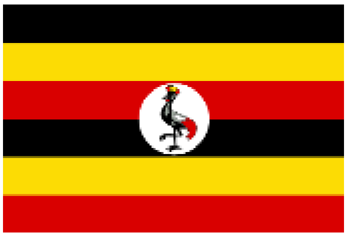

Status Report COVID-19

Exchange Uganda

Abstract
Report on the effects of COVID-19 in Uganda

Version 11.0

26th June 2021

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1. Summary

Uganda confirmed its first case of COVID-19 on Saturday the 21st of March 2020. Since then, the number of cases has risen to 75,537 with the death toll at 781 as of today (26th June 2021). From the time the first Covid-19 case was identified, the country has put in place various measures to limit the spread of COVID-19. The measures included a country-wide lockdown starting from the 18th of March 2020. This tight lockdown was gradually lifted as cases slowed to a trickle and by early June 2020, the country had embarked on an exit strategy. By the end of the year, the situation in the country had almost stabilized with the public following standard operating procedures (SOPs), albeit in a relaxed manner.

In May 2021, however, infections started to spike, and new cases surged, fueling fears that the country could slip into an out-of-control second wave. On the 6th of June 2021, president Yoweri Kaguta Tibuhaburwa Museveni **re-imposed restrictions** that included immediate closure of schools and suspension of inter-district travel to help beat back the surge in Covid-19 cases. These measures were to be effective starting **from the 7th of June 2021 and lasting for a period of 42 days**. The president informed the public that at the end of the 42-day period, an assessment of the Covid-19 situation would be made to inform the decision of whether to ease or prolong the restrictions.

Unfortunately, only 12 days into the lockdown, the number of cases had continued to rise significantly. On Friday the **18th of June 2021**, the health ministry shared the latest figures indicating 1,564 new cases and 42 deaths recorded in the previous 24 hours. This prompted the president to further tighten the restrictions as delivered in his address to the public on the evening of the same day - 18th of June 2021. In the **new restrictions**, all cross-boundary and intradistrict movement of public transport and private vehicles or boda bodas (passenger ferrying motorcycles) was suspended for a period of 42 days. Nation-wide curfew hours were shortened from 05:00 am – 09:00 pm to 05:30 am – 07:00 pm. These new restrictions did not consider the 12 days that had elapsed since the first set of restrictions had been imposed on the 7th of June 2021.

According to Reuters[1], the new restrictions potentially threaten to arrest an already fragile economy recovering from the blow inflicted by last year's lockdown. A report published by the Economic Policy Research Centre (EPRC)[2] in May 2020 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) had 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.

It is now one year and three (3) months since the first case was identified in Uganda. Whereas it had been hoped that the Covid-19 situation would have greatly improved by now, this is not the case. **The second wave is here, and it is more aggressive than the first wave**, with five (5) different

[1] https://www.reuters.com/world/africa/uganda-re-imposes-lockdown-beat-back-covid-19-case-surge-2021-06-06/
[2] https://eprcug.org/research/education?task=document.viewdoc&id=652

virus variants identified by the health ministry[3]. It remains to be seen how this new lockdown and its attendant restrictions are going to affect Uganda's economy in general and SMEs in particular.

2. General overview, statistics, and updates

2.1 Statistics and trends

Total nr. of confirmed cases (Ugandans): **75,537**

Total nr. of confirmed active cases: **22,205**

Total nr. of confirmed recovered cases: **50,350**

Total nr. of confirmed deaths: **781**

Total nr. of samples tested: **1,287020**

Total nr. vaccinated 1 dose: **869,915**

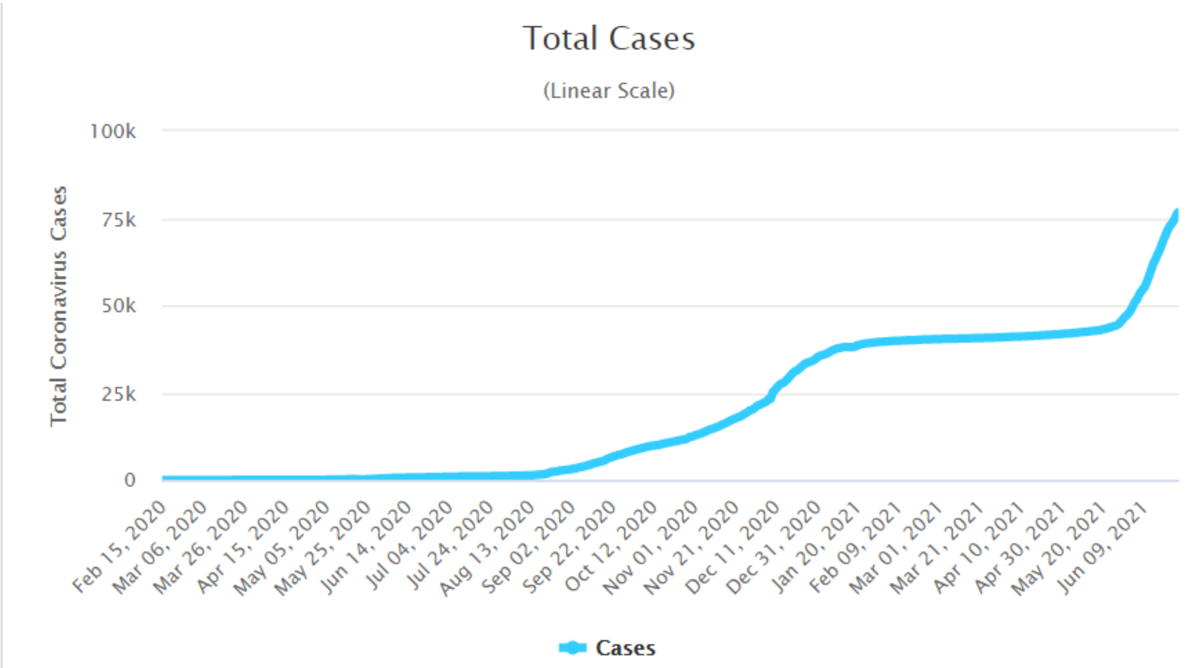
Fully vaccinated: **4,129**

Date:

26/06/2021

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

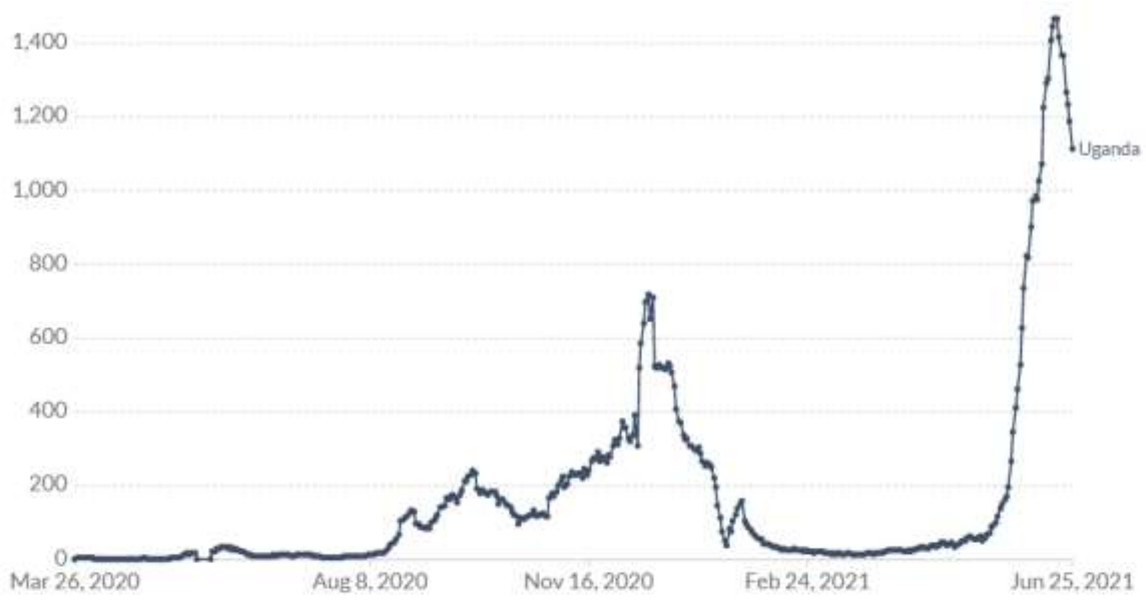
Linear presentation and trend of cases



[3] https://healthpolicy-watch.news/five-virus-variants-fuel-second-wave/

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

Daily number and trend of confirmed cases



Source: https://ourworldindata.org/coronavirus/country/uganda

2.2 Updates and Preventive Measures

Outlined hereunder are the latest Covid-19 updates and guidelines that the government of Uganda has put in place to prevent further spread of the second wave of the pandemic. .

Latest Updates – June 2021

MORE COVID-19 VACCINES RECEIVED:

- Uganda received an additional 175,200 doses of the AstraZeneca COVID-19 vaccine donated by the French government through the COVAX facility. The vaccines arrived in the country on Wednesday night 16th June 2021.

- The new doses bring to 1,139,200, the number of COVID-19 doses received in the country.

- Government is expecting 688,000 doses of AstraZeneca vaccine in early August 2021.

- Uganda gave UNICEF US$ 11million, about Shillings 38 billion to procure COVID-19 vaccines through the COVAX facility, with the aim of vaccinating 21 million people in a phased manner.

UGANDA DEVELOPS HERBAL THERAPEUTIC PRODUCTS TO MANAGE COVID-19

- Five herbal therapeutics have been developed by the Natural Chemotherapeutics Research Institute to assist in the treatment and management of COVID-19 in Uganda.

- The products include: **Warbugia Ugandensis**, **Cypress oil**, **Cypress herbal tea**, **propolis tincture and propolis throat spray**. Another product that has been developed is the **NCRI-NP syrup** that is a concentrated version of the government's UBV-01N COVID-19 therapeutic that is still undergoing research to determine proper dosages.

- According to scientists, the products which have been developed using locally grown herbs have been found to be effective in the treatment of COVID-19.

- "The products were developed alongside the therapeutic trial which aimed at finding safe and efficacious drugs to fight COVID. All the products have shown to be effective, and some have been notified by the National Drug Authority.

PARTIAL LOCKDOWN ANNOUNCED ON JUNE 6TH 2021

- Schools, higher institutions of learning closed for 42 days effective from 07/06/2021

- All teachers must get vaccinated

- Religious gatherings suspended

- Conferences suspended

- Marriage ceremonies, burials, parties maximum 20 people

TOTAL LOCKDOWN ANNOUNCED ON JUNE 18TH 2021

- Private and public transport suspended for 42 days.
- Cargo trucks and pickups allowed to travel within and cross districts. Should not have more than 2 people.
- Public and private vehicles only allowed to move if they are transporting the sick.
- Boda bodas (motorcycles) allowed to carry only cargo.
- **Registered tourist vehicles allowed to move.**
- Emergency vehicles i.e., army, police, ambulances etc allowed to move.
- Essential workers namely doctors, nurses, pharmacists, veterinary doctors can move.
- Curfew to start at 7:00pm – 5:30am.

☀ Boda bodas to stop operating at 5:00pm.

☀ All schools and education institutions to remain closed for 42 days.

☀ **Entebbe airport open, travel to and out to continue uninterrupted.**

☀ Cargo trucks to park at only designated places.

☀ Non cargo cross border movements suspended for 42 days.

☀ Food market vendors must camp in their places of work (market). Kikuubo closed.

☀ Burials restricted to only core family. (Not more than 20 members)

☀ Bars, discos, sports betting remain closed. Licenses of those that fail to oblige to be cancelled forever.

☀ Physical presence of staff in non-core offices to be reduced to 10 percent.

☀ Places of worship and sports events closed for 42 days

☀Public and Cultural gatherings or Conferences, EXCEPT for the sitting of the *Cabinet, Legislature and Judiciary, we*re hereby suspended for 42 days.

☀Retail shops remain operational until 7pm.

☀**Restaurants/hotels remain open.**

☀Political and public gatherings still prohibited.

☀**Factories and construction sites stay open with an option for camping.**

☀Mandatory wearing of masks in public space.

☀Keep a social distance of at least 2metres.

A detailed account of the new measures and restrictions can be found in the full address of the president to the nation on the 18th of June 2021. It can be found here: [Full Speech of the President 18th June 2021].

3. Impact

3.1 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 in-coming 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.

By October 2020, the travel restrictions had been lifted but with strict guidelines on testing and following of SOPs. The lift offered some much-needed relief to businesses that heavily rely on both domestic and international travel. In the new restrictions, travel into the country by tourists is still possible, but SOPs must be followed by all travelers. On the other hand, many countries have placed Uganda on their red lists of countries to where their citizens are not allowed travel. The cost of travel also remains 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 necessary** and other options would not work.

3.2 Economic Impact

Due to Covid-19, the projection for **economic growth** in FY2019/20 was 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 2020, falling below target by a whopping Shs789.8 billion. According to the Ministry of Finance's 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 Shs 1.5 trillion but only managed to get Shs 931 billion which means that there was a shortfall of Shs 547 billion, which is one of the biggest deficits in a single month in recent times.

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

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

The low activity in the industry and service sectors resulted in **loss of jobs** further leading to a **decline in economic growth** and an **increase in the level of poverty**. The number of people that were pushed into poverty was estimated at approximately 780,000 in 2020.

External Sector (Balance of Payments)

- Tourism was 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.

3.3 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[4] pandemic. The PMI tracks performance of the private sector monthly. 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.

3.3.1 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[5], 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

[4] COVID-19 is the novel coronavirus disease that emerged in 2019 and has turned into a global pandemic.
[5] Uganda Hotel Owners Association

hotels may be forced to close. On March 17th, 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[6] 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.
- 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[7] believe that if the government can accept the above recommendations, the sector can stay afloat.

A paper published in January 2021[8] argues that tourism was the hardest hit sector (by Covid-19) compared to all other sectors in the country. In this paper, the author also explores the various ways in which government resources could be used to ensure that this critical source of livelihoods and foreign exchange survives and comes back stronger than ever. Given the high demand for tourism, there is hope that the sector will have a full rebound sooner than later.

3.3.2 Manufacturing Sector

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[9] 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 20th 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

[6] Pay as You Earn
[7] Uganda Tourism Board
[8] https://www.theigc.org/wp-content/uploads/2021/03/Ahebwa-and-English-2021-Final-report.pdf.

[9] Uganda Manufacturers Association

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.

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.

The recovery period for the manufacturing sector is likely to be a long-term one since imports of raw materials may take longer periods to pick due to effects of Covid-19 in source countries.

3.3.3 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.

3.3.4 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.

3.3.5 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.

3.3.6 Summary of Uganda's Economic Growth in the 2020/21 Financial Year

June 2021 preliminary estimates from the Uganda Bureau of Statistics (UBOS) show that in nominal terms, the size of the economy increased to 148.278 trillion shillings (about 42.4 billion U.S. dollars) this financial year 2020/2021 from 139.711 trillion shillings (39.9 billion dollars) in the financial year 2019/20. In terms of Gross Domestic Products (GDP), the UBOS estimates show that the economy grew by 3.3 percent during the current financial year compared to the revised GDP growth of 3.0 percent in 2019/20.The expansion, although still below the potential annual growth rate of 6-7 percent, suggests that the country is recovering from the negative impacts of the COVID-19 pandemic which hit the country in March last year.

In terms of sectoral performance to GDP, UBOS figures show that agriculture, which is the source of livelihood to the majority of Ugandans, contributed 23.7 percent this financial year compared to 23.9 percent in financial year 2019/20. The contribution of the industry sector increased to 27.4 percent in the 2020/21 financial year from 26.5 percent in 2019/20. The growth in the industrial sector is attributed to the improved performance in manufacturing activities which grew by 2.1 percent this financial year compared to 1.3 percent in the previous year. The services sector continued to be the biggest contributor to the GDP although it registered a setback decline in 2020/21 with its share contribution registering 41.5 percent from 42.8 percent in 2019/20. The setback was due to COVID-19 lockdown restrictions, according to experts.

The above statistics indicate that Uganda's economy is on a recovery trend after facing the negative impacts of the on-going Covid-19 pandemic. How this trend is going to be affected by the second wave of Covid-19 and the new restrictions is yet to be seen.

4. Government support to local economy

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 RECESS:

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.

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 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.

- 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.

Sources of information:

1) Ministry of Finance reports.

2) Bank of Uganda reports.

3) President's addresses to the nation.

4) PricewaterhouseCoopers reports

5) Belgium Embassy Uganda Factsheet Covid-19 Uganda.

5. 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 first lock-down saw businesses pick up from where they had left off and things were starting to look up. Although initial reports had indicated that there was a slow pace of business, the final report on economic growth showed a positive outlook with growth registered amidst the pandemic. With the coming into force of a second total lockdown and stricter restrictions, it remains to be seen how the economy, especially the SMEs sector, will absorb the shock and regain traction. With vaccination on-going, there is hope that the current second wave will not last for long and that the lockdown will be eased soon.

6. Appendix

Useful links for additional information and further reading

https://www.health.go.ug/covid/

https://mastercardfdn.org/mastercard-foundation-and-private-sector-foundation-uganda-launch-covid-19-economic-recovery-and-resilience-response-program/

https://www.psfuganda.org/projects/15-psfu-news/291-press-statement-the-covid-19-pandemic-the-journey-towards-resuscitating-the-economy-of-uganda-an-opportunity-not-to-be-missed.html

https://www.monitor.co.ug/Business/Finance/UDB-conditions-unfair-SMEs-cry-out-stimulus-package/688608-5615520-osc964/index.html

https://www.uncdf.org/article/5668/start-board-approves-shs-830m-small-business-recovery-fund-to-support-smes-during-post-covid-19

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