

ORTUS AFRICA CAPITAL

COVID19 Business Relief Survey



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COVID19 Business Relief Survey Analysis



About: Ortus Africa Capital, The97 Fund

Ortus Africa Capital: Building a multi-asset investment platform to allow investors to participate across various investment asset classes in Africa. Founded in 2019 and based in Kampala, Uganda. See more at www.ortusafricacapital.com

Advisory

- Corporate Finance Services
- Infrastructure & Real Assets Advisory
- Strategy & Operations Advisory
- Tax & Investment Advisory

Investments (Platform)

- Venture & Private Equity (**The 97 Fund**)
- Credit (Raw Financial Limited)
- Infrastructure & Real Assets
- Securities & Trading

The 97 Fund: A blended capital MSME investment fund that invests in, starts and helps other entrepreneurs start companies. We build businesses that have the potential to create at scale the jobs of the future and cause large socio-economic transformation in Africa. See more at <https://the97.fund/>.

The 97 Fund is managed by Ortus Africa Capital in partnership with The Innovation Village.

COVID19 Business Relief Survey Analysis

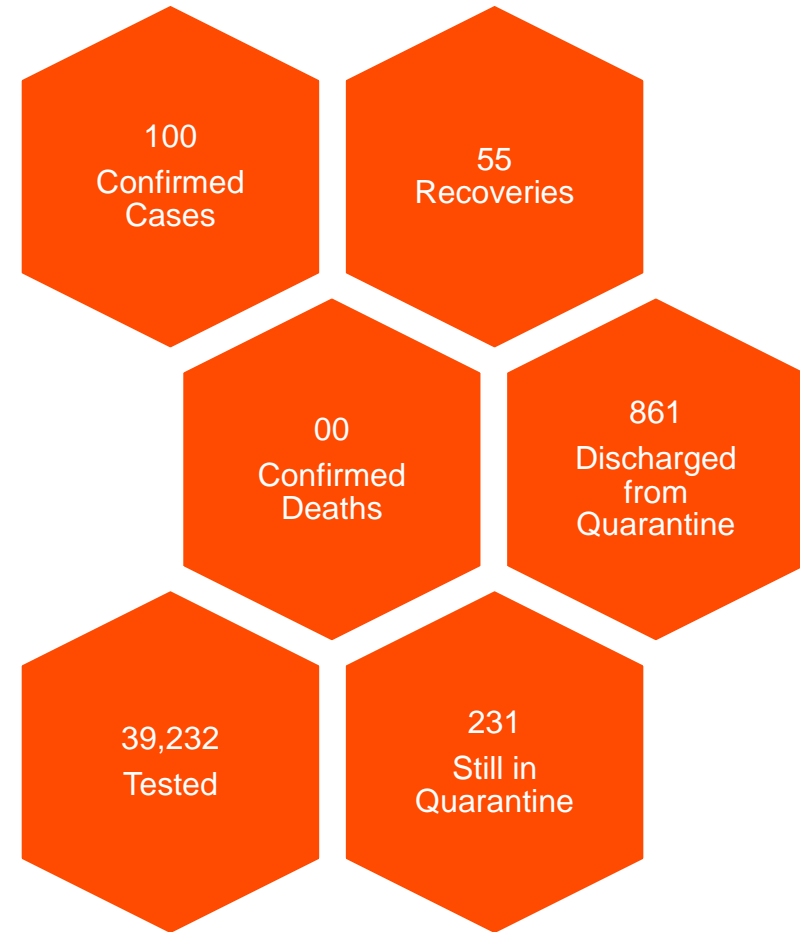
Current Situation - Statistics

An outbreak of Coronavirus (COVID-19) was declared by the People’s Republic of China on 31st December 2019. This outbreak has now spread globally including Uganda which has confirmed cases of Coronavirus (COVID-19).

As of today (08 May 2020), Uganda crossed 100 confirmed cases, this was after a mass testing exercise was conducted on truck drivers bringing in goods and supplies from the neighboring countries of Kenya and Tanzania.

On the bright side, Uganda has since seen over 55 recoveries and has had not yet registered any known deaths.

The relatively slow spread of the virus has been highly attributed to the tight measures and guidelines put in place by the President.



Source: Ministry of Health Uganda

COVID19 Business Relief Survey Analysis

Current Situation – Presidential Guidelines

On 01 April 2020, the President of Uganda put in place measures and guidelines to slow/prevent the spread of the virus in the country.

It is estimated that 60%-70% of micro and medium enterprises have had to close their doors as a result of government’s directive to social distance, suspension of public and private transport, halt in international imports and exports and declining domestic demand.

More than 1 million people have lost their jobs, sent on unpaid leave or had their salaries unpaid. The ministry of finance has projected that 2.5 million Ugandans are going to fall back into poverty.

For companies, the above projections have never been truer; specifically, we anticipate that COVID – 19 will affect Ugandan companies on both the supply and demand sides. According to the OECD Economic Outlook Interim report March 2020 , projections for annual global GDP growth for 2020 have dropped by half a percentage point to 2.4% due to the coronavirus outbreak.



Suspended; Public transport, private transport, Boda Bodas, Coaches, Air transport

Closed; Shopping malls, Arcades, Salons, Lodges, Non-food stores, Non-food markets

Prohibited: Gatherings of more than 5 people, Parties, Bars, Communal weddings, Churches, Political Rallies.

COVID19 Business Relief Survey Results



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COVID19 Business Relief Survey Analysis

Survey Results

- Between 17th April and 27th April 2020, Ortus Africa Capital conducted a survey to understand the impact of Covid19 on businesses in Uganda after the Lockdown 1.0 - which was extended to 05 May 2020, extended further to 19 May 2020.
- This was also targeted especially at MSMEs with the aim to assess size and target for a relief fund. **To build on interventions proposed following the launch of “The 97 Covid Relief Fund”.**
- 21% of the respondents to the survey were companies in the ICT and Technology sector, 11% accounted for companies in the Education, another 11% accounted for companies in the Manufacturing sector
- We also identified 9% of the respondents as companies in the Creatives and Entertainment sector with many of them working as gig workers for example in events management, media consultancy and choreography.
- 6% of the respondents were companies that offer professional services especially in the line of Business Advisory while other sectors like Crop, Hotel &Leisure, Wholesale and Retail, among others, accounted for the rest of the respondents.

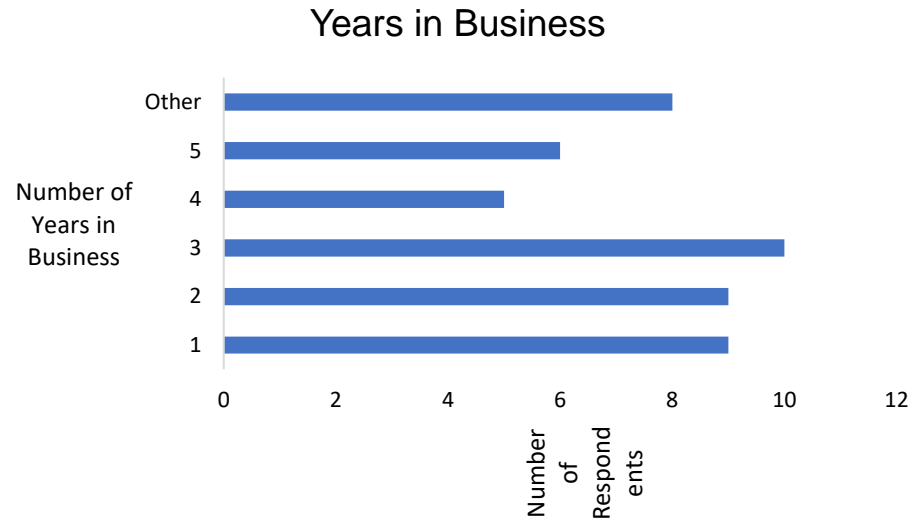
<https://forms.gle/a3KTDhi2EfcEdZAY8>

Sectors Identified

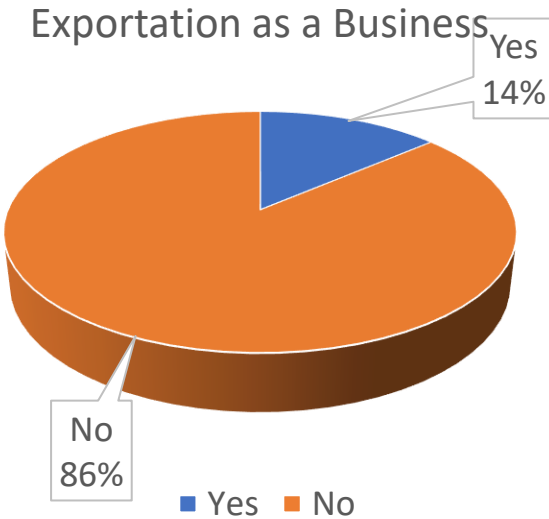


COVID19 Business Relief Survey Analysis

Survey Results



- 59% of the respondents have been operational for three (3) years or less
- 23% have been in operation for four (4) – five (5) years and 17% have been in operation for more than 5 years.
- With the majority of the respondents having been in operation for less than five (5) years, this indicates that the majority of the companies are early stage businesses.

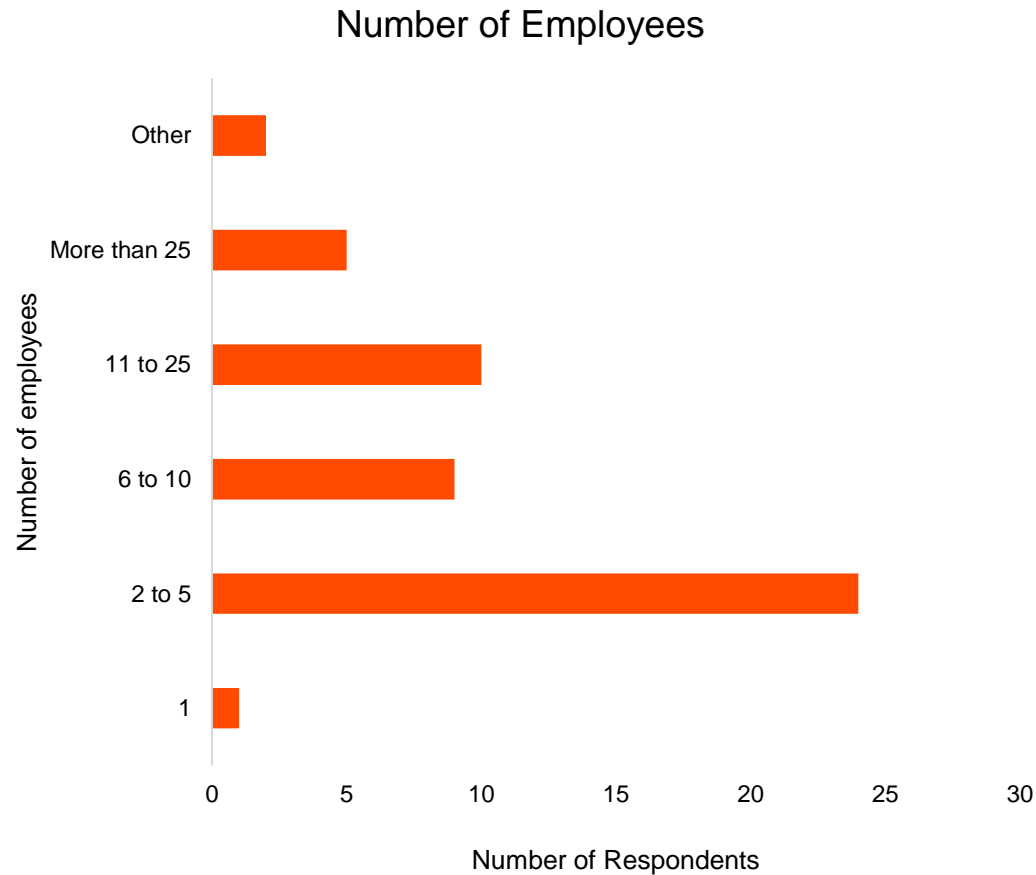


- 86% of the respondents do not export, these include businesses in Wholesale & Retail, Creatives & Entertainment, Education, Manufacturing and Financial Services..
- The 14% of the respondents that export as a business are within the sectors of ICT & Technology, Manufacturing, Vocational, Artisan & Crafts, Hotel & Leisure and Education..

Businesses have to incorporate export as a source of income to diversify and defend in times like these

COVID19 Business Relief Survey Analysis

Survey Results



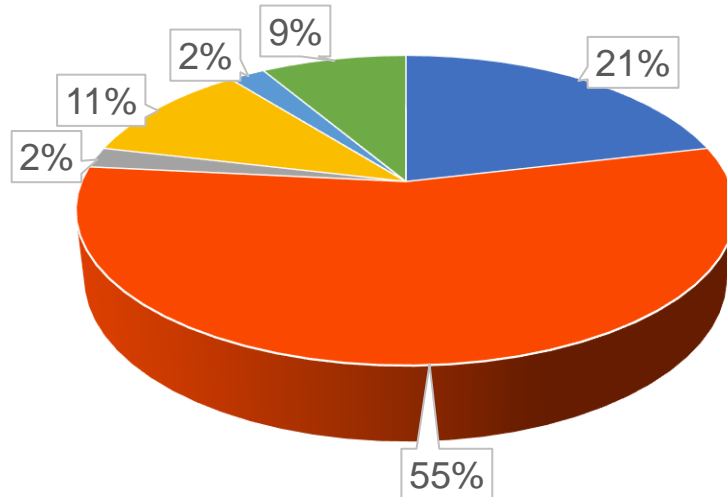
- 47% of the respondents have between two (2) to five (5) employees especially in the ICT & Technology, Creatives and Entertainment and Professional services sectors. This resonates with the majority of businesses being early stage, less than 3 years old.
- 20% have between 11 – 25 employees, with majority of the companies in the Hotel & Leisure, Crop, Social Work and Media & Telecoms sectors. 18% have six (6) to ten (10) employees, 10% have more than 25 employees and 2% have only one (1).
- The businesses with 6+ employees are in the following sectors: Manufacturing, ICT & Technology, Agriculture, Creatives & Entertainment, Wholesale & Retail, Education and Hotel & Leisure

To be able to impact and target relief most appropriately, certain sectors will have to be targeted as priority over others

COVID19 Business Relief Survey Analysis

Survey Results

Use of Digital Tools as Business



- Have an online presence eg social media, website, email
- Have an online presence eg social media, website, email, Can receive payments using MM or card
- Information system database
- Have an online presence eg social media, website, email, Marketplace or Platform
- Marketplace or Platform
- Can receive payments using MM or card

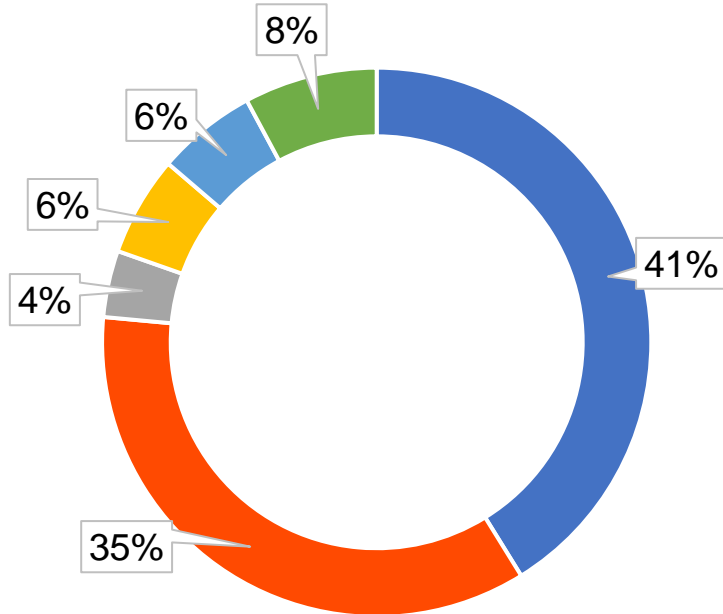
- 21% of businesses have an online presence; In addition to having an online presence, 55% of businesses have an online presence and can receive payments using Mobile Money (MM) or Card.
- 13% of the respondents indicate that their business is a Marketplace or Platform - a website or app that serves as a mediator between customers and companies or individuals offering products or services in the B2B and B2C sectors while 2% have an Information System Database - organized collections of data typically collected by schemas, tables, queries, reports and views.
- The advantages of having an online presence on social media, over and above having a cost effective means of advertising, is that there is an increased brand awareness. This has proved to be the easiest and most effective way of marketing not just before the pandemic but also during these times especially because since there is limited movement, physical means of advertisement (billboards) are overlooked.

Businesses have an online presence (via social media), however enabling payments and digital cash still not heavily penetrated; Market places are expected to experience growth in these periods

COVID19 Business Relief Survey Analysis

Survey Results

Effect of COVID19 on Sales



- Completely shut down
- More than halved
- Halved
- Moderate decline
- Mild to no impact
- Grown

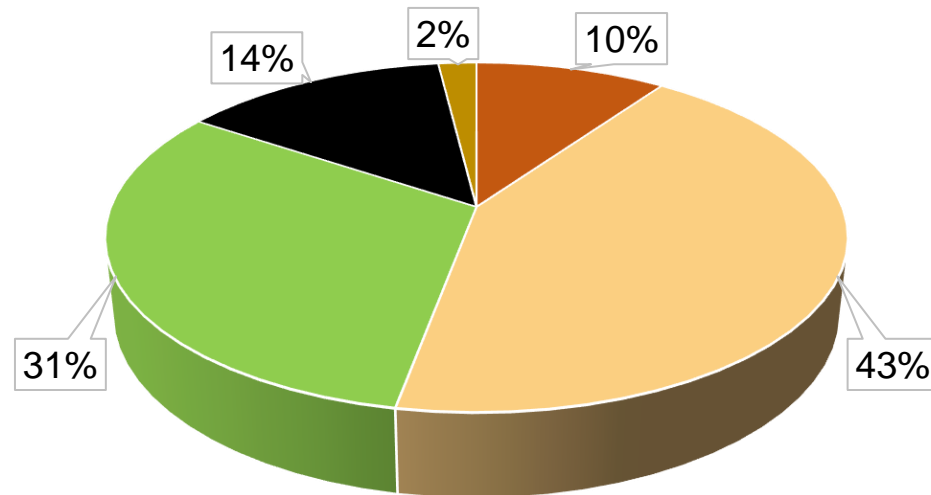
- The effects of COVID19 on sales indicate that majority of the businesses have completely shut down during this period (41%). The most affected companies are those in ICT & Technology, Manufacturing, Creatives & Entertainment, Professional Services, Wholesale & Retail, Hotel & Leisure, Vocational, Artisan & Crafts, Social Work
- The survey also indicates that 35% of the respondents have experienced a drop in their revenues by more than half, 4% by half, 6% have experienced a moderate decline while 6% have had a mild to no impact on their revenues.
- Despite the above, 8% of the businesses have indicated a growth in their revenues during the pandemic. These are businesses in the Education, Agriculture and ICT & Technology sectors.

Businesses will have to realign their models to generate revenue for example working remotely, selling products online and having them delivered directly to the customers, adapting manufacturing lines to other uses

COVID19 Business Relief Survey Analysis

Survey Results

Expected Duration of a Declined Economy due to COVID19 Effects



- 0 to 3 months
- 3 to 6 months
- 6 to 12 months
- 12 to 24 months
- Over 24 months

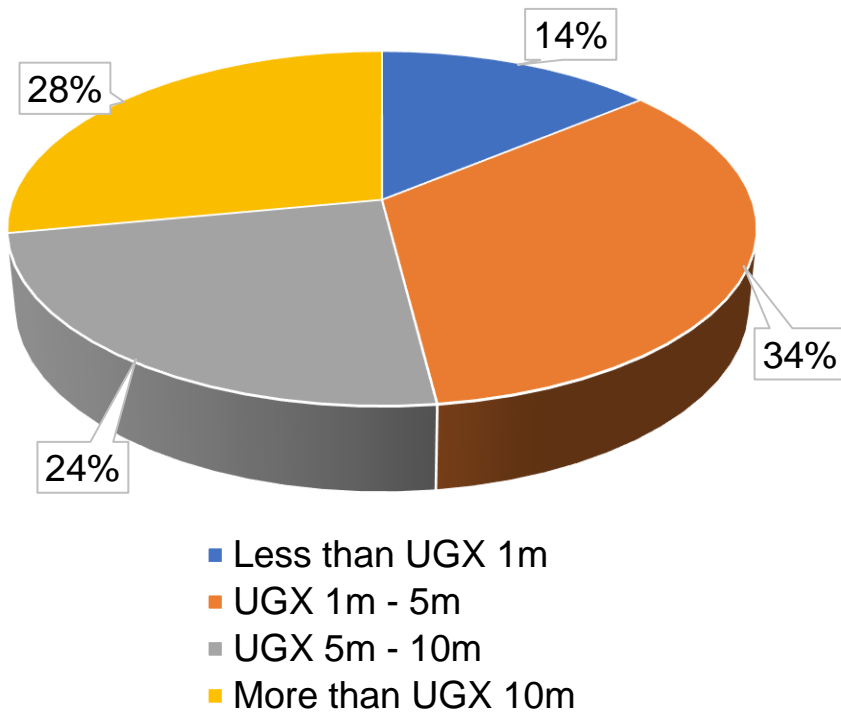
- 43% of the respondents expect the effects of the pandemic to last between three (3) to six (6) months while 31% expect a duration of between six (6) to twelve months, 14% expected the effects to last between 12 – 24 months, 2% expect it to last over 24 months and 10% expect that the effects of the pandemic will last up to three (3) months.
- The exogenous effects of the pandemic are expected to be in regard to direct trade links - between affected partner continents such as Asia, Europe and the United States, tourism - the decline in remittances from African Diaspora, Foreign Direct Investment and Official Development Assistance - illicit financing flows and domestic financial market tightening, among others.
- The endogenous effects are expected to occur as a result of the rapid spread of the virus. On one hand, they are linked to morbidity and mortality. On the other hand, they lead to a disruption of economic activities. This may cause, a decrease in domestic demand in tax revenue due to the loss of oil and commodity prices coupled with an increase in public expenditure to safeguard human health and support economic activities.

Any interventions should be designed to provide relief for up to 12 months

COVID19 Business Relief Survey Analysis

Survey Results

Funding Need to Cover Monthly Operational Costs



- The survey found that most businesses have lost significant revenue and thus need funding to cover operational expenses with an estimate of 34% of businesses requiring between one million and five million Uganda shilling (UGX 1m – 5m), 28% requiring more than Ten million Uganda shilling (UGX 10m), 24% requiring between five million and ten million Uganda shillings (UGX 5m – 10m) and 14% requiring less than one million Uganda shillings (UGX 1m) in funding to cover operational costs.
- Manufacturing, Hotel & Leisure and Wholesale & Retail require higher amounts (>10m) to cover monthly opex while Vocation, Artisans & Crafts, ICT & technology and Professional Services require lower amounts (<10m).
- We note that some of these businesses would need technical assistance and support as they review their business and operating models to reach to the impacts of Covid19.

Business relief amounts to cover monthly opex shows a median of UGX 5m (USD 1,363) and an average of UGX 11m (USD 3,000)

COVID19 Stimulus and Relief Package



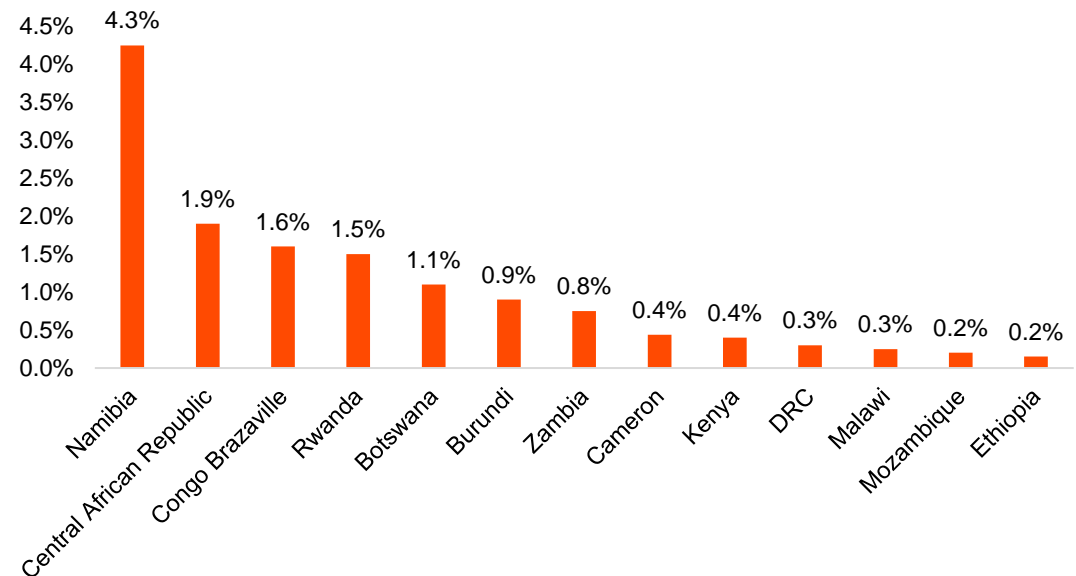
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COVID19 Business Relief Survey Analysis

Government Interventions: Africa

- **Fiscal:** support packages for people and businesses; tax relief; guarantees and loans; wage subsidies
- **Monetary and Macro policy:** cut in policy rates; NPL requirements and moratoriums on loans; lower reserve requirements;
- **Balance of Payments:** intervention in the forex markets; cut import bill; restrict forex transactions

Value of COVID-19 stimulus packages as share of GDP by country



G20 countries have spent 12.2% of GDP in fiscal support plus loan guarantees in response to COVID19

South Africa Economic Response Plan to COVID19

Intervention	Rbillion	US \$ (bn)	% of Total
Health Support	20	1.06	5.52
Social Assistance	50	2.66	13.81
Wage Subsidies	140	7.45	38.67
SMME Support	2	0.11	0.55
Credit Guarantee	200	10.64	55.25
Municipalities (water & sanit)	20	1.06	5.52
Tax Relief	70	3.72	19.34
<i>Less - Reprioritisation & deferred</i>	<i>140</i>	<i>7.45</i>	<i>38.67</i>
Total Net Spend	362	19.26	100.00
Share of GDP		6.67	

Source: <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>

Source: <https://www.csis.org/analysis/breaking-down-g20-covid-19-fiscal-response>

COVID19 Business Relief Survey Analysis

Government Interventions: Uganda

- **Health Support:** The authorities have used part of the Contingency Fund in the FY2019/20 budget to finance approximately USD 1.3 million of the Ministry of Health Preparedness and Response Plan from January to June 2020; The government has also passed a supplementary budget of about US\$80 million to support critical sectors such as health and security at the frontline of this pandemic.
- **Social Assistance:** Government also begun a mass supply of relief food to Ugandans especially those that were living from hand to mouth before the pandemic, however, we have no wage subsidies or credit guarantees so far.
- **Tax Relief:** The government has also put in place various tax measures to assist businesses for example the extension of time to file returns, payment of tax under installments as well as an extension of time to pay taxes.
- **Reprioritisation and deferred expenditure:** None announced; Supplementary budget passed
- **Wage Subsidies:** None provided
- **MSME Support:** None provided
- **Credit Guarantee:** None provided



U.S. Mission Uganda @ · May 5
 .@USAID has announced \$2.3M in new health assistance in #Uganda to support risk communications, case management, infection prevention and control, supply chain technical assistance & laboratory capabilities through existing health activities.
 #COVID19 #HandInHandWithUganda



U.S. Mission Uganda @... · 15h
 .@USAIDGH has redirected \$2M in #Uganda to help hospitals prepare for incoming #COVID19 infections, deploy an epidemiologist to help with contact tracing, expand virtual communications, protect lab workers, & provide emergency support to vulnerable children. #HandInHandWithUganda



Denmark in Uganda @.. · Apr 30
 With support from @DanishMFA we have extended financial assistance of over 2.1 Million US dollars towards the #COVID19 response in Uganda through our partners @WHOUganda and @UNFPAUganda who will work with @GovUganda through @MinofHealthUG
 #StayHomeStaySafe



IMF @IMFNews · 4m
 Today, the IMF Executive Board approved US\$491.5 million to help #Uganda address the economic impact of the #COVID19 pandemic. [ow.ly/coU050zyWOg](https://www.ow.ly/coU050zyWOg) #IMFAfrica




UN in Uganda @UNinUg... · Apr 25
 UN agencies in Uganda issue 316.4 mln USD emergency appeal for #COVID19 response. Read more of this story @XHNews
[xinhuanet.com/english/2020-0...](https://www.xinhuanet.com/english/2020-0...) #UNinUGAppeal

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Uganda: Thoughts on an MSME Relief Package

Parameter	Features
Name:	Uganda Covid19 MSME Business Relief Fund
Target:	<ul style="list-style-type: none"> Youth and women; Entrepreneurs and small businesses – sectors as identified from survey Impact rural and low income communities (urban poor, daily wage earners)
Intervention amount (USD):	<ul style="list-style-type: none"> USD 1 million to 10 million, initially
Characteristics for target business or individual:	<ul style="list-style-type: none"> Businesses generating revenue or incurring operating costs upto a defined threshold Profitable or viable business - "Business viability test" Employing at least 2 people (include self-employed) Compliant (legal, tax, audit) Seen a reduction in business revenue or other requirements due to Covid19 - "Means test"
Terms of loan or guarantee:	<ul style="list-style-type: none"> \$2k to \$100k, upto a multiple of current monthly Revenue Unsecured upto a certain amount (e.g. \$10k) Support operating expenses on condition payroll maintained; as loans to small businesses or individuals Interest rate between 0% to 10% Repayment term of upto 60 months Grace period of at least 6 - 12 months, based on sector Business rescue and technical assistance; towards digital
How to access:	<ul style="list-style-type: none"> Through financial service providers (Banks, MFIs, SACCOs, VSLAs) Consider shadow banking financial system for example via venture and specialist debt funds Independent portal and process for access, accessible online or through partners above Online application
Support documents:	<ul style="list-style-type: none"> Legal registration and proof; Accounting and Tax returns Receive money digitally or via financial services ecosystem

COVID19 Business Relief Survey Analysis

Summary

Majority sectors identified:	ICT & Technology, Manufacturing, Education, Creatives & Entertainment
Average years in business:	Three (3) years
Export as a business:	Majority do not export
Average number of employees:	Two (2) to Five (5)
COVID effect on sales or revenue:	Majority have completely shut down
Expected duration of declined economy:	Three (3) to Six (6) months
Use of digital tools as a business:	Majority have online presence on social media but only some can receive payments using MM or Card
Average funding to cover monthly operational costs:	USD 3,000/month
Estimated size of Relief Fund:	USD 1 million, to start
Sectors to Target:	Manufacturing, Tourism & Creatives, Wholesale & Retail, Vocation, Artisans & Crafts, Technology (market places and platforms, digital enablers), Healthcare, Supply chains
Ticket size:	USD 5K – 18K
Target number of businesses to offer funding:	50 no., to start

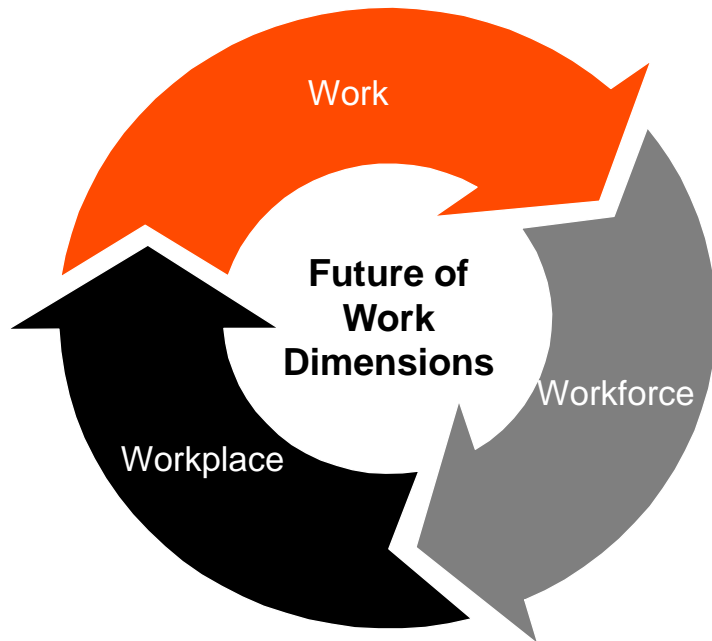
COVID19 Opportunities Arising



Covid19.cda.ug

COVID19 Business Relief Survey Analysis

Opportunities Arising Out of COVID19



Agile disruption of operating models

- The “Future of Work” was often perceived as futuristic, with businesses planning for the next 3+ years. With COVID19, businesses have had to adapt within a couple of weeks, redefining their operating models to endeavor to stay afloat and remain operational.
- The commonest adaptation trend has been providing the same services as previously offered, **through digital channels**. This has extended beyond MSMEs, to government facilities and parastatals. For example, URSB has extended business and IP registration to digital platforms. Digitization of operations improves efficiency as it eliminates all the redundant manual steps that were previously involved in service delivery.
- Businesses have similarly had to change the “workplace”. With all forms of (passenger) transport shut down, working from home has become the new norm, and if its efficacy is proven, businesses may be permanently adopt this. Pre COVID19, Harvard Business Review and Deloitte research reported that 40% of companies believed that face-to-face meetings will decrease in the next 3-5 years. The current situation however demonstrates that this reality has been achieved in sooner than 3-5 years. MSMEs in Uganda may be able to streamline operations, if they cut out operating expenses such as the need for office space, especially at early stages.

COVID19 Business Relief Survey Analysis

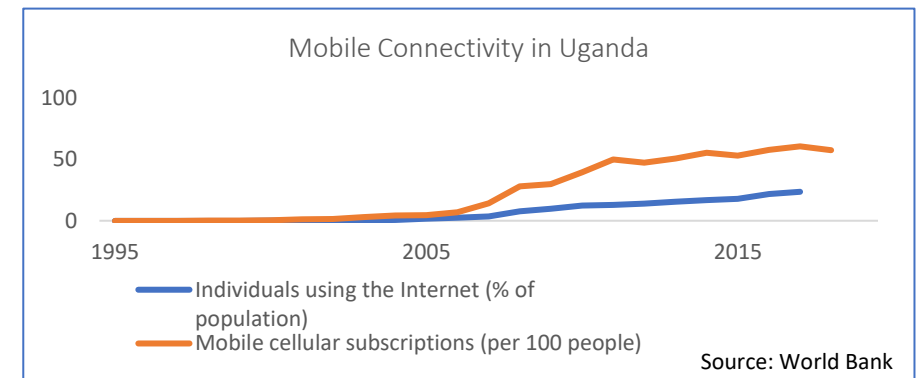
Opportunities Arising Out of COVID19

Essential vs Non-essential services

- The terms “essential services” and “essential workers” have become popularized by the prevailing situation.
- The business relief study revealed that over 80% of MSMEs have been negatively affected by COVID19. Only 8% had experienced a growth in sales and/or revenue during the crisis. These businesses are in the agriculture space- for example- *“Sourcing and delivering genuine quality affordable farm inputs to smallholder farmers in Uganda”*, and Education- *“learning and training platform digitizing education.”* These businesses leveraged the use of digital platforms to deliver everyday essential services, giving them an upper hand to grow, without reinventing themselves during the crisis.
- Reinventing the wheel and developing new products to produce “essential services” may be difficult, as new products may not easily fit within every business’ initial vision and mission, businesses can investigate ways to deliver their services to new markets, and identify how to attract varying markets.

Use of Mobile Cellular and Digital Platforms to go to market

- Uganda has demonstrated exponential growth in mobile subscriptions, growing from 28 to 57 subscriptions per 100 people in 2008 and 2018, respectively.
- While connection to the internet may be limited (23% as at 2017), mobile connectivity can be utilized to target new markets.
- SMEs in Uganda can explore the utilization of USSD codes to as a sales channel- e.g. NITA-U partnered with a local ICT company, Veritas Interactive, to set up a COVID19 USSD helpline, usable even by those without access to internet.
- Services that were originally required to involve “face to face” interactions have been digitized- e.g. Rocket Health, which provides phone consultations with doctor, mobile labs, pharmaceutical deliveries, etc. through a mobile application.



COVID19 Business Relief Survey Analysis

Opportunities Arising Out of COVID19- Ensuring Business Continuity

Seek out better access to finance

MSMEs require working capital for short term cash flows, wages, etc. Various opportunities for fundraising have come up in the recent past to support MSMEs. They should therefore be proactive, identify, and position themselves to write winning pitches to benefit from such interventions.

Retain existing customers

While not impossible, business development and winning new customers may prove difficult during this period. MSMEs can capitalize on customer retention. Check-ins and updates may remind a customer to purchase a product they may not have initially considered essential for the lockdown period.



New products and services

MSME's may consider developing new products and services to provide support to COVID relief. Production lines can be converted to COVID19 necessities. Although not an SME, Uganda Breweries Limited committed one of its production lines to produce ethanol to be used for hand sanitizers, demonstrating how new products can be borne from the pandemic.

Protection of workers

Protecting employment in the midst of globally spread retrenchment will motivate employees to deliver effectively, even while working remotely. If the MSME requires to cut costs to remain operational, subsidy schemes and salary cuts may be discussed with employees, with utmost transparency and accountability, as opposed to letting them go completely.

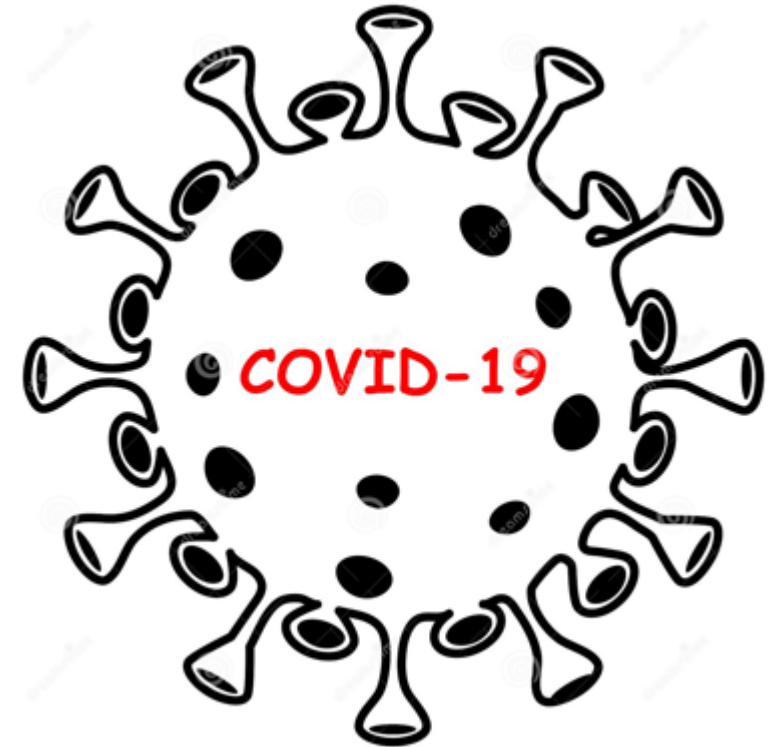
Adapt to emerging trends

Digital disruption is one of the major work, workplace and workforce trends that has accompanied the pandemic. MSMEs need to act fast, and adapt accordingly, utilizing ecommerce tools to sell, market and coordinate the value chain of all products.

COVID19 Business Relief Survey Analysis

Conclusion

- The pandemic has led to lower business activity especially due to the associated restrictions and measures put in place to slow its spread which has also contributed to decline in supply and demand of many goods and services. Some hard-hit sectors include; tourism and transportation and entertainment, where some businesses have resulted into closure.
- In the Agriculture sector, the transport restrictions and the ban of weekly markets where many farmers sell their produce is impeding farmers' access to input and output markets. In addition, schools and hotels were the big markets for agricultural produce in Uganda but have since closed thus creating a huge gap in demand. Unfortunately the locals who would on a daily basis buy food, have stocked dry foods and are unable to buy fresh food due to movement restrictions.
- COVID-19 has caused several issues in supply chains for instance difficulties in securing raw materials particularly from exports, causing low business activity and a decline in both purchases and inventories, while suppliers' delivery times have lengthened in part due to border closures. Central to the decline in business conditions were reductions in both output and new orders as people were told to stay home and businesses shut.





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