International Trade Centre

TRADE IMPACT FOR GOOD

Promoting SME Competitiveness in Francophone Africa

From crisis to recovery through regional integration

In collaboration with:

CPCCAF Conférence Permanente des Chambres Consulaires Africaines et Francophones

4th edition

Joint data collection in francophone Africa

The International Trade Centre (ITC) and the Permanent Conference of African and Francophone Consular Chambers (CPCCAF) joined forces in 2021 to help the network of chambers of commerce in French-speaking Africa assess the competitiveness of micro, small and medium-sized enterprises (MSMEs).

ITC and CPCCAF created a business survey to (i) assess the recovery of firms—and small and medium-sized enterprises (SMEs) in particular—from the COVID-19 pandemic; (ii) identify how well government measures have supported the recovery process; (iii) learn how the pandemic has affected the risk management practices of African enterprises and (iv) understand the nature of cross-border trade in the region, including perceptions of the African Continental Free Trade Area (AfCFTA).

More than 2,500 enterprises in Western and Central Africa were interviewed in mid-2021 through this initiative. This report presents the results of the analysis. It is the 4th edition of a series of reports published jointly by the ITC and CPCCAF that can be found at www.intracen.org/publications.

The Permanent Conference of African and French-Speaking Consular Chambers

The Permanent Conference of African and Francophone Consular Chambers is an economic cooperation network for private-sector development and trade in French-speaking Africa. CPCCAF supports bilateral and multilateral cooperation between chambers of commerce, crafts, agriculture and other trade promotion organizations in all fields of entrepreneurial development. Created in 1973, CPCCAF's network covers 33 economies, including 26 countries in francophone Africa.

The International Trade Centre

As the joint agency of the World Trade Organization and the United Nations, the International Trade Centre is the only multilateral agency fully dedicated to supporting the internationalization of SMEs. Through its market access tools and technical assistance programmes, ITC enables SMEs in developing and transition economies to exploit new market opportunities, helping to raise incomes and create job opportunities, especially for women, youth and poor communities.

Key messages

Small businesses in francophone Africa are still reeling from the impact of the COVID-19 pandemic, but exciting opportunities are on the horizon. The silver lining in 2021 is the emerging risk management and regional integration trends, which are expected to open new markets for African companies.

Slower recovery for smaller firms

- Smaller firms in francophone Africa have seen revenue fall by half and staff by a third due to the pandemic. These businesses had not recovered to the same degree as larger companies in mid-2021.
- More than two-thirds of interviewed microenterprises took on debt due to the COVID-19 crisis, compared to less than one-third of large companies.
- More than a third of interviewed firms—especially small, youth-led and informal firms—were very concerned about recovery from the pandemic.

Government COVID-19 programmes fall short

- One in 10 interviewed companies had received COVID-19-related support from a government or business support organization, with smaller enterprises struggling more.
- About 75% of the businesses that did not get help were unaware that support was available.
- Two-thirds of the firms that received COVID-19-related assistance were dissatisfied with it.

A wake-up call for crisis preparedness

- Almost half of interviewed businesses were taking steps to prepare for future crises. Popular approaches were renegotiating contracts with suppliers and revising sales strategies.
- Firms that were worried about COVID-19 recovery and those that said their revenue levels were still far short of their pre-pandemic levels were more likely to prepare for future crises.
- Companies that were not preparing for future crises cited a lack of financial resources and awareness as reasons not to do so.

Potential gains from African integration

- Only a quarter of interviewed firms were familiar with the African Continental Free Trade Area, but most of those that know about the agreement believe it will benefit their businesses.
- The high cost of logistics and transportation, as well as delays and uncertainty, are the main reported obstacles to exporting within Africa.
- With just 12% of survey respondents importing from other countries on the continent and 6% exporting to other African countries, there is huge untapped potential for intraregional trade.

Recovery and regional integration

COVID-19 has had a devastating impact on the African continent. After years of healthy growth, Africa's gross domestic product contracted by 1.9% in 2020. The International Monetary Fund predicts that per capita incomes in many countries will not return to pre-crisis levels before 2025.[1] The United Nations warns that progress in achieving the Sustainable Development Goals could be set back a decade because of the pandemic.[2]

Even before the virus made its way to Africa, small businesses had to contend in early 2020 with fewer purchases by their overseas trading partners.[3] The curfews and other measures adopted by governments in the region to cope with the first wave of COVID-19 led to lower sales in many countries.[4]

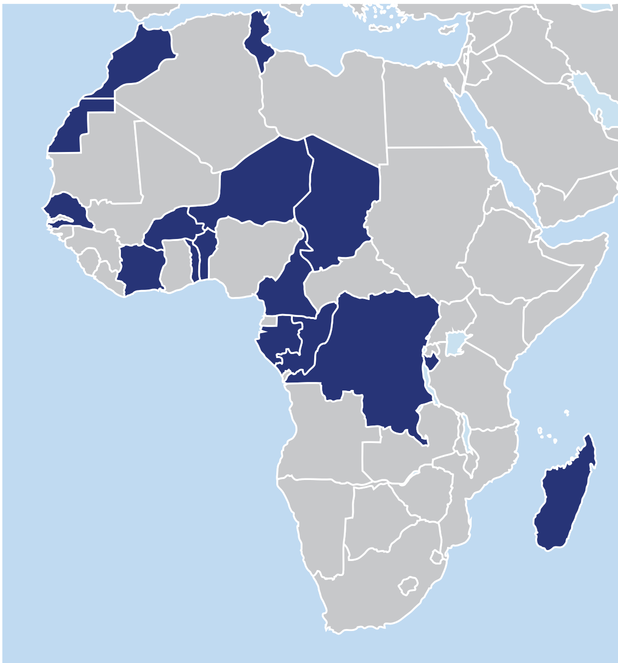
At the end of 2020, a second wave took a toll on both human life and the viability of many informal sector SMEs in Africa, damaging socioeconomic outcomes.[5] The lack of regional value chains in medical supplies worsened the two initial waves of the pandemic,[6] though by mid-2021 experts pointed to inequitable access to vaccines as the driver of a third wave of infections in Africa.[7]

If there is a silver lining to this crisis, it is to be found in transformations that are taking place. Many small and medium-sized enterprises used the restrictions as an opportunity for deep reflection and reinvention, and decided to take up digital tools and risk management to be better prepared in the future.

1. International Monetary Fund, 2021.
2. United Nations, 2021.
3. ITC, 2021a.
4. ITC, 2020b.
5. Aoyagi, 2021; United Nations Development Programme, 2021.
6. ITC, 2020c.
7. 'It's Your Turn: Africa's Recovery Talk Series,' 2021.

Additionally, as of 1 January 2021, trading began under the rules of the African Continental Free Trade Area. This is being hailed as a historic opportunity to take advantage of high value-added, growth-spurring diversified trade within the region.[8]

The tumult of 2020 and 2021 will undoubtedly be seen as a turning point for trade-oriented SMEs in francophone Africa. The evidence presented in this report shows the direction of this change.



Source: Survey conducted by ITC and CPCCAF in May–July 2021 in French-speaking Africa.

8. Brookings, 2021.

Gathering data on recovery and regional integration

Business support actors such as chambers of commerce, trade and investment support institutions, and sector organizations deliver essential services for a competitive small business sector in Africa. They provide training, build networks and represent the interests of enterprises to policymakers to support their growth.

Evidence-driven business support services

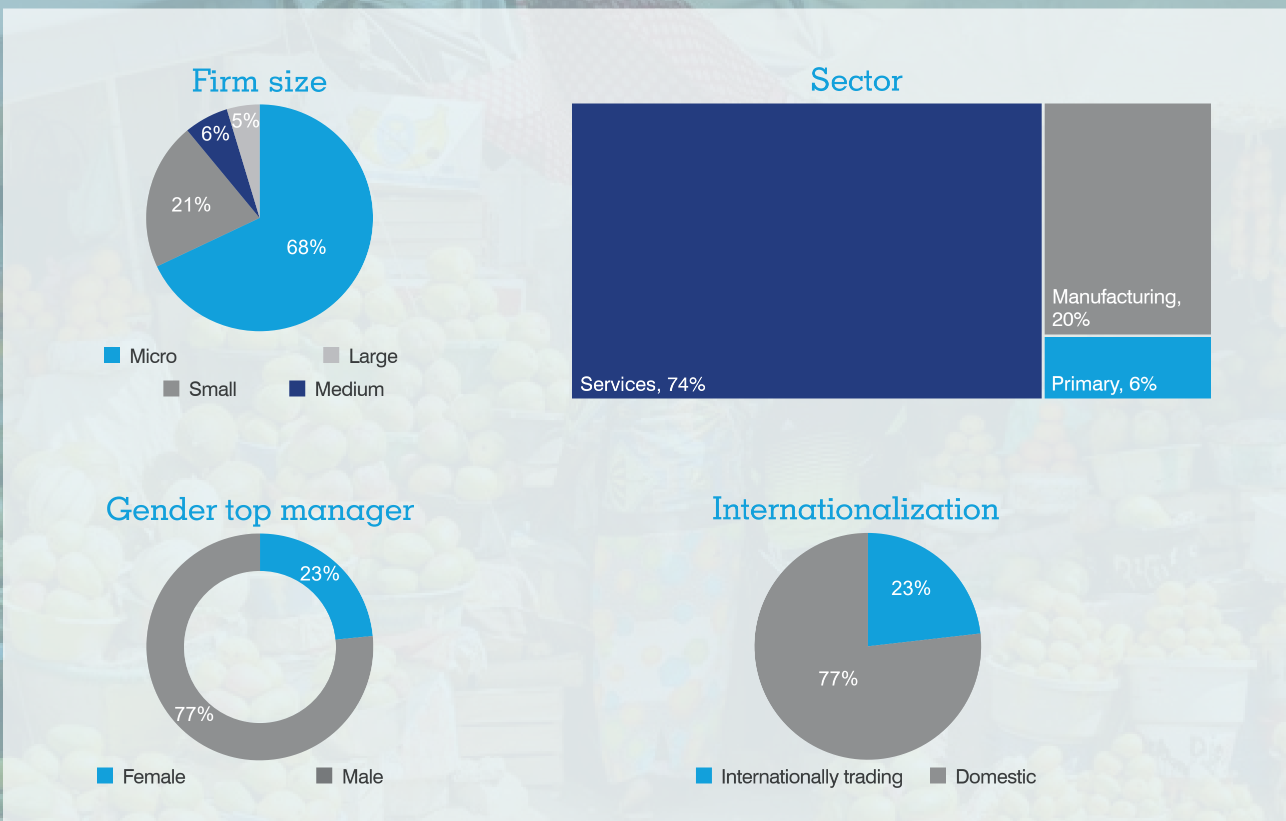
To better tailor their services to the needs of small and medium-sized businesses and design evidence-driven policies and programmes, they need current and reliable data. In light of a fast-changing pandemic and business landscape, the need to hear the voices of SMEs has never been greater.

This is why ITC and CPCCAF collaborated with national chambers of commerce in francophone Africa to survey thousands of companies across the region.

More than 2,500 in-depth surveys

Through their partnership, ITC and the CPCCAF interviewed 2,557 businesses in French-speaking Africa in May–July 2021. Data were gathered from companies in Benin, Burkina Faso, Burundi, Cameroon, Chad, Republic of the Congo, Ivory Coast, Democratic Republic of the Congo, Gabon, Madagascar, Morocco, Niger, Senegal, Togo and Tunisia.

Two-thirds of the respondents were microenterprises (between 0 and 4 employees), 21% were small enterprises (5 to 19 employees), 6% were medium-sized (20 to 99 employees) and 5% were large enterprises (more than 100 employees). About three-quarters of the businesses surveyed were service providers, a fifth were in manufacturing and the remainder were in the primary sector (6%). Most participants said they did not export or import, and only a quarter of the surveyed businesses were run by women. Three-quarters were registered with national authorities.



Source: Survey conducted by ITC and CPCCAF in May–July 2021 in French-speaking Africa.

Slower recovery for smaller firms

As a third wave of COVID-19 infections hit the continent in mid-2021, the data showed that the pandemic is far from over in the region. The crisis continues to have significant negative effects on employment and the revenues of small African businesses.

Sales and staff scaled back

On average, the SMEs that were interviewed employed just two-thirds of the number of staff they had employed before the pandemic. In contrast, large firms have returned almost to their pre-pandemic size, employing on average 94% of their usual workforce.

Similarly, smaller enterprises were bringing in on average just half of their pre-pandemic revenue in mid-2021, while large companies were earning 86% of former sales.

The implication is that smaller firms in francophone Africa have not recovered their sales or staff to the same degree as larger enterprises.

Smaller businesses took on more debt

The slower recovery in sales among SMEs translates into a worse financial situation. More than two-thirds of interviewed microenterprises took debt due to the COVID-19 crisis, compared to less than one-third of large companies. This signals that as concerns are raised at the macroeconomic level about the debt burden of African nations,[9] debt is increasingly becoming a microeconomic issue.

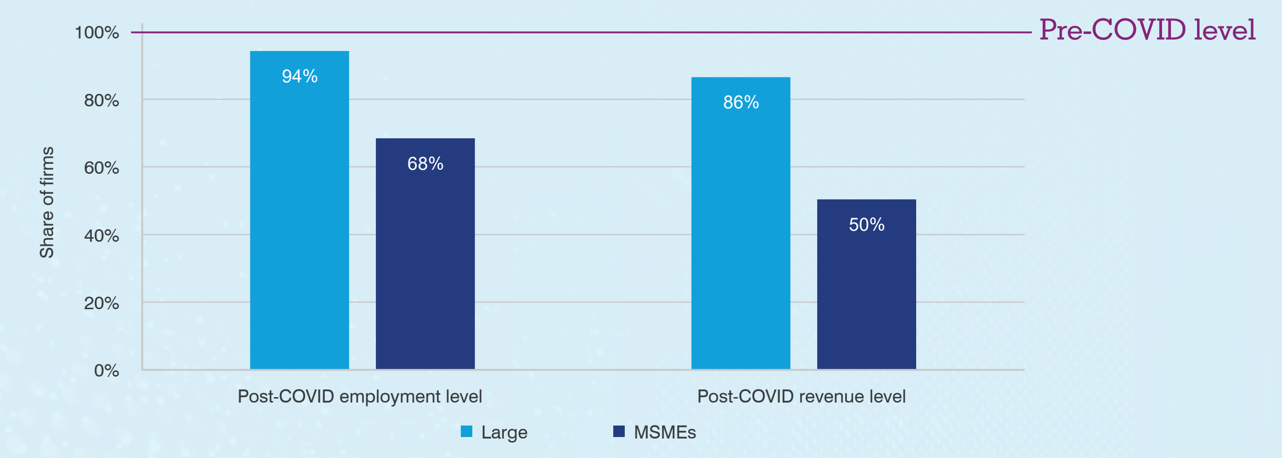
SMEs have a larger debt overhang, lower revenues and smaller staff now in part because they tended to respond to the COVID-19 crisis in ways that undermined their business. This, in turn, can be attributed to the fact that smaller firms generally have fewer of the fundamentals of resilience.[10] Investing in research, skills and a diverse supplier base can make companies more resilient—and resilient firms were five times less likely to lay off workers during the pandemic.[11]

Youth-led and informal firms worry about the future

More than a third of interviewed firms said they were very concerned about recovery. A higher share of youth-led companies, and those that were not registered with the national authorities, said they were very worried about their businesses recovering from the pandemic. Larger enterprises and those that traded internationally were less concerned about their prospects.

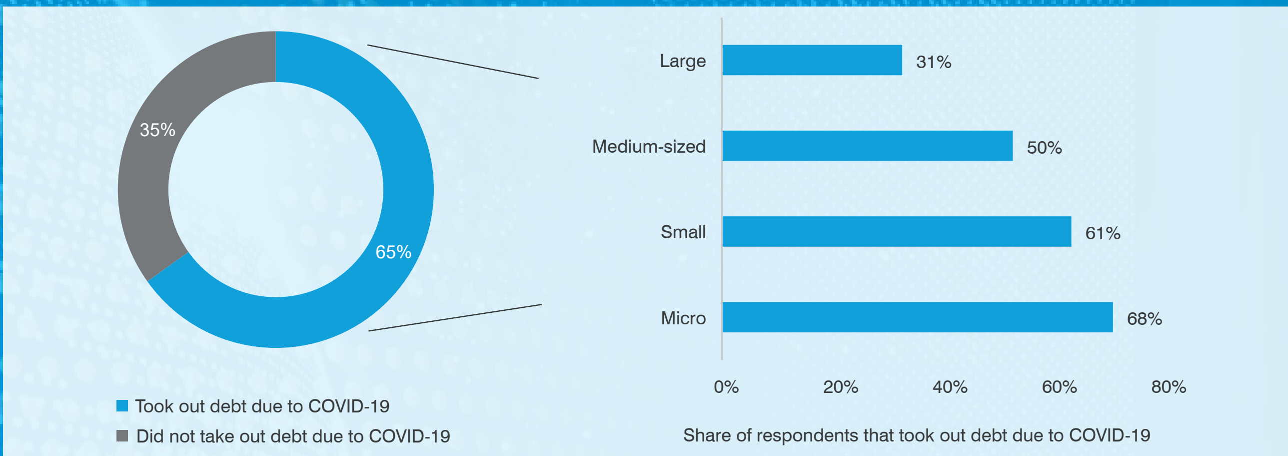
9. Brookings, 2021.
10. ITC, 2021b; Falciola, Mohan, Ramos and Rollo, 2021.
11. ITC, 2021b.

Pandemic reduces small firm revenues and staff



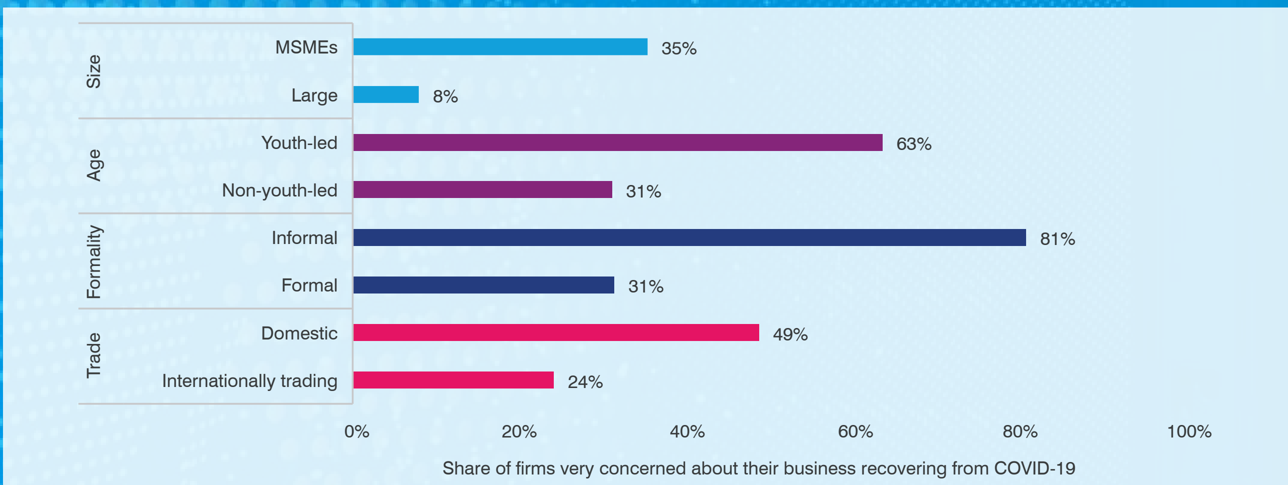
Note: The figure describes the responses of businesses to the questions 'How many people does the business currently employ compared to the usual staffing at this time of the year?' and 'How much of the usual revenue for this time of year is the business currently making?', according to size.
Source: Survey conducted by ITC and CPCCAF in May–July 2021 in French-speaking Africa.

Smaller companies took on more debt



Note: The figure describes the responses of businesses to the question 'How long will it take the business to pay back COVID-19 related debt?', according to size.
Source: Survey conducted by ITC and CPCCAF in May–July 2021 in French-speaking Africa.

Firms are very concerned about recovery



Note: The figure describes the responses of businesses to the question 'How concerned are you about the recovery of your business from the COVID-19 crisis?', according to size, age, formality and trade orientation.
Source: Survey conducted by ITC and CPCCAF in May–July 2021 in French-speaking Africa.

Government COVID-19 programmes fall short

Several African governments have created private sector support programmes to help their firms survive the pandemic. Despite these efforts, the survey evidence suggests that these programmes have had limited reach and effectiveness in meeting the needs of small and informal enterprises.

Small companies less likely to access public support

Only 12% of the 2,557 firms that were surveyed said they had received COVID-19-related support from the government or a business support organization. More concerning, one third of large firms had received government support as of mid-2021, compared to just 7% of SMEs. Considering that small companies have been harder hit and are struggling more to recover from the crisis, it is problematic that they are generally far less likely than big firms to have accessed government support.

One reason for this is cumbersome application procedures and requirements that make the process prohibitively time-

Firms unaware of support programmes

Three-quarters of the small and medium-sized enterprises that did not receive assistance said they were unaware that governments or business support organizations were offering support. Indeed, smaller firms around the world have struggled to access information and benefits from governments during the pandemic.[12] Better internet access and a history of engagement with business support organizations help SMEs learn about and access support.[13]

Firms that received assistance dissatisfied

Even when COVID-19 programmes delivered assistance, evidence from this survey suggests that delivery fell short of expectations.

Among the 300 interviewed firms that received support, two-thirds said it had not met their needs. This may have been because most assistance came in the form of non-concessional financial aid, which addressed the dire short-