

Global disruption can have local implications

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The global impact that the Covid-19 pandemic has had not only on public health, but on business, cannot be underestimated. It's prudent to consider the impact such a global disruption of trade has on small and medium businesses.



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Anticipating and mitigating for the impact of unforeseen global events on supply chain management is crucial if SMEs who are reliant on goods from an affected area are to survive.

Small businesses are often the most vulnerable to unanticipated events and threats due to their size and lack of resources. These SMEs also often do not have a plan in place to deal with supply chain disruptions. SMEs are important drivers of economic growth in Africa, accounting for up to 90% of businesses in sub-Saharan Africa, an SME Initiatives advisory by the International Finance Corporation reports.

“ One thing we're clearly seeing emerge from the global Covid-19 pandemic is that small and medium enterprises' (SMEs) supply chains from hub regions across the globe have been severely disrupted on an unprecedented level, and with an unpredictable time frame for resolution as the virus continues to impact industrial production. Companies that would usually import items to sell, particularly SMEs, are unable to continue with business as usual because of trade disruptions. So, the question we must ask is, how do these SMEs make their supply chain anti-fragile? ”

Digital commerce platforms and advances in fields like digital analytics and artificial intelligence can significantly help to mitigate the risks of supply chain fragility. Flexible cloud computing solutions, data collection and analysis and automation software can all contribute to the success of SMEs in the digital era.

Cloud computing also gives businesses the ability to scale, cost-effectively, to new markets. This is particularly beneficial for SMEs, who often lacked the resources or infrastructure to expand before. Partnerships with companies like Jumia in Kenya and Nigeria also make Microsoft products available to SMEs in local currency.

Discover new avenues in Africa

The challenge now is to establish new supply chain avenues within Africa. The African Continental Free Trade Agreement (AfCFTA) can play the role of unlocking innovation, growth and productivity on the continent, especially for its SME segment, by translating spending power into economic development.

To date, intra-African trade is relatively limited; UNCTAD, the main UN body dealing with trade, said it made up only 10.2% of the continent's total trade in 2010. Between 2010 and 2015, fuels represented more than half of Africa's exports to non-African countries, while manufactured goods made up only 18% of exports to the rest of the world.

By creating a single continental market for goods and services, the member states of the African Union hope to boost trade between African countries. Some studies have shown that by creating a pan-African market, intra-Africa trade could increase by about 52% by 2022, although these predictions will likely be revised downwards due to the pandemic's influence on the local and global economy. Regardless, better market access creates economies of scale. Combined with appropriate industrial policies, this contributes to a diversified industrial sector and growth in manufacturing value added.

Digital platforms and the adoption of mobile technology act as effective conduits for the exchange of value, and by aggregating demand across the continent, these platforms give small and medium businesses opportunities to access new markets, and to offer or identify goods and services previously limited by location constraints and marketing costs. These platforms create a diversification effect that boosts the robustness of supply chains.

Startups like CoinAfrique, which is based in Dakar, Senegal provide access to markets for SMEs through their free classifieds platform for new and used products, which allows users to make money selling what they do not use and find bargains. The app currently has over one million downloads – and the team are now looking to scale to 10 million active users across francophone Africa. Other platforms, including Biz4Afrika, provide entrepreneurs and SMEs alike with access to valuable business information and resources, finance and markets, providing a boost to small business growth.

Crossing borders

A powerful force expediting cross-border trade is the accelerating progress of digital technology in areas spanning from trade logistics, automated processing and e-payments to immediate access and exchange of trade information and documentation.

Cash flow is always a challenge for SMEs, no more so than when trade is constrained due to external factors. It's always tricky for SMEs to balance working capital requirements with inventory availability. The growth of the fintech sector effectively simplifies any transaction challenges by creating multiple payment channels.

Many fintech startups across Africa aim to promote access for SMEs to financing options that were previously not available to them, which also opens up opportunities for trade on a larger scale than was previously possible. Microsoft 4Afrika has partnered with African fintech startups, including Flutterwave in Nigeria and the MoVAS Group in East Africa, to open up access to financing for SMEs.

Diversifying and strengthening supply chains is crucial for SMEs to survive and flourish. When we consider that by 2035, the International Monetary Fund forecasts that Africa will have added more working age people to our workforce than the rest of the world's regions combined, it's essential that we have a thriving SME sector to absorb these workers and help grow economies across the continent.

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