



PROPOSED MITIGATION MEASURES TO COUNTER THE NEGATIVE ECONOMIC EFFECTS OF THE COVID 19 PANDEMIC

- 1. Access to Raw Materials/Industrial In-puts and Spares for machinery and equipment:** Government of Uganda (GoU) should facilitate unfettered in-flow of the said materials to support local manufacturing that are key in ensuring self sustenance in volatile situations like now. GoU through the Uganda Revenue Authority should ensure that manufacturers can access industrial in-puts on relaxed terms including payment of taxes and duties on such goods in a delay of **30-45 days** post use.
- 2. Settlement of domestic arrears/VAT&WHT Refunds so as to “lubricate” the economy through BUBU:**

GoU owes the private sector at least **UGX 3 Trillion**. Much of this is attributed to credit up-take related to Buy Uganda Build Uganda (BUBU) initiative. Other liabilities relate to VAT/WHT Refunds. GoU through the MoFPED should fast track payments to especially the industrial sector so as to support production necessary for the generation of tax revenue. UMA strong believes that rationalization of GoU expenditure on infrastructure to limit it to **ONLY CRITICAL** ones, can avail resources for productive sectors.

3. **Maintaining power tariffs for manufacturers at the Quarter 1 2020 Levels throughout 2020:** Ordinarily, through the quarterly tariff adjustment mechanism; power tariffs are supposed to be reviewed quarterly. However, owing the unforeseen COVID19 distortions to the business environment, Manufacturing can't absorb any tariff increase which is why this request is being made to maintain status quo until 2021.
4. **CBR and Financial Institutions Act (FIA) rationalization:** Globally, even the leading economies are struggling. Some have come up with rescue packages that are not affordable for Uganda's case. However, Uganda through Bank of Uganda (BoU) can in the delay of **seven days** be able to explore the following measures to avert collapse of financial sector and the economy generally;
- (i) Lowering **the CBR** by **3%** to stimulate private sector credit growth given the hard financial times resulting from the spiral effect of COVID 19 globally;
 - (ii) BoU should be amiable to at **least four restructuring** of banking facilities to enable businesses turn-around operations without being "**condemned**";
 - (iii) Alongside the intervention in (ii) above, BoU should be able to stagger **90 days arrears rule** for determining non performance for loans to **180 days**;

- (iv) Minimum liquidity thresholds for Banks that require **20% margin** ordinarily need revision to **10%** in response to the cash slump triggered by COVID 19.

5. Provision of affordable credit to facilitate a quick economic recovery:

Manufacturing requires long-term and affordable credit if it is to quickly recover from the setbacks occasioned by the COVID 19 pandemic. This can be availed through;

- (i) Facilitating the Uganda Development Bank (UBD) with substantial resources effective 1st July 2020 for on-ward lending to the priority sectors of the economy as defined in NDP3, speaking largely to agro industrialization and mineral beneficiation. UMA is happy to generate a pipeline of deals from her membership;
- (ii) Optimal Financing of the Uganda Development Corporation to facilitate PPPs with the private sector in sub sectors where private sector is weak yet such sub sectors drive forex demand by way of imports. UMA happy to popularize this approach to facilitate import replacement. Such sectors can be determined by studying the 05 top imports into Uganda to crystallize on what can be locally sourced from the real local economy.

6. Suspension of PAYE/NSSF: In adverse economic situations, there is always pressure to down-size/render employees redundant. This can actually add to the

social-economic misery across board. To avoid redundancies, GoU through MoFPED should suspend PAYEE and NSSF applicable to the manufacturing and hospitality sectors provided that the beneficiaries undertake not to render redundant their current employees as at end of February 2020.

7. **Government to Government (G to G) Strategic Bilateral Deals:** In the midst of adversity, there are always emerging business opportunities. Uganda has in excess supply, goods that can be exported regionally with the shutting down of economies. Such goods include **sugar, milk, plastics, stationery, textiles (protective gears and security wears), foods and beverages, fats and oils, soaps, foam products etc.**

UMA has noted the pressure on currency so far. The only natural way for hedging currency is to generate export dollars through export of goods since tourism will remain affected for at least **12 months**. As such therefore, UMA feels that:

- (i) G to G deals should be negotiated with especially DR Congo, South Sudan and Somalia to facilitate exports from Uganda; through leveraging blocked global supply chains to push penetration of Ugandan goods into the Region. HE The President can guide MTIC/MOFAs on this, working with UMA;

- (ii) GoU should require Ministry of Transport/Uganda Airlines to establish cargo air transport options leveraging the aviation slump owing to COVID 19. This resolves hiccups of logistical nightmares for market access;
- (iii) GoU should require the Insurance Regulatory Authority (IRA) to roll-out an Export Insurance Guarantee Product that is accessible off the counter by exporters willing to pay premium attached to exports. This shall de-risk exports and stimulate exports during the current global market slump.

8. **Deferral of filing deadlines for final Accounts.** UMA is mindful that around March/April is when URA requires tax payers to conclude statutory audits for purposes of Income Tax returning by June. Bearing in mind the directives by His Excellency the President on social distancing and total lock down of businesses among other measures to mitigate the COVID 19 pandemic, UMA members request that the Ministry of Finance prevail upon the Uganda Revenue Authority to ease the requirements for filing final accounts by extending the due date to 30th September 2020. This will be in line with the current situation where our members are unable to fully access their auditors and as such stand a risk of defaulting on this provision.

9. **Deferral of payment of Input VAT obligations.** The manufacturing process envisions inputs transformed into goods that are usable by the public. However, as you are aware, the majority of these inputs attract VAT which has become a challenge for our members to remit in the absence of sales of their products arising

out of the depressed demand in the market. **GoU should waive the payment of the manufacturers VAT obligations for a period of 90 days to allow them ample time to dispose of their stock in light of the limited demand currently subsisting.**

10. **Urgent need to resolve the issue of mortgaging of leased property.** Land, remains tangible property for purposes of financing projects in Uganda by all bankers. It is therefore necessary that government clears UIA/ULC to create mortgages for lessees subject to obtaining consent from UIA/ULC.

11. **Suspension of the implementation of Digital Tax Stamps(DTS).** The DTS program relates to the largest tax payers in the beverages and alcohol sector, among other excisable goods. As we strive to turn around the economy, it is imperative to facilitate production with minimal policy/regulatory hindrances given the possibility of DTS implementation resulting into some operational distortions to the sector.