

# East Africa's response to COVID-19

Implications of the measures taken by East Africa  
Community partner states

April 2020



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# Kenya

## Monetary policy

### Measures taken

- Lowering the Central Bank Rate (CBR) from 8.25 percent to 7.25 percent
- Reducing the Cash Reserve Ratio (CRR) from 5.25 percent to 4.25 percent
- Releasing KES35.2 billion as additional liquidity availed to banks to directly support borrowers that are distressed as a result of COVID-19
- Flexibility to banks on requirements for loan classification
- Provision for loans that were performing as at March 2, 2020 and whose repayment period was extended or were restructured due to the pandemic

### Implications

- This will mitigate the adverse impact of the COVID-19 on Kenya's economy and more importantly to the financial sector. The policy actions will definitely boost liquidity in the market as well as support commercial banks with cash which they can lend to various borrowers. This will make loans accessible and available to private-sector borrowers at lower lending rates. Also, the policy actions will give incentives to banks to avoid increasing lending rates.
- Similarly, lowering the Cash Reserve Ratio (CRR) to 4.25 percent from 5.25 percent is expected to provide additional liquidity of Ksh. 35 Billion to commercial banks in an effort to directly support borrowers that are distressed as a result of the economic effects of the COVID-19 pandemic

## Commercial bank transactions

### Measures taken

- Commercial Banks to provide relief to borrowers on their loans due to the COVID-19 pandemic
- Commercial Banks to provide a oneyear relief period on personal loans (include mobile money borrowers). The relief will also apply to mobile money borrowers.
- Banks to make it possible for Micro and Small Media Enterprise (MSME's) and corporate borrowers to contact their banks so that they can assess and restructure their loans based on special circumstances that have been caused by the COVID-19 pandemic;
- Commercial Banks to bear the cost required to extend and restructure loans during the time of COVID-19 pandemic
- Banks to waive all charges for balance inquiries

### Implications

- Given the fact that about 28 percent of lending in Kenya comprises of personal loans, these reliefs and measures will significantly cushion Kenyans against the impact of the COVID-19.
- The relief will ensure liquidity in the market and keep businesses with the majority being MSMEs afloat during

## Value added tax



14%

From 16% to 14%

# Kenya

## Use of mobile money transfers

### Measures taken

- Zero charges for the mobile transactions of up to Kshs 1,000
- Increasing the transaction limit to Kshs 150,000 (USD1447.730)
- The mobile money wallet limit and daily transactions limit is placed at Kshs300,000 (USD 2895.46)
- Removing monthly transactions limit, and eliminating the transfers between mobile money wallets and bank accounts

### Implications

- Encourage Kenyans to use digital channels and contactless mobile payments. These measures will not only strengthen efforts to curb the spread of the Covid-19 but also sustain the payment of transactions even during the lockdown.

## Tax relief

### Measures taken

- 100 percent tax relief for persons earning a gross monthly income of up to Ksh24,000

### Implications

- Lower-income earners in Kenya will have additional net income which will cushion them against the impact of COVID-19. The increased disposable income will give some relief to low earners in mitigating the negative impact of COVID-19 pandemic.



100% tax relief on  
income up to KSh  
24,000

## PAYE

### Measures taken

- Reduction of Income Tax Rate (Pay-AsYou-Earn-PAYE) from 30% to 25% percent.

### Implications

- The net salary of employees will be increased which in turn will enable workers to have extra money to spend during this outbreak. This is a big relief to Kenyan employees during adversity caused by the pandemic.

## Corporation tax

### Measures taken

- Reduction of Resident Income Tax (Corporation Tax) from 30% to 25%.

### Implications

- The 5 percent reduction of Corporation tax to businesses will cushion companies and businesses against lack of liquidity. The funds saved from not paying 5% corporate tax can be used by companies to sustain their businesses and boost their working capital.

## Turnover tax

### Measures taken

- Reduction on the turnover tax rate from current 3 percent to 1 percent for all Micro, Small and Medium Enterprises (MSMEs).

### Implications

- The 2% reduction of Corporation tax to businesses will cushion companies and businesses against lack of liquidity. The funds saved from not paying 5% corporate tax can be used by companies to sustain their businesses and boost their working capital.

# Kenya

## Value added tax

### Measures taken

- Reduction of VAT from 16 percent to 14 percent, effect April 1, 2020

### Implications

- The reduction of VAT by 2% will have a significant impact on the entire economy given the fact that VAT is a consumption tax paid by final consumers. The reduction of VAT rate by 2% can cushion consumers against higher prices of goods and services. This will contain inflationary pressure during the COVID-19 pandemic.

## Value added tax refund claims

### Measures taken

- Kenya Revenue Authority (KRA) shall expedite the payment of all verified VAT refund claims amounting to Ksh10 billion within 3 weeks; or in the alternative, allow for offsetting of withholding VAT, in order to improve the cash flows for businesses.

### Implications

- This will be a big relief to producers of goods and services since delaying in payment of refunds has a negative impact on businesses as it ties up the working capital of businesses. Similarly, these funds will provide liquidity to the businesses and beef up their working capital to enable producers to sustain their businesses during this distressing period of COVID-19 pandemic.

## Listing with credit reference bureaus

### Measures taken

- Temporary suspension of the listing with Credit Reference Bureaus (CRB) of any person, Micro, Small and Medium Enterprises (MSMES) and corporate entities whose loan account fall overdue or is in arrears, effective 1st April, 2020

### Implications

- This will be a big relief to various borrowers in Kenya whose loan accounts were overdue or in arrears by 1st April 2020. This will also give borrowers some time to handle their loans without much pressure from lending institutions.

## Verified pending bills

### Measures taken

- All Ministries and Departments shall cause the payment of at least Ksh13 billion of the verified pending bills, within three weeks from the date hereof

### Implications

- There will be an improvement in the liquidity in the economy. Businesses that will be paid the verified pending bills will remain afloat given the new cash flow in the market. The Ksh 13 billion will have spill over effects to other businesses as paid businesses will be able to continue to conduct businesses with other private sector entities.



GoK to pay out KSh 13 Billion in pending bills

# Kenya

## Orphans, elderly and vulnerable groups

### Measures taken

- Appropriation of an additional Ksh10 billion to elderly, orphans and other vulnerable members of society through cash-transfer by Ministry of labour and Social Protection, to cushion them from the adverse economic effects of the COVID-19 pandemic

### Implications

- This will positively impact the targeted group in terms of remaining afloat during this Covid-19. However, there will be spill over effect to other groups and the economy at large as the money will be released to the market.

## Recruitment of additional health workers

### Measures taken

- Ksh1 billion from the Universal Health Coverage kitty, be immediately appropriated strictly towards the recruitment of additional health workers to support in the management of the spread of COVID-19

### Implications

- This will directly boost the combat of COVID-19 in Kenya. In addition, the new employed workers will definitely have a positive economic impact on Kenya's economy as consumers of goods and services.

## Voluntary reduction of salaries for the Executive arm of government

### Measures taken

Reduction In trying to look for funds to combat COVID-19 pandemic the President of Kenya has announced a voluntary reduction in the salaries of the senior ranks of the National Executive with immediate effect.

- The President and Deputy President - 80 percent
- Cabinet Secretaries & Chief Administrative Secretaries - 30 percent
- Principal Secretaries - 20 percent

### Implications

- This will enable the Government to have extra funds that can be directed in fighting against COVID-19 pandemic in Kenya. According to EABC analysis from available data, these voluntary contributions from the Senior ranks and Executives in Kenya will generate approximately KSh 628,493,266.2 as a contribution to combat COVID-19. This is based on a period of 3 months of salaries.

## Executive



# 80%

Salary cut for president and deputy president

# Uganda

## Exceptional liquidity assistance

### Measures taken

- Bank of Uganda to provide exceptional liquidity assistance for one year to financial institutions and waive limitations on restructuring credit facilities of financial institutions that may be going into distress.

### Implications

- This is meant to strengthen the banking institutions to remain afloat amidst this stalemate as few borrowers will be able to pay back their loan obligations. Therefore, with this intervention, the financial institutions are unlikely to go into financial distress and the business community can still continue to borrow

## Foreign Exchange Market

### Measures taken

- Intervention in the forex market to smoothen out excess volatility arising from the global financial markets.

### Implications

- The dollar is managed at levels that can allow the business community to continue importing hence avoiding a spike in commodity prices.

## Insolvency

### Measures taken

- Mechanism to minimize the likelihood of sound business going into insolvency due to lack of credit.

### Implications

- The Central Bank realizes that businesses need credit to finance their investments and remain solvent. Therefore, this facility/mechanism assures the business community that the central bank will avail credit to finance their investments and thus avoid going into distress.

## Mobile Network Operators (MNOs) and commercial banks

### Measures taken

- Reduce fees on mobile money transactions and digital payment charges to limit the use of cash and bank branch visits
- Increase daily transaction and wallet size limits for mobile money limits

### Implications

- The public has been cautioned against the use of paper money as well as coins given the health risks associated with the spread of the Coronavirus. Thus, the intervention by the central bank to reduce fees on mobile money transactions and increasing wallet-size limits encourage digital payments which then reduces the risk of infections.



Reduced mobile money transaction fees



# Uganda

## Filing of returns

### Measures taken

- Taxpayers whose accounting date is in September and are unable to file Corporation tax returns by 31st March 2020, have been granted an extension to file returns for a period of 2 months up to May 2020. All penalties related to the late submission shall be remitted if the filing of returns is done on or before 31st May 2020. Taxpayers whose returns for March, 2020 are due by the 15th of April 2020 and are unable to file, are granted an extension to file for a period up to 30th April 2020 and these relate to; Value Added Tax, Pay as You Earn, Local Excise Duty and Withholding Tax.

### Implications

- Businesses which will not be able to meet their tax filing obligations as per the period specified in the law, now have a relief to pay as per the new extended period specified that takes into consideration the impact of COVID-19 on businesses

## Payment of taxes under instalment arrangement

### Measures taken

- Tax Payers who have Memoranda of Understandings (MOU) and who have payments due in months of March and April 2020 will have the option to defer and reschedule these payments. The payments will resume during the month of May

### Implications

- There are some members of the business of the business community who have memoranda of understanding with the Uganda Revenue Authority. According to this new measure, they have been given 2 additional months to resume their payments due to the impact of COVID-19.

## Border stations

### Measures taken

- All customs border stations shall remain open to facilitate movement of cargo subject to the customs laws and guidelines

### Implications

- The Borders have remained open to clear only cargo trucks and limited to three persons crossing with cargo including the truck driver. This is meant to ensure there is a seamless flow of goods amidst the COVID-19 outbreak. The business community is therefore still able to trade and supply themuch-needed merchandise across theregion including essential goods.

## Customs Warehouses

### Measures taken

- All customs warehouses will remain functional to allow clearance of cargo subject to the customs guidelines

### Implications

- Warehouses are critical in providing storage of cargo prior to shipment/clearance. The new measures imply that these will remain open to ensure this doesn't disrupt business.



New extended period for filing

# Rwanda

## Extension of lending facility

### Measures taken

- The National Bank of Rwanda has put in place a liquidity window to allow the banks to continue serving their customers. To facilitate the private sector borrowers, a fund close to \$52 million has been earmarked to bridge liquidity challenges and commercial banks can access this facility at the central bank rate

### Implications

- The stimulus whose beneficiaries include individuals, SMEs and large corporates regardless of their sector of operation, is meant to relax measures on loans and giving clients some room to breathe, given that the crisis does not go beyond six (6) months.

## Lowering Reserve Ratio

### Measures taken

- Lowering the requirement ratio from 5% to 4% to allow banks more liquidity to support affected businesses. Normally, the central bank maintains a range of liquidity facilities such as intra-day liquidity facility, overnight lending facility, reverse repo for seven days and refinancing facility for seven days which ensures that banks can lend.
- Effective April 1, BNR is expected to lower the reserve requirement ratio from 5% to 4% to allow banks more liquidity to support affected businesses.

### Implications

- This will increase liquidity by up to Rwf 26 billion, effectively increasing funds available for lending to the economy.

## Review of Treasury Bonds

### Measures taken

- For the next six months, BNR has offered to buy back bonds at the prevailing market rate. The regulator also reduced the waiting period if one fails to sell the bond at the secondary market from the current 30 days to 15 days.

### Implications

- Money will flow from the Central Bank to individual banks leading to increased borrowing, hence there will be increased money circulation in the economy for the producers and consumers to use.

## Restructuring loans

### Measures taken

- The Central Bank anticipates that customers with huge loans would face challenges in servicing those loans thus creating liquidity problems to the banks. This is why banks are allowed to engage their customers and re-negotiate terms especially to those with outstanding loans facing temporary cash flow challenges arising from the pandemic

### Implications

- Restructuring these debts will mean making lower repayments each month, freeing up cash for running businesses and avoiding closure, and consolidating existing debts could mean that one pays a lower interest rate overall, reducing the cost of finance to your business from outstanding loans.

## Reserve ratio



4%

From 5% to 4%

# Rwanda

## Mobile Money Transfers

### Measures taken

- Charges have been removed on P2P transactions (sending money from one person to another). This is in a bid to encourage the public to use “cashless means of payment”. The limit for individual transfers using mobile money wallets has been increased from Rwf 500,000 to Rwf1.500,000 for Tier I customers and from Rwf 1million to Rwf 4million for Tier II customers.

### Implications

- Digital channels and contactless mobile payments are efforts aimed at limiting the risk of transmission of Corona Virus through handling cash and other non-virtual means of payment for the next three months and effective from 19 March, 2020. However, projects that require huge disbursements will be affected in terms of operation and rollout deadlines.

## Extension of Tax Declaration Deadline

### Measures taken

- Taxpayers were supposed to declare corporate income tax for 2019 by 31 March, 2020. Businesses are also obliged to declare their Value Added Tax (VAT), Pay as You Earn (PAYE), Excise Tax as well as pension contribution on the 15th of every month. However, following the COVID-19 lockdown, business operators expressed that this is likely to be impossible due to the lack of business activity.
- To take care of the concerns, the Rwanda Revenue Authority has extended the deadline for filing and paying income tax for large taxpayers to 15th April 2020 and 30th of April 2020 for small and medium enterprises. Rwanda Revenue Authority also announced the suspension of the 25% down payment for outstanding tax admissible for amicable settlements.

### Implications

- Taxpayers will have a grace period to prepare declarations for returns to avoid penalties and the suspension of the 25% tax admissible for amicable settlements is a relief to taxpayers. This will act as savings to offset the loss brought about by limited revenue collections in this period of the pandemic.increasing funds available for lending to the economy.

## Certification of Financial Statements

### Measures taken

- Businesses that are required to certify their financial statements but may not have finalized certification by the due date, will be required to declare and pay profit tax for 2019 based on the financial statements not yet certified. The certification of financial statements has been extended up to 31 May, 2020.

### Implications

- This will waive off relief to taxpayers on the cost of hiring external consultants responsible for certifying the financial statements.

## Halting Comprehensive and Post Clearance Tax Audits

### Measures taken

- Rwanda Revenue Authority halted all comprehensive tax audits and postclearance audits to reduce pressure and physical interaction with taxpayers for a period of one month. Only desk audits will go ahead as planned.

### Implications

- This has reduced time lost with Rwanda Revenue auditors, hence more time created for conducting business. Reduced chances of contracting the COVID-19 virus due to non-physical interactions with people.

# Other measures

## Other measures taken by East Africa Community Partner States

Country	Area of intervention	Measures taken	Implications
<b>Kenya</b>			
	Travel	All international flights suspended apart from cargo flights.	There will be no international travel for passengers is until further notice.
	Mandatory quarantine	All persons who violate quarantine measures to be quarantined forcefully at their own expense and later charged.	Any violation of quarantine measures will be charged according to the law.
	Social gatherings	All bars closed until further notice. Restaurant to remain open but only have taken away services.	This is meant to promote social distancing that limits the spread of the infections.
		All public service vehicles must adhere to the directive issued on Friday (March 20th) failure time which respective Sacco license will be revoked.	
		The government has suspended all churches, mosques gatherings; funerals are restricted to family members only (Restricted to 15). Weddings not allowed. Any form of gathering even within the streets also not allowed.	
	Public transport	The National Police Service to enforce the National Health Act, the outlined matatu regulations and quarantine. The police will support NGAO in the enforcement of various outlined measures.	Matatus will be issued with guidelines for their operations with enforcement in place.
<b>Uganda</b>			
	Travel	Prohibit all in-coming passengers whether by air, land or water except for cargo.	There is total lockdown for any person entering Uganda except for cargo.
	Court hearings	Court hearings and appearances suspended for at least 32 days with effect from 20th March 2020.	This is meant to promote social distancing that limits the spread of the infections
	Social gatherings	All schools, Universities and other Tertiary institutions closed	
		Political and cultural public meetings suspended	
		Wedding gatherings suspended, except if small numbers involved	
		Discos, bars, concerts suspended	
		Public transport banned	
		Funerals to be regulated	
		All religious gatherings suspended	
		All schools, Universities and other Tertiary institutions closed	



# Other measures

## Other measures taken by East Africa Community Partner States

Country	Area of intervention	Measures taken	Implications
<b>Tanzania</b>			
	Testing centres	Identification of the main testing Centres	There are testing centers of Covid-19 that have already been set up by the government in various regions of the country.
	Social gatherings	Avoidance of public gatherings and unnecessary travels including conferences, ceremonies, concerts, political campaigns and sports events.	This is meant to promote social distancing that limits the spread of the infections.
		Closure of all secondary schools and higher education institutions for 30 days effective from March 17	
		Ongoing initiatives and campaigns to educate the public on preventive measures	
		Banning prison visits	
	Travel	No restrictions on incoming flights	International flights are still allowed to operate.
	Borders	All borders are operational	Tanzanian borders are still open to both cargo and passengers.
	Mandatory quarantine	14 days mandatory isolation for all international arrivals at their own cost	All travellers to Tanzania will undergo mandatory quarantine of 14 days.
	Travel for public servants	International Travels have been banned for public servants	No public servant is allowed travel.
<b>South Sudan</b>			
	Social gatherings	Banned major public events (public gatherings, sporting events, religious meetings and political events).	This is meant to promote social distancing that limits the spread of the infections.
	Essential commodities supply and food security during lockdown	Ministry of Finance and Planning to facilitate suppliers by providing hard currency to commercial banks through Bank of South Sudan to purchase essential commodities such as food items, fuel, medicines and medical products. This will be regulated by the Ministry of Trade and Industry.	This is to ensure that there are adequate supplies for the population during the lockdown.
	Mandatory quarantine	Self-quarantine of all senior government officials who have just arrived from countries with established local infection and transmission of COVID-19.	All travellers from countries most affected by Covid 19 as listed will undergo mandatory quarantine of 14 days.
	Travel	Travellers arriving in South Sudan from affected countries and areas with established local transmission will be self-quarantined for 14 days.	Non-essential travels are to be postponed.
		Non-essential travels to affected countries must be called off or postponed to a later date.	
		Ordered restrictions on the movement of people, including declining to issue new visas, revoking visas and resident permits, and denial of admission at ports of entry.	

# Other measures

## Other measures taken by East Africa Community Partner States

Country	Area of intervention	Measures taken	Implications
<b>Rwanda</b>			
	Travel	Closure of commercial flights to and from Rwanda for an initial period of 30 days	There will be no international travel for passengers for a period of 30 days
	Social gathering	Closure of Schools and Higher Institutions of Learning for an initial period of 14 days	This is meant to promote social distancing that limits the spread of the infections
		Prohibition of unnecessary movements and visits outside homes	
	Working from home	All employees (public and private) to work from home	
	Social gatherings	Closure of shops, markets and bars. Restaurants and cafes may only provide take away services	
	Electronic payments	Use of electronic payments and online banking services encouraged	
	Borders	All borders closed except for goods, cargo and Rwandan citizens returning but subject to a mandatory 14-day quarantine at designated locations	All borders will be closed with a few exceptions as listed. Mandatory quarantine of 14 days applies to all
	Local travel	Travel between different districts of the country is not permitted	Local village to village movements at country level are not allowed
		Motorcycles not permitted to carry passengers but may offer delivery services	No public transport except for delivery services
<b>Burundi</b>			
	Mandatory quarantine	Burundi will quarantine for 14 days all travelers arriving from the EU and countries most affected by the coronavirus including China and Iran, suspending all international flights effective from 25th March 2020 except cargo flights whose crew must observe strict guidelines	All travellers from countries most affected by Covid 19 as listed will undergo mandatory quarantine of 14 days. Additionally, there will be no international passenger arrivals in Burundi therefore travellers will have to wait for new guidelines to be issued.
		As of March 17, passengers from the U.S., the U.K., and Australia, or others who have stayed in those countries for 14 days and are coming to Burundi, will be quarantined to prevent the coronavirus spread.	Passengers from the listed countries will be placed under isolation for 14 days and therefore need to plan for their travel accordingly
		Limited public gatherings	Any public gathering will be in violation of the guidelines issued by the government

References: East Africa Business Council Brief of the Implications of the Measures Taken by EAC Partner States in Response to COVID-19 Issued 30th March 2020



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