

# UGANDA: SOCIAL POLICY OUTLOOK



This Social Policy Outlook summarises findings published in two 2018 UNICEF publications: *Uganda: Fiscal Space Analysis and Uganda: Political Economy Analysis*, with additional statistics from the Uganda National Household Survey 2016/17, and the Uganda Demographic and Health Survey 2016/17.

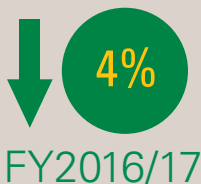
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Uganda Vision 2040 aims to transform the country from a predominantly peasant and low-income economy into a competitive, upper-middle income one. To achieve this goal, government spending has shifted away from social sectors such as education and health towards infrastructure. However, the recent slowdown in economic growth and a downturn in social indicators suggest that it is time to reconsider the balance between economic and social sector spending.

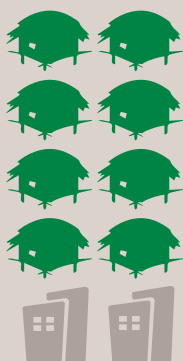
# Uganda at a glance

growth dipped to



## Economic performance

Between 1992-2010, Uganda's economy performed well with growth rates of around 8 per cent per annum.<sup>1</sup> More recently, growth dipped in FY2016/17 to 4 per cent.<sup>2</sup> This economic downturn is in part due to environmental factors such as drought, slow implementation of public investments, low private sector credit growth, and political upheaval in the region, including the conflict in South Sudan which has led to thousands of refugees fleeing to Uganda. It can also be attributed to losses in the agriculture and manufacturing sectors. Although agriculture is still the mainstay of the economy, with 40 per cent of the population engaged in subsistence farming,<sup>3</sup> it is not mechanized and farmers are unable to get their produce to market from remote rural areas.



## Urbanization

Although currently 80 per cent of Uganda's population lives in rural areas, urbanization is recurring at a rapid rate. As in other parts of the world, more and more people are moving to towns and cities, with the share of the population living in urban areas having doubled since 2012/13.<sup>4</sup> Although ostensibly affording greater access to services such as education, health care and water and sanitation, poverty levels in urban areas are high. Most of the urban working population is employed in the informal sector, which affords no protection in terms of pay and conditions and generates little revenue in the form of taxes.

1 UNICEF (2018) *Uganda: Political Economy Analysis*

2 MoFPED (2017) *National Budget Framework Paper FY2018/19–2022/23*

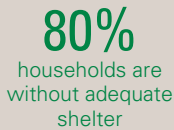
3 IMF (2017) *Uganda, Selected Issues, IMF Country Report No. 17/207*, July 2017

4 UNHS, 2016/17



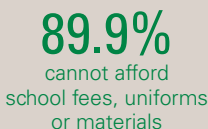
## Demographic dividend

Uganda has one of the youngest populations in Africa, with nearly half the population younger than 15 years of age and 55 per cent under the age of 18. Over the next two or three generations, however, this high dependency ratio is likely to be replaced by a large labour force. This ‘demographic dividend’ provides a window of opportunity for rapid economic growth if the right social and economic investments and policies are made, especially in health and education.



## Humanitarian response

In 2016/2017, largely as a result of the crisis in South Sudan, Uganda’s refugee population almost doubled, reaching 1.38 million,<sup>5</sup> with most newly-arrived refugees settling in West Nile, South Western and, to a lesser extent, Kampala. In addition, since 1 January 2018 nearly 60,000 new arrivals have entered the country from the Democratic Republic of the Congo (DRC). Uganda has progressive policies on the settlement and integration of refugees and has garnered a substantial amount of humanitarian aid for refugees in the current crisis. However, host populations in the refugee-receiving districts were already vulnerable, with both host and refugee households lacking adequate shelter and having to walk a long way or wait a long time for water. In West Nile, over 80 per cent of households are without adequate shelter,<sup>6</sup> 76.9 per cent cannot afford to visit a health centre when their children are ill, and 89.9 per cent cannot afford school fees, uniforms or materials.<sup>7</sup> A more effective integration of the humanitarian response in the national development agenda is therefore needed to ensure that support to refugee-receiving districts is broader based, and universally includes host communities in those areas as well as refugees.



5 UNICEF (2018) *Child Poverty and deprivation in emergencies* (forthcoming)

6 Ibid.

7 UNHS, 2016/17





## Fiscal outlook

### Domestic revenue

Because much of the economy is informal, the amount of revenue Uganda raises from domestic taxes remains low – at just 13.8 per cent of GDP in 2015/16. Other reasons for the country's low level of tax revenue include tax exemptions. This has left the country heavily dependent on international aid. About half of the current scaling up of infrastructure is financed by development partners, mostly through non-concessional loans. The Government has also resorted increasingly to domestic (debt) financing, which has led to an increase in the country's debt/GDP ratio.

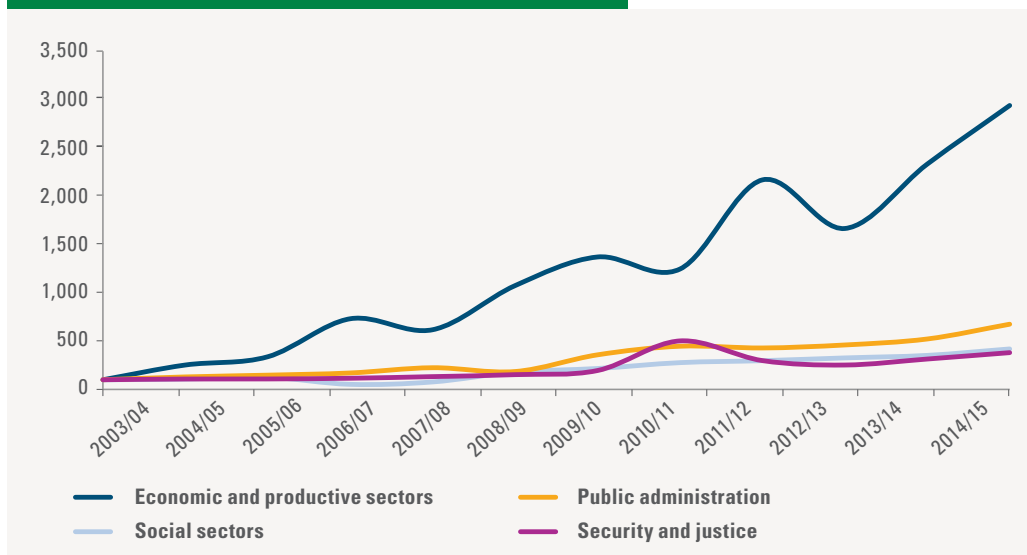
### Balancing the budget

As mentioned previously, in order to stimulate economic growth, in recent years Uganda has prioritised investment in infrastructure over social sector expenditure (see Figure 1). As a percentage of GDP, its overall level of social sector expenditure is low, including by regional standards. It now spends about half the East African Community average on social categories such as health, education, pensions and social assistance.<sup>8</sup> In FY2015/16, spending on social sectors was 3.3 per cent of GDP, with 2.0 per cent going to education, 0.9 per cent to health, 0.1 per cent to social development and 0.3 per cent to water and environment. In the same period, spending on economic investments such as infrastructure development rose from 11.2 to 14.7 per cent of GDP.<sup>9</sup> This trend is continued in the proposed budget for 2018/19 (see Figure 2).

<sup>8</sup> IMF (2017) *Uganda, Selected Issues, IMF Country Report No. 17/207*, July 2017

<sup>9</sup> UNICEF (2018) *Uganda: Fiscal Space Analysis*

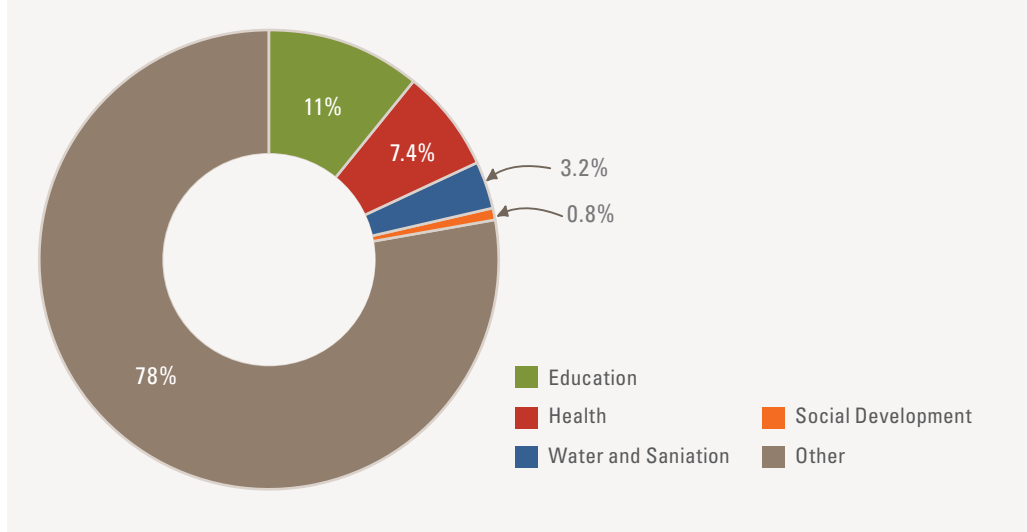
**FIGURE 1: COMPOSITION OF GOVERNMENT EXPENDITURE<sup>10</sup>**



Base year 2003/04 = 100

Source: Boost, World Bank

**FIGURE 2: BUDGET SHARES FY2018/19 (%)**



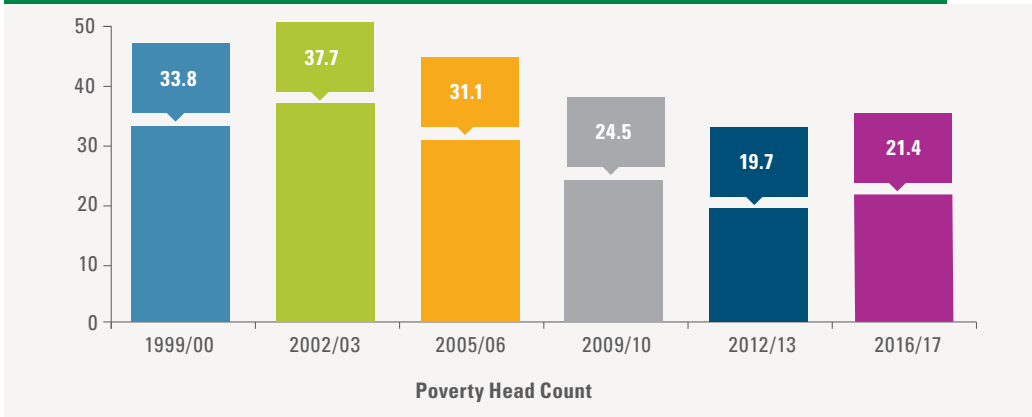
Source: National Budget Framework Paper FY2018/19–2022/23

10 Economic and productive sectors (Agriculture, Land, Housing and Urban Development, Energy and Mineral Development, Works and Transport, Information and Communication Technology, Tourism, Trade and Industry); social sectors (Education, Health, Social Development); public administration (Public Sector Management, Accountability, Legislature, Public Administration); security and justice (Security and Justice, Law and Order).

# Stalled progress

Government expectations were that its focus on infrastructure would stimulate the economy and that economic growth and the generation of domestic revenue would have a trickle-down effect and reduce poverty. However, poverty levels remain high and increased from 19.7 per cent in 2012/13 to 21.4 per cent in 2016/17.<sup>11</sup>

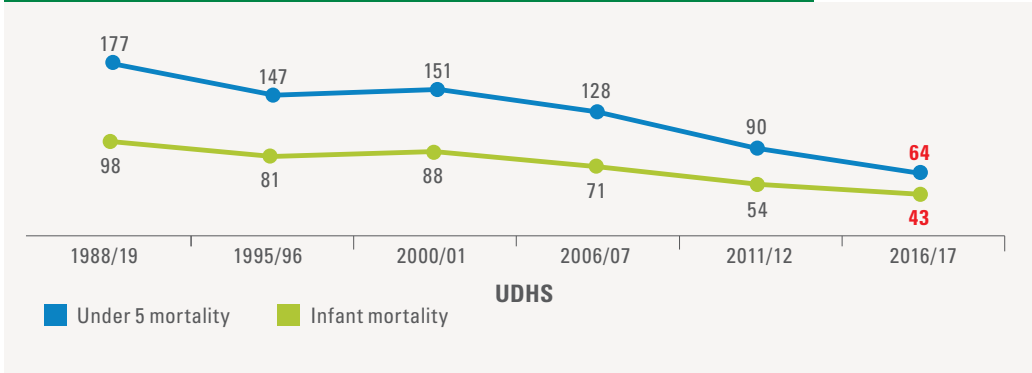
**FIGURE 3: PERCENTAGE OF THE POPULATION LIVING IN POVERTY FY1999/2000 TO 2016/17 (%)**



Source: UNHS 2016/17

Primary education completion rates went down from 59 per cent in 2014 to 53 per cent in 2015<sup>12</sup> and, although children’s chances of survival have improved and pregnancy-related deaths have gone down, progress has been slow (see Figures 4 and 5).

**FIGURE 4: TRENDS IN CHILDHOOD MORTALITY (DEATHS PER 1,000 LIVE BIRTHS)**



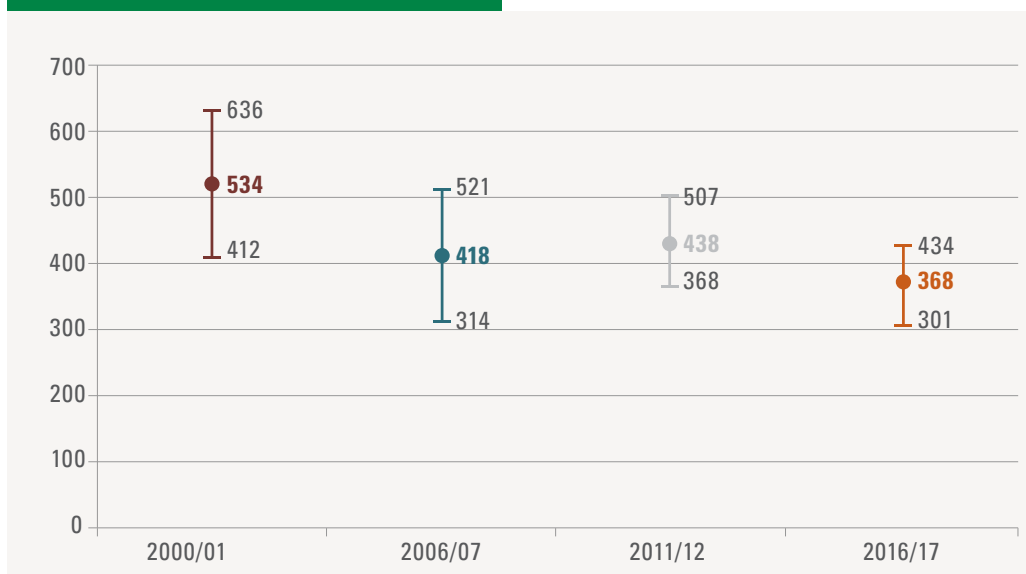
Source: UDHS 2016/17

11 UNHS, 2016/17

12 World Bank Development Indicators



**FIGURE 5: PREGNANCY-RELATED MORTALITY**



Source: UDHS 2016/17

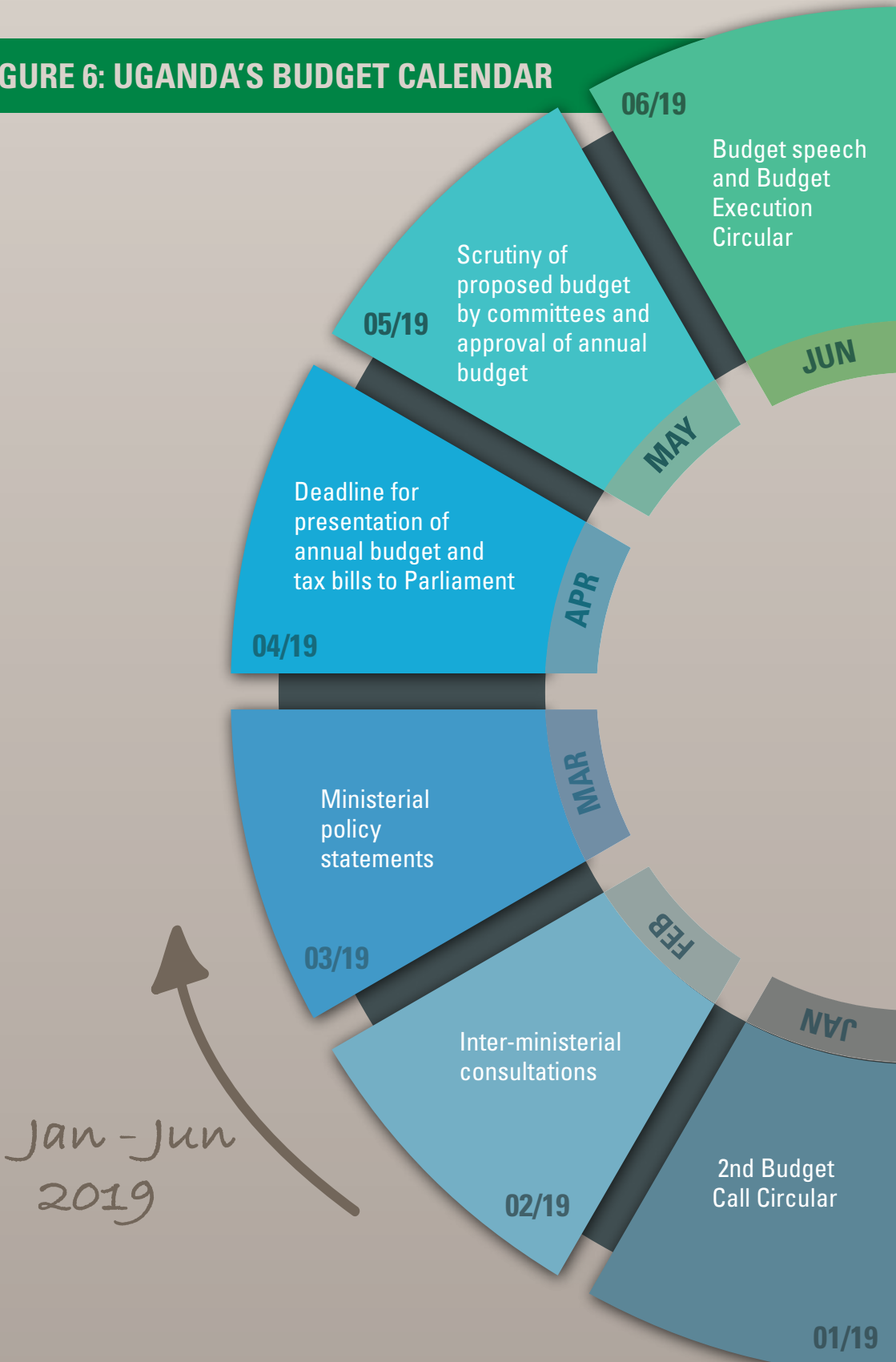
The education sector has accounted for about two-thirds of social expenditure. However, while schools have been built, pupil/teacher ratios remain high and the average class size is 55.<sup>13</sup> The same is true for the health sector, with Uganda remaining far below the World Health Organization threshold of 2.3 health workers per 1,000 people.

## Budget process

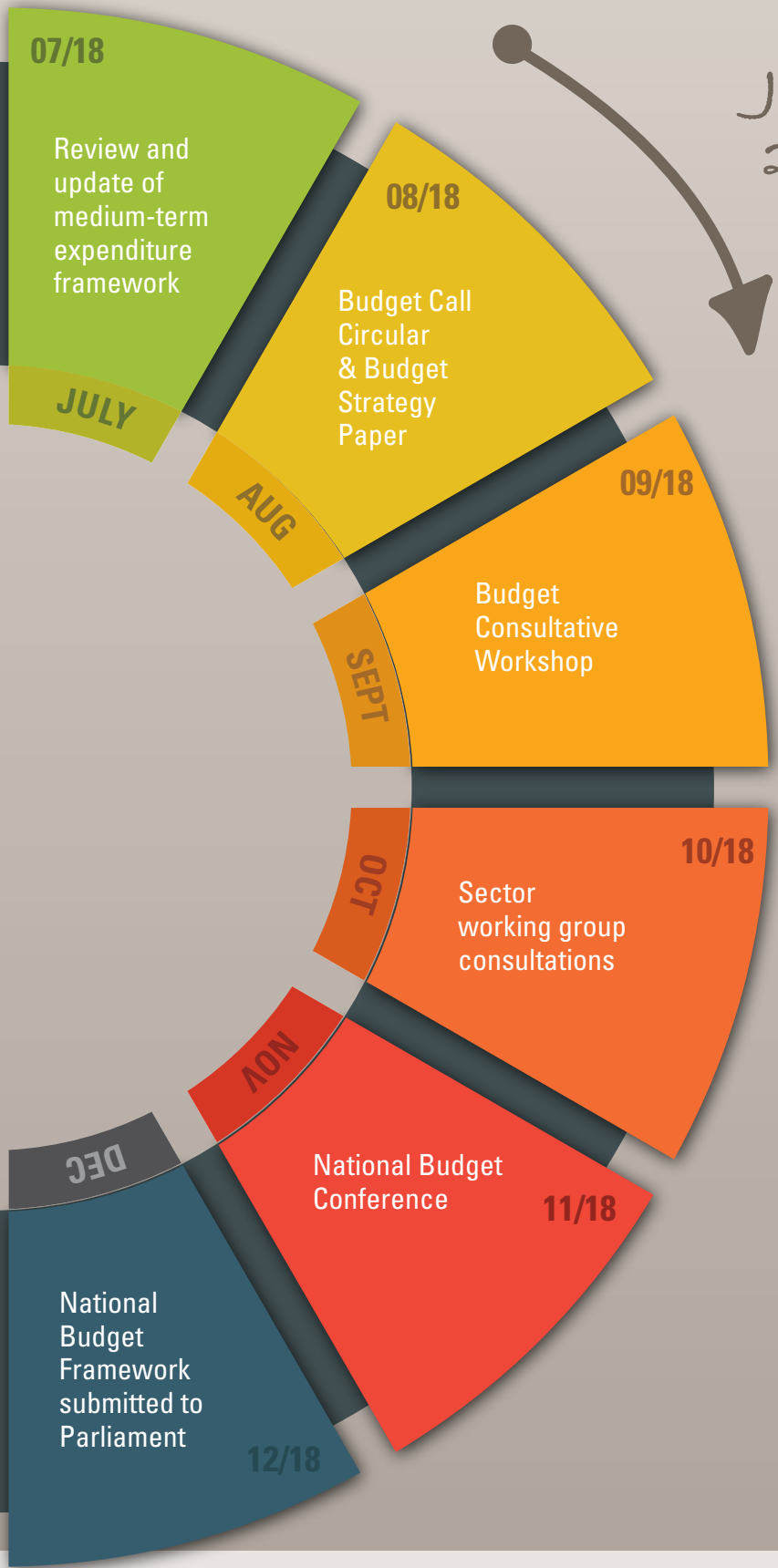
Uganda's budget process starts at the beginning of the financial year in July and ends with the budget speech and budget execution circular the following June. During the year there are consultation phases, including national budget consultative workshops and sector working groups, when government ministries, local government, civil society organizations, the private sector and donors can input into sector budgets. Following recent changes introduced by the 2015 Public Finance Management Act, there is now more time for Parliament and external actors to scrutinize the budget documents and, theoretically at least, influence the final budget.

13 UBOS and UNICEF (2018) *Leaving No Child Behind*, based on the National Population and Housing Census 2014 – Children's Report (Vol. 1)

**FIGURE 6: UGANDA'S BUDGET CALENDAR**



*Jul - Dec  
2018*



## Transparency and engagement

Uganda's score on the 2017 Open Budget Index puts it in second place in the whole of sub-Saharan Africa on budget transparency. A large amount of documents are made available to the public through the budget website and a toll-free line provides access to budget information. The National Social Service Delivery Equity Atlas, which enables the public to assess the impact of public investments on social outcomes, is now also available on the Ministry of Finance, Planning and Economic Development's website.

However, according to the Open Budget Survey, the Government provides few real opportunities for the public to engage in and influence the budget process. As shown in Figure 6, consultations with national and local government representatives are held at various stages throughout the process. Workshops are also held with civil society organizations, but participation in these workshops is by invitation only and consultations at village and sub-county level rarely take place. Many stakeholders feel that, while opportunities for consultation exist on paper, at present they do not result in constructive engagement in the budget process.<sup>14</sup>



14 Interviews with stakeholders for UNICEF (2018), *Uganda: Political Economy Analysis*



## Social vs. infrastructure spending: not an either or

Despite some recent setbacks, given its relatively stable economic performance and the demographic transition it is going through, Uganda is in a strong position to achieve its 2040 vision. The key is to ensure that it capitalises on these opportunities and implements the right policies and programmes, with investments in both infrastructure (the ‘hardware’) and in human capital (the ‘software’).

As outlined above, in recent years the government has prioritised infrastructure development over social expenditure. However, the choice between social and infrastructure spending is not a binary one. Indeed investment in both is crucial to Uganda’s vision of becoming a middle-income country. In order to be productive, a modern economy needs transport and energy. But it also needs a workforce that is healthy and that has the necessary education and skills to engage in non-traditional, productive employment. There are a number of opportunities that Uganda could and should pursue to foster these links.





## Investment opportunities

1

**Encouraging government and non-government stakeholders to take advantage of new opportunities and providing finance training could enable greater influence over both central and local government budget allocations.**

Changes in the 2015 Public Finance Management Act have given line ministries and local government more time to engage in the budget process. Further reforms have given local governments greater autonomy over their budgets. However, changes in district boundaries, staff turnover and a lack of training mean that many local government personnel and members of civil society organizations lack the knowledge and skills to constructively engage in the budget process and influence local budgets to ensure that they reflect and meet priorities and needs on the ground.

2

**Growth linked to the expected demographic transition can be harnessed by providing education and vocational training and measures to empower women, including improved fertility choices.** These could include:

- scaling up investments in essential services, strengthening health coverage (in particular preventive health care), social welfare and protection systems, and investing in child-sensitive social protection
- keeping girls in school and investing in skills enhancement for young people through systems strengthening, curriculum reform and access to technology to enhance learning outcomes and connectivity and to match the skills of Uganda's children and young people to current and future market needs
- protecting children and young women from violence and abuse by promoting social and economic integration, which is especially important in the face of emerging global challenges such as urbanization.



**3****Investment in social protection has potential growth and poverty benefits.**

Expanding certain social protection schemes represents a clear opportunity to make the link between social expenditures and the Government's growth and structural transformation agenda. The fact that a National Social Protection Policy was recently developed and that the NDP II aims to expand the scope of both direct income support and social insurance should facilitate those efforts.

**4****Providing inclusive humanitarian aid that benefits both host and refugee communities in refugee-hosting areas**

will help to improve the living conditions of struggling families and boost the overall economies of those areas.

**5****More efficient tax collection and administration is essential to providing more resources**

to meet competing needs and finance recurrent costs such as health and education sector salaries. The Medium Term Revenue Strategy that is currently being developed by the Uganda Revenue Authority provides an opportunity to create structured and comprehensive reforms on tax policy and administration and has the potential to substantially increase domestic revenue

**6****Recognition that both investment in infrastructure and human capital development are needed and that support to infrastructure can improve the standard of living of children and other vulnerable groups**

– for example through access to electricity and better transport services – could be translated into a more active engagement around infrastructure/ investment plans, with a view to aligning them with social spending.

By taking advantage of these strategic entry points, the Government, together with partners and other stakeholders, can ensure that the country's demographic transition and stable economic performance are capitalized on to achieve Uganda's vision. The points above can form the basis for an influential advocacy strategy and effective social expenditures. But this dialogue needs to have a strategic and integrated approach, in which social expenditures are not discussed in isolation but in relation to their role in addressing the Government's broader (growth and structural transformation-focused) agenda.

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