



## Introduction

COVID-19 is wreaking economic havoc across the world, Africa included. The International Monetary Fund (“IMF”) reports that sub-Saharan Africa growth rate projected at 5.2% for 2020, has taken a downturn and is now projected to contract by -1.6%. Africa faces an economic crisis, with attendant negative impacts on livelihoods and businesses. Small and medium sized enterprises (“SMEs”) in Africa are being significantly affected by COVID-19. Prior to the pandemic, most SMEs in Africa had limited financial reserves, irregular cash flows, as well as lacked sustainable credit facilities and liquidity. COVID-19 threatens to exacerbate these unwelcomed realities and is detrimental to Africa’s economic recovery given that Africa’s SMEs create about 80% of Africa’s job opportunities.

Women-led SMEs are disproportionately at risk as a result of the pandemic. To help cushion the impact of COVID-19, governments across the continent have deployed stimulus packages, fiscal and monetary policies targeted at businesses, however, most of the packages and policies do not address existing and often entrenched gender barriers which prevent women entrepreneurs from growing and accessing business opportunities. For example, amidst the difficulty of the pandemic some of the stimulus packages still require applicants to post collateral, whereas, studies show that African women do not have equal access to collateral.

Even if they did, the partial operations of most entities would make it difficult for them to get the necessary paperwork. Accordingly, women-led businesses with limited access to collateral would automatically be disqualified from accessing such stimulus packages.

Other support measures are articulated in the form of State backed loan guarantees; however, many women-led businesses do not have a relationship with a financial institution and now is not the time

to ask for that first loan. The pandemic, therefore, could potentially widen the gender-based financing gap. Without the deliberate implementation of gender-lens policies and solutions, the finance gender gap, previously estimated to be at about \$42 billion, would widen.

A wider women’s finance gap would be detrimental to Africa as the quickest path to redefining societies is economic empowerment and the deepest path to transforming society is often through the economic empowerment of women, as they empower, educate and enlighten their families and communities – women invest twice as much as men on families’ wellbeing, thereby improving others’ lives.

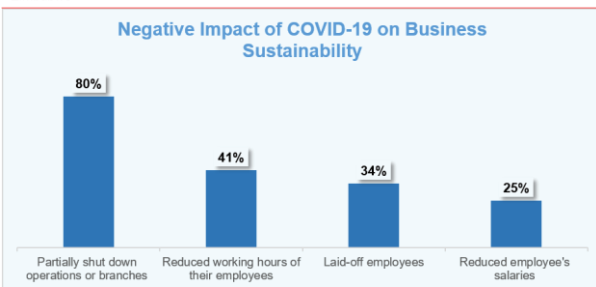
## Impact of COVID-19 on Women-led Businesses

Women-led businesses across Africa are already significantly impacted by COVID-19. A survey conducted by ImpactHER with over 1,300 women SME owners across 30 African countries revealed that most women-led SMEs are at risk of permanent business shutdown as a result of the pandemic.

In responding to how COVID-19 has affected their business operations, 80% of the respondents reported that they had to temporarily shut down their business. Of those that are still fully or partially operating, 41% reported that they had significantly reduced the number of work hours, 34% reported that they laid off workers, and 25% reported that they had to reduce their employees' salaries.

**FIGURE I:**

Women-led SMEs that completed the survey were from 30 countries: Benin, Botswana, Burkina-Faso, Burundi, Cameroon, Eswatini, Ethiopia, Ghana, Guinea, Ivory-Coast, Kenya, Lesotho, Liberia, Madagascar, Malawi, Morocco, Mozambique, Namibia, Nigeria, Rwanda, Sierra Leone, Somalia, South Sudan, South Africa, Tanzania, The Gambia, Togo, Uganda, Zambia, Zimbabwe



\*The survey was conducted during the first 2 to 3 weeks of the shutdown in most African countries

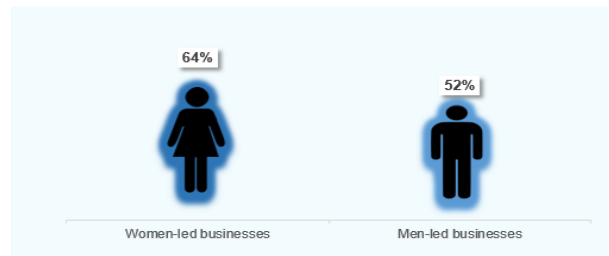
Source: ImpactHER Survey Analysis Report on the Effects of COVID-19 on African Women-Led Businesses in 30 Sub-Saharan African Countries Saharan African Countries, April 2020

Similarly, in a survey conducted by UN Women with 165 women entrepreneurs in Mali, as much as 96% had seen their economic activity reduced in the first two months of the crisis. Also, women-led businesses are being impacted at a faster rate than SMEs led by men. A survey by UN Women

and the SME agency of Cote D'Ivoire showed that a significantly higher number of women-led businesses has been forced to stop its operations because of the crisis (64% for women-led businesses as compared to 52% for men-led).

**FIGURE II:**

A survey by UN Women and the SME agency of Cote D'Ivoire showed that a significantly higher number of women-led businesses has been forced to stop its operations because of the crisis



Source: A survey by UN Women and SME agency of Cote D'Ivoire, 2020.

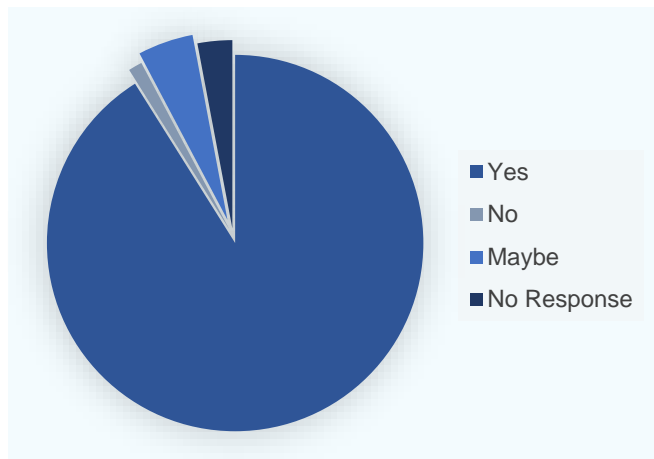
The lockdowns have severely impacted women-led businesses cash flows, as women SME owners reported decreased revenue, while also having limited reserves to sustain their businesses. For example, Tessi, a business owner from Zimbabwe stated: "we have had to shut down doors thereby cutting our lifeblood which was income from sales. Salaries for staff cannot be paid and we may have to close our businesses totally after the lockdown."

Similarly, Kela from Kenya expressed the urgent need for funding. She stated: "the impact of COVID-19 will be felt [un]till the last quarter of this year and [funding] will help us meet our obligations for the next 6 months and hence we would not have to shut down completely." Also, a large percentage of women-led businesses in Africa operate in some of the hardest hit sectors by COVID-19 such as agriculture, hospitality and tourism, food, education, trade and other services. The Senegal

Association of Women-led Businesses estimates that economic activity in agriculture transformation has been reduced by 60% in the first 3 months of the crisis, and that tourism and hospitality activities of their members have come to a complete stop.

**FIGURE III:**

91% of women-owned businesses need short-term financing as a result of the COVID-19



Survey results of ImpactHER's program participants (representing 1300+ African female small and medium sized business owners highlighting the impact of COVID-19 on their businesses)

Source: ImpactHER Survey Analysis Report on the Effects of COVID-19 on African Women-Led Businesses in 30 Sub-Saharan African Countries Saharan African Countries, April 2020

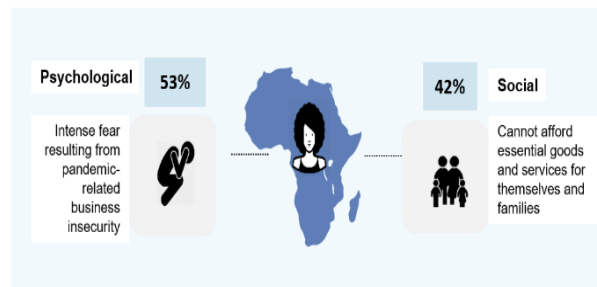
As a result, these businesses are left without revenue or with significantly reduced revenue. 91% of ImpactHER's respondents reported that they need US \$12,079,000 as a result of the impact of COVID-19 on their businesses – an average of \$9,123 per business (this estimated financial needs was made approximately three weeks into the lockdown). The respondents reported that the funds will be used to pay salaries, office rent, and other ongoing operational support; as well as re-engineering their businesses to be more suited to the world's new realities.

The effect of COVID-19, however, transcends the negative impact on the balance sheet as it also threatens family and societal stability. 42% of the women entrepreneurs that responded to the ImpactHER survey were concerned about their ability to pay their house and shop rent, to feed and fend for their families, and losing their main

source of income, whereas another 53% expressed psychological stress resulting from pandemic-related business insecurity.

**FIGURE IV:**

85% of women-owned businesses are experiencing non-financial impact as a result of the COVID-19 pandemic



Three-quarter of the respondents fear that their livelihood might be threatened as a result of COVID-19

Source: ImpactHER Survey Analysis Report on the Effects of COVID-19 on African Women-Led Businesses in 30 Sub-Saharan African Countries Saharan African Countries, April 2020

For example, Coumba who has a clothing store in Bamako, had to close because of mobility restrictions. She has seven children and understands the broader consequences of the crisis. "Many families are in need. We need grants, equipment, but also cash transfers to support income loss".

A number of women interviewed also reported an increase in unpaid care work as a result of school closures due to the lockdown measures. For some of them, particularly the smaller businesses, lack of support measures meant having to choose between opening their business or staying at home to care for their families.

Such destabilization, inadvertently, impacts women's ability to run a successful business, and as a result negatively impacts the survival of women-led SMEs. The effect of an economic retrenchment in women-led businesses is further amplified in society - Africa will be losing a significant GDP source as women-led businesses account for about 40% of Africa's SMEs.

### COVID-19 Response Needs to be Gender Smart

To mend the gap, stimulus packages and post COVID-19 policies must be gender-sensitive – they

must take into account the barriers that women-led SMEs faced prior to the pandemic that prevented their businesses from achieving their economic potential. In addition to the gender finance gap, the barriers included:

### Gender Gap in Access to Technology

Generally, sub-Saharan Africa women are about 45% less likely to be online than men. This translates into fewer African women SME owners participating in ecommerce. However, technologically enabled businesses are critical for survival in the COVID and, arguably, the post COVID-19 era. This gap, if not addressed, would perpetuate and exclude women-led businesses from participating in an economy that is becoming more and more digital.

### Lack of Information

Even when loan products are made available, studies show that women, sometime, self-select out of applying for such loan due to the lengthy loan application processes or the perception that they may not qualify due to the many requirements.

### Unfavourable Loan Terms

Bank loans often have collateral requirements and high interest rates. However, most women in Africa do not have access to collateral like their male peers and as a result may not qualify for loans. Also, studies show that women-led businesses are less likely to receive bank loans from financial institutions than their male counterparts and have to pay higher interest rates despite having a great repayment track record.

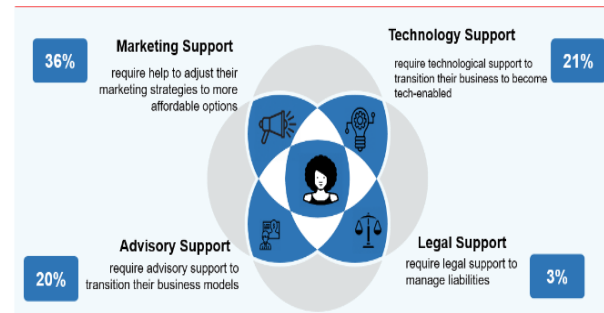
### Measures to Mitigate the Impact of COVID-19 on Women-Led Businesses

Governments and stakeholders cannot afford to ignore the needs of African women-led businesses post-COVID. In a post COVID-19 world, women SME owners need adapted solutions in the form of

financial loan repayment grace periods to flexible collateral options, and technical assistance, ranging from technology to general business advisory, to thrive. 88% of the women entrepreneurs that responded to the ImpactHER survey indicated that they needed technical assistance to adapt in the post COVID-19 world.

FIGURE V:

88% of women-owned businesses need technical assistance to adapt in the post COVID-19 world



Source: ImpactHER Survey Analysis Report on the Effects of COVID-19 on African Women-Led Businesses in 30 Sub-Saharan African Countries, April 2020

Measures must be implemented to mitigate the impact of the crisis on women-led businesses and failure to do so would have a negative lasting impact on the African economy. Some measures that can be implemented include:

### Short-Term Measures

#### Gender Smart Stimulus

Stimulus packages must be designed and disbursed from a gender lens perspective to ensure that women-led SMEs can benefit. These packages could be structured such that there is a percentage allocation for women-led SMEs or separate stimulus packages are carved out for women-led SMEs.

Tailored measures to support smaller businesses, among which women-led are overrepresented, should be a priority, including concessional loans or grants, tax debts condonation, rental and utilities subsidies or moratoria, as well as concessional access to inputs and equipment for sectors such as agriculture. Guidance and

technical assistance to accompany women-led businesses in the application process to access Government measures should also be an integral part of the packages.

### *Relaxation of Collateral Requirements by African Banks*

External collateral requirements should be relaxed or no longer be mandated by financial institutions for women-led businesses. Women entrepreneurs face gender-specific barriers, such as access to land, which reduces their ability to provide requisite collateral to access credit. Banks should consider using businesses assets or other forms of financial options such as guarantees as sole collateral.

### *Gender Responsive Procurement Practices*

Governments should implement principles of affirmative procurement for goods and services related to the COVID-19 response, from food to provide food transfers, to masks or other protective equipment. Sourcing these goods and services from women-led SMEs can provide a needed lifeline to the segment in the short term.

### *Relaxation of Interest Rates and Longer Loan Tenors*

African Central Banks and Financial Institutions should be intentional about availing loans with reduced interest rates and longer repayment period to women-led businesses during and after the pandemic.

A high interest rate, which also deters women business owners from applying for loans, compels business owners to apply a sense of urgency to pay back the loan rather than applying the funds in a manner that would allow for long term revenue generation and success for their enterprise which would consequently, have a positive impact on business growth and subsequently on Africa's GDP. In addition, Central Banks should require a simpler and more transparent loan application processes while also expediting loan processing times;

perhaps leveraging mobile banking and lending technologies.

### *Patient Capital Required*

Capital deployed by institutional investors and governments to women-led SMEs should be treated as patient capital as most women-led businesses have been significantly disrupted by COVID-19. The businesses that have experienced significant disruption will need time to re-strategize to reach their economic potential.

### *Gender Balanced Policy Teams*

Women should be involved in Africa's economic recovery policy formulation processes, especially those that impact SMEs. Women business associations participation would promote targeted interventions that address the unique challenges that women entrepreneurs face during and after the pandemic.

### *Tax Incentives for African Multinational Enterprises*

African governments should offer tax breaks to African Multinational Enterprises that outsource segments of their operations to African SMEs, especially women-led SMEs. Such practices would enable SMEs to improve their financial health and capacity, while also boosting the African economy through increased output and income.

### *Technologically Targeted Investments*

Capital needs to be allocated to also allow non-technology enabled SMEs to be transformed to technology-enabled businesses, with particular emphasis on women-led SMEs given the gender technology gap. This will help bridge the gender technology gap, while also allowing women-led SMEs to scale, participate in ecommerce, and adapt to the post-COVID world.

### Medium and Long-Term Measures

### *Partnerships between Financial Institutions and Women Organizations*

African banks should work with women-SME organizations to structure viable products that are gender sensitive, palatable, and address the unique needs for women-led SMEs. Such approach would allow women entrepreneurs to be well-positioned to access capital

### *Fund More Women Fund Managers*

Women fund managers could help bridge the finance gap for women-led SMEs. However, women fund managers are underfunded compared to their male peers. For example, in South Africa, female fund managers control only 3% of the assets under management compared to 93.5% controlled by male fund managers.

However, women fund managers are almost twice more likely to invest in female entrepreneurs than their male peers. As such, women fund managers could play an essential role in helping to bridge the financing gap for women-led SMEs especially during this pandemic.

### *Tax Incentives for African Investors*

African Governments should offer tax breaks for individuals that invest in women-led SMEs. Such practice would encourage private sector participation in bridging the gender financing gap.

### *Gender-Lens Credit Literacy Programs*

Financial institutions need to demystify the loan application process by offering credit literacy programs so as to encourage women to apply for loans. Studies show that women often self-select out of the loan application process given that they often perceive the loan terms to be unattractive, the loan officers to be biased, and the loan application processes to be lengthy and time consuming.

In conclusion, creating an ecosystem that allows for women-led resilient businesses is a path to putting Africa back on its economic growth trajectory and building a resilient post-COVID African economy.

## Building Back a Better Future

Finally, the post-COVID19 world will probably be very different from the world we lived in just a few months ago. As countries and societies think about their future and recovery plans and strategies are being shaped, there is an opportunity to Build Back Better and address some of the pre-COVID faults that have led to entrenched gender inequalities including in the world of business.

Policies which can be game changers for women entrepreneurs in Africa in the future include land reforms that provide women with equal and effective rights to land, accompanied by the resources and necessary mechanisms to make them happen beyond paper. Also, as countries identify the sectors that will drive growth in the post-COVID era, from green jobs to re-industrialisation efforts, or as borders open up and African Continental Free Trade Area ("AfCFTA") operationalization picks up, it is critical that women-led businesses are well-positioned in those key areas of the economy through the right combination of education, innovation and private sector development policies.

Finally, the unequal distribution of unpaid care between men and women, and the large number of women-led businesses which still operate in the informal economy across Africa, are two important pending issues from the pre-COVID agenda which will need to be addressed if we are to build a better future for all.

## [About ImpactHER](#)

ImpactHER, an impact driven organization that focuses on bridging the \$42 billion financing gap for women-owned small and medium-sized enterprises (SMEs) in Africa. The organization achieves its mission by helping African women business owners access institutional capital for their business, scale their businesses while also helping them tackle business operational challenges, access new markets through the use of technology, and become investor-ready. With a community of over 35,000 African women-led SME across 55 African countries, ImpactHER has trained over 8000 African women entrepreneurs in 48 African countries, on a pro bono basis, on how to run successful businesses and become investor-ready. ImpactHER's intervention has, launched thousands of African women-led businesses online, helped African women access new foreign markets, and connected African women-led SMEs to institutional capital.

## [About UN Women](#)

UN Women, grounded in the vision of equality enshrined in the Charter of the United Nations, works for the elimination of discrimination against women and girls; the empowerment of women; and the achievement of equality between women and men as partners and beneficiaries of development, human rights, humanitarian action and peace and security. Across Africa, UN Women supports women entrepreneurs and women led businesses as a priority intervention to achieve women's economic empowerment.

## [About AFAWA](#)

The Affirmative Finance Action for Women in Africa (AFAWA), is an African Development Bank-led initiative which aims to reduce the USD 42 Billion gender gap in access to finance and unleash women's entrepreneurial capacity across the continent. AFAWA's holistic approach focuses on 3 pillars: (a) access to finance, (b) technical assistance, to financial institutions as well as women entrepreneurs, and (c) policy dialogue to reform the legal and regulatory frameworks affecting women businesses. Through AFAWA AFDB will aim to unlock up to USD 5 billion in the next 5 to 6 years for women entrepreneurs in Africa.

This brief was produced by Efe Ukala, Founder of ImpactHER; Elena Ruiz Abril, Women's Economic Empowerment Regional Advisor, UN Women; Esther Dassanou, Manager, Affirmative Finance Action for Women in Africa, African Development Bank.





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### Notes

The SMEs surveyed have less than one hundred (100) employees.

To protect the identity of the respondent, a pseudonym has been used.