



Dear Readers,

Welcome to the latest issue of our Insider special edition series, whose focus is on Business Membership Organisations' sustainability amidst COVID-19. Many businesses that rely on "foot traffic" and in-person transactions are struggling to stay afloat due to the economic upheaval caused by the pandemic. In this issue, we'll explore the best in practice measures that BMOs can implement to mitigate the economic impact of COVID-19 whilst continuing to offer the much needed support and value added services to their membership.

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INTRODUCTION

The COVID-19 pandemic has caused social and economic upheaval across the COMESA region and beyond, with global and regional supply chains experiencing severe disruptions, that are hampering the ability of many suppliers to move materials and products to vendors, even where demand has remained strong. This disruptive business environment informs the need for Business Member Organisations (BMOs) to put in place robust Business Continuity Plans (BCPs), which anticipate a broad range of crisis situations, and take into consideration the newer models of remote operations managements and virtual office spaces for uninterrupted provision of trade facilitation and investment opportunities.

"In the past, business-continuity plans tended to focus on technology resiliency, but in our new world, plans will need to prioritize operational resiliency-such as flexible working models, geographic redundancy at the city rather than country level, and virtualization of key processes, security protocols, and policies."

-McKinsey & Company

BMOs are organizations with business members, whose main objective is to provide services to the respective businesses and/or represent their interests through lobbying and other means. BMOs can be organised geographically (chambers of commerce being the prime example) or sectorally. The business membership criteria may be satisfied both via direct membership (i.e. when the business entity is directly a member of the BMO) and indirect membership via the executive or other representative of the business entity, provided the such representative is de facto enrolled in the BMO on behalf of the business. Members are required to pay regular dues, which typically provide BMOs with the majority of their fund.

Business Membership Organizations (BMOs) play an crucial role in enhancing public-private dialogue, promoting entrepreneurs' business interests and supporting development of business environment overall. BCP's enable BMOs to promptly and efficiently respond to crisis situations, thereby mitigating their impact and ensuring seamless offering of membership support services.



RATIONALE FOR BUSINESS MEMBER ORGANISATIONS (BMOs)

The laws, policies, and regulations that shape a country's business environment can be seen as the outcome of a negotiation (or contestation) between the public and private sector. Where the private sector lacks effective voice, the prevailing laws, policies, and regulations tend to be ill-conceived and act as a brake on enterprise and wealth creation. BMOs act as key intermediaries between the public and private sector. When they work effectively, BMOs identify pressing constraints in the business environment, formulate evidence-based policy proposals, advocate for business-friendly laws and regulation, and engage government in substantive and constructive dialogue.

Effective BMOs monitor the implementation of existing policies and regulations and hold government officials to account. Because they represent the interests of numerous members, they overcome some of the collective action and coordination problems that prevent individual businesses from advocating effectively on their own. They also provide strength in numbers - BMOs can speak out against harmful government policies when individual businesses may be afraid to do so (for fear of retribution or lost government contracts).

EFFECTS OF COVID-19 ON ECONOMIES

The coronavirus (COVID-19) pandemic has created major disruptions in the global economy and the life of businesses. These disruptions are creating a wide range of impacts on companies and many of them are struggling financially. The pandemic has also exposed major vulnerabilities in company operations and supply chains linked to conditions of work and disaster preparedness.

There are several ways the coronavirus pandemic is affecting the economies, especially MSMEs, on both the supply and demand sides. On the supply side, companies experience a reduction in the supply of labour due to containment measures through lockdowns and quarantines. Furthermore, supply chains are interrupted leading to shortages of parts and intermediate goods.



On the demand side, a dramatic and sudden loss of demand and revenue for businesses severely affects their ability to function, and causes severe liquidity shortages. Furthermore, consumers experience loss of income, fear of contagion and heightened uncertainty, which in turn reduces spending and consumption. These effects are compounded because workers are laid off and firms are not able to pay salaries. Some sectors, such as tourism and transportation, are particularly affected, also contributing to reduced business and consumer confidence.

The effect on SMEs is especially severe, particularly because of higher levels of vulnerability and lower resilience related to their size.

IMPACT OF COVID-19 ON BMOs

Business Member Organisations, like businesses and governments, are experiencing new challenges and opportunities in the age of COVID-19. The following are some of the challenges emanating from the pandemic:

a) **Limited ability to deliver services to members**

BMOs are registering significantly higher interest in their work as a result of the outbreak - creating a divide where lower levels of expected revenues are being met with greater demand for existing and new services.

Existing services that are most in demand include advocating for business as new COVID-19 relief programmes are being designed. However, most national chambers of commerce used to rely on face to face and other physical channels, which is impossible during COVID-19 measures. This has affected service delivery of the chambers as they have deficiencies in the following areas:

- Limited ICT hardware, software and tools for digital service delivery;
- limited adaptation for remote/ digital deployment;
- struggling to define effective solutions to challenges experienced by members.

b) Reduced revenue

According to CIPE, prior to COVID-19 the largest revenue stream for BMOs in 2019 was membership dues by a large margin, followed by sponsorships, trade shows/expos, events, and grants. Many of the revenue sources of BMOs are largely dependent on the ability to gather in person. The inability to currently do so in many countries due to social distancing guidelines is a serious limitation that is actively affecting association revenues. More so, BMOs' member companies are facing financial challenges, and unable to pay their membership dues.

KEY STRATEGIES BMOs CAN USE TO SUPPORT BUSINESS RECOVERY

The International Trade Centre (ITC) in their presentation during the COMESA Business Council Industrial Technical Meeting held on 5th of August 2020 recommended the following for BMOs, in the mapping of their recovery strategies:

a) Being a source of trusted information and advice

One of the most effective means of addressing this crisis is through provision of timely, accurate trade and trade related information. An informed public is better positioned to make sound decisions including on questions related to trade. The trade information can take into account:

- Updates on movement of goods and services in the region and beyond, updating on major changes at border processes and procedures.
- Providing market intelligence which will highlight business opportunities and how to access them, through various platforms which can easily accessible by members.
- Continuously offering capacity building programmes online which enhance their ability.

Critical success factors for introducing a sustainable information service can be summarized as follows:

- Strong support for the service by BMO leaders and the Secretary General.
- The information service answers the needs of the target group.
- Information service is effectively promoted and published.
- Strong linkages with other information services in the country have been built up.
- Pro-active and professional staff is committed to the service.
- Strong income orientation to make the service at least self-financing.



b) Coordinating action to deliver economies of scale and scope

Businesses working together can reduce costs through shared procurement, create economies of scale, and access new opportunities by sharing knowledge and resources. This is important to ensure rapid response during the health crisis and the following economic recovery phase. Such collaboration benefits from a business support organization which can bring businesses together, match the opportunities with a shared offer or common need, and test willingness to cooperate in ways that are neutral, fair and respect commercial sensitivities.

BMOs can:

- Bring businesses together;
- match opportunities, common offers and needs;
- broker cooperation between stakeholders.

c) Bridge-building between public and private sector

Trade remains a major source of growth for developing and Least Developed Countries (LDCs). In the context of a global economic response to the pandemic, trade facilitation (i.e. expediting the clearance of goods to reduce time and cost of import, export and transit procedures) and logistics are the cornerstone of any strategy aiming at developing supply chain resilience and keeping regional value chains running.

In this context, BMOs can play a key role in the path to recovery by keeping trade facilitation stakeholders informed, undertaking swift coordination of trade facilitation reforms and supporting implementation of COVID-19 response and recovery plans. BMOs can do this by setting platforms for public-private engagements to discuss how best to address challenges in the operating environment.

BMOs are ideally suited to address these challenges due to their multi-stakeholder composition geared towards advancing trade facilitation policy reforms. BMOs can further assist their membership with their:

- Knowledge of business challenges;
- public-private dialogues convening power for advocacy purposes;
- ability to represent businesses of all sizes;
- ability to communicate government solutions;
- potential to deploy the solutions.



d) Path-finding and risk-taking for business

As value chains are disrupted, small businesses must be agile and able to diversify their markets. Because business member organizations can act on behalf of many micro, small and medium-sized enterprises, they are in a great position to shoulder some of the risks when entering new markets or international value chains. They conduct and share research, build in-market networks of partners and experts, and break down tariff and non-tariff barriers.

Chambers can:

- Reduce business risk by conducting research to support decisions;
- reduce sunk costs through coordinated action when entering new markets and value chains;

- advocate against tariff and non-tariff barriers to increase success rates.

e) Purposeful actions for a sustainability and inclusion

With a focus on rapid business recovery, this crisis could result in even greater inequality and more climate risk. Business member organizations have a crucial role in supporting business recovery, but also in connecting this to the imperative for sustainable and inclusive growth. This crisis creates an opportunity to shift some of their efforts away from existing businesses to innovative start-ups, from urban to rural areas, and from exploitative to climate-friendly and socially responsible sectors, with a view to the greater good that lasts.

Chambers can reallocate efforts to:

- Innovative start-ups
- Rural areas
- Climate-friendly and socially responsible sectors

Chambers can also design and deliver solutions for the special needs of:

- Women
- Youth
- Other vulnerable underserved groups

f) Credible intermediary and a trust-builder

Disrupted supply chains may provide unknown players a chance to gain a foothold, but they may face reluctance from buyers who prefer to establish trust first. Business members organizations can boost credibility by providing independent confirmation of a company's legal status, size and capacity to deliver. Furthermore, certain organizations leverage the authority of a government agency to access high-level influencers or to negotiate special conditions.

BMOs' support of new players and new opportunities:

- Boosts credibility and brokers trust between potential business partners;
- provides independent confirmation of a company's legal status, size and capacity to deliver;
- leverages the authority of a government agency to access high-level influencers or to negotiate special conditions.

g) Acting within an ecosystem to deploy solutions for resilience and recovery

A good ecosystem of business member organisations has shared objectives and complementary strengths and includes public and private sector organizations across various industries. At times of crisis these stakeholders can work together willingly and create shared value by combining resources for agile responses. For example, a bank and business members organization can promote an emergency bank loan with reduced collateral requirements for businesses which have a record of having engaged with a business member organization.

RECOMMENDATIONS FOR BMOs' SUSTAINABILITY

- Development of consistent platforms for public-private sector engagement and dialogue to address the ongoing challenges presented by COVID-19.
- Principles of good business regulations: regulatory impact assessment, private sector consultation and grace periods are still important and should be followed by governments even in the time of the COVID-19.
- BMOs and enterprises to develop a Phase II COVID-19 Preparedness Plan in anticipation of a second lockdown based on learnings from the first wave. This will ensure readiness and preparedness in a way that allows them to continue operations sustainably.
- Data collection to inform measures: Strengthen data collection mechanisms at national and regional levels, for example through development of common/standardized templates across countries on the same issues, would be a great value-added-service to members.
- Client management systems for BMOs: An up-to-date CRM system (quality data on members) is critical at this time (pandemic period). To incentivize the data collection process, it can help to convey to members that submission of their data would be useful in making a case for them to government on policy reform.
- Market information platforms: Need for regional and continental market information portals to provide information on markets and also provide regulatory issues and record some challenges that businesses are facing in regional trade.
- BMOs need to expand technical assistance support by establishing a centralized web-based information center to update members with relevant links, resources and templates to minimize the impact of Covid-19.

