

## **A response to the business development needs of Agri-Small and Medium Enterprises in Uganda.**

Resilience, agility, and adaptation are three important qualities adopted by enterprises over the past two years to support business continuity amidst the COVID-19 pandemic.

As the disease spread across the world, governments reacted by imposing lockdowns and restrictions on the movement of goods and people, in the hope of minimizing its spread and containing the situation. Unfortunately, these measures also had negative effects on supply chains and industries impacting businesses across the world.

The situation in Uganda was no different. With the first lock-down imposed in 2020 and the second in 2021, allowing only essential services and cargo transportation, businesses suffered great losses with the prolonged periods of shut-down, raising concerns about their survival.

Unlike most businesses in Uganda, Sekajja Agro Farms Limited's was raising capital to fund its growth and expansion strategy. In addition to accessing the much-needed patient capital from the Yield Uganda Investment Fund, the business benefited from the Business Development Services (BDS) Support matching grant facility managed by IFAD

The BDS facility provides tailor made support to business portfolios for expansion, efficiency, and profitability, in addition to ensuring they adopt and adhere to international product quality and safety standards, environment and social governance. Through the BDS facility, Sekajja Agro was able to hire a professional project management and engineering firm to help them setup a large modern automated abattoir, cold chain system and feed mill.

With the disruptions resulting from COVID related restrictions, implementation of critical business development support interventions in line with the investment plan had come to a sudden halt for several investee companies of the Yield Uganda Investment Fund. We therefore went back to the drawing board to find other ways of supporting the business during this challenging time and encourage them to continue with or take advantage of the BDS being offered.

### **What did we do differently?**

#### **Increased BDS subsidy to the businesses**

Before the COVID-19 pandemic, the Fund provided business development services on a 50-50 matching grant basis. However, due to the impact of the pandemic on the businesses, the Fund prioritized the Covid-19 pandemic as an exceptional circumstance, allowing IFAD to increase its subsidy to 85 per cent, with businesses contributing only 15 per cent thus making the sought-after service more accessible to businesses like Sekajja Agro Farms.

#### **Restructured the BDS implementation plans**

Prior to investment, a business needs assessment is carried out to identify the critical gaps in companies, which then further results to the development of implementation support plans, with clear timelines and fund allocations post investment. With the spread of COVID-19 and the spillover effects on delayed implementation, businesses have been allowed to refocus and change their activities, implementation plans and timelines to allow the investees to prioritize new and emerging activities relevant to the current situation.

#### **Changed the payment arrangements for BDS**

Prior to COVID-19 pandemic businesses seeking to access the BDS funds were expected to pre-finance the costs and seek reimbursement. This meant that the businesses needed to have the capital upfront. With the pandemic came cash flow challenges for majority of the business, thus the Fund now disburses the 85% in advance to pay the service providers.

With these new adjustments, we are in the process of reviewing several applications from our investees who would wish to take advantage of this new financing arrangement.

The lessons, modifications, and assessments of the BDS component and support to the investee companies will be continually documented in the remaining three years of the implementation period.

BDS continues to be an essential ingredient for building the capacities of SMEs by providing the much-needed support for business sustainability, expansion, environmental and social impacts.

By end of December 2021, 79 percent of the business development service grant facility, valued at EUR 2.4 million, had been committed across the 11 investee companies.

**By Stella Okot-IFAD**