

Covid-19: Consequences and Policies for the Informal Economy

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Consequences for the informal economy

- **Less paid work, lower income, less private spending and fewer jobs.**
The African Union estimates the pandemic will cause the loss of 20 million African jobs, both formal and informal. Agricultural production is down 2.6 percent, while food imports are also down.
- **The need to maintain subsistence will eliminate the capacity for many to repay business loans.**
- **People who earn their livelihoods in the informal sector:** They conduct business along the street and in outdoor markets, not in office buildings. Their exchanges are transacted in person, not over the internet. Their networks are mostly with family, friends, households and final consumers. They have little connection with formal firms and virtually none with international markets. Even with access to the internet, their business offers few options for working from home.

Economic policies proposed by international institutions: the African Union and the UNECA

- Invest in the IT infrastructure to improve access to the internet for small and informal businesses.
- Invest to improve access to smart phones for informal entrepreneurs
- Invest to improve access to physical infrastructure, including water and transport
- Expand inclusiveness by increasing access to government services
- Launch expansionary fiscal measures that directly target small and informal businesses, including:

Fiscal measures:

- Tax reductions or tax forgiveness for micro-enterprises
- Loan forgiveness, repayment moratoriums, or subsidized loans for micro-enterprises
- Forgive or subsidize payment of utility bills
- Provide cash or in-kind transfers to micro or informal entrepreneurs
- Promote start-ups for micro-enterprises in information technology
- Promote start-ups for local production of medical supplies and personal protective equipment, and focus public procurement on local suppliers

- Raise trust in Government by assigning appropriate roles and resources to different levels of Government and by demonstrating collaboration across these levels
- Define and improve the role for civil society and for public/private collaboration
- Target services to the most vulnerable, including women and children
- Monitor the quality of the overall social safety net available to small and informal entrepreneurs
- Improve the international climate by promoting the Africa continental free trade agreement
- Engage in Africa-wide collaboration on pooling medical supplies for combating the pandemic

Country Case Studies

- This research on the impact of the Covid pandemic on small businesses and vulnerable workers will be carried out through four country case studies: Morocco, Senegal, Benin and Cameroon.
- Surveys will be conducted of 2000 small informal businesses in each country using both the base of the general population census and an area-based sampling approach.
- The project will also collect qualitative information through focus groups and interviews with relevant stakeholders: government officials, donors, unions of informal firms, professional associations, labor unions, formal firms, agents of public and private services dedicated to supporting small firms, microfinance, and professional training.

Objectives of the Case Studies

- Document and assess the state of the pandemic and the anti-Covid measures adopted in the country; evaluate the aggregate economic impact of these measures and the implications for budgetary options.
- Assess economic support measures that have been adopted, their means of implementation and their effects so far.
- Study informal actors, their means for subsistence, the extent of their formal or informal social safety net and the effectiveness of formal or informal institutional support.
- Estimate the channels of impact, for the pandemic and mitigating health measures, on the most vulnerable.

...Objectives

- Build on the survey data and macroeconomic assessments to develop an investment plan for the medium-term success of informal businesses.
- Examine the issues of governance and trust in each country, to better target these agendas to the most vulnerable and to improve the governance of new public programs.
- Small and informal businesses, as well as informal workers are those most required to adapt to difficult circumstances. They are also those most affected by the economic shocks caused by the pandemic. More importantly, they are critical agents for rebuilding the economy in the wake of these shocks.
- The medium-term prosperity of these critical informal actors also requires investment in institutions that will provide education for youthful workers and confidence in the capacity of Government to maintain investments in a stable environment.

Issues for the Survey Questionnaire

Sector of activity

Size of firm; number and type of employees

Degree of informality, including relation to the tax system

Identify who are main suppliers

Identify who are main clients

Degree of access to the internet or to a smart phone_

Policy regarding employees who are sick, or if manager is sick

Access to public social protection programs

Observed impact of Covid on the number of people employed; Impact on sales; Access to inputs;

Observed impact of the pandemic on access to credit; Access to cash;

Access to infrastructure; Impact on investment;

The effect of the overall level of economic activity

Measures taken as an entrepreneur to adapt to covid-generated circumstances or policies

Observations of whether people generally cooperate with attempts to constrain public interactions (lockdowns)

Expectations from Govt in terms of managing the pandemic

Degree of trust in Govt to do what is necessary to manage the health and economic crises

Specify the most trustworthy levels of Government? (National, provincial, local?)

Impact of any schools enrolling your family members having closed

Specify if markets important to you closed down

Degree affected by any travel restrictions; Closing of worship services;

Identification of main covid-related obstacles: supply chain issues, rising cost of inputs, administrative restrictions related to the pandemic, managing sanitary concerns, lack of funds

Hypothèses ?

- Women are more likely to be affected by school closings as their home responsibilities increase.
- Marginal workers, including youth, are likely to be the first disrupted from their regular occupations.
- In Morocco, with the strongest formal sector, people who lose formal jobs will probably end up in the informal sector.
- Most of the means for adapting to changed circumstances under the pandemic will depend on the informal sector and its traditions of reliance on informal social networks.
- Informal actors will use, and perhaps exhaust personal savings in order to adjust to the crisis but will be reluctant to borrow under new programs because of uncertainty about their capacity to repay.
- The channels of pandemic impact and those most vulnerable to its effects could vary across the different levels of income in the case study countries.

