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Measures to mitigate the economic impact of COVID-19

Although Uganda has no known single coronavirus case, the impact of COVID-19 outbreak on the economy is already visible. Manufacturers and traders who rely on supplies, especially from China and Europe, are facing challenges. Tourism, a major source of foreign exchange earnings, is shrinking on account of declining demand, and expanding restrictions travel to and from a growing number of countries abroad and overseas. The volatility in the global financial markets has resulted in offshore investors exiting the frontier and emerging markets including Uganda, into safe havens. These factors pose a risk to financial stability and overall economic growth.

Given the evolving situation, it is difficult to predict the extent and severity of the economic effect of the COVID-19 pandemic. In the meantime, in order to limit the impact of the COVID-19 on financial stability and economic growth Bank of Uganda (BoU) will undertake the following:

1. Ensure that financial institutions supervised by BoU continue to operate effectively;
2. Ensure that contingency plans by financial institutions guarantee the safety of customers and staff;
3. Intervene in the foreign exchange market to smoothen out excess volatility arising from the global financial markets;
4. Put in a place a mechanism to minimise the likelihood of sound business going into insolvency due to lack of credit;
5. Provide exceptional liquidity assistance for a period of up to one year to financial institutions supervised by BoU that may require it;
6. Waive limitations on restructuring of credit facilities at financial institutions that may be at risk of going into distress due to the COVID-19 pandemic;
7. Continue to engage Mobile Network Operators (MNOs) and commercial banks to:
    a. further reduce fees on mobile money transactions and other digital payment charges in order to limit the use of cash and bank branch visits.
    b. increase daily transaction and wallet size limits for mobile money transactions.

The BoU will continue monitoring the evolving impact of the COVID-19, and shall take additional measures as is necessary to mitigate the economic effects of this pandemic.

Prof. Emmanuel Tumusiime-Mutebile
GOVERNOR

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