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Economic impact of the COVID-19 pandemic on East African economies

Summary of government intervention measures and Deloitte insights

May 2020

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Introduction

The Coronavirus (COVID-19) pandemic is currently causing significant adverse impact on the global economy. Governments around the world are implementing various fiscal measures to mitigate the adverse effect and provide relief for businesses and households.

Across the Eastern African region, the impacts of COVID-19 are being felt in different ways and the measures taken by the respective governments have also differed on the areas of focus and comprehensiveness.

In this publication, we provide insights on the expected economic impacts of COVID-19 in Ethiopia, Kenya, Tanzania and Uganda as well as various measures proposed by their governments to mitigate the impact. Due to the fast paced nature of this pandemic and the ensuing government measures and economic impact, we have used available data through **08 May 2020** for the purposes of our analysis in this publication.

Global Cases

The novel coronavirus (COVID-19) was reported to have emerged from Wuhan in China towards the end of December 2019, and has since spread across the world, affecting some 210 countries and territories as at the time of writing this report.

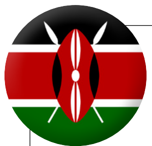
Africa
Confirmed cases: 54,130
Deaths: 2,078

North and South America
Confirmed cases: 1,644,817
Deaths: 97,602

Asia and Oceania
Confirmed cases: 621,778
Deaths: 21,225

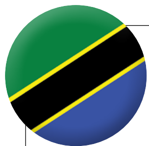
Europe
Confirmed cases: 1,486,431
Deaths: 148,156

Geographical distribution as at 08 May 2020



The first case of COVID-19 was reported in Kenya on 13 March 2020. The cases have since escalated to 621 cases, with 29 deaths and 202 recoveries as at 08 May, 2020.

The first case of COVID-19 was reported in Ethiopia on 13 March 2020. The cases have since escalated to 194 cases, with 4 deaths and 95 recoveries as at 08 May, 2020.



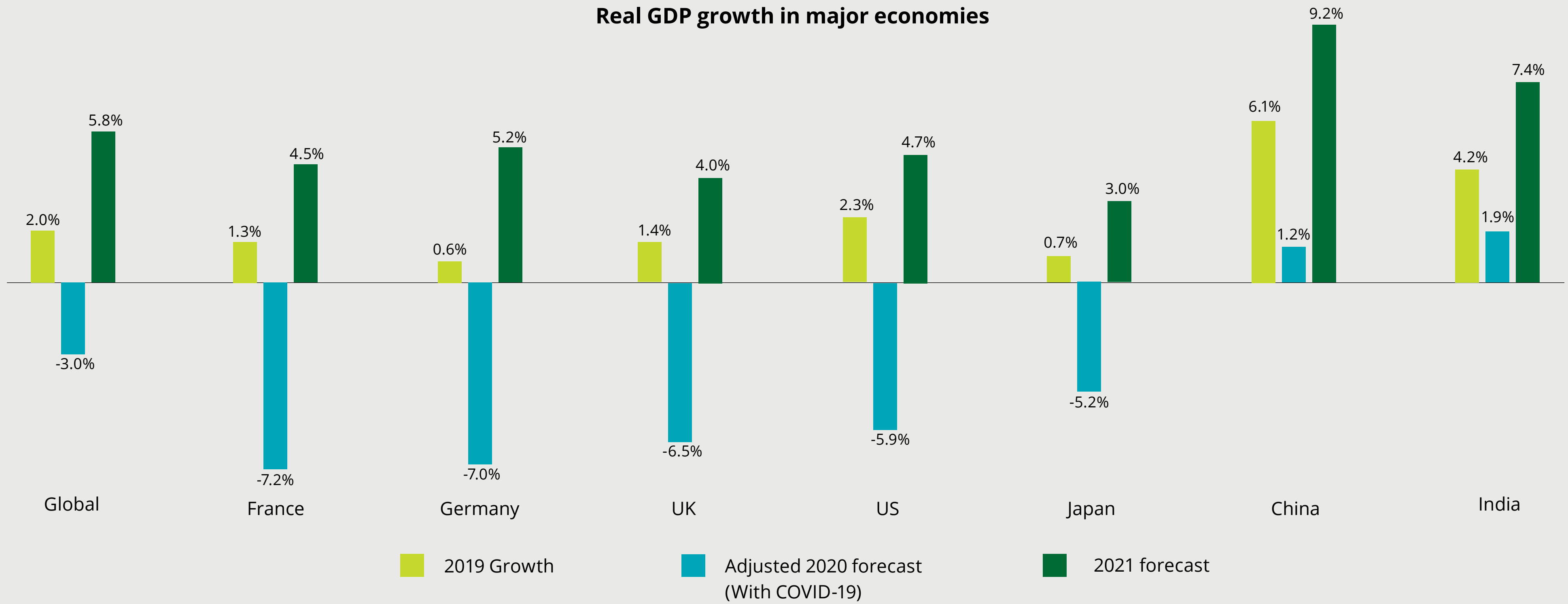
The first case of COVID-19 was reported in Tanzania on 16 March 2020. The cases have since escalated to 480 cases, with 17 deaths and 167 recoveries as at 29 April, 2020.

Statistics last updated on 29 April 2020 following a presidential directive to form a committee to investigate the accuracy of the test results.

The first case of COVID-19 was reported in Uganda on 21 March 2020. The cases have since escalated to 101 cases, with 0 deaths, 55 recoveries as at 08 May 2020.

Economic impact of COVID-19 at a glance

The Global lockdown



Countries Globally under Lockdown due to COVID-19

39% National Lockdown

11% Partial Lockdown

Top Economies under Lockdown

Country	Lockdown status	Share of Global GDP
US	Partial	24.6%
China	Partial	16.4%
Japan	Partial	5.8%
Germany	National	4.4%
India	National	3.7%
UK	National	3.2%
France	National	3.1%

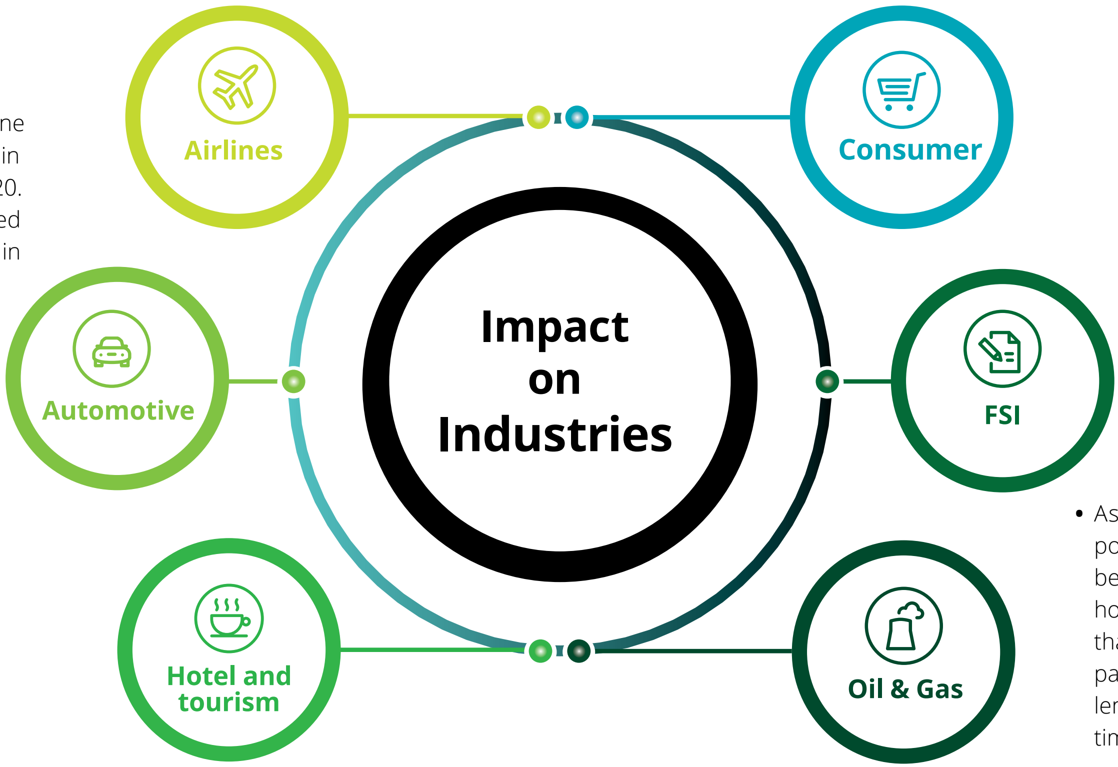
Source: IMF, World Bank

- The cumulative loss to global GDP over 2020 and 2021 from the pandemic crisis could be around **USD 9tn**, greater than the economies of Japan and Germany, combined.
- **More than 170 countries** are set to experience a lower GDP per capita compared to their 2019 average values.
- Global oil prices estimated to decline by **42%** in comparison to the 2019 average price.
- **Equity markets have sold off dramatically** with high-yield corporate and emerging market sovereign spreads having widened significantly.
- **Global remittances** projected to decline sharply by about 20% in 2020; the sharpest decline in recent history. **Remittances to low and middle-income countries** (LMICs) are projected to fall by **19.7% to USD 445bn.**
- Severity of the impact continues to be witnessed as **30 million Americans** fall jobless and apply for unemployment benefits as of 30 April, 2020.
- **Quarantines, lockdowns and social distancing measures** which are essential in curtailing the virus continue to acutely impede sectors that rely on social interactions (such as travel, hospitality, entertainment, and tourism) with more than half of the world's population already under some form of lockdown.

Impact on global industries

- Airline passenger revenues estimated to drop by USD 314bn in 2020.
- Global airline ticket revenue to drop by 55% in 2020 compared to 2019.

- Positive impact on online retailers, however physical stores severely impacted.
- Rising unemployment will undermine recovery in industry.
- It has increased demand for cleaning products, dry and refrigerated & frozen food.



- Global vehicle sales estimated to decline by 19% in 2020 from about 90m sales in 2019 to an estimated 73m sales in 2020. The passenger car segment is projected to decline by 11.0% (a USD 100bn loss in revenue).
- However, several global automative manufacturers have started opening up their plants, albeit with caution. In the US, Honda, Toyota and FCA plan to start operations in early May 2020. US vehicle sales are estimated to decline by 24% in 2020. In China, VW has managed to restart operations in 32 of its 33 plants while Nissan, Hyundai, Honda, BMW, Toyota, Volvo and General Motors have also resumed operations. China vehicle sales are estimated to decline by 14% in 2020.

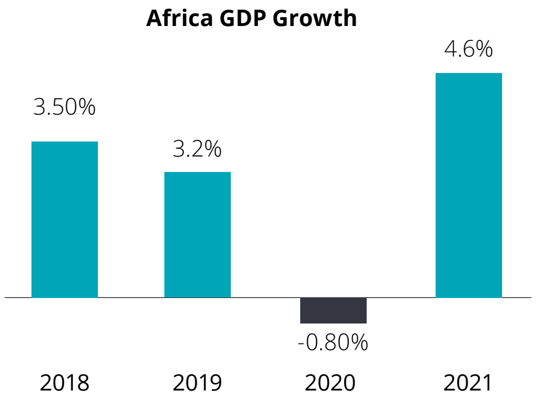
- The global financial system is more resilient and better placed to sustain financing the real economy as a result of the G20 regulatory reforms in the aftermath of the 2008 global financial crisis.
  The US Fed has cut Fed Funds rates and pumped in excess of USD 1.5tn into liquidity relief for banks to keep them viable. The People's Bank of China has also pumped more than USD 240bn of liquidity into the financial system. Similarly, other central banks have infused liquidity in similar ways to cushion firms and households from liquidity constraints.
- As central banks undertake non-dovish monetary policy measures to cushion their economies, banks will be expected to offer extension of credit terms, credit holidays and moratoriums to their clients in a way that allows them to react humanely to the COVID-19 pandemic impact and drive everything through the lens of what can help the customers while at the same time allow them to be sustainable.

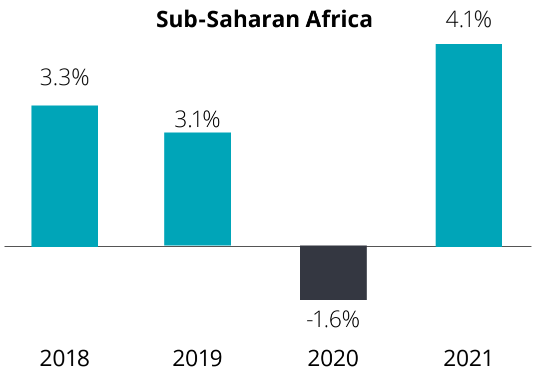
- World Travel and Tourism Council estimates losses of 100m jobs and up to USD 2.7tn impact on GDP. Of the 100m jobs at risk, almost 25m are estimated to be in the G20 countries

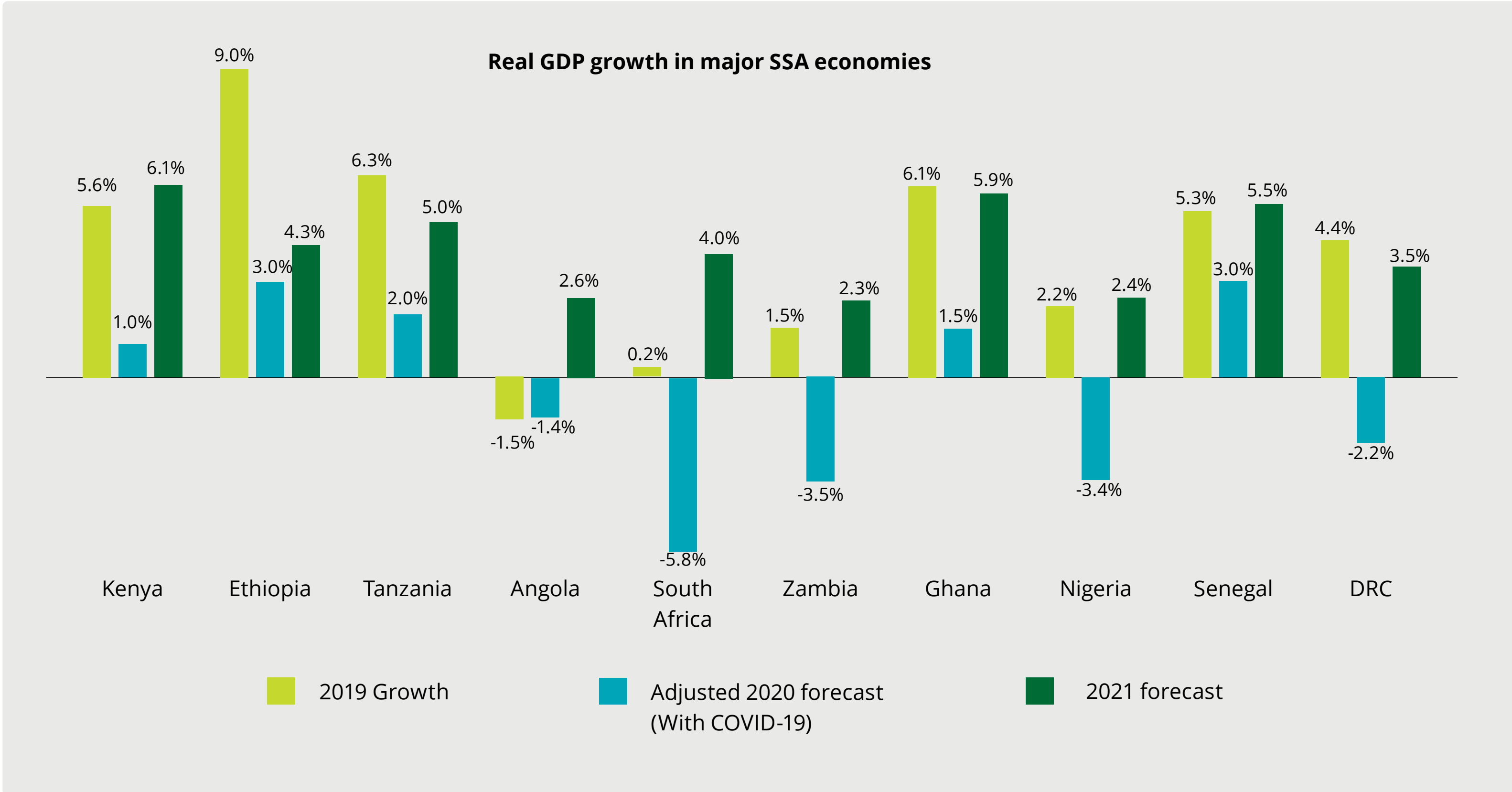
- The COVID-19 pandemic has contributed to a dampened demand for oil, resulting in plummeting oil prices and declining production. Global oil demand is estimated to fall by 9.3 million barrels per day (mb/d) in 2020.
- US oil prices have hit an oil time low, with a barrel going for about -30 USD as of 20th April 2020; the first time oil prices have ever turned negative.
- In light of the unprecedented depth of the crisis, oil producers in the OPEC+ group agreed to cut output by an initial 9.7 mb/d, effective 1 May in an effort to stabilise the oil market.

Source: International Air Transport Association (IATA), World Travel & Tourism Council (WTTC), Financial Times, International Energy Agency (IEA)

The African scene







- Developments in Asia, Europe and the United States have seen several African countries act decisively in closing down their economies. South Africa, Nigeria, Kenya, Rwanda and Uganda have all enforced either a partial or full lockdown.
- Previously, high growth economies in East and West Africa such as Ghana, Côte d'Ivoire, Senegal, Ethiopia, Kenya and Tanzania are expected to see considerably slower GDP expansion in 2020 but still with positive growth rates primarily because these countries are less or non-resource intensive and as such more resilient.

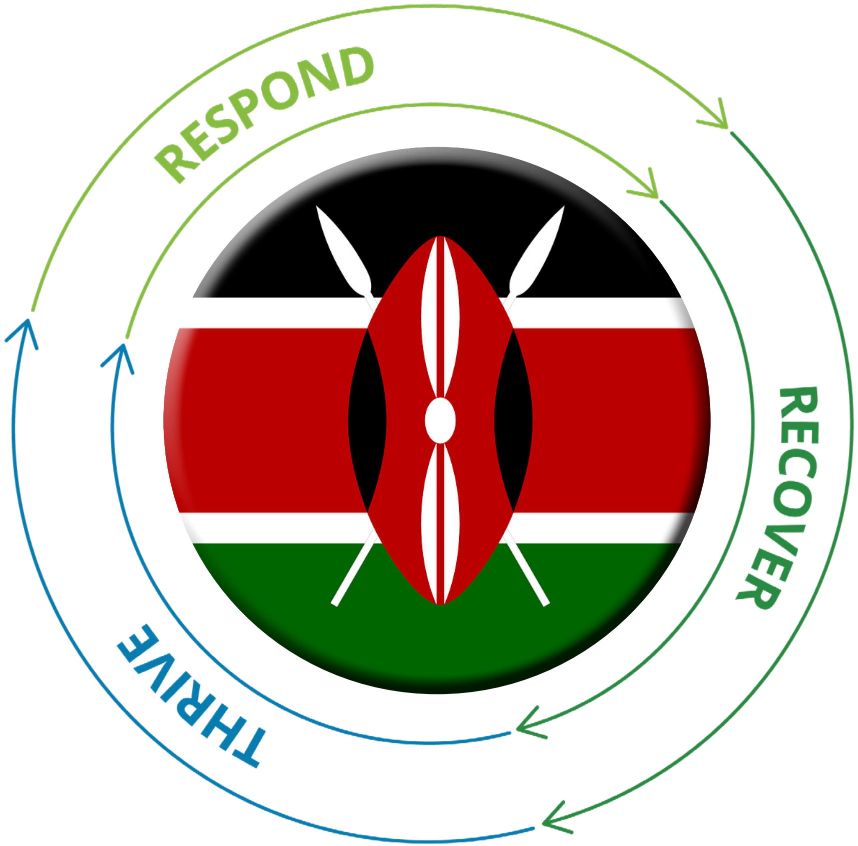
Source: IMF, World Bank, African Union

- **USD 6bn** estimated loss in passenger revenue in 2020. Job losses in aviation and related industries could grow to **3.1m.**
- At least **USD 50bn** in revenue losses projected for the tourism and travel sector.
- More than **2m** jobs at risk in the tourism/travel sector
- Export revenue from fuel estimated to fall at around **USD 101bn.** Total exports projected to drop by **35%** (**USD 270bn** loss).

- **FDIs** estimated to drop at between **5%** to **15%.**
- Africa could lose up to **20** to **30%** of its fiscal revenue, estimated at **USD 500bn** in 2019.
- Spending in infrastructural development estimated to drop by at least **25%.**
- Approximately **20m** jobs to be lost both in the formal and informal sectors.
- Remittance flows expected to fall across Sub-Saharan Africa by **23.1%** from **USD 59.1bn to USD 48bn**, Middle East and North Africa by **19.6%** from **USD 56bn to USD 47bn.**

The Kenyan Scene

Economic impact of the COVID-19 pandemic on Kenya's economy.

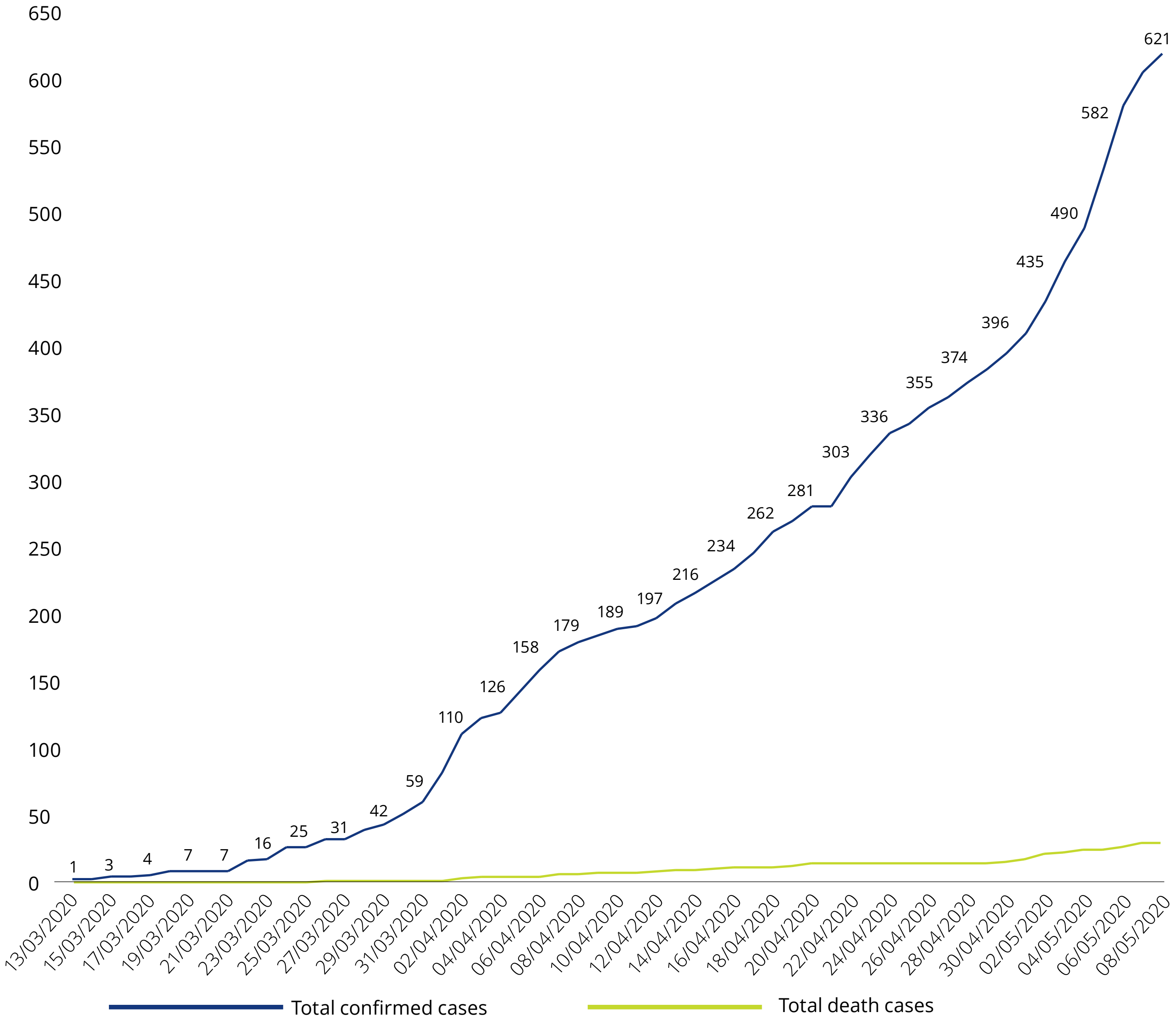


Economic impact of the COVID-19 pandemic on Kenya's economy

COVID-19 cases

The situation in Kenya

The first case of COVID-19 was reported in Kenya on 13 March 2020. The cases have since escalated to 621 cases, with 29 deaths and 202 recoveries as at 08 May, 2020.



Source: Ministry of Health; Kenya, European Centre for Disease Prevention and Control, 08 May 2020

Government of Kenya response and mitigating measures

The Government of Kenya has put in place several mitigating measures to aid in the spread of the COVID-19 Virus in the country. These measures include:

01. All international flights suspended from 25 March 2020 with the exception of cargo flights.
02. All arriving passengers in Kenya after 25 March to be subjected to mandatory 14 day quarantine at their own cost.
03. All persons violating the self quarantine rule to be forcefully quarantined for 14 days at their own cost and later arrested in line with the Public Health Act.
04. The Government enforced a dusk to dawn curfew that took effect on the 27 of March 2020 requiring all residents to be indoors between 7pm and 5am. Only Police Officers, Medical Professionals, Health Workers, Critical and Essential personnel are allowed outside during the curfew hours.
05. All bars to remain closed. Restaurant to remain operational to provide take away meals.
06. All churches, mosques, funerals and other social gatherings suspended. Funerals restricted to immediate family members only.
07. All learning institutions closed.
08. All Public Service Vehicles directed to limit the number of passengers carried to half the vehicles capacity.
09. Mandatory requirement to wear masks while in public places.
10. The Government has banned all movement by road, rail or air in and out of the following counties for 21 days; Nairobi metropolitan (with effect from 6 April 2020), Mombasa, Kilifi and Kwale counties (with effect from 8 April 2020). Movement has also been banned in and out of Eastleigh area and Old Town area in Mombasa with effect from 06 May 2020 for 15 days. All markets and eateries have been ordered to shut down within those two areas.
11. The government reopened eateries as from 01 May 2020. All eateries to obtain certification to reopen from public health offices after meeting the guidelines provided by the Health Ministry.

Please use the link below to access the Deloitte Portal on Governments' Tax, Fiscal & Social Measures implemented to mitigate the impact of the COVID-19 pandemic.

Deloitte COVID-19 Government Response Portal

Impact on Kenya's economy

Global and Africa Economy

Global GDP Growth

2.9%	2.7%	-3.0%
2019 Average	Pre COVID-19 2020 forecast	Adjusted 2020 forecast

Source: IMF, Fitch Solutions

Africa GDP Growth

Africa's projected GDP growth of 3.2% for 2020 is now expected to recess to -0.8%.

3.2%

Africa GDP Growth

-0.8%

Source: IMF, African Union (AU)

Kenya's GDP Growth

5.4%	5.7%	1.0%
2019 Average	Pre COVID-19 2020 forecast	Adjusted 2020 forecast

Source: IMF, Fitch Solutions

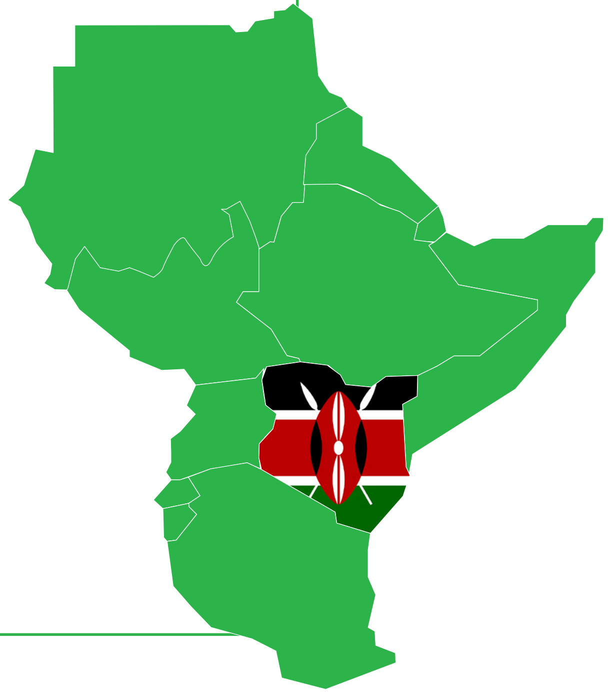
Kenya's Inflation

5.2%	2019 Average
5.9%	Pre COVID-19 2020 forecast
6.5%	Adjusted 2020 forecast

Source: IMF, Fitch Solutions

- **USD 658m** drop in revenue collections in the remaining 3 months to the 2019/20 fiscal year end.
- **Lending rates, Savings and Deposit rates remain largely unaffected** and currently average 12.24%, 4.02% and 7.11% respectively.
- **3.1% (USD 545m)** estimated decline in total import value and a 36.6% decline in Chinese imports.
- A minimum of **25% (USD 1.5bn)** decline in export revenue expected.
- Tourism and travel contributes about **1.6m jobs** (**8.5%** of total employment). Most of these jobs are at risk due to closure of hotels and shut-down of global aviation.
- **Kenya shilling** is under pressure due to reduced forex earnings mainly on account of reduced exports and **stood at KES 106.00: USD 1 as of 08 May 2020,** down from **KES 100.9: USD 1 as of 01 January 2020.**
- The flower sector is losing approximately **KES 250m** per day and is estimated to lose half of its value (**KES 60bn**) by end of 2020. Approximately **30,000 temporary workers laid off** and another **40,000 permanent staff sent on unpaid leave.**
- Downside risks remain evident on FX reserves that currently stand at **USD 7.7bn (4.7 months of import cover)** as at 30 April 2020.
- Current account deficit estimated to worsen to between **5%** to **6%** of GDP in 2020.

Impact on Kenya's economy



Kenya's GDP growth averaged 5.4% in 2019 and had been projected to grow at about 5.7% in 2020 amid robust private consumption, higher credit growth, and rising public and private investment. Further, as the COVID-19 pandemic hampers revenue base collections, the negative outlook on Kenya's financing risks becomes exposed. As such, the large gross borrowing requirements, which include amortization of external bilateral debt and the need to refinance a large stock of short-term domestic debt have seen rating agency Moody's change Kenya's sovereign credit outlook to "negative" from a previous outlook of "stable". In light of the COVID-19 pandemic, GDP growth is expected to decline to 1.0%.

This is majorly due to:

- **Reductions in household and business spending (about 50%) due to liquidity constraints;**
- **Disruption in supply chain for key inputs in machinery and chemicals (about 30 percent);**
- **Decline in imports from affected countries (about 3.1% estimated decline in total import value);**
- **A decline in tourism activity (about 20 percent) due to a standstill in the global aviation industry; and**
- **A decline in government spending in different sectors due to a USD 658m shortfall in revenue collection in the remaining 3 months to the 2019/20 fiscal year end.**

Impact on Agricultural Sector

- Agriculture solely contributed about 32.4% to Kenya's GDP in 2019.
- A locust swarm affecting domestic agricultural production will likely hit hard agricultural growth in 2020. Further, weakened growth prospects for key trading partners in North America and Europe due to the COVID-19 pandemic is also expected to limit demand for Kenya's exports of coffee and horticultural products over the short term.
- The Vegetables and fruits markets remain with minimal activities as exporters are shipping only 25% to 30% of their normal capacity.
- Kenya's flower exports have so far recorded a more than 50% drop in exports with indications that production is currently at less than 10% and facing the risk of total collapse.

Impact on Tourism and hospitality Sector

- Kenya's tourism industry registered improved performance in 2019 mainly attributed to growth in aviation, investor confidence and withdrawal of travel advisories. Tourism earnings increased by 3.9% from KES 157.4bn in 2018 to KES 163.6bn in 2019 while the number of international arrivals increased by 1.2% from 2m arrivals in 2018 to 2.1m arrivals in 2019. As such the sector contributed to about 8.8% of Kenya's GDP in the same period and over 1.1m jobs to the Kenyan economy.
- Due to the COVID-19 pandemic, leisure and conference tourism, both external and domestic face possible collapse owing to travel restrictions which has completely stopped international tourist arrivals, while social distancing measures have affected domestic tourism and conferencing. Given the tourism sector's strong linkages with the wider economy, reduced tourist arrivals will impede consumption of various goods and services and the incomes of workers in related sectors.
- The Kenyan government has set aside KES 500m to help the tourism sector recover post the coronavirus pandemic.

Impact on Kenya’s economy

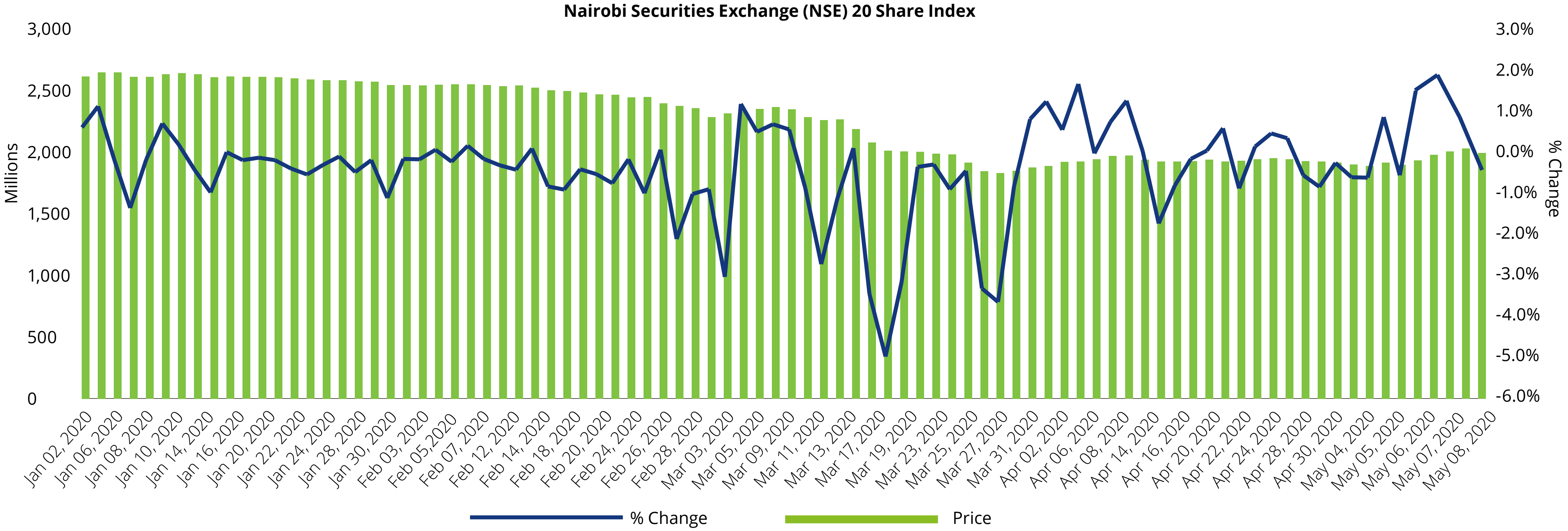
Impact on Manufacturing

- Manufacturing is one of the Big Four Agenda for the Kenyan government and therefore critical for Kenya’s economic growth and development. The manufacturing sector contributed about 7.7% to Kenya’s GDP in 2019.
- The COVID-19 pandemic presents a mixed impact to the sector with certain subsectors likely to boost production to meet essential goods demand, while others may suffer depressed demand and production activity.
- Food and health products manufacturing are likely to stay afloat. Food production will be boosted by persistence of domestic demand for essential food items, while health products manufacturing will benefit from expected expansion in manufacturing of essential medical and protective equipment to deal with the unfolding pandemic.

Impact on Construction and Real Estate Sectors

- The construction and real estate sectors combined contribute about 12.4% (USD 11.3bn) to Kenya’s GDP.
- The major interruptions on these sectors include shorter working hours, decline in construction materials due to supply disruptions, and lower demand for housing. The public housing project will also be impacted as the government pulls together funds to deal with the scourge and respond to emergency interventions.
- Further ramifications on the construction and real estate sectors include a decline in project financing as lenders would be uneasy to finance construction projects because of the uncertainty surrounding the completion of projects.
- Government infrastructural projects are also expected to stall due to a shortfall in revenue collections by USD 658m and as the government expands spending on the health sector to combat the virus.
- Financial uncertainty is expected to dampen uptake of houses in the real estate sector in 2020. Given that real estate buying is often characterised by speculation, most investors are already counting losses as the COVID-19 pandemic impedes access to credit. Housing being part of Kenya’s Big Four Agenda, the government is expected to extend critical intervention to the sector throughout the pandemic.

Impact on Kenya's economy



Impact on Transport - Aviation

- The Kenyan government temporarily suspended all international flights starting 25 March 2020 until further notice as a precaution against the deadly COVID-19 pandemic. Consequently, Kenya Airways (KQ) has applied for a state bailout to avoid its collapse as aircrafts were grounded and revenue sources cut-off.
- The suspension of international flights saw the airline send home most of its workers on unpaid leave as from 1 April, 2020, the management team taking a 75% pay cut and the CEO getting an 80% pay cut. For the past 3 months (January to March 2020), the airline has experienced 3.5m fewer passengers resulting in a USD 0.73 bn revenue loss, risking 193,300 jobs and USD 1.6 bn in contribution to Kenya's economy.
- One job in the airline transport industry supports approximately another 24 jobs in the economy. As such, a collapse of the airline transport industry would translate to significant losses in other sectors of the economy.

Impact on the Equity Market

- Kenya's first major economic impact due to COVID-19 was on the stocks market. Trading was halted at the Nairobi Securities Exchange (NSE) after the NSE 20 index dropped more than 5% with stocks such as Safaricom and KCB declining by 5.4% and 7.0%, respectively on 13 March 2020, the first day a COVID-19 case was reported in the country.
- As of day close 08 May 2020, the bourse had fallen even more steeply with the the NSE 20 share index having dropped by 26.05% on a year to date (YTD) basis, as investors, especially foreign ones react to the evolving pandemic.
- Most investors have since the onset of the pandemic indulged in a net selling position with a preferred option of purchasing fixed income securities due to uncertainty in the market.

Government intervention measures

To navigate through the crisis, governments need to provide a bridge to get the private sector to the other side of the pandemic in reasonable shape. Unlike the 2007/2008 financial crisis, the drawback does not originate from the financial crisis and as such, governments would want to put a keen eye on fiscal policies as much as central banks have a great role to play in terms of supporting liquidity.

The Kenyan government has put in place several fiscal, monetary and institutional policies in combating the COVID-19 pandemic. However, the Government has been running a budget deficit of around 7% of GDP which raises concerns around how the country can afford to cut tax earnings without making efforts to cut spending, especially the non-essential kind. The International Monetary Fund (IMF) has approved a KES 79.3 billion disbursement as part of the Rapid Credit Facility (RCF) to Kenya to help in fighting the COVID-19 pandemic. At the start of April 2020, the government also received KES 5.3bn from the World Bank and KES 7.4bn from the Central Bank to help navigate through the COVID-19 storm. The funds can indeed have a significant impact but this will depend on how the funds are spent and on whether the government is able to implement additional, more inclusive measures to counter the effects of COVID-19. The different measures undertaken this far include:

Tax Based Measures:

Reduction of turnover tax from 3% to 1%.	**Reduction of VAT from 16% to 14%.**	**Disbursement of accumulated VAT refunds of KES 10bn**
100% Tax Relief for "low income" earners-individuals earning up to KES 24,000 per month.	**Reduction of the highest PAYE band from 30% to 25%.**	**Reduction of Corporate rate tax from 30% to 25%.**

Fiscal/Monetary Measures:

Reduction of the Central Bank Rate from 7.25% to 7.00%.	**Flexible provisioning requirements for banks for loans that were performing as at March 2020.**	**Lowered banks' cash reserve ratio by 100 bps from 5.25% to 4.25 percent**
Increased the maximum tenor of repurchase agreements from 28 to 91 days.	**Announced flexibility to banks regarding loan classification and provisioning for loans that were performing on 02 March 2020, but were restructured due to the pandemic.**	**Settlement of KES 13bn of verified pending bills within the next three weeks.**
Temporary suspension of listing with credit reference bureaus for person who default on their loan obligations with effect from 01 April 2020.	**Appropriation of KES 10bn through cash transfers to the elderly, orphans and other vulnerable members of society**	**Voluntary reduction of the salaries of the President and the Deputy President by 80%, that of cabinet by up to 30%, that of chief administrative secretaries by 30% and that of principal secretaries by 20%**

Please click here to access the Deloitte Portal on Governments' Tax, Fiscal & Social Measures implemented to mitigate the impact of the COVID-19 pandemic.

Sources

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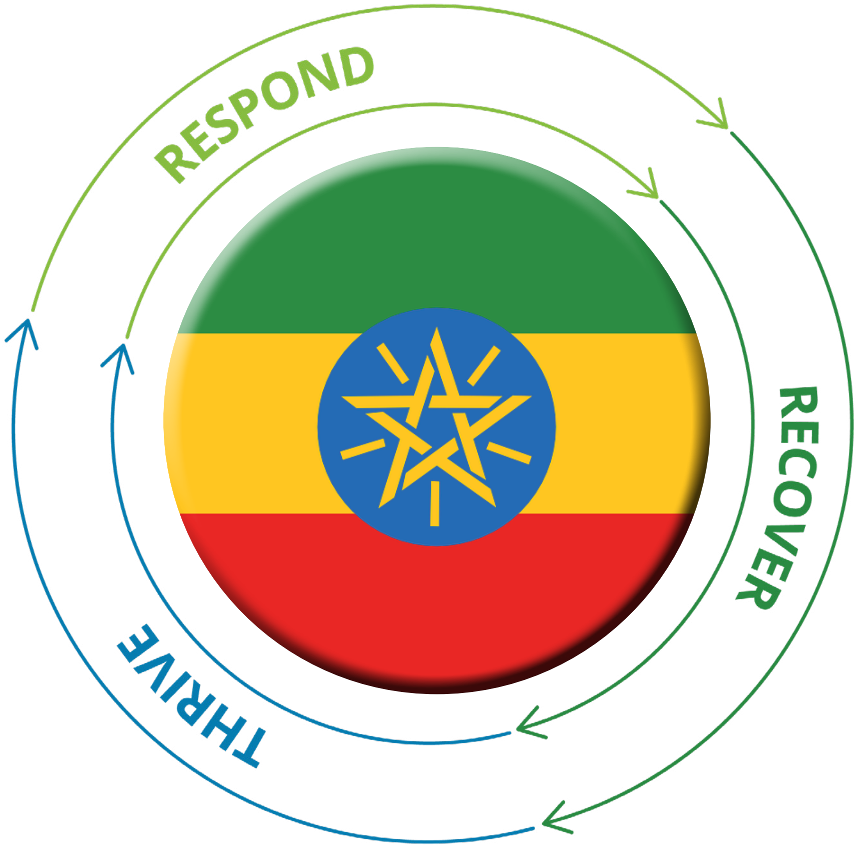
The Ethiopian Scene

Economic impact of the COVID-19 pandemic on Ethiopia's economy



Economic impact of the COVID-19 pandemic on Ethiopia's economy

COVID-19 cases

The situation in Ethiopia

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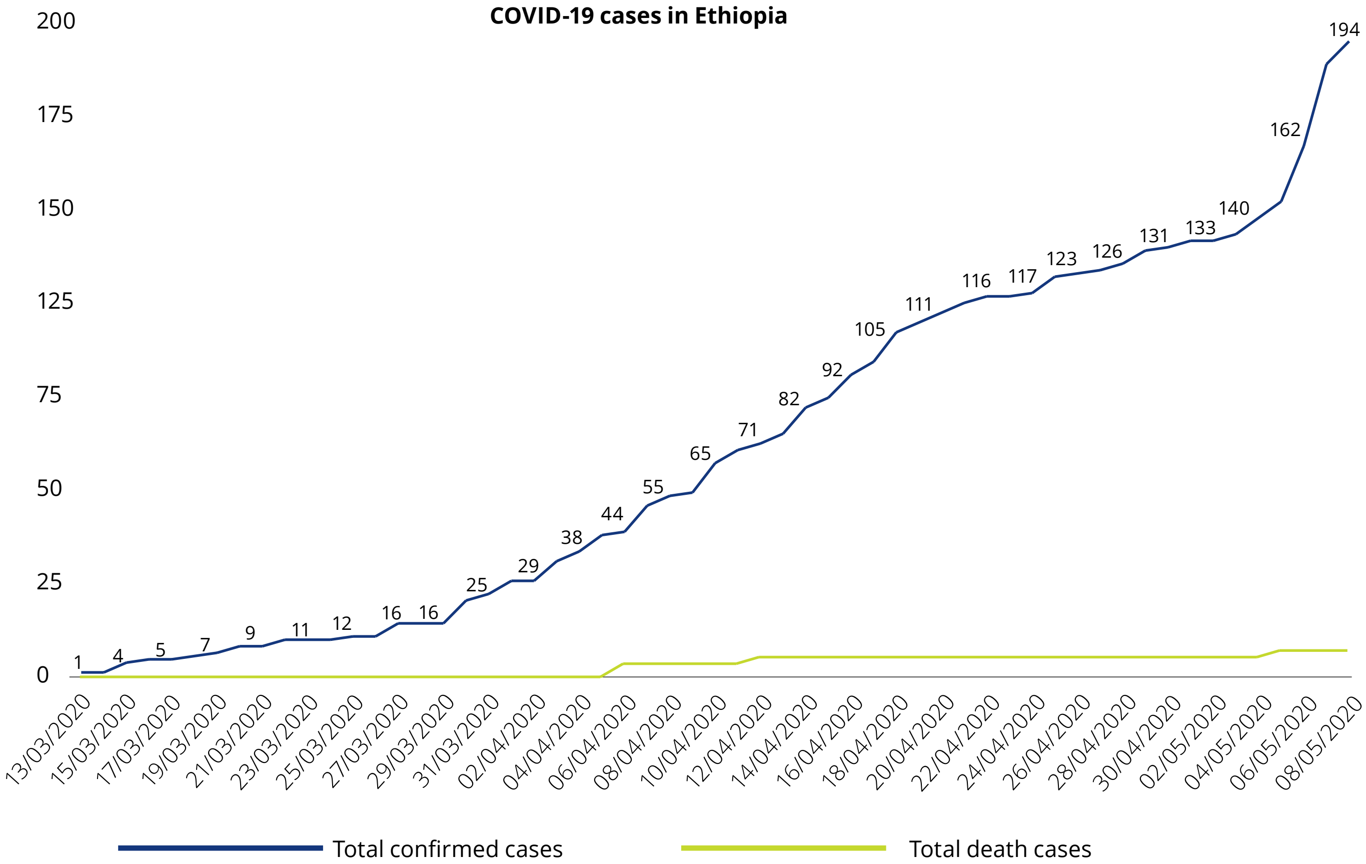

Source: Ministry of Health; Ethiopia, European Centre for Disease Prevention and Control, 08 May 2020

Government of Ethiopia response and mitigating measures

The Government of Ethiopia has put in place several mitigating measures to limit the spread of the COVID-19 virus in the country. These measures include:

01. The government announced that schools, sporting events, public gatherings, entertainment spots and nightclubs be suspended.
02. All arriving passengers into Ethiopia after 20 March to be subjected to mandatory 14 day quarantine at their own cost.
03. Ethiopia closed all land borders and deployed security forces to halt the movement of people along the borders
04. The government pardoned 4,000 prisoners in an effort to prevent the coronavirus spread.
05. Ethiopian Airlines suspended flights to more than 80 countries.
06. The Council of Ministers declared a five-month long state of emergency in response to the growing number of coronavirus cases.
07. The general elections which were set to be held on 29 August 2020 won't be held on the scheduled date.
08. The government is set to conduct door-to-door mass COVID-19 screening across Addis Ababa from 13 April 2020 in a bid to limit the spread of the virus.
09. The Ethiopian government pledged to buy life insurance for health professionals in direct contact with COVID-19 patients.

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Impact on Ethiopia's economy

Global and Africa Economy

Global GDP Growth

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Africa GDP Growth

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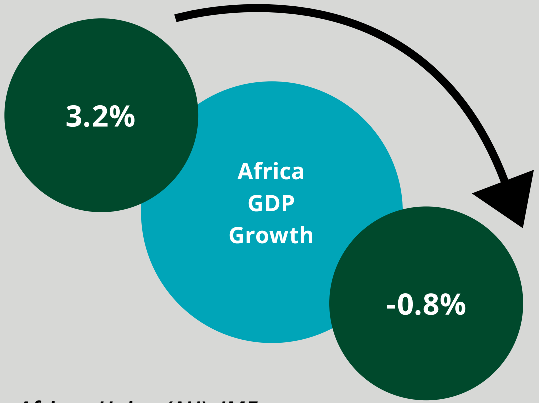

Source: African Union (AU), IMF

Ethiopia's GDP Growth

9.0%	6.2%	3.2%
2019 Average	Pre COVID-19 2020 forecast	Adjusted 2020 forecast

Source: Fitch Solutions, IMF

Ethiopia's Inflation

15.8%	2019 Average
15.4%	Pre COVID-19 2020 forecast
20.6%	Adjusted 2020 forecast

Source: Fitch Solutions, EIU

- Tourism and travel contributes about **2.2m** jobs (**8.3%** of total employment). Most of these jobs are now at risk, with the Ethiopia Airlines already losing USD 550m between January and mid April 2020.
- In the best case scenario, exports are estimated to decline by **8.1%** while the value of imports is estimated to decline by **6%.**
- The flower sector was estimated to generate **USD 400m** in 2020. Ethiopia's exports have however declined and the sector's loss is estimated at **USD 110m** in quarter one of 2020 with **over 50,000 jobs at risk.**
- FX reserves averaged **USD 2.9bn** in **2019** and are estimated to decline to an average of **USD 2.6bn** in **2020**
- **1.5m employees in the private sector, 3.1m self-employed** and **5m individual from SMEs** at risk of losing their jobs.
- The National Bank of Ethiopia's base lending rate average for 2019 stood at **8.0%** with the average lending rate at **13.5%.** This is expected to hold in 2020 with no indication of any changes to be made by the government on the rates.
- **The Ethiopian Birr** is under pressure to depreciate due to reduced forex earnings mainly on account of reduced exports and capital flow remittances. As of **08 May 2020**, the FX rate stood at **34.34 ETB:1USD**
- The current account deficit is expected to narrow in 2020 to **5.3% of GDP (USD 5.5bn)**, from an estimated **6% (USD 6bn) of GDP** in 2019.
- Fiscal deficit expected to widen in **2019/20** to **4.5%** of GDP from an estimated **2.7%** of GDP in **2018/19.**
- The number of people living below the poverty line expected to increase to **31m** people in the fiscal year **2020/21** from **26m** people in **2019/20.**
- Total government tax revenue estimated to decline by **18.8%** while non-tax revenue estimated to decline by **7.7%** in the fiscal year **2019/20.**

Impact on Ethiopia's economy

Ethiopia is Africa's second most populous country with more than 110m people. The country's real GDP growth in 2019 was 9.0% and was forecasted to be 6.2% in 2020 pre-COVID-19. This forecast has now been revised downwards to 3.2% in 2020.

This is mostly due to:

- **Disruption in supply chain and weakened global demand, which has affected the inflow of raw materials and finished products for manufacturing and trading;**
- **A sharp rise in inflation as domestic food prices rise steadily (owing to a sharp decline in harvest because of the locust infestation);**
- **A sharp decline in tourism as the coronavirus pandemic deters travellers with hotel occupancy rate decreased to about 2% and cancellations on bookings for the next 3-6 months; and**
- **Significant job losses- Ethiopia's Job Creation Commission has estimated between 700,000-2 million jobs are likely to be lost in 2020 depending on the severity of the virus on Ethiopia's economy.**

Impact on Aviation Sector

- Ethiopia's airline industry supports over 1.1m jobs and contributed 5.4% to Ethiopia's GDP, estimated at about USD 4.2bn in 2019.
- Ethiopian Airlines reported that they were working at only 10% of their flight capacity and had so far lost USD 550m in the period between January and mid April 2020. In the same period, the sector has experienced a 2.5m decline in passenger traffic.
- The airline has suspended flights to over 80 destinations and has recently sent some of its staff on leave and suspended non essential staff as it tries to manage its costs.
- As the pandemic spreads further, Ethiopian Airlines continues to count its losses with most of its aircraft grounded. The worsening situation could also translate to significant job losses in the sector that supports over 1.1m employees.
- The airline is however taking advantage of its large fleet and destination networks to ferry cargo across the globe largely relating to medical aid items and some export cargo as well.

Impact on Tourism and Hospitality Sector

- Ethiopia's tourism industry recorded the world's highest growth in 2018 driven by growth of the aviation sector in the country and the development of Addis Ababa as a dynamic and growing regional hub. In 2019, tourism earnings increased to USD 3.6bn, up from USD 3.5bn in 2018.
- The sector represents 5% of Ethiopia's GDP and supports 2.2 million jobs (about 8.3% of the total employment in the country.)
- Ethiopia's hotel occupancy has reduced to about 2% from an average of 60% since the onset of the pandemic due to cancellations on bookings for the next 3-6 months following increased travel restrictions globally. Estimates indicate that due to the sector's strong linkage with the wider economy, most of the 2.2 million individuals employed in the sector are at risk of unemployment.
- Initial forecasts had suggested a 6% increase in arrivals from 1m in 2019 to 1.1m in 2020 and a 5.3% increase in receipts from USD 3.6bn in 2019 to 3.8bn in 2020. However, as the pandemic spreads further, fears of community spread through travel and group environments will continue to impede domestic and international tourism. As a result, these estimates will prove to be highly ambitious as the wider industry experiences significant job losses and a heavy decline in earnings.

Impact on Ethiopia's economy

Impact on Manufacturing

- The manufacturing sector contributed 4% to Ethiopia's GDP and employed 13% of the total workforce in 2019.
- The onset of the COVID-19 pandemic set in place a disruption of supply chains in Ethiopia, impacting the operations of various manufacturers and industries which have suffered depressed demand and production activity.
- Amidst the COVID-19 pandemic, Ethiopia's manufacturing sector, which has been a key driver of growth in recent years is expected to expected to shrink by at least 50%. Further, with a partial lockdown in place, the manufacturing sector is estimated to experience a USD 13.3m monthly decline in income of workers.
- Hawassa Industrial Park, one of the seven fully operational industrial parks in the country that takes the lion's share in terms of the number of people employed (about 35,000 in direct production) has since the start of April closed up to 45% of its operations.

Impact on Agricultural Sector

- Ethiopia's economy is largely based on agriculture, which accounts for 33.3% of GDP. The sector contributed nearly 60% of the country's exports, and 70% of total employment.
- A loss of agricultural output due to locust infestation and a slump in exports due to the COVID-19 pandemic is expected to see Ethiopia's agricultural sector decline by 1.6% in 2020. Further, Ethiopia is currently experiencing drought in some of its agricultural regions and this, coupled with locust invasions, may lead to food shortages for an estimated 30 million people in 2020.
- Ethiopia's exports are almost entirely agricultural commodities (with the exception of Gold exports) with the horticulture sub-sector as the country's fourth-largest export earner; generating USD280m in 2019 and employing over 150,000 people. Most of these people are now at risk of losing their jobs as the sector weathers through the COVID-19 storm. As of April 2020, Ethiopia's agricultural exports were only at 20% of their usual volume; a YTD loss of about USD 132m.
- With a partial lockdown already in place in Ethiopia, the estimated decline in income of workers per month is about USD 5.7m. Increased travel restrictions and reduced growth prospects for key trading partners in North America and Europe due to the COVID-19 pandemic will continue to limit demand for Ethiopia's exports of coffee and horticultural products over the short term.

Impact on Construction and Real Estate Sectors

- The construction and real estate sectors combined contributed about 20.37% to Ethiopia's GDP in 2019.
- There are 159 major construction projects currently underway in Ethiopia as of 2019 and a further 85 set to go ahead within the next five years. Infrastructural projects are however expected to stall due to a shortfall in revenue collections by the government and reduced FDI inflows into the country. Capital projects such as railway and road construction are expected to gain momentum again from 2022 once the election is over.
- With industry growth estimated to contract at between 17% to 26% in light of the COVID-19 pandemic, the construction sector is anticipated to witness a 9.9% contraction on its contribution to Ethiopia' s GDP as the country battles to contain the spread of the virus. Further, a USD 23.3m decline in income of workers is expected monthly as the country goes through a state of emergency.
- The consequent aftermath of the pandemic expected is a decline in project financing as lenders would be uneasy to finance construction projects because of the uncertainty surrounding the completion of projects.

Government intervention measures

In a bid to curb the spread of the virus, various preventive measures have been put in place. The government urges the public to: wash hands frequently, avoid contact with others, maintain social distancing, ensure respiratory hygiene, place reliance on reliable and up-to-date information about the pandemic, wear masks and ensure isolation after infection or when in suspicion of infection.

In addition to social and health-related measures, the Government of Ethiopia has introduced interventions to safeguard the economy, including the following.

Government Fiscal Initiatives:

National Bank of Ethiopia to avail ETB 15bn for private banks to enable them to provide debt relief, loan rescheduling, and additional loans to their businesses.

National Bank of Ethiopia increased the amount of money individuals can transfer through mobile banking, to limit in-person cash handling.

Tax exemption for the import of materials and equipment to be used in the prevention and containment of the COVID-19.

Banks to avail foreign currency for importers primarily importing goods and input materials for the prevention of COVID-19.

Removal of the minimum price set by the National Bank of Ethiopia on the horticulture sector for flower exports.

The Ministry of Revenue to expedite VAT returns to support companies with cash flows

Ethiopia announced a ETB 5bn (USD 154m) package to bolster healthcare spending.

The government approved a loan of USD 54.9m from the Africa Centre for Disease Control and Prevention to help fight the virus.

*Please **click here** to access the Deloitte Portal on Governments' Tax, Fiscal & Social Measures implemented to mitigate the impact of the COVID-19 pandemic.*

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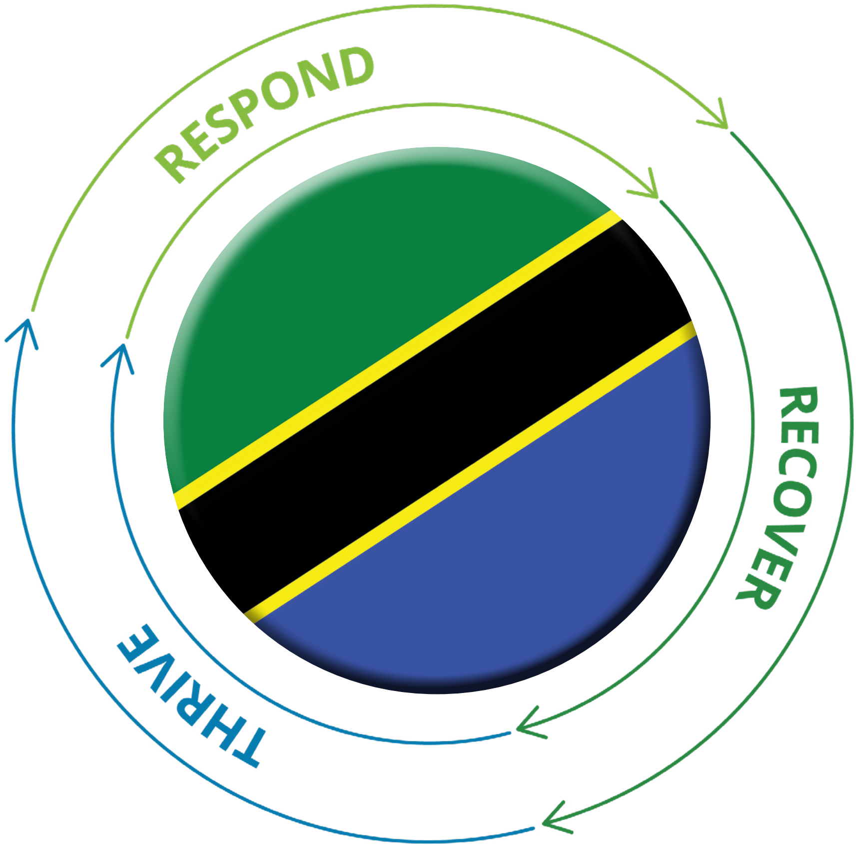
The Tanzanian Scene

Economic impact of the COVID-19 pandemic on Tanzania's economy

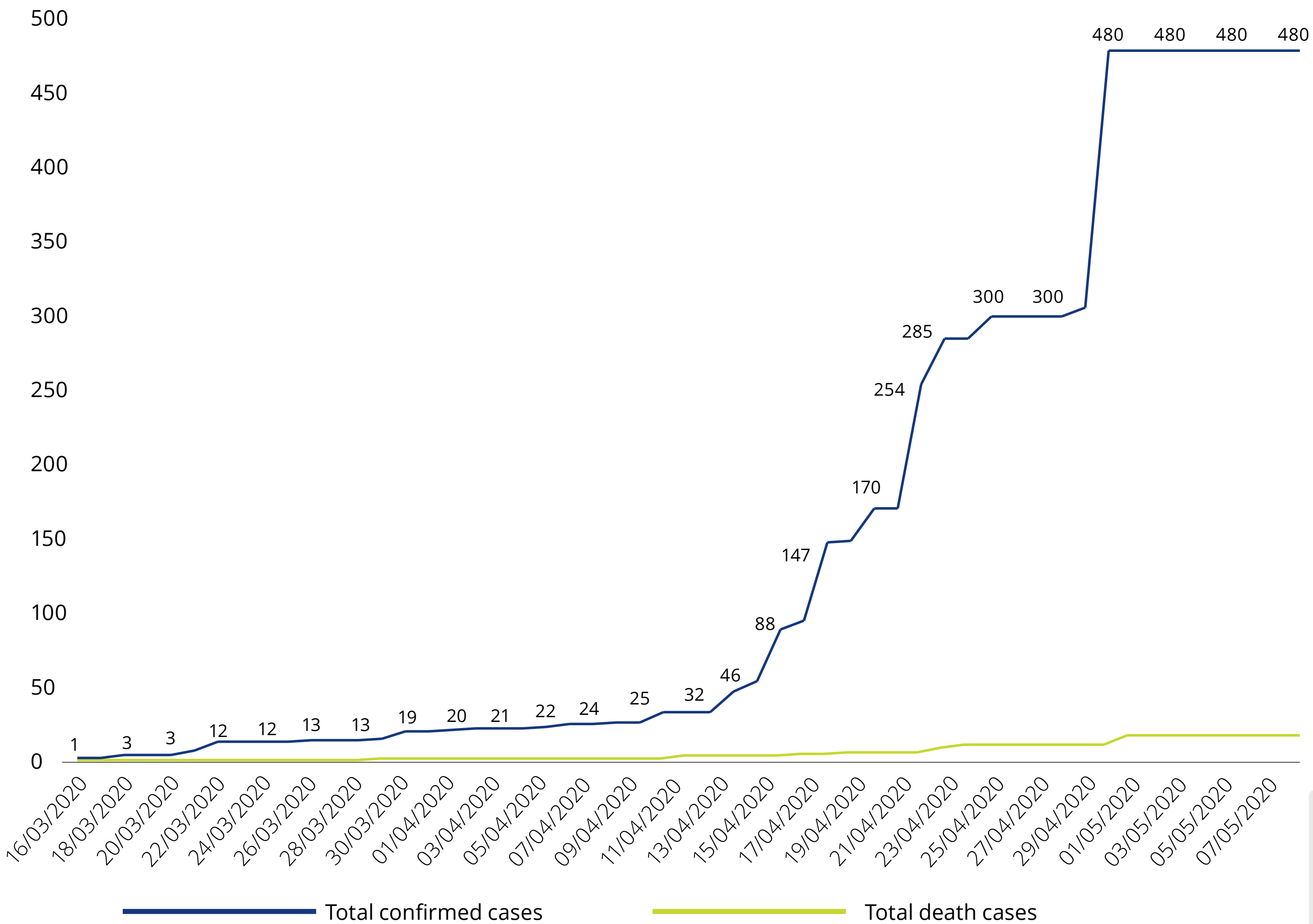


Economic impact of the COVID-19 pandemic on Tanzania's economy

COVID-19 cases

The situation in Tanzania

The first case of COVID-19 was reported in Tanzania on 16 March 2020. The cases have since escalated to 480 cases, with 17 deaths and 167 recoveries as at 29 April, 2020. Statistics last updated on 29 April 2020 following a presidential directive to form a committee to investigate the accuracy of the test results.



Source: Ministry of Health; Tanzania, European Centre for Disease Prevention and Control, 08 May 2020

Government of Tanzania response and mitigating measures

The Government of Tanzania (GoT) has put in place interventions to aid in mitigating the spread of the COVID-19 virus in the country while still limiting the potential negative impact the outbreak might have on the economy. The mitigating measures include:

01. Strengthening of ports of entry within the country to prevent importation of the virus. According to the Ministry of Health, they have installed thermal scanners and deployed health workers to all ports of entry in the country;
02. All airports closed down and international flights banned;
03. The setting up of the Mobile Lab Project by the East African Community to aid in testing potentially infected persons in Tanzania's rural and remote regions.
04. Zanzibar has enacted measures that will effectively close down all hotels within the island. However, the semi-autonomous government is still allowing charter flights with tourists to land on condition that all passengers enter a 14 days quarantine at their own expense.
05. Schools and universities in the country have been closed effective 17 March 2020. Large public gatherings have also been discouraged within the country to contain the spread of the virus. However, religious and funeral services as well as public transport services are still permitted , which is expected to have a negative impact on efforts to curb the spread of the virus in the country as it does encourage social distancing.
06. The BoT is preparing a stimulus package to cushion the economy from the negative economic impact of the COVID-19 pandemic. The package is expected to aim at supporting private sector businesses and consumers.

Please use the link below to access the Deloitte Portal on Governments' Tax, Fiscal & Social Measures implemented to mitigate the impact of the COVID-19 pandemic.

Deloitte COVID-19 Government Response Portal

Impact on Tanzania's economy

Global and Africa Economy

Global GDP Growth

2.9%	2.7%	-3.0%
2019 Average	Pre COVID-19 2020 forecast	Adjusted 2020 forecast

Source: IMF, Fitch Solutions

Africa GDP Growth

Africa's projected GDP growth of 3.2% for 2020 is now expected to recess to -0.8%.

3.2%

Africa GDP Growth

-0.8%

Source: African Union (AU), IMF

Tanzania's Growth

6.3%	5.3%	2.0%
2019 Average	Pre COVID-19 2020 forecast	Adjusted 2020 forecast

Source: EIU, IMF

Tanzania's Inflation

3.4%	2019 Average
3.8%	Pre COVID-19 2020 forecast
3.9%	Adjusted 2020 forecast

Source: EIU, IMF

- Tax to GDP ratio expected to decline to **13.1% for 2019/20** compared to **13.5% for 2018/19.**
- The central bank rate is expected to be reduced from **7% in 2019** to **6% in 2020** to provide a buffer for the economy in the months ahead.
- The current account deficit is expected to increase from **USD 1.7bn in 2019 to USD 2.4bn in 2020**, which constitutes **2.6%** and **3.7% of GDP** in **2019** and **2020** respectively.
- The tourism sector contributes about **6.5% to GDP** in Tanzania as well as providing **more than 1.5m jobs.** Most of this jobs are at risk due to closure of hotels and global travel restrictions. The aviation sector has to date experienced a **1.5m** decline in passenger traffic in **Q1 2020**, resulting in a **USD 310m revenue loss** and risking about **336,000 jobs.**
- The TZS stood at **TZS 2,302.8:1USD** as at 08 May 2020 and is expected to depreciate in 2020 to an average of **TZS 2,359:USD 1** amid a widening current deficit account, declining FDI and reduced export earnings.
- Foreign exchange reserves stood at **USD 5.6bn** (6.4 months import cover) as at February 2020 and are expected to decline to **USD 4.7bn in 2020** due to anticipated declines in mineral exports and tourism earnings.
- Remittance inflows to Tanzania in 2018 accounted for **0.71%** (USD 430m) of total GDP. Diaspora remittances are expected to decline in 2020 due to job losses and economic slowdowns anticipated in developed and emerging markets.
- Exports of goods averaged **USD 5.4bn in 2019** and is expected to decline to **USD 5.1bn in 2020** while goods imports which averaged **USD 8.6bn in 2019** are expected to decline to **USD 8.1bn in 2020.**

Impact on Tanzania's economy

Tanzania's real GDP was initially estimated to increase by 5.3% in 2020, down from 6.3% in 2019. However, following the COVID-19 pandemic, Tanzania's GDP growth is expected to decline to 2% in 2020.

This is mainly attributable to :

- **An expected decline in the tourism sector's growth following the imposition of global travel restrictions and closure of hotels in Tanzania.**
- **Decline in international trade due to supply chain disruptions and waning international demand for Tanzania's mineral exports, as export destinations report economic slowdowns as a result of the COVID-19 pandemic.**
- **An imminent lockdown in Tanzania that would halt a majority of domestic economic activity save for essential sectors such as utilities, communications and healthcare.**

Impact on Agricultural Sector

- The agricultural sector contributed 27% to Tanzania's GDP in 2019 and employed about 67% of Tanzania's total workforce.
- A locust infestation reported near Mt Kilimanjaro coupled with a decline in export-focused cash crops due to the COVID-19 pandemic will see agricultural growth decline by about 2% from an average growth of 5% in 2019 to 3% in 2020. Further, the growth will be impeded by its vulnerability to weather-related shocks.
- Economic slowdowns in major export destinations in European and Asian markets due to the COVID-19 pandemic are expected to lead to declined demand for Tanzania's key agricultural exports such as coffee, tobacco and fish, which contributed 5.4%, 9.8% and 5.3% to total exports in 2019.
- With an imminent decline in Tanzania's key agricultural exports, the sector's jobs remain in the balance, with a majority of the 67% active Tanzanian's in the sector at risk of losing their jobs.

Impact on the Mining sector

- The mining sector reported a growth of 10.6% in 2019, which was mainly due to an increase in the production of gold, silver and natural gas.
- Pre COVID-19, the mining sector was expected to report increased growth as the Government of Tanzania relaxed protectionist policies that required Tanzanian companies to own a majority stake in mining firms in 2019. This was expected to encourage foreign investment in the sector.
- However, following the COVID-19 pandemic, the sector could be faced with challenges such as global supply chain disruption that will decrease exports, and the ceasing of operations by mines to comply with social distancing policies.
- The increase in gold prices as a result of its increasing demand as a safe haven asset will provide a buffer to Tanzania's mining sector. As such, the sector is expected to continue operating in the phase of the pandemic, albeit at a reduced level.

Impact on Tanzania's economy

Impact on Tourism and hospitality

- Tanzania's tourism sector reported improved performance in 2019 with tourism earnings increasing by 6.3% to reach USD 2.6bn from USD 2.5bn in 2018 while tourist arrivals increased by 8.1% to reach an estimated 1.6m arrivals in 2019 from 1.5m arrivals in 2018.
- Following the COVID-19 outbreak, Tanzania's tourism sector is facing possible collapse as global travel restrictions cause a decline in tourist arrivals to Tanzania, while social distancing measures are anticipated to decrease domestic tourism. Consequently, this is expected to decrease tourism earnings in the country, which will put more than 1.5m jobs at risk as revenues of tourism related businesses decline.
- As the COVID-19 pandemic worsens in Tanzania, the hospitality industry continues to be impacted, with hotel occupancy rates expected to decline from the 50.3% average reported in 2019. The hotel occupancy rate was estimated at 23.5% as of April 2020. Zanzibar, the semi-autonomous region of Tanzania has so far enacted measures that have seen 95% of its hotels and lodgings closed. Furthermore, preference for virtual meetings and teleconferencing in order to enforce social distancing is expected to lead to a decline in demand for meetings and conferences services offered by hotels.
- Consequently, the Tanzania Hotel Association has stated that state run convention centres such as the Arusha International Conference Centre in Tanzania are at risk of losing more than TZS 1bn should conferences be cancelled due to the COVID-19 virus pandemic.

Impact on Construction and Real Estate Sectors

- The construction sector and real estate sector contributed 13.8% (USD 8.7bn) and 2.7% (USD 1.7bn) respectively to total GDP in 2019. The construction sector is credited as the biggest driver of Tanzania's GDP growth.
- Due to the COVID-19 pandemic, the construction sector, which recorded a 12.9% growth in 2019, is expected to record an all-time low growth rate in 2020, a consequence of stalling infrastructural investments due to a disruption in global supply chains and thus an impediment in the import of construction materials.
- The expected decline in project financing in the light of the COVID-19 pandemic will see big infrastructural projects like the construction of the cross-border standard-gauge railway with Rwanda and the expansion of energy infrastructure slow down. Furthermore, a significant portion of the Tanzania government's development budget (about 60%) is spent on construction projects and as such with an expected shortfall in government revenue collections (a 10% estimated shortfall from budget in the 2019/20 fiscal year), several other government construction projects may stall.
- Further headwinds that are expected to hamper growth in the construction and real estate sectors are declining demand for housing, and delays in imports of capital goods needed to carry out construction projects.

Impact on Consumer and Retail

- Total household spending in Tanzania increased by 9.1% in 2019, down from 10.2% in 2018. Overall, household expenditure constituted about 50.4% (USD 28.4bn) of Tanzania's GDP in 2019. Due to the country's low income levels, household spending on essential goods and services accounts for 80% of total household spending.
- Following the COVID-19 outbreak, panic buying is expected to increase demand for items such as foods with longer shelf life and medical products in case a lockdown is imposed in Tanzania.
- Nonetheless, overall consumer demand is expected to decrease especially for non-essential goods due to economic uncertainty and supply shocks that are expected to limit stock in the retail sector. Private expenditure is estimated to average 1.9% of GDP in 2020, down from a 6.0% of GDP average in 2019.

Government intervention measures

There have been no significant tax, fiscal nor monetary measures undertaken by the Government/Bank of Tanzania in response to the COVID-19 pandemic.

Sources

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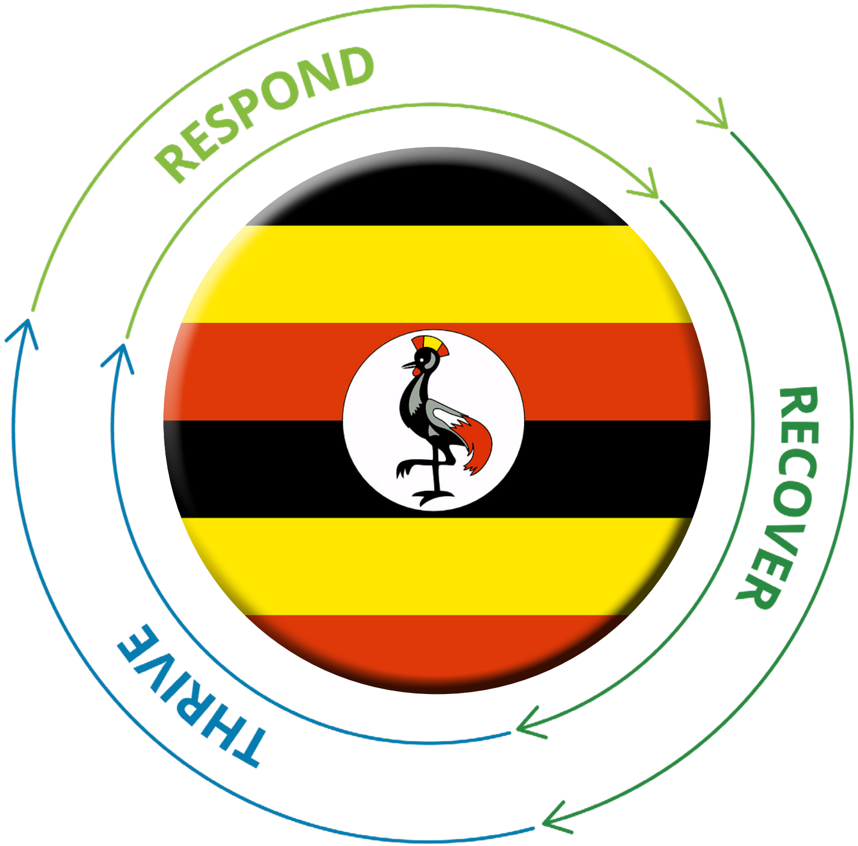
*Please **click here** to access the Deloitte Portal on Governments' Tax, Fiscal & Social Measures implemented to mitigate the impact of the COVID-19 pandemic.*

The Ugandan Scene

Economic impact of the COVID-19 pandemic on Uganda's economy

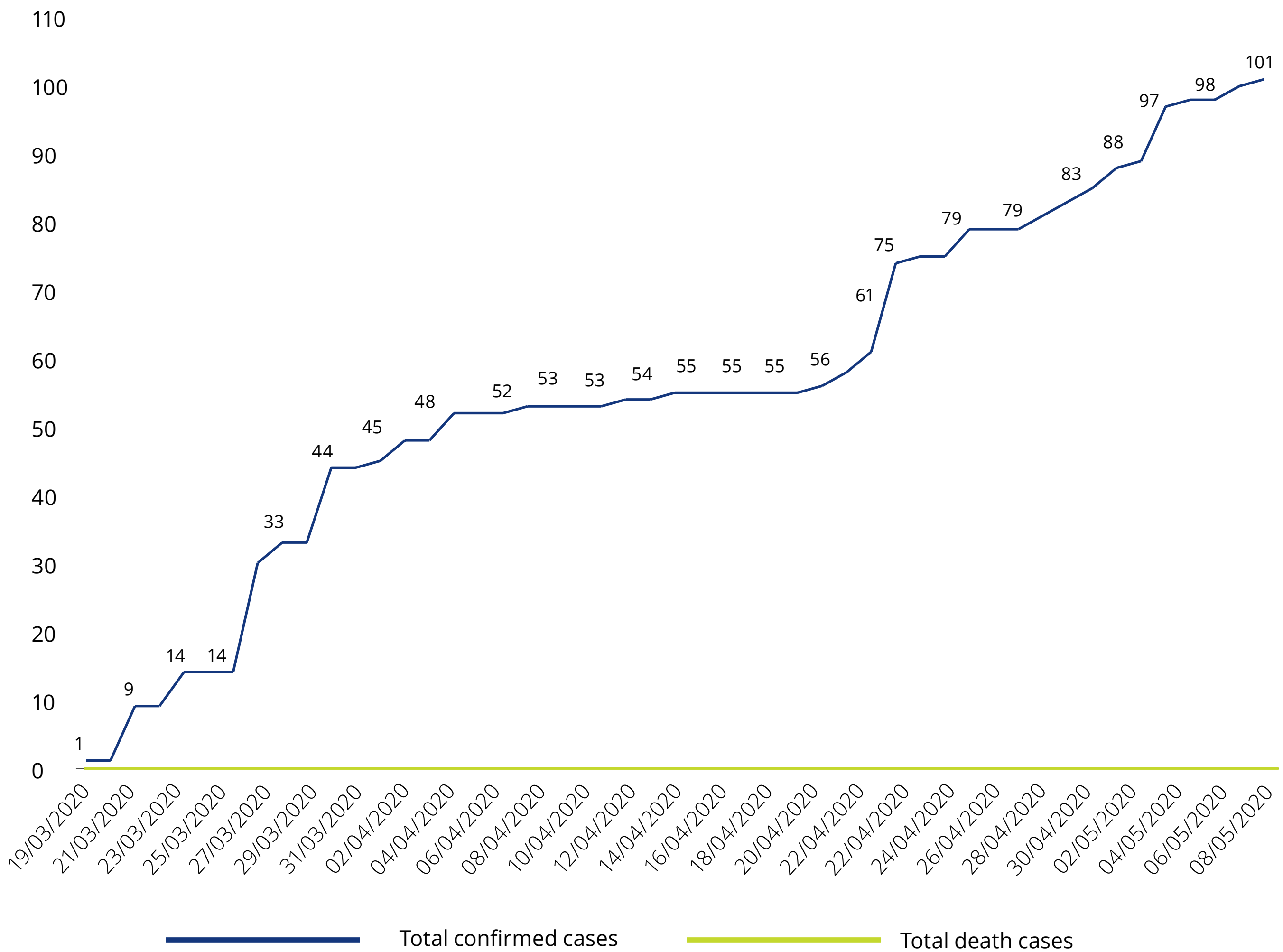


Economic impact of the COVID-19 pandemic on Uganda's economy

COVID-19 cases

The situation in Uganda

The first case of COVID-19 was reported in Uganda on 21 March 2020. The cases have since escalated to 101 cases, with 0 deaths, 55 recoveries as at 08 May 2020.



Source: Ministry of Health; Uganda, European Centre for Disease Prevention and Control, 08 May 2020

Government of Uganda response and mitigating measures

01. The Ministry of Health launched the 'Tonsemberera' (keep your distance) campaign to sensitise and encourage the entire population to adopt desired hygiene practices and social behaviours to prevent and manage the spread of COVID-19
02. Foreigners and Ugandans coming into the country will be required to undergo a mandatory 14 day quarantine at gazetted places, at their own cost.
03. The public transport ban has been extended by 14 days until 20 May 2020. Public transport and private non-essential vehicle transport is still prohibited, meaning that workers reporting to the reopened businesses will have to commute either by buses (either owned or hired by the employer) bicycle or on foot. Permission for emergency use of private vehicles for medical purposes must be sought from the local Resident District Commissioner.
04. A dusk to dawn curfew is in place from 7:00 pm to 6.30 am till 20 May 2020.
05. Public meetings have been banned without the clearance from the health ministry and the police. Schools have also been closed until further notice.
06. The Ministry of Health has developed a list of District Health Officers and district surveillance focal persons, and the public is urged to report alerts to their respective district officials for further action.
07. Support to district and regional referral hospitals to enhance their capacity to respond to the pandemic and offer basic medical services. The Uganda Virus Research Institute (UVRI) has been equipped and prepared to run confirmatory tests in a matter of hours upon receipt of samples. The Ministry of Health has also mobilised a mobile testing laboratory facility to boost testing capacity.
08. The Government announced the closure of all land borders, effective 23 March 2020. No individual would be allowed to enter or depart Uganda by air, land, or water except for specific cargo vehicles which must follow strict Ministry of Health procedures.
09. Hotels and restaurants have been allowed to reopen but only offer take away services.

Please use the link below to access the Deloitte Portal on Governments' Tax, Fiscal & Social Measures implemented to mitigate the impact of the COVID-19 pandemic.

Deloitte COVID-19 Government Response Portal

Impact on Uganda's economy

Global and Africa Economy

Global GDP Growth

2.9%	2.7%	-3.0%
2019 Average	Pre COVID-19 2020 forecast	Adjusted 2020 forecast

Source: IMF, Fitch Solutions

Africa GDP Growth

Africa's projected GDP growth of 3.2% for 2020 is now expected to recess to -0.8%.

3.2%

Africa GDP Growth

-0.8%

Source: African Union (AU), IMF

Uganda's GDP Growth

5.9%	5.3%	3.5%
2019 Average	Pre COVID-19 2020 forecast	Adjusted 2020 forecast

Source: EIU, Bank of Uganda, IMF

Uganda's Inflation

2.9%	2019 Average
3.5%	Pre COVID-19 2020 forecast
3.9%	Adjusted 2020 forecast

Source: IMF, EIU

- The Bank of Uganda (BoU) has decided to ease monetary policy by **reducing the Central Bank rate from 9% to 8%.**
- Inflation is expected to edge up to **3.7%** in 2020 owing to the adverse effects on the flow of international trade and tourism.
- Export revenue forecasted to decline by 34% (**USD 1.4bn**) while import value set to decline by 19% (**USD 1.3bn**)
- Tourism and travel provides about **700,000 jobs** and contributes **7.7% of GDP**. Most of these jobs are at risk due to closure of hotels and shut-down of global aviation.
- The Uganda Shilling (UGX) is forecasted to depreciate from an earlier projection of **3,730 UGX/USD to 3,860 UGX/USD** owing to an upsurge in capital outflows and dwindling foreign remittances.
- Projected decline in foreign exchange reserves from 4.2 months worth of imports to 3.5 months.
- Remittance inflows to the country was estimated to reach **USD 1.5bn in 2019** and made up **5% of the GDP.** Lockdowns in cities across the world have resulted in unemployment, which is expected to reduce diaspora remittances.
- Current account deficit estimated to worsen to **8.1%** of GDP in 2020 from 7.4% in 2019.

Impact on Uganda's economy

Uganda's GDP growth averaged 5.9% in 2019 and had been projected to grow at about 5.3% in 2020 amid steady agricultural growth, expansion in gold-processing and delays in oil projects. However, in light of the COVID-19 pandemic, GDP growth is expected to decline to 3.5%.

This is majorly due to:

- **A slowdown in agricultural production from the localised impact of a regional locust outbreak in North-East Uganda;**
- **A sharp decline in tourism as the COVID-19 pandemic deters travellers;**
- **Disruption of supply chains and weakened global demand which has affected the inflow of raw materials and finished products for manufacturing and trading; and**
- **A contraction in domestic economic activity owing to the national lockdown.**

Impact on Transport - Aviation

- The African aviation industry might lose up to USD 6bn of passenger revenues in 2020 amidst travel restrictions and confidence effects, compounded by a global recession.
- With the exception of Ethiopian Airlines, all African carriers have suspended their flights to various destinations in Europe and Asia, a step that has hampered export of the Uganda's horticultural products.
- Emirates remains the only airline operating cargo flights to Entebbe International Airport, thereby facilitating the movement of goods during this uncertain time.
- As the pandemic worsens, the sector is imminently headed towards significant job losses with most of the workers already on unpaid leave days.

Impact on Tourism and Hospitality Sector

- Tourism is the main source of foreign exchange in Uganda. The sector constitutes 7.7% of the country's GDP and employs close to 700,000 people.
- Uganda was poised to host the China International Coffee Specialty Expo and the 3rd UN G77 and China Summit, events that serve as major boosts to the country's tourism sector as they attract thousands of international delegates. However, these events have since been postponed indefinitely due to the COVID-19 pandemic. Moreover, the rising global travel restrictions are expected to further constrain tourism flows into Uganda.
- Major hotels in Uganda such as the Kampala Serena Hotel, Sheraton Hotel and Hotel Africana have reported a decline in the occupancy rates from a 2019 average of 80% to 20% and losses of about USD 15m since the onset of the pandemic.
- As hotels and travel agencies lay off employees in a bid to shield themselves from the dwindling tourism flows, the close to 700,000 individuals employed in the sector continue to face imminent job loss risks.

Impact on Uganda's economy

Impact on Wholesale and Retail Trade

- Small and medium enterprises comprise the wholesale and retail trade sub-sector, which constitutes 13% of Uganda's economy.
- The disruption in global supply chains has led to a shortage in trading goods as nearly 20% of all these goods are imported from China. Traders are forced to outsource from other countries, which is more costly, thus resulting in the closure of businesses and imminent job losses.

Impact on Manufacturing and Infrastructure

- Uganda's imports from China alone stood at USD 1bn in 2019, accounting for 37% of the imports from Asia. The main products imported included construction materials, electrical machinery and equipment and their parts, clothing, kitchenware, furniture as well as raw materials.
- Factory closures in China have resulted in supply chain disruptions for manufacturers in Uganda, resulting in raw material shortages and increased costs of production. This has led to reduced economic activity in the manufacturing sector, coupled with reduced tax collection from excise duty on the importation of petroleum products.
- According to the Uganda Investment Authority (UIA), 45% of all the planned foreign direct investments (FDI) was to come from China in form of investments in capital infrastructure projects and manufacturing. With China's economy expected to go under recession in 2020, FDIs are expected to significantly decline. This may see the stalling of the development of major oil fields and an international oil pipeline whose capital inflows increased FDI by almost 50% to USD 2bn in 2019.

Impact on Agricultural Sector

- The Agriculture, Forestry and Fishing sector contributes 22% to Uganda's GDP and it remains one of the largest employers in the country, accounting for around 70% of the labour force as of 2019. Major exports include coffee, tea and horticultural products.
- The reduction in agricultural production owing to the locust infestation in the North Eastern part of the country is further compounded by the global lockdowns and trade restrictions which have made it difficult to import the necessary chemical pesticides.
- A downward trend in global demand pressure has already reduced prices for coffee and tea in the major import markets. A continued decline of prices over the coming months is expected to affect approximately 500,000 households who depend on coffee farming as small-scale farmers.
- Global travel restrictions have also hampered the export of horticultural products which contribute roughly USD 500m to the economy.

Government intervention measures

The Uganda Revenue Authority (URA) has put in place measures to support taxpayers in meeting their obligations during this pandemic.

Tax Based Measures:

Extension of time within which to file tax returns – the 31 March 2020 filing deadline for taxpayers whose accounting date is in September has been extended by 2 months to 31 May 2020

Returns of PAYE, VAT, Local Excise Duty, Withholding Tax and taxes under the Lotteries and Gaming Act for March due by 15 April 2020 extended to 30 April 2020

All customs border stations and customs warehouses shall remain open and functional to facilitate movement and clearance of cargo subject to the Customs laws and guidelines

Waiver of penalty and interest upon voluntary disclosure - a taxpayer who makes any voluntary disclosure during the months of March and April 2020 and pays the principal tax, shall have their penalty and interest remitted in accordance with the law

Encouraging taxpayers to use its online services but remain available to offer services that cannot be accessed online.

Deferment of tax payments due in March and April 2020 under instalment arrangement MOU's to May 2020 for taxpayers whose businesses have been affected by government directives on COVID-19 and are unable to meet their obligations during the period

The Bank of Uganda (BoU) has decided to ease monetary policy by reducing the Central Bank rate to 8% from 9% in order to ensure adequate access to credit and the normal functioning of financial markets. Other measures taken to navigate through the COVID-19 crisis include:

Fiscal/Monetary Measures:

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

Provide exceptional liquidity assistance to commercial banks that are in liquidity distress for a period of up to one year

Grant exceptional permission to SFIs to restructure loans of corporate and individual customers that have been affected by the pandemic, on a case by case basis effective April 2020.

Provision of liquidity to commercial banks for a longer period through issuance of reverse Repurchase Agreements (REPOs) of up to 60 days at the CBR, with opportunity to roll over

Purchase of Treasury Bonds held by Microfinance Deposit taking Institutions (MDIs) and Credit Institutions (CIs) in order to ease their liquidity distress;

Waiving limitations on restructuring of credit facilities at financial institutions that may be at risk of going into distress.

Elimination of bank-to-wallet charges and cash-out fees for lower transaction tiers for 30 days.

*Please **click here** to access the Deloitte Portal on Governments' Tax, Fiscal & Social Measures implemented to mitigate the impact of the COVID-19 pandemic.*

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