

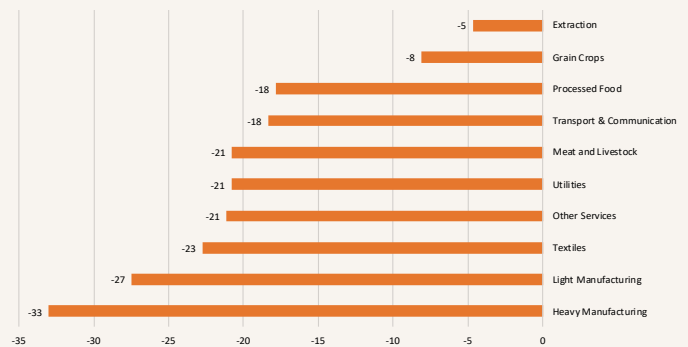
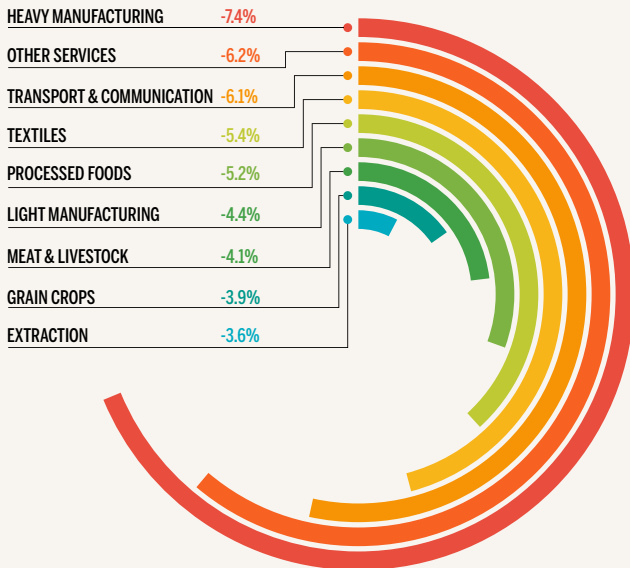
LEAVING NO ONE BEHIND: FROM THE COVID -19 RESPONSE TO RECOVERY AND RESILIENCE-BUILDING

THE SOCIO-ECONOMIC IMPACT OF COVID-19 IN UGANDA

JUNE 2020

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Significant reductions in economic activity are evident in the most promising sectors such as tourism and services, manufacturing, and trade, in addition to transport.



CHANGE IN VOLUME OF EXPORTS BY SECTOR (%). SOURCE: GTAP CALCULATIONS

Growth is projected to decline, but may recover to approximately 4.3% by 2021. However, this will remain below a decade historic average of 4.8%.

The decline in exports is skewed towards heavy manufacturing, light manufacturing and the textile sectors, but will pick up on the later quarters (see graph above).

REAL SECTORS

MANUFACTURING



The pandemic and response measures have negatively affected the manufacturing sector through closure of plants, factories and industries.

60%
DEMAND
DROP

Some firms in the beverage industry lost more than 60% of demand due to lockdown, and experienced plummeting of sales by 80%.

TOURISM



The tourism sector will register a loss of more than USD \$5 billion in the next 5 years (2020-2025).

~\$130M
MONTHLY
LOSS OWING
TO LOCK-
DOWN

The induced impacts on tourism-related sectors are likely to be greater as they include all backward linkages with local producers.



UGX 12bn
REVENUE
LOSS FOR
5 YEARS

Vulnerable local communities that benefit from tourism revenue sharing from the National Parks may lose a minimum of UGX 12 billion by 2025. All nodes of the tourism value chain will be affected over the next 5 years (2020-2025).

AGRICULTURE AND FOOD SECURITY



Overall, subsistence farmers' food production was not severely impacted by the lockdown. Rural households largely rely on own-produced food.



There has been a spike in prices of cereals, wheat, and basic staple food commodities such as maize, beans and rice, given their long shelf-life and convenience in bulk storage, but also due to growing demand by government. The poor and net food-buyers are most affected by disruptions in food supply chains and access to affordable food.

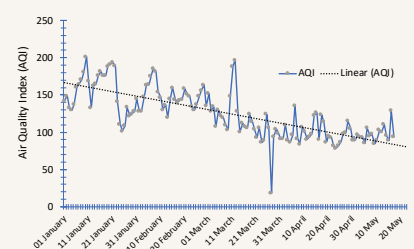


Access to dietary diversity and nutritious foods has decreased, mostly for highly vulnerable groups and marginalised communities such as refugees, women and children, unemployed or informally employed youth, elderly, and people living with disabilities or pre-existing medical conditions like HIV/AIDS, and Indigenous communities.

ENVIRONMENT AND NATURAL RESOURCES



Air pollution in Kampala has declined, improving its average monthly Air Quality Index from the "Very Unhealthy" range into an "Unhealthy for Sensitive Groups" or "Moderate" category of Air Quality Index (AirNow, 2020).



However, the increases in poverty and unemployment may result in increased deforestation, protected area encroachment, and poaching.

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POVERTY AND VULNERABILITY

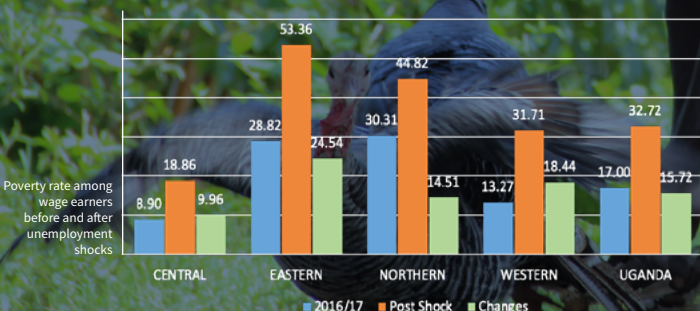


National poverty rates could rise between approximately 2 and 8 percentage points depending on the scenarios under consideration.

5.2%
MIDDLE CLASS

The size of the middle class could reduce by 5.2 percentage points, sending many of those households into the non-poor insecure.

The increase in poverty among wage earners could be felt most in Eastern and Northern regions, due to many households already highly vulnerable to poverty and with low resilience in this regions.



Approximately 1.9 million people are likely to have fallen into poverty as a result of eight weeks of lockdown alone.

Region	Nonpoor became insecure (%)	Insecure became poor (%)
Central rural	19.97	12.62
Central urban	17.09	4.84
East rural	11.74	33.17
East urban	2.67	3.24
North rural	13.73	22.00
North urban	4.32	2.53
West rural	23.62	18.04
West urban	6.86	3.58

Note: Estimated poverty dynamics resulting from eight weeks of lockdown alone. 'Insecure' indicates consumption expenditure under double the poverty line, a classification used by Uganda Bureau of Statistics.

15.7%
PERCENTAGE POINTS

The increase in unemployment and loss of incomes could increase poverty among wage earners and casual labourers by 15.7 percentage points.

PRIVATE SECTOR



46%
INFORMAL WORKERS
IN MANUFACTURING
INTO POVERTY

Restrictive measures on MSMEs are sending 46% of workers employed in informal businesses in the manufacturing sector into poverty or business closure, followed by 43% in the hospitality industry and 41% in trading and services.

50%
GREATER
KAMPALA



Greater Kampala will account for about 50% of the total loss of income and closure of informal businesses.

The regional shares of the total national impact on informal MSMEs are closely correlated with the number of informal enterprises and their viability.

60%
OUT OF
BUSINESS



Up to 60% of informal MSMEs are likely to go out of business but the impact on their structure and business potential will be limited.

DECENTRALISED SERVICE DELIVERY



67%
RISK OF EXPOSURE
TO COVID-19

Close to 67% of population has a high risk of exposure to more than four COVID-19 risk factors. These include, among others: levels of overcrowding, living with an older person (aged 60+), no access to water, lack of or sharing sanitation facilities with others, and lack of handwashing facilities near toilets.

LOSS OF LOCAL
GOV'T OWN
SOURCE REVENUE



A 3-month period of strong containment measures followed by a gradual relaxation and recovery over the next 3-4 months could severely hit property tax, user fees and other fees, which collectively account for 82% of Own Source Revenue in districts, 73% in municipalities and 78% in town councils.

UGX 15.7 tn
FISCAL GAP



88%
OF LG LOSS IS
DISTRICT GOV'TS

The total fiscal gap at Local Government level is projected at UGX 15.7 trillion, with District Governments accounting for 88% of the total loss.

LONGER-TERM IMPLICATIONS FOR SDGs

17.8%
DROP IN NET CHANGE
FOR SDG1



Reallocating the budget in the current envelope without additional resources could result in a 17.8% drop in the net change in the potential achievement of SDG1, eliminating poverty, -9.2% for gender equality (SDG5), and -6.7% for infrastructure and industry development (SDG9).

CAUTIOUS
BORROWING



Cautious borrowing could cushion the economy and improve industry, innovation, and infrastructure (SDG 9), reduce inequality (SDG10), and improve the outlook for zero hunger (SDG2) among other SDGs.