Impacts of COVID-19 on Small- and Medium-Sized Enterprises in the Rwanda Food System

RESULTS OF AN ONLINE SURVEY
JUNE 2020
GAIN and partners, including the Scaling Up Nutrition (SUN) Business Network (co-convened by the World Food Programme (WFP)), undertook a survey of food system SMEs in 17 SUN Countries in early May 2020, aiming to assess the impacts of the COVID-19 pandemic and associated control measures on their businesses and their support needs (the survey results can be accessed here). This report presents the results for businesses based in Rwanda specifically.

29 responses were received, with most being from micro- or small-sized firms; respondents were primarily processors within the vegetable and grain value chain.

All surveyed firms recorded that the pandemic had an immediate impact on their business, mainly via decreased sales (79%).

83% of firms that participated in the survey reported changing their production volume as a result of the pandemic, generally decreasing it; 72% had changed their product’s sales price.

93% of respondents anticipated future impacts on their supply chains, with transportation disruption (67%) cited as the largest expected impact.

76% of firms reported taking actions to mitigate the impact of the pandemic on their business, and 97% of firms took action to support the health and safety of their employees.

93% and 52% of firms reported urgently needing financial and technical support respectively to cope with the effects of the pandemic.

Based on these results, we recommend that a public-private partnership is needed to find both short- and medium-term solutions for the food system.

Executive Summary

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6. 76% of firms reported taking actions to mitigate the impact of the pandemic on their business, and 97% of firms took action to support the health and safety of their employees.

7. 93% and 52% of firms reported urgently needing financial and technical support respectively to cope with the effects of the pandemic.

8. Based on these results, we recommend that a public-private partnership is needed to find both short- and medium-term solutions for the food system.
Methodology

1. **ELIGIBLE RESPONDENTS**

   Owners and/or managers of micro, small-and medium-sized businesses (SMEs) in the food system in Rwanda, including firms that directly produce, process, or sell food as well as those providing supporting services.

2. **TOPIC & FRAMING**

   Respondents were asked how the COVID-19 coronavirus pandemic and any measures to control it (e.g., movement restrictions, border closings) were impacting their business, referencing the period since the pandemic began affecting their country.

3. **DISSEMINATION**

   The online survey was shared via email with firms in a food system network convened by GAIN from 29 April to 24 May 2020. 29 eligible firms responded. All respondents provided written informed consent to participate. Of the businesses approached, the survey response rate was 29/256 (11%).

4. **ANALYSIS**

   Data were cleaned and analysed using Stata SE15 (StataCorp, 2017). This rapid assessment report presents descriptive statistics across 29 responding Rwandan firms; all data are presented in an anonymised form.
Responding Firm Characteristics

- **Number of Firms**: 29 responses were received from all 5 provinces with the majority coming from Kigali City (13/29).

- **Small /Micro Sized Firms**: 72% of participating firms are small or micro-sized, with less than $100,000 USD in annual turnover and fewer than 50 staff.

- **Women Owned Firms**: 24% of respondent firms were women-owned businesses and 24% of the businesses were jointly co-owned by women and men.

- **Years in Operations**: 83% of participating firms have been in operation for less than 5 yrs (median: 4 yrs, IQR: 3-5, range: 1-13).

- **Processing Firms**: Majority of firms were involved in processing (41%).

- **Vegetable & Grain Value Chain**: Largest share of firms (35%) surveyed operate in the vegetable and grain value chains.
The majority of firms were in the processing sector (41%), followed by crop farming (35%) and livestock farming (21%). The main food categories represented were vegetables (35%), grains (35%), fruit (31%) and eggs (24%), with the representation of legumes, dairy, meat, fish, nuts/seeds, and roots/tubers ranging from 3-15%. Firms could work in more than one sector or food category.
All 29 surveyed firms reported that the pandemic had an impact on their business. 45% reported that the impact was moderate but manageable; 34% reported the impact as being difficult to manage; 3% reported the impact as minor; and 17% reported a severe impact that would likely lead to business closure. The main impact cited by firms was decreased sales (79%), followed by difficulty accessing inputs (62%) and difficulty paying staff (59%).
Impacts of COVID-19: Price & Production Volume

24 firms (83%) reported changing their production volume as a result of the pandemic; of these, 46% reported a considerable (>30%) reduction in production volume, 25% reported a moderate (15-30%) reduction in production volumes, 17% reported a slight reduction (<15%) in production volumes, 8% stopped production entirely, whilst only 4% of firms reported an increase in production volumes. Considering the firm’s product sales price, 21 respondents (72%) reported changing their product price as a result of the pandemic; of those making changes, 52% reported a considerable (>30%) decrease in product prices, 29% noted a moderate (15-30%) decrease in their product prices, 5% reported a slight (<15%) decrease in their product prices, whilst 15% of firms reported increasing their product price by less than 30%.
27 respondents (93%) reported that they expected impacts of the pandemic on their supply chains over the next 6 months, with transportation disruption (67%) cited as the largest anticipated impact, followed by shortage of supplies (30%), shifting operations to other regions (22%) and suppliers closing down (22%).
Additional Impacts

Some respondents elaborated on the impacts of the pandemic on their business. Representative quotes include:

“Our 52 field staffs are not working because they have been locked down at home.” – livestock farmer in Kigali City

“Some of my clients disappeared with unpaid invoices and as a result I have been unable to continue doing business. My clients are still waiting for me to resume the business and because of this delay there is a risk of losing them... The farmers I have contracted across the country have been unable to sell their harvest to me at a good price and have now resorted to selling their produce at local markets.” – processor based in Kigali City

“Coronavirus crisis is associated with the highest level of uncertainty in almost all economic sectors thus value chains have been disrupted due to, (1) delays in the delivery of necessary components and supplies, (2) policies and mechanisms such as restriction of movement of non agriculture goods and people, (3) financial constraints, which affects the normal production process. We can not be remunerated if businesses are facing these factors.” – retailer and distributor based in Kigali City
New Opportunities

52% of respondents noted wanting to explore new business areas as a result of the pandemic. Those commonly named included:

**Digitising Operations**
Explore the introduction of online sales and delivery, including use of smartphone apps.

**New Product Range**
Firms are actively considering how to expand their product portfolios such as developing shelf-stable and nutritious foods thought to be ‘immune-boosting’.

**Diversifying into New Markets**
Some respondents have been keen to explore export markets.

**New Business Strategies**
Firms are looking to optimise their supply chain by exploring upstream, midstream and downstream investments.
22 surveyed firms (76%) reported taking actions to mitigate the impact of the pandemic on their business. Among these respondents, 64% reported increasing customer communication, whilst other actions included, reviewing/adapting supply chains (55%) and increasing social media engagement (50%). 28 surveyed firms (97%) reported taking actions to support employee health and safety. These actions included providing information on COVID prevention (82%), providing personal protective equipment (61%) and allowing staff to work from home (50%).
27 respondents (93%) reported urgently needing financial assistance to cope with the effects of the pandemic on their business; most required less than 50,000 USD (39%) or 50,000-100,000 USD (17%). Main uses of such financing included working capital (63%), refinancing (41%) and equipment financing (37%). Only 15 respondents (52%) reported urgently needing technical assistance to cope with the effects of the pandemic on their business. Respondents sought advice mainly on marketing (53%), quality assurance (47%) and reducing costs (47%).
27 firms (93%) felt that government actions were needed to help firms weather the effects of the pandemic. Recommended actions included providing financial support (85%), providing incentives (41%), keeping borders open (37%), support local transportation of goods (66%) and providing unemployment insurance/salary support (37%).
Conclusions

This rapid assessment has shown that:

1. Food system firms in Rwanda are experiencing financial hardship as a result of the pandemic and related control measures.

2. In many cases, the pandemic has resulted in decreased or stopped production, which could have negative impacts on the food supply in the short and medium term.

3. A sizeable minority of firms also report or anticipate layoffs or pay cuts for staff, exacerbating the pain of the existing economic slowdown on workers.

4. Many firms do, however, see opportunities for new business models or products as a result of the pandemic.

While not assessed here, these changes could have negative impacts on consumer access to safe, nutritious foods and may risk increasing food loss.
Recommendations

Based on these conclusions, it is essential for the government and development partners to support these crucial yet vulnerable SMEs to ensure they remain in a position to provide nutritious, safe foods in the future. To that end, we make the following recommendations:

1. Particularly important is partnering with local financial services providers to develop a comprehensive package of financial support for SMEs, including grants or short-term low-interest bridge loans to meet critical needs (e.g., payroll), prevent bankruptcy, and support investment in production post-lockdown.

2. The government can also provide subsidies to banks to enable them to waive loan fees or extend payment deadlines and inject capital into the agri-food sector to help SMEs and their workers stay afloat.

3. Technical assistance can be provided to help SMEs adapt business models, reach consumers online, or adopt processing or packaging to extend products’ storage or shelf life.

4. Facilitate the free movement of food-related goods and equipment within and across national borders is also essential.

5. The government can also remove taxes on food-related goods for a given period to facilitate SMEs in reducing their costs which would contribute to the increase in the availability of affordable foods.
This survey, a rapid assessment, is subject to certain biases: opt-in response bias, imperfect representativity (especially of smaller, less internet-savvy firms) within the network studied; imperfect representativity of the network itself (especially of firms producing less-nutritious foods); and potential misinterpretation of questions, given the online survey mechanism.

Certain provinces are also over-represented in the responses, due to the greater presence of the surveyed networks in those provinces.

The situation is also likely to change rapidly; the information presented here can only be considered a snapshot in time.

Due to the small sample size, the survey was not powered to analyse gender differences.
Acknowledgements

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