



Unlocking Public and Private  
Finance for the Poor

# UGANDA BUSINESS IMPACT SURVEY 2020

Impact of COVID-19 on formal sector  
small and medium enterprises

April 2020



MINISTRY OF TRADE,  
INDUSTRY AND COOPERATIVES



MAKERERE UNIVERSITY



Uganda Revenue Authority  
DEVELOPING UGANDA TOGETHER



EUROPEAN UNION

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## ABBREVIATIONS

AfCFTA	African Continental Free Trade Area
BoU	Bank of Uganda
BUBU	Buy Uganda, Build Uganda
CBR	Central Bank Rate
CoBAMS	College of Business and Management Sciences (Makerere University)
GDP	Gross Domestic Product
IT	Information technologies
MAPU	Manpower Survey Uganda 2016/17
MDAs	Ministries, Departments and Agencies
MFI	Microfinance institution
MoFPED	Ministry of Finance, Planning and Economic Development
MOH	Ministry of Health
MoLG	Ministry of Local Government
MoTIC	Ministry of Trade, Industry and Cooperatives
MSMEs	Micro, small and medium-sized enterprises
NITA-U	National Information Technology Authority of Uganda
NLFS	National Labour Force Survey 2016/17
NSSF	National Social Security Fund
NUSAF	Northern Uganda Social Action Fund
OTT	Over the Top Tax
PAYE	Pay as You Earn
PSFU	Private Sector Foundation of Uganda
PVoC	Pre-Export Verification of Conformity to Standards Program
RDC	Resident District Commissioners
SACCO	Savings and credit cooperative
SMEs	Small and medium-sized enterprises
SOP	Standard operating procedures
UIA	Uganda Investment Authority
UBoS	Uganda Bureau of Statistics
UGX	Ugandan Shillings
UNCDF	United Nations Capital Development Fund
UNHS	Uganda National Household Survey 2016/17
USSIA	Uganda Small Scale Industries Association
URA	Uganda Revenue Authority
VAT	Value Added Tax

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The report was produced by Dr. Dmitry Pozhidaev with contributions from the research team.

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## EXECUTIVE SUMMARY

The measures introduced by the Government of Uganda to contain the COVID-19 pandemic have affected the continued functioning of many companies. As part of a broader socio-economic assessment of COVID-19 undertaken by the United Nations in Uganda, UNCDF in cooperation with Makerere University (the College of Business and Management Sciences) and with the support of the Uganda Revenue Authority (URA) conducted in April 2020 a business survey of Ugandan enterprises. The survey had two primary objectives: (1) to establish the actual and expected impact of COVID-19 on their operations and (2) to provide feedback for development of policy recommendations and a business relief and recovery package to alleviate the negative impact of COVID-19 on the private sector and to accelerate economic recovery. A total of 1012 firms registered in the URA database, almost all of them small and medium enterprises, provided responses. This survey was complemented with a much smaller survey of 16 off-grid clean energy partners (small and medium companies) of UNCDF's CleanStart programme to better understand the challenges faced by the industry. Where appropriate, findings of this survey are included in this report.

The results of these two surveys are complementary to the analysis of the informal sector micro and small enterprises performed by UNCDF and CoBAMS in the framework of the UN socio-economic assessment. The analysis is based on econometric modelling and provides estimates of the economic impact of COVID-19 on the informal sector of economy in terms of revenues and employment.

The key findings of the Business Impact Survey are as follows.



### Financial Stress

- **Ugandan companies are fragile and have a relatively low cash flow coverage.** Only about 15 percent of surveyed companies can sustain more than three months of operation on their current cash flow. Others must take adjustment measures to keep their profitability at a level that would allow their continued operation. 85 percent of all businesses are going to be in financial distress after three months of lockdown measures. It means that many companies may not be able to resume their business without access to liquidity.
- **Corporate revenues are expected to decrease in comparison with 2019.** 91 percent of the responding companies expect their 2020 revenues to be less than the previous year, 80 percent expecting the drop to be more than 10 percent of last year's revenues. Only 6.2 percent of firms anticipate an increase in their revenues. The expectation of loss is at least 90 percent and uniform across companies of all sizes, with a somewhat higher loss expectation among the companies employing 51-100 employees. The companies that expect a drop in their revenues of above 10 percent this year belong to the following sectors (about 90 percent of respondents): culture, sports and entertainment; accommodation and catering; transport, storage and postal industry; wholesale and retail trade; manufacturing.



## Impact on the Workforce

- **Work attendance has dropped significantly.** 73.5 percent of the responding companies miss over 30 percent of their employees who are unable to come to work due to the lockdown and another 8.5 percent miss at least 10 percent of their workers. The sectors with more than 75 percent of enterprises reporting the absence of above 30 percent of the total workforce include accommodation and catering; construction; social and business services.
- **Layoffs have started and are likely to continue.** The downward pressure of declining production due to a combined effect of a reduced workforce and slowing demand forces companies to look for ways to reduce their operating expenses including labour. 62.3 percent of the respondent companies are considering or have already started cutting jobs. The biggest layoffs are implemented or planned by companies with 11-50 employees (72.5 percent) followed by companies with 51-100 employees, 65 percent of which are implementing or planning staff downsizing. The industries that are bracing for the biggest layoffs include accommodation and catering, mining and quarrying, manufacturing, culture, sport and entertainment, and wholesale and retail trade. This trend would mean a loss of job for over 100,000 employees in the formal sector who are as a rule very qualified and experienced.
- **The loss of jobs will be particularly felt in the North and Southwest of the country.** Regions least affected by job cuts include Kampala, Eastern and Central regions. Conversely, Karamoja, West Nile, Northern Region (without Karamoja and West Nile) and the South Western Region are the ones where the largest layoffs are likely to take place (above 20 percent of the total workforce), with 70 percent of Karamoja businesses implementing or planning layoffs of more than 20 percent of their employees.



## Impact on Supplies and Operating Costs

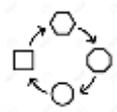
- **Some industries expect an increase of over 30 percent in the cost of inputs and operating costs.** These include manufacturing and production and supply of utilities (electricity, heat, gas and water), where 45 percent of companies expect an increase of more than 10 percent. The other industries where a large number of respondents expect the cost of doing business to increase above 10 percent include the real estate industry and culture, sports and entertainment (37.5 percent each) as well as agriculture (28.6 percent) and wholesale and retail trade (26.8 percent). Businesses are unlikely to absorb these costs in the aftermath of COVID-19, reflecting in higher prices for the consumers on these essential goods and services.



## Impact on Export-Oriented Companies

- **Export-oriented industries are vulnerable and prepare for a large decline in export volumes.** The prevailing expectation among the export-oriented companies is that their export volumes will go down (62.8 percent of the responding companies) while 49.2 percent believe that their exports will decline by more than 20 percent. Only 6 percent

expect their exports to increase. By sector, the hardest hit are private educational institutions which cater for foreign students (91 percent). Almost 70 percent of companies in information transmission, software, and information technology services also expect a drop in their export volumes. The other affected sectors include agriculture, forestry, animal husbandry, fisheries (64.5 percent), health and social work (65.2 percent), construction (65.0 percent), wholesale and retail trade (64.3 percent), and transport, storage, and postal industry (63.6 percent).



## Business Innovation and Adaptation

- **Companies adapt and innovate, adjusting their business models and using technology innovations.** The challenge is to comply with the COVID-19 restriction measures, in particular limited access to the customers. The most popular adaptation measures include the use of digital and communication technologies as well as new procurement/supply delivery channels. Online channels are used by approximately 40 percent of all companies, and almost as many use telephone communication to reach out to customers, receive orders and payments. 30 percent of companies innovate with procurement and supply delivery channels, switching in particular on local materials where possible. Mobile door-to-door delivery is also widespread, with 27% of all companies relying on this method.
- **Yet, neither the rate nor the scope of innovation is adequate for the challenge.** The uptake of digital solutions varies significantly for different sectors. Only about 35% of all companies in accommodation and catering and trade use digital and online solutions. The two sectors with a huge digital potential, education and health and social work, also report low uptake of digital solutions (23.0 and 30.6 percent, respectively). The challenge of creating adequate online content in a short period of time and the “digital divide” (i.e. availability of digital devices and Internet penetration as well as digital skills) hamper wider application of digital solutions across all industries.



## Recovery Expectations

- **Recovery for most businesses is expected to take more than three months and possibly until the end of the year.** 70 percent of the respondent businesses estimate their recovery time of more than three months. Only 4.1 percent believe that it will take one month or less whereas the remaining 25.6 percent envisage a recovery period of one to three months. Industries with the longest period of recovery of more than three months include accommodation and catering (57.6 percent of respondents); production and supply of electricity, heat, gas, and water (54.2 percent); real estate industry (54.2 percent); financial industry (44.2 percent); and manufacturing (41.2 percent). The tourism industry, which started slowing down in January and all but stopped in early February, does not expect to recover until over a year from now, bringing the full recovery to the second quarter of 2021. The slowest recovery is expected in the Western and Eastern regions.



## Effectiveness of Government Relief Measures

- Relief measures introduced by the government and financial institutions are effective. The two most appreciated business relief measures are an extension of loans terms and reduction of financing costs for SMEs (66.8 percent of all responding companies) as well as an extension of tax payment deadlines to the Uganda Revenue Authority (URA) (also 66.8 percent). Suspending payments for the utilities and loan interests is also viewed as an effective relief measure by 44.3 percent of the respondents.



## Business suggestions

- Businesses should be put back into operation as soon as possible subject to their compliance with health norms and regulations including disinfection arrangements and social distancing. The longer businesses stay inoperative, the greater the economic impact and the more difficult it becomes for them to resume their operations. The smaller companies which are the backbone of any economy are particularly concerned. Bigger companies are easy to refinance to start operation, but once small companies are out of business, they may never recover for various reasons.
- Uganda needs a proper relief and economic stimulus package that would define all government measures in support of businesses through an act of parliament. The relief package would set any reduction in utility fees and rental costs, extension of taxation datelines or duration of tax holidays, wage entitlements of the staff (full pay or reduced) as well as any possible government support in this respect, access to affordable capital, etc. Businesses are convinced that without such a package to kickstart the economy, many businesses may not be able to recover.
- Businesses need to be part of the discussions around such a relief and economic stimulus package. They propose a National Dialogue or Consultations bringing together the business community from different types of businesses and different sectors to forge the way forward in a collaborative, participatory and transparent manner. The National Dialogue should involve relevant Ministries, Departments and Agencies (MDAs) taxation institutions, financial institutions, and should identify mutually acceptable solutions to the problems of Ugandan businesses.
- Solutions should not be about short-term fixes but should look towards business sustainability beyond the pandemic. The government should look at this as an opportunity to prepare, for example, for the African Continental Free Trade Area (AfCFTA). Rescue packages should be linked to upgrading businesses, e.g. to add local value, to decrease reliance on imported inputs, to get standards certification so that the next time a shock hits, the businesses can ride the wave. Finally, this should be an opportunity for the government to negotiate for loans/programmes that will keep trade flowing through transport corridors even when pandemics or other shocks hit.

# Uganda Business Impact Survey

## Key Findings

### BACKGROUND

#### Business in the time of COVID-19

The future of the private sector and its contribution to economic growth has become uncertain. In response to the COVID-19 pandemic, many countries have introduced partial and complete lockdowns limiting movement across borders and within countries. Uganda started feeling the impact of the pandemic even before the first COVID-19 case was reported in the country. Industries like tourism and trading were among the first to suffer as a result of the dwindling international circulation of passengers and goods. In its response to the crisis, the Ugandan government has (from 30 March 2020) placed the country under a national lockdown to reduce the spread of the virus, resulting in the closure of many businesses. The businesses affected by the national lockdown are those that are not regarded as providing essential services.

As workers and consumers stay home and the usual supply chains are disrupted and aggregate demand suppressed, businesses are losing revenue, unemployment levels and loan defaults are rising, putting significant pressure on the banking and financial system. Worldwide, the debate on the impact of COVID-19 on businesses has shifted from the primary focus of growth to one of business continuity, and optimization of working capital to save resources<sup>1</sup>.

As a result, some countries and territories have introduced new tax incentive and other economic relief measures. The Bank of Uganda promised some measures to minimize the effects of COVID-19 on trade sector, including: i) providing exceptional liquidity assistance to financial institutions that might need it, to guarantee the safety of customers. ii) waiving limitations on restructuring of credit facilities at financial institutions that may be at risk of going into distress, ii) putting in place mechanism that will minimize the likelihood of sound business going into insolvency due to lack of credit.

In support of the Government of Uganda's interventions to combat the effect of COVID-19, the National Social Security Fund (NSSF) has put in place measures to ease the cash flow burden of affected employers/ businesses in the private sector. In particular, NSSF has allowed Ugandan businesses facing economic distress to reschedule their NSSF contributions for three months without accumulating penalty. Other measures include deferment of taxes payable to the Uganda Revenue Authority (URA) and a ban on eviction from rented premises. Many local governments introduce their own relief measures to support small businesses, deferring or waving various local taxes and charges, such as market fees. However, navigating the opportunities to access these support mechanisms is a complex task in its own right during the lockdown.

COVID-19 is taking its toll on Ugandan businesses. According to the Ministry of Trade and Cooperatives (MoTIC), 4,200 companies across the country have shut down as a result of the ongoing COVID-19 lockdown, and only 215 industries/factories, especially those producing

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<sup>1</sup> KPMG (2020). Economic implications of COVID-19 on firms.  
<https://home.kpmg/xx/en/home/insights/2020/03/the-business-implications-of-coronavirus.html>.

essential commodities, are still operating.<sup>2</sup> The 4,200 companies that have since shut down could not maintain the workers and other Standard Operating Procedures (SOP) that were issued by President Museveni and the Ministry of Health requiring the factories to keep staff on site if they were to continue operating during the lockdown. The country's imports and exports have drastically reduced as a result of the pandemic and lockdown in various countries across the world. Uganda's imports fell from \$711.9m (about UGX 2.7 trillion) in January to \$593.7m (about UGX 2.2 trillion) in March, while exports reduced from \$383.6m (UGX 1.4 trillion) in January to \$352.9m (UGX 1.3 trillion) in February.

At the same time, Uganda's balance of trade and its current account are benefitting from the unprecedentedly low oil prices as an importer of petroleum products (the import of refined petroleum represents 16 percent of the total imports of Uganda and amounted to \$934m in 2017).<sup>3</sup> The decline in the world oil price does not immediately translates into lower sale costs for businesses and therefore they cannot use it to minimize their operating costs to improve their decreasing bottom line. However, this development creates additional fiscal space in the national budget that may be used to expand the relief package to businesses both during and after COVID-19.

As part of a broader socio-economic assessment of COVID-19 undertaken by the United Nations in Uganda, UNCDF in cooperation with Makerere University (the College of Business and Management Science) and with the support of the URA conducted in April 2020 a nationally representative business impact survey of Ugandan enterprises. The survey had two primary objectives: (1) to establish the actual and expected impact of COVID-19 on their operations and (2) to provide feedback for development of policy recommendations and a business relief package to alleviate the negative impact of COVID-19 on the private sector and to accelerate economic recovery. A total of 1,012 firms registered in the URA database, almost all of them small and medium enterprises, provided responses. Hence, this survey is indicative of the COVID-19 impact on Ugandan SMEs.

The survey was based on a supply and demand model and systematically explored COVID-19 impact and firm response in the following areas:

- Financial impact (current cash flow, indebtedness, projected revenues)
- Impact on the enterprise employment
- Impact on supplies (availability and costs)
- Impact on product/service delivery
- Impact on existing contracts and contract management
- Impact on exports
- Business sentiments and future expectations
- Effectiveness of government relief measures
- Recovery estimates and requirements
- Business suggestions for COVID-19 relief measures, recovery, economic stimulus and longer-term sustainable economic development and business resilience

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<sup>2</sup> Mukhaye. D. (2020). "4,200 companies close over Covid-19 lockdown". Daily Monitor, 22 April 2020.

<sup>3</sup> The Observatory of Economic Complexity (2020). <https://oec.world/en/profile/country/uga/#Imports>.

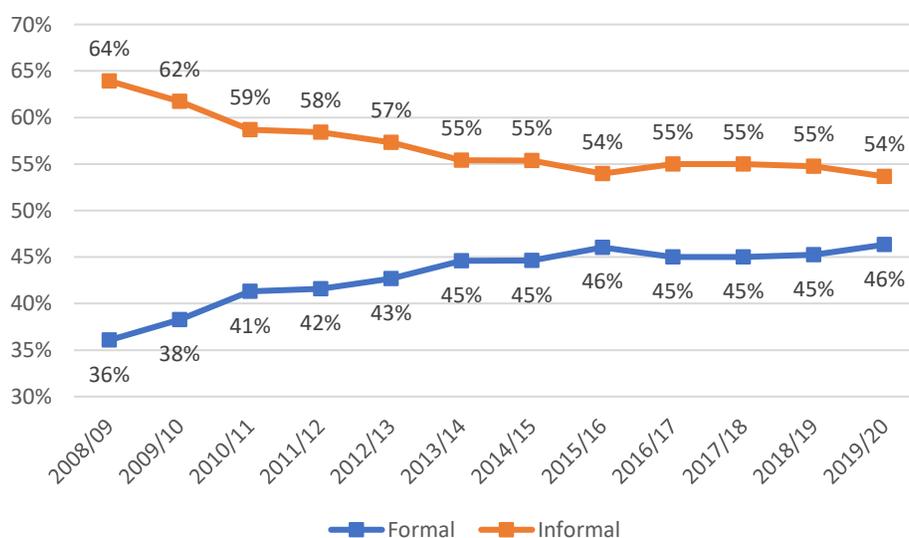
### Uganda formal SME sector

Similarly to any other economy in the world, most Ugandan enterprises belong to the MSME category. These companies are spread across all sectors with 49 percent in the service sector, 33 percent in the commerce and trade, 10 percent in manufacturing and 8 percent in other fields.<sup>4</sup> They account for approximately 90 percent of the entire private sector, over 80 percent of manufactured output and contribute about 75 percent to the gross domestic product (GDP). The sector employs more than 2.5 million people equivalent to 90 percent of total non-farm sector workers and comprises about 1,100,000 enterprises which makes the sector one of the largest employers in the country.<sup>5</sup>

The sector as a whole is dominated by micro enterprises (93.5 percent), the rest being small (4.1 percent) and medium (2.4 percent). The informal sector is dominated by micro and small enterprises whereas the formal sector has more small and medium enterprises. But as will be discussed further, there is no clear-cut dividing line between the two. Informal companies often provide raw materials and inputs to formal enterprises whereas form companies often rely on informal distribution networks for their products.

The impact of COVID-19 on informal MSEs (micro and small enterprises) is investigated in another research jointly produced by UNCDF and Makerere University (CoBAMS), which also forms part of the UN socio-economic impact assessment of COVID-19.<sup>6</sup> The focus on formal SMEs in this survey is explained by the growing importance of this sector and its contribution to the GDP (Figure 1).

Figure 1. Formal and informal sector contributions to GDP



Source: UBoS National Accounts Database and author's estimates for 2019/20.

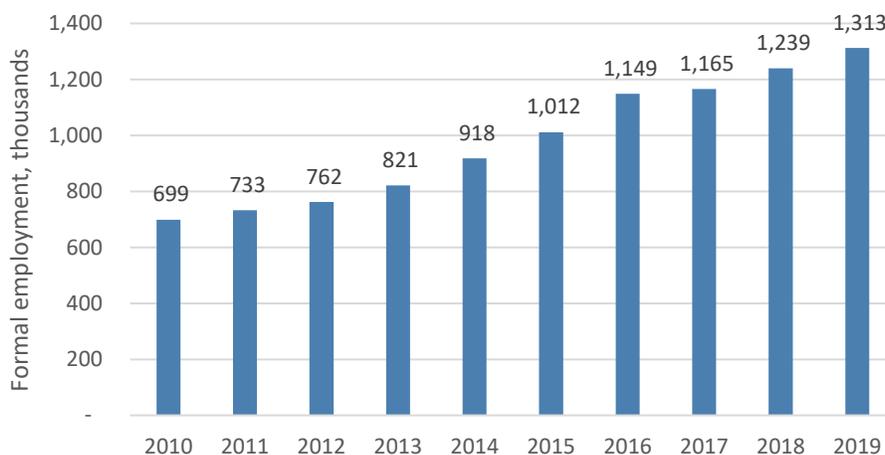
<sup>4</sup> Uganda Investment Authority (2016). SMEs Driving the Economy.

<sup>5</sup> Ministry of Trade, Industry and Cooperatives (2015). Uganda Micro, Small and Medium Enterprise (MSME) Policy.

<sup>6</sup> UNCDF and Makerere University (CoBAMS). Impact of COVID-19 on Ugandan MSMEs: Informal sector.

The formal sector has increased its GDP contribution in 10 years from 36 percent in 2008/09 to estimated 46 percent in 2019/20. This is a relatively slow progress as Uganda's population continues to grow and requires more jobs for over 300,000 new entrants to the labour market annually. The number of entrants per year is expected to double between 2014 and 2030.<sup>7</sup> But however slow, it is some progress, particularly when viewed together with the increasing number of formal jobs (Figure 2).

Figure 2. Formal employment, 2010- 2019



Source: UBoS Labour Market and Earnings Database and author's estimates for 2017-2019.

The relative share of the formal sector in total employment also increased, although not as much as the economy needs. NLFS 2016/17 demonstrated some slight structural changes in the status of employment. The share of formal employment in total employment increased from 10.4 percent in 2011/12 to 12.8 percent in 2016/17, paid employment grew from 17 percent to 20 percent, and self-employment also increased from 62 percent to 75 percent. In contrast, contributing family workers fell from 21 percent to 5.4 percent in the same period.

Development of the formal sector is not an objective in itself. The formal sector offers more secure and higher paid jobs, which the economy desperately needs. The formal sector also concentrates in higher productivity sectors, which serve as an engine for the entire economy and spur innovations across different areas. Transition to the formal sector improves access of SMEs to technical expertise, new sources of finance and other facilities which are not available to informal businesses.

<sup>7</sup> World Bank (2019). Uganda: Jobs Strategy for Inclusive Growth.



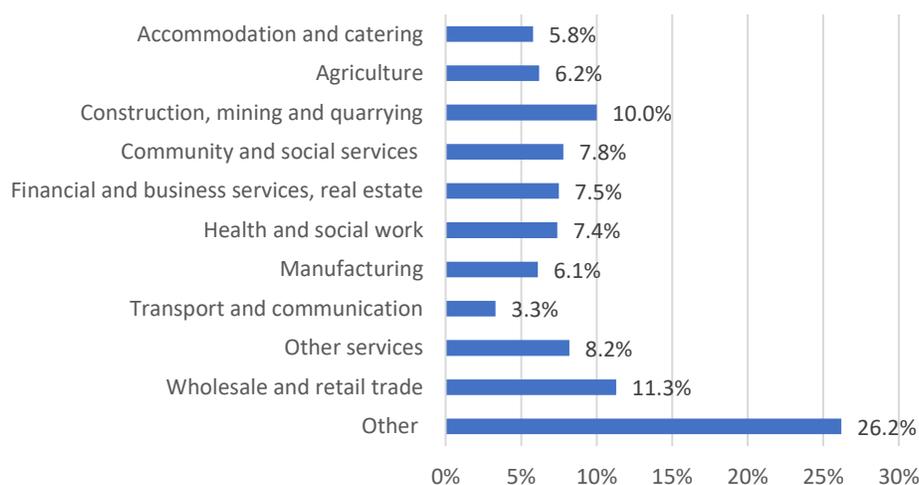
## SURVEY INFORMATION

The survey was based on a nationally representative random sample of 1,140 registered companies drawn from the URA business registry. The survey was administered electronically using the URA e-platform for a period of two weeks from 12 to 26 April 2020. The questions were addressed to the registered contact person for the company (Director or General Manager or another authorised person). A total of 1,012 firms registered in the URA database participated in the survey. The findings of this survey are complemented with the results of a survey of 16 off-grid clean energy partners of UNCDF’s CleanStart programme.<sup>8</sup> Where appropriate, findings of this survey are included in this report.

### Companies by sector of economic activity

The survey covered businesses in all key economic sectors. The largest numbers of respondent belong to wholesale and retail trade (11.3 per cent), construction, mining and quarrying (10.0 percent) and other non-categorised sectors (26.2 percent).

Figure 3. Responding businesses by sector



The distribution of the responding enterprises is broadly in line with their sectoral distribution in the economy as reported for small, medium and large enterprises by the Uganda Investment Authority (UIA)<sup>9</sup> although the sectors of commerce and trade and of manufacturing are underrepresented. The survey had 40 percent of enterprises in the service sector (against 49

<sup>8</sup> UNCDF (2020). 3 challenges clean energy companies in Uganda are facing during COVID-19. <https://www.uncdf.org/article/5603/3-challenges-clean-energy-companies-in-uganda-are-facing-during-covid-19>.

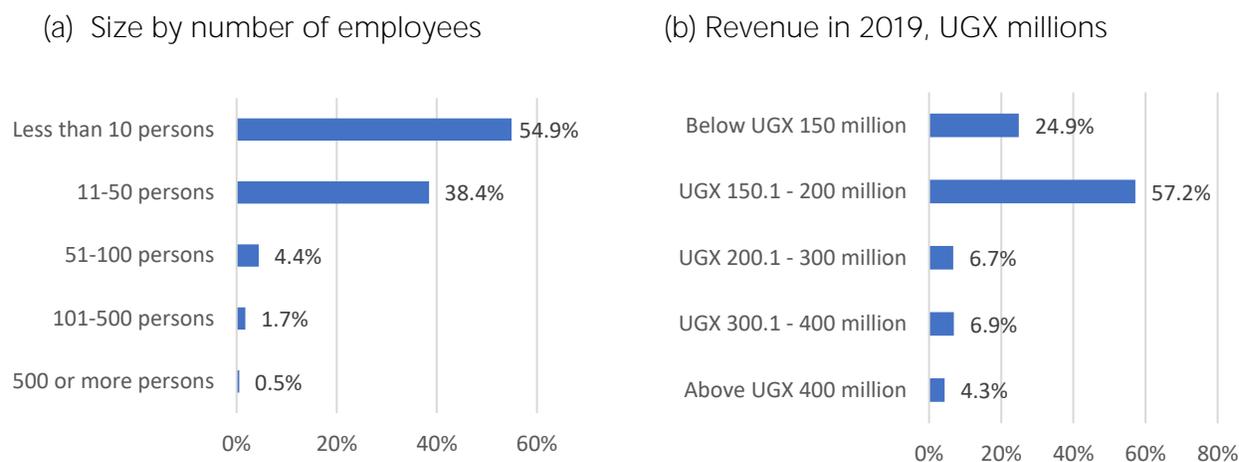
<sup>9</sup> Uganda Investment Authority (2016). SMEs Driving the Economy. <https://www.ugandainvest.go.ug/smes-driving-economy/>

percent nationally), 11 percent in commerce and trade (against 33 percent nationally), and 6 percent in manufacturing (against 10 percent nationally).

### Companies by size

The survey covered small, medium and large enterprises. According to the UIA, micro enterprises are firms that employ at most four people, with an annual sales/revenue turnover or total assets not exceeding Uganda shillings 10 million while small enterprises employ between 5 and 49 persons and have total assets between UGX 10 million and 100 million. Enterprises that employ between 50 and 100 persons and with total assets that lie between UGX 100 million and 360 million are classified as medium enterprises.

Figure 4. Responding businesses by size and revenue



There were no micro enterprises among the responding businesses. By the number of employees 93% of the responding enterprises had less than 50 employees and can be categorised as small although only 0.1 percent of them reported annual revenues in 2019 below UGX 100 million. At the same time, 98 percent of the enterprises with less than 50 employees had their annual revenue in 2019 less than UGX 150 million. Medium enterprises of up to 100 employees accounted for 4.4 percent of the total responding businesses. 44 percent of these businesses earned from UGX 150 million to UGX 200 million in 2019 and another 18.6 percent in the same category, from UGX 200 million to UGX 300 million. The remaining 2.2 percent of the responding businesses were in the category of large enterprises.

Table 1. Modal value of revenue by size of enterprise

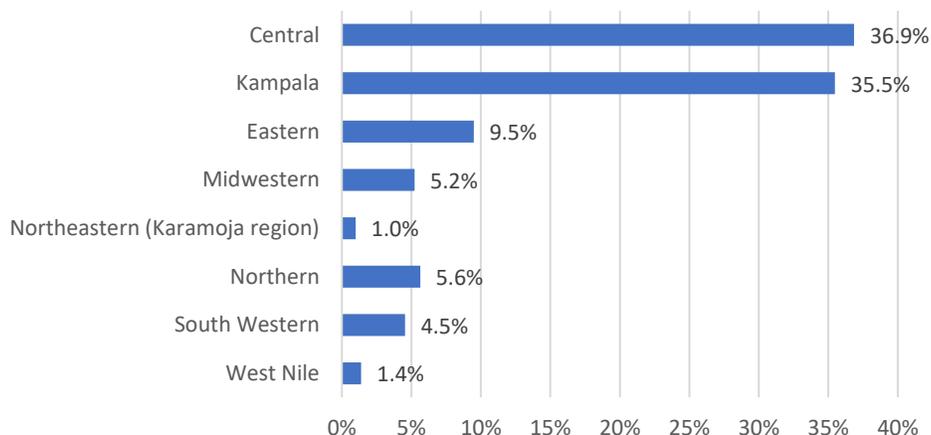
	Modal revenue	Percentage in the category
11-50 persons	UGX 150.1 - 200 million	61.3%
51-100 persons	UGX 150.1 - 200 million	44.2%
101-500 persons	UGX 150.1 - 200 million	47.1%
500 or more persons	UGX 200.1 - 300 million	40.0%

In general, most Ugandan businesses in the sample earn between UGX 150 and 200 million across all size categories with the exception of large enterprises whose modal annual revenues were in the range of UGX 200-300 million.

### Companies by geographic distribution

Geographically, most of the responding companies came from the Central Region and Kampala (72.4 percent), the Eastern Region accounts for 9.5 percent, the Western Region for 9.7 percent and the Northern Region (including Karamoja) 6.6 percent of the total responding companies (Figure 5).

Figure 5. Geographic distribution of responding companies



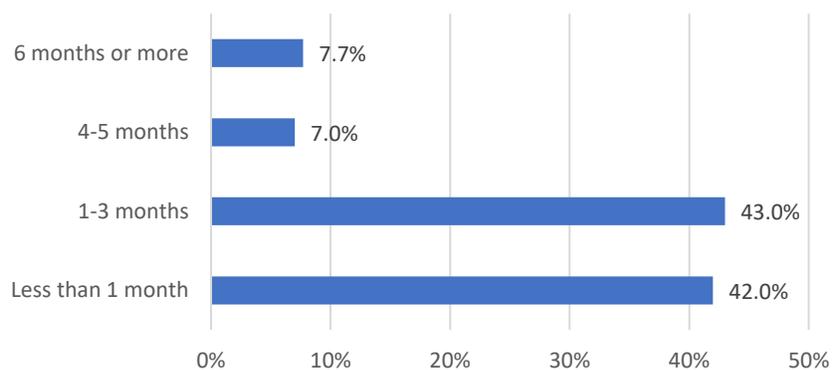


## FINANCIAL IMPACT

### The challenge of cashflow

Most responding businesses have been affected by the COVID-19 pandemic as their operations contracted and cash flows plummeted. The situation is compounded by their relatively low cash flow coverage of most businesses. Only about 15 percent of surveyed companies can sustain more than three months of operation on their current cash flow. Others must take adjustment measures to keep their profitability at a level that would allow their continued operation. This however may not always be possible in principle, particularly if the business is not essential and cannot ensure compliance with the COVID-19 SOP issued by the President and MOH.

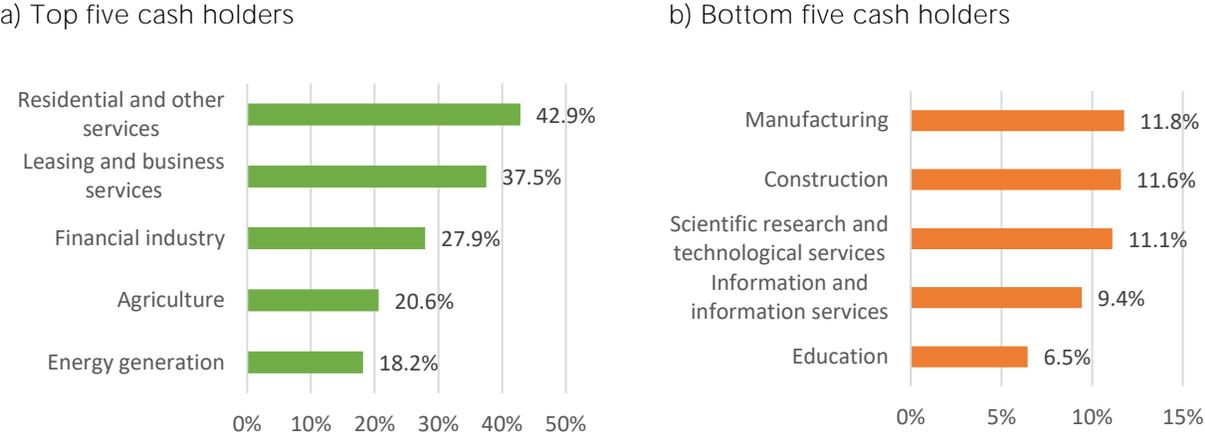
Figure 6. Cash flow coverage



This situation implies that 42 percent of businesses will have to raise additional funding or otherwise restructure their finances to resume their operation after one month of inactivity and another 43 percent will face the same challenge within three months. Hence, 85 percent of all businesses are going to be in financial distress after three months of lockdown measures. In practice, it means that many companies may not be able to resume their business without access to liquidity. Loan restructuring and other relief measures (e.g., tax deferral) will not be enough by themselves as the companies with depleted reserves will struggle to raise money to buy inputs and pay salaries to their workers to keep them even at the lower levels of production.

Sectors with a particularly short cash flow coverage include a variety of traditional and modern industries which operate predominantly on a cash basis. With very few exceptions, over 85 percent of businesses across all categories will not be able to last beyond three months. The exceptions (where this share is below 70 percent) include leasing and business services as well as residential services, repair and other services.

Figure 7. Cash flow coverage by sector

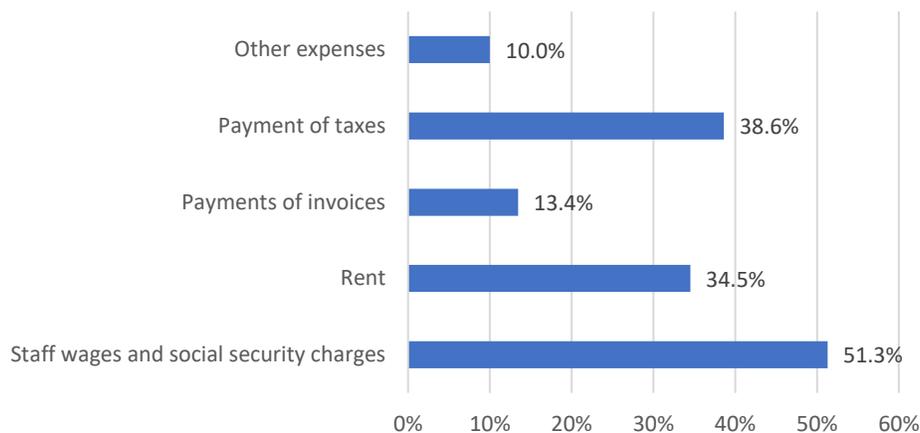


The cash coverage is correlated with the sector of the company. Sectors with a high cash coverage include sectors, such as residential and other services (42.9 percent), leasing and business services (37.5%), financial industry (27.9 percent), agriculture (20.6 percent), and energy generation (18.2 percent). Some industries benefit from advance lease or service payments (residential, leasing and business services), financial industry has cash reserves and agriculture may have prepaid orders. Sectors with a low cash coverage do not have this advantage and have to rely on continuous cash inflows, such as education (6.5 percent), information services (9.4 percent), scientific research services (11 percent), and construction and manufacturing (each about 12 percent).

The reduced sales make it difficult for off-grid energy companies to cover costs in maintaining operations. An additional strain is an expected increase in non-payment or defaults for credit or PayGo services. As people are not able to earn an income, they will not be able to make payments for off-grid energy services. On average, the companies UNCDF spoke with have seen a 30 percent increase in non-payment and defaults. As a result of the sharp decrease in revenue streams, companies are facing severe liquidity constraints. The majority of companies likely cannot sustain operations if the current situation lasts more than three months.

The problems experienced by respondent companies due to a reduced cash flow are presented in Figure 8. Payment of staff wages and benefits is the most common problem experienced by 51.3 percent of all companies across the sectors, payment of taxes and rents rank next to it (38.6 and 34.5 percent respectively).

Figure 8. Financial problems experienced by respondent companies

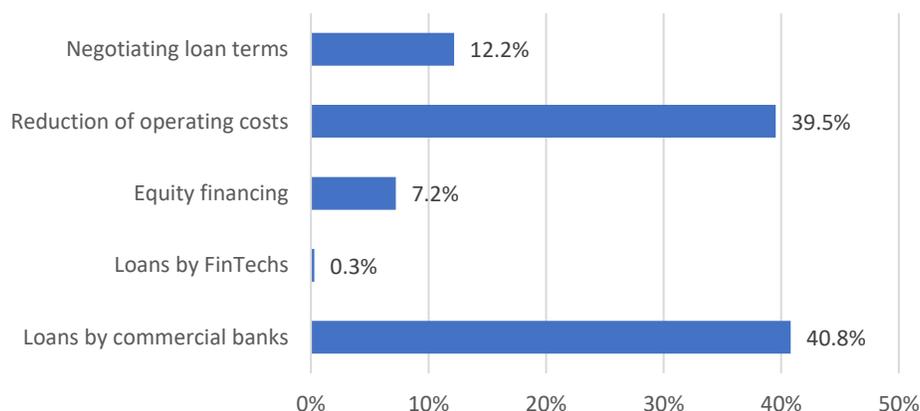


\* Percentages do not total 100 as the respondents could chose two answers.

### Sources of financing

Typical responses chosen by the surveyed companies to deal with the cashflow challenges presented in Figure 9. The two most common ways of addressing the shortage of cashflow are split almost equally between loans from commercial banks (40.8 percent) and reduction in operating costs (39.5 percent). Loan restructuring and equity finance come a distant third and fourth at 12.2 percent and 7.2 percent, respectively while loans by fintech companies are negligible. Companies may be overoptimistic about the willingness of the financial sector to extend additional lending in this situation. Special measures, such as extension of the existing guarantee schemes or new guarantees, will be required to unlock credit finance from commercial banks to businesses who are likely to be in financial distress and in need of liquidity for working capital both during the crisis and the recovery phase.

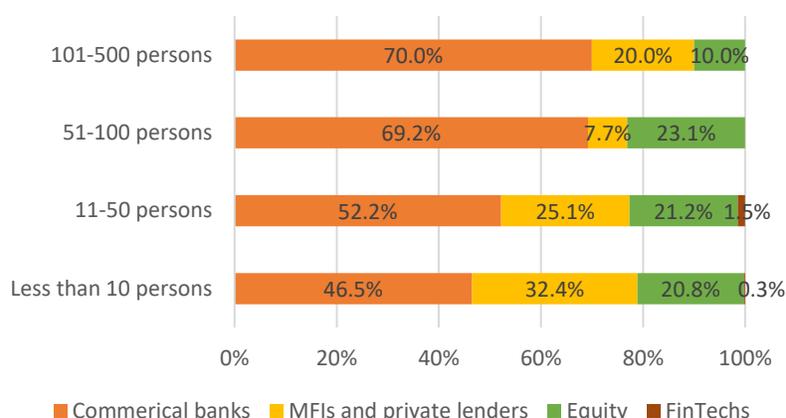
Figure 9. Ways of dealing with the cashflow shortage



An analysis of the sources of finance by size of the enterprise (Figure 10) demonstrates that the reliance on commercial banks increases with the size of the enterprise (from 46.5 percent for companies with less than 10 employees to 70 percent for companies employing more than 100

persons), as can be expected. Since commercial lending in Uganda is relational, an existing relationship with a bank and a good credit history as well as availability of assets that may serve as a collateral increases the chances of larger companies to obtain a commercial credit. This analysis also reveals an important role of MFIs and their versatility: not only smaller companies see them as a source of finance (32.4 percent for companies with less than 10 employees and 25.1 percent for companies with 11-50 employees) but also larger companies, even those employing over 100 persons (20 percent). FinTech finance plays a marginal role consistent with their small market share: only smaller enterprises consider them as a source of finance (0.3 percent in the category with less than 10 employees and 1.5 percent among companies employing between 11 and 50 persons).

Figure 10. Sources of finance by size of the enterprise

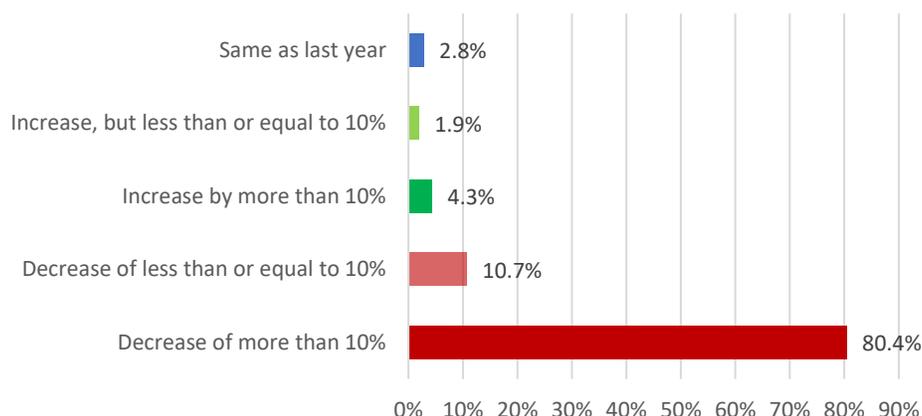


### Revenue expectations in 2020

Overall Ugandan companies are not particularly optimistic about the future. 91 percent expect their 2020 revenues to be less than the previous year, 80 percent expecting the drop to be more than 10 percent of last year’s revenues. Only 6.2 percent of firms anticipate an increase in their revenues (Figure 11). One of the responding businesses indicated that the April 15<sup>th</sup> taxes came 80 percent from own funds because of the customers’ failure to pay on time. This in turn is adversely affecting the company’s reserves which should be managed for salaries and staff welfare in this difficult time. Loan payments are also heavily affected by reduced cash inflows implying a growing indebtedness problem across sectors.

The expectations are also uniform across size categories and there are no clear winners or losers. 90 percent or more of different size companies expect an average loss of revenues of about 10 percent, with a somewhat higher percentage of companies employing 51-100 people expecting a loss in revenues (95 percent of all responding companies in this category).

Figure 11. Expected total revenue in 2020 (compared to 2019)

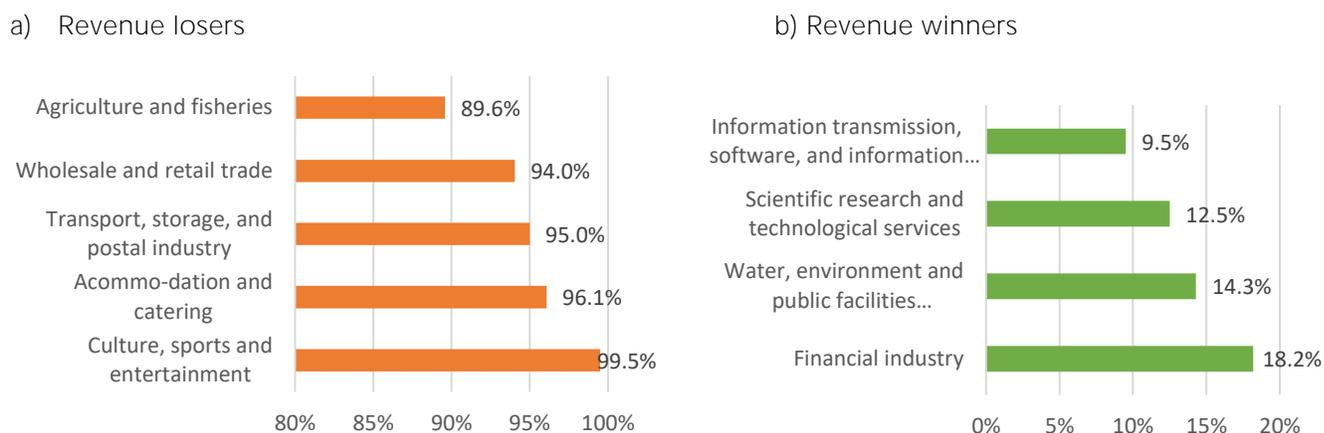


The companies that expect a drop in their revenues of above 10 percent this year belong to the following sectors (about 90 percent of respondents): culture, sports and entertainment; accommodation and catering; transport, storage and postal industry; wholesale and retail trade; manufacturing (Figure 12). With fewer people working in the country, there has naturally been a decrease in sales for off-grid energy companies. On average, the companies UNCDF spoke with have seen a 43 percent reduction in sales. This reduction is caused by a combination of factors: private and public transport ban, restriction on the movement of people, a limited supply of products and raw materials, the closure of non-essential businesses including off-grid energy service centres and sales outlets.

The revenue winners can be called so only with a big caveat since on average only about 5 percent of companies expect an increase in revenues. The sectors where companies expect an increase in their revenues of about 10 percent include financial industry (18.2 percent of respondents); water, environment and public facilities management (14.3 percent); scientific research and technological services (12.5 percent). information and technology services (9.5 percent).

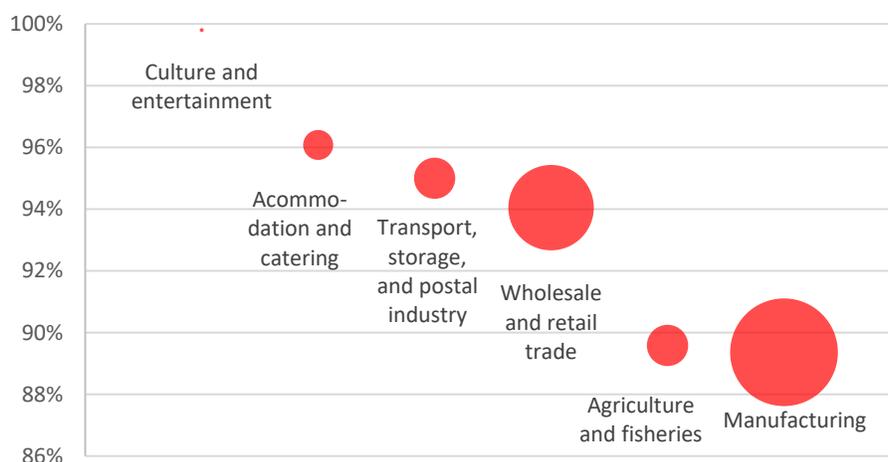
A very small percentage of companies in the other three sectors expect an increase in their revenues in 2020: manufacturing (6.4 percent); agriculture, forestry, animal husbandry and fisheries (4.2 percent); construction (4.2 percent). The trend is clear: industries with higher value addition and advanced technologies expect their revenue to increase (even when the overall expected drop in revenues is significant as is the case for manufacturing) whereas lower value adding sectors are more likely to experience an overall decrease in revenues.

Figure 12. Revenue losers and winners by industry



The following chart (Figure 13) puts the loss expectations into perspective by linking them to the industry contributions to the national GDP in the formal sector based on the MoFPED national account statistics.<sup>10</sup>

Figure 13. Expected losses by industry relative to GDP



\* The bubble size is proportionate to the sector contribution to the GDP

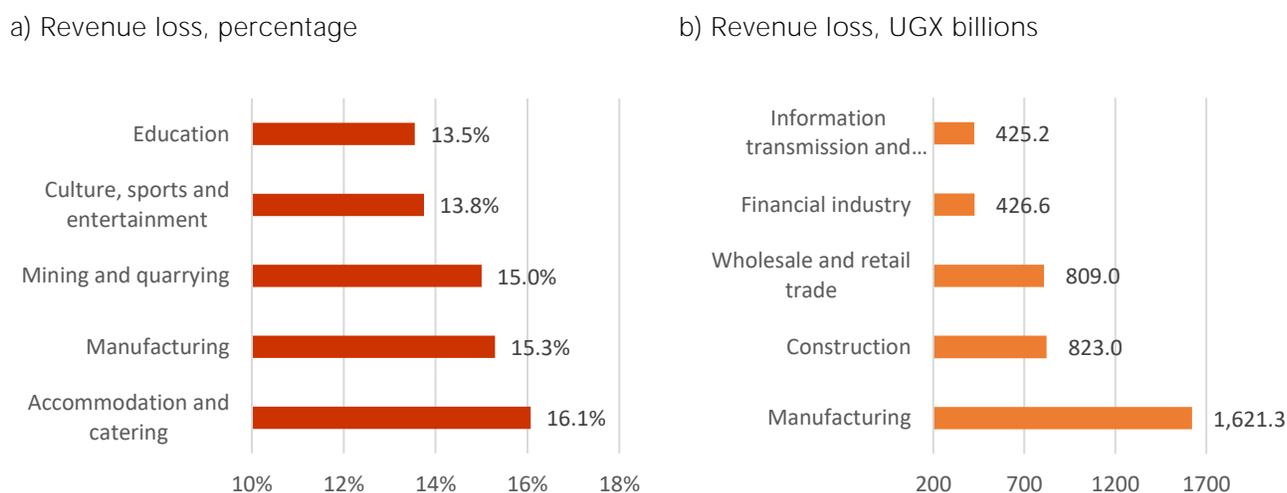
This chart shows that although culture and entertainment suffers potentially the greatest loss, the overall impact on the GDP is negligible due to the small share of the sector's contribution (of course, the impact of this loss on the employment and revenues of the people engaged in this industry should in no way be ignored). On the other hand, the losses in manufacturing (although expected to be less by 10 percent) will have a much larger impact due to its high share in the GDP (18.4 percent compared to less than one percent for culture and entertainment). Similarly, the total loss in trade is more than the level of its expected revenue loss because of the sector's share in the GDP equal to 11.7 percent. Since the bulk of agricultural production

<sup>10</sup> Uganda Bureau of Statistics (UBoS) (2020). National Account Statistics. <https://www.ubos.org/explore-statistics/9/>.

takes place outside the formal sector (which accounts for only 2.7 percent of the formal sector GDP), the total loss impact will be relatively limited.

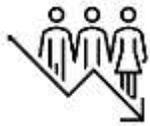
The following discussion unpacks the connection between percentage and monetary revenue losses in the context of the sector GDP contribution. Absolute revenue losses in percentages may be deduced from the revenue loss expectations by industry assuming that the maximum expected loss does not exceed 20 percent. This assumption is broadly in line with the predictions based on a calibrated model of total economic shock developed by UNCDF and Makerere University (CoBAMS).<sup>11</sup> This model specified the total economic shock based on decomposition of the underlying event (COVID-19) into individual shocks, subsequently calibrated using principal component analysis and microsimulations based on historical and current data. According to the model, the total economic shock varies from 7 percent to agriculture to 15 percent for manufacturing to 30 percent for trading and services over a three-month period of lockdown measures. It is then possible to apply the expected revenue losses to the actual shares of the relevant industries in the GDP and the GDP projections for 2020/21 based on the UBoS time series for the national GDP. The results are presented in Figure 14.

Figure 14. Absolute expected revenue losses by industry



It is obvious that the biggest revenue losers in percentage terms are not necessary the same sectors that are potentially facing the biggest financial losses in monetary terms. Although accommodation and catering is the biggest loser in percentage terms, its monetary losses in 2020-21 are projected at UGX 134.4 billion, only one tenth of the total monetary losses by the manufacturing sector which expects a drop in revenues at about the same percentage level. Construction and trade expect a moderate drop in revenues at 12.4 percent each but the actual financial loss is likely to be UGX 823 and UGX 809 billion, respectively, far above mining and quarrying, for example, which expects a 15.3 percent revenue loss. In total, the losses of the formal sector are likely to amount to about 10 percent of the entire formal sector GDP in 2020/21 (excluding government) assuming the country is in strict lockdown for a period of three months.

<sup>11</sup> UNCDF and Makerere University (CoBAMS). Impact of COVID-19 on Ugandan MSMEs: Informal sector.



## IMPACT ON THE WORKFORCE

### Decrease in labour supply

The lockdown had an immediate impact on the workforce by severely restricting their ability to continue their employment either because of transportation challenges (unless they work in industries officially categorised as essential) or because of the employer’s inability to ensure compliance of the working conditions with the SOP issued by the President and the Ministry of Health.

Figure 15. Percentage of employees unable to report to work

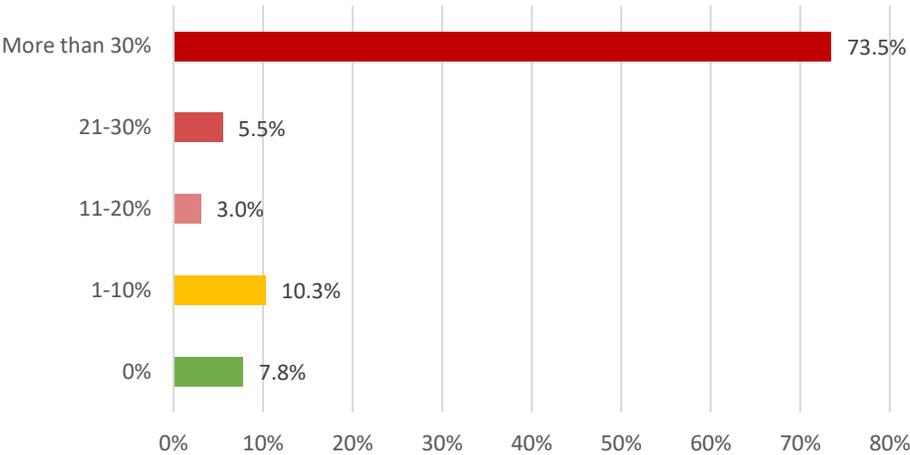


Figure 15 shows the percentage of employees unable to report to work due to the lockdown. 73.5 percent of the responding companies miss over 30 percent of employees and another 8.5 percent at least 10 percent of their workers. The sectors with more than 75 percent of enterprises reporting the absence of above 30 percent of the total workforce include accommodation and catering; construction; culture, sports and entertainment; education; business services; and scientific research and technological services.

### Planned or actual downsizing of the workforce

The downward pressure of declining production due to a combined effect of a reduced workforce and slowing demand forces companies to look for ways to reduce their operating expenses including labour. Unsurprisingly, 62.3 percent of the respondent companies are considering or have already started cutting jobs. Figure 16 shows the expected (or actual in case the layoff has started) cuts in jobs.

Figure 16. Percentage of actual or intended layoffs

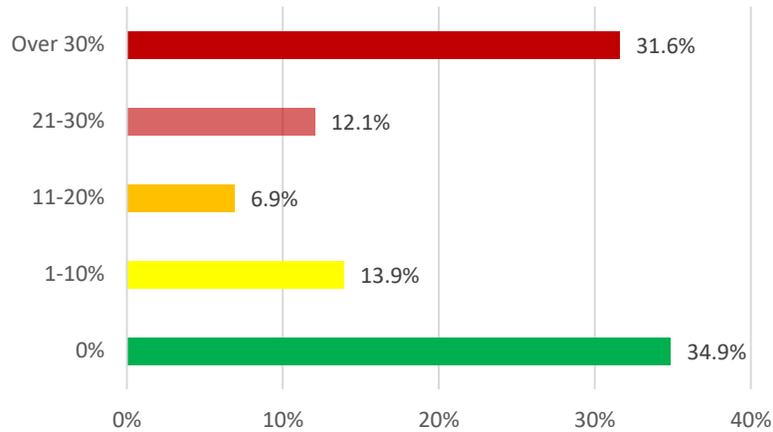
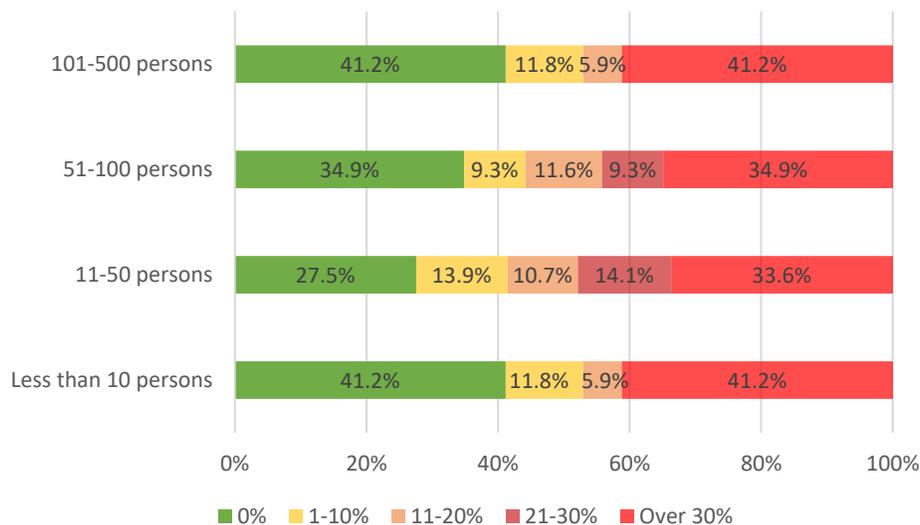
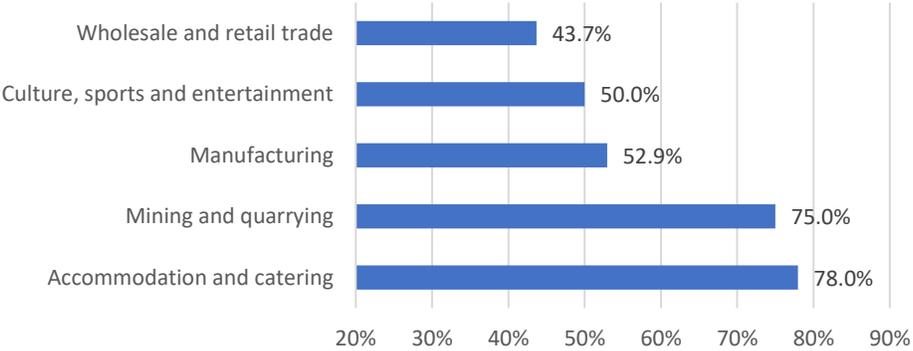


Figure 17. Percentage of actual or intended layoffs by size of the company



The following pattern emerges with respect to actual or intended job cuts by size of the company. The smallest (less than 10 employees) and the biggest (over 100 persons) companies seem to be more resilient and plan the smaller number of cuts than the other categories (about 60 percent each). The biggest layoffs are implemented or planned by companies with 11-50 employees (72.5 percent) followed by companies with 51-100 employees, 65 percent of which are implementing or planning staff downsizing. Whereas the explanation for the resilience of larger companies is rather obvious (for example, a better cash coverage, diversified business), the factors of resilience of companies with less than 10 employees are not so obvious. The possible explanations may include a family nature of such businesses, lower capital and operating expenditure requirements, independence of imported materials, etc.

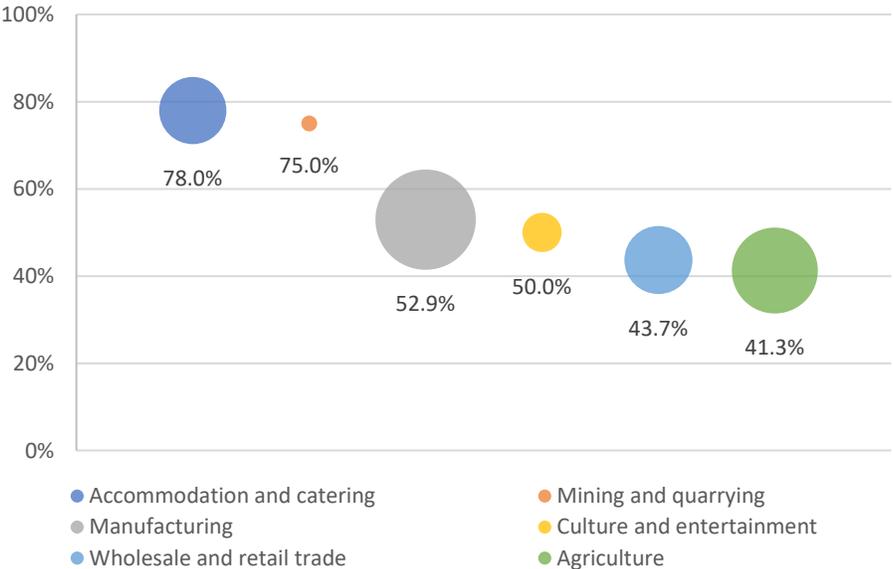
Figure 18. Percentage of actual or intended layoffs by sector of economic activity



Sector-wise, the five industries that are bracing for the biggest layoffs include accommodation and catering, mining and quarrying, manufacturing, culture, sport and entertainment, and wholesale and retail trade. Not surprisingly, many of these sectors expect their 2020 revenues to fall below 10 percent as discussed in the previous section (accommodation and catering; manufacturing; mining and quarrying). With reduced revenue streams, off-grid energy companies are having to make difficult decisions concerning their staff. Many companies contacted by UNCDF highlighted that they are using short-term reserves to maintain operations with full time staff working remotely with some pay cuts. While companies have short term reserves to maintain full and part time staff, many commissioned-based agents will likely not earn a salary in April since their salary payments are based on products sold.

An analysis similar to the one performed for the expected revenue loss in the previous section allows a better understanding of the relative impact of layoffs for different sectors depending on their share in the total formal sector employment (Figure 19).

Figure 19. Job loss by industry relative to its share in the total formal employment



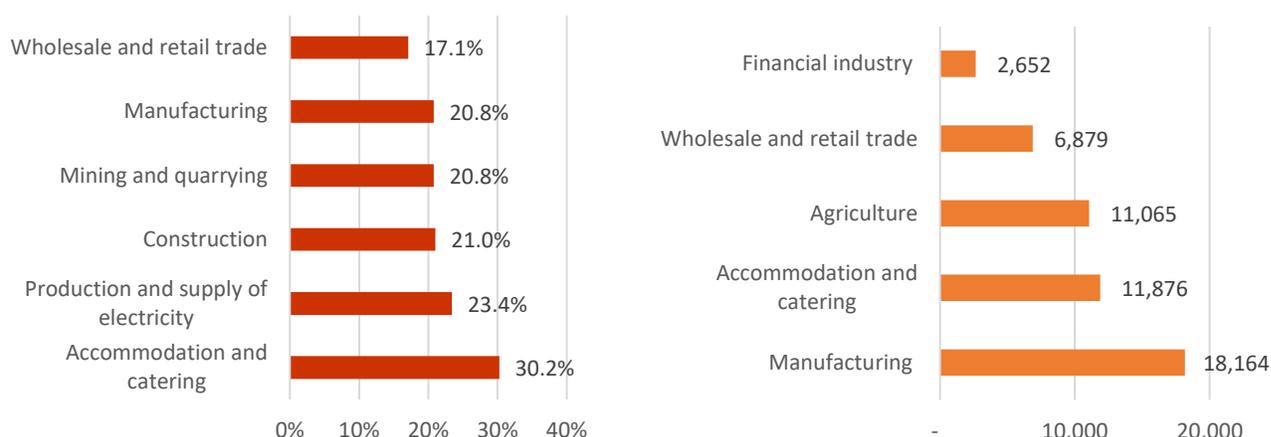
What the analysis demonstrates is that the industries experiencing the largest loss of jobs are not necessarily the industries that employ many workers. The case in point is mining and quarrying, which although expecting a large layoff, accounts for only 0.2 percent of formal jobs. Conversely, agriculture, despite a moderate expectation of job loss by 41.3 percent of respondents is likely to have a more serious impact on employment as it accounts for 5.5 percent of formal jobs.

The same methodology as the one used for the revenue loss was employed to estimate the absolute job losses by sector (the data for formal employment in sectors was reconstructed from data from MAPU 2016/17 and ULFS 2016/17 applied to the forecast for the total formal sector employment in 2019/20). The model puts the total size of the formal sector (without government) at 750,000 (Figure 20).

Figure 20. Absolute expected employment loss by sector

a) Employment loss by industry, percentage

b) Employment loss by industry, number of workers



Manufacturing is facing potentially the largest loss of employment despite a relatively small shock of 20.8 percent, which reflects its higher share in the total formal sector jobs. Accommodation and catering as well as agriculture may each lose about 11,000 jobs, and the expected downsizing in trade is also rather large at 6,879 jobs. There is another sector, education, experiencing significant difficulties due to a zero demand at the moment. This industry employs a large number of workers operating 13,359 educational institutions, from nurseries and primary schools to teachers' colleges and universities.<sup>12</sup> It is hoped that the sector will resurge quickly after the schools are reopened (the estimated employment shock is relatively low at 15.4 percent) but the current closure of schools may be affecting as many as 300,000 educators and other workers employed in the sector. However, educational institutions catering to foreign students may expect longer recovery periods until cross-border movement is fully restored (see the section on recovery expectations), which may result in business contraction and actual job losses in the longer term. The total expected loss of employment across all industries due to COVID-19 is estimated at about 110,000.

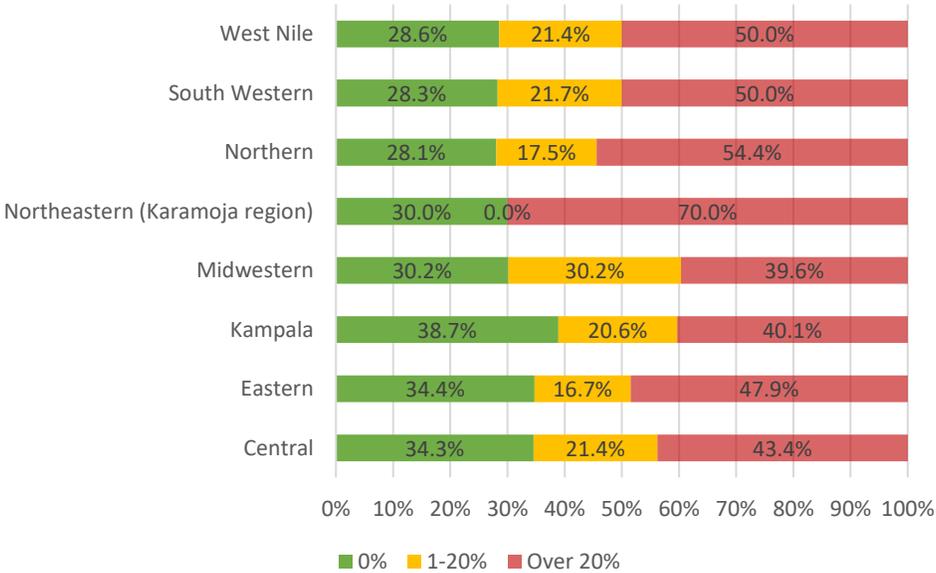
<sup>12</sup> Mutesi, M. (2019). Uganda's Education Sector: Privately Owned Schools Surging. <https://thenilewires.com/education/ugandas-education-sector-privately-owned-schools-surging/>.

A comparison of two charts above (Figure 15 and Figure 17) gives reasons for cautious optimism. The share of laid off workers is significantly lower than the share of workers who are currently unable to work. Thus, 34.9 percent of the surveyed companies are not planning any job cuts although the share of businesses with a 100 percent presence is only 7.8 percent (Figure 15). And although more than 30 percent of workers are currently absent in 73.5 percent of respondent businesses, only 31.6 percent of companies are planning (or exercising) a proportional layoff. Since many of these layoffs are of a temporary nature, one can hope for a relatively quick recovery of employment to its pre-COVID-19 level (of course, subject to the restored demand).

**Regional effect on the workforce**

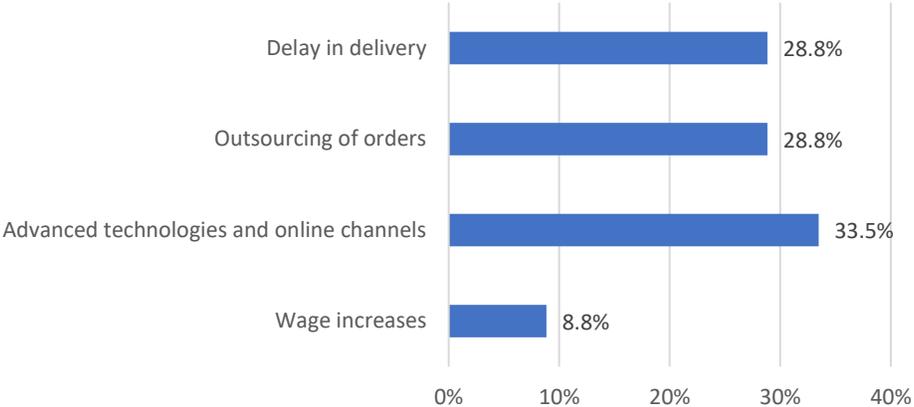
By region, the regions least affected by job cuts include Kampala, Eastern and Central regions where 34 to 38 percent of companies are not implementing or planning to implement any layoffs. Conversely, Karamoja, West Nile, Northern Region (without Karamoja and West Nile) and the South Western Region are the ones where the percentage of companies without actual or planned layoffs is below 30 percent. The same regions are the ones where the largest layoffs are likely to take place (above 20 percent of the total workforce), with 70 percent of Karamoja businesses implementing or planning layoffs of more than 20 percent of their employees. The least number of companies envisaging more than a 20 percent cut in employment are located in the Midwestern Region (39.1 percent) and Kampala (40.1 percent).

Figure 21. Employment effect by region

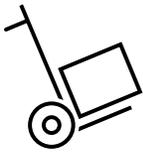


However, lack of labour supply due to the difficulties described above becomes a problem when a company is engaged in an activity enjoying increased demand under COVID-19. The survey asked companies how they deal with the shortage of workers (Figure 22).

Figure 22. Ways of dealing with the shortage of the workforce



Along with usual measures, such as order outsourcing and delayed deliveries, companies rely to a great extent on introduction of advanced equipment and technologies, including digital and online solutions (33.5 percent). Less conventional measures include redistribution of work between the available workers with the resulting increase in workload and working hours (unless some productivity gains can be achieved) and involving family members and volunteers where possible as free labour.



## IMPACT ON SUPPLIES AND OPERATING COSTS

### How companies deal with the shortage of inputs

There is some evidence that the supply side of business operation in terms of access to and cost of raw materials and other supplies has also been affected. Reduced imports due to the disruption of usual supply chains as well as transportation challenges within the country lead to an increase in the cost of inputs. For example, factory closures in China have resulted in supply chain disruptions for manufacturers in Uganda, with delays, raw material shortages, increased costs and reduced orders.<sup>13</sup> The price of some basic agricultural commodities, such as sugar, cooking oil and rice, has risen from 10 to 25 percent.<sup>14</sup>

Companies deal with this challenge through a combination of using new procurement/supply delivery channels (27.8 percent), reduction of production (26.9 percent) or delaying the delivery of final goods (23 percent) (Figure 23).

Figure 23. Ways of dealing with the shortage of raw materials and other supplies



### Expected changes in the cost of inputs and operating costs

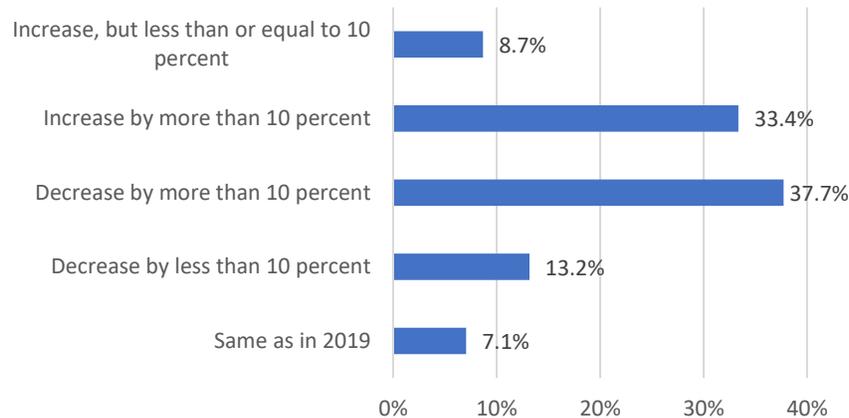
In the longer run, companies are optimistic about the changes in the operating costs and cost of inputs. Slightly more companies (51 percent) expect these costs to reduce by at least 10 percent compared to 42 percent who believe that there will be an increase this year. With 7.1

<sup>13</sup> PWC Uganda (2020). Impact of the Corona virus on the Uganda Economy. <https://www.pwc.com/ug/en/press-room/impact-of-the-corona-virus-on-the-uganda-economy.html>

<sup>14</sup> NTVNews (2020). "Effects of COVID-19: Food prices rise as uncertainty increases". 25 March 2020.

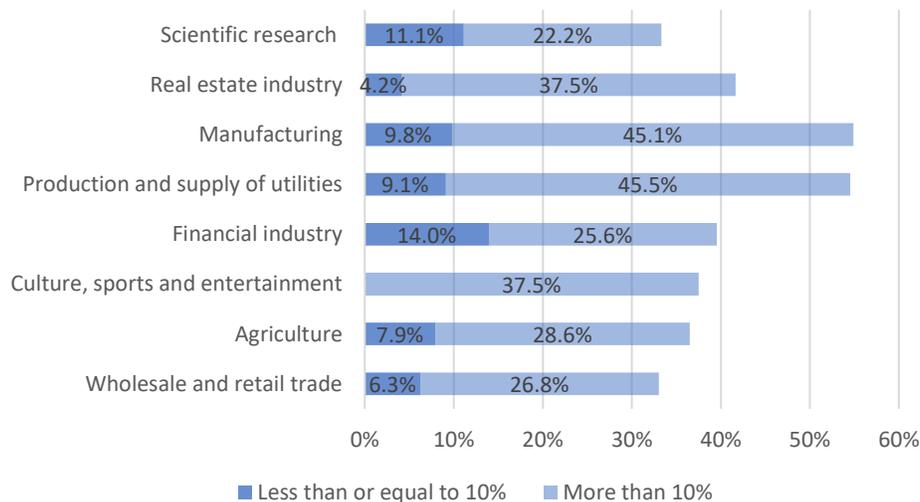
percent expecting the costs to remain the same, most businesses expect a reduction in the relevant costs in 2020.

Figure 24. Expected changes in operating costs and cost of inputs



Nevertheless, there are industries that expect a serious increase in their operating costs of over 30 percent. These include manufacturing and production and supply of utilities (electricity, heat, gas and water), where 45% of companies expect an increase of more than 10 percent. The other industries where a large number of respondents expect the cost of doing business to increase above 10 percent include the real estate industry and culture, sports and entertainment (37.5 percent each) as well as agriculture (28.6 percent) and wholesale and retail trade (26.8 percent). Whereas an increase in the operating costs in the real estate industry may be of little consequence for the economy, an increase in manufacturing, production and supply of utilities and agriculture is of more concern as the businesses are unlikely to absorb these costs in the aftermath of COVID-19, reflecting in higher prices for the consumers on these essential goods and services.

Figure 25. Expected changes in operating costs and cost of inputs by sector

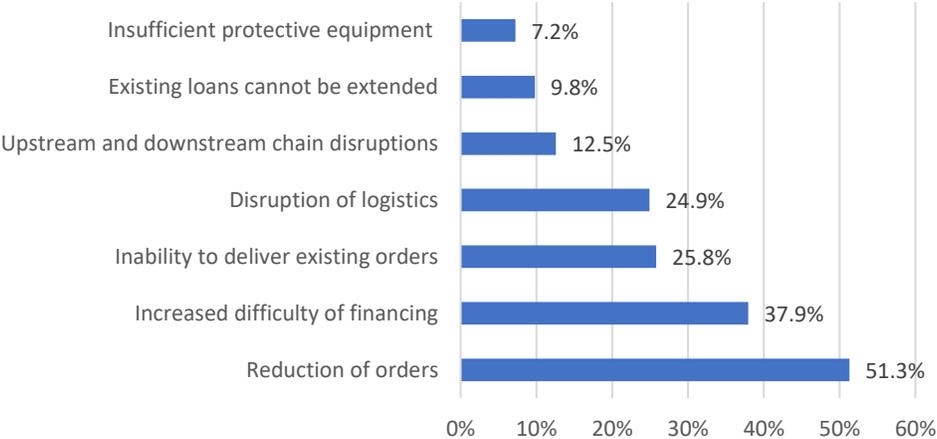




## OTHER CHALLENGES

The surveyed businesses were asked about other challenges they face due to the COVID-19 impact. Most companies (51.3 percent) have experienced a reduction of orders, which reflects a decrease in aggregated demand due to the lockdown measures. An increased difficulty of financing business operations comes second (37.9 percent). As discussed above, businesses are facing liquidity problems and an accumulation of outstanding payments, which they cannot pay because of the reduced cash inflows. Disruption of logistics and upstream and downstream chains was mentioned as a challenge by 37.4 percent of the respondent companies. They also mentioned the challenge of extending the existing loans (9.8 percent) and lack of protective equipment (7.2 percent) to be able to continue their business in a safe manner.

Figure 26. Other challenges faced by companies

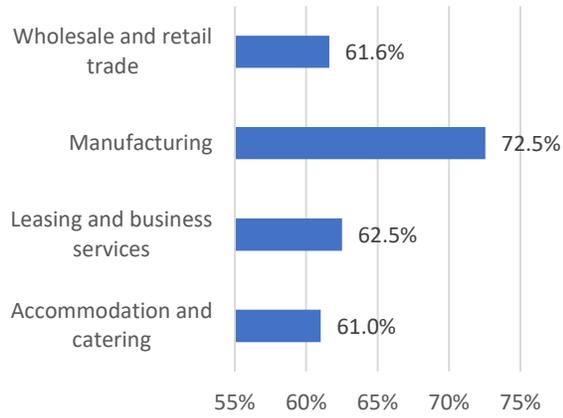


\* Percentages do not total 100 as the respondents could chose two answers.

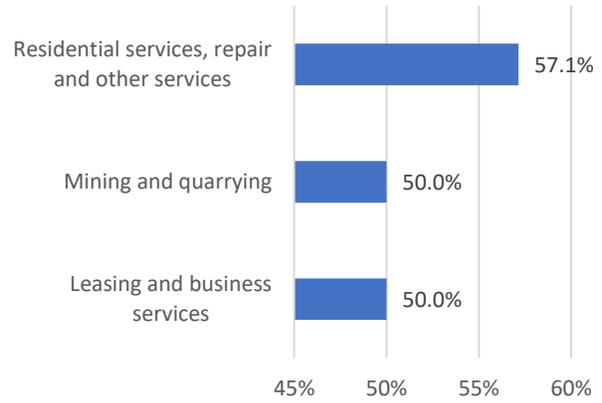
The industries most affected by the reduction of orders include manufacturing (72.5 percent) as well as wholesale and retail trade, leasing and business services, and accommodation and catering. Residential services, repair and other services suffer most from the inability to deliver existing orders (57.1 percent). Education experiences the greatest difficulty to finance its activities (54.8 percent). Disruption of logistics and supply chains has most negatively affected production and supply of electricity, heat, gas and water (53.7 percent) as well as agriculture and mining (approximately 50 percent each).

Figure 27. Other challenges by sector of economic activity

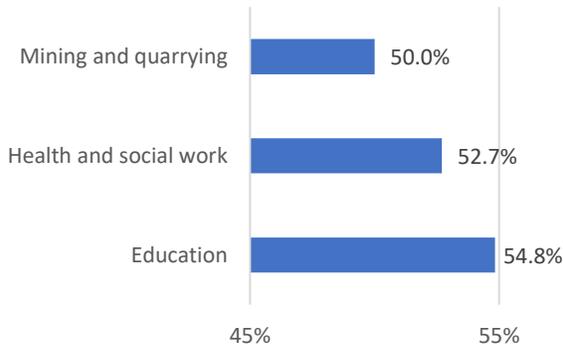
a) Reduction of orders



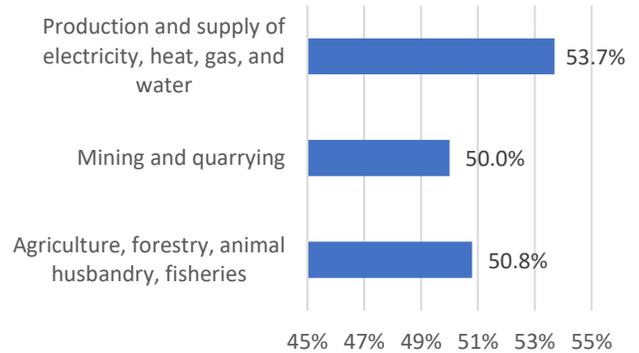
b) Inability to deliver existing orders

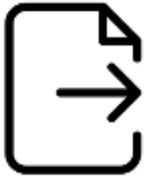


c) Increased difficulty of financing



d) Disruptions of logistics and supply chains



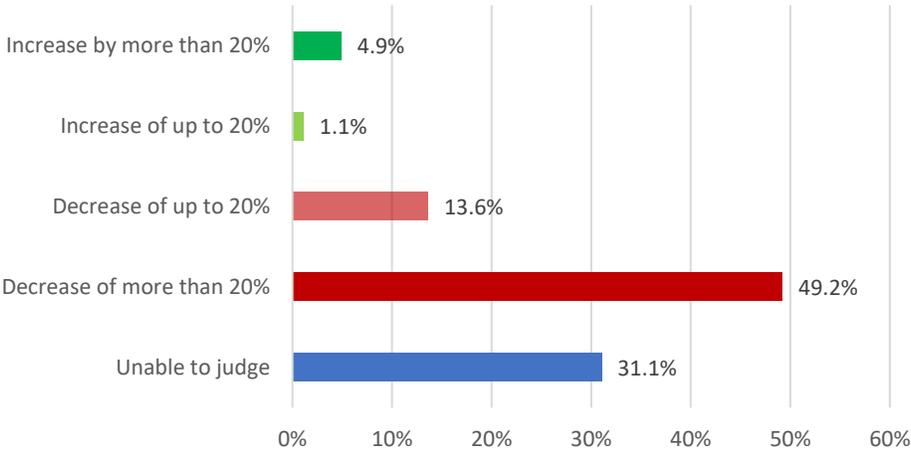


## IMPACT ON EXPORT-ORIENTED COMPANIES

For a number of years, the Ugandan government has been promoting an export-oriented strategy to address the balance of payment deficit, which characterises the Ugandan economy. The same commitment is pursued in the draft National Development Plan (NDP) III, which states that growing the value of Uganda’s exports is key to the country’s efforts to maintain its debt sustainability and earn enough foreign capital to pay for the importation of required goods and services, particularly intermediate goods which will be critical for the early stages of the country’s industrialization. The country’s trade balance remains negative and export receipts are far below their potential.

In this context, the survey explored the expectations of export-oriented businesses about the COVID-19 impact on their export volumes.

Figure 28. Expected changes in export volumes

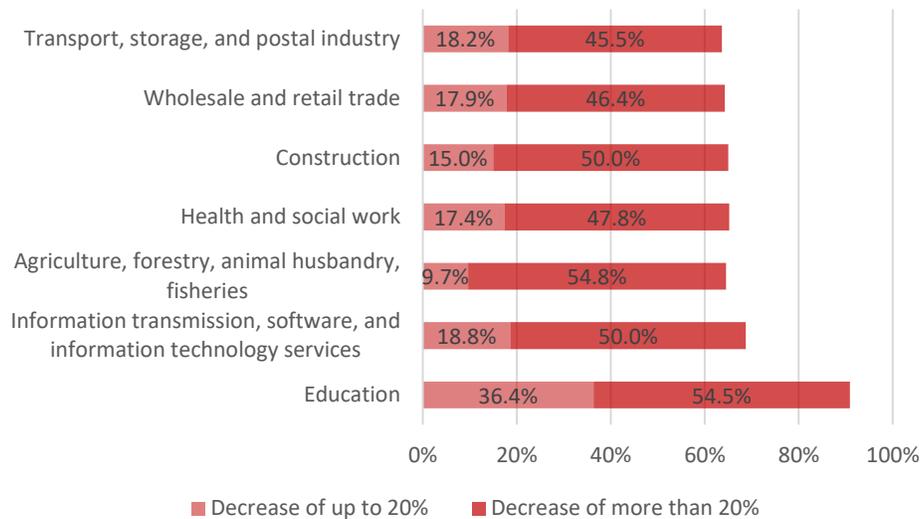


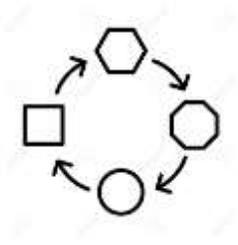
The prevailing expectation among the export-oriented companies is that their export volumes will go down (62.8 percent of the responding companies) while 49.2 percent believe that their exports will decline by more than 20 percent. Only 6 percent expect their exports to increase.

By sector, the hardest hit are private educational institutions which cater for foreign students, 91 percent of them expecting a drop in their export-oriented activities. Almost 70 percent of companies in information transmission, software, and information technology services also expect a drop in their export volumes. The other affected sectors include agriculture, forestry, animal husbandry, fisheries (64.5 percent), health and social work (65.2 percent), construction (65.0 percent), wholesale and retail trade (64.3 percent), and transport, storage, and postal industry (63.6 percent).

There is no clear distinction industry-wise between the companies that expect a drop in their export volumes and those that have a negative outlook. Furthermore, the expectations of higher exports appear to be concentrated in services and the financial sector where 20 percent of business who indicated their revenue expectations anticipate an increase in export (of capital) – hardly a positive trend. Most of the companies expecting increased exports are categorised as “other” or belong to the industries that generally expect a drop in exports, such as wholesale and retail trade.

Figure 29. Expected changes in exports by sector

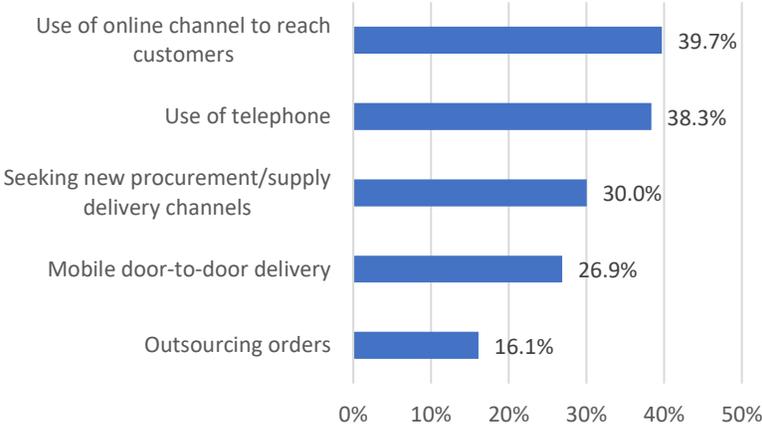




## BUSINESS ADAPTATION AND INNOVATION

In view of these challenges, companies adapt and innovate, adjusting their business models and using technology innovations. The challenge is to comply with the COVID-19 restriction measures, in particular limited access to the customers. The most popular adaptation measures include the use of digital and communication technologies as well as new procurement/supply delivery channels. Online channels are used by approximately 40 percent of all companies, and almost as many use telephone communication to reach out to customers, receive orders and payments. 30 percent of companies innovate with procurement and supply delivery channels, switching in particular on local materials where possible. Mobile door-to-door delivery is also widespread, with 27% of all companies relying on this method.

Figure 30. Adaptation and innovation measures

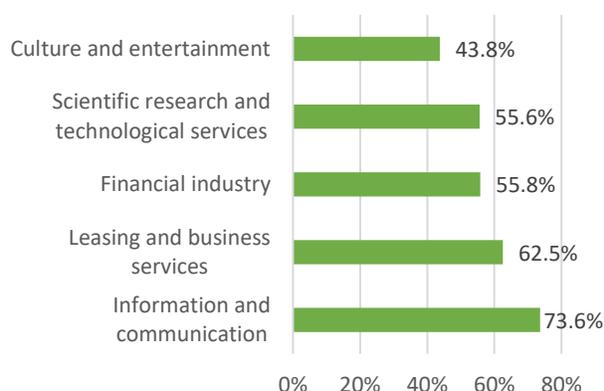


\* Percentages do not total 100 as the respondents could chose two answers.

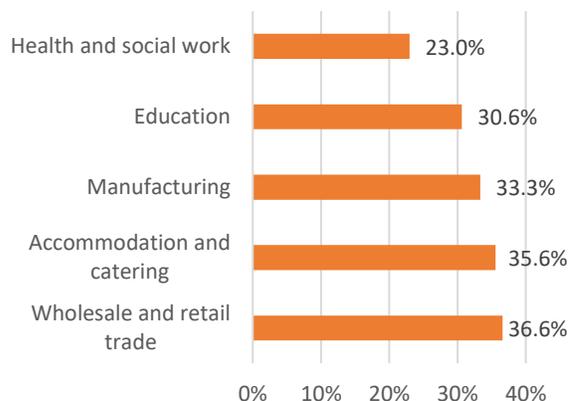
Digital solutions offer a number of advantages: they reduce the transaction costs of dealing with suppliers and customers, facilitate financial transactions, and allow for data recording and analysis for multiple purposes including building the business credit profile to facilitate access to finance. Very importantly in the context of COVID-19, digital solutions minimize the need for physical contact between the business and its partners and customers. However, the uptake of digital solutions varies for different sectors as presented in Figure 31, which shows the five top and five bottom users of online and digital solutions.

Figure 31. Use of online and digital solutions by sector

a) Top five users



b) Bottom five users



\* Percentages do not total 100 as the respondents could chose two answers.

Unsurprisingly, the information and communication sector itself leads with 73.6 percent of the companies in this sector relying on online and digital solutions. It is followed by leasing and business services (62.5 percent), financial industry (55.8 percent), scientific research and technological services (55.6 percent) and culture and entertainment (43.8 percent). These industries benefit from the nature of their products and services that can be produced and easily delivered in the digital form (e.g., digital entertainment content, business analysis, Internet and communication packages, money transfers, etc.).

The bottom five users often do not have the same type of products and services (for example, manufacturing). But it is somewhat surprising that two sectors with a huge digital potential, education and health and social work,<sup>15</sup> also report low uptake of digital solutions (23.0 and 30.6 percent, respectively). While health institutions may not feel that much of a need in expanding digital solutions (they are classified as essential, and their demand has increased, if anything), the low use of digital solutions by the education sector is disappointing, given that the sector is practically shut down and the only way it can continue operating is online. Part of the explanation is that many education institutions operate at the pre-primary and primary levels, not very suitable for online delivery. The other reason is the challenge of creating adequate online content in a short period of time. Lastly, the “digital divide” (i.e. availability of digital devices and Internet penetration as well as digital skills) remain low: whereas mobile phone penetration is 65 percent, Internet penetration is still comparatively low at 40 percent.<sup>16</sup> Rural areas display a greater digital divide compared to urban areas, which hampers wider application of digital solutions there across all industries, not just education and health. Only about 35% of all companies in accommodation and catering and trade use digital and online solutions.

<sup>15</sup> See, for example Kiberu, M., Scott, R. and M. Mars (2018). “Assessment of health provider readiness for telemedicine services in Uganda.” *Health Information Management Journal* 48(2).

<sup>16</sup> National Information Technology Authority of Uganda (NITA-U) (2019). *Statistical Abstract 2019*.



## BUSINESS SENTIMENTS

It is important to measure the sentiments of business community as an indicator of economic confidence. Ugandan business community is concerned about the impact of COVID-19 and its longer-term effects. A 10-point Likert scale was used to measure the feelings of the business community, focusing specifically on two values, the median and the mode. Both are measures of central tendency that indicate the typical value for a dataset. The mode is a value with the highest frequency whereas the median is the value that divides the data in half.

The survey indicated that such feelings as concern, anxiety and fear run very high at the modal value of 10 (the median is 6) whereas optimism scored only 5 (the median is 3). The results for the negative sentiments indicate a left-skewed distribution meaning a high intensity of feeling across all negative categories.

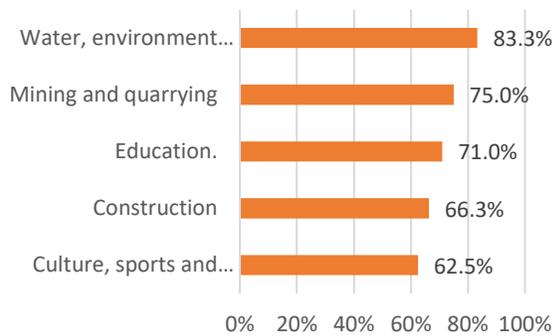
Figure 32. Feelings about COVID-19



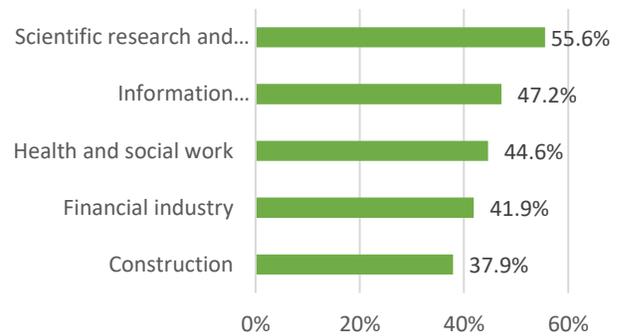
"It is a very difficult and scary time," wrote one of the respondents to summarize the general feeling.

Figure 33. The most concerned and hopeful sectors

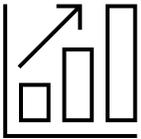
a) Top five most concerned sectors



b) Top five most hopeful sectors



Industry analysis provides interesting insights into the feelings of different sectors (Figure 33 shows the top five most concerned and most optimistic companies where the intensity of feeling is above 7 on the Likert scale). The most pessimistic ones include capital intensive sectors, such as water, environment and public facilities management (83.3 percent), mining and quarrying (75.0 percent) and some labour intensive, such as construction. Social services (education, culture, sports and entertainment) also feel much anxiety about the present situation and its consequences. Less capital intensive and more science and technology-based industries feel more optimistic. This concerns scientific research and technological services (55.6 percent), information transmission, software, and information technology services (47.2 percent) and the financial industry (41.9 percent). Health and social work also feels rather optimistic for obvious reasons whereas construction appears in both categories (concerned and hopeful).

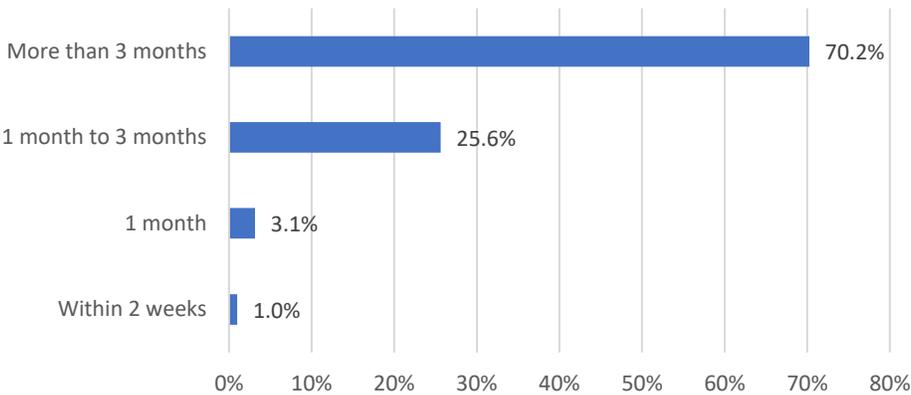


## RECOVERY EXPECTATIONS

### How long it will take to recover

The concerns of Ugandan companies are reflected in their expectations about how long it will take their business to recover assuming a three-month duration of the restriction measures associated with COVID-19. 70 percent of the respondent businesses estimate their recovery time of more than three months. Only 4.1 percent believe that it will take one month or less whereas the remaining 25.6 percent envisage a recovery period of one to three months (Figure 34).

Figure 34. Expected period of recovery



### Expected recovery period by sector and size of the firm

The period of recovery is expected to differ markedly between various sectors. The sectors with the highest percentage of companies expecting to recover within one month include water, environment and public facilities management (8.3 percent), agriculture, forestry, animal husbandry, fisheries (6.3 percent), financial industry (4.7 percent), real estate industry (4.2 percent), health and social work (4.1 percent). Even in those industries the expectation of a speedy recover within one month is shared by just 5.5 percent of companies.

Among the companies expecting to recover within a period of one to three months, information and software companies are most optimistic (26.4 percent). About 20 percent of companies hope to recover within the same period in mining and quarrying; transport, storage, and postal industry; wholesale and retail trade; and education.

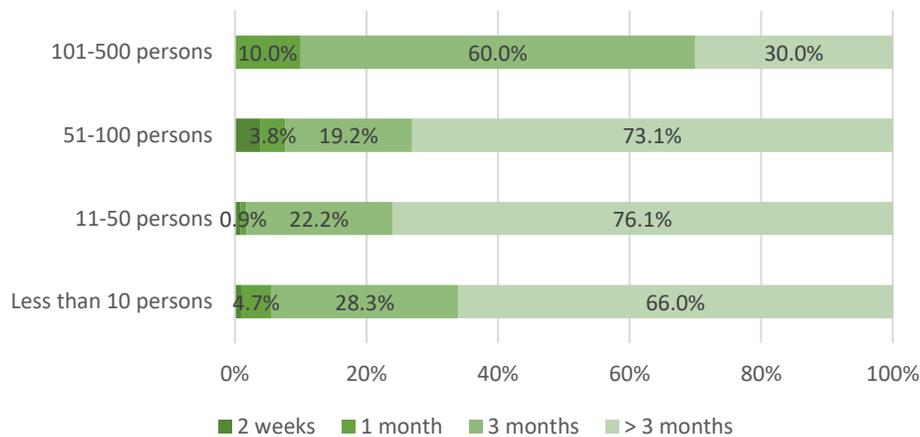
A number of sectors anticipate a longer recovery period of over three months. Particularly concerned with longer-term consequences of COVID-19 are accommodation and catering where 57.6 percent of respondents are preparing for a long recovery; production and supply of electricity, heat, gas, and water (54.2 percent); real estate industry (54.2 percent); financial industry (44.2 percent); and manufacturing (41.2 percent). The tourism industry, which started

slowing down in January and all but stopped in early February, does not expect to recover until over a year from now, bringing the full recovery to the second quarter of 2021.

Figure 35. Expected period of recovery by industry



Figure 36. Recovery expectations by size of company

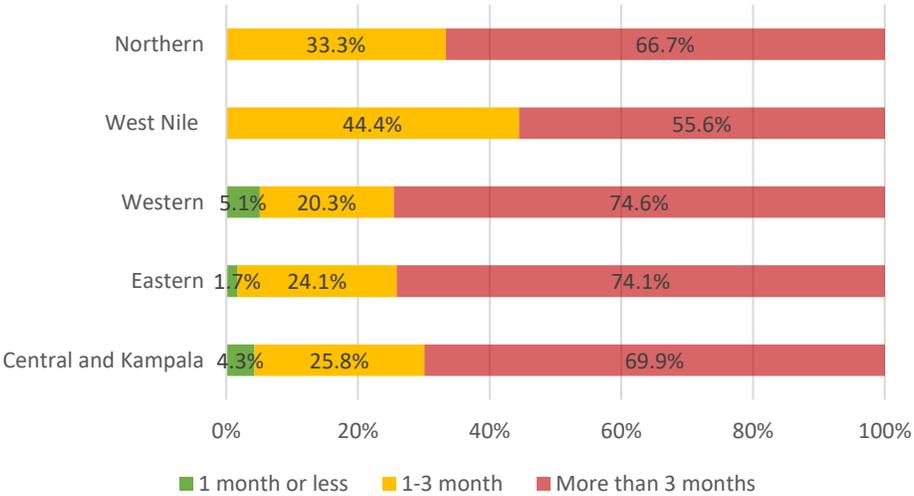


Larger companies employing over 100 persons expect a faster recovery as 70 percent of such companies hope to be fully back in business maximum in three months. This category also has the highest percentage of companies (10 percent) who expect to recover within one month, which reflects their higher resilience. The smaller companies envisage a longer recovery period. Thus, a recovery period of over three months is expected by 66 percent of companies with less than 10 employees, 76 percent of companies with 11-50 employees and 73 percent of companies with 51-100 workers.

**Expected recovery period by region**

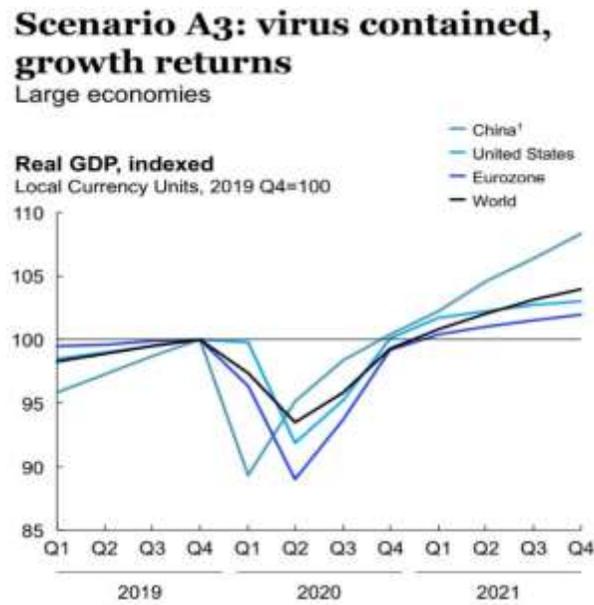
By region, West Nile appears ahead of the other regions with 44.4 percent of the companies counting on a recovery within 3 months or sooner although the Central Region and Kampala combined have the highest number of companies which hope to recover within one month (4.3 percent). West Nile also has the smallest number of companies that would require more than three months to recover (55.6 percent). The largest number of companies with a longer period of recovery are located in the Western and Eastern regions (74.6 and 74.1 percent, respectively).

Figure 37. Expected period of recovery by region



Overall, the recovery expectations are consistent with the global best-case forecasts about growth returns (Figure 38). Under the best-case scenario, the large economies (China, United States and the Eurozone) are expected to recover no sooner than the first quarter of 2021. In the worst-case scenario, the recovery may take the whole 2021.

Figure 38. Global best-case scenario growth forecasts



Source: McKinsey (2020). COVID-19: Briefing materials (updated April 24, 2020).

<https://www.mckinsey.com/~media/McKinsey/Business%20Functions/Risk/Our%20Insights/COVID%2019%20Implications%20for%20business/COVID%2019%20April%2013/COVID-19-Facts-and-Insights-April-24.ashx>.

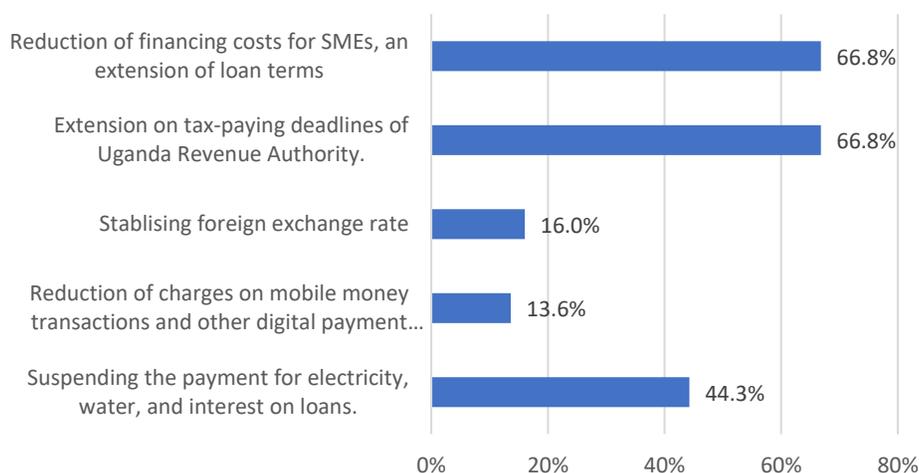


## EFFECTIVENESS OF GOVERNMENT RELIEF MEASURES

The survey also asked the opinion of the participating companies about the effectiveness of the relief measures introduced by the government and financial institutions (Figure 39).

The two most appreciated measures are an extension of loans terms and reduction of financing costs for SMEs (66.8 percent) as well as an extension of tax payment deadlines to the URA (66.8 percent). Suspending payments for the utilities and loan interests is also viewed as an effective relief measure by 44.3 percent of the respondents. The other measures, such as stabilizing the foreign exchange rate and reducing charges on mobile money and digital transaction are considered less relevant.

Figure 39. Effectiveness of the relief measures



\* Percentages do not total 100 as the respondents could chose two answers.



## BUSINESS SUGGESTIONS\*

Businesses were asked to submit their suggestions about how the problems associated with the COVID-19 restriction and post-pandemic recovery can be addressed. The prevailing sentiment is that businesses should be put back into operation as soon as possible subject to their compliance with health norms and regulations including disinfection arrangements and social distancing. The longer businesses stay inoperative, the greater the economic impact and the more difficult it becomes for them to resume their operations. The smaller companies which are the backbone of any economy are particularly concerned. Bigger companies are easy to refinance to start operation, but once small companies are out of business, they may never recover for various reasons.

The second general suggestion is that Uganda needs a proper relief and economic stimulus package that would define all government measures in support of businesses through an act of parliament. The relief package would set any reduction in utility fees or rental costs (should this become a matter for regulation), extension of the period for submitting tax returns or duration of tax holidays, wage entitlements of the staff (full pay or reduced) as well as any possible government support in this respect, access to affordable capital, etc. Businesses are convinced that without such a package to kickstart the economy, many businesses may not be able to recover.

Thirdly, businesses feel that they need to be part of the discussions around such a relief and economic stimulus package. They believe that presently they are not involved enough and their voices are not sufficiently heard. In their opinion, the higher-level forums and discussions organised by apex business organisations, such as the Private Sector Foundation of Uganda (PSFU), do not allow sufficient space for businesses in particular sectors to explain their problems and make sure that the future relief package adequately reflects their needs. They propose a National Dialogue or Consultations bringing together the business community from different types of businesses and different sectors to forge the way forward in a collaborative, participatory and transparent manner. The National Dialogue should involve relevant Ministries, Departments and Agencies (MDAs), taxation institutions, financial institutions, and should identify mutually acceptable solutions to the problems of Ugandan businesses.

Lastly, the business strongly believe that solutions should not be about short-term fixes but should look towards business sustainability beyond the pandemic. The government should look at this as an opportunity to prepare, for example, for the African Continental Free Trade Area

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\* This section is a true representation of the views and opinions of the businesses which participated in this survey. Whereas UNCDF and the Makerere University team support the need for a comprehensive relief and recovery package for the private sector (particularly SMEs) developed in a transparent and inclusive manner with the participation of businesses, this does not imply an automatic endorsement of specific proposals and opinions contained in this section. Such proposals should be carefully evaluated from the viewpoint of their legal and regulatory feasibility, effectiveness, budget and monetary implications. The official view of the United Nations in Uganda is reflected in the policy recommendations contained in the forthcoming Socio-Economic Impact Assessment of COVID-19 in Uganda.

(AfCFTA). Rescue packages should be linked to upgrading businesses, e.g. to add local value, to decrease reliance on imported inputs, to get standards certification so that the next time a shock hits, the businesses can ride the wave. Finally, this should be an opportunity for the government to negotiate for loans/programmes that will keep trade flowing through transport corridors even when pandemics or other shocks hit.

In broad terms, the suggestions can be placed in four categories: financial relief, employment protection and generation, support to affordable inputs and operations, and last (but certainly not least) suggestions for longer-term sustainable economic development and business resilience.

### Financial relief

Proposals for various financial relief measures account for 44 percent of all proposals reflecting its high priority for business. Business suggest two main approaches: reducing the existing financial burden on companies and improving their access to affordable capital.

On the first approach, businesses suggest

- Introducing tax holidays. The proposed duration of the tax holidays is from three months to half a year in 2020.
- A blanket tax exemption for a minimum of 6 months is proposed for certain industries, such as importers of medical supplied and equipment. Some proposals go as far as completely removing tax on certain sectors, such as private schools on the grounds that private education fills the gap created by the lack of government education institutions (see the section on Impact on the Workforce).
- Reschedule the tax payment dates and introduce a grace period of up to three months to allow companies to resume their operations. At the same time, waive fines for late filings of monthly returns declarations during the lockdown period and for a certain time afterwards.
- Suspending NSSF payments. NSSF should suspend deductions for at least three months (April-June 2020) to improve liquidity for employees (5 percent contribution) and for employers (10 percent contribution).
- Downward revision of tax rates, especially the Value Added Tax (VAT) (by 2-4 percent to 16 or 14 percent from the present 18 percent) and the excise duty. The suggestions include a reduction of VAT for SMEs to 10 percent and a tax-free import of food processing machinery as well as removal of VAT on insurance/finance related services.
- There is a proposal of liquidity injection into businesses (particularly SMEs) in the form of grants worth the last three years of paid taxes to stimulate their recovery.

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“And please, URA, kindly love us....  
We as Ugandans By God's Grace,  
we shall overcome this epidemic  
as we Develop Uganda  
Together.”

---

An improved access to affordable capital has two dimensions. One is increasing the amount of capital companies can use to cover their immediate needs during the pandemic and to accelerate their recovery. The second is to maintain the existing loan obligations affordable in

view of the changed cash flows to prevent business defaults. To improve access to affordable capital, businesses suggest

- Providing access to concessional government loans at minimal or no interest rates with a two-year grace period for up to 30 percent of the company's total value, waiving the land collateral requirement (which many companies cannot afford).
- A strong argument is made for reducing government and commercial lending rates, especially for MSMEs in value addition/manufacturing. It is further suggested that the government should establish a specialized Small Business Recovery Fund to help small businesses secure money to re-inject into businesses at zero interest rate with at least one-year grace period.
- Whereas the BoU issues directives allowing more flexibility for financial institutions to deal with outstanding loans, businesses suggest that the government should take a direct role in negotiating with banks and providing guarantees to postpone loan repayments where applicable for businesses to recover. Some businesses suggest a moratorium on loan repayments for at least three months. Others believe that the government should direct all commercial banks to wave off all loan interests for three months on all business loans.
- A more aggressive monetary policy is suggested as the Central Bank Rate (CBR) reduction by BoU has not resulted in a lower cost of finance. Businesses propose a 5 to 10 percent reduction in the CBR so that the burden on loans would reduce to prevent business collapse.
- Some businesses suggest more stringent measures of financial regulation including financial repression and capping the lending rates of commercial financial institutions. The proposals that the government should direct banks to cap loan interest rates for small businesses vary from no more than 0.5 percent per month (about 6 percent annual compound interest rate) to no more than 15 percent p.a. for the next three years.

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"I am failing to pay the Loans I got from two financial institutions. Letshego Uganda and Centenary Bank. I need help to remain in business."

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### Employment protection and generation

This is the third biggest category of concern to businesses. It covers a variety of proposals aimed at protecting the workers and stimulating additional employment, particularly during the recovery period. Specifically, the companies suggest

- Direct financial support to companies employing the youth. Government projects should be open to the youth after the pandemic, especially the Operation Wealth Creation, Youth Livelihood Programme, NUSAF and the rest. All industries should be considered in this platform of the government support.

- The government should waive the Pay as You Earn (PAYE) tax on salaries during this time to reduce the employment costs on the employers and increase PAYE threshold to at least UGX 500,000.
- To generate community employment and revive the economy, the businesses suggest increased support to the existing business community at the local level through Savings and Credit Cooperatives (SACCOs). In particular, businesses recommend long-term soft loans to SACCOs such that these village banks which most people use can access affordable funds.
- A relief package for SMEs should include a provision for covering at least 70 percent of salaries.
- The ongoing government procurement contracts should not be stopped; at the same time, the government should increase the volume of public procurement and make it available to domestic enterprises. At the same time, the going contracts with government agencies and other partners need to be renegotiated since the prices of materials have skyrocketed due to reduction in production.
- The Government should pay all its suppliers outstanding bills when the lockdown is lifted to help stimulate the economy through a trickle-down effect. All government domestic arrears should be paid as part of the relief package.
- Going forward, businesses propose measures to promote local smallholder farmers, local markets and cooperatives with a focus on low-input agriculture and less dependency on foreign companies.

### Support to affordable inputs and operations

This category includes proposals in two areas: (1) facilitating access to inputs and (2) reducing business operating costs and continued operation. Businesses propose the following measures in the first area:

- Suspend the Pre-Export Verification of Conformity to Standards Program (PVoC) after the lockdown to accelerate importation for local supply.
- Government should subsidise prices of imported products (raw materials) after the pandemic.
- Support from Government to farmers with high quality inputs such as veterinary medicines and fertilizer.
- The government should set up guidelines to allow local manufactures continued access to imported raw materials and resume full cargo movement within and between districts to the pre-COVID-19 levels in order to facilitate delivery of raw materials and finished goods to maintain the production cycle.

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“It is anticipated that we shall be back to our normal working routine on 15th April. However, if the lock down is extended, we shall see limited supplies coming in from Kenya as well as abroad and this is going to drastically affect our operations.”

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To reduce business operating costs and enable continued operation, the following is proposed:

- Restrictions on vehicular movement are a major cause of disruption as businesses struggle to collect raw materials, deliver them to processing sites and then deliver orders to the customers. The Resident District Commissioners (RDC) should be directed to be accessible and responsive to business needs. The process of allocating car stickers should be transparent and corruption-free.  

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*“Root out the corruption. We were being asked to pay UGX 300,000 for car stickers.”*

---
- A reduction in utility fees, which the businesses feel to be exorbitant. Specifically, some suggest for the government to slash utility costs for up to two years to allow for the recovery of both the households and commercial users.
- More stringent regulation of the real estate industry and rental business, in particular to cap the maximum rental fees. Rent is a major expense, especially for smaller companies. It is proposed that the rent for three months should be foregone by landlords of arcades and commercial centres. The would-be rental income for the landlords for the period can then be used towards offsetting rental tax. The tax can be spread over a period of three months. There is also a proposal for a special law to regulate landlords and tenants, which is business focused and not politically based. Whereas businesses renting space are concerned about the financial burden of rent, the real estate industry (where many companies are highly leveraged) is concerned about low revenues that would make their loan repayment impossible and will drive them out of business. Obviously, easing the financial burden on one industry should not lead to an increased burden for another, and a careful balance should be struck with the participation of the financial sector and involvement of the government.  

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*“Let the government talk to our landlords who already have issued demand notices yet we are not open nor making any profit in order to be able to pay rent and sustain ourselves too.”*

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### Sustainable economic development and business resilience

Businesses are concerned not only with the immediate impact of COVID-19 and recovery requirements but also with the longer-term economic development needs and business resilience and capacity to deal with future similar shocks. The proposals are in two areas: (1) reducing reliance on imported materials and goods (particularly manufactured) and (2) promoting nascent businesses, technology innovation and technology services.

In this respect, business suggest

- Measures to reduce reliance on imported inputs and materials including additional investments in manufacturing enterprises and government subsidies for machinery to enhance a strong industrial base in Uganda. Efforts should be made to transition to local raw materials where possible and focus on local value addition, particularly in manufacturing to reduce dependence on imported goods. The government should consider protecting the SMEs by emphasizing the local content even after the pandemic crisis. The government should encourage local manufacturers through a consistent and clear policy of financial and nonfinancial incentives, such as tax exemption and others.
- Tax incentives to local startup companies need to be more competitive than to foreign startup companies to enable national capacity. Foreign companies will get incentives from both mother and destination companies thus small companies cannot compete on even ground. Small scale industry infrastructure, such as affordable access to high voltage power, premises, knowledge, machinery, supply chains and transport, needs a collective government strategy. Cooperatives and cluster businesses should be encouraged and prioritized with incentives and promotion. Small start-up companies (revenue below UGX 1bn) that align with the Buy Uganda, Build Uganda (BUBU) policy or are majorly export-oriented or are substituting import goods need sustainable tax breaks and lenient tax brackets to enable faster realist growth and competitiveness.
- Government should come up with a policy statement aimed at streamlined support for technology innovations and technology services provision businesses through creating a special fund accessible by qualifying SMEs at the Uganda Development Bank that is repayable but interest free. The objective of such a fund would be to support sustainability of ideas that are very important for the country's technology advancement, future job creation and economic development but cannot generate own sustainable growth in the short term. For instance, the specialized scientific equipment business is a necessity to economy but such companies are not fast moving although the government categories such a firm/business as if it were a fast-moving goods business. A scientific dealer firm can easily turn to manufacturing starting with manufacture of accessory of the main equipment, if any and later proceeding to a full-grown assembly of the main device for home consumption and export. It is proposed that the government/URA creates a special category for such scientific research and technology companies.

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“For my company, it is high time we think of diversification based on locally available inputs and also change our business model. We should begin to look at our local value addition skills and begin to employ them.”

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- The national policy should focus on reducing the barriers to acquisition of IT infrastructure (hardware/software) with a minimum or no VAT/withholding tax. To improve access to information and data and stimulate development of the IT sector, it is proposed to remove the Over the Top (OTT) tax and VAT on software companies.
- Government should consider and adopt policies that recognise, license and regulate online trading. This is likely to become the preferred mode in the near future.

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“Since most transactions are on digital platforms to buy products, communicate, meet, bank, learn at home for students, tele medicine, I suggest Government should remove taxes on airtime and internet.”

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## CONCLUSION

The survey demonstrates the extent of the COVID-19 pandemic on different aspects of SME operations in Uganda. All key business indicators have been negatively affected: the output, revenues, productivity, operating costs. Particularly hardly hit are companies working in accommodation and catering; social services (education, health and social work); manufacturing; mining and quarrying; wholesale and retail trade. Export-oriented companies are especially vulnerable as over 60 percent of them expect a drop in their export volumes.

This has direct consequences for employment: 62.3 percent of the respondent companies are considering or have already started cutting jobs. The process of downsizing is likely to affect 21% of the current workforce. Even if the formal business sector is not particularly large in Uganda and includes about 750,000 employees, it produces about 50 percent of the national GDP. This trend would mean a loss of job for over 100,000 employees who are as a rule very qualified and experienced as well as a further decline in purchasing power, which is essential for maintaining the national economy and its huge informal sector accounting for 84.9 percent of jobs outside of agriculture. A recent UNCDF modelling estimates a total loss of informal jobs as a result of COVID-19 at 4.4 million.

There is however no clear cut between the formal and informal sectors of economy as this survey indicates. A business providing training and credit in form of equipment and ingredients to over 100 small scale bakeries relies on a network of street peddlers to sell its products. Now that selling by hawking is prohibited, 250 informal workers are left jobless, and the business became illiquid despite its continued solvency. A company exporting dried chilli is risking losing its export market (despite existing export orders) because of the movement restrictions that prevent them from reaching the bank to arrange for the payment to informal small holder farmers who are going to lose their income for the season. The chilli already collected cannot be delivered to the company's processing unit for the same reason.

Economies are known to be sticky and characterised by a time lag. Although the best case estimates for post-COVID recovery are three months, many industries are preparing for longer time, including accommodation and catering (57.6 percent), production and supply of utilities (54.2 percent); real estate industry (54.2 percent); financial industry (44.2 percent); and manufacturing (41.2 percent). The tourism industry does not expect to recover until over a year from now, bringing the full recovery to the second quarter of 2021. The largest number of companies with a longer period of recovery are located in the Western and Eastern regions (74.6 and 74.1 percent, respectively).

This survey makes clear the expectations of a comprehensive relief and recovery package enacted through laws and regulations. Many businesses feel they have been left alone to deal with the impacts of COVID-19 and expect the government involve them in the discussion of support measures. As the feedback from the businesses demonstrates any such package will inevitably be a careful balancing act between the shrunk public fiscal space and the recovery needs as well as sometimes contracting interests of different sectors. Limitations of the survey did not allow it to explore better what the companies themselves can do to navigate out of the crisis although some indications and good practices are scattered across sections.

The purpose of this survey is to provide close to real-time economic insight into the impact of the COVID-19 pandemic on Ugandan businesses and their longer-term expectations by using a rapid response survey. The analysis and findings presented in this document depend on the responses received from businesses, which capture their perceptions and views of the COVID-19 pandemic and the related impact. These responses are necessarily subjective and incorporate a significant amount of uncertainty associated with the duration, extent and severity of the crisis. However, this uncertainty is present in all analyses and forecasts and cannot be considered a decisive factor. A number of studies established that business surveys based on the group mean forecasts are on the average more accurate than most of the corresponding sets of individual predictions across all variables and predictive horizons.<sup>17</sup> The findings capture well the immediate impact and short-term effects of COVID-19 on Ugandan businesses.

The business impact survey is designed as an experimental study and is subject to specific strengths and limitations. Some limitations of the survey are that micro businesses (annual sales/revenue turnover or total assets not exceeding UGX 10 million) are excluded; results are based on perceptions due to the qualitative nature of the survey; and the interpretation is based on limited responses. The strengths of the survey are that close to real-time insight is provided; the respondents' experiences and insights are communicated quickly; and the experimental study can be used to supplement reliable statistics produced according to statistical value chain processes.

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<sup>17</sup> Zarnowitz, V. (1992). "The Accuracy of Individual and Group Forecasts". In *Business Cycles: Theory, History, Indicators, and Forecasting*, ed. Victor Zarnowitz, Chicago, IL: University of Chicago Press.

## Annex: Questionnaire for Firms

Questionnaire on the Resilience of Business Enterprises under the New Coronavirus Outbreak (Covid-19)

Dear entrepreneur,

In the face of the sudden outbreak of the coronavirus, we are all concerned about the current business status and needs of entrepreneurs. We hope that through research and accurate information we can better advocate for businesses.

This project is for scientific research purposes only; the information and data are strictly confidential; and all commercial use is prohibited. It takes approximately 10 minutes to complete this questionnaire. We will publish only aggregated, anonymous results. This survey complies with the Data Protection and Privacy regulation.

For your information, the survey has been adopted from the Alliance of Enterprise Survey for Innovation and Entrepreneurship. It is led Makerere University, College of Business and Management Science to evaluate the impact on the Ugandan economy.

Your contribution is important. Thank you for your support!

1. Was your business in operation as of March 18, 2020?

(a) Yes.

(b) No.

Go to 2

2. What percentage of your company staff are women?

a) Less than 50%

b) About 50%

c) More than 50%

3. Because of the epidemic, what is the percentage of your company's employees who are unable to come to work at present?

(a) 0%

(b) 1-10%

(c) 11-20%

(d) 21-30%

(e) More than 30%

(f) Unable to judge

4. Have you experienced any changes in your company's total revenue since the beginning of the disease outbreak?

- (a) Increase by more than 10%
- (b) Increase, but less than or equal to 10%
- (c) Same as last year
- (d) Decrease of less than or equal to 10%
- (e) Decrease of more than 10%
- (f) Unable to judge

5. Please choose the most significant financial problems for your company during the outbreak (rank the options in the order of priority by their impact on the business).

- (a) Staff wages and social security charges
- (b) Rent
- (c) Repayment of loans
- (d) Payments of invoices
- (e) Other expenses
- (f) No specific problem

1 <sup>st</sup>	
2 <sup>nd</sup>	
3 <sup>rd</sup>	
4 <sup>th</sup>	

6. Is your company currently considering layoffs, or has already done some because of the epidemic?

(a) Yes

Go to 5.1

(b) No

Go to 6

(c) Not applicable

Go to 6

6.1 What percentage of staff are you expecting to (or have you already) cut?

(a) 0%

- (b) 1-10%
- (c) 11-20%
- (d) 21-30%
- (e) Over 30%

7. How long can your company's current cash flow maintain the company's operation?

- (a) Less than 1 month
- (b) 1-3 months
- (c) 4-5 months
- (d) 6 months or more

8. What is the main means you are considering to deal with the cash flow shortage? (Up to two options)

- (a) Loans by commercial banks
- (b) Loans by Internet finance
- (c) Loans by microfinance companies or private individuals
- (d) Negotiating with lenders to avoid withdrawing loans
- (e) Equity financing (adding new shareholders or capital increase of former shareholders)
- (f) Reduction of operating costs (e.g. layoffs and salary reductions)
- (g) No cash flow shortfalls problem
- (h) Other (open) \_\_\_\_\_

9. What is the main means you are considering to deal with the shortage of workers? (Up to two options)

- (a) Wage increases
- (b) Use of advanced equipment or software to reduce the amount of work
- (c) Outsourcing of orders
- (d) Delay in delivery
- (e) No shortage of workers
- (h) Other \_\_\_\_\_

10. What is the main means you are currently considering to deal with the shortage of raw materials? (Up to two options)

- (a) Reduction of production
- (b) Outsourcing orders
- (c) Increasing the procurement prices
- (d) Seeking new procurement channels
- (e) Delaying goods delivery
- (f) No shortage of raw materials
- (g) Other \_\_\_\_

11. What is the main means you are currently considering to deal with difficulties in fulfilling contracts? (Up to two options)

- (a) Settlement by mutual agreement
- (b) Legal or arbitral settlement
- (c) Expect the government to coordinate and provide clear disclaimer agreements
- (d) Payment of liquidated damages
- (e) No contractual performance issues
- (f) Other \_\_\_\_

12. Are there any other business problems your company is facing due to the epidemic? (Up to two options)

- (a) Reduction of orders
- (b) Inability to deliver existing orders
- (c) Increased difficulty of financing
- (d) Existing loans cannot be extended
- (e) Disruption of logistics
- (f) Upstream and downstream chain disruptions
- (g) Insufficient protective equipment (e.g., masks)
- (h) Other\_\_\_\_

12 In the face of the impact of the epidemic, governments at all levels and financial institutions have announced relief measures. Which policy do you believe is the most effective for your company? (Up to two options)

- (a) Suspending the payment for electricity, water and interest on loans.
- (b) Reduction of charges on mobile money transactions and other digital payment charges.
- (c) Stabling foreign exchange rate
- (d) Extension on tax paying deadlines of Uganda Revenue Authority.
- (e) Reduction of financing costs for SMEs, extension of loan terms
- (f) Other ways \_\_\_\_\_

13 Do you expect your company's total revenue in 2020 compared to 2019 to

- (a) Increase by more than 10%
- (b) Increase, but less than or equal to 10%
- (c) Same as last year
- (d) Decrease of less than or equal to 10%
- (e) Decrease of more than 10%
- (f) Unable to judge

13.1 Do you think most companies in your industry have the same expectation as you?

- (a) They have more optimistic expectation
- (b) They have same expectation
- (c) They have more pessimistic expectation

14. Can you expect your company's raw materials and total operating costs in 2020 compared to 2019 to

- (a) Increase by more than 10 percent
- (b) Increase, but less than or equal to 10 percent
- (c) Be the same as last year

- (d) Decrease by less than 10 percent
- (e) Decrease by more than 10 percent
- (f) Unable to judge

14.1 What do you think most of your peers' expectations of raw materials and total operating costs are compared to your own judgment?

- (a) More optimistic
- (b) The same
- (c) More pessimistic

15. If your company is an export-oriented enterprise, how do you expect the epidemic to affect your company's export volume?

- (a) Increase by more than 20%
- (b) Increase of up to 20%
- (c) The same
- (d) Decrease of up to 20%
- (e) Decrease of more than 20%
- (f) Inability to judge
- (g) Not applicable (company has no export business)

16. Please rate your own feelings about novel coronavirus pneumonia on the following scale, from a minimum of zero to a maximum of 10

Anxiety level (not at all anxious to very anxious) [SCORE-0-10] Level of fear (not at all afraid to very afraid) [SCORE-0-10]

Level of concern (not at all concerned to very concerned) [SCORE-0-10] Level of optimism (very negative pessimistic to very positive) [SCORE-0-10]

17. What industry is your company in? (use the drop-down box) Agriculture, forestry, animal husbandry, fisheries Mining industry Manufacturing industry, Production and supply of electricity, heat, gas and water Construction industry, Wholesale and retail trade, Transport, storage and postal industry Accommodation and catering, Information transmission, software

and information technology services Financial industry, Real estate industry, Leasing and business services, Scientific research and technological services, Water, environment and public facilities management Residential services, repair and other services Education. Health and social work, culture, sports and entertainment

Other please specify: \_\_\_\_\_

18. How many employees did your company have at the end of 2019?

- (a) Less than 10 persons
- (b) 11-50 persons
- (c) 51-100 persons
- (d) 101-500 persons
- (e) 500 or more persons
- (f) Not applicable

19. Assume the duration of the restriction measures lasts for 3 months, what is the expected time for the company's business recovery?

- (a) Within 2 weeks
- (b) 1 month
- (c) 1 month to 3 months
- (d) more than 3 months
- (e) Inability to judge

20. Please tell us your company's total revenue for 2019

- (a) Less than UGX10 million
- (b) UGX 10 – 50 million
- (c) UGX 50.1 – 100 million
- (d) UGX 100.1 -150 million
- (e) Greater than UGX 150 million
- (f) Not applicable

21. Year of establishment of your company (drop down box, 2019, ..., 2000, earlier than 2000)

22. What city or region is your company located in? (drop down box)

23. What is your position in the company?

- (a) Chairman of the Board
- (b) General Manager
- (c) Director or Deputy General Manager
- (d) Head of Finance or Accounting
- (e) Head of Operations (Sales)
- (f) Technical Director
- (g) Other: \_\_\_\_

24. What is the full name of your company? (Optional)

25. We would greatly appreciate your participation in a follow up survey in a few months. If you'd like to participate, please leave your contact details (optional, mobile, email or landline number).

26. If you have any comments or suggestions on your own business or the national policy to deal with the epidemic, please feel free to leave them (optional).

Thank you very much for your participation. I wish you the best for your business and for your family, your loved ones, and your employees as well

## About the Partners



The UN Capital Development Fund makes public and private finance work for the poor in the world's 47 least developed countries (LDCs).

UNCDF offers "last mile" finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. UNCDF pursues innovative financing solutions through: (1) financial inclusion, which expands the opportunities for individuals, households, and small and medium-sized enterprises to participate in the local economy, while also providing

differentiated products for women and men so they can climb out of poverty and manage their financial lives; (2) local development finance, which shows how fiscal decentralization, innovative municipal finance, and structured project finance can drive public and private funding that underpins local economic expansion, women's economic empowerment, climate adaptation, and sustainable development; and (3) a least developed countries investment platform that deploys a tailored set of financial instruments to a growing pipeline of impactful projects in the "missing middle".



The College of Business and Management Sciences (CoBAMS) of Makerere University aspires to be a leading institution of academic excellence and innovations in Africa in its area of expertise. Its mission is to produce high calibre professionals and promote research and knowledge transfer in Economics, Statistics, Business Management and Population Sciences, for informed policy and sustainable development. CoBAMS is

mandated to teach and undertake research in the following areas: Actuarial Sciences, Business, Economics, Management, Statistics and Population Studies.



The Uganda Revenue Authority (URA) is a government revenue collection agency established by the Parliament of Uganda. Operating under the Ministry of Finance, Planning and Economic Development, the URA is responsible for enforcing, assessing, collecting, and accounting for the various tax revenues (including non-tax revenues) imposed in Uganda and to provide advice to government on matters of policy relating to all revenue sources. Its strategic direction is to cultivate a taxpaying culture through

provision of reliable services, leadership development and building strategic partnerships.



The Ministry of Trade, Industry and Cooperatives (MoTIC) is entrusted with the responsibility to formulate, review and support policies, strategies, plans and programs that promote and ensure expansion and diversification of trade, cooperatives, environmentally sustainable industrialization, appropriate technology development and transfer to generate wealth for poverty eradication and benefit the country socially and economically. The vision of the Ministry is: "Sustainable cooperatives, competitive

trade and world class industrial products and services". The mission of the Ministry is: "To develop and promote a competitive and export-led Private Sector through accelerating industrial development for economic growth."