



BACKGROUND

With the COVID - 19 pandemic spreading rapidly worldwide, many countries are introducing measures to safeguard against the effects on both the economy and the people.

The International Monetary Fund (IMF) and many experts have warned that the success at country level largely depends on the policies undertaken at present, during the crisis.

This policy tracker summarizes the key economic policy responses that members of the East African Community (EAC) are taking to limit the human and economic impact of the COVID - 19 pandemic as of end of March 2020. These measures differ across countries in their breadth and scope.

These comparisons are not meant to influence other countries to adopt similar measures but to observe areas which might have impacts on cross border transactions and the EAC Protocols in general.

EAC COVID -19 Statistics as of 13th April 2020

Country	Cases	Death (s)	Recovery
Uganda	45	-	4
Kenya	197	8	22
Tanzania	46	3	7
Rwanda	126	-	25
Burundi	5	-	-
South Sudan	4	-	-

In this Vol. we share with you measures taken by Government and other stakeholders respond to COVID-19 effects

EAC COVID-19 ECONOMIC POLICY RESPONSE TRACKER

Kenya

FISCAL

Kenya has earmarked Ksh40 billion (0.4 percent of GDP) for additional health expenditure, including enhanced surveillance, laboratory services, isolation units, equipment, supplies, and communication; social protection and cash transfers; food relief; and funds for expediting payments of existing obligations to maintain cash flow for businesses during the crisis.

The World Bank Group Board of Directors approved \$50 million in immediate funding to support Kenya's response to the global COVID-19 (coronavirus) pandemic under a new operation - the **Kenya COVID - 19 Emergency Response Project**.

A package of tax measures has been proposed by the government.

- ◊ 100 per cent tax relief for persons earning a gross monthly income of up to KShs24,000 (UGX 850,000)
- ◊ Reduction of the Pay as You Earn Rate (PAYE) from 30 per cent to 25 per cent.
- ◊ Reduction of base corporate Income Tax (Corporation Tax) from 30 per cent to 25 per cent.
- ◊ Reduction on the turnover tax rate from current 3 percent to 1 percent for all Micro, Small and Medium Enterprises.

- ◊ Reduction of the standard VAT from 16 to 14 percent, effective April 1, 2020.
- ◊ Kenya Revenue Authority shall expedite the payment of all verified VAT refund claims amounting to KSh10b (Shs352b) within three weeks; or in the alternative, allow for offsetting of withholding VAT, in order to improve the cash flows for businesses

MONETARY AND MACRO-FINANCIAL

- ◊ On March 24, the Central Bank (1) lowered its policy rate by 100 bps to 7.25 percent.
- ◊ Lowered banks' cash reserve ratio by 100 bps to 4.25 percent.
- ◊ Increased the maximum tenor of repurchase agreements from 28 to 91 days:
- ◊ Flexibility to banks regarding loan classification and provisioning for loans that were performing on March 2, 2020, but were restructured due to the pandemic
- ◊ The central bank has also encouraged banks to extend flexibility to borrowers' loan terms based on pandemic-related circumstances and encouraged the waiving or reducing of charges on mobile money transactions to disincentivize the use of cash.

Rwanda

FISCAL

World Bank Group approved \$14.25 million International Development Association (IDA)* credit in immediate funding to support Rwanda's response to the global COVID-19 pandemic under a new operation, the Rwanda COVID-19 Emergency Response project.

The IMF approved the disbursement of US\$109.4 million to be drawn under the Rapid Credit Facility.

Rwanda's emergency response plan includes scaled-up health spending. Support to vulnerable households has started in the form of regular in-kind transfers of basic food stuffs (door-to-door provision of rice, beans, and flour every three days).

Support to firms is envisaged in the form of subsidized loans from commercial banks and is expected to target SMEs and hard-hit sectors such as the hospitality industry.

Salaries of top civil servants for the month of April will be redirected to welfare programs. Government has introduced relief measures including the suspension of down payments on outstanding tax for amicable

settlement and has softened of enforcement for tax arrears collection.

MONETARY AND MACRO-FINANCIAL

On March 18, the Rwanda Central Bank announced liquidity support measures:

- ◊ An extended lending facility worth RWF 50 billion (0.5 percent of GDP) available to liquidity-constrained banks for the next six months. Under this facility, banks can borrow at the policy rate and benefit from longer maturity periods;
- ◊ Treasury bond purchases through the rediscount window for the next six months;
- ◊ Lowering of the reserve requirement ratio by 100 basis points, from 5 to 4 percent, effective from April 1. Loan repayment conditions were also eased for impacted borrowers, and charges on electronic money transactions waived for the next three months.
- ◊ The central bank is also working closely with the Minister of Economy and Planning to provide support to microfinance institutions.

Uganda

Tanzania, Burundi, and South Sudan have not yet set key economic responses to limit the human and economic impact of the COVID-19 pandemic

FISCAL

Using part of the Contingency Fund, Ministry of Health Preparedness and Response Plan FY 2019/20 Budget has been financed approximately 1/5

Parliament approved a supplementary budget on 8th April 2020 to support critical sectors at the frontline of this pandemic

◊ The Minister for Finance on 2nd April 2020 tabled before parliament a proposal to borrow USD 100m for FY 2019/20 and USD 99.8m for FY 2020/21 from International Development Association of the WB and \$250m from the IMF for balance of Payments support, to the Bank of Uganda

◊ Government reprioritised Quarter 4 releases for FY 2019/20 financial to critical activities of mitigating COVID-19 / Salaries and Gratuity and water services were safeguarded .

◊ Uganda Revenue Authority—Taxpayers unable to file Corporation tax returns by March 31, were granted an extension up to May 2020. Taxpayers whose returns are due by April 15 were granted an extension to file up to April 30.

MONETARY AND MACRO-FINANCIAL

Bank of Uganda (BoU) on 6th April 2020 issued the following measures:

- ◊ Reduced its Central Bank Rate (CBR) by 1 percentage point to 8 percent to counter the deteriorating economy,
- ◊ To 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.
- ◊ To provide exceptional liquidity assistance for a period of up to one year to financial institutions that might need it.
- ◊ BoU to ensure that the Contingency Plans of the supervised financial institutions guarantee the safety of customers and staff.
- ◊ Waived limitations on restructuring of credit facilities at financial institutions that may be at risk of going into distress. BoU has also worked with mobile money providers and commercial banks to ensure they reduce charges on mobile money transactions and other digital payment charges.
- ◊ Directed all Supervised Financial Institutions (SFIs) not to pay dividends and bonus for at least 90 days effective March 2020 to ensure adequate capital buffers are maintained.
- ◊ To provide 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.

TANZANIA

In Tanzania Government and private enterprises continue to operate normally though the cases are rising

12th April 2020: Tanzania suspends international flights due to coronavirus, inbound travellers to be quarantined at own expense

The country borders are still open. According to the President, closure would impact land-locked countries in the region dependent on its ports.

BURUNDI

Burundi is among the latest countries in the world to confirm a case of the virus, with three people testing positive last week

Burundi has taken very limited precautionary measures on managing the pandemic and life has since continued as normal and the Burundi Government is going ahead with its presidential election scheduled for May 20.

Government has instructed citizens to follow some basic rules of social distancing and handwashing no restrictions on public gathering of public events yet. Hand sanitizers and water for handwashing have been installed in public places.

Government has asked hospitals to make beds available for potential cases (20 for each national hospital and 5 for each local one), with only one laboratory in the nation to undertake COVID-19 tests with minimal capacity.

SOUTH SUDAN

Government imposed a curfew from 8:00 p.m. to 6:00 a.m. for six weeks and closed borders, airports, schools, churches and mosques.

EXCHANGE RATE AND BALANCE OF PAYMENTS:

Apart from accepting the movement of cargo across countries with given Standard Operating Procedures (SOPs) to allow continuity of trade, no additional measures have been taken by the EAC countries in this regard. However, all countries stand ready to intervene in the foreign exchange market to smooth out excess volatility of the exchange rate, should the need arise. Concern however arises for Burundi which has for the past years engaged in multiple currency practices, with a parallel market exchange rate that is substantially more depreciated than the official exchange rate.

Conclusion: Given that the East African Community (EAC) is one of the regional integration blocs on the African continent implementing the Customs Union and Common Market commitments, partner states should devise regional approaches to mitigate the impact of COVID-19. This is majorly because most of the economic impacts from COVID - 19 will have a regional and global dimension, although with varying degrees.

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