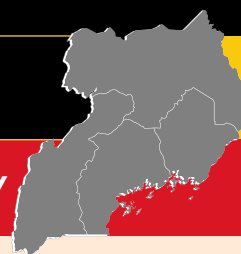


POVERTY, ECONOMIC INCLUSION AND FISCAL POLICY



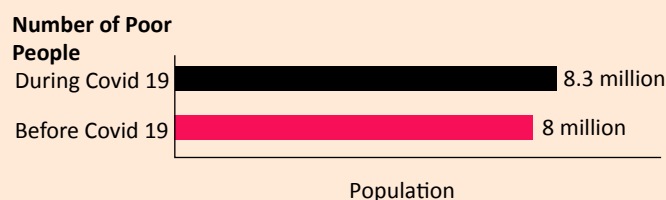
In 2016, Uganda received Universal Periodic Review (UPR) recommendations on developing and implementing social protection for the most vulnerable (116.3, 115.111), to improve living standards of people (115.137), address poverty (115.112), socio-economic development policies safeguarding rights of the youth (115.139). Although Uganda registered some gains in poverty reduction, those gains were precarious and Covid 19 saw even more people slip back into poverty. Uganda's systematic underinvestment in public services and social protection has left many without a cushion amidst the socio economic fall out of Covid 19. Inequality remains prevalent with the top 20% taking home half the nation's income. Uganda is yet to mobilise the maximum available resources to realise socio-economic rights with inadequate domestic resource mobilization and a regressive tax regime that disproportionately hurts the poor. Uganda's debt burden is increasingly unsustainable posing a risk to the rights of future generations.

1 IN 5 UGANDANS ARE POOR OR VULNERABLE TO POVERTY.

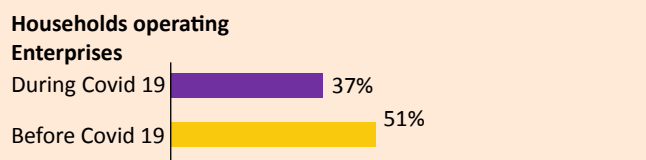
Before Covid 19, Uganda had registered some gains in poverty reduction with the latest data indicating that the percentage of people living below the poverty line (1.00 USD per day) was 20.3% down from 21.7% in 2016/17 (UBOS, 2021). This was still below country's National Development Plan II target of 14.2%. Moreover, these aggregate gains mask wide regional disparities with Bukedi (47%), Busoga (42%), Bugisu (40.7%) and Teso (40.5%) experiencing reversals compared to the previous poverty levels. The majority of households Unemployment is not abating. The latest National Labour Force Survey carried out in FY 2016/17 showed that out of the 19 million working Ugandans, over 19 percent of them (3.61 million people) had no work at all. The 2016/17 Uganda National Household survey also indicated that while the national unemployment rate in Uganda stood at 9 percent, female unemployment was the highest at 13 percent compared to that of male at 6 percent. Unemployment is particularly pronounced among the youth. While about 700,000 young people reach working age every year in Uganda, only 75,000 jobs are created per year. Karamoja and Bukedi can't afford a pair of shoes (UBOS, 2021).

COVID 19 UNDERMINED ANY PRECARIOUS GAINS IN POVERTY REDUCTION. The COVID-19 pandemic has exacerbated poverty in the country. In April 2020, the Ministry of Finance, Planning and economic Development estimates showed that an additional 2.6 million Ugandans could be pushed into poverty due to loss of livelihoods as a result of COVID-19 pandemic. The latest Uganda Bureau of Statistics indicate the incidence of income poverty increased to 21.9%

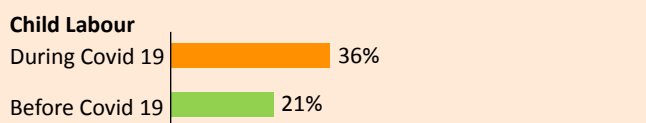
as shown in the graphs below:



Population
Source: UBOS, 2020



Source: UBOS, 2020



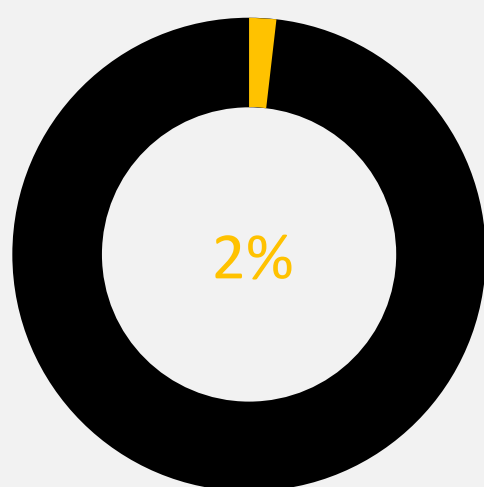
Source: UBOS, 2020

INEQUALITY IS PREVALENT WITH THE TOP 20% INCOME EARNERS TAKE HOME HALF THE COUNTRY'S ENTIRE INCOME. Despite the Gini Coefficient index remaining stable at 41.5, the income share held by the highest 20% is 49.8 (World Bank Development indicators, 2016). The degree of inequality among the poor measured by the squared gap increased from 1.8% to 2% (UBOS, 2021).



FEW HAVE ANY FORM OF SOCIAL PROTECTION TO WITHSTAND ECONOMIC SHOCKS. Despite launching the National Social Protection Policy in 2016 and implementing some forms of social protection like the Social Assistance Grants for Empowerment (SAGE) that target older persons, youth livelihoods program, Uganda Women Entrepreneurship Program, Special Grant for Persons with Disabilities many Ugandans lack any form of social protection. only 1.2% of vulnerable persons are covered by social protection measures (ILO,2020). The existing programs are limited in scope. For example only 0.5% of the population (those 80 years and above) are eligible to receive SAGE. Moreover, they receive a paltry UGX.25,000 (approximately 7 USD) per month. The SAGE program has been consistently underfunded. The budget requirement to cover the 358,420 beneficiaries under the program for FY 2021/22 is UGX. 147.6b. However, in the FY 2021/22 it was only allocated UGX. 62.88b, reflecting a funding gap of gap of UGX.84.72b (MOGLSD, 2021). Social protection as a whole has been underfunded. In 2019, it was only 2% of the budget. Uganda spends 0.7% of its GDP on social protection below the average spent in Africa which is 3.8% of GDP (ILO, 2020).

Social Protection as a Portion of the Entire Government's Spending



2019

Source: IMF Functional Expenditures (COFOG)

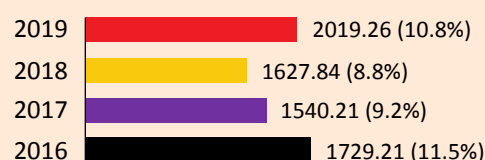
The pandemic necessitated the State undertake additional measures to extend social protection to those whose incomes were affected by the lockdown. However the interventions (food, cash transfers) were limited and mismanaged with many ending up with those who had connections (ISER,2021).

INADEQUATE INVESTMENT IN PUBLIC SERVICES.

Quality public services are key to lifting people out of poverty, ameliorating inequality and freeing up resources for investment. Despite this, the government has chronically underinvested in them. Even in a pandemic, security takes up more than health.

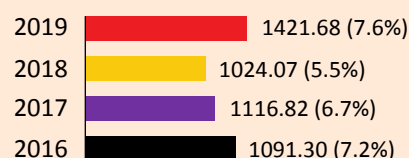
FUNCTIONAL EXPENDITURES

DEFENSE



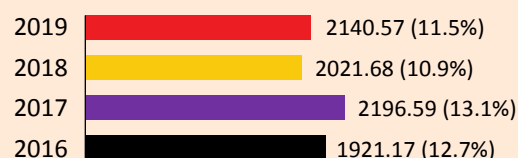
Sector expenditure (shs billions)

HEALTH



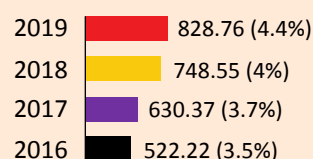
Sector expenditure (shs billions)

EDUCATION



Sector expenditure (shs billions)

HOUSING

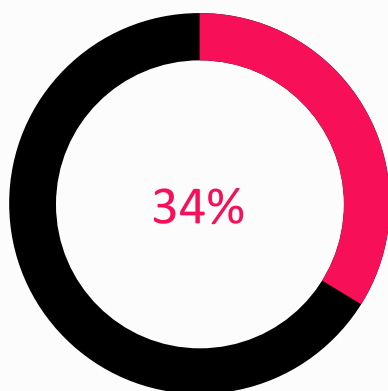


Sector expenditure (shs billions)

Source: IMF Functional Expenditures (COFOG)

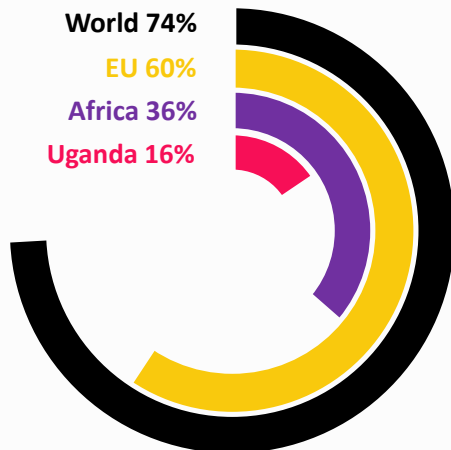


The Fraction of Education that is Government Funded



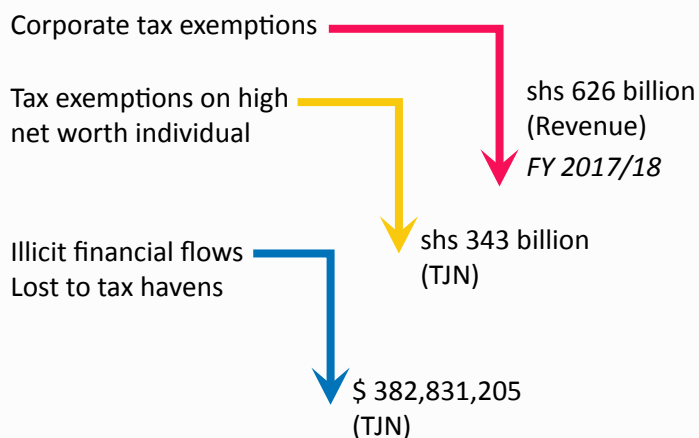
2016

The Fraction of Health that is Funded by Government



2018

INADEQUATE DOMESTIC RESOURCE MOBILISATION UNDERMINES ACCESS TO PUBLIC SERVICES. The country's tax revenue to GDP ratio which stands at 13.1% remains relatively low, while the African continent's average tax to GDP level is 18%. Salient weaknesses identified in domestic revenue mobilization include:



REGRESSIVE TAX REGIMES DISPROPORTIONATELY HURT THE POOR. The country's tax system has at the moment remained heavily reliant on consumption-based taxes e.g Value Added Tax, disproportionately affecting the poor. Progressive taxes are key in generating adequate revenues that are crucial to fund public services.

UGANDA'S RISING DEBT RISKS UNDERMINING ACCESS TO PUBLIC SERVICES AND SOCIAL PROTECTION. The country's debt has steadily increased. The stock rose from US\$ 12.55 billion in June 2019 to US\$15.27 by June 2020, representing 48.3% percent of the country's GDP in nominal terms. This debt is expected to grow to 49.9% of the GDP by end of June 2021 and peaking to 54.1% in FY 2022/23. 10% of the 2021/22 budget will be spent on interest payments (MOFPED,2021).

SIGNIFICANT DEFICIENCIES IN BUDGET EXECUTION AND ACCOUNTABILITY ISSUES UNDERMINE SOCIAL SPENDING. Corruption and inadequate accountability have been more pronounced with Covid 19 with mismanagement of funds that should have mitigated the pandemic and cushioned households (OAG, 2021).

NEED FOR COVID 19 STIMULUS PACKAGE AND ECONOMIC DEVELOPMENT INITIATIVES TO BE TRANSPARENT. While the Parish development model and emyooga were designed, it is not being done transparently. The stimulus package provided to mitigate impact of Covid 19 on Small Medium Enterprises is not adequate and information about it has not been properly disseminated.



2022 UGANDA UPR FACT SHEET

POVERTY, ECONOMIC INCLUSION AND FISCAL POLICY

RECOMMENDATIONS

1. Reduce poverty and advance inclusive growth through:
 - Strengthening domestic revenue mobilization in line with a human rights approach including by progressive taxation, reviewing corporate tax exemptions, and incentives and tackling tax avoidance and illicit financial flows.
 - Expanding social protection applying a human rights perspective, including by extending social security to the informal sector and scaling up income support schemes.
 - Financing and stewarding quality public services.
2. Address Uganda's rising debt by reducing reliance on commercial debt, eliminating willful expenditures and mobilizing domestic resources.
3. Following the economic fallout from COVID-19, Government should announce and implement a comprehensive economic stimulus package that covers that covers SMEs.
4. Improve access to information and community sensitization about the Parish development model, as well as improve transparency and accountability.
5. Improve transparency, accountability and community sensitization around government development initiatives.

ABOUT THIS FACTSHEET SERIES

This factsheet is part of a series prepared by the Initiative for Social and Economic Rights (ISER) in light of Uganda's 3rd appearance before the Human Rights Council for the Universal Periodic Review in January 2022. The factsheets in these series accompany the joint submission on economic, social and cultural rights coordinated by ISER and endorsed by over 55 organisations.

REFERENCES

International Growth Centre, IGC (2021), What is the Fiscal Costs of Tax Incentives in Uganda?, Reference Number F-20217-UGA-1

International Labour Organisation (2020), World Social Protection Report 2020 - 2022 https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/@publ/documents/publication/wcms_817572.pdf

Initiative for Social and Economic Rights, ISER (2021) A Drop in the Ocean: Uganda's Covid 19 Cash Transfer, <https://iser-uganda.org/publications/policy-and-advocacy-briefs/505-a-drop-in-the-ocean-uganda%E2%80%99s-covid-19-cash-transfer>

Uganda Bureau of Statistics, UBOS. (2021) Uganda National Household Survey 2019/2020, https://www.ubos.org/wp-content/uploads/publications/06_2021UNHS2019-20_presentation.pdf

Ministry of Gender, Labour and Social Development (2021), Ministerial Policy Statement FY 2021/2022), Vote 018, https://budget.go.ug/sites/default/files/Sector%20Spending%20Agency%20Budgets%20and%20Performance/2021-2022_VoteMPS_018_MinistryofGender_LabourandSocialDevelopment_19_01042021125712.pdf.

Office of the Auditor General (2021) Consolidated Audit Report.

Parliament (2021), Report of the Parliamentary Taskforce on the National Covid 19 Response.

Tax Justice Network (TJN) Country Profile.



Initiative for Social and Economic Rights (ISER)

Plot 60 Valley Drive, Ministers' Village, Ntinda

P.O Box 73646, Kampala - Uganda

Email: info@iser-uganda.org Tel: +256 414 581 041

Website: www.iser-uganda.org Cell: +256 772 473 929

@ISERUganda ISERUganda ISER Uganda