

APPLYING SYSTEM MAPPING TECHNIQUES TO UNDERSTAND SHOCKS COVID-19 UPDATE REPORT NO. 4 (17 SEPT 2020)

Executive Summary

This report captures key impacts of COVID-19, and the corresponding government response, on the agriculture market system in Uganda. It is based on our analysis of more than 250 sources, including open-source data, articles, and reports, combined with targeted key informant interviews and insights derived from our system maps. This report provides updates to our previous analysis, as well as a discussion of the impact of COVID-19 on smallholder farmers. We also discuss which components of the agricultural market system should be monitored over the next few months in order to evaluate the impact on the system moving forward.

Impact on inputs sector does not seem as dire as initially expected

Key Informant Interviews conducted in August confirmed that inputs retailers are facing higher transportation costs, but suggested that access to finance is not as difficult as initially expected. Neither wholesale nor retail input prices have uniformly increased, and the demand outlook for the current planting season is mixed: some expect higher demand for inputs, some lower. These results, though from a small sample, suggest that the impact on the inputs sector has been less severe and more heterogeneous than expected. Based on the information we were able to gather, the inputs sector appears relatively resilient at this stage; this may change if input purchases drop off dramatically this planting season.

Commodity distribution sector still challenged by low prices and low demand

Wholesale and retail maize prices continued to decline in July and August, though still within recent historical ranges. These prices were likely impacted by the increase in supply from the June-July harvest combined with continued low domestic and export demand. The average gross margin for maize remains elevated, though it dropped somewhat from the three-year high seen in June. The value and volume of formal maize exports picked back up in June and July, approaching the five-year average, though below historical seasonal trends. Informal cross-border trade (ICBT) export values have remained at essentially zero, corresponding to roughly \$8 million of lost revenue for informal traders from April through July. We expect continued challenges for the commodity distribution sector until prices recover, as the combination of low prices and low demand likely means continued low profitability for businesses, particularly those trading in maize and especially for smaller and informal traders.

Smallholder farmers have suffered income losses but are resilient

The first season harvest was near average, but many farmers struggled to find buyers and faced low commodity prices. Smallholder farm households have generally experienced a drop in income, both from agriculture and off-farm sources. Many households have experienced greater food insecurity, and have reduced consumption. Many also reported higher food prices, even though the prices of staples in major markets have been on a downward trend. Overall nutrition has likely declined. However, rural households appear to have fared better than urban households: 67% of rural households reported in a Uganda Bureau of Statistics [survey](#) that they had relied on their farm as their main source of food since the outbreak, while 67% of urban households were forced to rely on the market. The most common coping mechanism for households that experienced a shock was to rely on savings, and only 3% reported selling assets, which signals a promising level of resilience. The prospects for the upcoming season are mixed: while there are reports of new entrants into agriculture, many farm households will be unable to afford agricultural inputs this season (or may not have access to them), which will impact yields.



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Sentinel indicators can fill knowledge gaps moving forward

It is essential to continue monitoring the impact of COVID-19 on the market system over the near- to medium-term. Particularly in the context of a complex system, there might be latency in the effect of a shock, so it is important to continue monitoring key nodes in the system even after it appears that the shock has passed. We have proposed a set of sentinel indicators to serve as early warning indicators of system change at key system nodes. We also recommend cultivating a network of contacts across the system who can provide information quickly and efficiently through Key Informant Interviews.

Uganda's market system has proved resilient

From a systems perspective, the past few months have demonstrated that the market system in Uganda is relatively resilient. Though there have been increased costs, disruptions, and delays, businesses across the agricultural supply chain were able to adapt and continue operating in some form. Smallholder farm households also appear to have been relatively resilient in the face of this shock. A shock in a system can be an opportunity to promote behavior change: policymakers can identify and discourage maladaptive responses before they become entrenched, and encourage positive behavior changes that will help actors adapt to the current shock and render the system more resilient in the future.

The analysis in this report is the product of a Rapid System Assessment of the agricultural market system in Uganda. The USAID/Uganda Feed the Future Market System Monitoring team developed this methodology in order to anticipate the likely impacts of COVID-19. As a sense-making strategy, using a system map helps to organize information that is constantly being updated in a systematic way, and enables practitioners to visualize the status of a system. Structuring the analysis in this way also enables decision-makers to frame the situation in a way that allows them to act dynamically and anticipate how the system will change over time.

Our analysis focuses on a few key subsystems, which represent the parts of the system that are most closely linked to USAID's current market system development programming. Our objective is to inform USAID's response to the situation and provide guidance on which parts of the system should be monitored going forward. The insights presented here represent our best understanding of the system status. To learn more about our methodology and read our previous reports, we encourage you to access the following resources:

- Rapid System Assessment Methodology:
<https://dspace.mit.edu/handle/1721.1/127658>
- Uganda Agriculture Market System Map with COVID-19 shock:
<https://kumu.io/MSM/usaids-uganda-ftf-msm-activity-covid-19-map#full-map/shock-status>
- Guide to interpreting the COVID-19 shock map:
<https://dspace.mit.edu/handle/1721.1/127277>
- Update Report No 1: Representing the Shock & Initial Hypotheses:
<https://dspace.mit.edu/handle/1721.1/127279>
- Update Report No 2: Deep-Dive on Agricultural Inputs:
<https://dspace.mit.edu/handle/1721.1/127280>
- Update Report No 3: Deep-Dive on Commodity Distribution:
<https://dspace.mit.edu/handle/1721.1/127281>

Please contact our team at msm.uganda@mit.edu with any questions or feedback.

