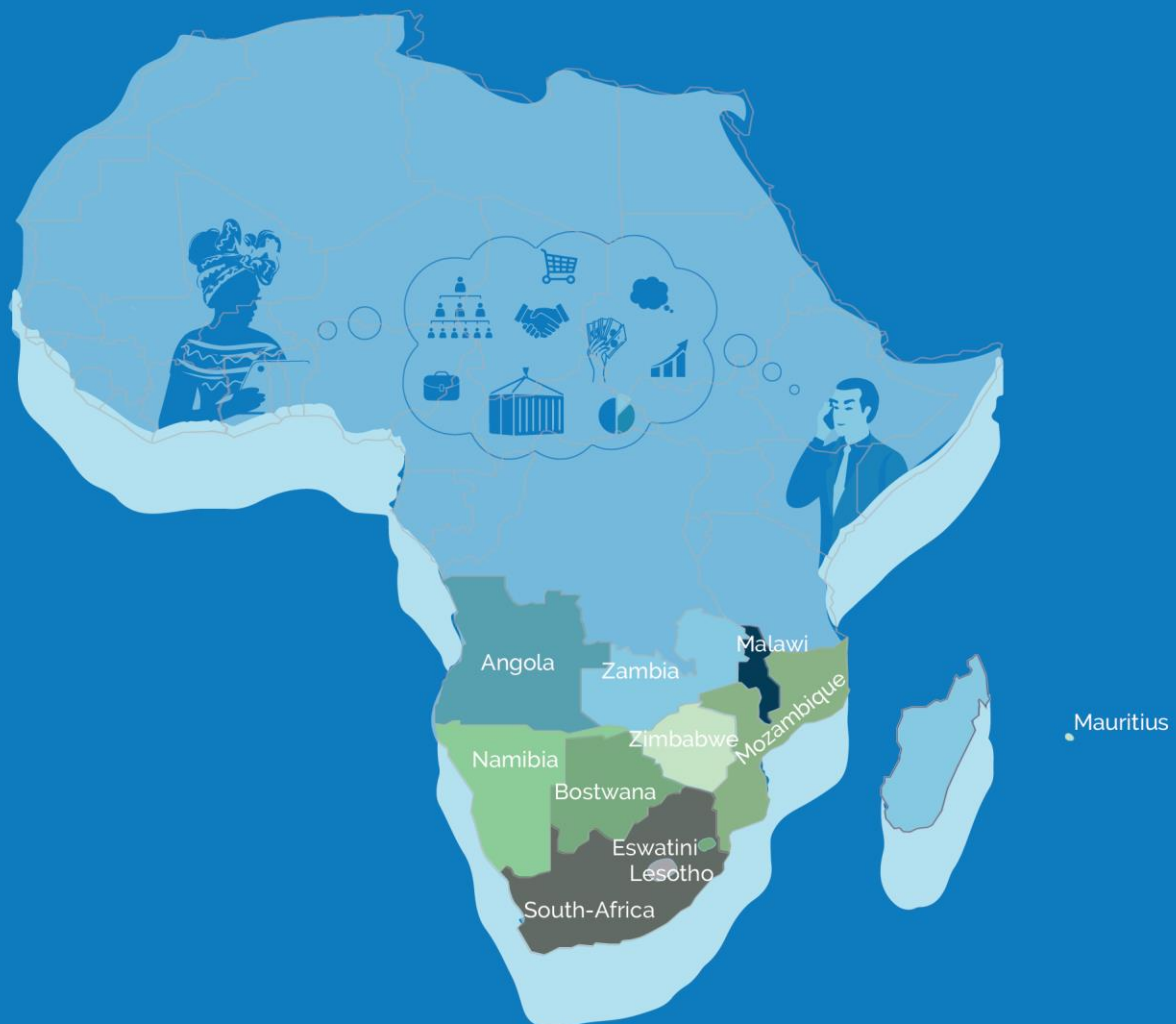


Impact of COVID-19 and the Russia-Ukraine Crisis on Micro Small and Medium-Sized Enterprises (MSMEs) in South Africa



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

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ABBREVIATIONS

AfCFTA African Continental Free Trade Area Agreement
BUSA Business Unity South Africa
CIPC Companies and Intellectual Property Commission
COVID-19 Coronavirus Disease 2019
ECA Economic Commission for Africa
GDP Gross Domestic Product
IEC International Economics Consulting
MSMEs Micro, Small, and Medium-sized Enterprises
SADC Southern African Development Community
SARS South African Revenue Service
SRO-SA ECA Subregional Office for Southern Africa
StatsSA Statistics South Africa
UNCTAD United Nations Conference on Trade and Development
UNSD United Nations Statistics Division
UNESCO United Nations Educational, Scientific and Cultural Organization
UNICEF United Nations Children's Fund
UNIDO United Nations Industrial Development Organization
UNODC United Nations Office on Drugs and Crime
WHO World Health Organization

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The country report for South Africa was authored by Bheki Mfeka, ECA SRO-SA consultant who led the conduct of the survey in South Africa, 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, Subregional Initiatives Section, ECA SRO-SA.

This country report is one of 11 country reports assessing the impact of COVID-19 and the Russia-Ukraine crisis across the member states of ECA SRO-SA which comprise of Angola, Botswana, Eswatini, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Zambia and Zimbabwe. The report is a collaboration between ECA SRO-SA, the SADC Business Council, and Business Unity South Africa (BUSA). Special thanks are expressed to Peter Varndell, Executive Secretary, SADC Business Council, and his team, and Cas Coovadia, Chief Executive Officer, BUSA 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, organized by the ECA SRO-SA and the SADC Business Council. The meeting was attended by senior government officials and private sector associations of ECA SRO-SA member states.

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EXECUTIVE SUMMARY

The adverse impacts of the COVID-19 pandemic have reverberated across Africa, especially affecting Micro, Small, and Medium-sized Enterprises (MSMEs). Recognizing these challenges, the United Nations Economic Commission for Africa's Africa Trade Policy Center (ATPC) and Mauritius-based International Economics Consulting (IEC) initiated collaborative efforts in April 2020, conducting online surveys to assess pandemic effects on African businesses. Subsequent surveys, involving the ECA Subregional Office for Southern Africa (SRO-SA) in June 2020, revealed that around 80% of surveyed firms, irrespective of size or sector, faced significant pandemic impacts. Larger enterprises adapted by embracing technology and new business lines.

In the face of unprecedented global challenges, this study delves into the impact of the COVID-19 pandemic and analyses the impact of the Russia-Ukraine crisis on micro, small, and medium-sized enterprises (MSMEs) in South Africa from 2020 to 2022. The South African survey is part of a broader follow-up survey in selected countries in Southern Africa conducted by ECA SRO-SA.

South Africa's economic landscape has been marked by significant fluctuations in recent years, with challenges including high unemployment and inequality, compounded by the disruptive forces of the COVID-19 pandemic and the Russia-Ukraine crisis. Despite these difficulties, the country hosts a substantial number of MSMEs, with microenterprises making up the majority. These businesses have displayed resilience and growth potential, but their contribution to formal employment remains limited. South Africa's economic performance has witnessed periods of contraction and recovery, with the services sector dominating the Gross Domestic Product (GDP) composition. Exchange rate instability and rising inflation pose additional challenges. The nation's role in international trade, with the People's Republic of China, the United States, and other key partners, underscores its global economic connectivity. The Russia-Ukraine crisis has influenced trade dynamics, particularly with Russia, showcasing the interconnectedness of global events. High unemployment rates and distinct employment patterns contribute to the complexity of South Africa's labor market. Given the prevalence of microenterprises and their dependence on the services sector and global supply chains, both local and international disruptions have impacted these businesses, necessitating adaptive economic strategies.

The study was undertaken to assess the intricate repercussions of the COVID-19 pandemic and Russia-Ukraine crisis on MSMEs, the latter are vital engines of economic growth and employment in South Africa. The global crises heightened the need to understand MSMEs' resilience and adaptability, making this investigation relevant to inform responsive policy decisions.

South Africa's MSME landscape witnessed a significant downturn in 2020, with a median revenue decrease of 7% due to the pandemic, followed by a remarkable rebound of 12% in 2021 and a robust growth of 29% in 2022. These numbers mirrored the economic volatility and adaptive capacity of the enterprises.

In response to the COVID-19 pandemic, the South African government implemented regulatory measures and restrictions affecting MSMEs, including closures, operating hour limits, and social distancing. They also introduced financial support initiatives like the COVID-19 Loan Guarantee Scheme and tax relief measures, aiming to alleviate economic strain and improve cash flow for struggling businesses. Additionally, the government established the Business Recovery Support Fund, offering various programs and instruments to aid economic recovery and COVID-19 response. To protect jobs and incomes, the COVID-19 Temporary Employer/Employee Relief Scheme provided wage protection to employees facing reduced work hours. However, the effectiveness of these measures varied, with challenges in catering to micro and informal businesses. Moving on to the Russia-Ukraine crisis, though trade connections between South Africa, Russia, and Ukraine are limited, global trade disruptions and sanctions can impact imports and exports. The government responded by introducing policies to aid MSMEs, including extending relief grants, reducing fuel levies, and establishing a fund for SME loans, market access, and initiated processes for simplifying regulations. This proactive approach recognizes the importance of MSMEs in economic growth and resilience, emphasizing the need for adaptive policies in the face of economic challenges and geopolitical crises.

Against the backdrop of evolving macroeconomic dynamics and government interventions, this report delves into the challenges and opportunities that South African MSMEs faced during the COVID-19 pandemic and the Russia-Ukraine crisis. It presents key findings to guide policy interventions and future strategies.

The following are the key findings of this study:

- ***On the profile of businesses surveyed:*** The profile of surveyed businesses in this study reveals a diverse representation across various geographical locations and operational demographics. Of the 88 participating businesses, the majority are situated in urban areas (67.9%), with Gauteng being the most concentrated province (36.4%). Micro-enterprises constitute a substantial portion (86.9%), primarily engaged in the services sector (63%) and generating varying revenues. Most businesses (32.1%) were established within the last 1-3 years, and 80% reported no involvement in trading activities. Ownership is predominantly South African (98.8%), with a significant presence of women entrepreneurs (58%), and leadership roles are diverse, with Managing Directors (48.1%), Sole Owners (43.2%), and Co-owners (21%). These insights laid the foundation for comprehending the subsequent analysis of the impact of the COVID-19 pandemic and the Russia-Ukraine crisis on these businesses and the broader South African economy.
- ***On the impact on MSME sales revenue and staff numbers:*** Median revenue growth analysis reveals a sharp decrease in 2020 (-7%) attributed to the pandemic, followed by recovery in 2021 (12%) and a notable surge in 2022 (29%). Industrial sector businesses exhibited greater resilience, and micro-enterprises outperformed small and medium enterprises in recovery. Both importers and non-traders experienced revenue declines in 2020 but substantial recoveries in 2022, suggesting an economic rebound. Regarding staff, part-time employees faced higher layoff rates than full-time employees, with importers increasing staff in 2022. The sector-wise analysis highlights the varying impacts on part-time workers, reflecting operational demands and industry-specific factors. Overall, the findings illuminate distinct phases of decline, recovery, and growth shaped by sectors, enterprise sizes, and export statuses, showcasing nuanced employment dynamics amidst these economic events.

- On the current challenges facing MSMEs:*** The findings highlight three key challenges: accessing capital (67.9%), low demand for goods and services (24.7%), and inflation (21%). The prominence of capital access underscores financial constraints in a dynamic economic environment. Sector-specific dynamics reveal that accessing capital is a greater challenge in the Industrial (77%) and Services (62%) sectors, possibly due to differing capital requisites. Similarly, non-traders and traders both face significant challenges in capital access, emphasizing its importance for export-oriented businesses. Micro-enterprises encounter intensified capital challenges (73%), while small and medium-sized enterprises experience higher impacts from inflation and low demand (40%). These findings align with recurring themes in previous studies, revealing nuanced insights on sectoral and size-specific challenges. This analysis calls for tailored interventions that address the diverse needs of MSMEs in South Africa.
- On the impact of COVID-19 on MSMEs:*** The study reveals a stark statistic: 81% of businesses experienced adverse effects in 2020, gradually decreasing to 73% in 2022, emphasizing the extensive challenges faced by businesses in navigating the pandemic. Notably, micro-enterprises bore the brunt of the pandemic's impact, with 82% experiencing negative repercussions, while impact levels were slightly lower in small and medium enterprises. Both importers and non-traders were affected, with 91% of importers and 79% of non-traders experiencing its effects. The pandemic significantly impacted net profits (76%) and sales (70%), prompting adaptive responses such as digital transition (14.4%) and scaled-down production (13.8%). Interestingly, over 70% of businesses facing challenges like inflation and low demand perceived these challenges to have worsened since 2020, underscoring the pandemic's role in amplifying existing vulnerabilities. These findings resonate with previous studies, reflecting the collective resilience and adaptive strategies of MSMEs in South Africa.
- On the impact and response to the Russia-Ukraine crisis:*** Unlike the pandemic, the Russia-Ukraine crisis had a varied impact, with 56% of businesses affected. The impact cut across all business sizes, with both micro enterprises (55%) and small and medium enterprises (60%) experiencing negative effects. Importers (64%) and non-traders (55%) were notably affected, emphasizing the interconnectedness of global events with local business operations. Sales (78%) and access to suppliers (72%) were primarily affected. Businesses responded diversely, opting for lower production (18.6%), layoffs (13.7%), and other strategies. Challenges stemming from the crisis converged with pre-existing concerns, compounding vulnerabilities. These findings underscore the adaptive nature of the MSME sector and highlight the need for responsive policies that safeguard against external shocks while fostering sustainable growth and stability.
- On the challenges and opportunities in technology uptake:*** Amidst these crises, 28% of enterprises embraced new tools and processes, primarily due to the pandemic, with online media and digital platforms leading the shift. Social media, particularly Facebook (21.3%) and WhatsApp (24.3%), emerged as crucial marketing tools. Over half of the businesses (51.9%) witnessed increased sales from digital platforms during the pandemic. Financial support for technology adoption was identified as a key need. The pandemic accelerated digital transformation, while the crisis introduced new dimensions, both propelling and inhibiting technology uptake. This narrative of adaptability and innovation highlights the pivotal role of technology in the growth and recovery of South African MSMEs.

- On the challenges and opportunities in international trade and regional integration:*** Export challenges include financial constraints (26.3%), customs tariffs and regulatory intricacies (21%), and high transport costs (18.4%). To improve exports, businesses recommend systemic support, especially enhanced access to finance (35.7%), support for export pursuits (14.3%), and addressing the fuel crisis (14.3%). Import challenges mirror exports, with financial constraints, regulatory intricacies, and high transport costs (63.1%) as primary obstacles. Recommendations by respondents for improving imports include financial support (35.7%), government facilitation (14.3%), and combating corruption (14.3%). Awareness of regional integration initiatives varies, with 20% aware of AfCFTA. Interestingly, more non-traders (54.5%) are aware of AfCFTA's potential but are not leveraging it, while 39.4% of importers are aware, and 9.1% are using it. These findings highlight the need for systemic solutions, and regional integration initiatives like AfCFTA which hold untapped potential for South African MSMEs.
- On the outlook for the future and business policy implications:*** The findings reveal a prevailing optimism, with 60.5% of enterprises expressing confidence in their future trajectory. Access to capital (33%) emerges as a vital area requiring support, while access to electricity, government support, and reduced corruption are also crucial. These findings underscore policy implications for fostering a supportive environment for MSMEs. Access to capital necessitates targeted financial support mechanisms and streamlined lending processes. Reliable energy infrastructure, government support, and anti-corruption efforts play pivotal roles in creating an ecosystem conducive to growth. Policymakers are urged to translate this optimism into action by crafting strategic policies that empower MSMEs, ensuring their resilience, innovation, and contribution to a prosperous South African economy.

The study's conclusions underscore the diversity of MSMEs, concentrated in urban areas like Gauteng, with micro-enterprises being prevalent in the services sector. The COVID-19 impact on sales and staff numbers revealed distinct phases, influenced by sector, size, and export status, while challenges included access to capital and inflation, magnified by the pandemic and Russia-Ukraine crisis. Technology uptake presented opportunities, with online platforms gaining importance. The international trade landscape highlighted challenges and prospects in regional integration, particularly AfCFTA, while optimism emphasized policy interventions supporting access to capital, energy infrastructure, government assistance, and corruption reduction.

This complex landscape of challenges and opportunities in South African MSMEs necessitates tailored policy interventions. Pandemic-induced technological uptake, industry-specific challenges, and the potential of the AfCFTA accentuate the importance of strategic policy measures. The optimism among MSMEs calls for action, emphasizing financial support mechanisms, regulatory streamlining, energy infrastructure investment, digital literacy enhancement, and awareness about regional integration.

To address these, recommendations for the South African Government involve enhancing the strengthening of the innovation ecosystem for MSMEs, promoting access to capital, streamlining regulations, investing in energy infrastructure, promoting digital literacy, facilitating regional integration awareness, and providing export assistance. For businesses, the focus should be on diversifying revenue, adopting digital transformation, building financial resilience, networking, exploring exports, investing in training, and leveraging regional integration.

By aligning these recommendations with findings, both government and businesses can foster an environment where MSMEs flourish, contributing to South Africa's economic resilience and sustained growth.

1. INTRODUCTION

The years from 2020 to 2022 witnessed the convergence of two unprecedented global events—the COVID-19 pandemic and the intensifying conflict between Russia and Ukraine. The far-reaching consequences of these events have permeated economies worldwide, causing significant disruptions across various sectors. South Africa, a nation with a vibrant and diverse entrepreneurial landscape, has been no exception to the profound impact of these events on its Micro, Small, and Medium-Sized Enterprises (MSMEs).

The COVID-19 pandemic, with its widespread health implications and subsequent lockdown measures, imposed severe challenges on MSMEs, which are the backbone of South Africa's economy. These enterprises face unique vulnerabilities due to their limited resources, including financial constraints, limited access to formal financial institutions, and limited bargaining power within supply chains. The pandemic-induced disruptions to supply chains, reduced consumer spending, and restrictive measures have further exacerbated the challenges faced by MSMEs in the country.

Simultaneously, the ongoing Russia-Ukraine crisis has introduced additional economic uncertainties, with ripple effects being felt globally. This conflict has caused fluctuations in commodity prices, supply chain disruptions, and geopolitical tensions, impacting various industries and trade networks. South Africa, as a participant in international trade, has not been immune to the repercussions of this geopolitical conflict, which has compounded the challenges faced by MSMEs already grappling with the fallout of the COVID-19 pandemic.

Understanding the specific consequences of these dual crises on MSMEs in South Africa is crucial for formulating effective policy interventions and support measures. By examining the impact of the COVID-19 pandemic and the Russia-Ukraine crisis on MSMEs, policymakers, researchers, and business leaders can gain valuable insights into the unique challenges and opportunities faced by these enterprises. Moreover, such a study can identify strategies to enhance the resilience and sustainability of MSMEs, ultimately contributing to the overall economic recovery and development of South Africa.

Background of the study

The adverse impacts of both the COVID-19 pandemic and the Russia- Ukraine crisis have been particularly felt across the African continent, leading to significant repercussions for businesses, especially Micro, Small, and Medium-sized Enterprises (MSMEs). Recognizing these challenges, the United Nations Economic Commission for Africa's Africa Trade Policy Center (ATPC) and the International Economics Consulting (IEC) Ltd, based in Mauritius, initiated collaborative efforts in April 2020 to gauge the effects of COVID-19 on African businesses through online surveys. A subsequent round of surveys involving the ECA Subregional office for Southern Africa (SRO-SA) was conducted in June 2020.

Results from the initial survey revealed noteworthy observations for the continent. Approximately 80% of surveyed firms, irrespective of size or sector, reported significant adverse impacts from the pandemic. Capacity utilization varied across enterprise sizes and sectors, with manufacturing, travel/hospitality, and transportation sectors operating at lower capacities. Micro, small, and medium-sized enterprises (MSMEs) identified operational challenges as their primary concern, particularly "lack of cash flow" for smaller entities and "business closure" for medium-sized ones. Larger enterprises focused on adapting to the new business landscape.

The government's responses to the crisis were viewed as unsatisfactory by over half of the respondents. Desired interventions included postponed tax payments, working capital provisions, wage subsidies, low-interest loans, and support for informal sector workers. Encouragingly, most companies, particularly larger ones, identified new business opportunities arising from the crisis, such as increased technology adoption, remote business operations, and new product/service lines.

A subsequent survey in June 2020 indicated that nearly 69% of companies in Southern Africa identified new opportunities in response to the crisis, with growth in markets being a key priority for businesses in both goods and services sectors.

In South Africa, prior to the pandemic, small businesses were already facing challenges, and the outbreak further strained their financial situation. This is significant as MSMEs constitute a significant proportion of businesses, employ a substantial portion of the workforce, and contribute significantly to private sector job growth. To address these concerns, the United Nations, including UNCTAD and UNECA, initiated a project to support MSMEs' resurgence and resilience post-COVID-19, focusing on areas such as entrepreneurship, formalization, finance, technology, and market access.

In this context, the ECA Sub-regional Office for Southern Africa (SRO-SA) initiated surveys in its 11 member states, including South Africa, in order to assess the impact of COVID-19 and the Russia-Ukraine crisis on MSMEs. This report aims to contribute to the emerging literature on post-COVID-19 recovery strategies for MSMEs including the Russia-Ukraine crisis in the Southern African Development Community (SADC) and the broader African region.

Research Methodology

Sampling Framework and Participant Selection: In alignment with the research objectives and to ensure a representative sample, a partnership was established with Business Unity South Africa (BUSA), the foremost representative organization of businesses in South Africa. This collaboration allowed access to a wide network of formal Micro, Small, and Medium-sized Enterprises (MSMEs). Taking into account the considerations presented earlier and after consulting relevant references, a sampling framework was created that reflects the national demographics.

The total estimated population of relevant MSMEs, as confirmed by the Department of Small Business Development and StatsSA, is approximately 2.4 million. Within this population, 37% (approximately 880,000) are formal businesses. Given the challenges associated with collecting primary data on informal businesses, which are estimated at 1.5 million, this survey concentrates exclusively on formal MSMEs – those registered with both the Companies and Intellectual Property Commission (CIPC) and the South African Revenue Service (SARS). It is important to note that enterprises falling below a turnover threshold of R300,000, which are predominantly unregistered, prove elusive to track due to capacity limitations, fear of legal repercussions, and inadequate contact information.

Classification and Sampling: Formal MSMEs were categorized according to the industrial classification index provided by StatsSA. To determine the sample size for each industry category, referral was made to current estimates from StatsSA. Subsequently, a sample size of 0.05% from each industry category was selected. This yielded a total of 444 MSMEs in our sample.

Collaboration with BUSA: In partnership with BUSA, the participant selection process was refined. With the support of BUSA and other associations, access to an extensive database allowed the identification of specific MSMEs for participation by BUSA. This approach would have allowed streamlining of the participant recruitment process and ensured that a diverse array of businesses across various industries was reached.

Data Collection: For efficient and cost-effective data collection, an online and telephone survey approach was adopted. The survey was distributed to the identified sample through BUSA and affiliated associations. Participants were invited to complete the survey through email communication. Additionally, telephone follow-ups were used to encourage survey completion and address any potential concerns or questions.

Ethical Considerations: Throughout the study, ethical guidelines were adhered to so as to safeguard participant confidentiality and ensure the ethical treatment of data. Participation was voluntary, and respondents' anonymity was maintained throughout the survey process.

Limitations

The study faced significant hurdles primarily attributed to a remarkably low response rate, a situation exacerbated by businesses' reluctance to participate. Despite efforts to aid respondents in completing the survey, numerous businesses were hesitant, citing apprehensions related to the Protection of Personal Information Act (POPI Act)¹. Enacted to safeguard individuals'

¹ The Protection of Personal Information Act (POPIA) is South Africa's data protection law. The POPI commencement date was 1 July 2020 which made the deadline for organisations to comply as 1 July 2021. Any natural or juristic person who processes personal information, including large corporates and government. The data protection laws of many other countries exempt SMEs, but not currently in South Africa. There are severe

privacy rights, the POPI Act substantially impacted the collection of data for research purposes, especially random sampling. Under this legislation, entities such as the Business Unity South Africa (BUSA) found themselves restricted from providing access to email and telephone details of Micro, Small, and Medium Enterprises (MSMEs) to external researchers and consultants. This legal limitation hindered the study's ability to gather comprehensive and diverse data, significantly affecting the research outcomes. The stringent regulations introduced by the POPI Act compelled businesses to exercise caution in sharing personal data, leading to challenges in obtaining the necessary information for the study.

To elicit more responses, a contact database from ListSA, was purchased by ECA SROSA, providing approximately 2000 MSMEs' contact details. Despite these measures, enumerators faced difficulties, as business owners were often unwilling to participate in surveys lasting more than five minutes, and cautious about intrusion into privacy. These challenges combined to impact the overall response rate and the study's ability to fully capture the targeted MSMEs' perspectives.

These limitations, while hindering some aspects of data collection, underscore the complexities of conducting research involving business entities and the need to navigate legal and practical considerations to ensure meaningful participation.

penalties for breaching POPIA i.e., a fine or imprisonment of between R1 million and R10 million or one to ten years in jail and paying compensation to data subjects for the damage they have suffered.

2. SOUTH AFRICA – COUNTRY CONTEXT

Economic Context

South Africa's economy has been facing a number of challenges in recent years, including high unemployment and inequality. The COVID-19 pandemic and the Russia-Ukraine crisis have further exacerbated these challenges. Beyond these challenges South Africa has been experiencing its own domestic challenges including electricity and water shortages caused by various factors such as infrastructure maintenance, severe weather conditions, and the scourge of violence, and corruption.

MSMEs in South Africa account for over 2 million companies, representing over 98% of formal businesses, and have experienced two-digit growth in the last years; however, they contribute to creating less than a third of all formal jobs, leaving job creation highly concentrated in a small number of large employers and in the government (UNCTAD, 2023). The majority are micro (84.8%), followed by small (14.4%), and medium at 0.8%; and most of them (66%) are established under 5 years (Figures 2.8 and 2.9).

In 2022, the number of small formal businesses in South Africa reached 710,000. The figure had climbed from 590,000 in 2010 to 680,000 in 2019 and recovered from a decline during the COVID-19 pandemic (TIPS, 2023). In the dynamic economic context of South Africa, MSMEs often find themselves highly vulnerable to negative events both within the country and on the international stage. The intricate balance of local economic fluctuations, such as the impact of the COVID-19 pandemic, and external disruptions, exemplified by the Russia-Ukraine crisis, underscores the susceptibility of MSMEs to a myriad of challenges. Their reliance on various sectors, coupled with the global nature of supply chains, magnifies the effects of adverse events.

South Africa's economic performance in recent years has exhibited significant fluctuations. Before 2020, the country registered a low positive average growth rate of 1%, indicative of a relatively stable economy. However, the year 2020 witnessed a severe economic downturn, with a sharp contraction of -6.3%. This contraction was largely attributed to the disruptive impact of the COVID-19 pandemic, leading to recessionary conditions. The subsequent year, 2021, saw a remarkable rebound in economic growth, with a growth rate of 4.6%, signaling resilience and recovery. In 2022, the economy maintained growth, albeit at a slightly slower pace, with a 2% expansion. (Figure 2.1).

The composition of South Africa's GDP reflects a diverse economy. In 2021, the services sector played a dominant role, contributing 63% to the GDP. The services sector is particularly important for MSMEs, as it accounts for a large share of employment in this sector. The industrial sector followed, making up 24.5% of the GDP, while agriculture contributed 2.5%. This distribution underscores the significance of the services industry as a major driver of economic activity (Figure 2.2).

A closer examination of sectoral contributions reveals fluctuations over recent years. In 2019, services experienced a slight contraction of -0.1%, while the industry grew by 1%, and agriculture contributed 0.3% to GDP. The pandemic-induced recession in 2020 impacted industry the most, with a decline of -8.1%, while the services sector suffered a -1% contraction. Agriculture, however, displayed resilience with a 0.4% contribution. In 2021, services rebounded with a 1% growth rate, industry surged with a remarkable 3.8% contribution, and agriculture maintained a 0.2% presence in the GDP (Figure 2.3).

Exchange rates in South Africa have exhibited relative instability over recent years. In 2019, the average exchange rate stood at R14.4/USD1, and this stability was maintained in 2021, with an average of R14.7/USD1. However, 2020 and 2022 saw a significant depreciation, with an average rate of R16.4/USD1, likely influenced by global and domestic economic uncertainties related to the COVID-19 pandemic, geopolitics such as conflict in Russia/Ukraine, and local energy challenges among others (Figure 2.4). In terms of inflation, 2019 recorded an average inflation of 4.1%, indicating moderate price stability. In 2020, inflation moderated to average 3.2%. The year 2021 saw a return to 4.6%, while 2022 witnessed a rise with an inflation average of 7.06% signaling potential challenges related to rising prices as a result of global geopolitics and the Russia-Ukraine crisis (Figure 2.5).

South Africa's trade dynamics highlight its role as a significant player in international commerce. In 2019, exports were valued at \$90,419 billion, while imports stood at \$88,216 billion, indicating a relatively balanced trade situation. However, 2020 witnessed a decline in both exports, totaling \$85,686 billion, and imports, amounting to \$68,705 billion, likely influenced by the pandemic's impact on global trade. The subsequent year, 2021, marked a notable recovery in trade, with exports reaching \$123,734 million and imports amounting to \$93,614 million. These figures underscore South Africa's potential for international trade and its role in the global economy (Figure 2.6).

South Africa's economic landscape is closely intertwined with its international trade relationships. The nation's top five trading partners in terms of both exports and imports showcase its global economic connectivity. Leading the way is People's Republic of China, accounting for 11.19% of total trade, followed closely by the United States at 10.69%. Germany, Japan, and the United Kingdom also play significant roles, with 7.73%, 6.78%, and 6.74% of total trade, respectively (World Bank - WITS, 2023).

The Russian-Ukraine crisis has had a noticeable impact on South Africa's trade figures, particularly in the context of its relationship with Russia. While South Africa's trade with Russia has historically been modest, the conflict has introduced some fluctuations. In 2021, South African exports to Russia reached a peak at \$410 million. This may reflect increased demand for certain South African goods or a response to shifting global trade dynamics caused by the conflict. However, in 2022, South African exports to Russia declined to \$282.85 million. This decrease could be attributed to various factors, including the evolving geopolitical situation, sanctions imposed on Russia, or changes in consumer preferences (Trading Economics, 2023).

Overall, the conflict's impact on South Africa's trade figures with Russia highlights the interconnectedness of global economic events and South Africa's ability to adapt to changing circumstances in its international trade relationships.

South Africa's unemployment reached a record high of 35.3% (7.9m unemployed) in the 3rd quarter of 2021 (StatsSa, 2022). South Africa's labor market exhibits distinct employment patterns. The industrial sector plays a pivotal role, employing the majority of the workforce, accounting for 61.4% of total employment. Agriculture also plays a significant role in job creation, providing employment for 21.3% of the population. In contrast, despite its high contribution to GDP, the services sector employs a relatively smaller proportion, with 17.3% of the workforce engaged in this sector (Figure 2.7).

In the context of Micro, Small, and Medium-sized Enterprises (MSMEs), South Africa had a significant number of microenterprises (84.8%), followed by small (14.4%) and medium-sized (0.8%) enterprises (Figure 2.8). Most of these businesses (66%) were established within the five years preceding the mentioned period (Figure 2.9).

Given the heavy reliance on the services sector, the global nature of supply chains, and the prevalence of microenterprises in South Africa's economy, both the COVID-19 pandemic and the Russia-Ukraine crisis had affected the country's economic performance in complex ways. The disruptions in trade, travel, and industry hindered growth, while the varying impacts on different sectors would have necessitated careful economic management and diversification strategies.

Government response

Government Response to the COVID-19 Pandemic

The COVID-19 pandemic has severely impacted MSMEs worldwide, necessitating government interventions to support their survival and recovery. Based on feedback from interviews with government officials and references provided, support measures and restrictions implemented by the government in response to the COVID-19 crisis included:

Regulatory Measures and Restrictions: In response to the COVID-19 crisis, the South African government implemented various regulatory measures and restrictions that affected MSMEs. These included temporary closures, restrictions on operating hours, social distancing requirements, and limitations on the number of customers allowed on premises (Government, 2020a). While these measures aimed to curb the spread of the virus, they presented significant challenges for MSMEs, particularly those in sectors heavily reliant on customer footfall, such as travel, retail, and hospitality (SA Government 2020b).

In response to the COVID-19 crisis, the South African government implemented a range of support measures and restrictions to assist MSMEs. Financial support initiatives, business support programs, and regulatory measures were intended to alleviate financial strain, foster recovery, and protect public health. These were consolidated into a South African Economic Construction and Recovery Plan (SA Government, 2020g).

Financial Support Measures and Business Support Initiatives: The government introduced several financial support measures to alleviate the economic strain on MSMEs. For instance, the South African government implemented the COVID-19 Loan Guarantee Scheme (National Treasury, 2020), which aimed to provide liquidity support to MSMEs by issuing loans through participating banks. Additionally, various tax relief measures, such as payment deferrals and reductions, were implemented to ease the financial burden on MSMEs (SA Government, 2020d). These initiatives were intended to provide immediate financial assistance and improve the cash flow of struggling businesses.

To stimulate economic recovery as a result of the COVID-19 pandemic for the MSME sector, the Department of Small Business Development, through the Small Enterprise Finance Agency (SEFA) introduced the Business Recovery Support Fund for various MSMEs – and informal and micro-enterprise – programmes to the value of R1.23 billion for economic recovery and R776 million for the COVID-19 response. These programmes comprised debt relief, credit guarantees, and other instruments that address the different funding constraints. Included in different sectors were programmes such as, the Temporary Financial Relief Scheme for destroyed, affected, or looted workplaces, Small Business Debt Relief Finance Scheme, Restructuring of SEFA-funded loans, Business Growth Resilience Facility, Spaza Support Scheme, Agricultural Disaster Support Fund, Tourism Relief Fund, and various Tax measures (SA Government, 2020e, h, and i). In addition to financial support, the government implemented several business support initiatives to aid MSMEs during the crisis.

Wage Protection and Employment Support: Recognizing the threat of widespread job losses and economic downturn, the South African government implemented various measures to protect jobs and provide income support to affected workers. One such initiative was the COVID-19 Temporary Employer/Employee Relief Scheme (TERS) (SA Government, 2020c). TERS aimed to provide wage protection to employees who faced reduced work hours or temporary layoffs due to the pandemic. Employers could apply for TERS benefits on behalf of their employees, ensuring that they received a portion of their salaries to mitigate the financial impact.

While some measures provided immediate relief and support, the long-term effectiveness and impact on MSMEs require ongoing evaluation and analysis. A collaborative effort between the United Nations Development Programme (UNDP) South Africa and The Department of Small Business Development (DSBD) involved a study to assess the impact of COVID-19 on Micro and Informal Businesses in South Africa in 2021. The findings revealed that while the government's policy response to the COVID-19 pandemic prioritized support for the Small, Medium, and Micro Enterprises (SMMEs) sector, formulating effective policies tailored to micro businesses and the informal sector proved to be more intricate. Despite the emphasis on helping, the implementation of government loan relief support fell short of expectations. Surveys indicated that the utilization of the relief package was lower than projected, with only 10,000 small businesses receiving support amounting to R13 billion by August 2020, constituting a mere 7% of the allocated funds (UNDP, 2021). Future policies should consider the evolving needs of MSMEs to ensure their sustained growth and resilience in the post-pandemic era.

Government Response to the Russia-Ukraine Crisis

Trade disruptions and the imposition of sanctions are set to continue to exert pressure on the flow of exports and imports. Although the direct trade connections between South Africa and both Russia and Ukraine are not substantial, the reverberations across global trade will inevitably impact the nation's import and export activities. The collective contribution of South Africa's exports to Russia and Ukraine falls below the 1% mark. Similarly, the proportion of imports from these nations mirrors this modest figure. Consequently, the implications stemming from the ongoing conflict and the accompanying sanctions imposed on Russia could introduce potential risks to the smooth execution and payment of these trade volumes, thereby influencing the broader economy. However, these risks could be mitigated by actively pursuing alternative market prospects made available through the Africa Continental Free Trade Area Agreement (AfCFTA) (UNDP, 2022).

The South African government introduced a number of MSME-related policies in response to the general economic conditions stemming from geopolitical factors and the current Russia-Ukraine crisis. These policies are intended to help small and medium-sized enterprises (SMEs) cope with the economic challenges caused by the crisis, such as rising inflation and supply chain disruptions.

The government introduced a series of measures to support SMEs during the ongoing economic challenges. These included an extension of the R350 Social Distress Relief grant to unemployed individuals (SA Government, 2022). In response to rising fuel and food prices following Russia's Ukraine invasion, a temporary reduction in the fuel levy by 1.5 Rand (\$0.09) per liter was implemented from March 2022 until May 2022 (National Treasury, 2022).

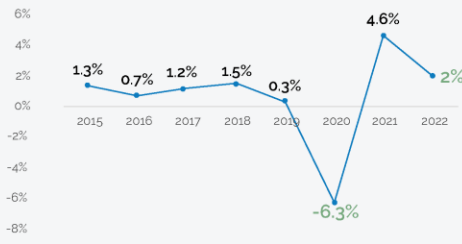
Additional initiatives included a Small Enterprise Finance Agency R1.4 billion fund to finance 90,000 entrepreneurs. The government's objective is to support SMEs during the economic crisis, recognizing their pivotal role in the South African economy by facilitating growth, job creation, and resilience. Measures in the pipeline such as the establishment of a Small Business Advisory Council amending the Small Business Act; and a partnership with the SA SME Fund to establish an R10 billion fund to support the growth of MSMEs. Amendments to the Small Businesses Act will also be finalized to drive regulatory reforms that enable growth in the small business and informal sector. While the Economic Reconstruction and Recovery Plan (ERRP) was initially launched to recover from COVID-19 in October 2020, further measures to support small businesses suffering immense challenges were introduced when in February 2023 President Ramaphosa announced measures to grow the economy and jobs (SA Government 2023).

The interconnected nature of global trade means that even countries with relatively minor direct trade connections can experience significant impacts from geopolitical crises. The ripple effects of disruptions and sanctions can reverberate across borders, affecting import and export activities. The government's response to support MSMEs amid economic challenges highlights the need for adaptive policies. Small and medium-sized enterprises are often more vulnerable to economic shocks, and governments should implement targeted measures to alleviate their difficulties.

2. MACRO ECONOMIC DATA

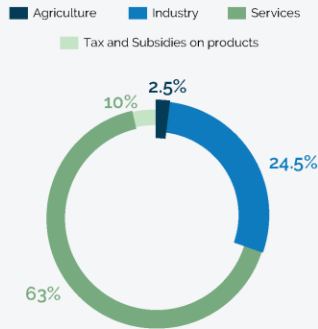
South Africa's GDP, which is at 399 billion US\$ (current prices), has been growing at an average rate of 1% until 2020. Both COVID-19 and the Russia-Ukraine crisis have had substantial impact on South Africa's economy. The services sector accounts for 63% of the GDP. The industry sector has contributed more to GDP growth in 2021.

Figure 2.1: Annual GDP growth



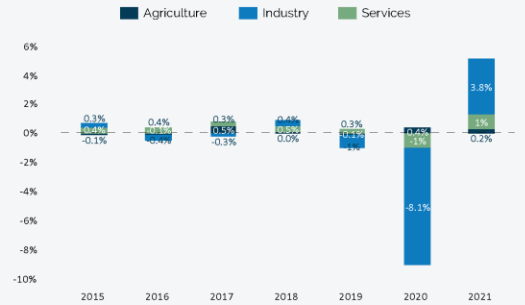
Source: International Monetary Fund

Figure 2.2: GDP Sector composition (2021)



Source: World Development Indicators

Figure 2.3: Sector contribution to GDP's growth



Source: World Development Indicators

The exchange rate spiked in 2020 while the inflation rate reduced the same year.

Figure 2.4: Exchange rate



Source: Trading Economics

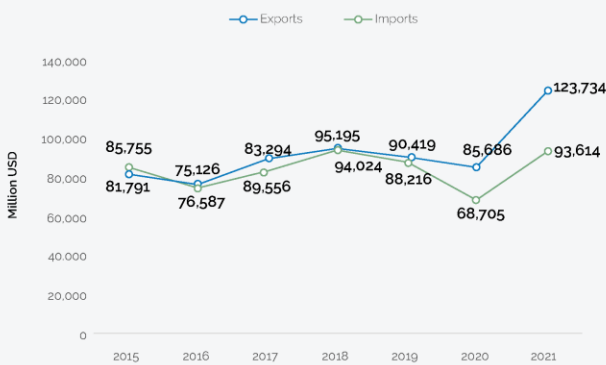
Figure 2.5: Inflation rate



Source: Trading Economics

Figure 2.6: Exports and import as a share of GDP

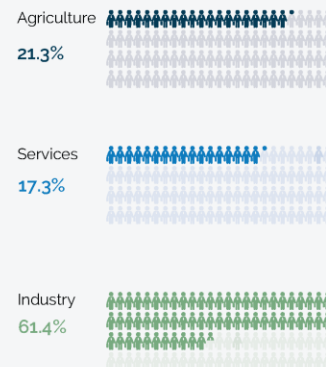
Both export and import contribute significantly to South Africa's GDP.



Source: Trade Map

Figure 2.7: Share of employment by sector

In South Africa, the industry sector employs the vast majority of the population.



Source: World Development Indicators

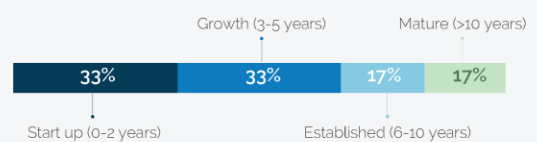
84.8% of MSMEs in South Africa are micro enterprises. Most business were established within the last 5 years.

Figure 2.8: MSMEs by size



Source: Finscope MSME Survey South Africa 2020

Figure 2.9: Age of MSMEs



3. PROFILE OF SURVEYED MSMES

In this section, a comprehensive overview of the profile of businesses surveyed is presented as part of this study. A total of 88 businesses participated in the survey, providing valuable insights into their characteristics and operational dynamics.

Enterprise Location: The surveyed businesses are distributed across various geographical locations within South Africa. The majority of these businesses are situated in urban areas, accounting for 67.9% of the sample. Among the provinces, Gauteng stands out with the highest concentration of businesses (32%), followed by Mpumalanga (28%). The remaining businesses are dispersed across other provinces: Limpopo (7%), Western Cape (7%), KwaZulu-Natal (6%), Eastern Cape (3%), Free State (2%), Northwest (2%), and Northern Cape (1%). Notably, only a small fraction of the surveyed enterprises, comprising 4%, reported being non-operational at the time of the survey (Figure 3.1).

Operational Enterprise Demographics: The majority of businesses surveyed fall under the formal category, representing 88% of the sample. In terms of size, micro-enterprises (employing 0-10 individuals) constitute the largest share, accounting for 86.9% of the total. These businesses are primarily engaged in the services sector (63%), followed by the industrial Sector (35%) (Figure 3.2).

In terms of revenue, the survey reveals diverse earnings among the businesses. Around 45.5% of the enterprises reported earning less than USD 5,000, while 22.6% earned USD 25,000 - USD 50,000. Approximately 15.2% reported earnings exceeding USD 100,000, 9.1% earned USD 50,000 - USD 100,000, and 7.6% earned USD 5,000 - USD 25,000.

The establishment dates of the surveyed businesses exhibit a distribution across different time frames. A significant portion of the businesses (32.1%) were established within the last 1-3 years, followed by 32.1% established within 4-10 years, and 22.2% established over a decade ago.

Trading patterns also vary within the surveyed businesses. A substantial 80% of the enterprises reported not engaging in any form of trade, while 13% were involved in both import and export activities, 2% solely focused on imports, and 5% solely engaged in exports (Figure 3.2).

Owner Demographics: Ownership demographics highlight key aspects of the businesses' leadership. Predominantly, these enterprises are owned by South Africans (98.8%), with a noteworthy presence of women entrepreneurs (56%). Furthermore, the majority of businesses are owned by non-youth individuals (53%), emphasizing the role of experienced entrepreneurs.

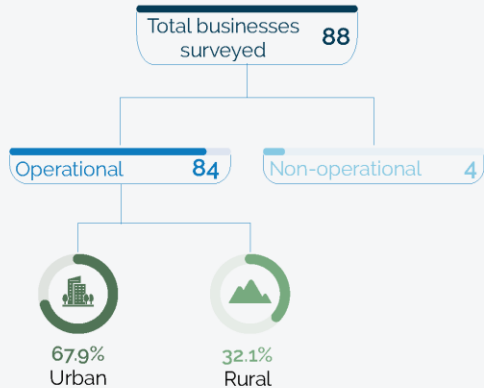
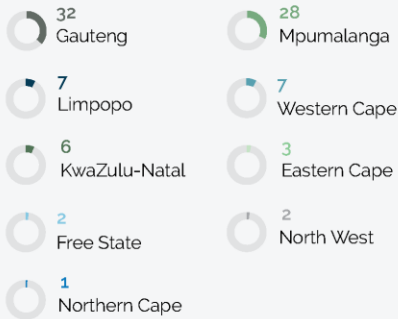
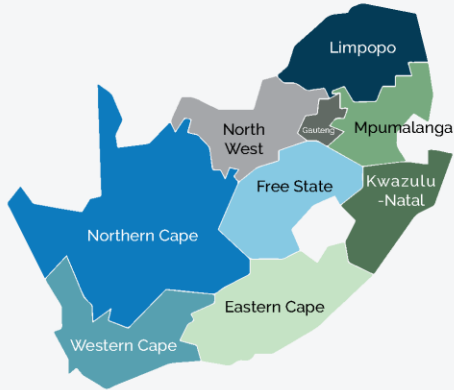
Ownership roles within the surveyed businesses are diverse. A significant proportion of respondents identified themselves as managing directors (41%), followed by sole owners (36%) and co-owners (18%). These roles shed light on the distribution of leadership responsibilities within the enterprises (Figure 3.3).

The above profile of surveyed businesses provides a valuable foundation for understanding their characteristics, operational dynamics, and ownership demographics. These insights serve as a contextual backdrop for the subsequent analysis of the impact of the COVID-19 pandemic and the Russia-Ukraine crisis on these businesses and the broader South African economy.

3. PROFILE OF SURVEYED MSMEs

3.1 Enterprise location

88 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. 45.5% of the businesses earn less than US\$ 5k.

Figure 3.2.1: Formal vs. informal business

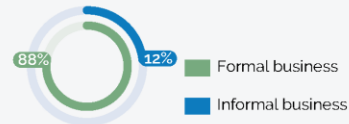
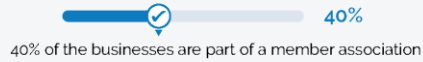


Figure 3.2.2: Enterprise registered with association



3.2.3 Size of enterprise by employees

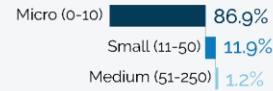


Figure 3.2.4: Sectors

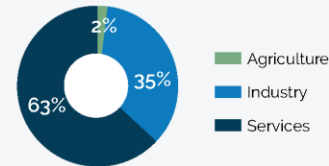


Figure 3.2.5: Annual turnover 2021 (US\$)

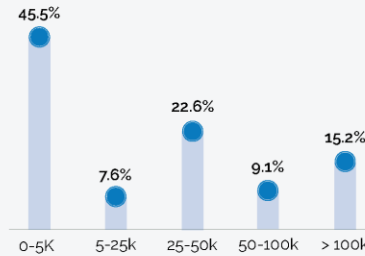


Figure 3.2.6: Age of firm



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

Figure 3.2.7: International traders



Most enterprises import more than they export.

3.3 Owner demographics

Enterprises are predominantly owned by South Africans and mostly owned by women. The vast majority is owned by non-youth.

Figure 3.3.1: Nationality of owners

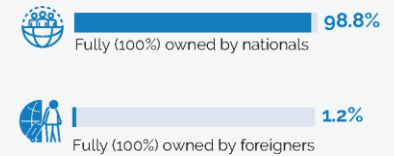


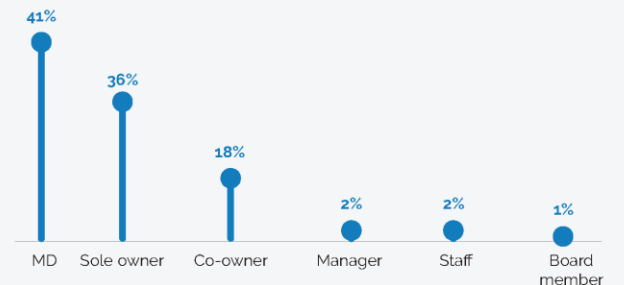
Figure 3.3.2: Gender of owners



Figure 3.3.3: Age of owners



Figure 3.3.4: Respondent role in the enterprise



4. IMPACT ON MSME SALES REVENUE AND STAFF NUMBERS

This section presents a systematic description and analysis of the data about median revenue growth and average growth changes for staff across different sectors, enterprise sizes, and export statuses. The context of the COVID-19 pandemic from 2020 and the Russia-Ukraine crisis from 2022 is considered to provide a comprehensive understanding of the observed trends and differences.

Median Revenue Growth: The analysis of median revenue growth throughout the COVID-19 pandemic and the Russia-Ukraine crisis reveals notable trends in business performance. In 2020, businesses faced a significant decrease in sales revenue, with a median growth rate of -7%, primarily attributed to the adverse impacts of the COVID-19 pandemic. However, the subsequent years witnessed a recovery in revenue growth, with rates of 12% in 2021 and a notable surge of 29% in 2022 (Figure 4.1.1).

Upon further disaggregation, businesses within the industrial and services sectors exhibited a more resilient recovery compared to the agriculture sector. In each year, industrial sector businesses demonstrated higher growth rates, with differences particularly pronounced in 2022 (industrial at 42%; services at 27%). This suggests that industry-oriented businesses might have been better positioned to adapt to changing circumstances, potentially driven by sector-specific demands and opportunities (Figure 4.1.2).

When examining revenue growth based on enterprise size, micro-enterprises outperformed small and medium enterprises in recovering from the 2020 downturn. This trend persisted in 2021 and 2022, with micro-enterprises showing more robust growth rates at 16% in 2021, and 43% in 2022. This divergence might be attributed to micro enterprises' agility during volatile conditions and adapting to new market dynamics (Figure 4.1.3).

Interestingly, the analysis of revenue growth by export status revealed that both importers and non-traders experienced revenue declines in 2020, followed by substantial recoveries in 2022. This trend suggests a broader economic rebound and the potential for increased economic activity related to international trade (Figure 4.1.4).

Moreover, irrespective of enterprise age, all businesses experienced a substantial decrease in revenue growth in 2020. This uniform decline underscores the widespread impact of the pandemic and the subsequent recovery efforts (Figure 4.1.5).

Average Growth Changes for Staff: Examining the average growth changes for staff provides insights into employment dynamics during the studied period. The data indicates that part-time employees faced higher layoff rates than full-time employees, particularly evident in 2020, with part-time employment experiencing a notable decline of -23.8%. In contrast, the impact on permanent employees was relatively moderate, with an average change of -0.8%, suggesting that businesses sought to retain core workforce positions despite the challenges posed by the pandemic (Figure 4.2.1).

In 2022, importers exhibited an interesting trend, as they increased both permanent and part-time employees. This could reflect improved business confidence and the recovery of import-related activities following the turbulent years of the pandemic (Figure 4.2.2).

Sector-wise analysis revealed that the agriculture sector experienced the most significant impact on part-time workers in 2022, with a decrease of -100%, followed by the industrial Sector at -1%. These sector-specific variations in part-time employment changes may stem from factors such as operational demands, labor flexibility, and the evolving demands of the respective industries (Figure 4.2.3).

In conclusion, the analysis of median revenue growth and average growth changes for staff underscores the distinct phases of decline, recovery, and growth experienced by businesses during the COVID-19 pandemic and the Russia-Ukraine crisis. Sector, enterprise size, and export status have played significant roles in shaping these trends. The differential impacts on part-time and permanent employees highlight the nuanced employment dynamics underpinning these economic events.

4.1 MEDIAN REVENUE GROWTH

Figure 4.1.1: Overall revenue growth

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

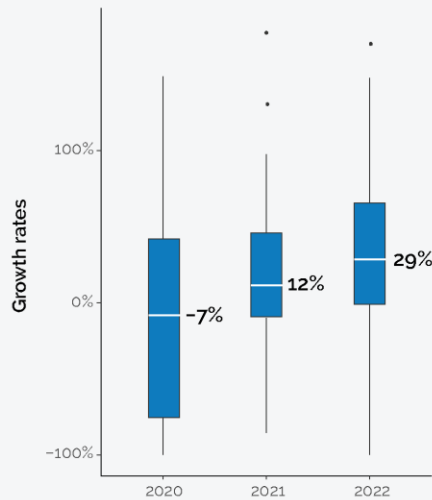


Figure 4.1.2: By sector

Businesses in the industry and services sectors performed better compared to those in the services sector.

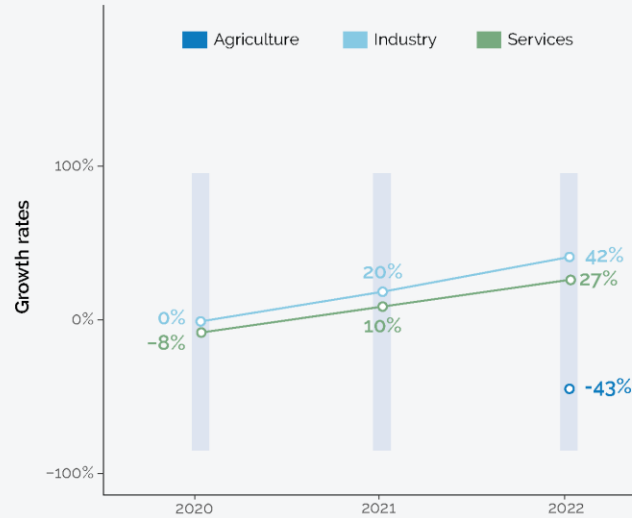


Figure 4.1.3: By size of business

Micro enterprises performed better compared to SMEs in 2022.

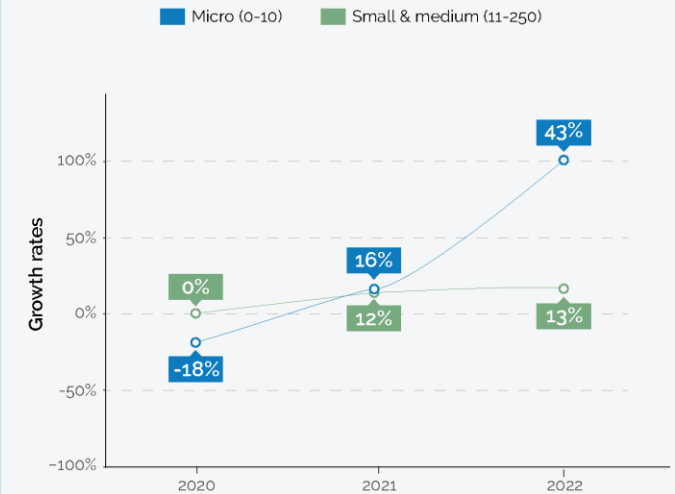


Figure 4.1.4: By international traders

Both importers and non-traders revenues decreased in 2020 and increased in 2022.

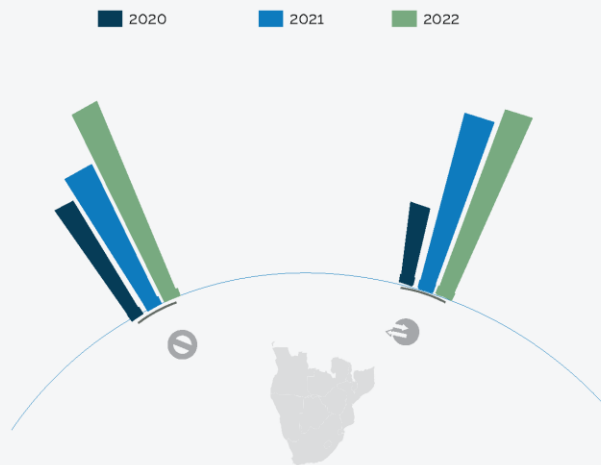
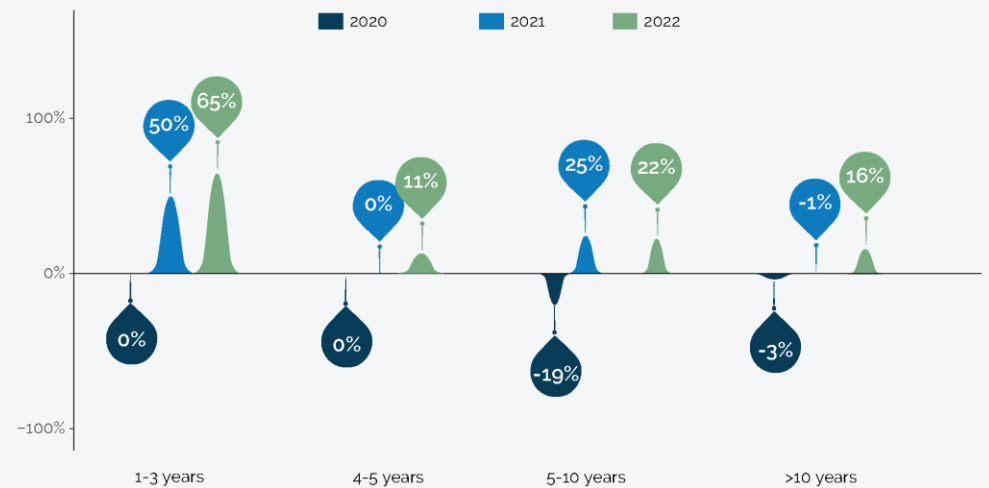


Figure 4.1.5: By age of firm

All enterprises regardless of the age saw a decrease in revenue growth 2020.



4.2 AVERAGE GROWTH CHANGES FOR STAFF

Figure 4.2.1: Overall staff growth

Part-time employees were laid off at a higher rate than full-time employees on average, especially in 2020. When compared to previous years, the COVID-19 in 2020 had a significant impact on permanent employees.

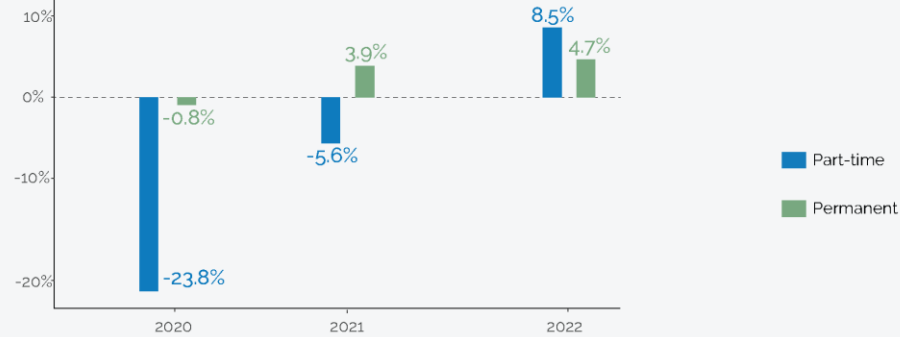


Figure 4.2.2: By international traders

In 2022, importers increased the number of both permanent and part-time employees.

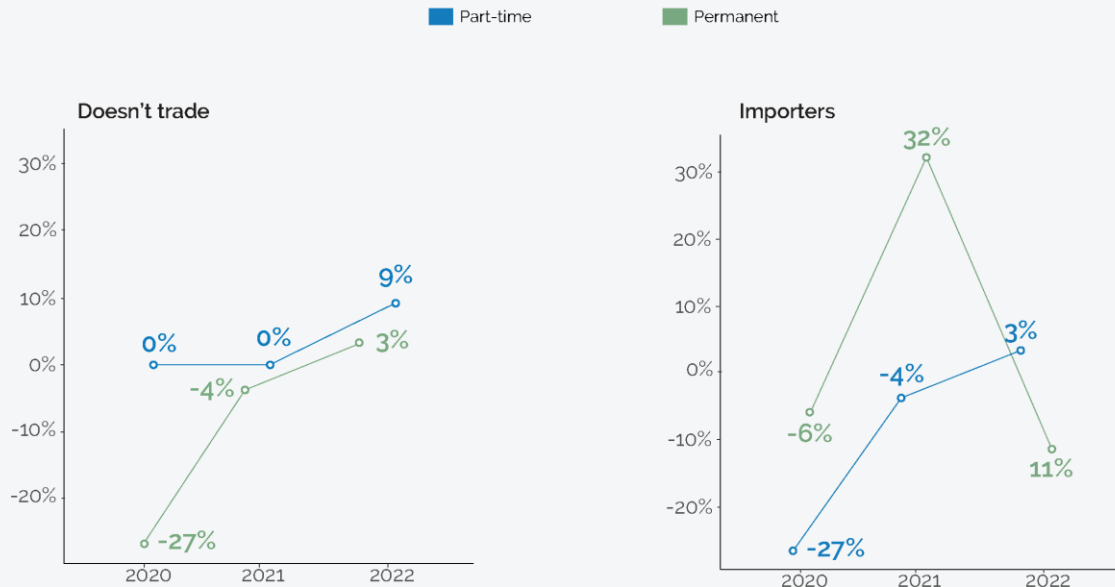
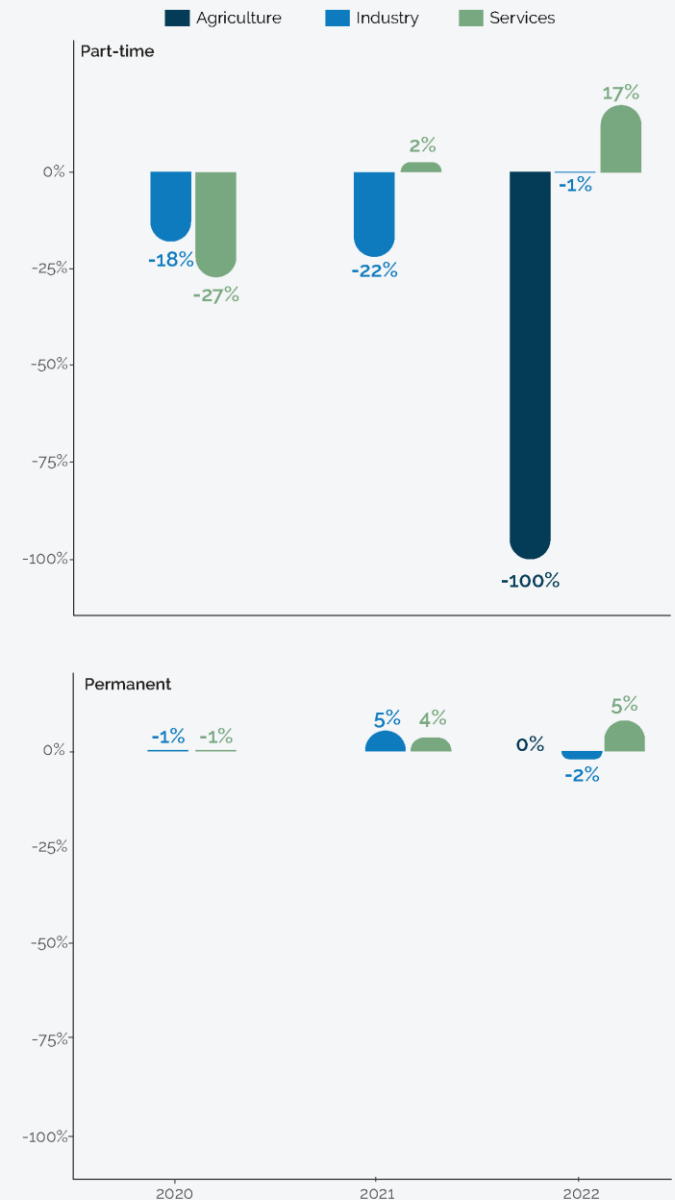


Figure 4.2.3: By sector

In 2022, the agriculture sector was more affected for part-time workers.



5. CURRENT CHALLENGES OF MSMES

This section offers findings and exploration of the challenges experienced by MSMEs between the years 2020 and 2022, as revealed by the survey data. The subsequent analysis is situated within the broader landscape of the surveyed businesses' experiences, aiming to highlight parallels and distinctions when compared to related surveys and studies conducted on MSMEs in the nation.

Challenges faced by businesses: The survey findings unveil three pivotal challenges that the surveyed enterprises encountered: accessing capital (67.9%), low demand for goods and services (24.7%), and inflation (21%) (Figure 5.1). These challenges collectively underscore the intricate tapestry of hurdles MSMEs navigate within their operational realms. The salience of accessing capital as the foremost challenge hints at the financial constraints that enterprises often confront, particularly in the backdrop of fluid economic conditions.

Main challenges by sector: The analysis delves into sector-specific dynamics inherent to the identified challenges. Notably, the challenge of accessing capital exhibited greater prominence in both the industrial (77%) and services (62%) sectors (Figure 5.2). This divergence possibly reflects differing capital requisites and funding sources across these sectors. This discovery aligns with the understanding that industrial sector demand significant capital investments, such as manufacturing, and thus industries are likely to confront heightened challenges in capital access.

Main challenge by traders: Furthermore, the challenge of accessing capital exhibited is most prevalent in both traders and non-traders. Specifically, 71% for non-traders and 55% for traders. This trend may stem from the specific financing demands of export-oriented businesses, which could be accentuated for non-traders, owing to their reliance on external markets (Figure 5.3).

Main challenges by size of businesses: The analysis also probes the influence of enterprise size on the challenges encountered. Unsurprisingly, micro-enterprises faced a more formidable impact from the challenge of accessing capital (73%) in contrast to small and medium-sized enterprises (30%). Conversely, small and medium-sized enterprises felt a relatively greater effect from inflation (40%) and low demand for goods and services (40%). These observations underscore that while challenges cut across different enterprise sizes, their intensity fluctuates, potentially shaped by distinct operational scales and resource capacities (Figure 5.4).

Comparative assessment: When contextualizing these findings against similar surveys and studies concerning MSMEs in the country, certain recurrent themes emerge. The enduring prominence of accessing capital reaffirms its pervasive presence as a challenge across various investigations, underscoring its pivotal role within the MSME landscape. Likewise, the fluctuating demand for goods and services, alongside the ramifications of economic conditions like inflation, persist as recurring areas of concern.

However, the sectoral and size-specific nuances gleaned from this study provide an enriched layer of comprehension. The accentuated challenge of accessing capital in the industrial sector, coupled with its effects on micro-enterprises, for instance, might denote particular predicaments faced by capital-intensive small enterprises.

This analysis not only reaffirms the challenges commonly encountered by MSMEs in the country, such as capital access, demand fluctuations, and inflation, but also furnishes an intricate viewpoint on how these challenges unfold across sectors, international trading statuses, and enterprise size. The comparative scrutiny underscores the necessity for customized interventions that cater to the varied requirements and dynamics of MSMEs in South Africa.

5. CHALLENGES

Figure 5.1: Challenges faced by businesses

Accessing capital, low demand for goods and services and inflation are the main 3 challenges that surveyed businesses face.

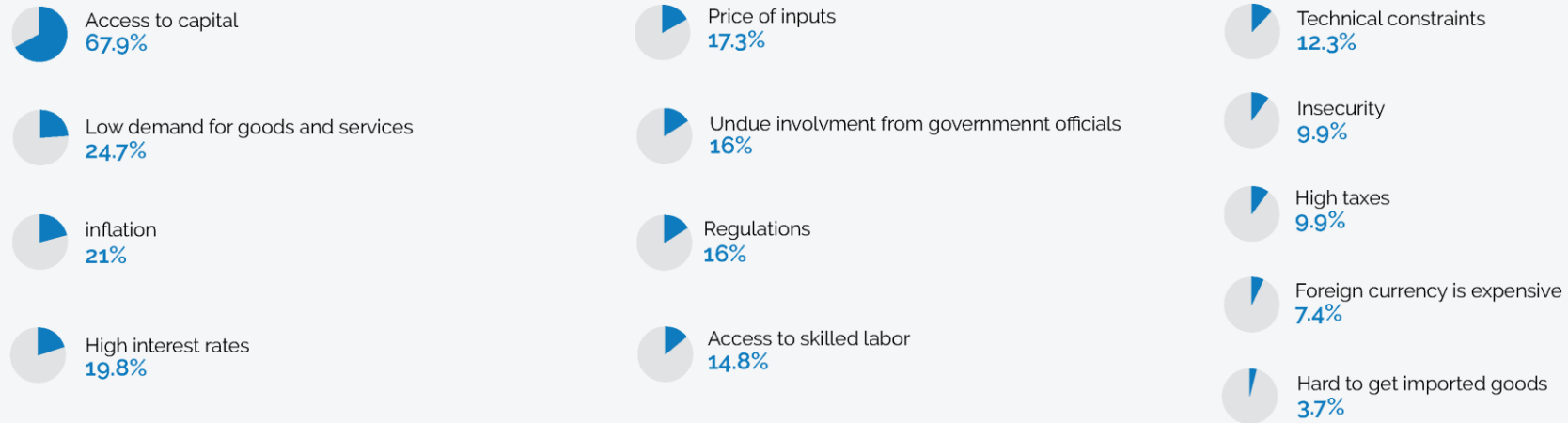


Figure 5.2: Main challenges by sector

Accessing capital is most prevalent in the services sector,

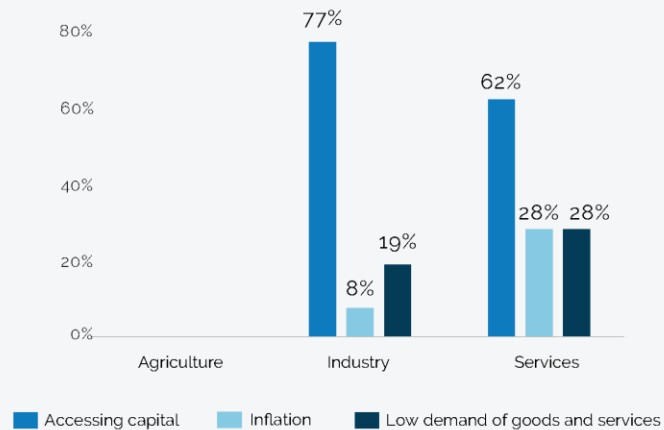


Figure 5.3: Main challenges by traders

Accessing capital is most prevalent in both traders and non traders

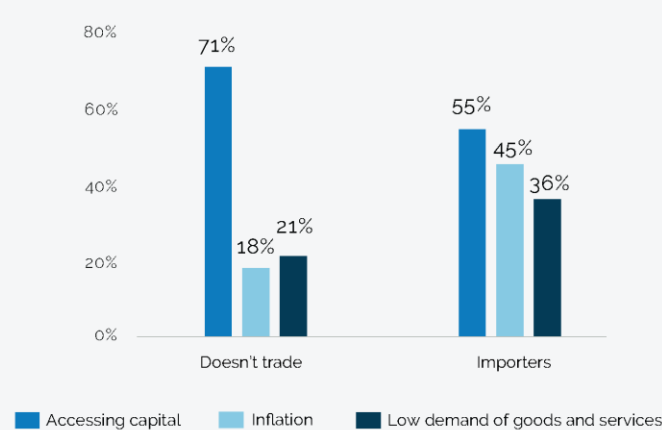
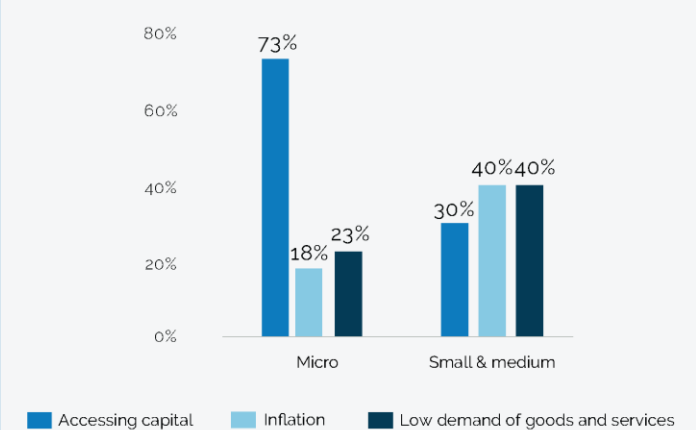


Figure 5.4: Main challenges by size of business

Micro enterprises are more affected by accessing capital compared to small and medium businesses.



6. IMPACT AND RESPONSE TO COVID-19

This segment delves into the complex web of the impact that the COVID-19 pandemic brought upon MSMEs in South Africa during the period spanning from 2020 to 2022. The ensuing analysis seeks to encapsulate the key findings and their implications, shedding light on how these findings mirror and diverge from the broader realm of MSMEs' experiences in the nation.

Extent of Covid-19 impact: The study distinctly captured the widespread negative ramifications of the COVID-19 pandemic on surveyed enterprises. An overwhelming 81% of businesses encountered adverse effects in 2021, with this number slightly tapering to 73% in 2022. This stark statistic underscores the substantial challenges that businesses grappled with, as they navigated the complexities of a pandemic-ridden landscape (Figure 6.1).

Impact by size of business: Further exploration into the data underscores that the impact of the pandemic was not uniform across different enterprise sizes. Micro businesses, in particular, bore the brunt of the pandemic's effects, with 82% experiencing negative repercussions, as compared to 80% in small and medium enterprises. This slight disparity might emanate from the resource limitations and vulnerabilities inherent to micro-enterprises (Figure 6.2).

Impact on international traders: Both importers and non-trading enterprises were affected by the pandemic, with 91% of importers and 79% of non-traders experiencing its effects (Figure 6.3).

Aspects of business affected by COVID-19 and how businesses responded: The repercussions of the pandemic were acutely felt in net profits (76%) and sales (70%), elucidating the profound impact on the financial vitality of MSMEs (Figure 6.4). Amid the pandemic's challenges, businesses were compelled to adapt and respond. Notably, 14.4% of enterprises transitioned to operating online, attesting to the digital pivot undertaken by a segment of businesses. Simultaneously, a considerable number of businesses scaled down their production (13.8%), suspended staff payments (13.8%), and a few explored novel strategies such as customer/market approaches (9.9%) and acquiring new loans to bridge the crisis (9.4%) (Figure 6.5).

Whether main challenges businesses face have worsened since 2020: The data revealed a symbiotic relationship between the pandemic and existing challenges. More than 70% of businesses grappling with inflation and low demand for goods and services perceived these challenges to have escalated since 2020. This finding underscores the pandemic's role in amplifying pre-existing vulnerabilities within the MSME landscape (Figure 6.6).

When contextualizing these findings within the broader context of MSMEs in South Africa, the resonance with previous studies becomes evident. The pervasive negative impact, coupled with the varied adaptive responses, echoes the broader challenges and adaptive strategies unveiled in similar investigations. This consistency underlines the collective resilience of MSMEs in the face of adversity.

6. IMPACT OF COVID-19

Figure 6.1: Extent of COVID-19 Impact

Most enterprises were negatively impacted by the COVID-19 pandemic.

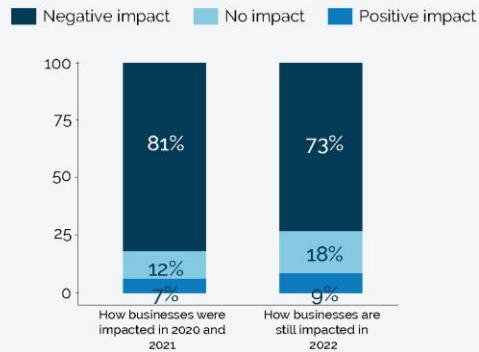


Figure 6.2: Impact by size of business

Micro businesses experienced more negative effect of the pandemic

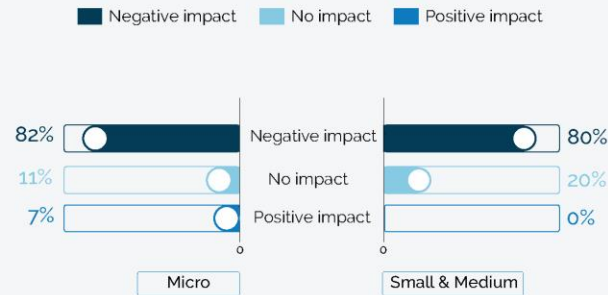


Figure 6.3: Impact on international traders

Both non trading and importers were affected by the COVID-19 pandemic.

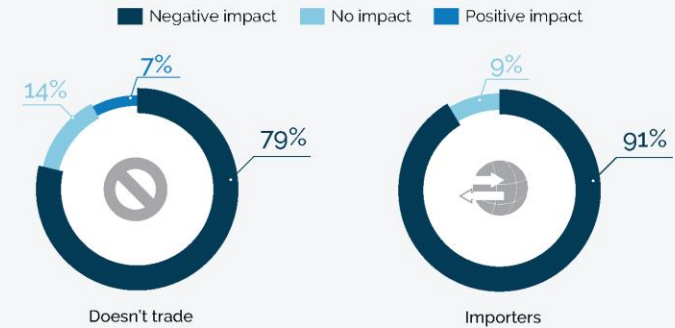


Figure 6.4: Aspects of business affected by COVID-19

Net profit and sales are the most affected business aspects.

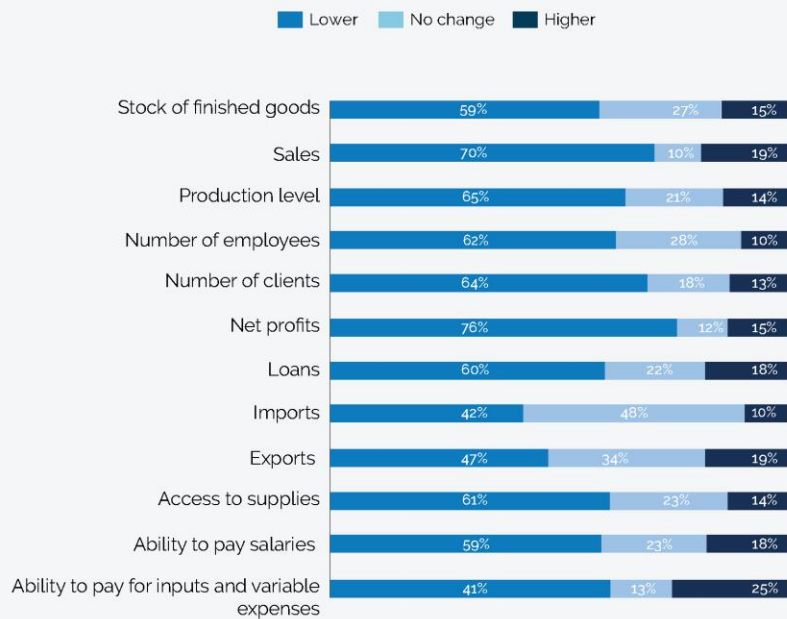


Figure 6.5: How businesses responded to COVID-19

14.4% of businesses started working more online during the COVID-19 pandemic.

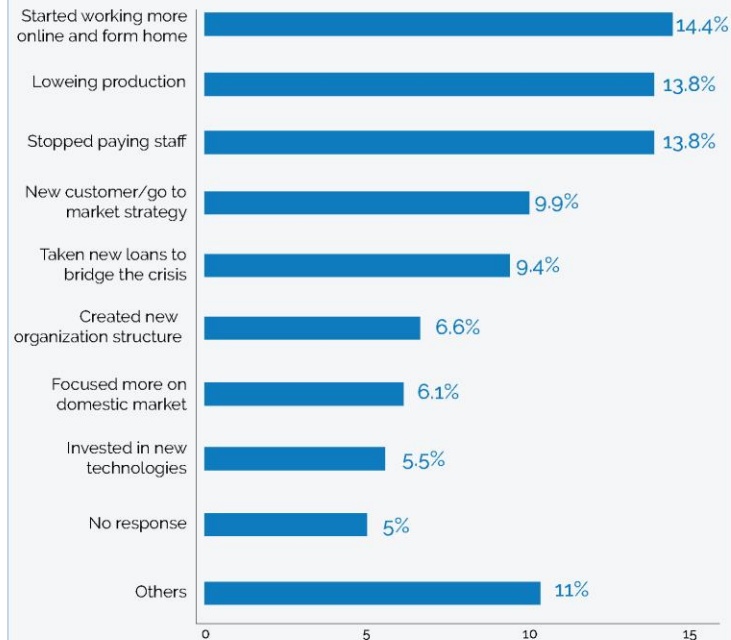


Figure 6.6: Whether main challenges that businesses face have worsened since 2020

More than 70% of the businesses who faced inflation and low demand for goods and services believe that the challenge has worsened since 2020.



7. IMPACT AND RESPONSE TO THE RUSSIA-UKRAINE CRISIS

This section uncovers the distinct phase that emerged with the advent of the Russia-Ukraine crisis and its ensuing impact on the landscape of MSMEs in South Africa. The subsequent analysis delves into key findings and their implications, capturing the nuances of this period and illuminating points of convergence and divergence with the pre-existing dynamics.

Extent of the impact of the Russia-Ukraine crisis: The data underscores a noteworthy differentiation in the impact of the Russia-Ukraine Crisis on surveyed enterprises. Unlike the earlier phase of the COVID-19 pandemic, only 56% of businesses experienced a negative impact due to this geopolitical turmoil, indicating a more varied and nuanced response within the MSME sector (Figure 7.1).

Impact by size of businesses: Interestingly, despite the differing nature of the Russia-Ukraine crisis as compared to the pandemic, the impact cut across all dimensions of business size. Both Micro enterprises (55%) and Small & Medium enterprises (60%) experienced negative effects, illustrating the shared vulnerability of businesses regardless of their scale (Figure 7.2).

Impact on international traders: Importers (64%) and non-traders (55%) were notably affected by the Russia-Ukraine crisis, underscoring the ripple effects of geopolitical dynamics on enterprises reliant on global trade networks. This alignment of impact is an important insight, highlighting the interconnectedness of global events with local business operations (Figure 7.3).

Aspect of business affected by Russia-Ukraine crisis: The crisis reverberated primarily in sales (78%) and access to suppliers (72%). The prominence of these aspects underscores the intricate supply-demand dynamics that are often disrupted during times of geopolitical uncertainty. The disproportionate impact on sales is indicative of the broader economic repercussions that businesses encountered (Figure 7.4).

How businesses responded to the Russia-Ukraine crisis: In response to the Russia-Ukraine crisis, businesses adopted varied strategies. A substantial proportion opted to lower production (18.6%), while a significant number did not respond at all (16.6%). Layoffs (13.7%) and halting staff payments (10.7%) also emerged as responses. This diversity of reactions underlines the multifaceted approach enterprises undertook to navigate the evolving crisis (Figure 7.5).

Whether main challenges of businesses are related to the Russia-Ukraine crisis: The majority of businesses identified three main challenges stemming from the Russia-Ukraine crisis, all of which worsened since 2022: access to capital, inflation, and low demand for goods and services. This convergence of challenges with pre-existing concerns underscores the compounding nature of crises on businesses, particularly when they intersect with existing vulnerabilities.

In the context of the broader MSME landscape in South Africa, these findings resonate with the sector's adaptive nature, where businesses respond and strategize based on evolving circumstances. The differentiated impact of the Russia-Ukraine crisis aligns with the dynamic and multifaceted nature of global events on local enterprises.

To conclude, the insights garnered from the data illuminate the distinctive impact of the Russia-Ukraine crisis on South African MSMEs, emphasizing both universal challenges and sector-specific nuances. This phase underscores the resilience and adaptability inherent to the MSME sector, highlighting the need for responsive policies that safeguard against external shocks while fostering sustainable growth and stability.

7. IMPACT OF THE RUSSIA-UKRAINE CRISIS

Figure 7.1: Extent of the Russia-Ukraine Crisis

56% of the enterprises experienced a negative impact due to the Russia-Ukraine Crisis

■ Negative impact ■ No impact ■ Positive impact

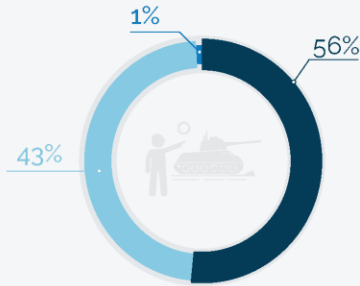


Figure 7.2: Impact by size of business

All MSMEs experienced a negative effect of the crisis regardless of the size of the business.

■ Negative impact ■ No impact ■ Positive impact

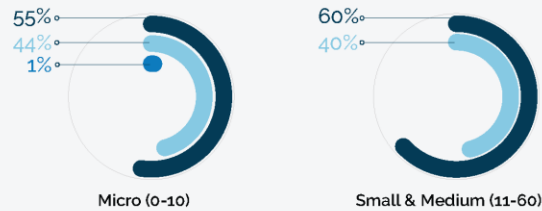


Figure 7.3: Impact on international traders

Importers and non-traders were both negatively impacted by the Russia-Ukraine crisis.

■ Negative impact ■ No impact ■ Positive impact

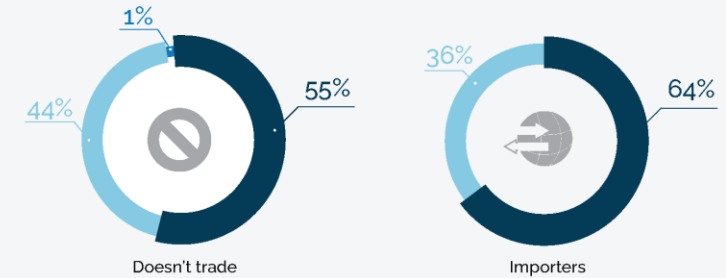


Figure 7.4: Aspects of business affected by the Russia-Ukraine Crisis

Sales and access to suppliers are the most affected business aspect.

■ Lower ■ No change ■ Higher

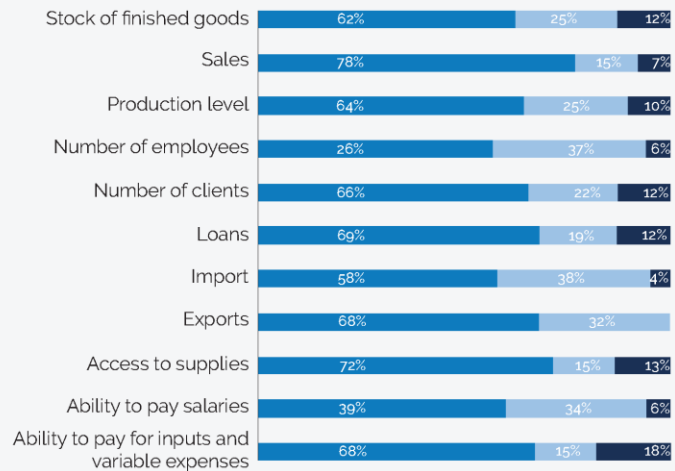


Figure 7.5: How businesses responded to the Russia-Ukraine crisis

More enterprises responded to the crisis by lowering production.

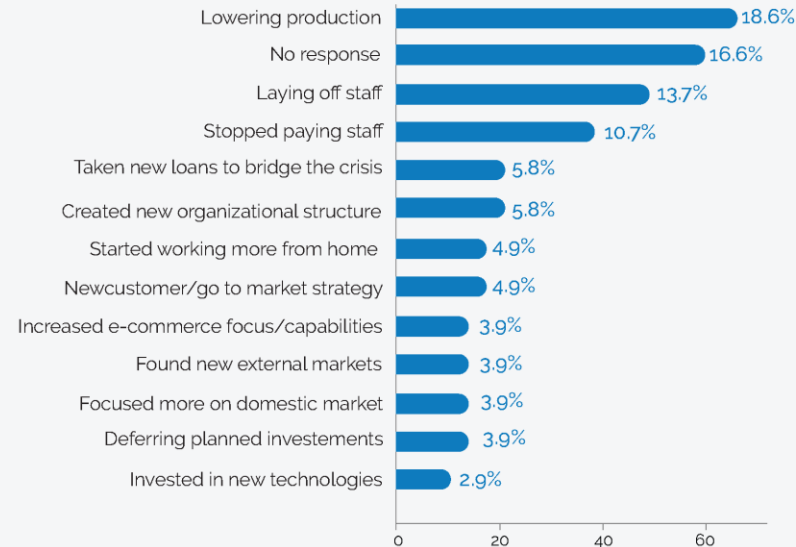
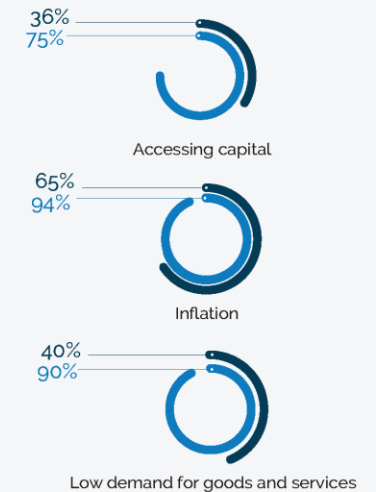


Figure 7.6: Whether main challenges of businesses are related to the Russia-Ukraine crisis

The majority of businesses believe that 3 main challenges are related to the crisis

■ Challenges related to Russia-Ukraine Crisis
■ Challenged worsened since Feb 2022



8. CHALLENGES AND OPPORTUNITIES IN TECHNOLOGY UPTAKE

This section scrutinizes the dynamic interplay of challenges and opportunities that unfolded within the realm of technology uptake for MSMEs in South Africa between 2020 and 2022. The context of the COVID-19 pandemic and the Russia-Ukraine crisis adds layers of complexity to the narrative, delineating an evolving landscape marked by technological adaptation and its confluence with global events.

Whether businesses resorted to new tools and processes as a result of COVID-19 pandemic: Amidst the dual crises, only 28% of enterprises resorted to new tools and processes, primarily driven by the exigencies of the COVID-19 pandemic. It was particularly notable that online media, internet resources, and digital platforms emerged as the foremost instruments embraced by businesses, reflecting a swift pivot towards digital channels to navigate the limitations posed by the pandemic's impact on physical operations (Figure 8.1).

Social media used for marketing: Within this context, the reliance on social media platforms for marketing was pronounced. Facebook (21.3%) and WhatsApp (24.3%) took center stage, followed by websites (14.9%). This resonates with the inclination of businesses to tap into accessible and widely used platforms. The recognition of social media accounting for over 50% of sales for a third of businesses underscores its pivotal role as both a marketing tool and a sales driver (Figure 8.2).

Share of sales from digital tools and impact of COVID-19 on digital platform sales: Social media accounts for more than 50% share of sales for a third of businesses. A compelling trend emerged, with more than half of the businesses (51.9%) witnessing an increase in sales stemming from digital platforms during COVID-19 pandemic. This accentuates the symbiotic relationship between technology uptake and market expansion, where the digital realm becomes a fertile ground for revenue generation. (Figure 8.3 & 8.4).

Support needed to invest in innovation and new technologies: The findings also unravel the prerequisites for technological integration. Half of the enterprises articulated the need for financial support to invest in new technologies. This reflects a nuanced interplay of factors – economic empowerment, resource accessibility, and even basic infrastructural needs like electricity access – that can impact the pace and extent of technology adoption (Figure 8.5).

The convergence of the COVID-19 pandemic and the Russia-Ukraine crisis infuses the technological narrative with additional dimensions. While the pandemic accelerated digital transformation, the crisis introduced elements of geopolitical instability that could have both propellant and inhibiting effects on technology uptake.

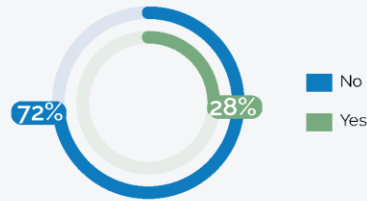
The confluence of challenges and opportunities within the technological sphere outlines a narrative of adaptability and innovation. The digital embrace, prompted by the pandemic, dovetails with an increasingly interconnected global landscape, amplifying the resonance of businesses in international markets. However, the need for supportive measures and resources underscores the necessity of an enabling ecosystem that nurtures technological advancement.

In summation, the technology uptake during the period from 2020 to 2022 encapsulates a story of resilient adaptation against a backdrop of dual crises. The evolution of digital tools and processes, propelled by the demands of the COVID-19 pandemic and informed by the dynamics of the Russia-Ukraine crisis, positions technology as a pivotal enabler of growth, recovery, and stability for South African MSMEs.

8. USE OF TECHNOLOGY AND INNOVATION DURING COVID-19

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

Only 28% of enterprises resorted to new tools and processes due to COVID-19, companies mainly adopted the use of online media.

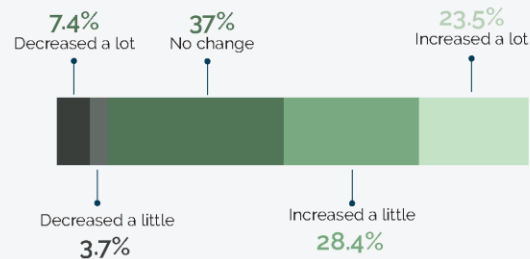


Tools and processes introduced



8.4 Impact of COVID-19 on sales from digital platforms

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



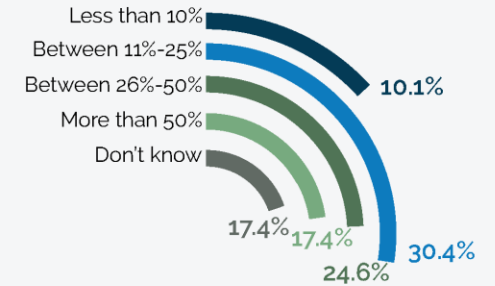
8.2 Social media used for marketing

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



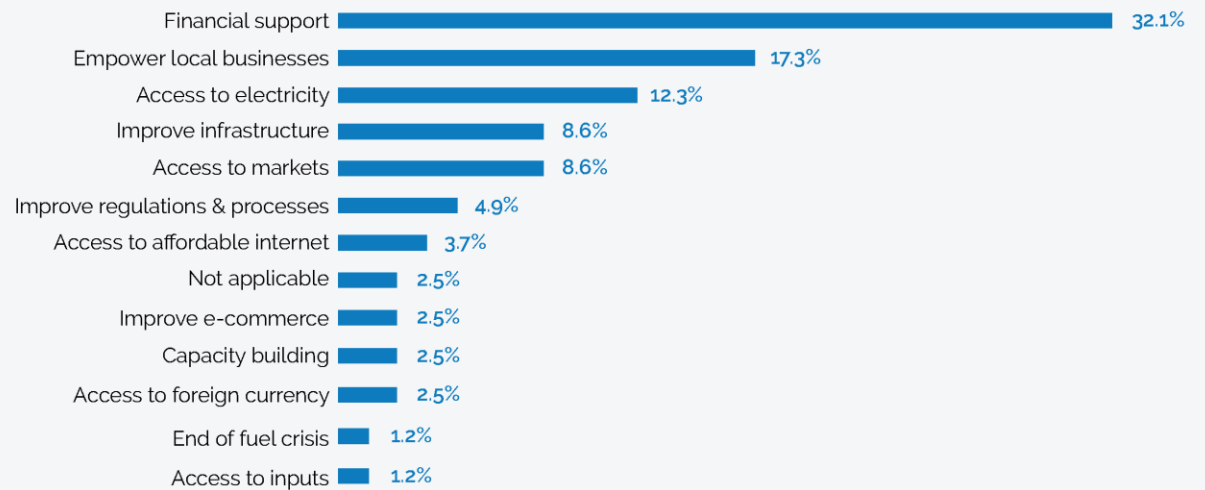
8.3 Share of sales from digital tools

Social media accounts for more than 50% of sales for a third of the businesses.



8.5 Support needed to invest in innovation and new technologies

Half of companies need financial support to invest in new technologies.



9. CHALLENGES AND OPPORTUNITIES IN INTERNATIONAL TRADE AND REGIONAL INTEGRATION

This section delves into the challenges and opportunities that have shaped international trade and regional integration for MSMEs in South Africa during the tumultuous period of 2020 to 2022. The backdrop of the COVID-19 pandemic and the Russia-Ukraine crisis add layers of complexity to the investigation, revealing how businesses have grappled with global disruptions and aspired for regional and international trade opportunities.

Export challenges: The findings illuminate the impediments that have hindered exporting efforts. Foremost among these challenges are the lack of finance (26.3%), regulatory intricacies encompassing customs tariffs and regulations (21%), and high transport costs (18.4%). These barriers underscore the multifaceted nature of challenges that MSMEs encounter in international trade. Financial constraints, logistical hurdles, and regulatory complexities have collectively shaped the export landscape (Figure 9.1).

What would be done to improve exports? The participants' recommendations for enhancing exporting echo the sentiment of needing systemic support. Access to finance (35.7%) surfaces as a paramount requirement, aligning with the perceived lack of finance as a primary challenge. Additionally, support mechanisms to facilitate businesses in export pursuits (14.3%) and addressing the fuel crisis (14.3%) underscore the interconnectedness of challenges and the need for holistic interventions (Figure 9.2).

Import challenges: The challenges confronted during the importing process mirror the complexity of those tied to exporting. A triad of obstacles, composed of finance, regulatory intricacies, and high transport costs, emerges as the crux of the import challenge. This attests to the symmetrical challenges that manifest in international trade (Figure 9.3).

What would be done to improve imports? The recommendations put forth by enterprises to mitigate importing challenges are indicative of systemic enhancements needed. Financial support (35.7%), government facilitation (14.3%), and ending the fuel crisis (14.3%) reflect a collective aspiration for a conducive environment that streamlines import processes. These suggestions underscore the pivotal role that government policies and support structures play in fostering a conducive trade environment (Figure 9.4).

The proportion of enterprises who know trade agreements: The awareness levels of key regional integration initiatives, such as the African Continental Free Trade Area (AfCFTA) and the Southern African Development Community (SADC), reflect a mixed landscape. While a mere 20% of businesses are aware of AfCFTA, a larger proportion is familiar with SADC. This juxtaposition of awareness underscores the potential for stronger communication and engagement regarding the promising regional integration opportunities (Figure 9.5).

How traders perceive AfCFTA: More non-traders (54.5%) are aware of AfCFTA potential but are not yet taking advantage of it, while 39.4% of importers are aware of its potential and 9.1% are taking advantage of it (Figure 9.6).

The findings underscore the manifold challenges that MSMEs confront on the international trade front, accentuated by the externalities of the COVID-19 pandemic and the Russia-Ukraine crisis. As businesses navigate these obstacles, the recommendations for improvement converge on systemic solutions that necessitate cohesive financial, regulatory, and supportive mechanisms.

In this effort, regional integration initiatives, particularly AfCFTA, emerge as potential catalysts for synergizing efforts and unlocking untapped potential. The duality of challenges and opportunities coalesces into a narrative of adaptability and resilience, echoing the persevering spirit of South African and African MSMEs on the global stage.

9. IMPORT AND EXPORT CHALLENGES

Figure 9.1: Export challenges

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

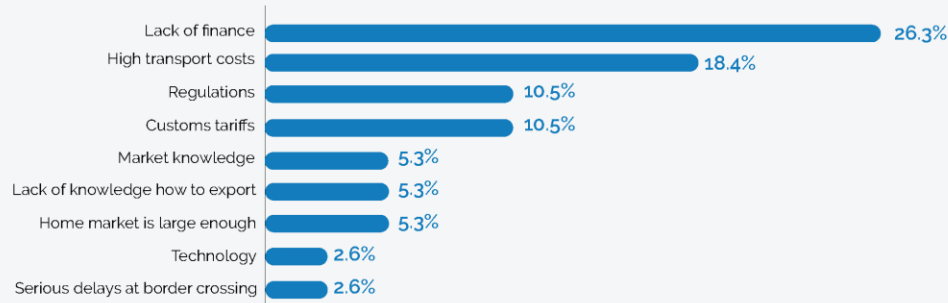


Figure 9.2: What could be done to improve exports

Access to finance was the top suggestion to improve exporting.

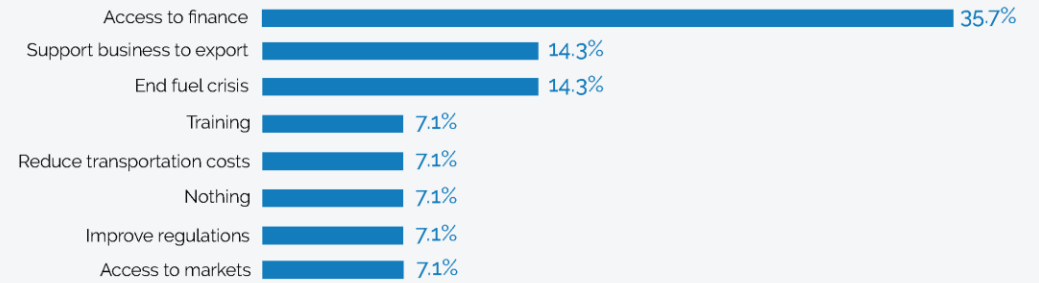


Figure 9.3: Import challenges

Finance and regulations are the main hurdles hindering businesses from importing.

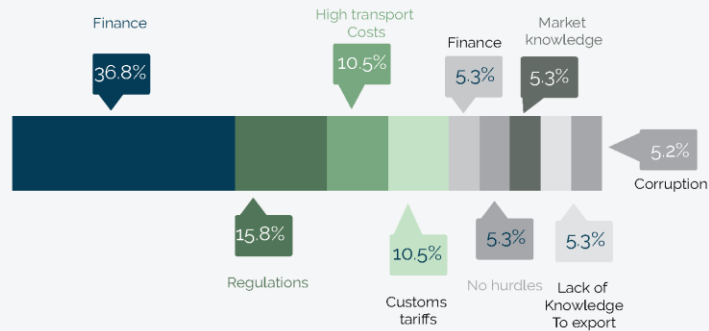


Figure 9.4: What could be done to improve imports

Enterprises suggested financial support, government support, and decrease corruption are the main aspects to improve importing.

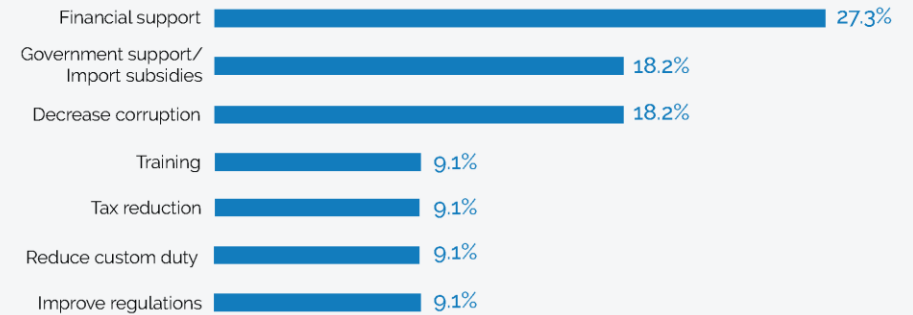


Figure 9.5: Proportions of enterprises who know trade agreements

Only 20% of the businesses are aware of the AfCFTA.

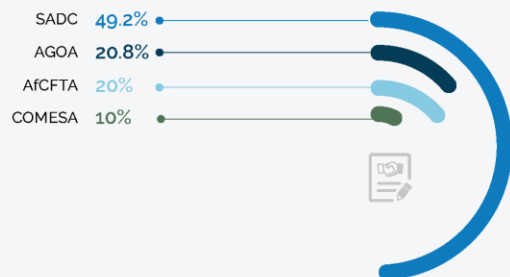
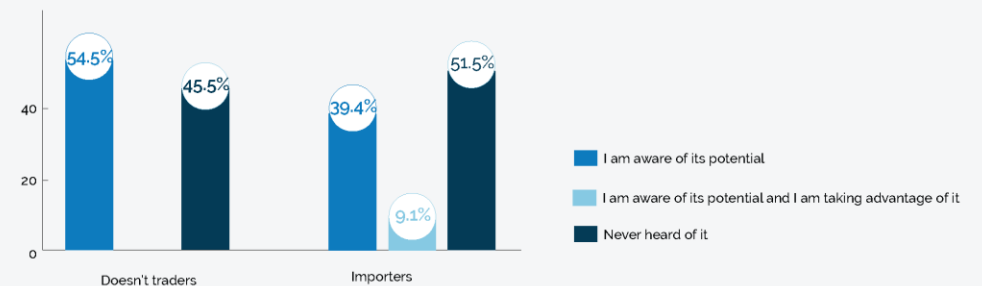


Figure 9.6: How traders perceive AfCFTA

More importers are aware of the AfCFTA potential and taking advantage of it compared to non-traders.



10. OUTLOOK FOR THE FUTURE AND BUSINESS POLICY IMPLICATIONS

This section casts a discerning gaze toward the future, unveiling the outlook of MSMEs in South Africa amidst the intricate interplay of the COVID-19 pandemic and the Russia-Ukraine crisis. The data presents a holistic perspective on businesses' expectations and the imperative policy implications for steering these enterprises toward prosperous horizons.

Forecast for financial situation: An overarching sentiment of optimism emanates from the findings, with a substantial 60.5% of enterprises expressing confidence in the future trajectory of their businesses. This optimism echoes the resilience and adaptability that MSMEs have demonstrated even in the face of formidable global challenges. It serves as a testament to the persevering spirit and determination that characterizes the South African and African entrepreneurial landscape (Figure 10.1).

Area of support needed: The data underscores the vital avenues that require strengthening to bolster the promising future that MSMEs envision. The bedrock of these pathways is access to capital (33%), underscoring the critical importance of financial resources for sustaining and nurturing business growth. Access to electricity (11%), government support and subsidies (11%), and reduced corruption (11%) also emerge as pivotal areas necessitating strategic interventions (Figure 10.2).

The findings bear profound implications for formulating robust policy frameworks that can guide businesses towards sustained growth and prosperity. The overarching imperative of facilitating access to capital underscores the significance of fostering an environment that empowers MSMEs with the necessary financial resources. This can be achieved through targeted financial support mechanisms, streamlined lending processes, and innovative funding solutions tailored to the unique needs of these enterprises.

Addressing the need for access to electricity is another pivotal policy arena. Reliable and affordable energy infrastructure not only enhances operational efficiency but also fuels innovation and technological adoption. The government's commitment to bolstering energy infrastructure can significantly contribute to fostering a conducive business environment.

Government support and subsidies, as well as efforts to reduce corruption, are pivotal aspects that can catalyze a nurturing ecosystem for businesses to thrive. Transparent and corruption-free governance encourages trust and confidence, essential for attracting investments and fostering sustainable growth. Strategic policy initiatives that promote accountability and ethical practices can have far-reaching positive effects on the MSME landscape.

The optimism that resonates from the enterprises surveyed speaks volumes about the resilience and tenacity of South African MSMEs. The data spotlighting the requisites for nurturing this optimism serves as a clarion call for policymakers to craft targeted strategies that address the core challenges of capital access, energy infrastructure, government support, and corruption reduction. By fostering an ecosystem that aligns with these imperatives, policymakers can pave the way for a future where MSMEs thrive, contribute, and lead the way toward a prosperous South African economy.

10. OUTLOOK FOR THE FUTURE

Figure 10.1: Forecast for financial situation

Most entrepreneurs are optimistic about the future of their businesses.

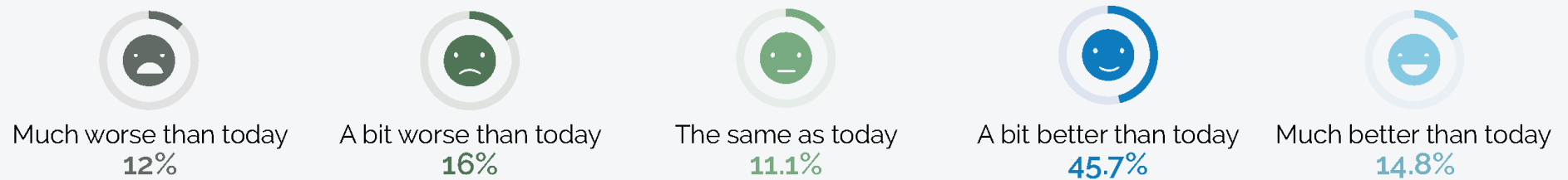
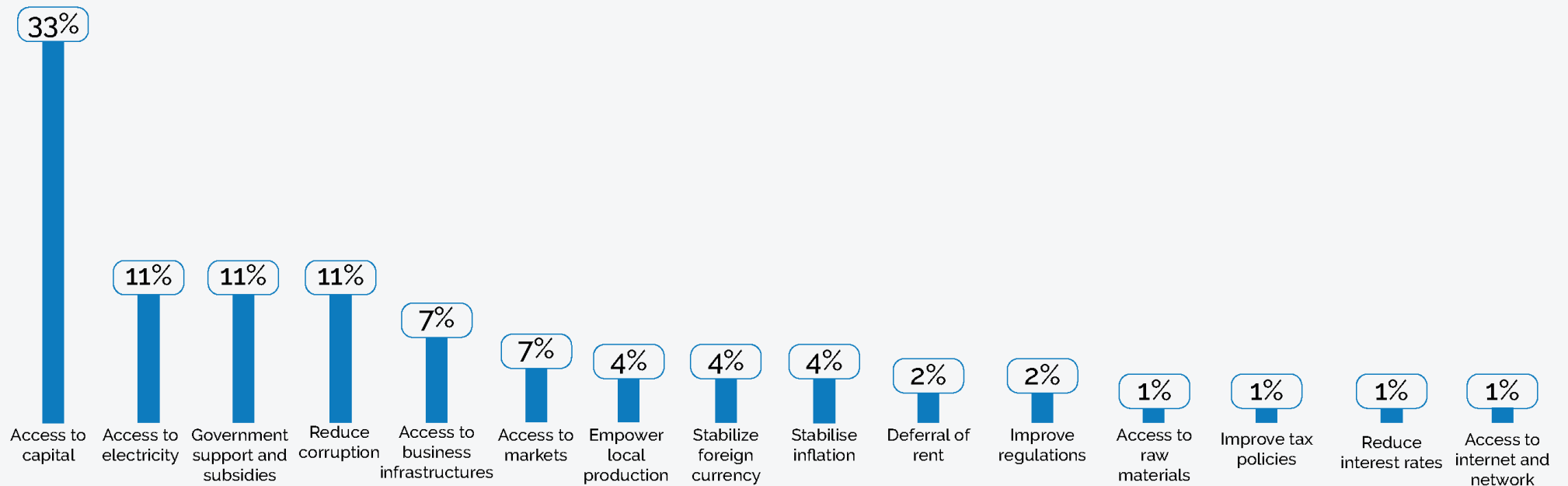


Figure 10.2: Area of support needed

Access to capital is the main area of support needed.



11. CONCLUSIONS AND RECOMMENDATIONS

The study's conclusions highlight the diverse operational demographics of South African MSMEs, primarily located in urban areas with Gauteng as a concentrated province. Dominated by micro-enterprises, especially in the services sector, these businesses exhibit varying revenue generation but constitute a significant portion of the economy. The impact of COVID-19 on sales revenue and staff numbers revealed distinct phases of decline, recovery, and growth, influenced by sector, enterprise size, and export status. Challenges encompass capital access, low demand, and inflation, amplified by the pandemic and Russia-Ukraine crisis, while adaptive strategies were evident. Technology uptake, catalyzed by the pandemic, presented opportunities, particularly through digital platforms. The international trade landscape showcased challenges and regional integration prospects, notably the potential of AfCFTA. The optimistic outlook underscores the need for targeted policy interventions to support access to capital, reliable energy infrastructure, government assistance, and corruption reduction, aligning with MSMEs' resilience, innovation, and prosperity.

The findings elucidate the complex network of challenges and opportunities within South African MSMEs. The diverse business profile forms the foundation for understanding their experiences amidst the COVID-19 pandemic and the Russia-Ukraine crisis. Impact on sales revenue and staff numbers reflects adaptability with sectoral, size, and export-related nuances. Ongoing challenges necessitate tailored interventions across sectors and sizes. Pandemic-driven technological uptake and digital transformation signal the significance of online platforms for growth. International trade and regional integration dynamics underscore the importance of targeted policy support, focusing on export facilitation, import challenge mitigation, and regional initiatives like AfCFTA.

The prevailing optimism among MSMEs calls for policymakers to take action. The study's implications emphasize strategic policies that enable capital access, energy infrastructure, government support, and corruption reduction. By aligning policies with these imperatives, policymakers can foster an environment where MSMEs flourish, driving economic growth amidst global shifts. The study's insights contribute to the discourse on sustaining South Africa's economic backbone, ensuring its resilient development for years to come.

Based on the findings and conclusions of the study, the following practical recommendations are proposed for both the South African government and businesses:

RECOMMENDATIONS

For the South African Government:

Strengthen Innovation Ecosystem for MSMEs: To bolster South Africa's MSMEs and promote Science, Technology, and Innovation (STI) adoption, it is proposed to enhance accessibility to innovation support centers, offering tailored capacity-building programs, to increase the provision of research and development grants and tax exemptions for MSMEs, to foster technology transfer networks, and create dedicated financing mechanisms for MSMEs. Encouraging collaborative partnerships, nurturing innovation clusters, streamlining intellectual property protection, facilitating market access, and implementing a robust monitoring and evaluation system will further strengthen the innovation ecosystem.

These measures will empower South African MSMEs, enhance their competitiveness, and position them to withstand domestic and global challenges.

Enhance Access to Capital: It is recommended to review and continue to develop and implement targeted financial support mechanisms tailored to the diverse needs of MSMEs. This could include low-interest loans, grants, and venture capital initiatives to ease the financial constraints faced by businesses.

Streamline Regulatory Processes: Another recommendation is to fast track processes and simplify regulatory procedures for accessing finance and procurement opportunities; including in relation to customs tariffs, to reduce the complexities that hinder both import and export activities for MSMEs. This can be achieved through digital platforms that facilitate smoother procurement, financing, and trade transactions.

Invest in Energy Infrastructure: Prioritizing investments in reliable and affordable energy infrastructure, to ensure a stable power supply for MSMEs is also recommended. This will enhance operational efficiency and stimulate innovation while reducing the burden of energy costs on MSMEs.

Promote Digital Literacy: Intensify programs that enhance digital literacy among MSMEs, offering training and resources to help them fully leverage online platforms, social media, and digital tools for marketing and sales growth is another recommendation.

Facilitate Regional Integration Awareness: It is advocated to foster collaboration between government, industry associations and chambers of commerce to raise awareness about regional integration initiatives like AfCFTA. Workshops, webinars, and informational campaigns can be conducted to ensure businesses are informed about potential trade opportunities.

Provide Export Assistance: It is recommended to establish dedicated support programs in MSMEs and community centres that offer guidance and assistance to MSMEs seeking to engage in international trade. These centres can provide information on market trends, export regulations, and financing options.

Promote Transparent Governance: Strengthening anti-corruption measures and promoting transparent governance practices should be in the policy mix. Creating platforms for reporting corruption and ensuring that government services are accessible without undue influence in support of MSMEs are recommended.

For Businesses:

Diversify Revenue Streams: Given the challenges of economic fluctuations, opportunities to diversify revenue streams should be explored. Businesses can consider expanding product lines, targeting new customer segments, or exploring niche markets to reduce reliance on a single revenue source.

Adopt Digital Transformation: Measures include embracing digital tools and platforms for marketing, sales, and operations. Creating user-friendly websites, engaging actively on social media platforms, and exploring e-commerce options to tap into the growing online consumer base are other suggested measures.

Strengthen Financial Resilience: It is recommended for businesses to develop financial strategies that focus on building reserves and contingency funds. This can help businesses

withstand economic shocks and ensure they have the necessary resources to navigate uncertain times.

Collaborate and Network: Suggestions include participation in industry associations, trade groups, and chambers of commerce to access networking opportunities, share best practices, and stay updated on industry trends and developments.

Explore Export Opportunities: It is recommended for businesses to undertake research and explore export opportunities that are aligned with the business's strengths and capabilities. Leveraging government resources and support centres to navigate the complexities of international trade should also be considered.

Invest in Employee Training: Prioritizing continuous employee training to enhance skills and adaptability is recommended. This can improve operational efficiency, foster innovation, and enhance the overall competitiveness of the business.

Leverage Regional Integration: MSMEs should educate themselves about regional integration initiatives like the AfCFTA and explore how these can benefit their businesses. They should also engage in market research to identify potential trade partners and opportunities within the region.

In conclusion, this study sheds light on the intricate landscape of Micro, Small, and Medium-sized Enterprises (MSMEs) in South Africa, navigating the challenges posed by the COVID-19 pandemic and the Russia-Ukraine crisis. The findings underscore the diversity within the MSME sector, encompassing various operational demographics and highlighting the resilience of these businesses. The impact on sales revenue, staff numbers, and employment dynamics reveals the sector's adaptability, influenced by factors such as sector, enterprise size, and export status. The challenges faced by MSMEs, including capital access, low demand, and inflation, are amplified by external crises, underscoring the need for targeted policy interventions. Technological uptake, international trade challenges, and regional integration prospects paint a complex picture of opportunities and strategies for growth.

The study's insights pave the way for actionable recommendations that cater to both the South African government and businesses. The government's responses to the COVID-19 pandemic and the Russia-Ukraine crisis, through financial support measures, business initiatives, and regulatory actions, reflect a commitment to sustaining and fostering MSMEs' resilience and growth. For businesses, diversification, digital transformation, financial planning, and collaboration emerge as strategic imperatives. The collective optimism among MSMEs underscores the potential for a prosperous future, contingent on strategic policies promoting access to capital, energy infrastructure, government assistance, and transparent governance.

As South Africa navigates the evolving global landscape, policymakers, businesses, and stakeholders are poised to harness these insights to forge a path toward a thriving MSME ecosystem. By aligning policies and strategies with the unique needs of MSMEs, South Africa can fortify the backbone of its economy, ensuring sustained growth, job creation, and prosperity for years to come. This study contributes valuable perspectives that empower decision-makers to chart a resilient and innovative course forward for the benefit of the nation's economy and society.

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ANNEXES

Appendix A: 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. South Africa

B2. Name of the Enterprise/Firm

- a. _____

B3. In what year did the Enterprise/Firm start operating in South Africa?

- a. _____

1.2 Location

B4. Does the Enterprise/Firm have a global Headquarters in South Africa?

- a. Yes
- b. No

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

- a. Country _____

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

- a. Yes
- b. No

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

- a. Country a _____
- b. Country b _____
- c. Country c _____
- d. Other countries _____

B8. Province of the National Enterprise Headquarters

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

B9. Location of the National Enterprise Headquarters

- a. Rural
- b. Urban

1.3 Main economic activity

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

- a. Agriculture, forestry, and fishing (A)
- b. Mining and quarrying (B)
- c. Manufacturing (D)
-

- d. Construction (F)
- e. Wholesale and retail trade (G)
- f. Transport and storage (H)
- g. Accommodation and food services (I)
- h. Information and communication (J)
- i. Financial and insurance activities (K)
- j. Real estate activities (L)
- k. Professional, scientific and technical (M)
- l. Human health and social work activities (Q)
- m. Arts, entertainment, and recreation (R)

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

a. _____

1.4 Business Registration

B12. Business registration

- a. Sole proprietorship
- b. Private company limited by shares
- c. Publicly traded company (Ltd)
- d. Cooperative
- e. Limited by guarantee
- f. NGO
- g. Not registered (informal)
- h. Other _____

B13. Is the Enterprise/Firm a member of a business association?

- a. Yes
- b. No

B14. If yes, which ones?

- a. South Africa 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 at 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 or export
- e. Don't know

C11. In what currency do you report export sales:

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

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

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

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

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

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

- a. Angola
- b. Botswana
- c. Eswatini
- d. Lesotho
- e. Malawi
- f. Mauritius
- g. Mozambique

- h. Namibia
- i. South Africa
- j. Zambia
- k. Zimbabwe

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

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

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

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

D. Business Challenges and Policy Response

1.10 Challenges in general

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

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

For each selected, specify the issue (loop):

D2. If challenge a selected:

- a. Specify _____

—

D3. If challenge b selected:

- a. Specify _____

—

D4. If challenge c selected:

- a. Specify _____

—

D5. If challenge d selected:

a. Specify _____

—

D6. If challenge e selected:

a. Specify _____

—

D7. If challenge f selected:

a. Specify _____

—

D8. If challenge g selected:

a. Specify _____

—

D9. If challenge h selected:

a. Specify _____

—

D10. If challenge i selected:

a. Specify _____

—

D11. If challenge j selected:

a. Specify _____

—

D12. If challenge k selected:

a. Specify _____

—

1.11 Impact of Covid-19 pandemic 2020-2022

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

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

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

	Very Low	Low	No Change	High	Very High
a. Sales	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Exports	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Number of employed staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Production level	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Number of clients/contracts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Stock of finished goods	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g. Access to supplies to operate the business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h. Ability to pay salaries	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- i. Ability to pay for inputs and variable expenses
- j. Ability to pay back loans
- k. Imports

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

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

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

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

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

- a. Yes
- b. No

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

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

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

- a. Cash transfer
-

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

D20. Who provided the support?

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

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

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

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

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

1.12 Impact of Russia-Ukraine war since February 2022

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

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

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

Very Low No Change Very High

- | | | | | | |
|----------------------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| a. Sales | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| b. Exports | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| c. Number of employed staff | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| d. Production level | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| e. Number of clients/contracts | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| f. Stock of finished goods | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| g. Access to supplies to operate the business | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| h. Ability to pay salaries | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| i. Ability to pay for inputs and variable expenses | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| j. Ability to pay back loans | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| k. Imports | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

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 | <input type="checkbox"/> |
| b. Less competition in the market | <input type="checkbox"/> |
| c. Improved access to skilled labour | <input type="checkbox"/> |
| d. Increased use of technology | <input type="checkbox"/> |
| e. Increased use of local raw materials | <input type="checkbox"/> |
| f. Other (specify)_____ | |

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

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

1.13Desired Policy response

D32. To what extent do you think the current Government policies are positive for the business environment in South Africa?

- 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_____