



# IMPACT OF COVID-19 SURVEY ITERATION 8

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## KEY FINDINGS

Although, nation-wide, cases of covid-19 appear to be falling, the second-wave of the pandemic looks to have caused significant problems for businesses across the country in February 2021.<sup>1</sup>

Almost one-in-three of business leaders (30%) reported trading conditions worsened for their business.

**44%** of business leaders cited 'deteriorating working conditions' as the main driver of this worsening

**91%** of firms reported having significant covid-19 measures in place, compared to 67% in January 2021

**60%** of all firms in the study have also enhanced existing covid-19 measures to respond to the second wave.

One-in-five firms that experienced poorer trading conditions in February blamed supply chain disruption, which continues to be a major issue for businesses.

**40%** experience international border restrictions, national movement restrictions (37%) and difficulty sourcing inputs (33%)<sup>2</sup>

**76%** of business leaders surveyed said their firms were experiencing supply chain issues.

This is the highest percentage recorded since September 2020.

Data suggests that these challenges are already translating into a decline in business performance.

**58%** have experienced revenue decreases compared to February 2020, compared to 53% in January

**31%** of firms have fewer people on permanent contracts than they did at the same point last year

**41%** of business leaders feel medium-term growth prospects in the DRC are bad or very bad

1. <https://covid19.who.int/region/afro/country/cd>

2. Respondent can select multiple options

## ABOUT THE STUDY

Covid-19 has had economic impacts across the DRC. Restrictions on business operations, disruption at international borders, and lower demand for key exports in the first half of 2020 have negatively affected growth, employment and private sector debt levels. Today—almost one year on from the start of the crisis—the situation is still evolving. Announcements of rising cases in December forced the government to impose further restrictions to try and curb a possible second wave. In this context, this study aims to track how the pandemic is impacting companies across the country. Data and analysis—complemented by direct input from business leaders—provide insight into how the government and other stakeholders can best support businesses at this time.

The project is undertaken jointly by ELAN RDC, a private sector support project fully funded by UKAID, and the Fédération des Entreprises du Congo (FEC). The survey programme ran over eight months, speaking to ~200 businesses regularly from July 2020 to February 2021. The team sought to understand businesses' evolving challenges and the support required. Results from the latest iteration of the survey, completed between 9th and 18th February are outlined [here](#). Time series data from all iterations so far is available to download [here](#).

Accompanying the publication of each round of results is a business briefing (see below) that focuses on some of the challenges companies are facing. In this final iteration, we explore trends since the study began and focus on how different organisations, such as the government, donor community and private sector associations, can most effectively support businesses.

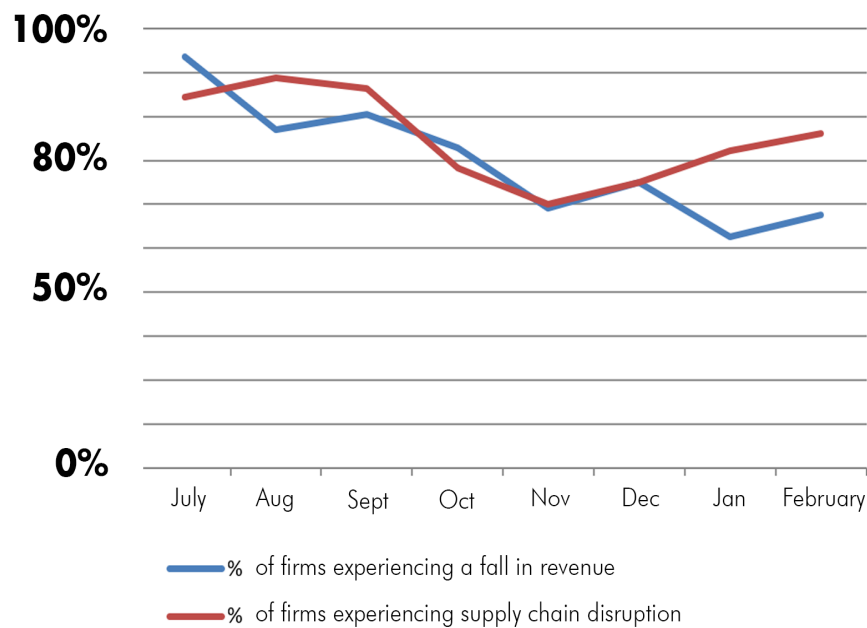


## COVID-19 AND THE BUSINESS COMMUNITY IN THE DRC: TRENDS FROM JULY 2020 TO FEBRUARY 2021

### A RECOVERY INTERRUPTED

The immediate economic shock triggered by the covid-19 pandemic is hard to understate. In the first iteration of the survey from July 2020, 94% of firms reported their revenues had dropped compared to pre-pandemic levels, and over 95% said the decline was either wholly or partially as a result of covid-19. As cases dropped in the second-half of 2020 and lockdown and movement measures were lifted, the business environment also appeared to improve. The country saw a partial recovery in November, although 59% of companies still reported a decline in revenue compared to pre-pandemic levels.

**Figure 1: Percentage of firms experiencing negative business impacts from covid-19, July 2020-February 2021**



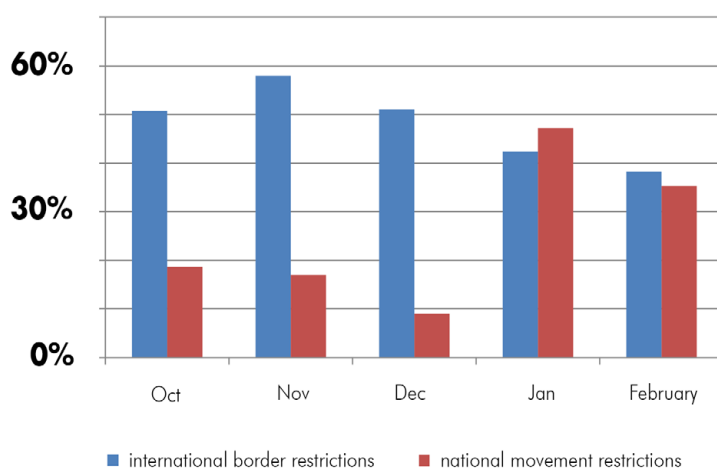
The gains from this partial recovery stalled in the wake of the second wave: in December 2020, as the curfew was imposed, 65% of firms reported a decline in revenues and, in February 2021, 58% of firms are still experiencing lower year-on-year revenues. Data on supply chain disruption also suggests that revenues are likely to continue to fall in the next few months. Overall, 76% of business leaders surveyed said their firms were experiencing supply chain issues, the highest percentage recorded by the survey since September 2020. This disruption is likely to have a knock-on effect on revenues, as companies that produce less due to supply issues have less to sell, suggesting that the full impact of the second wave is yet to materialise.

#### DRIVERS OF DISRUPTION

One of the most significant challenges has been supply chain disruption. Over the course of this study, the percentage of firms reporting issues in their supply chain has remained at over 60% (see Figure 1). These disruptions have resulted from both domestic and international movements.<sup>1</sup> In particular, the restrictions introduced to deal with the second wave have driven an increase in firms reporting domestic issues driving supply chain disruption (see chart 2).

<sup>1</sup> The team started asking about the drivers of supply chain disruptions in October 2020.

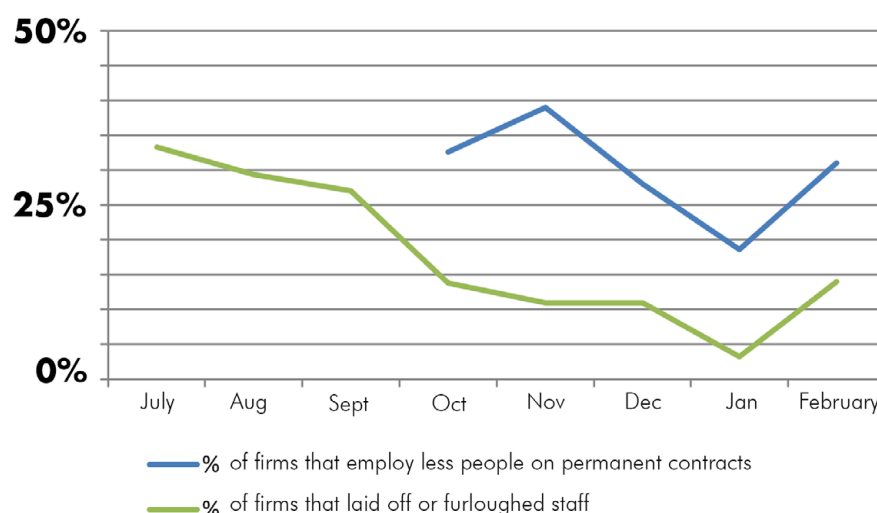
**Chart 2: Drivers of supply chain disruption, October 2020-February 2021**



#### IMPACT ON EMPLOYMENT

In the DRC, one of the most pressing things for the government and donor community to consider is how such disruption is impacting employment. If the challenges firms are facing result in employing fewer staff, the knock-on impact for communities could be significant. Though the percentage of firms who laid off or furloughed staff in response to the pandemic had been falling steadily, the number rose again in February 2021. The same is true for firms with fewer people on permanent contracts: in January, around one-in-five firms reported have fewer people employed than at the same time in 2020. This rose to almost one-in-three in February.

**Chart 3: Percentage of business leaders reporting employment disruptions**



Although, in absolute terms, the fall in employment appears less severe than other covid-19 impacts, this study focuses on formal businesses only. In the informal economy, which accounts for most of the employment in the DRC, the impact on incomes has likely been more severe. In this programme's sister study,<sup>1</sup> 60% of households reported a fall in income compared to pre-pandemic levels, an increase of ten percentage points compared to the rate seen in December.

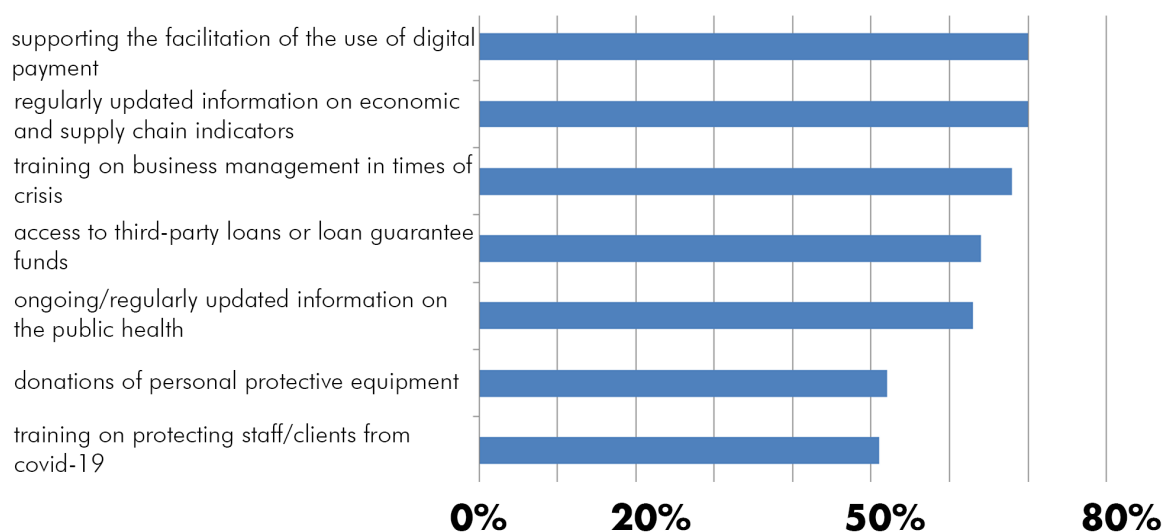
<sup>1</sup> A household study run by Kinshasa Digital. See more information [here](#).

## FENDING FOR THEMSELVES

Most businesses in the DRC have had to face the challenges posed by covid-19 without directed government support. General provisions made at the start of the crisis—such as the suspension of VAT and other business taxes between April and July 2020—were useful but short lived. Since then, firms have, for most part, had to deal with crisis alone.

Data collected from the most recent survey suggests that, in the absence of government activity, there is more that other stakeholders—such as businesses associations and the donor community— could be doing. In this eighth iteration, the team asked business leaders if they would be interested in accessing a series of support measures (see Chart 4). The response from the majority was positive, with over-half of business leaders interested in each support measure. Supporting facilitation of digital payments and information on economic and supply chain indicators were most popular.

**Chart 4: Percentage of business leaders interested in support measures**



## INTERVIEWS

THE FÉDÉRATION DES ENTREPRISES DU CONGO (FEC) HAS BEEN ONE OF THE LEAD PARTNERS OF THIS STUDY.

FOR THIS ITERATION, BETH WARNE FROM THE SURVEY TEAM SPOKE TO BERTIN MUDERHWA, DEPUTY HEAD IN CHARGE OF STUDIES AND STATISTICS AT FEC TO REFLECT ON THE INFORMATION COLLECTED AND WHERE THE BUSINESS COMMUNITY GOES FROM HERE.

### **Why did the FEC decide to carry out this study? Why did it deem it necessary?**

As a representative of the private sector, it was important for the FEC to collect information on the economic environment during the covid-19 period. As restrictions were introduced around the world to contain the spread of the pandemic, we wanted to understand how restrictions were impacting economic activities in the DRC to identify the advocacy actions that public authorities and development partners could take to support businesses and promote the revival of the national economy.

### **What have been the successes of the programme?**

Before this partnership with ELAN RDC, the FEC conducted a study in May 2020 on the impacts of covid-19 on companies in the DRC. The study made headlines and drew the government's attention to the harmful effects of the pandemic on economic activity. This led the government to further develop an emergency economic recovery programme in response to the pandemic's adverse effects. Unfortunately, the financial means for its implementation are lacking. The collaboration with ELAN DRC on eight other iterations of the May 2020 study has reinforced efforts to keep the government aware of the need for support.

The major success is that (in addition to other advocacy actions carried out by the FEC during this period) the government, parliament, and other entities have mentioned the results of these surveys in their speeches. They enabled them to discuss the dangers to the economy following the onset of the pandemic and

the need to take appropriate measures to support the private sector.

### **What were the challenges?**

The major challenges were ensuring strong company participation in the surveys and driving the uptake of the studies' results by political and economic decision-makers as well as development partners. You will notice that, despite the alarming results of these surveys, the private sector is still not supported enough to revive economic activities to pre-pandemic levels, as is the case in other countries around the world. All the measures taken to support companies have come to an end, and their renewal is slow in coming, while the disease persists. Companies are still reporting pessimism about the expected resumption of their activities.

### **Is the FEC planning other studies?**

The FEC will continue the publication of advanced studies in a sectoral manner to identify the sectors of activity that have been most affected by the adverse effects of the pandemic, through job losses and loss of income for the company and the state, etc. The FEC will conduct studies to assess the country's business climate, guide its advocacy actions and propose appropriate reform measures for the development of business to the government. We will also propose reform measures to address employment and the development of a consumer or producer price index to identify the level of remuneration.



IN EARLY FEBRUARY, BETH WARNE FROM THE SURVEY TEAM SPOKE WITH BAS ZUIDBERG, INVESTMENT FACILITATION ADVISER FOR ELAN RDC.

ELAN RDC IS A UKAID-FUNDED PRIVATE SECTOR DEVELOPMENT PROGRAMME THAT HAS LED THIS SURVEY PROJECT ALONGSIDE THE FEC. SINCE THE START OF THE CRISIS, UKAID—AS PART OF ITS SUPPORT MEASURES IN THE DRC RELATED TO COVID-19—TASKED ELAN RDC TO DESIGN SPECIFIC ACTIVITIES AIMED AT REDUCING THE ECONOMIC CONSEQUENCES OF THE PANDEMIC.

IN THIS INTERVIEW, MR ZUIDBERG REFLECTS ON THE EFFECTS OF THE CRISIS ON THE ECONOMY.

**Data collected throughout the year shows a real shock for business from covid-19, despite the country being less badly hit so far in terms of the number of cases. Why do you think the adverse effects on businesses in the DRC were so severe?**

Economic performance in the DRC is inextricably tied to the health of the mining sector. Therefore, the rapid decline in commodity prices in spring 2020 triggered a major shock for companies across all sectors. Business leaders in the DRC are used to having to respond to crises and, as demand and the currency began to slide, many took the decision to retrench – scaling down planned investments and focusing on survival. Such hard choices made sense as many businesses were not expecting to receive significant government support. However, the lack of capital expenditure and scaling back of operations did cause a slowdown in the economy. The positive side of a business community familiar with adapting to crises is that when the situation eases, many companies should be able to scale operations back to pre-pandemic levels quickly. This is something we have seen in the data: one-in-three businesses expect to recover from the pandemic within the first quarter of 2021.

**The monthly survey has shown that many companies experienced issues with supply chain disruption over the course of 2020. Why do you think this was such a problem in DRC?**

Even before the pandemic, poor infrastructure meant that supply chains in the country were complicated, especially for moving goods between the three main economic urban hubs of Kinshasa, Lubumbashi and Goma. Companies in the latter two areas are extremely reliant on international trade, with Rwanda and Uganda in the East and Zambia in the South. When borders closed due to the pandemic, this caused a lot of issues for businesses operating in those regions. Though it is still hard to get a full picture of why disruption is continuing at the borders, the situation may be worsened by the absence of coordinated responses between the various national governments and the private sector. This has, unfortunately, been a hallmark of the covid-19 crisis in the DRC.

**Your particular expertise in the DRC has been**

**around investment facilitation, in the medium or longer term, are there any broader areas around investment support you think the government and donor community should focus on?**

Access to capital is a crucial challenge for private sector development in the DRC. Banks in the country are conservative, offering mostly short-term loans, which means companies struggle to invest in projects that take longer to reach profitability. For small and medium-sized enterprises (SMEs), there are currently only one or two investment vehicles that could invest in these instances, compared to around 120 organisations in Uganda. We believe government and donor initiatives are needed to improve that situation.

Separately, securing enough collateral is another problem facing SMEs. In order to facilitate loans for agricultural projects and boost local cultivation and production, ELAN RDC has been running a Guarantee Fund with two banks during the pandemic, where the programme has acted as a partial guarantor for firms seeking capital. The money available hasn't been massive; however, it has helped both financial institutions attract new business and support companies in need of capital.

Another area to consider is digitalisation. For some companies and sectors, the pandemic has been a catalyst for removing some of the barriers that have traditionally been in place for new technology. Interoperability between Mobile Money providers and Digital Wallets is a good example, and ELAN supported the piloting of multi-wallet payment platforms. We were pushing for these stakeholders to cooperate for some time, but it took the pandemic to drive home to those involved the importance of the social gains that could be realised. This year will be the time to take advantage of the fact that people are thinking differently about old issues as a result of the pandemic. Hopefully the government can follow through on their Plan Nationale Numerique (2018) together with partners who are ready to support and implement that work. The Congolese are known for their creativity – growing the technology sector would provide a good outlet for that potential.

# INFORMATION FROM THE FÉDÉRATION DES ENTREPRISES DU CONGO

BETH WARNE FROM THE SURVEY TEAM SPOKE TO ALBERT YUMA MULIMBI, PRESIDENT OF THE FEC TO REFLECT ON THE INFORMATION COLLECTED AND WHERE THE BUSINESS COMMUNITY GOES FROM HERE.

**The study clearly showed that covid-19 has had a significant negative impact on businesses in the DRC and that the recovery that was taking shape at the end of 2020 may be losing momentum in the face of the second wave of the virus. What is the FEC's view on why the pandemic has hit businesses so hard?**

Before answering your question, I would like to point out that the FEC aims to be a proactive contributing stakeholder that informs the government on issues affecting the country's development to strengthen the competitiveness of the private sector and the well-being of the population.

The drastic measures taken to counter the spread of the covid-19 pandemic have had a very negative impact on business operations, mainly due to restrictions on the movement of goods and people. At some points during the pandemic, economic activity was virtually at a standstill, with some sectors banned from operating entirely.

This disrupted the supply and distribution chains of companies, which naturally led to a decline in sales and revenues for companies, and financial support for businesses during this period was lacking. Despite statements of support from policymakers, little was provided to enterprises by the government.

The government has drawn up an emergency recovery plan, but implementation to date has not been effective. The second wave of the pandemic has accentuated the adverse effects of the first. The introduction of a curfew limiting people's movements from 9pm to 5am has hurt specific sectors, forcing them to cease activities early, which has had a knock-on negative impact on the production and sales of these businesses.

**So far, employment levels do not seem to have been hit as hard as other parts of businesses (e.g. income). Why do you think this is the case, and do you think this will continue in 2021?**

Despite the overall negative impact of covid-19, the government has prioritized employee protection. To adapt to the situation and avoid transmission in the business environment, companies had several options: work from home, shift work in teams, early leave to

reduce the number of staff in the workplace and avoid physical contact. Adapting in this way, avoided the need for dismissals, which the Government has banned. However, in the face of significant drops in income, some companies were no longer able to bear all their employees' social security charges. In some cases, agreements were reached between employees and employers to adjust wages in accordance with agreed proportions (reductions of 20% or even 50%).

Other businesses that had virtually closed during the lockdown period had no choice but to ask staff to stay at home without pay due to lack of income from their daily operations.

**How did the FEC, as an organisation, respond to the crisis, and how did this support help your members?**

During this pandemic, the FEC has primarily contributed to various negotiations with public authorities. On the FEC's advice, the government has taken specific measures to support the private sector, notably by suspending collection of VAT on particular necessities for three months and offering exemptions on tax, import and sales duties on medicines and pharmaceutical products for six months, etc.

The Central Bank of Congo (BCC) and the Fonds de Promotion de l'Industrie (FPI) have also taken measures to support enterprises. However, given the pressing needs of enterprises and the time lag surrounding the effective implementation of specific measures, this support has produced only marginal effects for a small fringe of economic operators, as these survey results have shown.

As all these measures have now expired, it is up to the government to renew them to avoid entering another economic recession. With economic recovery uncertain and persistent pessimism among business leaders, regular economic activity is not on the agenda. Unfortunately, the recent political situation has not been beneficial to the various pleas that the FEC is making at a government level. I hope that the establishment of a Government of the Sacred Union will fill this gap. At a city level, the FEC was firmly committed to ensuring that the minimum service for essential economic activities

was granted during the lockdown of the Commune of the Gombe, the nerve centre of Kinshasa's businesses, so as not to deprive the entire city, if not the whole country, of the supply of essential goods. Thus, the city gave permits authorising the movement of employees of targeted industries during the lockdown period.

In addition, the FEC, in collaboration with the International Labour Office (ILO), has developed the Employers' Guide for Workplace Management during covid-19, a document that contains guidelines for adapting to the changes brought about by the pandemic. The FEC has also continued to provide necessary economic information, online training and adaptation tools for companies through online communication mechanisms.

The efforts that private companies have made during this period by providing cash and in-kind contributions (masks, hydro-alcoholic gels, hand-washing kits, etc.) are also noted and have enabled the government to respond to covid-19 effectively.

**What should business leaders do to protect their businesses in the short term in light of these trends?**

In the short term, and in the absence of support in terms of tax incentives for companies to ensure the overall supply, companies must adapt to the moment.

Companies need to reorganise their work environments and minimise production costs to remain competitive in the face of the effective implementation of the African Continental Free Trade Area Agreement (ACFTA). They should also prioritise modern methods, such as digitalising their operations and selling their products online.

Scientific advances in the search for vaccines to fight covid-19 will surely improve business confidence and accelerate the global economy's recovery in the short term.

**Our data also suggests that business confidence in the prospects for recovery in 2021 is weak. What is the FEC doing to support businesses at this time, and what initiatives are you planning for the year?**

The FEC continues to support businesses at trade union and consular levels – promoting economic activity in the country and defending business interests. As a privileged social partner of the government, the FEC constantly proposes solutions with concrete measures to ensure the rapid recovery of the national economy.

For companies, the FEC will continue to provide economic information and advocate for them in its various pleas to find solutions to their problems.

Over the course of this study, ELAN RDC and FEC have reached out to various parts of the government for comment. None of the ministers the team contacted have made themselves available for interview; however, in October 2020 we spoke to Chantal Yelu Mulop, the Special Advisor to the President of the Democratic Republic of the Congo on Youth, Gender and Violence against Woman. The conversation, available [here](#), covered the impact of the pandemic on women and the importance of an inclusive recovery.

For more information on the survey methodology, please contact Mr. Bertin Muderhwa:

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