International Labour Organization

Informal Economy

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The Effects Of Covid-19 On The Micro And Small Enterprises (MSE) In Bulawayo[1]

1 Introduction

The International Labour Organization's Employment Promotion and Labour Market Governance Programme (EPLMGP) compiled this brief report on the effects of Covid-19 on the micro and small enterprises (MSE) in Bulawayo. The purpose of the report is to document how small and medium sized enterprises (SME) are coping with the advent of Covid-19. The report is based on a snap survey, which entailed engaging in key informant interviews with Bulawayo City Council, selected SME associations and SME representatives. The survey also entailed secondary data review to garner perspectives from similar research about SMEs in Bulawayo. This brief paper presents a synthesis of the views of stakeholders combined with perspectives from literature review. Six SMEs were contacted telephonically and asked to indicate how Covid-19 has impacted their business operations. These were businesses in various manufacturing and trading activities.

Zimbabwe's first Covid-19 case was confirmed in late March 2020, and this provided valuable time to prepare for the pandemic. Since March 2020, Zimbabwe has recorded 8,036 cases with 230 deaths according to the World Health Organization database accessed on 14 October 2020. The EPLMGP has conducted a number of activities to prepare the SMEs it has been supporting in Bulawayo for the pandemic. Whilst more support is needed, the initiatives have ensured that the SMEs conduct a risk analysis and plan to take advantage of the opportunities that arise from Covid-19 such as production of masks and sanitizers.

[1] This report was written by Sibongile Sibanda, under the guidance of Simbarashe Sibanda (Programme Officer, Employment Promotion and Labour Market Governance Programme, ILO Country Office Harare). The production of manual could not have been possible without the support of Hopolang Phororo (ILO Director, Country Office Harare). Acknowledgements go to Annamarie Kiaga, Jens Dyring, Adolphus Chinomwe, Maria Mutandwa and Fortune Sithole for providing inputs to the various processes that went into producing the baseline report.

2 Stakeholders' Views On The Effects Of Covid-19

2.1 SMEs' Views On How Covid-19 Has Impacted Their Businesses

Lockdowns implemented by many countries the world over and in particular in Southern Africa resulted in inaccessibility of raw materials for many SMEs, which limited their production of goods and services and ultimately their ability to continue business operations. Similarly, restrictions on movement of people within borders effectively curtailed access to local markets. Many employees lost their jobs due to retrenchments and company closures.

SMEs consulted indicated that Covid-19 has negatively impacted their businesses and also opened up new opportunities. SMEs were affected in the following in ways:

- Completely closed down operations
- Significantly scaled down their operations
- Diversified into different lines of business to preserve capital. For example, using revenues generated through their stationery business, they diversified into grocery trading – buying from wholesalers and selling through barter trade in rural areas getting maize and groundnuts. They then added value to the groundnuts by producing peanut butter for resale. They also repackaged maize to sell to urban-dwellers in Bulawayo.
- Diversified into different lines of business to take advantage of opportunities. Activities undertaken by the ILO in Bulawayo at the advent of Covid-19 showed that some SMEs had diversified and started making products, such as facemasks, sanitizers and in one case, the production of beds to be used in one of the local isolation centres.

EPLMGP support to the sector: In the week before the first confirmed case, the ILO's Employment Promotion and Labour Market Governance Programme supported 78 microenterprises in Bulawayo with business management training on Improve Your Business (IYB). The training also had an information sharing session on the coronavirus, which focused on providing entrepreneurs with knowledge of the symptoms; strategies to prevent its spread and sharing the details of organizations that could support them, if infected. The individual businesses were supported in carrying out risk assessments and to develop business continuity plans to minimize the disruption to their businesses, processes that were guided by the ILO's IYB module, "Planning for Your Business".

2.2 Monthly Revenues Before And During Covid-19

When asked about the impact of Covid-19 on their monthly revenues, all SMEs interviewed indicated that their businesses took heavy knocks in terms of decreases in revenue with some having closed down completely while others have seen their revenue streams decrease by between 40% and 96% since the advent of Covid-19 – see Table 1.

Table 1: Monthly revenues before and during Covid-19

	Ave. monthly turnover before Covid-19	Ave. monthly turnover during Covid-19	Percentage decline
Upholstery	500	200	60%
Tsebanana Investments	500	300	40%
SIMSM Clothing	300	50	83%
Ziess Trading	500	150	70%
Bright Shaq Projects	300	0	100%
Nanotech Solutions	3,500	150	96%

2.3 No. Of Employees Before And During Covid-19

Among the SMEs interviewed, anecdotal evidence shows that those in the clothing (82%) and upholstery (44%) sectors were worst affected in terms of employee layoffs. There was no change in number of employees as most are owner-managers with no more than one employee in instances where they employ an extra person.

Table 2: No. of employees before and during Covid-19

	No. of employees before Covid-19		Current number of employees		% difference due to Covid-19		% reduction due to Covid-19
	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	TOTAL
Upholstery	4	5	3	2	25%	60%	44%
Tsebanana Investments	2	0	2	0	0%	0%	0%
SIMSM Clothing	9	2	1	1	89%	50%	82%
Ziess Trading	1	1	1	1	0%	0%	0%
Bright Shaq Projects	2	0	2	0	0%	0%	0%
Nanotech Solutions	2	1	2	1	0%	0%	0%

NB: Table 2 above shows that only two enterprises fall within the ZIMRA classification of an SME that is, the one in Upholstery and SIMSM Clothing, with the rest being microenterprises.

2.4 Nature Of Support

None of the SMEs contacted had received any support whatsoever since the advent of Covid-19. A few however indicated that they sought and received the Bulawayo Chamber of Small and Medium Enterprises (BCSME)'s support in the form of letters that enabled them to process travel passes. Their main area of need is financial support from financial services providers so they can restock, as well as retool. Access to finance enables them to diversify their business operations as well as access online marketing platforms. The ILO in partnership with Old Mutual Finance (OMFIN), a Microfinance company owned by Old Mutual held a Financial Literacy and Access to Finance Meeting with entrepreneurs at OK Mart. The aim of the meeting was to build the resilience of the informal sector traders through providing funds for recovery and expansion (especially during and after the Covid-19 pandemic).

None of the SMEs engaged had yet benefited from either OMFIN or the 500-million Zimbabwean dollar fund for SMEs announced by the Government. Besides lack of access to finance issues, SMEs in Bulawayo are facing other challenges, chief of which is the issue of rentals. Many SMEs are saddled with rental arrears, which they have no idea how to repay. The rental arrears accrued due to low revenue inflows caused by Covid-19. Some SMEs feel that rent amounts demanded are rather high for the sizes of workspace they are renting.

Targeted SME businesses are also struggling to address shortages in key inputs for their production following disturbances in the global supply chains. As a result, we have witnessed an increase in small businesses supported to implement action plans to diversify production from the usual products and to venture into manufacturing essential products required in the fight against the Covid-19 pandemic.

EPLMGP support to the sector: With the business development support from the ILO, the BCSME is ensuring that its members are at the forefront in filling the Personal Protective Equipment (PPE) gaps in Bulawayo as manufacturers of PPE such as masks, gloves and medical, including those in the informal sector, repurposing their production lines to address the urgent need for facemasks, gowns and gloves.

The EPLMGP also supported a local business organization, the BCSME, to ensure it offers key services to members during the crisis. The Chamber was critical in facilitating the key documents to make sure its members continued to operate. The Chamber also supported its members to re-organize their workspaces to enforce social distancing; which entailed moving some businesses to other premises. In addition, the BCSME has also been encouraging the use of appropriate PPE for all those who continued to work, while making sanitizers and hand washing facilities more readily available. The ILO held planning meetings with the with Ministry of Women Affairs, Community, Small and Medium Enterprises Development (MWACSMED) to discuss how the two institutions can support informal economy workers especiallyduring Covid-19. The meeting noted an opportunity to link SMEs to manufacturers of sanitizers and face masks.

The current Statutory Instrument 99 of 2020 announced on 4 May 2020, set out the re-opening procedure for businesses (Government of Zimbabwe, 2020). A key point in the re-opening procedure includes; proving that the business is formal, having a shop license or other operating license, having a formal lease or being registered with the Zimbabwe Revenue Authority (ZIMRA) or being part of a recognised National Employment Council. The ILO engaged SKY Limit Consultancy to hold an online meeting on company registration. The meeting empowered entrepreneurs with information ranging from different types of companies and advantages and disadvantages and tax compliance and benefits thereof. The aim of the meeting was to promote business registration by entrepreneurs after the government pronounced that only registered business would be allowed to operate during the Covid-19 lockdown.

3 SME Associations' Views On The Impact Of Covid-19 On Member SMEs

SME associations contacted included the BCSME, Bulawayo Vendors and Traders Association and the Zimbabwe Chamber of Informal Economy Association. This section summarises their views on the impact of Covid-19 on their operations and on member SMEs.

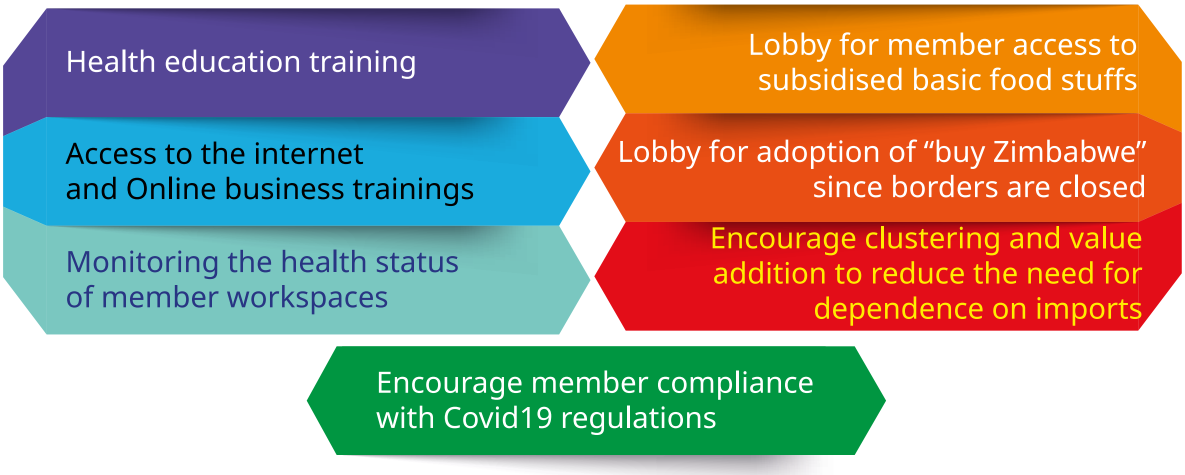
3.1 Impact Of Covid-19 On SME Associations

Lockdown restrictions on movement curtailed travel by associations' executive members which impacted on planning meetings to direct the operations of associations and implementation of possible mitigation measures. The lockdown also meant restrictions on interactions and other engagements with key stakeholders such as the BCC, the Government and others. As a result, SME associations missed out on any services that could have been garnered from some of their stakeholders. At member level, lockdown meant curtailing their livelihoods thereby impacting on their ability to pay their subscription fees which negatively impacted on associations' revenue streams.

3.2 What Associations Can Do To Support Their Members To Cope With Covid-19

As Covid-19 persists, associations see themselves having to explore various services in order to assist their members to cope with the effects of the pandemic. Figure 1 below summarizes possible services offerings to members in the Covid-19 context.

Figure 1: Possible services associations could offer members to cope with Covid-19



Other services include writing exemption letters for their members to be allowed to move as they undertake their business activities. Some associations are working on linking their members with financial institutions to access loans to build and boost their business operations. One association facilitated its members to get financial assistance equivalent to USD10 through Ecocash disbursements from a donor.

3.3 Support Needed By SMEs To Cope With Covid-19

Associations highlighted a number of areas in which their members could be supported to better cope with the effects of Covid-19. These include access to financial support in the form of revolving loan funds to boost their working capital (to restock their wares) and other fixed capital investments. At local government level, BCC could enact friendlier policies and by-laws as well as allocate formal workspaces with proper amenities in order to reduce backyard trading. Also, members need health education training as well as training that assists them to understand and embrace online marketing which is where the world has moved to right now.

4 Effects Of Covid-19 On BCC’s Informal Economy Support Programmes

BCC was asked to give an indication on how Covid-19 has impacted their informal economy programmes. The section below highlights some of the effects, some mitigation strategies employed by The City of Bulawayo as well as some indication of the nature of support that BCC needs to better cope with the effects of the pandemic.

4.1 Impact Of Covid-19

Whereas it is the City of Bulawayo's mandate to avail workspace to informal economy players, the advent of Covid-19 saw the city closing some trading sites and relocating them to new areas in an attempt to decongest the city. The move saw sprouting of lots of undesignated trading sites in backyards, residential homes and around bus terminuses. This development effectively compromised the Council's ability to ensure adherence to city by-laws auguring for public health and safety by informal economy players. The mushrooming of trading activities in undesignated places resulting from attempts to decongest the city has left the city trailing behind in documentation of traders. Covid-19 has also affected formalization of informal economy training programmes that the BCC had planned to implement in conjunction with its partners. These have had to be shelved until such time as it is possible to run them.

4.2 Strategies To Mitigate The Negative Effects Of Covid-19

Like everyone else, the City of Bulawayo admits that it was caught ill-prepared to tackle the pandemic. The City tried to relocate SMEs from Covid-19 hotspots and tried to provide health education to promote behaviour change to embrace containment strategies among SMEs. The City of Bulawayo is also redesigning its current trading bays ensuring provision for physical distancing. The City monitors compliance with regulations that is, use of sanitizers, infra-red thermometers and deep-cleaning at trading sites. Despite all these measures, there are rampant violations of WHO Covid-19 safety guidelines due to increased illegal vending. Non-food items traders do not yet have permission to trade which has severely impacted on their livelihoods. Vendors also resist relocations to designated vending sites which are compliant with Covid-19 guidelines. They find them to be not as profitable as being in the city centre.

4.2.1 Support- BCC Needs To Enhance Its Effectiveness

In the main, the BCC expressed the view that their main area of need for support is financial. Access to funding would enable them to support SMEs by erecting safe and secure trading spaces as well as providing traders with PPE. Funding would enable the City to develop the new sites by putting up shades, pavements and proper sanitization facilities which assist with enforcing compliance.

5 Conclusion

Covid-19 has negatively affected businesses of all sizes with the informal sector being the hardest hit as they do not have much in the form of savings and investments to cushion the businesses in times of crisis. Initiatives by the ILO/EPLMGP have ensured the survival of the supported businesses. There is however still a great need for a coordinated response to the plight of the informal sector as the pandemic has not spared the institutions mandated to support this fragile sector.