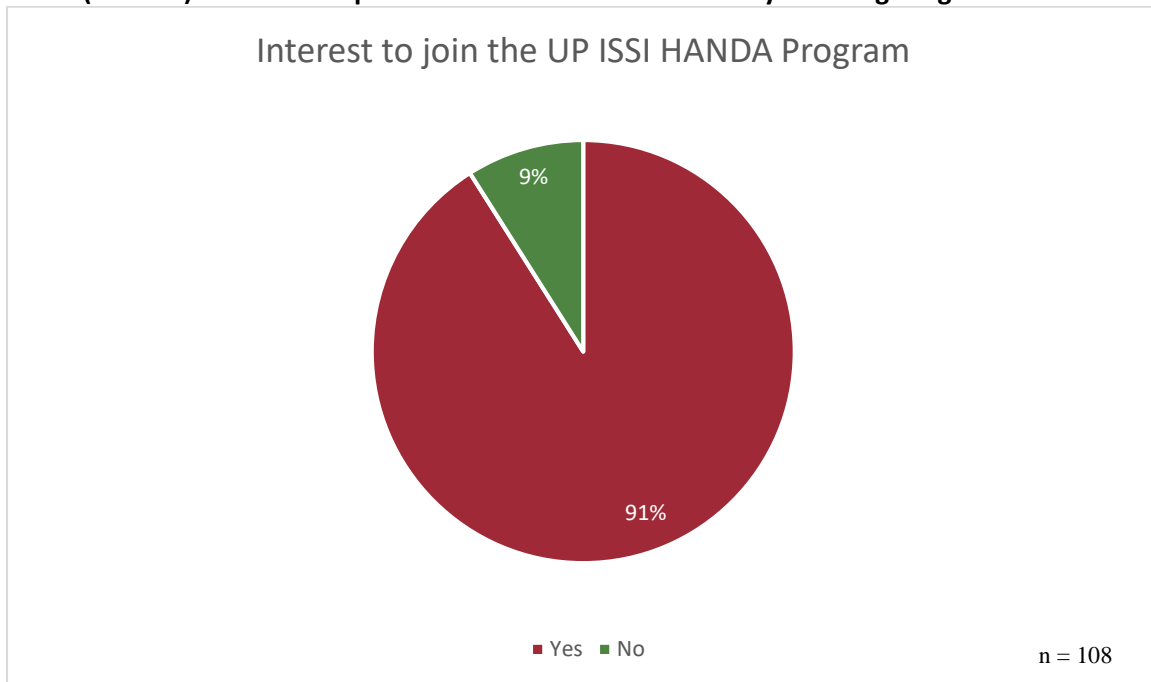
The top challenge faced by the MSME respondents is the lack of awareness on the importance of Disaster Preparedness and Business Continuity Planning. As one respondent shared, there is a "lack of awareness on information available regarding disaster preparedness and business continuity."

The second challenge is the lack of funds. Third is the lack of organizational capacity. One respondent noted that there is a need for "continuous upgrading of skills and knowledge on disaster risk reduction and business continuity planning."

The other challenges enumerated by the respondents in BC-plan and/or disaster preparedness plan preparation include:

- "Lack of time"
- "Lack of low-cost options for certain aspects of Business Continuity - such as computer leasing, co-location/cloud servers"
- "Most of the officers and staff are complacent due to lack of motivation"
- "We do not have the privilege to be prepared. We are an overly taxed country."
- "Foresee what will be the economic situation..."

**4.10 Would you be interested to join the next Honing Agents for National Disaster Awareness (HANDA): Disaster Preparedness and Business Continuity Planning Program of UP ISSI?**



Majority (91%) of the respondents signified their interested to participate in the next UP ISSI Honing Agents for National Disaster Awareness (HANDA): Disaster Preparedness and Business Continuity Planning Program for MSMEs.

## Conclusion and Recommendations

The ongoing COVID-19 pandemic is negatively impacting on the Philippine economy. Apart from addressing the health crisis, equal attention should also be given to ease up any economic slowdown.

The MSME sector is one of the hardest hit by the COVID-19 pandemic and the ensuing ECQ implementation. With the ECQ forcing business establishments to close, MSMEs are struggling to cope day-to-day.

The MSME sector, which accounts for 99.52% of businesses, is operating with a reduced workforce and limited cash inflow. Moreover, with a great portion of the population unemployed, MSMEs are serving a market with reduced purchasing power.

Economic losses can be staggering if the right policies and strategies are not put in place. As the situation remains bleak, it is critical that the government and other stakeholders provide the necessary and timely support for the MSME sector to pave the way for its survival and eventual recovery.

The COVID-19 pandemic is an added risk to the already vulnerable situation our MSMEs are in considering the country's exposure to environmental and climate-related hazards. Moving forward, there is a need to initiate or re-align preparedness measures, emergency response, and rehabilitation and recovery support measures for MSMEs facing natural and human-induced threats to their business operations.

Post-ECQ will not be "business as usual" for our MSMEs. The COVID-19 pandemic has turned our world upside down and it is clear that things will not return to normal any time soon, if ever. This pandemic has presented us new problems, requiring new solutions. We are being ushered into the "new normal" where we need to dispose of many conventions. We need to rethink ways of helping our MSMEs.

Considering these challenges, UP ISSI makes the following recommendations:

### ***Recommendations specific to the MSME sector***

1. **Provide one-time financial grants to cash-strapped MSMEs.** Supplemental appropriation of one-time emergency funding/financial grants could be provided to help them avoid bankruptcy. This will also help MSMEs in sustaining their workforce and not resort to laying-off their employees.
2. **Facilitate MSME's access to interest-free loans and other financial assistance.** Simplify processes and requirements to make it easier for MSMEs to avail of loan programs. Most MSMEs, particularly the microenterprises, do not have the capability to access credit facilities offered by the banks and, would usually resort to other means (i.e. 5-6 lending scheme, loan sharks, etc.), which impose higher interest rates and tighter payment terms.
3. **Look into the feasibility of waiving taxes and other business-related fees of MSMEs for at least six months.**
4. **Eliminate barriers to the movement of goods and personnel in essential sectors.**
5. **Realign budget and allocate to industries severely affected by the pandemic.** The government needs to revisit its budget, realign some of its priority programs and refocus its resources on economic relief programs for MSMEs. The Asian Development Bank (ADB) in its assessment on the macroeconomic impact of the COVID-19 pandemic in the Philippines, identified the five

sectors in the country that will be mostly affected by the COVID-19 pandemic, namely: business, trade, personal and public services; light/heavy manufacturing, utilities, and construction; hotel, restaurants, and other personal services; transport services; and agriculture, mining, and quarrying.

6. **Strengthen the ICT infrastructure in the country.** A strong, reliable and affordable ICT infrastructure is crucial in this time when MSMEs find new ways of doing their businesses, employing WFH arrangement and maximizing digital technology.
7. **Increase the capability of MSMEs on business continuity planning.** Building on the lessons brought upon by this pandemic, MSMEs should be educated on the importance of business continuity planning and be equipped in strategizing on how they can continue operations through disruptions as huge as this pandemic.
8. **Increase the capacity of MSMEs to leverage disruptive technologies.** To be able to navigate efficiently and effectively through the “new normal” brought upon by this pandemic, MSMEs must be equipped with the necessary skills to leverage on available technology, i.e. maximizing digital platforms to ensure access to market and supply chain. Facilities and technical assistance may be provided to help MSMEs in restructuring their business operations.

#### ***Recommendations specific to Disaster Preparedness and Business Continuity Planning***

- **Promoting Awareness and Capacity-Building on Business Continuity Planning and Disaster Preparedness**

There is a need to increase awareness on the importance of business continuity planning and disaster preparedness among MSMEs.

Business continuity and disaster preparedness plans must be put in place before disruption happens as these enable owners and employees to put forth business continuity strategies to prepare for, respond to, and recover from disruptions. Business continuity plans must be regularly updated and monitored considering the constantly evolving business landscape, emerging threats, as well as changes in the key business activities and needs of the enterprise. Exercise and testing of plans are equally important to ensure that employees are aware of their responsibilities, and to gauge the organization’s capacity to implement the plans accordingly.

For its part, the UP Institute for Small-Scale Industries (UP ISSI) conducts the *Honing Agents for National Disaster Awareness (HANDA) Program: Disaster Preparedness and Business Continuity Planning for MSMEs* – a training program that aims to develop a culture of preparedness in the country by bringing together owners and managers belonging to MSMEs, cooperatives, representatives from local government units, and those interested to know more about safeguarding employees, customers, assets, and how to ensure that their organization / enterprise can prepare for, respond to, and recover from natural and human-induced disruptions. Since July 2014, UP ISSI has been conducting MSME Business Continuity Planning Workshops nationwide.

UP ISSI also partners with the Department of Trade and Industry – Bureau of Small and Medium Enterprise Development (DTI-BSMED), the Business Continuity Managers Association of the Philippines (BCMAP), and ARISE Philippines, among others, in promoting MSME resilience.

- **Research on MSME Disaster Preparedness and Business Continuity Planning**

As a research and extension unit of the University of the Philippines, the Institute for Small-Scale Industries strongly advocates for the government to provide continuous support for the academe



to regularly conduct data gathering, data analysis, and sharing of research outputs related to MSMEs. An example of research initiatives on BCP and disaster preparedness for MSMEs is UP ISSI's MSME Disaster Resilience Study which aims to describe the disaster experiences; impact on their business operations; disaster preparedness and business continuity-related practices of MSMEs in the Philippines. The results of this study will aid in the formulation of policies and development of programs related to community disaster risk reduction, and strategies for business resilience.

- **Promoting Awareness on Government Support Programs for MSMEs**

With the respondents claiming the lack of support programs provided by the government to MSMEs in times of disasters, there is a need to strengthen information dissemination on the available government support programs for MSMEs.

The following are some of the government economic relief programs available for MSMEs:

- Bangko Sentral ng Pilipinas (BSP) Supervised Financial Institutions: Temporary and rediscounting relief measures to MSMEs such as provisions on financial assistance, grace period/moratorium on loans, non-imposition of penalties.
- Department of Agriculture (DA): Survival and Recovery (SURE) Aid Program
- Department of Finance (DOF): Small Business Wage Subsidy (SBWS) Program
- Department of Labor and Employment (DOLE): COVID-19 Adjustment Measures Program (CAMP)
- Small Business Corporation under the guidance of the Department of Trade and Industry (DTI): Pondo sa Pagbabago at Pag-asenso (P3) Program under its micro financing program offers loans
- Social Security System (SSS): Mobilization of funds to cover unemployment benefits for dislocated workers and the government-owned or -controlled corporations (GOCCs)