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

United Nations Economic Commission for Africa
Sub-Regional Office for Southern Africa

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<tr>
<td>AfCFTA</td>
<td>African Continental Free Trade Area</td>
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<td>AGT</td>
<td>General Tax Authority</td>
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<td>BDA</td>
<td>Angolan Development Bank</td>
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<td>BNA</td>
<td>National Bank of Angola</td>
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<td>COMESA</td>
<td>Common Market for Eastern and Southern Africa</td>
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<td>COVID-19</td>
<td>Corona virus disease of 2019</td>
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<td>CCIA</td>
<td>Chamber of Commerce and Industry of Angola</td>
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<td>FADA</td>
<td>Agricultural Development Support Fund</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>IDA</td>
<td>International Development Association</td>
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<td>IFAD</td>
<td>International Fund for Agricultural Development</td>
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<td>INE</td>
<td>National Institute of Statistics</td>
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<td>INAPEM</td>
<td>National Institute of Support to Micro, Small and Medium Enterprises</td>
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<tr>
<td>MASFAMU</td>
<td>Ministry of Social Action, Family and Promotion of Women</td>
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<tr>
<td>MEP</td>
<td>Ministry of Economy and Plan</td>
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<tr>
<td>MINDCOM</td>
<td>Ministry of Industry and Trade</td>
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<tr>
<td>MSME</td>
<td>Micro small and medium enterprise</td>
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<td>PAMPE</td>
<td>Support Program for Micro, Small and Medium Enterprises</td>
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<tr>
<td>PLANAGRÃO</td>
<td>Action Plan for the National Plan for Promotion of Grain Production</td>
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<td>PREI</td>
<td>Program for the Conversion of the Informal Economy</td>
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<td>REMPE-2019</td>
<td>Census of Companies and Establishments</td>
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<td>SADC</td>
<td>Southern African Development Community</td>
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<td>SDG</td>
<td>Sustainable Development Goals</td>
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<td>SRO-SA</td>
<td>Sub regional office for Southern Africa</td>
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<td>UNECA</td>
<td>United Nations Economic Commission for Africa</td>
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<td>USD</td>
<td>United States Dollar</td>
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<td>World Health Organisation</td>
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This country report is a deliverable of the project titled “Global initiative towards post-Covid-19 resurgence of the MSME Sector”, or the MSME Surge project that was funded by the United Nations (UN) Development Account (DA) 13th tranche from 2020 to 2022. The project brought together the United Nations Conference on Trade and Development (UNCTAD), the UN Department of Economic and Social Affairs (DESA) and the five UN regional economic commissions including the United Nations Economic Commission for Africa (ECA), through its Sub-regional Office for Southern Africa (SRO-SA) based in Lusaka, Zambia.

The country report for Angola was authored by Carlos Lopes, ECA SRO-SA consultant who led the conduct of the survey in Angola, with a team of enumerators, working under the overall coordination of Mads Knudsen, lead SRO-SA international consultant, from Vanguard Economics Ltd. The report was prepared under the direct supervision of Bineswaree Bolaky, Economic Affairs Officer, ECA SRO-SA working under the overall guidance of Isatou Gaye, Chief, Sub-regional Initiatives Section, ECA SRO-SA.

This country report is one of 11 country reports assessing the impact of COVID-19 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 joint collaboration between ECA SRO-SA, the SADC Business Council and the Angola Chamber of Commerce and Industry. Special thanks are expressed to Peter Varndell, Chief Executive Officer, SADC Business Council and his team, and Jose Tondela, Chief Executive Officer, Angola Chamber of Commerce and Industry for their support and guidance on this initiative. The draft country 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.

Special thanks are extended to the national partners, namely the National Institute of Support to Micro, Small and Medium Enterprises (INAPEM) and the Angolan Chamber of Commerce and Industry (CCIA) for their support, availability, and collaboration to Prof Josue Chilundo and his team and to the enumerators who implemented the survey.
EXECUTIVE SUMMARY

The study was undertaken to assess the impact of COVID-19 and the Russia-Ukraine crisis on MSMEs in Angola, the role regional integration plays in post pandemic recovery, and how technology and innovation are being used by MSMEs to address the impacts of the pandemic and the Russia-Ukraine crisis.

The basis of the study is a survey of 147 MSMEs across the provinces of Luanda, Huila and Huambo, but strongly concentrated in Luanda, capital city of Angola. Besides the over-representation of businesses in the capital, the sample reveals an under-representation of agricultural units, these are biases that were considered when the results of the study were analysed.

After the limited success of online and telephone surveys, a team of enumerators with a coordinator, conducted face to face surveys at the location address of Micro, Small and Medium Enterprises certified in the database of the National Institute for Support to Micro, Small and Medium Enterprises. The 147 businesses were surveyed, of which 35 businesses were closed, and 112 businesses are operational. Most of the businesses are micro and small, operate in the service sector, mainly owned by men and non-youth owners. 41.1% of businesses were established in the last three years.

A finding was that both COVID-19 and the Russia-Ukraine crisis negatively affected businesses of all sectors, sizes, and age. However, importers were more affected than non-trade business. Businesses in industry were the worst affected in 2020 compared to businesses in services and agriculture but the industry sector showed a quicker recovery, in line with price fluctuations in international crude oil markets. COVID-19 had a more negative impact on businesses than the Russia-Ukraine crisis. Overall, revenue and staff growth diminished significantly in 2020 during the pandemic compared to 2022 during the Russia-Ukraine crisis. The increase in inflation, prices of fertilizer and inputs are strongly attributed to the Russia-Ukraine crisis although it is compounded by the devaluation of the Kwanza before and during the same period. Only 6.2% of businesses did not take any measures to respond to the pandemic but most decreased production in response to the crisis, deferred plans of investments and laid off staff.

The African Continental Free Trade Area (AfCFTA) is the least known of the trade agreements to which Angola is a signatory while the Southern African Development Community (SADC) remains the most known trading bloc. However, overall, regional integration is currently playing a negligible role in post pandemic recovery of the MSME sector in Angola. There is no trade between the businesses interviewed and the rest of Africa, Europe, Asia and Oceania, North America, and South America. Only few of the businesses studied engage in export trade within SADC and especially with South Africa. That means the MSME sector in Angola is not exploiting opportunities from regional integration. There are economic challenges such as a long and sharp devaluation of the national currency and a persistent and significant inflation rate and there are hurdles to overcome regarding knowledge about export markets, access to export markets, customs duty and regulations, high transportation costs, and the businesses capabilities to produce for export markets.

Finally, on the use of technology and innovation to respond to the impacts of COVID-19, the study finds that technology is used among MSMEs in Angola. A few of the businesses did not use technology or innovations to respond to the impacts of COVID-19. For the businesses which used technology, WhatsApp, Instagram and Facebook are the commonly used tools for marketing and selling. Businesses are of the view that access to finance, improved telecommunication services, reduced internet costs, and capacity building in developing and using innovations would enhance adoption and use of technology among the MSME sector.
The study therefore recommends supporting the transition from informal to formal status of economic units operating only on a domestic scale to activities integrated into regional value chains. More so, there is a need to strengthen institutional capacities of business associations as support structures for the activity of MSMEs and promote advocacy on the advantages for MSMEs to participate in SADC and AfCFTA. Additionally, it is critical to provide information on opportunities in regional and international markets. It is also important to note that these initiatives will only be sustainable if the country successfully faces the structural and cyclical economic challenges that still persist.
1. INTRODUCTION

This is a study report for Angola on the impacts of the Coronavirus disease of 2019 (COVID-19) and the Russia-Ukraine crisis on the micro, small and medium enterprises (MSME) sector.

1.1 Background of the study:

On 30 January 2020, the World Health Organisation (WHO) declared COVID-19 a global public health emergency of international concern (WHO, 2020). COVID-19 has had adverse effects on the African continent, and particularly MSMEs. A rapid online survey, implemented by the United Nations Economic Commission for Africa (UNECA) and the International Economics Consulting, in 2020 reported that 80% of responding firms indicated being significantly affected by COVID-19. The proportion was relatively uniform across the size of enterprises and kind of businesses (UNECA and IEC, 2020). The rate of capacity utilisation ranged from 30-40% for small enterprises to 50-60% for large enterprises. This however varied depending on the sector in which the business operated. Manufacturing, travel/hospitality, and transportation services operated at their lowest capacities. Lack of cash flow was the number one challenge for MSMEs, and over half of the respondents felt their governments’ responses to COVID-19 were unsatisfactory (UNECA and IEC, 2020).

Subsequently, the United Nations Economic Commission for Africa, through its Subregional Office for Southern Africa (ECA SRO-SA) participated in the project: “The Global initiative towards post COVID-19 MSME sector”, which intended to develop and implement capacity building tools for governments and MSMEs. The objective was to facilitate resurgence and strengthen the resilience of MSMEs in developing countries and economies in transition. Furthermore, it aimed to mitigate the economic and social impacts of COVID-19 and facilitate the contribution of MSMEs to the implementation of Sustainable Development Goals (SDGs). Under this project, ECA SRO-SA commissioned a survey across its 11 member states to assess the impacts of COVID-19 and the Russia-Ukraine crisis on MSMEs. This country report on Angola forms part of this series of 11 country reports and a regional report synthesizing the findings of the country reports.

This report presents findings from Angola MSMEs to assess the impact of the current twin-crisis; namely, the lingering impact of COVID-19 as well as the impact of the Russia-Ukraine crisis. Furthermore, it presents a discussion on how technology and innovation is being used by MSMEs in the country as well as the role that regional integration can play. Finally, it provides policy advice for a way forward as MSMEs and the economy at large recovers.

1.2 Research methodology:

In Angola, the collection of information to support studies of this nature often faces various constraints, which are even more significant when it comes to the application of sample surveys. There are some specificities of Angola that may act as challenges to sampling challenges, namely: The size of the country, with 18 provinces; asymmetries in terms of population concentration and economic activities, particularly Luanda versus the rest of the country and the coast versus the interior; strong presence of the informal segment of the economy; fragility and scarcity of systematized, specialized and disaggregated information; lack of information-sharing culture; and presence of several business associations, with fragmented representativeness.
For the purposes of this study, preferential contact was established with INAPEM and CCIA. The database that served as the basis for the administration of the questionnaire survey was provided by INAPEM, with a total of 37,388 records of certified companies.

In a first phase, lasting approximately 40 days, and in accordance with the consensual methodological approach, electronic and telephone contacts were favoured, with the aim of obtaining at least 384 surveys applied.

Given the very high frequency of non-responses, a team of eight (8) enumerators was formed, led by one (1) Information Collection Coordinator, who went to the selected companies and received 2 days of training on how to apply the questionnaires. In a meeting held on 19 March 2023 with the Information Collection Coordinator and all enumerators, the following difficulties were listed:

1. The length of the survey, (number of questions contained in the survey), reflected in the fact that entrepreneurs take on average 45 to 60 minutes to complete it, and sometimes are unwilling to make this time available to carry out this process.
2. Given the characteristics of the questions contained in the survey, some refuse to finish filling it out of mistrust.
3. It is noted that some entrepreneurs simply have no interest in contributing to the research.

A total of 147 surveys were applied, of which only 112 were operational, almost exclusively in Luanda Province.

Attempts were also made by email and telephone in order to obtain the perspectives of institutional representatives. Of the 7 contacts made, only 3 were successful.

The questionnaire for the study was developed by UNECA SRO-SA (Appendix 1). In the province of Luanda, 3 municipalities were selected where the enumerators applied the questionnaires. While in the provinces of Huila and Huambo, the questionnaires were applied in the host municipalities. From the INAPEM database, the enumerators applied the surveys to micro, small and medium-sized enterprises in the municipalities mentioned.

The study collected demographic details of businesses. It measured performance of businesses in capacity utilisation, staffing levels, sales turnover and international trade. It further assessed challenges MSMEs face, the impact of COVID-19 and the Russia-Ukraine crisis on MSMEs, and the MSMEs’ responses. It finally assessed the use of technology and innovations among MSMEs during the COVID-19 pandemic and the Russia-Ukraine crisis, and knowledge and utilisation of regional integration frameworks among MSMEs in Angola. Business owners and/or managers provided responses in the study.

All ethical considerations were observed with regard to seeking informed consent to participation, and the respondents were advised that they were free to withdraw their participation if they were not happy with the interview proceedings.

1.3 Limitations

The main limitations of the study were the small size of the sample, with reflections on its representativeness, and the urban and sectoral biases (low representation of the agricultural sector in the sample), associated with the fact that almost all MSMEs are located in Luanda Province, and particularly in the capital of the country.
1.4 Outline of the report

In the next section, Angola’s country context is presented followed by the profile of the surveyed MSMEs in section 3. Section 4 presents the impact on MSMEs sales and staff numbers, section 5 presents the current challenges of MSMEs, and section 6 presents the impact and response to COVID-19. Section 7 presents the impact and response to the Russia-Ukraine crisis, section 8 presents challenges and opportunities in technology uptake, and section 9 presents the challenges and opportunities in international trade and regional integration. Section 10 presents the outlook for the future and requests from businesses, and section 11 concludes and presents the recommendations.
2. ANGOLA – COUNTRY CONTEXT

The following is the economic context of Angola and the government’s response to the COVID-19 pandemic. The text in this section refers to figure 2.

Key findings:

Angola is a country rich in natural resources, especially oil, diamonds and iron ore. However, the country’s economy was hit hard by the fall in oil prices in mid-2014, which led to a severe financial crisis. The Angolan economy had ups and downs between 2018 and 2022 owing to its dependence on oil and gas. Though there are some signs of economic diversification, Angola still has a heavy reliance on oil and gas exports, about 90 percent. The COVID-19 pandemic highlighted the need to diversify the economy and reduce dependence on oil, but implementing policies to achieve this diversification is still a challenge for the country.

In 2019, the country recorded GDP growth of -0.7%, after years of recession. However, the COVID-19 pandemic negatively affected the economy in 2020, with an estimated growth of -5.6%.

Between 2018 and 2022, the Angolan economy went through a series of changes and challenges, which affected the country’s main macroeconomic variables. Below, some of the main trends and changes observed in this period are highlighted:

- **GDP**: Angola's GDP showed a significant decline in 2020, due to the impacts of the COVID-19 pandemic and the drop in oil prices. However, the economy showed signs of recovery in 2021 and 2022, with growth forecast at about 2.8% in 2022, driven by the increase in oil prices and recovery in non-oil sectors (figure 2.1).

- **Inflation**: Inflation in Angola has historically been high but showed a downward trend in 2018 and 2019. However, in 2020, inflation increased significantly due to the devaluation of the currency and the increase in prices due to the pandemic. In 2021, inflation fell slightly but still remained high at around 25%, largely due to food prices (figure 2.5). According to BNA, the average inflation rate in 2022 stood at 18%, developments resulting from the appreciation of the average kwanza exchange rate and a slight slowdown in commodity prices.

- **Exchange rate**: The exchange rate in Angola has historically been volatile, but there have been efforts to stabilise it in recent years. In 2018 and 2019, the exchange rate remained relatively stable, but there was a significant devaluation in 2020 due to the economic crisis and the COVID-19 pandemic. In 2021, there was some stabilisation of the exchange rate, but it still remained at a relatively low level against the US dollar (figure 2.4). During the first part of 2022, there was an appreciation of the Angolan kwanza, while in the second part of the year the kwanza again lost exchange value against the dollar. According to IMF data (IMF, 2023) in 2022, official exchange rate (average, kwanzas per U.S. dollar) stands at 462 kwanzas.

- **Trade balance**: Angola's trade balance has historically been unfavourable due to the country’s dependence on oil exports. In 2020, there was a significant drop in exports due to the pandemic, leading to an even larger trade deficit. In 2021, the trade balance showed some improvement due to the increase in oil prices, but still remains unfavourable (figure 2.6). According to INE data, Angola exported in 2022 the equivalent of almost 39.5 billion euros, having imported almost 14 billion euros, which is why the trade balance has an even more expressive positive balance.
The product groups that had the largest share in the total value of exports were, fundamentally, mineral fuels, with 94.9%, ‘pearls, stones and precious metals’, with 3.9%, while in the total value of imports the product groups that stood out the most were ‘mineral fuels’, with 22.4%; ‘machines and appliances’, with 18.5%, and ‘food’, with 12.2%.

- **External debt**: Angola’s external debt has historically been high and increased further in 2020 due to the economic crisis and the pandemic. In 2021, the country renegotiated part of its debt with external creditors, which helped reduce pressure on its public finances. In 2022, according to IMF data, public sector debt/GNP stood at 65.2%.

In summary, the Angolan economy experienced a series of challenges and changes between 2018 and 2022, which affected the country's main macroeconomic variables. However, there are signs of recovery in some sectors and the implementation of structural reforms may help to further boost economic growth in the long term.

Looking ahead, the Angolan economy is expected to continue to recover, driven by rising oil prices and the implementation of structural reforms. However, economic diversification is still a major challenge for the country, which depends heavily on oil, gas and diamonds for its income.

### 2.1 Economic Context

Angola’s GDP, which is at US$121.4 billion declined in 2020, but rose again since 2021. COVID-19 has had substantial impact on Angola’s economy. The services sector which accounts from 46.5% of the GDP has been driving the growth of the economy (figures 2.1, 2.2 and 2.3). With a GDP (current price) of US$121.6 billion (IMF’s 2022 Article IV Consultation report, March 2023), Angola is the third-largest economy in Sub-Saharan Africa. However, its fossil fuel dependency and low economic diversification make the country highly vulnerable to external economic shocks and financial crises. Unable to cope with the structural and macroeconomic challenges, partly due to the global turmoil linked with the COVID-19 pandemic, its graduation to Middle Income Country (MIC) has been deferred from 2021 to 2024. The social and political situation in Angola is relatively stable. Important legislation and programmes are in place for macroeconomic stabilisation, investment and privatisation agenda, economic and export diversification, modernised competition framework, simplified tax measures and asset recovery.

There are clear signals that reforms will remain high on the Government’s agenda and among the population's expectations in the coming years. The country is confronted with extreme inequalities. For example, one in two people lives below the international poverty line of USD 1.90 per day (World Bank (2020)). Triggered by the outbreak of the COVID-19 pandemic and exposure to recurrent climate events, in 2020, the economy recorded its worst contraction in the last 40 years, and real GDP fell by 5.8%, exacerbating a recession that started in 2014. However, it is recovering, with real GDP growth estimated at 1.1% in 2021 and forecasted at 2.8% in 2022 and 3.5% in 2023 by the International Monetary Fund (IMF (2023)). To move away from its dependency on fossil fuels, the Government has embarked on an ambitious programme to diversify the economy.

Still, progress is limited, and the labour market remains characterised by informality, low productivity and mismatched skills. Agriculture employs the vast majority of the population at 58.7%, the service sector (33.5%) has been growing and industry (7.8%) remains the sector that creates the least jobs (figure 2.7). In 2021, one-third of the economically active population was unemployed (INE, 2022); of those employed, 80.7% work in the informal economy. The sizeable informal economy weakens policy effectiveness and the Government's ability to generate fiscal revenues.
In turn, limited fiscal resources constrain the Government's capacity to offer adequate coverage of social protection programmes and provide access to public sector services.

The Angolan economy experienced a series of challenges and changes between 2018 and 2022, which affected the country's main macroeconomic variables. However, there are signs of recovery in some sectors and the implementation of structural reforms may help to further boost economic growth in the long term.

Looking ahead, the Angolan economy is expected to continue to recover, driven by rising oil prices and the implementation of structural reforms. However, economic diversification is still a major challenge for the country, which depends heavily on oil and diamonds for its income.

The COVID-19 pandemic had a significant impact on micro, small and medium enterprises (MSMEs) in Angola. The containment measures adopted by the government, including the temporary closure of companies, significantly reduced economic activity across the country during the pandemic, which was common among many countries implementing social containment measures.

Many MSMEs were forced to temporarily close or reduce their operating capacity, leading to job losses and a drop in revenue. Most MSMEs in Angola operate in the informal sector, making them particularly vulnerable to the economic impacts of the pandemic.

In addition, mobility restrictions and the disruption of international supply chains also affected MSMEs in Angola. Many companies were unable to obtain raw materials and other inputs necessary for their production, which affected their ability to meet market demand.

The Angolan government implemented several measures to revive the real economy and to support MSMEs during the pandemic, including reducing taxes, providing low-interest loans, and creating support programmes for the sector.

Micro, small and medium enterprises (MSMEs) play a significant role in Angola's economy, contributing to economic growth, job creation and poverty reduction. Although there is no universally accepted definition for MSMEs in Angola, enterprises are classified based on the number of employees and annual turnover. According to INAPEM, MSMEs are classified as follows:

- **Micro-enterprises**: companies with less than 10 employees and annual revenues of up to 15 million Kwanzas (about US$25,000).
- **Small companies**: companies with up to 50 employees and annual revenues between 15 million and 50 million Kwanzas (about US$25,000 to US$83,000).
- **Medium-sized companies**: companies with up to 200 employees and annual revenues of between 50 million and 200 million Kwanzas (about US$83,000 to US$333,000).

MSMEs in Angola represent the vast majority of registered companies in the country, with estimates indicating that over 90% of registered companies are MSMEs. Moreover, MSMEs in Angola account for about 60% of formal jobs in the private sector and contribute about 25% to the country's GDP.

According to INAPEM (2022), distribution of 26,642 certified MSMEs in 2022 was as follows: Micro enterprises, 78.7%; Small businesses, 10.9% and Medium-sized enterprises, 10.4%. The three main sectors of activity are retail trade (35.9%), Provision of Services (34.7%) and Agriculture, Hunting, Animal production, Silviculture (7.8%). Luanda (56.2%), Benguela (6.9%), Uíge (4.2%), Huila (4.1%) and Huambo (3.2%) are where most of these production units are localised.
Results Report published by INE, indicate that the total number of existing companies in Angola was 83,722.

The distribution of companies by provinces shows that Luanda is the province that concentrates the highest number of companies in 2019, with 48.7%, followed by the provinces of Benguela with 8.1%, Huambo with 6.3%, Huila with 5.0%, Bié with 3.5%, among the main ones. The province of Cuando Cubango was the one with the smallest number of companies in this period, concentrating 1.1% of companies in Angola. In Angola, around 86.9% of companies are located in urban areas and 13.1% in rural areas.

Regarding the distribution of companies by legal nature, the data shows 40.3% are sole proprietorship companies, 21.1% are private limited companies, 4.3% are sole proprietorship companies, 1.2% are public limited companies, 0.1% are public enterprises and 33% of companies belong to the informal sector. The REMPE-2019 data from INE, highlights that of the 83,722 registered enterprises, 27,628 are informal enterprises, which corresponds to 33% of the total business fabric. Of the registered informal enterprises, 26,650 employ between 1 to 5 workers and 658 employ between 6 and 10 workers, which means they are micro enterprises, 181 employ between 11 to 19 workers and 110 employ between 20 and 99 workers, which highlights that they are small enterprises and only 8 employ between 100 and 200 workers, which means they are medium enterprises.

The employment generated by informal enterprises corresponds to 6% of the total employment generated by the universe of enterprises surveyed by INE and is higher among women (32%) than men (82.6%). Although Luanda is the province with the highest number of informal businesses (14,355, or 35.2% of all businesses registered in the province), there are other provinces where the percentage of informal businesses is higher, such as Kwanza Norte (43%), Malanje (41.2%), Huila (41.1%) and Bié (40.9%). On the other hand, Cabinda (14%), Namibe (18%), Kwanza Sul (19.7%), Cunene (21.6%) and Zaire (23.3%) are the provinces where the percentage of informal businesses is lowest.

In 2021 and 2022, the Angolan economy started to recover, largely due to the increase in oil prices. However, oil exports still represent a large share of the country's export revenues, and are projected to represent about 90% in 2022, indicating that dependence on oil is still high.

While the crisis between Russia and Ukraine may have an indirect impact on the Angolan economy through the fall in oil prices, the direct impact is limited and the main challenges facing the Angolan economy are related to domestic factors, such as the need for economic diversification and recovery from the COVID-19 pandemic.

2.2 Government response

In general terms, the Angolan government implemented various measures aimed at relaunching the economy (for example, the approval of a set of financial instruments to support companies, namely (i) economic relief measures, provided for in Presidential Decree no. 98/20; (ii) Credit Support Programme (PAC) initial version and restructured version; (iii) One of the instruments implemented was the Service Made in Angola (SFA), an initiative to encourage and promote what is produced and consumed nationally and by companies, to accelerate the diversification of national production in a focused and effective manner).

In a targeted manner, the Angolan government also implemented various support measures for micro, small and medium enterprises (MSMEs) during the COVID-19 crisis.

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1 REMPE19 is the Census of Companies and Establishments. Data was collected between March 2020 and August 2021, and results were presented in REMPE-2019 Results Report published by INE
Key measures:

- **Support Program for Micro, Small and Medium Enterprises (PAMPE):** This program was created to provide financial and technical assistance to SMEs affected by the pandemic. The program included an emergency line of credit, lower interest rates and temporary tax exemption.

- **Temporary suspension of debt and loan payments:** The Angolan government has temporarily suspended payments on debts and loans of MSMEs affected by the pandemic.

- **Facilitating access to finance:** The National Bank of Angola (BNA) has facilitated access to finance for SMEs by reducing the requirements for obtaining loans.

- **Technical support and advice:** The Angolan government has provided technical support and advice to help SMEs adapt to the changes in the business environment caused by the pandemic.

- **Capacity building targeted at MSMEs:** (according to INAPEM, more than 60 thousand operators were trained in various areas).

- **Distribution of food baskets and other social benefits:** The Angolan government has distributed basic food baskets and other social benefits to help vulnerable families cope with the crisis, which can also help maintain consumption and the flow of money in the local economy.

These measures were important to help alleviate the impact of the COVID-19 crisis on Angolan MSMEs, which are a major driver of the country’s economy. However, as in many countries, some MSMEs still face significant challenges, including lack of access to finance and ongoing economic uncertainties.

The Angolan government took swift action to respond to the COVID-19 pandemic. In March 2020, the country closed its borders to foreign travelers and suspended international flights, as well as imposing social distancing measures such as closing schools, restaurants, and other public places. The government also launched a public awareness campaign to encourage the population to follow health and hygiene guidelines, including the use of face masks and frequent hand washing. However, as in many countries, the Angolan government’s response faced challenges, including the distribution of personal protective equipment and testing, as well as the effective implementation of social distancing measures in some parts of the country. In addition, the Angolan government implemented a number of economic measures to mitigate the economic impacts of the pandemic. This included tax exemption for medical goods and services, lowering the interest rate, and suspending debt and loan payments to businesses.

The Angolan government implemented several measures to support micro, small and medium-sized enterprises (SMEs) during the COVID-19 pandemic. According to INAPEM, the Executive approved a set of measures to alleviate the negative economic and financial effects on businesses and families, embodied in Presidential Decree No. 98/20 of 9 April, created to address the effects of the COVID-19 pandemic.

This legal instrument included measures aimed at easing the pressure on the treasury with tax obligations, namely:

- The extension to 29 May 2020 of the deadline for the final settlement of the Industrial Tax reporting obligations for Group B companies and to 30 June 2020 of the deadline for the final settlement of the Industrial Tax reporting obligations for Group A companies.

- On tax matters, they aimed to provide a 12-month tax credit for companies on the value of VAT payable on the importation of capital goods and raw materials that are used for the production of 54 goods that are referred to in Presidential Decree 23/19 of 14 January.
It also authorised the deferral of the payment of the Social Security Contribution (contribution of 8% of the total payroll) regarding the 2nd Quarter of 2020, for payment in six monthly instalments, during the months of July to December 2020. This is without imposition of interest with the objective of ensuring financial support for the minimum maintenance of activity levels of micro, small and medium-sized companies in the productive sector.

Consequently, total resources of around 488 billion Kwanzas were allocated, distributed amongst financial support initiatives, such as the Agricultural Development Support Fund (FADA), with a credit line of 15 billion Kwanzas, to finance family agricultural and livestock farms, with an interest rate of not more than 3%, making it the main instrument for financing this type of producer, with speedy document processing and for financing packages of the same size.

In the same vein, the Angolan Development Bank (BDA), provided a credit line of 26.4 billion kwanzas to finance purchases by commercial and distribution operators of nationally produced products, divided into:
- A credit line valued at 13.5 billion Kwanzas to finance purchases by family producer cooperatives and small and medium-sized agri-businesses; and
- A credit line of 750 million kwanzas to finance modernisation projects and expansion of the activities of a maximum of 15 cooperatives per province, in the agriculture and fishing sectors, with a maximum value of 50 million kwanzas, an interest rate of 7.5% and maturity equivalent to the operational cycle.

In turn, the credit operations carried out with the credit lines obtained with external financing guaranteed by the State, namely US$1 billion from the Deustch Bank assigned to the BDA and US$120 million from the ADB assigned to the BPC, will now be monitored by a Supervision Committee, coordinated by the Ministry of Economy and Planning, integrating the Ministerial Departments responsible for the non-oil production sector, to ensure the implementation of a simplified and speedy procedure to access these resources for entrepreneurs in the agriculture, fishing and industry sectors that intend to make investments with more than 50% incorporation of national production factors and that promote exports.

Within the same scope, and with the aim of removing excessive bureaucracy, companies are no longer obliged to register for statistical purposes. AGT will provide the National Statistics Institute (INE) with direct access to the Tax Identification Number database, from which INE will register companies in the Single Company File for statistical purposes. The issuing of a commercial permit is now only required for the commercialisation of foodstuffs, live plant species, animals, poultry and fisheries, medicines, the sale of cars, fuel, lubricants and chemical products, while all other commercial activities and service provision are only required to apply for an establishment opening permit at the respective Municipal Administration.

Regarding the protection of the welfare of families and the safeguard of the informal sector of the economy, under the referred Presidential Decree, the National Institute of Social Security, upon prior request, authorized the employers of the private sector to transfer to the workers’ salaries, the value of the discount for Social Security (3% discount of the worker’s salary) in the months of April, May and June 2020.

Regarding the guarantee of consumption of basic food basket goods for more vulnerable families, resources totalling 315 million kwanzas were made available to the Ministry of Social Action, Family and Promotion of Women (MASFAMU), which together with the Provincial Governments developed campaigns for the distribution of basic food basket goods for vulnerable segments of the population.
The first phase of the Social Cash Transfer Programme started in May 2020, which had one million six hundred thousand beneficiary families. The Social Protection Strengthening Programme - Kwenda started in May 2020, with the pilot phase of the project. The Kwenda Program is an initiative of the Angolan Government that aims to support families in poverty and vulnerability in the country. It is implemented by FAS (Fundo de Acção Social), a government agency with legal personality, financial and administrative autonomy, in coordination with other institutions to combat poverty. According to the Institute of Local Development (FAS), by April 2023 the Kwenda program benefited more than 600,000 families out of the 1,608,000 that registered. The total disbursement was a little more than US$ 100 million, out of the US$ 420 million available funding, of which US$ 320 million was provided by the World Bank and US$100 million counterpart funding by the Angolan Executive.
Angola’s GDP, which is at $121.42 billion US$, declined in 2020, but rose again since 2021. COVID-19 has had a substantial impact on Angola’s economy. The services sector accounts for 46.5% of the GDP, which has been driving the growth of the economy.

The exchange rate rose since 2018, and fell again in 2021, and then went up again in 2022. The COVID-19 pandemic had a significant impact on the inflation rate in 2020.

In Angola, the agriculture sectors employ the vast majority of the population.

78.7% of MSMEs in Angola are micro enterprises.
3. PROFILE OF SURVEYED MSMSES

Key findings:

The sample is representative of the known MSME population in terms of business size, age, sector, geographic location, ownership, and level of formality.

The survey comprises 147 responding MSMEs of which only 76.2% were operational at the time of the survey (Figure 3.1). MSMEs located in urban areas constituted 90% of the respondents of which 98% are located in the country's capital, Luanda. Huila and Huambo are the other provinces where the survey was implemented (Figure 3.1). The demographics on non-operational businesses and age of businesses studied reflect the high start-up rates and high discontinuation of business rates in the country. Angola shows high start-up rates and high discontinuation of business rates which are demonstrated in the study by the 41% of businesses aged up to 3 years (new businesses) (Figure 3.2.6) and 23.8% of non-operational (discontinued) businesses (Figure 3.1).

The majority of businesses studied (79%) are formal, and microenterprises (66%), with 10 or less employees (Figures 3.2.1 and 3.2.3). Together, micro and small enterprises constitute 95.6% of the sample (Figure 3.2.3). The survey data is aligned with the data from INAPEM and with the data from REMPE-2019. 43.4% of the businesses earn less than US$5,000 per year while only 22.4% can have an income of more than US$50,000 per year (Figure 3.2.5).

Although there are more formal businesses in the study, formality refers to registration with the local authority. Most businesses operate without formal structures of management; and this affects organization and performance of the businesses. Only 24.1% were registered with associations. (Figures 3.2.2). There is a higher prevalence of micro and small businesses in the country when size is measured either by the number of employees or revenue. In Angola, a micro business employs 1-10 people or generates US$0-25,000 in revenue per annum whereas a small business employs 11-50 people or generates about US$25,000 to US$83,000.

Many businesses studied as presented in figure 3.2.4 are in the service sector (85.7%), industry (11.6%) and agriculture (2.7%) The data appears to be biased by the under-representation of rural areas, which is reflected in the small number of agricultural sector enterprises in the sample (2.7%). More businesses are local, and not involved in international trade (57%). 28% are imports only while 5% are exports only and 10% are imports and exports. (Figure 3.2.7).

On the nationality of owners of business (Figure 3.3.1), the majority of businesses studied were fully owned by Angolans (83%). Foreigners fully owned 9.8% and 7.2% are partnerships between Angolans and foreigners.

Men (71%) and non-youth owners (61%) are predominant in the sample (Figure 3.3.3 and 3.3.2). Ownership status of the studied businesses shows that 27% are sole proprietors, 18% are manager owners and 10% are CEO owners, while 11% are co-owners and the remaining are staff-owned (26%), and board member owned (8%) (Figure 3.3.4).

The demographics represent the common types of businesses in Angola which are micro to small, sole proprietorship businesses, predominantly operating in the services sector, and local trade oriented.
3. PROFILE OF SURVEYED MSMEs

3.1 Enterprise location

147 businesses were surveyed and most are located in urban areas.

3.2 Operational enterprise demographics

The majority of businesses are formal, micro (0-10 employees) and in the service sector. 43.4% of the businesses earn less than US$ 5k.

- Figure 3.2.1: Formal vs. informal business
  - 70% Formal business
  - 30% Informal business

- Figure 3.2.2: Enterprise registered with association
  - 24% of the businesses are part of a member association

- Figure 3.2.3: Size of enterprise by employees
  - Micro (0-10): 66%
  - Small (11-100): 29.5%
  - Medium (101-500): 1.8%
  - Large (above 500): 2.7%

- Figure 3.2.4: Sectors
  - Agriculture 27%
  - Industry 11.6%
  - Services 85.7%

- Figure 3.2.5: Annual turnover 2021 (US$)
  - 0-5k: 43.4%
  - 5.1-25k: 7.9%
  - 26-50k: 25.3%
  - 51-100k: 7.9%
  - >100k: 14.6%

- Figure 3.2.6: Age of firm
  - <1 year: 12.5%
  - 1-3 years: 17%
  - 4-5 years: 16.1%
  - 5+ years: 28.5%

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

- Figure 3.2.7: International traders
  - Exports & imports: 10%
  - Doesn’t trade: 57%
  - Import only: 28%
  - Export only: 5%

Most enterprises import more than they export.

3.3 Owner demographics

Angolans own the vast majority of businesses, with men and non-youth accounting for the vast majority of ownership.

- Figure 3.3.1: Nationality of owners
  - Fully 100% owned by nationals: 83%
  - Less than 50% owned by nationals: 0.9%
  - Fully 100% owned by foreigners: 9.8%
  - More than 50% owned by nationals: 6.3%

- Figure 3.3.2: Gender of owners
  - Enterprises owned by men: 71%
  - Enterprises owned by women: 29%

- Figure 3.3.3: Age of owners
  - Enterprises owned by youth: 39%
  - Enterprises owned by non-youth: 61%

- Figure 3.3.4: Respondent role in the enterprise
  - Sole owner: 27%
  - Staff: 26%
  - Manager: 18%
  - Co-owner: 11%
  - CEO/MD: 10%
  - Board member: 1%
4. IMPACT ON MSME SALES REVENUE AND STAFF NUMBERS

Key Findings:

- Sales revenue amongst responding MSMEs followed a similar pattern as the GDP development. In 2020, there was a stagnation in median revenues amongst responding businesses followed by 8% recovery uptick in 2021, and more growth of 11% in 2022 (Figure 4.1.1).

- Industrial businesses were most severely hit and had a strong growth rate decline in 2020 (-93%), recovering in 2021 (102%) and 2022 (14%) because of oil price changes (Figure 4.1.2). Micro businesses and small and medium sized businesses were both severely hit by a stagnated growth rate of 0% respectively in 2020; micro enterprises recovered more in 2021 with a 20% growth compared to SMEs (8%). However, SMEs performed better in 2022 with a growth rate of 17% compared to small and medium sized businesses whose growth rate was only 2% (figure 4.1.3).

- Trading businesses were severely hit and saw more fluctuations than non-trading businesses in revenue generation (Figure 4.1.4). In 2020, trading business (importers) revenues decreased more at the rate of -18% compared to non-traders (0%) but recovered better in 2021 (11%) and 2022 (31%).

- Young enterprises (1 to 3 years) saw a significant decrease in revenue growth in 2020 (-43%) as well as enterprises with 5-10 years of activity (-10%), however their recovery was better in 2021 (12 % and 11%). Enterprises with 4-5 years and with more than 10 years performed better in 2022 at 25% and 44% increase in revenue generation. (figure 4.1.5).

- Fluctuations in part-time staff were significantly higher than full-time staff. This tendency continued throughout the COVID-19 pandemic, and in 2022, part-time staff numbers decreased by 3%, whereas full-time employment increased by 7.1% (Figure 4.2.1).

- Part-time employees were more affected than permanent employees, mainly in the importer sector at a lay off rate of -21% in 2020. Both part-time and permanent workers in the industry sector were more affected, when compared to their counterparts in the service sector (figures 4.2.2 and 4.2.3).

To analyse the impact of COVID-19 and the Russia-Ukraine crisis on businesses in Angola, the study measured annual sales of businesses and employment levels for the period from 2019 to 2022. Revenue and staff growth were calculated to analyze overall growth, growth by sector, type of business operations, size of business, and age of business.

The findings show that there was a decrease in overall revenue growth in 2020. In 2021, revenue growth picked up only to substantially decrease again in 2022 (Figure 4.1.1). Similarly, in 2020 businesses laid off both permanent and part time staff. In 2021, growth in numbers of permanent staff marginally increased only to decrease again in 2022. Part time employees were laid off at a higher rate than full time employees over the period, especially in 2022 (Figure 4.2.1).

The decrease in revenue and staff growth in 2020 is attributed to COVID-19 preventive measures especially travel restrictions which disrupted both demand and supply chains, ceteris paribus. An equally important factor was the effects of the sharp devaluation of the Angolan kwanza, which was particularly significant in the second half of 2019. These events triggered increase of prices of fuel and fertilizer, scarcity of foreign currency, non-food inflation, and increases in prices of commodities. The combined effect was the increase in production costs, disruption of consumer demand, decreases in sales and eventual downsizing of the workforce in businesses.
The uptick in revenue and staff growth in 2021 followed relaxation of COVID-19 restrictions and recovery in international and domestic trade. In Angola, the performance is intimately related to the evolution of the price of crude oil in the international market. On January 15, 2021, Brent was trading at US$ 55.1 per barrel, on June 15, 2021 at US$73.99, on December 15, 2021 at US$73.8, on February 15, 2022 at US$93.2, on July 5, 2022 at US$101.1 and on November 15, 2022 at US$ 93.8. Based on the changes in overall revenue and staff growth between 2019 and 2022, it is observed that COVID-19 overall had a more negative impact on the performance of businesses than the Russia-Ukraine crisis.

When revenue and staff growth is compared among sectors, only industry experienced substantial decreases in revenue growth in 2020 (-93%) and 2022 (14%). In 2021, industry had substantial increase in revenue growth (102%) while the services sector scored a growth rate of 6% and 9% in 2021 and 2022 (Figure 4.1.2). In terms of staff growth, permanent employees (-0.5%) were laid off at a lesser rate than part-time employees (-2.9%) in 2020 and grew in 2021 (10.9% - part-time employees and 11.2% - permanent employees). Albeit less so in the last year, a trend that was more marked in the service sector. In the industrial sector, the use of labor, both part-time and permanent, has developed in parallel with the above-mentioned trend in the price of crude oil (Figure 4.2.3).

When revenue and staff growth is compared among types of business operations, the results show that in 2020 that all businesses experienced a decline in revenue growth especially those that are importers, at the rate of -18%, because international trading was closed (Figure 4.1.4). Importing businesses significantly cut off the number of part time and permanent employees compared to businesses that do not undertake international trade (Figure 4.2.2).

When the economy rebounded in 2021, all businesses enjoyed revenue growth especially those that import. However, only importing businesses maintained revenue growth in 2022 and perform better compared to others. The Russia-Ukraine crisis appears to have had little impact on the import trades growing in 2021 and even more so in 2022.

When revenue growth is compared among businesses of different sizes and age levels, the findings show that micro, small and medium businesses experienced lack of revenue growth in 2020. Businesses of all sizes experienced revenue growth when the economy rebounded in 2021. If we look at the variable size, micro-enterprises reacted better to the fall caused by the lockdown, but small and medium-sized enterprises have a more sustainable recovery, associated with the greater possibility of having access to the support mechanisms implemented by the authorities (Figure 4.1.3). Young companies are struggling to recover from the pandemic shock, while companies over 10, and to a lesser extent those over 4-5 years, have managed to improve their performance (Figure 4.1.5).

It can be concluded by the performance of businesses in revenue and staff growth that COVID-19 and the Russia-Ukraine crisis affected businesses in all sectors, and of all sizes and age levels. Importing businesses however were mostly affected by COVID-19 when international trade was closed while the Russia-Ukraine crisis seems to have had a less severe impact on the activity of companies, regardless of their size.

For non-trade businesses their performance will continue to be negatively affected by the high costs of production due to rebound of prices in international markets of fuels, raw material and inputs, and inflation due to devaluation of the Kwanza and scarcity of foreign currency among the main challenges.
**4.1 MEDIAN REVENUE GROWTH**

**Figure 4.1.1: Overall revenue growth**

**Figure 4.1.2: By sector**
Businesses in the industry sectors performed worse compared to those in the services sector in 2020.

**Figure 4.1.3: By size of business**
Micro enterprises recovered more in 2021 but SMEs performed better in 2022.

**Figure 4.1.4: By international traders**
In 2020, importers revenues decreased more compared to non traders, but recovered better in 2021 and 2022.

**Figure 4.1.5: By age of firm**
Young enterprises saw a significant 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 in 2020 and 2022.

Figure 4.2.2: By international traders
For importers, a good number of permanent and part-time employees were laid off in 2020. In 2022, part-time employees lost their employment.

Figure 4.2.3: By sector
In 2020, the industry sector was more affected for both part-time and permanent workers, compared to the service sector.
5. CHALLENGES FACED BY MSMEs

Key findings:

- The five main challenges reported by MSMEs are getting access to imported goods (25.9%), accessing capital (25.9%), inflation (21.4%), low demand for goods and services (20.5%) and high price of foreign currency at 2.05%. These challenges were also prevalent for MSMEs prior to the pandemic (Figure 5.1).

- Financial and technical reasons at the rate of 32% and 18% respectively were the main reasons that explain why 35 businesses closed. In general terms, the main reasons that explained the mortality of MSMEs are the lack of working capital, low profits, high indebtedness, and an especially low level of business management. Other reasons that also help explain the mortality of companies: low competitiveness, crisis between partners, lack of business experience, high costs and expenses, default, and lack of customers. (Figure 5.2).

- Accessing capital (31% and 25%), challenges to get imported goods (31% and 26%) and inflation (15% and 22%) were the main challenges in the industry and services sector (Figure 5.3).

- Accessing capital (30%) was the main challenge among non-traders while getting imported goods (48%) was the main challenge among importers and less important to non-trade businesses (Figure 5.4).

- Micro enterprises were more impacted by accessing capital at the rate of 30% while small and medium businesses struggled to get imported goods at the rate of 29%. (Figure 5.5).

Respondents were requested to present three main challenges affecting their businesses. The study finds that getting imported goods, accessing capital, and inflation are the main challenges businesses faced (Figure 5.1). Accessing capital was a commonly stated challenge among the micro-enterprises (30%) and small and medium enterprises too (20%). They are considered high risk and unprofitable by banks, and most do not have collateral to secure debt capital.

When the challenges were analyzed by sector, size of business, and type of trade operations, it was noted that the main challenges (getting imported goods and accessing capital) were more prevalent in industry than the service sector (Figure 5.3). Accessing capital and inflation were more relevant for non-traders than importers and for micro businesses (Figure 5.4 and Figure 5.5). Difficulties in getting imported goods and inflation were more significant for importers and small and medium enterprises (Figure 5.4 and Figure 5.5).

Nonetheless respondents perceived that inflation, difficulties to get goods and accessing capital have been challenges since 2020 and have worsened since 2020 (Figure 6.6). It is the inflation from increases of fuel prices attributed to Russia-Ukraine crisis that when combined with currency devaluation, increased the prices of imported raw materials, inputs and goods. This resulted in high costs of production and high prices which led to decreased demand for various good and services as the economy experienced reduced disposable income due to COVID-19.

Nonetheless, the main challenge of access to capital will continue to be critical to MSMEs while the other key challenges of price of inputs and low demand for goods and services will even out with economic recovery and individual business response strategies.

The main results of this survey are aligned with the conclusions of other studies, namely the 2020 reports of BNA surveys on the Impact of Covid-19 on Small and Medium-sized Enterprises and UNCTAD analysis of impact of Covid-19 on the economic and social effects in Angola.
According UNCTAD (2021), the rate of inflation registered a 0.15 percentage points increase over the period December 2019 to December 2020 (INE, 2020d). Annual inflation, already on an upward trend at the end of 2019, registered 23.8 percent at the end of September 2020, an acceleration of 5.9 percentage points since the start of the year and 7.7 percentage points compared to September 2019. Price developments have been influenced by the following factors: monetary policy reforms; exchange rate depreciation; application of VAT on products in the basic basket; supply side restrictions; and stagnation of the local economy. One of the main measures of the Government to contain inflation was the creation of the Strategic Food Reserve.
5. CHALLENGES

Figure 5.1: Challenges faced by businesses

Challenges to get imported goods, accessing capital and inflation are the main challenges that surveyed businesses face.

- Hard to get imported goods: 25.8%
- Accessing capital: 25.9%
- Inflation: 21.4%
- Low demand for goods and services: 20.5%
- Foreign currency is expensive: 20.5%
- High taxes: 18.8%
- Undue involvement from government officials: 9.9%
- Technical constraint: 17.9%
- Price of inputs: 12.6%
- High interest rates: 12.5%
- Access to skilled labor: 10.7%
- Insecurity: 8%
- Regulations: 4.5%

Figure 5.2: Why non-operating business closed

Financial issue is the main hurdle that propelled 32% of businesses to close.

- Financial issue: 32%
- Technical reason: 18%
- Changed to new profession: 14%
- Electricity: 6%
- Lack of resources: 6%
- Low demand for goods and services: 6%
- Unstable business environment: 6%
- Family issues: 3%
- Health reasons: 3%
- High competition: 3%
- Seasonal business: 3%

Figure 5.3: Main challenges by traders

Accessing capital is the main challenge among non-traders while getting imported goods is the main challenge among importers.

Figure 5.4: Main challenges by size of business

Micro enterprises are more impacted by accessing capital while small & medium businesses struggle to get imported goods.
6. IMPACT AND RESPONSE TO COVID-19

Key findings:

- COVID-19 had tapered off by 2022, but it remains significant. Whereas 72% of businesses reported they were severely affected in 2020, by 2022 it is 33% (Figure 6.1).
- Micro-enterprises were more affected than small and medium enterprises, but the difference was of only 4% (Figure 6.2).
- Importers were more hit by the pandemic in 2020 than non-trade business (Figure 6.3). Similarly, overall businesses were mainly hit in terms of their number of clients, stocks of finished goods, sales and production level in 2020 (Figure 6.4).
- 17.4% of the enterprises lowered production during the COVID-19 pandemic while 14% changed plans of investment and 13.5% laid off staff (Figure 6.5). 6.2% did not respond to the pandemic or stopped paying staff while 17.5% started working more online or from home and invested in new technologies.

Respondents were requested to present their perceptions on the severity of the impact of COVID-19, the aspects of business mostly impacted, and how they responded to the pandemic. The findings show that most businesses were negatively impacted by the pandemic (Figure 6.1). Although some businesses perceived that the impact of COVID-19 receded in 2022, the majority perceived that the negative impacts of COVID-19 still existed. Businesses of all sizes and types of trade operations were negatively affected by COVID-19 in Angola (Figure 6.2 and Figure 6.3).

The aspects of business most affected include the number of clients, ability to get stock of finished goods, and sales break (Figure 6.4). This reflects the effects of restrictive measures imposed on travel to curb transmission of the virus which disrupted demand and supply chains, lowered production and overall business performance.

Analysis of how businesses responded to COVID-19 shows that only 6.2% of businesses did not take any measures while 12.9% found new external markets, 9.6% started working more online or from home and 7.9% invested in new technologies. (Figure 6.5). This reflects a certain degree of management skills to respond to changes in the business environment. Lowering production was the other common response but this could be an automatic response since demand for goods and services was disrupted.

In Angola, studies carried out by CIEC-UCAN (2020), UNDP (2020) and CEJES (2020) analyzed the first effects of confinement on the economy and on society, coinciding in the thesis that the most affected would be the most vulnerable groups, where informal economy operators are included.

Most informal sector businesses, even those that continued to operate under some restrictions, such as some market trading and street vending, faced a reduction in customers because of the pandemic. The confinement and social distancing, associated with the reduction of opening hours, pushed customers to avoid informal markets, especially those with larger populations. As a result, demand for their goods decreased and some of the stored goods may have been wasted.

Companies supplying the informal sector have faced, depending on the duration of the restrictions, greater difficulties, and higher procurement costs, which has been reflected in the increased cost of goods.
Accessibility to public transport has been reduced due to the restrictions imposed. Travel time to and from work has been affected, with consequences in terms of increased transport costs or delays in starting work.

In global terms, the most obvious immediate effect was the generalised reduction in income and, in some cases, the total deprivation of income (e.g. motorbike taxi drivers), associated with an accelerated loss of purchasing power due to the devaluation of the exchange rate and the increase in price levels, to which a whole range of speculative processes also contribute, from foodstuffs to pharmaceutical products, gas, water and transport (as happened during the four-day travel between provinces to the provinces of origin).
6. IMPACT OF COVID-19

Figure 6.1: Extent of COVID-19 Impact
Most enterprises were negatively impacted by the COVID-19 pandemic in 2020 & 2021 but have recovered in 2022.

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 were more affected by the COVID-19 pandemic.

Figure 6.4: Aspects of business affected by COVID-19
Sales and net profits are the most affected business aspects.

Figure 6.5: How businesses responded to COVID-19
17.4% of the enterprises lowered production during the COVID-19 pandemic.

Figure 6.6: Whether main challenges that businesses face have worsened since 2020
67% of the businesses who faced inflation believe that the challenge has worsened since 2020.
7. IMPACT AND RESPONSE TO THE RUSSIA-UKRAINE CRISIS

Key findings:

- The Russia-Ukraine crisis did not impact most of the responding MSMEs (74%) while 19% assumed a negative impact and only 7% reported a negative impact (Figure 7.1).
- Micro enterprises experienced a slightly more negative impact (20%) compared to small & medium businesses that reported 17% (Figure 7.2).
- Importers (24%) were more severely hit than non-trading businesses (11%). (Figure 7.3)
- Akin to COVID-19, most businesses stocks of finished goods (16%), imports (16%) and access to supplies at 15% were impacted (Figure 7.4).
- The most common response to the Russia-Ukraine crisis was no response (21.3%). Other relevant issues were how to find new customers, lowering production and greater focus in domestic markets at the rate of 9.8% respectively (Figure 7.5).
- Accessing capital, access to imported goods and inflation are the 3 main challenges and the majority of businesses believe that these challenges have worsened since February 2022, but surveyed businesses think that accessing capital (10%), difficulty in getting imported goods (21%) and inflation (29%) are challenges related to the Russia-Ukraine crisis (Figure 7.6).

Respondents were requested to aggregate rate how the Russia-Ukraine crisis impacted their businesses, the aspects of the business which were impacted, and how they responded to the crisis. The results show that businesses were negatively impacted by the Russia-Ukraine crisis at 19%, whereas the disaggregated response on the aspect of business shows accessing capital, difficulty in importation and inflation as the topmost impact (Figure 7.1 and Figure 7.6).

Both micro and small to medium businesses were impacted by the crisis. Microbusiness suffered greater negative impact than small and medium enterprises as the same for importers compared to non-trade business (Figure 7.2 and Figure 7.3).

The non-trade businesses reported not being affected by the crisis because they are mainly supplying the domestic market (80%). Only 5% of importers experienced a positive impact while only 24% reported a negative impact compared to 11% of non-traders that suffered a negative impact. Importers suffered a more negative impact than non-traders. In 2020, according to statistics from the General Tax Administration of Angola, the main markets for Angolan imports of goods was China, with 15.5%, Portugal (14.2%), USA (6.6%), Brazil and India (4.8% each), the United Kingdom (4.7%), South Africa (4.3%), Belgium (4.2%), France (3.4%) and South Korea (3.3%). SADC imports are negligible, with the exception of South Africa. So, the key challenges importing businesses face emanate from economic responses such as devaluation of the currency, scarcity of foreign currency, and tariffs adjustments.

Businesses highlighted several aspects of their operations which are negatively impacted by the Russia-Ukraine crisis. Sales and imports were most affected. (Figure 7.4). It is noted that most businesses did not respond to the crisis (Figure 7.5).

Overall, the main challenges businesses faced due to the Russia-Ukraine crisis relate to the price of inputs that has worsened since February 2022 (Figure 7.6). It is observed from the findings that businesses perceive COVID-19 to still have a more negative impact in 2022 than the Russia-Ukraine crisis.

According to INAPEM, to tackle the crisis in Ukraine, the Angolan government approved the Action Plan for the National Plan for Promotion of Grain Production (Planagrão), an initiative budgeted at 2.2 billion kwanzas.
The government hopes that the implementation of this instrument will contribute to the country's food self-sufficiency, the development of agriculture and production support infrastructures, job creation, as well as the development of the value chains adjacent to grains, such as livestock, fisheries, and the milling industry.
7. IMPACT OF THE RUSSIA-UKRAINE CRISIS

Figure 7.1: Extent of the Russia-Ukraine Crisis
74% of the enterprises experienced no impact due to the Russia-Ukraine Crisis.

Figure 7.2: Impact by size of business
Micro enterprises experienced a slightly more negatively impact compared to small & medium businesses.

Figure 7.3: Impact on international traders
Most importers and non traders reported no impact of the Russia-Ukraine crisis on their businesses.

Figure 7.4: Aspects of business affected by the Russia-Ukraine Crisis
Sales and imports were the most affected business aspects.

Figure 7.5: How businesses responded to the Russia-Ukraine crisis
Most enterprises did not respond to the crisis.

Figure 7.6: Whether main challenges of businesses are related to the Russia-Ukraine crisis
The majority of businesses believe that 3 main challenges have worsened since February 2022 but few of them think that the challenges are related to the Russia-Ukraine crisis.

8. CHALLENGES AND OPPORTUNITIES IN TECHNOLOGY UPTAKE

Key findings:

- Only 19% of responding businesses adopted new digital tools in response to COVID-19. Amongst those who did, 26% increased use of internet, 19% had adopted new digital platforms, 14.3% started using online media and only 7.1% started using specialized apps (Figure 8.1).
- The three most popular digital marketing tools are WhatsApp (24%), Instagram (22.9%) and Facebook (21.3%). Other digital marketing tools were, Website (9.3%), Online shop (7.4%), TikTok (4.3%), Google (2.7%) and Twitter (1.9%). Only 4.3% did not use any social media platform (Figure 8.2).
- Social media accounted for less than 50% of sales for two thirds (67.5%) of the businesses. About 15.8% of businesses generated more than half of their sales through digital marketing tools, whereas 16.8% did not know how much of their sales derived from digital tools (Figure 8.3).
- Majority of businesses saw an increase in sales from digital platforms. For 36.4%, sales increased a lot, while for 50.9%, sales increased a little (Figure 8.4).
- Affordable internet to invest in new technologies (for 27.1% of surveyed businesses), access to foreign currency (for 14.6%) and financial support (for 13.5%) would be the best way to increase their use of digital tools.

Respondents were requested to provide the areas in which their businesses started using or increased the use of technology in response to the pandemic. The findings show that 66.9% of the businesses resorted to digital tools and processes during COVID-19. They mainly adopted the use of the internet, online media and digital platforms (Figure 8.1).

These tools were mainly used for supply chain management, marketing, and communication with employees, and the three most popular social media platforms used by businesses for marketing were WhatsApp, Instagram and Facebook (Figure 8.2). For 36.9% of businesses that used technology, social media accounted for more than 25% of sales (Figure 8.3).

Only 7.6% of the businesses that used technology perceived that their use has decreased since the COVID-19 pandemic whereas 5.2% perceive that there has been no change in the way they use technology since the COVID-19 pandemic (Figure 8.4).

When asked about the support the government can provide to businesses to invest in technology and innovations, financial support, access to information about technology and innovations, access to affordable internet and financial support represents over 40.6% of the required support to invest in new technologies (Figure 8.5).

The findings reveal that use of technology increased among the micro and small businesses in Angola, and that it does play a key role in response to the impact of COVID-19 in the MSME sector. WhatsApp, Instagram, and Facebook were the most commonly used tools for selling and marketing. It is therefore necessary to analyse the nature of business activities undertaken among MSMEs, the structure of markets, and how technology applications can be enhanced to improve business operations and performance in domestic and regional markets.
According to INAPEM, in Angola, the Business Environment, Competitiveness and Productivity Policy under the NDP 2018-2022 has, among others, the following priorities underpinning it:

- Create technological and innovation infrastructures, which are embedded in universities, for the promotion of innovation, technology/knowledge transfer and technology-based entrepreneurship.
- Promote the integration of the results achieved in scientific research and technological innovation in the productive sector.
- To encourage and support technical training and capacity building of other professionals supporting scientific and technological research, in order to create the necessary conditions for an adequate management of technology transfer and innovation.

In the field of technological innovation, it is important to highlight the support that is being provided since 2021 to the Startup ecosystem and incubators. In 2021 the first edition of the Angola Startups Summit was held, and in 2022, the second edition was held. During the second edition, international dimension, and during which a cooperation protocol was signed between the International Finance Corporation (IFC) and INAPEM with the aim of boosting the development of the startups and entrepreneurship ecosystem in Angola.

The Angolan Association of Young Entrepreneurs and Start-ups was created, which is now one of INAPEM’s main partners in supporting the ecosystem, and a cooperation protocol was signed between INAPEM and Angola Cables that provides services and resources to entrepreneurs and encourages access to the internet in the country.
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 19% of enterprises resorted to new tools and processes due to COVID-19, companies mainly adopted new products and increased use of internet.

Tools and processes introduced

- New products: 26%
- Increased the use of internet: 26%
- Digital platforms: 19%
- Online social media: 14.3%
- Specialized apps: 7.1%
- Entering new markets: 7.1%

Figure 8.2: Social media used for marketing

The two most popular social media platforms used by businesses for marketing are WhatsApp and Instagram.

- Google: 27%
- Twitter: 1.9%
- WhatsApp: 24%
- Instagram: 22.9%
- TikTok: 4.3%
- None: 7.4%
- Online shop: 9.3%
- Website: 21.3%

Figure 8.3: Share of sales from digital tools

Social media accounts for less than 50% of sales for two thirds of the businesses.

Less than 10%: 16.7%
Between 11% - 25%: 21.1%
Between 26% - 50%: 23.2%
More than 50%: 23.2%
Don’t know: 15.8%

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

The majority of businesses have seen an increase in sales from digital platforms.

- Decreased a little: 5.7%
- No change: 51%
- Increased a little: 50.9%
- Increased a lot: 36.4%
- Decreased a lot: 1.9%

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

27% of companies need affordable internet to invest in new technologies.

- Access to affordable Internet: 27.1%
- Access to foreign currency: 14.6%
- Financial support: 13.5%
- Not applicable: 7.5%
- Improve infrastructure: 7.5%
- Improve regulations & processes: 4.8%
- Empower local businesses: 4.8%
- Access to markets: 4.8%
- Access to inputs: 3.8%
- Access to electricity: 2.9%
- None: 2.3%
- Improve E-commerce: 1.9%
- End the fuel crisis: 1.9%
- Capacity building: 1.9%
9. CHALLENGES AND OPPORTUNITIES IN INTERNATIONAL TRADE AND REGIONAL INTEGRATION

Key findings:

- According to the respondents, the main challenges to export are lack of finance (15.6%), technology (12.5%), high transportation costs (12.5%), foreign currency access (12.5%) and corruption (9.4%) (Figure 9.1).
- Access to finance, support to export and improve regulation were the top suggestions to improve exports (Figure 9.2).
- Customs tariffs (24.7%), high transport costs (22.2%) and lack of finance (18.5%) are the main hurdles hindering businesses from importing (Figure 9.3).
- Reduce custom duty (30.8%) and decrease corruption (17.9%) are main suggestions to improve importing (Figure 9.4).
- Only 2.2% of the respondents know the AfCFTA while 80% know SADC (Figure 9.5). 71.4% of importers never heard of the AfCFTA compared with 68.8% of non-traders (Figure 9.6).
- More importers (4.8%) are taking advantage of the AfCFTA potential compared to non-traders (1.8%).

Respondents were asked if their businesses are involved in international trade, and the hurdles they face relating to exporting and importing. They were further asked about their knowledge of trade agreements to which the Government of Angola is a signatory, including the African Continental Free Trade Area (AfCFTA), and what the government can do to improve business’ ability to export and import.

The results show that more of half of the businesses studied (57%) do not undertake international trading. 28% import only while 10% export and import and 5% export only. Import and export trade by the few businesses is undertaken mostly with countries in SADC and a little with the rest of Africa. There is no trade or very negligible trade between the businesses that were interviewed and Europe, Asia and Oceania, North America, and South America.

Lack of finance and technology, high transport costs, and corruption are the main reasons preventing businesses surveyed from exporting (Figure 9.1) whereas customs tariffs, high transport costs and lack of finance are some of the main challenges hindering businesses from importing (Figure 9.3).

Respondents perceive that monetary incentives such as tax reduction and access to finance can help businesses to export (Figure 9.2), and reduction of taxes and customs duty, and reduction of corruption can help businesses to import (Figure 9.4). Therefore, reducing customs duty, easing import and export regulations, providing access to capital, and reducing transportation costs are the key suggestions to government to improve businesses’ ability to export and/or import.

With regard to knowledge about trade agreements to which the Government of Angola is a signatory, the findings show that the African Continental Free Trade Area (AfCFTA) is the least known trade agreement (Figure 9.5). The Southern Africa Development Community (SADC) is the only well known trading bloc among the businesses studied. There is low awareness of AfCFTA especially among businesses that import only, and those that do not engage in international trade (Figure 9.6).
Based on the findings, regional integration has massive potential but is playing a negligible role in post Covid-19 recovery among the micro and small businesses in Angola. In 2014, SADC conducted an exercise to assess the implementation of this agenda and noted moderate progress in intra-regional trade and economic diversification, mainly due to limited capacity in the region to produce and trade effectively and competitively. There are hurdles to overcome with regard to knowledge about export markets, access to export markets, customs duty and regulations, high transport costs, and businesses capabilities to produce for export markets.

The SADC regional integration agenda is guided by a Regional Indicative Strategic Development Plan (RISDP) envisaged from the NDP 2017-2022, established for the period 2015-2020 and containing priorities, programmes, and targets.

For the operationalization of this initiative, four revised RISDP priorities for 2015-2020 have been defined: In **Priority A** - Industrial Development and Market Integration - with sustainable industrial development, trade integration and financial cooperation as strategic objectives and, as, among others, some specific objectives: improved regional value chains and value addition to agricultural and non-agricultural products; a consolidated free trade area; improved financial market systems and monetary cooperation; more intra-African trade; improved private sector involvement in regional integration; In **Priority B** - Infrastructure to Support Regional Integration - aiming at better and more integrated regional infrastructure and having, as, among others, some specific objectives: the promotion of harmonized strategies, policies and regulatory frameworks for the development and operation of cross-border infrastructure and services; more integrated infrastructure and networks; better access to infrastructure and services; improved competitiveness and liberalization of regional energy, ICT, transport and tourism markets;.
9. IMPORT AND EXPORT CHALLENGES

**Figure 9.1: Export challenges**
Lack of finance is the main reason preventing businesses from exporting.

- No hurdles: 15.6%
- Lack of finance: 15.6%
- Technology: 12.5%
- High transport costs: 12.5%
- Foreign exchange: 12.5%
- Corruption: 9.4%
- Regulations: 6.2%
- Lack of knowledge on how to export: 6.2%
- Custom tariffs: 6.2%
- Market knowledge: 3.1%

**Figure 9.2: What could be done to improve exports**
Access to finance and support to export were the top suggestions to improve exporting.

- Support businesses to export: 28.6%
- Access to finance: 28.6%
- Improve regulations: 21.4%
- Reduce transport costs: 7.1%
- Reduces taxes: 7.1%
- Nothing: 7.1%

**Figure 9.3: Import challenges**
Customs tariffs and high transport costs are the main hurdles hindering businesses from importing.

- High transport costs: 22.2%
- Regulations: 9.9%
- Corruption: 6.2%
- Lack of knowledge to export: 1.2%
- Not competitive in foreign markets: 4.9%
- Finance: 18.5%
- Market knowledge: 2.6%
- Technology: 2.5%
- No hurdles: 24.7%

**Figure 9.4: What could be done to improve imports**
Enterprises suggested custom duty reduction as the main aspect to improve importing.

- Reduce custom duty: 30.8%
- Decrease corruption: 17.9%
- Tax reduction: 15.4%
- Enough foreign exchange: 15.4%
- Improve regulations: 7.7%
- Financial support: 5.1%
- Transportation: 2.6%
- Training: 2.6%
- Access to market: 2.6%

**Figure 9.5: Proportions of enterprises who know trade agreements**
Only 2.2% of the businesses are aware of the AfCFTA.

- SADC: 80%
- COMESA: 10%
- AGOA: 7.8%
- AfCFTA: 2.2%

**Figure 9.6: How traders perceive AfCFTA**
More importers are taking advantage of the AfCFTA potential compared to non-traders.

- Importers: I am aware of its potential: 71.4%
- Importers: I am aware of its potential and taking advantage of it: 68.7%
- Importers: I am aware of its potential but not taking advantage of it: 23.8%
- Importers: Never heard of it: 1.6%
- Importers: Does not trade: 9.6%
- Importers: Did not trade: 2.4%
- Importers: Never heard of it: 1.6%
10. OUTLOOK FOR THE FUTURE AND BUSINESS POLICY IMPLICATIONS

Key findings:

- The responding businesses generally are more optimistic (75.%) about the future than pessimistic (11.6%) (Figure 10.1).
- Their main request to policy makers is to find ways to stabilize the foreign currency (17%), allows easy access to finance (12%) and improve tax regulations (11%) (Figure 10.2).

The respondents were asked to provide a forecast of their financial position in the next six months. The findings showed optimism of two-thirds of the businesses that their financial situation would be better in six months whereas some expected no change (13.4%) and others (11.6%) perceived it would be worse (Figure 10.1).

Businesses perceived that the environment would improve if the government solved the prevailing economic challenges in the country. If the government could solve economic challenges (17% suggest stabilizing the Kwanza and 6% suggest reducing inflation), provide access to capital (12%) and improve tax regulations (11%) then businesses performance would improve (Figure 10.2). Some businesses perceived that capacity building in entrepreneurship skills and infrastructure development would go a long way to improve their performances and the business environment. Nonetheless, solving economic challenges and allowing easy access to finance were the mains areas of support that businesses desire.

The Government of Angola has been implementing the Programme for the Reconversion of the Informal Economy (PREI), to promote the transition from the informal to the formal economy in the country. The process of formalizing economic activity may bring the following benefits: (i) Access to the civil registry for the issue of identity card and NIF; (ii) Access to commercial certificate; (iii) Financial inclusion; (iv) Social security registration; (v) Access to INSS contribution certificate - enhanced, inclusive and simplified social security for micro-entrepreneurs and individual entrepreneurs (e.g. maternity benefits, health - insurance scheme, etc.); (vi) Access to business development services; (vii) Access to simplified tax reporting; (viii) Simplified company registration; (ix) Access to and knowledge on simplified bank accounts and financial instruments; (x) Access to business and professional training programs; (xi) Certification of MSMEs and (xii) Access to seed and venture capital financing, among others.

On the other hand, the Government, through INAPEM, is working with international partners to structure the National Strategy for Entrepreneurship with a view to defining policy measures to strengthen entrepreneurial actions and activities.
10. OUTLOOK FOR THE FUTURE

Figure 10.1: Forecast for financial situation
Most entrepreneurs are optimistic about the future of their businesses.

Much worse than today: 6.2%
A bit worse than today: 5.4%
The same as today: 13.4%
A bit better than today: 49.1%
Much better than today: 25.9%

Figure 10.2: Area of support needed
Stabilising the foreign currency is the main area of support needed.

- Stabilise foreign currency: 17%
- Access to capital: 12%
- Improve tax policies: 11%
- Access to raw materials: 10%
- Government support & subsidies: 9%
- Empower local production: 7%
- Stabilise inflation: 6%
- Improve regulations: 5%
- Reduce corruption: 5%
- Access to business infrastructure: 4%
- Increase delivery services: 4%
- Access to electricity: 3%
- Access to markets: 3%
- Reduce interest rates: 3%
- Access to energy: 2%
- Access to internet and network: 1%
- Deferral of rent: 1%
11. CONCLUSIONS AND RECOMMENDATIONS

The study was undertaken to explain the impact of COVID-19 and the Russia-Ukraine crisis on the MSME sector in Angola, the role regional integration plays in post pandemic recovery, and how technology and innovation are being used by MSMEs to address the impacts of the COVID-19 pandemic and the Russia-Ukraine crisis.

It is important to consider that the base sample is biased by the overconcentration of companies in the country's capital and the reduced representation of units from the agricultural sector.

The findings show that both COVID-19 and the Russia-Ukraine crisis had a negative impact on businesses studied. COVID-19 negatively impacted businesses more than the Russia-Ukraine crisis. Nonetheless, most of the challenges which negatively affect business performance in the country prevailed long before COVID-19 with the latter making the situation worse. The Russia-Ukraine crisis is strongly linked to inflation and the increase in the prices of fertilizer and inputs which have affected prices and demand for goods and services.

The findings indicate that regional integration is playing a negligible role in post pandemic recovery of the MSME sector. There is negligible or no trade between businesses studied and other regions and a small number of businesses export among those studied. Although SADC is a well-known trading bloc, businesses in Angola commonly trade with only South Africa. AfCFTA is the least known of the trade agreements.

Some of the issues highlighted to enhance import and export trade among the businesses include stabilizing foreign currency and inflation, reducing customs duties and improving customs regulations, reducing transportation costs, and controlling corruption.

Lastly, the findings revealed that technology and innovation are used among the MSMEs in the country to address the impacts of COVID-19. Nonetheless, WhatsApp, Instagram and Facebook are the most commonly used tools for marketing and selling among the businesses which use technology. Businesses perceived that access to finance, improved telecommunication services, reduced internet costs, and capacity building in developing and using innovations would enhance their adoption of technology and innovations.

It is therefore concluded that COVID-19 and the Russia-Ukraine crisis had a negative impact on businesses in Angola. However, technology and innovation were used to address the impacts of COVID-19 and the Russia-Ukraine crisis. On the other hand, regional trade within SADC member countries did not play a significant role in post pandemic recovery of the MSMEs sector in Angola. Based on the findings of the study, the following recommendations are made:

1. Informal economic units operating on a national scale should be provided with support for a transition into operating activities that allows them to trade within the SADC regional value chains.
   Many MSMEs produce non-tradable goods and services. It is important to create mechanisms to identify and support the most dynamic informal units with the greatest potential, in order to attract them to formalisation and create conditions for their capacity building. The formalisation process should not only be a government responsibility, but a broad participation of stakeholders, including business associations.

2. INAPEM and the Business Associations such as the CCIA, should be strengthened with necessary structures to support the activities of micro, small and medium-sized enterprises. INAPEM should be supported to strengthen its institutional capacity and better fulfil its mission. Additionally, INAPEM is currently the institution responsible for implementing the formalisation programme (PREI). It is also important to provide business associations with organizational, technical, human and financial resources that enable them to effectively support their member companies in their different fields.
This type of organisation supports the development of private sector companies, namely through business empowerment and support to productive business, representing their interests before public authorities, trade unions and development partners and contributing to influence public policies.

3. Promote awareness of the advantages of MSME participation in SADC and ACFTA and provide information on opportunities in regional and international markets.
   The lack of knowledge about regional and continental integration structures is one of the most significant findings of this study. It is imperative to carry out information and dissemination actions on regional and continental free trade areas, through campaigns aimed at the owners MSMEs. On the other hand, the lack of access to international markets and of information about export and import markets were pointed out as some of the challenges for non-participation in export and import trade. Most MSMEs in Angola do not have the capacity to undertake such studies of regional markets. It would therefore be useful to have a platform to disseminate information and studies on opportunities in regional markets and in Africa.

4. Development agencies and other multi-lateral institutions should increase their support to the Angolan government strategic initiatives that contribute to solve the identified economic challenges that affects SMEs.
   The economic challenges existed long before the pandemic and the Russia-Ukraine crisis. The main challenges to be taken into account were identified in this study. The most significant on the list are stabilising the Kwanza and reducing inflation, as well as facilitating access to capital. The issues of informalisation and corruption are also significant problems. Following these crises, these challenges have become even more urgent. Helping to support the Angolan government to find long-term solutions would improve the business environment and the performance of the MSME sector.
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APPENDIX 1: 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
B2. Name of the Enterprise/Firm
   a. ____________________________
B3. In what year did the Enterprise/Firm start operating in Angola?
   a. ____________________________

1.2 Location
B4. Does the Enterprise/Firm have global Headquarters in Angola?
   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. Bengo
   b. Benguela
c. Bié

d. Cabinda

e. Cuando Cubango

f. Cuanza Norte

g. Cuanza Sul

h. Cunene

i. Huambo

j. Huíla

k. Luanda

l. Lunda Norte

m. Lunda Sul

n. Malanje

o. Moxico

p. Namibe

q. Úíge

r. Zaire

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

B14. If yes, which ones?
   a. Angolan 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:
1.11 Impact of Covid-19 pandemic 2020-2022

   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)

   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 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. 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)

<table>
<thead>
<tr>
<th>Impact Parameter</th>
<th>Very Low</th>
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<th>No Change</th>
<th>High</th>
<th>Very High</th>
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<tbody>
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<td>a. Sales</td>
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<td>f. Stock of finished goods</td>
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<td>g. Access to supplies to operate the business</td>
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<td>h. Ability to pay salaries</td>
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<tr>
<td>k. Imports</td>
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</table>
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 Angola?

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)____________________

E13. 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_______________________________