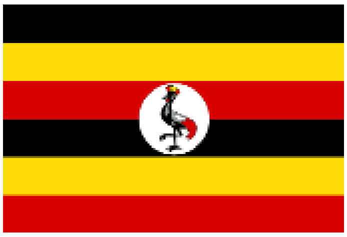

Status Report COVID-19

Exchange Uganda

Abstract

Report on the effects of COVID-19 in Uganda
Version 12.0
18th November 2021

Bert Bortier
Fredrick Kyeyune
Hanifah Kasule

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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 confirmed cases has risen to 126,965 (Ugandans only) with the death toll at 3,239 as of today (18th November 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.

At the end of the 42 days (30th July 2021), the lockdown was partially lifted. This decision was based on a considerable decrease in cases, positivity rate, and hospital admissions. The National Covid-19 Task Force also considered the effects of a continuous lockdown on the economy and on residents. However, even with the partial lifting of the lockdown, some restrictions remain, for example, curfew time is maintained at 05:30 am to 07:00 pm and schools remain closed until sufficient vaccination of teachers and the eligible population of children (12 to 18 years old) has taken place.

According to Reuters[1], such 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

[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

the virus. Nine out of ten businesses surveyed reported experiencing an increase in operating expenses due to preventive and/or containment measures put in place by the government.

It is now one year and eight (8) months since the first case was identified in Uganda and even though the country suffered an aggressive second wave that peaked in June 2021, the situation is presently calmer with infection rates increasingly going down. This is likely due to increased uptake of vaccination by the public following vaccine donations from other countries coupled with the government's own procurement of additional doses.

2. General overview, statistics, and updates

2.1 Statistics and trends

Total nr. of confirmed cases (Ugandans): **126,965**

Total nr. of confirmed active cases: **No report**

Total nr. of confirmed recovered cases: **97,025**

Total nr. of confirmed deaths: **3,239**

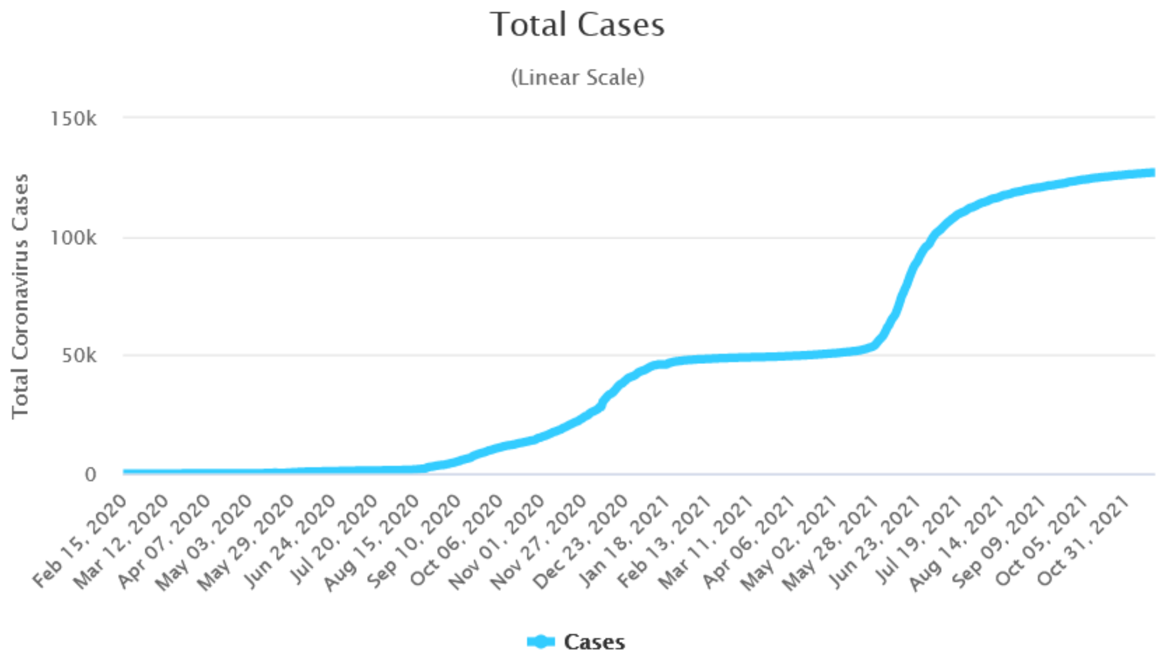
Total nr. of doses administered: **4,835,777**

Date:

18/11/2021

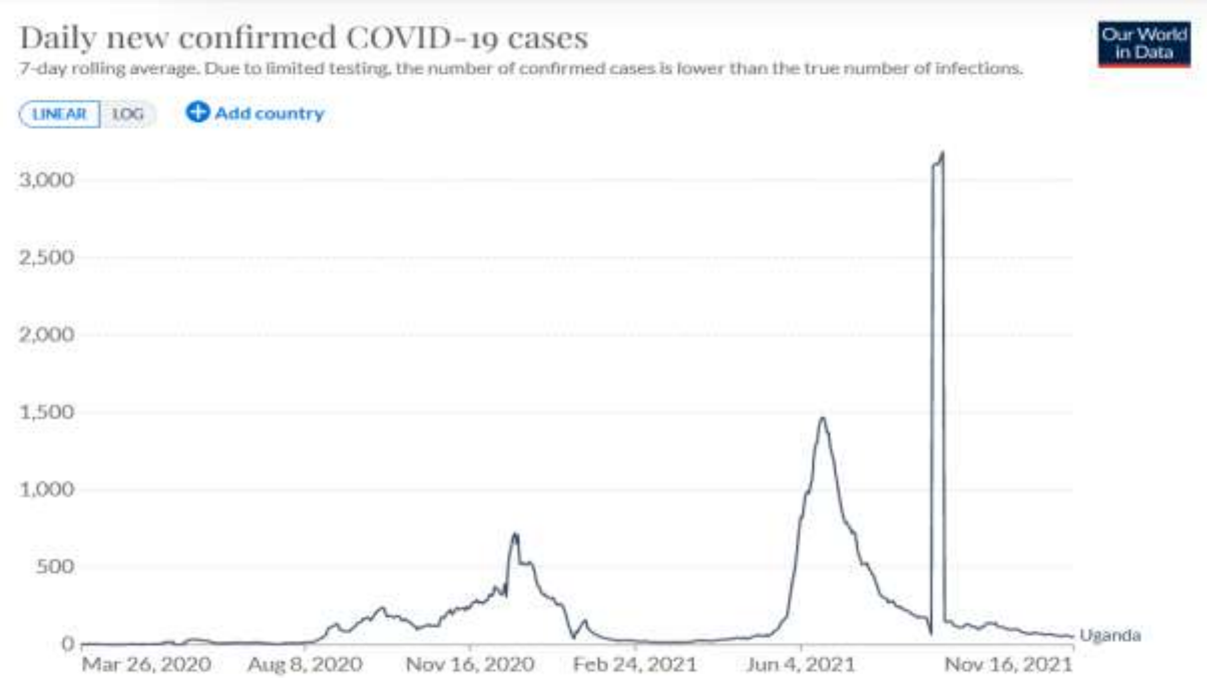
Source : https://www.health.go.ug/covid/

Linear presentation and trend of cases



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 – November 2021

- Curfew remains – 5:00 pm to 7:00 pm.
- Schools open in January 2022.
- Universities and tertiary institutions opened for classes on 1st November 2021.
- By the end of December 2021, the government will have received about 23 million doses of Covid-19 vaccines.
- 12 million vaccinations by December 2021.
- Uganda has received more than 9.5 million doses of Covid-19 vaccines.dd
- At the moment, an estimated 4.5 million doses are left in stock, this includes 1.4 million doses of the single-dose Johnson& Johnson vaccine.
- President Museveni launched the commencement of $30 per person mandatory testing by government for COVID-19 for all incoming passengers at Entebbe International Airport.
- The laboratory has been equipped with five PCR machines with a total capacity of testing 300 samples within an hour and 3,600 samples within 24 hours.
- The airport handles an average of 1,300 incoming passengers daily. Results are expected to be released in two hours and 15 minutes.
- Tourists and very sick passengers will get their results from home or designated hotels while VIPs and other passengers will wait for their results before exiting the airport.
- Uganda now gets on Average 61 new cases per day.
- National Planning Authority predicts cases to go down.
- Authorities at the Ministry of Health have blocked staff who are not fully vaccinated against Covid-19 from accessing their premises.

NEW GUIDELINES ISSUED ON 22nd September 2021:

- Curfew time maintained at 7pm-5:30 am
- Burials and weddings regulated to 200 people

☀Worship and prayer hubs regulated to 200 people

☀Outdoor sporting events allowed under strict SOPs

☀Games, betting, casinos, to operate day and close at 6:00 pm.

☀Post-secondary institutions of learning to open with effect from 1st November 2021 on condition that; all teachers and non-teaching staff are vaccinated

☀The 330,000 students aged 18 years and above in post-secondary institutions should be vaccinated as soon as possible

☀The rest of the learning institutions will open in January 2022.

Vaccine arrival forecast Sept-December 2021 as announced on 22/09/2021

Source of Vaccine	**Type of Vaccine**	**Quantity**	**Status**
USA	**Pfizer**	**1,647,000**	**Received - 20 September 2021**
USA	**Moderna**	**647,000**	**Received - 6 September 2021**
France	**AstraZeneca**	**501,000**	**22 September 2021**
Belgium	**AstraZeneca**	**344,900**	**22 September 2021**
China	**Sinovac**	**700,000**	**30 September,2021**
USA	**Pfizer**	**3,488,940**	**End of October, 2021**
GoU	**Johnson & Johnson**	**1,200,000**	**End of October 2021**
GoU	**Sinopharm**	**2,000,000**	**End of September 2021**
COVAX	**AstraZeneca**	**1,000,000**	**Mid October 2021**
Ireland	**AstraZeneca**	**350,000**	**Mid October 2021**
Belgium	**Johnson & Johnson**	**100,000**	**End of November 2021**
Total		**11,978,840**	

A detailed account of the new measures and restrictions can be found in the full address of the president to the nation on the 22nd of September 2021. It can be found here: [President's speech on 22nd September 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.

Since then, travel restrictions have been continuously relaxed to make an allowance for the economy to recover.

For domestic travel, public transport vans are allowed to ferry passengers at half capacity (7 passengers instead of 14). The implication is that passengers pay twice as much as they used to pay before Covid-19. This places a strain on the pockets of especially the low-income earning population that uses this means of transport. Owners of the passenger vans are also recording reduced returns from their business mainly because of limited hour of operation (due to curfew). For private vehicles, a maximum of three passengers (including the driver) are allowed per vehicle and like for passenger service vans, all standard operating procedures must be adhered to as much as possible.

For international travel, additional strict measures have been put in place to curb the spread of Covid-19. For example, arriving passengers should hold a negative COVID-19 PCR test certificate issued within 72 hours from the time of sample collection to boarding aircraft leaving country of origin. Details of additional measures that all international travellers must adhere to can be forund here: Uganda international travel guidelines. Although initially international travel restrictions were affecting import and export of commodities, including tourism, this is no longer the case. It is also worth noting that many traders have adopted online shopping as a means of importing merchandise, something that they had to take up during the times when there were strict measures in place.

3.2 Economic Impact

The Ugandan economy is emerging from the devastating impact of the COVID-19 pandemic, but prospects for growth are undermined by increasing pressure on its natural resources, according to the latest World Bank economic analysis for the country. The 17th Uganda Economic Update (UEU), From Crisis to Green Resilient Growth: Investing in Sustainable Land Management and Climate-Smart Agriculture, says that the COVID-19 shock caused a sharp contraction of the economy to its slowest pace in three decades. Household incomes fell when firms closed and jobs were lost, particularly in the urban informal sector. The country's Gross Domestic Product contracted by 1.1 percent in 2020 and is estimated to have recovered to 3.3 percent during the 2021 fiscal year.

"Following the job losses and closure of small businesses, many people returned to agriculture and other natural resources dependent activities to manage and survive the crisis," **said Tony Thompson, World Bank Country Manager for Uganda.** *"This further strains natural resources, which were already under pressure from rapid population growth, urbanization, a refugee influx and the country's drive for industrialization."*

From the severe contraction in economic activity and its subsequent impacts on livelihoods during 2020, the report notes that signs of recovery have strengthened, underpinned by improved business and trading conditions as COVID-19 restrictions ease. Domestic investment picked up during the last quarter of 2020 in line with global investment recovery. Manufacturing and construction investments recovered during the quarter ending March 2021 while the cash crop sector has sustained agricultural sector growth.

The economic growth outlook is 4.6 percent in the 2022, and acceleration to 6.4 percent in the 2023 fiscal year, as domestic demand conditions improve, and global recovery continues as COVID-19 vaccines are rolled out.

The UEU says that Uganda's immediate priority remains to save lives by intensifying measures to limit the spread of the coronavirus disease. Yet, the report says sustaining recovery will require the government to manage emerging risks including from widening fiscal deficits, escalating costs for small businesses, and climate shocks and loss of its natural capital.

"As the crisis abates, fiscal consolidation and prioritization of spending towards human capital development and greener investments will be the lynchpin into a greener, resilient and inclusive recovery," **said Rachel Sebudde**, **World Bank Senior Economist, and lead author of the report.**

The significant shift of Ugandans to agriculture in response to the crisis has heightened the urgency for the country to enhance sustainable use of natural resources. According to the report, land degradation, deforestation and climate risks contribute to the country's economic vulnerabilities and poverty. Annual decline in forest cover, by 2.6 percent, is one of the highest rates of forest loss globally and climate risks, including slow onset change and extreme events exacerbate this natural capital degradation.

The combined cost to the economy of land degradation and unsustainable soil erosion, is estimated at 17 percent of gross domestic product (GDP). Environmental degradation can cause a loss of 27 percent of agricultural GDP, says the report.

The World Bank suggests the macro-economic recovery and stimulus packages to be combined with structural measures that will sustainably increase productivity and build resilience to enhance livelihoods, the economy and general well-being.

"Farmers and producers need greater access to appropriate financial incentives and instruments to overcome the cost barrier adoption of sustainable land management and climate smart agriculture," said **Pushina Ng'andwe, World Bank Senior Agriculture Economist and report co-author.**

The Bank also recommends that the government needs to promote sustainable land management practices to protect, conserve and ensure better use of land, soil, water, and biodiversity resources, while restoring degraded resources and their ecosystem functions. Encouraging climate-smart agricultural practices will enhance resilience, the UEU says, as well as reduce greenhouse gas emissions, and boost national food security.

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.
- According to the Ministry of Tourism, Wildlife, and Antiquities, Uganda's tourism sector and the economy at large has lost UGX3.891Tn due to the Coronavirus pandemic.
- This was revealed by the Permanent Secretary, Ministry of Tourism, Doreen Katusiime, while appearing before Parliament's Tourism and Trade Committee which is investigating the impact of the second wave of Coronavirus on the tourism sector.
- Further explaining, Katusiime noted that foreign visitors to Uganda plummeted by 69.3% as to 473,085 from 1,546,620 visitors reported in 2019. The tourist arrivals in 2020 dwindled to the levels of as far back as 2005.
- "The foreign exchange earnings dropped threefold in the year 2020 from USD1.6bn approximately UGX5.655bn that Uganda earned from foreign tourists in 2019 to $500M equivalent to UGX1.767Tn in 2020," said Katusiime.
- Although imports and exports both slowed in the early part of the COVID-19 crisis, the acceleration in imports and slower recovery of exports in the first two quarters of FY21, strained growth in the early part of FY21. However, export growth has outpaced import growth in the third quarter of FY21,11 which also supports a likelihood of improved overall economic growth in the second half of FY21. On a financial year basis, the economy grew again in the first half of FY21 by about 0.7 percent, a recovery much stronger than had been anticipated, even though still less than a tenth of the growth of 8.6 percent realized in the corresponding period of FY20.
- Earlier in the outbreak, workers' remittances and Fpreign Direct Investments were adversely affected by the slowdown in the global economy. However, in 2021, remittances have started to gradually increase in line with the global recovery and amounted to about US$580 million in the first half of 2021, which is 70 percent of pre-COVID-19 levels, helping finance the trade deficit.
- The economy is expected to continue on the recovery path. In near-term however the recovery is likely to hampered by another round of lockdown measures that were announced in early June 2021 amidst rising case numbers and a slow vaccination rate. In the medium-term, however, stronger recovery is expected premised on successful deployment of vaccines and the containment of the spread of Covid-19, continued recovery in global demand, the commencement of construction works on the oil pipeline, a rebound in FDI inflows and a well anchored policy environment supported by the IMF ECF program.

- Economic growth is projected to rise to 4.3 percent in the FY2021/22 and above 6 percent in the FY 2022/23 and the outer years. Economic growth outlook is, however, highly conditional on the timeline of the world-wide vaccines rollout and the course of the virus, its new variants and waves. Limited access to vaccines and deadly variants necessitating new containment measures may taper the pace of growth. On the upside, the growth prospect could be strengthened by a successful rollout of vaccines, rising external demand, increased foreign investment inflows following the finalization of the oil pipeline agreement. Inflationary pressures remain benign reflecting the existence of spare capacity. Headline and Core inflation stand at 1.9 percent and 3.1 percent in May 2021 respectively. The forecast show that will scale up gradually to return to the 5 percent target as the negative output gap narrow in the medium-term. Core inflation is expected to average 3.3 percent in 2021 and 4.4 percent in 2022, before gradually returning to the medium-term target of 5 percent while headline inflation is projected to average 4.9 in 2021 and 4.5 percent in 2022.

- The outlook for inflation is, however, likely to be shaped by uncertainties impinging on the upside and the downside. On the upside, the upward surge of international commodity prices, if it becomes another commodity super-cycle, pose upside risks to the inflation outlook. This compounded with a more depreciated exchange rate, one-off effects of increases in some taxes, adverse weather-related shocks, and a more robust than anticipated global economic recovery could put upward pressure on domestic inflation. On the downside favourable weather and 31 | P a g e projected bumper harvests could keep food prices low. In addition, probable full lockdown to combat rising covid infections and lower than anticipated domestic demand could exert downward pressure on domestic inflation. Nonetheless, the balance of risks is currently assessed to be balanced.

Overall Balance of Payments Position

In FY2020/21, current account deficit is projected to worsen to 9 percent of GDP from 5.9 percent in FY2019/20 reflecting: (i) a worsening trade balance partly driven by government spending that boosted imports while tourism receipts remained weak; (ii) higher interest payments on public debt, partly driven by rising yields on government bonds; and (iii) remittances that have recovered somewhat but remain 33 percent below the pre-pandemic level. Donor support and FDI continue to be the main sources of financing while net portfolio inflows to general government—which are more vulnerable to refinancing risks. However, in the quarter to April 2021, the current account deficit narrowed, by US$435.9 million to US$755.1 million, primarily due to improvement in the services account deficit.

The improvement in the services account deficit was mainly due to a US$134.8 million decrease in payments to non-residents for other business services. In addition, although it remained below the pre-pandemic levels, travel (tourism) services receipts increased by US$85.1 million to US$238.2 million. The moderate recovery in the tourism receipts is in response to the easing of the COVID-19 travel restrictions and global rollout of vaccines. The trade deficit improved by US$126.3 million to US$638.6 million in the quarter to April 2021, owing to increased export earnings amidst lower import bills.

The primary income account deficit contracted by 17.6 percent to US$155.2 million largely attributed to a US$24.8 million decrease in compensation payments to non-residents. The decline in compensation to nonresidents was moderated by a US$14.1 million drop in interest earnings on reserve assets. The secondary income account recorded a surplus of US$433.4 million, up by US$31.7 million, from a surplus of US$401.8 million in the previous quarter, largely attributed to higher personal transfer inflows as the global economy recovers from the impact of the COVID-19 pandemic. The financial account surplus improved by US$79.0 million to US$589.2 million largely on account of increases in net capital inflows, driven by a fall in holdings of currency and deposits abroad by the banking sector, reflecting increased demand for foreign currency by residents possibly in relation to the recovery in trade.

Direct investment inflows remained within previous levels, with inflows of US$211.9 million recorded for both quarters to January and April 2021. Portfolio investment recorded a net inflow of US$65.4 million in the quarter to April 2021 targeting investments in government debt securities market. The overall balance of payments recorded a deficit of US$8.2 million in the quarter to April 2021. The stock of reserves stood at US$3,567.6 million equivalent to 4.4 months of import cover, up from US$3,567.3 million equivalent to 4.3 months of import cover in the quarter to January 2021. m

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[3] 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

Tourism was severely affected by a sharp drop in tourists coming to Uganda following extensive travel restrictions in the USA, Europe, and Asia. According to the Ministry of Tourism, Wildlife, and Antiquities, Uganda's tourism sector and the economy at large has lost UGX3.891Tn due to the Coronavirus pandemic. This was revealed by the Permanent Secretary, Ministry of Tourism, Doreen Katusiime, while appearing before Parliament's Tourism and Trade Committee which is investigating the impact of the second wave of Coronavirus on the tourism sector. Further explaining, Katusiime noted that foreign visitors to Uganda plummeted by 69.3% as to 473,085 from 1,546,620 visitors reported in 2019. The tourist arrivals in 2020 dwindled to the levels of as far back as 2005. "The foreign exchange earnings dropped threefold in the year 2020 from USD1.6bn approximately UGX5.655bn that Uganda earned from foreign tourists in 2019 to $500M equivalent to UGX1.767Tn in 2020," said Katusiime.

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[4], 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

[3] COVID-19 is the novel coronavirus disease that emerged in 2019 and has turned into a global pandemic.
[4] 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[5] 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[6] believe that if the government can accept the above recommendations, the sector can stay afloat.

A paper published in January 2021[7] 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.

Foreign tourist arrivals and domestic tourist movements are still very low due to heightened risk aversion; measures related to social distancing; and reduced demand of tourism services because of reduced disposable incomes. Due to the pandemic, over the past year the hospitality sub-sector faced h/low occupancy rates, which are expected to remain low. Even before any single case was reported, the top five hotels in the country[8] had registered an estimated loss of $2.09 million in cancelled bookings due to global travel restrictions and related anxieties (Devoghel et al., 2020). Between March and June 2020, the number of bookings per hotel establishment declined from about 175 prior to the pandemic (November/December 2019) to 14 in June 2020—a reduction of 92 percent (Figure 4). Consequently, a total of 448,996 hotel room bookings were cancelled between March and June, costing the hospitality subsector losses worth $320.8 million (UGX 1.19 trillion). Related, tour and travel businesses registered mass cancellations of bookings between March 2020 and June 2020 (Ministry of Tourism Wildlife and Antiquities (MTWA), 2020). The number of bookings per establishment declined from 54 in November/December 2019 to 2 in June 2020 (Figure 4), representing a 96.3 percent decline. These represented about $30.4 million (UGX 0.11 trillion) in losses due to cancellations and the loss was projected to hit $0.35 billion by December 2020 (ibid).

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

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

[8] Serena Kampala Hotel, Sheraton Kampala, Victoria Serena Golf Resort & Spa, Pearl of Africa Hotel, Munyonyo Commonwealth Resort Hotel.
[9] Uganda Manufacturers Association

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 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 because 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

Because agriculture production activities continued during the lockdown, the extent of the impact of COVID-19 on the agro-processing industry was relatively moderate. Nonetheless, both local and foreign demand for agro-food products reduced due to diminished transportation and reduced incomes, leading to a fall in prices. As a result, food processing firms experienced revenue shortfalls and responded by cutting production levels. For instance, Kakira Sugar Works reduced sugar production by 60 percent because their large consumers (schools, hotels, restaurants, and religious and cultural ceremonies) were not operating. The dairy sector was severely hit by the drastic fall in prices due to reduced demand and revenue. Production capacity remained the same but consumption fell as consumers prioritized the purchase of necessities. The closure of schools, restaurants, and hotels reduced local demand for both fresh milk and other milk products. Moreover, trade with Kenya (the biggest market for Uganda's milk) was disrupted due to the lockdown and export restrictions. Meat processing also suffered as weekly cattle markets closed due to COVID-19 and demand for processed meat products declined because most products are destined for the urban markets such as hotels, restaurants, and schools, which were closed during the lockdown. Like other sectors, food processing firms also laid off some workers and reduced salaries in response to COVID-19. Movement and COVID-related restrictions and individual behavior changes likely led to these outcomes.

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

The shock created by Covid-19 on the services sector, which contributes to 43.5% of GDP9 and employs close to 43% of the total labour force (67% of whom are in urban areas, and more than 80% in Kampala alone) will significantly affect growth and livelihoods of millions of Ugandans. Overall, the pandemic will directly affect the livelihoods of more than 60% employed in both industry and services, close to 90% of whom depend on these two sectors in urban areas. These sectors are largely informal, employing 90.5% of young people.

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 for 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 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) 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/