

# EARLY ASSESSMENT

Impact of **COVID-19** on Private Sector Agribusinesses in Uganda



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## CONTEXT

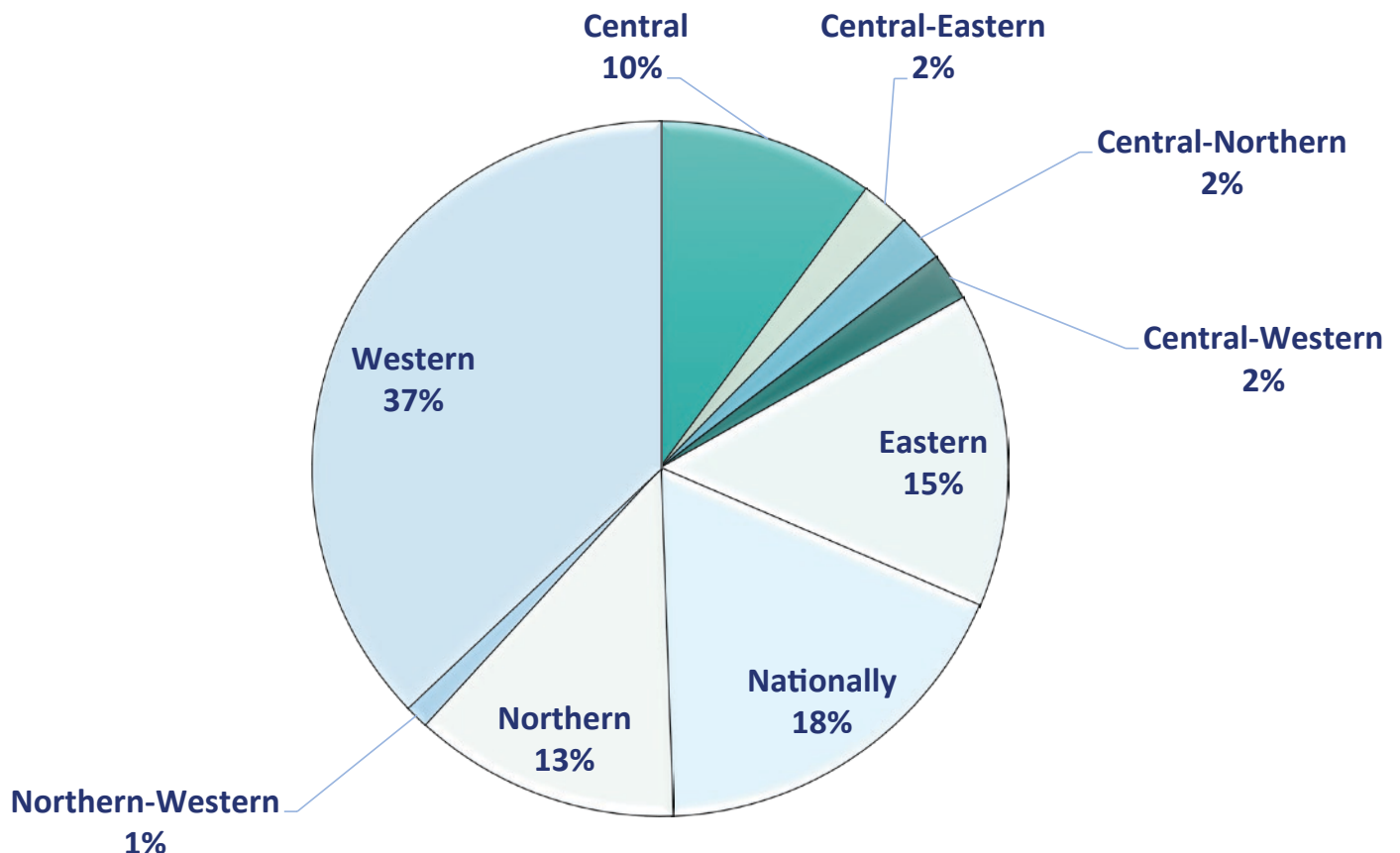
Since the pronouncement of the COVID-19 pandemic by the World Health Organization (WHO) In January 2020, the global economy has suffered, whilst small businesses are seeing a dead end. The global GDP is estimated to fall by 2% per month with continued COVID-19 pandemic which is below the global benchmark of 2.5% for developing countries and 1.8% for developed countries. Experts estimate the global exports to fall by 13% to 30% depending on the extent and intensity of the effect of the COVID-19 pandemic.

This report is a summary of responses received from private sector partners of the Royal Netherlands Government-supported projects in Uganda. The survey has been coordinated by IFDC Uganda and has been supported directly by the following projects: SNV CRAFT, and TIDE, AVSI SKY, and the Wageningen CDI ISSD Plus. The purpose of the report is to assess the early impact of the COVID19 pandemic on the private sector and identify potential mitigation actions. At the time of analysis, 89 private sector businesses had participated in the survey.

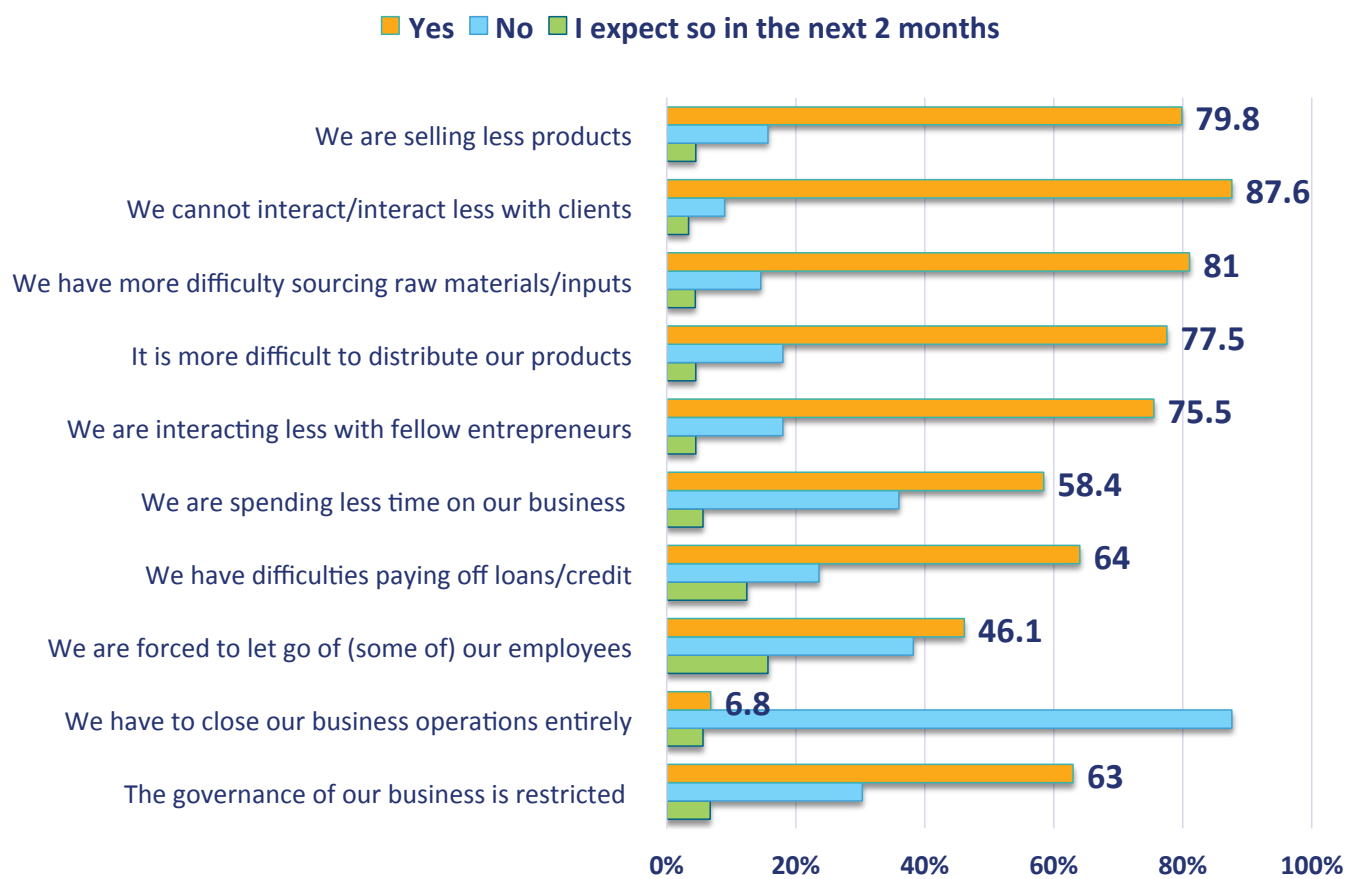
## RESPONSES

### REGION OF PARTNER OPERATION

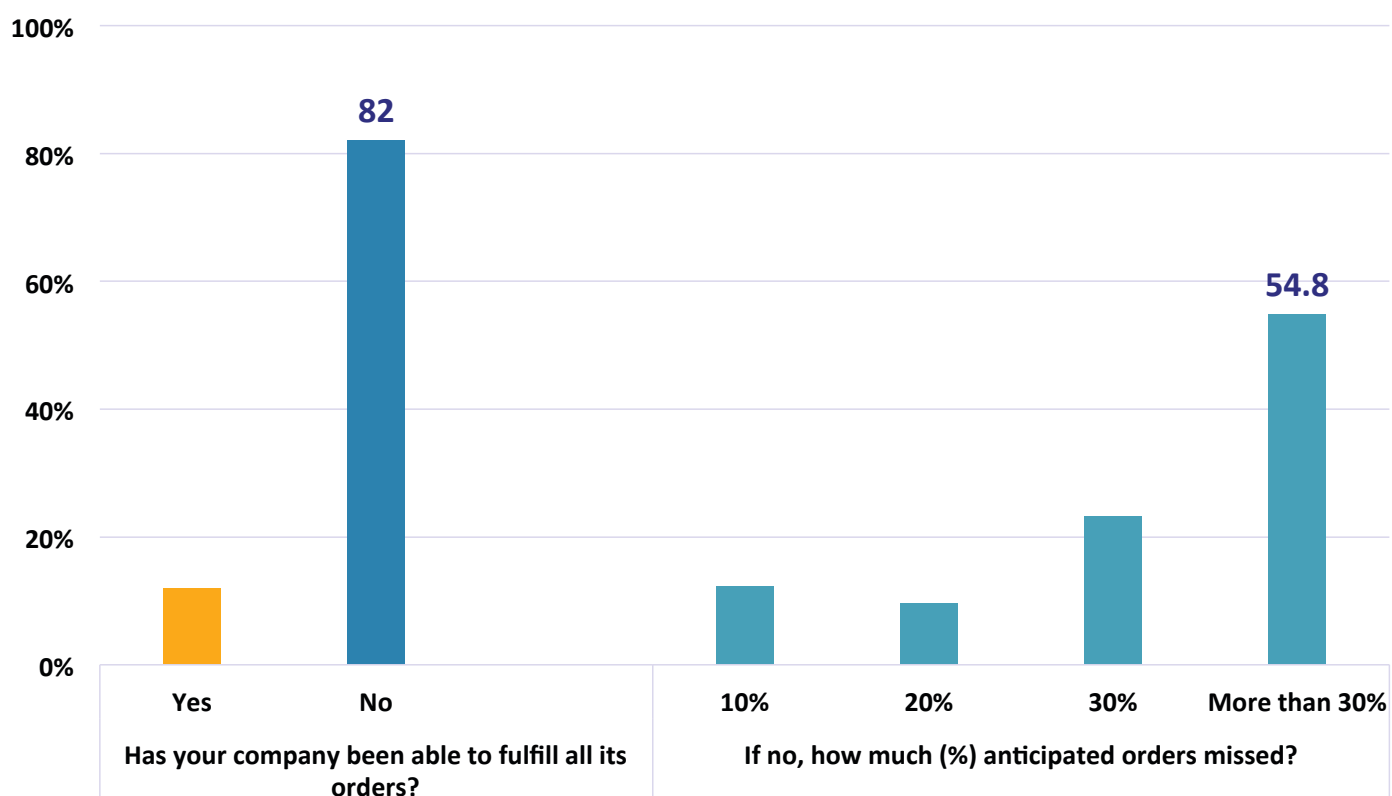
Participants were asked to indicate the country region(s) in which they operate:



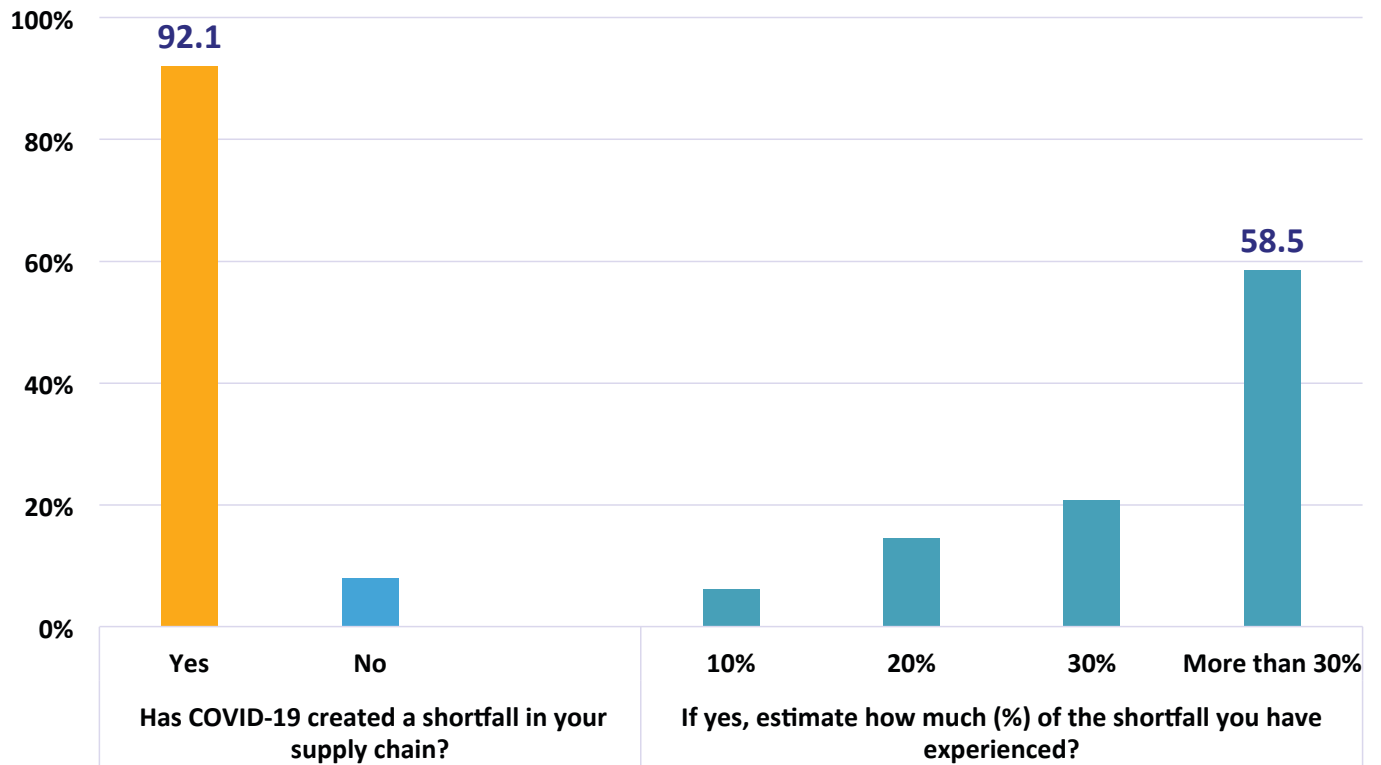
## HOW IS COVID-19 AFFECTING THE OPERATION OF YOUR BUSINESS?



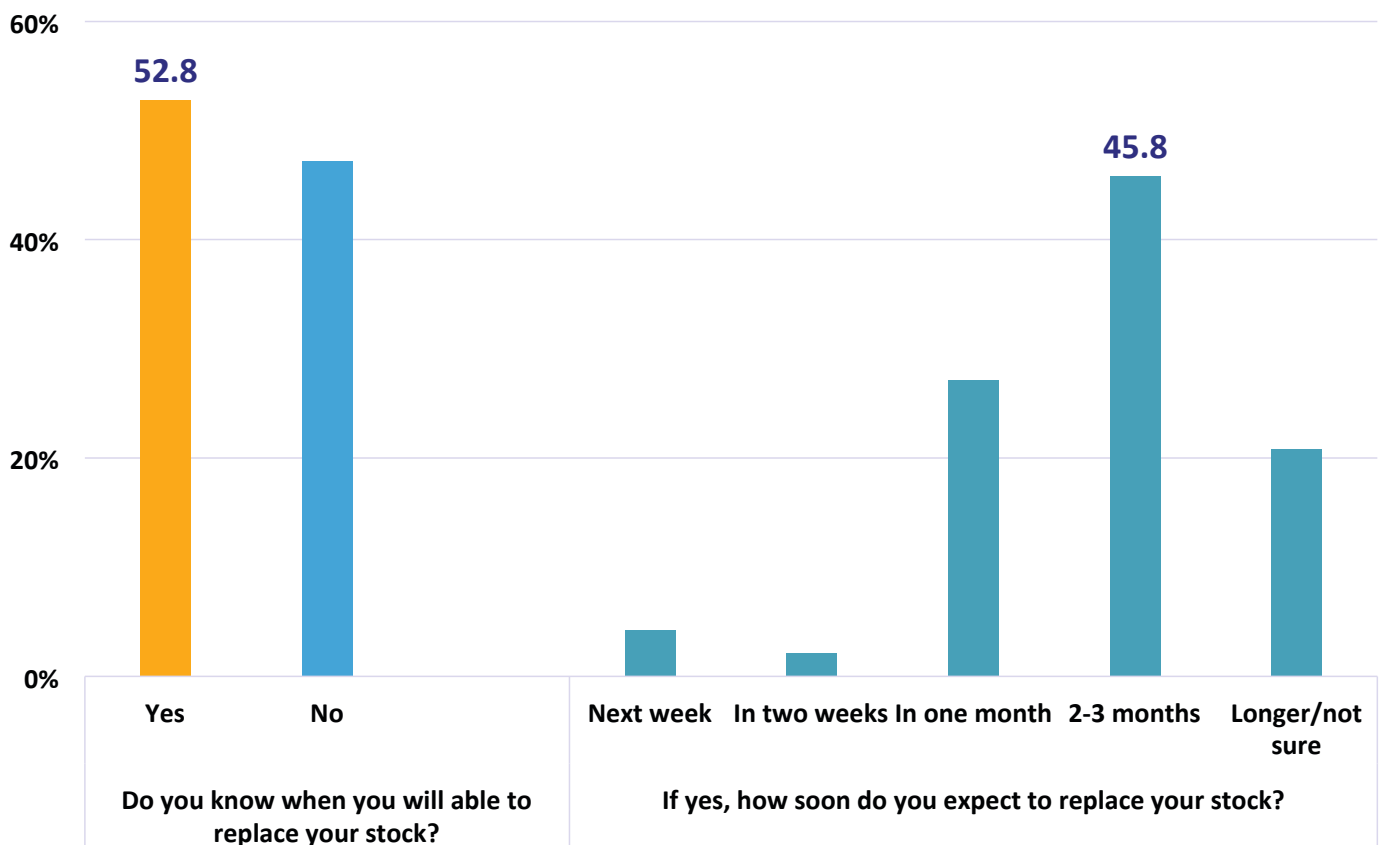
## WHETHER BUSINESSES ARE ABLE TO FULFILL THE ORDERS, IF NOT, HOW MUCH (%) OF ORDERS MISSED?



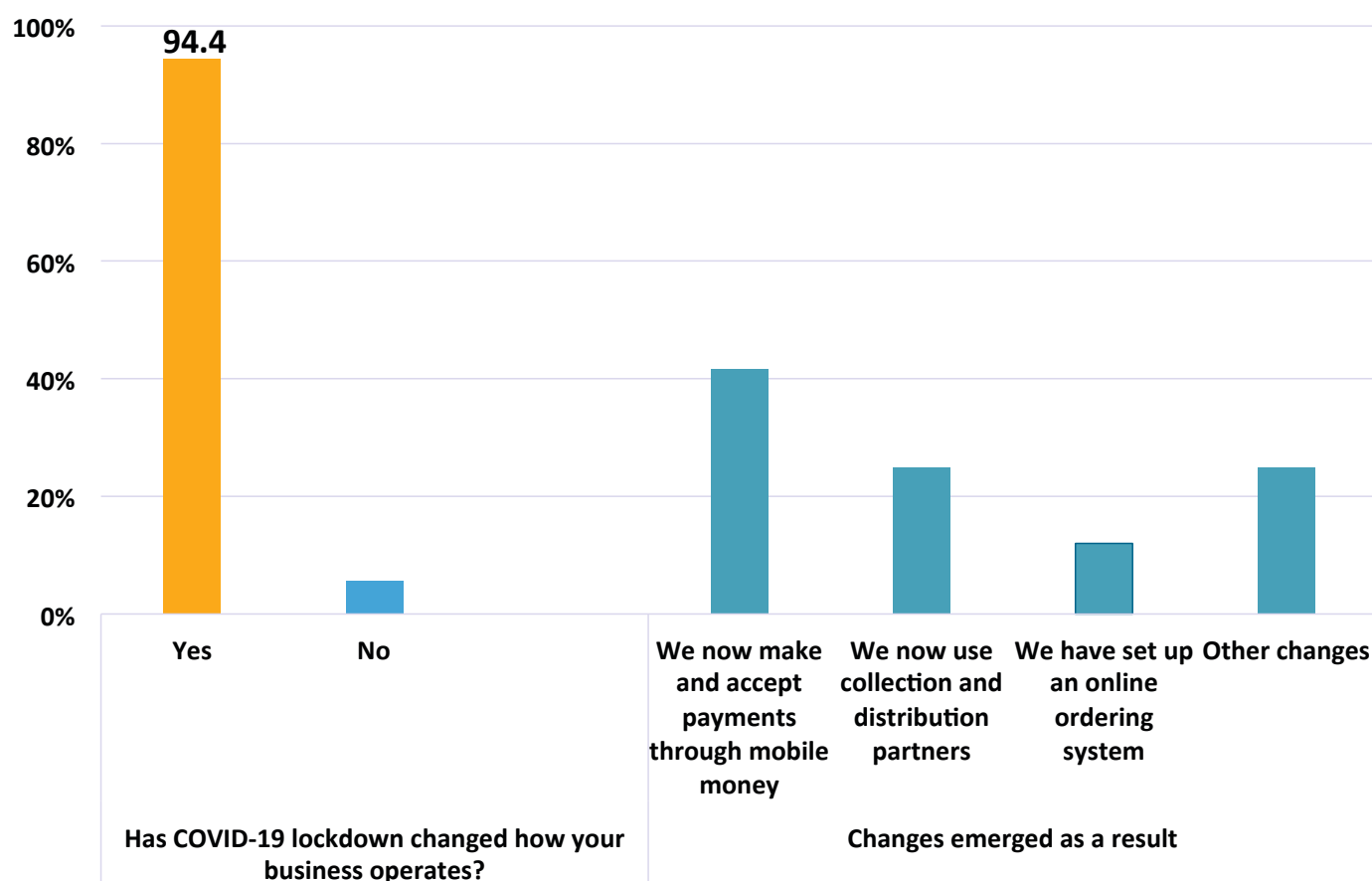
## HAS COVID-19 CREATED A SHORTFALL IN YOUR SUPPLY CHAIN? IF YES, HOW MUCH (%) OF A SHORTFALL HAVE YOU EXPERIENCED?



## DO YOU KNOW WHEN YOU WILL BE ABLE TO REPLACE YOUR STOCK?



## HAS COVID-19 LOCKDOWN CHANGED HOW YOU OPERATE YOUR BUSINESS?



### ➔ Other changes as a result of the lockdown:

- We have decided to cut off the prices of our products - more severely for perishable and poultry products.
- We have decided to hoard the products until the situation normalizes then we start marketing - e.g., fuel stoves.
- Only work on orders to curb the losses.

## WHAT WOULD AIDE YOU TO INCREASE OPERATIONAL EFFICIENCIES CURRENTLY IMPACTED BY COVID-19 IMPOSED RESTRICTIONS?

### ➔ Improving communication pathways - phone calls, texts, social media platforms, and physical contact using the permissible travel means by the government would support partners to sustain service and product deliveries to the clients.

- 🗨️ *"We deal with stockists/ agro-dealers that have our products and may not pay if not constantly contacted. Also, constant interaction with the growers so that they are able to produce the new season's crop."*
- 🗨️ *"The most critical aspect to ensure the survival of our business is the ease with which we receive orders online and make deliveries. We are acquiring a toll-free call line for our*

customers to place orders offline. We believe that if we improve our online platforms such as the company website and social media pages, we shall be in a position to market ourselves better and receive more orders."

➔ **Investing in infrastructure - storage facilities, transport equipment for staff and product deliveries, and online platforms for advertising businesses and for making orders and payments have been sought by most of the partners.**

💬 "We mainly need means of transport specifically delivery van. We only have motorcycles so we cannot load most of the products on the motorcycle. We also need to set up an online marketing platform for our products and even raw materials."

### WHERE POSSIBLE, PLEASE PROVIDE MORE DETAIL ON THE NEGATIVE AFFECTS YOU ARE FACING OR EXPECTING DUE TO COVID-19.

➔ **Incapacity of managing to pay the operational costs - sustaining salaries/wages for workers, utility bills and rent, extra costs for field operations (meeting fewer - not more five farmers at a time).**

💬 "More expenses incurred due to more days spent on training farmers due to restrictions on the size of farmers trained per session to a maximum of 5, increasing cost on transportation and field movement, unplanned costs on safety and prevention materials such as the purchase of gloves, sanitizers, hand washing containers and the rest and more costs on accommodation and meals, and delays in orders and training."



➔ **Financial services - demand is high for financial credit but recovery difficult. Escalating demand for loans (monetary and agro-inputs) and a radical reduction in savings at all levels. Those who accessed loan facilities are incapable of repaying the loans, making it extremely difficult for loan portfolio recoveries.**

💬 "About 50% of our borrowers have stopped paying their loans for now while others have difficulty paying their loans in time and thus affecting our cash flow and liquidity."

💬 "We are experiencing over 70% decline in savings collection from members further affecting our liquidity, and thus means members are not prepared for future cash demands."

💬 "We are experiencing very high demand for credit, higher than normal. Even farmers are having difficulty depositing 50% value of seed contribution so as to take sunflower seeds. So, we are giving most of them on 100% credit for seed."

➔ **Reduction in turnover due to a sharp reduction in volumes produced - heightened by low demand for the products/ less distributions due to transport difficulties, closure of some potential markets like schools, hotels, in addition to less engagement in production by the target farmers, and a sudden turndown of the orders that were already placed.**

“Our clients are not able to reach our premises to buy our products and staff can’t get to work due to the absence of public transport. Due to the hit in the clients’ cash flow, we are receiving very minimal orders and our revenue projections may not be realized. This is affecting our capacity to remain productive and profitable.”

“Reduced production and almost zero purchase from out-growers in a situation which was already seriously affected by excessive rainfall in Eastern Uganda. Fewer farmers have been contracted to produce seed this season limiting sales next season, low sales during the season since many agro-dealers/Clients cannot access the stock due to travel.”

“We have had to scale down on processing and purchase of raw material by over 50%. We could not accommodate factory workers within the factory because of a lack of accommodation facilities. We couldn’t accommodate our workers as a result, we had to reduce operations by about 50%.”

➔ **Accessing some essential services from responsible authorities for certification and clearance is problematic e.g. MAAIF and UNBS had affected some partners.**

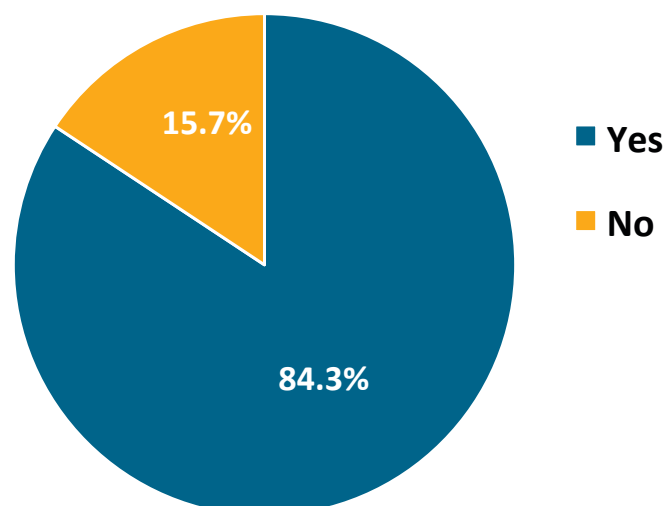
“Covid-19 has made it extremely difficult for us processors to sell any processed or value-added products not certified by the Uganda National Bureau of Standards (UNBS). The Covid-19 pandemic has instilled fear and mistrust in the public regarding uncertified processed and value-added products.”

### HAVE YOU DEVELOPED A PLAN FOR HOW TO DEAL WITH THE POTENTIAL NEGATIVE EFFECT OF COVID-19?

If yes, what are the main elements in this plan?

➔ **Businesses are contemplating to sustain their operations by reducing the operational costs - reviewing the staff salaries/wages, working from home, laying off some staff, and suspending some activities. Some have asked for permission from the district COVID-19 task force to allow them to continue operating.**

“We have cut down on unnecessary expenses, closed departments that do not make business sense, maintain a small and efficient labour force which is manageable. We are more aggressive in marketing our products in the market and improved on cordial customer relations.”





“We have reduced salaries for our staff by 40% effective May 2020 for the next 6 months. This saves us Euros 9,103 per month on staff salaries to increase our cash runway. Similarly, we are giving some staff unpaid leave of up to 30 days during the current crisis.”

➔ **Businesses have strategized the marketing of products and service delivery to the clients - door-to-door and adopting digital platforms for marketing and service delivery of products to the clients.**

“We conduct door to door delivery to customers who booked in advance and as a way of keeping the customers demand high and attract more customers. We make use of media such as radios, newspapers and even televisions to continue marketing the products to current and potential new customers.”

“I keep calling my farmers to let me know the farming challenges they are facing and as well giving them solutions to keep them around me.”



➔ **Engaging the financial institutions to restructure the loan payment plan. Holding on/seizing advancements to farmers before delivering the outputs are key immediate considerations with some of the businesses.**

“We have engaged our bankers and lenders for a relief period (restructuring/deferment) of between 3 to 6 months. This includes recapitalization of interest during the relief period. We have already achieved that from two of our financiers and others are also finalizing. Cash paid on loan repayment will reduce by about 77.72% with the debt relief agreements with financiers. This will help us improve on our liquidity to keep us operational during the pandemic and also be able to plan for refinancing for the long term because recovery is expected to take more than a year after lockdown and global recession well knowing that our business is a global value chain business.”



➔ **Digitalizing the payment system with the clients through mobile money has been targeted to enhance transactions for businesses.**

“We have embarked on a digitization drive, especially for VSLAs. This helps us to continue servicing them. We can disburse, they can repay their loans, etc. through such platforms. These efforts require funds and we are inviting partners with similar interests to support these initiatives. Currently, we are serving 725 groups with over 21,000 members across the country and this number is continuing to increase. The demand is high.”

### WHAT SUPPORT DO YOU THINK YOU NEED TO HELP YOU DEAL WITH THE EVOLVING COVID-19 CRISIS?

➔ **Requests for financial aid for partners to sustain their operations in the short run and/or post COVID-19 operations is the major exclamation for most of the businesses.**

“We need financial support in the form of subsidies to our clients or credit to our company so that we can sustain operations amidst this slump in cash flow and revenue. Our core product is clonal robusta coffee seedlings which we sell at 1,500 shillings each. Currently, we have stock worth 90 million in planting season which we had hoped to sell this planting season (March-May) but remains unsold due to this crisis. We are also supposed to be in production now but due to the hit in cash flow, we are only able to operate at 35% efficiency. The loss due to a shortage of supplies due to cash flow challenges is estimated to be between 100 to 150 million shillings.”

“We need a salary grant whereby if salaries for our staff is taken care of, it will reduce the expenditure of the SACCO since the SACCO is not making profits. This means that the SACCO will remain slowly operating until the situation normalizes.”

➔ **The need for support to invest in transport equipment to facilitate the procurement and delivery of the products is called for attention by the partners.**

“In order to facilitate the smooth delivery of our products and services, we would like to request the Embassy of the Kingdom of Netherlands to support us in acquiring 5 motorcycles or tricycles (called tuk-tuks) to enable us to make deliveries more efficiently. This will also provide a means of livelihood for our currently unemployed staff and enable us to maintain them through the crisis. Otherwise, we shall need to spend over \$4,000 in recruiting new members of staff at the end of the lockdown.”



➔ **Seeking for long term financing aid to invest in value addition and reviving the struggling businesses is wanting.**

💬 *"Having a way to preserve or process the products and sell them later when market normalizes for example eggs, tomatoes and green pepper products and milk."*

➔ **Support to digitalizing businesses - marketing, payments, services deliveries is another area of need by the partners.**

💬 *"Support to have online presence (website/order and payment system) Mercelino has lost business due to its online absence. If supported to have a website, an online order/ payment system, Mercelino would go up another notch in terms of customer reach, expansion, efficiency, and sustainability."*

💬 *"The SACCO needs to start a digital web-based application which allows farmers to buy inputs, sell produce, seek transport for their goods, save money for inputs, and make payments and transfers of cash. This will strongly help the SACCO to carry on the business by profiling and mapping out all its farmers and the volumes of inputs demanded as well as food produced and link them digitally to suppliers and off-takers, respectively. Transporters will also be integrated into the system so that movement of inputs and farm produce is done easily. It will also generate a new means for farmers to save money or request for a loan digitally into the SACCO without need to travel long distances. The agents and other local leaders could be recruited to help the less educated farmers to use the system."*



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