

COVID 19

Economic Impact on Uganda:

Responding effectively

LDGP / MoFPED

8th April, 2020

Introduction

- 5th April: Uganda had 52 confirmed cases of COVID-19
- The Economic impact of COVID-19 on the Ugandan economy will be significant, creating both economic disruptions and financing imbalances
- The COVID-19 shock comes on top of slowdown in real GDP during the 1st half of FY20 to 3.2% , compared to 7% a year ago, due to heavy rains and flooding.
- *However, we should not loose sight of other emergencies such as the locust invasion .*

Macro impact – GoU estimates

Real GDP Growth	Balance of Payments (BoP)	Foreign Exchange Reserves	Fiscal Deficit and financing gap	People pushed into Poverty
<p>FY20 3.9% <i>(pre-6%)</i></p> <p>FY21 4.5% <i>(not yet final)</i></p>	<p>Estimated gap of:</p> <p><u>FY20</u> US\$ 500m</p> <p><u>FY21</u> US\$ 800m</p> <p><i>(to maintain 3.5 months of imports)</i></p>	<p>Expected to decline from 4.2 to about 3.5 months of imports</p>	<p>Estimated to widen:</p> <p><u>FY20</u> 7.1% <i>(from FY19 5%)</i> Gap est. at US\$500m</p> <p><u>FY21</u> 9.8% Gap est. at US\$900m</p>	<p>Estimated at:</p> <p>780,000 (best)</p> <p>2.6 m (downside)</p>

Source: Statement on the economic impact of covid-19 on Uganda by Minister of Finance to Parliament, discussions with MoFPED

Government response: our understanding

- COVID-19 Preparedness and Response Plan – US\$7m (could rise to over US\$ 44.7m)
- Supplementary Budget – UGX 304 billion (US\$ 81m): Health UGX 82bn, Security UGX 81bn, Disaster UGX 59bn, LGs UGX 36bn, KCCA UGX 30bn & ICT UGX 14bn
- MoF presented to Parliament a loan request of US\$100m for FY20 & US\$90m for FY21 from World Bank, and US\$250m from IMF to close budget and external financing gaps
- Cabinet paper and discussion on 6 April (defer taxes, support to certain sectors, ?)
- BoU announced a set of measures to support the financial sector (CBR to 8%, liquidity assistance, moratorium on loan repayments)
- URA announced changes to tax administration to ease the cost of tax compliance and promote social distancing (up to 20 April)
- Gov to provide support in form of food (maize flour, beans & sugar) to vulnerable people in Kampala and Wakiso
- Gov promoting import substitution (BUBU) – e.g. production of PPE & sanitizers

Devt Partners' Response: Some Highlights

Partners are refocusing their support, and enhancing it in some areas.

a. Macroeconomic (World Bank, IMF)

- IMF planning a Rapid Crisis Facility (RCF) disbursement before end-June, which would bolster foreign exchange reserves and help close the external financing gap.
- World Bank considering a Emergency Operation (DPO) to help finance budget shortfall (includes actions to manage the fiscal crisis, sustain businesses and jobs, and protect the vulnerable and sustain livelihoods).

b. Financial sector (World Bank)

- World Bank planning new IPF/P4R project to include actions (liquidity facilities and credit guarantees) that aim to support the private and financial sectors.

c. Trade (UNDP, DFID)

- UNDP's Accelerator Lab has identified and deployed innovative and digital solutions for supply chains (i.e. food reserve).
- DFID supporting Trade Mark East Africa to manage COVID impact on regional trade, cross border trade and impact on women, supporting EAC to step work on to respond to COVID 19, enabling continued flow of goods including humanitarian and medical supplies

Devt Partners' Response ctd.

d. Agriculture (Ag.DPG lead, FAO chair, World Bank)

- Initial analysis to help DPs/UN agencies re-programme existing interventions or develop new programmes. Doing further assessment of impact on ag, and food and nutrition security (by UNDP w wider UN agencies)
- World Bank immediate locust response support from the Agriculture Cluster Development Project
- Regional allocation from World Bank's Fast Track Locust Response Programme

e. Tourism (World Bank)

- CEDPII project (partial repurposing) to include actions that aim to support the tourism sector.

f. Urban (DFID, IGC)

- DFID supporting KCCA to prepare its contingency plan
- IGC planning potential support to KCCA on remote survey data collection and analysis in the city to identify potential breakout hotspots and to collect information on the immediate impact of the crisis on socio-economic indicators.

Devt Partners' Response ctd.

f. Social protection (World Bank, UNDP, UNICEF, DFID)

- World Bank has NUSAF3 Social Protection Project, which has a disaster response facility mechanism, could also be triggered as part of the immediate response efforts.
- UNDP is helping w/mapping of social protection progs, with OPM, Ministry of LG, Ministry of Gender.
- UNICEF undertaking analysis of COVID-19 on vulnerable population's wellbeing – to help understand how PFM reforms and social protection mechanisms can help protect vulnerable populations
- DFID exploring possibility to deliver enhanced social protection via SAGE and Give Directly

g. Coordination (UNDP)

- UNDP are working with OPM on strengthening coordination, activating the National Emergency Coordination Centre (NECOC) to provide a robust whole-of-gov platform.
- Also helping in the implementation of e-governance for coordination, planning and response through digitalization (procurement of Zoom License).

LDPG has identified macroeconomic support and social protection as particularly important areas of focus

Areas for discussion

1. Deepening our understanding your approach

- i. What are GoU's latest plans for responding to the COVID economic shock? And what are the roles of different parts of Govt? MDAs the National Emergency Coordination Centre etc?
- ii. Which areas of the economy and groups of the population are you most worried about? Where do you seek our support?

2. Some priority areas for discussion.

- i. GoU has commenced food handouts, but we heard PS/ST suggest a role for cash transfers via mobile money. What are your views on the most appropriate way social protection can meet Ugandans' needs – both protecting the hardest hit and providing a boost to demand? How ambitious, and coordinated, could we collectively be on this?
- ii. How ready does GoU feel to handle the macroeconomic fallout of this crisis? What is your latest thinking on the size of financing gaps? What set of tools are you gearing up to meet these? Are there any areas where you are seeking additional assistance – financial or technical?
- iii. The emergency **DPO** is a critical area for discussion. Devt partner priorities in assessing this will include meeting immediate need, minimizing the possibility of loss of funds, and supporting policy shifts which promote long term poverty reduction. Do these priorities align with those of GoU?

THANK YOU!