Empowering SMEs for Urban Resilience
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INTRODUCTION

Having a point of view is important when working collaboratively with multiple stakeholders to build a safer, more equitable and sustainable future for all. It is a compass that guides our efforts, helping us and our cities to understand what we collectively are striving for, what our priorities are and how to approach it. A defined point of view is also a strong motivator because it reminds us why we started our resilience journey, especially during challenging times. To inspire change, especially on a large scale, it is essential to communicate our ideas clearly and consistently. With a clear, consistent, and well-articulated point of view, we hope to demonstrate our conviction, depth of thought and sincerity to transform cities.

Building holistic resilience and driving change in cities is rarely easy and often meets resistance. Having a strong perspective can provide the resilience needed to navigate adversities and stay committed. Where there is disagreement with a particular point of view, presenting one stimulates discussion. This leads to deeper understanding, refinement of ideas, and collaborative solutions. A shared perspective brings us together under a shared mission.

A Point of View: Empowering SMEs for Urban Resilience presents our first resilience perspective drawing on the invaluable lessons from our Catalyzing City Resilience Solutions program, supported by the Citi Foundation. It offers insights that advocate for Small and Medium-sized Enterprises (SMEs) as vital catalysts for urban resilience and economic growth.

Resilient Cities Network defines urban resilience as the capacity of a city’s systems, businesses, institutions, communities, and individuals to survive, adapt, and thrive, no matter what chronic stresses and acute shocks they experience. Economic resilience is the ability of a city and its local economy to grow, adapt, and survive in ways that address the city’s chronic stresses and shock exposures and risks. It involves not only stabilizing local economies in the context of Covid-19 recovery and advancing economic growth, but also ensuring that the benefits of growth serve to build the resilience of the city’s households, communities, businesses, and institutions. A resilient urban economy and a resilient private sector supports the city to thrive. This in turn increases the city’s overall economic potential.

We firmly believe that SMEs play an indispensable role in this pursuit toward urban and economic resilience, contributing to economic growth, social cohesion, and sustainable development within the urban environment.

However, the journey toward genuine, holistic urban resilience requires a paradigm shift. It demands a systemic perspective that strengthens the relationship between SMEs, the private sector, and cities aligning them behind a common goal. Over the
last 3 years coming out of a global pandemic, there is no doubt about the **importance of fostering collaborative urban ecosystems to empower SMEs in addressing their challenges and unlock their full potential as drivers of urban and economic resilience.**

This publication is the culmination of our firm conviction that multistakeholder collaboration and more so trusted relationships between public and private sectors are key to overcoming urban challenges. By promoting inclusivity and collective action, we can achieve resilience outcomes that pave the way for a more equitable and prosperous future. As a city network that supports its members on building holistic urban resilience, our focus in encouraging cities to working with SMEs lies in fostering cooperation among stakeholders to address resilience challenges. Through trusted partnerships and a shared vision, we can create meaningful change that transcends traditional boundaries.

We hope the insights presented here inspire stakeholders globally to unite in their pursuit of urban resilience, ensuring a brighter, more resilient future for all.

Katrin Bruebach
Global Director, Programs and Operations
1. The paradox of SMEs: Facing urban crises and forging ahead

Small and medium-sized enterprises (SMEs) have become the beating heart of cities around the world. The critical role they play in the prosperity and resilience of cities cannot be underestimated. According to the World Bank\(^1\) SMEs represent 90% of all businesses worldwide; the International Labor Organization (ILO)\(^2\) states that they account for 70% of all employment; and formal SMEs contribute 40% of GDP in emerging economies, a figure that is much higher when the informal sector is included.

The World Economic Forum\(^3\) believes that the critical role that SMEs play in shaping growth, innovation and sustainability at the local, regional and global levels is not sufficiently recognized. It is no exaggeration, therefore, to say that SMEs are vital to the survival of cities. At the same time, their strengths go beyond the financial aspect. The intimate knowledge that most SMEs have of their local environment is one of their greatest assets.

With their extensive local networks, deep roots in their communities, agile business models and capacity for innovation, they are often powerful drivers of economic growth.

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vitality and social cohesion. In response to crises, they can innovate and adapt quickly to provide essential goods and services, sustain jobs and promote community well-being.

For instance, during the 1997-1998 Asian Financial Crisis, many SMEs demonstrated their resilience by being less dependent on foreign loans, more conservative financial management, and adapting to the changing economic conditions by taking advantage of new opportunities like the shift to cheaper domestic goods. In South Korea, while SMEs were more adversely affected by bankruptcy right after the crisis, since 1999, number of SMEs increased rapidly⁴. The inherent flexibility of SMEs helps them to creatively absorb economic shocks during downturns, providing a sense of stability in the midst of widespread economic calamity.

In terms of urban resilience, however, SMEs represent a paradox. Despite their strengths, they are vulnerable to various shocks and stresses ranging from pandemics, aging population, poor regulatory climate to environmental degradation. When considering the different pathways to a city’s resilient recovery, whether from a global pandemic, an economic downturn, or climate-related impacts, small businesses have a critical role to play.

Too often, limited or no access to capital is a major obstacle in emerging markets and developing countries. Unable to obtain bank loans, they rely on local funds or help from friends and family, which can limit their own market goals. As a result, they tend to have low profit margins, stiff competition and high exposure to market volatility.

For the ILO, there is another set of challenges that can limit the overall success of many SMEs. From the workers’ perspective, the international organization points out that the wages tend to be lower than national averages; there is a lack of access to social security benefits and occupational health and safety is poorly addressed. In Europe alone, 82% of injuries and 90% of fatal accidents occur in SMEs.

In addition, as we face the transition to a low-carbon economy, there is an urgent need to ensure that SMEs are part of this process. However, while recognizing the need for a just process as SMEs often face resource constraints, we cannot ignore the fact that their significant role in the economy also contributes to worsening climate change. In Southeast Asia alone, it is estimated that annual greenhouse gas emissions from SMEs is around 30 million tCO₂⁵.

This dual nature of strengths and vulnerabilities puts SMEs in a unique position to have a significant impact on their own cities. The Resilient Cities Network (R-Cities) strongly

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believes that it is in the interest of all stakeholders to include SMEs in resilience building plans and to provide them with specific support. This can be a way to help them realize their full potential as pillars of urban prosperity.

Experience shows that it is critical to understand the role of SMEs as interconnected parts of a complex urban ecosystem, rather than as separate entities. R-Cities believes that urban resilience is not possible without stronger and more resilient SMEs. SMEs play a key role in promoting sustainable growth and creating more equitable economic opportunities. They represent a diverse potential far beyond their business objectives, play a significant role in job creation and local economic growth, and often act as a safety net for communities in times of crisis.

In short, as local businesses, small and medium-sized enterprises are essential components of the urban ecosystem. They interact with various other elements that are part of it, enhancing its adaptive capacity, social cohesion and economic vitality. This publication, “A Point of View: Empowering SMEs for Urban Resilience” presents cases from different cities and communities around the world that highlight the importance of prioritizing and investing in SMEs and their enabling environment for urban resilience.

We believe that SMEs represent one of our best opportunities to build economic resilience to the shocks and stresses that cities and communities face.
Resilience is a citywide issue. In the face of crises and disruptions such as Covid-19, climate change and economic downturns, it is essential to have a unified and reliable response from the public and private sectors and communities. This is especially true for SMEs, which are often the economic backbone of cities. Their agility and connectedness to their local community are a source of innovation and social cohesion. Investing in them has cascading benefits that could contribute to strengthening urban resilience and building a more sustainable future. Local governments will benefit from investing in the empowerment of small businesses in their efforts to increase long-term resilience.

With support from the Citi Foundation, the R-Cities has launched the Catalyzing City Resilience Solutions (CCRS) program with six cities in South East Asia (Bangkok, Can Tho, Da Nang, Jakarta, Melaka and Semarang). The program aims to support cities’ efforts to leverage the unique role of SMEs in the urban economy and provide solutions that enable cities to build urban resilience.

*Urban resilience is the capacity of a city’s systems, businesses, institutions, communities, and individuals to survive, adapt, and thrive, no matter what chronic stresses and acute shocks they experience.*

2. Looking at SMEs through urban resilience lens
The CCRS program is guided by four principles on SMEs for Urban Resilience that reflect the R-Cities approach to systemic resilience and embody the resilience qualities. Resilience qualities or resilience characteristics illustrate attributes that enable cities, including SMEs, to face, respond and adapt to shocks and stresses. The four principles are:

1. **Understand and prioritize the city’s critical and vulnerable SME sectors**

   Certain SME sectors are critical for cities not only in terms of their economic value and employment they bring but also their ties to social cohesion, local identity and other aspects.

   **Resilience qualities:** Being **reflective** by recognizing the changes SMEs face in the uncertain context, while being **inclusive** by giving voice to vulnerable groups.

2. **Link with multiple resilience challenges in the city**

   SMEs might be impacted by other urban resilience challenges beyond economic challenges, while also contributing or amplifying certain challenges cities are facing such as water pollution.

   **Resilience qualities:** Deploying **robust** approach implies anticipate potential failures and limiting loss and is critical to over reliance on a single solution.

3. **Fostering a spirit of cooperation that strengthens SME ecosystems**

   Rather than competing with each other, a collaboration between SMEs and other stakeholders could help with knowledge and skill transfers, resource sharing as well as a more effective supply chain.

   **Resilience qualities:** Embedding **inclusive** and **integrated** approaches fosters collective ownership, which could contribute to a shared resilience vision, improved alignment and shared outcomes.

4. **Integrate resilience co-benefits for the city**

   In addition to providing goods and services, SMEs could help to address multiple challenges to resilience that cities and communities face.

   **Resilience qualities:** **Flexible** quality means that SMEs and the city can better adapt to changing circumstances, bringing new tools and thinking as needed, as well as incorporating traditional practices in new ways.

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**Figure 1 Four principles on SMEs for Urban Resilience**
We explore these four principles in the context of real-life case studies both from CCRS program cities and from our network and partners to better understand the complex challenges faced by SMEs and the opportunities that emerge when a systemic lens is applied. The case studies vary in many ways: scope, size, geography or focus. In this section, we have organized the case studies as follows: (1) Locally Embedded SMEs, (2) Collaborative SMEs Network and (3) City-led SMEs Strategies.

The case studies highlight the interconnectedness of SMEs and the challenges faced by the communities in which they operate. Increased exposure to shocks and stresses affects these businesses and the communities that depend on them. At the same time, small businesses can provide a safety net in times of crisis and offer solutions to the challenges cities face. This understanding is critical for local governments and other partners to better invest in SMEs for more resilient cities.

### 2.1. Locally embedded SMEs

Small businesses are often deeply connected to their local areas, communities and identities. They typically operate in industries that are closely linked to the unique strengths and characteristics of their local area. They have to face and adapt to various shocks and stresses that affect their locality and their business. If these SMEs are struggling, the local community that depends on them will also be severely affected. Building the capacity of these locally rooted SMEs to face these shocks and stresses is critical to ensuring the resilience of the community in which they are located.

#### 2.1.1. Adapting to change through community tourism

**Bang Mot Canal, Bangkok, Thailand**

The Bang Mot Canal Community is a multicultural and traditional settlement located along the 16 km canal of the same name, on the outskirts of Bangkok. Because of their history, they are considered custodians of the canal culture heritage. Their main
source of income was fishing and agriculture and they were known for producing the Bang Mot tangerine, one of Thailand’s most popular fruits. However, water pollution and salinization made the area unsuitable for farming.

Faced with the decline of agriculture, the Bang Mot community came together to promote tourism along the canal as a new source of income, offering weekend markets, boat rides and food tastings. They registered two community enterprises to promote participation, develop a sustainable economy, preserve identity and multiculturalism, and protect the environment. The SMEs here are owned and managed by an aging population, mostly over the age of 50.

All of this came to a sudden halt because of Covid-19. However, even though tourism-related activities did not continue, some food stalls carried on operating and managed to become a safety net when household heads lost their jobs in the midst of the pandemic.

As Bangkok recovers, the Bangkok Metropolitan Administration (BMA) and R-Cities aim to revitalize economic activity in Bang Mot by building community’s capacity through the promotion of tourism based on authentic Thai lifestyles and sustainable practices. Pilot interventions have been co-designed and implemented by the SME community with support from Bang Mot-based King Mongkut’s University of Technology Thonburi (KMUTT). Activities include the establishment of a community tourism website, the development of blue-green tour packages, the standardization of low-carbon products and services, and a series of trainings with early results such as the creation of new low-carbon products and an increase in the number of tourists. These will enable community members to increase their own economic resilience and better adapt to future shocks and stresses.
2.1.2. Versatility of household fish sauce producers
Nam O Fish Sauce Community, Da Nang, Vietnam

The community of Nam O fish sauce producers in Da Nang, Vietnam, is one of the oldest and most respected in the country: fish sauce is considered ‘the soul’ of Vietnamese cuisine. By 2022, there were 3,530 registered businesses, contributing 45% of the city’s Gross Domestic Product (GDP) and employing around 60% of its workforce.

This 100-year industry was in steady decline due to two main factors. First, changes in weather patterns had already affected the ability of this community of about 100 households to produce good quality fish sauce, which is part of Vietnam’s intangible heritage. Second, this situation had led young people to choose other types of work,
leaving the industry in the hands of their elders, 90% of whom are 40 years old or older. However, it was interesting to note that the pandemic provided a positive shock to the fish sauce community. During the pandemic, the production of fish sauce in Nam O increased significantly, 1.5–2 times higher than the output before the pandemic. This might be explained by the fact that during the pandemic, the source of goods from larger fish sauce producers was interrupted due to the city’s social distancing regulations, while the household-scale industry could still operate in their own homes.

Building on the existing community of fish sauce producers in Nam O, a co-design approach with SMEs was used by the City of Da Nang and R-Cities, with support from Building up Sustainable Center (BUS), a Da Nang-based NGO. Activities resulting from the co-design approach included testing the transition from plastic to glass bottle packaging, strengthening branding for environmentally conscious consumers, formulating a communication strategy and strengthening the role and commitment of the Fish Sauce Association. During a market test, they were able to increase the amount of production and revenue. Through these collective efforts, Nam O’s traditional fish sauce industry is on a path towards greater environmental consciousness, improved livelihoods, and the preservation of its cultural heritage.

<table>
<thead>
<tr>
<th>Critical SMEs Sector</th>
<th>Fish sauce production, tied to local fisheries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resilience Challenges</td>
<td>Aging population, climate change, youth disenfranchisement</td>
</tr>
<tr>
<td>SMEs Ecosystem</td>
<td>Strengthening fish sauce association</td>
</tr>
<tr>
<td>Resilience outcomes and co-benefits</td>
<td>For SMEs: Increased capacity to market For the community: Preserved tradition and identity, increased environmental consciousness</td>
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</table>
2.1.3. Collective space for SMEs and community
Ngampon, Solo, Indonesia

Ngampon is an urban kampong or neighborhood in the royal city of Solo, or Surakarta, on the island of Java. Its 600 residents are known for their bamboo birdcage crafts. Although the business is popular, it faces many challenges, from high dependence on middlemen to the availability of work space. Artisans typically work in sub-optimal conditions, whether in a vacant lot, inside a house, or outdoors. As a result, production capacity is often low due to limited storage space. Since their homes serve as both living and working spaces, their children often play in the streets. During the rainy season, their productivity decreases because they do not have adequate space to store the bamboo, resulting in a significant loss of income and inefficient use of raw materials.

To address these challenges, the community worked with the Kota Kita Foundation, a local NGO. This co-design process allowed the community to explore and develop their own solutions. This included the development of a new community work area that doubles as a shared space. Part of this area was designed as a playground so that parents could work and supervise their children at the same time. A third solution was to use adjacent vacant land for women-led urban farming. The local communities self-developed the communal working space, utilizing their bamboo skills. The space also improves social cohesion in the community as it serves as a community hub that hosts community meetings for different groups.

Implementing a multifunctional solution proved to be the most practical approach, as it addressed multiple challenges: it supports the economic development and social cohesion of the community, reduces economic losses during the rainy season, enables them to grow together by sharing tools, knowledge, and markets, and improves women’s opportunities to engage in economic activities.
Critical SMEs Sector
Bamboo handicraft, main livelihood for over 30 years, with 120 workers in a community of 600 people.

Resilience Challenges
Poor working conditions, limited infrastructure, unequal economic access, climate challenges to business practices

SMEs Ecosystem
Co-design process that brought artisans together to collaborate and share resources

Resilience outcomes and co-benefits
For SMEs: Improved working environment, allowing continuity of business during bad weather and enabling economies of scale.
For community: Increased social cohesion, safer places for children to play, new opportunities through urban farming.
2.2. Collaborative SMEs network

Building meaningful coalitions or networks among SMEs offers a powerful way to tackle challenges and make the most of opportunities together. By sharing resources, knowledge, and expertise, SMEs can collectively address their common issues and improve access to opportunities. Larger private sector partners, unions, associations, and non-profit organizations often play a vital role in pioneering and supporting such networks. Together, these diverse stakeholders gain a stronger collective voice, enabling them to advocate for a more favorable environment conducive for SMEs but also to champions innovative solutions that contribute to urban resilience.

2.2.1. Integrating waste pickers into city’s waste services

Pune, India

The city of Pune has been ranked several times as the most livable city in India. However, its urban problems are compounded by two situations. First, it has a growing informal population and, second, it struggles with increasing waste generation and the need to provide adequate waste management services. In addition, Pune had a significant number of informal waste pickers, 80% of whom were women and often from marginalized castes.

In 2005, the waste pickers’ union launched a joint pilot project with the city of Pune by establishing a community project called SWaCH, a public-private partnership owned by self-employed waste workers. One of the goals was to strengthen the position of informal waste pickers and integrate them into a cooperative. SWaCH was able to secure a contract with the city to provide door-to-door collection services, collect user fees and rights to recyclable materials.

As a result, Pune became the first city in India to integrate informal waste pickers into its waste management services and this model has resulted in them handling 60% of
the city’s waste collection. They do this through their network of 3,500 waste pickers, covering an area where approximately 3.5 million people live. The success story took another leap forward in 2016 when the Indian national government mandated by law that all cities in the country register waste pickers, provide them with identification cards and give them a voice in waste management decisions.

2.2.2. SMEs collaboration for Covid–19 response

Addis Ababa, Ethiopia

Despite Ethiopia’s strong pre-pandemic economy, the daily wage earners were the most affected during the Covid-19 period and were unable to prioritize sanitary measures or even isolate and quarantine when necessary. The private sector was
also adversely affected by lack of production, worker idleness throughout the supply chain, and reduced demand. In addition, existing disparities in access to water and sanitation in the city exacerbated the gap in access to safe handwashing and hygiene infrastructure needed to fight the pandemic.

To address these challenges, Addis Ababa, through the Safe Hands Project (SHP), benefited from an initiative that focused on the sustainable supply of sanitation and personal protection products to vulnerable populations as the need and demand for such products and services increased during the pandemic. The Safe Hands Project is a private sector-led initiative by Dalberg Group and Roha Group to combine private sector and civil society capacities to create a coalition that supports Ethiopia’s Covid-19 response, focused on the city of Addis Ababa.

This required businesses, especially SMEs, to find innovative ways to survive during the pandemic by filling the gap in the supply of protective products and avoiding uncertainty. Under the SHP, SMEs joined with other stakeholders to form a coalition, and through these efforts, businesses became advocates for resilience against the effects of Covid-19. One of the activities included working with SMEs as direct suppliers to fast-track production of soaps, face masks, then move them quickly through multiple channels, aiming to flatten the curve of local transmission.

Most of the SMEs were converted to start producing PPPs, while the soap-producing SMEs expanded their product line to include hand sanitizers. The coalition helped the SMEs secure ethanol for the production of hand sanitizers as there was a shortage at the time and the coalition negotiated with the government. Relevant government agencies then proactively removed any regulatory barriers to the coalition’s success and provided incentives for industry and SMEs to join the coalition.

Manufacturers and suppliers were encouraged to speed up production and distribution of soaps and face masks, and all coalition members were brought together to coordinate and encourage other stakeholders to participate, manage the supply chain efficiently, and facilitate media and communications. The Block-Based Community Engagement Agency within the Addis Ababa City Administration Mayor’s Office also led the distribution of soaps and face masks to high-risk communities.

Through this coalition, 1.2 million soaps and face masks have been produced and distributed, funded by US$1 million from ROHA and Dalberg. By September 2020, the United Nations Development Program (UNDP), through Dalberg Catalyst, provided an additional $500,000 to the Safe Hands Coalition to further support the production and distribution of an additional 700,000 soaps and face masks, as well as communication materials to vulnerable populations in Addis Ababa.
A Point of View:
Empowering SMEs for Resilience

**Critical SMEs Sector**
Diverse SMEs in Addis and soaps producing SMEs

**Resilience Challenges**
Pandemic, limited access to sanitation

**SMEs Ecosystem**
Building coalition to bring capital, remove regulatory barriers and shorten supply chain

**Resilience outcomes and co-benefits**
*For SMEs:* Enable SMEs to operate during pandemic
*For community:* Increase protection during pandemic

2.2.3. Plate up to reduce waste and emissions
Glasgow, Scotland UK

Scotland produces 1.35 million tons of food waste every year. Much of this ends up in landfill. The decomposition of food releases greenhouse gases into the atmosphere including methane, which is 28 times more potent than carbon dioxide and contributes to soil degradation. According to research by the climate action NGO WRAP, a fifth of all food purchased by hospitality businesses is wasted. Food waste is estimated to cost the Scottish hospitality sector 250 million euros each year. The urgency of food recovery has never been greater.
‘Plate up for Glasgow’ was a pilot initiative and the first of its kind in Scotland led by Glasgow Chamber of Commerce. It began as a campaign to reduce waste in Glasgow’s food and drink sector in the lead up to and during COP26, which took place in the city in November 2021. The campaign encouraged restaurants, bars and cafes to create at least one dish or drink that produced little or no waste.

A total of 41 venues took part and, after a five-week period, nearly 90% of these businesses said they would keep their campaign dish on the menu in the future and many said the initiative had helped them reduce their waste. In support of the Scottish Government’s ambition to reduce food waste in Scotland by 33% by 2025, ‘Plate up for Glasgow’ has become a model for other cities, regions and major event organizers to consider tackling their own food waste and net zero targets. Plate up for Glasgow has significantly impacted food waste reduction in the city’s hospitality sector and is recognized as a finalist in Scotland’s Environmental Awards, the VIBES.

In the next phase, the challenge of responsibly disposing of used coffee grounds came to the fore, such as through the 2023 UCI Cycling World Championships as an opportunity to address this issue. Glasgow’s next food waste campaign, Grounds for Recycling, aims to repurpose used coffee grounds by leveraging the strong historical connection between cycling and coffee. By promoting the environmental benefits of this bond, the initiative seeks to encourage greater participation in active travel around the city and build on the success achieved during the global spotlight of COP26.

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<thead>
<tr>
<th>Critical SMEs Sector</th>
<th>Food and beverage</th>
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<tr>
<td>Resilience Challenges</td>
<td>Waste production, emission</td>
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<td>SMEs Ecosystem</td>
<td>City wide campaign</td>
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<td>Resilience outcomes and co-benefits</td>
<td>Increased capacity of businesses on lower carbon product</td>
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<td></td>
<td>Increase customers awareness and engagement</td>
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<td></td>
<td>Reduced emission and lower waste</td>
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2.3. City-led SMEs initiatives

While SMEs, NGOs and the larger private sector are taking action to improve SME resilience, local governments should take the lead in supporting SMEs with a city-wide and systemic approach. Local governments need to facilitate SMEs’ access to income-generating opportunities, while addressing interrelated challenges and taking into account an equity lens. The collaborative efforts of local governments will play a pivotal role in fostering the growth and sustainability of SMEs, thereby contributing to the overall economic prosperity of the city.

2.3.1. Improving food security and food SMEs resilience

Quito, Ecuador

The city of Quito faced several challenges in its food system, including a weak local production cycle, a lack of access to fresh vegetables - only 1% of what the city consumed came from local producers – and a high dependence on imports. In addition, a geography characterized by the potential for natural disasters had become a threat to the food that entered the city through its two main highways as well other threats such as civil unrest. These conditions left the city vulnerable to shocks and prompted officials to transform its food system to address a number of identified issues.

The city made food security one of its priorities and a mechanism to achieve resilience. The goals included promoting healthy food consumption, increasing local production and reducing the city’s dependence on imported food. It also aimed to support small businesses in the food sector. One of the first actions was to draw a map of the different vulnerabilities and existing needs. It also promoted the creation of new farms in urban, peri-urban, and rural areas of the city. They not only organize the organic markets called "Bioferias" but they also run trainings and workshops to support urban farmers with capacity building programs to grow organic and high quality products.
As a result, more than 600 tons of fresh food is being produced in the city, with more than 11 tons going to the most vulnerable neighborhoods. Before the pandemic, many of these farms sold their surplus at one of the city’s 15 organic markets. While the organic markets are still active and running and are the main way in which farmers sell their produce some started selling their products in their neighborhoods during the pandemic. Between April 2019 and March 2020, 224 new urban farms were created, putting Quito on the path to a sustainable and secure food system by 2050.
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A Point of View: Empowering SMEs for Resilience

Critical SMEs Sector
Local food producers (urban farmers)

Resilience Challenges
Food insecurity and affordability, heavy reliance on food imports while limited access to the city will disrupt food access in times of shocks.

SMEs Ecosystem
Make it a priority for local governments to support new and existing urban farmers while shortening the supply chain to consumers, with a focus on vulnerable communities.

Resilience outcomes and co-benefits
For SMEs: Job creation with new urban farms while strengthening the existing farms
For community: Improving food resilience especially for vulnerable neighborhoods

2.3.2. Revitalize local tourism
Kyoto, Japan

The ancient city of Kyoto is Japan’s cultural capital. The Greater Kyoto boasts 17 UNESCO World Heritage Sites and, as such, relied heavily on tourism, both foreign and domestic. Not surprisingly, the Covid-19 outbreak had a tremendous impact on the city’s finances. From the nearly 55 million visitors it had received in 2019 to May 2020, the numbers had dropped by 97%. This posed significant economic challenges, especially for small and medium-sized enterprises. SMEs represent the majority of businesses here and many are related to traditional crafts.
The city realized that it would have to deal with the impact of a sudden and dramatic drop in tourists, along with the pre-existing stress of an aging and declining population. This situation highlighted the need to ensure the long-term sustainability of tourism. To reduce Covid-19 cases while keeping the local economy afloat, the authorities, in close cooperation with stakeholders including the Kyoto City Tourism Association, introduced the New Kyoto Model, which encouraged residents to rediscover their hometown and promote local consumption while preserving Kyoto’s heritage. In addition to the tourism industry, the model also supported arts and cultural activities, and these resilience efforts contributed to Kyoto’s goal of being a “sustainable historic city.

Although focused on tourism-related businesses and not specifically targeting SMEs per se, Kyoto’s approach integrated resilience by combining public health and safety measures with a new way of undertaking economic activities. This approach shifted the tourism sector’s dependence from national and foreign tourists to local residents. The city’s new plan focuses on making Kyoto a higher quality destination that benefits tourists, residents, and the economy while achieving the Sustainable Development Goals.

**Critical SMEs Sector**
- SMEs on tourism, arts and crafts

**Resilience Challenges**
- Reliance on foreign tourism

**SMEs Ecosystem**
- Strengthening local market

**Resilience outcomes and co-benefits**
- **For SMEs:** Increasing their adaptive capacity to tap into local markets
- **For community:** Reduce dependency on foreign tourism, helping local resident to rediscover city’s own culture
2.3.3. Sustainable procurement and social enterprise grant

Melbourne, Australia

Melbourne is Australia’s second most populous city and the City of Melbourne, through its own procurement, is also one of the investors in the city and aims for its procurement to generate social value. The procurement policy, which is underpinned by the Sustainable Procurement Framework, sets out guidelines and principles that align with the SDGs, including opportunities for Aboriginal businesses and people, those who are socially or economically disadvantaged, and climate resilience.

Through the framework, Melbourne has awarded contracts to companies such as Fruit2Work and Position Promo. The former is a catering company that provides opportunities for people involved in the justice system who are facing long-term unemployment. Position Promo is an Aboriginal-owned clothing supplier whose profits go into a social impact fund that invests in Aboriginal Australians.

Along with the Sustainable Procurement Program, the city has also launched the Social Enterprise Grant, which prioritizes small businesses with a social purpose and those working on circular economy, and the Social Investment Partnership, both of which offer grants of up to 200,000 AUD per year. The grant programs provide not only funding but also additional support, such as mentoring or coaching sessions, workshops and training, and networking events.

Both the grant program and the sustainable procurement framework help promote social equity, directly addressing some of the city’s most pressing challenges by prioritizing small, social enterprises, they have laid the groundwork for sustainable and resilient communities.
### Sustainable procurement priorities

- Increasing opportunities for Aboriginal Melbourne
- Increasing opportunities for those experiencing disadvantage
- Reduce pollution
- Circular economy
- Biodiversity and climate resilience
- Increase opportunities for Melbourne based businesses, small business and start-ups
- Supporting safe and fair workplaces

**Figure 4 City of Melbourne’s Sustainable Procurement principles**

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### Critical SMEs Sector

- Startups/expanding businesses with a social purpose

### Resilience Challenges

- Inequalities in access to economic opportunities (especially among Aboriginal communities), increasing waste production, challenges in reducing emissions from the supply chain.

### SMEs Ecosystem

- Eliminating barriers for start-ups and social enterprises to access city procurement and grants

### Resilience outcomes and co-benefits

**For SMEs:** Increased business capacity to enable SMEs to fulfill their social purpose  
**For community:** Increased employment opportunities for marginalized community members

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3. Enabling environment for SMEs: How to get started

While there is no one-size-fits-all answer in how to improve SME resilience, R-Cities believes there is a winning formula: one in which all stakeholders - communities-local governments-partners – work together. By working together and pooling our efforts, we can find ways to overcome challenges and improve the enabling environment for SMEs. There are some lessons learned and opportunities, as shown by the pilot cities that participated in the CCRS program and the case studies above. These lessons show how different stakeholders, especially local governments, can work together to build the resilience capacity of SMEs, which ultimately contribute to overall urban resilience, in line with the 4 SMEs for Urban Resilience Principles (see Figure 1).

Shared physical space can play a critical role in increasing the capacity of SMEs.

For instance, in traditional sectors such as the bamboo industry in Ngampon, having a shared space to work can help improve working conditions, manage waste and pollution, and provide other benefits. Working in a co-location mode also allows for sharing resources, exchanging skills and knowledge, and accessing resources that can create economies of scale and promote innovation. Facilitating a shared space and infrastructure can be a role that local governments play in supporting SMEs.
A Point of View: Empowering SMEs for Resilience

It is vital to reconnect SMEs with culture, identity and heritage.

Many SMEs are locally rooted in their community, where their business builds on the tradition and strengths of their area. A deeper understanding of these locally rooted SMEs will help cities better address local needs and aspirations and harness their passion, leading to a stronger sense of community belonging that makes the community in which the SMEs are located more adaptive to shocks and stresses.

SMEs are stronger when they work together.

When SMEs work together instead of competing, it can help them gain a stronger position and more opportunities, such as access to procurement and raising the need for better working conditions, as seen in Pune.

Multi-stakeholder collaboration can better foster innovation.

Collaboration is critical not only between SMEs themselves, but also between different stakeholders. Leveraging local partners is crucial as they have a deep understanding of the local context, but bringing in new partners can also bring in new skills and expertise that can catalyze innovation in SMEs. Partnerships with academia and NGOs can also facilitate learning. Building a broader network would also broaden market access for SMEs.

Also read about the CCRS program in Semarang and how the more established medium and small-scale batik industries are providing training to micro-industries and strengthening the Semarang batik community’s efforts towards higher quality products and greener practices.

Also read about the CCRS program in Jakarta and how the city and a coalition of diverse partners, ranging from a Playo design consultant with expertise in alternative materials development and business ecosystems to PPSW Jakarta, an organization with extensive experience supporting women’s groups, worked together to improve the economic viability of a shellfish waste recycling initiative.
Collaboration should involve co-design and equal partnership. While collaboration and network building between SMEs and other partners is crucial, it is important to consider the power relations between stakeholders. SMEs, especially those that are locally rooted, have a deep understanding of their context and are the ones on the frontline facing various shocks and stresses. This is particularly critical when bringing in external and larger partners, such as a large private sector.

Vulnerability can be viewed through different lenses, and more vulnerable groups and SMEs will have more barriers to accessing jobs and markets. It is particularly important for local governments, as policy makers and environmental enablers, to design with an equity lens when providing support to SMEs. Sustainable procurement in Melbourne and support for older groups in Nam O and Bang Mot with their long-established industries are examples of critical groups where partners and local government are stepping in to enable these groups to survive and, if necessary, pivot.

SMEs, and even their local partners, may be more focused on SME survival and have limited bandwidth to look at how SMEs can play a role in city resilience. The cases of Quito and Kyoto are good examples of how local governments play a role as connectors to enable their SMEs to navigate through crises. It is also critical to note the importance of data, such as the mapping in Quito that allows the food industry to have a more effective supply chain.

The lessons learned above highlight the importance for local governments to prioritize their engagement with small and medium-sized enterprises (SMEs) by creating a conducive and enabling environment that leads to sustainable impact. Although local governments often face resource constraints, they can make the most of their mandates when engaging with SMEs.

One significant area where local governments can play a vital role is in land use and infrastructure provision. For example, by strategically facilitating the creation of SME-friendly spaces within the city, they can empower these businesses to thrive.
Moreover, local governments frequently have capacity building programs designed for SMEs. Rather than acting as the sole provider, they should explore partnerships with other stakeholders in the city. Initiatives such as mentorship or training-for-trainers programs can expand SMEs’ exposure to markets and enhance their skills. To further support SMEs, local governments should actively reduce bureaucratic barriers and aid in navigating financing challenges. By facilitating access to capital or seed grants and implementing innovative procurement processes, they can empower SMEs to enter and succeed in the competitive market.

See also the **Enabling SMEs** section [A Practical Guidance: Emerging Insight from the CCRS Program](#).
How do local governments and other stakeholders begin to invest in SMEs for urban resilience? The following steps can help guide local governments and other stakeholders in working with SMEs to co-create solutions.

1. Define the Challenge – identify overlapping resilience challenges and a critical SMEs sector

Start by identifying and conducting an analysis of your city’s SME landscape. Determine which industries are important to your city and community’s economy and which are most vulnerable to shocks and stresses and incorporate them into your list of priorities. Learn about the different resilience challenges facing your city and how that relates to the identified SMEs. These challenges may be institutional, social, economic or environmental.

Possible actions to take:

Ask these initial questions:

- Which SMEs provide essential goods and services?
- Which SMEs provide a significant number of jobs?
- Which SMEs uphold local but endangered traditions?
- Which SMEs are particularly vulnerable to threats such as climate change or market instability?
- What pressures is the city facing (e.g. increased waste, water pollution)? Are certain SMEs contributing to these pressures on the city?
2. Rapid Assessment – Understanding the SME Ecosystem

Understanding the SME ecosystem may include identifying key stakeholders and working with them to achieve common goals. In addition, following the program principles and the definition of urban resilience, each city must approach the project with a holistic and systemic lens. In the case of SMEs, this means assessing the state of the SME ecosystem, its inefficiencies, and opportunities for meaningful intervention.

Possible actions to take:

- Conduct a value chain mapping exercise to understand the SME’s operations and the activities and stakeholders involved. Identify the shocks and stresses associated with each activity.
- Assess the gaps and opportunities using the Resilience Recovery Framework guide.

3. Accelerator – Co-creation for Innovative Solutions

Once the SME ecosystem is better understood, foster collaboration among the various stakeholders identified, such as SMEs, government agencies, businesses, civil society and neighborhood associations, and bring in potential new partners to co-create solutions. The solutions that emerge from this process should increase the capacity of SMEs and provide multiple co-benefits.

Possible action to take:

- Use holistic resilience tools in co-designing and prioritizing solutions, such as through the 7 Resilience Qualities as presented in the A Practical Guidance: Emerging Insight from the CCRS Program as well as incorporating SDGs targets.
As has been shown, the natural strength of SMEs goes beyond economics. The resilience approach often brings enormous added value to their communities and their cities. These values are what we call the ‘resilience dividend’, the benefits that include different but equally important aspects like social cohesion, increased job opportunities or environmental protection. These add up to a set of resilience solutions that in turn empower their own urban systems.

In the face of global economic uncertainty, SMEs remain not just the backbone of local economies, but also the lifeblood of community resilience. They are the storefronts on our streets, the innovators in our industries, and the entrepreneurs in our neighborhoods. By investing in SMEs, we are investing in the diverse, adaptable, and innovative enterprises that can withstand the shocks and stresses of our ever-changing world. The potential return on this investment goes far beyond financial gain; it is the revitalization of our urban landscapes, the fostering of innovation, and the strengthening of the social fabric that holds our communities together. As we look to the future, we can reduce economic uncertainty by harnessing the power of SMEs to create not only resilient cities, but resilient societies, equipped and prepared to thrive in the midst of challenges of all kinds, and to build a more resilient and inclusive future.

SMEs have become the beating heart of cities around the world
Let’s invest in them so our cities can thrive