INTRODUCTION

This bulletin is one in a series that discusses the impact of the coronavirus disease (COVID-19) on children in Uganda. The main objective of the bulletins is to highlight key concerns around the impact of the pandemic on children, and the resultant bearing on the attainment of the third National Development Plan, Vision 2040, and Sustainable Development Goals (SDGs). While the discussion in this bulletin includes the impact of the pandemic since its onset, the main emphasis is on the 42-day lockdown in June and July 2021. Additionally, it focuses on the impact of COVID-19 on the macro-economy through a child rights lens. In this regard, it examines how underperformance of the macroeconomy, as a result of the lockdown, is having a knock-on effect on household incomes, debt situation, public finance investment in social sectors, and ultimately on child well-being. By taking a deep dive into child-specific issues, this bulletin aims to complement joint and aggregate analysis by the Government of Uganda and other agencies including the United Nations in Uganda.
KEY MESSAGES

• The recent lockdown has worsened pre-existing challenges with regard to childcare and learning, as nearly 15 million learners are locked out of school. It has also elevated child protection concerns, and compounded risks of malnutrition and poor child health.

• The recent lockdown and other ongoing restrictions have led to the depletion of household incomes and erosion of livelihoods. The plight of the working poor has deepened, with a disproportionate impact on children.

• More than ever, the pandemic has demonstrated the necessity of child-sensitive social protection to reduce poverty and vulnerabilities caused by job loss, depletion of household savings and assets, and restrictions in movement and trading activities as witnessed during the recent lockdown.

• A considerable size of informal and small-scale enterprises has folded, and many big businesses are distressed. This will have a knock-on effect on the size of tax revenue to be collected in the current fiscal year.

• With under performance of domestic revenues amidst a surge in expenditure related to the pandemic, the need for additional financing, including through domestic and international loans has heightened.
DEPRESSED ECONOMIC ACTIVITY

During the recent 42-day lockdown, national economic output was probably at its lowest in 2021. With productivity and consumption at the barest minimum, prospects of an economic rebound this year have been dampened. Through the budget statement by the Minister of Finance, the government projected a positive GDP growth of 4.3 per cent in fiscal year 2021/22. However, considering the reduction in productivity during the lockdown and the negative impact of ongoing restrictions on productive activities it is likely that the national GDP growth rate will be much lower than originally projected. This is contrary to the high expectations at the beginning of the year when monthly economic output in market prices had almost reached the pre-pandemic levels.

The lockdown weakened the performance of several sectors, dragging down national economic output. Among others, transport, accommodation, and food [hotels and restaurants], creative arts [entertainment], sports, and informal sectors seem to have been hit hardest by the recent lockdown. The wholesale and retail sector, one of the major contributors to tax revenue, also suffered from restrictions on the movement of people, and from reduced household incomes. UNICEF estimates that economic output in the accommodation and food sector, cash crop, arts, and entertainment sectors may have fallen by at least 60 per cent during the period of the total lockdown.

People who survive on informal, micro, and small-scale enterprises probably suffered the most during the lockdown. An estimated 83.5 per cent of young working people between 15-29 years are in informal employment. According to UNICEF estimates, during the 42 days of lockdown, young people between the ages of 20 and 30 may have lost up to one trillion Uganda Shillings (UGX) (approx. US$282 million) in potential revenue. This is deduced from the monthly median income per person before the pandemic. Furthermore, UNICEF estimates that UGX144 billion (approx. US$40 million) per month in potential export revenue could also have been lost by informal traders during the period of the lockdown.

The pandemic has forced several small-scale enterprises to fold, and many big businesses are distressed. According to the latest figures from the 2019/2020 Uganda National Household Survey (UNHS), the share of households in Uganda with at least one member operating a business reduced from 35 per cent before COVID-19 to 28 per cent, following the onset of the pandemic and the consequent lockdown in 2020. In urban areas, a reduction of 14 percentage points from 51 to 37 per cent was recorded. The risk of some small enterprises permanently closing after the 42-day lockdown is high; especially because they were already struggling to return to the pre-pandemic levels at the time the recent lockdown was announced. In 2020, because of the first total lockdown, about 9 per cent of non-farm family businesses permanently closed.

KEY MESSAGES

- COVID-19 economic recovery plans should prioritize creation of decent jobs, further skilling of young people, and consideration for fiscal packages to boost their business activities if the country is to reap the demographic dividend.

- To increase chances of quicker economic recovery from COVID-19, the government is requested to accelerate the national COVID-19 vaccination programme to mitigate the impact of the pandemic on productivity and provision of goods and services.

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2 ILOSTAT, 2020
3 Uganda Bureau of Statistics High Frequency Phone Survey, 2020
FALLING DOMESTIC REVENUE

Domestic revenue targets for the first quarter of 2021/22 are likely to be missed due to economic contraction exacerbated by the lockdown. It is expected that value added tax, pay as you earn, and trade and corporation tax payments to the Uganda Revenue Authority (URA) will slump. Even before the lockdown, in May, total revenue and grants amounted to UGX1,554.02 billion (approx. US$439 million) against a target of UGX1,677.26 billion (approx. US$473 million), mainly on account of underperformance of tax collections. This amounts to a 7 per cent shortfall. Based on revenue performance during the first lockdown in 2020, UNICEF estimates that the URA may have lost at least UGX 350-450 billion (approx. US$98-127 million) in tax revenue in the month of July 2021. Available global evidence also shows that low revenue receipts usually lead to delays in disbursements to ministries and departments. Unfortunately, children are likely to suffer most from the late disbursements of funds because this has a bearing on the delivery of essential services such as health, social protection, water, and sanitation.

The decline in revenue performance during the period of the lockdown, and in fiscal year 2021/22 is expected to mirror trends in the previous year. In 2020/21, the decline in revenue receipts was deepest for activities of extraterritorial organizations and bodies (-75 per cent), followed by accommodation and food services (-37 per cent), the arts, entertainment and recreation sectors (-31 per cent) and education (-10 per cent) (see Figure 1). In total, tax revenues for the fiscal year 2020/21 registered a shortfall of UGX964.56 billion (approx. US$272 million) while non-tax revenue registered a shortfall of UGX157.7 billion (approx. US$44 million).

Revenues are falling at a time when spending needs are on the increase. In the current fiscal year, the Minister of Finance set aside UGX560 billion (approx. US$158 million) for the procurement of vaccines, and the budget for the National Medical Stores increased from UGX420.3 billion (approx. US$118 million) in 2020/21 to UGX600.3 billion (approx. US$169 million) in the current fiscal year. This reflects a surge in health

5 Ministry of Finance, Semi-Annual Budget Performance – 2020/21 (December 2020)

FIGURE 1: TAX AND NON-TAX REVENUE, FEB 2020 - MAY 2021

Source: Ministry of Finance, Planning and Economic Development, Performance of the Economy Reports

FIGURE 2: PERCENTAGE DECLINE IN TOTAL REVENUE RECEIPTS OF SELECTED SECTORS IN 2020/21 COMPARED TO 2019/20

-75% Activities of extraterritorial organizations and bodies
-73% Accommodation and food service activities
-37% Arts, entertainment and recreation
-31% Education
-10% Agriculture, forestry and fishing
-3% Professional, scientific and technical activities
-2% Administrative and support service activities
spending needs due to the pandemic. The rise in COVID-19 infection rates, which at one point reached 22 per cent, and the subsequent pressure imposed on the health delivery system, necessitated a supplementary budget of UGX600 billion (approx. US$169 million) in June 2021 to strengthen the COVID-19 national response. The education and sports sector has already indicated that additional funding will be required to ensure continuity of learning and safe return to schools. Greater financial resources are also required to support gender and age-sensitive social protection programmes to help vulnerable groups of people recover from the impacts of COVID-19.

In part, due to financing challenges, the coverage of social protection responses has not been commensurate with the increasing levels of vulnerability and deprivation among children. In the previous fiscal year, the government spent UGX60 billion (approx. US$17 million) on food distribution to 683,000 households covering 1.9 million persons, mainly targeting vulnerable groups in the Kampala Metropolitan Area. This is significantly lower than the total number of the most deprived and vulnerable across the country. At the beginning of July 2021, the government launched a new COVID-19 relief fund, to serve as a vehicle for mobilizing resources to implement social protection responses to the most deprived citizens affected by the pandemic. Though the pandemic has unequivocally demonstrated the strategic role of social protection, as at the end of July 2021, effective social protection, coverage was estimated at 2.9 per cent, with the government spending only an average of 0.25 per cent of GDP on social protection, on average. The government’s COVID-19 relief programmes have been directed primarily at people living in urban municipalities, leaving out many people across the country.

With the fall in domestic revenue and a surge in financing needs, social spending which benefits children is under threat. An analysis of the 2021/22 budget estimates shows that in real terms, government budgets on essential health (other than COVID-19), education, social protection, water, mental health, sanitation, and hygiene services in the current fiscal year have largely remained the same as the previous year. Take education, for example, it has been challenging for the government to financially support all schools to implement COVID-19 standard operating procedures (SOPs) for the continuity of learning and the safe reopening of schools. At the bare minimum UNICEF estimates that at least UGX106 billion (approx. US$30 million) will be required to finance the implementation of basic COVID-19 SOPs. If domestic revenues do not improve, social spending is likely to stagnate in the next few years.

KEY MESSAGES

- Considering the likelihood of truncated performance of domestic revenue, the government is encouraged to seek more concessional finance and grants from development partners to safeguard human capital expenditure and to finance the recovery from COVID-19.

- The Minister of Finance is encouraged, at mid year, to revise budget allocations to social sectors such as health, education, and social protection to reflect sector needs and accommodate additional financing needs imposed by COVID-19.

- To avoid regression in human capital, the government should safeguard critical social spending in COVID-19 recovery plans including possible protection from likely fiscal consolidation aimed at narrowing the fiscal deficits.

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7 Ministry of Finance Uganda, 2021
8 Ibid
9 World Bank, 2020
Although Uganda’s debt situation is deemed to be sustainable, widening fiscal deficits will force the government to borrow more. Uganda’s debt amounted to US$17.96 billion as at 31 December 2020, equivalent to 49.8 per cent of GDP. The fiscal deficit, excluding grants, is expected to be 7.3 per cent in fiscal year 2021/22.

With under performance of revenues, the need for additional financing, including through domestic and international loans, has heightened. Well before COVID-19, total debt stock was on the increase; and the trend is likely to continue. In one year alone, from March 2019 to March 2020, external debt stock increased by 18 per cent with domestic debt rising by 11 per cent (see Figure 3). Already, the government has sourced US$1 billion from the IMF under the Extended Credit Facility (ECF), of which US$258 million has been disbursed. An additional US$300 million has been provided by the World Bank, and US$31.6 million by the African Development Bank.

Domestic revenue pressures are likely to make it difficult for the government to service its debt obligations. Debt restructuring negotiations with creditors is therefore key to ease the current repayment burden and to finance COVID-19 response. On a positive note, the government is benefitting from the temporary suspension of debt-service payments owed to their official bilateral creditors amounting to US$301 million under the Debt Service Suspension Initiative by the G20. UNICEF estimates show that in the past few years, Uganda spent more per person on servicing her debt than on education and health combined, thus, a heavy debt burden will affect future fiscal space for children. The Government of Uganda should nevertheless be commended for keeping debt within sustainable levels.

KEY MESSAGES

- A heavy debt repayment burden is likely to affect current and future fiscal space for the government to invest in child-focused sectors and programmes.
- To avoid the worsening of the debt situation, the government is encouraged to move swiftly on debt restructuring discussions with all its creditors to create fiscal space to invest in child-focused sectors such as health, education and social protection.
- The government is also encouraged to negotiate for debt swaps in favour of investments in social sectors which benefit children, or even some debt cancellation.

**ELEVATED RISK OF DEBT DISTRESS**

**KEY MESSAGES**

- A heavy debt repayment burden is likely to affect current and future fiscal space for the government to invest in child-focused sectors and programmes.
- To avoid the worsening of the debt situation, the government is encouraged to move swiftly on debt restructuring discussions with all its creditors to create fiscal space to invest in child-focused sectors such as health, education and social protection.
- The government is also encouraged to negotiate for debt swaps in favour of investments in social sectors which benefit children, or even some debt cancellation.
LIVELIHOODS AND HOUSEHOLD INCOMES UNDER THREAT

The recent lockdown and other ongoing restrictions have led to the depletion of household incomes and erosion of livelihoods. To begin with, the proportion of people in formal employment has gone down. According to the 2019/20 Uganda National Household Survey (UNHS), the share of people in formal employment decreased from 57 per cent before COVID-19 to 47 per cent after. Results from a recent U-Report survey by UNICEF showed that 30 per cent of sampled parents lost employment in 2021 because of COVID-19. Many women in this group could not look for alternative employment because they had to take care of children who were at home following closure of schools. Some of the people who lost employment have resorted to subsistence agriculture, hence the increase in the proportion of the population dependent on subsistence agriculture from 41 per cent before to 52 per cent during COVID-19 (see Figure 4). Before the recent lockdown (June-July 2021), it was estimated that 2.9 million workers were already temporarily or permanently laid off due to the pandemic, with close to 1.6 million employed by small firms.16 The estimate is widely expected to have gone up in June and July 2021.

The plight of the working poor has deepened, with a disproportionate impact on their children. During the period of the lockdown, a considerable share of the employed population suffered pay cuts due to the reduced number of working days, with some not getting paid at all. As of May 2021, an estimated 23 per cent of unionized workers had lost their entitlements to workplace allowances compared to 31 per cent of their non-unionized counterparts over the past year. Regrettably, most workers did not receive any form of government support, including during the recent lockdown.17 An estimated 35 per cent of employed Ugandans are extremely working poor, earning less than US$1.90/day, 30 per cent are moderately working poor (earning between US$1.90 – US$3.20/day), while 20 per cent are nearly working poor (earning US$3.20 – US$5.50/day).18 With earnings depleted, anecdotal reports from commercial banks and micro-finance institutions point to rising cases of defaults in personal loan repayment and in payments for utilities such as electricity and water.

The pandemic continues to aggravate poverty in all its dimensions. Estimates from the 2019/20 UNHS shows that the proportion of households living below the national poverty line has increased from 18.7 per cent before to 21.9 per cent during COVID-19 (see Figure 5). This implies that an additional 1.7 million people have become poor because of the pandemic. In December 2020, the World Bank also predicted that up to three million Ugandans, with about half of them being children, could be pushed into poverty due to the economic down turn in 2021, further worsened by the recent national lockdown.19 Unless timely action is taken, including through social protection, rising poverty will negate all gains made by the Government of Uganda in fighting poverty over the past decade.

Economic hardships have triggered a new wave of dangerous survival tactics. As reported by the local media, biting poverty has forced some parents and guardians to engage in unusual and criminal activities such as selling of their children, abducting children for the purposes of getting ransom20, child trafficking, and deployment of children to cities such as Kampala.
to help in supporting their families financially. This has contributed to increased child labour. Data from the 2019/20 UNHS shows that the incidence of child labour increased nationally during COVID-19 from 21 per cent before the pandemic to 36 per cent. At the same time, some people increased personal debt, including from micro-finance institutions at very high interest rates.

With the depletion of incomes, household consumption has trended downwards since the lockdown. Most people have reduced the consumption of food and non-food items, including medical care and clothing. In addition to fear of contracting COVID-19, lack of household income is one of the major barriers to accessing medical care. Most of the working poor do not have medical insurance. According to a recent study conducted by the Economic Policy Research Centre on behalf of the Ministry of Gender, Labour and Social Development only 35 per cent of businesses have medical insurance cover for their employees.21

Prices of food items, transport and other merchandise rose in July. The cost of transacting retail business also shot up during the period of the lockdown resulting in increased prices of merchandise. Inflation of food crops and related items increased by 6.6 percentage points over the May to July 2021 period, with inflation of items rising from 2.0 per cent in June to 2.1 per cent in July (see Figure 6). A rise in transport and food costs considerably increased the cost of living during the lockdown.

**FIGURE 6:** TRENDS IN INFLATION, INTEREST AND EXCHANGE RATES, JANUARY 2020 - JULY 2021

**Source:** Bank of Uganda (https://www.bou.or.ug/bou/bouwebsite/Statistics/Statistics.html)

The recent lockdown and other COVID-19 restrictions are not only affecting macroeconomic aggregates; they are also disrupting the supply of essential services to children. These include education, health, child protection, and nutrition services. Since mid-June 2021, nearly 15 million pre-primary, primary and secondary school children have been locked out of school. Inclusive of 2020, some children have now lost over a year of school learning years. The situation is compounded by the fact that many children do not have access to alternative learning opportunities via radio, television, the Internet, and community/home-based interventions. Through a UNICEF U-Report survey, majority parents reported that their children are not learning at home even when the above services are provided. It is estimated that only 10 per cent of primary and secondary school children have access to some form of alternative schooling, including online schooling.22 Many children, especially from the most deprived families, may not be able to return to school due to financial constraints. Data from the 2016/17 UNHS shows that financial barriers account for an estimated 67.6 per cent of children who drop out of school.

Child protection concerns continue to escalate. Between January and June 2021, 107 cases of teenage pregnancies and 146 child marriages were reported through the Child Helpline alone.23 This figure is most likely an underrepresentation considering that many cases are usually not reported. Evidence from 2020 shows that teenage pregnancies increased during lockdown as well as gender-based violence, mostly by persons known to the child. Between March and September 2020, there was a 366.5 per cent increase in pregnancies among girls aged 10-14 years, from 290 to 1,353.24 Local media continues to report an increase in cases of child abuse. In Lango, for example, the police recorded 271 cases of defilement, 255 of child neglect, six cases of child disappearance, two cases of child kidnapping, one case of child trafficking, and two cases of theft by children in the past few months.25

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22 UNICEF estimates, 2021
23 Source: January to June Child Helpline data
24 Forum for African Women Educationalists Uganda, 2021
UNICEF field reports show that access to the child protection workforce including social workers, teachers and counselors has been constrained by the lockdown, including the closure of schools. Other services essential to children such as birth registration, daycare, and access to justice have also been impacted by the closure of different government offices and childcare facilities during the lockdown.

The procurement and supply of essential services to children has also been disrupted. Earlier this year, the COVID-19 vaccination programme, for example, was hampered by supply-side constraints triggered by the exponential rise of COVID-19 cases in India. Within the country, other critical supplies such as oxygen concentrators and gas were outpaced by their demand in June and July. The supply of vaccines was also significantly lower than what is required to vaccinate the eligible population. As of August 10, 250,664 people (about 1.1 per cent of the national target population) had received two doses of the COVID-19 vaccine, with 904,601 having received the first dose only.26

COVID-19 has also crowded out the delivery of other essential health services to children. For instance, the number of children below one year who received BCG and DPT3 immunization in June 2021 declined by 8 per cent and 4 per cent respectively, from January 2020 (see Figure 7). Child health days, which normally take place in the second quarter of every year have not happened. Other crucial health and nutrition services have also been overlooked as the government initially prioritized the COVID-19 response. These include prevention of mother-to-child transmission of HIV, reproductive health services, risk communication, and community engagement. The reduction in coverage of nutrition and health services due to COVID-19 is estimated to be at 25 per cent.27 Patients with HIV/AIDS, tuberculosis, malaria, cancer, hypertension, hepatitis B, epilepsy, sickle cell, as well as mental health, maternal or childhood conditions, faced an increased risk of complications and death due to inability to access healthcare because of the lockdown and fear of contracting the virus from healthcare settings.

Food insecurity and malnutrition amongst children is on the rise. The pandemic will add to the nearly 6.5 million people who are at least food stressed (IPC 26).28 Karamoja subregion is one of the most food insecure regions, with about 66 per cent of its population (794,000 people) facing acute food insecurity (IPC Phase 2 and above).29 The COVID-19 pandemic has, therefore, increased the risk of all forms of malnutrition because of rapid changes to the availability, accessibility and affordability of nutritious foods, decline in household incomes, and interruptions to health, nutrition and social protection services, worsened by the recent lockdown. Nationally, an estimated 250,000 children are suffering from severe acute malnutrition.29 These estimates exclude additional numbers resulting from the impact of COVID-19. In Karamoja, about 56,560 children between 6-59 months have acute malnutrition, 10,257 are severely malnourished, and 46,303 are moderately malnourished.30 Nationally, the number of severe and acute malnutrition admissions increased from 2,998 in April to 4,029 in June 2021.31

A considerable number of children are not having three meals a day, with most skipping breakfast or lunch. A recent study by the Forum for African Women Educationalists Uganda revealed that about 23.8 per cent of households surveyed had reduced the number or frequency of meals, especially during lockdowns.32 About 7 in every 10 said that the main reason was...
because they could no longer afford food following depletion of household incomes. UNICEF field reports have revealed that during the recent lockdown, diets reportedly changed from nutrient-rich foods to less nutritious ones. Moreover, there is a shift to cheaper sources of energy. The shortage and quality of food consumed directly impacts the ability of children to live a healthy and productive life leading to malnutrition.

FIGURE 7: NUMBER OF CHILDREN IMMUNIZED BETWEEN JANUARY AND JUNE 2020 VS JUNE 2021

<table>
<thead>
<tr>
<th></th>
<th>BCG Immunization &lt; 1 Yr</th>
<th>DPT3 Immunization Total</th>
</tr>
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<tr>
<td>Jan 2020</td>
<td>154,168</td>
<td>137,509</td>
</tr>
<tr>
<td>Jun 2020</td>
<td>150,015</td>
<td>142,610</td>
</tr>
<tr>
<td>June 2021</td>
<td>141,989</td>
<td>131,992</td>
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</table>

Source: Ministry of Health, 2021

FIGURE 8: FOOD SECURITY SITUATION IN UGANDA

<table>
<thead>
<tr>
<th></th>
<th>No. of persons</th>
<th>No. of persons</th>
<th>No. of persons</th>
</tr>
</thead>
<tbody>
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<td></td>
<td>stressed (IPC level 2)</td>
<td>in crisis (IPC level 3)</td>
<td>in emergency (IPC level 4)</td>
</tr>
<tr>
<td></td>
<td>4,542,800</td>
<td>1,630,900</td>
<td>371,900</td>
</tr>
</tbody>
</table>

Source: Integrated Food Security Phase Classification (IPC), 2021

KEY MESSAGES

- The lockdown has worsened pre-existing challenges with regard to childcare and learning, with nearly 15 million children locked out of school. It has also elevated child protection concerns, and compounded risks of malnutrition and poor child health as thousands of children relied on school meals.

- The government is encouraged to ensure continuity of appropriate nutritional care and treatment for all children affected by severe acute malnutrition; promote nutrition awareness in communities to improve quality and diversified diet for children under five years; and maintain the provision of nutritious and safe school meals for vulnerable children through home delivery, take-home rations, and cash or vouchers when schools are closed. Access to nutritious, safe, and affordable diets needs to be safeguarded and promoted as a cornerstone of the response to COVID-19.

- The government is requested to support activities that ensure continuity of learning and safe reopening of schools.