Small businesses in Africa must innovate to survive Covid-19

By Kingsley Ighobor

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Dorothy Tembo is the acting executive director of the International Trade Centre, (ITC) a joint agency of the United Nations and the World Trade Organisation. In June, the ITC launched a report titled *Covid-19: The Great Lockdown and its Impact on Small Business*.

Dorothy Tembo, acting executive director, International Trade Centre (ITC)

Tembo discusses the report, the role of women and youth in post-pandemic recovery in Africa, among other topics. These are excerpts from the interview.

What key messages does your newly released report on Covid-19 and micro, small and medium-sized enterprises (MSMEs) convey?

The first is that MSMEs matter, and they must be at the center of any post-pandemic recovery effort. Second, there is a disruption of the global supplies that these MSMEs are a part of. The third message is that, going forward, we need to think carefully about how we support MSMEs, making sure we push in a direction of more resilient value chains that can withstand disruptions in the future.

The report states that MSMEs, especially in poor countries, are disproportionately affected by the pandemic. Why is this the case?

Poor countries face huge economic challenges. The pandemic compounded an already bad situation. For years, these countries have cried out for assistance to build infrastructure that supports economic development. In these countries, businesses are relatively small and cannot access finance. Some of these countries are landlocked and therefore the cost of doing business is much higher than in the others.

The Africa Union's Silencing the Guns 2020 campaign, if successful, could strengthen countries' resilience in recovery. Is that correct?

Absolutely. If we could have a situation where peace reigns in countries, that would be an opportunity to consolidate development efforts.

- ***Your report paints a gloomy picture of the situation of MSMEs in Africa. For example, one in five small firms would be bankrupt within five months and $2.4 billion worth of exports is expected to be lost this year. Any good news at all?***

You're right. We should not underestimate the impact of Covid-19 on countries. But I think there is a glimmer of hope. The current situation presents an opportunity to reflect on what to do going forward to enable MSMEs become more resilient. There are potential opportunities.

First is the possibility for countries and companies to start innovating, because small enterprises tend to be agile and able to adapt. For example, some companies we are working with are able to conduct e-commerce and have survived. So, innovation is a possibility in terms of existing value chains or in doing something completely new.

Second, we have an opportunity to rethink how we develop more resilient value chains that can accommodate future difficult situations.

Third is to explore more sustainable production options that, in the long term, are cheaper and environmentally friendly.

The final point is, there is an opportunity for countries to consider their product range. Many countries depend on a single or a few commodities. They could now look at a broader product range as well as diversification of markets. Africa can look at the opportunities that come with the African Continental Free Trade Area (AFCFTA) in terms of value add, within the continent, even as countries look at the global markets.

- ***Many people believe that African youth can capably lead the innovation charge. What are your views on this?***

I agree. This is something we have observed from our work with young people in Africa. If you look at some of the sectors where the shift has occurred, the digital side of things for example, it's the youth who are involved, and they are pushing the trend and showing their ability.

Also, the youth tend to think outside the box and can reposition themselves quickly. We must give them priority. They are the future and we cannot leave them behind.

- ***Your report offers a 15-point plan of action. How do you ensure that your recommendations are implemented by the MSMEs, the business support organizations and the various governments?***

The action plan provides some guidelines in terms of what the three stakeholder groups should be looking at, that is the immediate steps they can take. These guidelines were drawn from our engagement with different companies in different countries. And the guidelines speak to the core issues that are affecting these countries.

Countries see the relevance of what we're doing. They want to address the challenges they are facing. The ITC and others ensure that when countries decide to implement our recommendations, that we work with them to provide the necessary technical assistance or any required handholding.

Women constitute a huge percentage of Africans engaged in informal trade. Given that women are disproportionately affected by COVID-19, is it reasonable to suggest that they be given priority in any recovery assistance?

Absolutely, and not only because of Covid-19. Women's economic participation has been very limited. In most cases, women are not very engaged or allowed to participate in business. Even when they can participate, they're likely workers and when they own a business, they are small operations that cannot grow because of various reasons.

Women’s businesses are likely to be closed as a result of the pandemic; therefore, any form of financial assistance to companies must consider the plight of women or be viewed through the gender lens. The ITC has designed a women’s empowerment programme called SheTrades under which we aim to connect three million women to markets. Even now, women are unable to get the necessary information to access the resources being provided within the Covid-19 context.

Somebody told me a very interesting story about a border in southern Africa. At that border, two lines were formed: one for males and another line for females. The line for the males was cleared ahead of the one for the females. By the time the line for women was cleared, the men had been in the markets for hours and had sold their goods. These may appear simple, but they do have a huge impact on how business is conducted and how opportunity is lost.

What is the timeframe for connecting three million women to the market?

Our commitment is that by 2021 we will have connected three million women to the market. We have already gone beyond half of that number.

Given the disruptive impact of Covid-19, can you still meet the 2021 target?

I believe we can. For the simple reason that the demand to meet the Sustainable Development Goals (SDGs) is even higher now than before. I remain optimistic. We will keep pushing ourselves, understanding the challenges that we face.

How do you connect the women to the market?

We have identified some core issues that make women uncompetitive in business. One is a lack of access to finance. You still have some countries asking women for their husband’s approval before accessing a loan. And interest rates for loans are too high and unaffordable.

Also, some policies don’t support women's economic advancement. So, we are working with governments under the SheTrades initiative to determine precisely the problems women face and try to address those problems. We must think differently regarding women’s access to finance. Can we think of nontraditional ways that women can access finance?

Is such thinking going on?

Yes, it is. We are working with different partners. We are part of the SDG 500, which is an initiative that involves other UN agencies. We are collaborating with the private sector and some foundations. The objective is to mobilize about $500 million to support MSMEs, particularly those led by women, to access resources with minimal requirements.

Developing countries export a significant amount of inputs to other regions for the production of personal protective equipment (PPEs). In the context of the Africa Continental Free Trade Area, is ITC supporting Africa in producing PPEs?

Our support is much broader than just for PPEs because the foundation of the AfCFTA is trade liberalisation. It's how Africa positions itself to maximize the opportunities in free trade.

In the current context, is there an opportunity for African countries to produce PPEs? Yes. And this is already starting to happen. But at what cost and are we in a position to produce to meet the demand of the entire continent? I believe there is scope for improvement because we are still importing from outside.

You were heavily involved in trade matters in your country [Zambia]. What are your views on Africa's free trade area?

I am a believer in free trade and Africa should embrace this opportunity. But what needs to happen is that the level of political commitment should increase. In operationalizing the agreement, participating countries must come through on their commitments. Africa is positioned to attract investments. It has resources for domestic production. It has human resources. We must now organise ourselves better.

What support is ITC providing MSMEs in Africa in these trying times?

Our mandate includes working with MSMEs in support of economic development in developing countries. We support countries to better understand what has confronted them [Covid-19] these last few months. Through surveys, we have information on issues specific to certain countries. Our report builds on those efforts. We have the action plan, but alongside that, we work directly with businesses so they can navigate these challenging times.

We work with businesses to find different ways of managing the business-to-business interaction that used to be face-to-face. Now businesses use online platforms to trade. We have continued to provide consolidated information through the Global Help Desk, which is a one-stop shop for all trade-related information.

What message do you have for business owners in African MSMEs?

It's a difficult time for MSMEs, for sure. They must ensure they remain resilient in this difficult period. To survive, they must build on their innovative spirit

Source: Africa Renewal

ABOUT THE AUTHOR

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