SOCIO-ECONOMIC UPDATE OF UGANDA

Socio-Economic Update of Uganda

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The Socio-Economic Update of Uganda is a UNDP Briefing Note Series produced twice a year (March and October) for internal United Nations Policy and Programme purposes. The objective of the note is to assess recent socioeconomic developments and prospects in Uganda as well as to explore their implications for United Nations work in Uganda.

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INTRODUCTION

As the President of the Republic of Uganda H.E. Yoweri Kaguta Museveni indicated in his annual State of the Nation Address on 7 June 2022, over the last 3 years the country has been facing multiple crises such as the COVID-19 pandemic, locusts, rising waters, landslides, terrorist attacks, the resurgence of cattle-rustling, and the cost-of-living crisis due to the war in Ukraine.

According to the World Health Organization (WHO), Uganda recorded 169,274 COVID-19 cases since the epidemic began in March 2020. In addition, Uganda reported 3,626 COVID-19 deaths. Still, Uganda successfully managed to contain socioeconomic impacts of multiple COVID-19 waves in 2020 and 2021, helped by targeted containment measures and progress on vaccination. As Uganda recovers from the COVID-19 pandemic, supply-demand imbalances linger which are dragging on economic activity and pushing prices up. At the same time, energy and food prices have spiked amid the war in Ukraine and worsening geopolitical tensions.

However, the country is now facing a potentially significant socioeconomic shock from the Ebola Virus Disease (EVD) outbreak. On 20 September 2022, Ugandan health authorities declared an outbreak of EVD after a case was confirmed in Mubende District in the central part of the country. As of 30 October, the Ministry of Health reports 129 Ebola Virus Disease (EVD) confirmed cases in 7 districts.

Confirmed EVD deaths has increased to 37 with a Case Fatality Ratio (CFR) among confirmed cases of 29%. There have been 43 recoveries. 17 healthcare workers have been infected, 6 of whom died Without timely and effective measures to contain the outbreak, it could quickly spread throughout the country and cause illness and death on a devastating scale.

It is important to recognize that the consequences of EVD are vast for Uganda. The outbreak impacts human development in several different ways. Its magnitude in terms of morbidity and mortality was historically higher than any other epidemic. Its impact is also economic through loss of gross domestic output, a threat to food security, a fall in employment and livelihoods, and a decline in foreign exchange due to a decline in international tourism and investment. However, Uganda is no stranger to effective EVD control. Uganda has experienced six such outbreaks in the last 22 years, in 2000, 2007, 2011, 2012 (two

outbreaks) and 2019. The outbreak in 2000 was one of the largest with 425 EVD cases and 224 deaths. Uganda has successfully managed all these outbreaks.
The risks to Uganda's socioeconomic outlook in the coming months are overwhelmingly tilted to the downside. The persisting COVID-19 and recent EVD outbreak could lead to further slowdown of economic activities; inflation could be harder to bring down quickly than earlier anticipated; increased health costs could increase public debt and debt distress; and continued war in Ukraine could undermine Uganda's export potential. The near-term outlook to Uganda's socioeconomic recovery from the pandemic is uncertain due to the uncertainty surrounding containment of the EVD outbreak as well as the resolution of ongoing geo-political tensions in Europe.

Though Uganda has been facing various shocks in the last 3 years, these crises should not distract the Government of Uganda from its long-term development strategy. These crises present several lessons and opportunities that the country must draw on and leverage to sustain and accelerate its socioeconomic progress. At the same time, it is also important to recognise that the Ugandan socioeconomic system faced distinct challenges even before these crises. Among other factors, a significant youth demographic is exerting immense pressure on the economy to accommodate about 600,000 new jobseekers per year by 2040. Similarly, despite significant efforts by Government and development partners in recent years to increase access to electricity, Uganda still has one of the lowest electrification rates in the world. In this context, it will be essential for Uganda to stay focused on inclusive and sustainable economic growth even as it implements growth-oriented reforms to get the economy back on track. The United Nations System in Uganda is partnering with the Government in this effort by helping strengthen policies, institutions, and investments to create a better future for the country and the people through green, resilient, and inclusive development.

The objective of this report is to provide a socio-economic update for Uganda for the Financial Year (FY) 2021-22. The update is divided into three sections: Section 1 presents an economic update, Section 2 provides a social and human development update, and Section 3 highlights some emerging challenges and opportunities that are relevant to development support in Uganda.

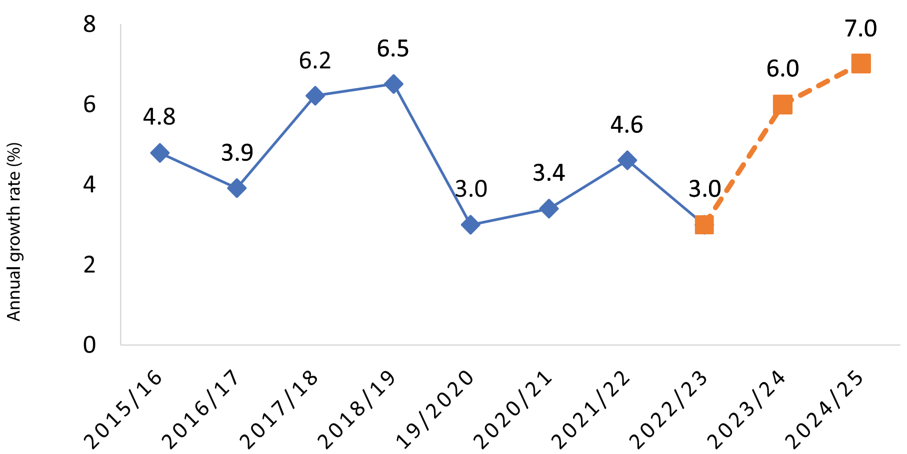
1. UPDATE ON ECONOMIC SITUATION

Economic Growth

The COVID-19 pandemic triggered an economic slowdown globally. Uganda recorded the slowest annual real GDP growth rate in three decades of 3.0 percent in FY2019/20 down from 6.5 percent in 2018/19 and falling short by 3.8 percentage points of the projected target of 6.8%. However, Uganda's economy saw a strong rebound from the COVID-19 pandemic-related negative effects in FY 2021/22. Economic activity picked up in FY 2021/22 following easing of lockdown restrictions and rollout of COVID-19 vaccines. The relatively slow growth rate was mainly because the economy was operating below its potential due to the continued restrictions in some sectors especially the service sector and disruptions in global economic activity as well as uncertainty regarding new waves of COVID-19, which restricted investment in productive activities of the economy.

The June 2022 preliminary GDP estimates by the Uganda Bureau of Statistics (UBoS) indicate that the economy grew by 4.6 percent in Financial Year (FY) 2021/22 compared to the growth rate of 3.5 percent recorded in FY 2020/21 and 3.0 percent in FY 2019/20. This shows that despite challenges dealing with the COVID-19 pandemic and the war in Ukraine, the Ugandan economy remained resilient and steadily recovering from the pandemic. Figure 1 below shows the achieved economic growth rate for the period 2015/16 to 2021/22 and the projected growth for the period 2022/23 to 2024/25.

Figure 1: Economic Growth Rate for FY 2015/16-FY 2022/23



Data Source: Bank of Uganda (BoU)

According to the Bank of Uganda (BoU) in its bi-monthly Monetary Policy Statement (MPS) for the month of August 2022, the optimism of a faster economic recovery propelled by the full reopening of the economy in January 2022 has been dampened by the effects of the war in Ukraine. As a result, the high-frequency economic indicators now show a slow pace of recovery. According to UBoS quarterly GDP estimates, the country's economy declined by 1.6 percent in the quarter ending March 2022 compared to the previous quarter. All sectors of the economy contracted, with the services sector taking the biggest hit and it was the second consecutive quarter of contraction for the agricultural sector.

The slowdown or contraction in economic activity is broadly consistent with other high frequency economic indicators. For example, the growth rate of Composite Index of Economic Activity (CIEA)- a summary statistic that tracks the current state of the economy declined from 2.1 percent quarter-over-quarter in December 2021 to 1.4 percent in March 2022. The CIEA also points to slowing economic activity during the second quarter of 2022. The growth of the index declined from a quarter-on-quarter growth of 2.4 percent in the three months to January 2022 to 1.2 percent in both the three months to April and July 2022. Similarly, the Stanbic Bank Purchasers Mangers' Index (PMI)[1] points to deteriorating business operating conditions in 2022. Notwithstanding a slight uptick to 50.5 in August 2022 from a score of 48.2 in July 2022, the PMI has been broadly on a downward trend since February 2022 and therefore signaling slowing economic growth.

The possibility of a worldwide recession, the intensification of geopolitical conflicts, increased global economic uncertainty, and rising inflation are among the risks to the growth forecast that are skewed to the downside. A further drop in consumer confidence, increased currency rate volatility, and sustained deterioration in market optimism are additional downside concerns.

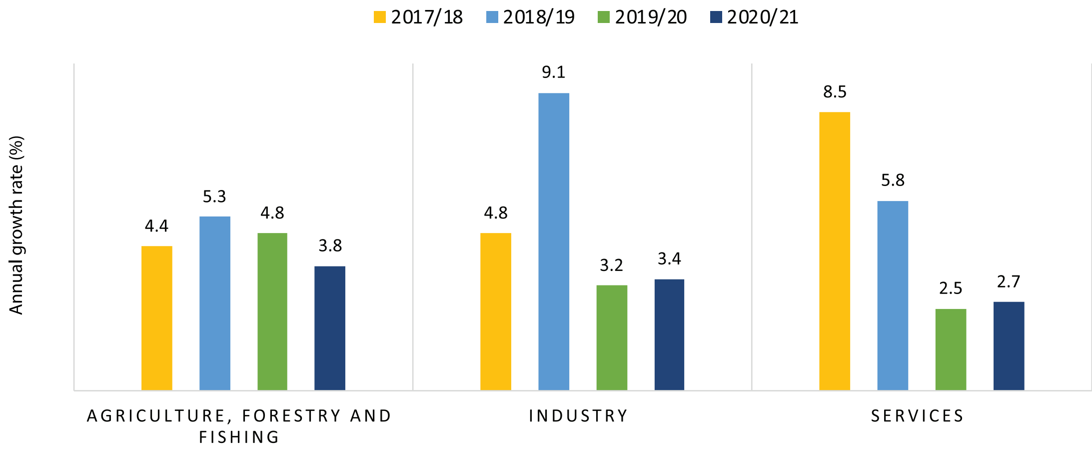
Currently, economic growth is expected to be between 2.5 and 3.0 percent in 2022, partially reflecting the effects of higher production costs related to fuel and transportation on activity. However, by 2023, economic growth is expected to reach between 5.0 and 6.0 percent, supported in part by public investments and a recovery in demand as inflationary pressures start to ease. The economy is also expected to expand between 6.5 and 7.0 percent in 2024 and 2025 with the support of both state and private investments in the oil industry.

In Uganda, economic growth is broad-based, as all key economic sectors such as agriculture, forestry and fishing, industry and services contribute to overall economic growth. However, as seen in the graph below, some of these sectors have been experiencing lower growth rates in the past two years. As a result of the large reduction in fishing activity caused by pandemic-related lockdown measures, agricultural growth fell to 3.8 percent in 2021. Due to disruptions in the supply chain for fertilizers and other products brought on by the conflict between Russia and Ukraine, the agricultural sector is predicted to record somewhat lower growth in 2022. The industry sector grew by 3.4 percent in 2021 as a result

1 The Stanbic Bank Uganda PMI is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 400 private sector companies.

of increased industrial activities brought by the relaxation of COVID-19 regulations. The 2.7 percent increase in the services sector in 2021 was attributed to the slow rebound of trade and tourism. Because of the Ugandan government's efforts to promote domestic tourism by establishing marketing targeted at local travelers, the services industry is predicted to increase in 2022.

Figure 2: Sectoral Growth Rate for FY 2017/18—FY 2020/21



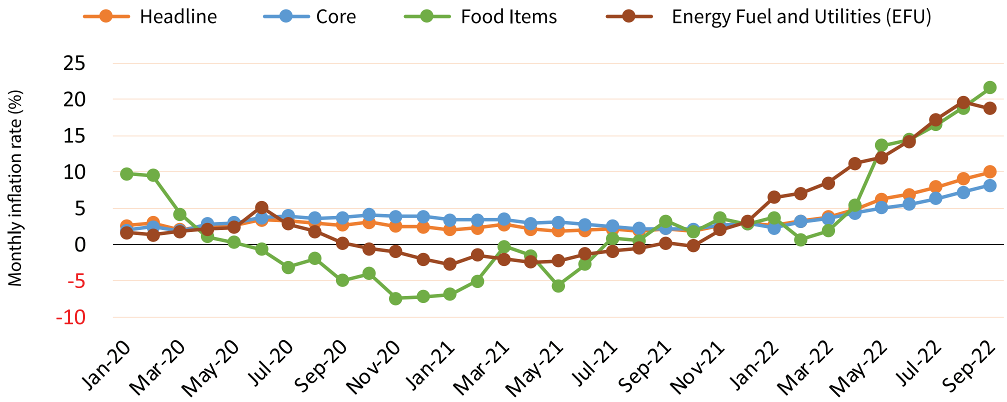
Data source: Uganda Bureau of Statistics (UBOS)

Inflation

There has been a rapid increase in both the annual headline and core inflation[2] in the previous quarters to September 2022. For instance, annual headline and core inflation rose from 2.7 percent and 2.3 percent in January 2022, to 10 percent and 8.1 percent in September 2022 respectively. From 3.7 percent in January 2022 to 21.6 percent in September 2022, food and related item inflation surged mainly as a result of supply chain disturbance due to COVID-19 and the geopolitical tension between Russia and Ukraine. Additionally, the cost of fertilizers increased by 110 percent in June 2022 compared to the same month the previous year, while the cost of electricity increased by 86.5 percent. Similar to this, rising liquid fuel pump prices caused the Electricity, Fuels and Utilities (EFU) inflation rate to jump from 0.2 percent in September 2021 to 18.7 percent in September 2022.

2 UBOS defines Headline inflation as the measure of the relative change in prices of all goods and services (food and energy prices inclusive) in the economy and it tends to be much more volatile and prone to shocks while Core inflation which is also referred to as Underlying Inflation, measures relative changes in the prices of all goods and services in the consumption expenditure basket excluding food and energy prices).

Figure 3: Inflation Trend



Data Source: Uganda Bureau of Statistics (UBOS) and Bank of Uganda (BoU)

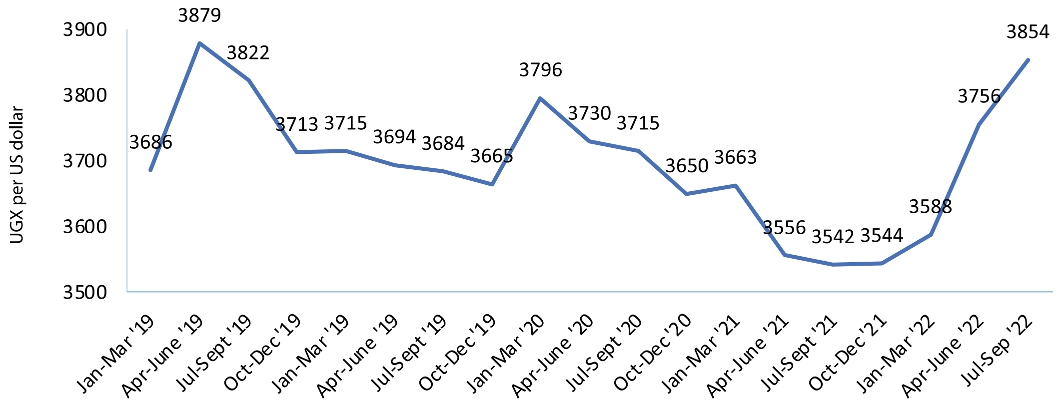
BoU forecasts show that the annual inflation for 2022 will remain in the range of 7.0 to 7.4 percent. The outlook is driven by the lagged impact of higher exchange rate depreciation, dry weather which has resulted into low harvests and hence a sharp rise in the prices of food crops, and the effects of the global inflationary pressures combined with the disrupted global supply chains caused by the conflict in Ukraine. It should be noted that an IMF modeling study found that a $10 increase in global oil prices is sufficient to raise Uganda's headline inflation rate by 1.5 percentage points. According to BoU, weakening of the Ugandan shilling against the dollar coupled with rising food and energy prices have worsened the inflation outlook in Uganda since April 2022. The bank of Uganda added that Inflation is projected to peak in the second quarter of 2023 before gradually declining to stabilize around the medium-term target of 5 percent by mid- 2024. In its monetary policy statement frequently asked questions of April 2022, BoU committed to closely monitor the inflation developments in the country and taking necessary actions to ensure price stability.

Exchange Rate

The official mid-rate for the Ugandan currency per US dollar averaged at 3,854 (UGX/ 1 USD) during the third quarter of 2022 compared to 3796 (UGX/ 1 USD) registered in the first quarter of 2020. The currency appreciated significantly between the first quarter of 2020 until the last quarter of the 2021, as could be seen in Figure 4. The appreciation is attributed to full reopening of the economy which led to an increase in tourists, increased remittances due to reduced effects of COVID-19 in the world, higher inflows from development partners, increased coffee export earnings and strong dollar inflows from offshore investors in government securities (MoFPED, 2022).

The Ugandan shilling, however, has been under pressure since March 2022 as a result of the Ukraine war and related factors such as increased global investment uncertainty, tighter monetary policy by the advanced economies, and foreign investors adjusting their portfolio holdings in the developing countries, including in Uganda. The pressure intensified in May and July 2022 with a minor decline noted in August 2022. Consequently, the Ugandan shilling's appreciation journey against the US dollar was not only halted in 2022, but also depreciated notably since March 2022 as seen in Figure 4.

Figure 4: Quarterly Trend in Exchange Rate



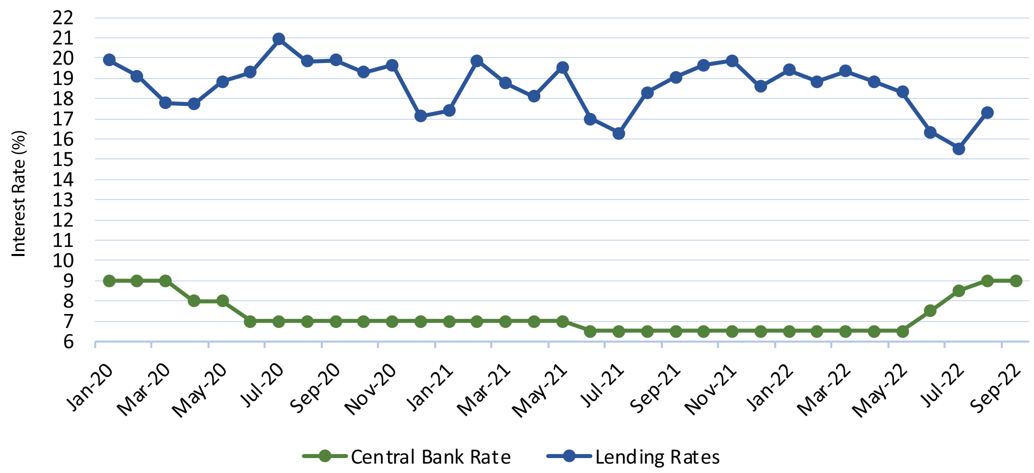
Data Source: Bank of Uganda (BoU)

Interest Rates

Due to the persistent inflationary pressures in the last six months, the Bank of Uganda has been revising its Central Bank Rate (CBR) upwards from 6.5 percent in April 2022 to 8.5 percent in July 2022 and to 9 percent in September 2022. BoU confirmed that it would continue to raise the CBR until inflation is firmly contained around the medium-term target of 5 percent. The Bank forecasts that inflation pressures will continue to rise driven by the lagged effect of higher exchange rate depreciation, poor agricultural harvest that has resulted in the sharp rise of food crop prices and a complete pass-through of global inflationary pressures.

Despite the CBR remaining in a single digit, commercial bank lending rates are still high, standing at a weighted average of 17.8 percent for the quarter ending June 2022 slightly lower than 19.2 percent in the previous quarter. The high commercial banks' lending rates are driven by increased risk averseness by commercial banks as Non-Performing Loans increased and some of the previously instituted credit relief measures by the Central Bank were lifted. The monthly commercial banks' interest rate weighted average for the month of August 2022 however reduced to 17.29 percent down from 19.4 percent in January 2022 (BoU website).

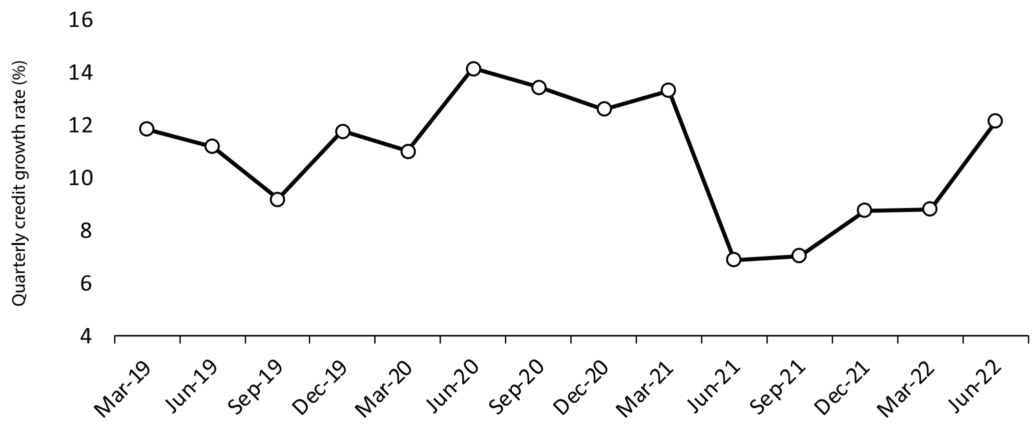
Figure 5: Trend in Interest Rate



Data Source: Bank of Uganda (BoU)

Private Sector Credit (PSC) growth remains weak and below historical trends. As shown in Figure 6, total PSC growth increased to 12.15 percent year-on-year in June 2022, up from 8.82 percent in March 2022 mainly driven by the recent depreciation of the shilling against the dollar. It may be noted that annual PSC growth rate declined from 12.2% in FY2020/21 to 7.2% in FY2021/22 and it is likely to remain subdued in the short-term due to weak economic growth, increased risk aversion by lenders due to increased non-performing loans.

Figure 6: Private Sector Credit Growth



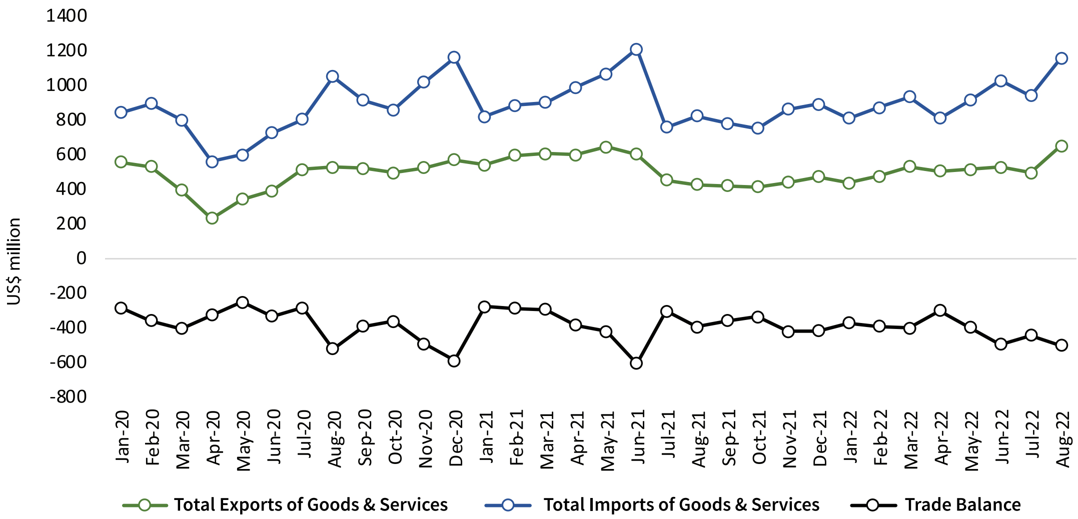
Data Source: Bank of Uganda (BoU)

It may also be noted that Banks' aggregate non-performing loans (NPLs) ratio reduced from 5.9 percent in the first quarter 2022 to 5.4 percent in the second quarter 2022 largely due to the ongoing COVID-19 Credit Relief Measures. However, NPLs could increase in the near term due to the slowdown in economic growth coupled with rising lending rates. Moreover, the reduction in the banks' NPLs was partly attributed to write-offs of bad loans, amounting to UGX 103.2 billion during the quarter to June 2022 compared to UGX 69.6 billion in March 2022.

Trade Balance, Export & Import Status

Annual balance of trade deficit increased from –US$3,223 million in FY 2018/19 to –US$3,398 million in FY 2019/20 and to –US$5,120 million in FY 2020/21 as seen in the graph below. The widening trade deficit can be attributed to increasing import bill for COVID-19 related supplies, for instance, total import of goods and services increased from US$9,642 million in 2018/19 to US$11,750 million in FY 2020/21, reducing receipts from exports mainly due to COVID-19 and its containment measures, for example total export of goods and services reduced from US$6,419 million in FY 2018/19 to US$5,582 million in FY 2019/20 before increasing slightly to US$6,629 million in FY 2020/21.

Figure 7: Trend in Exports, Imports, and Trade Balance



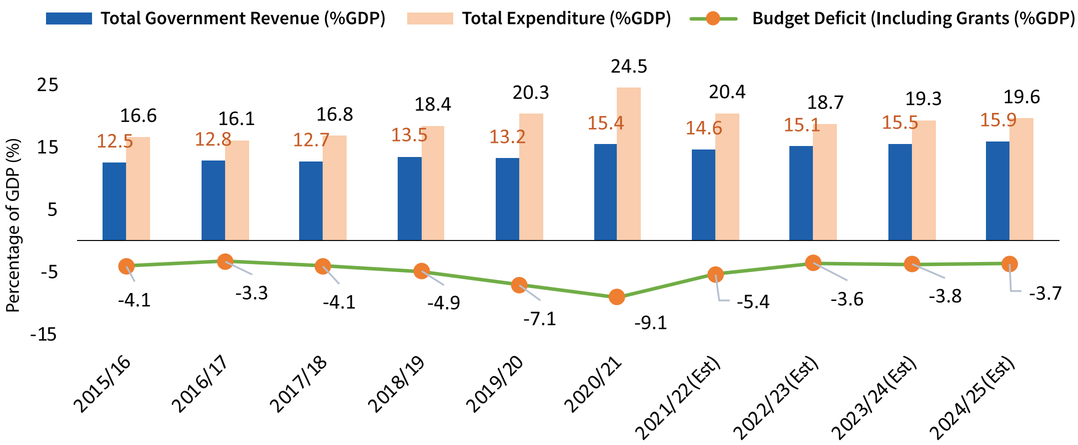
Data Source: Bank of Uganda (BoU)

Monthly data on exports, imports and trade balance also show that trade deficit has been widening in the recent months.

Government Revenue, Expenditure, Budget Deficit and Debt

Sectors such as education, construction, tourism and food services, arts, entertainment, and recreation which employ a large percentage of Ugandans were the most hit by the pandemic and consequently domestic tax collections declined from UGX 16,163 billion in FY2018/19 to UGX 15,912.2 billion in FY2019/20 which in terms of domestic tax to GDP ratio represents a decline from 12.2% to 11.4% over the same period. Despite the decline in tax revenue, total government revenue (including grants) as a percentage of GDP increased in FY 2020/21 mainly due to increase in grants to the government to support COVID-19 related expenditures. For instance, total revenue as a percentage of GDP increased from 13.2 percent in 2019/20 to 15.4 percent in 2020/21 and it is expected to increase to 15.9 percent by 2024/25 as seen in the graph below.

Figure 8: Annual Government Revenue, Expenditure and Fiscal Deficit



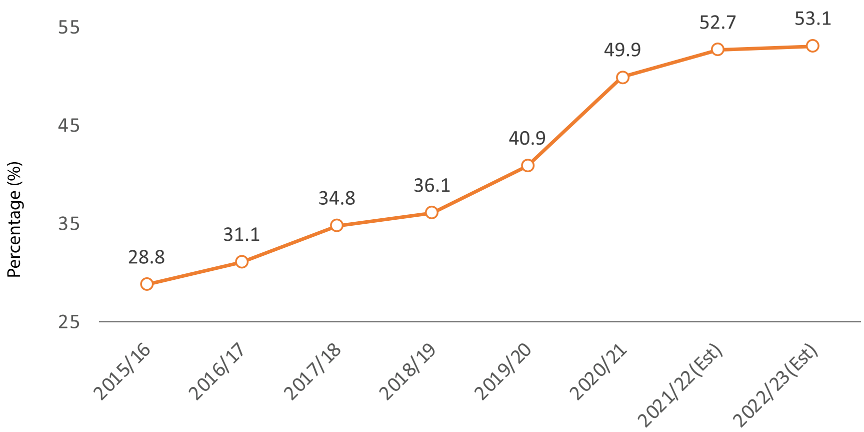
Data Source: Own compilation from National Budget Framework Papers (NBFPs) 2018/19 to 2022/23

On the other hand, total government expenditure as a percentage of GDP increased from 18.4 percent in 2018/19 to 20.3 percent in 2019/20 and to 24.5 percent in 2020/21 mainly because of COVID-19 related expenditures. This, however, is expected to reduce to 18.7 percent in FY 2022/23 which is in line with the need to undertake fiscal consolidation to ensure fiscal and debt sustainability (MoFPED, 2022). The increase in expenditure and reduction in revenues have led to widening of the fiscal deficit from UGX 482 billion (4.9 percent) in FY 2018/19 to UGX 2,711 billion (7.1 percent) in 2019/20 and to 9.1 percent in 2020/21 as seen in the graph above.

Despite the lifting of COVID-19 restrictions, revenue collections continue to perform below the target as many sectors are still grappling with the negative effects of the pandemic. The total amount of Domestic revenue collections for the month of February 2022 was UGX 1,662 billion which was UGX 68.31 billion less than the target of UGX 1,730 billion for the month. According to the ministry of finance, the shortfall was due to the shortfalls recorded for direct tax (withholding tax) and indirect taxes (Value Added Tax (VAT) and excise duty). The story is like that registered in January 2022 where total Revenue and grants collected amounted to UGX 1,845 billion, which was UGX 186.40 billion less than the planned target of UGX 2,031.62 billion for the month (MoFPED, 2022).

Continuous shortfalls in revenue collections have led to increased fiscal deficits and hence public debt as a percentage of GDP increased from 35.4 percent in 2018/19 to 40.7 % in FY2019/20 and to 49.9 percent in FY2020/21 hitting a record high of UGX 66.1 trillion in June 2021, a 15.1 % increase compared to the period ended June 2020. Public debt as a percentage of GDP is expected to hit its all-time maximum in FY 2022/23 at 53.1 percent as seen in the graph below.

Figure 9: Public Debt



Data Source: Own compilation from National Budget Framework Papers (NBFPs) 2018/19 to 2022/23

With the FY 2020/21 debt levels, Uganda's risk of debt distress increased from low to moderate and each Ugandan owes lenders an amount totaling to approximately UGX 1.6 million (about USD500) as of April 2021. Rising debt will have implications in terms of widening the current account deficit, and thus putting more strain on the budget, as more resources need to be allocated for interest payments (projected to take a lion's share (23%) of the NDP III budget).

Most worrying is the rise in domestic borrowing from 3.4% of GDP in FY2019/20 to 4.95 % of GDP by May FY2021/22, which is way above the NDP III target of 1.99 % of GDP. The costly and short-term domestic debt has in turn led to a high growth in interest payments from 17% of revenues to 21% of revenues during the same period. The high interest payments have greatly limited the fiscal space available to implement government programs. Effective implementation of the Domestic Revenue

Mobilization Strategy (DRMS) can help generate more revenues and reduce the share of the budget that is financed through borrowing and hence reduce further debt in the future.

The Financial Year 2022/23 Budget

On 14th June 2022, the Minister of Finance, Planning and Economic Development presented the 2022/23 National Budget speech in parliament. For FY 2022/23, the government proposed a UGX 48.1307 trillion national budget which represents a 7.5 percent increment from the previous financial year budget of UGX 44.78 trillion. In FY 2022/23, it is anticipated that government spending will reach UGX 37.472 trillion (excluding debt refinancing), an increase of 7% from FY 2021/22. This projected increase is primarily as a result of budgetary increases in the allocations made to various sectors, including the Human Capital Development, the Private Sector Development (especially using the Parish Development Model), the construction of Power Infrastructure, and the Sustainable Development of Petroleum resources.

The minister added that no new taxes will be introduced in Financial Year 2022/23 due to the growing need to support faster recovery of the economy from the negative effects of COVID-19 pandemic. The ministry is instead planning to achieve revenue targets by improving the efficiency in tax collection and enhancing compliance to tax laws. In the financial year ending June 2022, UGX 234 billion was provided for the implementation of the Parish Development Model (PDM). In the new financial year (2022/23), a total of UGX 1.059 trillion was earmarked for full implementation of the PDM. Each of the 10,594 Parishes in the country will receive UGX 100 million as a revolving fund, earmarked to support the 39 percent of households in the subsistence economy.

Unlike the previous budgets, Human Capital Development is the biggest winner in FY 2022/2023 with the education, sports and skills sub program receiving 45.5% of the allocated expenditure.

The human development component has been allocated the highest budget of UGX 9.1 trillion which was followed by governance and security (UGX 7.1 trillion), integrated transport infrastructure and services (UGX 4.3 trillion), private sector development (UGX 1.6 trillion), sustainable energy development (UGX 1.5 trillion), agro-industrialisation (UGX 1.4 trillion) and development plan implementation (UGX 1.1 trillion).

2. UPDATE ON SOCIAL AND HUMAN DEVELOPMENT

Poverty Level

Over the past three decades, Uganda's national poverty rate has fallen by more than half, from 56 percent in FY 1992/1993 to 20.3 percent in FY 2019/2020, owing mostly to improved agricultural incomes among poor households. Yet Uganda remains one of the poorest countries in the world. The COVID-19 pandemic aggravated the poverty situations. As per the 2019/2020 Uganda National Household Survey, due to COVID-19 pandemic the number of poor people in the country increased from 8 million to 8.3 million. In June 2020, the United Nations in Uganda's Socioeconomic Impact Assessment of the COVID-19 pandemic projected that some 4.4 million people were likely to fall into extreme poverty. Similarly, the World Bank update for 2022 showed that poverty in Uganda increased from 27.5 to 32.7 percent after the first lockdown in 2020 due to reduced remittances, limited credit, and job losses.

Likewise, in the first half of 2021, Uganda's Finance Ministry also reported that 28% of Ugandans were poor. That rate had increased from 18% before the pandemic. The Finance Ministry also noted that two-thirds of Ugandans had lost at least some income due to the Covid-19 crisis.[3] COVID-19 pandemic and associated public health measures are partly responsible for the observed increase. With its strong and severe second wave of COVID-19 in 2021, the probability is indeed high that the poverty rate would have increased further in 2021.The observed increase in the headcount poverty rate was a setback to the progress made during the recent decades. It also jeopardized the likelihood of achieving the NDP II target of reducing poverty to 14 .2 percent by FY 2019/2020. On a positive note, in 2019/20, the headcount poverty rate decreased to 20.3 % from 21.4 in 2016/17.

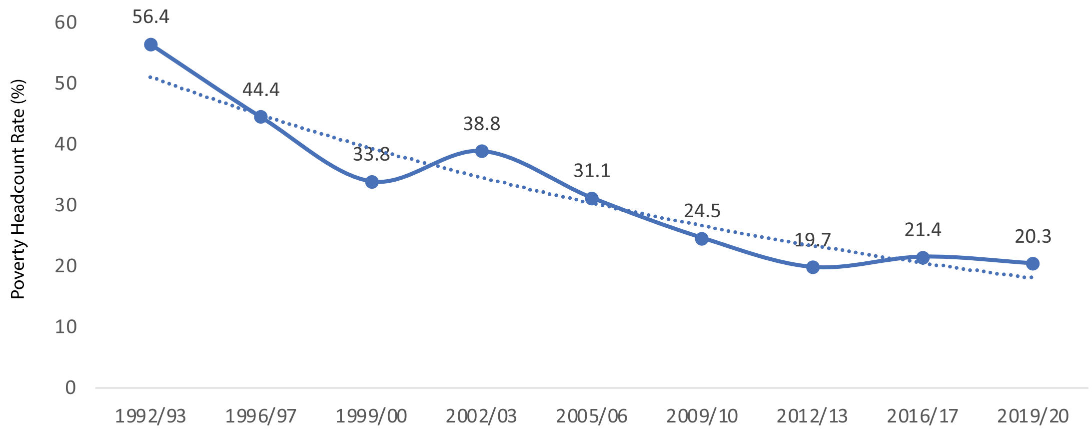
The Government of Uganda recently released a report on Multidimensional Poverty Index (MPI), which showed that 42.1 percent of the population were estimated to be multidimensional poor in the financial year of 2019/20. Even though this represents a reduction from 44.3 percent recorded for the year 2016/17, this is still high. What is significant from the new MPI report is that the incidence of multidimensional poverty is more than double the 20.3 percent of income poverty as of 2019/20. In addition, the report also suggests the existence of gender inequality in poverty with female-headed households having higher rates of multidimensional poverty compared to

3 Development and Cooperation. 2021. November. Uganda's poverty rate has risen 10 percentage points (dandc.eu)

male-headed households. Similarly, the higher educational attainment of the household head is associated with reduced multidimensional poverty levels. Finally, poverty is significantly higher among large households of seven or more persons (46.6 percent), teenage-headed households (52.7 percent) and households headed by widows/widowers (51.1 percent).

There are also notable regional and sub-regional disparities in multidimensional poverty in Uganda. Multidimensional poverty is highest in the Northern region (63 percent), followed by the Eastern region (45.7 percent). At the sub-regional level, Karamoja has the highest level of multidimensional poverty with 85 percent. The other sub-regions with high incidences of poverty are Acholi (64 percent), West Nile (59 percent), Lango (57 percent), and Teso (56 percent). The least incidence of poverty was reported in Kampala (0.4 percent), Buganda South (18 percent) and Buganda North (30 percent).

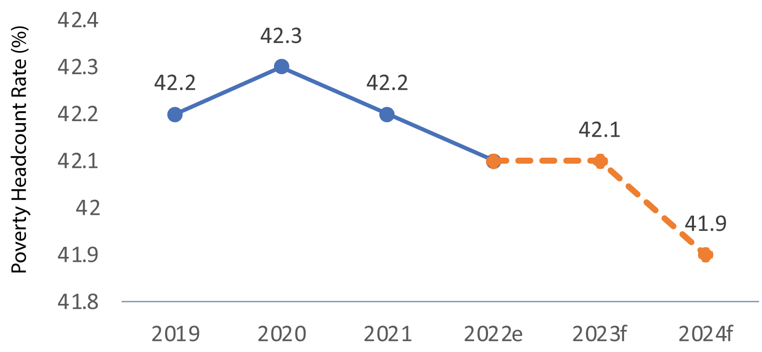
Figure 10a: Poverty Headcount Rates based on National Poverty Line



Data Source: World Bank

As differences in price levels across the world evolve, the global poverty line has to be periodically updated to reflect these changes. As a result, using 2017 values, the worldwide poverty line was adjusted in September 2022 from US$1.90 to US$2.15 per person per day. Therefore, it is considered extreme poverty for someone making less than US$2.15 daily. Based on this new international poverty line, World Bank released a new report in October 2022 which showed that 42.1 percent of the Ugandan population is estimated to be in extreme income poverty and this estimation reinforce the latest MPI poverty rate in Uganda. Forecasts shows that accelerated growth might marginally lower the poverty rate from 42.1 percent in 2022 to 41.9 percent in 2024, but this prediction is subject to a number of downside risks, including the trajectory of COVID-19, the course of the Ukrainian conflict, the rate of food inflation, and any environmental shocks that negatively affect households due to their limited capacity for adaptation.

Figure 10b: Poverty Headcount Rates based on International Poverty Line (US$2.15 in 2017 PPP)



Data Source: World Bank

Table 1. Household Poverty Dynamics Between the Survey Periods 2015/16 to 2019/20

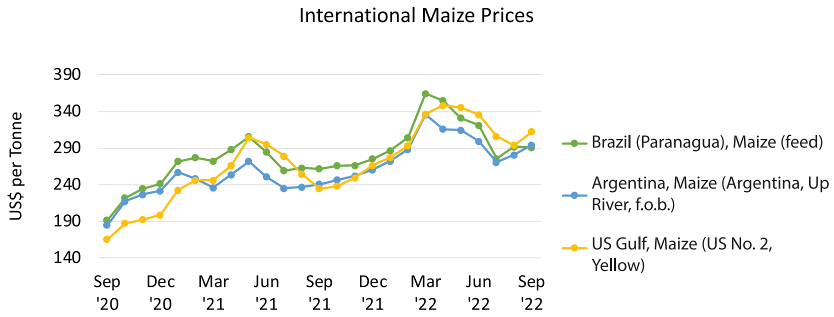
	Chronically Poor	Moved Out of Poverty	Moved into Poverty	Never Poor	Total
Sex of household head					
Female	7	10.5	7.2	75.4	100
Male	6.4	9.8	7.6	76.2	100
Residence					
Rural	7.7	12.8	9.5	70	100
Urban	3.4	2.4	2.1	92.1	100
Region					
Central	0.4	2.6	2.5	94.5	100
Eastern	7.1	13.9	12.5	66.5	100
Northern	15.1	17	7.7	60.2	100
Western	5.6	8.6	8.1	77.7	100
Educational Attainment					
No formal education	20.9	12.8	9.5	56.8	100
Some primary	7.9	12.8	11.3	68	100
Completed primary	6.1	12.6	4	77.4	100
Secondary school and above	1	5	4.5	89.5	100
Overall	**6.5**	**10**	**7.5**	**75.9**	**100**

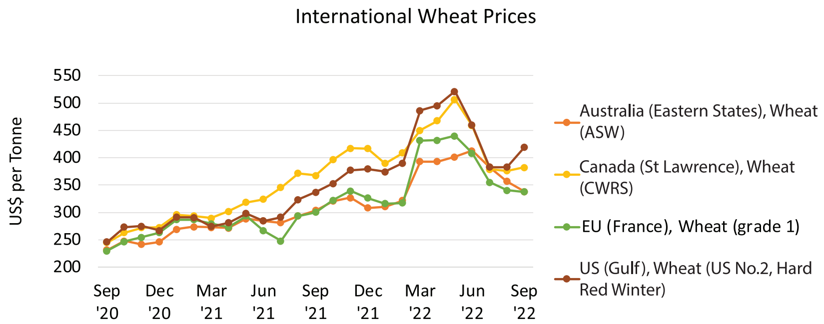
Data Source: UNPS 2015/16 -2019/20

Food Security

Achieving food security remains a tall order for Uganda even though Uganda's fertile agricultural land has the potential to feed 200 million people, according to the United Nations' Food and Agriculture Organization (FAO). Eighty percent of Uganda's land is arable but only 35% percent is being cultivated. Hence, Uganda should be food- secure country and has potential to feed the entire East and Central Africa. On 25 July 2022, the Daily Monitor Newspaper stated that 8 in every 10 Karimojong households have no, or limited food, and leaders claim that hunger-related diseases have killed more than 900 residents since the start of the year due to heatwaves and erratic rainfall patterns[4]. The Ugandan food crisis, which is being even further exacerbated by soaring food prices due to the war in Ukraine, has revived the real and imminent threat of food security as the international wheat and maize prices are still high in September 2022 compared to the same time in 2020, as the Figure 11 indicates. Across the country, prices of food and essential non-food commodities continue to increase, further straining household purchasing power. The annual inflation rate as measured by the Consumer Price Index for Uganda increased to 10 percent in September 2022, up from 2.7 percent in January 2022.

Figure 11: Trends in International Food Prices





Data Source: United States Department of Agriculture (USDA)

4 Monitor. 2022. July. Hunger kills 900 in Karamoja - leaders (monitor.co.ug)

Health

On 20 September 2022, the Uganda Ministry of Health officially declared an outbreak of Sudan ebolavirus named Sudan Virus Disease (SVD) with the index case reporting in Mubende district.As of 9 October 2022, a total of 48 confirmed and 19 probable cases have been reported in 5 districts (Mubende: 40; Kyegegwa: 3; Kasanda: 3; Kagadi: 1; Bunyangabu: 1). There are 37 deaths (17 EVD confirmed, 20 probable) and 14 recoveries. Without fast and effective measures to contain the outbreak, it could quickly spread throughout the country, causing illness and death on a devastating scale.

However, Uganda is no stranger to effective Ebola control. Uganda has successfully managed an outbreak of the Sudan ebolavirus in 2012. Similarly, in 2019, the country successfully managed an outbreak of Zaire ebolavirus. Thanks to such prior experiences, it is likely that the government and development partners in Uganda may be able to halt the spread of Ebola infections soon.

At the same time, it is also important to recognize that the consequences of Ebola are vast for Uganda. The Ebola outbreak impacts human development in several different ways. For example, its magnitude in terms of morbidity and mortality was historically higher than any other epidemic. Its impact, beyond the high mortality, is also economic. The economic impact of the Ebola crisis includes loss of gross domestic output, threat to food security, fall in employment and livelihoods, and a decline in foreign exchange due to a decline in tourists and foreign investment. An Ebola outbreak may lead to restrictions on trade and transportation to prevent transmission of the virus. The epidemic could also lead to an adverse effect on agricultural market chains and livelihoods of many workers. Investors may also lose confidence in companies located in Ebola-afflicted areas. Overall, if it is not contained quickly, then progress in human development is likely to be reversed due to the impact of the Ebola crisis on health, education and standard of living.

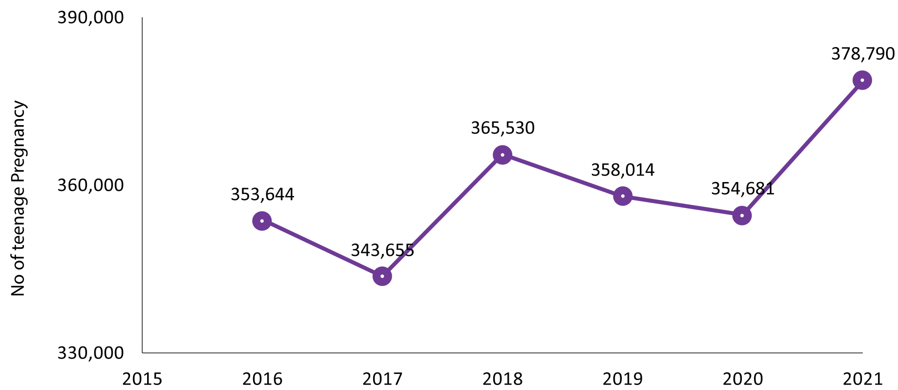
In the first quarter of 2022, two cases of Rift Valley fever were reported in the Kagadi district. The Ministry of Health (MoH) and partners supported the response, and the disease has been contained to date. Anthrax disease was confirmed in Madi-Okollo district, with the first case reported in December 2021. Eight cases of yellow fever were confirmed and a team of epidemiologists from the MoH has been deployed to the districts affected (Masaka, Kasse, Buikwe and Wakiso) to conduct a detailed investigation of the cases. Plans are underway for a mass vaccination campaign to limit the contamination. and share the findings. The country so far has 630,000 yellow fever doses to support the vaccination campaign.

On 21 July 2022, Parliament passed the Public Health Amendment bill 2021 but with the rejection of a proposal by the government for mandatory vaccination of adults in case of an occurrence or threatened outbreak of a disease. The decision was based on reservations about the efficacy of vaccines, especially for new diseases, and liability in case of any side effects. Also, the bill tries to establish a regulatory framework to manage health risks around COVID-19. Similarly, the Bill also has conditional powers for the Chief Health Officer (CHO) to require a person to take a test, to isolate, and provide information.

In March 2021, the parliament passed the novel national health insurance scheme well, but its final approval is in a state of oblivion. This bill sets the general structure for the broad national social health insurance scheme (NHIS), making every employer with at least one employee obliged to register with the fund. This law made it obligatory for every Ugandan above 18 years to pay for national health insurance and deliberated to enhance accessibility, acceptability, and quality of health care services.

Prior to COVID-19 pandemic, Uganda recorded a reduction in number of teenage pregnancies in 2017 before increasing by about 6.4 percent in 2018. Due to COVID-19 pandemic and associated measures including closure of schools, the numbers of teenage pregnancy increased substantially by about 7 percent in 2021, the highest in the last five years. In 2021, 378,790 pregnant girls aged <15-19 years were registered at the health facilities in the country. According to the UNFPA, this number translates to 31,565 pregnancies registered every month and about 1,052 pregnancies recorded daily.

Figure 12: National Annual Trends of Adolescent/Teenage Pregnancy (10-19 years) from 2016 to 2021



Data Source: The Magnitude of Teenage Pregnancy In Uganda, Issue Brief 19, United Nations Population Fund (UNFPA)

Education

In January 2022, the government of Uganda allowed all education institutions to reopen after almost two years of closure. At the time of reopening, many parents were struggling to make ends meet mainly due to prior job losses caused by COVID-19. Most of the parents who could not afford the private institutions' fees requirements opted to shift their kids to public schools to ensure that they did not miss education. This, however, led to an influx of learners in public schools which increased pressure on the already inadequate infrastructure in these schools, making the observance of standard operating procedures impossible.

A study by the National Planning Authority (NPA) on the "safe opening of the education sector" projected that 30 percent of the learners may never return to school due to limited family incomes and other factors such as early marriages, child labor and teenage pregnancies. On reopening schools, the government gave a directive that all girls who were pregnant and wanted to go back to school should be allowed to do so. However, some of these girls still faced stigma from their peers, teachers, and community leaders which made them hate school and drop out. The high school dropout rate has long-term implications for human capital development and on population growth rate as many of these girls opt to get married after education fails.

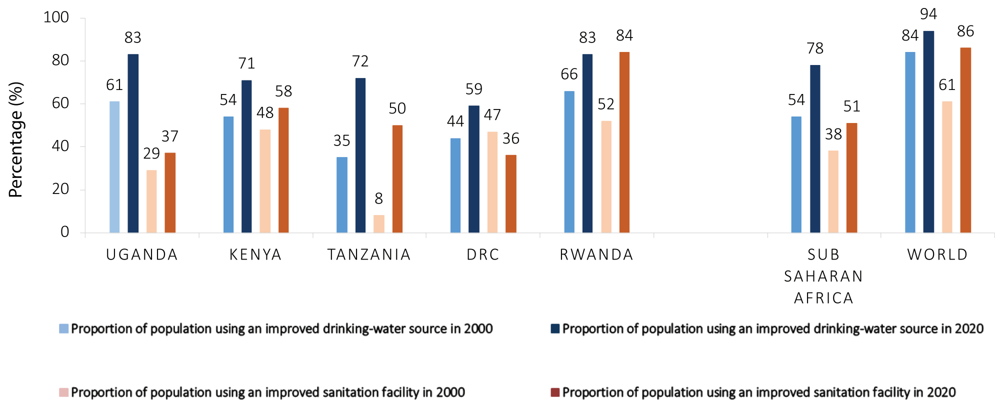
The same NPA report estimated that over 3,507 primary and 832 secondary low-cost schools were likely not to open due to financial distress. On September 30, 2022, the day when the commercial Banks' restructuring period ended, over 12,000 indebted private academic institutions were to be put on sale for their financial institutions to recover their loans. This calls for urgent government action as it has negative implications for employment.

Clean Water and Sanitation

Government of Uganda with support from various stakeholders has launched many water and sanitation-related programmes. These efforts have yielded significant improvement in access to both improved drinking water sources and sanitation facilities. By 2020, the proportion of Ugandans with access to improved drinking water sources stood at 83 percent up from 61 percent in 2000. In both years Uganda was performing better than Sub-Saharan average and above all her neighbors except Rwanda with which they had a tie in 2020. However, it performed below the world average of 84 and 94 percent in 2000 and 2020 respectively.

Although Uganda made some progress in access to improved sanitation facilities from 29 percent in 2000 to 37 percent in 2020, it still lags behind all its neighbors and the Sub-Saharan average in this aspect as can be seen in the Figure 13 below.

Figure 13: Improvement in Water and Sanitation

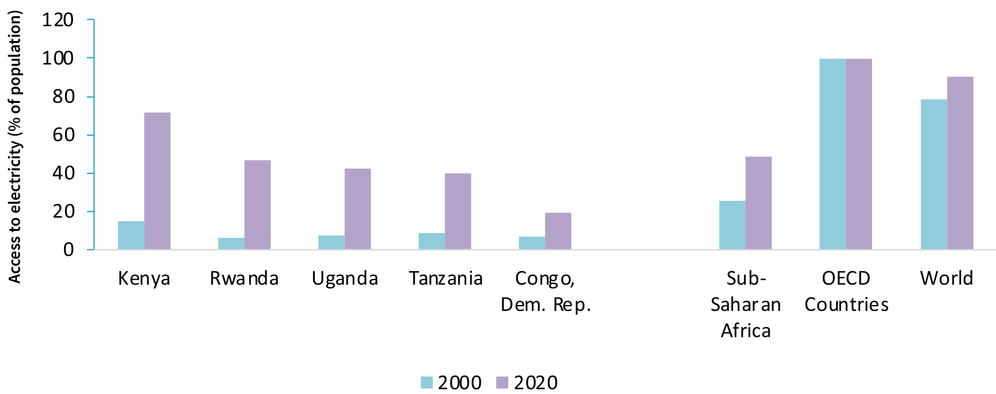


Data Source: Own compilation from UNICEF and World health Organisation (WHO)

Energy

Limited access to modern energy is another major challenge to Uganda's development ambition. Access to cleaner and affordable energy options is essential to overcome poverty, promote economic growth and employment opportunities, support the provision of social services, and, in general, promote sustainable human development. Although access to electricity has increased over time standing at 42.1 percent in 2020 up from 7.4 percent in 2000, and better than its neighbors like Tanzania and DRC, Uganda still lags Kenya and Rwanda, and yet it exports electricity to these two countries. In addition, the percentage of the population with access to electricity falls 6.3 percentage points below the Sub-Saharan average as can be seen in Figure 14.

Figure 14: Electricity Access in Uganda



Data Source: World Bank

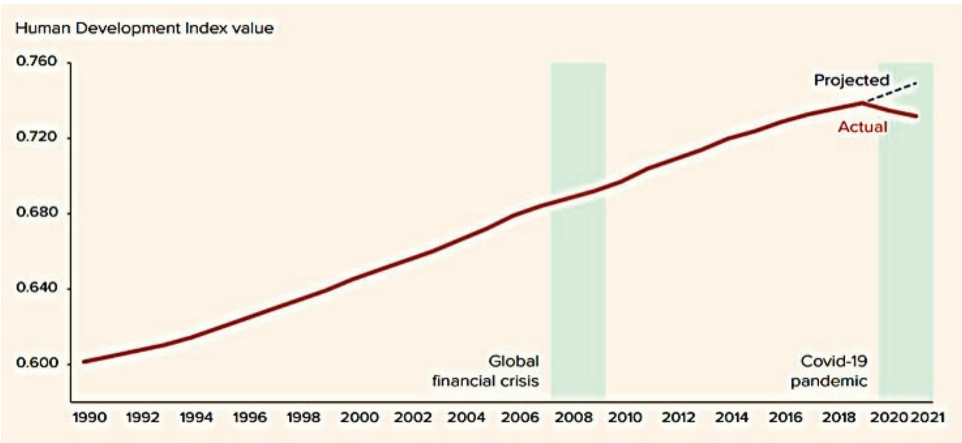
Despite significant efforts by Government and development partners over the past years to increase access to electricity, Uganda still has one of the lowest electrification rates in the World which can partly be attributed to the expensive grid connection fees, high house wiring costs and high cost of electricity. In Uganda, the available electricity costs three times as much as it would in the US or Europe and is disrupted by frequent outages.

The lack of modern and affordable forms of energy affects agricultural and economic productivity, opportunities for income generation, and more generally the ability to improve living conditions. Low agricultural and economic productivity as well as diminished livelihood opportunities in turn result in low earnings. This contributes to the poor remaining poor. In this sense, the problem of poverty remains closely intertwined with a lack of cleaner and affordable energy services. In addition, poor energy access also affects other infrastructure and essential services, as highlighted by the COVID-19 pandemic. Many health facilities in Uganda have no access to electricity, and 60% of refrigerators used to store vaccines do not have access to a reliable power supply, resulting in spoilage and waste. In the education sector, electricity access in primary schools remains low at an average of 35% – in some rural areas, 80% of primary schools have no electricity.

Human Development

On 8 September 2022, UNDP released the 2021/22 Human Development Report titled "Uncertain Times, Unsettled Lives: Shaping our Future in a Transforming World." Due to the pandemic, the Human Development Index (HDI), which assesses a country's health, education, and standard of living, has dropped internationally for two years in a row for the first time in the 32 years of its existence erasing the gains of the preceding five years and the progress made towards achieving the Sustainable Development Goals. The 2021/22 HDI returned to its levels from 2016 as can be seen in Figure 15a.

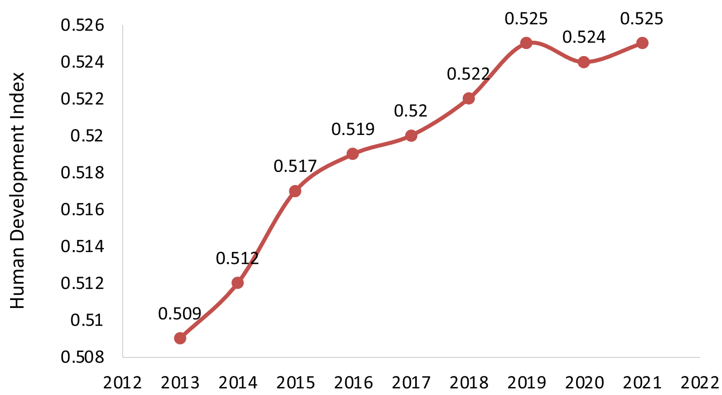
Figure 15a: Trend of the Global HDI over the past 32 years



Data Source: UNDP/HDRO Database

Just like the global trend, Uganda experienced steady progress in its HDI values in the last decade until the pandemic. Due to COVID-19, the HDI value declined from 0.525 in 2019 to 0.524 in 2020 but regained its pre pandemic value in 2021 as seen in Figure 15b below. Despite the progress that Uganda has made over time regarding the HDI – between 1990 and 2021, Uganda's HDI value changed from 0.329 to 0.525 implying human development improvement of 59.6 percent, it is still in the low human development category taking a position of 166 out of 191 countries and territories.

Figure 15b: Human Development Index Values in Uganda

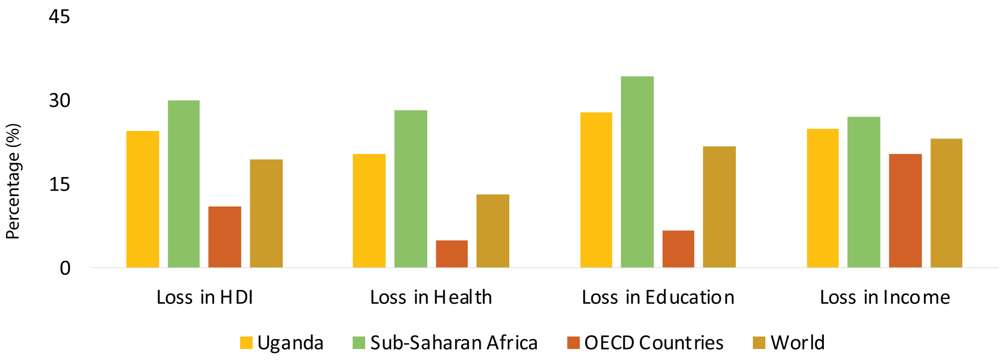


Data Source: UNDP/HDRO Database

Inequality in Uganda's Human Development Indicators

Income inequality as measured by the Gini-coefficient has remained stagnant at 0.42 over the past five years. Uganda's measure shows a wide income gap between the poor and the rich. According to the 2021/22 Human Development report, Uganda lost its Human Development Index (HDI) value by about 24.6 percent due to inequality in human development dimensions which loss is higher than the average loss in the Global HDI but lower than that of the Sub-Saharan Africa region. Uganda's HDI loss is mainly coming from high level of inequality in both education and income as can be seen in Figure 16.

Figure 16: Human Development Loss due to inequality in Health, Education and Income 2021



Data Source: UNDP/HDRO Database

Vulnerabilities in Uganda are also still high with 62% (25.3 million Ugandans) of the total population estimated to be highly vulnerable to poverty in 2019/20 and this represents an increase of nearly 2 million people from the 23.3 million in 2016/17 mainly due to COVID-19. Besides, higher prices for food, fuels and fertilizers, and increased scarcity due to the war in Ukraine further increased the cost of living and caused a reduction in the purchasing power of households thereby increasing poverty and inequality, and exacerbating fragility, conflict and violence in the medium-term. This will affect more the vulnerable populations like women, youths, older persons, refugees and marginalized groups who have already been struggling to make ends meet because of the pandemic. Vulnerabilities have also been severe to workers in the informal sector especially those engaged in street food vending, motorcycle and bicycle riding, domestic workers, saloon operators, welders among others. Vulnerabilities are expected to further increase to 30.3 million by 2030 if the current trend continues.

Gender inequality

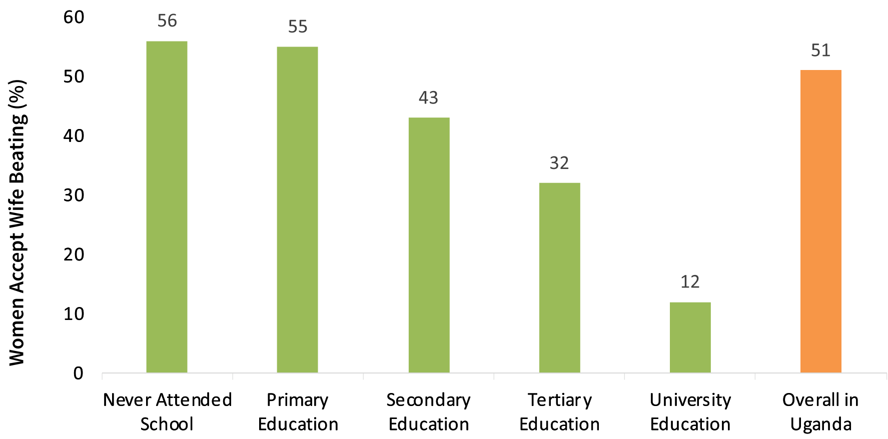
As per the Human Development Report (HDR) 2021/2022, Uganda has a Gender Inequality Index (GII) value of 0.530, ranking it 131 out of 170 countries in the index. The GII is a composite metric of gender inequality using three dimensions: reproductive health, empowerment and labour market.

In 2022, the Global Gender Gap Index (GGGI), which is a framework used in capturing the magnitude and scope of gender-based disparities and tracking their progress, ranked Uganda 61 out of 146 countries and ranked 11th in the Sub-Saharan region. As per the GGGI, the country ranked poorly in education attainment (122) and economic participation and opportunity (73). Whereas it counts better in health and survival (1) and political empowerment (46).

According to the National Survey on Violence in Uganda 2020, at the national level, 16% of the women experience severe physical violence and 36% of women experience sexual violence. Also, this survey reported that women who have never attended school (56%) or attained primary education (55%) are more likely to agree to one or more justifications for wife beating than those who have attained secondary (43%), tertiary (32%) or University (12%) as can be seen in the Figure 17.

To address this issue, the Ugandan parliament passed two gender-responsive legislation in 2020/2021- the Succession Amendment Bill and the Employment (Amendment) Bill. The Succession Amendment Bill attempts to address the inequality and marginalization of women and girls after the demise of a spouse. Meanwhile, the Employment (Amendment) Bill adjoins a provision addressing sexual violence and harassment in the workplace.

Figure 17: Acceptance for wife beating by woman's level of educational attainment



Data Source: Uganda Violence against Women and Girls Survey (VAWG) 2020

Migration

Over the last decade, the number of international migrants residing in Uganda has increased considerably. In 2010, the international migrants in Uganda totaled 492,900 (1.5% of the Ugandan population). In 2019, the number increased to an estimated 1,734,200 (3.9% of the population). Most international migrants in Uganda come from neighboring or nearby African countries. In 2019, the main countries of origin of international migrants in Uganda were South Sudan (1.1 million), the Democratic Republic of the Congo (approximately 320,000), and Rwanda, Sudan, and Burundi, each constituting about 60,000 to 70,000 of the total population of international migrants.[5] The extent of international migrants in Uganda is largely due to the fact that Uganda hosts the highest number of refugees of any country in Africa, with approximately 1.4 million refugees living in the country.[6] There has been an increase in internal migration, particularly from rural to urban centres. The main motivation for migration to urban settings is to earn money in accordance with youth's actual or perceived responsibility to contribute to their households. A new research study commissioned by the International Organization for Migration (IOM) in Uganda shows that thousands of people are being forced to move due to climate change and environmental degradation.

Uganda has progressive policies to support the integration of migrants, refugees and asylum seekers. The Refugees Act ensures the freedom of movement for refugees within Uganda and ensures access to social services including health care and education for both refugees and members of their families. Similarly, the implementation of migration-related East African Community Protocols is also leading an increase in the number of Ugandans living in Eastern African countries.

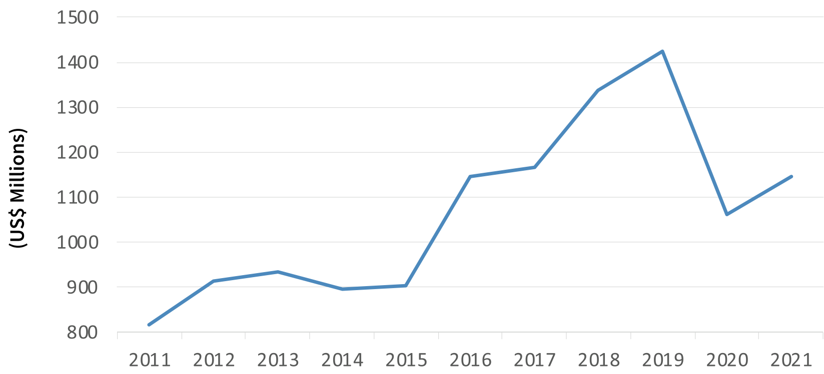
With the diversification of East African economies, such as Kenya, South Sudan, and Rwanda, the demand for Ugandan workers has increased outside the country. In recent years, Ugandans are also emigrating to the Middle East in search of job opportunities as house maids and security guards. In 2010, there were 731,800 Ugandan emigrants, which rose to 786,200 by 2015 but declined to 781,400 in 2020.

Remittance flows in Uganda constitute one of the major international financial resources, which sometimes exceed the flows of ODAs or foreign direct investment (FDI). A recent World Bank's Migration and Development brief indicates that Uganda remains among the top 10 recipients of remittances in sub-Saharan Africa. Recent data from the World Bank, which contributes to the May 2022 Migration and Development Brief, show that remittance flows to Uganda declined by 26 percent, from US$1.425 billion in 2019 to US$1.062 billion in 2020 – a reduction of US$363 million due to the COVID-19 pandemic. However, remittances recovered partly to reach US$1.146 billion in 2021, an increase of 7.9 percent (US$84 million) compared to 2020. According to a recent IMF publication, remittances are expected to continue with their recovery to reach US$1.2 billion in FY 2021/22 and US$1.4 billion in FY 2022/23. The recovery was possible due to the resilience of hundreds of thousands of Ugandan migrants who continued to send money to their families and communities back home, regardless of the economic challenges they were facing in their host countries. Remittances are critically important for Uganda, in particular for rural and more vulnerable communities, especially in times of crisis.

5 Migrants Refugees. 2021. Migration profile Uganda

6 bid

Figure 18: Remittance Inflows to Uganda



Data Source: World Bank

Unemployment

Unemployment continues to be one of the biggest problems for Uganda, which was made worse by COVID-19 pandemic. Uganda's job creation challenge is in many ways typical of the Sub-Saharan African region. It has one of the youngest populations in the world and the working-age population is projected to double by 2040. More than a million young people are entering the job market each year in the country. But this has not been met with a commensurate increase in the number of formal jobs available. The national household survey 2019/2020 reported the pre-COVID-19 national unemployment rate as 9.2%, with women more affected than men. The same survey stated that the unemployment rate for youth aged 18 – 30 was 13% which is 4 percentage points higher than the national rate. Further data shows that around 10% of those in the "employed" category have formal jobs, while 90% work informally, without a formal contract or any type of social security[7], implying high levels of job insecurity. The country is facing crucial systemic barriers that limit job creation. Chief among these is the unfavorable business climate, characterized by an often-prohibitive cost of doing business, and limited access to start-up or scale-up capital. Focused intervention is needed to both stimulate economic growth and tackle the skills mismatch in the labour market, so that youth unemployment or under employment are addressed properly.

Financial Inclusion

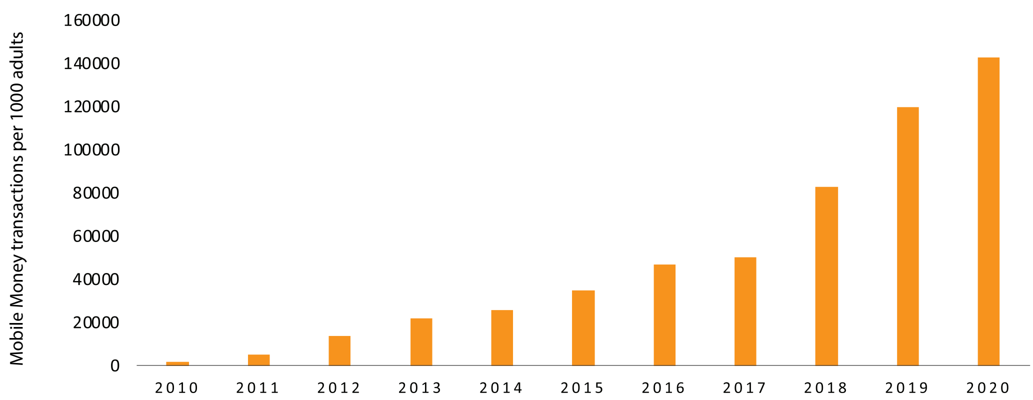
Financial inclusion, which is the process of access to and usage of diverse, convenient, affordable financial services, has gained immense recognition in Uganda in the recent years. Due to on-going initiatives to improve financial inclusion and operational efficiency during the pandemic, the usage of digital

7 Challenge Fund for Youth Employment. 2022. Scoping Report: Uganda (fundforyouthemployment.nl)

platforms for payments and financial services continued to rise during the previous years. On an annual basis, the value of transactions processed through the Uganda National Interbank Settlement System (UNISS, the RTGS system) and Electronic Funds Transfer (EFT) increased by 23.1 percent to UGX 487.5 trillion and 16.6 percent to UGX 37.0 trillion, respectively in the FY 2020/21.

According to a 2021 report by summit consulting, mobile phone penetration reached 60 percent with over 28.01 million mobile connections. The increased ownership of mobile gadgets has led to growth of both digital businesses and transactions and presented financial institutions with pathways to tap into the unbanked population by developing favorable and innovative bank products for them, hence increasing financial inclusion. For instance, the report adds that at least 98 percent of mobile phone users are registered users of mobile money. Consequently, the number of mobile money transactions increased to 142,833 transactions per 1000 adults and the value of transactions processed through mobile money platforms rose by 42.2 percent to USh.113.4 trillion for the year ended June 2021.

Figure 19. Mobile money transaction rate in Uganda



Data Source: International Monetary Fund (IMF)

3. EMERGING DEVELOPMENT CHALLENGES AND OPPORTUNITIES

Uganda faces both opportunities as well as challenges to achieve an inclusive and sustainable development in line the 2030 agenda. The country has opportunity in the following areas: demographic dividends from a booming youth population as well as from rapid urbanization process; tourism and rich natural resources; Parish development model; e-governance. Some of the opportunities could be harnessed by leveraging the ongoing 4th Industrial revolution, new digital technologies and AfCFTA that are making national borders increasingly meaningless in economic terms.

The challenges that Uganda will continue to face in the medium term include: to manage health shocks such as COVID-19 and Ebola; to address climate change and related disasters; to accelerate and achieve an inclusive and sustainable economic growth, and inadequate development financing.

Some of these challenges are a consequence of severe structural weaknesses which require comprehensive reforms, innovative and pragmatic policies that have sufficient flexibility, generous support from external partners, patience and long-term commitment. Some of the other challenges are due to a compound result of the rapid population growth rate. In facing these challenges, Uganda will continue to be handicapped by scarce financial resources, climatic uncertainties and factors beyond its control.

Emerging Opportunities

Demographic Dividends

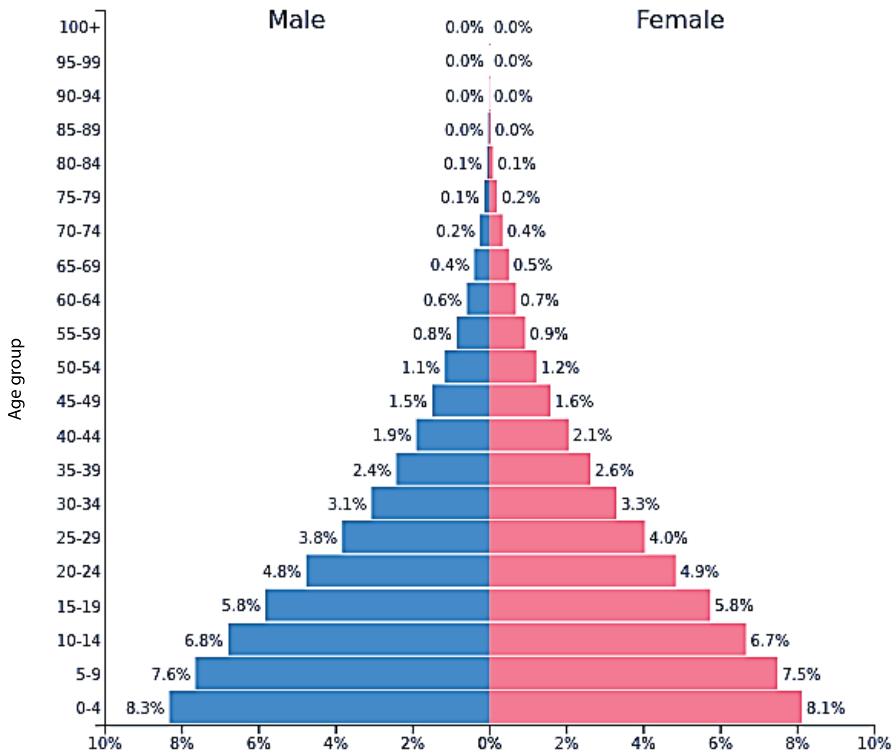
Uganda with its economic dynamism and a booming youth population is in a good position to realize the vision of the 2030 Agenda through demographic dividends. While demographic transition is likely to occur in every country, accelerating its arrival and realizing the full scope of potential dividends depend largely on policy choices to steer the process. If these choices are not made, or are made poorly, a historic opportunity for human development gains will be lost. In this regard, converting a demographic opportunity into a demographic dividend requires strategic policies and good governance. Patterns of public investment need to respond to demographic changes. Countries like Uganda with a very youthful population need to invest more in schools and skills training, for example.

Uganda has one of the highest population growth in the range of 3.0-3.2% per annum. According to UBOS, the projected Uganda's total population for mid-2022, is 43.7 million with a growth of 3.0 percent per annum in the last decade. However, UN World Population Prospects 2022 projection showed that, Uganda's population will be about 48 million in 2022, which is expected to reach 100 million by 2060. The resulting difference of population projection of about 4.3 million between national and international agencies has created a controversy recently on the Government claim of middle-income graduation. UBOS indicated that the country's official GDP income per capita is US $1,046 in 2021. This is contrary to the figure of $840 for the year 2021 released by the World Bank on June 30, 2022. This difference in the per capita income of Uganda mainly arisen due to total population estimates. It is expected that the planned National Population and Housing Census 2023 will help to us resolve these differences in the population and per capita income estimation.

Around 69% of the population are below 25 years old, describing a rising youth bulge, and 47% are of working age (15-64). This youth bulge is providing a huge opportunity as well as creating mounting pressure on formal job creation, increasing the dependence burden on those working and increasing the need for government to provide adequate and quality social services.

According to the 2021 State of Uganda Population Report published in November 2021, Uganda is showing signs of a demographic transition—a situation where birth and death rates shift from high to low levels in a population. While Uganda's total fertility rate is showing signs of decline, further pro-poor social and economic development policies are needed in to improve education and health outcomes, increase formal labour force participation and come closer to the replacement rate of 2.1 children per woman, a key precondition to achieve the demographic dividend. Given this, the country must invest and implement appropriate policies to initiate this transition, create an environment for a skilled and healthy future labour force in order to reap the benefits of the demographic dividend—accelerated economic growth.

Figure 20: Population Pyramid of Uganda, 2022



Data Source: Extracted from PopulationPyramid.net, Uganda

Youth and women have huge potential to drive the socioeconomic transformation process in Uganda. This will take mainstreaming women and youth – led initiatives into national development strategies such as national AfCFTA implementation policies and framework. Over two-thirds of cross-border traders in Uganda, especially those engaged in informal trade, are women. In this context, Uganda needs to invest in ensuring that its youth and women have credible pathways to engage in productive activities so that they can contribute to accelerating the socioeconomic development of their country and become architects of their own prosperity. Moreover, empowering youth and women in both formal international and regional trade and informal cross border trade will have a positive multiplier effect on employment creation, poverty reduction, economic growth, and government revenues among other factors. In this context, understanding the needs and priorities of women and youth as well as providing them required information on market opportunities, training them to meet the global market standards and other market entry requirements, and providing the necessary investment enabling environments, will be critical.

Urbanization

Another marked demographic shift involves urbanization. Uganda is urbanizing rapidly with an annual urban growth rate of 5.2%. Consequently, urban population as a percentage of the total population increased by 10.8 percentage points from 14.8 percent in 2000 to 25.6 percent in 2021 which is below that in countries like DRC, Tanzania, and Kenya but above that in Rwanda and South Sudan as seen in Figure 21.

Kampala City and the new cities have a large informal sector (over 80%), with a high and increasing youth unemployment challenge, urban poverty and inequality which affects inclusiveness. Uganda's current urban growth and development is unsustainable. Secondary cities, with their smaller economies and less capacitated local governments compared to primary cities, face particularly severe challenges. The responsibility for key urban governance issues is often fragmented amongst large numbers of government stakeholders with limited capacities and conflicting interests. Key urban governance stakeholders therefore need to be brought together in collaborative processes to jointly develop and implement new strategies that are based on a broader range of interests and meet a broader range of needs.

Compared with other cities in the developing world, cities in Uganda produce few goods and services for trade on regional and international markets. To grow economically Ugandan cities must open their doors to the world. They need to specialize in manufacturing, along with other regionally and globally tradable goods and services. And to attract global investment in tradable production, cities must develop economies of scale, which are associated with successful urban economic development in other regions. In this context, the economic densification of Kampala and other Ugandan cities is critical, beyond the crowding and congestion.

Figure 21: Urbanization rates, 2000-2021

Data Source: World Bank

Harnessing Potential from AfCFTA and Uganda's Rich Natural Resources

The African Continental Free Trade Area Agreement (AfCFTA) offers a major opportunity for socioeconomic and green transformation in Uganda and other African countries. It is poised to stimulate Uganda's socioeconomic recovery from the COVID-19 pandemic through a vicious circle of creating larger market opportunities, triggering more trade and investment towards high-impact sectors such as agriculture, tourism and green industries, and thereby fostering greater production, value addition, export diversification and productivity growth – leading to more and better jobs, reduction in poverty, and improvement in food security with social inclusion. The AfCFTA creates larger markets for Uganda's exports – increasing opportunities to create more wealth and tackle poverty, and thus further enlarged markets. It also offers an opportunity to foster gender equality, youth empowerment, green transition, SMEs development and digital transformation.

Uganda is well-endowed with abundant natural resources. For example, the country wields a wealth of agricultural opportunities with large arable land (i.e., Uganda is home to almost half of East Africa's arable land), tropical climate, and availability of water from periodic rainfall, lakes, and its position within the Nile basin. Uganda's t tourism has the potential to position itself as a high-value destination that offers exceptional wildlife, adventure, and cultural experiences which match or exceed those of its neighbors. The tourism sector is already playing an important role in Uganda in terms of creating jobs or contributing to government revenue and economic growth. For example, in 2018, the 1.5 million international arrivals, combined with a growing number of domestic tourists, generated 7.75% of GDP and 6.7% of total national employment[8]. However, the sector still faces several challenges. Moreover, the long-term sustainability of tourism in Uganda depends on the conservation of its natural resources and cultural heritage, in particular its iconic and endangered wildlife.

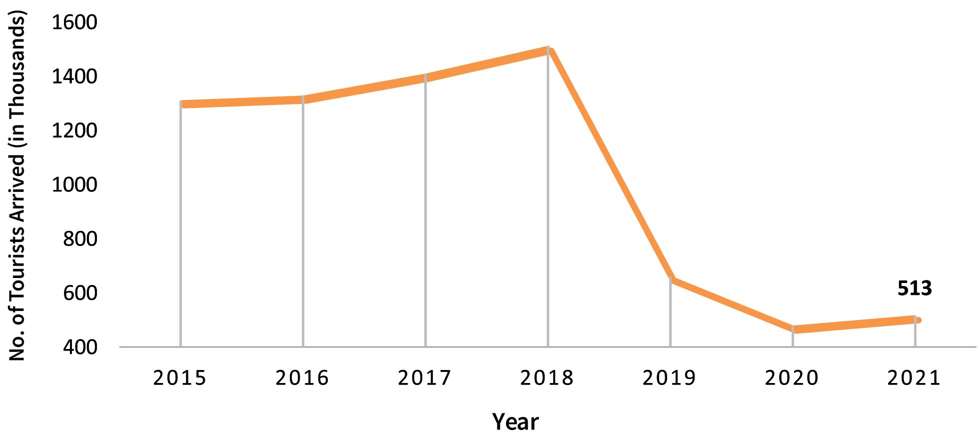
The Government of Uganda launched "Explore Uganda - The Pearl of Africa" Brand on 28th January 2022 aimed at promoting Uganda as a competitive tourism destination. In contrast to its neighboring countries, tourism is still a developing sector for Uganda. COVID-19 has had devastating effects on the tourism industry in Uganda. As per the World Travel and Tourism Council, the direct impact of tourism expenditures in Uganda added up to 3.1 percent of GDP in 2019, compared to Tanzania's 4.8 percent, Kenya's 5.0 percent, and Madagascar's 5.7 percent.

According to Figure 22, there were 0.5 million new visitors who arrived in 2021 down from 0.7 million visitors in 2019, representing a 22 percent decline. This is a result of the country being afflicted by the COVID-19 pandemic.

8 The Centre for the Promotion of Imports from developing countries (CBI). 2020. Analysis of the Tourism Value Chain in Uganda Final Report. Acorn Tourism Consulting Ltd

Once the COVID-19 restrictions were lifted, in the first half of 2022, there has been a steady increment in the number of tourists coming into the country. Despite the impressive recovery, Uganda's tourism and hospitality sector is still facing uncertainties arising due to the war in Ukraine, as it posed new challenges to the global economic environment and risks hampering the return of confidence in regional travel.

Figure 22: Trend in Tourist Arrivals in Uganda



Data Source: Uganda Bureau of Statistics (UBOS)

Likewise, the minerals sector is expected to play a key role in the nation's economic transformation, as evidenced by its status as one of Uganda's top priorities in the NDP-III. In addition to their intrinsic and practical value as part of a manufactured product, minerals also have a significant general value to an economy from both a financial and an employment standpoint. From the 2018 baseline studies of development minerals in Uganda, it was established that the artisanal and small-scale mining (ASM) industry alone, has the potential of contributing over 3% of GDP if well regulated. However, ASM is under regulated and hazardous, and its contribution to the economy is not accounted for, partly explaining the less than 1% contribution of the sector to GDP. In recent years, the government has sought to modernize its mining industry by creating a more favorable investment climate with a streamlined bureaucracy, transparent allocation of licenses, and heightened use of geologic information.

Parish Development Model

While implementation of the 2030 Agenda occurs primarily at the national level, SDG achievement depends strongly on progress made at the local level. So far, limited attention has been paid to subnational SDG implementation in Uganda. However, as a last mile strategy for service delivery; and improving incomes and welfare of Ugandans at the village level, the Government of Uganda launched the Parish Development Model (PDM) in the early 2022. If implemented properly, the PDM, with focus on commercialization of agriculture, can unleash dynamic and local economic opportunities.

To kick start the operationalization of the PDM and the government has allocated a total UGX 1,050 billion for FY 2022/23, implying that each parish will receive UGX 100 million. The PDM will initially offer revolving funds to persons engaged in agriculture both on small and large scales through SACCOs at a relatively low interest rate, but later sectors will increase to include Industry, Services and Information, and Communication technology (ICT). If well implemented, PDM will transform the lives of many Ugandans by creating jobs, increasing incomes, and reducing poverty.

E-Governance

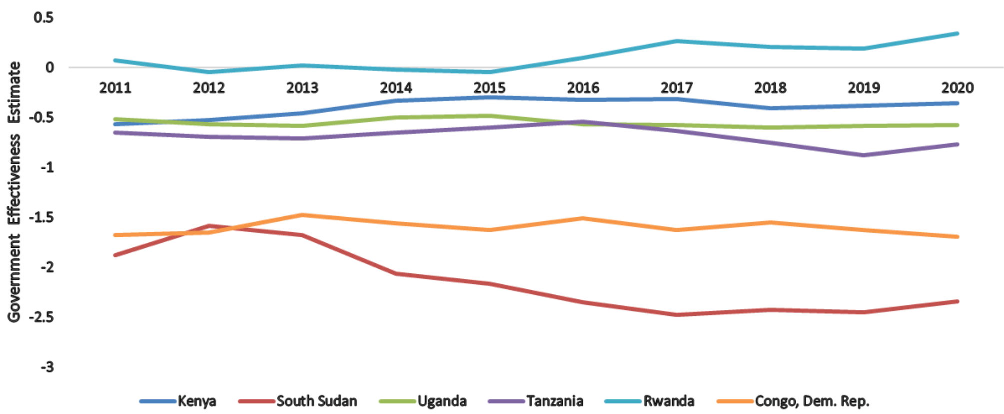
Governance, especially e-governance, is a key steering tool and an opportunity area to accelerate the progress in the Sustainable Development Goals. The e-government technologies can provide an integrated approach to the implementation of sustainable development. To realize the full potential impact of e-government for sustainable development, it needs to be accompanied by measures to ensure access and availability of ICT and make public institutions more accountable and more responsive to people's needs.

Uganda and other countries across the world are currently facing multiple crises which have made it very clear that countries that have strong economic institutions could respond more effectively to these challenges and better prepare for a resilient recovery. Moreover, the implementation of SDGs agenda comes with synergies, trade-offs and challenges for Uganda. Mobilization of both domestic and external revenue is one of the biggest constraints to an effective implementation of SDGs agenda in Uganda. To mitigate some of these challenges, Uganda could capitalize on its oil resources through greater transparency to avoid the pitfalls of the "resource curse", while making concerted investments to improve efficiency of other sectors in its economy such as agriculture and tourism. Similarly, to leverage new technologies, the Uganda could also find new and innovative ways to deliver social services effectively.

In the last decade, the governance landscape has evolved immensely with some important lessons for Uganda, including importance of a high level of political commitment to good governance and transparency; respect for the rule of law and property right, ensuring efficiency; transparency and public oversight of such investments and widespread e-governance & justice system. In the last decade, the data for measuring good governance has also been improved. For example, the Ibrahim Index of African Governance (IIAG) presents most comprehensive dataset measuring African governance, providing specific scores and trends at African continental, regional, and national level, on a whole spectrum of thematic governance dimensions, from security to justice to rights and economic opportunity to health.

The government of Uganda has long recognized the important role of governance in the pursuit of sustainable development and has made tremendous efforts to promote good governance. Uganda has already taken considerable steps to improve governance through decentralization process by establishing local government structure and Parish Development Model. Thanks to such efforts, Uganda has been making some notable progress in this area, but the progress is very low compared to international standards. According to the 2020 Ibrahim Index of African Governance (IIAG), the country ranked 22nd (out of 54 countries) with a score of 51.8 (out of 100 points), three points above the African average. Similarly, according to the Government Effectiveness Indicator prepared by World Bank, Uganda is performing well compared to its neighboring countries except for Rwanda and Kenya. Government Effectiveness captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. Government Effectiveness Estimate provides the nation's score on the aggregate indicator, in units of a standard normal distribution roughly ranging from -2.5 to 2.5 with higher values corresponding to better governance.

Figure 23: Government Effectiveness Estimates



Data Source: World Bank

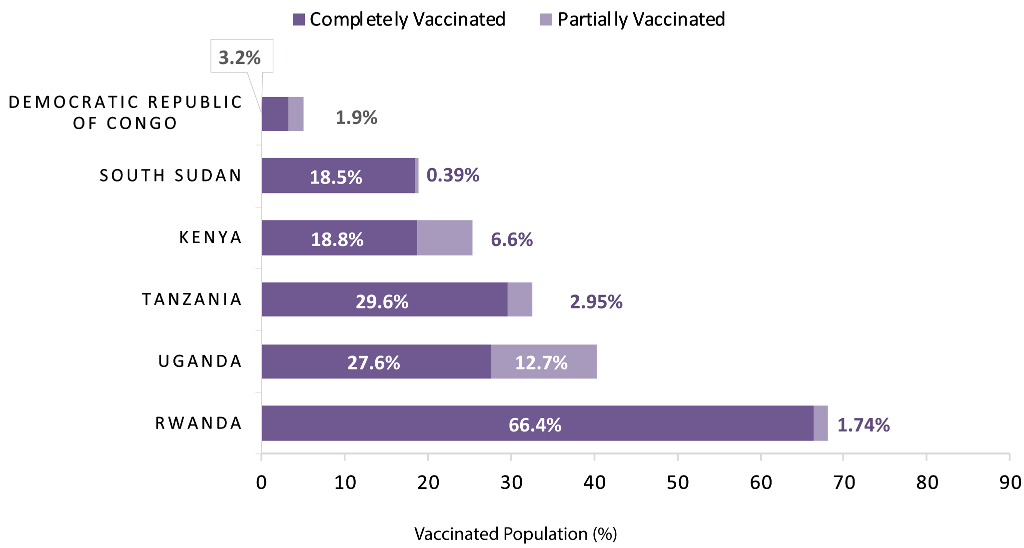
Emerging Challenges

Persisting COVID-19 Pandemic

In Uganda, from 21st March 2020 to 2nd August 2022, there have been 169,393 confirmed cases of COVID-19 with 3,628 deaths[9]. The COVID-19 pandemic has shown us how globalized we are, not only in our vulnerability to viral infections but also in the way vaccines are produced and shared. It is an evident need for a global effort for universal vaccination to control the pandemic. Although COVID-19 vaccine supplies to Uganda have risen significantly in recent months, there is a dire need to accelerate the roll-out of the COVID-19 vaccination. In contrast to natural disasters or financial and economic crises, a health crisis can be more pervasive, persistent, and debilitating in its impact on the economy. Hence, there is a critical requirement to strengthen our monitoring and early warning systems which will enable the country to prepare for future pandemics.

In Fig 12, it is evident that above 27% of the Ugandan population has completed all doses of COVID-19 vaccine and is performing better than its neighboring countries in COVID-19 vaccination except for Rwanda.

Figure 24: Percentage of the Population Partially and Completed Vaccinated against COVID-19



Data Source: Our World in Data

9 COVID-19 Response Information Hub, Ministry of Health Uganda

Social Protection During COVID-19

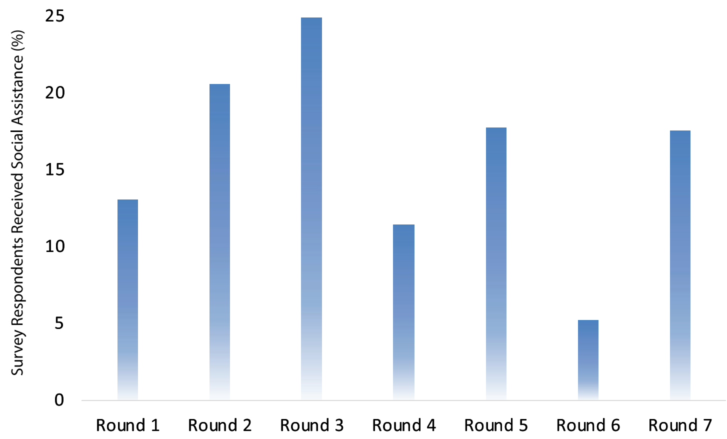
On the onset of COVID-19 in March 2020, the Government of Uganda (GOU) was committed to providing social protection to vulnerable groups of society such as the elderly, the urban poor, lactating mothers and workers in the informal sector. For instance, the Senior Citizen Grant (SCG) for the elderly was already in place and had been rolled out to all districts in the country in March 2020. However, during the first lock-down, the beneficiaries of the program could not receive their payments for a period of 3 months (March -June 2020) due to restricted mobility. Later in June 2020 when the lock-down was eased, the beneficiaries were able to receive their payments with arrears of between 3-6 months paid. The beneficiaries for the SCG receive UGX 25,000 (about US$7) per month.

In a bid to protect the urban poor who had experienced loss of household income as a result of firms in the informal sector closing due to the lock-down, the GOU instituted the distribution of food on 4th April 2020. The food relief targeted 1.5 million people with each household receiving 6 kilograms of posho and 3 kilograms of beans equivalent to about US$ 7 per household. Furthermore, the GOU aimed to ease the financial liquidity constraint that firms were experiencing due to the reduction in sales caused by a reduction in demand due to a reduction in household income. In April 2020, the Bank of Uganda (BOU) granted exceptional permission to financial institutions to restructure loans for corporate and individual customers. Corporations and individuals were granted a loan repayment holiday of a maximum of 12 months effective 1st April 2020. In addition, the BOU reduced the central bank rate from 8 percent to 7 percent in June 2020 to enable firms to address their liquidity constraint.

There were other small-scale narrow targeting social protection programs implemented by the GOU. For example, the Urban Cash for Work Programme (UCWP) implemented in the West Nile sub-region targeting pregnant and breastfeeding women and children under the age of two including refugees. To address the effects of the COVID-19 pandemic, the GOU in collaboration with the World Food Programme provided a one-off emergency cash transfer of UGX 13,200 to beneficiaries of the UCWP. The payments were made between November and December 2020.

In Figure 25, the distribution of social assistance taking up various forms such as cash transfers, food-based transfers and in-kind transfers during Uganda High Frequency Phone Survey, 2020-2021 is presented. The distribution shows that there was more social support during round 3 (September 2020), followed by Round 5 (February 2021) and Round 7 (October-November 2021).

Figure 25: Distribution of Social Assistance



Data Source: Uganda High Frequency Phone Survey, 2020-2021

Outbreak of Ebola

As Uganda recovers from the COVID-19 pandemic, supply-demand imbalances linger, dragging on economic activity and pushing prices up. At the same time, on 20th September 2022, Ugandan health authorities declared an outbreak of Ebola after a case of the Sudan ebolavirus was confirmed in Mubende district in the central part of the country. Through contact tracing efforts of the Ministry of Health and partners, more suspect cases were identified and tested. As of 30 October, the Ministry of Health reports 129 Ebola Virus Disease (EVD) confirmed cases in 7 districts. Confirmed EVD deaths has increased to 37 with a Case Fatality Ratio (CFR) among confirmed cases of 29%. There have been 43 recoveries. 17 healthcare workers have been infected, 6 of whom died. Without fast and effective measures to contain the outbreak, it could quickly spread throughout the country, causing illness and death on a devastating scale.

However, Uganda is no stranger to effective Ebola control. Uganda has successfully managed an outbreak of Sudan ebolavirus in 2012. Similarly, in 2019, the country successfully managed an outbreak of Zaire ebola virus. Thanks to such prior experiences, it is likely that the government and development partners in Uganda may be able to halt the spread of Ebola infections soon.

At the same time, it is also important to recognize that the consequences of Ebola are vast for Uganda. The Ebola outbreak impacts human development in several different ways. For example, its magnitude in terms of morbidity and mortality was historically higher than any other epidemic. Its impact, beyond the high mortality, is also economic. The economic impact of the Ebola crisis includes loss of gross domestic output, a threat to food security, fall in employment and livelihoods, and decline in foreign investment. An Ebola outbreak may lead to restrictions on trade and transportation to prevent transmission of the virus. News of an Ebola outbreak may also discourage tourists from traveling to Uganda. The epidemic could also have an adverse effect on agricultural market chains and livelihoods of many workers. Investors may also lose confidence in companies located in Ebola-afflicted areas. Overall, if it is not contained quickly, then progress in human development is likely to be reversed due to the impact of the Ebola crisis on health, education and standard of living.

Effect of the War in Ukraine on the Economy

The war in Ukraine has exacerbated inflationary pressures and led to uncertainty about full recovery of the Ugandan economy which was beginning to regain momentum from the effects of COVID-19 pandemic. Although Russia and Ukraine are not among the major import and export partners for Uganda – as seen in the graph below, in FY 2020/21, only 1.4 percent of Uganda's total imports came directly from Russia and Ukraine (US$94 million and US$21 million respectively mostly comprised of wheat imports).

Despite such low dependence on these two countries, Uganda is among the African countries that have been and continue to be negatively affected by the war in Ukraine. This is due to the role played by these two countries in the global market. Russia and Ukraine account for about 29% of the global wheat exports; 80% of global sunflower which is the main raw material used in manufacturing cooking oil and other products; and 19 percent of the global corn export.

In addition, Russia is the main exporter of fertilizers to Uganda. Although Uganda's use of fertilizers is limited, 3.3 kgs per ha as of 2018, the agricultural sector in the country is likely to be affected by the increase in prices of fertilizers on the global market with the current fertilizer price index standing at 238[10] which is higher than the levels reached during the global food and energy crisis in 2008. The increased prices for fertilizers are likely to further reduce the use of fertilizers in the country which coupled with reliance on rain fed agriculture will reduce productivity and crop yields and hence exacerbating inflationary tendencies in the long run.

To note also is the fact that Russia is the second largest exporter of oil in the world and its invasion of Ukraine has led to an increase in oil prices. At the end of March 2022, barely a month after the conflict began, the global price of oil (Brent crude) peaked at US$113 per barrel which is 43% higher than the price at the beginning of 2022. The increase in oil prices have affected the country mainly because Uganda is a net importer of oil products with oil imports standing at US$933 million in 2020 and at US$1046 million in FY 2021.

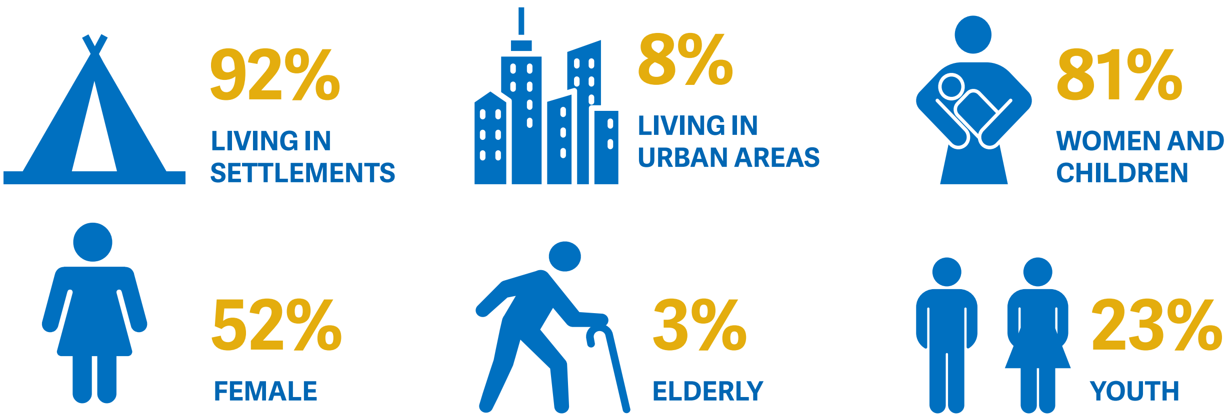
10 YCHARTS. 2022. Fertilizers Price Index

Indeed, the war has exacerbated imported inflationary pressures in Uganda mainly driven by higher global oil and food prices. The high fuel prices have driven up the cost of living across the country. For instance, after two weeks of Russia invading Ukraine, price of maize in the Ugandan market increased by 3.9 percent. This is mainly because African countries such as Kenya and South Sudan who were highly dependent on grain imports from Russia and Ukraine shifted to Uganda's grains as substitutes since Uganda is self-sufficient in grain/cereal production[11] (Uganda exported 241,965MT of cereals - maize, sorghum and rice - to South Sudan Oct-Dec 2021[12]).

In the long run, the war may influence the inflow of Official Development Assistance into Uganda as donors are likely to redirect their assistance to Ukraine in terms of humanitarian response and later when the war ends, for reconstruction of cities and rehabilitation of citizens. This will have huge effects on sectors which highly depend on such funds such as the human capital development and social sectors.

Refugees

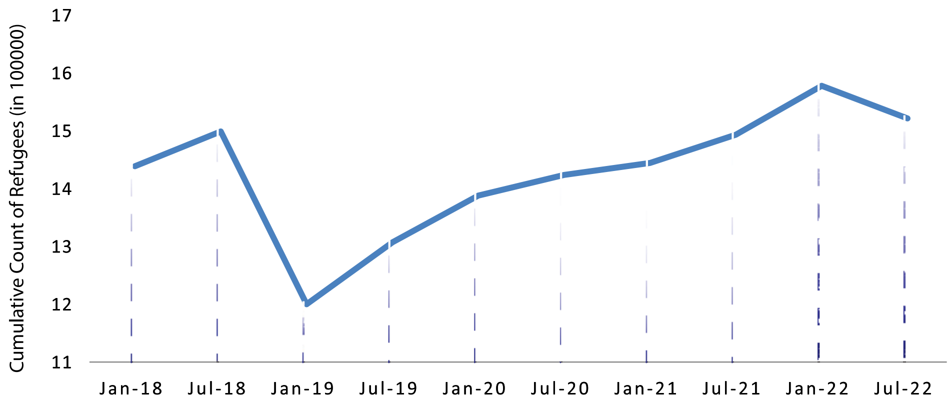
According to the United Nations High Commissioner for Refugees (UNHCR) and Uganda's Office of the Prime Minister (OPM), Uganda was home to 1,525,197 refugees and asylum-seekers by the end of August 2022. Women and children composed a cumulative total of 81 percent of all refugees and asylum-seekers. Out of the combined registered population, 97 percent were refugees and three percent were asylum-seekers. The biggest percentage of refugees in Uganda are from South Sudan (61 percent), the Democratic Republic of Congo (29 percent) and Somalia (3.5 percent). Due to the COVID-19 pandemic, some borders have remained formally closed to refugees and asylum-seekers since March 2020. Nevertheless, the Government of Uganda has recurrently adjourned this border policy to assist people fleeing emergency conditions within neighboring countries.



11 Uganda produces more food than it consumes and it is considered the bread basket of the region

12 FSNWG .2022. East Africa Cross border Trade Bulletin

Figure 26: Cumulative Count of Refugees



Data Source: United Nations High Commissioner for Refugees (UNHCR)

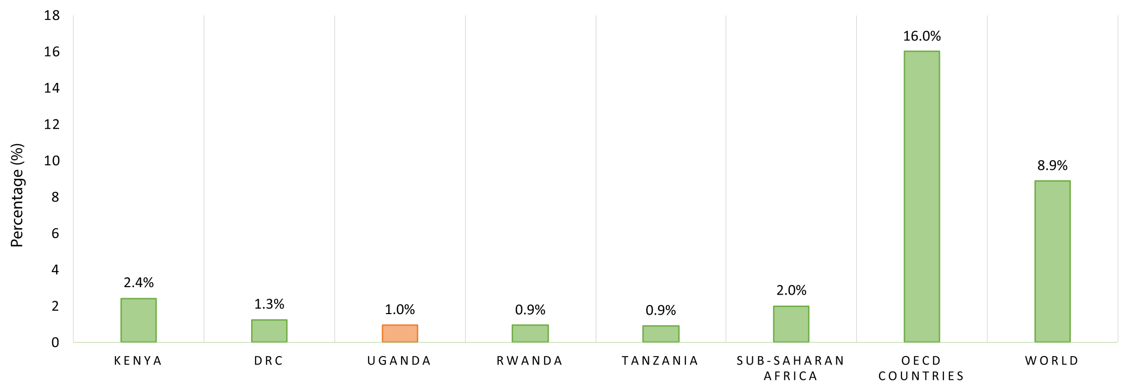
Climate Change

The effects of climate change and environmental degradation are increasingly felt by the population. The country is affected by unpredictable weather phenomena in the form of irregular rainfall, resulting either in drought or in flooding accompanied by landslides. These risks are exacerbated by the reduction of wetlands and deforestation. Uganda has a high rate of forest cover loss – between 2001 and 2019, Uganda lost 11% of its tree cover. Contributing factors to degradation are agriculture, explorations for oil and other natural resources, and the high demand for wood fuel where more than 80% of Uganda's rural households use firewood for cooking. The rise in temperatures and inadequate rainfall in the first quarter of 2022 have disrupted the agricultural planting season which has an impact on food security, poverty, inflation, and hence economic growth.

In the first quarter of 2022, government of Uganda with support from different development partners organized the Uganda Water and Environment Week (UWEWK) 2022 under the theme "Water and environment for peace and socio-economic transformation of Uganda". Different themes such as promoting peace and stability through water and environment resources, building resilience to various shocks and financing water, environment and climate change were discussed during the week and solutions to pertinent issues suggested by the different stakeholders.

In 2021/2022 Human Development Report, Uganda's Planetary pressures adjusted HDI (PHDI) was 0.520 representing a loss of only about 1% compared to 2.4% in Kenya, 1.3% in Democratic Republic of Congo (DRC), 0.9 % in both Rwanda and Tanzania, and SSA average of 2%. PHDI calculates the level of human development adjusted by carbon dioxide emissions per person (production-based) and material footprint per capita to account for the excessive human pressure on the planet. In an ideal scenario where there are no pressures on the planet, the PHDI equals the HDI. However, as pressures increase, the PHDI falls below the HDI and thus the PHDI measures the level of human development when planetary pressures are considered.

Figure 27: Difference in PHDI and HDI Value



Data Source: UNDP/HDRO Database

CONCLUSION

As of June 2022, the size of the Ugandan economy as measured by the Gross Domestic Product (GDP) at current prices was estimated at UGX 162.1 trillion or US$ 45.7 billion. At constant 2016/17 prices, the size of the economy was estimated at UGX 138.9 trillion, translating into a constant price growth rate of 4.6 percent for FY 2021/22 compared to 3.5 percent in FY 2020/21. The GDP per capita at constant prices increased by 6 percent from US$992 in FY 2020/21 to US$1051 in FY 2021/22. At a sectoral level, there was continued recovery in wholesale and retail trade; education and tourism services, real estate activities, ICT, agriculture, manufacturing and construction services.

In February 2022, the Bank of Uganda projected that Uganda's economic growth is expected to be 6.0 percent in calendar year 2022. However, due to the adverse impacts of the war in Ukraine, the economic growth projection for 2022 has been downgraded notably. In June 2022, the Bank of Uganda projected that the GDP growth rate for the year 2022 will range between 4.5-5.0 percent. This shows that the war in Ukraine seems to have resulted in a loss of about 1.0 -1.5 percentage points of Uganda's GDP growth rate in 2022.

Due to continued economic recovery, the government revenue collection increased especially during the second half of FY 2021/22. The revenue collection target for the FY 2021/22 Budget was UGX 22.4 trillion. Total revenue collection was projected at UGX 21.7 trillion which represents a shortfall of UGX 707 billion against a projected shortfall of UGX 939 billion in early 2022. This has been on account of improved tax administration and increased economic activity following the full reopening of the economy in January 2022.

The recovery in the economic growth and revenue collections front was dampened by a significant increase in the prices of many essential commodities and services such as food, fuel, cooking oil, soap, fertilizers, education services and building materials. As a result, monthly headline inflation increased from 2.7 percent in January 2022 to 10 percent in September 2022.

On the human development front, Uganda's has been making steady, but slow progress over the last 30 years. According to the 2021/22 Human Development Report, Uganda's HDI value for 2021 is 0.525— putting the country in the Low human development category—positioning it at 166 out of 191 countries and territories. However, Uganda's HDI reduces to 0.396 (a loss of 24.6 percent) due to inequality, that is after adjusting for how the average achievements of a country in longevity, education, and income are distributed among its residents.

Since adopting the 2030 Agenda for Sustainable Development in 2015, Uganda has made tangible progress in the implementation of the SDGs. Despite such steadfast implementation, the country shows mixed results on the progress towards the achievement of SDGs compared to its own past and compared to other countries. For example, the recently released Sustainable Development Report 2022 showed that Uganda has a mixed record on SDGs progress compared to other countries in Africa and the world. The country is now ranked 136 out of the 163 countries with a score of 54.9 which is only one point higher than the African regional average of 53.9. Uganda SDGs progress is below its neighbors such as Kenya (118th) with a score of 61, Rwanda (124th) with a score equal to 59.4 and Tanzania (130th) with a score of 57.4. However, its performance is better compared to countries like Burundi (141st) with a score of 54.1, DRC (157th) with a score of 50 and South Sudan in the last position of 163rd with a score of 39.

Implications of Findings

On Uganda's development strategy side, there is a need to find and implement accelerators for structural transformation. Similarly, emerging technologies provide opportunities for youth and the private sector to create jobs, improve business practices, promote efficiency and create opportunities. In this context, UN and other development partners should support the national stakeholders in the following areas.

First, there is a need for mobilization of long-term development financing. Financing is critical for an integrated and effective implementation of Uganda's National Development Plan -III, which is estimated at an average of 41 percent of GDP every year. This implies that Uganda, like other African countries, is facing massive development financing shortfall in the next decade. Innovative financing mechanisms that leverage private sector funding would be required to address this shortfall, as Uganda is subject to decreasing ODA due to geopolitical issues such as the ongoing Russia-Ukraine war. Moreover, due to the reduced revenue and increased public spending due to the COVID-19 pandemic, the stock of total public debt increased significantly in the last two years. The level of debt in proportion to GDP increased from 41 percent in June 2020 to 47 percent in June 2021. It is projected to increase to 51.6 percent of GDP by the end of this month and peak at 52.9 percent by end of next June before gradually declining in the medium term. Recent Debt Sustainability Analysis of the MoFPED showed that despite the recent increase, Uganda's public debt remains sustainable over the medium to long-term as well as below those in most countries in Africa. However, the public debt situation is faced with moderate risk of debt distress. The major risks to the debt scenarios relate to the slow growth of exports and the increasing debt service burden. Debt service as a percentage of revenue has increased in recent years to over 20 percent, which constrains resources to other growth-enhancing sectors of the economy.

At the same time, Uganda has several positive features underpinning its financial markets compared to many other African countries. It is one of the fastest-growing economies with strong macroeconomic fundamentals in Africa. It has a growing financial sector, supportive financial market regulation, and large ambitions for green infrastructure. Private capital is an enormous source of global wealth that has not historically played as significant a role in development as its scale would suggest. This is not for lack of interest. Private capital is constantly seeking investment opportunities. However, it only commits to those prospects that meet its appetite for risk and reward. Due to a variety of factors, many opportunities in developing countries are often perceived as overly risky or uncertain for most investors. Institutions that offer to guarantee portions of loans made for such investments help investors rebalance their assessments of risk and reward and subsequently unlock considerable capital into developing countries. In this context, the government of Uganda as well as its financial institutions should explore a completely new approach to financing its development such as innovative financing options. This calls for extra efforts to understand and explore the use of emerging sustainable development financing mechanisms to invest in the country's development priorities. It is commendable that the Government of Uganda has started on this journey, having articulated a Public Investment Financing Strategy. We acknowledge that this strategy is aligned to the key components of the Integrated National Financing Framework as guided by the Addis Ababa Action Agenda (AAAA), but its implementation needs to be expedited.

Second, industrialization is a key to socio-economic transformation, export revenues, job creation, poverty reduction, and rapid and sustained prosperity in developing countries like Uganda. Development experiences show that industrialization will contribute to inclusive growth, resilience, increased living standards, and transformation of the economy and society. In addition, industrialization can also bring much-needed foreign direct investment and new technologies as well as foster innovation and international competitiveness. From the manufacturing and the private sector point of view, industrialization is an important foundation for entrepreneurship, business investment, technological progress, the upgrading of skills, and sustained productivity improvements. The development experience also shows that industrialization can produce strategic and long-term benefits to poverty reduction. In

Asia, just like other industrialized societies in the world, manufacturing shifted labour from a low-productivity agricultural sector into a higher-productivity manufacturing sector. Manufacturing contributed to rapid foreign direct investment flows, improved innovation, and created stronger and internationally competitive economies. Manufacturing also contributed to the acceleration of exports, surplus in external trade and improved balance of payments conditions.

Third, without significant progress towards gender equality and women's empowerment, poverty cannot be tackled, or SDGs will not be achieved. The AfCFTA can be a game changer for women economic empowerment in Africa. In East Asia, international trade has played a key role in fostering inclusive economic growth, women economic empowerment and poverty reduction. Regional trade integration influences the women economic empowerment through various channels: through its effects on decent employment opportunities for women, women entrepreneurships, economic growth, relative prices (reducing the price of what the poor consume and increasing the price of what the poor sell), macroeconomic stability and government revenues. Trade can also benefit the poor women by shifting them from the informal employment into formal employment. Trade can also empower women within the household by creating jobs for them that would not otherwise be available. For example, cross-border trade in Africa provides income for hundreds of thousands of poor women. The emergence of the apparel sector in Bangladesh has created substantial jobs for women and has contributed to changing social attitudes towards women and girls. The empowerment of women within the household is typically associated with better nutritional and educational outcomes for children, which in turn leads to higher productivity in the long-term. The AfCFTA offers a major opportunity for socioeconomic transformation in Uganda through a vicious circle of creating larger market opportunities, triggering more trade and investment toward high impact sectors such as agriculture, tourism and green industries, and thereby fostering greater production, value addition, export diversification and productivity growth – leading to more and better jobs for the youth and women.

Fourth, tourism is also key to reducing poverty and is well poised to be the leading development sector with high transformative power in the country. AfCFTA will open Uganda like never before and is positioned to support strong recovery of Ugandan tourism sector by boosting both domestic and intra-regional travels. The AfCFTA could potentially ease cross-border travel restrictions and infrastructural and transport challenges, including the high cost of air transport, poor connectivity, and inflexible visa regimes. All these will reduce poverty.

Fifth, universal energy access is fundamental in tackling poverty. The new National MPI report of Uganda highlights that about two-thirds of households face deprivations in 2019/20 in terms of access to clean energy or electricity. For these households, the introduction of clean energy solutions can bring vital services such as improved healthcare, better education and affordable broadband, creating new jobs, livelihoods, and sustainable economic value to reduce poverty. In Uganda, some schools, health facilities and micro and small enterprises still face challenges in accessing power. Improving clean energy access to these facilities and enterprises will help save lives, and offer opportunities for value addition, learning and reducing poverty at a transformative scale.

Sixth, the successful implementation of the Parish Development Model (PDM) is a major driver for rural transformation. It may be noted that the new Uganda MPI report shows that rural multidimensional headcount ratio of 50.2 percent is approximately two and half times higher than that of urban areas (19.7 percent). In this context, we need to shift the conversation to how Local Economic Development can be jumpstarted to facilitate production, manufacturing, and create employment- it should be noted that at the level of Parish, effective public administration and management of natural resources will be key success factors. In this context, the PDM could be an effective tool for accelerating Local Economic Development and Industrialization.

Seventh, there is a need for more investments in data and analysis to properly monitor progress on the SDGs. The country still lacks the disaggregated picture of where the poor live, and how they were affected by the pandemic and or other shocks. Good data, therefore, is critical to close the inclusion gap. Data that is disaggregated by age, sex, residence, occupation, race, ethnicity, disability status, and household characteristics is indispensable to understanding the nuances of the poverty issue. It may be noted that during the 2020 Voluntary National Review report, Uganda reported on only 92 (46 percent) of the 201 SDG indicators that are relevant to Uganda. This calls for additional resources to build the capacity of the National Statistical System to be able to produce and disseminate data and statistics to inform decision making. This should be a collaborative effort between Government, Development Partners, Private Sector, Academia and Civil Society to fully utilize the advancements in the data landscape. In this context, the UN in Uganda is currently developing a joint UN programme for data and statistics to support the Uganda Bureau of Statistics and others in collecting and disseminating SDGs relevant data.

Lastly, we need to help Uganda's institutions and service providers to be accountable to households and communities. For Uganda, it is more important today than ever before to ensure not just that state and non-state providers "listen" to the most marginalized peoples at the design stage of NDP-3 programmes and projects, but also that they report back to them through the implementation stage. In this context, there is need to create an effective mechanism that would allow the diverse range of state and non-state actors to jointly identify challenges, share knowledge and channel resources more effectively to overcome development challenges and achieve the national development aspirations. Creating a regular, Government-led, result-oriented and inclusive platform for dialogue on critical issues would promote mutual trust and accountability between government and common citizens. Unless such trust and accountability are strengthened through regular citizen feedback, we will never really know if programmes and projects implemented under strategic initiatives such as PDM are pro-poor or not. In this context, there is a need to enhance regulatory and policy ecosystems for Ugandan youth and the private sector to harness emerging opportunities.

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United Nations Development Programme (UNDP)
Plot 11, Yusuf Lule Road, Nakasero
P. O. Box 7184, Kampala, Uganda.
: +256417112100/30
: +256 414 344801

: registry.ug@undp.org
: www.ug.undp.org
: @UNDPUganda

: UNDP Uganda
: @UNDPUganda
: UNDPinUganda