ECONOMIC POLICY RESEARCH CENTRE

Towards Sustainable Development

The Uganda Business Climate Index

Special Issue 3, August, 2021

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The effects of COVID-19 lockdowns on Ugandan businesses: A comparison of the 2020 and the 2021 lockdowns.

Downtown Kampala city.
Photo by: EPRC

Abstract

The Uganda government instituted a second COVID-19 lockdown in June 2021 for 42 days to contain the health impact of the second wave of the pandemic. This slowed and, in some cases, halted business recovery from the March 2020 lockdown. In addition, schools that had barely recovered from the 2020 lockdown were closed, worsening employment prospects for teachers. Using a random weighted sample of 149 businesses and 44 schools spread across 22 districts, this report compares the effects on businesses of the first lockdown to that of the second. The results suggest a higher reduction in business activity and demand for products of 70 percent of businesses in the second lockdown.

Enterprise constraints to accessing inputs and credit marginally eased during the 2021 lockdown relative to the 2020 lockdown for more than 60 percent of the businesses. The result from schools suggests that before the second lockdown, 48 percent of schools were in financial distress, and 21 percent had resorted to selling off assets such as land and buildings. More schools, 33 percent, stopped paying staff salaries, compared to 25 percent of schools in the 2020 lockdown. Few teachers received the COVID cash transfer from the government. The study recommends equity in the support to firms, businesses and schools; and employees, especially teachers, who have lost their businesses, jobs and livelihood. In this case, the identification and location of the vulnerable people is critical if government support is to be accessed by the intended beneficiaries. The use of local government structure to identify the poor in their communities would be pertinent in this regard.

Introduction

The impact of the Corona Virus Disease in 2019 (COVID-19) is still being felt globally to date. The outbreak of subsequent waves of the pandemic has resulted in the reinstitution of the containment measures to curb the spread of the emerging variants of the virus. During March-May 2020, Uganda instituted the first COVID-19 lockdown. The second lockdown—which lasted 42 days—was implemented during June-July 2021 to contain the health impact of the second wave of the pandemic. Consequently, this slowed and, in some cases, halted business recovery; some workers that had been recalled were laid off again, worsening the loss of livelihood that had been reported in the first lockdown.[1] In addition, schools that had barely recovered from the 2020 lockdown were closed. Large social gatherings and non-essential transport were suspended, while curfew restrictions were reinstated amongst other pandemic-related containment measures.

It's envisaged that many more persons lost employment due to the second lockdown than the 2.9 million in the first lockdown, estimated by Sunday et al. (2021). The consequence of the second lockdown on teachers could be much worse than the sectoral reallocation witnessed in the first lockdown, where teachers transitioned to working in agriculture and informal sector jobs such as bodaboda riding. In addition, the nationwide closure of learning institutions may have negatively impacted the demand for goods and services, especially agricultural foodstuffs, more severely than the case of (Sunday et al., 2021).

Therefore, this study examines the impact of the second (2021) lockdown on businesses and private secondary schools. More succinctly, the study compares the effect of the first lockdown, March to June 2020, to that of the second, June to July 2021, on businesses and schools. The study assesses the business situation during the first and second lockdowns and schools' conditions during the first and second lockdowns.

1 https://eprcug.org/publication/the-plight-of-micro-small-and-medium-enterprises-amidst-covid-19-a-post-lockdown-analysis-based-on-business-climate-survey/?wpdmdl=14056&refresh=-611b744829c031629189192

Methods

The study employed a quantitative survey design where general businesses, particularly MSMEs and private schools, were interviewed using separate questionnaires. The survey of general businesses was based on EPRC's Business Climate Index (BCI) frame, which follows a panel of firms drawn from the Census of Business Establishment (COBE) 2011 conducted by the Uganda Bureau of Statistics (UBoS) and first tracked by EPRC in 2012. This survey followed 149 businesses spread across 22 districts from four regions (central, north, east and west). Sample weights are applied to these businesses to provide insights for the general businesses in the country.

The businesses were asked questions concerning business risk associated with COVID-19 and subsequent containment measures (especially the lockdowns). More specifically, the questions were designed to capture information on the effects of the second lockdown (June 2021) on businesses compared to the first (March 2020). Major indicators examined include; business activity, demand, access to inputs and credit, among others.

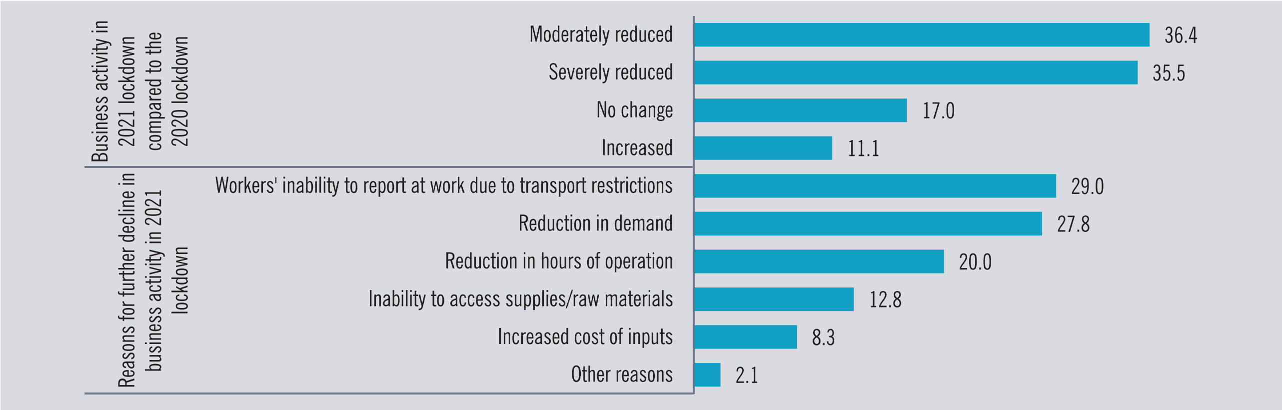
The study randomly selected two private secondary schools (one in urban and the other in peri-urban areas) from each of the BCI 22 districts. These were asked questions about the period before and during the second lockdown, which took place after reopening, compared to the first lockdown. Questions thought to enlist information regarding schools' experience during and before the two lockdowns on issues such as; changes in the number of staff and their remuneration, access to credit, access to the cash transfers by the teachers in the second lockdown. In addition, the survey assessed schools' ability to undertake online teaching and learners' preparedness to attend online classes in the second lockdown compared to the first.

Key Findings

Business activity was reduced more severely in the second lockdown compared to the first lockdown. Comparing the percentage of businesses whose activities reduced during the first and second lockdown suggests that seven out of ten businesses experienced a moderate to severe reduction in business activity in the second lockdown compared to the first (Figure 1). The results imply that the second lockdown was worse relative to the first. Businesses cited workers' inability to report to work due to transport restrictions and the reduction in demand as the top causes of the slower business activity in the second lockdown. The second result corroborates previous research by Lakuma et al. (2020), who predicted lower product demand as a significant concern for businesses if COVID-19 persisted for more than six months after the first wave.

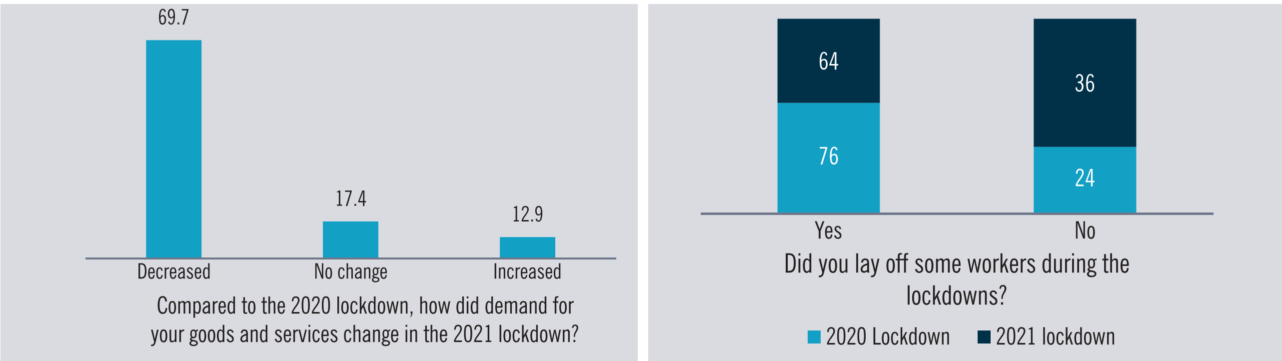
The reduction in the demand for products was much higher in the second lockdown. Close to 70 percent of firms indicated that they lost market for their product in the second lockdown relative to the first (Figure 2. The findings suggest that both lockdowns resulted in a decline in demand, with more firms feeling the impact in the second lockdown. Previous research attributes the fall in demand to the massive loss of jobs during the lockdown, which lowers the purchasing power (Lakuma et al.,2020). However, fewer firms indicated having reduced their workforce in the 2021 lockdown than the 2020 lockdown (Figure 2). Therefore, the loss of demand for goods and services in the second lockdown may result from the persistence of the consequences of the

Figure 1 Comparison of business activity in the two lockdowns and the reasons for its decline



Source: EPRC survey July 2021

Figure 2 A comparison of the changes in demand and employment in the two lockdowns (% of firms)



Source: EPRC survey April 2020 and June 2021 lay-off of 2020, which led to a depletion of savings (Lakuma et al., 2020). Indeed, even when fewer firms reported having reduced their workforce in the second lockdown, demand remained below potential as the earlier lockdown had left them with less money to spend.

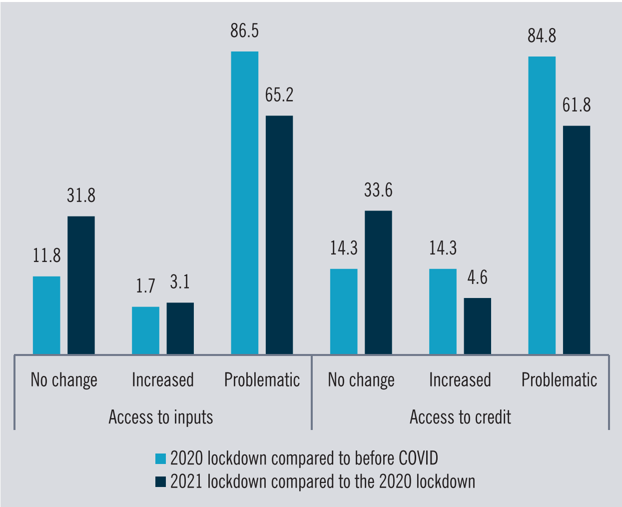
Constraints to inputs and credit marginally eased during the 2021 lockdown relative to the 2020 lockdown. The results reveal a relative reduction in the percentage of firms reporting challenges in access to inputs and credit during the 2021 lockdown. Specifically, 65 percent of the firms indicated that access to inputs was more problematic in the 2021 lockdown than the 87 percent who reported the same in the 2020 lockdown (Figure 3). The increased access to inputs in the second lockdown could be due to fewer supply chain disruptions since the airport and intra-district movements were not restricted in the June-July 2021 lockdown as much as in the previous ones lockdown (March-May 2020). This resulted in more accessible transportation of inputs both internationally and within districts.

Equally, only 62 percent of the firms reported access to credit becoming more problematic during the 2021 lockdown than 85 percent who reported the same in the 2020 lockdown (Figure 3). This also implies that while firms found difficulties accessing credit in both lockdowns, more firms experienced challenges accessing credit in the second lockdown. These results support the optimism, of lending institutions, on the recovery of the economy. Lending institutions envisage increased vaccination uptake and expansion of banking networks through innovations such as agent banking will expand access to credit to customers during and after the pandemic (Sunday et al., 2021).

Nevertheless, a relatively higher percentage of firms reported that access to inputs and credit had not changed much between the two lockdowns (Figure 3). This alludes to the hesitancy to lend and borrow by some lending institutions and borrowers, respectively, due to the uncertainties created by the pandemic (ibid). This, however, has adverse implications on the rate of economic recovery as businesses continue to face financial constraints.

Figure 4 indicates that 77 percent of the pre-pandemic staff had been recalled before the second lockdown (March 2021), while only 69 percent were recalled to work after the second lockdown. This implies that the second lockdown reversed school staffing by an estimated 8 percentage points. This has negative implications, particularly concerning the loss

Figure 3 How the two lockdowns affected the access to inputs and credit



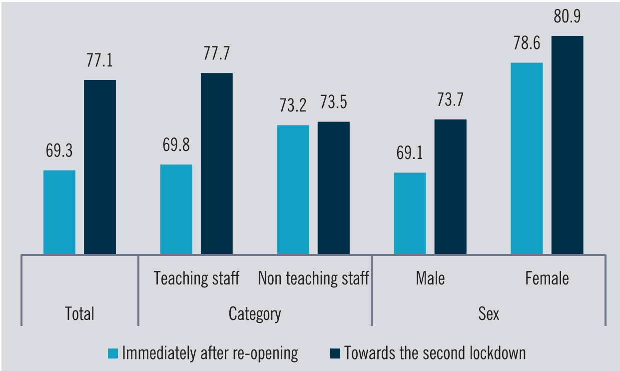
Source: EPRC survey July 2021

of skilled workers, especially teachers, who transitioned to mainly agriculture, trading and informal activities such as bodaboda riding during the closure of schools (EPRC, 2021).

It should be noted that the increase in staff members towards the second lockdown had been bolstered by higher re-employment of teaching staff as compared to non-teaching staff (Figure 4). This suggests that the 2021 lockdown curtailed the improvements in improving the teacher-student ratio, among other school improvement indicators.

There is also a gender dimension to the staff members that had been re-employed before the second lockdown. Specifically, a higher percentage of male staff had been re-employed before the 2021 lockdown than females. This speaks to the policy questions and the design of intervention geared towards addressing gendered impacts of the pandemic.[2]

Figure 4 Percentage changes in staff



Source: EPRC survey April 2020 and July 2021

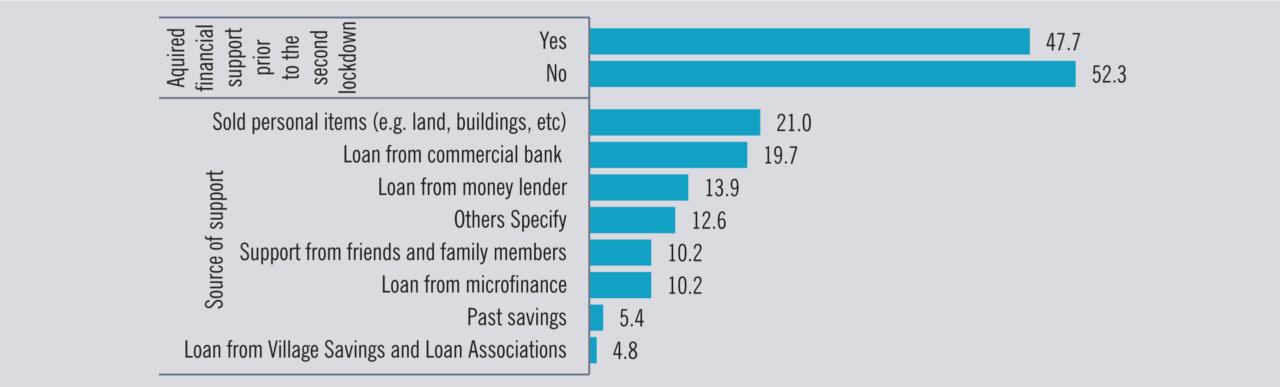
Even before the second lockdown, several schools were in financial distress and had resorted to selling off assets such as land and buildings. An assessment by Sunday et al. (2021) suggests that schools had acquired new loans and overdrafts due to the financial challenges they were facing at reopening. Figure 5 indicates that 48 percent of the schools were in financial distress and had acquired financial support to address the liquidity constraints before the second lockdown. Subsequently, 21 percent of those schools sold land and buildings instead of contracting loans from the commercial banks to service their loans before the second lockdown (Figure 5).[3]

The number of teachers who did not receive a salary was higher in the second lockdown than in the first lockdown. The study findings reveal that three in every ten schools (33 percent) indicated not paying staff salaries, compared to 25 percent of schools in the 2020 lockdown (Figure 6). This suggests a severe reduction in the incomes of staff members in the second lockdown. These findings have implications on the size of the informal economy explained by growing numbers of staff without a stable source of income. As such, the government should develop interventions specifically targeting private school teachers during the lockdowns to enable them to maintain their welfare status.

2 https://documents1.worldbank.org/curated/en/719941468114871674/pdf/345160PAPER0UG101OFFICIAL0USE0ONLY1.pdf

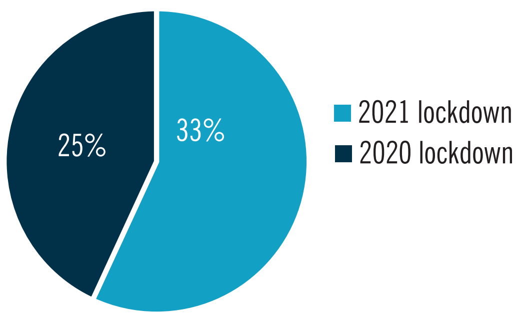
3 https://eprcug.org/publication/the-plight-of-micro-small-and-medium-enterprises-amidst-covid-19-a-post-lockdown-analysis-based-on-business-climate-survey/?wpdmdl=14056&refresh=-6120f3f72dad91629549559

Figure 5 Financial support and its source



Source: EPRC rapid survey July 2021

Figure 6 Percentage of schools that paid no salary at all during the two lockdowns



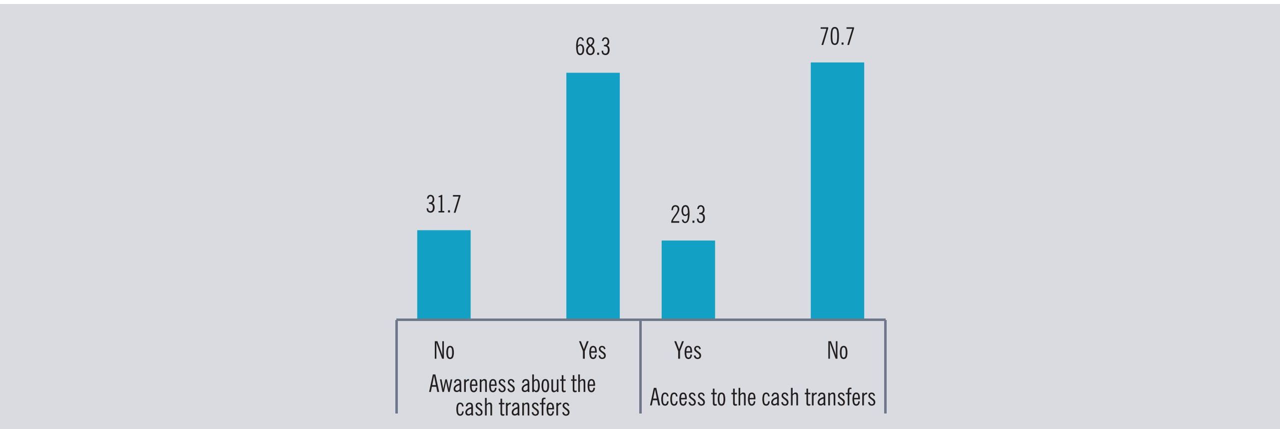
Source: EPRC rapid survey July 2021

Only three in ten school heads reported knowing a single staff member who received household support from the government. Close to 68 percent of the school heads were aware of the government's money to households whose vulnerability had been heightened by the pandemic and its containment measures (Figure 7). Results suggest that only three in ten respondents indicated knowing a staff member from their school who had received the cash (Figure 7). This alludes to the difficulties in identifying vulnerable people, such as teachers in private learning institutions. According to the school headteachers interviewed, the best way to reach teaching staff for support is through lower administrative units such as the local council, which can quickly identify all the private school teachers in their communities. They also suggest the need to develop an up-to-date database of all private school teachers so that it's easy to identify and locate them in case of any future lockdowns.

Online classes in the two lockdowns

More than 80 percent of the schools have not introduced virtual learning in both lockdowns. However, the percentage was higher in the 2020 lockdown (85 percent) compared to the 2021 lockdown (81 percent) (Figure 8). This suggests that more schools are likely to adopt online teaching with subsequent lockdowns. However, there are many infrastructural and cost-related challenges. As such, there is a need for the ministry of education to explore the barriers to online classes and find appropriate solutions for them. During both lockdowns, most students lacked the equipment to attend online classes (Figure 8). These findings corroborate those of Twinamasiko et al. (2021), which identify the lack of connectivity due to a lack of gadgets such as computers and smartphones as a key obstacle to virtual learning during the lockdown.[4] According to the school administrators, subsidising the prices of such gadgets when the schools are closed would go a long way in making them affordable and therefore accessible by the students from poor households. In addition, the government should effectively implement the earlier proposal of distributing radios and television sets to these households (Sunday et al., 2021).

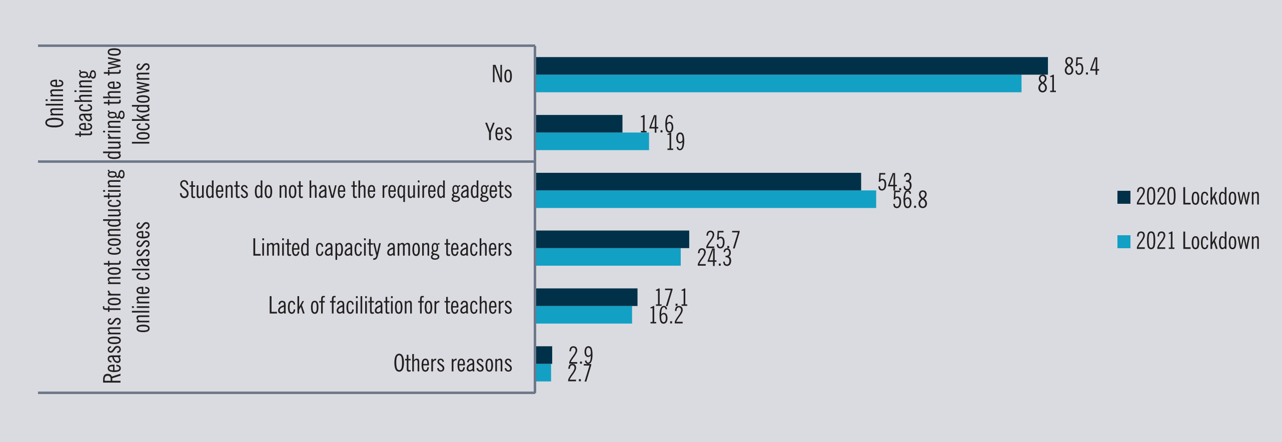
Figure 7 Awareness and access to cash transfers from the government in the 2021 lockdown



Source: EPRC rapid survey July 2021

4 https://doi.org/10.1177%2F21582440211029922

Figure 8 Percentage of schools that undertook online classes



Source: EPRC rapid survey July 2021

Conclusions and recommendations

Both waves of COVID-19 and its containment measure, especially the two lockdowns, have had an unprecedented impact on Uganda's businesses. However, there are variations in the extent of the effects of the two lockdowns on different indicators. On the one hand, more businesses reported declining business activity and demand in 2021 than in the 2020 lockdown. On the other hand, the percentage of businesses that reported difficulties in access to inputs and financial liquidity went down in the second lockdown compared to the share reported in the earlier lockdown. Additionally, fewer businesses reported having laid-off workers in the 2021 lockdown than the percentage of the same businesses that reported a reduction in their workforce in the 2020 lockdown. Broadly, results allude to the impact of the 2021 lockdown being more adverse relative to the 2020 lockdown, confirming the reversal of the minimal business recovery that had resulted from the easing of restrictions that the government had instituted in the first lockdown.

Similarly, the comparison of the effect of the closure of schools in the two lockdowns reveals that the second lockdown overturned the slight recovery that had come with the reopening of the schools from the previous lockdown. For example, private school owners resorted to selling assets such as land to pay up the loans they had acquired when reopening. This is attributed to the loss of revenue as learners were sent home again in the 2021 lockdown. Regarding the access to the cash transfers by teachers, most of the school heads had scanty information on their staff members who had received the cash transfer. On a positive note, marginally more schools adopted virtual learning in the second lockdown compared to the first lockdown probably. According to the interviewees, one of the lessons learnt from the previous lockdowns is the need to embrace technology in the operation of schools in the new normal.

However, there are cost barriers to online classes. According to school administrators, subsidising the prices of gadgets when the schools are closed would go a long way in making them affordable and accessible by the students from poor households. In addition, the government should effectively implement the earlier proposal of distributing radios and television sets to these households (Sunday et al., 2021).

Based on these findings, there is a need for the government to adequately prepare for future waves of the pandemic as the second lockdown was found to have a higher negative impact on businesses and schools compared to the previous one. For instance, earlier identification and location of the vulnerable people before the institution of the lockdown is vital if government support is to be accessed by the intended beneficiaries. The use of local government structure to identify the poor in their communities would be pertinent in this regard. Government should provide financial support to the distressed schools and businesses to recover from the effects of the past lockdown while alleviating the would-be impact of future lockdowns. Sunday et al. (2020) suggested that such support could be extended to the beneficiaries through their community groups, such as saving groups.

The Economic Policy Research Centre (EPRC) has been producing the Business Climate Index (BCI) for Uganda since June 2012. The BCI reflects the perceptions of Ugandan business managers on the current and near-future (expected three months ahead) business conditions. The BCI is a perceptions indicator of economic activity and the general business environment in which businesses operate. BCI aims to forecast turning points in economic activity and thus provide critical information for policymakers both in Government and the Private Sector.

About EPRC

The Economic Policy Research Centre (EPRC) is an autonomous not-for-profit organization established in 1993 with a mission to foster sustainable growth and development in Uganda through advancement of research – based knowledge and policy analysis.

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Acknowledgement

The Business Climate Survey team appreciates the support received from all participating business establishments across the country, our partners at the Uganda National Chamber of Commerce and Industry, Kampala City Traders Association and all persons who reviewed and edited this publication.

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