Covid-19 and SMEs:

Preliminary Lessons from government responses in Côte d'Ivoire and Senegal

Abstract

Considering a descriptive and comparative approach, the objective of this paper was to present the economic dynamism and SMEs size in Cote d'Ivoire and Senegal economies, to conduct a descriptive analysis of the perceived impact of the covid-19 by SMEs managers and to identify public policy instruments that have been instrumental in helping SMEs to cope with the Covid-19 impact. Figures show how the institutional environment (public policy) and the economic transformation are progressively enabling the promotion and development of SMEs in Cote d'Ivoire and in Senegal, even though lasting constraints remain. In general, both countries, Cote d'Ivoire and Senegal, have undertaken strong economic reforms based on their national development plan. This performance is accompanied not only by an improvement in the business environment but also by a growing interest on the part of financial institutions in supporting SMEs' access to financing. The occurrence of the COVID-19 pandemic appeared as a powerful brake to this long-term dynamic, although timid. More than 90% of companies are affected, some have closed, and others have been forced to intelligently reorganize their activities in order to limit the impact of the crisis. Government support measures in addition to those of the BCEAO have been well received in both countries. However, a quick analysis of the huge needs of SMEs and the effectiveness of these measures shows that this seems to have little effect. SMEs in the formal sector seem to benefit from these measures while more than 95% of SMEs are in the informal sector. Similarly, the intervention of BCEAO seems to be limited as banks have remained cautious. This can be explained by the double shock of supply and demand caused by the crisis. On the other hand, the current crisis seems to show a certain capacity for adaptation and flexibility of SMEs in Côte d'Ivoire and Senegal. It is an opportunity for a profound transformation of many of these SMEs. The government's engagement with several other actors should create a space for more inclusive growth centred on SMEs, especially those in the informal sector.

Keywords: SMEs, Covid-19 impact, public policies, Cote d'Ivoire, Senegal
JEL classification: H5, L26, M21

Introduction

As two locomotives of the West African Economic and Monetary Union (WAEMU)[1], Cote d'Ivoire and Senegal are considered lower-middle income economies[2] with USD 2,290 and USD 1,450 per capita respectively (World Bank, 2020). Since the early 90's, the governments of both countries have implemented significant economic reforms, such as trade liberalization, privatization of many state-owned companies, and improvement of the business environment for local and external actors. These reforms have been included in different national development plans or programmes in both countries. The last two development plans called - the "Plan National de Développement" (PND) in Côte d'Ivoire and the "Plan Senegal Emergent" (PSE) in Senegal - enshrine the strengthening of the long-term reform dynamics to address several remaining and new constraints inherent in the economies in quest of emergence. Through these plans, wide-ranging structural reforms are being implemented within the framework of programmes supported by the AfDB, the World Bank, the IMF, the European Union and countries partners, particularly in the coffee, cocoa, energy, infrastructures, … These plans also give prominence both to financial sector reform, particularly in Côte d'Ivoire with the sale of public assets, and to the private sector to be at the heart of the development dynamics.

Despite a sustainable trend in economic growth in both economies over the recent decade, one of the major challenges remains the high unemployment and the informality of a much economic activity – synonym with recurrent vulnerabilities. To reduce this fact, governments in both countries decided to increase their interest in the promotion of SMEs, both in the formal and informal sectors, by undertaking different plans and using various instruments. But recently, in addition to adverse regional developments (instability in Mali and terrorism expansion), the global economic slowdown due to the lockdown caused by the COVID-19 outbreak has been a major blow to this new dynamism. It seems to limit the positive long-term perspective that were underway, particularly for SMEs which are strongly affected. This is in addition to the many structural difficulties SMEs already face, including those related to access to financing and market opportunities.

In this context, the Governments of Senegal and Côte d'Ivoire promptly reacted by carrying out strategies and mobilizing several tools to address the impact of the Covid-19 in general, and on the business sector and SMEs, in particular. This results in promoting new financial and non-financial mechanisms to support SMEs. It is then important to understand this new context which seemed to be gradually favourable to SMEs prior to the Covid-19 outbreak and the consequence

[1] WAEMU members are mostly French-speaking countries of former territories of French West Africa including Benin, Burkina Faso, Côte D'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo. The union was established in 1994 to increase economic integration among the member countries. WAEMU is a customs and currency union, designed to create a full economic and trading union. WAEMU member countries are working to increase regional economic integration with unified external tariffs.

[2] GNI per capita, Atlas method (current USD). Lower-middle income economies includes countries with annual income per capita between USD1,036 and USD4,045 (World Bank, 2020).

of this Covid-19 in term of impact on SMEs and SMEs and public policy responses. More specifically, the objective of this study is triple: (i) present the economic dynamism and SMEs size in economies (ii) conduct a descriptive analysis of the perceived impact of the covid-19 by SMEs managers in both countries and (ii) identify and analyse the strategies and public policy instruments that have been instrumental in helping SMEs to cope with the Covid-19 impact in Côte d'Ivoire and in Senegal.

To conduct this analysis, we will adopt a descriptive and analytical approach by extracting figures on Covid-19 presented in few national reports on the impact of Covid-19 released recently. To this end, in extent of that micro datasets on Covid-19 are not yet available for public, the data we use is from different sources, national, regional or from international development bank or financial institutions. This data will be complemented with information provided thanks to recent national surveys related to Covid-19 in Cote d'Ivoire and Senegal.

The paper is structured as follows. First, the long-term performance of both economies as well as the place of the SMEs and the business environment will be presented. This will provide room to introduce the SMEs importance in the economies, their main characteristics and discuss their resilience to external shocks. Secondly, this work will allow to introduce the Covid-19 outbreak, the impact on SMEs and the SMEs responses. Thirdly, the **Covid-19 policy and strategic implications** will be examined. This review will be preceded by the presentation of some existing public policies and instruments for SMEs promotion. Finally, the last section will discuss the effectiveness of some instruments mobilized in relation to the SMEs current needs.

I. Economies dynamism and place of SMEs in Cote d'Ivoire and Senegal

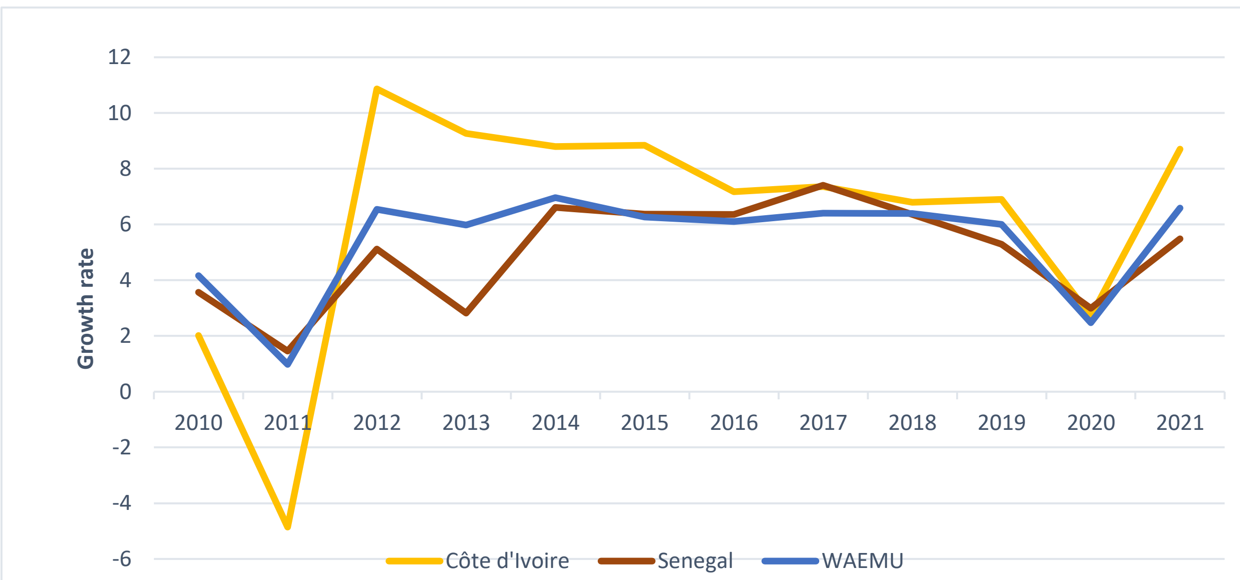
I.1. Economies transformation

In recent years, West African and Sahel countries have been in the spotlight. Some are being hailed for their macroeconomic performance. Benin, Burkina Faso, Côte d'Ivoire, Ghana, Guinea and Senegal have grown by at least 5% per annum, placing countries such as Ghana, Côte d'Ivoire and Senegal in the top 10 fastest growing countries in the world in 2018. The African Development Bank (AfDB) outlook suggests that 3 (Côte d'Ivoire, Ghana and Benin) of the 10 fastest growing African countries in 2019 were from West Africa. West Africa's contribution to Africa's GDP growth has also risen sharply in recent years - from less than 7% to over 28% (AFDB, 2020).
Since 2012, Cote d'Ivoire has recorded on average one of the most dynamic economic growth rates in the world as a result of the dynamism demonstrated by all the components of its economic activity. In fact, after nearly a decade of political and military crisis that has profoundly de-structured its economic fabric, the Ivorian economy is among the top 10 in the world in terms of economic performance between 2012 and 2019. However, in 2020, the decline in international demand and the slowdown in domestic activity following the covid-19 pandemic crisis should

decelerate the growth rate initially estimated at 6.9% to its lowest level of 2.7%[3] since 2012 according to IMF forecasts (IMF, 2020). Despite this underperformance induced by the global slowdown related to the coronavirus in 2020, with the expected decline in the agriculture, transport, tourism, manufacturing, construction and trade sectors, estimates also show that economic activity would return to strong growth of 8.7% by 2021.

As second leader of the WAEMU, Senegal has shown a sustainable growth trend above 6% for six consecutive years. Since 2014, Senegal's average annual economic growth has averaged 6.40%, although slowing slightly from 2018 onwards. The country is expected to remain resilient in 2020 in the face of the global shock resulting from the covid-19 pandemic with an economic performance of around 3%[4] against an initial projection of 6.75%, its lowest level since 2013, due to its low dependence on natural resource exports (IMF, 2020). Growth prospects for 2021 are good and the country is expected to return to growth above 5% according to IMF projections. Moreover, with an expected recovery in oil prices, the country should consolidate its economic retrieval with the announced start of oil and gas production in 2022.

Figure 1: Growth dynamics in Côte d'Ivoire and Senegal, 2010-2021



Source: IMF, WEO database April 2020

This performance, which is synonymous with a commitment to the need to emerge in the coming years, is characterised not only by high growth rates, improving living conditions, the gradual formation of social protection systems, etc., but also by an increasingly high level of debt in a context of crisis affecting the world prices of many raw materials exported. These debts

[3] By the African Development Bank's (2020) Economic Outlook for Africa, the Ivorian economy is expected to grow by 3% in 2020 at best and 1.5% at worst.

[4] The Senegalese economy is expected to grow by 2.8% in 2020 at best and 0.3% at worst according to the African Economic Outlook for Africa by African Development Bank's (2020)

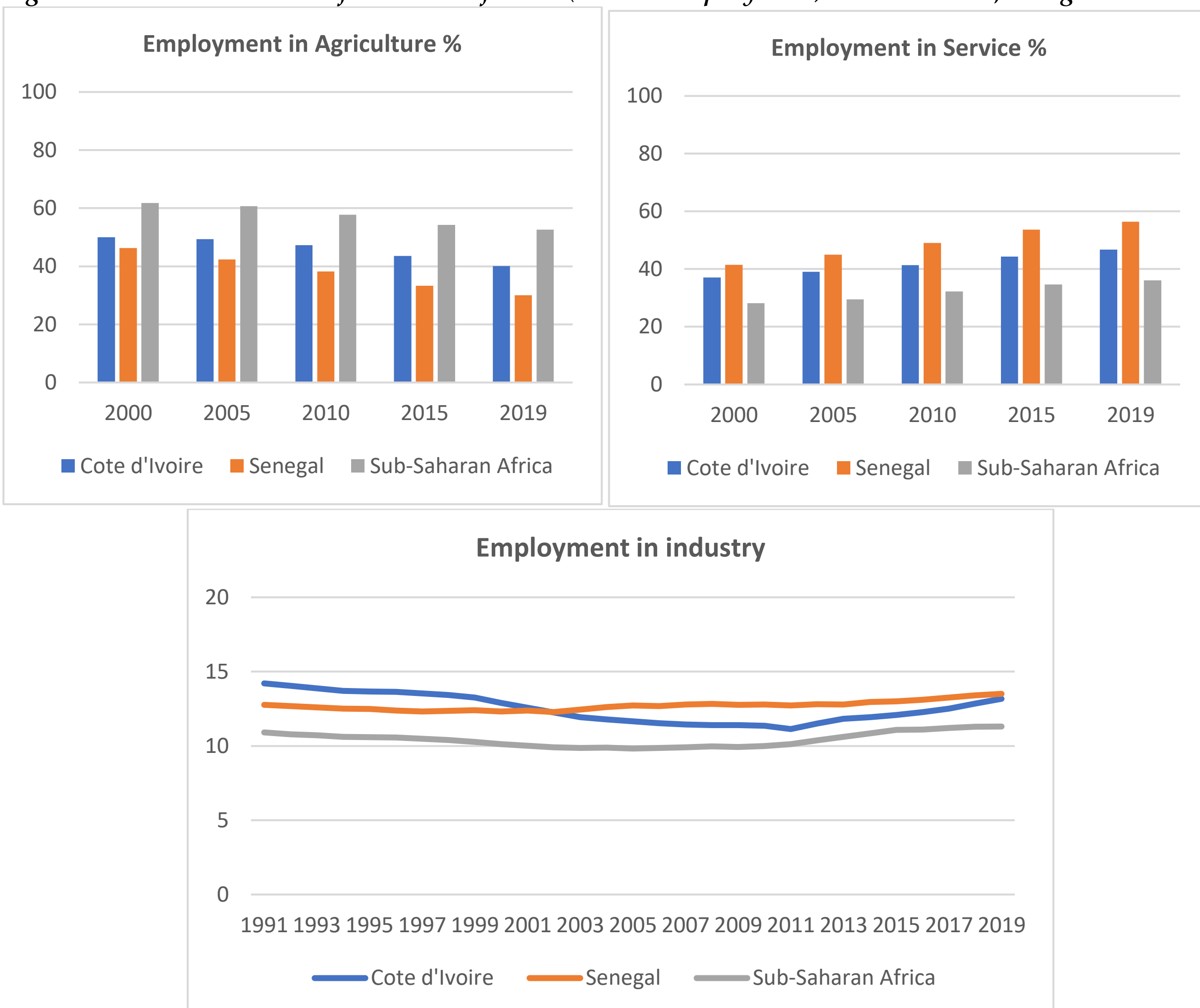
essentially ensure major investments in socio-economic infrastructure (land use planning, roads, airports, construction of new towns, industrial zones, etc.), budgetary support and the establishment of social safety nets. The excellent economic performance of Côte d'Ivoire and Senegal has had a positive impact on the population, as evidenced by the results in terms of social inclusion and a reduction in the poverty rate, although it remains high. The poverty rate falls from 46.7% in 2011 to 37.8% in 2017[5] in Senegal, while in Cote d'Ivoire it remains at 46.3% after a drop of almost 5 percentage points from 2011 (national poverty line).

Indeed, to reduce the gap between current domestic investment needs and current savings, as a result of the low fiscal pressure (15% of GDP) and domestic savings, Governments are seeking more financial resources from financial markets, both regional and international, as well as from multilateral and bilateral organisations. As external borrowing, Senegal public debt raised from 47.7% of GDP in 2017 to 54.7% in 2018 (AfDB, 2020). In Cote d'Ivoire, public debt rose from 49.8% of GDP in 2017 to 52.0% in 2018, knowing that the 2018 budget deficit was financed mainly by bonds (AfDB, 2020). Then, changes in the sectoral distribution of GDP need to be accelerated in both countries. In Côte d'Ivoire and Senegal, the share of agriculture in GDP tends to decline slightly. While the share of industry and services remains stable with a slight increase in Côte d'Ivoire, the share of industry in GDP increases in Senegal and the percentage of services remains stable. Few progresses have done in industrial processing of cocoa and palm oil, but the production of coffee, rubber and cotton could suffer from the lack of processing. The path to transforming the local economy remains ambitious. This structural transformation results in labour force sectoral transition due to the increase in productivity. In Senegal and Cote d'Ivoire, as a percentage of GDP, employment in the sector of agricultural continues to decline, although the decline remains more pronounced in Senegal. This decline benefits the services sector, more so in Senegal. Both countries perform better on average than other Sub-Saharan African countries. The industrial sector remains little receptive to the surplus employment in the agricultural sector. In both countries, there is a certain stability of employment in industry. Over the period, a form of scissors effect appears between Côte d'Ivoire and Senegal, which tends to show that the share of industry in employment was high in Côte d'Ivoire before 2001. From 2001 onwards, due to the Ivorian conflict, this trend reversed in favour of Senegal, whose share tended to increase slightly. In Côte d'Ivoire, the departure or closure of industrial sites led to a decline in industrial employment. The long crisis had a negative impact on SMEs, the majority of which have been weakened and have still not recovered (BAD, 2018).

As the main component of the economic fabric, the current dynamics of growth in the long term should be profitable to SMEs / SMIs development in Cote d 'Ivoire and Senegal, by removing obstacles to allow their full participation in the economies' growth. In Both countries, the main challenge remains the high informality of a much economic activity – which concentrate the main part of countries SMEs, impeding their ability to be more productive. The informal sector resilience can be seen both as the difficulty of the formal sector to create enough jobs for the active

[5] https://www.worldbank.org/en/country/senegal/overview

Figure 2: Sectoral structure of the labour force – (% total employment)- Cote d'Ivoire, Senegal -1991-2019



Source: World Bank, database July 2020

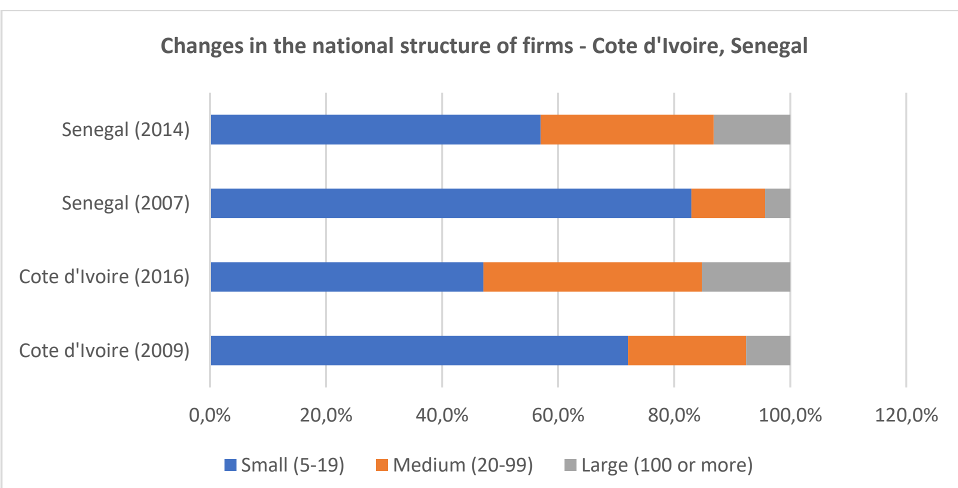
population (employment crisis) or as an expression of a certain dynamism in African economies, particularly in Cote d'Ivoire and Senegal. It emerges that 90% of enterprises in Senegal are in the informal sector. It represents between 40 and 50% of the GDP (Medina et al, 2017). In Cote d'Ivoire, the informal sector accounts for 89.4% of informal employment and contributes 30 to 40% of GDP according to the Medina et al (2017). By the National Institute of Statistics of Côte d'Ivoire (2008), the informal sector has continued to grow as a result of the long period of crisis and has made it possible to absorb a large part of the surplus labour of the active population, especially those with a certain level of diploma and qualification. The dynamics of the informal activities seems to be linked to the country under-development and its various features and it appears that both countries face the dual challenge of maintaining a rapid growth rate while making that growth more inclusive[6]. Experts recommend targeting the most vulnerable segments of the population for better redistribution of the benefits from their sound economic performance.

I.2. SMEs role in economic dynamism

SMEs role in the economic transformation in both countries are prominent. According to the Ivorian Taxes Directorate (DGI), the fabric of SMEs is strongly dominated by SMEs/SMIs, micro-enterprises, as well as a large informal sector (BAD, 2018). Indeed, in Cote d'Ivoire SMEs / SMIs represent 98% of formal businesses sector, around 60,000 formal SMEs and nearly 150,000 informal businesses which are mainly located in Abidjan (80% of identified SMEs). In terms of economic weight, SMEs represent more than 20% of GDP, 12% of national investment and employ around 23% of the working population. SMEs actively participate in key sectors of the economy contributing around 30% of agricultural GDP, 20% of secondary sector GDP.

In the case of Senegal, in 2017, the national statistics and demography agency counted 407,882 companies in the country, 81.8% of which are independent entrepreneurs and 16.4% very small companies. Medium-sized companies represent only 0.4%. SMEs represent nearly 90% of businesses in Senegal. Most SMEs are small and informal (Wellen & Melle, 2017), only a small proportion is formal (about 7,000). Most small businesses are (semi-) informal, moderate growth enterprises, while many more are very small necessity entrepreneurs. These enterprises now concentrate around 30% of jobs, 25% of turnover and 20% of national added value. These figures show how often Senegal has a strong need to revitalize its economic fabric by promoting the emergence of SMEs/SMIs.

Figure 3: Breakdown of firms by size – Cote d'Ivoire (2009-2016), Senegal (2007-2014)

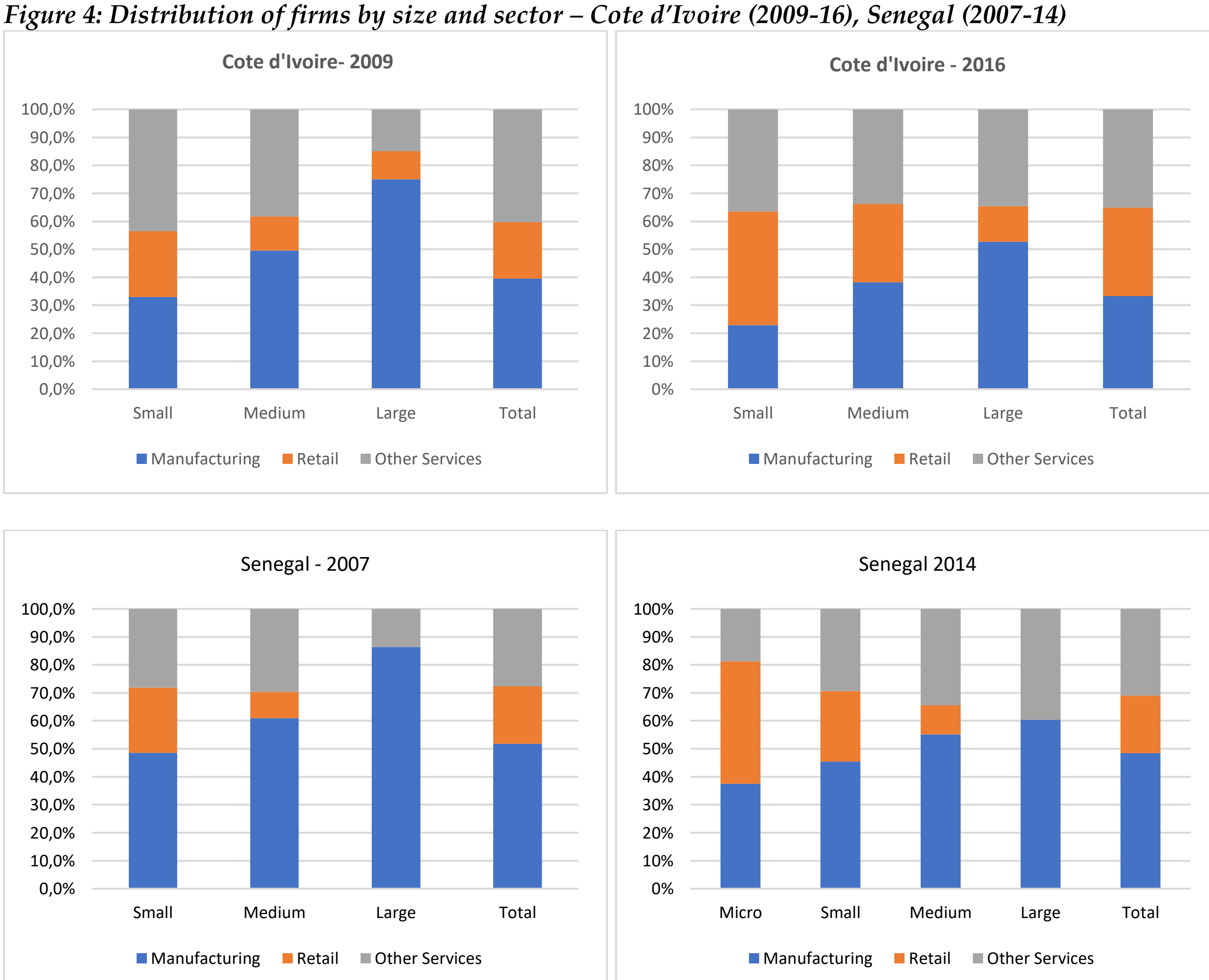


Source: World Bank Enterprise survey

[6] https://www.worldbank.org/en/country/cotedivoire/overview#3

Alongside this data[7] provided by national institutions, as in other countries two enterprise surveys have been conducted by the World Bank and its partners in Cote d'Ivoire (2009 and 2016) and in Senegal (2007 and 2014) which give various possibilities to analyse the outreach and constraints faced by countries enterprises in different aspects. The Figure 3 represents the repartition of firms according their size, especially in 2009 and 2016 in Cote d'Ivoire and 2007 and 2014 in Senegal. By these surveys, 92.4% of firms are considered SMEs in 2009 in Cote d'Ivoire and 96.6% in Senegal in 2007. This figure changes and reaches 86.8% in Senegal and 84.8% in Cote d'Ivoire in 2016 and 2014 respectively. Even though we don't have existing statistics on the sustainability of newly created businesses or change of scale, this reduction of the part of the SMEs, small enterprises in particular, in both economies suggests the path of structural transformation with enlargement of the productive root, especially the role of the medium and large enterprise in the economic development.

Figure 4: Distribution of firms by size and sector – Cote d'Ivoire (2009-16), Senegal (2007-14)



Source: World Bank Enterprise survey

[7] These statistics do not take into account the large number of SMEs in the informal sector. In Cote d'Ivoire, the informal sector accounts for 2,2 million SMEs or informal production entities. In Senegal, it accounts for 1,6 million of SMEs.

The Figure 4 also illustrates the repartition of firms by size and sector in 2014 and 2016 in both countries respectively. In Cote d'Ivoire and Senegal, the smaller the company, the greater the retail activity in 2016. Large firms are dominated by manufacturing activities, medium by manufacturing too and small enterprise by retail and other type of services (hotel, transport). Table 1 above provides information on the trend of firms' turnover between 2007 and 2016 according to the countries. It appears very clearly that, if at the beginning of the period (2009 and 2007), the performance in Cote d'Ivoire in terms of company turnover was well above that of Senegalese companies, today firms in Senegal are much more efficient. Their growth over the period was much stronger. The reasons for this are to be found on the one hand in the decade of Ivorian conflict, which was a real obstacle to the development of companies in Cote d'Ivoire and which led to the relocation of some of them to Senegal. On the other hand, they seem to be linked to concrete reform policies, the capacity for innovation and the dynamism and the appetite for entrepreneurship. Inversely, a culture of entrepreneurship and innovation is still poorly developed and insufficiently valued in Cote d'Ivoire and most people, especially young people, seeing the creation of a business as a temporary solution to their unemployment, rather than as an opportunity to succeed (BAD, 2018).

Table 1: Difference of average annual sales per type of firm – Cote d'Ivoire and Senegal (in CFAF)

	Cote d'Ivoire			**Senegal**		
	2009	**2016**	**% change**	**2007**	**2014**	**% change**
Micro		20 744 443			8 449 997.8	
Small	145 700 000	180 800 000	24,1%	58 770 105	197 300 000	235,7%
Medium	695 700 000	1 919 000 000	175,8%	564 300 000	5 723 000 000	914,2%
Large	23 740 000 000	16 710 000 000	-29,6%	10 740 000 000	21 400 000 000	99,3%
Average	8 193 800 000	4 707 636 111		3 787 690 035	6 832 187 499	

Source: World Bank Enterprise survey

Côte d'Ivoire and Senegal are becoming increasingly business-friendly as their macroeconomic stability and socio-economic performance improves. The latest Doing Business 2020 ranking positions Côte d'Ivoire in 110th place and Senegal in 123rd place in the world in terms of facilitating and conducting business (World Bank, 2020). The Rankings on Doing Business of 2019 shows that Cote d'Ivoire appears to be doing better in starting a business, getting credit, enforcing contracts and resolving insolvency while Senegal performs relatively well in protecting minority investors, getting electricity, dealing with construction permits. Both countries' rankings have improved considerably over the last decade, from 167th in 2012 to 110th place for Côte d'Ivoire today and from 178th in 2013 to 123rd place for Senegal. However, the tax pressure appears higher, evaluated at 45.1% in Senegal against 51.3% in Cote d'Ivoire, (World Bank and PricewaterhouseCoopers, 2017), well above the tax rates in Nigeria (34.3%) and in Ghana (32.7%), one of the most dynamic economies in West Africa. This fiscal pressure seems to be a major challenge to many SMEs in the informal that wish to migrate to the formal sector.

II. Covid-19 and shock against the emerging enabling environment for SMEs

II.1. Impact of Covid-19 on SMEs

In 2020, the decline in international demand and the slowdown in domestic activity following the covid-19 pandemic crisis should decelerate the growth rate (IMF, 2020). Despite this underperformance induced by the global slowdown related to the coronavirus in 2020, estimates also show that economic activity would return to strong growth by 2021. SMEs/SMIs are hard affected, particularly in the sectors of transport, catering, showbiz, tourism etc. The containment measures by governments have also contributed to the deterioration of the economic and financial situation of SMEs/SMIs.

More specifically in Côte d'Ivoire (table 2), two studies on the impact of Covid-19 on companies have been conducted by the government and the General Confederation of Cote d'Ivoire Enterprises (CGECI), respectively published in May 2020 and June 2020. Both studies confirm the general trend towards a decline in activities, the closure of some of them, a reduction in turnover and job suppression. More than 50% of the companies estimate that they would not survive more

Table 2: Evaluation results of the Covid-19 impact on enterprises in Cote d'Ivoire

	Government/UNDP	**CGECI**
Sample	310 firms stratified by sector of activity and firm size (Large Firms and Small and Medium Firms) was selected for collection operations from the Financial Database (BDF 2017) sampling frame of 30,000 firms in the formal sector.	125 companies of which 45% are EGs and 51% SMEs (Services (67%), Industry 17%, Commerce (10%), Agriculture (6%))- 15 CGECI member associations or groupings
Impact on activities	• About 2 out of 3 modern businesses saw their activity reduced (63.3%), • Economic variables such as turnover, production, investment and employment recorded an overall decline for the entire formal sector, • The decline in annual economic activity of 26.2% compared to a normal year; • SMEs are much more affected by the perverse effects • 7 out of 10 companies confirmed the negative effects of the isolation of Greater Abidjan on their volume of activity and profit; • 34.9% of business leaders consider that they have no visibility as to a possible resumption of activities.	• 98% of the companies surveyed said that the COVID-19 pandemic has had an impact on their activities. • 84% of the companies estimate that their turnover is decreasing over the period from January to April 2020 compared to the previous year. • almost a third (33%) experienced a drop-in turnover of between 25 and 50%. • More than 50% of companies would not survive more than 3 months if COVID-19 continued
Impact on jobs	• The temporary destruction of 22,962 jobs during the month of April and a projection of 131,678 job losses is made for the end of December 2020.	
Estimation of financial needs for the maintenance of business activities	• For more than half of the enterprises (62.15%), the cash requirement could be close to a value of approximately CFAF 10 000 billion. • The business support measures presented in the Government's response plan have had a positive impact on turnover and costs, according to business leaders.	• 66% of the companies surveyed have made use of the support mechanism put in place by the Government and BCEAO. • 93% of the companies that responded consider that they need financing to maintain their activities. • 44% of the SMEs surveyed have a financing need between CFAF 20 and 100 million. • About a third of Large Enterprises request more than a billion CFA francs to relaunch their activities.

Source : Ministère du plan et du développement and UNDP (2020) ; CGECI 2020 than 3 months if Covid-19 continued. This seems to affect more SMEs, with 15% of them stating that the crisis has already led to the closure of their business. Following their current situation, 93% of the companies consider that they need financing to maintain their activities. Many businesses rely much more on government support for bank financing. For 44% of the SMEs surveyed, the financing need ranges from CFAF 20 and 100 million which is lag behind the need from the large enterprises. About a third of large firms request more than CFAF 1 billion to relaunch their activities.

Table 3: Evaluation results of the Covid-19 impact on Enterprises/SMEs in Senegal

	Government/ADEPME
Sample	A sample of more than 830 SMEs throughout France was surveyed.
Impact on activities	• approximately 90% of respondents say they are very negatively or negatively impacted by the crisis" • 64.05% say they have lost between 60 and 100% of their turnover, therefore very negatively affected, • 24.7% said they had experienced a loss of 30% or less of their turnover, i.e. negatively impacted." • Moderately impacted companies say they "lost about 10-20% of their turnover". • Government measures having impacted their activities. For example, the ban on interregional travel had an impact for 68.9% of SMEs, while the closure of borders had an impact for 43.8% of SMEs.
Estimation of financial needs for the maintenance of business activities	• 68% of SMEs did not approach financial institutions • One in three companies have turned to a financial institution to cope with the crisis but only about 18% of cases would have received an adequate response

Source: ADEPME (2020)

In Senegal, a similar figure come from a study conducted for the ADEPME[8] (table 3), a government agency dedicated to promoting SMEs in Senegal. It appears 90% of SMEs have been negatively affected by the crisis, directly and indirectly. Particularly 64.1% of SMEs affirm that they have lost between 60 and 100% of their turnover and 25.9% resorted to postponing investments. In term of financial resources, despite their financial needs, 68% of SMEs seems not to approach financial institutions for emergency loans. For the majority, it is probably due to the auto-selection, because among about 274 firms which have turned to a financial institution to cope with the crisis, only about 18% have received an adequate response to their request.

II.2. SMEs reactions or responses

Innovative SMEs/SMIs that have been able to integrate new technologies into their development could probably do well. Moreover, SMEs /SMIs operating in sectors heavily impacted by the pandemic would necessarily have to reinvent themselves.

In Cote d'Ivoire, the sanitary crisis has also led to a reorganisation of working methods, particularly in medium and large companies. Alongside the reduction/suspension of activities for 87%, 2/3 start working from home, and around 50% start digitalizing their activities.

[8] https://www.senegalpme.com/conf_presse/

	Cote d'Ivoire	
Impact on activities	• Nearly 16 out of 100 businesses closed their sales outlet or establishment, • 42.6% of enterprises in the formal sector reported having temporarily suspended their activity, •	• 15% of SMEs say that the crisis has already led to the closure of their businesses. • Change in the organization of working methods: - Reduction/suspension of activities: 87%. - Telework: 64%. - Digitalization of activities: 48%. - Shut down operations: 24%. - Development of new activities: 20%.
Impact on jobs		• Almost half (43%) opted for part-time work. • 35% have put their employees on paid leave. • A quarter (25%) of the companies have placed their employees on technical unemployment. • 5% have laid off their employees • 11% of companies did not take any particular measures and maintained the same work rhythm as all their employees.

Source : Ministère du plan et du développement and UNDP (2020) ; CGECI 2020

As in Cote d'Ivoire, in Senegal, the crisis has occasioned working reorganisation: 35.5% set a business continuity plan, 24.9% to online services, and 23.43% to teleworking. These results converge with those of the study carried out in partnership between OPTIC, ITC, ASEPEX and CBI (2020) on the impact of covid-19 on ICT SMEs in Senegal: 62% business managers have seen their business figures fall and one company in four faces difficulties in collecting receivables. The companies that had to stop their activity are SMEs with less than 20 employees and new under 3 years old. To cope with the situation, 70% of companies have adapted by introducing telework for all their employees, or by creating a telework centre, about 50% create new products or services.

	Senegal
Impact on activities	• almost one in two companies has decided to "cease or suspend operations". • 25.89% of companies resorted to postponing investments • Change in the organization of working methods: - 35.51% setting up a business continuity plan - 24.91% to online services, - 23.43% to teleworking
Impact on jobs	• 35.02% of companies have resorted to downsizing, short-time working or layoffs

Although they are vulnerable, the current crisis seems to show a certain adaptability and flexibility of SMEs in Cote d'Ivoire as well as in Senegal. For about 25% to 35.5% of enterprises in Senegal and 50% to 64% in Cote d'Ivoire have made change in the organization of their working methods. This could be an opportunity for a profound transformation of some SMEs to become more resilient in the face of certain external shocks. For example, in Senegal, 46% of ICT SME managers seized the opportunity to launch new products or services in response to Covid-19 and 42% see a positive impact on their customers' understanding of the benefits of digital (OPTIC, ITC, ASEPEX and CBI, 2020).

To remain competitive, SMEs/ SMIs must invest more in material and immaterial in order to strengthen their resilience capacity. Whether the economic continue to grow after 2020 following qualitative structural transformation should strengthen the resilience of SMEs/SMIs. To enable this, significant financial resources are needed in addition to non-financial measures.

III. Covid-19 policy and strategical implications

III.1. SMEs expectations

In Senegal, 74% of SMEs are not aware of the financing support measures taken by the government, BCEAO and other banks, 94% are convinced of the usefulness of support to get out of the crisis. For 48% of SME managers, to cope with the lack of funds, they request the creation of programs that will help for financial resources, as well as tax exemption. In Cote d'Ivoire, half of the business leaders expect the government to cancel the payment of taxes during the crisis period.

	Cote d'Ivoire	Senegal
Desired accompanying measures	• Half of the business leaders expect the government to cancel the payment of taxes during the crisis period.	• 74% of enterprises say they are not aware of the financing and support measures taken by the government, BCEAO and other banks. • 94% are convinced of the usefulness of support to get out of the crisis. • 48% of SME managers request the creation of programs for financial assistance, as well as tax exemption.

Source : Ministère du plan et du développement and UNDP (2020) ; CGECI 2020 and ADEPME (2020)

III.2. Covid-19 strategical responses for SMEs

In Cote d'Ivoire, following the two studies conducted to understand the potential impact of Covid-19 on enterprises, the government is reinforcing some measures taken to overcome the Covid-19 pandemic impact on enterprises especially SMEs. A special Covid-19 fund is set up to support SMEs, alongside two other funds dedicated to large companies and informal sector. The amount of the fund allocated to formally established SMEs is CFAF 150 billion (gouv.ci, April 2020). A CFAF 100 billion will be used to stream the informal sector fund. This measure is expected to be sustained after the crisis with simple taxation and innovative financing modalities. Large companies are expected to be supported with a special fund of CFAF 100 billion.

In practice, it seems difficult to activate the funds as desired due to a lack of enough financial resources to provision it. The government has therefore decided to adopt transitional provisions for each fund dedicated to the business sector, as follows in the table 7. The SME Support Fund transitional phase amount is fixed at CFAF 15 billion, i.e. 10% of the initial fund. According to a Technical Adviser at the State-Private Sector Consultation Framework (CCESP), out of an initial transitional fund of CFAF 15 billion, only 120 million have been mobilized by SMEs, i.e. 8%. But

Table 4: Transitional provisions adopted for three funds – Cote d'Ivoire

Type of supports	Terms and conditions	Nature of aid	Duration of processing
Support Fund for Large Enterprises, the amount of which for the transitional phase is fixed at 10 billion CFA francs, i.e. 10% of the initial fund	i) Be a company under Ivorian law with a turnover of more than CFAF 1 billion over three successive fiscal years (2017, 2018 and 2019), (ii) Be in business for at least two fiscal years, (iii) Be a company whose activities have been negatively impacted by Covid 19, with an actual loss of 30% of turnover, (iv) Be up to date with its tax and social security declarations as at 31 January 2020;	Direct loans of a maximum amount of 500 million FCFA at an interest rate of 3% maximum over a period of 18 to 36 months with a deferral of 8 months	Ten (10) days maximum
SME Support Fund, the amount of which for the transitional phase is fixed at CFAF 15 billion, i.e. 10% of the initial fund	(i) Be a company under Ivorian law with a maximum turnover of one billion FCFA over three successive fiscal years (2017, 2018 and 2019), (ii) Be in business for at least two fiscal years, (iii) Be a company whose activities have been negatively impacted by Covid 19 with an actual loss of 30% of turnover, (iv) Be up to date with its tax and social security declarations as at 31 January 2020, (v) Provide a business continuity plan	-for micro-enterprises: subsidy of 500,000 FCFA -for small and medium enterprises: loans at 0% interest rate and at a reduced rate of 2.5% over a period of 18 to 36 months with a grace period of 8 months	Ten (10) days maximum
Support Fund for the Informal Sector, the amount of which for the transitional phase is fixed at CFAF 10 billion, i.e. 10% of the initial fund	To be an actor of the informal sector negatively impacted by the COVID 19 pandemic, in particular restaurants, bars and other entertainment venues, hairdressing and sewing salons, transport...; (ii) To justify the payment of taxes and to prove the existence of the activity before the pandemic; (iii) To have a viable plan for maintaining or restarting the activity	Grant of up to CFAF 300,000	

Source : CCES 2020 / https://ccespblog.wordpress.com/author/cisseyacouba/

the recent data shows that a progress has been made and several SMEs started using the fund. Structural problems of SMEs make access to financing difficult. Their accounting and financial results are not updated, and they are not able to present a continuity plan. While SME funds seem to be available already and have started to be disbursed, we do not really know how many companies have benefited and how much has actually been disbursed. A first assessment was carried out by the CGECI on May 30, 2020, which noted 90 registered claims for a total amount of CFAF 99.1 billion. They were mainly from transport companies (16%), followed by industry (15%), construction and public works (14%) and trade (13%). However, only 10 files had been examined by the Executive Secretariat (management committee), including 6 validated and 4 others approved for an amount of CFAF 1,392,719,330. As of June 12, 2020, the number of application files increased by 73.3% to reach 156 files registered in the online platform.

In Senegal, in order to mitigate the effects of the Covid-19 pandemic on enterprises, the Head of State has set up the Economic and Social Resilience Programme (PRES) which is financed by the Response Fund against the Effects of Covid-19 called "Covid-19 Force" endowed with up to CFAF 1,000 billion (https://covid19.economie.gouv.sn/mesures). The PRES includes several measures aimed at helping companies affected by the crisis linked to the pandemic to develop resilience in

Table 5: Measures in favour of companies against the Covid-19 impact - Senegal

Measure	Terms and conditions	Nature of aid	Target
Establishment of a financing mechanism related to the financial sector: CFAF 200 billion	Requirements An impacted company that is a potential beneficiary will have to meet the following criteria: -be registered in the Trade and Personal Property Credit Register (RCCM) before February 29, 2020; have at least 5 employees on permanent or fixed-term contracts as of February 29, 2020; -have lost at least 33% of its turnover due to the Covid-19 pandemic (comparison between Q1 2019 and Q2 2020 and between the 12 months preceding respectively March 2019 and March 2020. -have financial statements for the last three years. For companies with less than three (03) years of existence, all available financial statements and a business plan ; -not benefit from State aid in similar funds; -not have had a downgraded credit during the last twelve (12) months prior to February 29, 2020. Terms and conditions of implementation -A counter of FCFA 100 billion dedicated to large companies (Turnover (CA) > 2 billion) guaranteed up to FCFA 20 billion by the State through a non-interest-bearing deposit with the banks to strengthen their liquidity and serve as a guarantee on first demand with a commitment by the banks to inject FCFA 100 billion. -A CFAF 100 billion counter dedicated to SMEs (turnover between 100 million and 2 billion) guaranteed up to CFAF 50 billion from the State (according to the same terms as those of the Large Enterprises counter). Deposits will be made with banks as and when credit applications are approved.	The State is setting up, in partnership with the banking sector (APBEFS and commercial banks), a financing mechanism amounting to CFAF 200 billion for companies affected by the COVID-19 crisis in order to enable them to access the necessary resources to meet urgent needs. The contribution of the State and those of the partners should reach the target amount of 70 billion FCFA allowing the injection of 200 billion FCFA. The conditions of access to this facility must be favourable and take account of the situation of the beneficiary undertakings. The following terms and conditions are provided for: Exit rate of no more than 3.5% per year, excluding VAT; Maturities of between 3 and 6 years; Deferred payment of up to 12 months to take account of the duration of the crisis followed by a recovery period.	All enterprises impacted
Accompaniment through FONGIP for Decentralized Financial Systems (SFD) for the benefit of Very Small Enterprises (VSEs)	Accompaniment through FONGIP for Decentralized Financial Systems (SFD) for the benefit of Very Small Enterprises (VSEs), i.e. with a turnover less than or equal to 100 million FCFA: Granting of refinancing loans to SFDs to finance VSEs impacted by the Covid-19 crisis. Guarantee for loans granted by FDS to very small businesses impacted by the Covid-19 crisis Maturity deferral of portfolio commitments.		
DER interventions for companies already in portfolio, for targeted new entrepreneurs and start-ups	Three-month suspension of principal and interest repayments (renewable as required) Covid-19 Loans" financing grants for an overall envelope of CFAF 1.5 billion for the working capital of companies in difficulty. These loans are payable in 12 months with a payment deferral of 3 to 6 months depending on the sector, with an interest rate of 0 to 3%. Acceleration of the process of setting up second disbursements on outstanding loans in 2019, for a total envelope of CFAF 500 million, with priority for poultry farming, agriculture, handicrafts and services for amounts ranging from CFAF 3 to 15 million per enterprise. New measures for the benefit of entrepreneurs and the empowerment of the most vulnerable targets with amounts ranging from CFAF 50,000 to CFAF 500,000.		

Source : https://covid19.economie.gouv.sn/mesures

relation to its effects. Fourteen measures have been taken, some of which relate to taxation, others to financing. In table 8 below, the flagship measures related to financing are explained. It emerges that these measures have the advantage of improving SME financing and financing conditions through FONGIP guarantees and through the resources made available to financial institutions. More specifically, the establishment of a financing mechanism related to the financial sector is based on CFAF 200 billion intended for any formal company in good standing with the regulations in force relating to registration in the trade register, production and reporting of financial statements, etc. Two types of guichets are identified: (i) a fund of CFAF 100 billion dedicated to large companies guaranteed up to FCFA 20 billion by the State through a non-interest-bearing deposit with the banks to strengthen their liquidity and serve as a guarantee on first demand with a commitment by the banks to inject FCFA 100 billion and (ii) a fund of CFAF 100 billion dedicated to SMEs (turnover between 100 million and 2 billion) guaranteed up to CFAF 50 billion from the State (according to the same terms as those of the Large Enterprises counter). This financial support starts to be used by SMEs, but today, we don't have enough information on its effectiveness.

IV. Discussion on Covid-19 responses for SMEs

Other several measures taken seem but in general they show difficulties in targeting most vulnerable SMEs. Among other, they are:

- deferring the payment of taxes and other levies (mostly formal ones), except for the 2.2 million IPUs in Côte d'Ivoire and the 1.6 million in Senegal, who benefited little from them. This limits the impact of such a system at the national level and prejudges a first non-inclusivity. Also, as Bloomfield investment stated, "he fiscal measures of suspension and deferral of certain payments instead of cancellation … can be seen as an accumulation of charges and pressure from the tax authorities in the future".
- eliminate PC or PCS taxes on imported products from the sanitary and associated field, and products...this is not new and already existed. In addition, their impact on most SMEs remains limited, especially micro-businesses and catering.
- BCEAO lower key interest rates and set up a guarantee system to encourage banks to lend to companies, especially SMEs. A convincing measure, although its impact is debatable...as the crisis is both a supply and demand shock, maintaining a flow activity in the absence of domestic or even international demand is unwise, as this loan does not help the borrower, let alone the lender. Although the short-term solution has been to increase their level of indebtedness (see Covid-19 plans with financing, guarantee and sound), the long-term survival of some SMEs must be carefully assessed in order to limit this fall. Moreover, this is perhaps one of the reasons why banks have been even more reluctant to grant credit despite the mechanism put in place by the BCEAO to deal with the liquidity crisis.
- Government covid-19 funds are mainly credit lines, even if at concessional rate, or operate as a guarantee fund. As mentioned above, this could affect and constraint the future of the beneficiary SMEs by occasioning cash flow tensions or over-indebtedness situations.

In the end, the measures for SMEs were rather badly put together for several SMEs, which tends to exclude them. However, the growth experienced in recent years in Senegal and Côte d'Ivoire also suffers from its inclusiveness. This crisis should be an opportunity to further integrate MSMEs and rely on them to create the conditions for more sustainable and inclusive growth.

- This will require an acceleration of support measures for SMEs in order to facilitate their migration to increasingly higher levels of formalization. A genuine plan for the inclusion of the informal sector with annual objectives clearly set at the same time as incentives and accompanied by the reinforcement of non-financial accompanying measures is strongly expected.
- Similarly, deciding at the national and sub-regional levels on the credit quotas granted to SMEs within the framework of a genuine support program. Financial institutions within the framework of a tripartite commitment should commit themselves to finance SMEs that would have been well accompanied and monitored by coaching structures approved and validated by banks, public authorities and BCEAO.

Conclusion

By illustrating the role of the SMEs in the economies dynamism in the two countries, the objective of this study was is triple: (i) present the economic dynamism and SMEs size in economies (ii) conduct a descriptive analysis of the perceived impact of the covid-19 by SMEs managers in both countries and (ii) identify and analyse the strategies and public policy instruments that have been instrumental in helping SMEs to cope with the Covid-19 impact in Côte d'Ivoire and in Senegal.

Figures show how the institutional environment (public policy) and the economic transformation are progressively enabling the promotion and development of SMEs in Cote d'Ivoire and in Senegal, even though lasting constraints remain. In general, both countries, Cote d'Ivoire and Senegal, have undertaken strong economic reforms based on their national development plan. This allow to observe a stable long-term macroeconomic performance ranking these countries among the Top 10 fastest growing countries in the world in 2018. This performance is accompanied not only by an improvement in the business environment but also by a growing interest on the part of financial institutions in supporting SMEs' access to financing. Governments supports through the creation of dedicated agencies or a mechanism of guarantee fund in both countries have been welcome. The dynamics of the SMEs financing in both countries follow a positive trend with government and private financial supports.

However, the COVID-19 pandemic is now a huge constraint to the observed dynamics and has drastically affected countries and SMEs in formal as well as in informal sectors. The impact is high because more than 90% of SMEs are affected by this economic shock, provoking profound change in their working organization and conducting some of them to close their firm or to supress jobs. Although they are vulnerable, the current crisis seems to show a certain adaptability and flexibility of SMEs in Cote d'Ivoire as well as in Senegal. This is an opportunity for a profound transformation of some SMEs to become more resilient in the face of certain external shocks. The government engagement with several actors must create room for the inclusive growth focused on SMEs particularly from the informal sector. They reflect the dynamics of the country's economic activity. A favourable economic situation is likely to have a positive impact on SMEs/SMIs turnover. But whether the economic continue to grow after 2020 following structural transformation, significant financial resources are needed in addition to non-financial measures to accompany this change.

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