

PSE during COVID-19

Presentation and Q&A

TPSD Facility – December 3, 2020

Foreword

About the TPSD/E Facility

The TPSD/E Facility is an advisory service of the European Commission (EC) managed by the Unit C4 in charge of Trade and Private Sector Development and Engagement within the Directorate General for International Cooperation and Development (**DEVCO**).

The TPSD Facility is implemented by **DAI Europe**.

Disclaimer

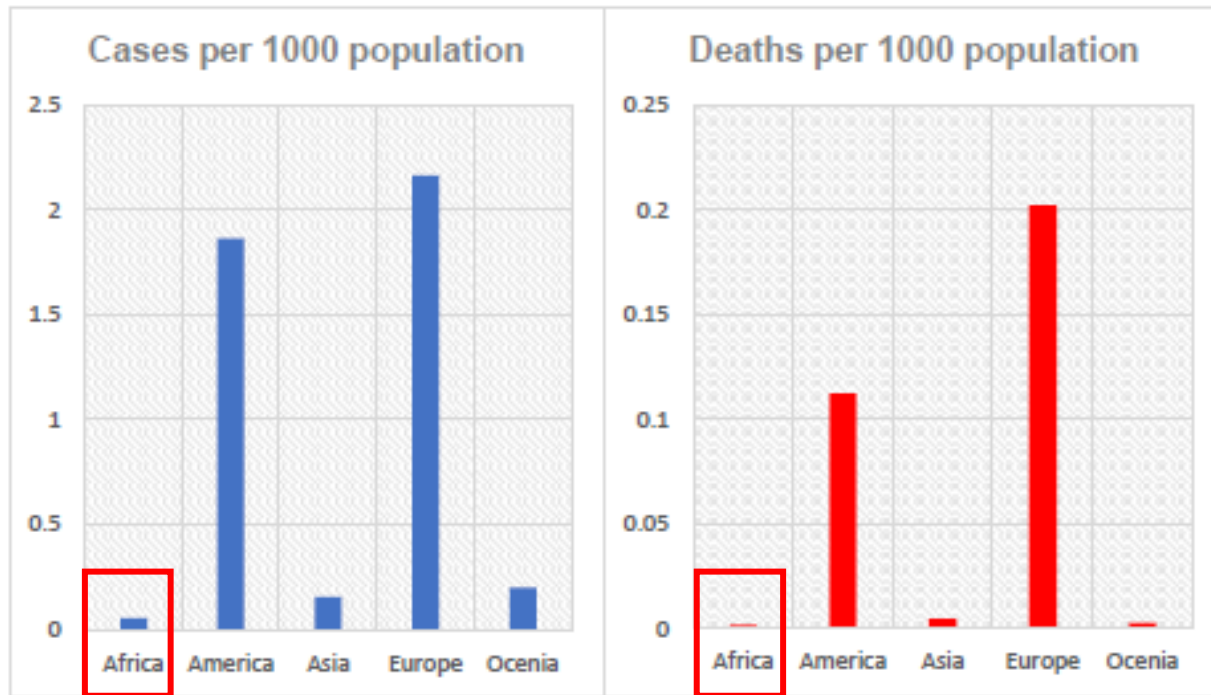
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Structure of the presentation

- I. Impact of COVID-19 (update)
- II. Private sector mobilization
- III. Support strategies for PS

1- Impact of COVID-19 in Africa : Health

- **Health impact – limited:** 2.18 M cases in Africa compared to 63 M globally (for 1.3 billion inhabitants compared to 7.8 billion globally)
- Most cases : **South Africa** (790 000), Morocco (356 000), Egypt (115 000), Tunisia (96 000), Algeria (83 000), Libya (82 000)



Source: ECDC COVID-19 Data and UNCTAD STATS.

1- Impact of COVID-19 in Africa : Economy

Economic impact of containment measures :

- Economic growth in Sub-Saharan Africa predicted to **fall to -3.3 % in 2020**, 1st recession in 25 years (compared to 3.4% in 2019)
- Push up to **40 million people into extreme poverty** in 2020, erasing 5 years of progress in fighting poverty
- South Africa : **contraction of 51 % of GDP** from the 1st to the 2nd quarter
- Unequal impact: **oil-dependent economies suffer from a dual shock** of lockdown policies and much lower oil prices – Nigeria GDP contracted by 6% in 2nd quarter and 3.5% in 3rd quarter (1st recession since 1980)
- **Tourism, hotels, restaurants** more affected than agriculture and telecoms
- **Informal sector** : severely affected by the lockdown measures – revenues approaching to 0, share of households working dropped from 85% to 45% in Nigeria (**urban informal sector** most severely hit)

1- Impact of COVID-19 in Africa : Trade

Impact on trade:

- **Decline in exports of 11 % and imports 7 %**, for the sub-Saharan region due to slowdown in global demand; declining commodity prices, especially for crude oil; supply chain disruptions; and export restrictions
- High negative impact for **oil exporters** such as Angola and Nigeria: value of exports declined by 30 and 50% in March and April
- **Exporters of minerals** such as DRC, Botswana and Namibia experienced substantial declines in export volumes due to lower global demand.
- **Exports of agricultural products:** more resilient, increasing by 6 % in the first quarter, remaining stable in March 2020 and decreasing by 1 % in April 2020
- **Contrast within agric exports:** cotton-exporting countries Benin, Burkina Faso, Chad, and Mali experienced large slumps while other agricultural products such as staple foods, processed fruits, vegetables, and coffee only decreased moderately or even increased slightly in the 1st quarter

1- Impact of COVID-19 in Africa : Investment

Impact on Foreign Direct Investment :

- Investments in **construction, electricity, or transport** sectors have declined by more than **50 %** of investment volume
- **Tourism** sector : decline of **93 %** in investment in greenfield projects
- **Manufacturing**: **76%** decrease of investment
- **Mining and quarrying activities** : decline of approximately **90 %**
- Other sectors could benefit from the COVID-19 crisis: **Investment in ICT and FinTech are accelerated by social distancing requirements**
- Impact of COVID-19 on FDI in agriculture is moderate

2- Private sector mobilization

- Many examples of shifting production lines (textile industries, beverages) and donations : producing health equipment (masks and hydroalcoholic gel) and purchasing medical supplies

Support PS platforms (business action to fight COVID)

- **Telecom:** toll free lines for critical information from GV, suspending fees on money transfers, cost-free to education and health websites

Promote telecoms to adopt such measures

- **Broad-based communication:** firms channel GV sanitary measures
- **Digital innovations** : start-ups (supported by incubators) develop mobile money (fintech), e-commerce, digital health and e-learning solutions

Support incubators (TA, additional funding, crowdfunding, networking)

2- Private sector mobilization : example of Heineken

HEINEKEN has made the following commitments:

- **For its people:** to support the health and safety of its employees (follow strict hygiene and social distancing guidelines and receive support to do their jobs safely). No structural layoffs, as a consequence of Covid-19.
- **For its customers:** HEINEKEN is scaling up initiatives in support of on-trade customers across markets in all regions.
- **For its suppliers:** paying suppliers at agreed payment terms and will support its most vulnerable small and medium sized suppliers through early payments.
- **For its communities:** Donation of water and non-alcoholic beverages, the production of hand sanitisers and monetary contributions to front line medical facilities + donating **€15 million** to support Red Cross in particular in Africa, Asia and Latin America.

3 - Support strategies for the private sector : **Government support**

3 main types of **Government macroeconomic support**:

- Tax rebates / relieves and fiscal incentives for businesses
- Bank support : quantitative easing, guarantee schemes
- Economic/social measures for employees

3- Support strategies for the PS- Ensuring business continuity : TA

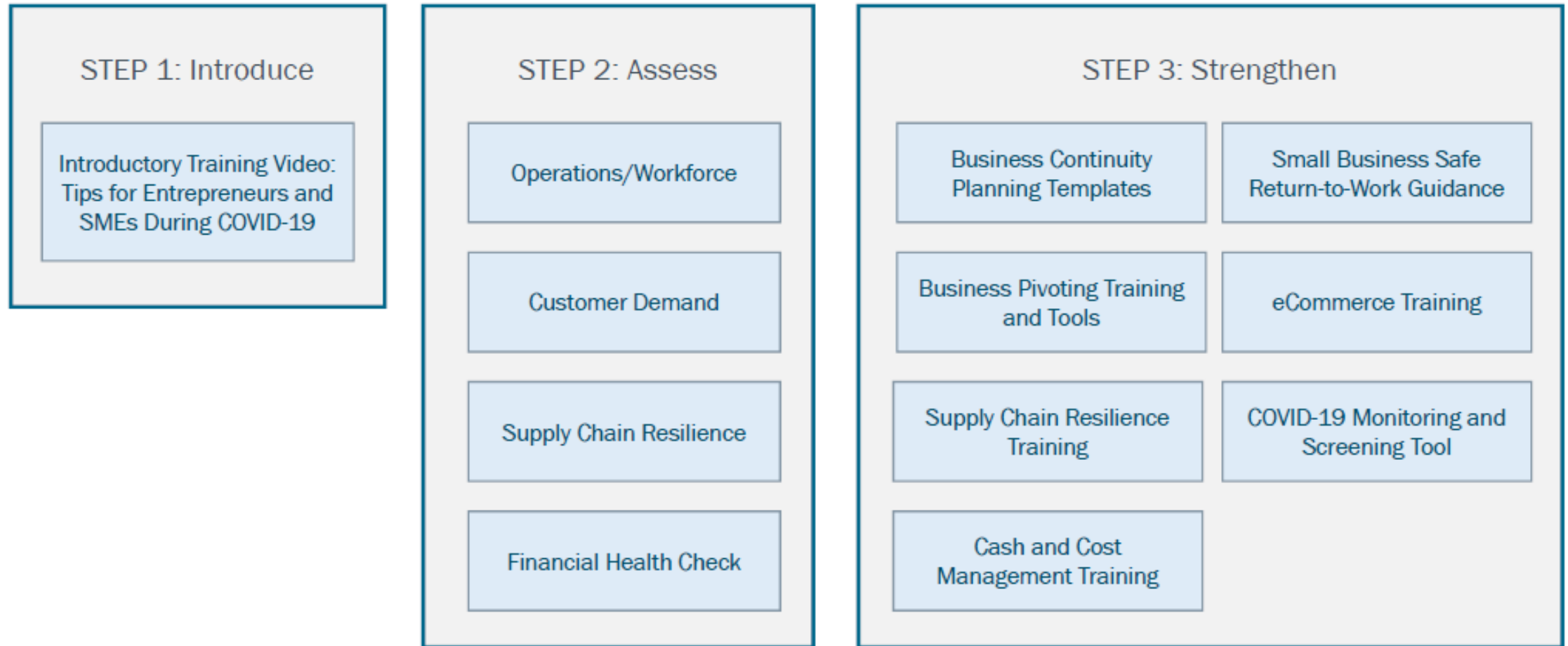
Ensuring business continuity can be done by:

- **Establishing new platforms** for doing/accelerating business such as online sales channels, online marketing.
- **Improving business efficiency** to meet emerging needs as a result of reduced market demand (e.g. analysis of cost-saving measures, developing financial projections, enabling online sales, reviewing product portfolios to address demand changes, developing new products and services to address changing market opportunities).
- **Assisting businesses to negotiate with lenders on refinancing/restructuring** and identifying other sources of concessional capital for cash flow

Example of DAI's MSME Toolkit

- **MSME Resilience Toolkit** guides entrepreneurs through practical steps to stabilize and strengthen their business.
- Combination of assessments, trainings, templates, and tools that can be self-administered or guided by a business coach
- Toolkit customized based on project, geography, target demographic, etc.

Example of DAI's MSME Toolkit



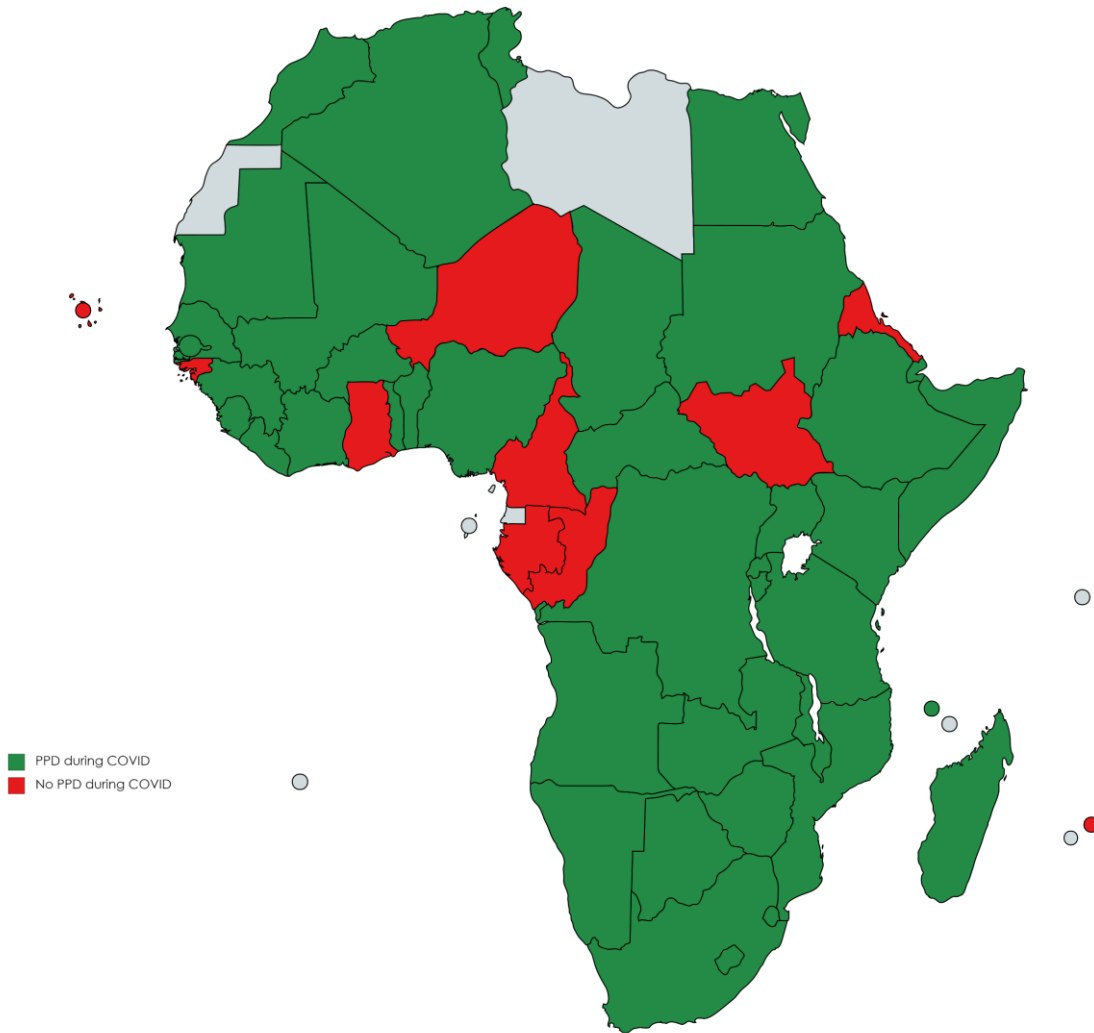
3- Support strategies for the PS- Public-Private Dialogue

- Allows to assess impact of COVID on key economic sectors and take informed decisions (government mitigation and recovery plans)

- **Trends:**

- 1) PPD is more important than ever, EBOs can play a role
- 2) Private sector fragmentation can decrease in crisis times
- 3) Financial pression on PSOs increases
- 4) Not all PSOs have the necessary skills to produce impact assessment and formulate coherent and quality recommendations

PPD during COVID-19 : SB4A survey



PPD during COVID-19

80% of African Governments engaged the private sector during the crisis.

Emergency and recovery plans adopted based on this consultation

Role of EUDs

24 EUD engaged the private sector to identify measures/interventions to mitigate the socio-economic effects of the pandemic (almost 50% of EUDs)

Regular contacts disrupted

COVID-19 has affected the regularity of contacts between EUDs and PS

PPD during COVID-19 : EUD support /facilitation of PPD – focus

Actions undertaken by EUDs based on private sector consultation

Country

Burkina Faso, Cameroon, Côte d'Ivoire, Eswatini, Ethiopia, Gambia, Ghana, Kenya, Lesotho, Eswatini, Madagascar, Mauritania, Morocco, Mozambique, Senegal, Sierra Leone, Somalia, South Africa, Togo, Tunisia, Uganda, Zambia

Types of actions taken by EUDs as a result of private sector consultation

1. **Reallocation of budget support** : **Burkina Faso** mobilization of budget support in support of State finances
2. **New funds committed**: **Côte d'Ivoire** new funds have been committed (25M €) to supplement the support funds made available by the Ivorian government for the benefit of the private sector + **EIB subsidized loans to SMEs (Cameroon, Mozambique, Morocco)**
3. **Sustain income support scheme** : **Ethiopia** top-up of a project has been concluded to support an income support scheme for the urban vulnerable, including informal employees; **Lesotho** an increase of 5M€ for Social Protection schemes to be signed soon and will be implemented by UNICEF
4. **TA through existing programmes**: **Ghana**/WACOMP webinar with tips for MSMEs, **Kenya** Safe Trade Emergency Facility implemented by TradeMark East Africa, Sector Support (tourism in **Uganda and Madagascar**)
5. **Funding through existing programmes**: **Burkina Faso** reorganization of the budgets of certain projects to produce protective equipment by the PS

3- Support strategies for the PS - Informal sector and cooperatives

- **Informal workers face additional challenges:** infrastructure, crowded areas, health access and daily revenues
- **What can be done :** cash transfers, social protection schemes and food security interventions

TA: key to support engagement between national and local decision-makers and grassroots organisations to adopt practical and appropriate crisis mitigation measures

- **Financial cooperatives:** less deposits, higher default
- **Agricultural cooperatives** hardly hit (supply and demand sides), **provision of TA to**
 - a) **conducting rapid assessments to better understand potential market disruptions and household risks;**
 - b) **adapting delivery and support project partners to adapt themselves, including the provision of basic public health guidance to businesses and farmers;**
 - c) **developing resources to help government and donors to better support local market systems during this time of emergency in order to accelerate recovery later on**

3- Support strategies for the PS - Multistakeholder partnerships

- Examples of MSPs at local, regional and intl level
 - Local : National Business Compact on Coronavirus
 - Regional : AfroChampions initiative
 - Intl: GAVI

MSPs are risky, but TA/funding can support catalytic effect of MSPs

- Start to launch a conversation, not an institution
- Long-term engagement
- Establish an independent agency
- Take comparative advantage of development agencies

3- Support strategies for the PS - Financial sector

To use financial sector as lever for economic resilience:

- **At firm level:** various strategies related to critical cash and cost management:
Changing payment terms and conditions to address short-term cash flow
- **At bank and microfinance level:** Debt rescheduling, Debt restructuring, Fresh Capital, Interest rates
- **Role of remittances :** decrease cost, fintechs, etc.

TA, credit lines and guarantees to financial intermediaries

3- Support strategies for the PS - PSE programmes and DFIs

- Injection of liquidities by IFIs (EIB, AfDB, etc.) mainly focus on mitigating the health consequences of COVID, don't tackle much eco and social effects
- DFIs/IFIs are reorienting financing and guarantees (work of ECDPM/ODI)
- PSE programmes readapted (work of DCED, example of develoPPP)

TA, credit lines and guarantees to financial intermediaries

- **DFIs need to take more risks and lift criteria on financial returns**
- **Moratorium on repayments for firms in distress**
- **Provide loans to transformative firms employing many workers : equity injections and credit to shift production lines for the public good**



Thank you for your attention

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