



The World Bank

COVID-19 Economic Crisis and Recovery Development Policy Financing (P173906)

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INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM DOCUMENT FOR A

PROPOSED DEVELOPMENT POLICY CREDIT

IN THE AMOUNT OF SDR 218.7 MILLION
(EQUIVALENT TO US\$300.0 MILLION)

TO THE

REPUBLIC OF UGANDA

FOR THE

COVID-19 ECONOMIC CRISIS AND RECOVERY DEVELOPMENT POLICY FINANCING

June 12, 2020

Macroeconomics, Trade And Investment Global Practice
Africa Region

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Republic of Uganda
GOVERNMENT FISCAL YEAR
July 1 – June 30

CURRENCY EQUIVALENTS
 (Exchange Rate Effective as of May 31, 2020)
 Currency Unit=Ugandan Shilling (UGX)
 US\$1.00 = UGX 3,780.00
 US\$1.00 = SDR 0.72885235

ABBREVIATIONS AND ACRONYMS

ACDP	Agricultural Cluster Development Project	MSME	Micro, Small and Medium Enterprises
AF	Additional Financing	NCP	National Child Policy
AfD	French Development Agency (<i>Agence Française de Développement</i>)	NDP	National Development Plan
AfDB	African Development Bank	NGO	Non-governmental Organization
BADEA	Arab Bank for Economic Development in Africa	NEMA	National Environment Management Authority
bbl	Barrel	NIRA	National Identification Registration Authority
BoU	Bank of Uganda	NPL	Non-performing Loans
CBR	Central Bank Rate	NUSAF	Northern Uganda Social Action Fund
CI	Credit Institution	NWSC	National Water and Sewerage Cooperation
COSASE	Committee on Commissions, Statutory Authorities and State Enterprises	OAG	Office of the Auditor General
COVID-19	Coronavirus Disease 2019	ODA	Official Development Assistance
CPF	Country Partnership Framework	OPEC	Organization of Petroleum Exporting Countries
CSO	Civil Society Organization	OTIMS	Online Transfer Information Management System
DFID	United Kingdom Department for International Development	OWC	Operation Wealth Creation
DPF	Development Policy Financing	PAPs	Project Affected People
DRC	Democratic Republic of Congo	PAYE	Pay As You Earn
DRM-S	Domestic Revenue Mobilization Strategy	PEFA	Public Expenditure and Financial Accountability
DSA	Debt Sustainability Analysis	PER	Public Expenditure Review
DSF	Debt Sustainability Framework	PFM	Public Financial Management
EACOP	East African Crude Oil Pipeline	PIM	Public Investment Management
EHS	Environment, Health and Safety	PLR	Performance and Learning Review
FDI	Foreign Direct Investment	PPDA	Public Procurement and Disposal of Public

			Assets
FINMAP	Financial Management and Accountability Program	PPP	Public-private Partnership
FY	Financial Year	PRSC	Poverty Reduction Support Credit
GDP	Gross Domestic Product	PSI	Policy Support Instrument
GFN	Gross Financing Need	RCF	Rapid Credit Facility
GoU	Government of Uganda	REAP	Resource Enhancement and Accountability Program
GRS	Grievance Redress Services	SACCO	Savings and Credit Cooperative Organization
IBRD	International Bank for Reconstruction and Development	SCG	Senior Citizen Grant
ICT	Information and Communications Technology	SDR	Special Drawing Rights
IDA	International Development Association	SFI	Supervised Financial Institutions
IFMS	Integrated Financial Management System	SME	Small and Medium Enterprises
ILO	International Labor Organization	SOE	State-owned Enterprises
IMF	International Monetary Fund	TA	Technical Assistance
IsDB	Islamic Development Bank	TSA	Treasury Single Account
KCCA	Kampala Capital City Authority	UA	Umbrella Authorities
LDP	Letter of Development Policy	UBOS	Uganda Bureau of Statistics
LDPG	Local Development Partners Group	UDB	Uganda Development Bank
LG	Local Government	UgIFT	Uganda Intergovernmental Fiscal Transfers
LIC	Low-income Country	UGX	Uganda Shillings
LIPW	Labor-intensive Public Works	UNDP	United Nations Development Program
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries	UNHS	Uganda National Household Survey
MDA	Ministries, Departments and Agencies	UNICEF	United Nations Children's Fund
MDI	Microfinance Deposit taking Institution	URA	Uganda Revenue Authority
MFI	Microfinance Institution	US\$	United States Dollars
MoFPED	Ministry of Finance, Planning and Economic Development	VAT	Value-added Tax
MGLSD	Ministry of Gender, Labor and Social Development	WB	World Bank
MoH	Ministry of Health	WBG	World Bank Group
		WHO	World Health Organization

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REPUBLIC OF UGANDA

COVID-19 ECONOMIC CRISIS AND RECOVERY DEVELOPMENT POLICY FINANCING

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SUMMARY OF PROPOSED FINANCING AND PROGRAM

BASIC INFORMATION

Project ID	Programmatic
P173906	No

Proposed Development Objective(s)

The objective of the proposed operation is to strengthen the crisis response and protect the most vulnerable and support faster economic recovery and debt transparency.

Organizations

Borrower:	REPUBLIC OF UGANDA
Implementing Agency:	MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Financing	300.00
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DETAILS

International Development Association (IDA)	300.00
IDA Credit	300.00

INSTITUTIONAL DATA

Climate Change and Disaster Screening

This operation has not been screened for short and long-term climate change and disaster risks

Overall Risk Rating

Substantial

Results



Indicator Name	Baseline	Target
1. Amount of exempted revenue, in support of imports of products to prevent, treat, and manage COVID-19	UGX 0 (FY2019)	UGX 6.5 billion (Q4 of FY2020)
2. (i) Households disconnected from water services	(i) 78,706 (NWSC) 9,518 (MWE UAs) (FY2019)	(i) 0 (Q4 of FY2020)
2. (ii) Number of residential, commercial, and industrial customers receiving uninterrupted electricity services during the quarantine period	(ii) 1,636,350 (Q3 of FY2020)	1,636,350 (Q4 of FY2020)
3. (i) Number of recipients reached with Labor-Intensive Public Works	(i) 136,571 (FY2019)	(i) 637,000 (H1FY2021)
3. (ii) Number of senior citizens reached with senior citizens grant	(ii) 150,000 (FY2019)	(ii) 350,000 (FY2020)
3. (iii) Beneficiaries registered in established single registry	0 (FY2019)	1,090,880 (FY2021)
4. (i) Liquidity provided to taxpayers on account of listed deferments on corporate tax, tax on employment income and presumptive tax payments for firms in the manufacturing, tourism, horticulture and floriculture sectors with a turnover below UGX 500 million	(i) 0 (FY2019)	(ii) UGX 125 billion (Q4 of FY2020 and Q1 of FY2021)
4. (ii) Number of restructured loans to mitigate the impact of COVID-19 on borrowers	(ii) 0 (FY2019)	(ii) 500,000 (Q4 of FY2020)
5. Farmers registered for e-vouchers	268,991 (FY2020)	288,900 (FY2021)
6. Stock of domestic arrears (percent GDP)	2.8 (FY2019)	2.4 (FY2020)



IDA PROGRAM DOCUMENT FOR A PROPOSED CREDIT TO REPUBLIC OF UGANDA

1. INTRODUCTION AND COUNTRY CONTEXT

1. **The proposed Uganda COVID-19 Economic Crisis and Recovery Development Policy Financing (DPF), US\$300 million equivalent from IDA credit resources, will support the Government of Uganda (GoU) in managing the impact of the Coronavirus disease (COVID-19) pandemic.** The GoU is facing a major economic and health crisis arising from the global pandemic. The impact on the Ugandan economy is significant, creating both economic disruptions and financing imbalances that need to be addressed urgently. The proposed DPF lies at the core of the World Bank's rapid response to help the GoU in addressing the COVID-19 crisis. It is a stand-alone DPF with a single tranche and its objectives are to support the crisis response, help protect the vulnerable affected most by the crisis, and strengthen economic recovery and debt transparency. The DPF is structured around two pillars: (i) strengthening crisis response and protecting the most vulnerable; (ii) supporting faster economic recovery and debt transparency. The proposed operation is consistent with the priorities outlined in the World Bank Group (WBG) Country Partnership Framework (CPF) for FY16-FY20 and is aligned with the GoU's response program priorities – as outlined in the Cabinet Paper¹ – which are to maintain macroeconomic stability and mitigate the growth and social impact of the economic crisis.

2. **Uganda recorded the first confirmed case of COVID-19 on March 21, 2020.** The number of confirmed cases has risen since to 679 by June 11, 2020. Many positive cases represent cargo truck drivers at border entries. Over half of the cases that were reported and hospitalized have recovered and the country has no official record of death from COVID-19. The COVID-19 pandemic comes on the back of the Ebola crisis that impacted the Congo basin region that borders with Uganda and was successfully combated by GoU.

3. **The Government has introduced stringent measures to slow the spread of COVID-19 in Uganda.** To minimize the coronavirus spread, GoU imposed restrictions on travel, starting with quarantines for travelers arriving from countries with a high incidence of the disease and eventually closing Entebbe International Airport and all borders for passenger travel. To curb the spread within Uganda, H.E. the President of Uganda has emphasized better hygiene through hand washing and health safety habits, instituted social distancing measures, prohibited public gatherings, closed schools and non-essential institutions, and banned public and private transport. To improve capacity to manage cases, the Ministry of Health (MoH) developed a National COVID-19 Preparedness Plan (January–June 2020) that prepares health facilities for the impact of the virus and works closely with local communities. This plan is being updated regularly in line with developments and likelihood that the impact of the pandemic will extend well beyond June 2020.

4. **Health measures and spillovers from the global recession will slow economic activity and create macroeconomic imbalances.** Real gross domestic product (GDP) growth is projected to fall to a range of 3 to 3.3 percent in FY20 from 6.5 percent in FY19.² Recessions or growth decelerations in Uganda's major trade partners—

¹ Cabinet Memorandum 62 on Government Economic Policy Responses to cope with the effects of COVID-19, approved by Cabinet on May 25, 2020

² The fiscal year in Uganda is from July to June; in 2020, on a calendar year basis, real growth is estimated to range between 0.4 and 1.7 percent compared to 5.6 percent in 2019 and 6.1 in 2018.



Europe, China and Kenya—are depressing demand for Uganda’s exports. Most notably, the sudden stop in international travel has sidelined Uganda’s booming tourism industry, which employs around 600 thousand workers, contributes to sizable foreign exchange inflows, and stimulates domestic consumption. The sharp decline in world oil prices to a projected US\$30 in 2020 and US\$40 in 2021—half the estimated breakeven price for oil production in Uganda—will likely slow oil-related foreign direct investment (FDI), shift oil production beyond 2025, and cause a deterioration in the external balance, with widening balance of payments financing requirements.

5. **For poor and vulnerable households in Uganda, the various impacts of COVID-19 are expected to be especially severe.** While the coronavirus outbreak will have long-lasting economic and social impacts for all Ugandans, these impacts are expected to be substantial for the poor and vulnerable households. With many jobs lost, and livelihoods affected for several months, poverty is expected to increase by 2.7 to 8.2 percentage points even though real GDP growth is projected to be positive. The effects will be observed in both rural and urban areas, although through different transmission channels. In urban areas, the prohibition of social gatherings, closure of non-essential institutions and ban on public and private transport are significantly reducing the incomes of those engaged in the services, manufacturing and construction sectors. Rural households will be impacted by an overall drop in aggregate demand, together with a slowdown in trade, which will lower the demand for food and agricultural products.

6. **Ugandan households also have limited coping mechanisms (e.g. savings and social protection) to deal with shocks.** The coverage and design of existing social protection programs are insufficient to meaningfully address a shock of this magnitude, and traditional coping mechanisms such as internal and external remittances, will not be available to households. Preliminary estimates suggest that the pandemic could increase poverty by 2.7 to 8.2 percentage points, resulting in 1.1 to 3.2 million additional poor relative to the latest official estimate of 8.7 million in 2016/17. In addition, the disruptions in service delivery will disproportionately affect those in the bottom 40 percent. The closing of schools will aggravate two of the most pressing problems for poor children: low progression and completion rates to secondary education and low quality of education. Furthermore, the suspension of education activities could result in some children falling permanently behind or not even returning to school, particularly adolescent girls recording higher dropout rates associated with child marriage, teen pregnancy, and domestic labor. The same applies to access to health services, as there will be disruptions in the provision of public health services, due to the redirection of resources to the emergency and given the limited capacity of the health care system. In addition to this economic impact, it is expected that the outbreak will also have negative effects on gender disparities, particularly in rural households.

7. **The GoU has requested the World Bank for support to close the expected financing gaps arising due to the pandemic and prevent the country from slipping into a macroeconomic crisis, with corresponding loss in livelihoods and acceleration in poverty.** The deterioration in the balance of payments position will create an estimated external financing gap of about US\$440 million in FY20, with spillover effects on the stability of the local currency already evident by the sharp shilling depreciation of 6.2 percent between mid-February and late March 2020, forcing the central bank to intervene in the foreign exchange market. The fiscal deficit is expected to worsen because of revenue shortfalls, as international trade taxes, value-added tax (VAT) and excises are hit by the COVID-



19 crisis, and increased expenditures to manage the crisis and locust invasion. As a result, the fiscal financing gap is currently estimated at over US\$540 million in FY20 and over US\$1 billion in FY21. The Government has committed to publishing COVID-related spending on a quarterly basis, to ensure transparency and accountability in the use of funds and protecting the budgeted spending for the social sectors in case of budget adjustments in FY21 (see paragraph 26 in the Letter of Development Policy (LDP), Annex 3). The crisis will affect the liquidity of the private sector, which could be further aggravated by a buildup of arrears to government suppliers. Both effects may result in a sharp rise in non-performing loans, destabilizing the banking sector. Finally, additional domestic government borrowing may crowd out resources for the private sector at a time when it is likely to need additional liquidity.

8. The proposed DPF would provide emergency budget support to mitigate the COVID-19 economic impact and protect the poor and vulnerable in the short term, while strengthening recovery over the medium term.

This operation is part of the World Bank's COVID-19 and locust response package for Uganda (see Annex 5) that takes place in tandem with the International Monetary Fund (IMF) Rapid Credit Facility (RCF) disbursement of US\$491.5 million, which will help finance the budget shortfall and bolster foreign exchange reserves and support a smooth adjustment of the economy to the shock. The proposed operation aims to balance between short term support for crisis response and protection of the most vulnerable, with support for a rapid recovery of the economy and debt transparency over the medium term. The program and policy actions supported by the DPF are described in sections 4.1 and 4.2 below.

2. MACROECONOMIC POLICY FRAMEWORK

2.1. RECENT ECONOMIC DEVELOPMENTS

9. **Real GDP growth is projected to fall from 6.5 percent in FY19 to 3.3 percent in FY20, as both COVID-19 related shocks and a locust invasion hit the country (Table 1).**³ The strong growth outcomes of the previous two years averaging 6.3 percent will not be sustained in FY20. COVID-19 related domestic and external supply/demand shocks in the second half of FY20 (Box 1) follow a slowdown in real output growth in the first half of the fiscal year totaling 5 percent unaffected by the pandemic but impacted by floods and locust invasion, and a deceleration in growth in services, primarily in real estate activities. Growth in industrial production is expected to decelerate to about 5 percent in FY20, from 13.8 percent during FY19, while tourism-related activities, such as hotel accommodation and restaurants, are expected to contract from 3 percent in FY19 to about negative 20 percent in FY20. Uganda has also been invaded by locusts whose major impact is expected in April-July of 2020. Under the baseline, real output growth is expected to decelerate to 3.3 percent in FY20.⁴ The decline in Uganda's real GDP growth and corresponding loss of jobs could be even larger if the country were to face a more widespread pandemic, which would require more extended periods of mobility restrictions and/or overwhelming the health

³ This is in line with the IMF forecast, and lower than the government forecast of 3.9 percent real GDP growth in FY20. On a calendar basis, real GDP growth in 2020 is projected between 0.4 and 1.7 percent compared to 5.6 percent in 2019.

⁴ The baseline assumes that: (i) FY20 third quarter growth will be about half of FY19 third quarter growth, given that about a month and a half of the quarter was affected; and (ii) FY20 fourth quarter growth declines by 1 percent compared to the fourth quarter of FY19.



sector response, and thus bringing economic activity to a halt. Under such a downside scenario, real output growth could decelerate to 3 percent in FY20.⁵

10. **Uganda has been invaded by locusts and experiences an ongoing army worm infestation.** Swarms of desert locust, originating from Yemen, have been invading farmland and rangeland in the Horn of Africa and East African countries since the beginning of July 2019. These swarms entered north eastern Uganda on February 9, 2020 and, recently, multiple new swarms have been sighted in 24 out of 139 districts in the regions of Karamoja, Teso, Acholi, Lango and Busigu, invading some of the most economically and socially fragile regions of the country. Furthermore, the timing of the locust crisis is expected to coincide with the start of the main cropping season, which could then affect staple food crop production and have potentially adverse consequences for livelihoods and food access and availability, especially if the control measures in place are not fully effective. The potential impact of this crisis is one dimension of a much broader economic predicament brought on by COVID-19.

11. **COVID-19 and locusts affect the poor in both urban and rural areas, albeit through different transmission channels.** In urban areas, the prohibition of social gatherings, closure of non-essential businesses and the ban on public and private transport are significantly affecting the incomes of those engaged in the services, manufacturing and construction sectors (around 35 percent of the labor force). In addition, remittances are projected to almost halve in FY20 and FY21 from US\$1.4 billion in FY19. The latter is mainly received by households in urban areas from Europe, Middle East and North America. Overall, the urban poverty headcount is expected to increase from 9.4 to somewhere between 15.2 to 20.6 percent, which translates into 0.55 to 1.07 additional urban poor (on top of the 0.9 million in FY17). The impact in rural areas will be curbed by the fact that a large majority of rural Ugandans (43 percent) depend on subsistence agriculture for their livelihoods. However, the overall drop in aggregate demand, together with an overall slowdown in trade, will lower the demand for food and agricultural products. In addition to the locust swarms, this will result in a decline of crop production, depressing rural incomes. As a result, the poverty rate could increase between 1.8 to 7.3 percentage points, from 25.3 percent. This would add between 0.5 to 2.07 million to the rural poor (which stood at 7.2 million in 2016/17), of which roughly one-tenth could result from the locust invasion.

12. **Inflation has been maintained well below the central bank's inflation target of 5 percent.** Subdued price levels have been supported by an appreciation of the real effective exchange rate, while favorable weather and corresponding ample food supply maintained deflationary food price pressures. In response to these developments and the price outlook, the policy interest rate was cut from 10 to 9 percent in October 2019. Low inflation was maintained into the first half of 2020, with 12-month headline inflation at 2.9 percent in May, and core inflation at 3.1 percent, down from the average of 3.9 percent in FY19. Upward pressure on food-prices in the main urban centers could arise from mobility disruptions and difficulty to transport products within the country, thus, preventing certain goods from reaching rural markets. Nonetheless, the global recession and steep decline in domestic economic activity are expected to keep price increases subdued. Following the COVID-19

⁵ The downside assumes that: (i) FY20 third quarter growth will be just lower than the baseline for this quarter; and (ii) FY20 fourth quarter growth declines by 2.2 percent compared to the fourth quarter of FY19.



pandemic, the policy rate was reduced further to 8 percent in April 2020 to provide liquidity support to the economy as it reels from the impacts of the COVID-19 crisis (Box 1).

13. **BoU took swift action to prevent the deterioration in macroeconomic conditions due to COVID-19 from destabilizing the financial sector, which prior to the crisis was stable and growing in strength.** Leading into the crisis, the banking sector remained well capitalized, and all banks met the minimum core and total capital adequacy ratios of 8 and 12 percent, respectively. The industry’s aggregate tier one capital adequacy ratio had increased from 17.3 percent in December 2016 to 20.1 percent in December 2019. Asset quality had also improved as non-performing loans (NPLs) contracted to 4.7 percent of total gross loans at end-December 2019, after peaking at 10.5 percent in December 2016. Banks had maintained adequate liquidity buffers above the regulatory minimum requirements, thus keeping liquidity risk low. However, given the COVID19-related steep decline in economic activity and the severe shock it presents to the financial sector, BoU has swiftly introduced policy mitigation measures to prevent the destabilization of the sector. These measures include the provision of exceptional liquidity assistance to commercial banks that are in liquidity distress for a period of up to one year, and liquidity provision to commercial banks for a longer period through issuance of reverse REPOs of up to 60 days, and permitted financial institutions to restructure loans of corporate and individual customers including a moratorium on loan repayments (Table 2).

Box 1: COVID-19 Transmission Channels and Impact

The macroeconomic impact of COVID-19 comprises spillovers from the global recession and from domestic mobility restrictions, with the following key **transmission channels**:

1. **Exports, global supply chains and terms of trade.** Exports are expected to decline due to shrinking global demand and restrictions on trade (e.g. about 35 percent of Uganda’s exports go to Europe and Kenya).⁶ Uganda exports to Europe mainly vegetable, flowers and fishery products, while exports to Kenya comprise largely food products, including processed food (dairy and poultry), tea and electricity. Beyond the disruptions affecting the supply chains for Uganda’s imports (about one-fourth are from China and Europe), Kenya’s mobility restrictions and Uganda COVID-19 testing at border crossings will likely reduce the pace of clearing goods through the Mombasa port and at border posts. A large share of these goods in Uganda’s retail stores are shipped in and a depletion of stocks could raise consumer prices.⁷ At the same time, Uganda is a net oil importer (roughly 35 percent of goods imports in FY19), with lower global oil prices offsetting possible inflationary pressures. Lower oil prices are likely to result in terms-of-trade improvements as export prices are expected to decelerate much slower, with some export prices even increasing such as gold, and thereby exerting a dampening effect on the current account deficit.

2. **Tourism and remittances.** Tourism is an important source of foreign exchange and employment. Travel to Uganda has sharply declined, with adverse effects on jobs and private investment in this sector. Tourism revenues are estimated to halve in FY20 to about US\$540 million compared to pre-COVID-19 estimates of US\$1.1 billion. This slowdown will translate into significant job losses, with tourism jobs having tripled over the last decade to more than 600,000. Job losses in this sector will have significant spillover effects on private consumption. Similarly, the global slowdown will have adverse impacts on remittances, which totaled US\$1.4 billion in FY19, equivalent to 4 percent of GDP. These funds, coming from Europe, Middle East and North America, are critical for consumption smoothing and

⁶ The average share in total exports during FY16/17 to FY18/19: Europe 17 percent and Kenya 18 percent; Source: UBOS, Direction of Trade

⁷ From February 2020, supply chain disruptions already started to impact the import of inputs and other materials for the domestic manufacturing and trading sectors.



partly fund residential and commercial construction activities.

3. FDI and portfolio investments. Recent FDI has been largely into the nascent oil industry (especially from companies in Europe and China), as well as mining and manufacturing sectors. Net FDI inflows are set to decline significantly, from a pre-COVID-19 level of US\$1.9 billion to US\$0.9 billion, due to the negative impact of the virus on FDI source country economies and the significant drop in oil prices to a projected US\$30 per barrel in 2020 (compared to the estimated breakeven price for Ugandan production estimated at US\$60). Meanwhile, the ensuing volatility in global financial markets has been followed by an exit of offshore investors from developing markets like Uganda into safe havens. Hence portfolio outflows are expected to intensify. Official Development Assistance (ODA) for project financing could also be lower. Whereas Government has been in the process of negotiating up to US\$1.9 billion in debt to finance infrastructure projects and its budget, only US\$670 million has been disbursed in FY20, as creditor countries continue to battle the virus, and because of likely delays in project execution and disruptions to the supply of project inputs.

The overall economic impact under the baseline, which assumes mitigation and containment in advanced countries by June 2020⁸, projects real GDP growth in Uganda to decelerate to between 3 and 3.3 percent in FY20 (from 6.5 percent pre-COVID-19) and grow between 2.9 and 3.7 percent in FY21 (from 6.2 percent pre-COVID-19), depending on the intensity of the crisis. On a calendar year basis, real GDP growth in 2020 is projected between 0.4 and 1.7 percent, compared to 5.6 percent in 2019. The fiscal deficit is projected to rise to 7.6 percent of GDP in FY20 (relative to pre-COVID-19 of 5.8 percent of GDP) and 8.9 percent of GDP in FY21 (from 5.5 percent pre-COVID-19). The latter hinges on external capital spending execution and access to multilateral financing. The FY20 gross financing need will be met by the IMF's RCF, proposed budget support from the World Bank, other development partners and financing in the domestic market. However, the fiscal gap in FY21 for which financing has not yet been identified is estimated at 1.6 percent of GDP (Table 3). Hence, if the GoU does not find needed financing, the fiscal deficit could reach around 7 percent of GDP next fiscal year. The current account deficit is set to widen to 10.4 percent of GDP in FY20 and is projected at 8.8 percent of GDP in FY21, as export growth exceeds imports due to favourable terms-of-trade developments, among other things.

14. The COVID-19 pandemic is placing new pressure on the current account, reversing gains made in the first half of FY20 (July to December 2019). The external shortfall shrank to 4.8 percent of GDP during the first half of FY20 from 7.7 percent of GDP during the same period the year before. In FY19, the current account deficit stood at 8.6 percent of GDP (Table 1). In the first half of FY20, merchandise trade deficit more than halved (from 8.1 percent of GDP to 3.8 percent of GDP), driven by zero-growth in imports and higher exports compared to the same period last year. Higher non-oil imports were offset by cheaper oil imports and a continued reduction in project-related government imports. Meanwhile, exports grew faster, at 7.4 percent (compared to 6.2 percent a year ago), driven by larger exports of gold as well as coffee, maize, and cotton. Personal transfers grew 7 percent during the first half of FY20, keeping the incomes account in surplus. The COVID-19 crisis is reversing these gains and is expected to widen the current account deficit from 8.6 percent of GDP in FY19 to 10.1 percent of GDP in FY20 (Table 1). The combined fall in merchandise exports, tourism earnings and remittances is expected to outweigh the decline in imports.

15. With the pandemic widening the current account deficit and slowing financing inflows, the external financing gap could amount to US\$1 billion in FY20 and FY21 (or about 2.7 percent of GDP).⁹ Net FDI inflows

⁸ World Bank. 2020. Global Economic Prospects, June 2020

⁹ Refers to projected GDP in FY21 amounting to US\$37 billion.



grew about 10 percent in the first half of FY20 totaling 2.6 percent of GDP. Government project-related borrowing, meanwhile, slowed by 1 percentage point to 1.7 percent of GDP due to a slowdown in execution. The pandemic crisis is set to impact severely external financing inflows: net FDI inflows are projected to decline overall 30 percent in FY20 compared to last year's outcome and recovering only at the margin in FY21. In the meantime, gross government borrowing is projected to rise in FY20 due to commercial borrowing totaling close to US\$0.7 billion (equivalent of EUR 600 million) in March 2020, which offset the smaller project-related disbursements. Still, expected net government borrowing of US\$1.8 billion in FY20 would have left an external financing gap of US\$0.4 billion in FY20 and US\$0.6 billion in FY21. This financing gap of US\$1 billion will be met by the IMF's RCF and World Bank DPF emergency lending totaling US\$0.8 billion and a drawdown of reserve buffers, consistent with exchange rate movements that will allow the economy to adjust to the shock.

Table 1: Key Macroeconomic indicators, FY17–FY23

	FY17	FY18	FY19	FY20e	FY21p	FY22p	FY23p
Output, prices, and exchange rate							
	(Annual percentage change)						
Real GDP	3.9	6.2	6.5	3.3	3.7	5.7	6.0
GDP deflator	4.7	4.1	0.6	2.8	4.6	5.3	4.6
Headline inflation (period average)	5.7	3.4	3.1	4.7	5.0	5.0	5.0
Core inflation (period average)	5.1	2.7	3.8	4.0	4.1	5.0	5.0
Terms of trade ("–" = deterioration)	0.0	0.8	-4.8	4.0	4.1	-1.2	-1.3
Exchange Rate (Ugandan Shilling/US\$)	2.5	3.7	2.1	...	...	...	...
Real effective exchange rate ("–" = depreciation) ³	-1.2	-4.9	1.3	...	...	...	...
Money and credit							
Broad money (M3)	13.6	14.1	7.3	8.3	8.5	11.4	10.9
Credit to non-government sector	5.7	10.5	12.7	8.9	10.2	14.8	13.9
Bank of Uganda policy rate	13.0	15.0	10.0	8.0	...	...	...
M3/GDP (percent)	18.4	19.0	19.0	19.4	19.4	19.4	19.4
NPLs (percent of total loans)	6.2	4.4	4.7	...	...	...	...
	(Percent of GDP, unless otherwise indicated)						
Central government budget							
Revenue and grants	12.8	12.7	13.9	13.6	13.8	14.1	14.1
Of which: tax revenue	11.5	11.5	12.4	11.6	11.8	12.1	12.6
Expenditure	16.1	16.9	18.9	21.2	22.7	19.6	19.7
Of which: capital expenditure	6.2	6.3	7.8	8.4	8.9	8.2	8.5
Overall balance	-3.3	-4.1	-5.0	-7.6	-8.9	-5.5	-5.7
Public debt	32.0	35.0	37.3	45.3	52.8	55.6	59.0
External sector							
Current account balance (including grants)	-3.3	-5.4	-8.6	-10.1	-8.7	-5.5	-5.0
Exports (goods and services)	16.2	15.2	19.4	13.4	13.9	15.6	16.0
Imports (goods and services)	21.9	21.8	26.7	24.4	23.3	22.0	22.0
Gross international reserves							
In billions of US\$	3.4	3.1	3.2	2.8	2.5	3.0	3.7
In months of imports of goods and services	5.2	3.9	4.4	3.9	3.5	3.9	4.3
<i>Memorandum items</i>							
GDP at current market prices							
Ush. billion	108,518	119,642	128,181	136,177	147,751	164,553	182,464

Source: Ugandan authorities; World Bank and IMF staff estimates and projections (Uganda—Request for Disbursement Under the IMF RCF, April 30, 2020, Table 1).



16. **Since mid-February 2020, the nominal exchange rate depreciated strongly due to effects of COVID-19, prompting a central bank intervention in the foreign exchange market.** During the first half of FY20, the shilling appreciated nominally by 1.4 percent, but this was later fully reversed on account of COVID-19 related impacts – between February 17 to March 25, 2020, the shilling depreciated 6.1 percent as capital outflows accelerated. The sudden depreciation prompted the central bank to intervene in the foreign exchange market on the order of US\$200 million, to stabilize the market.¹⁰ Since then, the shilling recovered somewhat, appreciating 2.9 percent by mid-April. The real exchange rate, meanwhile, continued appreciating by 2 percent during the first three quarters of FY20 compared to the same period last year, after appreciating almost 3 percent in FY19.

17. **After reaching 5 percent of GDP in FY19, the fiscal deficit is set to expand to 7.6 percent of GDP due to COVID-19 (Table 3).** The fiscal deficit in FY19 was well below the budgeted level of 5.8 percent of GDP. This was attributed to a sizable rise in tax revenues, by about 0.9 percent of GDP compared to the year before, reaching 12.4 percent of GDP (see Box 2), and slower-than-budgeted execution of externally financed capital spending. During the first half of FY20, the fiscal deficit widened by 0.7 percentage points to 5.5 percent of GDP compared to the same period last year. Total revenues rose to 13.7 percent of GDP, thanks to higher non-tax revenues. Total spending rose to 19.2 percent of GDP, roughly 1 percentage point more compared to the year before and exceeded the increase in revenues. Higher expenditures were mainly driven by an increase in recurrent spending of 0.7 percent of GDP, while capital spending also expanded, but at a slower pace. With the COVID-19 crisis, by the end of FY20, the fiscal deficit is expected to widen considerably to 7.6 percent of GDP in FY20 (Table 1), due to the expected decline in revenues from the slowdown in the economy and the fiscal response to COVID-19 on both the revenue and spending side (Table 3). This has created a fiscal financing gap in FY20, which Government has estimated at about 1.5 percent of GDP (Table 3).

18. **Although revenues in the first half of FY20 outperformed last year's outcomes, they remain below the budget target and are set to decelerate significantly compared to expectations in FY20 due to COVID-19.** In the first half of FY20, total revenues reached 13.7 percent of GDP, an increase of 0.3 percentage points compared to the same period last year, with most of that increase coming from non-tax revenues. Still, this falls short of the revenue budget target in FY20 of 16.1 percent of GDP.¹¹ Government estimates that the total revenue shortfall resulting from COVID-19 will be close to US\$750 million in FY20, or 2.1 percent of GDP. As described in Table 2, to provide much needed liquidity to the taxpayers, Ministry of Finance, Planning and Economic Development (MoFPED) introduced tax exemptions and deferrals with a clearly defined sunset clause and is planning to accelerate the payments of tax refund, in addition to a reduction in taxes levied on imports. These measures imposed for the duration of three months are estimated at 0.2 percent of GDP (Table 2). As a result, tax revenues in FY20 as a whole are expected to total 11.6 percent of GDP, 0.8 percentage points less than a year ago, of which UGX 1.3 trillion, (equivalent to 1 percent of GDP), the Government estimates to be due to the COVID-19-induced economic slowdown.

¹⁰ Uganda has a flexible exchange rate and the Bank of Uganda (BoU) only intervenes in exceptional circumstances to smooth excessive exchange rate volatility.

¹¹ Uganda's revenue effort also remains lower than that recorded by regional peers in 2019 – Kenya at 17.9 percent of GDP and Rwanda at 16.3 percent. If the government is to achieve its revenue ambitions, then it must expand the tax base, foster greater efficiency in tax administration, and close leakages in policy instruments. Estimates suggest that revenue forgone across all tax sources due to tax exemptions were in the range of 4½ to 5 percent of GDP in FY18 alone. Therefore, establishing a framework to manage tax exemptions will minimize the drain on the system of revenues forgone.



Box 2: Uganda’s Domestic Revenue Mobilization – Challenges and Way Forward

Uganda’s tax revenues averaged no more than 12 percent of GDP over the last decade, with the ratio reaching 12.4 percent in FY19. This remained below the potential estimated between 18 -23 percent of GDP (World Bank , 2018), fell short of the Government’s medium-term target of 16 percent of GDP, and was one of the lowest amongst East African countries. In 2019, the share of tax revenue to GDP in Kenya was 17.9 percent, while in Rwanda it was 16.3 percent. Furthermore, Uganda’s tax buoyancy was low and was declining when compared over the past two decades. The poor performance in tax collection is due to the narrow tax base, with many areas of economic activity remaining outside the tax net due to gaps in both tax policy and administration. Furthermore, a weak social contract for paying taxes is due to perceived lack of integrity among tax and wider government officials, a limited relationship between paying taxes and public services, and contradicting political messaging on the value of paying taxes.

The tax revenue system has been negatively affected by growing informality and ad hoc tax policy and tax exemptions, which create leakages in the system. An expanding pool of small informal non-agricultural enterprises, who conduct most of their transactions in cash and/or hidden economic activities, is hard to reach. According to Uganda Bureau of Statistics (UBOS), informal activities account for 40-45 percent of GDP. Furthermore, limited analysis and consultation during policy design has contributed to instability and unpredictability of the tax regime, while widespread tax exemptions cost the tax system about 4-5 percent of GDP each year (World Bank , 2018). A combination of these factors has created perceptions of unfairness and disincentivized taxpayer compliance.

Tax administration is undermined by gaps and inefficiencies, with Uganda Revenue Authority (URA) still operating with information and communications technology (ICT) systems, infrastructure and an organizational structure in need of modernization and improvements to match current challenges. URA also has gaps in human resource capacity, as well as in knowledge and skills in critical areas like international taxation, audit and enforcement. Moreover, limited access to third-party data combined with weaknesses in internal data management constrain URA’s ability to improve compliance using modern risk-based approaches.

To boost its revenue effort, Government has started implementing a four-year Domestic Revenue Mobilization Strategy (DRM-S), commissioned in October 2019. The DRM-S, aims to improve the tax system by closing gaps in tax policy and improve productivity of tax instruments, enhance the administration of domestic revenues, and undertake actions to improve the social contract. The key cross cutting measure relates to improving the fiscal oversight and transparency of tax expenditures.

With support from World Bank and other development partners, GoU is developing a Fiscal Governance Framework to streamline the authorizing environment, and better target the use of tax expenditures by assessing the efficiency and equity of tax exemptions.¹² The framework covers four key pillars (i) a publicly accessible repository system of all tax relief measures; (ii) tools for quantifying revenue forgone, with a clearly benchmarked tax system; (iii) tools for assessing efficiency impact and equity; (iv) a governance framework for the authorization, budgeting and disclosure of tax expenditures.

19. **Spending pressures continued to rise in the first half of FY20 and are set to ramp up in the final quarter of FY20.** In the first half of FY20, current spending rose to 12.8 percent of GDP from 12.1 percent of GDP the year before, driven by higher transfers for recurrent spending of tertiary institutions, other agencies, and higher

¹² Strengthening Capacities and Institutions for PIM, PPPs and DRM (P169908).



interest payments on domestic debt. Stronger spending pressures are expected as the country battles both COVID-19 and the locust invasion. In early April 2020, the MoH's COVID-19 Response Plan budget was revised upwards to about US\$126 million (or 0.4 percent of GDP) for the next six months, the spending of which would therefore spill over into the next fiscal year. Government is already committing substantial resources in the last four months of FY20 to manage the health crisis in the amount of 0.2 percent of GDP (Table 2). Additional expenses are anticipated for the support of the most vulnerable groups through cash transfers to senior citizens and for creating credit facilities to provide liquidity support to small and medium enterprises (SME), among others (Table 2). At the same time, the Ministry of Agriculture has requested about US\$10 million to meet its arrears to the Desert Locust Control Organization for Eastern Africa (US\$3.5 million), hire planes for aerial spraying, procure materials and equipment, and for operational costs. Moreover, with the prevailing uncertainties and still evolving government plan of measures to support the private sector and other institutions to manage the crisis, utility subsidies will increase to support continued supply of water and electricity, after GoU temporarily suspended disconnecting households.

**Table 2: Government Economic Policy Response to COVID-19 Crisis**

Tax revenue implications of the fiscal policy response FY20		
<i>Sector and type of tax</i>	<i>Expected revenue loss in UGX billion</i>	<i>% of GDP in 2019/20</i>
Manufacturing: Corporate tax	12.5	0.01
Manufacturing: PAYE	57.4	0.04
Tourism: PAYE	8.0	0.01
Floriculture: PAYE	0.2	0.00
SMEs: Presumptive	1.4	0.00
Tax refunds	120.5	0.09
Interest and penalty on tax arrears	50.0	0.04
Total	250.0	0.18
Expenditure implications of the fiscal policy response FY20		
<i>Type of expenditure</i>	<i>Costing in UGX billion</i>	<i>% of GDP in 2019/20</i>
Strengthening health systems	120.0	0.09
Emergency funds for sectors complementing health sector:	220.0	0.16
<i>Security</i>	81.0	0.06
<i>Local Government</i>	36.0	0.03
<i>ICT</i>	14.0	0.01
<i>KCCA</i>	30.0	0.02
<i>Disaster preparedness/food to vulnerable groups in Kampala</i>	59.0	0.04
Sub-total: health and complementary measures	340.0	0.25
Support to Water and Electricity Utilities	not costed yet	
Recapitalization of UDB to provide investment funding for SMEs	1040.5	0.76
Recapitalization of UDC to provide investment funding for SMES	100.0	0.07
Total	1480.5	1.1
Monetary policy response		
1. Exceptional liquidity assistance to commercial banks that are in liquidity distress for a period of up to one year.		
2. Provide liquidity to commercial banks for a longer period through issuance of reverse REPOs of up to 60 days at the CBR, with opportunity to roll over.		
3. Purchase Treasury Bonds held by Microfinance Deposit taking Institutions (MDIs) and Credit Institutions (CIs) in order to ease their liquidity distress whenever it arises. MDIs and CIs that do not hold Treasury bills or bonds in their asset holdings will be provided with liquidity secured by their holdings of unencumbered Fixed Deposits or Placements with other SFIs.		
4. Grant exceptional permission to SFIs to restructure loans of corporate and individual customers including a moratorium on loan repayment for borrowers that have been affected by the pandemic, on a case by case basis at the discretion of the SFIs for up to 12 months, effective April 1st, 2020.		

Source: Cabinet Memorandum 62 on Government Economic Policy Responses to cope with the effects of COVID-19.

Notes: Recapitalization of Uganda Development Bank (UDB) and strengthening health systems applies to FY20 and FY21. Pay As You Earn (PAYE) is a tax charged on all employees earning a monthly salary income above the stated threshold as per the Income Tax Act.

20. **There has been a persistent shift toward more capital spending in recent years.** Capital spending averaged from 6.8 percent of GDP during FY17–FY19 and is expected to reach 8.4 percent of GDP by the end of FY20 (Table 3). That said, about one-fifth of capital spending in FY20 was due to purchases of aircraft for the recently revived Uganda Airlines. The shift toward infrastructure has led to a decline in real per capita allocations to the social sectors such as health and education, impacting service delivery.¹³ With the COVID-19 crisis, the

¹³ Non-wage recurrent transfers per capita declined by 51 percent in primary education and 65 percent in health from their peaks in the 2000s. Three years ago, the Government embarked on reforms to start reversing this trend, increasing fiscal transfers to local governments (LGs) for non-wage recurrent and capital spending in education and health.



under-execution of externally-financed projects is set to worsen due to import supply chain and project financing interruptions, particularly for projects benefitting from imports from China. Government is also planning to re-prioritize expenditures, including capital spending, to deal with the COVID-19 emergency. Whereas it is difficult to stop ongoing projects, GoU is planning to postpone new non-priority projects that had been planned for FY21. Net lending and investment are expected to be higher mainly due to recapitalization of the UDB (0.4 percent of GDP) and the central bank.

21. **The Government has made progress in addressing domestic arrears.** The accumulation of arrears reduces private sector liquidity and ultimately increases the government's cost of doing business— especially during the current crisis. To bring arrears under control, an external auditor and the Auditor General have verified the stock of domestic arrears, which is published for the first time with a lag less than a year. Furthermore, the Government reduced the stock of arrears to 2.8 percent of GDP by end-FY19 from 3.1 percent of GDP at end-FY17 and is on track to bring this down to 2.4 percent of GDP by end-FY20.¹⁴ Finally, MoFPED is also putting in place measures to reduce the generation of arrears, including strengthening the commitment control system, establishing a pre-payment system for utilities, earmarking a separate budget for the repayment of arrears, all within a comprehensive domestic arrears strategy launched in FY19. In addition to publishing an up-to-date stock of domestic arrears, GoU is committed to high fiscal transparency standards, including publishing the results of quarterly audits of COVID-related spending. Furthermore, large procurement contracts for COVID-19 related expenditures will also be published on the government's website, together with the names of awarded companies and their beneficial owners (see paragraph 24 in the LDP, Annex 3).

22. **Financing over the past three years was driven by external borrowing, although recourse to the domestic debt market has intensified in FY19 and FY20 (Table 3).** Government borrowing in the past was largely driven by external project-related disbursements. However, domestic borrowing started playing a more prominent role in FY19 when it doubled compared to the year before. Domestic borrowing rose further during the first half of FY20, especially from commercial banks and through issuance of securities to non-bank institutions. The latter follows the depletion of the Petroleum Fund, which helped finance the budget in FY18 and FY19.¹⁵ However, by the end of FY20, World Bank and IMF financing as well as a syndicated loan from Stanbic and Trade Development Bank in the amount of EUR 600 million (equivalent to US\$680.1 million)¹⁶ buttressed the external financing of the gross borrowing requirement. The Government is in discussions with bilateral and domestic creditors to close the remaining financing gap of 0.3 percent of GDP in FY20.

23. **Persistently high fiscal deficits since 2015 have driven public debt to about US\$12.8 billion, or 37.3 percent of GDP at end-FY19.** Public debt grew by 10 percent of GDP over the past five years. In present value terms, total public sector debt amounts to 23.5 percent of GDP due to the large share of highly concessional debt in the portfolio, and without international bond issuances. Despite the rise in debt-to-GDP ratio, Uganda remains at low risk of debt distress based on the April 2020 joint World Bank-IMF debt sustainability analysis (DSA). One-

¹⁴ Close to 80 percent of the stock of arrears results from spending on goods and services (24 percent), other recurrent and development spending (28 percent), and court awards and compensations (27 percent). The remaining arrears are unpaid utility bills, rental cost, pensions, and contributions to international organizations.

¹⁵ Resources from the petroleum fund are already being used to help finance the budget. The reduction in the value of the petroleum fund from UGX470 billion in June 2018 to UGX289 billion at the end of December 2018 was due to a transfer of USh200 billion to help finance the FY18/19 budget (this follows a similar withdrawal of UGX125 billion in FY17/18).

¹⁶ At exchange rate on June 5, 2020.



fourth (US\$8.5 billion) of outstanding public debt is owed to external creditors, largely for energy and infrastructure projects, and with a weighted average interest rate of about 2 percent. Domestic debt totaled US\$4.3 billion, with roughly three-fourths in Treasury Bonds with maturities from 2 to 15 years, while the rest is in short-term Treasury Bills. The weighted average interest rate on domestic debt was 14.4 percent, equivalent to a real interest rate of around 12 percent. With debt service at around 30 percent of total revenues, Uganda's low tax collection results in heightened liquidity vulnerabilities, which are further exacerbated by the COVID-19-induced drop in revenue collections in FY20.

24. **Government finances could be affected by COVID-19 through shortfalls in state-owned enterprise (SOE) finances, Public-private Partnership (PPPs), other contingent liabilities and compensations of utilities temporary prohibited from disconnecting households.** There are eight active loan guarantees amounting to US\$65.1 million (0.2 percent of GDP) at end-December 2019. Islamic Development Bank (IsDB) and Arab Bank for Economic Development in Africa (BADEA) are the two creditors with the largest value of government guarantees held, while the two beneficiaries are UDB, accounting for 71 percent of total outstanding guarantees, and the Uganda Islamic University (29 percent of total outstanding guarantees). None of the guarantees were so far called. Meanwhile, implicit contingent liabilities have increased but remain small. Non-guaranteed debt (excluding GoU on-lent loans) totals 1.8 percent of GDP, of which close to 95 percent represents domestic borrowing by SOEs. Contingent liabilities from court proceedings amount to 7.4 percent of GDP as of end-June 2019 and have increased 16 percent compared to last year. The key drivers of these potential claims include civil suits cases, contractual disputes, human rights cases, and employment/labor disputes¹⁷, and the resolution of these cases typically takes several years. Notwithstanding the limited explicit and implicit guarantees, collections by the water and electricity utilities have declined abruptly as economic activity has slowed dramatically disconnecting users unable to pay the bills banned temporarily by the GoU. To respond to this fall in revenues, the GoU has established a compensation mechanism and provided funds in the FY21 budget.

¹⁷ See Report on public debt, guarantees, other financial liabilities and grants for FY19/20, March 2020.



Table 3: Key Fiscal Indicators, FY17 – FY23

	FY17	FY18	FY19	FY20e	FY21p	FY22p	FY23p
	(percent of GDP)						
Total revenue and grants	12.8	12.7	13.9	13.6	13.8	14.1	14.1
Revenue	11.8	12.1	13.0	12.9	13.1	13.4	13.9
Tax	11.5	11.5	12.4	11.6	11.8	12.1	12.6
International trade taxes	1.1	0.4	0.7	1.2	0.5	0.5	
Income taxes	4.4	4.7	4.7	4.8	5.0	5.2	
Excises	2.8	2.8	2.9	3.0	3.1	3.2	
Value-added tax	4.1	4.2	4.3	4.5	4.6	4.7	
Nontax	0.3	0.6	0.5	1.3	1.2	1.2	1.2
Grants	0.9	0.6	0.9	0.6	0.8	0.8	0.2
Expenditures and net lending	16.1	16.9	18.9	21.2	22.7	19.6	19.7
Current expenditures	9.2	9.1	9.6	11.5	12.4	11.2	11.1
Wages and salaries	3.1	2.9	3.3	3.6	3.6	3.5	3.6
Interest payments	2.2	1.9	2.0	2.7	2.7	2.6	2.4
Other current	3.9	4.3	4.4	5.2	6.1	5.1	5.0
o/w COVID-related spending	...	...	...	0.2	0.4	...	...
Development expenditures	6.2	6.3	7.8	8.4	8.9	8.2	8.5
External	2.3	2.7	3.2	2.6	3.9	4.1	4.4
Domestic	3.9	3.6	4.6	5.8	5.0	4.1	4.1
o/w COVID-related spending	...	...	...	...	0.4	...	...
Net lending and investment	0.5	1.2	1.1	1.0	0.9	0.0	0.0
o/w COVID-related spending	...	...	...	0.4	...	...	...
Hydropower projects	0.4	1.1	1.0	0.4	0.6	0.0	0.0
Recapitalization BoU	0.1	0.0	0.0	0.2	0.3	0.0	0.0
Other spending	0.2	0.3	0.3	0.3	0.5	0.2	0.2
Clearance of domestic arrears	0.2	0.3	0.3	0.3	0.5	0.2	0.2
o/w COVID-related spending	...	...	...	...	0.3	...	...
Overall Balance	-3.3	-4.1	-5.0	-7.6	-8.9	-5.5	-5.7
Primary balance	-1.1	-2.2	-3.0	-4.9	-6.2	-2.9	-3.2
Financing	3.3	4.1	5.0	7.6	7.3	5.5	5.7
Domestic financing (net)	0.9	1.1	2.2	2.2	2.4	3.0	2.3
External financing (net)	2.4	3.0	2.7	5.4	4.8	2.6	3.4
Budget support	0.1	0.1	0.1	1.9	0.4	0.2	0.2
Concessional project loans	1.9	2.2	1.9	1.4	2.0	1.9	2.0
Non-concessional borrowing	0.8	1.4	1.4	1.1	1.8	1.5	2.2
Exceptional financing				1.5	1.4		
o/w World Bank DPF				0.8	0.0		
o/w IMF RCF				0.4	0.0		
o/w Other budget support				0.3	1.4		
Amortization	-0.4	-0.7	-0.7	-0.5	-0.8	-1.0	-1.0
Financing gap				0.0	1.6		

Source: Ugandan authorities; World Bank and IMF staff estimates and projections (Uganda—Request for Disbursement Under the IMF RCF, April 30, 2020, Table 2b)



2.2. MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY

25. **The medium-term outlook for Uganda has worsened considerably due to the impact of COVID-19.** Under the baseline, real GDP growth in FY21 is projected to recover to about 3.7 percent—a 2.5 percentage point decline compared to the pre-COVID-19 baseline—as the likely health and economic fallout from COVID-19 spreads over several months (see Boxes 1 and 3).¹⁸ Some mobility restrictions could stay in place to control the spread of the virus, which could sustain lower levels of private consumption and investment, and lead to intermittent closures of non-essential businesses, thus exposing the economy to continued domestic demand and supply shocks. Under a downside scenario, real GDP growth in FY21 could be as low as 2.9 percent, despite an expansionary fiscal policy, as the global economy takes longer to recover, remittances slow further impacting adversely domestic demand, and the country faces a more widespread pandemic, which weighs heavily on economic activity (Figures 1 and 2).¹⁹ Both scenarios could be further adversely affected by uncertainties in the run-up to presidential elections currently scheduled for February 2021, a more adverse effect of the locust invasion, or a much more pronounced impact of the pandemic, resulting in an even lower growth rate in FY21. A post-election rebound to 5.7 percent is projected for FY22, as private consumption and private and public investments, including FDI inflows, recover. The recovery is largely predicated on a solid global economic recovery.

Figure 1: Real GDP Growth Rate (in percent)

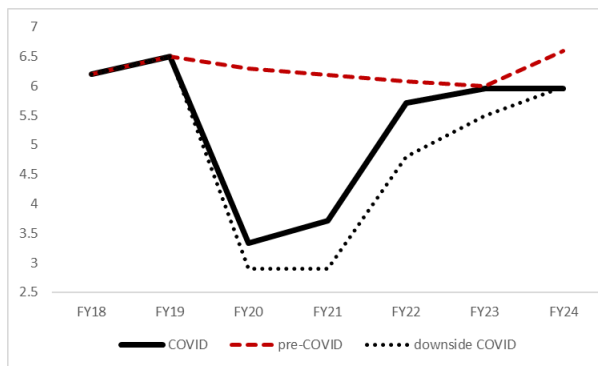
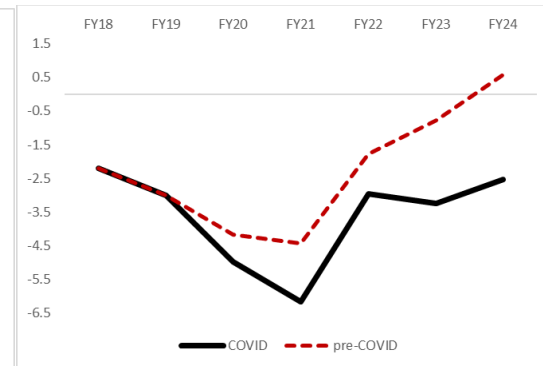


Figure 2: Primary Fiscal Balance (in percent of GDP)



Source: joint World Bank-IMF DSAs May 2019 and April 2020.

¹⁸ The baseline assumes that the pandemic peaks in advanced economies such that containment measures are gradually removed from April to June 2020, the pandemic fades in China, and the outbreak is contained in Uganda and neighboring countries. Under the baseline scenario, FY21 first half (July to December 2020) growth is about 2 percent, more than doubling to about 5.5 percent in the second half (January to June 2021) of FY21. Most of the second half of FY21 will be after the elections in early 2021 and during the period that the global economy is expected to be recovering strongly.

¹⁹ The downside assumes that the COVID-19 outbreak continues to weigh on the global and regional economy into the second half of 2020 and early 2021, and Uganda faces a more widespread pandemic, requiring extended periods of mobility restrictions and/or overwhelming the health sector response. Under the downside scenario, there is zero growth in the first half (July to December 2020) of FY21 but improves dramatically to about 6 percent in the second half (January to June 2021) of FY21. Note that the second half FY21 growth numbers are derived from a lower base due to the expected downside outcome in the second half of FY20.



26. **The effect of COVID-19 on oil prices could delay further oil sector investments in the medium term and oil production beyond 2025, even as the private sector remains optimistic about oil production in Uganda.** A final investment decision in the oil sector was expected in 2020, which would have encouraged private and public sector investments into the oil sector and unlocked large private investments. The conclusion of a long-negotiated farmout transaction suggests the private sector sees the oil production outlook in Uganda as positive.²⁰ However, given the significant fall in oil prices to date and the projection that they will remain well below the estimated breakeven price of US\$60 for Ugandan production over the next two to three years, this could postpone key investment decisions into the oil sector, thus pushing back further the timing of oil production.²¹ Furthermore, the ongoing Organization of Petroleum Exporting Countries (OPEC)-plus negotiations could change the outlook although large uncertainties remain around the negotiations themselves. In addition, the risk of downward price pressures, underpinned by global climate considerations driving a transition into clean technologies, could increase the risk for prospective investors into Uganda's oil production project²².

27. **In the absence of private investment driving the rebound over the medium term, private consumption and export growth are likely to carry the recovery**—although at a lower trajectory and closer to the downside scenario. After the slump in growth in FY17, private consumption rebounded and drove growth over the next two years. A similar consumption rebound could occur after this downturn, and the extent of the rebound will depend on the duration of the COVID-19 crisis. If COVID-19 spreads further in Uganda and causes economic disruption well into FY21, then the economic recovery could take an extended 'U' shape (see Figure 1). On the other hand, if the spread of COVID-19 is well contained within FY21, pent up demand would drive stronger private consumption and domestic investment in FY22.

28. **Inflation is expected to remain in line with the inflation target of 5 percent.** The aforementioned low oil prices should help limit the non-food inflationary pressures, including from the depreciation of the shilling. Food price inflation is assumed to remain low as pests (including locusts), and supply interruptions caused by the pandemic ease slowly over the medium term. Against this relatively low inflation outlook, the BoU is expected to maintain the policy rate at around 8 percent over the short to medium term, the lowest policy rate since inflation targeting was instituted. This should provide some support to the economy in alleviating the demand and supply shocks brought about by the pandemic.

29. **After a sharp widening in FY20 to 10.1 percent of GDP, the current account deficit is projected to narrow to close to 9 percent of GDP in FY21 and 5.5 percent of GDP in FY22.** The global downturn is expected to ease in the second half of FY21, with spillover effects to Uganda. Exports are expected to pick up with the recovery in imports lagging. A real exchange rate depreciation would strengthen the competitiveness of domestic companies and reduce imports of firms without foreign exchange earnings. Furthermore, with the price outlook for Robusta coffee, gold, maize, cotton and tobacco positive over the medium term, growth in exports are expected to exceed the growth in imports, particularly if in the downside scenario net FDI inflows remain muted and, thus,

²⁰ For example, the French oil company Total acquired Tullow's oil interests in Uganda Lake Albert development project with a transaction of US\$575 million. Under the terms of the deal, Total will acquire all of Tullow's existing 33.3 percent stake in each of the Lake Albert project licenses EA1, EA1A, EA2 and EA3A and the proposed EACOP System. In addition, conditional payments will be made to Tullow linked to production and oil price, which will be triggered when Brent prices are above US\$62/bbl.

²¹ World Bank Commodities Price Forecast (April 2020).

²² See World Bank, 2020, Uganda - Oil Revenue Management – Closing Gaps in the Fiscal and Savings Frameworks to Maximize Benefits



corresponding imports do not materialize. Remittances, meanwhile, are projected to remain below FY20 outcomes as the global recovery is gradual and the impact of COVID-19 affects the entire fiscal year. That said, there is uncertainty as to the speed of recovery in remittances. Similarly, there is significant uncertainty about travel habits in a post-COVID-19 world and corresponding tourism inflows to Uganda, which are assumed to recover gradually.

Table 4: Balance of Payments Financing Needs and Sources, FY18–FY23

	FY18	FY19	FY20e	FY21p	FY22p	FY23p
	(US\$ million)					
Financing requirements	1999	3205	3895	3560	2981	2956
Current account deficit	1776	2966	3706	3263	2579	2524
Debt amortization (government)	222	239	190	298	402	432
Financing Sources	1578	3082	3455	2874	2981	2956
Capital transfers	105	100	113	128	160	41
Financial account	1309	3048	2937	2499	3303	3539
<i>o/w FDI inflows (net)</i>	971	1447	980	1063	1760	2036
<i>o/w Portfolio investments (net)</i>	-339	-171	-123	-127	-136	-145
<i>o/w Government borrowing (gross)</i>	1281	1399	2008	1478	1676	1647
Use of reserves (+ = increase)	-164	65	-405	-247	482	624
Net errors and omissions	421	123	0	0	0	0
Financing gap	0	0	440	686	0	0
Additional financing sources	0	0	790	604	0	0
IMF RCF			490			
World Bank			300	94		
<i>AfDB</i>				100		
<i>AFD</i>				60		
Financing from previous year				350		
Remaining financing gap			-350	82		

^{1/}Excess prospective financing in 2019/20 is assumed to be accumulated as reserves in FY20/21, reducing the financing gap in FY20/21

Source: Ugandan authorities; World Bank and IMF staff estimates and projections (Uganda—Request for Disbursement Under the RCF, April 30, 2020, with modified presentation of financing requirement in Table 6)

30. **The external financing requirement is expected to be largely met by concessional government borrowing in FY21.** The expected sizable deceleration in net FDI inflows in FY21 and sluggish recovery thereafter combined with projected portfolio outflows will likely create an external financing gap that is estimated at around US\$686 million in FY21 (Table 4). This gap is set to be met by excess financing in FY20, that is assumed to be accumulated as reserves and drawn down in FY21, and the disbursement from multilateral creditors – the size and timing of which is uncertain at this point. Whereas reserves are expected to decline from 4.4 months of



imports to an estimated 3.5 months of imports in FY21 (Table 1), the magnitude of the decline will be determined by the degree of depreciation as the country adjusts to a new post-COVID-19 equilibrium.

31. **The fiscal deficit is projected by the GoU to expand to 8.9 percent of GDP in FY21, followed by a contraction to 5.5 percent and 5.7 percent of GDP in FY22 and FY23 respectively (Table 3).** The increase in the deficit in FY21 is explained by the government's response to the pandemic, in the form of higher current spending and lower revenues, including a larger repayment of arrears of an additional 0.3 percent of GDP to provide liquidity to the private sector. Similarly, the 0.4 percent of GDP recapitalization of UDB in FY20 and FY21 is COVID-19-related as it will be used to provide loans to SMEs (Table 2). Lower revenues in FY21 will be the result of a full-year impact of revenue shortfalls due to the drop in economic activity. Nevertheless, in the past, development spending has consistently been below budgeted amounts and sustained growth in capital spending obscures the high rates of under-execution, which reflect weaknesses in Public Investment Management (PIM) systems. As a result, the sharp rise in current spending will in part be offset by a reduction in externally financed capital spending, which the government is currently in the process of reprioritizing, with lower priority projects being postponed. Hence, a deficit of 8.9 percent of GDP in FY21 could be considered a low probability outcome, and a more realistic fiscal shortfall of around 7 percent of GDP would be largely financed by multilaterals, such as the World Bank, African Development Bank (AfDB), IsDB and French Development Agency (*Agence Française de Développement* or AfD), to mention a few. In FY22, a rebalancing between current and capital spending is expected. Specifically, as the impact of COVID-19 eases and elections are concluded, current spending is set to decline, while public capital expenditures will increase to meet investment demands in oil-related roads, the Kampala-Hoima corridor, the East African Crude Oil Pipeline (EACOP) (from Uganda through Tanzania), and power transmission and distribution networks to special economic zones and rural growth centers.

32. **The joint World Bank-IMF debt sustainability analysis undertaken in April 2020 concludes that Uganda is at low risk of debt distress.** Its debt-carrying capacity assessed at 'strong' in the revised Low-income Country (LIC) Debt Sustainability Framework (DSF). Despite higher debt burden trajectories relative to the May 2019 DSA, all external debt and total public debt burden trajectories in the April 2020 DSA remain below their respective indicative thresholds under the baseline and stress test scenarios. The updated baseline scenario includes additional non-concessional borrowing and COVID-19 related emergency financing from the World Bank and the IMF.²³ Two most extreme stress tests in the public template represent contingent liability scenarios, which reflect a shock on the order of 17 percent of GDP, which however carries a low probability.

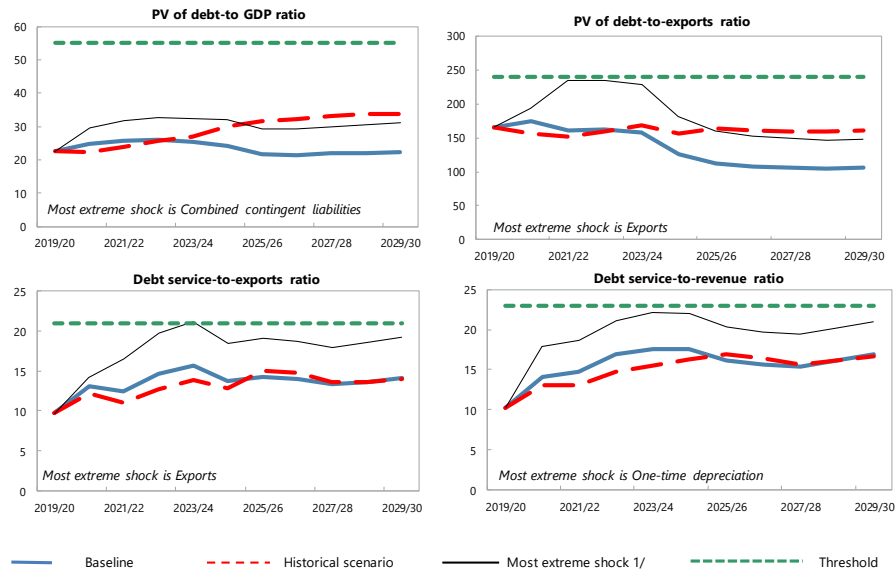
33. **Total public debt-to-GDP is projected to rise to close to 60 percent of GDP by FY24 from 37 percent in FY18/19.** Despite the steep trajectory in nominal terms, due to concessional loans in the debt portfolio external public debt is set to total 25 percent of GDP in FY24, in present value terms (Figure 3). Despite the high concessionality of the external portfolio, sizable domestic borrowing (22.6 percent of GDP) is projected to raise the gross financing need (GFN) in FY21 to almost 14 percent of GDP. While the GoU has not issued international bonds and therefore does not face external maturity concentrations, total debt service (interest and principal due) is expected to average around 60 percent of government revenues over the next four years, underscoring the importance of raising tax revenues and aggressively reducing tax expenditures after the elections in early 2021.

²³ The authorities also requested a non-concessional borrowing ceiling of US\$2 billion in FY20 from IDA's NCBP, two-thirds of which would finance infrastructure investment, while US\$665 represents budget support and has been disbursed in early 2020.

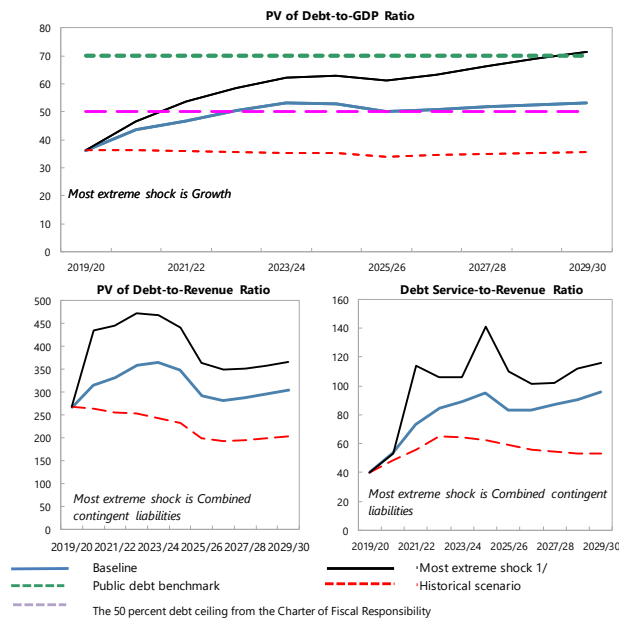


Figure 3: DSA – Baseline and Alternative Scenario

External public debt



Total public debt



Source: Joint World Bank-IMF DSA (Uganda—Request for Disbursement Under the IMF RCF –DSA, Figures 1 and 2).

34. The macroeconomic framework is considered adequate for the proposed DPF. Real output growth is projected to rebound to 6 percent by FY24, supported, inter alia, by stronger investments for oil production. Price levels are expected to remain stable with core and headline inflation around the inflation target of 5 percent,



while foreign exchange reserves are expected to remain robust at around 3.5 months of imports. Both external and public debt remain sustainable. Even with the COVID-19 and locust shocks and the corresponding widening of the fiscal deficits, the outlook under the baseline implies a trajectory of the fiscal gross financing need that would continue to support a low risk of debt distress rating. As a result, Uganda remains among the 18 percent of IDA countries that continue to be at low risk of debt distress in 2019. Last but not least, the authorities have a good track record of sound macroeconomic management and committed to maintaining macroeconomic stability going forward.

35. **Still, the macroeconomic outlook faces significant downside risks, not least from COVID-19.** If COVID-19's lasts longer globally, or spreads more widely in Uganda, it could deter a rapid recovery in Uganda's exports, impact adversely tourism and remittances as well as depress domestic economic activity. This could lead to a more severe impact on the economy (in terms of health effects, growth, fiscal, external balances). Locusts and weather shocks could also further exacerbate the negative impact on growth. The upcoming 2021 elections could heighten uncertainty and slow down investments (both domestic and FDI) and economic activity as well as lead to higher fiscal deficits. Finally, an intensified regional instability due to a renewed escalation of conflict in South Sudan and the Democratic Republic of Congo (DRC) – Uganda's second and fourth top export destinations – could reduce Uganda's exports and adversely impact growth and external outlook. Overall, there are, however, several mitigating factors. First, the GoU has announced it will not commit to new large capital projects in the near term and will finalize projects that are underway and cannot be canceled. Second, MoFPED will monitor closely the budget on a quarterly basis in FY21 and make needed adjustments given the uncertainty of the current economic environment. Third, unidentified financing for the budgeted large fiscal shortfall in FY21 may result in an adjustment to narrower fiscal deficits and hence less pronounced debt vulnerabilities. Finally, the private sector continues to see Uganda's oil production as profitable in the longer term as reflected in Total's recent agreement (April 2020) to purchase Tullow's oil interests in the country for over US\$0.5 billion.

2.3. IMF RELATIONS

36. **The proposed DPF has been closely coordinated with the IMF, which prepared emergency support to Uganda through an RCF operation.** On May 6, 2020, the IMF Board approved financing from the RCF equivalent to US\$491.5 million to provide support to the authorities. BoU would receive US\$340 million to support the reserve position given the expanding external financing gap due to the COVID-19 crisis, while US\$151.5 million will represent budget financing (Table 3). Since the conclusion of the Policy Support Instrument (PSI) program in July 2017, the Government has not been under an IMF program.²⁴ This marked a hiatus in Uganda's continuous program engagement with the IMF that lasted for more than two decades. Nevertheless, since mid-2017, the IMF has remained deeply engaged in the country with a rich technical assistance (TA) and surveillance program. This has included advice and capacity building on domestic revenue mobilization, oil revenue management, fiscal regimes for extractive industries, public investment management, monetary and foreign exchange operations, risk-based supervision in the banking and insurance industry, monetary and financial statistics, fiscal arrears,

²⁴ From 2006 to 2017, the government's engagement with the IMF was through a PSI, which did not involve a drawdown or funding arrangement.



national accounts and price statistics. Periodic monitoring also continued through Article IV consultations and staff visits; the latest of which occurred in May 2019 and February 2020 respectively.

3. GOVERNMENT PROGRAM

37. **Uganda's long-term development aspiration is to transform Uganda to a competitive upper middle-income country with a per capita income of US\$9,500 by 2040.** Uganda Vision 2040 presents a blueprint with goals and targets for this desired socioeconomic transformation, which will be achieved through the implementation of six five-year national development plans. Uganda is in the final year of implementing the Second National Development Plan (NDPII), covering the period FY15/16 to FY19/20, which has four strategic objectives: (i) increase sustainable production, productivity, and value addition in key growth opportunities; (ii) improve the stock and quality of strategic infrastructure to accelerate the country's competitiveness; (iii) enhance human capital development; and (iv) strengthen mechanisms for quality, effective and efficient service delivery.

38. **NDPIII will continue the efforts of NDPII in strengthening Uganda's competitiveness for sustainable wealth creation, employment and inclusive growth.** NDPIII, covering the period FY20/21 to FY24/25, intends to: (i) enhance value addition in key sectors (e.g. agriculture, manufacturing, tourism, minerals, oil and gas, and digital services); (ii) strengthen the private sector to drive growth and create jobs; (iii) consolidate and increase the stock and quality of physical infrastructure; (iv) increase productivity and the social well-being of the population; and (v) strengthen the role of the public sector in guiding and facilitating development. The socio-economic impact of the COVID-19 pandemic will prevent the country from achieving final outcomes of NDPII and, depending on the extent of the impact, disrupt the initial implementation of NPDIII.

39. **Government has committed to several institutional and policy reforms as part of its response to COVID-19.** The immediate goal is to ensure the provision of critical public and health services during the crisis period and protect the most vulnerable. The response also emphasizes the need to achieve this with minimum disruptions to fiscal and monetary stability, while also fostering the development of sustainable systems for managing emergencies. As a result, government is introducing fiscal and monetary policy measures to stimulate the economy, provide liquidity support to the private sector and financial institutions, and aim to sustain jobs and livelihoods (Box 3 and Table 2). In addition, the Government is committed to approve the National Child Policy (NCP) and establish a NCP inter-ministerial implementation committee to address violence against children and young women, which is aggravated during times of economic uncertainty such as the current COVID-19 crisis (see paragraph 27 in the LDP, Annex 3). Implementation of the NCP will be supported by World Bank projects in the education sector that are being prepared.



Box 3: GOU Response to the COVID-19 Pandemic

Government has employed a multi-pronged response to manage the spread of COVID-19 virus and its effects on the economic and social well-being of the population:

1. **Imposed mobility restrictions.** Stringent domestic mobility restrictions include banning private and public transport (except for food trucks), closing of non-essential businesses, and prohibiting gatherings of more than five people.

2. **Health response.** The MoH prepared a National COVID-19 Preparedness Plan (January-June 2020) with technical support from World Health Organization (WHO). As part of the Plan implementation, the following actions have been undertaken: (i) activated the National Task Force and the District Task Forces and engaged the Presidency and the Office of the Prime Minister; (ii) activated the incident management system and the emergency operational center; (iii) heightened surveillance, active case search, contact tracing, follow up of high risk travelers; (iv) designated three hospitals to manage COVID-19 cases and currently building capacity of all the 15 regional referral hospitals to manage the cases; (v) ramped up the capacity to diagnose cases at the Uganda Virus Research Institute; and (vi) produced and disseminated education and communication materials and various guidelines including for mass gatherings and clinical management.

3. **Fiscal policy response.** Additional spending, estimated at 0.6 percent of GDP, aims to address the health emergency and crisis mitigation, social protection and private sector liquidity issues in the last quarter of FY20. This includes US\$81 million for medical supplies and equipment, hiring of additional health workers, free food for vulnerable groups, and additional security measures. It also comprises support to the private sector through a proposed loan to the Uganda Development Bank of US\$153 million. In addition, Cabinet is discussing both a doubling of domestic arrears repayments to US\$213 million (0.6 percent of GDP) and tax measures (e.g. tax exemptions/deferrals) estimated at 0.2 percent of GDP, to provide liquidity to the private sector (Table 2).

4. **Monetary policy response.** Bank of Uganda (BoU) reduced the policy rate in April 2020 by 1 percentage point to 8 percent, its lowest level since its inception in 2011, and announced measures to provide liquidity to commercial banks, and grant exceptional permission to restructure loans of corporate and individual customers, including a moratorium on loan repayment for borrowers that have been particularly affected by the pandemic (Table 2).

4. PROPOSED OPERATION

4.1. LINK TO GOVERNMENT PROGRAM AND OPERATION DESCRIPTION

40. **The objective of the proposed operation is to strengthen the crisis response, help protect the most vulnerable, and foster growth recovery and debt transparency.** The operation will provide emergency financing to the Government as it strives to maintain macro-fiscal stability, whilst also supporting businesses and households, particularly the most vulnerable, in managing the impacts of COVID-19 and the locust invasion. A fiscal consolidation after these crises, combined with the completion of major infrastructure and a committed revenue effort, is expected to shift the fiscal primary deficit from 6.2 percent of GDP in FY21 to a surplus of 0.2 percent of GDP in FY26 and enable the authorities to maintain public debt within manageable levels. The financing provided through this operation is urgently needed to help close a large financing gap and prevent a



more protracted crisis. It will also help with debt sustainability through limiting costly domestic borrowing to finance the rapidly deteriorating fiscal position and thereby preventing the gross financing need from ballooning.

41. **The program fits within the three-pronged framework of the World Bank’s response (see paragraph 70) and focuses on a narrow range of priority issues that are necessary to manage the current crisis and support the most vulnerable population while providing much needed liquidity to the private sector and enhancing fiscal transparency.** The policy actions and reforms supported by the operation aim to improve responsiveness to crises, protect the most vulnerable through expanding both labor-intensive public works and cash transfers to senior citizens, support businesses, improve input markets in agriculture through broadening access to e-vouchers, and enhancing public debt transparency. Thus, the program balances addressing critical emergency issues with putting in place elements of a medium-term framework for improving resilience, the capacity to respond to future crises, and maintaining fiscal sustainability.

42. **The proposed operation is articulated around two mutually reinforcing pillars:**

- *The first pillar, **strengthening the crisis response and protecting the most vulnerable**, aims to save lives, maintaining critical utility services, and reduce the poverty impact of the COVID-19 crisis by:* (a) facilitating access to critical materials to manage the COVID-19 pandemic by lowering costs and stimulating local production; (b) ensuring uninterrupted access to basic utilities during the crisis; and (c) expanding social safety nets.
- *The second pillar, **supporting a faster recovery and debt transparency**, aims to support businesses and inject liquidity into the economy as well as enhance further public debt transparency by:* (a) improving the cash flow of businesses so they remain operational and limit layoffs; (b) ensuring adequate availability of credit through commercial banks and non-bank financial institutions, and allowing restructuring of loans on a case by case basis for borrowers that have been affected by the pandemic; (c) improving the productivity and resilience of the agricultural sector by improving access to higher quality agriculture inputs; and (d) improving transparency of domestic arrears and contingent liabilities .

4.2. PRIOR ACTIONS, RESULTS AND ANALYTICAL UNDERPINNINGS

Pillar 1. Strengthening the crisis response and protecting the most vulnerable

43. **This pillar addresses immediate priorities such as saving lives, maintaining critical services and reducing the poverty impact of the COVID-19 crisis.** In the immediate term, the primary concern is about protecting and saving lives. Among other things, this requires availability and enhanced access to relevant medical materials and equipment. Maintaining the provision of essential services, such as water and electricity, is a key element in limiting the spread of the virus. Furthermore, it is critical that first responders to epidemics and important education facilities have access to these services. An expansion in social safety nets is required to limit the number of Ugandans falling into poverty due to the economic impacts of COVID-19.

Prior Action #1. To ensure access to critical medical materials and equipment, the Recipient has (a) through the Minister of Finance, Planning and Economic Development (“Minister of Finance”) submitted to Parliament Tax Bills providing for one-year excise and VAT exemptions and (b) notified the East African Community (EAC) Secretariat on customs exemptions, on products used to prevent, treat and manage COVID-19.



44. **Rationale:** In the immediate term, the primary concern is about protecting and saving lives, and therefore this represents a universal measure benefitting both urban and rural households. This means putting in place measures needed for the prevention, detection, and treatment of the disease. Together with other pressures on Uganda's health system and its capacity to provide basic services, all areas of basic primary health care must be scaled up to contain the spread and treatment of the pandemic. In this context, several fiscal measures are employed to support the immediate response, as well as build systems for more efficient management of future crises.

45. **Limited public funding and household incomes reduce the capacity of government to protect, manage and treat widespread COVID-19 infections.** Government expenditure on primary health care in Uganda stands at 24 percent, while the remaining 76 percent represents health spending by the private sector.²⁵ Consequently, out-of-pocket payments on health account for 41 percent of total expenditure by individuals.²⁶ Hence, to ensure wider availability of materials and equipment needed to protect the population and medical personnel during the pandemic, the operation supports enhanced access to protective products.

46. **Substance of the prior action:** On May 25, 2020 Cabinet approved²⁷ the removal of all customs duties, excise taxes and VAT from medical materials and equipment used to prevent, treat and manage COVID-19, from April 1, 2020 until end-June 2021.²⁸ Draft tax bills have been prepared and submitted to Parliament to effect these changes domestically and notification has been made to the East African Community Secretariat in regard to effecting the customs duties exemptions.

47. **Expected results:** Exempted revenue, in support of imports of products to prevent, treat, and manage COVID-19 is assessed to amount to UGX 6.5 billion in FY20. As a result, this will lower the cost of these goods at the border and increase the supply in the domestic market. Tax expenditures provide indirect support on the final price and, consequently, enforcement is difficult. URA will report on outcome at the end of FY21.

Prior Action #2. To ensure continued access to basic utilities, the Recipient has (a) through Ministry of Water and Environment and Ministry of Energy and Mineral Development published a list of critical service providers to whom utility services will be guaranteed; and (b) through the Minister of Finance submitted to Parliament a supplementary budget schedule for the approval of funding to the water and electricity companies adversely affected by the Executive's decision not to disconnect vulnerable consumers during the period April to June 2020.

48. **Rationale:** Protecting the provision of essential services such as water and electricity is a key element in limiting the spread of the virus and protecting households' livelihoods. This requires the availability of water and electricity in all public places and homes, primarily among responders to emergencies.²⁹ Uninterrupted electricity provision will help strengthen the ability of first responders to work effectively during the emergency period, especially to power front-line medical equipment such as ventilators. The imposed lockdown and other

²⁵ Alliance for Health Policy and Systems Research and WHO, 2017.

²⁶ National Health Accounts 2014.

²⁷ As part of the Cabinet paper: The Government COVID-19 Response Plan.

²⁸ These include disposable medical face masks, boots, impermeable aprons/coverall suits, protective goggles, indirect side ventilation, infra-red thermometers, motorized fumigation pumps, oxygen cylinders, biohazard bags, body bags, disinfectants including sanitizers, plastics/rubber gloves, gas masks with mechanical parts and paper bed sheets.

²⁹ First responders to emergencies include, for instance, public and private hospitals, quarantine facilities and rural medical infirmaries.



COVID—19-related shocks have adversely impacted households' ability to earn income, weakening their ability to pay for utilities. Piped water is provided to 10 percent of the urban poor households, while another 80 percent of the poor are served through public stand posts (PSPs), which are connected to the water network. The PSPs provide water to nearly two million of urban residents served by National Water and Sewerage Cooperation (NWSC) and to another four million served by umbrella authorities. Effectively, NWSC and Umbrella Authorities (UAs) have implemented the policy measure: PSPs water is provided with overdraft to the prepaid tokens and is free for remote and informal communities/slums near Kampala and large towns. The latter is served with freshly built storage reservoirs, PSPs and with trucks. Furthermore, the uninterrupted provision of reliable electricity services will help support the livelihood of residential and other types of customers through the emergency period.

49. **The halt in economic activity has adversely affected the financial viability of utility companies.** Water and electricity utilities are already experiencing significant reductions in payments by more than 50 percent due to closure or reduced operations of commercial and industrial customers, and hence loss in revenues. In the water sector, these cash flow issues affect the ability of water providers to honor salary payments, as well as payments of electricity bills to electricity utilities, both accounting for 40 percent and 25 percent of total operational costs, respectively. The loss in revenues may also affect service quality in terms of water quality, hours of operation and customer service. In the electricity distribution sector, all service providers, especially Umeme, are experiencing significant reductions in electricity demand and hence loss in revenues. The latter stems from reduced economic activity such as the closure of all but essential commercial and industrial activities. The deficit in revenues will likely impact Umeme's capacity to cover operating expenses and fulfil contractual service standards under the concession (e.g. reliability, system losses, connection targets, bill collection, etc.). The severe impact on economic activity will also affect the customers' ability to make payments for electricity services, therefore affecting bill collection targets.

50. **Substance of the prior action:** The Government has put in place a temporary ban for disconnecting utility services to vulnerable consumers and is providing water, sanitation and electricity to first responders in crisis situations. The following measures were approved by Cabinet on May 25, 2020: (i) publishing a list of first responders to epidemics and important education facilities; (ii) developing a funding mechanism to ensure the supply of affordable water, sanitation and electricity to these first responders and education facilities; and (iii) declaring water and electricity essential services, and providing financial support to ensure business continuity of these companies. A supplementary budget schedule was presented to Parliament on May 28, 2020 which includes a provision for the payment of utility arrears to enable uninterrupted supply of utilities by utility service providers in line with the Government program on COVID-19. This measure will be reviewed for possible extension in July 2020.

51. **Expected results:** First responders to emergencies and all residential, commercial, and industrial customers receiving water and electricity services prior to the outbreak of the pandemic will continue to receive water and electricity services for the remainder of FY20. The list has been approved by the National COVID-19 Task Force (chaired by the Prime Minister) and will be published on the ministries' websites. Furthermore, vulnerable households will not be disconnected from water and electricity services in the final quarter of FY20. NWSC, the Umbrella Authorities, and Umeme and other electricity providers will report on progress in July 2020.



Financial support will be provided to water service utilities and all the 10 utilities providing electricity services in Uganda.

Prior Action #3: To provide support to those affected by the floods, the COVID-19 shock and related mobility restrictions and to streamline the social safety nets system, the Recipient has, (a) through Cabinet approved (i) a labor-intensive public works programs in the roads and water and environment sectors to provide income support for a two month period to informal sector workers; and (ii) the expansion of the beneficiaries under the Senior Citizen Grant (SCG) and funding for the SCG program; and (b) through Memoranda of Understanding (MOUs) signed between relevant core ministries and agencies established a national single registry for beneficiaries of safety net programs.

52. **Rationale:** The economic impacts of COVID-19, the locust invasion and floods will push many households into poverty, and the consequences are already felt across Uganda. A study by UNCDF³⁰, estimates that up to 4.4 million informal sector workers will see their earning falling below the poverty line or totally drying up. The Greater Kampala region is assessed to account for about 50 percent of the total loss of income and closure of informal businesses nationally. Another study by Financial Sector Deeping (FSD) Trust shows that 3 million Ugandans are at survival risk; and 23 percent are at risk of losing 100 percent of their daily income. This is echoed in the BRAC International survey³¹, which shows that the majority (79 percent) had seen their income reduce ‘completely’ or ‘a lot’, and income loss was more pronounced among casual workers and own-enterprise workers. The BRAC findings demonstrate also the real impact the crisis is having on household’s resilience, with many missing meals and/or selling assets to cope with the shock. The elderly are particularly vulnerable to the pandemic shock and may be disproportionately affected given high medical costs. As a result, the financial impact on the population, particularly the poor and vulnerable, is likely to be significant and long-lasting. Social safety nets in the form of Labor-intensive Public Works (LIPW), are well-established in Uganda to protect households exposed to shocks and to address poverty. Meanwhile, the information and infrastructure provided by the Single Registry will allow government to have a clear overview of the beneficiaries of existing social protection programs. It will also allow government to move toward better targeting the poor and vulnerable during future shocks and crises.

53. **The GoU will expand social safety nets in the form of time-bound LIPW to all major urban areas³² and to districts affected by floods.** The major urban areas are likely to experience large losses in employment and income due to mobility restrictions and closure of non-essential businesses. As a result, urban poverty is likely to accelerate. The expansion of LIPW in all urban areas will help address and mitigate this rise in poverty and vulnerability. In addition to the poor and near poor, additional categories, such as people who lost their jobs and informal sector workers who see demand for their services vanishing will be targeted through the LIPW expansion. Regions affected by floods will also be targeted with the expansion of the emergency public works program. A combination of self-targeting, and categorial targeting will be applied to select beneficiaries. There will be outreach to vulnerable categories; other households will be encouraged to indicate interest. Households that

³⁰ United Nations Capital Development Fund (UNCDF), 2020. Impact of COVID-19 on Ugandan MSMEs: Informal sector.

³¹ BRAC, 2020. Rapid food and income security assessment Round 2: How are BRAC International volunteers and program participants coping with COVID-19. (BRAC – Bangladesh Rural Advancement Committee)

³² The main urban areas include Kampala, Wakiso, Mukono, Jinja, Mbale, Mbarara, Fort Portal, Arua, Gulu and Masaka. Government intends to work with non-governmental organizations (NGOs) that are considering cash transfers to the most vulnerable to ensure a coordinated response. .



meet specific objective poverty and jobs-related criteria will be selected as beneficiaries. The wage for the public works will be set slightly below the median market wage of self-employed workers, to encourage the application of only those that do not have alternatives and better income-generating possibilities. Individuals interested in the program will fill in a simple questionnaire through a phone-based application that will consist of a set of easily observable household variables that are correlated with poverty and vulnerability. Households that meet three out of five poverty criteria (such as low education level of household head, larger household sizes, and so on) and meet one out of two jobs criteria (such as household member losing job recently, or people whose livelihoods are affected by mobility restrictions) will be selected to benefit from the program. The program will aim to have at least 50 percent women as beneficiaries. The labor requirements will be adjusted for certain types of households to be in line with their labor capacity (e.g. pregnant women, mothers with caring duties etc.). This will include lighter activities such as tree seedling bed management, seedling plantation, communal areas cleaning, and so on. The program will also provide support to households whose members cannot perform public works (such as persons with severe disability, child-headed households, and so on) – 20 percent of project funds will be reserved to provide direct income support to such families.

54. **The LIPW implementation will uphold social distancing requirement and safety standards.** Uganda has very good experience in planning, designing and implementing LIPW in both rural and urban settings, under the Northern Uganda Social Action Fund (NUSAF) 1, 2 and 3 projects. The infrastructure for expanding LIPW in rural areas is in place and tested; the government will develop further the guidelines for LIPW in urban areas with TA from the World Bank and International Labour Organization (ILO). An application will be developed to enable interested beneficiaries to send a text message with their name, National Identification Number (NIN), and location to the implementing agency. This information will be verified using the National Identification Registration Authority (NIRA) database. Beneficiaries will be selected based on objective targeting criteria, and tasks will be allocated to eligible beneficiaries. During field level activities, implementation guidelines on occupational health and safety (OHS) and safeguards related to maintaining social distancing will be followed. Provision of sanitation facilities at the worksites will be required. The public works design and implementation will uphold environmental and social safeguards. A supervisor will verify task completion by taking photos of the beneficiary and task accomplished and sending this to the Management Information System (MIS) for approval of payment. The daily wage will then be sent to the beneficiary's mobile phone or bank account directly. Confirmation of payment will be sent to the MIS for accountability. The Ministry of Gender, Labor and Social Development (MGLSD) will lead implementation of the intervention, working closely with the Ministry of Works and Transport, and the Ministry of Local Government. The oversight and supervision of tasks will be managed by the Ministry of Works and Transport, in collaboration with the Ministry of Local Government.

55. **Substance of the prior action:** This operation seeks to strengthen both the institutional underpinning and expand the instruments to respond to the crisis and mitigate impacts on vulnerable households. Cabinet approved on May 25, 2020 the paper, which: (a) approves LIPW in the main urban areas and rural areas affected by floods for two months from July to August 2020; and (b) rolls out the expanded SCG nationwide, in 71 new districts.



Memoranda of Understanding have been signed between relevant core Ministries and Agencies³³ to establish the national single registry for beneficiaries of safety net programs.

56. **Expected results:** According to World Bank estimates, the rapid and time-bound expansion of LIPW is expected to reach roughly 500,000 beneficiaries and estimated to cost US\$35 million, which is already budgeted under the Road Fund.³⁴ The ultimate reach of LIPW will depend, among others, on the demand for public works given beneficiaries' opportunity costs. This income would support them with compensating at least part of the loss of income due to COVID-19 containment measures and help minimize harmful coping strategies (such as eating fewer meals or selling productive assets). This is critical to mitigate irreversible long-term damage and minimize the erosion of gains made in terms of human capital accumulation. The Government's goal of seeking to target women (50 percent of beneficiaries) will support gender balance in the implementation of this program. The expansion in the senior citizens' grant will protect the elderly and is expected to reach some 200,000 beneficiaries, who will also receive a lumpsum payment for the period January to June, which will amount to a total of US\$8 million. MGLSD will report on progress in September 2020 and again in July 2021. Finally, the national single registry for beneficiaries of safety net programs is assessed to have 1,090,880 registered beneficiaries, which will enable a more rapid social protection response in future crises.

Pillar 2. Supporting faster economic recovery and debt transparency

57. **The large-scale economic shock and loss of employment, for those in the formal sector as well as in the informal economy, require efforts to provide liquidity to these firms and farms as well as the financial sector.** This support will enable businesses to continue providing wages and salaries for workers, remuneration for entrepreneur-owners but also keep them viable for the post-crisis recovery and growth. Thus, while much of the policy effort necessarily goes toward addressing the immediate crisis, investment also needs to be made in recovery and growth, to create the foundations for the future.

Prior Action #4: To provide liquidity to businesses, the Recipient has, (a) through the Minister of Finance submitted to Parliament the Tax Procedures Code (Amendment) Bill, 2020 providing for, (i) deferment until September 2020 of corporate tax, tax on employment income and presumptive tax payments due between April 2020 and June 2020, for entities or persons in the manufacturing, tourism, horticulture and floriculture sectors with a turnover below UGX 500,000,000; and (b) through the Bank of Uganda, (i) provided extra liquidity to commercial banks, and microfinance deposit taking institutions and credit institutions; and (ii) granted exceptional permission to Supervised Financial Institutions (SFIs) to restructure loans of corporate and individual customers.

58. **Rationale:** This operation seeks to support the government in managing the adverse economic impact of COVID-19 by improving the cashflow through temporary lessening the tax burden for businesses. Certain economic sectors, which are large employers, such as for instance tourism, manufacturing and Micro, Small and Medium Enterprises (MSMEs) in horticulture and floriculture, are particularly affected by imposed social

³³ The MGLSD, National Identification and Registration Authority, National Information Technology Authority, Uganda Bureau of Statistics, and Office of The Prime Minister.

³⁴ See guiding principles, investment menu, targeting and number of beneficiaries by urban area and corresponding costing in "Concept Note for Urban Cash for Work Programme" by the MoGLSD.



distancing measures or supply chain and labor disruptions. Cancellations of bookings on a large scale and a complete halt in new bookings are causing sizable losses to the tourism and hospitality sectors. At the same time, the industrial sector is facing supply chain and labor supply disruptions (stay at home orders). Meanwhile, the demand for cash crops, which include floriculture and horticulture products has fallen as traditional markets halted new orders. Flight restrictions also limit the ability to supply these products to alternative markets.

59. **Furthermore, the stress on households and businesses is soon expected to lead to liquidity constraints and a rapid rise of non-performing loans in the financial sector.** Stress in the financial market has already surged and spurred demand for liquidity. Households and SMEs in Uganda face a sharp reduction in income due to disruption in supply chains, deliveries and payments; a fall in tourism; a fall in consumption and investment; and job losses.

60. **Substance of the prior action:** The GoU will enhance liquidity for businesses by deferring payments to corporate taxes, and employment taxes for firms in the formal sectors, and presumptive taxes for MSME firms. For MSMEs that for a large part operate in the informal economy, with turnover below UGX 500 million, liquidity is provided by deferring payments of presumptive and other income taxes. The tax deferment was approved by Cabinet on May 25, 2020. A draft tax bill to amend the Tax Procedures Code, 2014 has been drafted and submitted to Parliament on June 4, 2020, which following parliamentary approval will give effect to the aforementioned tax deferments. Deferment of the corporate tax lasts from April to September 2020, while the deferment of the tax on employment income and presumptive tax payments takes place between April and June 2020. The latter will be reviewed in June 2020.

61. **BoU's April 6, 2020, Monetary Policy Statement contains the following measures:** i) Exceptional liquidity assistance to commercial banks that are in liquidity distress for a period of up to one year³⁵; ii) provision of liquidity to commercial banks for a longer period through issuance of reverse REPOs of up to 60 days at the central bank rate (CBR), with opportunity to roll over; iii) purchase of Treasury Bonds held by Microfinance Deposit taking Institutions (MDIs) and Credit Institutions (CIs) in order to ease their liquidity distress whenever it arises. MDIs and CIs that do not hold Treasury bills or bonds in their asset holdings will be provided with liquidity secured by their holdings of unencumbered Fixed Deposits or Placements with other SFIs; and iv) exceptional permission to SFIs to restructure loans of corporate and individual customers including a moratorium on loan repayment for borrowers that have been affected by the pandemic, on a case by case basis at the discretion of the SFIs for up to 12 months, effective April 1st, 2020. SFIs are required to report their liquidity situation on a weekly basis and the status of loan restructuring on a monthly basis to the BoU.

62. **Expected results:** Liquidity provided to businesses on account of listed deferments is expected to total about UGX 125 billion in 2020. The number of restructured loans to support firm and individual customers to cope with reduced or lost income due to COVID-19 shocks amount to 500,000 in the first three months of the credit relief measures, namely April-June 2020. Evidence on liquidity provided by BoU to banks and other financial institutions through standby facility, reverse repos and other instruments is sensitive market information and could not be used as a results indicator. Alongside these liquidity measures, the government will continue to undertake reforms

³⁵ All SFIs in Tier I-III are eligible for BoU's liquidity support.



including on leasing, insolvency treatment, and business licensing, to improve the business environment to support productivity improvements, growth and job creation on a more sustainable basis.

Prior Action #5: To improve effective distribution of agricultural inputs, the Recipient has through the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF), rolled out the e-voucher system to 10 additional districts.

63. **Rationale: To support faster economic recovery, reforms in the agricultural input market will enhance agricultural productivity and resilience.** Access to high-quality agricultural inputs are critical to enhance agriculture productivity. While other countries have largely removed inefficiencies in agro-input markets, Uganda is lagging in these efforts. As a result, current yields for crops are estimated at only 20-33 percent of the potential yield for rain-fed agriculture. One reason for low yields is the minimal use of agro-inputs by farmers arising from inefficiencies in agro-input distribution and the prevalence of low-quality and/or counterfeit agricultural inputs in local markets. This has proven to be a major cause of low returns to farmers' investments and constrained adoption rates of improved technologies. Limited access to and availability of quality inputs, and an erosion of trust in the inputs that are prevalent in the market has led most farmers to resort to informal sources of input supply, or their non-use, resulting in the relatively poor performance of the agricultural sector.

64. **This operation seeks to support the scaling up of the e-voucher system to remove distortions in the agro-input market.** The use of the electronic voucher (e-voucher), currently being piloted by the Government through the World Bank-funded Agricultural Cluster Development Project (ACDP), is an important means to bring about alignment of incentives between agro-input suppliers/traders and farmers. E-vouchers will enable farmers to choose where to buy inputs in the market, and thereby self-monitor/enforce the provision of high-quality products by input traders. This alignment requires a private sector approach supported by effective public efforts at defining and monitoring quality. Unlike the existing delivery model (being managed through the GoU's Operation Wealth Creation or OWC), the new e-voucher scheme allows smallholder farmers to use e-vouchers to purchase other inputs beyond fertilizer, including certified seeds and appropriate agrochemicals. This approach is expected to encourage smallholder farmers, many of whom are women, to adopt agronomical practices which result in increased yields and higher incomes. Furthermore, by helping to arrest the decline in soil quality, the measures are expected to support the sustainable productivity of the land and hence reduce climate vulnerability, as well as contribute to mitigation efforts, since soil health is associated with its ability to store carbon.

65. **Substance of the prior action:** This operation supports the scaled-up rollout of the e-voucher system in 10 additional districts³⁶, beyond the pilot districts under the ACDP, with the ambitious goal to ultimately cover the entire country. The ten districts will be selected based on their proximity to the ACDP implementing districts already participating in the e-voucher scheme for ease of lesson learning. Membership of a farmers group will be an important targeting criterion for farmers' participation to enable provision of agricultural extension services and collective marketing of agricultural produce/output. Other measures beyond those supported by this operation have been undertaken, such as Local Governments (LG) putting in place relevant ordinances that will enable them to institute necessary legal action to strengthen enforcement, and development of an accreditation system for agro-input dealers to enable traceability.

³⁶ Bukomansimbi, Kaliro, Bukedea, Lamwo, Otuke, Ntoroko, Buliisa, Buhweju, Koboko, Zombo.



66. **Expected results:** It is expected that an additional 20,000 farmers will be reached with e-vouchers through the scale up of the program in 10 districts. The increased access and use of pesticides and fertilizers, will necessitate extending the existing guidance (Integrated Pest Management Plan) and systems operational under the ongoing Agriculture Cluster Development Project to the 10 districts through the agricultural extension services. To complement a more effective agro-input market, government is preparing a national plan and early warning system to combat adverse climate change effects and migratory pests. This Integrated Pest Management Plan/Framework, for the control and management of epidemics and migratory pests (such as locusts, army worms), seeks to ensure adequate capacity for surveillance, forecasting and an effective response, based on sound institutional coordination at sub-national and national levels. Without this coordination mechanism, the impacts of climate change and migratory pests will continue to have devastating effects on the agricultural sector, regardless of whether there has been an increase in agricultural productivity. In addition, strengthening the provision of agricultural extension service delivery will be vital for farmer education and dissemination of weather, pest and disease advisories.

Prior Action #6. To enhance debt transparency, the Recipient has through the MoFPED published the verified stock of domestic arrears with a time lag of less than one year, upcoming SOE guarantees and other contingent liabilities from legal proceedings.

67. **Rationale: Improved debt transparency yields enhanced accountability, especially critical at times of a rapid rise in total public debt, which has increased Uganda's debt vulnerabilities.** To adequately assess vulnerabilities over the medium term, the transparency of contingent liabilities is paramount. MoFPED has published detailed information on PPPs and SOE's explicit and implicit contingent liabilities, including upcoming government guarantees in the pipeline for Cabinet approval. The continuation of publishing rising contingent liabilities from SOEs is critical during the crisis. The lack of timely domestic arrears data, however, and contingent liabilities from legal proceedings detracts from the otherwise good transparency and hinders government from effectively managing these fiscal risks.

68. **Substance of the prior action:** MoFPED has previously published a report on public debt, including approved government guarantees, PPPs and implicit contingent liabilities, such as non-guaranteed SOE borrowing (domestic and external). In the *Report on Public Debt, Guarantees, Other Financial Liabilities and Grants for FY19/20* and the *Medium-Term Debt Management Strategy FY20/21 to FY23/24*, MoFPED has now started including the stock of verified domestic arrears not older than 1 year, contingent liabilities from legal proceedings and government guarantees awaiting Cabinet approval in its public debt reporting. These reports were presented to Parliament and published in late April 2020.

69. **Expected results:** Based on published verified arrears, MoFPED will increase the repayment of domestic arrears in FY20, which is estimated to result in a decline in domestic arrears from 2.8 percent of GDP in FY19 to 2.4 percent of GDP in FY20.



Table 5: DPF Prior Actions and Analytical Underpinnings

Prior Actions	Analytical Underpinnings
Operation Pillar 1: <i>Strengthening the crisis response and protecting the most vulnerable</i>	
Prior action #1	<p>Summarized findings: Ensure access to critical materials to manage the COVID-19 disease, by lowering cost and stimulating local production.</p> <ul style="list-style-type: none"> World Bank, Fiscal Policy and Sustainable Development Unit (MTI), April 2020. The Fiscal Impact and Policy Response to Covid-19. MoFPED, April 2020. Government Economic Policy Responses to cope with the effects of Covid-19. MoH, February 2020. Coronavirus Disease - 2019 (COVID-19) Preparedness and Response Plan.
Prior action #2	<p>Summarized findings: Ensure undisrupted access to basic utilities during crisis periods.</p> <ul style="list-style-type: none"> World Bank, Poverty and Equity GP, April 2020. Policy Actions to Mitigate the Poverty and Distributional Impacts of the COVID-19 Pandemic. World Bank, Fiscal Policy and Sustainable Development Unit (MTI), April 2020. The Fiscal Impact and Policy Response to Covid-19. MoFPED, April 2020. Government Economic Policy Responses to cope with the effects of Covid-19.
Prior action #3	<p>Summarized findings: For poor and vulnerable households, the impacts of COVID-19 are expected to be especially severe and thus focused policies to protect their wellbeing, both during the crisis as well as in the recovery period, are critical.</p> <ul style="list-style-type: none"> World Bank, ILO, UNICEF, April 2020. Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures. World Bank, Poverty and Equity GP, April 2020. Policy Actions to Mitigate the Poverty and Distributional Impacts of the COVID-19 Pandemic. World Bank, Fiscal Policy and Sustainable Development Unit (MTI), April 2020. The Fiscal Impact and Policy Response to Covid-19. World Bank, January 2020. Uganda Economic Update, 14th Edition: Strengthening Social Protection to Reduce Vulnerability and Promote Inclusive Growth. MGLSD, March 2020. COVID-19 Intervention Plan.
Operation Pillar 2: <i>Supporting faster economic recovery and debt transparency</i>	
Prior action #4	<p>Summarized findings: Provide support to economic sectors, including MSMEs, that are hardest hit by the COVID-19 crisis and, thereby, sustain a level of cash-flow to remain operational and not lay off staff; and ensure adequate access to credit and the normal functioning of financial markets, by providing liquidity to commercial banks and non-bank financial institutions, and necessary restructuring of loans for borrowers that have been affected by the pandemic.</p> <ul style="list-style-type: none"> World Bank, Fiscal Policy and Sustainable Development Unit (MTI), April 2020. The Fiscal Impact and Policy Response to Covid-19. World Bank, March 2020. Macroeconomic Policy in the Time of COVID-19: A Primer for Developing Countries. MoFPED, April 2020. Government Economic Policy Responses to cope with the effects of Covid-19. World Bank, Fiscal Policy and Sustainable Development Unit (MTI), April 2020. The Fiscal Impact and Policy Response to Covid-19. World Bank, March 2020. Macroeconomic Policy in the Time of COVID-19: A Primer for Developing Countries. MoFPED, April 2020. Government Economic Policy Responses to cope with the effects of Covid-19. BoU, March 2020. Measures to mitigate the economic impact of COVID-19.



Prior action #5	<p>Summarized findings: The free distribution of subsidized inputs has undermined quality input production by agribusinesses, led to the crowding out of the private sector from distribution of these inputs, and is a major cause of declining productivity in the agriculture sector.</p> <ul style="list-style-type: none"> World Bank, 2018. Closing the Potential-Performance Divide in Ugandan Agriculture. World Bank, 2019. Agriculture Sector Public Expenditure Review (PER).
Prior action #6	<p>Summarized findings: Enhance debt transparency, through comprehensive tracking of SOE debt, contingent liabilities, and verified domestic arrears.</p> <ul style="list-style-type: none"> World Bank, May 2018. TA for Government Guarantees’ Management in Uganda. World Bank, March 2018. Debt Management Performance Assessment. IMF, April 2019. Uganda—Staff Report for the 2019 Article IV Consultation. IMF, September 2017. Country Report No. 17/271. Uganda: TA Report—Managing and Preventing Expenditure Arrears. IMF, May 2017. Country Report No. 17/130. Uganda Fiscal Transparency Evaluation. MoFPED, March 2020. Report on Public Debt, Guarantees, Other Financial Liabilities and Grants for FY 2019/20 & The Medium-Term Debt Management Strategy 2020/21 – 2023/24 MoFPED, March 2018. Domestic Arrears Strategy.

4.3. LINK TO CPF, OTHER WORLD BANK OPERATIONS AND THE WBG STRATEGY

70. **The proposed DPF fits within the framework of the WBG global response to the COVID-19 crisis: protecting lives and livelihoods and protecting the future by creating opportunities for stronger recovery.** The first prong puts in place measures for the prevention, detection and treatment of COVID-19 and seeks to sustain livelihoods during the period when parts of the economy need to be shut or slowed down in order to prevent the spread of the disease. This implies, among others, protecting households through direct income support, maintaining key government services, as well as access to critical supplies such as water, electricity and health. The second prong addresses investments/reforms needed for a faster recovery, sustainable growth, which would create the foundations for a more resilient society.

71. **The proposed DPF is part of a holistic approach by the WBG to help Uganda manage and respond to the COVID-19 and locust crises (see Annex 5 for full details).** It includes operations to manage the crisis in the short-term, such as projects that respond to the immediate health crisis by, among others, strengthening case management and laboratory capacity. A project in the education sector to provide resources for continued learning during school closure and to help prepare for the reopening of schools, including capacity building and to better prepare the education system for future shocks.³⁷ This will be complemented by additional financing (AF) for the ongoing Uganda Intergovernmental Fiscal Transfers Program (P172868), which, among others, aims to strengthen LG systems, develop health and education infrastructure, enhance rural water and sanitation, and finance small scale irrigation systems. There is also the Emergency Locust Response Program (P173702), which is responding to the locust outbreak and strengthening systems for preparedness. This includes swarm management, surveillance and insecticide treatment, and providing safety nets, cash transfers and restoring livelihoods. There are two further projects that will support the longer-term recovery in Uganda. Additional financing for the Competitive and Enterprise Development Project (P169435) that includes support for tourism development – critical given the negative impact COVID-19 has had on this sector – and a new program that aims

³⁷ Uganda COVID-19 Education Response (P174033)



to support the private sector and jobs through the provision of liquidity facilities, credit guarantees and technical support to MSMEs for their recovery and development.

72. **The operation is fully consistent with the WBG CPF 2016-20 for Uganda and aligned with draft Performance and Learning Review (PLR).**³⁸ The first pillar of the operation is closely aligned to the first of the three CPF focal areas – *Strengthening Governance, Accountability and Service Delivery* – by enhancing government’s capacity and ability to respond to and manage the COVID-19 and other crises. This includes measures that will sustain and, for the health response, improve social service delivery. Furthermore, by continuing the provision of essential water and electricity services (pillar 1 of the operation), this ensures that these services are still available to the urban and rural poor who already have access. The second part of the first pillar of the operation tries to ensure that the vulnerable are protected, which links to the fourth (*enhanced resilience of the poor and vulnerable*) objective under the second CPF focal area. The second pillar of the operation ties in well with the second – *Raising Incomes in Rural Areas* – and third – *Boosting Inclusive Growth in Urban Areas* – focal areas of the CPF. This pillar aims to ensure that businesses and jobs are supported during the crisis so that they can recover quickly once the pandemic is under control – critical for sustaining growth, particularly in urban areas. Through the roll-out of the e-voucher system, this pillar also aims to improve agricultural productivity, which is necessary for supporting the recovery and the country’s drive towards agricultural commercialization and enhancing the resilience of poorer households in rural areas (both objectives of the second CPF focal area). Finally, this operation addresses key adjustments proposed in the PLR for the CPF program, including responding to the health and economic impacts of the COVID-19 crisis, and strengthening social protection.

73. **Lessons learned from the implementation of previous World Bank operations in Uganda, as well as emergency development policy operations (DPO) in other countries, have informed the design of the proposed operation.** The World Bank has not provided budget support to Uganda since 2013, when the Poverty Reduction Support Credit (PRSC) series came to an end. In FY17, a DPO aimed at supporting fiscal decentralization and improving service delivery in health and education was sent to the Board. The DPO was, however, not discussed due to a country portfolio freeze at the time, associated with safeguard issues in the Transport Sector Development Project (P092837). Nonetheless, the experience from the PRSC series, as well as emergency DPOs in other countries, underscores the importance of: (i) incorporating emergency DPOs as part of a broad WBG package of inventions to maximize impact; (ii) closely coordinating with other development partners in the ‘rush to respond’; (iii) focusing on measures that will have an immediate impact on protecting lives and livelihoods; (iv) including measures that also demonstrate government’s commitment to longer-term reforms and building public institutions; and (v) ensuring strong monitoring and evaluation mechanisms.

4.4. CONSULTATIONS AND COLLABORATION WITH DEVELOPMENT PARTNERS

74. **The proposed DPF directly complements programs being developed by other development partners in response to the COVID-19 crisis.** It has been closely coordinated with the IMF, which prepared an emergency support to Uganda through an RCF operation. The RCF disbursement of US\$491.5 million will help bolster foreign exchange reserves and, together with the World Bank’s funds, close the fiscal financing gap. In preparing these

³⁸ CPF for The Republic of Uganda for the period FY16-21 – Report No. 101173-UG. Discussed by the WBG Board on 21 April 2016. The PLR will be presented to the Board in July 2020.



operations, the World Bank and IMF undertook joint dialogue with the government, fully aligned their respective macro-fiscal frameworks, and together updated Uganda's DSA in April 2020. Furthermore, this operation will benefit from IMF's agreement with Government on strict transparency and accountability measures regarding expenditures related to the COVID-19 response. The AfDB and AfD are also preparing budget support operations. AfDB's operation intends to support actions and reforms related to the health response, scaling-up of safety nets, and sustaining economic activity and fiscal stability. AfD intends to finance, up to a ceiling of EUR 60 million, part of the MoH's COVID-19 Preparedness and Response Plan.

75. **The proposed DPF is an integral part of development partners' collective response to the crisis in Uganda.** The preparation of this operation benefited from the on-going dialogue of the Local Development Partners Group (LDPG), which includes heads of missions of numerous multilateral and bilateral agencies. Through this platform, the World Bank's DPO team has gained a fuller picture of partners' intended response to the COVID-19 and locust crises in Uganda. United Kingdom Department for International Development (DFID) is exploring possibilities to deliver enhanced social protection through the SCG and a separate Give Directly program, supporting Kampala Capital City Authority (KCCA) to prepare its contingency plan, and working with Trade Mark East Africa to help manage COVID-19 impacts on regional and cross border trade. United Nations Children's Fund (UNICEF) is undertaking analysis of COVID-19 on vulnerable populations in Uganda, which could help in targeting the interventions under PA#8. United Nations Development Program (UNDP) is working with the Office of the Prime Minister to strengthen coordination and activate the National Emergency Coordination Centre (NECOC) to provide a robust whole-of-gov platform. Several donors³⁹ under the umbrella multi-donor trust fund to support implementation of the NDPII are exploring modalities to accelerate existing programs and provide additional funding to support the GoU to mitigate specific vulnerabilities and impacts of Covid19. Understanding what others are doing has allowed the World Bank to develop an appropriate and complementary DPO reform program. Furthermore, by sharing information through the LDPG on the likely impacts of COVID-19 on Uganda, as well as global World Bank proposals and approaches to responding to the crisis, development partners are more supportive of the World Bank's support through a DPO and what the DPO program intends to achieve.

5. OTHER DESIGN AND APPRAISAL ISSUES

5.1. POVERTY AND SOCIAL IMPACT

76. **Overall, the proposed DPF is expected to have a positive impact on poverty and inequality, helping to curb the rise in poverty and inequality that are expected as a result of the COVID-19 crisis.** As discussed earlier, the COVID-19 outbreak is likely to have long-lasting economic and social impacts of unknown proportions given the direct and indirect effects of the illness, the preventive behaviors of people, and the transmission control policies of governments. For poor and vulnerable households, in Uganda and elsewhere, these impacts are expected to be especially severe. Thus, measures that increase Uganda's preparedness to manage the outbreak and provide the necessary health and emergency services (including ensuring the availability of materials needed to manage the outbreak) to help curb the expansion of the outbreak, will lower the transmission among the most vulnerable. Furthermore, actions aimed at protecting the most vulnerable segments of the population, will have

³⁹ DFID, Netherlands, Ireland, Sweden, Belgium, Denmark, and Norway.



notable positive effects on wellbeing, in terms of both monetary and non-monetary indicators. At the same time, actions that help to buffer the effect of the shock in terms of earnings and employment and boost the productivity of rural households, will benefit those at the bottom of the distribution.

77. **The first two prior actions under the first pillar of the proposed operation – strengthening crisis response and protecting the most vulnerable – are likely to have positive effects on the welfare of households.** The COVID-19 outbreak will impact the welfare of households at the end of the distribution mainly through a negative effect on labor income; both through the direct effect of lost earnings due to illness or the need to take care of sick household members, as well as the indirect effect of shocks to earnings and employment caused by a decline in aggregate demand and supply disruptions. The prior action #1 under the first pillar intends to help contain a widespread contagion and increase the GoU preparedness in terms of health services and emergency response that will be needed. This will help reduce the adverse effects due to illness and the need to care for a sick relative. In addition, PA#2, which provides continued provision for consumers of water and electricity services irrespective of their bill payment status, will provide relief for those that have access to these public services. The latter will have a positive yet modest direct effect on the electricity consumption of the poor over the short term, given that access to electricity is relatively low amongst the poor (around 13 percent). At the same time, this will particularly benefit the urban poor, for whom expenditure on utilities reaches about 15 percent of total consumption (as opposed to 7 percent in rural areas).⁴⁰ The continued provision of water will have a substantial effect on the consumption of the poor, especially through the standpipes. The latter supplies about 2 million poor in urban areas and around 4 million in rural areas.

78. **Prior action #3 under the first pillar is expected to have significant direct positive effects on the wellbeing of the poor.** To mitigate the immediate impacts of the crisis for a limited period, PA#3 will provide cash transfers to senior citizens and income support through labor-intensive public works to vulnerable families. This direct income support will enable poor households to maintain their human capital and avoid harmful mitigation strategies. Government will also strengthen the framework for identifying and supporting the vulnerable through the operationalization of the single national registry.

79. **Similarly, the prior actions under the second pillar – supporting faster economic recovery and debt transparency– will have a modest direct effect on the labor income of households and will thus help buffer the negative impacts of COVID-19.** PA#4 (i) will defer, until September 2020, payments related to Corporate and Employment Income and Presumptive taxes (due between April 2020 and June 2020) for MSMEs in the manufacturing, tourism, horticulture and floriculture sectors with a turnover below UGX500 million. While the deferral of Corporate and Employment Income taxes will benefit mostly firms in the formal sector (which employ only about 12 percent of those in wage employment in Uganda, Uganda National Household Survey (UNHS) 2016), the deferral of the Presumptive tax will benefit firms in the informal sector (which employ 88 percent of those in wage employment). At the same time, PA#4 (ii) will allow necessary restructuring of loans on a case by case basis by commercial banks and non-bank financial institutions during the next year, for borrowers (firms and consumers) that have been affected by the pandemic. These measures will provide enough cashflow for both formal and informal firms to minimize staff layoffs. However, the effect will be modest, as only 24 percent of the labor force is wage-employed, with almost 73 percent of the labor force being self-employed or a non-paid

⁴⁰ This also includes rent and expenditures on gas and other fuels.



employee (the remaining 3 percent is an employer).⁴¹ Furthermore, this is likely to primarily benefit the urban poor (around 10 percent of the poor population or 0.9 million people), rather than their rural counterparts (around 90 percent or 7.2 million people). The loan restructuring is also expected to provide some direct relief to households with outstanding formal loans at commercial banks, credit institutions, MDIs, microfinance institutions (MFIs) and Savings and Credit Cooperative Organizations (SACCO). Nonetheless, debt repayment and interest represent only about 5 percent of household consumption for Ugandan households, so the magnitude will be limited.

80. **The second pillar will also have a direct impact on rural households through the enhancement of agricultural productivity.** PA#5 involves the rolling out of the e-voucher system to raise productivity in the agriculture sector, which provides employment to over 90 percent of rural households. This effort will contribute to boosting the incomes of rural households, a key contributor to poverty reduction in Uganda over the last 20 years. A recent study estimated that the use of low-quality inputs in Uganda lowers the net economic returns of using hybrid seeds and non-organic fertilizer from around 60 percent to close to 0 in the case of maize (Hill, Mejia and Vasilaky, 2018), which helps to explain the low levels of adoption of these inputs among rural households. Thus, the expansion of the e-voucher system has the potential to increase the adoption of improved inputs and enhance crop income. This in turn will increase rural household consumption and contribute to poverty reduction (Hill and Mejia-Mantilla, 2017).⁴² Enhancing debt transparency is not going to have a direct impact on urban or rural households' income or livelihoods.

5.2. ENVIRONMENTAL, FORESTS, AND OTHER NATURAL RESOURCE ASPECTS

81. **Although GoU has laws, policies and structures in place for management of environmental, health and safety (EHS), led by National Environment Management Authority (NEMA), MGLSD and MoH, the system suffers from inadequate capacity for ensuring that environmental and social issues are properly addressed, conditions of approval enforced, and non-compliance penalized.** The World Bank in close collaboration with the NEMA conducted a Country Environmental Assessment in 2019 and the main concerns were on Uganda's institutional systems to manage EHS aspects of its development projects, which in the past have resulted in suspensions, cost overruns, cancellations, significant impacts on affected populations and in some cases contributed to environmental degradation. This also extends to the post-COVID-19 recovery, when allowing people back to work safely requires implementing COVID-19 Adapted Occupational Health and Safety Procedures and ensuring that they are followed by employers and employees. Furthermore, the Assessment noted that the causes of inadequate prioritization of environmental and social aspects in the development arena are due to under-resourced institutions and inconsistent application of environmental and social safeguards – especially for projects not linked to international financing institutions (e.g. World Bank) or donors.

82. **The specific reforms supported by the proposed operation are unlikely to have significant negative effects on the country's environment, forests and other natural resources.** The support under PA#1 to ensure access to critical medical equipment will likely lead to increased imports and domestic production of this equipment and materials. The disposal of such equipment, and other materials related to the pandemic response, poses EHS risks and impacts, which will need to be managed with the direct participation of NEMA, MGLSD and

⁴¹ The proportion of the poor in wage employment is even lower, estimated at only 18 percent.

⁴² The elasticity of rural household consumption to crop income is 0.05.



MoH, to ensure that such impacts are taken into consideration and any mitigation adequately resourced. In this context, the World Bank is helping strengthening waste management through the COVID-19 health project by ensuring health care waste management plans are developed (for laboratory investments and related equipment) and that there is capacity to implement these plans. Ensuring continuation of access to basic utilities and support to businesses is expected to sustain existing operations, even at a lower level, so no additional environment concerns are expected. The additional support, through PA#3, to the vulnerable may prevent them from having to depend more on the natural environment (i.e. poaching, woodland and wetland destruction). The proposed tax reforms should not compromise environmental quality and/or contribute to environmental degradation. In this respect, it is expected that URA will continue to work with NEMA to ensure the usual adherence.

83. **The e-voucher input subsidy program is not expected to harm significantly the environment and other natural resources.** This is because the program is intended to increase efficiency in the distribution of inputs in the supply chain, including by eliminating middlemen, rather than expanding the use of potentially dangerous products like fertilizers. This program will be rolled out following the Integrated Pest Management Plan and guidance under existing systems set up under the ongoing Agriculture Cluster Development Project that first piloted the e-voucher system.

5.3. PFM, DISBURSEMENT AND AUDITING ASPECTS

84. **The Government continues to implement Public Financial Management (PFM) reforms with its resources together with the support of donors.** The more notable recent reforms led to enacting the Public Finance Management Act of 2015 (as amended); the upgrade of the Integrated Financial Management System (IFMS); and other initiatives that were supported by the Financial Management and Accountability Program (FINMAP) and successor Resource Enhancement and Accountability Program (REAP) in the implementation of government's PFM reform strategy.⁴³ These reforms and programs address challenges identified by various accountability agencies, including the Office of the Auditor General (OAG).

85. **The BoU has worked to improve its financial systems.**⁴⁴ The BoU has established a mechanism to monitor and report on the implementation of external audit recommendations to mitigate risks identified in these audits. Audited financial accounts are put before the legislature within the statutory period of three months after the end of the fiscal year, including the recent June 2019 report that was issued before September 30, 2019, as mandated. The Audit and Governance Committee of the board is in place to ensure that both internal and external audit findings and recommendations, as well as follow-up actions taken, are appropriately communicated to the governor and the committee for further action.

86. **Other BoU systems have also been strengthened over recent years.** During 2013/14, the BoU worked closely with MoFPED and implemented the Treasury Single Account (TSA) to cover all transactions of the Consolidated Fund. This has transitioned most government payments from manual to electronic, leading to a shorter turnaround and minimizing errors. This is being rolled out to cover donor funded projects. The BoU implemented an off-the-shelf core banking system, called the BoU Banking System, in 2010 to improve service delivery to its customers, including the creation of internet banking modules, since it manages most government

⁴³ The primary purpose of FINMAP and REAP are to strengthen PFM at all levels of government and ensure efficient, effective and accountable use of public resources as a basis for improved service delivery.

⁴⁴ The IMF's Safeguards Assessment of the BoU, completed in 2007, reviewed strengths and vulnerabilities in the BoU's financial systems.



projects in Ministries, Departments and Agencies (MDAs), including all World Bank–funded programs. In line with the IMF’s Safeguards Assessment Guidelines, the BoU now reconciles economic and financial data each quarter by reviewing the monetary authority balance sheet and the BoU balance sheet. It has created an audit plan assessing the risks to its operations and the related control environment. Since it instituted a risk management framework in 2005, the BoU, through internal audit, conducts a risk management review on an annual basis covering operational, financial, credit, market, and compliance risks.

87. **PFM systems are being strengthened, as the PFM Reform Action Plan has been operationalized.** The 2016 Public Expenditure and Financial Accountability (PEFA) examined PFM reforms from 2006 and takes stock of the overall progress made following significant TA to support enhancements of many elements of the PFM system. The budget preparation process with its fiscal framework is strong and has evolved with macroeconomic and fiscal forecasting. While the Chart of Accounts caters for a multi-dimensional analysis of expenditures, the link between the medium-term perspective in expenditure budgeting and strategic plans requires improvements. Aggregate revenue forecasting has improved since the previous PEFA in 2012, but still requires strengthening, and the revenue agencies have developed effective processes and procedures, which impact on the execution of the budget. Yet, operational efficiency is compromised by the accumulation of tax arrears. Lack of effective tax debt collection undermines credibility of tax assessments and the principle of equal treatment of taxpayers. On the expenditure side, GoU made efforts to clear expenditure arrears, such as use of pre-payments for utilities, a commitment control system now embedded in the IFMS, as well as additional budget provisions to clear the stock of arrears. Nevertheless, arrears continue to grow and are a high percentage of expenditure, indicating the need for greater control of contractual commitments. Good information on budget execution is readily available to decision makers, and the external audit is an area of significant strength. However, external scrutiny of audit reports by the Public Accounts Committee is not up to date, implying the accountability cycle remains incomplete with some Treasury Memoranda unissued. In sum, compared to the previous PEFA assessment undertaken in 2012: the credibility of revenue estimates has improved; the orderliness and participation in the budget process is better; debt recording and reporting has improved, as well as payroll functions; while the main backsliding is in arrears, tax audits and reconciliation of assets, and continuous weaknesses in fiscal risk reporting as contingent liabilities are not properly captured in financial reports, and public investment management is weak across all performance indicators. There are some initiatives underway to improve public investment management in the country.

88. **The Ministry of Finance publishes detailed budget information on a dedicated budget website.** The websites budget.go.ug and the Online Transfer Information Management System (OTIMS) have been developed as tools to assist in the development and transparent management of the budget, including allocations and transfers/releases to LGs. OTIMS and budget.go.ug are frequently used by other stakeholders for budget information. The Ministry also publishes monthly fiscal statistics on its website (within four-to-six weeks after the reporting period) for the central government budget. Budget execution is reported through the Semi-Annual Budget Performance Report that is published with a lag of around one quarter and contains detailed information on financial and nonfinancial performance at sector and vote levels. Quarterly budget execution data are also published for each vote on the budget website.

89. **Oversight institutions are being strengthened.** The Government passed the 2008 Audit Act, which gives the OAG full autonomy in terms of budgeting and operations. The OAG has been sufficiently funded by government and development partners in recent years to increase its audit scope, staffing, and execution of audits



to include forensic, value-for-money and performance audits. In the current parliament, the Central Public Accounts Committee, Committee on Commissions, Statutory Authorities and State Enterprises (COSASE), and the Local Government Public Accounts Committee have improved their follow-up on irregularities identified in the Auditor General's reports, although an audit report backlog still exists.

90. **The foreign exchange management system has enabled the authorities to minimize volatility.** The BoU has managed the tradeoffs between interest rates and exchange rate behavior well but has faced difficulties in times of market turbulence. The BoU adopted inflation targeting, letting the shilling find its market price while preserving international reserves. Foreign exchange interventions have been limited to smoothing excessive variations that would generate unfounded nervousness or threaten the inflation objective.

91. **The credit will be disbursed in one tranche upon effectiveness.** The disbursement will follow IDA's simplified procedures for development policy financing against satisfactory implementation of the program. IDA will disburse the proceeds into an account designated by the GoU that is part of the country's foreign exchange reserves accounts. The financing proceeds will be disbursed against satisfactory implementation of the development policy program and the maintenance of a satisfactory macroeconomic framework. Upon notification by IDA of effectiveness, and with the submission by the Borrower of a withdrawal application, the proceeds of the operation will be deposited into a foreign currency account designated by the Borrower that forms a part of the country's foreign exchange reserves at the BoU. Within two business days, the BoU will credit the Uganda shillings equivalent of the proceeds to the consolidated account maintained on behalf of the Government, which finances budgeted expenditures. Disbursements will not be linked to specific purchases, and no procurement requirements will be necessary. If the proceeds of the IDA financing or any part thereof are used for excluded expenditures (for example, to finance goods or services on the standard negative list) as defined in the Financing Agreement, IDA will require the Borrower to refund the amount directly to IDA. Amounts refunded to IDA upon such request shall be cancelled.

92. **Reporting and audit.** The Borrower will report to IDA on the amounts deposited in the foreign currency account and credited in local currency to the budget management system with an indication of the exchange rate applied. The Accountant General in charge of Treasury will be notified accordingly. The BoU will not impose any charges or commissions on the Government for these transactions. The conversion from U.S. dollar to Uganda Shillings will be based on the prevailing exchange rate on the date that the funds are credited to the consolidated account. The Government, through MFPED, will (a) provide written confirmation within 30 days to the World Bank that an amount equivalent to the financing proceeds from the World Bank has been credited to the consolidated account, with an indication of the exchange rate applied; (b) provide evidence that the Uganda Shillings equivalent of the financing proceeds was recorded as financing for the Government budget; and (c) ensure that the Uganda Shillings equivalent of the financing proceeds is subject to controls to ensure its use for eligible budgeted public expenditures only. Since the fiduciary risk is high, there is a requirement for an external audit.

93. **The administration of this credit will be the responsibility of the MoFPED.** The following summarizes the fiduciary assurance requirements for receipt of the credit:

- *Foreign reserve account:* The GoU will, within 30 days of disbursement, acknowledge receipt to IDA that the money has been deposited in the foreign reserve account and the amount was credited in local currency to the GoU Consolidated Fund account. It is expected that confirmation of receipt will be signed off by both the Accountant General and the Auditor General.



- *Public (government) accounts:* The new Public Finance Management Act 2015 requires the Auditor General to present the GoU audit report to Parliament on the public accounts within six months of the fiscal year end and the OAG will submit a copy of the audited Consolidated financial statements of GOU. The June 2019 public accounts were presented to parliament in accordance with the new act. IDA has always had access to those audited accounts as publicly available on OAG website.
- *BoU accounts.* The annual entity financial statements of the BoU are publicly available. The latest report, of June 30, 2019, was published in September 2019. The recent report has a clean audit opinion and was issued in compliance with the law and a copy submitted to the World Bank annually.

94. **Public procurement in Uganda accounts for about 63 percent of the national budget.** The first reforms during the 1990s culminated in the enactment of the Public Procurement and Disposal of Public Assets (PPDA) Act of 2003 that decentralized public procurement across Government agencies and created the PPDA as the principal regulator of public procurement in Uganda. In 2014, the amendment to the PPDA law became effective. The amendment was to address concerns of the public and private sector on the noted gaps⁴⁵ in the procurement processing. The PPDA annual audit reports for the last few years show that the level of satisfactory cases has improved from below 50 percent before the FY 2013/14 to 68 percent in FY 14/15, 80 percent in FY 15/16, 70 percent in FY 16/17 and 68 percent in FY 17/18. The Local Government Performance Assessment Tool indicate that the greatest improvement was in Procurement and Contract Management, with an average score of 79 percent, up from 70 percent in 2018 and 60 percent in 2017.

- Government carried out further amendments to the PPDA Law, which were passed by Parliament on 31st January 2020⁴⁶ aimed at enhancing accountability, efficiency and integrity of the procurement system. In September 2019, the Government amended the Works Bidding documents to incorporate Environment and Social Safeguards (provisions to ensure that any adverse impact of civil works on the communities and environment are mitigated). The Government since 2015 adopted open contracting to improve transparency in public procurement, through the Government Procurement Portal where procurement plans, bid notices and contract information are published. The PPDA has partnered with Civil Society Organizations⁴⁷ in monitoring Government Contracts. The adoption and roll out of e-Government procurement to all Government agencies over the next two years will improve public procurement in Uganda through improved transparency, accountability, and efficiency in the procurement system.
- Therefore, the procurement processing using Government procedures has been strengthened to ensure transparency, efficiency, integrity, accountability, and value for money for Government funds.

5.4. MONITORING, EVALUATION AND ACCOUNTABILITY

95. **The MoFPED is responsible for supervision and monitoring of the reform program supported by this operation.** The monitoring will be closely coordinated with the National Task Force responsible for managing the

⁴⁵ The public procurement integrity survey of 2006 and 2011 revealed that corruption was still a major concern in public procurement. The PPDA audits, PEFA assessments, and the Auditor Generals reports also highlighted delays in completion of procurement processes, low levels of competition, lack of transparency, delays in payment of suppliers among others.

⁴⁶ These have been passed by Parliament and await the consent of the President.

⁴⁷ Memorandum of Understanding between PPDA and Africa Freedom Information Center (AFIC) and contract monitoring coalition of Uganda.



COVID-19 crisis in Uganda. The participating MDAs will furnish relevant information and documentation on the status of their respective programs to MFPED, which will monitor progress against the operation's objectives and results framework as presented in Annex 1. Most of these results indicators are based on routinely published information by GoU. For those that are not, MFPED will liaise with focal points in the other ministries involved as needed to provide such information at a frequency and in a format satisfactory to the World Bank. The World Bank may provide implementation support and periodic monitoring and dialogue with the relevant line ministries and other stakeholders to ensure timely implementation and adequate monitoring of indicators and outcomes of the program.

96. **Grievance Redress Services (GRS).** Communities and individuals who believe that they are adversely affected by specific country policies supported as prior actions or tranche release conditions under a World Bank Development Policy Operation may submit complaints to the responsible country authorities, appropriate local/national grievance redress mechanisms, or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

97. In addition, the proposed DPF will rely on the country's existing Grievance Redress Mechanisms to manage eventual complaints from project affected people (PAPs). They will consist of a combination of (i) those built around the Local Council 1 (LC1) offices, which is Uganda's smallest administrative unit and provide a platform for PAPs benefiting from livelihood support interventions; and (ii) specialized organizations/institutions responsible for customer protection - notably in the banking sector. These include the BoU's Financial Consumer Empowerment Mechanism (FCEM), Uganda Bankers Association (UBA), and other regulatory agencies. These will be particularly relevant for individuals and businesses benefiting from the liquidity facilities offered under the project. It is worth noting that the previous forms the backbone of grievance redress mechanisms under World Bank funded projects in Uganda.

6. SUMMARY OF RISKS AND MITIGATION

98. **The overall risk rating for this operation is substantial and largely reflects political, institutional and fiduciary, environmental and social risks to the success of this operation.** These risks are elaborated below.

99. **The political, governance and stakeholders' risks remain high.** The Country is headed into an election in February 2021, and this creates various levels of uncertainty, including the possibility of policy reversals and limited policy implementation. Also, possibilities of skewing eligibility criteria remain high for tax deferment and cash transfers to senior citizens as well as labor-intensive public works to support political incentives. These risks are mitigated by deferment across the board without selectivity, more transparency and monitoring of impact, as well as objective and transparent selection criteria for temporary labor-intensive public works. A deliberate



effort to share information on beneficiaries of the policy programs with civil society organizations (CSOs) will be undertaken. In addition, the GoU has committed to present COVID-19-related spending separately in the budget when reporting outcomes and has agreed to an independent audit of this spending should the need arise. In addition, the financing provided under the operation will form part of the consolidated budget account of the Government and as such the general Government budget (including any supplementary budgets) may extend to other expenditures that are beyond this operation, and this creates a residual risk of World Bank support being linked to various other Government expenditures and programs. This risk is mitigated through the proposed COVID-19 response DPF and policy actions. The Government is also facing other governance challenges, and an increasingly ineffective public sector. While some key governance and accountability institutions have been strengthened, such as the Auditor General's Office and Inspector General's Office, decisions at the top political levels still interfere with the authorizing environment. Policy initiatives and changes are sometimes introduced without sufficient consultation, adequate resources and associated capacity. The creation of an anti-corruption unit in State House in 2018 seems to send some positive signals and has improved the response rate to allegations of misappropriation of government resources and abuse of office. This was complemented by the creation of the anti-corruption division in the High Court, which has improved the prosecution of high-level corruption cases. The World Bank and other donors also support measures to improve governance in Uganda, including the REAP programs and other World Bank programs that will complement the DPF such as: (i) Uganda Intergovernmental Fiscal Transfers (UgIFT), whose major objective is to strengthen government service delivery at the LG and facility level; (ii) numerous World Bank initiatives to strengthen country procurement systems; and (iii) a new project to support the further digitalization of government services and systems. Finally, with some of the prior actions requiring Parliamentary approval, there is a residual risk that these measures will not be approved, which would undermine the program. Nevertheless, the executive branch of the government has done everything in its power, in the form of drafting and submitting the bills to Parliament, but since Parliament is a separate and independent branch of Government, there is a residual risk.

100. **Additional governance commitments include fiscal transparency practices and anti-corruption safeguards.** This includes commitments by MoFPED to (i) undertake quarterly audits of the COVID-19-related budget spending by internal auditor general, to be published with a one-month lag alongside the standard budget performance reports and procurement performance reports; (ii) provide a separate reporting mechanism for COVID-19 expenditures in the context of the Program Based Budgeting on a quarterly basis that will allow for clear tracking of the support received by all partners; (iii) publish documentation on the government's website of large procurement contracts—defined as contracts above Ush 500 million for works contracts, and above Ush 200 million for goods and services—of COVID-19 expenditures, together with the names of awarded companies and their beneficial owners; and (iv) undertake an independent audit of COVID-19 expenditures in about a year's time, which will include an ex-post validation of delivery of the large procurement contracts, and publishing the results. The GoU is also committed to expedite the DRM-S recommendation of establishing the tax expenditure governance framework to promote transparency in the management of tax incentives and exemptions. The framework is being developed in collaboration with relevant stakeholders and we expect to have it finalized and adopted by end of 2020 (see paragraph 25 in the LDP, Annex 3).

101. **The institutional capacity for implementation and sustainability risk is rated as substantial.** Time between decision and execution of programs is long. The Executive is highly centralized in the President, which delays further decision-making. While significant improvements were achieved regarding upstream governance institutions, implementation capacity is lagging, and corruption continues to be widely perceived. Limited focus



on enforcement and sanctions and related political patronage are key risks to the achievements made in governance and public financial management. To mitigate these risks, the team is drawing on commitments made by Government under the national response plan and the recently approved DRM strategy. Under these commitments the Government will enhance transparency on proposed measures to support response to the COVID-19 pandemic and make budget provisions to cover the commitments made.

102. **The fiduciary risk is rated as substantial.** Weaknesses in public investment management, particularly preparation and selection of projects, and efficiency of public procurement, continue to affect delivery of public projects. The management of budgetary risks also has weaknesses resulting from insufficient supervision. Key risks in public procurement include delays in procurement processing and inadequate needs assessment and delays in Payment of Service Providers resulting in high bid prices as bidders build in the cost of delays. Furthermore, design changes during construction attributed to inadequate attention during feasibility and design stage result in time and cost overruns. The submission of forged documentation in the bids and misrepresentation of qualification requirements by bidders and complaints after publishing of contract award all result in delays in processing. In addition, inadequate space for record keeping/filing for the Procurement Units compromises the integrity of the records, while gaps exist in contract management, skills and resources to support supervision of works and ensure goods delivered meet specifications. Finally, inadequate staffing is present combined with gaps in skills in Procurement units, particularly at LG level. The mitigation measures include the timely publishing of contract awards on the procurement portal within two weeks of signing and the piloting of the e-procurement system and its rollout in FY20/21. Furthermore, the engagement of CSOs to follow up contract implementation based on risk and sampling has been introduced, as well as increased funding to PPDA to ensure enhanced procurement audits. Also, the PPDA issued Guidelines on procurement and contract management for working with sector Ministries. Government is also undertaking reforms to mitigate these risks by strengthening the institutional framework for PIMs, e-procurement to improve efficiency of public procurements (supported by the World Bank). The existing arrangements for funds flow do not require additional administration measures like opening of separate accounts beyond the foreign exchange account at BoU and corresponding transfer into the UCF managed through the Single Treasury Account. Instead, Government has committed to additional measures (both under this operation and also under the recently approved IMF RCF) to mitigate risks related to utilization of funds as indicated in paragraph 100.

103. **The environment and social risks are rated substantial.** Lacking capacity in institutions results in implementation gaps of environment and social policies. In this operation, social risks feature most prominently in the area of cash for work. For the cash for work (public works) the risks relate to the systemic and further exclusion/marginalization of potential beneficiaries who are unable to perform physical works because of disability status and/or unavailability to perform work due to other obligations such as the care of children, elderly parents, the sick, etc. Furthermore, inadequate targeting of those who are able to work could also exacerbate social conflict, existing exclusion, and marginalization of certain groups such as women, older men, refugees, ethnic and sexual minorities, etc. Mitigating these risks will require the government to (i) carry out a robust stakeholder engagement; that would provide a clear selection criterion to beneficiaries and other stakeholders; (ii) the establishment of an accessible and functioning grievance redress mechanism; (iii) adjust the intensity and timing of some in order to accommodate these groups; and (iv) possibly set quotas for eligibility, notably in refugee hosting areas to avoid social conflicts. The effective involvement of the MGLSD would also be essential, as it is mandated and equipped to handle social issues that might arise during implementation. The



operationalization of the national single social registry would strengthen the system. For the increased use of the e-voucher system to distribute agricultural inputs that include pesticides and fertilizers, Government will roll out the program following the existing guidance (Integrated Pest Management Plan) and systems that were set up under the ongoing Agriculture Cluster Development Project. NEMA, Ministry of Gender Labour and Social Development (MGLSD) and Ministry of Agriculture Animal Industry and Fisheries (MAAIF) will be resourced to undertake supervision and provide guidance on use of pesticides inputs to communities. GoU has in place “*The Agricultural Chemicals (Control) Act, 2006*” and “*The Control of Agricultural Chemicals (Registration and Control) Regulations – Statutory Instrument 29-1*”. In order to fully operationalize their provisions, GoU will develop *Guidelines for Use and Management of Agricultural Chemicals*, and these shall be easily accessible to farmers through extension services. As part of the institutional strengthening, Government will mainstream management of environmental aspects of agricultural programs into MAAIF’s institutional structure.

Table 6: Summary Risk Ratings

Risk Categories	Rating
1. Political and Governance	● High
2. Macroeconomic	● Moderate
3. Sector Strategies and Policies	● Moderate
4. Technical Design of Project or Program	● Moderate
5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary	● Substantial
7. Environment and Social	● Substantial
8. Stakeholders	● Moderate
9. Other	● Moderate
Overall	● Substantial



ANNEX 1: POLICY AND RESULTS MATRIX

Policy Program	Results		
Prior Actions	Indicator Name	Baseline	Target
<i>Pillar 1: Strengthening the crisis response and protecting the most vulnerable</i>			
<p>Prior Action #1. To ensure access to critical medical materials and equipment, the Recipient has (a) through the Minister of Finance, Planning and Economic Development (“Minister of Finance”) submitted to Parliament Tax Bills providing for one-year excise and VAT exemptions and (b) notified the EAC Secretariat on customs exemptions, on products used to prevent, treat and manage COVID-19</p> <p><u>Evidence:</u> 1(a) Letter dated June 4, 2020 sent on behalf of the Permanent Secretary, MoFPED to the clerk of Parliament submitting the Tax Bills to Parliament and the Tax Bills published in Gazette; 1(b) Notification to EAC Secretariat and partner states submission for fiscal year 2020/2021 on proposed amendments to EAC Customs Management Act.</p>	<p>Results Indicator #1: Amount of exempted revenue, in support of imports of products to prevent, treat, and manage COVID-19</p>	<p>UGX 0 (FY2019)</p>	<p>UGX 6.5 billion (Q4 of FY2020)</p>
<p>Prior Action #2. To ensure continued access to basic utilities, the Recipient has (a) through Ministry of Water and Environment and Ministry of Energy and Mineral Development published a list of critical service providers to whom utility services will be guaranteed; and (b) through the Minister of Finance submitted to Parliament a supplementary budget schedule for the approval of funding to the water and electricity companies adversely affected by the Executive’s decision not to disconnect vulnerable consumers during the period April to June 2020.</p> <p><u>Evidence:</u> 2(a) published list of critical service providers on MEMD and MWE websites: https://www.energyandminerals.go.ug/site/assets/files/1270/emergency_health_fiscal_and_growth_stabilization_and_development_policy_support_for_the_energy_sector_1-2.pdf; https://www.mwe.go.ug/library/dpo-covid-19; 2(b) Letter dated May 28, 2020 from Minister of Finance to the Speaker of Parliament submitting supplementary budget schedule 3 for FY2019/2020.</p>	<p>Results Indicator #2: (i) Households disconnected from water services (ii) Number of residential, commercial, and industrial customers receiving uninterrupted electricity services during the quarantine period</p>	<p>(i) 78,706 (NWSC) 9,518 (MWE UAs) (FY2019) (ii) 1,636,350 (Q3 FY2020)</p>	<p>(i) 0 (Q4 of FY2020) (ii) 1,636,350 (Q4 of FY2020)</p>
<p>Prior Action #3. To provide support to those affected by the floods, the COVID-19 shock and related mobility restrictions and to streamline the social safety nets system, the Recipient has, (a) through</p>	<p>Results Indicator #3:</p>		



Policy Program	Results		
<p>Cabinet approved (i) a labor-intensive public works programs in the roads and water and environment sectors to provide income support for a two month period to informal sector workers; and (ii) the expansion of the beneficiaries under the Senior Citizen Grant (SCG) and funding for the SCG program; and (b) through Memoranda of Understanding (MOUs) signed between relevant core ministries and agencies established a national single registry for beneficiaries of safety net programs.</p> <p><u>Evidence:</u> 3(a) Extract from Cabinet minute dated May 25, 2020, letter dated May 29, 2020 from the Permanent Secretary, MoFPED authorizing additional expenditure limits for, among others, the SCG; 3(b) by extract from cabinet minute no. 217(CT 2020) dated May 25, 2020, letter dated May 29, 2020 from the Permanent Secretary, Ministry of Finance, Planning and Economic Development (MoFPED) authorizing additional expenditure limits for, among others, the SCG and (ii) MOUs signed between National Identification and Registration Authority (NIRA) and MoGLSD dated June 10, National Industrial Training Authority Uganda (NITA-U) and MoGLSD dated June 1, 2020, Uganda Bureau of Statistics (UBOS) and MoGLSD dated June 2, 2020 and Office of the Prime Minister (OPM) and MoGLSD dated June 4, 2020.</p>	<p>(i) Number of recipients reached with Labor-Intensive Public Works</p> <p>(ii) Number of senior citizens reached with senior citizen grant</p> <p>(iii) Beneficiaries registered in established single registry</p>	<p>(i) 136,571 (FY2019)</p> <p>(ii) 150,000 (FY2019)</p> <p>(iii) 0 (FY2019)</p>	<p>(i) 637,000 (FY2021)</p> <p>(ii) 350,000 (FY2020)</p> <p>(iii) 1,090,880 (FY2020)</p>
<i>Pillar 2: Supporting faster economic recovery and debt transparency</i>			
<p>Prior Action #4: To provide liquidity to businesses, the Recipient has, (a) through the Minister of Finance submitted to Parliament the Tax Procedures Code (Amendment) Bill, 2020 providing for, (i) deferment until September 2020 of corporate tax, tax on employment income and presumptive tax payments due between April 2020 and June 2020, for entities or persons in the manufacturing, tourism, horticulture and floriculture sectors with a turnover below UGX 500,000,000; and (b) through the Bank of Uganda, (i) provided extra liquidity to commercial banks, and microfinance deposit taking institutions and credit institutions; and (ii) granted exceptional permission to Supervised Financial Institutions to restructure loans of corporate and individual customers.</p> <p><u>Evidence:</u> 4(a) Letter dated June 4, 2020 sent on behalf of Permanent Secretary, MoFPED to the clerk of the Parliament submitting Tax Procedures Code (Amendment) Bill, 2020 to Parliament and the Tax Procedures Code (Amendment) Bill, 2020 published Gazette notice; 4(b) Bank of Uganda Guidelines on Credit Relief and Loan Restructuring Measures for SFIs dated April 14, 2020 and Bank of Uganda Monetary Policy Statement for April 2020, published on April 6, 2020.</p>	<p>Results Indicator #4:</p> <p>(i) Liquidity provided to taxpayers on account of listed deferments on corporate tax, tax on employment income and presumptive tax payments for firms in the manufacturing, tourism,</p>	<p>(i) 0 (FY2019)</p>	<p>(i) UGX 125 billion (Q4 of FY2020 and Q1 of FY2021)</p>



Policy Program	Results		
	horticulture and floriculture sectors with a turnover below UGX 500 million (ii) Number of restructured loans to mitigate the impact of COVID-19 on borrowers	(ii) 0 (FY2019)	(ii) 500,000 (Q4 of FY2020)
<p>Prior Action #5: To improve effective distribution of agricultural inputs, the Recipient has through the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) rolled out the e-voucher system to 10 additional districts.</p> <p><u>Evidence:</u> Letter from Permanent Secretary MAAIF to Permanent Secretary MoFPED confirming the rollout of the e-voucher system to 10 additional districts.</p>	<p>Results Indicator #5: Farmers registered for e-vouchers</p>	268,991 (FY2020)	288,900 (FY2021)
<p>Prior Action #6 To enhance debt transparency, the Recipient has through the MoFPED published the verified stock of domestic arrears with a time lag of less than one year, upcoming SOE guarantees and other contingent liabilities from legal proceedings.</p> <p><u>Evidence:</u> By Public Debt Report dated March 2020 published on MoFPED website at https://www.finance.go.ug/publication/report-public-debt-guarantees-other-financial-liabilities-and-grants-fy-201920-and</p>	<p>Results Indicator #6: Stock of domestic arrears (percent GDP)</p>	2.8 (FY2019)	2.4 (FY2020)



ANNEX 2: IMF RELATIONS ANNEX

IMF Executive Board Approves a US\$491.5 Million Disbursement to Uganda to Address the COVID-19 Pandemic

May 6, 2020

The Ugandan economy is severely affected by the COVID-19 pandemic.

To address the urgent balance-of-payments and fiscal needs, the IMF approved US\$491.5 million emergency assistance for Uganda under the Rapid Credit Facility.

The authorities have timely scaled up health spending and put in place bold measures to help contain and mitigate the spread of the disease, as well as to cushion the impact on the most vulnerable and the private sector.

WASHINGTON, DC – The Executive Board of the International Monetary Fund (IMF) approved today a disbursement of SDR361 million (about US\$491.5 million or 100 percent of quota) for Uganda under the Rapid Credit Facility (RCF). It will help finance the health, social protection and macroeconomic stabilization measures, meet the urgent balance-of-payments and fiscal needs arising from the COVID-19 outbreak and catalyze additional support from the international community.

The Ugandan economy is being severely hit by the COVID-19 pandemic and, in particular, such key sectors as services (tourism), transport, construction, manufacturing and agriculture. The challenging external environment is curtailing remittances and foreign direct investments. The pandemic has also exacerbated the challenges posed by heavy rains in early 2020 and the ongoing locust invasion.

To contain the impact of the pandemic, the authorities have increased health spending, strengthened social protection to the most vulnerable, and enhanced their support to the private sector. The Bank of Uganda has appropriately reduced interest rates and provided liquidity to safeguard financial stability, while maintaining exchange rate flexibility.

The weakening economic conditions emanating from the Covid-19 pandemic have put significant pressures on revenue collection, expenditure, reserves and the exchange rate, creating urgent large external and fiscal financing needs.

The IMF continues to monitor Uganda’s situation closely and stands ready to provide policy advice and further support as needed. The authorities have also committed to put in place targeted transparency and accountability measures to ensure the appropriate use of emergency financing.

Following the Executive Board’s discussion on Uganda, Mr. Tao Zhang, Deputy Managing Director and Acting Chair, issued the following statement:

“The global COVID-19 pandemic is expected to severely hit the Ugandan economy through several channels, with detrimental effects on economic activity and social indicators. The external and fiscal accounts are expected to deteriorate, creating substantial urgent external and fiscal financing needs.

“To limit the pandemic’s human and economic impact, the authorities have promptly adopted bold



preventive measures to contain the spread of the virus, and scaled up health spending to strengthen the health system's capacity. Interventions to support the more vulnerable have also been introduced. In addition, the Bank of Uganda has swiftly introduced policy measures to support liquidity, preserve financial stability and support economic activity. The authorities are encouraged to continue to step up social protection programs to cushion the impact on the vulnerable population and to protect health spending allocations over the medium term.

“A temporary widening of the fiscal deficit is warranted in the short term to allow for the implementation of the response plan. Despite a temporary worsening of debt indicators and heightened vulnerabilities, public debt is expected to remain sustainable. The authorities remain committed to ensuring debt sustainability, including through their efforts to enhance revenue collection and strengthen public investment management.

“The authorities are committed to managing transparently the resources received and will strengthen transparency and accountability. They plan to report separately on the use of the funds, undertake and publish an independent audit of crisis-mitigation spending and publish large procurement contracts.

“The IMF's emergency financial support under the Rapid Credit Facility, along with the additional donor financing it is expected to help catalyze, will help address Uganda's urgent balance of payments and budget support needs.”

<https://www.imf.org/en/News/Articles/2020/05/06/pr20206-uganda-imf-executive-board-approves-us-million-disbursement-address-the-covid-19-pandemic>



ANNEX 3: LETTER OF DEVELOPMENT POLICY

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THE REPUBLIC OF UGANDA

Ministry of Finance, Planning &
Economic Development
Plot 2-12, Apollo Kaggwa Road
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Kampala
Uganda

In any correspondence on
this subject please quote No. ALD 137/269/01

10th June 2020

The President,
World Bank Group,
Washington DC,
USA

**COVID-19 ECONOMIC CRISIS and RECOVERY DEVELOPMENT
POLICY FINANCING – LETTER OF DEVELOPMENT POLICY**

1. I am writing on behalf of the Government of the Republic of Uganda requesting the Economic Crisis and Recovery Development Policy Financing credit of USD 300 million to support Government of Uganda (the “GoU”) in managing the impact of COVID-19 pandemic in line with Government of Uganda’s response program priorities as outlined in the Cabinet Paper¹, which are to maintain macroeconomic stability and mitigate the growth and social impact of the economic crisis.
2. This letter sets out the policy actions and reforms that the Government will undertake to implement the strategy, focusing on the measures to improve responsiveness to crises, protect the most vulnerable, support businesses and further enhance debt transparency.
3. The actions and outputs that Government agreed to undertake are highlighted in the Cabinet Memorandum Ct (2020) 62 on Government Economic Policy Responses to cope

¹ Cabinet Paper; Government Economic policy response to cope with consequences of COVID-19

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with the effects of COVID-19 and the budget speech for FY 2020/21. The actions and outputs critical to the success of Government's response plan and reforms have been implemented and completed in the prior actions undertaken under the Government program as will be noted in the sections below.

BACKGROUND

4. Uganda recorded its first case of COVID-19 on 21st March 2020 and a number of stringent measures have helped slow down the spread of COVID-19 in Uganda, yet the number of infected has continued to grow, with more than 600 cases reported by mid May 2020. The COVID-19 pandemic comes on the back of the Ebola crisis that impacted the Congo basin region that borders with Uganda and was successfully combated by GoU. To minimize the coronavirus spread, GoU imposed restrictions on travel, starting with quarantines for travelers from category 1 countries and eventually closing Entebbe International Airport and all borders for passenger travel. To curb the spread within Uganda, H.E the President emphasized better hygiene through hand washing and health safety habits, instituted social distancing measures, prohibited public gatherings, closed schools and non-essential institutions, and banned public and private transport. To improve capacity to manage cases, the Ministry of Health developed a National COVID-19 Preparedness Plan (January-June 2020) that prepares health facilities for the impact of the virus and works closely with local communities. This plan is being updated regularly in line with developments and likelihood that the impact of the pandemic will extend well beyond June 2020.

5. Uganda's main trade partners include Europe, China and Kenya, all of which are adversely impacted by the crisis, with negative spillover to Uganda's economy. The sudden stop in travel activity has adversely impacted the booming tourism

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industry in Uganda, which employs around 600,000 workers, contributes to sizable foreign exchange inflows, and stimulates domestic consumption. Mobility restrictions and attendant global recession have impacted other sectors of the economy, including manufacturing, horticulture, floriculture, and services.

6. Alongside COVID-19, Uganda is facing a locust invasion, and flush floods, which have affected livelihoods.

RECENT REFORMS

7. Government of Uganda since 2000s enacted a robust body of laws and embarked on policy reforms to further strengthen Public Financial Management (PFM) and fight corruption. This has been demonstrated by the passing of legislation meant to enhance procurement and PFM, and the adoption of systems to improve efficiency in management of public resources including: an Integrated Financial Management System (IFMS), an integrated personnel and payroll system (IPPS), and the program based budgeting (PBB) approach which focuses on outcomes rather than only on results. Significant achievements have been made while operationalizing the PFM reform and these include among others; (i) maintaining of a generally robust and stable fiscal and macroeconomic policies and fundamentals, (ii) improved planning and budgeting, (iii) enhanced control and management of public funds, (iv) improved quality of financial reporting at Ministries, Departments and Agencies (MDAs) and Local Governments (LG) and revival of scrutiny and oversight of collection and utilization of public funds.

8. **IFMS and other Information Systems:** The accounting systems of the government are computerized using IFMS. 115 out of 134 districts are fully computerized on IFMS. The rest of the 19 districts are able to pay salaries on IFMS and all

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efforts are being made to ensure that they are fully connected to the IFMS. All 41 Municipalities, 12 Public Universities and 20 Referral Hospitals are connected on IFMS. All 23 Ministries are connected and 58 out of 60 Government Agencies are also connected on IFMS.

9. **Treasury Single Account (TSA):** The Ministry of Finance Planning and Economic Development introduced a TSA in October 2013 in accordance with the Public Finance Management priorities to improve resource utilization. Prior to the creation of the TSA, the treasury operated over 2000 accounts, some of which had long become dormant. Multiple accounts presented a breeding ground for the misappropriation of public funds (as was the case in the OPM in 2012) and resulted in inadequate supervision. With the implementation of the TSA, a number of idle and dormant accounts in the Bank of Uganda and other commercial banks were closed. The TSA system has been rolled out to all government MDAs accessing funds from the Consolidated Fund and on IFMS. The Treasury has since benefited from improved absorption capacity, improved Cash management through optimal use of available funds and a reduction in government borrowing.

10. **Auditing Arrangements**

- a. **Internal audit;** Following the PFM Act 2015, the Office of the Internal Auditor General was set up and thereby given more responsibility in the conduct of its oversight function of the Public Finance Management reforms in the Country. The office is required to review and consolidate internal audit reports from the votes and externally financed projects and also consolidate the reports of all the audit committees of the respective votes. Section 49(1) of the Public Finance Management Act 2015 mandates the Minister of Finance, Planning and Economic development to establish an audit committee

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for each sector of Government and audit committees for a number of votes in Local Governments.

- b. **External Audits by OAG.** The Auditor General is responsible for the audit of all government funds including funds at the Local Government and facility levels. The Auditor General conducts annual financial audits on all government ministries, and local governments including facilities such as schools and hospitals.

11. The new PFM reforms strategy (2018-23) aims to enhance systems for resource mobilizations while boosting capacities and the attendant policy frameworks designed to increase return on Public Investments and value for money. The strategy introduced a paradigm shift comprising of a results-based approach to fix the gaps that have hampered the established PFM systems' potential to deepen service delivery efficiently and effectively. GoU continues to work on ensuring a credible medium-term fiscal framework, with credible annual revenue and expenditure estimates, budget and expenditure commitment controls through the IFMIS are adhered to prevent overspending and expenditure arrears.

12. Government has also undertaken institutional and regulatory reforms to streamline public procurement and processes for public investment management. The amendments to the PPDA Law, which were passed by Parliament on 31st January 2020 aimed at enhancing accountability, efficiency and integrity of the procurement system. The Government since 2015 adopted open contracting to improve transparency in public procurement, through the Government Procurement Portal where procurement plans, bid notices and contract information are published. The adoption and roll out of e-Government procurement to all Government agencies over the next two years will improve public procurement in Uganda through improved transparency, accountability, and efficiency in the

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procurement system. This is in addition to reforms that my Government is undertaking to strengthen the management of public investment management to maximize the return on these investments.

MACROECONOMIC PERFORMANCE

13. Uganda's economy has remarkably proven resilient to external shocks having grown at a rate of over 6% in FY 2017/18 and FY 2018/19. This was driven by the acceleration in both public and private investment, increased trade within the East African region, excellent export performance, etc. However, despite the positive milestones, Uganda still faced major development challenges such as unemployment, income inequality, malnutrition and unhealthy lifestyles.

14. FY 2019/20 focused on interventions aimed at increasing wealth and improving livelihoods of Ugandans and this was reflected in the year's theme, "Industrialization for Job creation and Shared Prosperity". The strategy focused on rapid industrialization of our economy linked to high productivity and production in agriculture; while nurturing the potential of the key growth sectors of tourism, minerals, oil and gas. The growth of these sectors is what would provide gainful employment to the majority of Ugandans.

15. As at March 2020, initial measures to curtail the spread of COVID-19 in Uganda led to the disruption of economic activities. Interventions such as suspension of all transport activities, closing down of shopping mall and non-essential shops, offices and businesses. Food markets were allowed to continue trading, however, with the curbing of transport as well as a set time curfew on the available transport modalities still had an impact on the economy.

16. During the 1st half of FY 2019/20, the economy performed well with a growth of 5.6 percent registered at the end of the

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second quarter. This was attributed to stronger performances in trade, transportation, and hospitality sub-sectors. However, the global and Government's response to the coronavirus pandemic outbreak is expected to severely affect economic activities during the second half of the financial year. As a result, GDP growth projection for FY2019/20 has now been revised downwards to 3.9% from a pre-pandemic projection of 6%, on account of the impact of supply chain disruptions to manufacturing and trade activities, while travel restrictions will dampen key service sectors such as tourism and hotels.

THE REFORM PROGRAM

17. Uganda's long-term development aspirations are outlined in the Uganda Vision 2040. The objective of this vision is to transform Uganda from a low-income country to a competitive upper middle-income country with a per capita income of US\$ 9,500 by 2040. Uganda is in the final year of implementing the Second National Development Plan (NDPII), covering the period FY2015/16 to FY2019/20, and will commence implementation of NDPIII from FY2020/21.

18. The NDPIII has been developed to continue the efforts of NDPII in strengthening Uganda's competitiveness for sustainable wealth creation, employment and inclusive growth. NDPII was based on four strategic objectives: (i) increase sustainable production, productivity, and value addition in key growth opportunities; (ii) improve the stock and quality of strategic infrastructure to accelerate the country's competitiveness; (iii) enhance human capital development, and; (iv) Strengthen mechanisms for quality, effective and efficient service delivery. To take this forward, NDPIII intends to: (a) enhance value addition in key sectors (e.g. agriculture, manufacturing, tourism, minerals, oil and gas, and digital services); (b) strengthen the private sector to drive growth and create jobs; (c) consolidate and increase the

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stock and quality of physical infrastructure; (d) increase productivity and the social well-being of the population, and; (e) strengthen the role of the public sector in guiding and facilitating development. Given the socio-economic impact of COVID-19, the pandemic will negatively affect the final outcomes of NDPII and, depending on the extent of the impact, disrupt the initial implementation of NPD III.

19. Government has committed to several institutional and policy reforms as part of its response to COVID-19. While the immediate goal is to ensure the provision of critical public and health services during the crisis period, the response also emphasizes the need to achieve this with minimum disruptions to fiscal and monetary stability, while also fostering the development of sustainable systems for managing emergencies. As a result, government is introducing specific fiscal and monetary policy measures to stimulate the economy, provide liquidity support to the private sector and financial institutions, sustain jobs and livelihoods, and provide temporary relief for the most vulnerable.

During the implementation of the COVID-19 Economic Crisis and Recovery Development Policy Operation, Government will enhance performance across two main pillars covering numerous areas as will be noted in section 20 - 22 below.

20. **Strengthening crisis response and protecting the most vulnerable.** This pillar will aim to improve government's capacity and ability to respond to and manage the COVID-19 and other crises by: (a) facilitating access to critical materials to manage the COVID-19 disease; (b) ensuring uninterrupted access to basic utilities during a crisis; and (c) expanding social safety nets.

21. The agreed prior actions for the various sectors under Pillar 1 include;

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- i. Cabinet approval of a one-year customs and VAT exemptions on imported products used to prevent, treat and manage COVID-19.
- ii. Publish a list of critical service providers and provide funding to the water and electricity companies adversely affected by Government's decision not to disconnect vulnerable consumers during the period April to June 2020.
- iii. Cabinet approval to: (a) provide income support through public works for a two month period to informal sector workers in the main urban areas and in flood affected regions; (b) roll out the Senior Citizen Grant (SCG) by additional 200,000 beneficiaries and pay an initial lumpsum to the new beneficiaries for the January to June 2020 period; and, (ii) through a Memorandum of Understanding (MoU) signed between relevant core Ministries and Agencies establish a national single registry for beneficiaries of safety net programs.

22. **Supporting a faster economic recovery.** This pillar will support businesses and inject liquidity into the economy by: (a) improving the cash flow of firms in sectors of the economy that have been heavily affected by the crisis (e.g. manufacturing, tourism, floriculture), so that they remain operational and limit layoffs; (b) ensuring adequate availability of credit through commercial banks and non-bank financial institutions, and allowing restructuring of loans on a case by case basis for borrowers that have been affected by the pandemic; (c) improving the productivity and resilience of the agricultural sector by improving access to higher quality agriculture inputs; and (d) improving transparency of contingent liabilities including upcoming SOE guarantees and domestic arrears.

The agreed prior actions for the various sectors under Pillar 2 include;

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- i. Cabinet approval of (a) deferment until September 2020 of corporate tax, tax on employment income and presumptive tax payments due between April 2020 and June 2020, for firms in the manufacturing, tourism, horticulture and floriculture sectors with a turnover below UGX 500 million; and (b) waiver on interest on tax arrears outstanding as at June 2020 for taxpayers who voluntarily pay their arrears.
- ii. The Central Bank of Uganda has: (a) provided extra liquidity to commercial banks, and to nonbank financial institutions; (b) granted exceptional permission to SFIs to restructure loans of corporate and individual customers.
- iii. MAAIF rolled out the e-voucher system to 10 additional districts.
- iv. Publish the verified stock of domestic arrears with a time lag of less than one-year, upcoming SOE guarantees and other contingent liabilities from legal proceedings.

23. Uganda is also interested in participating in the G-20 led debt service suspension initiative (DSSI). We are grateful for such initiative that is expected to open up some fiscal space to respond to the crisis. In that regard, we are reaching out to our bilateral creditors. In line with the terms of the initiative, we commit to spending the freed resources on COVID-related health, social or economic relief. We also agree to monitor this expenditure and identify it in budget monitoring reports. We commit to disclose all public sector financial commitments (debt), respecting commercially sensitive information, within 3 months, and not later than September 1, and are willing to request technical assistance from the IFIs to achieve this. We commit to having regular reviews conducted jointly by the World Bank and the IMF to ensure that the public debt remain is within sustainable levels.

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24. We are also committed to continuing to adhere to the best fiscal management practices and anti-corruption safeguards. To that effect, we commit to: (a) undertake quarterly audits of the COVID-related budget spending, to be published with a one-month lag alongside the standard budget performance reports and procurement performance reports, (b) publish documentation on the government's website of large procurement contracts—defined as contracts above Ush500 million for works contracts, and above Ush200 million for goods and services—of COVID-19 expenditures, together with the names of awarded companies and their beneficial owners, and (c) undertake an independent audit of COVID-19 expenditures in about a year's time, which will include an ex-post validation of delivery of the large procurement contracts, and publishing the results.

25. We also commit to expedite the DRMS recommendation of establishing the tax expenditure governance framework to promote transparency in the management of tax incentives and exemptions. The framework is being developed in collaboration with relevant stakeholders and we expect to have it finalized and adopted by end of 2020.

26. While our fiscal deficit will widen in response to the challenges with dealing with the impacts of the COVID-19 pandemic, we are mindful of the need to avoid fiscal imbalances that could jeopardize the hard-earned gains in macroeconomic stability. Our policy intentions for the medium term remain guided by the need to maintain this stability, underpinned by fiscal sustainability and inclusive economic growth. We therefore commit to adjust our FY 2020/21 budget already appropriated by Parliament, to take account the impacts of the COVID-19, the locusts and floods shocks. We are however mindful that projections show a large residual financing gap in the expected revised budget for FY 2020/21. If we fail in mobilizing sufficient external financing, we commit to re-adjust expenditures and consider additional

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revenue measures. We will however ensure that the social sector budgets (including health and education) are maintained at least at the level appropriated and the security budget will not be raised beyond the level appropriated by parliament in April 2020.

27. To promote the realization of children's rights to survival, education and development, protection and participation through a coordinated, comprehensive inter-disciplinary and multi-sectoral approach, we are committed adopt a National Child Policy. The main focus is to prevent child mortality and promote children's health including refugee children; promote nurturing, care, stimulation and holistic development and learning for all children; prevent, respond to and protect children from all forms of violence, abuse, neglect and exploitation; promote the right of all children to be heard and express their opinions in all matters that affect their lives; according to their developing capacities; and, strengthen systems for planning, programming and delivery of quality child care and protection of services. This will be implemented through an inter-ministerial implementation committee, the Government has an implementation plan, for which the financing is budgeted for in FY 2020/21. This will scale-up evidence-based interventions to prevent sexual exploitation and abuse of children, particularly girls in schools.

Conclusion

I would like to take this opportunity to reiterate Government's commitment to the implementation of the Emergency Response to the COVID-19 pandemic. The actions to be undertaken over the medium term under each priority area mentioned above will focus on measures that improve efficiency and value for money in the delivery of core public services to those affected by the COVID-19 pandemic.

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The requested financing is expected to provide the fiscal space needed to respond to the crisis, protect the most vulnerable and help foster growth recovery. The operation will provide emergency financing to the government as it strives to maintain macro-fiscal stability, whilst also supporting businesses and households, particularly the most vulnerable, in managing the impacts of COVID-19, the locust invasion, and the floods. The financing provided through this operation is urgently needed to help close a large financing gap and prevent a more protracted crisis. It will also help with debt sustainability through limiting costly domestic borrowing to finance the rapidly deteriorating fiscal position.

On behalf of the Government of Uganda, I take this opportunity to thank the World Bank for the continued support of our country's development program. I trust that this request for financing of USD 300 million be provided as single tranche as budget support for FY 2019/20.



Matia Kasaija (M.P.)

MINISTER OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

Copy to:

- The Rt. Hon Prime Minister, Office of the Prime Minister, **KAMPALA**
- Hon. Minister of Agriculture, Animal Industry and Fisheries, **KAMPALA**

- Hon. Minister of Gender, Labour and Social Development, **KAMPALA**
- Hon. Minister of Water and Environment, **KAMPALA**
- Hon. Minister of Energy and Mineral Development, **KAMPALA**

- Hon. Ministers of State for Finance, Planning and Economic Development, **KAMPALA**

- The Head of Public Service and Secretary to Cabinet, Office of the President, **KAMPALA**



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ANNEX 4: ENVIRONMENT AND POVERTY/SOCIAL ANALYSIS TABLE

Prior Actions	Significant positive or negative environment effects	Significant poverty, social or distributional effects positive or negative
Operation Pillar 1: <i>Strengthening the crisis response and protecting the most vulnerable</i>		
<p>Prior Action #1. To ensure access to critical medical materials and equipment, the Recipient has (a) through the Minister of Finance, Planning and Economic Development (“Minister of Finance”) submitted to Parliament Tax Bills providing for one-year excise and VAT exemptions and (b) notified the EAC Secretariat on customs exemptions, on products used to prevent, treat and manage COVID-19.</p>	Yes, negative	Yes, positive.
<p>Prior Action #2. To ensure continued access to basic utilities, the Recipient has (a) through Ministry of Water and Environment and Ministry of Energy and Mineral Development published a list of critical service providers to whom utility services will be guaranteed; and (b) through the Minister of Finance submitted to Parliament a supplementary budget schedule for the approval of funding to the water and electricity companies adversely affected by the Executive’s decision not to disconnect vulnerable consumers during the period April to June 2020.</p>	Yes, positive	Yes, i) positive indirect effect; ii) positive direct effect.
<p>Prior Action #3. To provide support to those affected by the floods, the COVID-19 shock and related mobility restrictions and to streamline the social safety nets system, the Recipient has, (a) through Cabinet approved (i) a labor-intensive public works programs in the roads and water and environment sectors to provide income support for a two month period to informal sector workers; and (ii) the expansion of the beneficiaries under the Senior Citizen Grant (SCG) and funding for the SCG program; and (b) through Memoranda of Understanding (MOUs) signed between relevant core ministries and agencies established a national single registry for beneficiaries of safety net programs.</p>	NA	Yes, positive direct and potentially significant effect.
Operation Pillar 2: <i>Supporting faster economic recovery and debt transparency</i>		
<p>Prior Action #4: To provide liquidity to businesses, the Recipient has, (a) through the Minister of Finance submitted to Parliament the Tax Procedures Code (Amendment) Bill, 2020 providing for, (i) deferment until September 2020 of corporate tax, tax on employment income and presumptive tax payments due between April 2020 and June 2020, for entities or persons in the manufacturing, tourism, horticulture and floriculture sectors with a turnover below UGX 500,000,000; and (b) through the Bank of Uganda; (i) provided extra liquidity to commercial banks, and microfinance deposit taking institutions and credit institutions, and (ii) granted exceptional permission to Supervised Financial Institutions to restructure loans of corporate and individual customers.</p>	Yes, negative	Yes, positive



Prior Action #5: To improve effective distribution of agricultural inputs, the Recipient has through the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) rolled out the e-voucher system to 10 additional districts.	Yes, negative	Yes, significant
Prior Action #6: To enhance debt transparency, the Recipient has through the MoFPED published the verified stock of domestic arrears with a time lag of less than one year, upcoming SOE guarantees and other contingent liabilities from legal proceedings.	NA	NA



ANNEX 5: WORLD BANK COVID-19 AND LOCUST RESPONSE PACKAGE FOR UGANDA

Operation	USD (Millions)	PDO	Key Activities	Signing	Effectiveness
Uganda COVID-19 Response and Emergency Preparedness Project (P174041) – with funding from the Fast Track COVID-19 Facility (FTCF)	12.5	To prevent, detect and respond to the threat posed by COVID-19 and strengthen national systems for public health emergency preparedness.	<ul style="list-style-type: none"> o Case management o Psychosocial support o Laboratory capacity strengthening o Surveillance capacity strengthening 	07-May-2020	11-May-2020
Contingent Emergency Response Component (CERC) under the Uganda Reproductive, Maternal and Child Health Services Improvement Project (P155186) – to be replenished from the FTFCF	15	To improve utilization of essential health services through reproductive, maternal, newborn, child and adolescent health services and scale up birth and death registration services.	<ul style="list-style-type: none"> o To support the most immediate response activities under the following response pillars: coordination, surveillance, ICT and innovation, case management, mental health and psychosocial support, logistics, laboratory, human resource and risk communication and community engagement 	30-March - 2020	30-March- 2020
East Africa Public Health Laboratory Networking Project (P153665) AF – originally meant to end on 30 March 2020, but extended to 30 March 2021, to allow for finalization of two isolation facilities and laboratory civil works	15	To establish a network of efficient, high quality, accessible public health laboratories for the diagnosis and surveillance of tuberculosis and other communicable diseases.	<ul style="list-style-type: none"> o The project supported outbreak preparedness and technical capacity in laboratory diagnostics, surveillance, case management, training of personnel and building of isolation facilities o These investments are being leveraged to respond to the pandemic 	05-Nov-2015	15-Nov-2015
Agricultural Cluster Development Project (balance of funds allocated for the control of the Fall Army Worm) (P145037)	1	To raise on-farm productivity, production, and marketable volumes of selected agricultural commodities in specified geographic clusters.	<ul style="list-style-type: none"> o Surveillance & monitoring to track laying areas; o Procurement of equipment and materials o Undertake ground and aerial control operations; o Livelihoods restoration 		
Emergency Locust Response Program (P173702)	48	To respond to the threat posed by the locust outbreak and to strengthen systems for preparedness.	<ul style="list-style-type: none"> o Swarm management, surveillance and insecticide treatment o Providing safety nets, cash transfers and restoring crop and pastoralist livelihoods 	29-May-2020	05-Jun-2020
Mobilizing Private Investments for Jobs (P171607)	450	To support the continuation of private sector operations and jobs, while setting the foundation for further expansion, in the aftermath of the COVID 19 crisis.	<ul style="list-style-type: none"> o Provide Liquidity/Credit Facility for MSMEs o Provide Technical support and enhancement for MSME recovery and Development. 	N/A	27-Nov-2020
Uganda COVID-19 Education Response (P174033)	19.63	To mitigate effects of COVID-19 on pre-primary, primary and lower secondary education students and teachers & create resilience to future shocks in the education system in Uganda	<ul style="list-style-type: none"> o Provide resources for school continuity during closure and preparation for school reopening. o Capacity building for stakeholders to respond to the emerging needs during and after COVID-19 	N/A	30-Jun-2020
Uganda Intergovernmental Fiscal Transfers- AF (P172868)	250	To improve the adequacy and equity of fiscal transfers and fiscal management of resources by LGs for health and education services.	<ul style="list-style-type: none"> o Strengthen LG systems to build resilience after COVID-19 o Strengthen health & education infrastructure through construction of health center III and secondary schools o Improve rural water & Sanitation and finance small scale irrigation 	30-Sep-2020	30-Oct-2020
Uganda – Competitive and Enterprise Development Project-AF (P169435)	99.8	To increase private sector investment in the tourism sector and strengthen effectiveness of the land administration system	<ul style="list-style-type: none"> o Tourism development o Strengthen land administration 	N/A	N/A