

COVID 19, Haut les cœurs¹...

Mazars in Democratic Republic of Congo – April 2020

The constraining effects of the crisis we are experiencing are favorable to reflection, to revisiting history which tends to repeat itself in different forms and to find sources and reasons for appeasement and hope.

While the commune of GOMBE in Kinshasa, considered as the epicenter of the pandemic, began its confinement on April 6 for 14 days, revisiting the history textbooks or our own memories, we will see that with each crisis, be it health, political or economic, Men emerge whose dimension is at the height of the events and the battles to be waged, however unexpected they may be.

Would the Democratic Republic of the Congo be the same without Lumumba's speech on June 30, 1960? Who would know de Gaulle if there had not been his call to the Resistance in France? Who would remember Nelson Mandela if there had not been the politics of apartheid in South Africa? Would Gandhi have been entitled to statues around the world to salute his memory without his pacifist action against the British Empire in India?

So many dark periods, and as many human revelations and reasons for hope.

Today the question of post-confinement arises, how will companies manage to get through this unprecedented crisis?

Obviously, governments and international organizations (IMF, AfDB, AU, ECB etc.) will be on the front line of expectations to deal with the Coronavirus Covid-19 crisis through measures intended to support businesses. These exceptional measures must, in order to improve their efficiency, be part of a global cash management to overcome the short-term liquidity crisis and sustain the activity in the medium term.

But this pandemic will leave social and economic consequences. The world economy will be a big sick body not to mention our developing countries, already very affected by the waltz of commodity prices.

Many companies will not recover, disastrous consequence of a few months of paralysis.

The ones that will survive will be the ones that will have preserved, among other things, their cash flow. The ongoing events will affect the finances of most companies, already under heavy stress and weakened for other reasons. It will be essential to activate several levers, including the implementation of efficient, adapted and appropriate management tools.

We offer below some points of attention for CEO's, CFO's, and Treasury managers in times of crisis.

¹ Haut les cœurs: lift up your spirit, take heart, be brave! have courage!

SECURE THE SHORT TERM AND THE HARMONIOUS CONTINUITY OF ACTIVITIES.

The CEO and CFO must secure the availability of short-term sources of liquidity by:

- Confirming the viability of credit lines and having as precise a view as possible of their availability.
- Avoid systematically drawing on credit lines for the sole purpose of building up cash reserves as a precaution.
- Carefully analyzing the nature of receipts and disbursements so as to predict the receipt of turnover.
- Analyzing variable costs and investment plans to defer them over time and analyzing the appropriateness of each of the expenses.
- Increasing payment deadlines, in consultation with their suppliers as far as possible.
- Analyzing the potential consequences of the situation in terms of business interruption and force majeure.
- Having an overall dynamic analysis of the situation in order to adapt the structure to the context.

STRENGTHEN CASH FORECASTS.

Cash flow forecasts need to be strengthened by going beyond existing processes and tools.

It is essential to conduct an in-depth analysis of the impact of the crisis on revenues and expenditures and to anticipate delays and possible payment default.

Prioritization of expenditures will prove to be critical, between short-term so-called "incompressible" expenses such as salaries, rents or SNEL or Regideso costs, for example, and other non-operational expenses, which may be delayed.

It is important to contact its main customers and suppliers to confirm and reconfirm the impact of the crisis on their activities and anticipate the domino effects that would follow on yours.

IMPLEMENT A SUITABLE MANAGEMENT TOOL

In an uncertain environment, the variable parameters of the management of the company are increasing or multiplying: deterioration in the predictability of activity and turnover, modified behavior of customers which affects the rate of recovery, implementation of state measures, whose the translation of which into cash receipts / deferrals of disbursements may take some time to be implemented.

Managing all these data in a forward-looking manner is as complex as it is essential.

The implementation of an adapted management tool will make it possible to anticipate any possible cash flow tensions, by identifying as precisely as possible the date of occurrence, the duration and the amount of needs.

In this sense it is important to be accompanied by financial advisers, for the assessment of these impacts on short- and medium-term cash flow and to identify action plans to deal with them, in order to ensure the sustainability of your organization.

TO MANAGE IS TO ANTICIPATE, EVEN IN AN UNCERTAIN HORIZON

To anticipate operational needs, it is essential to take a dynamic and adaptive perspective in the face of a constantly changing context.

In the specific case of supply chains, the objective will be to assess the stocks at its disposal, in particular the consumables, to plan the months or the expected production period and to anticipate any potential or possible supply disruptions.

Mechanisms for rapid feedback of information and organizational modules should be put in place to facilitate decision-making and the speed of the various actions.

The situation of COVID, particularly in Katanga, is constantly evolving and those who will have been able to protect themselves from its consequences are those who will have been able to adapt and take the measure of the challenge. Anticipation, planning and adaptation must be the key words. On this will depend the resilience of our companies.

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