

Nutrition and Safe Food Systems: Key Messages around Support for Small and Medium Enterprises (SMEs) during the COVID-19 Pandemic

COVID-19 and Nutrition

- Good nutrition is key to build immunity, protect against illness and infection, and support recovery. Efforts to preserve and promote proper nutrition, including breastfeeding, must be part of COVID-19 prevention strategies to build the resilience of individuals and communities.
- Healthy, balanced diets¹ are key for boosting immunity and preventing non-communicable diseases that are risk factors for higher COVID-19 morbidity and mortality.
- Exclusive breastfeeding and age-appropriate and safe complementary foods and feeding practices should be emphasised², along with full adherence to the International Code of Marketing of Breast-milk Substitutes.
- Action is needed to ensure this health crisis does not cause a food and malnutrition crisis. Protecting the poor and most vulnerable from hunger and malnutrition will be necessary for COVID-19 response efforts to succeed.

The role of SMEs during the COVID-19 pandemic

- Support to the SME sector will be critical to keep local food systems moving in Low- and Middle-Income Countries (LMICs) – and ensure access to safe, nutritious food for low income consumers. SMEs are responsible for most of the food that reaches consumers in LMICS (In Africa 64% of food consumed is handled by SMEs³).
- SMEs are the engines of LMIC economies. By some estimates, they contribute up to 33% of GDP in emerging markets and create over 50% of jobs (a higher number, if the informal sector were accounted for in these markets⁴).
- Most of the perishable nutritious foods sold to low income consumers via SMEs, are sold in traditional, domestic markets, lacking modern infrastructure and escaping effective food safety regulation and inspection. COVID-19 will present unprecedented challenges to the food system. It will strain supply chains, drive up costs of production and distribution, putting pressure on the operations of SMEs, and most likely cause price shocks, unemployment, bankruptcies and potential food shortages.
- Innovative approaches will be required to alleviate the challenges within the food system and ensure the delivery of safe and nutritious foods to all, particularly to vulnerable communities in LMICs. Further, governments must find ways to support SMEs to ensure they are able to produce, distribute and sell nutritious food under these new conditions.

¹ Maintaining a Healthy Diet During the COVID-19 Pandemic (FAO) <http://www.fao.org/3/ca8380en/CA8380EN.pdf>

² Infant & Young Child Feeding in the Context of COVID-19 (GTAM/UNICEF/Global Nutrition Cluster)
<https://drive.google.com/file/d/1hfG8u3pPyzrXVMUI81QvB3eBcduQ3FYg/view>

³ The 2019 Africa Agricultural Status Report (AASR) from the Alliance for a Green Revolution in Africa (AGRA)
<https://agra.org/wp-content/uploads/2019/09/AASR2019-The-Hidden-Middleweb.pdf>

⁴ Aspen Network of Development Entrepreneurs (ANDE)
https://cdn.ymaws.com/www.andeglobal.org/resource/resmgr/docs/ande_roadmap_for_the_sgb_sec.pdf

- Women-led SMEs, particularly women-led micro-enterprises will be disproportionately impacted – they already face greater challenges in accessing technical assistance and finance – and will face greater challenges as they balance additional care duties with keeping their businesses afloat.
- The proximity of SMEs to local communities means they are well placed to shape their businesses in response to consumer demand and adapt their businesses to new distribution and delivery models, especially around last-mile distribution.
- More than ever, SMEs will require a mix of policy incentives, technical assistance and financial support to ensure local food systems keep supplying enough safe and nutritious foods.

Opportunities to support nutritious food producing SMEs during the COVID-19 pandemic

Production

- LMIC governments can eliminate harmful import tariffs and nontariff trade barriers and should temporarily reduce VAT and other taxes for nutritious foods or inputs for food production (e.g. fertilizer, seeds) while also being sensitive to the economic viability of low-income local producers who are affected when local markets are flooded with low cost foods.
- LMIC governments should maintain the promotion of compliance with mandatory fortification of staple foods.
- LMICs governments should ensure freedom of movement for key workers in agriculture, such as seasonal and migrant workers to keep food production moving, while adopting measures to ensure workers are protected against Covid-19.
- Food Business Associations and development partners can improve access to market information and linkages to safe distributors/retailers in operation.
- Productive capacity can be increased or facilitated through grants to SMEs or subsidies, lower interest rates, or policies that facilitate or incentivize investment.

Distribution

- Links can be established for nutritious food producing SMEs to community or government feeding programs to provide safe nutritious food to vulnerable populations.
- Opportunities can be identified for SMEs to reduce food waste by finding secondary markets for perishable foods (e.g. schools, hospitals, health workers).
- Online trainings for SMEs across the supply chain can be used to build capacity on how to reduce the spread of Covid19 among workers and consumers.
- Leveraging technology – raw materials suppliers and processors can partner with logistics providers and retailers to ensure food is kept on the move to reach low income consumers.
- LMIC governments should ensure borders remain open for trade and minimise trade barriers to mitigate the effects of the crisis on food security.⁵

⁵ Maintaining Food Resilience in a Time of Uncertainty (Food Industry Asia/PwC)

<https://foodindustry.asia/news/news-release/food-supply-chain-disruptions-caused-by-covid-19-may-lead-to-increased-food-security-challenges-in-asean>

Retail

- Support businesses in adopting mobile payments between businesses and with consumers.
- Subsidies or grants can cover electricity costs to ensure refrigeration and processing equipment remain operational.
- Online trainings for SME vendors can build capacity on how to reduce food borne illness and provide guidance on reducing the spread of viruses from vendor to customers.
- Use of social media and web-based platforms to support new delivery services can promote nutritious food suppliers and ensure access to new safe food services for consumers.
- Point-of-sale materials can be developed to explain the importance of food safety, steps that can be undertaken by retailers to prevent the of spread of pathogens such as COVID-19 in markets.
- Retailers should waive fees for SMEs that are providing essential food products, and delays in payment should be minimised so that SMEs are in a better cash flow position.

Finance & Policy: Opportunities to support SMEs to respond to the impact of the COVID-19 pandemic on local food systems

SMEs will experience severe cash-flow issues while they are simultaneously being hit with supply shortages and with a sharp decline in consumer demand. Governments and Donors should partner with the financial services sector to develop a comprehensive package of financial support for SMEs, ensuring a focus on support for women-led SMEs. This should include:

- Increased access to grants to help businesses meet payroll and pay down debt or cover the costs of raw materials that went unused during the COVID-19 crisis and support investment in materials needed to ramp up production once lock-down is lifted.
- Targeting low interest loans and grants to specific segments of the supply chain to mitigate disruption in safe nutritious food availability.
- Governments can provide subsidies to banks which will then waive fees on SME loans and extend payment deadlines. A capital injection in the agricultural sector can help SMEs, their salaried staff and temporary workers stay afloat, or support paid leave for employees.
- Governments, donors and banks can explore the feasibility of raising an emergency fund to extend 'bridge-loans' to agri-food SMEs so that they can continue operating in the next six months. Such bridge loans will avoid a high percent of the SMEs to face the difficult position of ending employment contracts or going bankrupt.
- Governments, donors and banks should adapt funding so that it is more accessible to SMEs – e.g. offering shorter terms/longer periods of repayment. Financing to SMEs should be offered in local currency rather than USD.
- Action can be taken to improve importation processes, including increasing transparency at ports to ensure businesses understand how and when they can access their imported equipment. This can also support the process of evaluating risk of contamination at customs.

The SBN is co-convened by the Global Alliance for Improved Nutrition (GAIN) and the UN World Food Programme (WFP). For more information please see: <https://sunbusinessnetwork.org/>