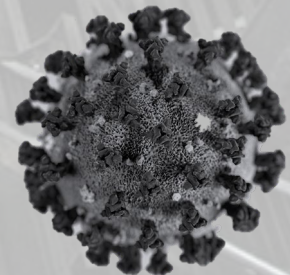


PRIVATE SECTOR RECOMMENDATIONS TO MITIGATE THE IMPACT OF COVID-19 PANDEMIC

BRIEF BY:
THE EAST AFRICAN BUSINESS COUNCIL (EABC)



MONETARY AND FISCAL POLICY MEASURES



Areas of Intervention

- Banking
- Mobile Money
- Tax Reliefs
- Vulnerable Groups
- Emergency Funds



Specific Measures Proposed by EABC to be Undertaken



Impact of EABC Monetary and Fiscal Policy Proposals on EAC Economies



Monetary Policy

AREA OF INTERVENTION	IMPLICATIONS
CENTRAL BANK RATE <ul style="list-style-type: none">› Central banks in EAC need to lower the Repo Rate	<ul style="list-style-type: none">› The lower Central Bank Rate will incentivize commercial banks to lend at lower rates to the private sector
RESERVE REQUIREMENT RATIO <ul style="list-style-type: none">› Central banks in EAC to consider lowering the reserve requirement ratio	<ul style="list-style-type: none">› This will allow commercial banks to have more liquidity and enough lending capacity
STIMULUS FUND TO COMMERCIAL BANKS <ul style="list-style-type: none">› Central banks need to extend lending facility to commercial banks (Releasing special fund)	<ul style="list-style-type: none">› This will enable commercial banks to have sufficient funds for lending to the private sector
OPEN MARKET OPERATION <ul style="list-style-type: none">› EAC Central Banks to consider reviewing of existing treasury Bonds/Securities rediscount (Open Market Operations) through buying back bonds at the prevailing market rate	<ul style="list-style-type: none">› This will provide liquidity to the economy through commercial banks and other entities



• Monetary Policy Cont'd •

AREA OF INTERVENTION

RESTRUCTURING OF NON-PERFORMING LOANS

- › Central Banks in the EAC region need to restructure Loans by allowing a considerable period for Non-Performing Loans

FAST-TRACKING DELAYED PAYMENTS

- › Governments to prioritize payment of domestic debts

IMPLICATIONS

- › This will give relief to both lenders and borrowers at the time of COVID-19 pandemic

- › This will inject liquidity in the market and enable businesses especially SMEs sustain the businesses

Objectives/Impacts
of Monetary Policy

Inflation

Unemployment

Currency
exchange
rates



Fiscal Policy

AREA OF INTERVENTION	IMPLICATIONS
REVIEW OF INCOME TAX ACT <ul style="list-style-type: none">› EAC Governments to increase minimum taxable salary income to at least USD 250› Need for reduction of Income Tax Rate for companies to 20%› Reduction of Corporate Tax Rate to 20%	<ul style="list-style-type: none">› This will increase the disposable income of low earning workers to enable them to mitigate the impact of COVID-19 pandemic.› This will increase the net salary of employees to enable workers to have extra money to spend on the advent of COVID-19 pandemic.› This will enable businesses/companies have cash which can be invested back to the businesses to boost the working capital in order to sustain businesses.
REMOVAL OF EMPLOYMENT LEVIES <ul style="list-style-type: none">› EAC Governments to consider temporary removal of employment taxes/levies (Skill Development Levies)	<ul style="list-style-type: none">› This will encourage employers to retain the existing workers and do away with downsizing in the midst of COVID-19 pandemic
PAYMENT OF VAT REFUNDS <ul style="list-style-type: none">› EAC Governments to allocate enough funds to cater for outstanding VAT Refunds	<ul style="list-style-type: none">› Paying all outstanding VAT Refunds will give businesses the needed liquidity to boost their working capital during the COVID-19 period



Fiscal Policy

AREA OF INTERVENTION	IMPLICATIONS
REMOVAL OF IMPORT DUTIES <ul style="list-style-type: none">› There is a need for removal of all other charges of equivalent effects (such as Import Declaration Fees-IDF & Railway Development Levy-RDL) for imports of raw materials, capital goods, intermediate goods and essential goods.	<ul style="list-style-type: none">› This will provide relief to manufacturers/producers and make such goods available at affordable prices.
REVIEW OF VAT RATE <ul style="list-style-type: none">› EAC Partner States to reduce standard VAT Rate to at least 12% during the COVID-19 period	<ul style="list-style-type: none">› This will protect consumers across the EAC Partner States against high prices and enable them to access consumable goods and services at affordable prices
VAT RELIEF TO ESSENTIAL PRODUCTS <ul style="list-style-type: none">› There is a need for a zero-rate VAT for all essential products during the time of COVID-19 pandemic (e.g. staple foods items, soaps, disinfectants, sanitizers, water, electricity, etc.)	<ul style="list-style-type: none">› This will make essential products affordable to EAC citizens



Fiscal Policy

AREA OF INTERVENTION

REVIEW OF TAX RETURN PERIOD

- › EAC Governments need to consider granting an extension to businesses in filing their tax returns (Value Added Tax, Pay as You Earn, Excise Duty and Withholding Tax)

IMPLICATIONS

- › This will give relief to businesses which would not be able to meet their tax filing obligations as per the period specified in the law, as they struggle to mitigate the impact of COVID-19 pandemic

REVIEW OF TAX ON TELECOM SERVICES

- › EAC Governments to lower taxes on voice, SMS and data services to encourage the use of digital payments as a preventive measure to COVID-19

- › This will facilitate EAC Citizens to use the services while carrying out financial transactions



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#EABCCares
#Covid19EA

OTHER RECOMMENDATIONS

- **Cross Border Cargo Flow**
- **Food Security & Essential
Commodities Supply**
- **Movement of Persons**

Other Recommendations

PREPAREDNESS INTERVENTIONS

EAC Partner States should adopt a coordinated preparedness approach with uniform enforcement procedures in combating the COVID-19

MANDATORY QUARANTINE

There is a need to increase quarantine centers to accommodate the exponentially increasing cases that need to be quarantined

AIR TRAVEL RESTRICTIONS

Partner States to devise post-pandemic recovery strategy to revive the air transport sector to avoid complete closure of business

CROSS BORDER CARGO

New measures on facilitating flow of cargo across the region should be well elaborate and understood by all stakeholders to avoid misinterpretation enforcement hiccups

FOOD SECURITY & ESSENTIAL COMMODITIES

Ministries of Finance and Planning to come up with favorable emergency stimulus initiatives to low income earning citizens in order to obtain food items, fuel, medicines and medical products



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-END-

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