



UNCTAD Regional Office for Africa (ROA) Webinar Series

Micro, Small and Medium-sized Enterprises (MSMEs) Day 2020

“Micro, small and medium-sized enterprises (MSMEs) as drivers of post COVID-19 economic recovery in Africa: Policies, Strategies and Lessons”

Date: **June 25, 2020**

Time: **12:00 pm – 2:00 pm (EAT)**

Link: **TBC**

Concept Note

The COVID-19 pandemic has an unprecedented and devastating impact on African economies

The coronavirus (COVID-19) outbreak was declared a public health emergency of international concern by the World Health Organization (WHO) on January 30, 2020¹ and has since had disastrous health, social and economic impacts on the world and more so on the African continent. It is no longer business as usual: indeed, the nature of the disease and its propagation trend forced African governments to take drastic measures such as lockdowns, social distancing policies and travel restrictions leading to the closure of businesses, workplaces, schools and borders as well as the cancellation of public events to contain and slow the spread of the virus. Data shows that, as of 4 May 2020, 42 African countries had imposed partial or full lockdowns on movements and activities.²

As a result, African countries have since seen an increase in public expenditure and decrease in government revenues. The increase in public expenditure is explained by governments’ imperative to respond to the health and social crisis caused by the pandemic. Loss of government revenues is occasioned by disruptions in global

¹ See <https://www.who.int/emergencies/diseases/novel-coronavirus-2019/events-as-they-happen#:~:text=The%20outbreak%20was%20declared%20a,Concern%20on%2030%20January%202020.&text=On%2011%20February%202020%2C%20WHO,coronavirus%20disease%3A%20COVID%2D19>. Accessed on June 8, 2020 at 9:29 pm.

² United Nations Commission for Africa. 2020. *COVID-19: Lockdown Exit Strategies for Africa*. United Nations. Addis Ababa at p. 5.

markets - declines in crude oil prices were recorded with natural gas and metal prices dropping by 30 and 4 per cent respectively while global supply and demand shocks hinder exports and imports.³ The United Nations Conference on Trade and Development (UNCTAD) finds that fuels prices declined by 33.2 per cent in March while minerals, ores and metals, food and agricultural raw materials prices registered a decrease of less than 4 per cent.⁴ Further, the pandemic has had a negative impact on trade - UNCTAD nowcasts a decline of 0.3 per cent in global trade values points in the first quarter of 2020 but finds that most of the impact of COVID-19 measures will affect global trade in the second quarter with an estimated quarter-on-quarter decline of 26.9 per cent.⁵

Key sectors, such as travel and tourism, are greatly affected as most countries have imposed travel restrictions and lockdowns as well as closure of borders to contain the spread of the virus. According to the International Civil Aviation Organisation's COVID-19 economic impact analysis, 38 per cent of seats capacity were cut globally in March 2020 and the number of passengers reduced by 54 per cent while air cargo dropped by 19 per cent in the same period.⁶ consequently, the World Tourism Organisation (UNWTO) forecasts declines of 60 to 80 per cent in international tourist arrivals depending on when travel restrictions are lifted - arrivals in March alone dropped by 60 per cent.

According to the International Labour Organisation (ILO), the COVID-19 pandemic has caused unprecedented shocks to labour markets - the world recorded biggest employment declines since World War II as a consequence.⁷ Indeed, lockdown, social distancing and quarantine measures have led to the closure or workforce reduction of businesses and workplaces, which implies loss of revenue and potentially loss of employment. Africa registered a 1.6 per cent drop in aggregate working hours in the first quarter of 2020 and is expected to register a 9.6 per cent drop in the second quarter. The consequences of the disruption of economic activities are further compounded by the fact that the continent has an informal economy that accounts for around 86 per cent of total employment – informal workers require direct contact with their clientele.

Opportunity to improve the micro, small and medium-sized enterprise (MSME) ecosystem of the continent

Although the COVID-19 pandemic has had devastating repercussions on African economies, it also presents an opportunity for African countries to appreciate, on the one hand, the importance of the newly established African Continental Free Trade Area (AfCFTA) for the movement of goods and services, especially in a time of crisis, as

³ African Union. 2020. *Impact of the Coronavirus (COVID 19) on the African Economy*. Addis Ababa.

⁴ Committee for the Coordination of Statistical Activities (CCSA). 2020. *How Covid-19 is changing the world: A statistical perspective*. CCSA at p. 22

⁵ Ibid.

⁶ Ibid at p. 18.

⁷ Ibid at p. 20

well as for the development of regional value chains and supply chains; and to reflect, on the other hand, on the potential role MSMEs could play in the post COVID-19 economic recovery of the continent in order to build Africa's economic and social resilience and ultimately achieve *"the Africa we want"*. Indeed, the pandemic has accentuated the need to enhance African countries' productive capacity and diversify their export baskets as most African economies were severely affected by external shocks due to their dependence on primary commodities and their reliance on international suppliers.

Productive capacity and MSMEs are intrinsically linked. Indeed, developing productive capacity is not an abstract process; it must be supported by entrepreneurship.⁸ Put differently, production occurs when capable entrepreneurs mobilize productive resources and intermediate inputs to produce goods and services which can profitably meet present and future demand provided these productive resources and entrepreneurial capabilities are utilized efficiently.⁹ Entrepreneurship, in this context, is understood as *"the act of creating value by seizing opportunities through risk-taking and the mobilization of human, social, financial and physical capital"*.

MSMEs are important players in the continent's market economies. They represent more than 90 per cent of businesses on the continent and employ about 60 per cent of workers.¹⁰ That said, the proliferation of MSMEs on the continent did not automatically improve the continent's economic landscape. On the contrary, a large share of African firms tends to be small scale, informal, necessity-driven (survivalist) with a stunted life cycle, low productivity in labour-intensive sectors and low incidence of innovation.¹¹ Moreover, UNCTAD found that 63 per cent of early entrepreneurs and 57 per cent of established businesses are involved in consumer-oriented services while only 15 per cent of early entrepreneurs and 20 per cent of established businesses operate in transformative sectors.¹² African firms' participation in intra-African trade is relatively low given the share of intra-African trade compared to other regional economic groupings. Indeed, intra-African trade hovered around 15.2 per cent in the period 2015-2017 while regions such as Europe and Asia recorded 67.1 per cent and 61.1 per cent of intra-regional trade respectively.¹³

⁸ UNCTAD. 2006. The Least Developed Countries Report 2006: *Developing Productive Capacities*. United Nations at p.222.

⁹ Ibid at p. 222

¹⁰ International Trade Centre (ITC). 2018. *Promoting SME Competitiveness in Africa: Data for de-risking investment*. ITC

¹¹ UNCTAD. 2018. The Least Developed Countries Report 2018: *Entrepreneurship for structural transformation: Beyond business as usual*. United Nations

¹² Ibid. at p. 32. The Global Entrepreneurship Monitor (GEM) categorizes sectors such as construction, manufacturing, communication, utilities and wholesale and business-oriented services as transformative sectors or sectors susceptible to bring about structural transformation.

¹³ UNCTAD. 2019. Economic Development in Africa Report 2019: *Made in Africa: Rules of origin for enhanced intra-African trade*. United Nations at P. 20

The important role that MSMEs could play in the structural transformation and economic development of the continent is accepted. In fact, investing in MSMEs is considered a “*long-term and smart strategy*”¹⁴ whose spill over effect extend beyond economic considerations and bring about social benefits that improve the lives of the African people. From a trade perspective, intra-African trade is not likely to improve if factors that inhibit the participation of MSMEs are not addressed.¹⁵

This then begs the following questions:

- What factors inhibit the ability of MSMEs to actively participate in African economies?
- What challenges do MSMEs encounter during the COVID-19 pandemic and what lessons can be learnt to further strengthen MSMEs resilience on the continent?
- What policies, measures and strategies are required to address obstacles to the creation of a vibrant private sector on the continent?

It is against this backdrop and in celebration of the MSMEs Day, that the UNCTAD Regional Office for Africa, in its first Addis Ababa webinar series, will bring together trade, private sector and other relevant stakeholders to have an interactive conversation on building the resilience of MSMEs and ultimately a vibrant private sector in Africa.

¹⁴ International Trade Centre (ITC). 2018. *Promoting SME Competitiveness in Africa: Data for de-risking investment*. ITC

¹⁵ UNCTAD. 2013. Economic Development in Africa Report 2013: *Intra-Africa Trade: Unlocking Private Sector Dynamism*. United Nations at p.64

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Policies, Strategies and Lessons”*

Date: June 25, 2020

Proposed programme

12:00 – 12:10	Opening Statement: Ms. Kuena Molapo, Acting Head, UNCTAD Regional Office for Africa
12:10 – 12:20	The role of MSMEs in the enhancement of Africa’s productive capacities agenda Speaker: Ms. Kuena Molapo, Acting Head, UNCTAD Regional Office for Africa
12:20 – 13:00	MSMEs and the COVID-19 pandemic: Challenges and lessons learnt (MSMEs perspective) Speakers: Ms. Aramide ABE - Founder of Naija Startups - Nigeria Mrs. Ntsosa-Carr - President of Women in Business Association - Botswana Discussants: Mr. Moulaye Tabouré - Co-founder and CEO of AfrikRea – Cote D’Ivoire Mr. Miles Kubheka - Founder of Vuyo’s Franchise – South Africa
13:20 – 13: 40	Q&A
13:00 – 13:20	Building MSMEs’ resilience during and after the Pandemic: Lessons from Burkina Faso, Ethiopia, South Africa and Kenya Speakers: Mr. Koennie Slabbert - Head, Enterprise Development - SEDA - South Africa Ms. Patricia Zoundi – CEO of QuickCash - Cote D’Ivoire Discussants: Ms. Hilda Moraa - Founder and CEO of Pezesh - Kenya Mr. Yonas Kiros - CEO of Guzomart - Ethiopia
13:20 – 13: 40	Q&A
13:40 – 13: 50	Closing remarks: Ms. Kuena Molapo, Acting Head, UNCTAD Regional Office for Africa