



# Status Report COVID-19

## Exchange Uganda

### [Abstract](#)

Report on the effects of COVID-19 in Uganda  
Version 6.0  
2<sup>nd</sup> October 2020

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The information in this volume is destined to provide a description of the COVID-19 status and its impact on social and economic life in the 5 Sub-Saharan African countries with cooperation programmes of Exchange vzw. The ambition is to give insights, based on information gathered by Exchange’s business development managers based in these countries. Exchange vzw. can not be held responsible for errors, omissions or lack of accuracy and disclaims any liability in connection with the use of this information. Feedback is welcome at [info@exchangevzw.be](mailto:info@exchangevzw.be)



## 1. Summary

Uganda confirmed its first case of COVID-19 on Saturday the 21<sup>st</sup> of March. President Yoweri Museveni issued a directive banning all flights (except for cargo planes and their crew members) into the country the day after. Since then the number of cases has risen to 11,767 of which 371 are still active and on admission as of today (31<sup>st</sup> October 2020). As the situation got worse, Uganda took additional measures to prevent the spread of COVID-19 within the country. However, since the 2<sup>nd</sup> of June Uganda embarked on an exit strategy, lifting measures in a phased way. Presently, the lock down has been lifted in-country and travel into and out of the country is allowed with strict guidelines. The Ministry of Health issues daily updates on new cases and the population is advised to strictly follow standard operating procedures (SOPs) to avoid contracting the virus.

A report published by the Economic Policy Research Centre (EPRC)<sup>1</sup> in May presented results from a survey that sought to establish the risks presented by COVID-19 to Uganda's economy using the business climate index (BCI) methodology. Results from this survey indicated that small and medium businesses – SMEs (which are Exchange vzw's area of focus) have experienced the largest effects of the risk associated with COVID-19 compared to large scale businesses. The decline in SMEs was attributed to their inability to cope with containment measures instituted by the government to curb the spread of the virus. Nine out of ten businesses surveyed reported experiencing an increase in operating expenses due to these preventive and/or containment measures.

Now that the COVID-19 situation has persisted for more than six months, SMEs have been impacted in ways ranging from reduced product demand to inability to meet costs of operations. Some micro and small businesses have had to exit business. Whereas majority of medium and large firms are still operational, they are encumbered with difficulties related to lower sales, increased costs of operation, rent, and taxes. It should be noted that there has been a slightly higher resilience among agriculture and manufacturing firms compared to service sector firms.

Meanwhile, government's response to support local entrepreneurs has been slow. However, economic policy analysts and researchers have recommended that the government should offer liquidity interventions to support SMEs in addressing immediate liquidity challenges, reduce layoffs, and avoid firm closures and bankruptcies. In order to free up more cash for businesses, it has been recommended that the government should also consider the following: (i) tax rate reduction, (ii) reducing taxable income, (iii) offering tax credits, and (iv) offering tax refunds. In addition, the government should pay all the outstanding arrears against supplies made to government.

Commercial banks should consider proactively providing emergency loans to MSMEs with flexibility in repayments. The government could recapitalize commercial banks and micro-financial institutions by extending cash loans or by loosening the liquidity reserve requirements to provide financial institutions with the extra liquidity required to provide flexible emergency loans. The above efforts could be complemented by extension and diversification of partial credit guarantee schemes for loans provided by private banks. Alternatively, the government could offer concessional loans through the Uganda Development Bank. In this vein, the government of Uganda has already sought and received a \$500 million loan from the International Monetary Fund. The government is also seeking debt repayment rescheduling, which would free up to \$2 billion for such purposes.

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<sup>1</sup> <https://eprcug.org/research/education?task=document.viewdoc&id=652>



Use of technology for access to credit should also be escalated during this crisis. For example, mobile money and other e-platforms can simplify loan application processes and reduce turnaround times of MSME loans. Finally, the Credit Reporting Bureau should be on the lookout for unintended defaults. In this case, all financial institutions should continue to share credit information with regulators. Finally, the government should consider amending the legal framework on bankruptcy with temporary measures to prevent liquidation.

This report presents a general overview of the COVID-19 situation, current statistics and measures and Uganda's exit strategy. In addition, the report presents a look at the impact of COVID-19 on Uganda's economy with a particular focus on sectors in which Exchange vzw is active, i.e. tourism, manufacturing, agro-industry, circular economy and services. The impact of the pandemic on both domestic and international travel is also briefly presented. Furthermore, the report looks at the various ways in which the Ugandan government has tried to support SMEs to absorb the shocks brought about by the pandemic and concludes with recommendations for a way forward to ensure survival of the SMEs sector.

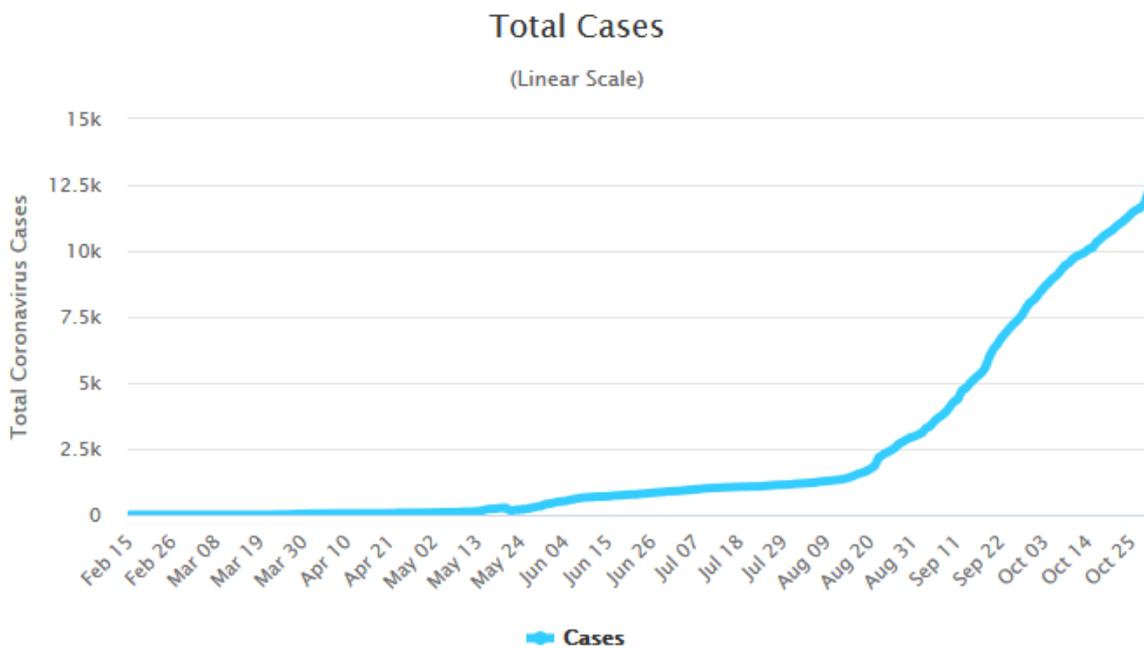


## 2. General overview and statistics

Total nr. of confirmed cases: **11,767**  
 Total nr. of confirmed active cases: **371**  
 Total nr. of confirmed recovered cases: **7461**  
 Total nr. of confirmed deaths: **106**  
 Total nr. of samples tested: **541,422**

**Date:**  
**31/10/2020**

Source: <https://www.health.go.ug/covid/>



Source : <https://www.worldometers.info/coronavirus/country/uganda/>

### Latest guidelines and measures from the government – September 20<sup>th</sup> 2020

- ✳ Schools re-opened for finalists on 15/10/2020.
- ✳ Border districts: travel restrictions lifted.
- ✳ Curfew was maintained; curfew, from 9pm to 6am, is maintained but for boda-bodas, movement must always end at 6pm.
- ✳ Places of worship reopened but with a maximum allowable number of 70 people.



✳ Sports activities; open air activities of sports were re-opened provided there are no spectators and the players have tested negative for Covid-19, 72 hours before. This test expires in 14 days. Hence, sportsmen have to repeat the test every fortnight. However, with tournaments, teams should be quarantined for the whole season of the competition. Indoor sports activities, including gyms, remain closed.

✳ Bars casinos, gaming centres, and cinemas remain closed while hotels will continue operating following the SOPs agreed with the Ministry of Health. Restaurants should continue to encourage customers to opt for takeaway meals. Indoor/eat-in restaurant services should be minimized and always follow SOPs.

✳ Entebbe international airport and land borders are now open for tourists, coming in and going out, provided they have tested negative in the last 72 hours before arrival in Uganda and provided the tour operators ensure that the tourists do not mix with Ugandans. Returning Ugandans, who have negative PCR results, are allowed to come back into the country. The Ministry of Health only gets their addresses for follow up.

✳ Mobile markets, monthly cattle auctions and produce markets remain closed as the Ministry of Health continues to develop SOPs necessary for their safe operation.

✳ Mass gatherings are still prohibited.

✳ Imbalu (Bagishu cultural circumcision); Bamasaaba (Bagishu) people of Eastern Uganda are allowed to continue with their cultural circumcision ceremonies provided they follow SOPs from the Ministry of Health that were agreed with their Cultural Institution.

### 3. Past measures – 21 July 2020

#### **Hair salons will be open provided they ensure:**

- ✳ Face shields for barbers,
- ✳ Face masks for everybody,
- ✳ Temperature guns on premises to take every customer’s temperature before admitting them in,
- ✳ Social distancing should be maintained,
- ✳ No air conditioning as this may create an environment that promotes virus transmission,
- ✳ Partitioning of big salons to further aid social distancing,
- ✳ Hand-washing with soap and use of hand sanitizer.

#### **Some arcades can open provided they have the following:**

- ✳ Temperature guns,
- ✳ Face masks are a must,
- ✳ Social distancing,
- ✳ Hand-washing and sanitizing,
- ✳ No trading in corridors,
- ✳ No traders on steps, roadsides,
- ✳ Keep records of customers to enable contact tracing,
- ✳ No air conditioning,
- ✳ Enough functional and clean toilets.



- 📌 **Entebbe Airport will remain closed.**
- 📌 **Churches and other places of worship will remain closed until scientists find a suitable strategy to get them re-opened.**
- 📌 **Schools will remain closed as experts study the situation.**
- 📌 **Borders will remain closed.**

#### 4. Past measures

1. Closed all the Educational Institutions which accounted for 15 million young Ugandans
2. Suspended communal prayers in Mosques, Churches or in Stadium and other open-air venues;
3. Stopped all public political rallies, cultural gatherings or conferences;
4. Banned Ugandans from moving to or through category one (I) countries that had had a large number of corona cases;
5. Allowed returning Ugandans from abroad provided they underwent mandatory quarantine, at their cost, for 14 days at a venue identified by the Ministry of Health;
6. Allowed the non-agricultural gathering points to continue but with SOPs (Standard Operating Procedures) put out by the Ministry of Health; and these gathering points were: factories, hotels, large plantations, markets, taxi-parks, etc.;
7. Discouraged the hexagonal, extravagant Ugandan-style weddings; if in a hurry, the couples are encouraged to go for the scientific weddings by the actual stakeholders, accompanied by a few people;
8. Burials could not be postponed, but it should be for a few people – the concerned homestead;
9. The 33 million farmers, according to the 2014 census, there was no problem because they are dispersed in their farms, plantations, etc.; the only issues to deal with here were the monthly or weekly cattle auction markets (ebikomera); and obutare (food markets); these were suspended;
10. Suspended all public passenger transport vehicles and those were: taxis, coasters, buses, passenger trains, tuk-tuks (tricycles) and boda-bodas;
11. The discos, dances, bars, sports, music shows, cinemas and concerts were all suspended;
12. Encouraged hygiene and enlightened behaviors of not coughing or sneezing in public, no spitting, washing with soap and water or using sanitizers, regularly disinfecting surfaces such as tables, door handles, etc. and not touching your eyes, nose or mouth with contaminated and unwashed hands;
13. Encouraged good nutrition to strengthen the body defence system.



14. Also prohibited from entry were the pedestrians – people walking on foot from the neighboring countries.
15. In order to scale down the numbers of the populations in the markets, only food sellers remained in the markets; the non-food sellers suspended their activities.

#### OTHER MEASURES TAKEN OVER THE PAST MONTHS

1. Prohibited all people to people movement by everybody including those using their private vehicles, bodabodas, tuk-tuks, etc.
2. The shopping malls, arcades, hardware shops, which gather a lot of people to sell and buy non-food items were suspended for 14 days starting with the 1st of April 2020. **Now extended to 20/05/2020**
3. All the non-food shops (stores) also closed. Only food stores, stores selling agricultural products, veterinary products, detergents and pharmaceuticals remained open following Ministry of Health SOPs.
4. The Super-markets remained open but with clear SOPs that should restrict numbers that enter and leave the site at a given time and the handling of trolleys within the super-markets.
5. The established Food Markets in Kampala and the other towns continued to be open following SOPs: the distance of four metres to the front, to the left, to the right and to the rear – between seller and buyer and also seller and seller observed in all the markets. Sellers not going home during the 14 days. They arrange to stay nearby for that duration. **This measure was extended to 20/05/2020.**
6. Saloons, Lodges were shut for 14 days from the 1st of April 2020. **This measure was extended to 20/05/2020 while garages were opened.**
7. The factory owners to arrange for the crucial employees to camp around the factory area for the 14 days. If they cannot do that, let them suspend production for 14 days.
8. Construction sites to continue if they can be able to encamp their workers for 14 days. Otherwise, they should suspend construction for the 14 days.
9. The essential services are: the medical, agriculture and veterinary, telecommunication, door-to-door delivery, financial institutions, all media, Private Security companies, cleaning services, garbage collection, fire-brigade, fuel stations, water departments and some KCCA staff should continue to operate.
10. URA -the taxes collector- also not close business on account of not paying taxes in these 14 days. These employers to see whether they can encamp some staff near the workplace for the 14 days.
11. Gatherings of more than 5 persons were prohibited.



12. Health issues like mothers in childbirth or very sick people, permission to be sought from the RDC to use private transport to take such a person to hospital. Additionally, government vehicles that do not belong to Army, Police, Prisons or UWA, to be deployed to help in those health emergencies.
13. Government workers to stay at home for the 14 days, except for the Army, the Police, the Health workers, the Electricity, Water and Telephone workers but following SOPs.
14. Government has given food to the needy.



## 5. Impact

### 5.1. Domestic and international travel

In the early days of the pandemic, the following restrictions had been placed on both domestic and international travel:

- No passenger was allowed into the country by air, land or water; this affected incoming planes, buses, taxis or boats.
- Cargo planes and cargo vehicles, within Uganda and between Uganda and the outside, continued with only the crews for the aircrafts and 3 persons per cargo vehicle.
- Starting from the 31st of March 2020, at 1900 hours, a curfew was imposed throughout the country – 6:00 am to 07:00 pm. Only cargo planes, lorries, pick-ups, and trains were exempted from these restrictions.

The above restrictions greatly affected the continuity of operations for those businesses that rely on import of inputs/raw materials and export of their products. The manufacturing sector and the tourism sector was the worst hit by these restrictions. Since Exchange vzw works in both sectors, its work was also negatively impacted as expert missions to Uganda were totally halted.

As of 1<sup>st</sup> October 2020, the travel restrictions have been lifted but with strict guidelines on testing and following of SOPs. The lift has offered some much needed relief to businesses that heavily rely on both domestic and international travel. The cost of travel, however, is high given the associated rules on testing and self-quarantine that must be observed. The risk of contracting the virus should also not be discounted as the infection rate continues to rise both in-country and elsewhere in the world. Thus, even with the lift on the travel ban, travel to and out of the country should only be undertaken where it is absolutely necessary and other options would not work.

### 5.2. Economic Impact

Given the current situation, the projection for **economic growth** in FY2019/20 has been revised downwards from 6.0 percent to between **5.2 – 5.7 percent** depending on the severity of the COVID-19 impact on Uganda.

**Government revenues** suffered the hardest beating in April, falling below target by a whopping Shs789.8 billion. This is the latest indicator of how the coronavirus has battered Uganda's economy since March when it broke out. According to the Ministry of Finance Performance of the Economy Report for April 2020, all the projections were below target. In its projections, the government had hoped to receive Shs1.8 trillion but could only manage to collect Shs965 billion. The government had planned to collect Shs1.5 trillion but only managed to get Shs931 billion which means that there was a shortfall of Shs547 billion, which is one of the biggest deficits in a single month in recent times.

The biggest impact is on the **services sector**. Travel restrictions are already affecting the **tourism sector** including hotels, accommodation and transportation. **Supply chain disruptions** are hampering trade, and this is expected to continue until the virus is contained at the global level.

Travel restrictions at the global level have also affected the flow of imports into the country leading to **disruption in supply of inputs** into the **Industry sector**. This will affect industrial output.

The low activity in industry and services sectors will result into **loss of jobs** further leading to a **decline in economic growth** and an **increase in the level of poverty**. The number of people that could be pushed into poverty is estimated at approximately 780.000.

#### External Sector (Balance of Payments)



- Tourism is severely affected by a sharp drop in tourists coming to Uganda following extensive travel restrictions in the USA, Europe and Asia. Tourism earnings are expected to decline significantly in the last four months of the financial year.
- Exports are expected to decline in the last four months of the financial year, on account of a sharp reduction in global demand and travel restrictions imposed by Uganda's key trading partners in the Middle East, European Union and Asia.
- Imports will also be affected by travel restrictions and a reduction in demand within the local economy. Most Uganda's imports come from Asia, particularly China which has been the most affected country. Overall, imports are expected to decline by 44% in the last four months of this financial year. However, this provides an opportunity for the country to produce some of the imports locally in line with our import substitution and export promotion strategy. We therefore need to put more effort in the implementation of this strategy in order to reduce our dependence on imported inputs and final goods in the case of such emergencies.
- Worker's Remittances and Foreign Direct Investments (FDI) will also be affected by the slowdown in the global economy. In the last four months of the financial year, FDI and remittances are projected to each decline significantly.
- Loan Disbursements are projected to decline by 50 percent in the last five months of the financial year because of the likely delays in projects execution and a disruption in the supply of inputs for the projects.

#### **Overall Balance of Payments Position**

- Due to the travel restrictions, scarcity of goods and lower inflows (tourism, remittances, exports and FDI), the balance of payments is likely to deteriorate leading to a likely depreciation of the exchange rate and consequently inflation. This has already contributed to the depreciation of the exchange rate of 1 percent between February and 10th March 2020.

#### **Impact of the coronavirus on the banking system**

- The impact of the coronavirus on the banking system has an indirect effect through non-performing loans (NPLs). The sectors that are likely to be most affected include trade, tourism, transportation and construction. Private sector credit extension to these sectors constitutes 45 percent of the total private sector credit. If NPLs in these sectors increase by 50 percent due to fallout from the COVID-19 outbreak, the ratio of non-performing loans to total loans would worsen from 4.7 percent to 5.9 percent which has negative impact on private sector credit growth as well as economic growth.

#### **Fiscal Sector**

- Revenue collections will register an additional shortfall of about Shs 82.4 billion for the remaining period of the FY2019/20 (March-June) and about Shs 187.6 billion in FY2020/21 assuming that the corona virus does not enter Uganda or that it is quickly contained hence avoiding widespread infections within the population. The coronavirus will mainly impact international trade taxes (reduction in value of imports) as well as consumptive taxes (VAT and Excise duty) due to the slowdown in the industry and services sectors.



### Impact on Public Investment Projects

- There is likely to be a slowdown in the rate of execution of Government’s development projects, especially in the transport and the energy sectors due to the impact on project financing as well as the likely impact on required inputs that are imported.
- In addition, there is a risk to private sector financing for Public-Private Partnership (PPP) projects, which could delay completion of planned projects.

### 5.3. Consequences for private entrepreneurs

Stanbic Bank’s Purchase Managers Index (PMI) for Uganda declined to 45.3 in March 2020 from 56.2 in February 2020. This was the first contraction in the sector since January 2017 as both output and new orders declined for the first time in 38 months, due to the impact COVID-19<sup>2</sup> pandemic. The PMI tracks performance of the private sector on a monthly basis. Economists, in Uganda and beyond, agree that the pandemic is going to have far-reaching negative impacts on the global and national economies. This section of the report presents an overview of the likely consequences of COVID-19 on the various sectors in which Exchange vzw is active.

#### 5.3.1. Tourism (including Hotel) Sector

Even before Uganda had registered any case of COVID-19, the top five hotels in the country had registered an estimated loss of USD 2,089,129 in cancelled bookings alone due to global travel restrictions and anxieties. The confirmation of some cases of COVID-19 in the country led to a ban on social, political and religious gatherings in as well as a total lockdown on all borders and travel by sea, land and air. People were also encouraged to stay at home as much as possible to effect social distancing. These measures caused unfathomable damage to a sector which is Uganda’s leading foreign exchange earner.

Before COVID-19, the tourism sector had enjoyed a relatively good five years with visitor numbers growing by 19% from 1.27 million in FY 2014/15 to 1.5 million in FY 2018/19. Forex earnings by the sector in this period grew by 22% from USD 1.31 billion to USD 1.6 billion – making the sector Uganda’s number one forex earner. At USD 1.6 billion, tourism earnings for the FY 2018/19 were bigger than the combined earnings from Uganda’s leading 17 agriculture exports combined.

#### Sector Outlook post COVID-19

According to Jean Byamugisha, the Executive Director of UHOA<sup>3</sup>, the effects of the coronavirus on the hotel industry is unprecedented. With most hotels having zero occupancy, it is not possible to meet running costs (bills and salaries). If the situation continues unchanged for the coming months, many hotels may be forced to close. On March 17<sup>th</sup>, tourism sector representatives met the Finance Minister and presented the following requests which they feel would enable them to remain afloat:

- VAT relief for a minimum of 12 months.
- Deferring of corporate tax payment for 2019 to the end of 2020 instead of mid financial year.
- Waiver of PAYE<sup>4</sup> for a minimum of 12 months.
- Intervene through Bank of Uganda by reducing interest rates or extending grace periods for sector players that may not be able to service their loans in a timely manner.

<sup>2</sup> COVID-19 is the novel coronavirus disease that emerged in 2019 and has turned into a global pandemic.

<sup>3</sup> Uganda Hotel Owners Association

<sup>4</sup> Pay as You Earn



- Create and fund a sector-wide crisis management committee that will lead sector recovery efforts after the pandemic has been contained.
- Negotiate a 40% reduction on electricity tariffs for all hotels.

Both UHOA and UTB<sup>5</sup> believe that if the government can accept the above recommendations, the sector can stay afloat.

### 5.3.2. Manufacturing Sector

Although the president has directed that factories can continue operating, the on-going lock down with its accompanying restrictions on movement implies that the level of operations is very low. A March 10, 2020 Baker-McKenzie report highlights that many African countries face a ‘twin supply-demand shock’ due to a decrease in imports of manufacturing inputs and supplies from China and reduced demand from exports in key sectors in various export markets. Reports from the Uganda Ministry of Trade, Industry and Cooperatives indicate that China is our leading import market, accounting for at least 16 per cent or US\$5.5 billion of Uganda’s total imports bill.

The continued persistence of the corona crisis will curtail the sourcing of raw materials and capital goods, such as machinery, for Uganda’s domestic manufacturing sector. UMA<sup>6</sup> has already cautioned the public that the price of goods produced by its members will most likely go up over the coming months should the Corona Virus pandemic persist. As of now, government has not yet put measures in place to cushion the manufacturing sector against the adverse effects of COVID-19. The exception was with manufacturers of spirits that received tax (excise duty) exemption following their offer to convert some of their stock into sanitizers. This was after the country had experienced a stock out of the hitherto largely imported brands of sanitizers.

On the 20<sup>th</sup> of March 2020, UMA convened a members’ meeting at which an expert from KPMG gave guidelines on how manufacturers can remain afloat amidst the prevailing challenges. The guidelines included the following:

- Employee protection.
- Scenario analysis.
- Supply chain management.
- Sales, marketing and customer engagement.
- Adopt strong corporate social responsibility (CSR) practices.

At this same meeting, the association made plans to meet policy makers and discuss issues that are critical to the sectors survival. These issues revolved around URA taxes, exchange rates, interest rates on loans and COVID-19 related CSR. At the time of compiling this report, it was not clear if UMA officials had already met and had discussions with policy makers or not.

### **What has been the real impact of COVID-19 on Uganda’s manufacturing sector?**

Uganda’s manufacturing sector is already being impacted by COVID-19. Factory closures in China have resulted in supply chain disruptions for manufacturers in Uganda, with delays, raw material shortages, raised costs and reduced orders. With the widespread nature of the virus, it is difficult to envisage how supply chains could be adjusted rapidly to meet demands.

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<sup>5</sup> Uganda Tourism Board

<sup>6</sup> Uganda Manufacturers Association



A disruption in global supply chains as a result of factory closures in China is already having a negative impact on small and medium enterprises in Uganda. These are the enterprises that trade mainly with China and are in the trade and retail sector. This sector constitutes 13% of Uganda's economy. Nearly 20% of all the goods traded in this sector are imports from China. The main imports from China are textiles and apparels, electronics, building and construction material, pharmaceuticals, heavy machinery, raw materials, iron and steel, as well as household consumer goods.

### 5.3.3. Agro-Industry Sector

The effects of quarantines and lockdowns due to COVID-19 have undoubtedly placed an enormous strain on the structure, function and performance of market systems including that of agriculture. In many ways, the coronavirus pandemic has already affected agricultural produce value chains. For instance, by now farmers should have planted crops for the first season. However, due to lack of inputs as a result of the supply chain disruption and uncertainty about the future, it is most likely that many farmers have not planted any crop and some of them are surviving on the would-be seeds for planting. Besides, support services such as extension services and credit facilities have been constrained.

Along with the rest of the population, farmers are observing social distancing in their fields, drastically reducing the number of people per farm which limits the manpower available for land preparation. Without adequate access to enabling financial systems, smallholder farmers often rely on manual labor to prepare their fields, due to the cost of acquiring and maintaining mechanized tools and equipment. Human and animal drudgery and time wastage are amongst the challenges that face farmers every day. With the current situation, the impacts of COVID-19 will surely be felt the hardest by the smallholder farmers that have been the backbone of the economy since the agrarian revolution.

The food supply chain is a complex web that involves producers, consumers, agricultural and fishery inputs, processing and storage, transportation and marketing, etc. As the virus spreads and cases mount, and measures tighten to curb the spread of the virus, there are countless ways the food systems at all levels will be tested and strained in the coming weeks and months. As of now, disruptions are minimal, as food supply has been adequate, and markets have been stable so far.

Although less food production of high value commodities (i.e. fruits and vegetables) is already likely, they are not yet noticeable because of the lockdowns and disruption in the value chain. In the fisheries and aquaculture sector, the implications can vary and be quite complex. For wild-capture fisheries, the inability of fishing vessels to operate (due to limited or collapse of market as well as sanitary measures difficult to abide to on board of a vessel) can generate a domino effect throughout the value chains in terms of supply of products, in general, and the availability of specific species. In addition, for wild-capture fisheries and aquaculture, problems in logistics associated with restriction in transportation, border closures, and the reduced demand in restaurants and hotels can generate significant market changes – affecting prices.

We are already seeing, however, challenges in terms of the logistics involving the movement of food (not being able to move food from point A to point B), and the pandemic's impact on livestock sector due to reduced access to animal feed and slaughterhouses' diminished capacity (due to logistical constraints and labor shortages). As a result of the above, as of April and May we expect to see disruptions in the food supply chains.

Blockages to transport routes are particularly obstructive for fresh food supply chains and may also result in increased levels of food loss and waste. Fresh fish and aquatic products, which are highly perishable and therefore need to be sold, processed or stored in a relatively limited time, are at



particular risk. Transport restrictions and quarantine measures are likely to impede farmers' and fishers' access to markets, curbing their productive capacities and hindering them from selling their produce.

Shortages of labor could disrupt production and processing of food, notably for labor-intensive industries (e.g. crops or fishing). Spikes in prices are not expected in major staples where there is supply, stocks, and production is capital intensive, but are more likely for high value commodities, especially meat and fish in the very short term and perishable commodities. On the other hand, where production is available and demand collapses like in some fisheries, prices are expected to collapse too.

The need to upgrade standards for hygiene, working conditions and living facilities on agricultural activities as well as throughout the fish value chain, needs to be reconsidered in light of the pandemic.

#### 5.3.4. Circular Economy, Sustainable and Renewable Economy

Renewables projects are particularly vulnerable to impacts of COVID-19 since China is a significant producer of solar photovoltaic panels and turbines. The crisis, however, also presents an opportunity for energy consumers to identify alternative, simple and cost-effective energy solutions to address challenges of increased usage of energy due to the lockdown and quarantine. For instance, distributed renewable energy (DRE) solutions like stand-alone solar and mini-grid systems, represent a clean, cost-effective, rapidly deployable and reliable option to provide electricity to residential units and healthcare centers, transforming lives whilst strengthening global efforts to achieve UN Sustainable Development Goal 3 – good health and wellbeing and 7 – affordable and clean energy.

Households can look to utilizing 'cleaner' and more energy efficient cooking fuels like use of briquettes (easily made from cow dung or cassava flour or clay soil, smashed charcoal and water) that burn longer than charcoal and therefore, will reduce the amount of charcoal or firewood usage and save costs. Homes can also resort to utilizing improved clean cook stoves which are more energy efficient, emit fewer emissions and are safer than the traditional cook stoves or three-stone-fires to meet their cooking needs.

It should be noted, however, that the challenges posed by restrictions on movement and social distancing may preclude suppliers of clean energy from exploiting these opportunities. Like all other sectors of the economy, the circular/renewable energy sector is surely facing the blunt of the COVID-19 pandemic. Another area of the circular economy that has potential for growth is waste processing and waste management. With the bigger number of people at home due to lockdowns and quarantine, the amount of waste being generated by an average family is presently higher than the usual. Also, waste management businesses have been permitted to continue operating as usual as long as they respect the curfew that starts at 7:00 pm. The circular economy/renewable energy sector can explore different strategies through which this potential business opportunity can be taken full advantage of.

#### 5.3.5. Services Sector

Globally, analysts are painting a bleak picture for IT services companies and application software vendors as they struggle to pick up business in the face of global coronavirus lockdown. In Uganda, the economic strain resulting from COVID-19 and government measures to prevent its spread is already hitting services companies hard. As service providers try to fulfill contracts, prospective projects are getting or have been cancelled.



When it comes to the IT services sector (where Exchange vzw has one client and other prospective ones), the impact of COVID-19 has been deep, immediate and is likely to be long-lasting. While most sectors can find an upside (see discussion under renewable energy), there is little optimism for IT services. With the country in lockdown, IT services staff cannot access their clients' sites. For a country like Uganda, working remotely is not a viable option due to unreliable and expensive broadband connectivity.

Amidst all this, it is going to be challenging for service companies to raise salaries to pay their employees and this may lead to massive job cuts within the services sector. The government and development actors should come up strongly and devise mitigating measures to ensure that the IT services sector does not get crippled by the COVID-19 pandemic.

## 6. Government support to local economy

### Defer Pay-As-You-Earn for most affected sectors

Finance Ministry measures

- Delay payment of corporation tax for corporations & SMEs.
- Defer payment of PAYE by sectors affected
- Capitalization of Uganda Development Corporation (UDC) (UGX100bn)
- Capitalization of Uganda Development Bank (UDB) (UGX1 trillion)
- Funds for Emyooga (Boda bodas, Saloon operators, Artists)

The Ministry of Finance has proposed that Pay-As-You Earn (PAYE) is deferred for sectors most affected, one of 11 measures to help businesses affected by the COVID-Pandemic. They have also proposed a waiver of interest on tax arrears.

President Yoweri Museveni also said the COVID-19 pandemic has helped the country realize its untapped potential, with its reputation set to grow.

“By correctly managing the pandemic, the reputation of Uganda will grow in the World. After the pandemic, people will flock here. Ugandans in the diaspora are now sure of a secure and respectable base, their homeland,” Museveni said.

He singled out agriculture as one rock on which the country can prosper, saying despite the lock-down of most sectors, its farmers continued to earn the country millions of dollars.

“Our agriculture is, therefore, not only feeding us almost 100%, but also earning dollars for us of the magnitude of \$2 billion annually,” he said in his 2020 State of The Nation Address he delivered today.

### Measures from Ministry of Finance

- I. Allow corporations including small and medium sized enterprises (SMEs) to delay payment of corporation tax or presumptive tax for taxes due between April and June 2020 and for tourism, manufacturing, horticulture and floriculture to defer until September 2020;
- II. Defer payment of Pay-As-You Earn (PAYE) tax by those sectors which are most affected until September 2020;
- III. Waiver of interest on tax arrears;
- IV. Support to water and electricity utilities in order to ensure continued supply of these essential services to consumers during the period April to June 2020;
- V. Expedite payment of outstanding VAT refunds;



- VI. Payment of domestic arrears for goods and services supplied to Government by the private sector;
- VII. For those unable to pay their loans, Government through the Bank of Uganda has already put in the gazette the measures to support businesses; including allowing extension of repayment periods, postponement of loan repayment for a limited period, relaxing the conditions for non-performing loans, reduction of reserve funds commercial banks are required to keep with Bank of Uganda and creating a special liquidity facility to rescue businesses that are not able to meet operational costs due to low demand or reduced production due to COVID-19;
- VIII. Capitalization of Uganda Development Corporation (UDC) with Shs. 100 billion to enable Government to invest in strategic areas;
- IX. Boosting funding to Uganda Industrial Research Institute (UIRI) in FY 2020/21 to continue with innovation research and incubation of business start-ups.
- X. Securing funding for the development of Kampala Industrial Business Park at Namanve and for power transmission and substations for Mbale, Kapeeka, Bweyogerere, Kasese, Soroti, Luzira, Jinja and Mbarara industrial parks; and
- XI. Provision of additional UGX 300 billion immediately to boost agricultural production and productivity for seedlings, fertilizers, irrigation, storage facilities and value addition. The target crops are coffee, cotton, tea, palm oil and other oil seeds, cassava, maize, cocoa and dairy, beef, and fish production.

**Expected interventions:**

1. To deal with this economic shock, both fiscal and monetary policy adjustments would be required. The fiscal policies will play a critical role in mitigating the negative impact of the pandemic on economic activity and the challenges in the affected sectors particularly health, while monetary policies will help to reduce the impact of the deterioration of the Balance of Payments.
2. To deal with the possible negative impacts on our balance of payments, the Government will seek support from the International Monetary Fund to support the Central Bank in ensuring that international reserve buffers remain strong and that the exchange rate remains stable.
3. To deal with the financing gap in the Government budgets for FY 2019/20 and FY 2020/21, Ministry of Finance will seek for a budget support loan on concessional terms worth US\$ 100 million for FY2019/20 and US\$ 90 million for FY2020/21 from the World Bank.
4. As one of the policy responses, Government to put more effort in the implementation of the import substitution and export promotion strategy. This will reduce dependency on imported inputs and final goods in case of trade disruptions and other global economic shocks.
5. Ministry of Finance to meet the private sector and financial institutions to enhance implementation of the import substitution and export promotion strategy and to discuss Government's short, medium- and long-term policy responses aimed at dealing with the negative impacts of the COVID-19 on the economy and future economic shocks.
6. Bank of Uganda has directed Supervised Financial Institutions (SFIs) to defer the payments of all discretionary distributions such as Dividends and Bonus payments for at least 90 days effective March 2020 depending on the evolution of the pandemic.
7. Uganda's Central Bank has reduced the Central Bank Rate (CBR) by 1% point to 8%. This is intended to ensure adequate access to credit and the normal functioning of Financial Markets.



## PRIVATE SECTOR FOUNDATION OF UGANDA RECOMMENDED STRATEGIES TO HELP THE PRIVATE SECTOR RECOVER FROM COVID-19 LED ECONOMIC RECESSION:

The journey towards resuscitating the economy of Uganda through Ministry of Finance and the following intervention areas were proposed for Government consideration;

### 1. Pay all domestic arrears to increase liquidity in the economy

### 2. Domestic Tax:

- a). Deferment of Payroll Tax payments to ease business cash flows for the next 6 months
- b) Payment of Outstanding VAT refunds
- c) Proposal of Turnover-tax in the current budget proposal should be postponed to next FY (21/22).
- d) Tax on rental properties be frozen for six months effective April 2020 and no taxes should be increased on rental properties
- e) Lower taxes on products produced with locally sourced raw materials.

For example, excise duty on fruit juices

### 3. Financing:

- a). Restructure Uganda Development Bank (UDB) to manage the new development bank dynamics
- b) Capitalize UDB so that they can effectively support the financing requirements of Ugandan entities.
- c) UDB should aggressively support the Value chains (Upstream & Downstream)
- d) Support the tourism sector with a line of financing through UDB
- e) Improve on the Administration of the Agriculture Credit Fund
- f) Recapitalize and procure more cargo aircraft for Uganda Air Cargo to ensure foreign market expansion.

Note:

It is important that 50% of the Board positions are occupied by the private sector.

### 4. Production:

- a) Promote Producer groups & cooperatives and an efficient Warehouse Receipt System to ensure food security.
- b) Support incubation to ensure value addition for both domestic and export markets
- c) Enhance the Buy Uganda-Build Uganda initiative (BUBU) in order to ensure import substitution and make the young population will find it attractive to go into manufacturing and value addition.

### 5. NSSF Offers Businesses Amnesty

In support of the Government of Uganda's interventions to combat the effect of COVID-19, the National Social Security Fund (NSSF) has put in place measures to ease the cash flow burden of affected employers/ businesses in the private sector. In its notice, NSSF indicated that with effect from 31st



March 2020, it will allow Ugandan businesses facing economic distress to reschedule their NSSF contributions for three (3) months without accumulating penalty.

Affected businesses are advised to send an email to [amnesty@nssfug.org](mailto:amnesty@nssfug.org) to work out the detailed modalities. A business that does not apply for this amnesty will be expected to continue honoring its statutory obligation to remit NSSF contributions by the 15th day of every month.

## IMPORTANT UPDATE FROM PRIVATE SECTOR FOUNDATION UGANDA

### Mastercard Foundation and Private Sector Foundation Uganda Launch COVID-19 Economic Recovery and Resilience Response Program

**Kampala, Uganda, June 9, 2020** – Today the Private Sector Foundation Uganda (PSFU) announced the creation of the *COVID-19 Economic Recovery and Resilience Response Program* in partnership with the Mastercard Foundation.

The program will extend immediate relief, recovery and resilience interventions to counter the impact of COVID-19.

The *COVID-19 Economic Recovery and Resilience Response Program*, with a commitment of US\$8.3m (equivalent to Shs 31bn) from the Mastercard Foundation COVID-19 Recovery and Resilience Program, will be used to;

- Procure 30,000 PCR (Polymerase Chain Reaction) test kits for use by the COVID-19 National Taskforce.
- Purchase personal protection equipment (PPE) and other critical items for frontline workers in the fight against COVID-19.
- Support the enhancement and adaptation of standards and quality certification and management by Uganda National Bureau Standards (UNBS) and qualifying private laboratories to improve the quality of goods for domestic and export markets.
- Support Uganda Healthcare Federation to develop a digitized quality assurance system for the standardization of services in private medical facilities across the country.
- Support at least 200 qualifying enterprises whose operations have been affected by COVID-19 to survive and thrive in new and existing local and international markets.
- Support government, through the National Planning Authority, to develop a post-COVID-19 recovery and growth strategy.

The *COVID-19 Economic Recovery and Resilience Response Program* complements the efforts of the Government of Uganda to control the spread of COVID-19 and develop a post COVID-19 recovery and growth strategy to support the survival, recovery and resilience of enterprises impacted by the negative economic effects of COVID-19.

“On behalf of all the stakeholders of the private sector, I would like to express my sincere gratitude to Mastercard Foundation for their support during this unforeseen time as we all fight to survive and thrive despite the undesirable effects of COVID-19. We are principally honored for the opportunity that Mastercard Foundation is partnering with PSFU to advance the development of the private sector in Uganda. We will honor our partnership by ensuring that we fulfill the responsibility they have entrusted us with to all our stakeholders,” said Hon. Dr. Elly Karuhanga, Chairman of Private Sector Foundation Uganda.

The creation of the COVID-19 Economic Recovery and Resilience Response Program is aligned to the Foundation’s [Young Africa Works](#) strategy. Young Africa Works, developed in consultation with young



people, policymakers, educators, and entrepreneurs, is Mastercard Foundation’s strategy that aims to enable 30 million young people in Africa, to access dignified and fulfilling work over the next 10 years.

“Young Africa Works is about connecting young people to opportunities, enabling them to build and sustain their livelihoods. We have to safeguard the work opportunities that already exist but are threatened by COVID-19 as we deepen our work in identified priority economic sectors and explore emerging opportunities that will create new pathways to work,’ said Samuel Yalew Adela, Country Head, Uganda, at the Mastercard Foundation.

The Mastercard Foundation is also responding to COVID-19 on a continental level. On June 4, 2020 the Foundation announced its partnership with Africa Centres for Disease Control and Prevention (Africa CDC). Through its [COVID-19 Recovery and Resilience Program](#), the Mastercard Foundation is committing US\$40 million to the Africa CDC’s Partnership to Accelerate COVID-19 Testing (PACT). These funds will be used to purchase 1 million test kits, as well as train and deploy 10,000 community healthcare workers and 80 surveillance rapid responders to support contact tracing as well as strengthen the Africa CDC’s capacity to oversee a continental response to the pandemic.

#### **5. NSSF Offers Businesses Amnesty:**

In support of the Government of Uganda’s interventions to combat the effect of COVID-19, the National Social Security Fund (NSSF) has put in place measures to ease the cash flow burden of affected employers/ businesses in the private sector. In its notice, NSSF indicated that with effect from 31st March 2020, it will allow Ugandan businesses facing economic distress to reschedule their NSSF contributions for three (3) months without accumulating penalty.

Affected businesses are advised to send an email to [amnesty@nssfug.org](mailto:amnesty@nssfug.org) to work out the detailed modalities. A business that does not apply for this amnesty will be expected to continue honoring its statutory obligation to remit NSSF contributions by the 15th day of every month.

#### **Sources of information:**

- 1) Ministry of Finance reports.
- 2) Bank of Uganda reports.
- 3) President Address to the Nation.
- 4) Price Water Coopers reports
- 5) Belgium Embassy Uganda Factsheet Covid-19 Uganda.

## **7. Conclusions and Recommendations**

COVID-19 is a global pandemic and thus, its immediate and long-term impact will transcend borders. Whereas the immediate effect is on lives of those affected, the economic impact posed by this pandemic will also be far-reaching. Policy makers and development actors must work



together to ensure that the world and national governments do not slip into a recession of unprecedented magnitudes.

For the case of Uganda, being a developing country means that much of the COVID-19 impact is amplified. The private sector is already battling shocks ranging from a fear of how loans are going to be serviced, how rent is going to be paid, to how workers are going to be paid, among others. The government is in talks with the different sector heads to come up with mitigating measures but its present capacity to enact these measures is obviously limited. Under different circumstances, the government would be appealing to development partners and other more developed countries to step in and help. As it is, every country is now grappling with its own COVID-19 challenges with little resources left to bail out other countries.

The task ahead is a herculean one but there is hope that if all actors collaborate, it will be possible to rescue the economy bit by bit. With the pandemic still raging, much of the focus is on day-to-day survival. We can, however, already start planning on how we shall move beyond the impacts once the pandemic has been overcome. For the private sector, this is critical and the role of actors like Exchange vzw should be seen to be amplified now more than ever. For Uganda, a crippled private sector will pose a real threat not only to attainment of SDGs but also to lives of citizens.

The lifting of the lock-down has seen businesses pick up from where they had left off and things are starting to look up. Although reports indicate that there is a slow pace of business, the overall outlook is promising. Adapting is the new name of the game: those that initially used to travel to China, Turkey, Dubai, etc. have now had to learn to use online systems to place orders and pay for merchandise. As the number of cases continues to rise, Ugandans are hopeful that the death rate will not rise substantially. This is based on what is being seen on ground and on what Ugandans are referring to as a milder case of the virus. As it is, it looks like besides following SOPs and trying to go about doing business in an as usual way as possible, the country is also relying on divine intervention. This is evidenced by the recent declaration, by the president, of the 29<sup>th</sup> of August 2020 as a national day of prayer to appeal to God to save the country from COVID-19. Away from that, the country is also earmarked to be one of the countries where massive testing of a COVID-19 vaccine will take place come November 2020.<sup>7</sup>

## 8. Appendix

### 8.1. Past measures

During the address of the president to the nation on Tuesday 19/05/2020 it was announced that the lockdown would be eased in two weeks' time after every citizen of Uganda has got a mask for

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<sup>7</sup> <https://www.trialsitenews.com/imperial-college-of-london-vaccine-to-be-tested-in-uganda-by-december-2020/>



protection. At that time, the following specific measures were outlined as what would constitute the country's exit strategy:

1. Free and Compulsory masks to be put on by everybody from ages of 6 years on wards.
2. Shops selling general merchandize will open provided they are not in the shopping malls, shopping arcades and food markets.
3. The heroic market women that have slept in the workplaces for all these days, will be allowed to go home and come back to work daily if they want to.
4. Public transport will resume but with strict regulations. Mini-buses, buses, taxis, tuku-tukus can operate provided they carry only a half of their normal capacity.
5. Public transport won't operate in border districts for another 21 days.
6. Boda bodas won't carry passengers yet. They should continue to carry cargo as they have been doing during the time of the lock-down.
7. Bars, night-clubs, gyms, saunas, swimming pools and hair-salons, will stay closed for another 21 days since they cannot easily observe the rules of social distancing.
8. The International borders of Uganda and the airport will remain closed so that we do not import additional cases from outside.
9. Education institutions can open but only for finalists/candidate classes. There will be no first-term examinations. Social distancing is a must. Other learners will wait for now.

"For the scholars, only finalists (P7, S4, S6, Undergraduate, postgraduate) will be allowed to resume and sit for their exams. The rest of the classes must wait. It's better to be safe at home,"

10. Curfew from 19:00 hours until 06:30 hours, remains in place for another 21 days.
11. Food restaurants can open if the clients observe social-distancing and there is no air-conditioning which spreads the virus.

Hotels and Restaurants will open provided their customers and clients maintain social distancing with no air conditioning – known for increasing the spread of COVID-19.

12. People with private cars will be allowed to drive if the car does not carry more than 3 people, including the driver.

New changes that come with June 2 partial lockdown lift see arcades remain closed and barred mixing of food and nonfood items in market locations.

With the lifting of the ban on public and private transport come June 4, the institutions have been cleared to open with only finalists.

13. Most of the measures take effect in two weeks' time i.e. June 4th, 2020, when the free masks government has promised all Ugandans are delivered.
14. All the other past restrictions will remain in place for 21 days.

