



COVID-19 RAPID MARKET IMPACT REPORT

MAY 2020

The biggest and longest lasting global impacts from COVID-19 will likely be economic, with vulnerable groups including farmers, workers, entrepreneurs and households facing the greatest setbacks. This report highlights initial economic and food security impacts of local policy responses around the world, and signals potential negative impacts or consequences of those responses. Information comes from 22 Mercy Corps country programs across the Middle East, Asia, the

Caucasus region and Africa, collected between 23rd- 30th April, 2020 by in-country field staff via phone, WhatsApp and email interviews and supplemented by secondary research.¹

Overview & Summary

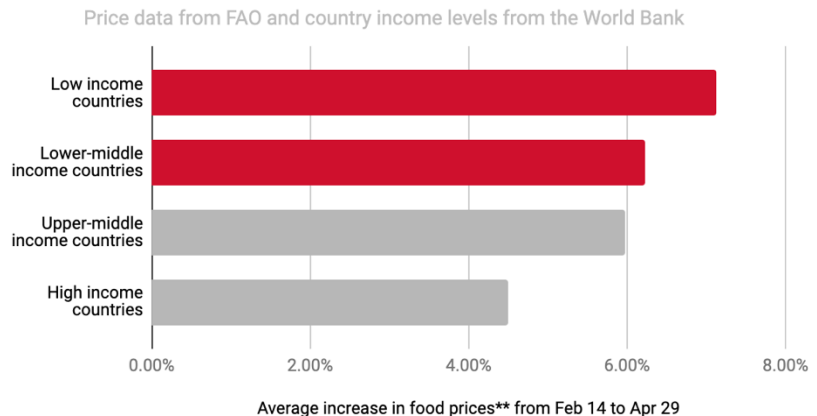
As COVID-19 restrictions continue and evolve across the globe, economic vulnerability is growing at a rapid pace. In fragile contexts and those with weak social protection systems, people continue to rely more on their local economies for food and income than on the support of aid groups — even when those economies are hamstrung by crisis. The global nature of the COVID-19 pandemic is affecting nearly everyone, albeit unevenly. **Urban consumers and workers are at the forefront of impacted groups**, along with those dependent on more complex and trade-dependent supply chains. **Prices for staples are increasing** in many locations,² on the back of global and local trade restrictions, increased household stocking and Ramadan. In contrast, as **purchasing power suffers**, some locations are seeing price dips as consumers reduce consumption, shift to cheaper substitutes and reduce their reliance on restaurants and prepared foods. While capital-intensive sectors dependent on imports and exports are struggling, **businesses with greater connections are better able to adapt**. For example, large agribusinesses in Nigeria are helping their vendors and aggregators access exemption permits, which exclude them from travel restrictions that could hinder their operations.

Informality continues to be a significant factor

determining individuals' ability to adapt, with larger, more formal and better networked firms faring better than their informal counterparts.³ With lockdown measures in place, more formal businesses in Jordan have channels for accessing exemptions and permits that allow them to continue

operating, while larger millers in Myanmar have the networks to forecast economic shifts and locate supply that their smaller counterparts cannot. In some cases, larger firms have greater access to capital and ability to absorb risk — allowing them to adapt their models — and sustain networks of more informal retailers, farmers and last mile agents. Contract farmers in Indonesia report better access to markets than those with no prearranged buyers. However, longer periods of lockdown will test these businesses' ability to sustain operations.

Figure 1: Food prices in low and lower-middle income* countries are growing fastest



¹ Data was gathered from the following countries: Georgia, Myanmar, Nepal, Indonesia, Afghanistan, Timor-Leste, Mongolia, Palestine, Iraq, Lebanon, Yemen, Jordan, Niger, Liberia, Nigeria, Zimbabwe, Ethiopia, Democratic Republic of Congo (DRC), Somalia, Uganda, South Sudan and Sudan.

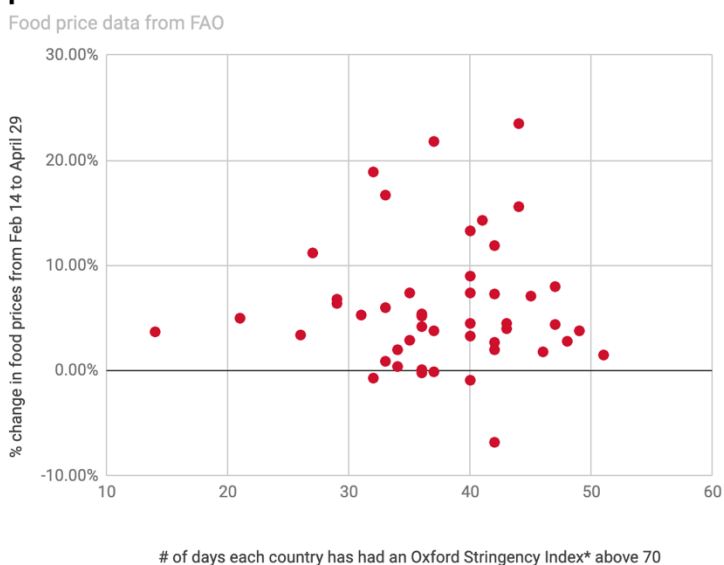
² <http://www.fao.org/giews/food-prices/regional-roundups/en/>

³ WIEGO also reports police evictions and brutality against informal traders: https://www.wiego.org/sites/default/files/resources/file/Impact_on_livelihoods_COVID-19_final_EN_1.pdf.

Stress on financial services varies depending on context. Anecdotally, participating countries with the longest and strictest periods of lockdown note the greatest strain on both formal and informal financial service providers (FSPs), while some with shorter lockdowns report credit and liquidity stress is only affecting small and micro enterprises.⁴ In Iraq, **excess withdrawals and reduced loan payments are causing liquidity challenges** for banks and microfinance institutions (MFIs), with an estimated 50 percent deferment of outstanding loans. Countries reporting from Asia, while anticipating future challenges, are not yet reporting liquidity issues. **Remittance flows are expected to drop** by 20 percent in 2020 in low- and middle-income countries, largely due to loss of wages and employment among migrants, as well as falling oil prices. The cost of remittances are an additional barrier for cash-strapped individuals. Countries like Nepal and South Sudan, where remittances make up 27 and 34 percent of GDP, respectively, will be hard hit.⁵

Going forward, **hot spots for economic vulnerability and food insecurity** are likely to be in locations that are both **dependent on trade and highly informal**. Figures 1 and 2 show lower income countries — which tend to rely more heavily on informal economies — are experiencing greater food price increases, with the highest price spikes in locations that have faced strong restrictions for more than 30 days. In these contexts, microenterprises and informal workers — often **disproportionately youth, women and displaced groups** — are losing income, and those same microenterprises play a significant role in providing affordable food for their communities.

Figure 2: As countries persist under stringent government measures for 30+ days some have seen a drastic rise in food prices



⁴ Consistent with global predictions that longer lockdowns will deepen economic impact. <https://blogs.imf.org/2020/04/14/the-great-lockdown-worst-economic-downturn-since-the-great-depression/>

⁵ <https://www.knomad.org/sites/default/files/2020-05/Migration%20%26%20Development%20Brief%2032-COVID-19%20Crisis%20Through%20a%20Migration%20Lens.pdf>

Middle East

Overview⁶

Governments in the Middle East generally reacted early and decisively to the COVID-19 pandemic, shutting down their economies to all but essential businesses and installing curfews and home confinements by mid-March. The immediate loss of work and income from these policies caused an economic downturn that has been exacerbated by reliance on income from dropping oil prices in countries such as Iraq, and the importance of tourism in locations like Palestine, Jordan and Lebanon. While movement restrictions are easing as of the first week of May, the continued closure of all international travel means the pandemic will continue to have major impacts on the region's economy. Political tensions in Lebanon, Iraq and Palestine further cripple businesses' ability to mitigate risks, along with related reductions in the availability of credit. In Lebanon, some small local producers and traders report demand has decreased 25-95 percent and that the continuously devaluating Lebanese pound is forcing them to raise prices 90-150 percent. These drastic shifts make it difficult for them to plan, operate and reliably provide goods to their customers.

Outside Lebanon, reduction in cross-border trade and increases in demand have resulted in rising prices, the severity of which varies by country. There have been two somewhat distinct surges in localized demand for basic foodstuffs and hygiene products on different occasions: the first in early March as restrictions went into effect, and the second at the end of April in anticipation of Ramadan. While trade for food and other key items continues, delayed or reduced access to goods, services and/or labor is creating slowdowns in key sectors, including agriculture. More capital-, labor- and input-intensive agricultural and livestock sectors in Jordan and Iraq are braced for reduced production over the coming months,⁷ particularly at the smallholder level. Jordan has seen delayed breeding of sheep and goats as a result of follow-on effects from restrictions. Iraq is also experiencing decreased private sector engagement in the wheat and barley markets as a result of increased government activity in the purchase and sale of these crops.

In Iraq, where recovery efforts have been stalled by recent political unrest, COVID-19 restrictions have blocked vulnerable groups from working. Across five weeks of data collection in Iraq, 72-94 percent of respondents who recently received cash transfers reported their households were unable to work. Similar impacts are being seen in Palestine, where a recent field survey showed the majority of business owners dismissed almost 70 percent of their staff and/or decreased workers' wages to 40 percent of their contracted monthly wage, due to the COVID-19 crisis.

While digital platforms have helped support some commerce through lockdown, liquidity constraints are emerging in some contexts and escalating in others that already faced inflationary problems. The government of Jordan's relaxation of regulations to allow quicker and easier opening of digital wallets has significantly increased access to digital wallets in Jordan, but FSPs in Lebanon, Jordan and Iraq report they are struggling to access cash because of increased withdrawals, pauses on loan payment collections and, in the case of Lebanon, broader economic crisis. This liquidity crunch has implications for individuals' immediate ability to access cash and formal and informal credit, and

⁶ Data for this section was gathered from the following countries: Palestine, Iraq, Lebanon, Yemen and Jordan.

⁷ <http://www.fao.org/3/ca8430en/CA8430EN.pdf>

potentially undermines confidence in financial service providers over the long run. This has direct impacts on vulnerable groups. In a recent survey in Iraq, over one-third of cash transfer recipients reported needing to purchase goods on credit from local shops in the past week.

Despite the severe impacts on employment, finance and movement of goods, many businesses are finding ways to adapt and continue operating, but larger enterprises have been able to pivot more effectively than small enterprises. In Jordan, medium and small enterprises in the food industry are struggling financially as their clients request reduced prices or delayed payments and their suppliers ask for immediate payments.

Impacts on Food and Agriculture Supply Chains

Effects of Import/Export Restrictions

The extent of trade control measures to slow the spread of COVID-19 varies from the closure of all borders, ports and airports to no new restrictions. In **Iraq**, the majority of borders remain open for trade in food and non-food items, however the Government of Iraq and the Kurdistan Regional Government are not issuing import licenses, and the Ministry of Agriculture continues to promote local production by maintaining its ban on imports of 25 agricultural products.⁸ Other countries, such as **Yemen**, are not restricting trade but are still experiencing the impact of COVID-19 on global supply chains. Traders interviewed in Yemen cited decreased availability of imported goods such as sugar and vegetable oil, which come from markets like Malaysia and have been disrupted by COVID-19 and accompanying restrictions.⁹

In some countries, border closures may represent an opportunity for domestic supply chains, as import restrictions decrease competition and force businesses to consider or ramp up relationships with local producers.

In **Lebanon**, where all borders, ports and the international airport have been closed, some agricultural food processors see such an opportunity with the decreasing percentage of imported products on the market. Interviews with medium and large food processors and exporters indicate a renewed focus on finding and bolstering relationships with local suppliers, including farmers and local industries for packaging materials. However, it is unclear if such shifts will have lasting impacts on local supply chains, as the larger economic crisis in Lebanon and likely short-run nature of restrictions may dampen the effectiveness of these strategies.

Effects of Domestic Restrictions

Municipality, state and/or provincial border closures, checkpoints and curfews are significantly impacting domestic trade, sourcing and sales, with differential impacts on small and large businesses. In **Jordan**, the government quickly issued movement permits so enterprises linked to large agricultural collectives could access farms and ensure production was not impacted. However, the majority of agricultural enterprises in the country, including medium and small

⁸ Food and Agriculture Organization, World Food Programme, and the World Bank, Iraq COVID-19 Food Security Monitor April 14, 2020, <https://reliefweb.int/report/iraq/iraq-COVID-19-food-security-monitor-weekly-update-issue-1-14-april-2020>

⁹ Note: The situation in Yemen is changing rapidly as the first COVID-19 positive cases were identified in late April.

unregistered farmers, nurseries and herders continue to face difficulties and delays in receiving permits. As a result, these enterprises have been largely unable to transport products and raw materials, access their farms and sell their products. Small and medium enterprises experiencing such delays are feeling significant impacts related to their ability to earn an income. Smaller dairy producers and sellers missed the pre-Ramadan season, which represents a critical income-earning period. Herders have not been able to deliver their milk to dairy processors, with some estimating losses between 50 and 80 percent. At the same time, herders are not able to access feed or veterinary drugs for their animals, impacting their ability to produce milk in the future. One veterinarian in Mafraq noted a customer of his lost 80 newborn goats when he could not access health services. In contrast, larger dairy producers with permits have been able to maximize their profits due to high demand and the lower competition from small producers.

In **Iraq**, agricultural input suppliers in Mosul report decreasing demand for agricultural inputs because farmers are unable to travel during curfew. Vegetable farmers in Mosul also cite the curfew as a key reason they are not able to sell their products in local markets, resulting in spoiled produce and lost income. Although exemptions are supposed to be available for farmers and commercial activity, smaller market players in Mosul state this is not always the case.

In **Yemen**, prices of commodities are rising due to increased transportation costs, as trucks take longer routes to deliver food in order to avoid checkpoints on the most direct

intragovernorate routes. Following commonly observed trends, perishable items face the greatest shocks from restrictive policies, and in the case of Yemen, conflict lines exacerbate this problem. Vegetable prices have increased in several areas as COVID-19 measures imposed by authorities have limited movement between different regions. For example, Ash Shamayateen district, which is located in the southern part of Taiz governorate receives vegetables from Ibb governorate in the north and has seen prices rise, as transport is restricted between the two regions.¹⁰

Impacts on Employment

Outside the food and health sectors, significant impacts on formal and informal employment are evident across countries. In **Iraq**, a market perspective survey covering five governorates found 72 percent of households had been unable to work in the past seven days due to curfews and curtailing of business activity. In **Gaza (Palestine)**, where the unemployment rate is expected to shoot from 52 to 75 percent, a recent field survey showed the majority of business owners dismissed almost 70 percent of their staff and/or decreased workers' wages to 40 percent of their contracted monthly wage due to the COVID-19 crisis.¹¹ Seventy-five percent of taxi drivers indicated their daily income decreased by 60 percent since the onset of the crisis. One agro-dealer interviewed in the West Bank (Palestine) noted: *"Due to COVID-19 we closed our company, and all the workers are females from the villages who couldn't come to the factory and continue producing, so we had to throw away the raw materials, which caused a big loss."* Women were not able to go to work because they

¹⁰ Taiz governorate is divided, with certain areas considered part of the north and others considered part of the south.

¹¹ "Rapid Assessment of Impact of COVID-19 Pandemic on the Economy of the Gaza Strip", Dr. Wael Al Daya and Eng. Emad Zuhair Al Masri, 2020.

needed to take care of their children and there was no transport, alluding to compounding factors, such as gender, contributing to employment challenges.

In **Lebanon**, the majority of businesses outside the food and health industries have been closed since mid-March. While other sectors are experiencing very high unemployment, large food processors and exporters note they have reduced their employees by 20 percent as a preventative measure as they shift to emergency production mode (social distancing on the processing floor). For informal workers, who make up an estimated 55 percent of the country's workforce, there is no social safety net or unemployment scheme to provide benefits to those in need.¹²

Across the region, tourism is an important and growing sector, particularly in **Palestine**, **Jordan** and **Lebanon**, with ripple effects in supporting sectors.¹³ The Middle East is one of the only regions where international visitor spending is greater than domestic spending¹⁴ and, as international travel restrictions continue, the negative impact on tourism-related labor and income is expected to be significant and long-lasting.

Impacts on Financial Services

Some countries report liquidity constraints

among financial service providers. All banks are facing restrictions in their ability to operate. In **Iraq**, banks and microfinance institutions report reduced operating hours and mobility restrictions mean they are unable to collect loan repayments, posing a threat to their liquidity. In **Lebanon**, the pre-existing banking crisis, which has led to a shortage of U.S. dollars, has been exacerbated by COVID-19.

Access to financial services, including new loans, savings and withdrawals, is also limited by closures or reduced operating hours. In **Jordan**, the central bank has taken bold measures, including offering subsidized loans via commercial banks with 2 percent interest rates and six-month grace periods for different sectors, focusing on medium and small enterprises.

In some locations, circumstances created by COVID-19 appear to be driving customers and banks to adopt digital services. In **Palestine**, banks have been closed or are offering very reduced public hours, pushing customers to turn to online transactions and, in **Jordan**, central bank policy was relaxed to allow quicker and easier opening of digital wallets through Google and Apple. Dinarek, a mobile payment provider with one of the largest market shares in Jordan, is opening 1,000 digital wallets per day.

¹² https://www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/publication/wcms_732567.pdf

¹³ Tourism makes up seven percent of the GDP of Jordan and Lebanon:

<https://thearabweekly.com/pandemic-will-ruin-middle-east-2020-tourism-economy-0>

¹⁴ <https://themedialine.org/life-lines/2019-a-good-year-for-tourism-in-the-middle-east/>

Asia & the Caucasus

Overview¹⁵

Reduced movement of migrant labor has acutely impacted Asia, particularly in countries like India, Nepal and Pakistan. This has taken a toll on sectors reliant on migrant labor — domestic work, agriculture, the service sector — and remittance flows, which are expected to decline in South Asia by 22 percent in 2020.¹⁶ In some instances, frustration over reduced migration has led to protests and violence.

The closure of the majority of cross-border trade has cascading negative impacts on sectors reliant on import and export and which are considered nonessential. Many of these workforces have been significantly reduced as businesses close entirely or maintain operations based on existing stock. With the closure of almost all restaurants, shops, food stalls, malls and hotels, demand has shifted for products previously used by these businesses. Reduced purchasing power and slower and reduced movement of goods has impacted households' ability to purchase basic items in a wide range of countries, including Timor-Leste, Nepal, Afghanistan, Mongolia and Georgia. While prices have spiked for some staple items, such as wheat in Afghanistan, the region's food industry is also seeing reduced demand for certain products. In Indonesia for example, coffee and corn growers report reduced demand due to the closure of coffee shops and fast food outlets (corn is a key ingredient in chicken feed). The price of corn has dropped 40 percent and the price of coffee by 30 percent as a result.¹⁷ In Georgia, dairy processors cite decreased demand for specialty cheeses and have shifted production to more mainstream cheeses, which are better suited for storage. As trade slows, countries in Asia with more robust economies that are less dependent on exports and have the capacity for import substitution will likely manage better than those with fragile and previously volatile supply chains for food and other key items.

Impacts on Food and Agriculture Supply Chains

Effects of Import/Export Restrictions

The closure of borders and increased trade control measures seem to be impacting countries differently: those with more robust economies may be faring better than those with thin supply chains for food and other key items. In **Indonesia**, **Georgia**, **Mongolia** and **Myanmar** the provision of agricultural inputs is proceeding somewhat normally as a result of

businesses having existing stock, although interviews with suppliers suggest they are unable to hold events that typically drive demand, such as farmer group trainings and demonstration plots. In contrast, in **Nepal** and **Timor-Leste**, movement and import restrictions are significantly impacting both suppliers' and customers' access to inputs. In **Nepal**, agriculture and livestock input suppliers, who rely on importing seeds and other agricultural supplies from China and India, are unable to stock their shops.

¹⁵ Data for this section was gathered from the following countries: Georgia, Myanmar, Mongolia, Nepal, Timor-Leste, Indonesia and Afghanistan.

¹⁶ <https://www.knomad.org/sites/default/files/2020-05/Migration%20%26%20Development%20Brief%2032-COVID-19%20Crisis%20Through%20a%20Migration%20Lens.pdf>

¹⁷ According to interviews with farmer support group managers and farmers.

This, combined with domestic market closures, is preventing customers from accessing items such as seeds, fertilizer and veterinary drugs during critical periods for spring crops like maize, rice, vegetables and barley. **Timor-Leste** also reports agricultural input stores are dwindling quickly due to reliance on imports and trade restrictions on all non-food items.

Effects of Domestic Restrictions

The impacts of movement restrictions are widespread and varied across countries, value chains and businesses. Specific country examples highlight the potential role of formality and size in businesses' ability to cope and adapt to restrictions, as well as the differential impact restrictions have on economies of varying robustness.

In **Indonesia**, local collectors and exporters are reducing the amount of product they are purchasing from farmers due to impeded access to villages and the closure of export markets. This is impacting some farmers differently than others. Vegetable farmers with existing contracts, such as agreements with traders supplying supermarkets or chili sauce producers, are able to rely on their buyers to arrange the logistics of transporting produce and are seeing increased demand and income.¹⁸ In contrast, vegetable farmers without contracts are struggling to market and transport their crops due to strict inspections and movement restrictions between districts. If these farmers do manage to get their produce through the checkpoints, the delays in transport time diminish the freshness of the products and result in lower prices.

¹⁸ According to research completed by Mercy Corps Indonesia in 2018, an estimated 10 percent of Indonesian rice, corn and chili farmers are contracted while the remaining 90 percent have flexibility in terms of who they sell to.

While smaller traders and less formal businesses are struggling to source goods and access exemptions to movement restrictions across regions, preliminary findings from a recent rapid study by UNDP in Mongolia suggests less complex and localized value chains may be less affected by restrictions.¹⁹ Micro and small enterprises in these value chains tend not to be reliant on imports, have fewer employees (while those they do have are likely to be family members), and have less access to and interaction with larger markets.

Differences in how businesses adapt to movement and trade restrictions can also be seen in **Myanmar**, where interviews with several rice millers indicate larger millers may be able to use existing resources, information channels and connections for opportunistic growth, whereas smaller millers are taking more of a wait-and-see approach as they project increasing labor and transportation costs. Some larger millers are trying to expand the geographical areas from which they source paddy as they anticipate higher demand as a result of panic buying, the opportunity to sell rice to the national reserve and projected increases in demand for export markets. Conversely, small millers note they are monitoring the market and maintaining communications with farmers and customers and are not currently expecting to see major differences in demand.

In **Nepal**, the impact of domestic market closures and strict movement restrictions are rippling across sectors. Farmers are unable to

¹⁹ Economic Research Institute & UNDP, Rapid Socio-Economic Impact Assessment of COVID-19 on Vulnerable Groups and Value Chains in Mongolia.

access and work their fields or reach markets to purchase inputs, which is affecting harvest and post-harvest activities as well as spring planting of paddy, maize and vegetables. Some farmers are experiencing daily losses as they are forced to leave crops in the field or feed crops to livestock. The poultry industry, which had been developing into a lucrative business in Nepal, is also suffering as transportation restrictions and market closures prevent chickens from being sold and businesses incur unanticipated feed costs as well as feed shortages due to the closure of feed production units.

A nationwide travel ban and lockdowns in **Georgia** demonstrate the varied impacts such restrictions have on different value chains. Travel restrictions are greatly affecting slaughterhouses, which are unable to collect animals or facilitate livestock to be brought for slaughter by farmers. Most slaughterhouses have reduced their workforce or temporarily laid off employees. Restrictions also limit the ability of slaughterhouses and farmers to buy inputs including veterinary medicine and combined feed. On the other hand, dairies in Georgia appear to be proving more resilient as they employ mitigation strategies where markets have closed. Demand for raw milk remains high and farmers continue producing and selling, while dairy businesses with well-equipped facilities and trained workforces were initially able to rely on storage as the markets dropped and have now largely shifted from specialty to mainstream cheese production in an effort to maintain profits and meet local demand.

Impacts on Employment

Reduction in labor is being seen across countries with differential impacts depending

on the sector and shifts in supply and demand. Employees in sectors with low demand — often those considered nonessential such as accommodation, manufacturing, business and administrative services, and retail trade — are being laid off, put on unpaid leave, or have had their hours significantly reduced. Migrant workers have returned home, placing additional pressure on their families' and communities' limited food resources, social services and household incomes. As import and export restrictions and border closures remain in place, migrants are prevented from returning to overseas jobs. In **Nepal**, where remittances from migrant workers living abroad account for 27 percent of GDP, families will be significantly impacted as workers return home and/or lose their jobs.²⁰

Increased unemployment numbers are also anticipated. Thirty-three percent of companies in **Mongolia** report layoffs — representing about 6,000 people — while in **Indonesia** the Ministry of Finance reported in mid-April that more than 1.5 million workers (1.24 million in the formal sector and 265,000 in the informal sector) had been sent home or laid off due to COVID-19.

Impacts on Financial Services

Countries reporting out of Asia have not yet seen major liquidity issues for financial service providers. The main challenges appear to be related to medium and small enterprises, inclusive of smallholder farmers, accessing new lines of credit. In **Indonesia**, rice farmers indicate they are awaiting confirmation from banks on input loans needed to plant in May and June. In **Timor-Leste** and **Nepal**, accessing FSPs at all is a challenge due to

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<https://www.knomad.org/sites/default/files/2020-05/Migration%20%26%20Development%20Brief>

[%2032-COVID-19%20Crisis%20Through%20a%20Migration%20Lens.pdf](#)

reduced office hours, movement restrictions and office closures.

Countries are also observing FSPs changing terms and conditions of current products in response to COVID-19. In **Georgia**, all banks have offered a three-month grace period on

loans, whereas in **Mongolia**, some banks are not offering new loans but expanding repayment periods by three-months on current loans. As access to new lines of credit become less available, small businesses may struggle to maintain operations and producers will likely struggle to access needed inputs.

Africa

Overview²¹

With high levels of informality and food systems reliant on micro and small enterprises, Africa may experience the most significant economic decline from COVID-19, an estimated 9 percent slowdown.²² Without external support, the number of people in poverty is expected to increase by 23 percent, with the steepest increases in urban areas.²³ Whereas countries like Kenya, Uganda and Sudan report relatively little disruption to rural households, the region's most import-dependent economies, like South Sudan, report urban closures in Juba affecting markets in rural states. Small traders' reliance on public taxis, which have capacity restrictions and are impacted by movement restrictions, is resulting in sharp rises in localized transportation costs despite government efforts to make exemptions for commerce. This affects food security in the short and medium-term with differential impacts in urban and rural areas.

Pre-existing crises compound the effects of COVID-19 restrictions. Ongoing and recent conflicts in places like South Sudan, Somalia, Sudan, Mali, DRC and northeastern Nigeria increase economic uncertainty, while locust swarms threaten upcoming agricultural harvests and livestock markets in the Horn of Africa.

Restrictions on business operations and trade are having significant negative impacts on people's ability to work and are resulting in high unemployment and loss of wages across both formal and informal sectors. Job matching services and technical institutes are reportedly closed across several countries. As governments ban the sale of non-food items, informal workers running small businesses, such as petty trade, restaurants, tea shops, hair salons, input shops and other enterprises considered nonessential, are being forced to drastically reduce or close entirely. Businesses that remain open, such as more formal transporters, are cutting workforces or sending them home without pay. Those able to serve their customers via phone, internet and delivery platforms are experiencing better business continuity. However, the benefit of these services to access food or critical information and serve other needs is limited in areas with connectivity challenges and for groups with lower levels of digital literacy, such as women.

²¹ Data from this section was gathered from the following countries: Ethiopia, Kenya, Uganda, Sudan, South Sudan, Niger, Liberia, Nigeria, DRC, Somalia and Zimbabwe.

²² <https://www.ifpri.org/blog/poverty-and-food-insecurity-could-grow-dramatically-covid-19-spreads>

²³ <https://www.ifpri.org/blog/poverty-and-food-insecurity-could-grow-dramatically-COVID-19-spreads>

The region's dependence on agricultural seasons may have variable impacts, depending on rural households' reliance on markets for inputs, sale of produce and livestock, and purchasing food and other key items. While many countries are seeing lower degrees of impact on rural, self-sufficient households, current and upcoming lean seasons across the Horn of Africa and West Africa leave uncertainty for households that are seasonally dependent on markets for food purchases. Cash crops dependent on a range of inputs or labor, such as coffee in Ethiopia, are braced for a decline in productivity. Last mile market access to inputs is a widespread concern across West and East Africa. Continued monitoring of rural trade will be critical to understanding the severity of impact for smallholder farmers needing to sell produce in upcoming harvests.²⁴

In many locations, livestock markets are witnessing drops in both supply and demand, with overall decreases in prices. Slaughterhouses in Nairobi report a 50 percent decline in production due to decreased supply and social distancing restrictions in their facilities. Meat processors in Zimbabwe note a similar 70 percent decline in volume of cattle. While normal port operations are ongoing in Somaliland, exports are on the decline, likely because of decreasing demand in the Arabian Peninsula. Both Nairobi and Hargeisa have seen roughly a 20 percent decrease in livestock prices for beef and goats, respectively, as reduced demand and closure of prepared food services outweighs reduced supply. However, this trend is not ubiquitous. Ethiopia reports price spikes for meat in urban areas as a result of movement restrictions. These shifts in supply and demand are accompanied by concerns about accessing veterinary drugs during lockdowns and widespread worry about additional feed costs and income losses if animals deteriorate and are not sold at the appropriate time.

Impacts on Food and Agriculture Supply Chains

Effects of Import/Export Restrictions

Export restrictions from key source markets in the Middle East and Asia as well as reduced international demand for goods such as coffee, flowers and tea have significant implications for revenue, employment and future food security. Regionally, the closure of border markets, travel restrictions and border screening procedures are slowing the flow of goods, despite efforts to maintain open borders for essential products. For example, **Uganda's** closure of markets on the borders

of Kenya and DRC, plus movement restrictions impacting smaller informal traders, are reportedly decreasing the volume of staple commodities traded with those two countries.²⁵ COVID-19 screenings are also seemingly delaying the flow of goods at the border between Uganda and South Sudan.

Despite these challenges, informal markets are quickly adapting. For example, restrictions on cross-border movements between **Ethiopia** and **Somalia** initially halted all trade of livestock and fast-moving consumer goods, but traders on both sides of the border quickly found ways around these restrictions. Remote

²⁴ Before COVID-19 East Africa was expecting lower than average production, with increasing prices driven by inflation, currency depreciation and conflict. Supply and Market Outlook East Africa Regional Sorghum Supply and Market Outlook March 2020, <https://fews.net/east-africa/supply-and-market-outlook/march-2020>

²⁵ FEWS NET, [Food Security Outlook Update: COVID-19 control measures expected to lead to atypical food insecurity in urban areas](#), April 2020.

data collection with traders indicates this included identifying alternate routes and negotiating for documentation to trade officially through certain border points. Traders' ability to adapt to restrictions appears to be linked to their social networks, echoing similar findings from research in Somalia examining the importance of social connectedness and the ability of people to draw on extended social networks to cope in times of crisis.²⁶

In contrast, contexts like **South Sudan**, which is highly dependent on cross-border trade with Uganda and Sudan and has limited infrastructure to support domestic movement of goods, is seeing reduced availability of key food items. Traders in the remote county of Rubkona note significant changes due to restricted movement across the border with Sudan, including reductions of more than 50 percent in supply of items like onions, sugar and wheat flour and increased prices. Traders indicate needing to pay hefty bribes to transport goods on main roads and resorting to smuggling less bulky items across the border via other routes.

Effects of Domestic Restrictions

Movement restrictions pose challenges for transportation of livestock and goods from rural to urban areas, resulting in shortages of supply in urban areas and loss of income for rural producers unable to find and access output markets. Restrictions are impacting formal and informal businesses differently, as seen in other regions.

In **Uganda**, the government has enacted increasingly stringent control measures and transit is at a standstill across the country. While exemptions for cargo exist to encourage

the flow of goods, most small and medium traders rely on non-cargo means, such as public transport or private vehicles, and do not feel comfortable leaving their products in the hands of drivers without their direct oversight. In **Zimbabwe**, an inability to travel means smaller livestock producers with stock ready for sale are struggling to secure markets and are incurring additional feeding costs, ultimately impacting their return on investment. Several meat processors cite a 70 percent decline in the volume of cattle brought for slaughter because getting movement permits is so challenging. While large-scale formal abattoirs in Zimbabwe are more easily able to access travel permits to move livestock to processing facilities and onward for distribution to supermarket chains, small licensed butcheries rely on unregistered and informal transporters who are unable to access movement permits, thus cutting off their supply and compromising their ability to operate their businesses.

Policies restricting movement of people and goods are also leading to challenges for last mile delivery of agricultural inputs and farmers' ability to access markets at a critical point in the agricultural season. In the **Democratic Republic of Congo (DRC)**, farmers estimate a 40 percent decrease in access to inputs as a result of movement restrictions and a 60 percent decrease in the volume of agricultural sales due to urban traders no longer traveling to purchase agricultural products. In contrast, in the Oromio region of **Ethiopia**, the agricultural bureau is facilitating access to agricultural inputs and providing loans for tractors for large farmers in coordination with its efforts to use model farmers that are irrigating to increase production.

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<https://www.hurstpublishers.com/book/famine-in-somalia/>

In West Africa, restrictions mean transporters in **Nigeria** are experiencing delays at checkpoints, resulting in increased logistical challenges and transportation costs. One large input company noted it has reduced its order of hybrid maize seeds by 38 percent due to these challenges, while a fertilizer company explained the same issues were

› *While existing supplies of agricultural inputs and veterinary drugs are sufficient for the current moment, a key concern is whether restrictions will prevent input suppliers from restocking in time for the next season. An agricultural engineer for a seed and agrochemical importing company in Khartoum, Sudan noted current supplies will not last: “Now we have stock but that will not cover all the farmer needs for the next agricultural season because of no more importations for these items as a result of COVID-19. I expect our prices to also significantly increase because of increases in transport fees, and this will definitely reduce production levels this year.”*

behind its decision to produce only on demand for the 2020 wet season. At the same time, businesses in Nigeria are finding ways to adapt, with larger agricultural firms exploring models and processes to improve last mile delivery, such as supporting investment in post-harvest assets and small transport vehicles, securing trade passes for third-party vendors, aggregation of outputs and e-tools to reduce the need for physical interaction during sales of inputs.

²⁷ <https://www.reuters.com/article/us-health-coronavirus-africa-women/no-bed-of-roses-east-africas-female-flower-workers-lose-jobs-as-coronavirus-hits-exports-idUSKCN21T0AW>

Impacts on Employment

With a high share of the workforce considered informal and low levels of social protection coverage in Africa, it is likely reduced household incomes and dwindling savings will result in food insecurity. Almost all countries from which data was collected report a reduction in working hours due to curfews and government stay-at-home orders, with anticipated disproportionate impacts over the coming weeks and months on informal workers and microenterprises reliant on commissions from sales and fees for services.

In **Ethiopia**, 15,000 employees have reportedly been laid off from industrial parks as a result of declining exports, decreased domestic demand, social distancing requirements and employers' liquidity challenges. In addition, as international demand for flowers plummets, an estimated 10,000 casual workers have been laid off and about 50 percent of permanent workers given compulsory annual leave by flower farm owners in **Kenya**.²⁷ In **Ethiopia** alone, the government's preliminary “medium impact” estimate suggests over the next three months, 1.41 million jobs will be threatened and income loss for urban self-employed will be around \$256 million, with the most highly impacted sectors being manufacturing, construction and the service industry.²⁸ A Mercy Corps program assessment focusing on the impact of COVID-19 on domestic workers and assistants in Ethiopia found the majority of these workers are also facing layoffs due to the economic situation and the fact that their employers are staying home and no longer need paid assistance.

²⁸ Ethiopia Jobs Creation Commission, Research and Publications on the Impacts of COVID-19, <https://www.jobscommission.gov.et/researches-and-publications-on-impacts-of-COVID-19/>

In **Nigeria**, several large businesses interviewed anticipate needing to make tough business decisions if the current situation continues, however major impacts on staffing are reportedly not yet being felt. Conversely, small agro-dealers appear to be shifting to family labor and are reducing incomes for sales representatives who are unable to move around given travel restrictions.

Labor shifts are also being seen in small and medium farm enterprises. In **DRC**, farmers are increasingly resorting to family labor for carrying out cultivation activities, such as weeding and sowing, as a result of social distancing and domestic movement restrictions. Farmers report the quality of work done by family members tends to be poor, as it is unpaid, furthering farmer concerns of decreased production.

EXAMPLE OF IMPACT ON WOMEN-RUN BUSINESSES

Small women-run businesses in South Sudan, such as tea shops, are often considered social gathering points and have been closed through the implementation of national directives enforcing social distancing and banning the sale of non-food items. In Rubkona county in Unity state, women vegetable sellers sharing market tables were shut down after local police determined selling in close proximity was in violation of social distancing restrictions. Despite being an essential business, the women were unable to afford individual tables at the market, which can cost upward of \$165. Although they were ultimately able to return to a different part of the market after Mercy Corps facilitated a dialogue between local leaders and police, this exemplifies the often disproportionate impact such restrictions can have on small female-run businesses.

Impacts on Financial Services

No common patterns yet appear in terms of changing demand for financial services, as countries are in different stages of their responses. However, decreasing demand due to overall economic slowdown is expected. In **Niger**, MFIs have seen an increase in withdrawals and are reducing lending in order to avoid liquidity problems. In **Liberia**, banks note loan repayments are down and, at the same time, there is an increased demand for loans to support daily household and family expenses, which is likely to pose liquidity issues going forward. Some banks in **Nigeria** are offering credit only to businesses they had evaluated prior to the pandemic and have even relaxed some requirements to enable those businesses to access credit. The Central Bank of Nigeria has also allocated a number of low-interest funding streams that are accessible to banks, particularly for the agriculture sector, to support liquidity during the pandemic.

Some countries report relying increasingly on cash in/cash out (CICO) agent networks. In **Zimbabwe**, cash is a major challenge, as banks are closed and cash is currently accessed via agent networks at high premiums. In **Uganda**, agents report reduced mobility has made it extremely challenging to maintain a balance of money in their accounts (e.g. a “float”) and, as such, they have had limited ability to serve clients.

In **Uganda**, banks in Karamoja report lower demand but remain open, and savings groups are unable to meet, therefore savings balances have reduced dramatically. Some groups interviewed report a fall of 85 percent in weekly deposits despite efforts to continue communicating via phone or SMS.

Conclusion

As this report was drafted, some governments began rolling back restrictions even as COVID-19 continues to spread. The rapid pace of change and the differentiated impacts on local economies reinforces that there are no simple narratives during such a pandemic. The stringency of rules and regulations to stem the spread of the virus, the robustness of markets and supply chains, as well as the compounding nature of pre-existing crises all factor into how businesses, farmers, formal and informal workers and their families are coping. Geographies highly dependent on trade with large informal workforces and limited social protection systems are likely to become hot spots for economic vulnerability, even as we see opportunities for intraregional trade and growth in less complex and localized value chains. These dynamics require ongoing rapid monitoring and analysis to understand local realities and provide real-time feedback on the impact of restrictions on vulnerable populations.

CONTACT

ALISON HEMBERGER
Team Lead | Markets
ahemberger@mercycorps.org

GRACE BECTON
Technical Advisor | Markets
gbecton@mercycorps.org

About Mercy Corps

Mercy Corps is a leading global organization powered by the belief that a better world is possible. In disaster, in hardship, in more than 40 countries around the world, we partner to put bold solutions into action — helping people triumph over adversity and build stronger communities from within. Now, and for the future.



45 SW Ankeny Street
Portland, Oregon 97204
888.842.0842
mercycorps.org