



# UGANDA'S RECOVERY PROGRAM

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Uganda Economic Growth Forum  
Kampala, 1<sup>st</sup> SEPTEMBER 2020

# OUTLINE

**Introduction**

**State of Play**

**Government's response**

**Challenges and Opportunities**

**Next Steps**



# COVID-19 RESPONSE



# INTRODUCTION

- The economic and financial impact of the Coronavirus pandemic continues to be felt across the world leading to uncertainty and damaging near-term economic prospects.
- We face a multi-layered crisis comprising of;
  - a health shock,
  - domestic economic disruptions,
  - plummeting external demand,
  - capital flow reversals, and a
  - weaker commodity prices.
- This presentation will look at the immediate and medium term government response to this pandemic

# Key numbers on the impact of COVID-19 on Uganda's economy

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## Expected GDP decline

Uganda GDP growth rate could **decline between 7% and 10% in calendar year 2020** in the two scenarios analyzed



## Sectors most impacted

Largest GDP losses are anticipated to come from **tourism, wholesale & retail, transport, manufacturing, and agriculture (primarily exports)**



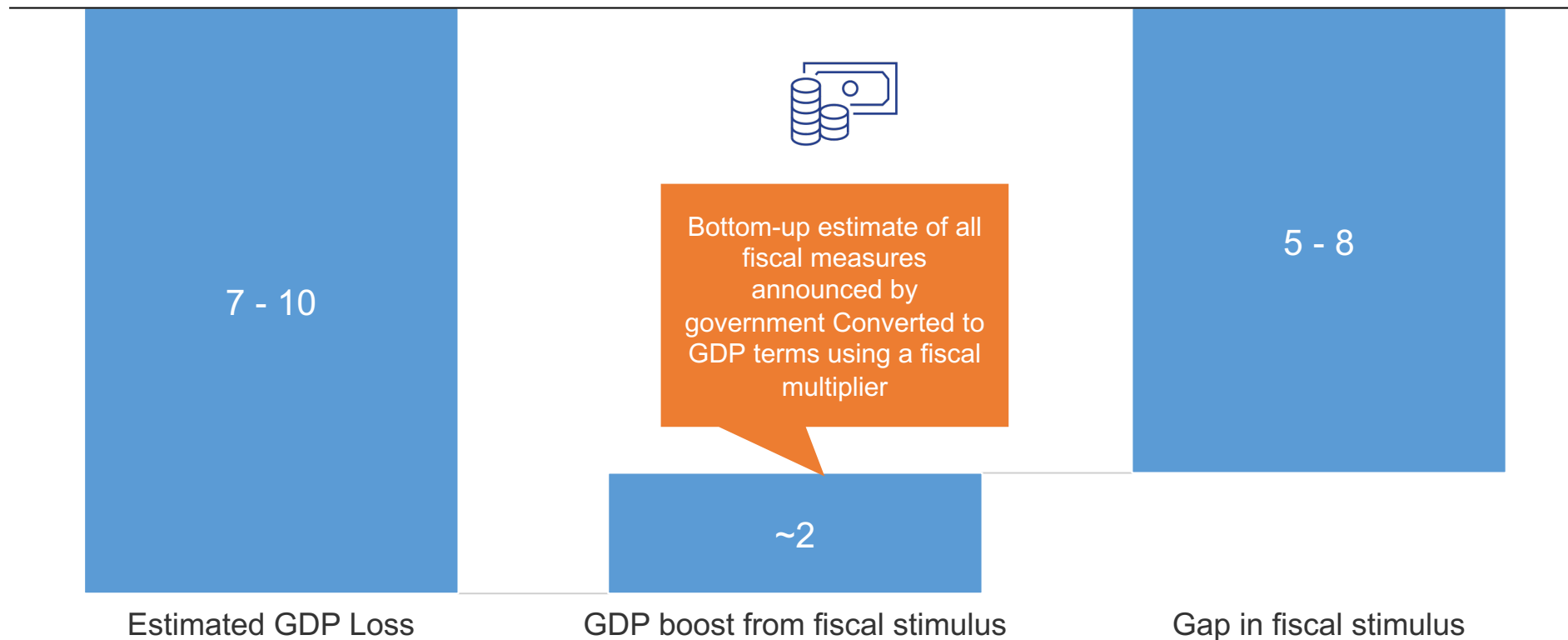
## Expected job at risk

**~2.3 to 3.0 million formal and informal jobs at risk** (largely informal); particularly in wholesale and retail, manufacturing and tourism sectors

# We estimate a stimulus gap of 5 - 8% of GDP for Uganda to return to pre-crisis levels



Estimated impact of fiscal stimulus packages, as % of GDP



This would require at least an **additional 5 - 8 trillion UGX** in the economic stimulus to return to pre-crisis levels  
MoFPED has also explored other sources including:

- Changing terms of external debt; debt relief of ~355 bn UGX
- There is no need for unconventional monetary policy bse BOU has room in the current monetary framework to implement monetary stimulus required
- Restructuring infrastructure payments; which is currently considered a low value and high difficulty option

# There are three key objectives of government stimulus programs



**Maintain households' economic welfare** and prevent individuals from becoming unemployed and falling below the minimum needed to maintain their welfare



**Help firms survive the crisis** and not go bust due to liquidity crunch and temporary P&L shocks



**Maintain financial stability** to avoid reverberating the crisis to wider parts of the economy

# Economic assistance packages rolled out by governments around the world (No one size fits all)

Size of stimulus packages<sup>1</sup> (including both monetary<sup>2</sup> and fiscal measures)

**Non-exhaustive**


**Preliminary**

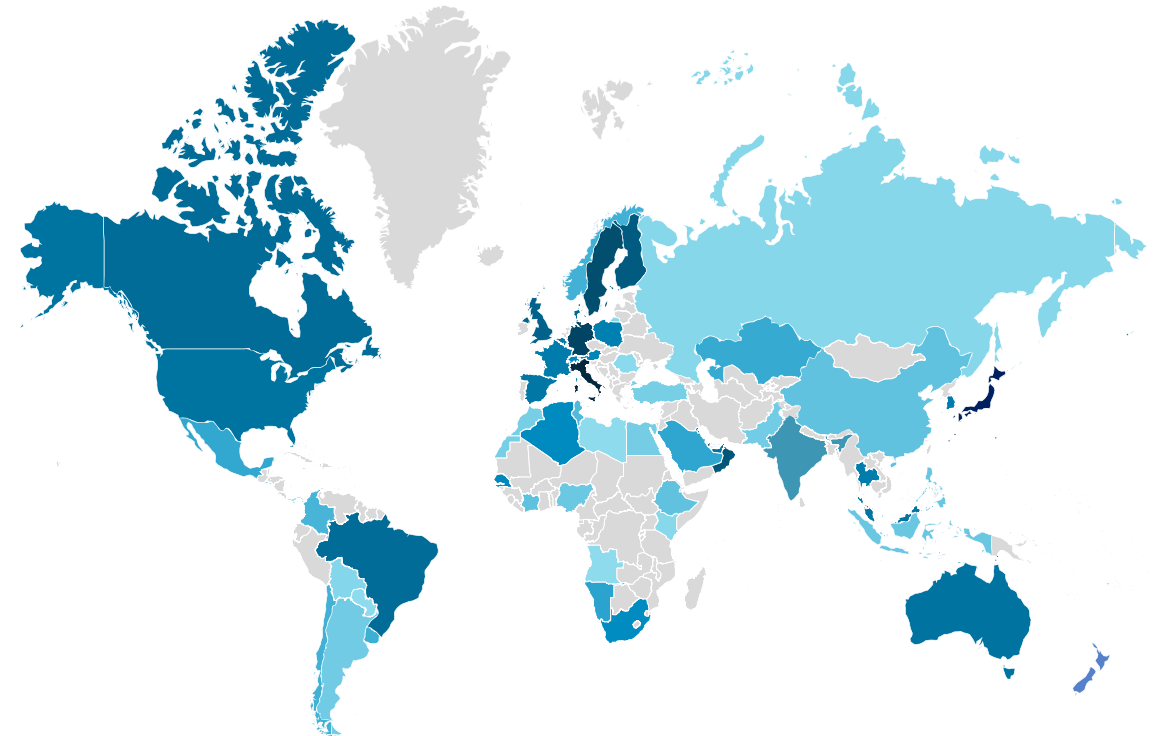
Algeria	15.0	9%	Indonesia	137.5	12%	Paraguay	0.3	1%
Argentina	10.0	2%	Israel	25.7	7%	Peru	41.1	18%
Australia	239	17%	Italy	898.5	45%	Philippines	66.2	18%
Austria	119.4	27%	Japan	2,332	46%	Poland	96.2	16%
Bahrain	13.9	37%	Kazakhstan	10.0	6%	Romania	2.3	1%
Belgium	79.9	15%	Kenya	2.0	2%	Russia	91.3	5.4%
Bolivia	0.5	1%	Kuwait	18.9	13%	Saudi Arabia	52.9	6.7%
Brazil	531.2	29%	Lebanon	0.8	1%	Singapore	80.6	22%
Canada	460.0	26%	Libya	0.4	1%	South Africa	163	47%
Chile	30.3	10%	Luxembourg	9.6	14%	South Korea	354	22%
China	741	5%	Malaysia	68.7	19%	Spain	281.7	20%
Colombia	15.3	5%	Mexico	74.0	6%	Sweden	212.5	40%
Denmark	85.0	24%	Morocco	2.9	2%	Switzerland	66.5	9%
Egypt	9.4	3%	Netherlands	#N/A	#N/A	Thailand	144	27%
El Salvador	0.1	0.3%	New Zealand	99	48%	Turkey	16.2	2%
Finland	73.6	28%	Nigeria	18.7	4%	UK	817	29%
France	552.3	20%	Norway	20	5%	Ukraine	#N/A	#N/A
Germany	1596	41%	Oman	21.6	28%	United Arab Emirates	74.4	17%
Hong Kong	84.3	23%	Pakistan	5.7	2%	• Abu Dhabi	#N/A	#N/A
India	379.4	13%	Panama	0.1	0.1%	• Dubai	#N/A	#N/A
						Uruguay	4.95	8.8%
						USA	4,521.0	21%

Stimulus size as a % of GDP

0%  50%

XX% As % of GDP<sup>3</sup> # USD bn

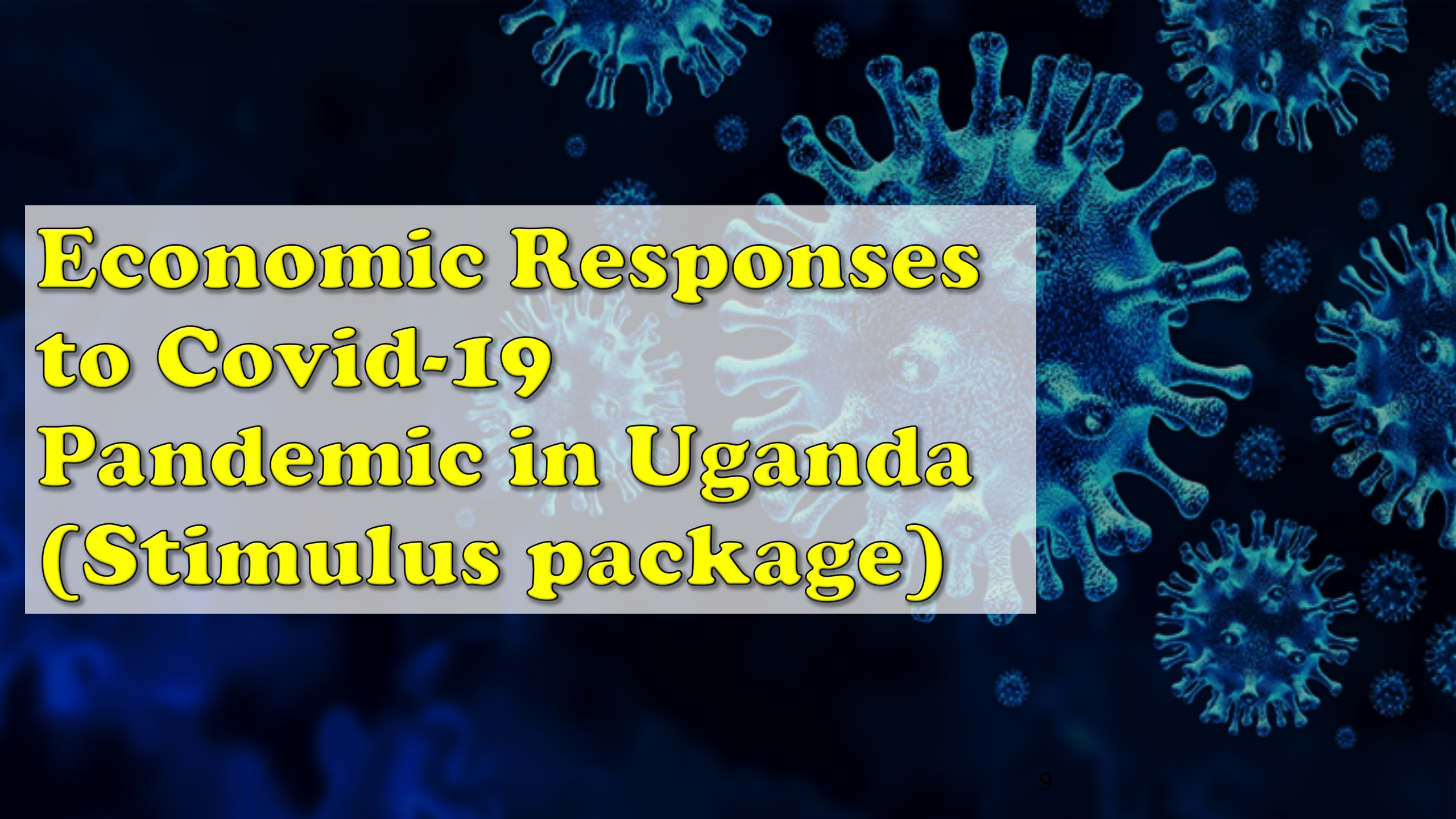
 No data available



1. Total number made public, collected, and analysed as of July 20th
2. Monetary measures included from IMF, USD values of which have not been included due to challenges in measuring currency value
3. Current 2019 GDP

Source: Official government sources and press coverage of official announcements; IHS





**Economic Responses  
to Covid-19  
Pandemic in Uganda  
(Stimulus package)**



# Health Related Expenditures

Proposed Interventions	FY 20/21 Budget Implication (Ushs Bn)		
	Requirement	Available	Gap
COVID-19 Health related expenditures	176	89	87
Support Scientists and Innovators engaged in COVID-19 interventions	31.032	31.032	-



# Restoring Household incomes and Safeguarding Jobs

Proposed Interventions	FY 20/21 Budget Implication (Ushs Bn)		
	Requirement	Available	Gap
Enhance the provision of improved agricultural inputs using NAADS e-Voucher Scheme to farmers and upscaling agriculture extension services to boost production of key agricultural commodities	310	121.1	188.9
Create jobs for the vulnerable but able bodied persons affected by Corona Virus by expanding labour intensive public works in urban and peri-urban areas	130	130	-
Provide seed capital to organised special interest groups under the Youth Fund, Women Entrepreneurship Fund and the 'Emyooga' Talent Support scheme	366	366	-



# Providing Emergency Social Protection

## Proposed Interventions

### FY 20/21 Budget Implication (Ushs Bn)

	Requirement	Available	Gap
Provide relief aid in response to the Corona Virus crisis, and natural disasters such as the locust invasion and climate change crisis – floods and landslides	45		45
Roll out the Social Assistance Grant for the Elderly (SAGE) nationwide to persons aged 80 years and above, including the elderly aged 65 years in the piloted 15 districts	107	64.77	42.23



# Re-Igniting Business Activity

## Proposed Interventions

### FY 20/21 Budget Implication (Ushs Bn)

	Requirement	Available	Gap
Provide credit through SACCOs and Micro Finance Institutions to support micro and small-scale enterprises	94	77	17
Increase access to credit at Uganda Development Bank to offer low interest financing to manufacturing, agribusiness and other private sector firms	1,045	558	487
Establish Microfinance Recovery Fund, targeting small & medium sized enterprises	121.76	-	121.76
Support to UIRI (Namave machine making plant)	26	10	16
Increase funding to Uganda Development Corporation for public-private partnership investments to facilitate our import substitution and export promotion strategy	138	138	-
Expedite the payment of arrears owed by Government to private sector firms commencing July 2020	673	673	-
Accelerate the development of industrial and business parks	1,788	331.6	616
	<b>13</b>		



# Tax Relief to Businesses

## FY 20/21 Budget Implication (Ushs Bn)

### Proposed Interventions

Requirement Available Gap

Defer payment of Pay as you Earn (PAYE) for corporations and SMEs in the most affected sectors ( e.g. Tourism, manufacturing, horticulture and floriculture) Import substitution could prompt retaliation

65.35

-

Defer payment of Corporation Income tax / Presumptive tax for corporations and SMEs in the most affected sectors ( eg Tourism, manufacturing, horticulture and floriculture)

13.88

-

Waive Interest on tax arrears

50

-

Expedite payment of outstanding VAT refunds

120.53

120.53

14

# Challenges and Opportunities

## Challenges

- Limited Fiscal Space
- Effective targeting for the correct beneficiaries (mostly affected)- SMEs and Social protection
- General vrs sector-specific support (Tourism, Agriculture and Manufacturing )
- Changing assumptions and data provision (Supply vrs Demand driven)

## Opportunities

- Encouraging local production
- Promoting Digitalization across sectors (Finance, Education, Health)



# Next Steps

1. Sectoral allocations to be re-prioritized within available financing
2. Government has finalise a detailed implementation response plan
3. Specific interventions are being considered to meet sector specific challenges (Education);



**THE END**

THANK YOU