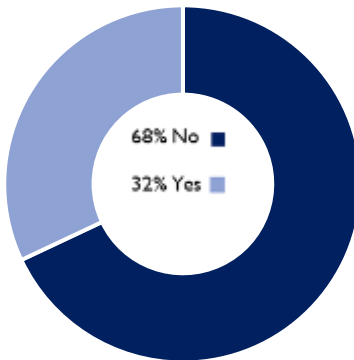
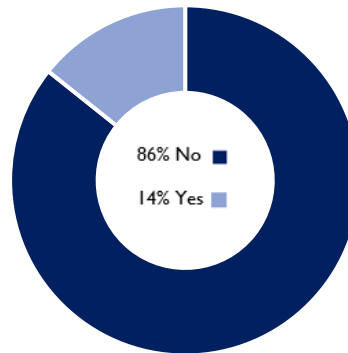


COVID-19 IMPACT ON BUSINESS SURVEY REPORT

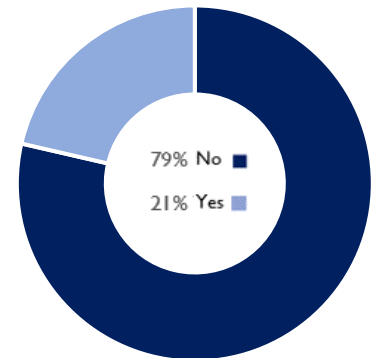
January 2021



APRIL 2020: Has the Covid-19 pandemic changed your co-investment plans with the Trade Hub?



AUGUST 2020: Has the Covid-19 pandemic changed your co-investment plans with the Trade Hub?



JANUARY 2021: Has the Covid-19 pandemic changed your co-investment plans with the Trade Hub?

EXECUTIVE SUMMARY

This COVID Impact on Business Survey Report is a follow up to the initial survey conducted in the months of April and August 2020 to gauge the impact of the COVID-19 pandemic on businesses within the Trade Hub business pipeline of firms that applied for the Catalytic Business Concepts (CBC), Research and Development (R&D) APSs, and COVID-19 Request for Applications (RFA). A total of 21% of respondents (N=126) for the latest study reveal that the COVID pandemic has impacted their ability to co-invest with the Trade Hub compared to 32% (N=96) in April 2020 and 14% (N= 119) in August 2020. In May 2020, the Trade Hub released a new APS to address the negative impacts of the pandemic on their finances and operations. 27 firms out of the 140 applicants to the RFA that had their applications screened were approved with conditions (19.3%). This survey confirmed that businesses need financial assistance in the form of working capital to mitigate the adverse impact of the pandemic on their business operations.

Key findings as of January 15, 2021 include:

- 79% of firms will continue with investment, a small decrease in 6 months
- More firms (10.3%) reported that they have stopped some of their operations indefinitely between August 2020 and January 2021, than those that reported doing same in April 2020 and August 2020 (2.6%).
- Employee retention is dropping considerably for many firms in the Trade Hub pipeline because of the pandemic. In the January 2021 survey, 61 firms (48.4%) reported that they reduced their personnel due to the pandemic. This was a 41% increase from August 2020, with fewer firms responding.
- 4.8% of firms will postpone investment for another year, an improvement from August (22%) and April (10%)
- 84.6% of firms have been affected by the pandemic, an improvement since August (73%) and about the same as April 2020 (85%)
- 74% of firms have a cash-flow shortage that they plan to rectify through loans (30.2%), additional funding from existing shareholders (15.9%), pay and job cuts (7.9%), adding new shareholders (6.3%) and delay payment (5.6%).
- 69% of firms are prepared and positive about their financial and operations, while 22% are neutral and 9% unprepared but hopeful
- 47% of firms are concerned that the pandemic will affect their balance of income and expenditure in the first half of 2021.

INTRODUCTION

All three surveys conducted so far by the Trade Hub were designed to gauge the impact of the COVID-19 pandemic on businesses within its pipeline. The businesses surveyed were identified as potential co-investment partners of the Trade Hub who would be integral to the continued success of the program. The surveys were also designed to further provide the Trade Hub with information to help structure a COVID-19 response fund that would assist the hardest hit businesses to sustain their operations and retain jobs.

The survey had the following objectives:

- 1) Determine if the Trade Hub's potential co-investment partners are re-evaluating their investment timelines in West Africa, which could impact their willingness to work with the Trade Hub.
- 2) Understand how the pandemic is impacting business operations generally and including their ability to retain and/or create jobs.
- 3) To learn how many agriculture and non-agriculture sector firms will continue investment plans with the Trade Hub in 2021
- 4) Learn about the operational and financial preparedness of the pipeline firms to support increased market linkages and access to finance

- 5) Understand how the firms' planned activities contribute specifically towards the Trade Hub's objectives of exports, gender, age and by their locations

In response to the findings from the first survey in May 2020, the Trade Hub released a request for applications (RFA) to support "Sourcing, Agricultural and Non-agricultural Exports and Agricultural Supply Chains affected by COVID-19 in West Africa". With the closure of the first phase of those applications, a second survey was administered in August. This survey assessed the impact of the Covid-19 pandemic on the operations of companies who had proposed co-investment deals to the Trade Hub. It specifically examined the impact of the pandemic on these potential partner firms and explored probable interventions for targeted assistance. This second survey also inquired if firms had received any other type of financial assistance since the onset of the COVID-19 pandemic.

During FY2021, the Trade Hub took lessons from previous APS releases and launched four (4) APSs – one was launched in Cape Verde, another covers the Sahel (Burkina Faso and Niger Republic), another covers Nigeria and an additional APS "Covid-19 Rapid Response from Financial Institutions & Advisors" is open to applicants across West Africa. This new rapid response approach is more efficient since it allows firms to submit expressions of interest so that ideas can be vetted and approved or rejected by the technical team (PPP Officers).

The objective of the January 2021 survey is learn more about the firms' current situation in order to provide tailored services to targeted private sector firms to mitigate the impact of the pandemic on their business operations.

SURVEY METHOD

The survey was sent to 344 businesses that the Trade Hub had identified as potential grant applicants as of December 2020 within the Catalytic Business Concepts (CBC) and Research and Development (R&D) pipelines. The Hub received responses from 126 firms. An English and French version of the survey was provided on the Trade Hub's monitoring and evaluation database for adaptive learning (MEDAL) platform between January 15th -23rd 2021. The Trade Hub recognizes that this survey represents a snapshot of a brief period to better understand the long-term impact of the pandemic on business operations in West Africa.

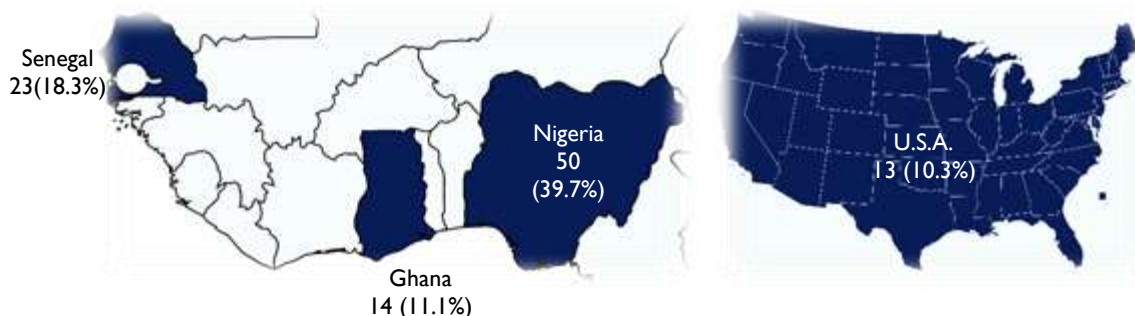
To ensure better response rate and improve analysis, most of the questions were close ended. The smaller number of total potential respondents reflects some firm's removal from the Trade Hub pipeline, i.e. a drop from 286 to 126. Univariate and bivariate analysis was done using SPSS version 27 application, and results are presented in graphs, frequencies, and cross-tabulations.

RESULTS AND FINDINGS

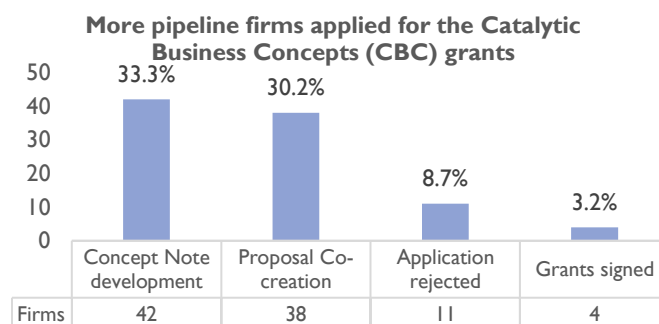
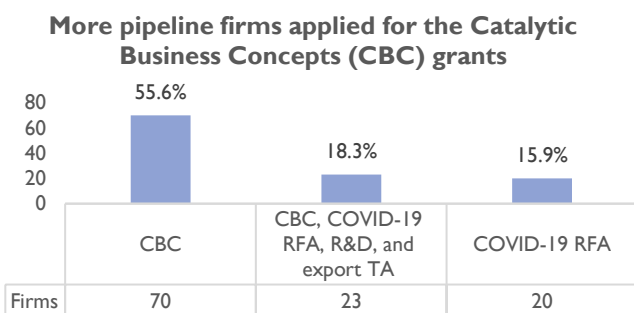
Background Information of Firms

A total of 16 countries were represented in the survey. The most responses were received from Nigeria (39.7%), Senegal (18.3%) and Ghana (11.1%), and the USA (10.3%). In geographic representation, 109 firms (87%) were from within West Africa. Other non-West African countries included Cameroon, Canada, the Netherlands, Switzerland, and U.S.A. The top West Africa target countries for investments concentration by these surveyed companies were Nigeria (28%), Ghana (15%), Senegal (13%), Burkina Faso and Cote D'Ivoire (8%) respectively, out of 199.

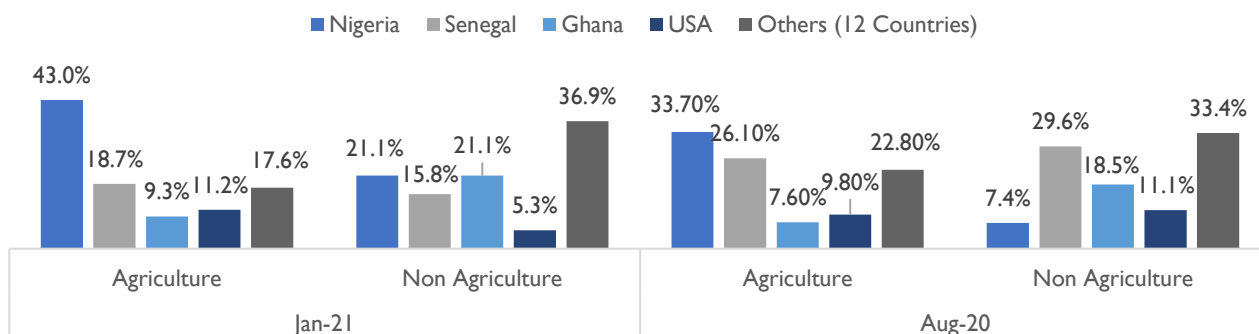
Most of the firms (107; 84.9%) reported operating in the agriculture sector, a 10% and 18% increase over the number of agriculture sector firms in August (77.3%) and April (72%). Most agriculture sector firms (46; 43%) were from Nigeria, followed by 20 firms (18.7%) in Senegal and 12 firms (11.2%) from the U.S.A. The Trade Hub also identified 19 firms (15.1%) with non-agriculture operations, including Nigeria and Ghana with 4 firms each (21.1%), Senegal with 3 firms (15.8%), followed by Cote d'Ivoire with 2 firms (10.5%) and Cape Verde, Liberia, Niger and U.S.A. with 1 firm each (5.3%) respectively.



Similar to the previous survey in August 2020, most firms that responded were from Nigeria, Senegal, Ghana & the U.S.A.



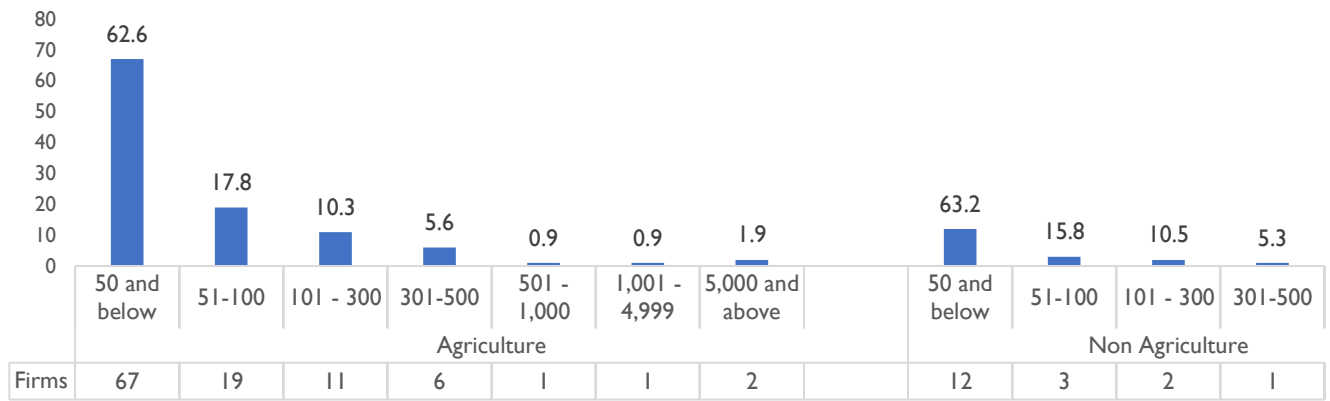
Operational sector of pipeline firms - August 2020 and January 2021



Feedback revealed that 70 (55.6%) of the firms applied for the Trade Hub's CBC APS. An additional 23 firms (18.3%) applied for a combination of CBC, COVID-19 RFA, R&D, and TA to export. Another 20 firms (15.9%) applied for the COVID-19 RFA only. Considering that these different APSs have spanned over twelve months, these firms are at different stages of engagement with the Trade Hub. 42 firms (33.3%) were at concept note development stage, while 38 firms (30.2%) had proceeded for proposal co-creation. Four firms (3.2%) have signed grants agreements for implementation while 11 firms (8.7%) had their concept notes rejected.

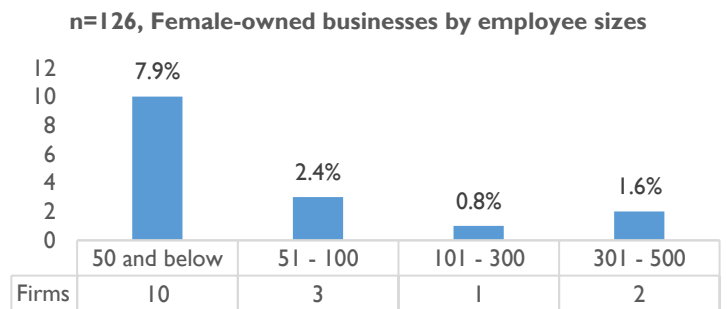
79 firms (62.7%) of the pipeline firms identify as small-sized enterprises with 50 employees or less. Small-sized enterprises also form the majority in both agriculture and non-agriculture sector firms. More specifically, 67 agriculture sector firms (62.6%, n=107) and 12 agriculture sector firms (63.2%, n=19) identified as small-sized

Agriculture sector firms have the most diverse number of employee sizes

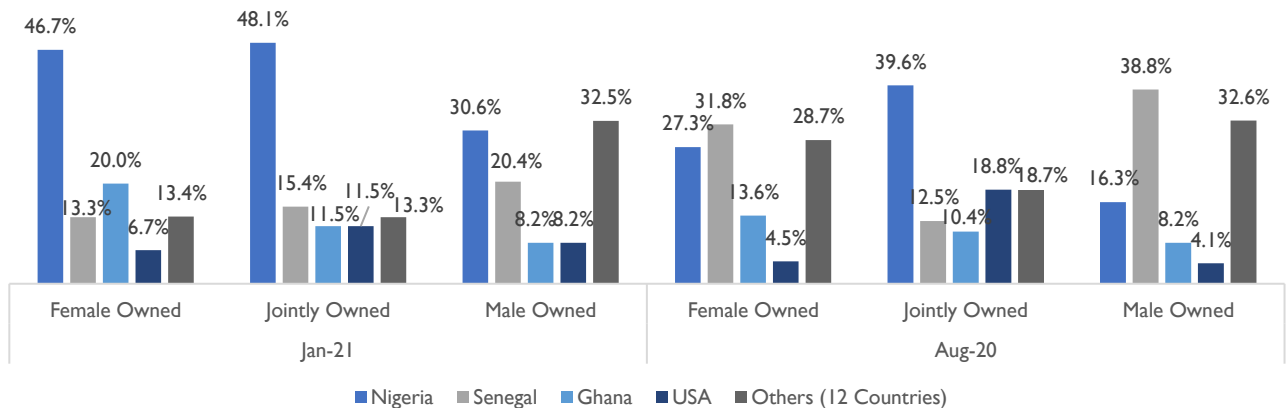


enterprises. There were no firms in the non-agriculture sector with employees in the 501 to 1,000 and 5,000 and above ranges. Additionally, most of the female-owned firms fell under the category of small-sized firms.

Only 5 firms, representing 4% of respondents, were reported as youth-owned. Four of the youth-owned firms who responded to the survey were from Nigeria and one from the USA. Between August 2020 and January 2021, the number of female-owned and male-owned firms in Senegal dropped significantly while there was a slight increase in jointly owned firms. However, Nigeria witnessed increases across all the firms reporting the three ownership structures. The percentage of male-owned businesses in Ghana remained the same across the period while U.S. male-owned firms increased to match the percentage of male-owned firms in Ghana (8.2%). There was also an increase in the percentage of U.S.-based female owned businesses, from 4.5% in August 2020 to 6.7% in January 2021.



Senegal had the most female-owned firms in August while Nigeria reported the most joint-owned firms in January



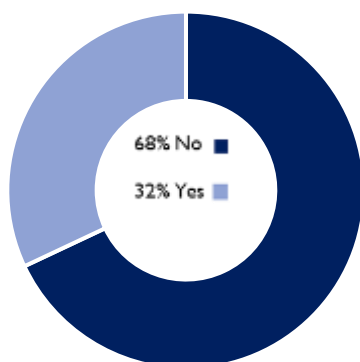
Investment plans with the Trade Hub

A total of 99 firms (78.6%) in the pipeline indicated that they would proceed with their investment with the Trade Hub despite the business disruptions arising from the COVID-19 pandemic. This represents a 9% decrease from the 86% of respondents who reported continuing their investment plans with the Trade Hub as planned in August 2020. Of the 27 firms (21.4%) that reported that their investment plans with the Trade Hub had changed as a result of the pandemic, 8 (29.6%) originated from Senegal and Nigeria, 4 (14.8%) from the U.S., 2 (7.4%) from Burkina Faso and Ghana, while Benin Republic, Togo and Niger Republic each had 1 firm (3.7%).

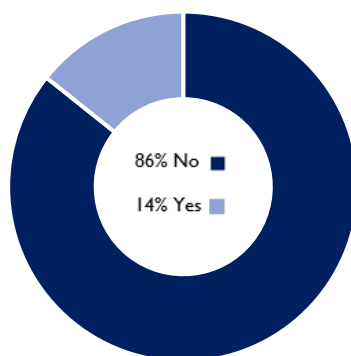
It is important to note that 93.3% of the female-owned businesses and 80% of the youth-owned firms (which is more than the average of all firms who responded to the survey) reported continuing their normal investment plans with the Trade Hub, despite the impact of the pandemic on their businesses. 27 of the firms who reported not proceeding with their normal investment plan mentioned other investment plan changes, including postponing their co-investment plan to the challenges presented by the pandemic. However, one firm in U. S mentioned that the pandemic has had positive impact by providing new opportunity for its operations.



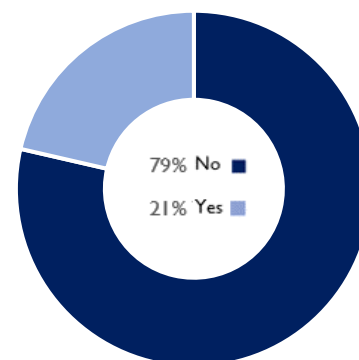
Larger proportions i.e. 93.3% of the female-owned businesses plan to “proceed as normal” with their investment plans with the Trade Hub.



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Out of the 26 firms that reported postponing their specific investment plans with the Trade, 12 firms (9.5%) would wait for about 3 to 6 months before acting, 6 firms (4.8%) confirmed that they will postpone for 1 year, whereas 1 (0.8%) firm confirmed that they will postpone indefinitely. The remaining 7 (5.6%) firms were not yet certain about how long they would postpone their investment plans with the Trade Hub. Senegal had the most firms (33.3%) that would wait for 3-6 months, followed by Nigeria and USA (16.7%). One American firm will postpone indefinitely while four firms in Senegal (66.7%), 1 in Nigeria and Niger each (16.7%) confirmed that they will postpone their activities with the Trade Hub for one more year.

Operational capacity and financial situation

The present survey assessed how the operational capacity and financial situation of respondents has been impacted by the pandemic. In their response, 25 firms (19.1%) have been directly affected by the pandemic. The top 3 countries that were affected most by the pandemic in terms of self-reported operational capacity and financial situation were in Nigeria, Senegal, and the US. The surveyed firms’ operational capacity and financial situations were affected by the pandemic in different ways. Out of 126 mixed responses from 25 firms, the most common reported effect of the pandemic was to cease operation indefinitely followed by customer order cancellations and lack of raw materials from suppliers to keep their operations going to export. Though the finding was similar to the August survey, there was a significant drop in other

Since August 2020, more firms stopped all operations indefinitely than those who experienced other operational challenges.



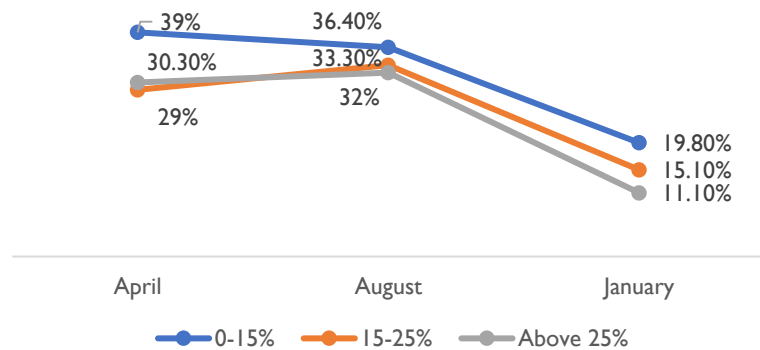
operational challenges experienced. More firms (10.3%) reported that they have stopped some of their operations indefinitely between August 2020 and January 2021, than those that reported doing same in April 2020 and August 2020 (2.6%).

Employee retainment

In the January 2021 survey, 61 firms (48.4%) reported that they reduced their personnel due to the pandemic. This was a 41% increase from August 2020, with fewer firms responding, indicating that employee retainment is dropping considerably for many firms in the Trade Hub pipeline because of the pandemic. Also, out of these 61 firms, 25 (41%) reduced their staff minimally (by less than 15%), 19 firms (31.1%) reported a slight reduction of staff (15-30%), and 14 firms (23%) reduced staff greatly by 30-50% and 3 firms (4.9%)

reported staff reduction maximally (more than 50%) due to effect of the COVID-19 on their businesses. As shown in the chart above, the reported changes in ability of firms to retain their workforce has not shown very significant changes between the April 2020 and January 2021 survey of these firms, across the different percentages of staff let go. The trend showed the number of firms that let go of over 25% of their staff strength continued to decrease across the period. A deeper analysis of the data revealed that women- (60%) and adult-owned (51.3%) businesses laid off more employees compared to male (30%) and youth (20%)-owned businesses. Hence, this finding is contrary to the finding of August 2020 when more women and adult-owned firms laid off more employees compared to youth-owned businesses that reported doing the same.

Since April 2020, more firms let go of at least 15-25% of their workforce



Business support since the start of COVID-19

A significant number of firms (89; 70.6%) reported that they have not received any form of business support since the beginning of the pandemic to mitigate negative impacts on their businesses. Out of the 37 firms that reported receiving assistance, 22 firms (17.5%) confirmed that they received financial support while six firms (4.8%) received technical support. Another four (3.2%) received both technical and financial support. Provision of COVID-19 business support has not been specific to unique age or gender groups as only one youth-owned and seven female-owned firms reported support to mitigate the impact of the pandemic on their operations. Firms that received support were mostly from Nigeria with 11 firms representing 29.7%, followed by U.S.A with 7 firms representing 18.9% and Senegal with 5 firms representing 13.5%. Cote d'Ivoire and Ghana included 4 firms each representing 10.8%, Togo with 2 firms representing 5.4% while Liberia, Cape Verde, Burkina Faso and Benin each had one firm representing 2.7%.



More Women (60%) and Adult (51.3%) owned businesses laid off employees compared to Male (30%) and Youth (20%) owned businesses

Three firms confirmed that they received material support from donors, such as personal protective equipment (PPE) and consumables. One of the respondents provided more detail on USAID assistance received, "...We

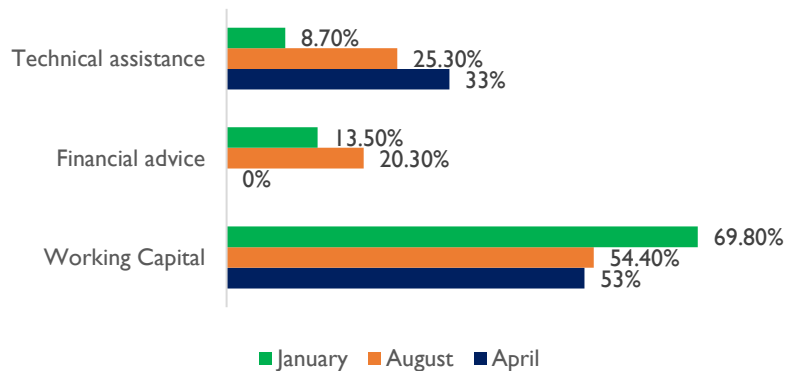
have received support in terms of donations of masks (nose masks), donations of various food to accompany the staff in technical unemployment”.

Another firm noted that: “Not a support directed to [us], we instead joined our efforts with the Mastercard Foundation to bring support to our ecosystem (deployment of alcoholic gel dispensers in points of sales for instance)”

Another asserted that they received “Supply of PPEs and other factory floor equipment to allow for social distancing...”

If these firms’ planned operations and investments do not materialize, the most business-relevant support they expect is in the form of working capital. Out of 126 mixed responses, more than half (69.8%) prefer working capital. The second most popular support was financial advice at 13.5% while technical assistance at 8.7% was ranked the third most popular support. In the January survey, fewer firms (13.5%) preferred financial advice than was reported in August (20.3%) with huge spike in firms expecting financial advisory services as shown in the figure to the right. While working capital continues to remain a preferred form of expected business support, there is an observed decline in interest for technical assistance.

As a preferred form of business support, working capital has maintained popularity over the three surveys, while there continues to be a steady decline in interest for technical assistance



CONCLUSION AND RECOMMENDATIONS

The January 2021 survey revealed that there have been no significant changes in the business environment since the Trade Hub carried out the initial COVID-19 impact assessment on potential firms. Nearly half of respondents felt that the pandemic would continue to impact the bottom line, thus interest in co-investing with the Trade Hub’s grant mechanism remains positive.

The COVID-19 pandemic has significantly impacted the investment plans of some businesses targeted by the Trade Hub for possible co-investment. However, impacts vary between countries, gender, and age group. The assessment showed that adult and female owned business are more vulnerable to the negative impacts of the pandemic while availability of support to mitigate these negative impacts has not been deliberately targeted at these vulnerable groups. The Trade Hub should therefore increase its efforts to target female-owned businesses to reach its objectives of a minimum of 50% female involvement in its activities and other gender considerations within current proposals and new applicants. The following recommendations can also address some of the findings:

1. **Businesses directly impacted by pandemic:** For companies who face(d) supply and/or the demand challenges due to border closures, limited access to input, and loss in demand and revenue, the Trade Hub should provide liquidity support to these companies to help them maintain minimum operations and protect jobs to weather the pandemic. These companies will meet the Trade Hub’s leverage requirement and maintain workforce in the medium and long-term by investing in activities that diversify their product lines and/or target new market segments. However, it should be noted that the number of firms that currently experience financial distress but can still undertake new investment activities to meet Trade Hub’s leverage requirement is very limited. Pressure on liquidity and uncertainty about the timing of economic recovery make the prospect of a new investment risky.
2. **Businesses not impacted by pandemic:** These businesses experienced little change in their operations, their supply chains were not broken, and have escaped the liquidity trap experienced by

the firms disrupted by the pandemic. Optimal investments related to COVID-19 include: 1) PPE production, and 2) the production and the supply of agricultural and other products in short supply because of COVID-19. In Nigeria, this would be limited to targeted states and Feed the Future value chains. Co-investments have the potential to create new economic activities, stabilize and increase production and the supply of agricultural products, protect farmers' income, and create new jobs in the short, medium, and the long-term.

3. **Financial institutions (FIs):** FIs such as investment funds, banks, and guarantee institutions can benefit from a first loss mechanism and/or technical assistance to incentivize FIs to maintain lending and investing in SMEs impacted by COVID-19. Under the new objective, FIs will maintain and extend their financial products to both businesses that have been directly impacted by the pandemic and others identified as investment opportunities to scale their operations or pivot into new sectors to fill the supply chain gaps created by the pandemic. A targeted co-investment with the Trade Hub can create new jobs, counter the immediate effect of COVID-19, and contribute to long-term recovery in the region.