

Promoting SME competitiveness in Francophone Africa

COVID-19: Strengthening companies' resilience



In collaboration with

The COVID-19 crisis threatens the African economic fabric

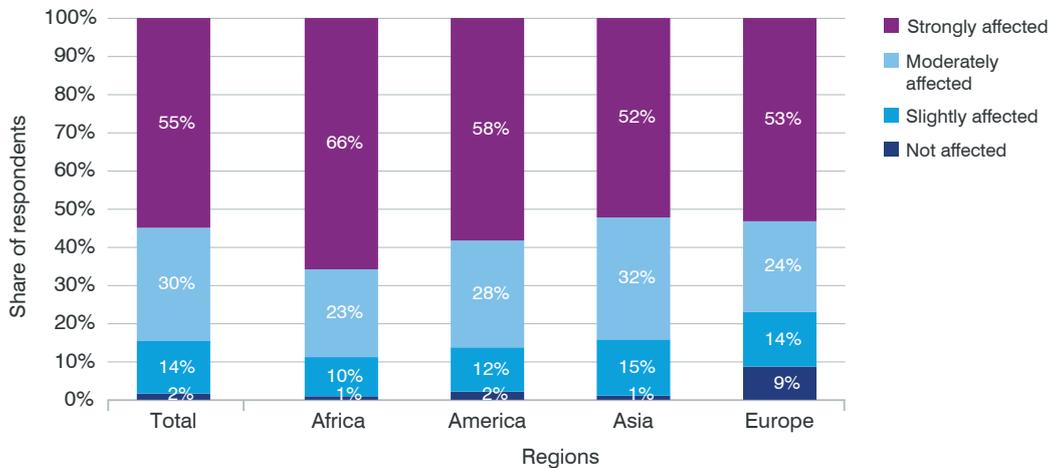
Africa has not been spared by the COVID-19 pandemic: in mid-May 2020, 54 countries on the continent had all reported cases. The economic impact was being felt well before the first cases. The demand for basic products had fallen, tourism and air transport collapsed and local currencies depreciated. The most optimistic scenarios are based on a growth of 1.1% to 2.6% for 2020.¹

African businesses and, in particular, SMEs are severely impacted

While discussions to mitigate the economic impact of the COVID-19 pandemic usually focus on macroeconomics, the slowdown affects first and foremost the real economy, made up of businesses and the people who work for them. Small businesses, whose role is crucial for the African economy, are

more likely to suffer than bigger ones. With limited resources to adapt to a rapidly changing context, they are actually more vulnerable. Small and medium-sized enterprises (SMEs) in Africa are also characterised by low productivity, limited access to financial resources, and a role that is often negligible in regional and global supply chains.²

The *SME Competitiveness Outlook 2020* from the International Trade Centre (ITC) shows that globally two-thirds of micro and small enterprises have been strongly affected in their commercial activities, compared with about 40% of large companies. In Africa, two businesses out of three are severely impacted by the COVID-19 pandemic, compared with an average of 55% of the respondents from other continents, confirming the fragility of the African private sector.³



Note: Respondents were asked 'How have your business operations been affected by the coronavirus (COVID-19) pandemic?' and 'In which country is your company based?' Data on 2198 businesses in 121 countries. Response rates vary across countries and regions. Only regions with more than 100 observations are included in the Figure.

Source: ITC calculations based on ITC COVID-19 Business Impact Survey. Data collected 21 April – 2 June 2020.

1. United Nations Department of Economic and Social Affairs (13 May 2020). *World Economic Situation and Prospects*.

2. Wamkele Mene (2020). 'African growth: A new model for a post-COVID-19 World', in *SME Competitiveness Outlook 2020*.

3. International Trade Centre (2020). 'COVID-19: The Great Lockdown and its Impact on Small Business', in *SME Competitiveness Outlook 2020*, ITC, Geneva.

Assessing the impact of COVID-19

The key role of intermediate structures/ business support organizations

Business support organizations deliver services and represent the interests of enterprises to support their growth. Because these organizations can act on behalf of many micro and small enterprises, they are in a great position to support them in these difficult times. A lack of information may, however, weaken their ability to identify the bottlenecks facing SMEs. In fact, at the start of the crisis, some organizations struggled to develop a structured economic response to help SMEs.

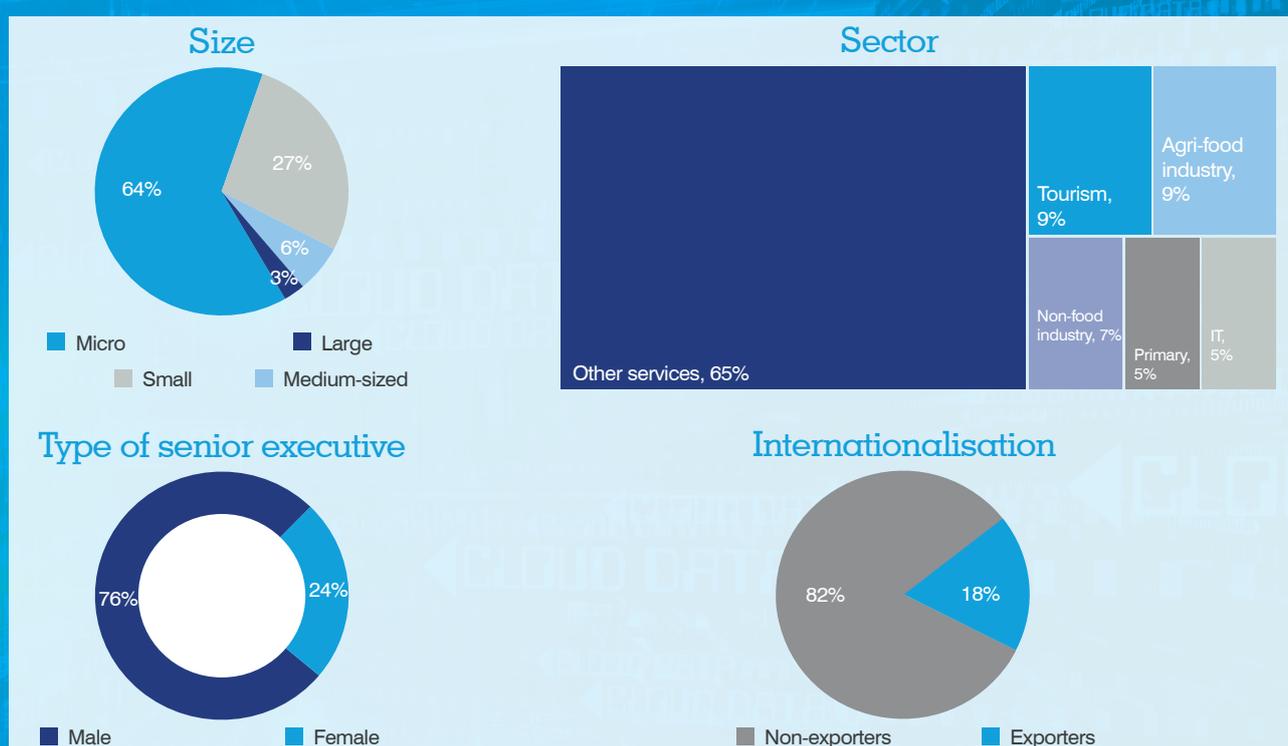
A partnership to collect data relating to the impact of the COVID-19 pandemic on businesses in Francophone Africa

The International Trade Centre (ITC) and the Permanent Conference of African and Francophone Consular Chambers (CPCCAF) have joined forces, since the start of the crisis, to assess the impact of the COVID-19 pandemic on trade and contribute to supporting the network of chambers of commerce in French-speaking Africa. The survey of businesses, created jointly by ITC and the CPCCAF, aims to (i) assess how businesses have been affected, if applicable; (ii) measure the severity of the impact; (iii) identify the strategies adopted by businesses;

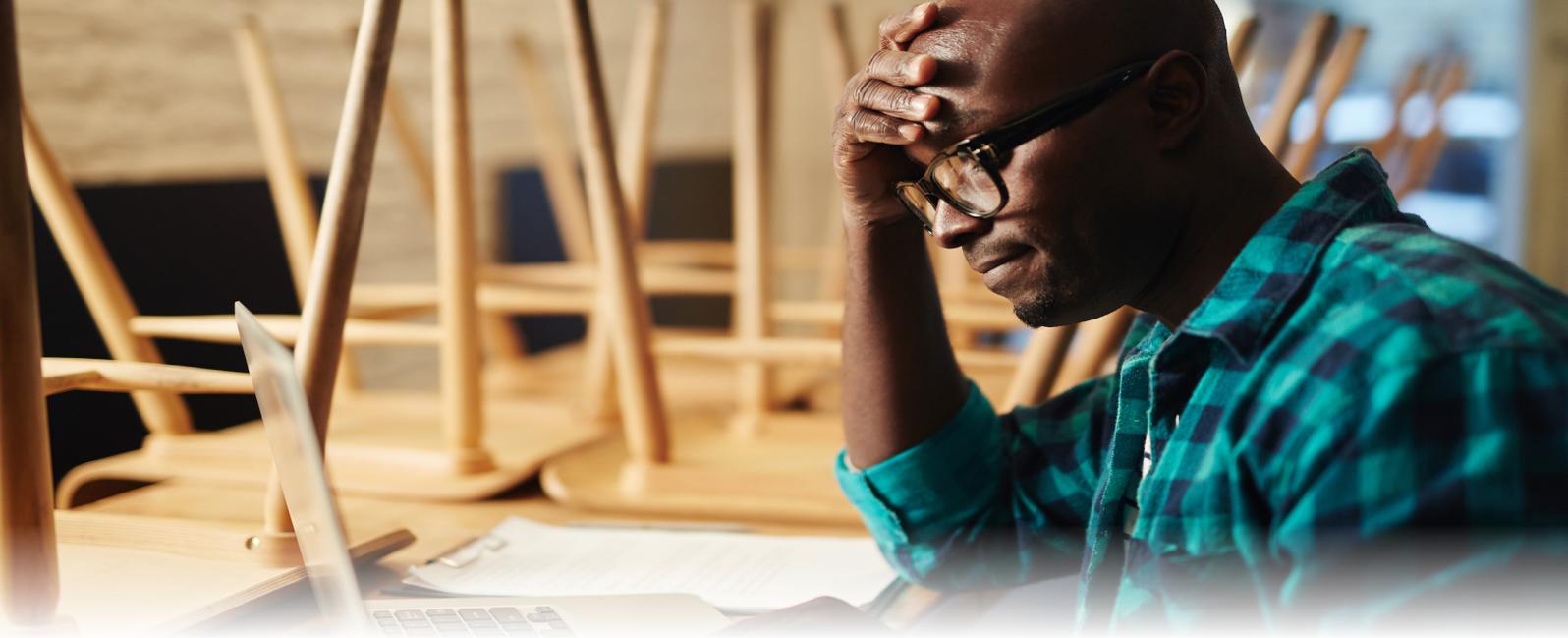
(iv) identify government measures that can help them to cope; and (v) assess access to information on the government benefits offered in this specific context.

As a result of this partnership, ITC and the CPCCAF have been able to collect data on more than 3,000 businesses based in French-speaking Africa: Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Comoros, Congo, Côte d'Ivoire, Egypt, Gabon, Guinea, Guinea-Bissau, Madagascar, Mali, Mauritania, Morocco, Niger, Rwanda, Senegal, the Democratic Republic of the Congo, Togo and Tunisia.

Two-thirds of the respondents are micro-enterprises, defined here as having between 0 and 9 employees, 27% are small enterprises (10 to 49 employees), 6% are medium-sized (50 to 250 employees) and 3% are large enterprises (more than 250 employees). More than three-quarters of the businesses surveyed are service providers, 9% of which operate in tourism. The others operate in industry (food or not, 16%) and the primary sector (5%). The majority of respondents say they do not export and only a quarter of the businesses surveyed are run by women.



Source: Survey conducted by ITC and the CPCCAF from 21 April to 4 May 2020 on the effects of the COVID-19 pandemic on the activities of businesses in French-speaking Africa.



Due to the crisis, one third of businesses are on the verge of bankruptcy

Almost all (more than 99%) of the businesses surveyed say they are impacted, in one way or another, by the crisis related to COVID-19. The repercussions that lie ahead give rise to fears of an economic crisis that will be difficult to control in the months to come.

Fall in sales for three-quarters of businesses

The crisis has had multiple effects on the businesses surveyed, some more significant than others. A quarter of respondents saw their turnover fall. African economic growth seems to be fully affected by the health crisis linked to coronavirus. The most optimistic scenarios predict a fall in growth by half compared with initial forecasts, while others predict a recession that may get close to 2.6%⁴, something not seen in 25 years!⁵

This major economic counter-performance is accompanied by supply disruptions as well as liquidity difficulties, both of them reported by half of respondents. In addition, difficulties exporting and falls in investment are reported by a quarter of the surveyed companies, to name just some of the highlighted problems.

Businesses in services have been most affected

Services remain the most affected sector. Eight service provider businesses out of ten have recorded a drop in their sales, compared with approximately 70% of businesses in other sectors. Due to its high dependence on the mobility of agents and their interactions, the services sector has seen its activities

decline as a result of protection measures put in place to combat the virus, such as the closure of borders, total or partial lockdown, or even a curfew, and this, while facing additional costs.⁶

The analyses also show that smaller businesses have been the most weakened. Eight micro-enterprises out of ten recorded a fall in turnover, compared with 72% for large companies. Conversely, some large enterprises (8%) managed to achieve increases in their sales, compared with almost none of the micro-enterprises (1%). While micro-enterprises are spared, small businesses are feeling the shock the most severely: three-quarters of them have faced cash flow difficulties, compared with 47% of large companies.

One company out of three envisages business closure

A large number of businesses could succumb to the crisis. One third of respondents envisage closing business, including one company out of five in the short term, within the month. It mainly concerns SMEs: one out of three claimed to be on the brink of bankruptcy, compared with 18% of large companies.

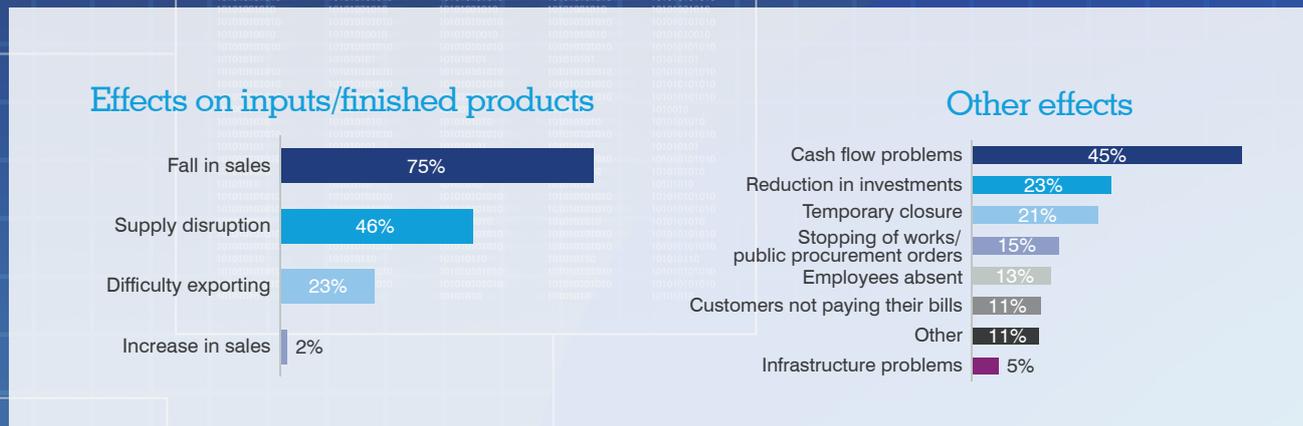
This threat weighs more or less heavily on businesses, according to their sector. The impact is particularly heavy in the tourism sector, where almost half of companies could close their doors. Conversely, most companies in the non-food industry could survive: only 11% of businesses in the sector are considering a definitive closure.

4. UNECA (2020). *COVID-19 in Africa: Saving lives and the economy*.

5. <https://fr.africanews.com/2020/04/09/coronavirus-l-afrique-subsaharienne-pourrait-connaître-sa-première-recession/>

6. UEMOA (2020). *Impact of the COVID-19 pandemic on the UEMOA private sector*.

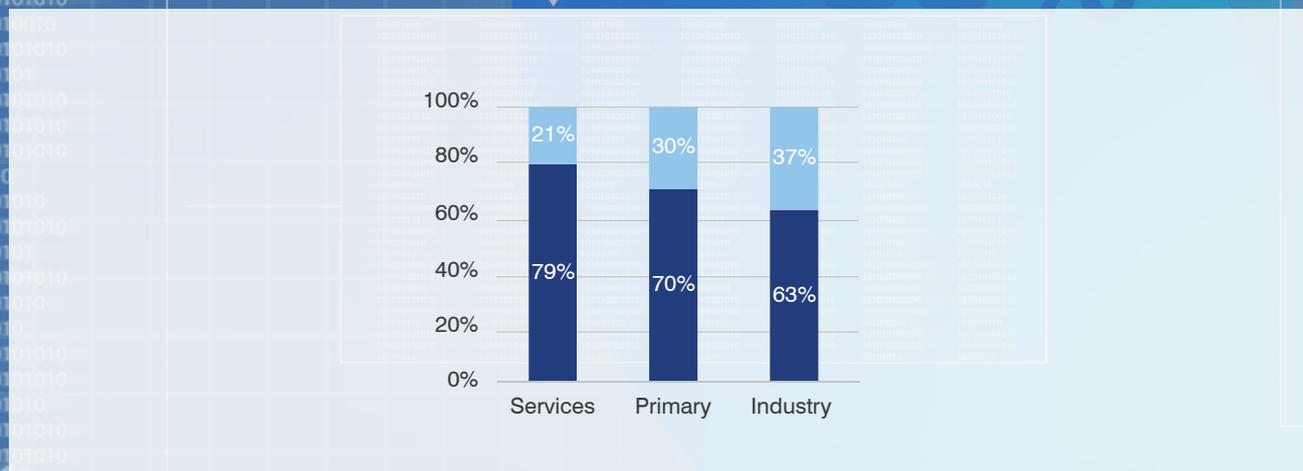
Fall in sales for three-quarters of companies



Note: The figure describes the responses of businesses to the question 'What are the main effects of COVID-19 on your business?'.

Source: Survey conducted by ITC and the CPCCAF from 21 April to 4 May 2020 on the effects of the COVID-19 pandemic on the activities of businesses in French-speaking Africa.

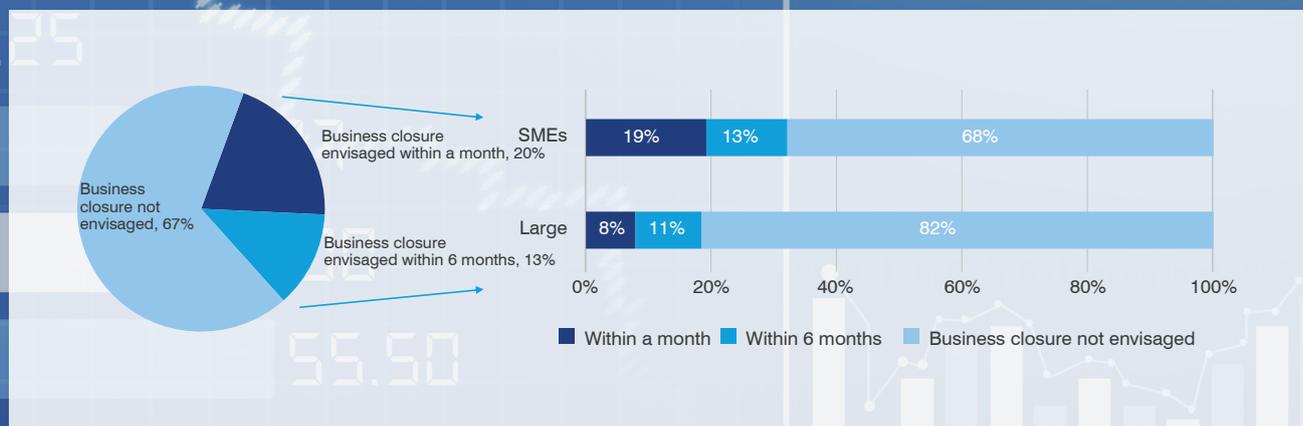
Business in services are the most affected



Note: The figure describes the responses of businesses to the question 'What are the main effects of COVID-19 on your business?', according to sector.

Source: Survey conducted by ITC and the CPCCAF from 21 April to 4 May 2020 on the effects of the COVID-19 pandemic on the activities of businesses in French-speaking Africa.

One business out of three envisages business closure



Note: The figure describes the responses of businesses to the question 'Do you think there is a risk that your business will permanently shut down because of this crisis, and if so, when could this closure occur?'.

Source: Survey conducted by ITC and the CPCCAF from 21 April to 4 May 2020 on the effects of the COVID-19 pandemic on the activities of businesses in French-speaking Africa.



Business strategies to cope with the crisis

Businesses have certainly had no choice, but they have, for better or for worse, faced up to the crisis. The various strategies adopted highlight their degree of agility and resiliency, and also show the degree of difficulty adapting to a crisis of such magnitude.

Most companies have proved resilient

Most companies in French-speaking Africa have shown resilience.⁷ They have opted for the temporary closure of their premises (50%), partial lay off of their employees (46%), the restructuring of their bank loans (12%) or home working (9%). It should also be noted that many African businesses mitigated the risks of the spread of the virus as soon as it appeared, by putting prevention and awareness-raising measures in place, including social distancing and making available protection kits containing masks and hydroalcoholic gels.⁸

SMEs have been more agile

Some companies have even been remarkably agile. They have been able to offer new goods and services (17%) and to move their employees to other activities.

Even the most fragile businesses, SMEs, have been able to react. One SME out of four has been able to demonstrate agility, compared with 15% of large companies. One micro-business out of five has thought about offering new products or services, compared with 11% of large businesses. In addition, most SMEs have been able to keep their staff on when one large company out of ten has let employees go. It should also be noted that, whatever their size, all businesses have taken advantage of their benefits and shown resilience. They have all, in an almost equal proportion, temporarily closed their premises. In addition, large companies, probably better connected to the Internet, have been able to use home working.

Taken by sector, firms in the non-food industry stand out from the rest

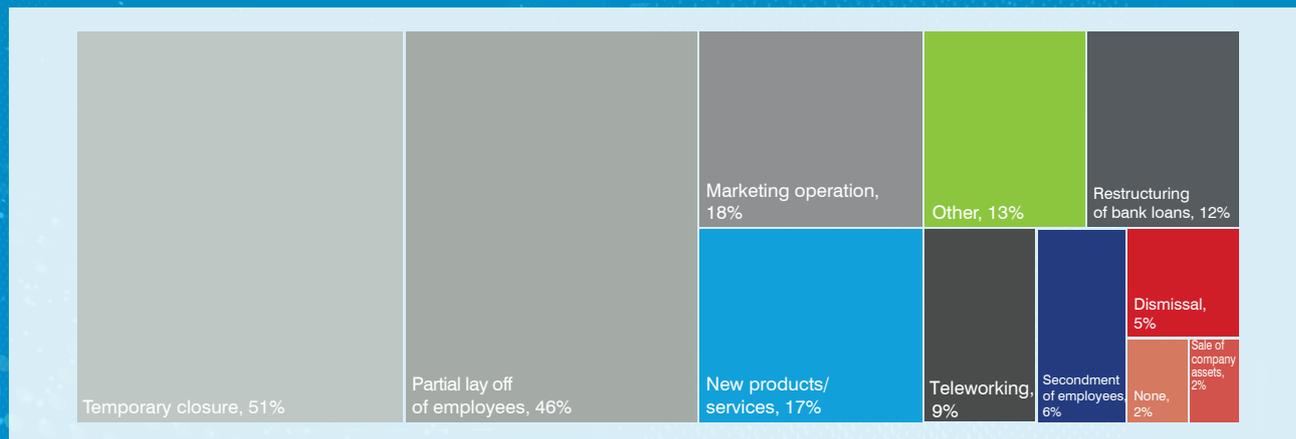
At sector level, the non-food industry has been able to hold its own the most: one third of companies have demonstrated agility. One company in the sector out of two has offered new products, compared with 30% or less of companies in other sectors.

Certainly, companies in the tourism sector have been less agile, but they have been the most resilient (81%). Dismissal and sale of company assets measures have been more common in the primary sector.

7. Strategies are classified as agile when they integrate the development of new products or services or the secondment of employees. Strategies that include temporary closure, the partial laying off of employees, the restructuring of bank loans, stepped up marketing campaigns or home working are considered resilient. Businesses that have opted to dismiss their employees or sell their company's assets have experienced difficulty adapting.

8. UEMOA (2020). *Impact of the COVID-19 pandemic on the UEMOA private sector*.

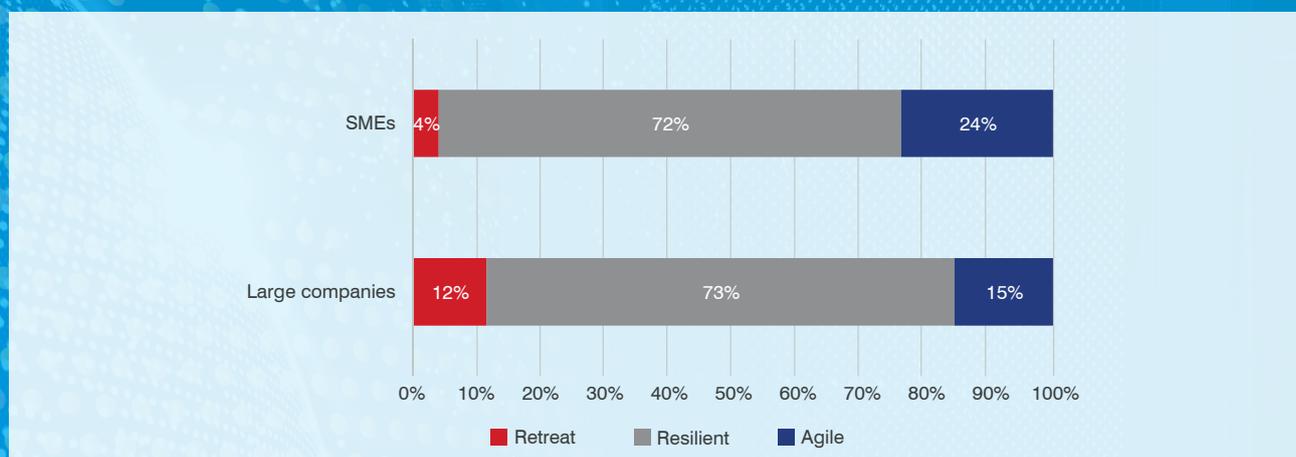
Most companies have demonstrated resilience



Note: The figure describes the responses of businesses to the question 'Have you adopted one of the following strategies to cope with the crisis?'

Source: Survey conducted by ITC and the CPCCAF from 21 April to 4 May 2020 on the effects of the COVID-19 pandemic on the activities of businesses in French-speaking Africa.

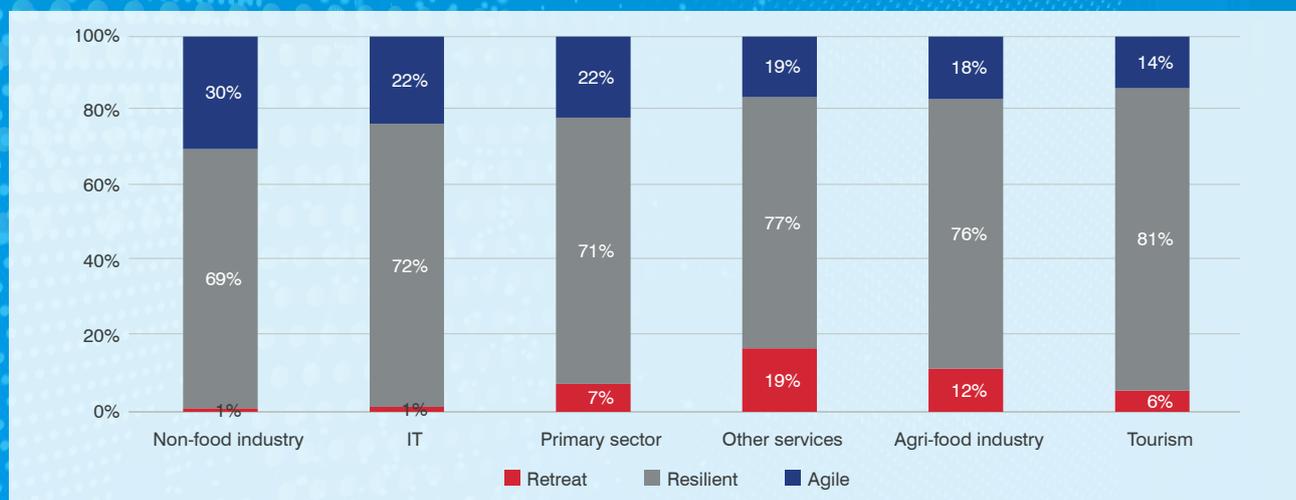
SMEs have been more agile



Note: The figure describes the responses of businesses to the question 'Have you adopted any of the following strategies to cope with the crisis?', according to size.

Source: Survey conducted by ITC and the CPCCAF from 21 April to 4 May 2020 on the effects of the COVID-19 pandemic on the activities of businesses in French-speaking Africa.

Taken by sector, firms in the non-food industry stand out from the rest



Note: The figure describes the responses of businesses to the question 'Have you adopted any of the following strategies to cope with the crisis?', according to the sector.

Source: Survey conducted by ITC and the CPCCAF from 21 April to 4 May 2020 on the effects of the COVID-19 pandemic on the activities of businesses in French-speaking Africa.



Business requests

The economic shock of the crisis related to COVID-19 is so substantial that few companies will be able to manage without the help of government bodies. Most governments have put measures in place to mitigate the health and economic implications of the pandemic. The survey conducted by ITC and the CPCCAF on these impacts questioned businesses on the government measures that could best help them in these difficult times.

Most businesses are asking for financial aid

Regardless of the impact suffered, financial aid emerges as the main government measure requested by most businesses (53%). This speaks volumes about the financial emergency in which most of them find themselves, thus confirming the cash flow crisis that accompanies the health crisis. Government bodies are expected to meet these shortcomings, especially since a lot of African companies report not being satisfied with the government measures taken so far.⁹ The necessary measures to support the economy in these times of crisis may also put public budgets under strong pressure, particularly those

As regards large companies, although most are calling for financial aid, they do not seem to be in as bad a situation of financial emergency as SMEs. All the main government measures that they are asking for relate to financial assistance. To be more specific, two large companies out of three would like to receive employment aid and a tax break, and a third are calling for a reduction in import fees, while a third of SMEs would rather prefer to have no penalty in the event of non-payment of rent or rental charges.

Seven out of ten businesses have difficulty accessing information on government aid

Information and transparency are essential to ensure that businesses are able to benefit from government aid programmes. It is therefore worrisome that, despite the need expressed, seven out of ten respondents say they have difficulty accessing information on the benefits and government programmes in place to deal with the current crisis. A detailed analysis shows that only companies in the non-food industry are mildly facing these difficulties (48%), compared with seven to eight out of ten firms in other sectors.

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