Ministry of Finance, Planning & Economic Development

International Growth Centre

High Level Economic Growth Forum
Republic of Uganda

Unlocking new opportunities for inclusive growth during and after COVID-19

1st September 2020 – Kampala Serena Hotel

Event Report

Introduction

On the 1st September 2020, the Ministry of Finance, Planning and Economic Development hosted the fourth Economic Growth Forum to reflect on the state of the Ugandan economy, particularly in light of the recent global economic and health crises caused by COVID-19, and identify policy solutions to drive the country's future economic growth performance.

The conference began with opening remarks from both Keith Muhakanizi (Permanent Secretary/Secretary to the Treasury) on behalf of the Ministry of Finance, Planning and Economic Development, and Jonathan Leape, Executive Director of the International Growth Centre (IGC).

Keith Muhakanizi noted the importance of re-strategising for Uganda's growth following the global crisis caused by the COVID-19 pandemic. He emphasised that the objective of this year's Forum was to identify actionable policy interventions to mitigate the impact of the pandemic as well as recommend medium term strategies to support economic resilience and recovery.

He noted that until the recent shock from the COVID-19 pandemic, the Ugandan economy had experienced a significant growth rebound since 2016. GDP growth reached 6.8% in FY 2018-2019, following the government adoption of policy interventions suggested by the first three Economic Growth Forums to address key development challenges that threaten Uganda's long-term growth trajectory. The interventions included raising agricultural productivity, spurring the process of structural transformation, driving public savings and investment, and addressing labour force skills deficits among others.

However, with the onset of COVID-19, economic growth is recorded to have fallen dramatically to 3.1% in FY 19/20 and is projected to remain at this level. The Permanent Secretary therefore noted that the biggest concern for government now is how to address the immediate challenges facing the economy while also supporting economic recovery in the medium term. He then outlined the three thematic sessions for the Forum:

1. Assessing the global and domestic impact of COVID-19 and future prospects.
2. Understanding the impact of COVID-19 on enterprises and households and government's policy response.
3. Identifying medium term strategies for key growth sectors.

Prof. Jonathan Leape, the executive director of the International Growth Centre, began his opening remarks by providing a short review of the impact of the COVID-19 pandemic on the world economy. He then proceeded to consider the African experience, observing among others that while so far the disease had not spread as widely as in the developed world, domestic containment measures as well as the economic down-turn in other countries severely affect the economic prospects of African countries due to falling commodity prices; a sharp decrease in remittances, and; a collapse in international travel diminishing tourism earnings. He also pointed to the long-term economic ramifications arising from the interrupted provision of education.

Prof. Leape then proceeded to elaborate on the impact of the COVID-19 pandemic on the structure of the global economy, noting that COVID-19 would be highly likely to accelerate some trends that were already taking place prior to the pandemic (e.g. remote working and the use of teleconferencing technology) while also triggering new ones (e.g. reducing the importance of the GVC model of international trade). While these shifts constitute threats for the growth prospects of developing countries, he also pointed out that developing countries can harness these developments for growth and jobs if they implement appropriate policies.

Finally, the last component of Prof. Leape's opening remarks pointed to the need of good evidence and research in dealing with the "radical uncertainty" arising from the pandemic, both in responding to the health as well as the economic crisis. He concluded his remarks by pointing out that exactly this is the purpose of the Economic Growth Forum IV: Informing policy responses to COVID-19 by leveraging data and frontier economic research.

Macroeconomic Impact: global and domestic impact of COVID-19 and future prospects

This session explored the outlook for the global economy, key structural changes and opportunities for developing countries, and how policymakers can mitigate developing economies contraction and position economies for recovery in 2021. The session also looked in particular at the macroeconomic effects of the crisis on Uganda's economy and the impact on public finance.

Speakers and presentations:

Dr Mathieu Teachout: *The COVID-19 Global Recession and Implications for Developing countries*
Dr Albert Musisi: *Uganda: Performance, Near-Term Outlook and Prospects for Recovery in 2021*

Key highlights from the presentations and discussion:

Dr Mathieu Teachout, Research Director of the International Growth Center, kicked off the conference with a presentation on the outlook of the global economy, specifically looking at the structural changes from the pandemic and opportunities in the wake of economic recovery. He noted the disproportionate health impact of the pandemic on high-income countries with death rates 10 to 15 times higher than in sub-Saharan Africa. However, disruptions to global demand and supply chains have meant that the economic impact of the pandemic is more widespread. Shocks to supply chains heavily centered in high-income countries in Europe and North America as well as China have had an impact on demand for goods and services exports as well as the inflow of critical intermediate inputs and consumer products.

Using results from a recent IGC project by Dominique van der Mensbrugghe simulating the economic impact of the pandemic under different scenarios, Dr Teachout noted that the pandemic has led to a 9.4 percent drop in welfare in sub-Saharan Africa driven. This had been driven both by a reduction in productivity globally and well as increases in trade costs. He noted that projections from the IMF and other major organisations remain pessimistic. According to Dr Teachout, there are likely to be lingering effects on firms due to disruption to investment flows, production knowledge and low levels of liquidity that make it difficult for firms to bounce back. On the demand side, consumers, in the face of uncertainty, lower level of savings and job losses, are spending less. Dr Teachout warned of the possibility of "jobless recovery" with a bounce back in GDP without a similar increase in employment.

Dr Teachout lauded the global and national policy response to the pandemic, which has been mostly swift. However, he expressed concern about the fiscal constraints on policy responses in Sub-Saharan Africa. In the face of resource constraints, he encouraged the government in Uganda to direct recovery support towards firm survival to ensure continued access to jobs and livelihoods.

Drawing from experiences with past economic and financial crises, Dr Teachout also noted that significant changes to global value chains for goods are unlikely to occur and that any changes to value chains will come at the margin. However, he anticipated that the pandemic would accelerate the mobility of services trade through wide spread adoption of tele-migration technology. Zoom conference services, for example, have seen a substantial jump in daily uses from 10 million in 2019 to 200 million in 2020. Dr Teachout noted that this dynamic could lead to offshoring of some entire service sectors or jobs types such as IT and customer services. Dr Teachout concluded his presentation by highlighting key policies that governments could adopt to leverage expansions in services trade. The policies include policies to boost investment in hard and soft skills, IT infrastructure, and regulations that support free movement of services and services professionals.

Dr Albert Musisi, Commissioner of the Ministry of Finance, followed with a presentation on the immediate impact of the pandemic on Uganda's economy, the government's policy response and the prospects for recovery. He started by citing challenges to Uganda's economic recovery which include weak healthcare systems, connections to global value and supply chains at risk due to the pandemic, and the collapse in oil prices as challenges to Uganda's C-19 recovery. He added that the large informal sector within Uganda and the limited fiscal space for appropriate and timely government response to the evolving pandemic are compounding factors.

The first part of Dr Musisi's presentation looked at two main transmissions channels impacting Uganda's economy. The first is the impact of the global economic downturn, which has resulted in a decrease in remittance flows, international demand for Uganda exports, tourism revenues and foreign direct investment. Second, Mr Musisi noted the impact of lockdowns, a necessary mitigation strategy that has negatively impacted the transport and hospitality sector along with the restrictions on international travel which have disrupted supply chains.

Dr Musisi then presented key statistics on the impact of the recent pandemic. He noted strong GDP growth in the first 2 periods of the fiscal year 2019/2020, with a sharp decline in the last two period driven by the impact of the pandemic. This resulted in GDP growth at 3.1% in FY 2019/2020, below the government target of 6.3%. FDI decreased by 40% in the first half of the year together with a 62% decline in tourism and an 11 % decline in remittances. At the same time, exports and imports declined between March and April with recovery in May and June. While Dr Musisi's presentation highlighted some indication of a recovery in economic activity between June and August, he emphasized that that there has not been an accompanying recovery in employment. Dr Musisi also highlighted the decrease in tax and non-tax revenues as well as the projected increase in the fiscal deficit along with increases in the debt to GDP ratio.

Switching to the monetary and financial sector, Dr Musisi revealed that the Ugandan economy had experienced high exchange rate depreciation, high inflation and an increase in interest rates due to the pandemic. However, inflation remained below the 5% target at the time of the conference. Moreover, lending rates have not change significantly but the Central Bank did record a 2-percentage point increase in the rate of non-performing loans. Dr Musisi also noted that Private Sector Credit decreased by a little over 4 percentage points to 9 percent in 2019/2020.

Dr Musisi stressed that Uganda's economic recovery will be gradual due to low aggregate demand, job losses, sluggish global recovery and constraints to government fiscal stimulus. He projected that GDP will grow at around 3.1% for FY20/21 (initially projected to be 6%) with a medium term GDP growth rate of 6-7%. He stressed that Uganda's recovery would depend on containment of the pandemic, robust recovery of the global economy and effective implementation of the government's economic recovery plan.

In the final section of his presentation, Dr Musisi briefly discussed the government's economic recovery plan. In the near term, the government is prioritizing health expenditure to contain the spread of the pandemic together with policies to tackle demand and supply side challenges in light of the pandemic. In the medium term, Dr Musisi noted that the government plans to focus on priorities under the Third

National Development Plan, while increasing domestic revenues and identifying opportunities for concessional funding to manage fiscal deficits and public debt.

Joseph Muvawala, the discussant for the session, offered comments on both presentations, taking the opportunity to raise areas for further discussion and policy intervention. He started by stressing the importance of increasing food production for job creation and food security. He also brought forth the issue of domestic market recapturing and the need for policies geared towards maintaining and expanding supply chains for intermediate inputs. Switching focus to the government's health response, Mr Muvawala emphasized the need for efficient overall health expenditure supported by effecting monitoring of off-budget health expenses. On the issue of skills development, Mr Muvawala urged the government to develop a certification system for skills. Finally, Mr Muvawala commented on the government's economic recovery response, and stated that cash transfers should be preferred over other forms of social support. He questioned whether the stimulus package was sufficient for ensuring an economic recovery with increases in employment.

Social Economic Impact: Impact of COVID-19 on enterprises and households and government's policy response

This session examined the effects of the crisis on household income levels, poverty and the survival and functioning of businesses in Uganda, drawing on recent analysis by the International Growth Centre and the Economic Policy Research Centre (EPRC) Uganda. . The session also included a presentation by the Ministry of Finance, Planning and Economic Development on Uganda's planned Recovery Programme to address the challenges discussed above.

Speakers and presentations:

Nicole Ntungire (IGC): *Welfare and Distributional Consequences of the COVID-19 Crisis in Uganda*
Corti Paul Lakuma (EPRC): *Impact of COVID-19 on Uganda's businesses*
Justine Ayebare (MOFPED): *Uganda's Recovery Program*

Key highlights from the presentations and discussion:

Ms Ntungire presented an IGC study with the objective of estimating the economic impact of the COVID-19 crisis and its effects on poverty and welfare. The study used detailed data from the latest round of the Uganda household survey, to estimate the effect of the crisis on income levels, poverty, and to identify potential social protection measures that could be put in place to mitigate the poverty effects.

Her estimates showed severe income losses as a result of the COVID-19 crisis, with 9.1% of GDP being lost on a monthly basis, affecting 65% of Ugandans. The findings from this study reveal that poverty has increased to an estimated 26.8%, erasing the gains in poverty reduction made over the last 10 years. The rise in poverty is sharpest in Kampala but reaches beyond urban areas. 27 million households are affected nationally, of which 19.8 million are in rural areas. There has been an increase in poverty of about 7.9% overall and an increase of poverty from 2.2% to 18.9% in Kampala. Ms Ntungire then went on to highlight key affected sectors in terms of job and income losses. Transport and storage sectors, for example, had the highest number of income losers, and income losses in these sectors had the highest impact on poverty. Ms Ntungire also noted the importance of losses in remittances in explaining rural losses.

In response to these losses, Ms Ntungire presented simulations of potential policy responses; a uniform cash transfer to all households, an urban cash for work programme, the expansion of the 'SAGE[1]' grant, and specific targeting of the pre-crisis poor. The study found that while a uniform cash transfer is most effective in terms of offsetting poverty impact, it comes at a very high cost of 278 billion shillings or 3.5% of GDP, and a "excess" or wastage rate of 46%. Notably, targeting of pre-crisis poor offsets around 2/3 of the poverty increase, but is less expensive at 51.8 billion shillings; it also has an excess rate of just 12%. However, this is perhaps the least feasible to implement. One proposed policy option, which is to combine the scaling up of the SAGE programme and the Urban Cash for Work public works scheme, would result in a decline in poverty of 1.6%.

Ms Ntungire concluded that the short-term effects of COVID-19 and its mitigation measures on poverty are severe, and the impact of sectors varies and depends on vulnerability to external shocks and lockdown measures. Immediate social protection measures only mitigate a small amount of poverty increase, highlighting the importance of a more comprehensive recovery programme from government.

Mr Corti Paul Lakuma from the Economic Policy Research Centre (EPRC) then presented the results of a survey conducted in April 2020 on the impact of COVID-19 on businesses. He showed that agriculture, small businesses and businesses in western Uganda, many of which are producing milk and matoke, were hardest hit. Business expenditures increased for almost 92% of firms surveyed, while close to 600,000 jobs had been lost temporarily, of which more than 80% of job losses were in the service sector. The survey also revealed salary cuts and the suspension of salaries across firms, with halted salaries highest in agriculture at 54.8% of firms surveyed. Overall, prices of output increased at an average rate of 4%, except in agriculture, which decreased by 17%. Two thirds of firms surveyed experienced reduced access to credit, of which one third had their access severely reduced. These magnitudes were similar across micro, small, and medium firms, but 83% of large firms stated that their access to credit had not changed. Firms' ability to pay outstanding debts followed a similar pattern.

Given these effects, Mr Lakuma concluded by listing a range of practical policy options and the challenges to implementing them, including implementing immediate food distribution programmes for households and investment in equity in distressed firms (either directly or through an investment vehicle such as a private equity firm).

Ms Justine Ayebare, Senior Economist at the Ministry of Finance, Planning and Economic Development then provided an overview of the government's planned Economic Recovery Program, developed in consultation with development partners, academic partners, social sectors, and the private sector. The overall objectives of this Program are threefold: maintaining the economic welfare of households, helping firms survive the crisis, and maintaining financial stability.

As part of this, efforts to maintain household welfare through health expenditures, labour intensive public works programmes, seed capital for organized groups, and relief aid and social assistance grants. The largest item was the 366 billion shilling fund to provide seed capital to various groups including the Youth Fund, Women's Entrepreneurship Fund and Emyoga Talent Support fund.To help firms survive the crisis, Ms Ayebare outlined a number of proposed measures, including provision of

[1] Social Assistance Grants for Empowerment (SAGE)

agricultural inputs and extension services, credit to SMEs, manufacturing and agribusiness, payment of arrears and VAT refunds to the private sector, the development of industrial/business parks, and deferred tax payments.

As part of her presentation, Ms Ayebare highlighted the need to expand existing fiscal stimulus measures (currently amounting to 2% of GDP) in order to boost the economy to mitigate the estimated 7-10% GDP losses from the crisis. She highlighted that debt relief would only cover a small component of planned expenditures and its benefits would be short-lived. Restructuring infrastructure payments posed the challenge that each project requires individual scrutiny to make sure contracts were not breached.

Ms Ayebare finished by noting the next steps: the government has limited fiscal space so needs to prioritise available sectoral allocations. The government has now finalized a detailed implementation response but is considering and tailoring specific interventions to meet sector-specific challenges.

Wilbrod Humphreys Owor, Executive Director of the Uganda Bankers' Association, acted as the lead discussant for this session, considering key reforms required in the financing architecture to stimulate Uganda's economic growth. He started by stating that COVID-19 has exposed a shortage of long-term patient capital and a huge funding mismatch. He then went on to outline a range of challenges facing the financial eco-system, with the recent slowdown of economic activity adversely affecting loan quality and causing the banking sector to have to restructure 5 trillion UGX in loans. To manage this risk, Mr Owor stated that no bank should lend more than 25% of core capital to any single borrower. In the oil and gas sector, no single bank can provide all the capital and there is no collateral, so banks would have to group together.

He further pointed out that since the onset of COVID-19, the banking sector has shifted its asset portfolio towards government securities , as its less risky and the rates are attractive. The impact is that this is crowding out money used for lending. Mr Owor stressed the need for a functioning capital market authority that can attract long term capital for investment, as well as the urgent establishment of the Uganda Mortgage Refinance Company to ensure mortgage refinancing. Any property over 5 to 10 years can be repurchased and repaid and avail money to lenders for more mortgages, reducing the cost of mortgages and increasing the number of qualifying borrowers. There is also the possibility of using unclaimed deposits to facilitate lending. Mr Owor asserted that UDB's 334 billion UGX loanbook is too small for a development bank, and that the existing agriculture credit facility (ACF) can be expanded. He also highlighted that UDB should not concern itself with loans to smaller businesses, but instead focus on larger projects that have multiplier effects rather than the SME market.

The ensuing discussion was wide ranging and lively. Questions were raised about the form, definition and affordability of appropriate social protection options, the opportunity to bring SMEs into the formal sector, the need to have functioning industrial and business parks that are climate smart and have adequate working infrastructure, the need to fill the education gap and a bailout package for salary arrears for teachers, and the high operating costs of banks and their impact on interest rate prices. One audience member highlighted the importance of prioritizing incubation centres for SMEs to bring informal businesses into the formal sector.

Medium Term Strategies for the most Affected sectors

The third session of the day explored medium term strategies for the most affected economic sectors, looking in particular at opportunities for increased exports and import substitution; tourism, and agriculture.

Speakers and presentations:

John Spray: *Export promotion and import substitution: Opportunities (and threats) from the COVID-19 shock?*
Wilber Ahebwa: *COVID-19 and Uganda's tourism: policy interventions to revive and grow the sector.*
Martin Fowler: *The impact of the COVID-19 pandemic on Uganda's agricultural sector.*

Key highlights from the presentations and discussion:

The session began with a presentation by Dr. John Spray (Cambridge University Post-Doctoral Fellow) focusing on the intensively discussed topic of export promotion and import substitution. Dr. Spray started with the observation that the COVID-19 pandemic caused a decline in Uganda's imports and exports affecting all sectors. While this could be seen as an opportunity for import substitution, Dr Spray was keen to highlight the threats that the COVID-19 shock poses for local firms. He highlighted that while imports of consumer goods remained relatively stable, Uganda saw sharp declines in imports of capital equipment, medical supplies and intermediate inputs at the outset of the pandemic. Dr Spray noted that this could be severely damaging to local firms in terms of its impacts on intermediary inputs, productivity, and on employment. He presented simulations to show that the import shock would result in large reductions in firms and employment in Uganda, with disproportionate effects on manufacturing, tea and coffee production, the health sector, and the transport sector.

Dr. Spray cautioned against broad-based import restrictive policies which would reduce productivity and formal employment. Instead, he identified a number of policy opportunities not to restrict imports but to promote local productivity and resilience in the midst of a global crisis, such as implementing lower tariff on intermediate inputs, digitalization of trade related procedures and supplier development programmes to boost domestic supplier performance. He also proposed targeted support for firms that form "anchors" in the Ugandan economy due to being crucial bottlenecks in domestic supply chains.

The second presentation was delivered by Prof. Wilbur Ahebwa (Associate Professor, Makerere University) and addressed the severe ramifications of the COVID-19 pandemic for Uganda's Tourism sector. Prof. Ahebwa cited international statistics confirming a contraction in the global tourism industry by over two thirds relative to 2019, a trend also observed in Uganda. He stressed the need for policies that maintain solvency of tourism firms to be better positioned to benefit from the recovery. Predicting a slow recovery of international tourism and leisure tourists in particular, Prof. Ahebwa urged refocus of government's attention towards encouraging domestic and regional tourism in the short-run. He specified a number of first order priorities imperative both for the COVID-19 crisis, including protection of natural resources and positive marketing of Uganda as a tourist destination. To recover from the crisis, he stressed the need for investing in tourism infrastructure, increasing skilled tourism personnel and supporting quality assurance and product development.

The final presentation of the session was made by Martin Fowler (USAID Uganda Senior Ag. Advisor) on the implications of COVID-19 on the agricultural sector in the medium and long-term. Mr. Fowler observed that the immediate impact of COVID on the price of agricultural staples was moderate, contrary to expectations. He noted with concern the increasing food insecurity in vulnerable regions of Karamoja, border districts and Lake-shore communities. Mr. Fowler cautioned decision makers to expect lagged effects on upstream production, but to address impacts to mid-stream agribusiness firms directly affected by falling demand. Mr. Fowler also observed a more positive performance of traditional export commodities like coffee and maize that either improved or remained stable. In the medium term, Mr. Fowler projected that continued job losses could lead to declines in food energy and micro-nutrient intakes, eventually leading to malnutrition. Mr. Fowler's proposals for mitigating the effects of the pandemic on agriculture entailed accelerating MAAIF’s pre-pandemic policy measures but take deliberate steps to improve implementation capacity.

The discussion session led by Astrid Haas (IGC Policy Director) reflected on the institutional reforms and sector priorities needed for enhanced recovery and resilience of firms. Several commentators reiterated the need to increase the government's implementation capacity that was also identified as a key constraint in previous Economic Growth Forums. In addition, it was noted that the government should urgently invest in raising physical and human capital to better perform its core functions like trade facilitation, critical skills development, laboratory testing and R&D. In terms of sectoral focus, the plenary unanimously agreed on the approach to promote an enabling environment for all firms rather than picking winners. Some of the supportive measures identified include increasing access to finance by recapitalizing local development banks, reallocating fiscal expenditures to neglected sectors like tourism, and reducing the barriers to accessing critical inputs.

Summary of Policy Recommendations and Way Forward: ‘Turning evidence into action’

After the conclusion of the three thematic sessions, key ideas were summarised and implications for the budget discussed in more detail.

Elaine Abomwesigwa, Senior Economist at the Ministry of Finance, Planning and Economic Development, summarised the key findings of the day, along with key policy recommendations coming out of the presentations and discussions.

Kenneth Mugambe, Director of Budget at the Ministry of Finance, Planning and Economic Development, then presented on integration of policy proposals into the budget for FY 2021/22. He emphasised that the basis for the budget is the NDP III, anchored in Vision 2040. He noted that the government is now in the process of implementing the NDP III, and that the Ministry has adopted a pragmatic approach in refining the link between public policy and the budget.

Mr Mugambe emphasised that the government’s fiscal space is shrinking; with this year’s budget being revised in terms of the domestic revenues plummeting by almost 2.5 trillion shillings. As indicated earlier in Dr Musisi’s presentation, the debt-GDP ratio and fiscal deficits are expanding. Looking at the current FY 2020/21, almost 70% of the budget - excluding debt - focuses on areas largely addressing the interventions discussed at this year’s Forum. These are interventions that will stimulate growth and improve livelihoods.

The government came up with a 1.4 trillion shilling stimulus package to support interventions in health to address the immediate impacts of the pandemic; interventions aimed at stimulating the private sector through the Uganda Development Bank for the manufacturing sector, UDC for the microfinance support centre for SMEs, and interventions to enhance the capacity of households for security and social protection interventions. Mr Mugambe listed a number of policy options for increasing the fiscal space, including increasing domestic and external borrowing, raising domestic revenue, rationalisation and restructuring of the government to improve the efficiency with which it delivers resources, and prioritisation at the ministerial, sectoral and individual levels to ensure that institutions focus on the critical activities and interventions to stimulate the economy and mitigate the impact of COVID-19.

Going forward, he emphasised the need to ensure that government:

1. Eliminate areas of duplication, improve prioritisation and identify efficiency saving. Better alignment of the budget along the program areas of the NDP III – our budget is extremely committed to medium-long term projects which have become difficult to restructure to a short-term.
2. Continue to provide resources to areas addressing the impact of COVID-19, for example social protection for vulnerable communities in rural and urban areas. Interventions under public works, and interventions in education
3. Invest in interventions that will stimulate job creation and employment generation for the urban poor.
4. Invest in interventions to enhance skills development as well as productivity and growth in agriculture and agro-industrialisation.

Finally, Ms. Rosa Malango (UN Resident Coordinator, Uganda) spoke on behalf of the donor community. She commended the commitment the Ministry of Finance, Planning and Economic Development in holding the Forum in an effort to develop evidence-based policies for growth, and highlighted the importance of keeping in mind strategies both for short term recovery but also long-term development. She called for an open dialogue between development partners and the government on budget reprioritisation to meet the new realities and challenges brought on by the COVID-19 crisis, and on implementation of the recommendations coming out of the Economic Growth Forum IV.

Policy reommendations

Below, we list policy recommendations coming out of the *Economic Growth Forum IV*, held on the 1st September 2020 in Kampala.

To ensure progress on this agenda, it is recommended that the newly established Economic Response Unit, set up as a platform within the Government of Uganda for the coordination of activities related to the economic impact of COVID-19, could manage, coordinate and monitor the implementation of these policies. The Economic Response Unit is spearheaded by the Ministry of Finance, Planning and Economic Development and involves participation of government institutions, the donor community as well as private sector stakeholders.

1. Developing an immediate recovery package: short term policies

1.1. Social protection

Given the effects of the recent COVID-19 crisis on Uganda's economy and in particular the dramatic effects on poverty and income losses (with an estimated 7.9% increase in poverty), there is an urgent need to support and maintain household welfare through short term social protection policies. As part of this, there is a need to:

1. (a) Invest in Uganda's healthcare capacity to address both the COVID-19 epidemic and to provide other essential health services. This necessitate enhancing the efficiency of the healthcare sector.

   (b) Implementation of the national health insurance scheme and actualising the Uganda National Ambulance System, allowing participation of private investments in the provision of health services.

   Institution primarily responsible for implementation: Ministry of Health (MoH).

2. Implement social protection measures, relief aid and labor-intensive public works programmes to mitigate immediate income/remittance losses to households (both rural and urban) from COVID-19, the locust invasion, and the consequences of climate change (e.g. floods and landslides).

   Institution primarily responsible for implementation: Ministry of Finance, Planning and Economic Development (MoFPED), in coordination with Ministry of Gender, Labour and Social Development (MoGLSD).

1.2. Support for the private sector

Firms in most sectors have been severely hit by the crisis, with job losses, rising business expenditures, and reduced access to credit reported by enterprises across the country. To ensure a sustainable recovery in employment, incomes and economic growth, there is an important role for government in providing firms with the necessary support to continue their business activities over this period. Hence there is need to:

3. Expand long-term credit to firms, particularly in manufacturing and agribusiness, alongside built in monitoring and evaluation mechanism to facilitate mid-course program corrections. Achieve this goal by:
    a. Providing credit through SACCOs and Micro Finance Institutions to support micro and small-scale enterprises;
    b. Increasing access to low interest financing to manufacturing, agribusiness and other private sector firms by adequately capitalizing Uganda Development Bank;
    c. Establishing a Microfinance Recovery Fund, targeting small & medium sized enterprises which employ at least (5) workers.

    Institution primarily responsible for implementation: Uganda Development Bank (UDB) and MOFPED, with support from Ministry of Trade, Industry and Cooperatives (MTIC)

4. Investment in equity in distressed firms, either directly or through an investment vehicle such as a private equity firm.

    Institution primarily responsible for implementation Uganda Development Corporation (UDC).

5. Expedite the payment of arrears and outstanding VAT refunds owed by the government to private sector firms to alleviate liquidity challenges faced by firms and boost aggregate demand. Begin with VAT refunds which stand greater than 45 days.

    Institution primarily responsible for implementation Uganda Revenue Authority (URA).
6. Secure access of Ugandan firms to international markets by reducing the cost and time of trading, which is severely impacted by safety measures at the border and at institutions involved in the trading process. To achieve this: Assign a budget to the Uganda Revenue Authority dedicated to improving electronic trade facilitation in Uganda in line with the NDP III goal of strengthening electronic systems for the submission of export and import documentation. A key activity will be to help institutions involved in the trading process to move their services online to the Uganda Electronic Single Window.

    Institution primarily responsible for implementation: URA, in coordination with (MTIC).

1. 1.2..Immediate support for the tourism sector

There is a particular need for support to the tourism sector which has been significantly affected by restrictions on domestic and international travel. While travel restrictions and depressed demand continue to effect the industry, the government should implement policies now that are targeted at preparing the sector for the return of international tourists.

7. Focus on the protection of natural resources in tourism through:
    a. Increased budget for conservation efforts by UWA to intensify field related conservation efforts in protected areas;
    b. Providing a budget to sustain the captive animal welfare at Uganda Wildlife Conservation Education Centre (UWEC) and Chimpanzee Sanctuary;

c. Removing evasive species in protected areas (Queen Elizabeth National Park (QENP), Lake Mburo National Park (LMNP), Katongo, Kidepo, Toor- Semliki Wildlife Reserve;
d. Addressing human-animal conflict around protected areas;
e. Monitor investments in the petroleum sector for their effects on wild life and other tourist assets in national parks, producing a quarterly report to the Prime Minister on status.

Institution primarily responsible for implementation: Ministry of Tourism, Wildlife and Antiquities **(**MTWA).

8. Improve Uganda's brand as a tourist destination through:
   a. Developing and rolling out the 'destination Uganda' brand and advertise this initiative online;
   b. Scaling up online market presence in key source markets and destination awareness in domestic, regional and international source markets;

Institution primarily responsible for implementation: Uganda Tourism Bank (UTB), in coordination with MTWA.

9. Enhance the research and statistical base around tourism in order to better inform policymaking and improve on tourism products. As part of this, eestablish a *Market Intelligence Framework* to monitor trends and status of Tourism during and after Covid-19.

Institution primarily responsible for implementation: MTWA (in coordination with Uganda of Bureau of Statistics (UBOS), UTB, Uganda Wildlife Authority (UWA) and the Bank of Uganda (BoU).

1.3. Creating fiscal space and stability to finance the immediate recovery

Implementing these short term policies requires innovative reforms to create fiscal space for financing. Strict accountability for stimulus interventions will be required to ensure value for money and having maximum impact.

10. Create fiscal space for necessary investments through:
    a. Re-priorizing sector budgets, ensuring as much alignment as possible with the National Development Plan III;
    b. Deferring the implementation of non-core projects, including reallocation of resources from non-performing projects to critical/ready interventions;
    c. Mobilizing additional concessional financing from international financial institutions (IFIs) and other development partners;
    d. Enhancing tax administration for revenue mobilization, within the overall Domestic Revenue Mobilization Strategy. This includes linking tax exemptions to clearly defined outcomes and implementing investor tracking systems to monitor their effectiveness.

Institution primarily responsible for implementation MoFPED, coordination with URA.

2. Medium- and long-term policies for Uganda's recovery and growth

2.1. Agriculture and agro-industrialisation

Agriculture provides livelihoods for most of Uganda's population and produces the raw inputs needed to fuel a growing industrial sector that is dominated by agro-based enterprises. Improving performance in the sector through targeted interventions therefore bears great promise to achieve a socially inclusive recovery from the pandemic while agro-industrialisation has great potential to accelerate economic growth rate because of its high multiplier effects

11. NDP III recognizes that agricultural production is weakly supported by services. With a recent increase in the number of extension workers it is now important to build their capacity in providing advice to farmers to improve agricultural productivity (including through ICT). This should be achieved by providing targeted training for extension workers.

    Institution primarily responsible for implementation: Ministry of Agriculture, Animals and Fisheries**,** (MAAIF).
12. Develop a program to monitor and address the issue of low quality of inputs into agricultural activities like seeds, fertilizers and veterinary medicine by addressing the issue of counterfeits, poor storage and handling. This will include:
    a. Prohibiting the sale of counterfeit seeds, currently estimated to be 40% of total seed sales;
    b. Enforcing strict regulation of agrochemicals to ensure that only approved chemicals are used by the horticultural sector. At present, numerous prohibited chemicals are in daily use compromising food safety and health, as well as risking bans from high-value markets in the north.

Institution primarily responsible for implementation: MAAIF.

13. Undertake value chain specific assessments in order to identify solutions to the problem of low capacity utilization among agro-industries (e.g. sharing information on products with existing and potential export partners), in order to identify opportunities for targeted investment and reform to overcome growth obstacles.

    Institution primarily responsible for implementation: MAAIF.
14. NDP III acknowledges fish products as a key ingredient to Uganda's export performance but states that currently the sector is underdeveloped. To further commercialize the fish sector, government should digitalise the registration of all players in the fish value-chain, thereby improving MAAIF's monitoring of, and provision of services in the realm of standards, export procedures and market opportunities to key players in this industry.

    Institution primarily responsible for implementation: MAAIF.

15. The collection of statistics in agriculture is crucial for policy and private sector planning as well as monitoring and impact assessment of policies. The statistical base in Uganda is weak and needs to be improved. This should begin with a review of existing survey instruments, capacity and available staff to collect data, as well as timing and data publication. There is a need to staff resources (and provide capacity development support) within MAAIF's planning units, to the

collection, collation and interpretation of data on the sector, and make analyses of this work available to key decision-makers within the ministry in a timely manner. The agricultural survey needs to be undertaken as matter of priority. Hence necessary financing needs to be provided to the Uganda Bureau of Statistics (UBOS).

Institution primarily responsible for implementation: MAAIF and UBOS

2.2. Fostering private sector development, investment and trade in the medium term

One of the cornerstones of Uganda's medium-term growth strategy is to drive job rich industrialisation in the country. To achieve this goal it is necessary that government implements policies that foster the development of industries that can compete internationally and channels efforts towards attracting private investment that present opportunities for job creation and growth.

16. Government institutions should work towards encouraging the increased usage of locally produced products by implementing pro-competitive import substitution policies that encourage entry instead of competition-restricting polices (such as tariff increases and/or reserve requirements in public procurement). As part of this: The government should invest matching funds in a local content programme where large FDI firms are provided funding to work with local suppliers on product development, training and quality control. Conduct regular monitoring and evaluation alongside this to allow for mid-course program corrections and learning.

Institution primarily responsible for implementation: UIA.

17. NDP III states that firm clustering through fully serviced industrial parks should be encouraged to deepen and broaden the knowledge base of companies, attract foreign investment and increase local employment while at the same time contributing to a diversification of the economy and the increased production of locally made products for the local market. To achieve these goals:

a. Prioritise a selected few number of zones and parks that will attract significant investments and job creation (e.g. near big cities), with the purpose of focusing limited resources on effective priority areas;
b. Invest in incubation centres to help SMEs with registration, standards and branding;
c. Shift policy attention towards improving business services for firms in industrial parks and free zones (e.g. through more streamlined procedures for necessary documentation) in lieu of providing financial incentives;
d. Conduct regular monitoring and evaluation of firm outcomes to allow for mid-course program corrections and learning.

Institution primarily responsible for implementation: Uganda Investment Authority (UIA) and Uganda Free Zones Authority (UFZA).

2.3. Investing in the faster Development of the Oil and Gas Sector

18. NDP III states that sustainable development of petroleum resources is critical for enhancing value addition to oil and gas resources as one of the key growth opportunities for Uganda. Facilitate investments in the oil sector by facilitating the taking of the Final Investment Decision so that investments are not delayed any further.

Other key actions in the oil and gas sector. Infrastructure, prioritisation of government equity in pipeline, refinery in the government budget .

Institution primarily responsible for implementation: MOFPED.

2.4. Fostering long term growth of the tourism sector

To facilitate the long term recovery of the tourism sector and to harness the sector's vast growth potential, it is crucial that the country develops a labour force that is trained to cater to the needs of demanding, high-paying international tourists alongside developing new products in the tourism sector to fully capitalize on the spending potential of foreign tourists as soon as they return to Uganda. As such:

19. There is need to develop a pool of skilled personnel along the tourism value chain, through:
    a. Fast-tracking the completion of the Uganda Hotel and Tourism Training Institute (HTTI);
    b. Providing tailor-made training for staff along the entire tourism value chain.

    Institution primarily responsible for implementation: MTWA.

20. Support and incentivize private sector efforts towards the development of new products in the tourism sector. For example:
    a. Map, profile and conduct feasibility studies for cultural and heritage tourism sites development;
    b. Construct improved equator monuments at Kayabwe, Rwemikooma, Lake George and Kikorongo to trigger private sector investments around those areas;
    c. Upgrade the Pian Upe Wildlife Reserve into a national park with necessary infrastructure;
    d. Set up regional museums (Fort Portal, Arua and Napak).

    Institution primarily responsible for implementation: MTWA.

2.5. Education and skills for growth

Addressing the challenges presented by the recent crisis and leveraging job opportunities emerging from the new ways of working that have emerged requires a labour force with the requisite skills. To enhance educational outcomes and employment prospects:

21. Increase returns to investments in vocational training by ensuring certifiability. Specifically:
    a. Ensure all Vocational Training Institutes under the Directorate of Industrial Training are assessed and accredited;
    b. Promote and facilitate the certifying of workers' skills through national assessments and formal certificates;
    c. Request and encourage firms to provide trainees with standardized and verifiable reference letters for on-the-job training (e.g. by expanding and sensitizing both firms and workers about the Worker's PAS)

Institution primarily responsible for implementation: MoES (Directorate of Industrial Training).

22. Monitor and assess skill provision, by:

a. Investing in an annual information and labour market survey that will construct a database of reliable statistics and measurable outcomes on vocational training (e.g. number of accredited VTIs, number of certified BTVET graduates, number of trainers, etc.)

b. Including annual follow-up surveys of graduates to ascertain effectiveness of each school in enhancing employability; publish effectiveness results for each school on an annual basis.

Institution primarily responsible for implementation: MoES (Directorate of Industrial Training) with UBOS

2.6. Improving efficiency in government

COVID-19 presents an opportunity to improve efficiencies in government and to eliminate redundancies in the medium-term. Such reforms are necessary to effectively implement policies for the recovery and to ensure fiscal sustainability.

23. Conduct a comprehensive civil service and program review as the basis for developing a plan for restructuring.

Institution primarily responsible for implementation Ministry of Public service

24. Fast-track Public Investment Management (PIM) Reforms, to streamline coordination within implementing MDAs and between technical and political leadership, by institutionalizing joint selection, appraisal, planning & monitoring for related projects.

Institution primarily responsible for implementation: MOFPED.