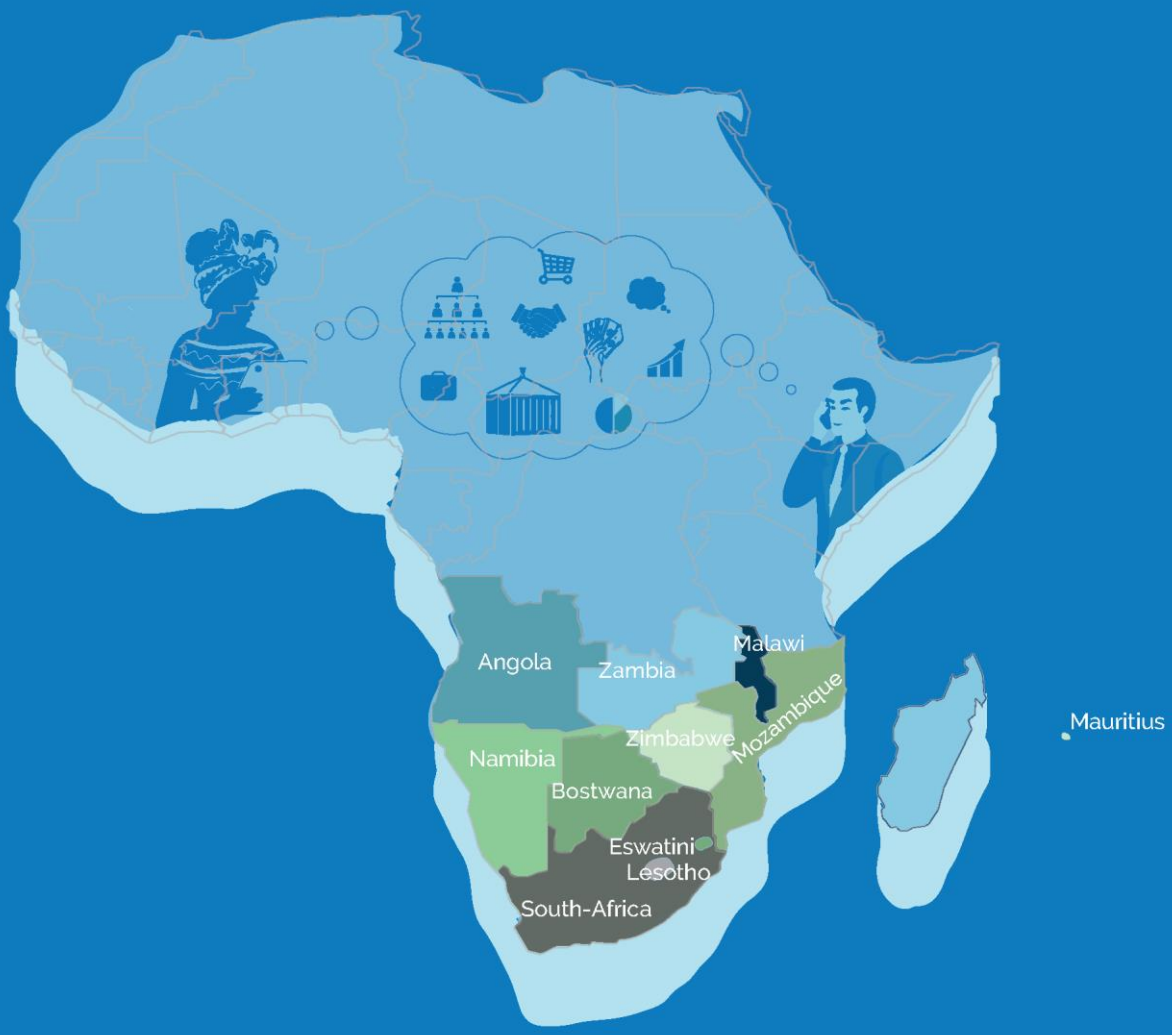
United Nations
Economic Commission for Africa

SADC
Business Council

Impact of COVID-19 and the Russia-Ukraine Crisis on Micro Small and Medium-Sized Enterprises (MSMEs) in Southern Africa



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ABBREVIATIONS

AfCFTA	African Continental Free Trade Area
COMESA	Common Market for Eastern and Southern Africa
FINES	Financial Inclusion and Entrepreneurship Scaling
GDP	Gross Domestic Product
IFC	International Finance Cooperation
IMF	International Monetary Fund
ITC	International Trade Center
LEAP	Lesotho Enterprise Assistance Program
MSME	Micro Small and Medium Enterprise
MSMED	Ministry for Micro Small and Medium Enterprise Development
NCRP	National COVID-19 Prevention and Recovery Plan
PAMPE	Support Program for Micro, Small, and Medium Enterprises
SADC	Southern African Development Community
SEAS	Self Employment Assistance Scheme
SERP	Socio-economic Recovery Plan
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
USD	United States Dollar
WAS	Wage Assistance Scheme

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This regional report was authored by Mads Knudsen, lead ECA SRO-SA consultant from Vanguard Economics Ltd. The report was prepared under the direct supervision of Bineswaree Bolaky, Economic Affairs Officer, Sub-regional office for Southern Africa working under the overall guidance of Isatou Gaye, Chief, Sub-regional Initiatives Section.

This report complements the 11 country reports assessing the impact of Coronavirus Disease 2019 and the Ukraine crisis across the member states of ECA SRO-SA which comprise of Angola, Botswana, Eswatini, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Zambia, and Zimbabwe. The report is a collaboration between ECA SRO-SA and the SADC Business Council. Special thanks are expressed to Peter Varndell, Executive Secretary at the SADC Business Council and his team for their support and guidance on this initiative. The draft report was presented and discussed at the Regional Meeting on Technology and Innovation for MSMEs in Southern Africa, 21-23 June 2023 in Cape Town, South Africa, organised by the ECA SRO-SA and the SADC Business Council. The meeting was attended by senior government officials and private sector associations of ECA SRO-SA member states.

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EXECUTIVE SUMMARY

Background and Study Objective: In recent years, global economic stability has been severely challenged by the COVID-19 pandemic and the Russia-Ukraine crisis. These events have left a marked impact on Southern Africa, particularly affecting Micro, Small, and Medium-sized Enterprises (MSMEs). Commissioned by the United Nations Economic Commission for Africa (UNECA), this study aims to provide a detailed analysis of the impacts on MSMEs in the region, examining their responses to these crises and exploring potential strategies for future resilience and growth.

Methodology: The study utilized a mixed-methods approach, engaging both quantitative data from MSMEs and qualitative data from key informants. Surveys were conducted across 11 Southern African countries, involving 3,301 MSMEs from a range of industries, coupled with interviews and secondary data analysis. The goal was to capture a comprehensive view of the challenges faced by MSMEs, their mitigation strategies, and the overall impact on their operations.

Key Findings:

1. **Economic Context and Challenges:**
    - The COVID-19 pandemic resulted in a significant GDP decline of 5.9% in 2020 across Southern Africa. Recovery projections are modest, about 2% per year compared to 3.5% for Sub-Saharan Africa. The main cause is low growth projections for South Africa, the major economy in Southern Africa.
    - The Russia-Ukraine crisis further strained the economy, elevating costs for essential commodities and exacerbating challenges in trade dynamics, fiscal capabilities, and causing increased inflation.
2. **Impact on MSMEs:**
    - MSMEs faced a 40% revenue decline in 2020, with only a 14% growth in 2021 and 2022, indicating a slow recovery trajectory.
    - The pandemic led to considerable reductions in staff, particularly part-time employees, though permanent staff numbers have since rebounded to pre-pandemic levels.
    - More than half of the surveyed MSMEs reported negative impacts due to the Russia-Ukraine crisis, with many experiencing increased operational difficulties and costs.
3. **Responses and Adaptations:**
    - Many MSMEs responded to the crises by reducing production and staff, with a significant focus on cutting part-time employees.
    - Digital adoption was seen, albeit limited at 15%, with businesses integrating social media and increasing internet usage for marketing and sales. However, financial barriers hindered widespread technology uptake.
    - Regional trade integration would reduce dependency on global value chains, but MSMEs faced challenges like insufficient finance and high transport costs, with limited awareness and engagement with regional trade agreements like the AfCFTA.
    - Overall, the main challenges MSME face are similar to what is found in pre-pandemic African MSME surveys: finance and lack of market. However, data indicates that these were clearly worsened during the twin crises.
4. **Policy Implications and Recommendations:**
    - MSMEs play a critical role in employment and economic resilience in Southern Africa, necessitating targeted policy support in finance, market access, digital adoption, and international trade.

- Recommendations span four levels:
    - **Macro Level:** Stabilize the economic environment, focusing on controlling inflation and input costs.
    - **Ecosystem Level:** Improve access to finance, establish MSME hubs for technology and idea exchange, and promote digitalization and e-commerce.
    - **Firm Level:** Encourage adaptability, product diversification, and development of robust governance structures within the firm.
    - **Entrepreneur/Owner Level:** Enhance mentorship, network building, and management skills, emphasizing inclusive participation.

Conclusion: The study highlights the profound impact of the COVID-19 pandemic and the Russia-Ukraine crisis on MSMEs in Southern Africa. Addressing the identified challenges through comprehensive and targeted strategies at multiple levels is imperative. By enhancing financial accessibility, facilitating market entry, advancing technology uptake, and supporting international trade, MSMEs can bolster their resilience and drive sustainable economic growth in the region.

1. INTRODUCTION

1.1 Background of the study

The recent years have been characterized by unprecedented global challenges, notably the COVID-19 pandemic and the Russia-Ukraine crisis, each leaving a significant imprint on the global economy. The COVID-19 pandemic, beginning in early 2020, brought about a wave of health and economic challenges that swept across the globe. Southern Africa, like other regions, faced the brunt of this crisis, with MSMEs experiencing disruptions in operations, supply chains, and market dynamics.

As the world economy was gradually recovering from the pandemic, a new shock emerged in February 2022, namely the Russia-Ukraine crisis emerged. This further complicated the global economic landscape and particularly increased inflationary pressures from increased cost of fuel, fertilizers, and food.

Micro, Small, and Medium-sized Enterprises (MSMEs) have been at the forefront of experiencing the repercussions of these crises. This study, commissioned by the United Nations Economic Commission for Africa (UNECA) Subregional office for Southern Africa, aims to provide an in-depth analysis of the impacts on MSMEs in the region, exploring how they navigated the turbulence brought about by these events, and exploring options for increasing MSME resilience in the future.

1.2 Research methodology

To understand the multifaceted impacts on MSMEs, this study employed a mixed-methods approach, involving both quantitative and qualitative data collection. Surveys were conducted among MSMEs across 11 Southern African countries, encompassing a range of industries. These surveys aimed to capture a comprehensive picture of the challenges faced, the strategies employed to mitigate these challenges, and the overall impact on business operations. In addition to the surveys, the study also incorporated interviews and secondary data analysis to enrich the findings and provide a well-rounded understanding of the situation.

This study leverages a unique and extensive dataset encompassing responses from 3,301 MSMEs, which provides a robust basis for analysis. Efforts to mitigate self-selection bias and to ensure representation across multiple countries have been mitigated by sampling from lists provided by business associations and government offices in the countries. Sampled MSMEs were either interviewed in person or by phone. The comprehensive nature of the questionnaire further strengthens the study by providing detailed insights into a range of issues affecting MSMEs.

However, there are limitations to consider; acquiring sampling frames proved challenging across the countries, which may affect the uniformity of the data collected. While this study endeavours to provide a thorough overview of the impact on MSMEs, certain limitations are inherent in the research process. The diversity of MSMEs in terms of size, sector, and geography may lead to variations in experiences and perspectives that the study might not fully encapsulate. Additionally, time differences in survey implementation could introduce variability in the context of data responses. Notably, the largest economy in the region, South Africa, is underrepresented in the sample. Moreover, the rapidly evolving nature of the global crises poses challenges in capturing the most current data and trends.

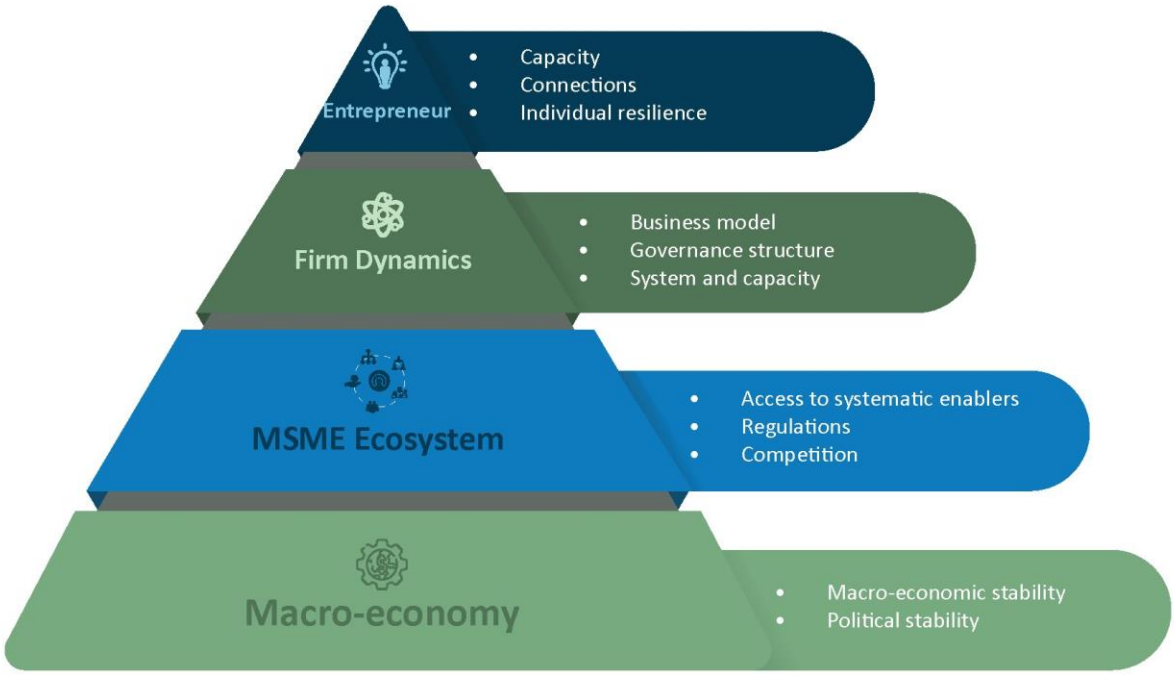
The report is structured to offer a logical flow of information, beginning with a detailed analysis of the regional economic context, followed by a profile of the surveyed MSMEs. Subsequent sections delve into the specific impacts of the COVID-19 pandemic and the Russia-Ukraine crisis, the challenges and opportunities in technology uptake, and international trade and

regional integration. The final section contains findings with policy recommendations targeted at fostering resilience and growth among MSMEs in the region.

1.3 Analytical Framework

The performance and resilience of Micro, Small, and Medium Enterprises (MSMEs) are influenced by a multitude of interconnected factors that span from the personal attributes of the entrepreneur to the overarching economic climate. This study has employed a layered understanding of MSMEs ranging from the shocks and to the macro-economy to how it impacts the individual MSME (Figure 1.1). From the macroeconomic foundations to the individual entrepreneur's resilience, each layer plays a distinct role in shaping the business's journey through its challenges and opportunities for growth.

Figure 1: Analytical Framework MSME performance and resilience.



The Macro-economy: A stable economic environment is the basis for MSME performance. Without a stable macroeconomic and political climate, MSMEs may face heightened risks and uncertainties that can hamper their sustainability and growth. Stable economic policies, controlled inflation, and steady GDP growth create a conducive environment for business operations. Furthermore, political stability, the rule of law, and predictable governance are equally crucial, providing a predictable backdrop for long-term business planning and investment. Both the COVID-19 pandemic and the Russia-Ukraine had macro-economic and political implications for Southern Africa. This survey explores the depth of the impact.

MSME Ecosystems: Business eco-systems take shape based on macro-economic foundations and their condition can be seen in several dimensions. Firstly, availability and MSME access to systemic enablers is critical for firm performance. For example, access to finance, business services, ideas, technology, skilled labor, infrastructure etc. Secondly, the adequacy of regulations for businesses, e.g., standards compliance, taxes, contract law, among others. Finally, the competitive situation, i.e., whether the businesses are able to compete with domestic or external substitutes. Building strong and resilient business eco-systems forms the basis for industrial clusters in which MSMEs can thrive and withstand macro-economic shocks.

Firm Dynamics: Arguably, internal firm dynamics is the most important determinant for firm performance and resilience. Whereas, firms exist within macro-economies and eco-systems, the ability to respond to shocks and opportunities lies within the firm. For example, the business model, which includes the value proposition, customer segments, and revenue streams, determines the enterprise's viability and scalability. The governance structure, encompassing leadership roles and decision-making processes, affects how nimbly a business can respond to opportunities and threats. Systems and capacity, such as operational processes, human resources, and technological assets, determine the firm's ability to execute its business model effectively and adapt to changes in the market.

The Entrepreneur/Owner: Whilst the importance of the entrepreneur typically diminishes as the enterprise matures, it is vital for smaller MSMEs. An entrepreneur's capacity encompasses his or her skills, knowledge, and expertise, which drive innovation and strategic direction. Connections reflect the entrepreneur's network, which can provide access to new markets, partnerships, and financial resources. Individual resilience is the entrepreneur's ability to persevere through setbacks and adapt to change, a quality that is often the deciding factor in the success or failure of the enterprise in the face of adversity.

The analysis below considers the impact of the macro-economic shocks and ecosystems as well as the capacity of businesses to respond. Firstly, the magnitude of shocks to businesses over the past few years is considered with particular interest in the COVID-19 pandemic and the Russia-Ukraine crisis. Secondly, MSME responses are considered with emphasis on regional trade and technology adaption.

2. SOUTHERN AFRICA – REGIONAL CONTEXT

2.1 Economic Context

The economic landscape of Southern Africa has faced significant challenges over recent years, with the COVID-19 pandemic and the Russia-Ukraine crisis exerting substantial pressure on regional economies.

The GDP of the Southern Africa regional block (Figure 2.1) highlights the profound impact of COVID-19 with a substantial contraction of 5.9% in 2020. All of the economies were hit by the global shock, especially Mauritius, which saw its tourism economy coming to a halt and the overall economy declining by -14.6% (Figure 2.2). However, by 2022, the economies were gradually recovering, although more slowly in the largest economy, South Africa growing at 1.9%. Projections for the coming years as of October 2023, range around 2% per year (Figure 2.1), versus 3-4% for Sub-Saharan Africa overall[1]. This is mainly due to low forecasts for South Africa at 0.3% in 2023 and 1.7% in 2024 due to power shortages[2]. Overall, COVID-19 had a significantly larger impact on the economies in Southern Africa. Whereas the pandemic's impact was more immediate and widespread, affecting almost every sector globally, the impact of the Russia-Ukraine crisis is more concentrated in sectors and most sectors are indirectly impacted, primarily through increased energy prices, disruptions in global supply chains (especially for commodities like wheat and oil), and inflationary pressures[3].

The impact on the overall current accounts was surprisingly positive during the COVID-19 impact, reflecting that countries imported considerably less as the global supply chains broke down (Figure 2.3). The regional integration between the countries increased by 3%, although there were significant differences between the countries (Figure 2.7).

Exchange rates against the US Dollar were generally declining in the period although there were remarkable variations (Figure 2.4). For example, in Zambia the COVID-19 pandemic coincided with a debt crisis causing a significant decline in the exchange rate before stabilizing in 2021[4].Whereas the South African Rand and the regional currencies pegged to it decreased significantly after the Russia-Ukraine crisis, oil-rich Angola saw a rapid increase in 2022 before being contained by the end of 2022.

Looking at the structure of the economies, the service sector is dominant constituting 58% of the economies on average (Figure 2.5) and is also the largest sector for employment, especially in Mauritius, Botswana, Eswatini, Namibia and South Africa (Figure 2.6). The agriculture sector remains the dominant sector of employment in Zimbabwe, Zambia, Malawi, Angola, and Mozambique, but it generally constitutes less than 10% of the economies (except for Malawi where is contributes 23% of the economy)[5]. In contrast, the industrial sector constitutes 29% of the economy, but generally employs less than 20% of the workforce.

Across all the countries, the vast majority of businesses were micro-sized with less than 4 employees (Figure 2.8). These businesses are typically vulnerable to shocks. The following sections will investigate the impact of the two recent shocks in detail and how they adapted.

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[1] IMF, World Economic Outlook, October 2023
[2] IMF, World Economic Outlook, October 2023
[3] UNDP, 2022, The impact of the war in Ukraine on sustainable development in Africa
[4] Chen Yunnan, Sherillyn Raga, Linda Calabrese, Shakira Mustapha, 2022, Four lessons from Zambia's emerging debt default, ODI

[5] World Bank, World Development Indicators

2.2 Government Response to the Crises

To mitigate the impact of COVID-19 and the Russia-Ukraine conflict, the governments of Southern African countries implemented various measures and initiatives to support MSMEs, ranging from financial aid, policy adjustments, capacity-building programs, and support for access to finance. The following summarizes some notable initiatives across the countries.

In Angola, the government implemented the Support Program for Micro, Small, and Medium Enterprises (PAMPE) to provide financial and technical assistance to SMEs affected by the pandemic. They also implemented loan repayment moratoriums and provided technical support and advice to help MSMEs adapt to the changing business environment. However, there were no specific measures mentioned to support MSMEs in response to the Russia-Ukraine conflict.

In Botswana, Government of Botswana (GoB) implemented an Economic Recovery and Transformation Plan (ERTP) in July 2020 as an effort to mitigate the effects of COVID-19. The ERTP assistance was in the form of wage subsidies; waiver of certain levies due to Government; loan guarantee scheme; and deferment of profit taxes payable by firms. Further to these, as of the 1st of August 2022, the GoB revised downwards, the Value added Tax from 14% to 12%. To curb the rising inflation, in April 2022, the Bank of Botswana (BoB), increased the Monetary Policy Rate substantially (MoPR). Hence the inflation rate declined to 5.1% by end of 2023 from it 12.2% peak in 2022.

In Eswatini, the government established the MSME Revolving Fund to assist MSMEs in dealing with the setbacks caused by the COVID-19 pandemic. They also implemented the post-COVID-19 Economic Recovery Strategy to create opportunities for income generation and wealth creation. However, there were no specific measures mentioned to support MSMEs in response to the Russia-Ukraine conflict.

Lesotho's government established a COVID-19 Relief Fund program for MSMEs, administered through the Lesotho Enterprise Assistance Program (LEAP). However, challenges in identifying and locating beneficiaries resulted in only a portion of the Relief Fund budget being released. The government also introduced subsidies on agricultural inputs and energy-related products to mitigate inflationary pressure caused by the events.

In Namibia government implemented robust support for MSMEs, including financial assistance through the COVID-19 Relief Fund and tax relief measures. At the start of the pandemic key initiatives such as the NAD 8.1 billion (USD 507 million) economic stimulus, Emergency Income Grant, and relief loans from the Development Bank of Namibia provided crucial support. Additionally, the Ministry of Industrialization and Trade's emergency measures, such as startup survival grants, and strategic policies like the National Policy on Informal Economy and Entrepreneurship Development (NIESED), aimed to bolster long-term resilience and growth among MSMEs. Looking ahead, the government plans to focus on technology adoption by providing grants for equipment purchase, establishing technology hubs, and promoting e-commerce to boost the productivity of MSMEs as well enhancing regional trade through AfCFTA.

In Malawi, the government implemented regulatory measures such as travel restrictions and closures to curb the spread of COVID-19. They developed the National COVID-19 Prevention and Recovery Plan (NCPRP) and the Malawi COVID-19 Socio-economic Recovery Plan (SERP 2021-2023) to guide the country's recovery. The government also established the Financial Inclusion and Entrepreneurship Scaling (FINES) project to increase access to financial services and support MSMEs affected by the pandemic.

In Mauritius, the government introduced the Wage Assistance Scheme (WAS) and the Self Employment Assistance Scheme (SEAS) to provide financial support to businesses and employees in sectors heavily affected by the pandemic. Additionally, the government focused

on addressing the challenges faced by businesses due to rising oil and transportation costs caused by the Russia-Ukraine conflict. They aimed to support MSMEs in dealing with increased costs of goods and raw materials.

In Mozambique, the government implemented a package of economic acceleration measures to support businesses affected by the pandemic. They also introduced tax relief measures and loan repayment moratoriums to alleviate the financial burden on MSMEs. Additionally, the government provided support through incubators and established a mutual guaranty fund for MSMEs. However, the specific details of these measures were not provided in the available documents.

In South Africa, the government implemented regulatory measures and restrictions affecting MSMEs, including closures, operating hour limits, and social distancing. Financial support initiatives such as the COVID-19 Loan Guarantee Scheme and tax relief measures were introduced to alleviate economic strain and improve cash flow for struggling businesses. The government also established the Business Recovery Support Fund, offering various programs and instruments to aid economic recovery and COVID-19 response.

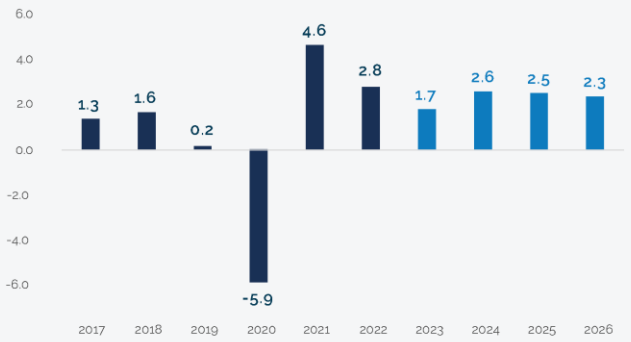
In Zambia, the government implemented the Targeted Medium Term Refinance Facility to provide liquidity and allow financial service providers to lend to MSMEs. They also introduced measures to improve access to finance, revised loan classification and provisioning rules, and established the Ministry for Micro Small and Medium Enterprise Development (MSMED) to coordinate efforts in supporting MSMEs.

In Zimbabwe, the Government introduced a comprehensive $18 billion stimulus package offering loan facilities, tax reliefs, and subsidies to support affected businesses. Additionally, specific funds like the COVID-19 Distressed and Marginalized Areas Fund, Youth Relief Fund, and SMEs Working Capital Facility provided targeted financial and technical support to MSMEs, especially in rural and marginalized areas, and young entrepreneurs. Despite challenges in reach and implementation, these measures aimed to bolster MSME resilience. The government also proactively addressed the Ukraine crisis impacts, focusing on agricultural self-sufficiency and strategic resource security, reflecting a broader economic stabilization effort.

2. MACRO ECONOMIC DATA

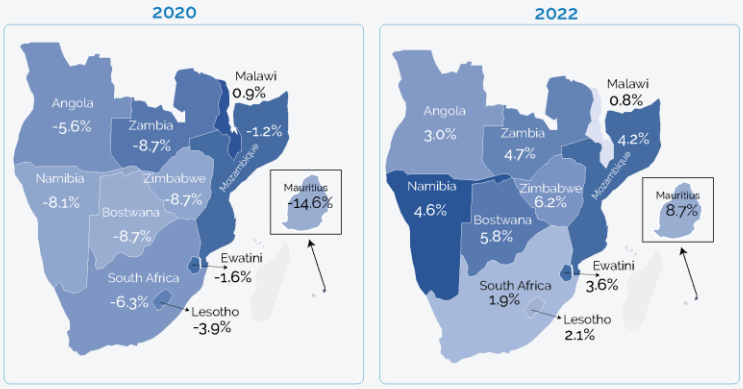
The Southern Africa regional block which has a total GDP of 627 Billions US$ (current prices 2023), has seen a negative GDP growth in 2020 as Covid-19 had substantial impact on its economies.

Figure 2.1: Trend in GDP



Source: International Monetary Fund (2017-2026)

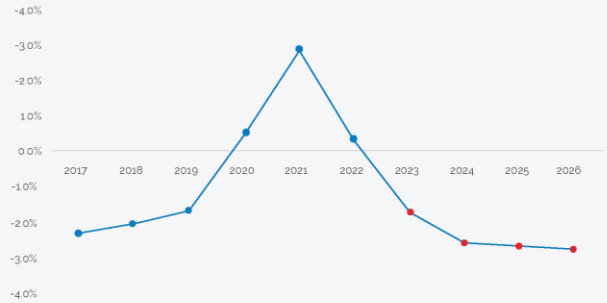
Figure 2.2: Country growth in 2020 and 2022



Source: International Monetary Fund 2020 and 2022

Figure 2.3: Current account balance

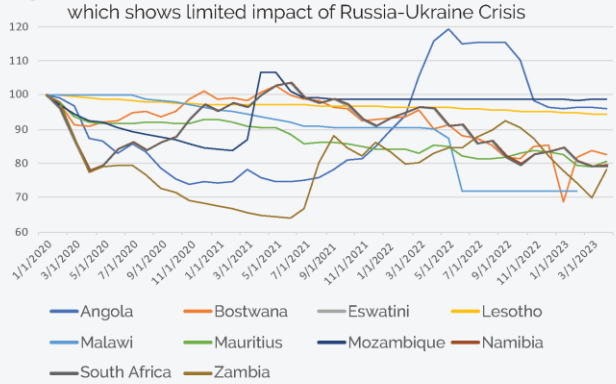
The financial situation of the Southern Africa regional block has been fluctuating, with the deficit reaching its highest point in 2021 and expected to decrease in the following years.



Source: International Monetary Fund

Figure 2.4: Exchange rate (2015-2023)

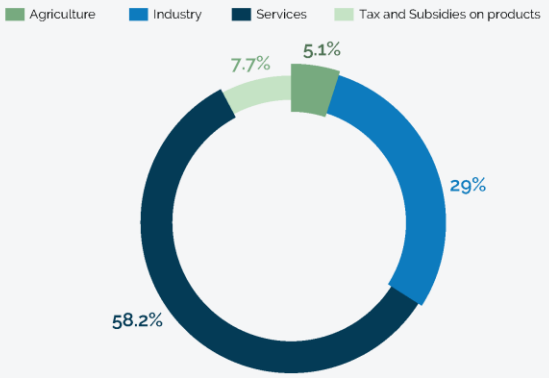
The exhange rate for most of the member states saw a decrease in 2022 and 2023 which shows limited impact of Russia-Ukraine Crisis



Source: National Central Banks

Figure 2.5: Sector composition of GDP

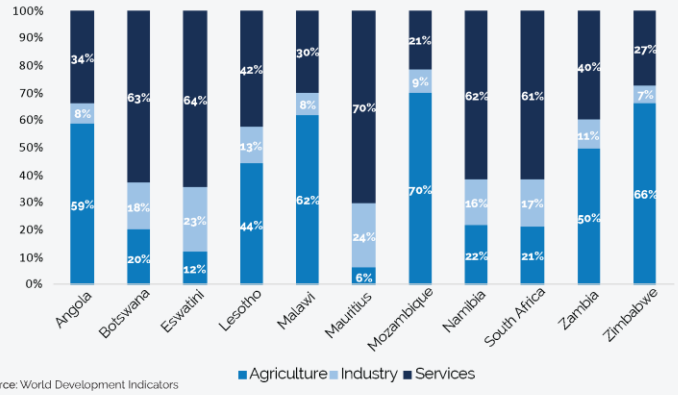
The Southern African regional block relies heavily on the services sector, followed by industry, with a smaller contribution from agriculture and taxes less subsidies.



Source: World Development Indicator

Figure 2.6: Share of employment by sector

Services dominate employment, but a significant number of people is still involved in Agriculture.



Source: World Development Indicators

Figure 2.7: Exports and import as a share of GDP

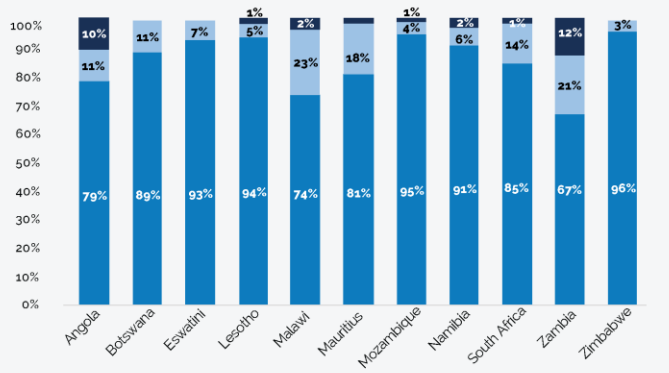
There is a slight increase in the overall regional integration as a response to Covid19. However there is still a large variation.

Country	Import change	Export change	Total regional
Angola	18.2%	-16.1%	7.9%
Botswana	-2.3%	19.0%	5.9%
Eswatini	-3.6%	-2.7%	-3.1%
Lesotho	-7.4%	-11.1%	-10.2%
Malawi	31.2%	10.1%	28.6%
Mauritius	-10.4%	12.9%	-2.6%
Mozambique	3.9%	19.1%	9.2%
Namibia	-6.7%	-10.0%	-7.4%
South Africa imports	-7.9%	-12.3%	-6.6%
Zambia	6.0%	-19.2%	-14.0%
Zimbabwe	15.5%	-14.5%	-0.1%
Total	**10.5%**	**-3.4%**	**3.0%**

Source : Trade Map

Figure 2.8: MSMEs by size

More than 85% of the businesses are micro enterprises.



Source : National Establishment Censuses and Finscope Surveys

3. PROFILE OF SURVEYED MSMEs

Key findings:

- The sample reflects the overall MSMEs population in most dimensions: They are relatively new, mainly urban service companies, 60% have less than 4 employees, and 55% have less than USD 5,000 in an annual sales turnover.
- Women and youth are underrepresented as business owners with respectively 40% and 29% versus 60% men and 71% non-youth owners.
- The majority of MSMEs do not trade internationally (58%), and 35% only import, about 7% of the respondent's export.
- The sample is skewed across countries with relatively larger economies such as South Africa and Angola being under-represented.

In section 3.1 of the infographic, it is highlighted that a survey encompassed a total of 3,301 businesses, of which 2,864 were operational at the time of the survey. The distribution of these enterprises across various locations is particularly skewed towards Malawi, which leads with 505 businesses, trailed by Namibia with 448 enterprises, and Mauritius with 352. Notably, the least represented countries in the survey are the two largest economies in the region, Angola, and South Africa. Most of respondents were situated in urban regions (79%). This reflects that most business establishment are in services and industry, as most farm operators are not registered as businesses. The overall picture painted by these statistics provides a snapshot of the entrepreneurial activity concentrated in urban centres within the region.

Section 3.2 presents a detailed view of the operational demographics of the surveyed MSMEs. Most of the respondent (87%) are formal in the sense that they are registered with local tax authorities (Figure 3.2.1). When it comes to the size classification by employee count, a significant 59.7% fall into the 'Micro' category with 0-4 employees, while 'Small' (5-20 employees) and 'Medium' (21-100 employees) businesses account for 32.5% and 6.4% respectively; only a small fraction, 1.3%, are considered 'Large' enterprises with over 100 employees (Figure 3.2.3).

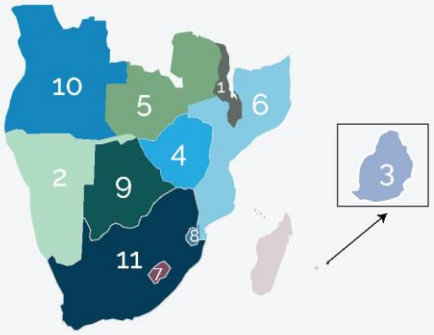
The sector breakdown reveals a dominant services sector at 70%, followed by industry at 23%, and agriculture at a minor 7% (Figure 3.2.4). Looking at the size in terms of business revenues, most MSMEs had modest figure in 2021 with 55.1% earning less than USD 5k, while only 8.5% record over USD 100k in turnover (Figure 3.2.5). Responding MSMEs are relatively new, reflecting a relatively high churn rate: 31% of the sample being established within the last 3 years (Figure 3.2.6). In terms of international trade, a significant majority, 58%, do not engage in trading activities, 35% import only, a marginal 5% partake in both imports and exports, and an even smaller segment of 2% export exclusively (Figure 3.2.7).

Section 3.3 of the infographic delineates the demographics of the owners of the surveyed MSMEs. A significant majority of these businesses, 91.6%, are fully owned by nationals whilst a small percentage (5.9%) is fully owned by foreigners (Figure 3.3.1). Men own 60% of the responding enterprises, indicating a gender gap in business ownership (Figure 3.3.2). Similarly, non-youth own 71% of enterprises (Figure 3.3.3). Lastly, most of the respondents held leading roles in the firm, mainly as owner (Figure 3.3.4)

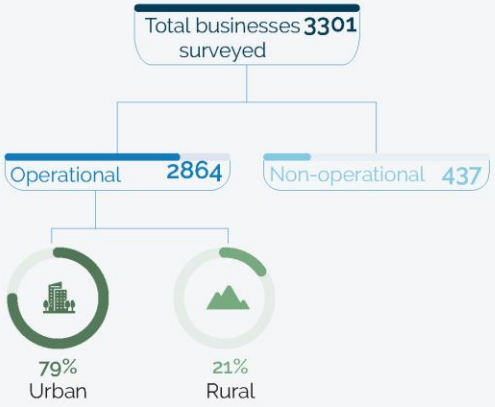
3. PROFILE OF SURVEYED MSMEs

3.1 Enterprise location

3301 businesses were surveyed and most are located in urban areas



1 505 Malawi
2 448 Namibia
3 352 Mauritius
4 334 Zimbabwe
5 328 Zambia
6 310 Mozambique
7 298 Lesotho
8 283 Eswatini
9 206 Botswana
10 149 Angola
11 88 South Africa

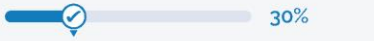


3.2 Operational enterprise demographics

The majority of businesses are formal, micro (0-4 employees) and in the services sector. More than half the businesses earn less than US$5k

Figure 3.2.1: Formal vs. informal business

Figure 3.2.2: Enterprise registered with association



30% of the businesses are part of a member association

Figure 3.2.3: Size of enterprise by employees

Figure 3.2.4: Sectors

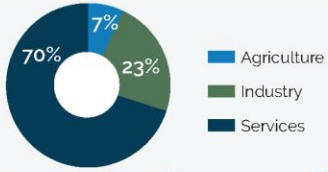


Figure 3.2.5: Annual turnover 2021 (US$)

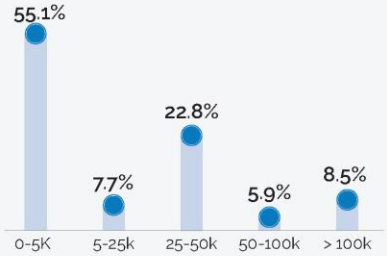


Figure 3.2.6: Age of firm

The majority of businesses were established within the last 10 years.

Figure 3.2.7: International traders

The majority of the enterprises do not trade

3.3 Owner demographics

Enterprises are predominantly owned by nationals and slightly more male owned. The vast majority is owned by non-youth.

Figure 3.3.1: Nationality of owners

Figure 3.3.2: Gender of owners

Figure 3.3.3:Age of owners

Figure 3.3.4: Respondent role in the enterprise

4. IMPACT ON MSME SALES REVENUE AND STAFF NUMBERS

Key findings:

- The enterprises are suffering from long-COVID: whereas the median decline in revenues in 2020 was 40%, revenue has only grown by 14% in 2021 and 2022.
- Businesses responded to the pandemic by reducing part-time staff numbers by 23.6% and permanent staff numbers by 7.2%. Whereas the number of permanent workers is back to pre-pandemic levels, the number of part-time employees remains lower.
- Industrial firms and micro-sized businesses were hit the hardest, but they appear to fare better in the recovery.
- International trade appears to strengthen the resilience of firms. Companies that export were less severely affected in 2020, and they have also had the best recovery. Non-trading firms had the worst trajectory.

The revenue trajectory for businesses took a steep downturn in 2020, with an average growth rate plummeting to -30%, attributed to the economic repercussions of the COVID-19 pandemic (Figure 4.1.1). Subsequently, there was a partial recovery 14% growth rates in both 2021 and 2022. That means, on average, the businesses had not yet reached pre-pandemic levels by 2022.

Firms responded to the pandemic by significantly reducing staff numbers. Especially, part-time staff reduced by 23.6% versus 7.2% for permanent staff in 2020 (Figure 4.2.1). Similarly, in the subsequent year firms initially hired permanent staff rather than part-time staff.

When dissected by sector, the infographic reveals a stark contrast in recovery patterns (Figure 4.1.2). Both the Industry and Services sectors demonstrated resilience and growth in 2021 and continued to expand in 2022, with Industry growing by 20% and Services by 17%. Conversely, the Agriculture sector's growth remained stagnant at 0% throughout the three years, suggesting a prolonged impact, partly due to increased cost of agricultural inputs in 2022 related to the Russia-Ukraine crisis. A similar pattern was observed regarding staff numbers, where agricultural part-time workers declined again in 2022 (Figure 4.2.3).

Micro-sized enterprises saw a severe -40% revenue decline in 2020 but showed remarkable recovery with 20% growth in 2021 and sustained this with a 15% growth rate in 2022. Small and medium-sized businesses followed a similar but less volatile trend, initially facing a -20% and -40% decline, respectively, in 2020. Nevertheless, by 2022, small businesses grew by 14%, while medium-sized businesses matched this trajectory with a 11% growth rate (Figure 4.1.3).

In 2020, the COVID-19 pandemic severely impacted revenues and staffing for all categories of international traders, with importers and non-traders experiencing the steepest declines. By 2022, a turnaround was evident as all trader categories reported positive revenue growth, signalling a recovery that paralleled improvements in the global economy post-pandemic. Staffing patterns echoed these financial recoveries, notably with exporting businesses ramping up part-time staff, likely in response to heightened foreign demand. Import-only businesses and non-traders, however, exercised more restraint in staff expansion, particularly in hiring permanent staff, possibly due to lingering market uncertainties or strategic shifts in the post-pandemic landscape.

4.1 MEDIAN REVENUE GROWTH

Figure 4.1.1: Overall revenue growth

Businesses experienced a significant decrease in sales revenue in 2020 due to the impact of COVID, but have recovered in 2021 and 2022.

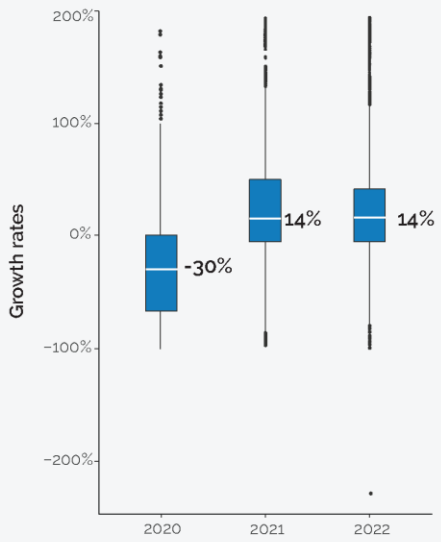


Figure 4.1.2: By sector

Businesses in Industry and Services performed better in 2021 and 2022 while Agriculture didn't grow.

4.1.3 By size of business

In 2020, MSMEs experienced a decrease in sales revenue more than small and medium enterprises, but they performed better in 2021 and 2022

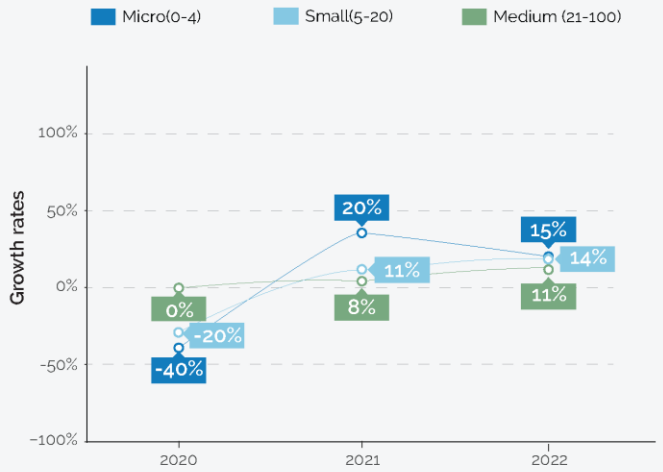


Figure 4.1.4: By international traders

Importers' and non-traders' revenues significantly decreased in 2020.

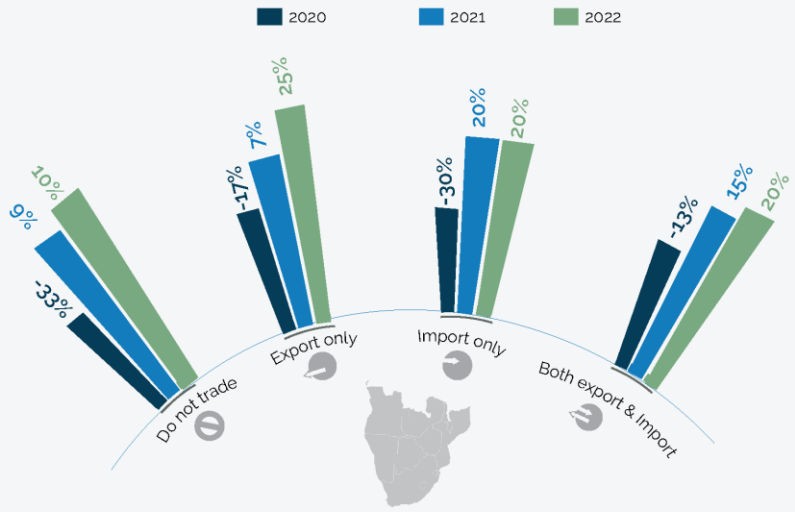
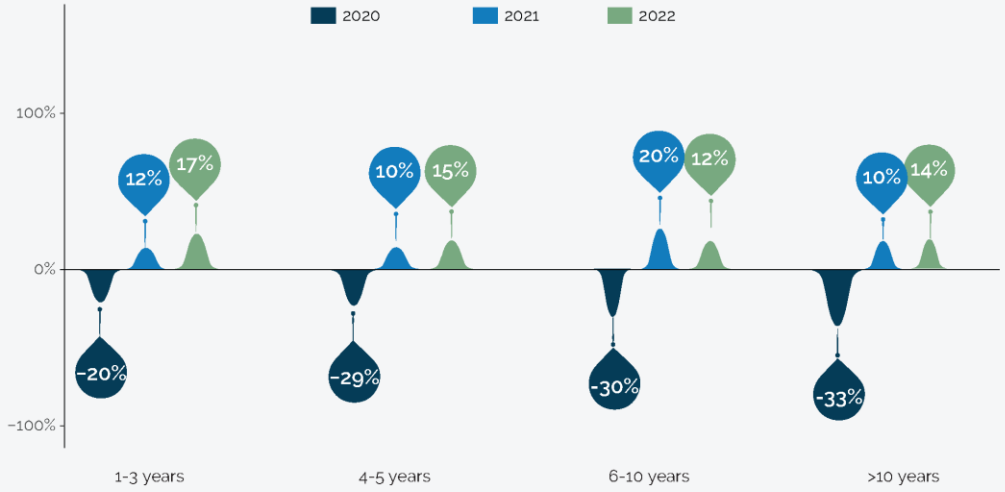


Figure 4.1.5: By age of firm

Enterprises aged 4 years and more saw a major decrease in revenue growth in 2020.



4.2 AVERAGE GROWTH CHANGES FOR STAFF

Figure 4.2.1: Overall staff growth

Part-time employees were laid off at a higher rate than full-time employees on average especially in 2020. The COVID-19 in 2020 had a significant impact on part-time employees.

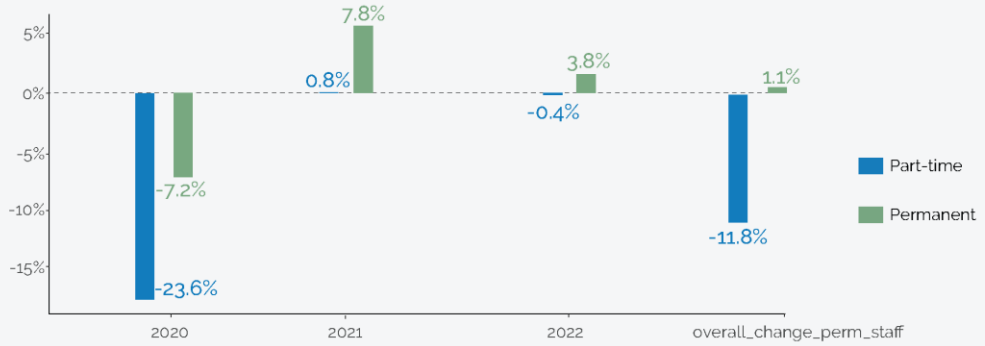


Figure 4.2.2: By international traders

In 2022, exporting businesses inreased the number of part-time employees while non-traders increased the number of permanent employees.

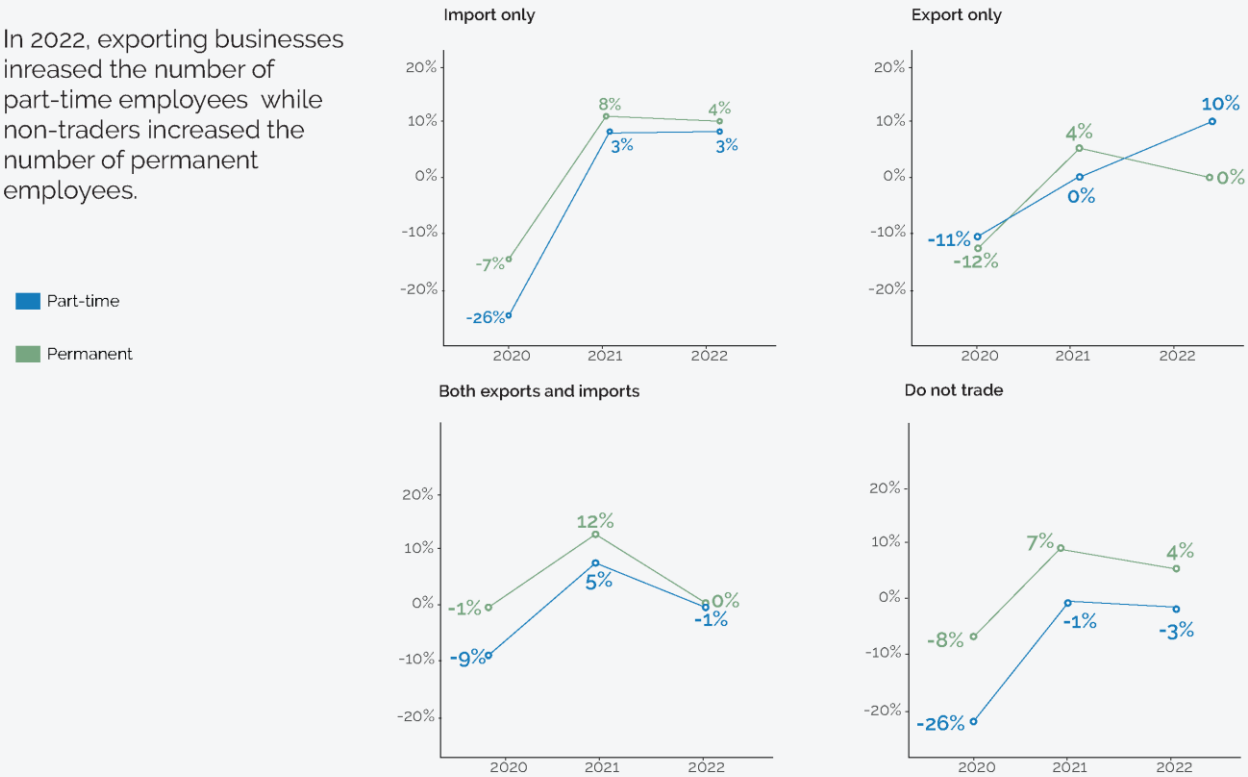
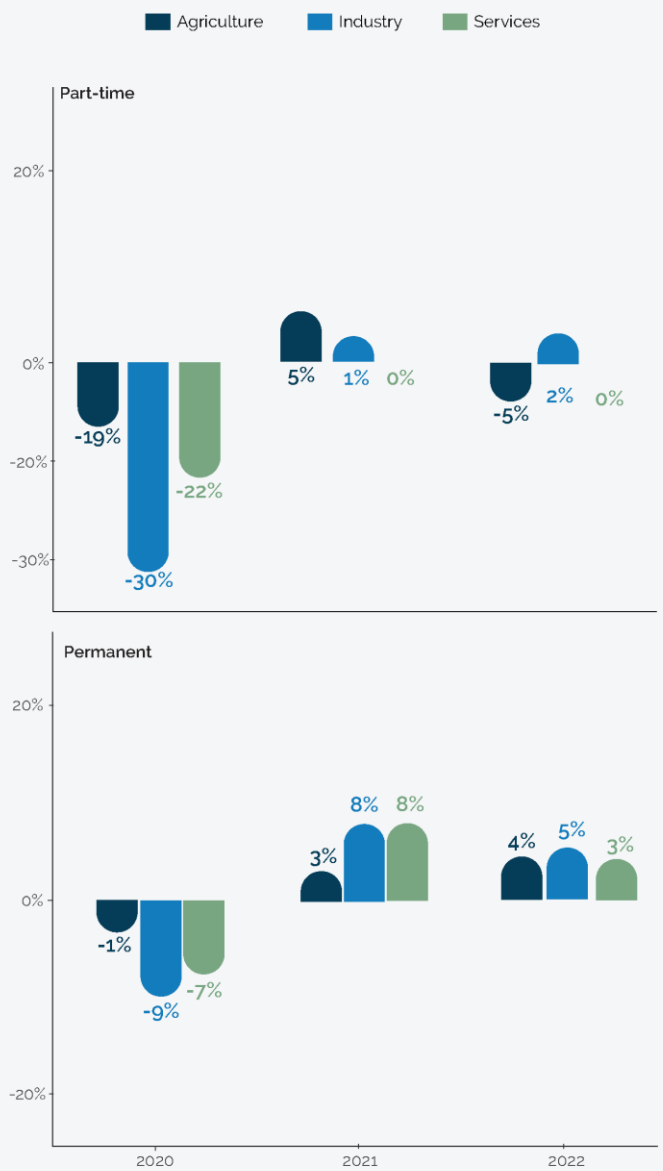


Figure 4.2.3: By sector

In 2020 , the services and industry sectors were more affected for both permanent and part-time employees. Part-time employees remained impacted in 2022



5. CURRENT CHALLENGES OF MSMEs

Key insights:

- A significant proportion of MSMEs identify the lack of financial accessibility as the primary obstacle impeding their growth.
- A substantial number of MSMEs are challenged by insufficient market demand for their products and services.
- Inflation is a prominent issue for MSMEs, affecting their input costs and the purchasing capacity of their customers.
- Different sectors face unique challenges; agriculture is notably affected by input costs, while industry and services grapple with demand and inflation.
- The size of an enterprise and whether it is engaged in trading activities determine the specific nature of the challenges it encounters, with smaller businesses suffering more from demand issues and inflation, and exporters facing difficulties in accessing capital.

MSMEs reported their top 3 challenges. These perceptions reflect the most salient barriers to growth.

Access to finance is the predominant challenge to business growth with 37% of the respondents reporting it as a significant barrier to operations and growth. (Figure 5.1) This corroborates several other survey findings from MSMEs across Africa prior to the pandemic. For example, in the World Bank Enterprise Survey findings from 2018, 40% of the respondents reported access to finance as a barrier for growth compared to 27% of respondents in Asia[6]. Similarly, in a recent survey on COVID-19 impacts, 42% of businesses had applied for credit or financial support[7]. Furthermore, the general literature highlights access to finance as the main perceived barrier amongst African MSMEs[8,9].

The problem of finance can have several root causes derived from both the demand and the supply side of financial markets. On the supply side, financial institutions may not have sufficient capital available, or the right financial products suitable for MSMEs. On the demand side, MSMEs may have insufficient collateral, insufficient cash-flow to demonstrate a business case, or insufficient records to get credit. This pushes up the risk premiums for FIs, increases the interest rates, and limits access. Indeed, 14% of businesses report high interest rates as a significant challenge (Figure 5.1); and lack of finance was the main reason for closure amongst businesses that were not currently operational, reported by 31% (Figure 5.2).

The second highly reported challenge is low demand from customers and clients, reported by 35.9% of businesses (Figure 5.1). Addressing the problem of low demand is at the core of business success and is the foundation for attracting finance for further growth. However, there are several aspects to this. Firstly, many MSMEs operate in low-income environments with limited purchasing power amongst consumers, hence margins for MSMEs are slim. Increasing market access is one avenue to address this, either with physical infrastructure connecting MSMEs to markets or through market information and connections. There are also the regulatory and compliance aspects that may hinder MSME access to attractive domestic and international markets.

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[6] ITC, 2018, Promoting SME Competitiveness in Africa Data for De-Risking Investment

[7] Zeidy, "ECONOMIC IMPACT OF COVID-19 ON MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs) IN AFRICA AND POLICY OPTIONS FOR MITIGATION Common Market for Eastern and Southern Africa."

[8] Wang, "What Are the Biggest Obstacles to Growth of SMEs in Developing Countries? – An Empirical Evidence from an Enterprise Survey."

[9] Veselin Kuntchev, *What Have We Learned from the Enterprise Surveys Regarding Access to Credit by SMEs?*

Secondly, the lack of market may be due to a poor fit between the products/services and the markets. The MSME will need to consider the needs and requirements from clients/customers and find ways to meet it. For example, find ways to improve quality or branding over the offering of competitors or lowering production costs. Addressing these issues requires a diagnostic of the issues affecting the firm, will be explored further in section 11.

Inflation is the third most severe challenge reported by 33.8% of the respondents (Figure 5.1). Global inflation rates have been high in the aftermath of COVID-19 as a result of broken global supply chains and government stimulus in the large global economies over the past few years paired with increased commodity prices due to the Russia-Ukraine conflict[10]. The first aspect of high inflation is the increasing cost of inputs for businesses, both imported inputs and inputs sourced in the country. This is the fourth challenge reported by 29.9% of the respondents (Figure 5.1). The second aspect of the inflation is eroding consumer purchasing power as the prices increases. This suppresses the ability of consumers to purchase the products exacerbating the demand challenge, at least in the short to medium term. It also suppresses the value of income for the businesses.

Other obstacles include the cost of inputs, high interest rates, and taxation pressures, with 29.9%, 13.9%, and 10.5% of businesses affected, respectively. Operational constraints such as obtaining imported goods, technical limitations, and expensive foreign currency also play a role, alongside workforce issues like the availability of skilled labour. Government involvement and insecurity, while less frequently mentioned, complete the list of challenges that businesses must navigate.

Considering how challenges affect the different sectors (Figure 5.3), it is interesting to note high input prices especially affect agriculture, whilst the services and industry sectors tend to report challenges related to low demand and inflation. Global prices of fertilizers and grains have been increasing, whereas consumers consumption beyond food is suppressed in these economies.

There are also some interesting differences with respect to challenges for different trading activities (Figure 5.4). Especially importers are facing the effect of inflation and input prices, likely due to increasing international commodity prices. For exporters, access to capital is particularly challenging, which may indicate lack of available export finance products.

The size of a business significantly shapes the challenges it faces (Figure 5.5). Smaller businesses, particularly micro and small, are most affected by low demand for goods and services and inflation, which can be particularly crippling for operations with limited financial buffers. Medium-sized businesses also share these concerns, although access to capital is notably less of an issue This suggests that larger firms may have better access to financial resources but still contend with the pressures of maintaining supply chains and managing operational costs.

For businesses that have ceased operations, financial issues, specifically accessing capital, have been the leading cause, pushing 31% of businesses to closure. Technical challenges follows after at 20%, oftentimes associated with health policy related lockdowns during the pandemic. Furthermore, lack of demand was the cause of closure for 18% of the non-operational businesses.

The following two sections seeks to tease out the specific impacts and lessons learned from respectively the COVID-19 pandemic and the Russia-Ukraine conflict.

[10] "World Economic Outlook (October 2023) - Navigating Global Divergences."

5. CHALLENGES

Figure 5.1: Challenges faced by businesses

Access to capital, Low demand for good and services, and inflation are the main three challenges that surveyed businesses face.

Figure 5.2: Why non-operating business closed

Accessing capital is the main hurdle that propelled 437 businesses to close.

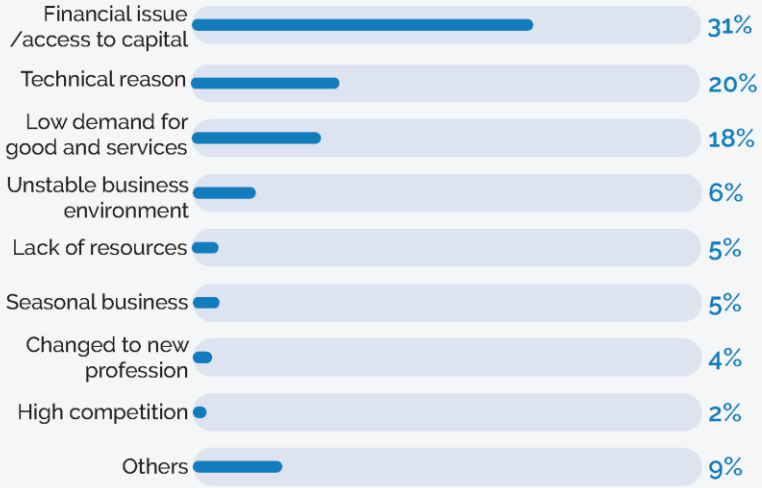


Figure 5.3: Main challenges by sector

Access to capital is most prevalent in industry and services sectors.

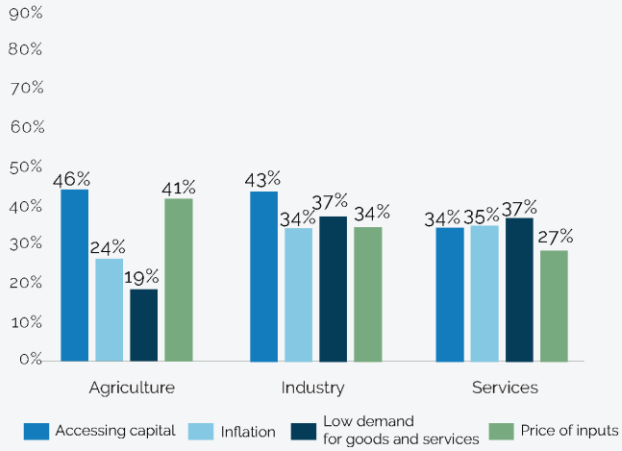


Figure 5.4: Main challenges by traders

Access to capital is the main challenges among Exporters.

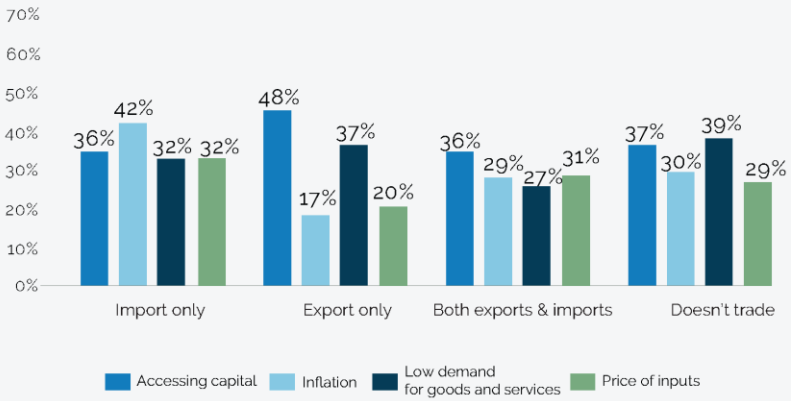
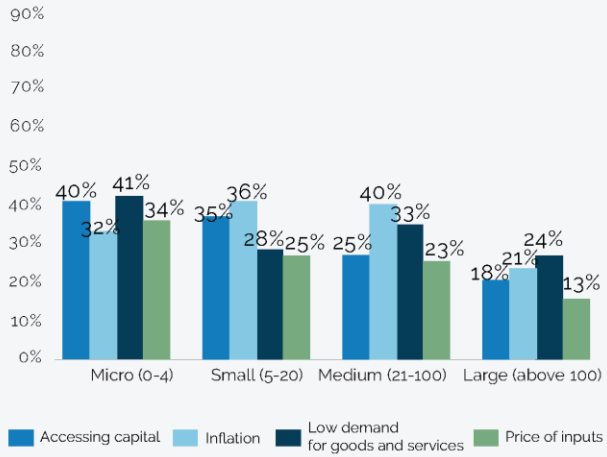


Figure 5.5: Main challenges by size of business

Low demand of goods and services and inflation are the main challenges faced by Small and Medium enterprises.



6. IMPACT AND RESPONSE TO COVID-19

Key Point:

- COVID-19 heavily impacted African MSMEs, leading to labor and supply shortages, and significant demand and revenue declines.
- Over 77% of the respondents report they were negatively impacted in 2020, which corresponds to a previous UNECA survey from April 2020 where 80% reported a negative impact. There is indication of long Covid, as 67% of businesses report that they are still dealing with the economic ramifications of the pandemic.
- Businesses primarily faced financial issues, like falling profits and sales, and operational challenges affecting their revenue in 2020.
- To cope, many businesses cut production and staff, underlining the compounded effects of COVID-19 and the Russia-Ukraine crisis. Some turned to digital solutions,

The impact of COVID-19 on African MSMEs was significant. The pandemic led to a reduction in the supply of labor, disruptions in supply chains, shortages of parts and intermediate goods, and a dramatic loss of demand and revenue for MSMEs[12]. MSMEs, being more labor-intensive and having thinner liquidity reserves, are more vulnerable to the impact of COVID-19 compared to larger firms[13]. To gauge firm perception on impact, UNECA administered an online survey from 14 to 20 April 2020. This yielded 337 responses and 210 fully completed questionnaires. According to the survey, over 80% of MSMEs ranked the impact of COVID-19 as quite severe. MSMEs were largely concerned with cash flow concerns, whilst major corporations were mostly concerned with altering their business strategies to solve the crisis. Supply chain issues were observed to differ by firm size; manufacturing enterprises, in particular, emphasized the significance of consistent raw material sources.

This survey carried out in 2023, depicts a business landscape that still remains deeply affected by the COVID-19 pandemic for the subsequent years, leading to significant operational shifts and a heightened focus on the critical challenges of demand, supply chain management, and financial sustainability. A significant majority of enterprises reported a negative impact from the pandemic in 2020 and 2021, with 77% initially affected and 67% still impacted in 2022 (Figure 5.1). Micro businesses felt a more pronounced negative effect of the pandemic, with 80% impacted, compared to 69% of medium-size enterprises (Figure 5.2). Businesses that trade internationally were more severely affected than non-trading firms (Figure 5.3).

Businesses mostly report lower profits, lower sales, and fewer clients in how they were affected reported by respectively 75%, 73%, and 71% of the businesses (Figure 5.4). This corroborates finding that median sales revenues dropped by 30% in 2020 (Figure 4.1.1). Operational aspects such as reduced ability to pay for inputs, loans, etc. follow right after with over 60% of businesses attributing those to the pandemic. Lowering production and laying off staff were the most common responses to the pandemic reported at 41% and 20.5% of businesses (Figure 5.5). There were also a number of adaptive measures taken, such as working more online (15%) as well as new go to market strategies, e-commerce, and investing in new technology. Most businesses that faced inflation and low demand for goods and services reported that these challenges have worsened since the onset of the pandemic, with over 80% noting a particularly exacerbated struggle with inflation (6.6). This is indication of the overlap between the COVID-19 impact and the subsequent effect of the Russia-Ukraine crisis.

[12] Zeidy, 2021, "Economic Impact of COVID-19 on SMEs in Africa and options for Mitigation", COMESA
[13] Ibid.

6. IMPACT OF COVID-19

Figure 6.1: Extent of COVID-19 Impact

Most enterprises were negatively impacted by COVID-19 pandemic.

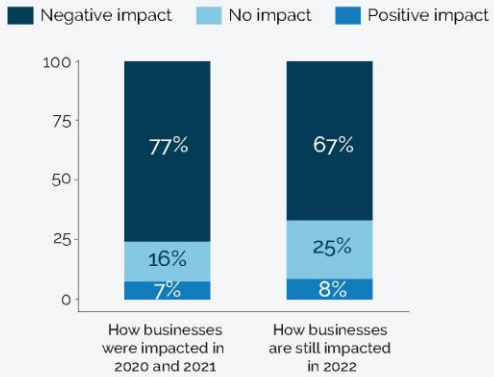


Figure 6.2: Impact by size of business

Micro businesses experienced more negative effect of the pandemic.

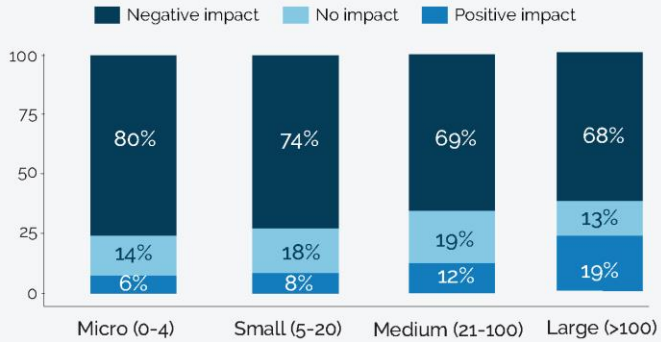


Figure 6.3: Impact on international traders

Importers and people doing both imports and exports were more affected by the COVID-19.

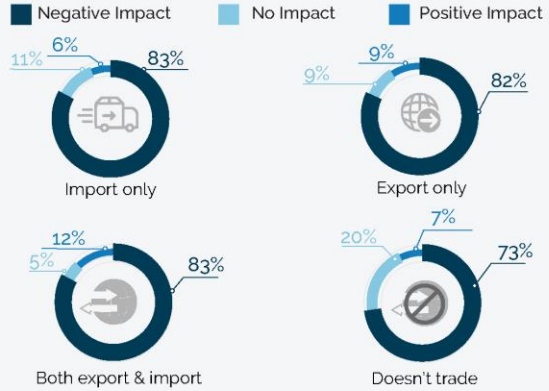


Figure 6.4: Aspects of business affected by COVID-19

Net profits, Sales, and Number of clients were among the most affected business aspects.

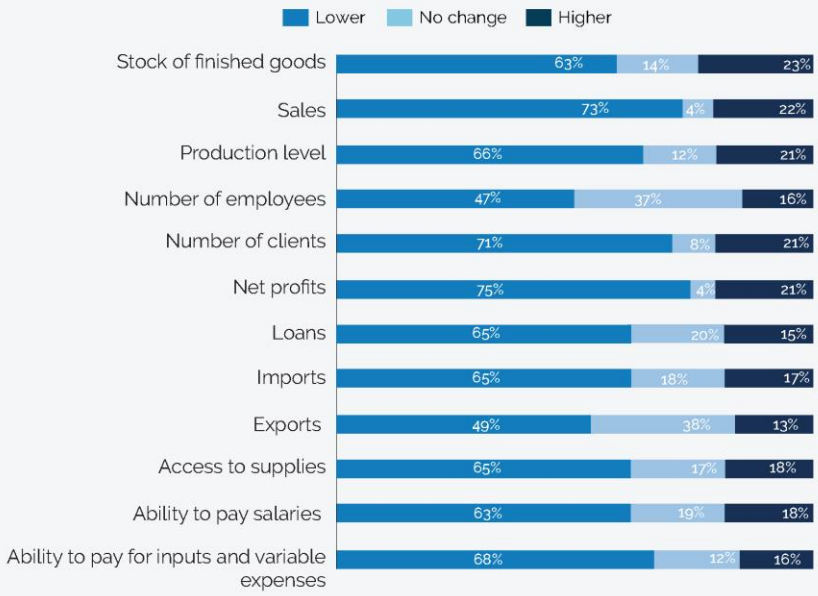


Figure 6.5: How businesses responded to COVID-19

More than a third of the enterprises lowered production durig the COVID-19 pandemic.

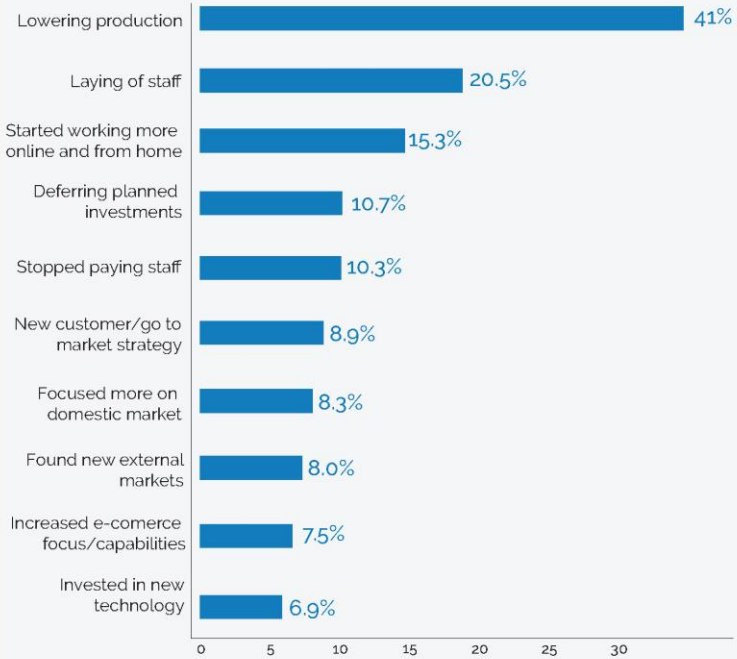


Figure 6.6: Whether main challenges that businesses face have worsened since 2020

More than 80% of the businesses who faced inflation believe that the challenge has worsened since 2020.

7. IMPACT AND RESPONSE TO THE RUSSIA-UKRAINE CRISIS

Key points:

- The Russia-Ukraine crisis has broadly impacted over half of the surveyed businesses, exacerbating economic difficulties post-COVID-19, inflating costs of key commodities, and causing widespread operational challenges.
- While the crisis has affected a slightly lower percentage of MSMEs than COVID-19, micro businesses are slightly more affected than larger ones, and businesses engaged in international trade report significantly higher negative impacts.
- Financial challenges are prominent, with the majority of MSMEs reporting lower sales, difficulties obtaining loans, increased costs for inputs, and reduced import capacity.
- In response to the crisis, many businesses have not responded, while others have lowered production; staff layoffs were less common.
- Most businesses attribute increased inflation and input costs to the Russia-Ukraine crisis.

The survey findings reflect that the Russia-Ukraine crisis has not only precipitated direct operational challenges for businesses but also contributed to a broader economic strain. The conflict has significantly compounded the challenges faced by African nations as they strive to navigate the aftermath of the COVID-19 pandemic. This geopolitical tension has precipitated a surge in the costs of essential commodities, notably food and fuel, placing additional strain on the continent's trade dynamics, fiscal capabilities, and the inflow of developmental finance, as well as imported inflation causing sharp increases in the cost of living[14].

More than half (53%) of the surveyed enterprises have experienced a negative impact due to the Russia-Ukraine crisis, with a mere 2% reporting a positive impact, and the remaining 47% seeing no impact (Figure 7.1). Although, fewer MSMEs were impacted compared to COVID-19 at 77% (Figure 6.1), this overarching negative trend underscores the broad reach of the crisis across the business landscape. Micro businesses have a slightly higher propensity to be impacted than larger MSMEs, although just by a few percentage points (Figure 7.2). Businesses that trade internationally were significantly more affected, indicating the international nature of the crisis (Figure 7.3). Over 68% of exporting firms were affected whereas 55% of the importers were. No less than 71% of firms that both import and export were affected versus 46% for non-traders.

MSMEs were impacted in a broad range of ways indicating the impact was mainly financial in nature (Figure 7.4). The most frequently reported aspects were lower sales (65% of firms), loans (62%), ability to pay for inputs (61%), and lower imports (60%).

Generally, the impact and response of MSME to the Russia-Ukraine crisis was lower than for COVID-19 (Figure 7.5). Amongst the affected businesses, 32% did not respond to the crisis, whereas 20% responded by lowering the production. Others responded by deferring investment (6%) and several other actions. Only 6% responded by laying off staff and generally staff numbers were growing in 2022 (Figure 2.2.1). Staff numbers had already been reduced significantly during COVID-19 and possibly many firms had no further options to cut staff. Lastly, Figure 7.6 addresses whether the primary challenges faced by businesses are related to the crisis. A significant majority attribute the exacerbation of inflation and the price of inputs directly to the crisis, pointing to a ripple effect that extends beyond immediate operational challenges to more systemic economic pressures

[14] UNDP, 2022, The impact of the war in Ukraine on sustainable development in Africa

7. IMPACT OF THE RUSSIA-UKRAINE CRISIS

Figure 7.1: Extent of the Russia-Ukraine Crisis

More than 50% of the enterprises experienced a negative impact due to the Russia-Ukraine Crisis

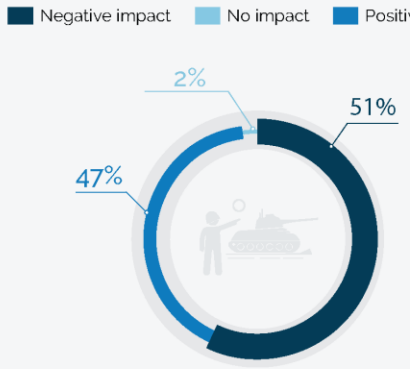


Figure 7.2: Impact by size of business

Small and medium businesses experience a more negative effect of the crisis.

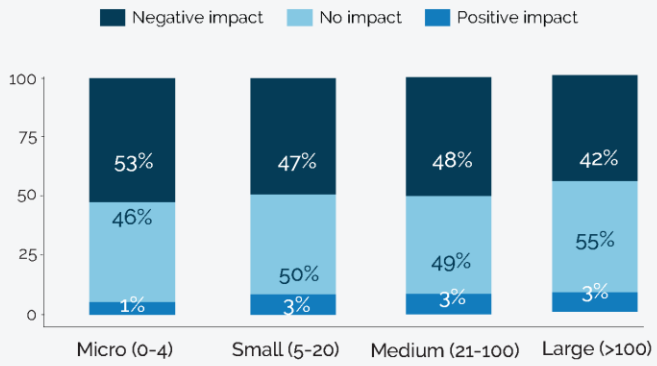


Figure 7.3: Impact on international traders

Non traders were less negatively affected by the Russia-Ukraine compared who trade.

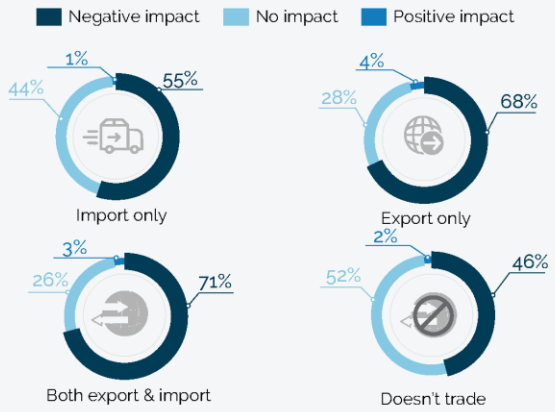


Figure 7.4: Aspects of business affected by the Russia-Ukraine Crisis

Access to supplies and Sales are among the among the most affected business aspects.

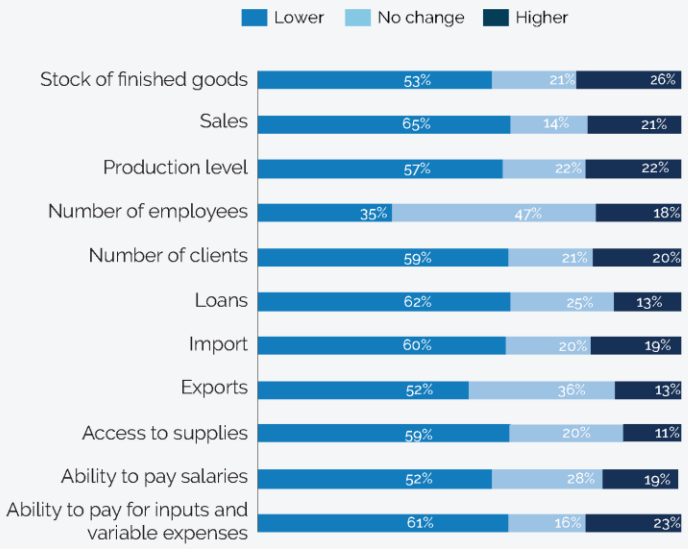
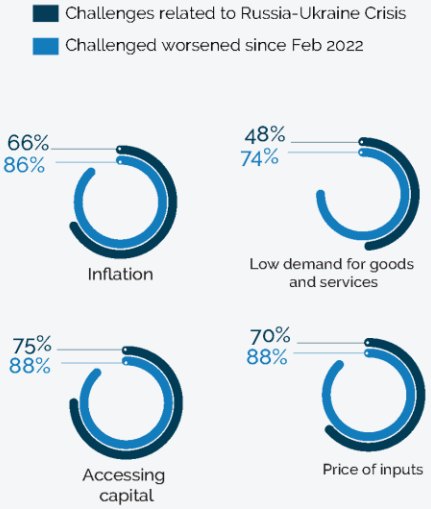


Figure 7.5: How businesses responded to the Russia-Ukraine crisis

Most enterprises responded to the crisis by focusing more on domestic market and stopping operations.

Figure 7.6: Whether main challenges of businesses are related to the Russia-Ukraine crisis

The majority of businesses believe that inflation and price of inputs are related to the crisis



8. CHALLENGES AND OPPORTUNITIES IN TECHNOLOGY UPTAKE

Key points:

- A minority of enterprises (16%) adopted new tools and processes due to COVID-19, mainly integrating online social media (27%) and increasing internet usage (22.5%).
- For marketing, Facebook (28.1%) and WhatsApp (26.3%) were the top social media platforms used by businesses, with a small percentage not using any (11.7%).
- Social media contributed to 26% to 50% of sales for 28.3% of businesses, indicating a substantial role in revenue for a significant portion of enterprises.
- The impact of COVID-19 on sales from digital platforms was minimal for most businesses, with 45% reporting no change, while a few saw a significant increase (21%).
- Companies identified a need for financial support (28.87%) as the primary requirement to invest in innovation and new technologies, with infrastructure improvements and access to affordable internet also highlighted as important needs.

Figure 8.1 shows that a small fraction of enterprises, 16%, pivoted to new tools and processes as a direct response to the pandemic. Among these, the adoption of online social media was the most common strategy, with 27% of businesses incorporating it. There was also a notable increase in internet usage, reported by 22.5% of the businesses, and a move towards digital platforms by 20%. Some businesses looked to expand their market reach (11.2%) and product offerings (10.3%), while 7.9% turned to specialized apps.

In the realm of marketing, Figure 8.2 indicates that Facebook and WhatsApp are the dominant social media platforms utilized, with 28.1% and 26.3% usage, respectively. This preference underscores the importance of these platforms for customer engagement and outreach. Interestingly, 11.7% of the businesses did not utilize any social media for marketing, suggesting a potential area of growth or a reliance on other marketing channels.

The significance of digital tools in sales is highlighted in Figure 8.3, where for 28.3% of businesses, social media accounted for a substantial 26% to 50% of their sales, pointing to the effectiveness and critical role of these platforms in driving revenue.

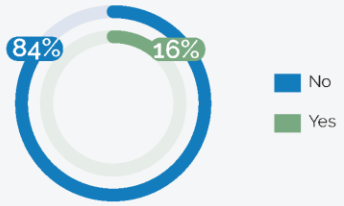
Despite these digital shifts, Figure 8.4 suggests that the impact of COVID-19 on sales from digital platforms was varied. While the majority of businesses, 46%, reported no change, a significant 22% experienced a marked increase in sales, indicating that some businesses were able to capitalize on digital platforms effectively during the pandemic.

Lastly, Figure 8.5 addresses the support businesses need to further invest in innovation and technology. Financial support tops the list with 28.87% of businesses identifying it as a key need. This is followed by improvements in infrastructure and access to affordable internet, each at 8.16%. These needs highlight the barriers to technology adoption and innovation that businesses face, which if addressed, could potentially unlock new growth avenues.

8. USE OF TECHNOLOGY AND INNOVATION DURING COVID-19

Figure 8.1: Whether businesses resorted to new tools and processes as a result of COVID-19

Only 16% of enterprises resorted to new tools and processes due to COVID-19. Companies mainly adopted the use of online media.



Tools and processes introduced

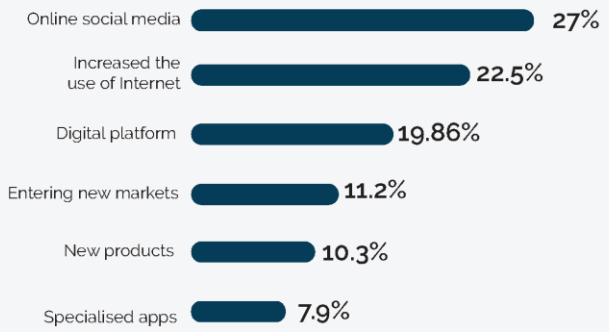


Figure 8.2: Social media used for marketing

The two most popular social media platforms used by businesses for marketing are Facebook and Whatsapp.

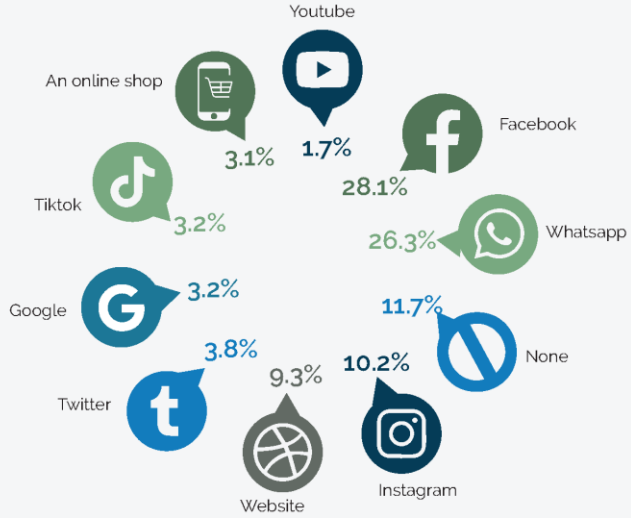


Figure 8.3: Share of sales from digital tools

Social media accounts for 26% to 50% of sales for 28.3% of the businesses.

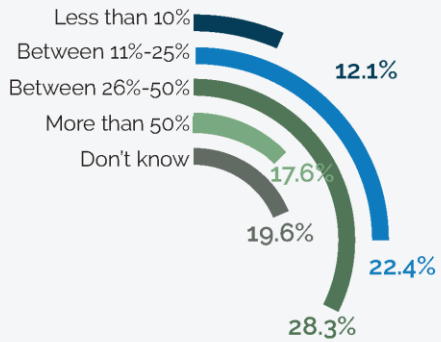


Figure 8.4: Impact of COVID-19 on sales from digital platforms

The majority of businesses have seen no change in sales from digital platforms.

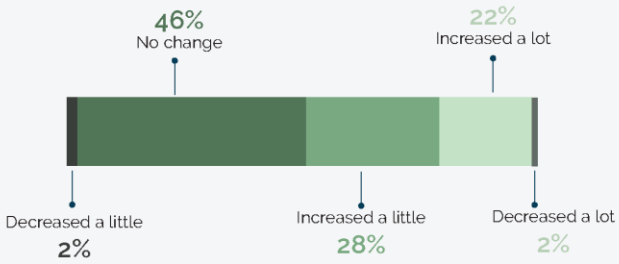
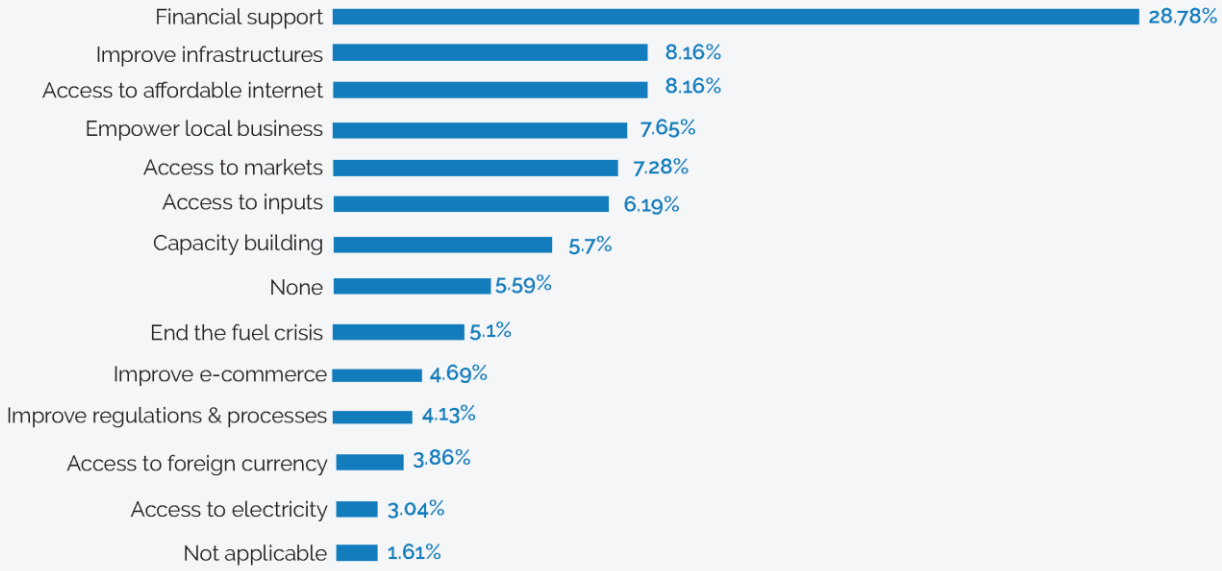


Figure 8.5: Support needed to invest in innovation and new technologies

Most companies need financial support to invest in new technologies.



9. CHALLENGES AND OPPORTUNITIES IN INTERNATIONAL TRADE AND REGIONAL INTEGRATION

Key points

- The survey underscores the need for financial, regulatory, and informational support to help businesses overcome the challenges of international trade and capitalize on opportunities provided by trade agreements.
- Regional trade acts as a crucial buffer against global economic shocks, but businesses face export barriers like insufficient finance (19.3%) and high transport costs (17.9%).
- Enhancing export capabilities could be achieved by providing more export finance (23.5% support) and tax reductions (19.7% support).
- Importing is primarily challenged by transport expenses (18.1%) and customs tariffs, indicating a need for improved fiscal conditions.
- Only a quarter of businesses are aware of the AfCFTA (24.6%), suggesting a significant gap in knowledge about regional trade agreements. Actual engagement with AfCFTA is minimal, highlighting a need for better communication and facilitation of trade agreement benefits.

Trade and especially regional integration are a coping mechanism in response to the crises in which global value chains and prices are affected. Figure 9.1 highlights the export challenges faced by businesses. The primary obstacle is the lack of finance, cited by 19.3% of respondents. High transport costs (17.9%) and customs tariffs (13.3%) are also significant barriers, indicating that the financial burden associated with exporting is a major concern for businesses when aspiring to exports. Other notable challenges include market knowledge, currency exchange complications, and the technology needed to compete in foreign markets.

To address these challenges, Figure 9.2 outlines potential improvements for exporting. Topping the list is stimulating the supply of export finance, which could potentially alleviate the main challenge identified by 23.5% of respondents. Reducing taxes is another key suggestion, with 19.7% indicating it would help improve their export capabilities.

When it comes to importing, high transport costs are the leading concern, reported by 18.1% of businesses, followed by customs tariffs and financial barriers, with regulations and technology also posing significant challenges (Figure 9.3). These issues underscore the logistical and fiscal hurdles that businesses face when importing goods.

To alleviate the import constraints, respondents propose reductions in custom duty, financial support, and tax reduction, with approximately 19% of respondents favoring each (Figure 9.4). These suggestions point towards a desire for a more favourable fiscal and regulatory environment to ease the financial strain of importing goods.

Awareness of trade agreements is a pivotal factor in international trade, and Figure 9.5 indicates that knowledge among enterprises is varied. Only 24.6% of businesses are aware of the African Continental Free Trade Area (AfCFTA), with slightly higher awareness levels for the Southern African Development Community (SADC) at 49.7%. This highlights an opportunity for increasing awareness and understanding of trade agreements, which could potentially unlock new markets and opportunities for businesses.

Lastly, Figure 9.6 delves into how traders perceive the AfCFTA. A very small percentage of non-traders and importers are taking advantage of the agreement, with the majority having either not heard of it or not utilizing its potential. This suggests that there is significant room for improvement in communicating the benefits and facilitating the uptake of AfCFTA among businesses.

9. IMPORT AND EXPORT CHALLENGES

Figure 9.1: Export challenges

Lack of finance and high transport costs are the main reasons preventing businesses from exporting.

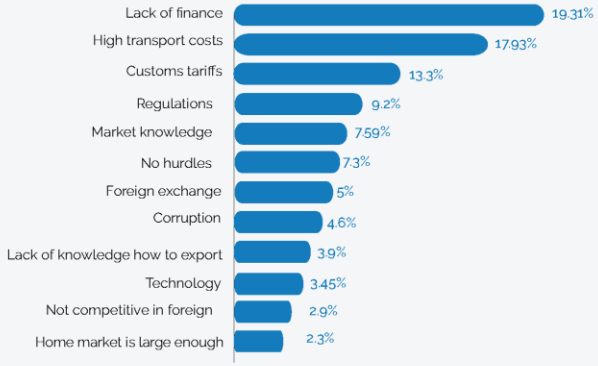


Figure 9.2: What could be done to improve exports

Access to finance and reduced taxes to export are the top suggestions to improve exporting.

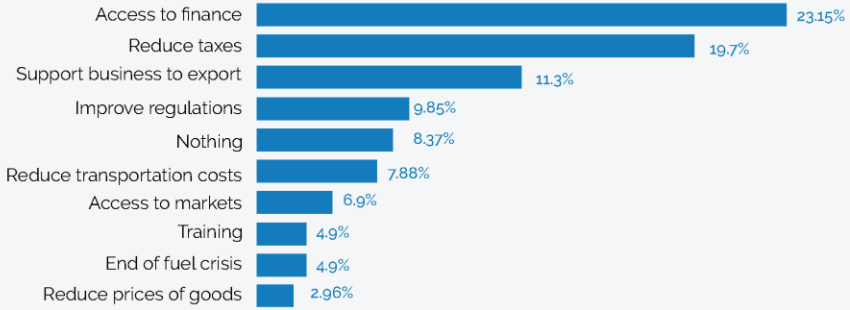


Figure 9.3: Import challenges

Most businesses reported high transport costs as the main import challenge.

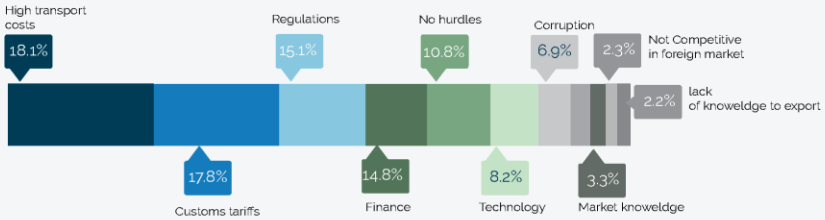


Figure 9.4: What could be done to improve imports

Enterprises suggested custom duty reduction , financial support and tax reduction as the main aspects to improve importing.

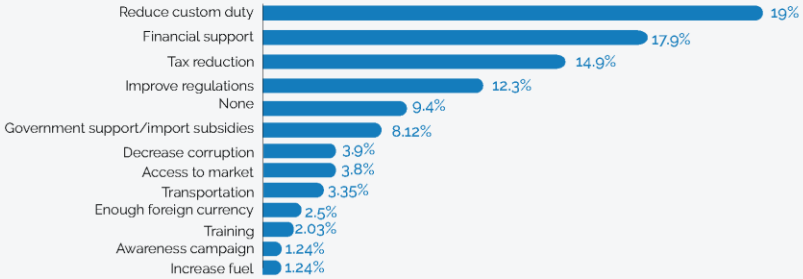


Figure 9.5: Proportions of enterprises who know trade agreements

24.6% of businesses are aware of the AfCFTA.

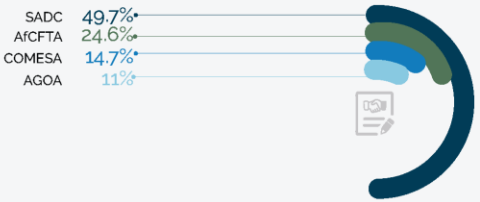
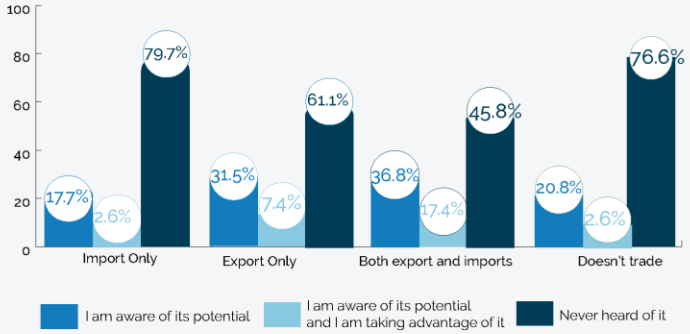


Figure 9.6: How traders perceive AfCFTA

A very small number of non traders and importers is taking of advantange of the AfCTA



10. OUTLOOK FOR THE FUTURE AND BUSINESS POLICY IMPLICATIONS

Key points:

- The respondents are generally optimistic about the future with 62% of the MSMEs having a positive outlook for the year ahead.
- To improve the business environment, respondents recommend policy makers to find solutions to increase access to finance followed by access to markets, government support and subsidies, and empowerment for local production.

Entrepreneurs show a predominantly positive outlook on the future financial situation of their businesses (Figure 10.1). About 62% of the MSMEs have a positive outlook for the year ahead, of which 42% believe it will be a bit better and 20% believe it will be much better. Meanwhile, only 5% believe it will be much worse.

Access to capital is requested by 29% of the responding MSMEs (Figure 10.2). This is a significant margin above other areas such as access to markets, government support and subsidies, and empowerment for local production, each of which was highlighted by 8-9% of the respondents. Other support areas, including improving tax policies, enhancing business infrastructure, and access to raw materials, are seen as equally important, each receiving 5% of respondents' votes. Issues like stabilizing inflation, increasing delivery services, and reducing internet rates are among the least cited, suggesting that while important, they do not hold as much immediate concern for entrepreneurs in the current business climate.

10. OUTLOOK FOR THE FUTURE

Figure 10.1: Forecast for financial situation

Most enterpreneurs are optimistic about thefuture of their businesses.

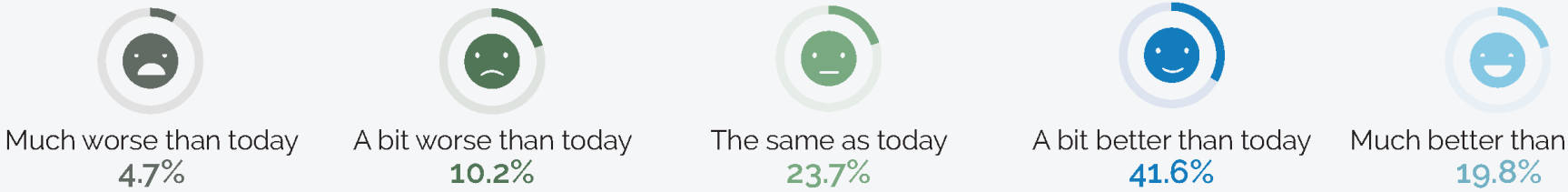
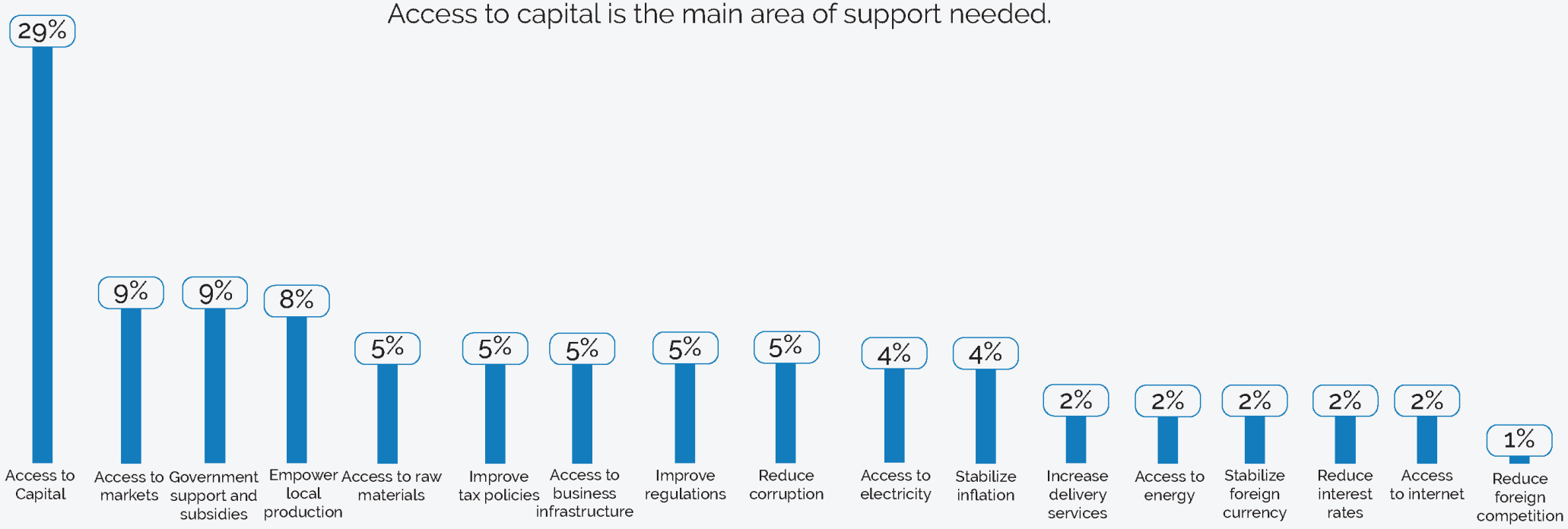


Figure 10.2: Area of support needed

Access to capital is the main area of support needed.



11. CONCLUSIONS

The economic landscape of Southern Africa has faced significant challenges over recent years, with the COVID-19 pandemic and the Russia-Ukraine crisis exerting substantial pressure on regional economies.

COVID-19 had a profound impact on the economies in Southern Africa causing a substantial contraction in GDP by 5.9% in 2020. Projections for the coming years range around 2% per year versus 3-4% for Sub-Saharan Africa overall. This is mainly due to low forecasts for South Africa at 0.3% in 2023 and 1.7% in 2024 due to power shortages[15].

The COVID-19 impact was compounded by the Russia-Ukraine conflict since 2022, which precipitated a surge in the costs of essential commodities, notably food and fuel, placing additional strain on the continent's trade dynamics, fiscal capabilities, and the inflow of developmental finance, as well as imported inflation causing sharp increases in the cost of living[16]. This severely hampers the recovery.

The MSMEs are suffering from long-covid and the impact of Russia-Ukraine crises: Whereas revenues declined by 40% in 2020, they have only grown by 14% in 2021 and 2022. Whereas 77% of respondents were negatively impacted in 2020, 67% said that they are still dealing with the consequences.

The predominant response to COVID-19 was to lower production and lay off staff. Whereas MSMEs are the main employers in Africa, they reduced part-time staff numbers by 23.6% and permanent staff numbers by 7.2%. Whereas the number of permanent workers is back to pre-pandemic levels, the number of part-time employees remains lower.

The Russia-Ukraine crisis has significantly affected more than half of the surveyed businesses, intensifying post-COVID-19 economic challenges, increasing the costs of commodities, and leading to operational difficulties. Despite these issues, many businesses have not taken specific actions, opting instead for production cuts rather than staff layoffs, while most acknowledging the crisis as a key driver of heightened inflation and rising costs.

Regional integration and digitalization are two factors that can mitigate some of the impact from broken global value chains. Whilst there has been a small degree of increased regional integration since the pandemic, and some 15% of MSMEs used technology in response to the pandemic, the uptake has been relatively marginal. According to the respondents, the main barrier for taking up tech solutions and trading internally is finance.

In general, the two main barriers MSMEs are facing are access to finance and access to markets/low demand. This is typical for MSME surveys in Africa, but there is strong indication in the data that these challenges have been significantly worsened by the ongoing twin-crises. Certainly, inflation, which is the third most reported challenge is increased by the Russia-Ukraine conflict.

[15] IMF, World Economic Outlook, October 2023
[16] UNDP, 2022, The impact of the war in Ukraine on sustainable development in Africa

12. RECOMMENDATIONS

Solutions to strengthen the resilience and performance of MSMEs are rooted either in improving the external environment or in strengthening the ability of MSMEs to respond. Consequently, recommendations are structured around the analytical framework laid out in Section 0.

At the Macro Level: A stable economic environment is necessary yet insufficient for MSMEs to thrive. Inflation and prices of inputs are reported to be major obstacles for almost a third of the MSMEs (Figure 5.1). In the current situation, this should be a main priority for governments, possibly with international support if needed by the country.

Improving market access is another key recommendation. MSMEs should be made aware of emerging market access opportunities presented by regional trading blocs such as the African Continental Free Trade Area (AfCFTA) and the Common Market for Eastern and Southern Africa (COMESA). Efforts should be made to reduce trade barriers, streamline customs procedures, and provide support in obtaining permits and licenses to facilitate market access for MSMEs.

At the ecosystem level: The ecosystem level includes support functions for MSMEs and other systemic enablers.

The main challenge reported by MSMEs is access to finance. Governments can take measures to stimulate supply of finance to MSMEs. For example, through credit guarantee schemes at reduced interest rates or grants.

Furthermore, MSME hubs can be established to increase the spread of ideas and technology between MSMEs and make them more visible to potential venture capitalists. MSME hubs typically also provide early-stage business development services as well as general services required by MSMEs, e.g., accounting, legal advice etc.

Promoting digitalization and e-commerce adoption is crucial for MSMEs to reach international markets efficiently. It is recommended to provide support and incentives for MSMEs to adopt and utilize technology and innovation in their operations. This can involve providing training and capacity-building programs to enhance digital literacy and skills among MSMEs.

At the firm level: MSMEs success or failure depends on how they respond to opportunities or threats in the macro-economy or in the eco-system.

Therefore, MSMEs have the responsibility to build their resilience to withstand economic shocks and challenges. This can involve implementing measures to enhance the capacity of MSMEs to adapt to changing market conditions, diversify their product offerings, and strengthen their business skills. But long-term MSME survival depends on building strong governance structures which eventually makes the MSME independent of the entrepreneurs.

The Entrepreneur/Owner: Whilst the importance of the entrepreneur typically diminishes as the enterprise matures, it is vital for smaller MSMEs. Mentorship, strengthening networks, and building management skills are essential components. It is also crucial to consider gender and youth inclusion by promoting the participation of all groups of society.

Overall, these recommendations at the four levels aim to support the growth, resilience, and competitiveness of MSMEs in Southern Africa. By implementing these measures, both the government and businesses can create an environment where MSMEs can flourish, contribute to economic resilience, and drive sustained growth in the region.

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ANNEXES

Survey Questionnaire

Introduction and consent to interview

a. Yes ☐
b. No ☐

A. Respondent Demographics

A1. Current role in the business (tick those that apply)

a. Sole owner ☐
b. Co-owner ☐
c. Board member ☐
d. Managing Director/CEO ☐
e. Manager ☐
f. Staff ☐
g. Other_____

B. Enterprise/Firm Characteristics

1.1 Name and start year

B1. Country of the Survey

a. Angola
b. Botswana ☐
c. Eswatini ☐
d. Lesotho ☐
e. Malawi ☐
f. Mauritius ☐
g. Mozambique ☐
h. Namibia ☐
i. South Africa ☐
j. Zambia ☐
k. Zimbabwe ☐

B2. Name of the Enterprise/Firm

a. _____

B3. In what year did the Enterprise/Firm start operating in the (Name of the country)?

a. _____

1.2 Location

B4. Does the Enterprise/Firm have global Headquarters in (Name of the country)??

a. Yes ☐
b. No ☐

B5. If no to B4, in which country is the Headquarters located?

a. Country_____

B6. If yes to B4, does the Enterprise/Firm have establishments in other countries?

a. Yes ☐
b. No ☐

B7. If yes to B6, please list the countries in which the Enterprise/Firm has establishments.

a. Country a_____
b. Country b_____
c. Country c_____
d. Other countries_____

B8. Province of the national enterprise Headquarters

a. Eastern Cape ☐
b. Free State ☐
c. Guateng ☐
d. KwaZulu-Natal ☐
e. Limpopo ☐
f. Mpumalanga ☐
g. Northwest ☐
h. Northern Cape ☐
i. Western Cape ☐
j. Other: _____

B9. Location of the national enterprise Headquarters

a. Rural ☐
b. Urban ☐

1.3 Main economic activity

B10. Main Economic Activity of the Enterprise/Firm (select as applicable)

a. Agriculture, forestry and fishing (A) ☐
b. Mining and quarrying (B) ☐
c. Manufacturing (D) ☐
d. Construction (F) ☐
e. Wholesale and retail trade (G) ☐
f. Transport and storage (H) ☐
g. Accommodation and food services (I) ☐
h. Information and communication (J) ☐
i. Financial and insurance activities (K) ☐
j. Real estate activities (L) ☐
k. Professional, scientific and technical (M) ☐
l. Human health and social work activities (Q) ☐
m. Arts, entertainment and recreation (R) ☐

B11. Description of economic activity (describe what your enterprise does)

a. _____

1.4 Business registration

B12. Business registration

a. Sole proprietorship ☐
b. Private company limited by shares ☐
c. Publicly traded company (Ltd) ☐
☐

d. Cooperative
e. Limited by guarantee ☐
f. NGO ☐
g. Not registered (informal) ☐
h. Other_____

B13. Is the Enterprise/Firm a member of a business association?
a. Yes ☐
b. No ☐

B14. If yes, which ones?
a. (Name of the country) Chamber of Commerce and Industry ☐
b. Other (specify)_____ ☐

1.5 Ownership

B15. What is the gender of owners?
a. Fully owned by women (100%) ☐
b. More than 50% owned by women ☐
c. Less than 50% owned by women ☐
d. Fully owned by men (100%) ☐

B16. What is the nationality of owners?
a. Fully owned by nationals (100%) ☐
b. More than 50% owned by nationals ☐
c. Less than 50% owned by nationals ☐
d. Fully owned by foreigners (100%) ☐

B17. If any foreign owners, list their nationality
a. _____
b. _____

C. Enterprise/Firm Performance

1.6 Capacity utilization

C1. Are you currently producing at full capacity
a. Yes ☐
b. No ☐

C2. If no to C2, what level of capacity are you currently operating at?
a. Less than 50% ☐
b. 50-60% ☐
c. 61-70% ☐
d. 71-80% ☐
e. 81-90% ☐
f. 91-100% ☐
g. Don't know ☐

1.7 Staffing

C3. Number of employees in the beginning of July 2022:

a. Permanent employees_____
b. Part-time employees_____
c. Casual Labour_____

C4. Number of employees in the beginning of July 2021:

a. Permanent employees_____
b. Part-time employees_____
c. Casual Labour_____

C5. Number of employees in the beginning of July 2020:

a. Permanent employees_____
b. Part-time employees_____
c. Casual Labour_____

C6. Number of employees in the beginning of July 2019:

a. Permanent employees_____
b. Part-time employees_____
c. Casual Labour_____

C7. Do you currently have any plans for increasing or decreasing staff numbers in the coming 6 months?

a. Significantly increase ☐
b. Moderately increase ☐
c. No change planned ☐
d. Moderately decrease ☐
e. Significantly decrease ☐

1.8 Sales turnover

C8. In what currency do you report sales:

a. National currency ☐
b. USD ☐
c. Other: (specify) _____

C9. Estimated sales turnover for the financial year ending in the following years:

a. 2022 (expected)_____
b. 2021_____
c. 2020_____
d. 2019_____

1.9 International trade

C10. Does this Enterprise/Firm export, import or both?

a. Both exports and imports ☐
b. Export only ☐
c. Import only (skip to C15) ☐
d. Firm does not import nor export ☐
e. Don’t know ☐

C11. In what currency do you report export sales:

a. National currency ☐
b. USD ☐
c. Other: (specify) _____

C12. Estimated exports for financial years ending in the following years

a. 2022 (expected)_____
b. 2021_____
c. 2020_____
d. 2019_____

C13. Over the past year, which countries did the enterprise export to?

a. Southern Africa ☐
b. Rest of Africa ☐
c. Europe ☐
d. Asia & Oceania ☐
e. North America ☐
f. South America ☐

C14. If "a." to C13, to which countries? (Tick those that apply)

a. Angola ☐
b. Botswana ☐
c. Eswatini ☐
d. Lesotho ☐
e. Malawi ☐
f. Mauritius ☐
g. Mozambique ☐
h. Namibia ☐
i. South Africa ☐
j. Zambia ☐
k. Zimbabwe ☐

C15. Over the past year, which countries did the enterprise import from?

a. Southern Africa ☐
b. Rest of Africa ☐
c. Europe ☐
d. Asia & Oceania ☐
e. North America ☐
f. South America ☐

C16. Over the past year, what type of imports did the enterprise buy from foreign suppliers?

a. Intermediate goods ☐
b. Finished goods ☐
c. Services ☐
d. Others: (specify)_____

D. Business Challenges and Policy Response

1.10 Challenges in general

D1. What are currently the main challenges for the business? (tick the 3 most relevant)

a. Low demand for goods and services ☐
b. Accessing capital ☐
c. High interest rates ☐
d. Devalued currency ☐
e. Price of inputs ☐
f. Supply chain disruptions ☐
g. Regulations ☐
h. Corruption ☐
i. Access to skilled labour ☐
j. High taxes ☐
k. Others: (specify)_____

For each selected, specify the issue (loop):

D2. If challenge a selected:

a. Specify_____

D3. If challenge b selected:

a. Specify_____

D4. If challenge c selected:

a. Specify_____

D5. If challenge d selected:

a. Specify_____

D6. If challenge e selected:

a. Specify_____

D7. If challenge f selected:

a. Specify_____

D8. If challenge g selected:

a. Specify_____

D9. If challenge h selected:

a. Specify_____

D10. If challenge i selected:

a. Specify_____

D11. If challenge j selected:

a. Specify_____

D12. If challenge k selected:

a. Specify_____

1.11 Impact of Covid-19 pandemic 2020-2022

D13. How did the Covid-19 pandemic impact your business during 2020 and 2021?

a. Highly positive impact ☐
b. Moderately positive impact ☐
c. No impact ☐
d. Moderately negative impact ☐
e. Highly negative impact ☐

D14. What was the impact on your business in the following parameters? (Tick your rating)

	Very Low	Low	No Change	High	Very High
a. Sales	☐	☐	☐	☐	☐
b. Exports	☐	☐	☐	☐	☐
c. Number of employed staff	☐	☐	☐	☐	☐
d. Production level	☐	☐	☐	☐	☐
e. Number of clients/contracts	☐	☐	☐	☐	☐
f. Stock of finished goods	☐	☐	☐	☐	☐
g. Access to supplies to operate the business	☐	☐	☐	☐	☐
h. Ability to pay salaries	☐	☐	☐	☐	☐
i. Ability to pay for inputs and variable expenses	☐	☐	☐	☐	☐
j. Ability to pay back loans	☐	☐	☐	☐	☐
k. Imports	☐	☐	☐	☐	☐

D15. If positive impact (a or b to D13), in what way did the pandemic have a positive impact on your business?

a. Increased profit margins from higher prices ☐
b. Less competition in the market ☐
c. Improved access to skilled labour ☐
d. Increased use of technology ☐
e. Increased use of local raw materials ☐
f. Other: (specify)_____

D16. How did your business respond to the pandemic 2020-22? (select those that apply)

a. Stopped operating ☐
b. Stopped paying staff ☐
c. Laying off staff ☐
d. Lowering production ☐
e. Found new domestic suppliers ☐

f. Found new foreign suppliers ☐
g. Invested in new technologies ☐
h. Taken new loans to bridge the crisis ☐
i. Started working more online and from home ☐
j. Increased e-commerce focus/capabilities ☐
k. Deferring planned investments ☐
l. Found new external markets ☐
m. Focused more on domestic market ☐
n. New customer/go to market strategy ☐
o. Created new organizational structure ☐
p. Other: (specify)_____

D17. Since the outbreak of Covid-19 in 2020, has this establishment benefited from support measures issued in response to the crisis?

a. Yes ☐
b. No ☐

D18. If no to 17, what of the follow options best describe the reason why this establishment did not receive any national or local government measures issued in response to the crisis? ☐

a. We were not aware
b. Too difficult to apply ☐
c. We were not eligible ☐
d. We applied but did not receive it ☐
e. Corruption is preventing us to access ☐
f. Other: (specify)_____

D19. If yes to D177, what kind of support? (tick those that apply)

a. Cash transfer ☐
b. Deferral of rent, mortgage, or utilities ☐
c. Deferral of credit payments ☐
d. Suspension of interest payments ☐
e. Rollover of debt ☐
f. Access to new credit ☐
g. Loans with subsidized interest rates ☐
h. Fiscal exemptions or reductions ☐
i. Tax deferral ☐
j. Wage subsidies ☐
k. Suspension of membership fees ☐
l. Personal Protection Equipment (PPE) ☐
m. Hand washing stations or hand sanitizer ☐
n. Health and Safety guidelines on social distancing in the workplace ☐

D20. Who provided the support?

a. Landlord ☐
b. Commercial bank ☐
c. The Government ☐
d. Family ☐

e. Suppliers ☐
f. Buyers ☐
g. Business Association ☐
h. Other: (specify)_____

D21. To what extent was the support useful for the business?

a. Very useful ☐
b. Useful ☐
c. Not very useful ☐
d. No effect ☐
e. Negative effect ☐

D22. By mid-2022, to what extent was the business still impacted by the Covid-19 pandemic?

a. Now a highly negative impact ☐
b. Now a moderately negative impact ☐
c. No impact any more ☐
d. Now a moderate positive impact ☐
e. Now a highly positive impact ☐

1.12 Impact of Russia-Ukraine war since February 2022

D23. How is the Russia-Ukraine war since February 24th impacting your business?

a. Highly negative impact ☐
b. Moderate negative impact ☐
c. No impact ☐
d. Moderate positive impact ☐
e. Highly positive impact ☐

D24. What was the impact on your business in the following parameters? (Tick your rating)

	Very Low	Low	No Change	High	Very High
a. Sales	☐	☐	☐	☐	☐
b. Exports	☐	☐	☐	☐	☐
c. Number of employed staff	☐	☐	☐	☐	☐
d. Production level	☐	☐	☐	☐	☐
e. Number of clients/contracts	☐	☐	☐	☐	☐
f. Stock of finished goods	☐	☐	☐	☐	☐
g. Access to supplies to operate the business	☐	☐	☐	☐	☐
h. Ability to pay salaries	☐	☐	☐	☐	☐
i. Ability to pay for inputs and variable expenses	☐	☐	☐	☐	☐
j. Ability to pay back loans	☐	☐	☐	☐	☐
k. Imports	☐	☐	☐	☐	☐

D25. If positive impact (a or b to D13), in what way did the Ukraine crisis have a positive impact on your business?

a. Increased profit margins from higher prices ☐
b. Less competition in the market ☐
c. Improved access to skilled labour ☐
d. Increased use of technology ☐
e. Increased use of local raw materials ☐
f. Other (specify)_____

D26. How did your business respond to the Ukraine crisis? (select those that apply)

a. Stopped operating ☐
b. Stopped paying staff ☐
c. Laying off staff ☐
d. Lowering production ☐
e. Found new domestic suppliers ☐
f. Found new foreign suppliers ☐
g. Invested in new technologies ☐
h. Taken new loans to bridge the crisis ☐
i. Started working more online and from home ☐
j. Increased e-commerce focus/capabilities ☐
k. Deferring planned investments ☐
l. Found new external markets ☐
m. Focused more on domestic market ☐
n. New customer/go to market strategy ☐
o. Created new organizational structure ☐
p. Other: (specify)_____

D27. Since the Ukraine crisis, has this establishment benefited from additional support measures beyond those issued in response to the crisis?

a. Yes ☐
b. No ☐

D28. If no to D17, what of the follow options best describe the reason why this establishment did not receive any national or local government measures issued in response to the Ukraine crisis?

a. We were not aware ☐
b. Too difficult to apply ☐
c. We were not eligible ☐
d. We applied but did not receive it ☐
e. Corruption is preventing us to access ☐
f. Other: (specify)_____

D29. If yes to D17, what kind of support? (tick those that apply)

a. Cash transfer
b. Deferral of rent, mortgage, or utilities ☐
☐

c. Deferral of credit payments
d. Suspension of interest payments ☐
e. Rollover of debt ☐
f. Access to new credit ☐
g. Loans with subsidized interest rates ☐
h. Fiscal exemptions or reductions ☐
i. Tax deferral ☐
j. Wage subsidies ☐
k. Suspension of membership fees ☐
l. In-kind contribution of inputs/raw materials ☐
m. Other: (specify)_____

D30. Who provided the support?

a. Landlord ☐
b. Commercial bank ☐
c. The Government ☐
d. Family ☐
e. Suppliers ☐
f. Buyers ☐
g. Business Association ☐
h. Other: (specify)_____

D31. To what extent was the support useful for the business?

a. Very useful ☐
b. Useful ☐
c. Not very useful ☐
d. No effect ☐
e. Negative effect ☐

1.13 Desired Policy response

D32. To what extent do you think the current Government policies are positive for the business environment in (Name of the country)?

a. Extremely positive ☐
b. Very positive ☐
c. Moderately positive ☐
d. Moderately negative ☐
e. Very negative ☐
f. Extremely negative ☐

D33. What measures would be needed to improve the business environment in the current situation? (pick maximum 2)

a. Prefer as little government interventions as possible ☐
b. Loan guarantee facilities ☐
c. Trade agreements with improved market access ☐
d. Tax deferral ☐
e. Wage subsidies ☐
☐

f. Subsidies on inputs
g. Cash transfers ☐
h. Other: (specify)_____

E. Trade Agreements

E1. Does the Ukraine crisis have any impact on your ability to trade?

a. Severe impact ☐
b. Moderate impact ☐
c. Insignificant impact ☐
d. No impact at all ☐

E2. As of today, does the Covid-19 pandemic still impact your ability to trade internationally? ☐

a. Severe impact
b. Moderate impact ☐
c. Insignificant impact ☐
d. No impact at all ☐

E3. What hurdles are you currently facing related to exporting?

a. Regulations ☐
b. Customs tariffs ☐
c. Market knowledge ☐
d. Not competitive in foreign markets ☐
e. Technology ☐
f. High transport costs ☐
g. Corruption ☐
h. Lack of knowledge how to export ☐
i. Home market is large enough ☐
j. Other (specify)_____

E4. In your view, what could government do to improve your ability to export?

a. Specify_____

E5. What hurdles are you currently facing related to importing?

a. Regulations ☐
b. Customs tariffs ☐
c. Market knowledge ☐
d. Not competitive in foreign markets ☐
e. Technology ☐
f. High transport costs ☐
g. Corruption ☐
h. Lack of knowledge how to import ☐
☐

i. Home market is large enough
j. Other (specify)_____

E6. In your view, what could government do to improve your ability to import?

a. Specify_____

E7. To your knowledge, which of these trade agreements is your country signatory to?

a. AfCFTA ☐
b. SADC ☐
c. COMESA ☐
d. AGOA ☐
e. Others (specify)_____

E8. In your perception, what is the main objective of the AfCFTA?

a. Specify_____

E9. Are you planning to take advantage of new opportunities in AfCFTA?

a. Yes ☐
b. No ☐

E10. What will be the impact of AfCFTA on your business?

a. Very positive impact ☐
b. Positive impact ☐
c. No impact ☐
d. Negative impact ☐
e. Very negative impact ☐

E11. If positive impact, how does the business benefit? (tick maximum 2)

a. New market access on the company ☐
b. Improved access to suppliers and inputs ☐
c. Improved access to skilled labour ☐
d. Improved access to investing in other countries ☐
e. Opportunities for using new technology ☐
f. Improved access to investment into the business due to a larger market ☐
g. Others (specify)_____

E12. If negative impact, how is the business impacted? (tick)

a. Increased competition in our home market ☐
b. Others (specify) _____

E.13. What do you think will be the top 3 most significant challenges for your enterprise to be able to trade under the AfCFTA and benefit?

a. Specify_____
b. Specify_____
c. Specify_____

F. Use of Technology

F1. For which of the following business functions has this establishment started using or increased the use of internet, online social media, specialized Apps or digital platforms in response to Covid-19 outbreak? Choose all options that apply.

a. Communicating with employees ☐
b. Communication with clients and suppliers ☐
c. Supply chain management ☐
d. Marketing ☐
e. Sales and bookings ☐
f. Payment methods ☐
g. Service delivery ☐
h. Other: (specify)_____

F2. Has the use of technology in the business increased or decreased in response to Covid-19? ☐

a. Increased a lot
b. Increased a little ☐
c. No change as a result of Covid-19 ☐
d. Decreased a little ☐
e. Decreased a lot ☐

F3. Does your business use any of the following to market your business or sell your products or services?

a. A website ☐
b. Facebook ☐
c. An online shop ☐
d. Youtube ☐
e. Instagram ☐
f. Whatsapp ☐
g. Twitter ☐
h. None of the above ☐
i. Other (specify)_____

F4. If any to the above, what is the share of sales generated using the external digital platforms? ☐

a. Less than 10%
b. Between 11%-25% ☐
c. Between 26%-50% ☐
d. More than 50% ☐
e. Don't know ☐

F5. Has the focus on using digital platforms for sales increased or decreased as a result of Covid-19?

a. Increased a lot ☐
b. Increased a little ☐
c. No change ☐

d. Decreased a little ☐
e. Decreased a lot ☐

F6. In the year ahead, do you plan to invest in new technologies for your business operations or sales?

a. Yes ☐
b. No ☐

F7. If yes, in what?

a. Specify_____

F8. What is the motivation for investing?

a. Demanded by clients ☐
b. Responding to competitors ☐
c. To lower costs ☐
d. To access new markets ☐
e. Others (specify)_____

F9. If No, why not?

a. Too expensive ☐
b. Don't know what to invest in ☐
c. Cannot find a product/supplier ☐
d. No need ☐

F10. What kind of support would you need from Government in order to invest in new technologies?

a. Specify_____