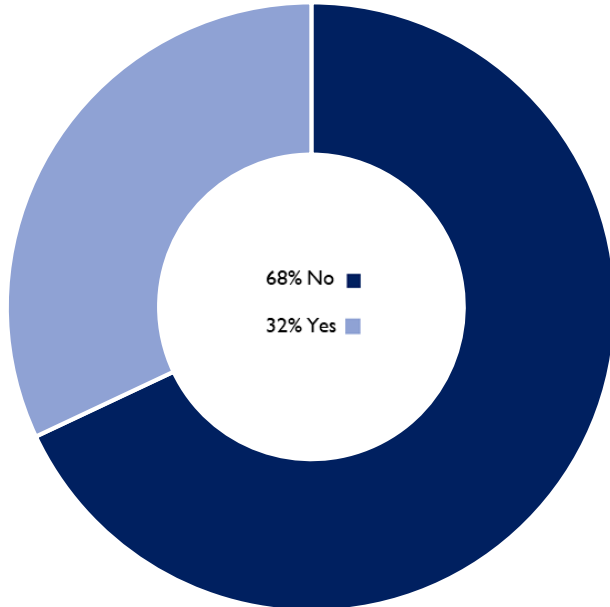




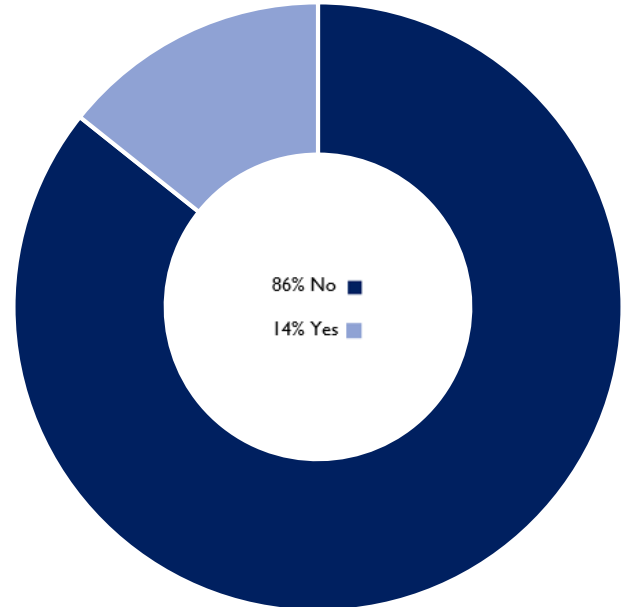
USAID
FROM THE AMERICAN PEOPLE

WEST AFRICA
**TRADE &
INVESTMENT
HUB**

COVID-19 IMPACT ON BUSINESS SURVEY REPORT AUGUST 2020



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?

DISCLAIMER: This report is made possible by the support of the American people through the United States Agency for International Development (USAID). The contents of this report are the sole responsibility of Creative Associates International and do not necessarily reflect the views of USAID or the United States Government

EXECUTIVE SUMMARY

This COVID Impact on Business Survey Report is a follow up to the initial survey conducted in the month of April 2020 to gauge the impact of the COVID-19 pandemic on businesses within the Trade Hub business pipeline. In response to the April survey (Phase I), the West Africa Trade and Investment Hub released an RFA to invite U.S. and West African firms who have been impacted by the COVID-19 pandemic to submit a proposal for consideration of a targeted co-investment grant. The RFA outlined three overarching objectives for potential co-investment: 1) US firms with West Africa supply chains impacted by the pandemic; 2) firms involved in agricultural production, especially of staple crops, disrupted by the pandemic; and 3) firms with the potential to open new production lines of COVID-19 related supplies. The Trade Hub received a total of 140 applications under this RFA, composed of Objective 1 (35%), Objective 2 (55%) and Objective 3 (15%). While the grants under this RFA are in their review stages, the Phase I survey adequately measured the need for additional resources, and similar actions may be required based on Phase 2 results.

A total of 119 businesses from the Trade Hub's current pipeline across the Catalytic Business Concepts (CBC) and Research and Development (R&D) Co-investment grants responded to the **Phase 2** "COVID-19 Impact on Businesses" survey (24% higher than the **Phase I** survey in April with 96 firms responding). The findings show a sustained interest in planned engagement with the Trade Hub. The following are the summary of the findings as of August 21, 2020 of the 119 firms that responded:

- 86% of the surveyed firms indicated that they would proceed with their investment plans as initially proposed to the Trade Hub despite the impact of the pandemic on their finances and businesses. This is 18% higher than responses recorded in April 2020.
- Although they plan to proceed with their investment plans with the Trade Hub, some businesses have altered their next steps with regards to investment plans. A total of 22% of the surveyed firms reported their plans to postpone investment until 2021, and 4% suggested medium-term delays of 3 months.
- As of August 2020, 73% of the active firms in the Trade Hub pipeline confirmed that their operational capacity and financial situation has been affected by the pandemic. This is 12% lower than in April with 85% reporting same.
- 71% of the surveyed firms reported that they have not laid-off any employees as a result of the pandemic - this is a 4% drop from the 75% reported in April.
- The August survey further revealed that more Women-(41%) and Youth-(44%) owned businesses laid off employees compared to Male (22%) and Adult (27%) owned businesses.
- 16% of the surveyed firms confirmed reception of some form of support – financial, technical or otherwise – from external sources to cushion the effect of the pandemic on their businesses.
- This survey confirmed feedback from these firms in April that businesses primarily need financial assistance in the form of working capital to mitigate the adverse impact of the pandemic on their business operations.

INTRODUCTION

In April 2020, the Trade Hub conducted a survey 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 survey was designed to help assess:

- 1) 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) how the pandemic is impacting business operations generally and including their ability to retain and/or create jobs. The survey was 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.

In response to the findings from that initial 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 was designed to further assess 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 assistance since the onset of the COVID-19 pandemic.

SURVEY METHOD

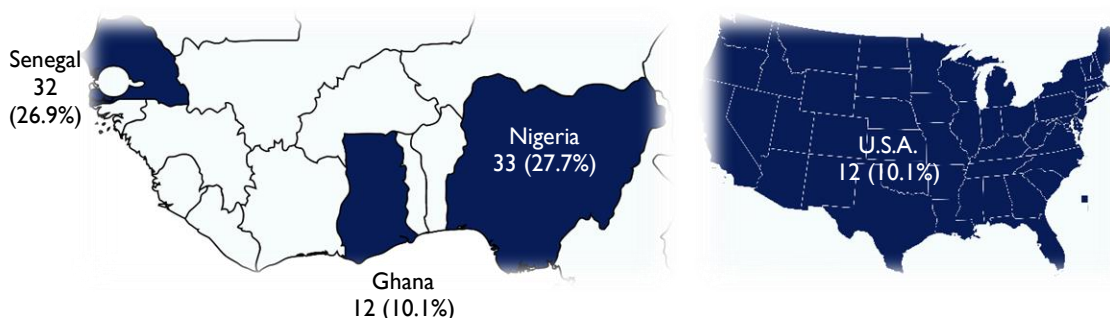
The survey was sent to 286 businesses that the Trade Hub had identified as potential grants applicants as of August 2020. These firms cut across the Trade Hub’s Catalytic Business Concepts (CBC) and Research and Development (R&D) pipelines. An English and French version of the survey was hosted on the Trade Hub’s monitoring and evaluation database for adaptive learning (MEDAL) platform between August 14 – 21, 2020. 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, the questions were close ended. The survey response rate was 42% with 119 responses. The smaller number of total potential respondents is a reflection of some firm’s removal from the Trade Hub pipeline, i.e. a drop from 333 to 286. The responses were analyzed using SPSS application.

RESULTS AND FINDINGS

Background Information of Firms

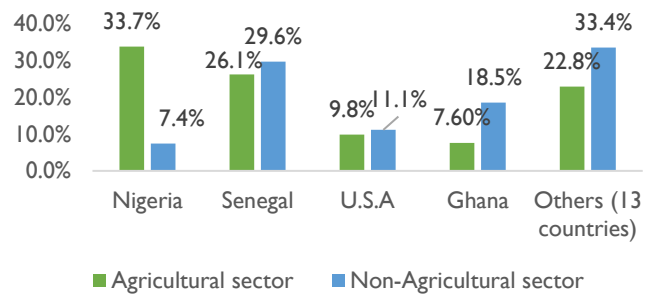
A total of 17 countries were represented in survey, inclusive of 6 additional countries (54% increase) from the first survey. Most responses were received from Nigeria (27.7%), Senegal (26.9%), Ghana (10.1%) and the USA 12 (10.1%). In geographic representation, 103 firms (86.6%) were from within West Africa. Other non-West African countries included Kenya, Morocco, The Netherlands, Switzerland, UK and the U.S.A. This speaks to the focus and geographical spread of the Trade Hub. When the non-West African firms in the Trade Hub pipeline were asked about their country of intervention, Cote D’Ivoire, Senegal and Ghana recorded the highest response. Most of these firms export to the U.S, The Middle East, Southeast Asia, East Africa, South Africa, Latin America and other parts of Europe.



Most firms that responded were from, in descending order Nigeria, Senegal, Ghana & the U.S.A.

A majority of the firms (92; 77.3%) reported operating in the agricultural sector, a 5% increase over the number of agricultural sector firms in April (72%). Most agricultural firms (31; 33.7%) were from Nigeria, followed by 24 firms (26.1%) in Senegal and 9 firms (9.8%) from the U.S.A. The Trade Hub also identified 27 firms (22.7%) with non-agricultural operations, including Senegal with 8 firms (29.6%) followed by Ghana with 5 firms (18.5%) responding and the U.S.A. with 3 firms (11.1%).

Nigeria had more agricultural sector firms while Senegal had more non-agricultural sector firms



Only 9 firms (7.6%) who responded to the survey were reported as youth owned. Four (44.4%) of the youth-owned firms who responded to the survey were from Nigeria. On the other hand, Senegal had 31 (28.2%), Nigeria 29 (26.4%) and the U.S.A 11 (10.0%) firms that are adult owned. Almost half (41.2%) of the firms were male owned, 34 (28.6%) maintained joint female and male ownership structures, while only 22 (18.5%) were female owned. These gender makeup of companies varied widely across countries as presented in the chart below.

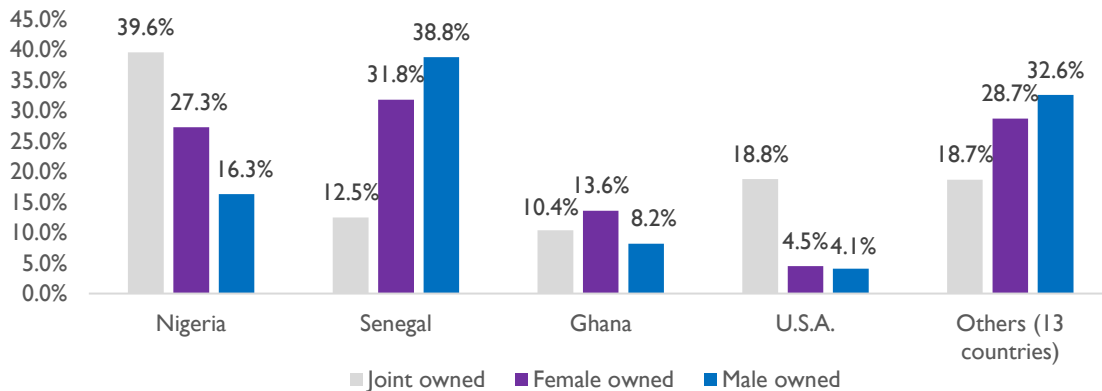


Most of the firms, (77%) operated in the agricultural sector



Youth-owned firms were a minority, with only about 8% reporting ownership by youth.

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



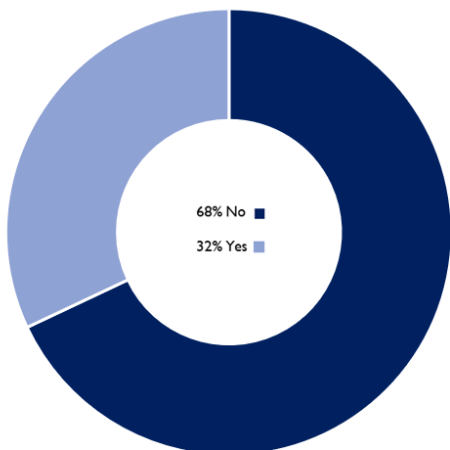
Investment plans with the Trade Hub

A total of 102 firms (86%) in the Trade Hub pipeline who responded to the survey indicated that they would proceed with their investment with the Trade Hub despite the business disruptions arising from the COVID-19 pandemic. This represent an 18% increase from the 68% of respondents who reported continuing their investment plans with the Trade Hub in April 2020. Out of the 17 firms (14.3%) that reported that their investment plans with the Trade Hub had changed as a result of the pandemic, four (23.5%) originated from Senegal, three (17.6%) from Nigeria, two each (11.8%) from the U.S. and Cote D'Ivoire while one firm each were from Benin Republic, Ghana, Kenya, Togo, Mali, and Niger Republic. It is important to note that while 91% of the female-owned businesses reported continuing their normal investment plans with the Trade Hub, 78% of youth-owned

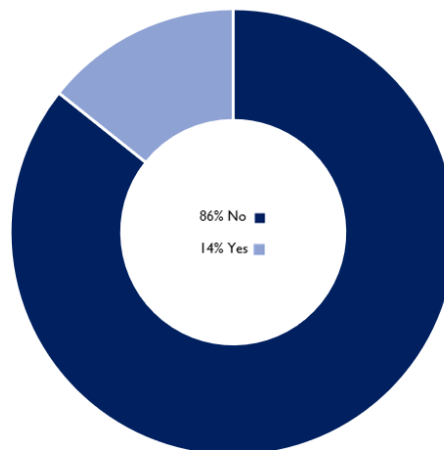


Majority (91%) of the female-owned businesses plan to "proceed as normal" with their investment plans with the Trade Hub.

firms (which is less than the average of all firms who responded to the survey) planned to proceed with their normal investment plans with the Trade Hub despite the impact of the pandemic on their businesses. Six of the firms who reported not proceeding with their normal investment plan mentioned other investment plan changes, including reshuffling/adapting their co-investment plan to the challenges and opportunities presented by the pandemic. One firm reported that “...rather than postponing plans, we will enter into a new co-investment agreement with the Trade Hub to produce PPEs....USD price changed causing an increase in costs of production but we (will) still proceed.”



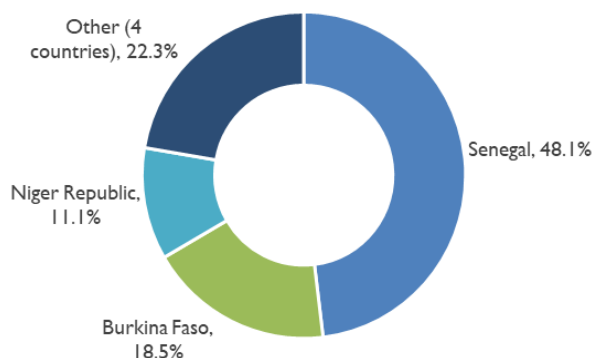
APRIL 2020: Has the COVID-19 pandemic changed your co-investment plans with the Trade Hub?



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

Some firms reported adopting a wait-and-see approach for their specific investment plans. 27 firms (22.7%) reported that they will wait until 2021 to act, while 7 firms (5.9%) would wait for about 3 months before acting. Senegal had the most firms (48.1%) that would wait until 2021 followed by Burkina Faso (18.5%) and Niger Republic (11.1%). Two of the firms who reported plans to delay for about 3 months were U.S based, and there was one each from Benin Republic, Cote D'Ivoire, Nigeria, Senegal and Togo.

Senegal had the most firms that would defer investment plans until 2021



Operational capacity and financial situation

The August survey assessed how the operational capacity and financial situation of respondents has been impacted by the pandemic. In their response, 87 firms (73.1%) affirmed to have been affected by the pandemic, which is a 12% decrease from the April survey with 85% who also affirmed this. The top 3 countries that were affected most by the pandemic in terms of self-reported operational capacity and financial situation were Senegal with 28 firms (32.2%), Nigeria with 20 firms (23.0%) and Ghana with 9 firms (10.3%).

Despite the effect of the pandemic reported above, the August 2020 COVID-19 impact survey indicates that 32 firms (26.9%) were still operating under normal conditions compared to the 15% of firms reported in April 2020. Most of these firms were in Nigeria with 13 (40.6%) followed by the U.S.A. with 7 firms (21.9%) and Senegal with 4 firms (12.5%).

The surveyed firms' operational capacity and financial situations were affected by the pandemic in different ways and their mitigation strategies differ as a result. Out of 117 mixed responses from 87 firms, the most reported coping strategy adopted to mitigate the effect of the pandemic is suspension of some business operations. The second most commonly identified impact was firms who reported customers canceling orders and lack of raw materials from suppliers to keep their operations going (see graph below).

Additional nuanced responses were shared by other firms, such as tied-up capital and increased caution, difficulty finding financing, and higher operational and production costs.

Below are some direct quotes from the firms:

"We have changed our business model by developing partnerships in countries where we have clients and we can't travel to, in this case Benin, Burkina Faso and Guinea-Bissau."

"Supply chain interruptions in China have resulted in delays in the shipping of our inventory. Partial lockdown has restricted movements between cities and towns. However, as an essential service, we are still able to do minimum movements. We are working on alternative supply routes to ensure that we have enough inventory to participate in the Covid-19 response efforts."

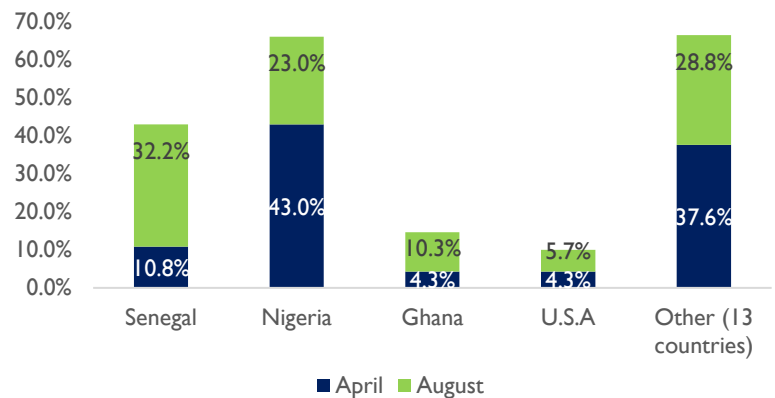
"We have had to reduce our staff, only half of the staff can work each day, which has significantly impacted our daily outputs."

"... We have seen government pressuring our business to pay more taxes. We have also seen the cost of raw material increase in the international markets."

Employee retention

In the August 2020 survey, 34 firms (28.6%) reported that they laid off personnel due to the pandemic. This is about 4% increase from April, with fewer firms responding, indicating that employee retention is dropping for many firms in the Trade Hub pipeline. Out of these 34 firms, 12 (36.4%) made 0-15% of their workforce redundant, 11 (33.3%) reported a 15-25% employee redundancy and 10 (30.3%) reported more than 25% employee redundancy due to effect of the COVID-19 on their businesses. As shown in the figure below, the reported changes in ability of firms to retain their workforce has not shown significant changes

More Nigerian firms in the Trade Hub pipeline reported been affected by the pandemic in April than in August. The reverse was the case with firms in Senegal



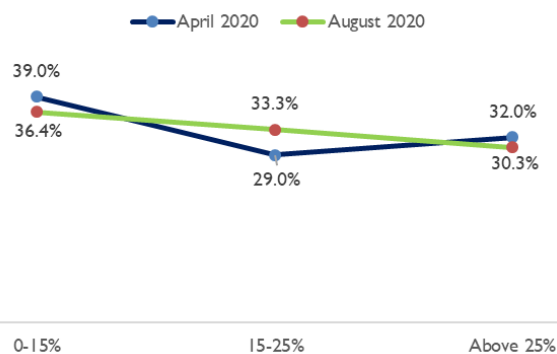
Since April, more businesses have adjusted their operations as a result of the COVID-19 pandemic.



between the April and August 2020 survey of these firms. A deeper analysis of the data showed that Women (41%) and Youth (44%) owned businesses laid off more employees compared to Male (22%) and Adult (27%) owned businesses.

Although more firms reported downsizing across the board, the size of layoffs in August was slightly higher than what the firms reported in April. Higher numbers of Nigerian and Senegalese firms reported laying off employees with 8 and 9 firms reporting layoffs, respectively. This is followed by four firms each in Burkina Faso and Cote D'Ivoire. Three firms each in Benin Republic and Ghana, two U.S. based firms and one Liberia-based firm reported same. A majority (93%) of these firms were from the agricultural sector with only one firm (7%) from the non-agricultural sector.

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



More Women (41%) and Youth (44%) owned businesses laid off employees compared to Male (22%) and Adult (27%) owned businesses

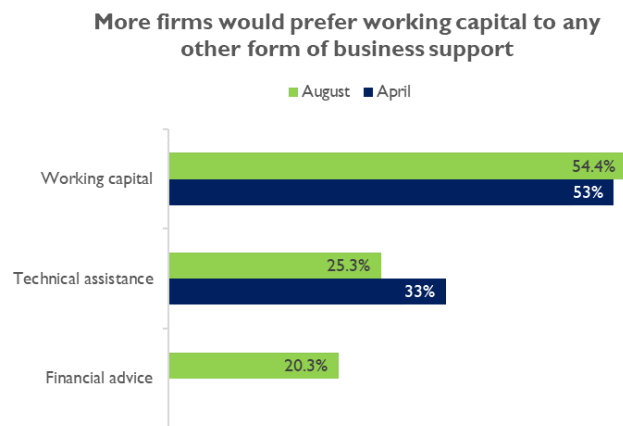
Business support since the start of COVID-19

A significant number of firms (100; 84%) 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 19 firms that reported receiving assistance, 15 firms (78.9%) confirmed that they received financial support while four firms (21.1%) received technical support. Provision of COVID-19 business support has not been specific to unique age or gender groups as only one youth-owned and five female-owned firms reported support to mitigate the impact of the pandemic on their operations. Firms that received support were majorly from the U.S.A. and Senegal with five firms each from both countries. There were additionally three each from Ghana and Nigeria as well as two firms from Cote D'Ivoire and one from Burkina Faso who have received support since the start of the pandemic.

Three firms confirmed that they received material support from donors, such as personal protective equipment (PPE), medical supplies and consumables. One of the respondents provided more detail on USAID assistance received, "Since COVID-19 hit, ... first received a \$30,000 grant from the USAID-funded West Africa Biodiversity & Climate Change Initiative (WABICC) to produce 19,860 face masks to be donated to under-resourced hospitals in high-risk communities. This project was critical to keep (us) working at full capacity during the month of June and just covering direct production costs of the masks. We just received a grant from GIZ this August to subsidize the price of face masks for healthcare facilities and the general populace. Assuming the high-quality organic fabric face masks will sell well at the subsidized rates, the GIZ mask project will fulfill our immediate goal to survive and keep staff and producers...earning some income (working at about 60% capacity) over the next five months while our domestic and export sales are still severely impacted. Our ... offices which are not producing face masks have reduced working hours and pay by 20% due to lack of sufficient orders in both the domestic and export markets."

Another firm in Senegal reported: "The obtained from the Agence Française de Développement a redirection towards short-term needs of part of the 15-million-Euro fund intended for the financing of agricultural equipment and investments. 2.5 million Euros was directed towards financing input requirements for the 2020-2021 winter season. The targeted crops are millet, maize, fonio, sesame and cowpea."

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 158 mixed responses, 54.4% prefer working capital. The second most popular support was technical assistance at 25.3% and financial advice at 20.3%. In the August survey, fewer firms (25.3%) preferred technical assistance than was reported in April (33%) with huge spike in firms expecting financial advisory services as shown in the figure to the right.



CONCLUSION AND RECOMMENDATIONS

This second survey of the Trade Hub pipeline firms, four months after the first survey, demonstrates a sustained progress in the firms' interest in the Trade Hub and its activities. The firms' responses, geographic spread and unique situations will inform the Trade Hub in their business and investment decisions for a targeted and adaptive approach to catalyze economic growth in the dynamic West Africa region through a market-based approach.

The second 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. Therefore, their business decision regarding co-investing with the Trade Hub's grant mechanism has remained positive. However, with still-limited business support accessible to these firms, there is a need for the Trade Hub to speed up its initiatives to prevent these firms from having to make significant business decisions which will affect long-term success, such as various degrees of lay-offs or total shut-down of business operations.

The COVID-19 pandemic has significantly impacted the investment plans of various businesses targeted by the Trade Hub for possible co-investment. However, such impact differs across the various countries, gender and age group. The assessment showed that Youth and Women owned business are likely to face more negative impact of the pandemic while availability of support to mitigate these negative impacts has not been targeted at these vulnerable groups. The Trade Hub should therefore increase its efforts at seeking out specific approach to target these youth and female-owned businesses in order to reach its objectives of a minimum of 50% female and youth involvement in its activities, most importantly by placing greater attention to youth/gender elements in the selection process of current proposals under various grant mechanisms. Depending on the impact of more short-term actions, the Trade Hub could also potentially release a youth/women focused RFA to address some of factors that increase the negative impact of the pandemic on these groups of businesses.