
**Uganda Economic Update**

18th Edition

# PUTTING WOMEN AT THE CENTER OF UGANDA'S ECONOMIC REVIVAL

December 2021

WORLD BANK GROUP

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# FOREWORD

Uganda's economy was recovering well, up until the second wave of COVID-19 infections and subsequent lockdown in mid-2021. Since then, activity has rebounded – much like after the first lockdown – but the country is likely to still face a stop-start recovery until there is wider coverage of the COVID-19 vaccine. Notwithstanding this recovery, there has been a rise in poverty and – with the shift back to agriculture for some workers – an increase in household vulnerabilities. We have also seen a widening of inequalities, which have been most severe in the education sector, where schools have now been fully or partially closed for longer than any other country in the world. As a result, Uganda has a long way to go in its quest to build-back-better.

Women's economic empowerment is key to quickening and strengthening Uganda's revival. Global experience shows that increasing women's rates of labor force participation and wage employment – as well as earnings, access to productive assets, and the ability to make independent decisions – brings immediate benefits for women and also contributes to more sustained economic growth. Alternatively, countries in which women are not as empowered to develop their economic potential, usually experience slower growth and more limited poverty reduction, in addition to a range of negative education and health impacts for children. In short, women's economic empowerment is not only the right thing to do and a core development objective – it is also smart economics.

It is against this backdrop that I am pleased to introduce the Eighteenth Uganda Economic Update, which includes the special topic of Putting Women at the Center of Uganda's Economic Revival. In line with the structure of earlier editions of the Uganda Economic Update series, this report reviews recent economic developments – with particular attention paid to the effects of the ongoing COVID-19 pandemic – provides an outlook for the macro-economy, and then delves into the special topic.

Uganda has a great and timely opportunity to harness the economic potential of women for a stronger and more sustainable economic recovery. There is already much that can be built on: Uganda has a relatively high female labor force participation, some of the highest levels of female entrepreneurship in the world, and is nearing gender parity in financial inclusion. However, gender disparities in educational attainment, occupational gender segregation and heavy care responsibilities – all exacerbated by the COVID shock – continue to limit women's movement into more skilled and better paid jobs and sectors. This deprives the economy of their contributions and threatens progress toward Uganda's goal of transitioning away from its dependence on subsistence agriculture.

Uganda is at a pivotal stage on its development path and the potential gains from investing in women's economic empowerment are sizable.

**Keith Hansen**
Country Director
Kenya, Rwanda, Somalia, and Uganda
Africa Region

# ABBREVIATIONS

| | |
|---|---|
| AFDB | Africa Development Bank |
| Bbl | Barrel |
| BOU | Bank of Uganda |
| BTI | Business Tendency Indicator |
| BTVET | Business Technical Vocational Education and Training |
| CARE | Cooperative for Assistance and Relief Everywhere |
| CEDOVIP | Center for Domestic Violence Prevention |
| CEWIGO | Center for Women in Governance |
| CDS | Center for Development Services |
| CRM | Credit Relief Measures |
| CPI | Consumer Price Index |
| COVID-19 | Corona Virus Disease 2019 |
| DRC | Democratic Republic of Congo |
| DRMS | Domestic Revenue Mobilization Strategy |
| DSA | Debt Sustainability Analysis |
| ECD | Early Childhood Development |
| EMDEs | Emerging Market and Developing Economies |
| EPRC | Economic Policy Research Center |
| FAO | Food and Agriculture Organization |
| FAWE | Forum for Africa Women Educationalists |
| FDI | Foreign Domestic Investment |
| FHHs | Female-Headed Households |
| FID | Final Investment Decision |
| FY | Financial Year |
| GBV | Gender Based Violence |
| GDP | Gross Domestic Product |
| GEM | Global Entrepreneurship Monitor |
| GFN | Gross Financing Need |
| GIZ | Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH |
| GJCSP | Green Jobs Creation Strategy and Plan |
| GJFLMP | Green Jobs and Fair Labour Market Program |
| HBL | Habib Bank Limited |
| ICF | Inner City Fund |
| ICT | Information Communication Technology |
| IFAD | International Fund for Agricultural Development |
| IFIs | International Financial Institutions |
| IHS | Information Handling Services |
| ILO | International Labour Organization |
| IMF | International Monetary Fund |
| MDI | Microfinance Deposit-taking Institution |
| MFI | Microfinance Institution |
| MoES | Ministry of Education and Sports |
| MoGLSD | Ministry of Gender, Labour and Social Development |
| MoH | Ministry of Health |

| | |
|---|---|
| MLHUD | Ministry of Lands, Housing and Urban Development |
| MoFPED | Ministry of Finance, Planning and Economic Development |
| MSMEs | Micro, Small and Medium Enterprises |
| NDP III | Third National Development Plan |
| NEET | Neither in Employment nor in Education or Training |
| NGO | Non-Governmental Organization |
| NPLs | Non-Performing Loans |
| NUSAF | Northern Uganda Social Action Fund |
| PCR | Polymers Chain Reaction |
| PFM | Public Financial Management |
| PMI | Purchasing Managers Index |
| PPP | Public-Private Partnerships |
| PV | Present Value |
| RHS | Right-Hand Side |
| SACCO | Savings and Credit Cooperative Organization |
| SDR | Special Drawing Rights |
| SFIs | Supervised Financial Institutions |
| SLAAC | Systematic Land Adjudication and Certification |
| SLM-CSA | Sustainable Land Management-Climate Smart Agriculture |
| SMEs | Small and Medium Enterprises |
| SOE | State-Owned Enterprise |
| SOPs | Standard Operating Procedures |
| SRH | Sexual Reproductive Health |
| SSA | Sub-Saharan Africa |
| STEM | Science Technology Engineering and Mathematics |
| TFR | Total Fertility Rate |
| UAE | United Arab Emirates |
| UBOS | Uganda Bureau of Statistics |
| UCW | Unpaid Care Work |
| UDHS | Uganda Demographic and Health Survey |
| UGGDS | Uganda Green Growth Development Strategy |
| UHFPS | Uganda High Frequency Phone Survey |
| UNESCO | United Nations Educational, Scientific and Cultural Organization |
| UNHS | Uganda National Household Survey |
| UNPS | Uganda National Panel Survey |
| UNWTO | United Nations World Tourism Organization |
| URHFPS | Uganda Refugees High-Frequency Phone Survey |
| US | United States |
| USAID | United States Agency for International Development |
| US$ | United States Dollars |
| UWEP | Uganda Women Entrepreneurship Program |
| VSLAs | Village Savings and Loan Associations |
| WB | World Bank |
| WBL | Women, Business and the Law |

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# KEY MESSAGES

# State of the economy: an uncertain stop-start recovery

**Given the second wave of infections, the economic recovery in FY21 tapered off in early FY22.** Following the sharp contraction in late FY20, after the initial COVID-19 shock, real GDP growth rebounded strongly to over 13 percent in Q4 of FY21, driven by an improvement in consumption and recovery in public investment. Services recovered fastest, but agriculture remains volatile, due to limited adoption of improved farming practices to manage weather variability. However, the rebound tapered off in early FY22 due to a more severe second wave of COVID-19 and the related lockdown measures. At 3.4 percent, growth in FY21 was well below pre-COVID-19 projections of over 6 percent. Even with stronger growth in FY22, per capita GDP will remain well below the NDPIII target.

**Poverty increased significantly after the first lockdown from March-June 2020 and may have risen again given another shift of workers to agriculture and the slow recovery of household incomes.** Despite an improvement between October 2020 and April 2021, income was still below pre-COVID-19 levels for at least one third of households before the onset of the second wave of COVID-19. This is concerning given the high levels of vulnerability to poverty (especially for those working in agriculture), limited social safety nets, effects of the crisis on MSMEs (especially those owned by women), and impacts on human capital development and Uganda's capacity to benefit from its demographic transition. Schools have remained largely closed over the last two years, with the number of children able to access any form of remote learning being limited.

**Monetary measures preserved financial stability, yet private sector credit continues to decelerate.** The macro-prudential policies and liquidity buffers have kept the financial system capitalized and liquid, with non-performing loans (NPLs) decreasing throughout FY21. However, BOU's efforts to support increased lending to the private sector, by reducing the policy rate further to 6.5 percent in late FY21, have had little effect on lending rates which remain high. Combined with a risk-averse banking system, this has led to subdued growth in private sector credit, which is constraining the recovery. Instead, monetary policy actions have effectively reduced government's cost of borrowing, supporting growth in domestic financing. Due to the expected lingering effects of the pandemic on private sector finances, monetary policy is likely to remain accommodative.

**Strong import growth helped the recovery but contributed to a deterioration in the current account from 6.7 percent of GDP in FY20 to 10.1 percent in FY21.** Both investment and consumption imports surged, as firms re-opened, supported by a real appreciation of the shilling and further easing of supply chains. Even though the travel industry remains flat, total exports had recovered to pre-pandemic levels by the end of FY21, driven by strong performance in the gold and coffee sectors. Remittances were still lower than pre-COVID-19 levels, threatening the support they provide to household consumption and incomes, and FDI has remained sluggish. As a result, the current account deficit was financed mainly through borrowing, largely on concessional terms. This has, however, contributed to a sharp increase in public debt.

**Revenue shortfalls and COVID-19 related spending pushed the fiscal deficit to a record high of 9.2 percent of GDP in FY21, which is about double pre-crisis levels.** Revenues missed the budget target by about 1.5 percent of GDP. Meanwhile, expenditures rose by over 20 percent, and, in GDP terms, were above the projected pre-COVID-19 trajectory. This was driven by pressures to respond to the COVID-19 crisis, as well as poor budgeting that led to a sharp increase in supplementary spending, and elevated interest payments given the shift to domestic financing and commercial borrowing. There was also a continued imbalance between recurrent and development spending, with the former being above target and the latter well below target, which could constrain the medium to longer-term recovery.

**Against the background of low tax revenues and increasing expenditure, Uganda has seemingly exhausted the fiscal space it would need to drive the recovery and respond to shocks**. Uganda's public debt has surged to about 48 percent of GDP in FY21, alongside heightened liquidity pressures. This has led to a shift in Uganda's rating from low risk of debt distress to moderate. Consequently, government's fiscal strategy has shifted to one of consolidation over the next few years, anchored on an IMF program, whilst supporting a stronger private sector-led growth model. Ultimately, this aims to improve debt sustainability and limit private sector crowding out. At the same time, efforts still need to be made to revitalize key sectors (education and health) that are critical for inclusive growth and poverty reduction.

**The medium-term outlook remains uncertain – with the expectation of a stop-start economic recovery – and risks are tilted heavily to the downside**. Uncertainty remains on the evolution of COVID-19 and its effects in Uganda, relying largely on the success of a stuttering vaccination effort. Under a baseline scenario, real GDP is expected to grow by around 3.5-4.0 percent in FY22 and about 5.5 percent in FY23. Considering large global and domestic uncertainties, however, the recovery could be slower. This may materialize if Uganda experiences a combination of progressively worse waves of infections, widespread coverage of the COVID-19 vaccine is delayed until 2023, mobility restrictions are occasionally reintroduced, fiscal consolidation results in the scaling back of support to vulnerable persons and businesses, financial sector conditions deteriorate, and tourists only start traveling to Uganda in larger numbers from 2024 onwards.

**To ensure an inclusive recovery, widespread coverage of the vaccine is critical, as well as immediate policy actions in three key areas**:

a) **Open the schools with safeguards to minimize disease transmission**. Remote learning has not been accessible to all students and continued closure of schools will have significant implications for future productivity and economic growth. Thus, schools need to gradually and/or partially reopen. As learners return, schools will need to focus on two overarching measures: minimizing disease transmission and accelerating learning recovery. There should be a strategy for continuous assessment of areas/schools where cases are spiking and then using appropriate measures for isolation and temporary closures. As children return to classrooms, Uganda will also need to re-orient its system for a learning remediation process on an unprecedented scale.

b) **Prioritize MSMEs for job creation during the economic recovery**. MSMEs will need affordable finance to recapitalize their businesses and make new investments. Digitalization offers opportunities to access more affordable finance, reach new customers, deliver goods and services efficiently, transact remotely and ensure the post-COVID-19 resilience of MSMEs. However, for MSMEs to digitalize, government must facilitate access to affordable electricity, ICT products and services, and the right technical skills and capacity. Given that MSMEs owned by women have been disproportionately affected by the COVID-19 crisis, they should be put at the center of the recovery.

c) **Maintain prudent and transparent fiscal and debt management**. Uganda still has a reasonable fiscal and debt position that needs to be protected to ensure a smooth and stable recovery. Raising revenues and using public resources more efficiently to maximize returns on investments are critical for improving fiscal and debt sustainability. Budget planning and credibility must also improve, which is being increasingly undermined by the growing use of supplementary budgets, financing through domestic arrears, increasing allocation to classified expenditures, and rising costs of public administration. The latter is driven by the creation of new districts and increase in Parliament, cabinet and other top executive administration units that have resulted in the hiring of more personnel.

# Putting women at the center of Uganda's economic revival

**Uganda continues to face gender inequality in economic empowerment and economic outcomes, despite closing gender gaps in rates of labor force participation and entrepreneurial activity.** Girls and young women still lag behind boys and young men in completing school and attaining sufficient education and training needed for skilled jobs and leadership of profitable enterprises. A larger pool of properly skilled workers will help employers in priority sectors, such as those in Uganda's industrial parks, to meet their labor needs. Women need to be more financially included in their use of formal financial services and access to large volumes of credit to be on a par with loans currently accessible to men.

**Gender gaps in paid work and business ownership have expanded during the COVID-19 pandemic.** The March 2020 lockdown set off a wave of work stoppages and business closures that affected women more than men, especially young women aged 15-30. In addition to job losses, school closures have placed an even greater share of unpaid care work on females, who already shoulder a disproportionate amount of these household responsibilities. Uganda High Frequency Phone Survey (UHFPS) data suggest that fewer girls than boys are resuming their education upon schools reopening, in part because teenage pregnancy rates have increased during the pandemic – but largely because many households cannot afford to pay the school fees for girls as well as boys. Since the onset of the pandemic and subsequent lockdown, girls and women have been facing higher rates of child marriage and gender-based violence (GBV), respectively. These are associated with lower educational attainment, reduced future income streams, and less decision-making power over household finances and their own economic activity. All of these are critical elements of women's economic empowerment, which is good business for women, their households and communities, and Uganda's economy.

**Improving women's economic empowerment will involve, inter alia, bringing more women into small and medium enterprises (SMEs).** Government has been very successful at helping women start small businesses, particularly microenterprises, through initiatives such as government's Uganda Women Entrepreneurship Program (UWEP). However, more female entrepreneurs need to move into the larger business space, to empower them to drive Uganda's economic recovery and industrial transition. As some women are supported to improve their productivity in agricultural enterprise, others will need interventions to help them start and grow small, and especially medium, enterprises outside of agriculture. These firms will need to be in priority value chains and growth sectors of the economy, with women attaining higher positions in these value chains. Women entrepreneurs are more likely to employ women, and thus larger female-led enterprises are more transformational than female-led microenterprise. The returns from investing in female SME owners are likely to be exponential.

**Uganda's policy and legal framework must better support women in their human capital, employment, and entrepreneurial aspirations; the enforcement of policies is required to enable policy and related programs to have impact on the ground.** In particular, policy will need to tackle demand-side and supply-side constraints on women's skilled labor and growth-oriented entrepreneurship, including constraints rooted in traditional gender norms that encourage discrimination against girls and women. To not only encourage but measurably close gender gaps in economic empowerment and economic outcomes, policy actions in three key areas will be critical:

a) **Help meet women entrepreneurs' demand to lead growth-oriented enterprises.** When given the opportunity, Ugandan women are eager to lead larger, more profitable businesses than just micro-enterprises. Lack of access to sufficiently large loans is among several constraints they face, and this could be eased by two legislative improvements. First, the legal framework needs to clearly and specifically prohibit gender discrimination in access to credit. Once passed, the law will need to be enforced across public and private financial

institutions and in their main branches and subsidiaries. Second, legislation that guarantees gender equality in rights to inherit land and other family assets needs to be enforced with regards to land that is under informal tenure arrangements – that is, customary land – as well as land under formal ownership. This will increase rates of women's ownership rights over land, which is the main form of collateral required to secure larger loans from formal financial institutions. Enforcement will involve leveraging the power of local courts, as well as raising awareness among men and women about legally mandated gender equality in inheritance. With greater control over land – especially larger parcels of land – women farmers will be able to invest more in their land and improve their productivity.

b) **Address women's time poverty so that they can complete their education, acquire marketable skills, and work for pay outside the household.** A common factor to making all three possible is easing the care burden that women and older girls disproportionately carry in households. In addition to expanding access to early childhood education programs, government could start by considering which models of childcare provision are appropriate for Uganda. In the short-term these models could replicate community-based approaches that do not depend on parents' employers to offer childcare services. For the longer-term, as Uganda advances further on its path to urbanization and industrialization, government will need to consider examples of public-private partnerships and employer-provided childcare models that have succeeded in lower-middle and upper-middle income countries. Other in-country stakeholders, such as women's empowerment-focused NGOs, could also adopt community-focused programs that promote more gender-equal division of unpaid care labor in the household. Interventions related to fertility adjustments could accompany messaging on gender-equal sharing of unpaid care work and provision of childcare services.

c) **A government agency – and high-level champion within that agency – should spearhead re-orientation of government employment programs, so that they move women from the subsistence level to more growth-oriented sectors and jobs.** Government policies and programs need to better consider the diversity of skills and strengths that women bring to the economy. It will be important to translate national strategies into programs with clear targets and guidelines for women's participation, and to have a high-level champion to direct these efforts. In addition to interacting with high-level representatives across government agencies that cover education, skills training, and employment, this high-level champion could serve as the face of a multi-media national campaign. Media and accompanying community-based activities would deliver messages on the importance of keeping girls in school, easing the burden of unpaid care work on working-age women by developing the childcare services market, and encouraging women's leadership of SMEs in more profitable (typically male-dominated) economic sectors, such as renewable energy and green agriculture.

# PART 1:
## STATE OF THE ECONOMY
### AN UNCERTAIN STOP-START RECOVERY

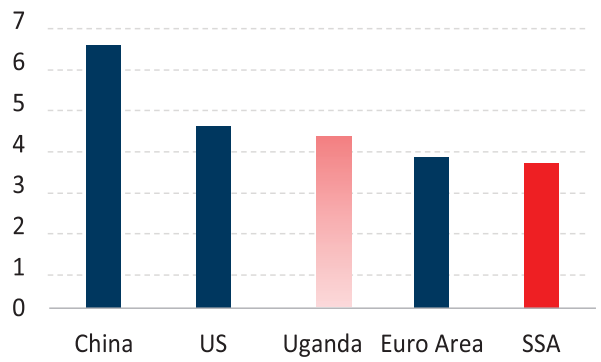
## 1. RECENT ECONOMIC DEVELOPMENTS

### 1.1 Vaccine inequity is leading to a two-track global economic recovery[1]

1. **The global economy is set to expand by 5.6 percent in 2021 – its strongest post-recession pace in 80 years – but the slower recovery in EMDEs is concerning**. While the global economy continues to recover from the 2020 recession, vaccine inequity and hesitancy across the world is leading to a divergence in health and economic outcomes and a two-track recovery. Advanced economies are rebounding fast, amid unprecedented fiscal support coupled with a strong vaccine rollout, while the developing world is struggling with a slow pace of vaccinations and disparities in their capacity to provide exceptional fiscal and monetary support (Figure 1 and 2). US output is rebounding sharply, fueled by substantial fiscal support, and sufficient to allow output to regain its pre-pandemic level. Activity in the Euro Area has been slower to recover, but has regained ground since the beginning of the year because of the relaxation of mobility restrictions and an accelerated vaccine roll out. In China, whose economy led the initial stages of the recovery last year, activity remains robust, but the pace of growth has moderated amid diminished policy support. Across most EMDEs, however, the ongoing recovery will not be sufficient to erase the damage from the pandemic, whose legacies are expected to weigh on global activity. Many of these countries will take time to regain their pre-COVID-19 levels of output, and a return to pre-pandemic trends may be unattainable in the absence of major reform efforts.

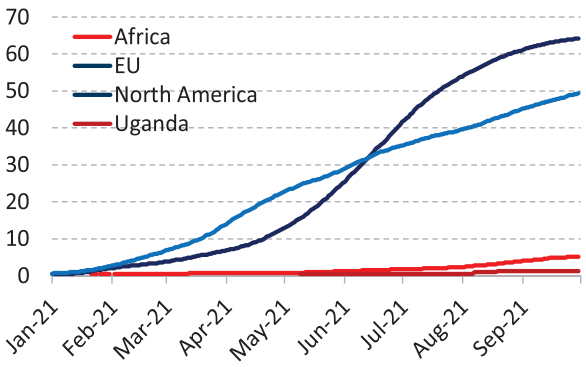
2. **The recovery in global activity has been accompanied by a sustained increase in global trade and consumption**. The volume of global goods trade is now well above its pre-crisis level, despite supply bottlenecks, resulting in supplier delivery times falling to record lows. Tourism remains depressed, however, even in countries that have not experienced major outbreaks, and international travel is expected to be constrained by lingering mobility restrictions and a reluctance to travel if the virus is not completely under control. Inflationary pressures have increased alongside the recovery in activity, with survey data pointing to a continued strong rise in global input prices. In advanced economies, financing conditions remain broadly accommodative, whereas in EMDEs, financing conditions have tightened in recent months because of policy rate hikes in some countries, pandemic setbacks, and country-specific risks. Amid the ongoing spread of the Delta variant, a withdrawal of fiscal stimulus, supply bottlenecks, and lingering inflationary pressures, the recovery is expected to slow from 2022.

**Figure 1:** Forecast average real GDP growth from 2021 to 2023 (% y/y)




**Source:** GEP, June 2021 & Africa's Pulse, October 2021

**Figure 2:** Vaccine roll out (share of population fully vaccinated)




**Source:** Our World in Data

**Note:** Figure 2 shows share of people that have received at least one COVID-19 vaccination dose. Sample includes 36 advanced economies and 65 Emerging Market and Developing Economies (EMDEs). Last observation is August 24, 2021

1 This section draws from World Bank (2021, June) and World Bank (2021a, October).

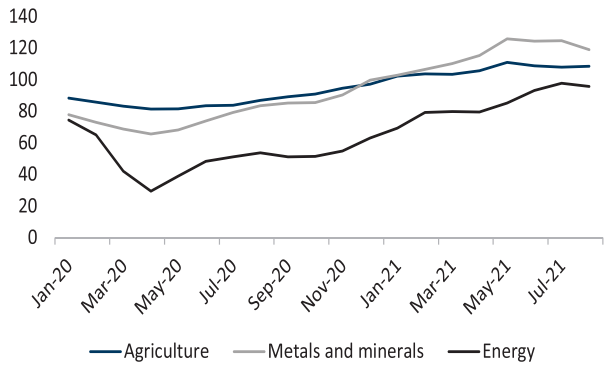
## 1.2 Sub-Saharan Africa to exit recession in 2021, but recovery is still timid and fragile[2]

3. **Economic growth in sub-Saharan Africa (SSA) is set to expand by 3.2 percent in 2021, which is a 0.9 percentage point improvement on the April 2021 forecast**. This rebound is being fueled by rising commodity prices (Figure 3), relaxation of social distancing measures, and recovery in global trade – particularity with China. Commodity prices remain well above their pre-pandemic levels, with several reaching all-time highs. Oil prices rose above their pre-pandemic levels in the first half of 2021 and are hitting record highs in recent months. Agricultural prices have been volatile, with weather-induced supply concerns pushing up the price of wheat, cocoa, and coffee. However, available data for the first two quarters of 2021 suggest that the recovery in SSA was supported primarily by a rebound in the service and industry sectors, and to a lesser extent agriculture.

4. **The SSA recovery remains timid and fragile as the slow pace of vaccination continues to expose the region to emerging strains of COVID-19**. While private consumption rebounded strongly in the first half of 2021, its growth is likely to be subdued in the second half due to the third – and in some countries the fourth – wave of COVID-19 across the continent. Renewed lockdown measures sapped business confidence, constrained activity in many sectors, and slowed the pace of recovery. In addition, most countries in the region will fail to meet the vaccination goals of 10 percent coverage by September and 40 percent by end-2021. Projections for 2022 and 2023 suggest that economic growth will remain just below 4 percent. At this pace, only three-quarters of SSA countries will reach their pre-COVID-19 levels of activity by 2023.

5. **Eastern Africa is expected to fare better, with growth likely to pick up considerably as vaccine coverage expands, supply chains normalize, and domestic demand improves.** Besides South Sudan, all of Uganda's other main trading partners in the region (Kenya, Democratic Republic of Congo (DRC), and Rwanda) are expected to grow by about 4.5 percent or more annually from 2022 onwards (Figure 4). However, there are significant risks to these projections, as limited access to safe water and sanitation facilities, urban crowding, weak health systems, and large informal economies – all alongside uncertain progress in vaccine roll out and insufficient fiscal space – pose challenges to a sustained containment of the virus. Therefore, large-scale community transmission could still cause deeper and protracted disruptions to the recovery, even as countries sustain easing restrictions both domestically and through their borders.

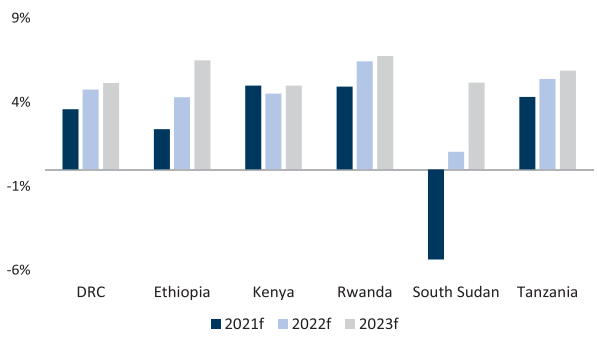
**Figure 3:** Commodity prices (monthly indices)




**Source:** World Bank Commodity Price Data

**Note:** Monthly indices based on nominal US$, 2010=100

**Figure 4:** Real GDP growth in eastern Africa, incl. Uganda's main regional trading partners (% y/y)




**Source:** World Bank calculations

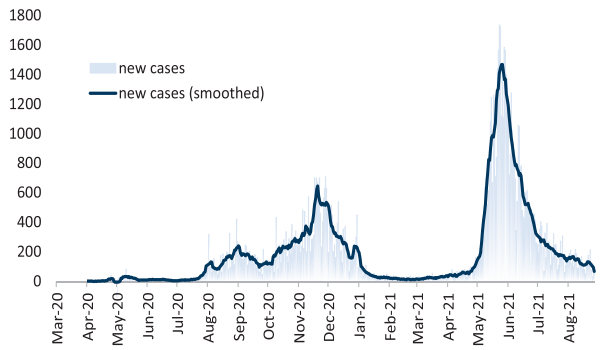
**Note:** f = forecast; Ethiopia and South Sudan are fiscal-year-based number.

2 This section draws from World Bank (2021a, October).

## 1.3 Uganda's economy was recovering strongly before the second COVID-19 wave

6. **New cases of COVID-19 infections started rising again in May 2021, leading into a more severe second wave.** By end of July 2021, when the second full lockdown was lifted, the cumulative number of recorded COVID-19 cases in Uganda had risen to 94,195. In the first wave, a total of 40,367 cases were reported over the period of a year. In the second wave that started in March 2021, more than 50,000 cases were reported in just five months. This increase was particularly apparent at the end of May and through June, with the daily number of people testing positive increasing from below 100 to almost 1,800 (Figure 5).[3] Testing capacity continues to be constrained, however, by high costs for PCR test kits, although other options (e.g., rapid diagnostic tools) are being progressively used.

**Figure 5**: Evolution of new daily COVID-19 cases in Uganda

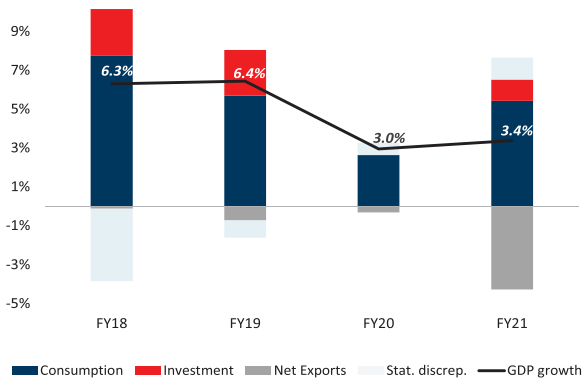



**Source:** Our World in Data

7. **Given the second wave of infections, the economic recovery likely tapered off in early FY22.**[4] Following the sharp contraction in late FY20, after the initial COVID-19 shock, real GDP growth rebounded strongly to over 13 percent in Q4 of FY21 (Figure 7), driven by an improvement in consumption and recovery in public investment (Figure 6). Services recovered strongly, but agriculture remains volatile (Figure 7), due to limited adoption of improved farming practices to manage weather variability. However, this rebound likely tapered off in early FY22 due to the effects of the sudden rise in COVID-19 cases and more stringent lockdown measures. Furthermore, at 3.4 percent, growth in FY21 continues to be well below pre-COVID-19 projections of over 6 percent.

8. **The recovery in FY21 was largely driven by a strong improvement in consumption** (Figure 6). With the loosening of COVID-19 containment measures and opening of the economy, domestic demand conditions improved and private consumption grew by over 7 percent in FY21. This is reflected in the better performance of Uganda's PMI for most of FY21, as the business and trading environment improved (Figure 8).[5] However, this did not continue, with the PMI crashing to 34.9 in June and further to 34.6 in July, as the effects of the second lockdown took hold. During this period, output, new orders and employment fell, while firms lowered their selling prices to try and attract business. Although the PMI bounced back quite strongly to over 50 in August, September and October 2021 – which is a similar trend after the lockdown in 2020 – uncertainty is elevated and business confidence has deteriorated compared to the first half of 2021.[6]

**Figure 6**: Sources of real GDP growth in Uganda by spending component (% y/y)



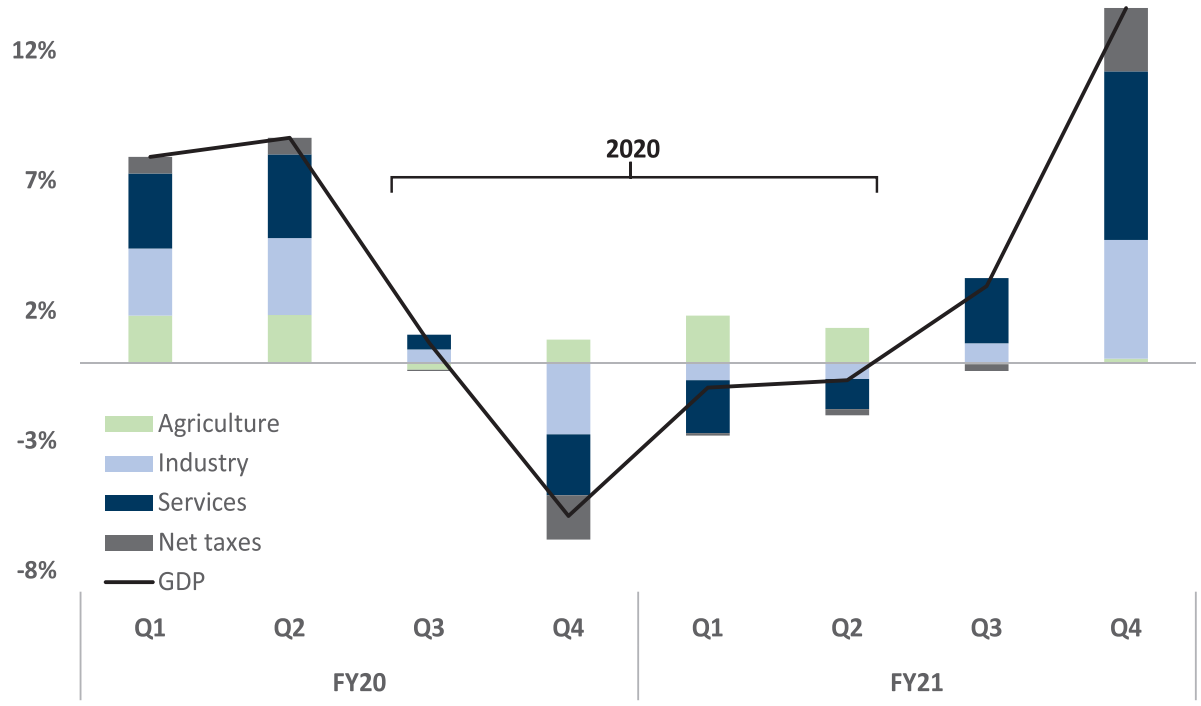

**Source:** Uganda Bureau of Statistics (UBOS)

**Note:** The statistical discrepancy is an adjustment factor to ensure any omissions or differences in source information used to measure GDP from the income, production and expenditure sides are accounted for and the final GDP numbers are aligned.

3 This daily increase is quite a jump from the seven-day daily average of 719 cases during the initial peak in mid-December 2020 and the drop to 17 daily cases in mid-March.
4 Uganda's fiscal year is from 1 July to 30 June of the subsequent year. For FY21, this is from 1 July 2020 to 30 June 2021.
5 Stanbic Bank (2021, October) The PMI is compiled monthly by IHS Markit and is sponsored by Stanbic Bank Uganda. It is a composite index, calculated as a weighted average of five individual sub-components: new orders (30%), output (25%), employment (20%), suppliers delivery times (15%), and stocks of purchases (10%). It gives an indication of business operating conditions in the Ugandan economy.
6 MoFPED (2021, August)

9. **Public investment also recovered in FY21, growing at over 30 percent, compared to only 4 percent growth in FY20**. This was largely driven by a noticable uptick in road and bridge building, the acquisition of additional aircraft for the continued revival of Uganda Airlines, and large classified investments. At the same time, however, with the elevated levels of uncertainty, private investment contracted by 5 percent, following an almost 1.5 percent contraction in FY20. This is also mirrored in the lower FDI numbers of about 2 percent of GDP in FY21 compared to an average of almost 3 percent over the previous three fiscal years (see Annex 1). Although imports and exports both slowed in the early part of the COVID-19 crisis, the acceleration in imports and slower recovery of exports (see section 1.6) has significantly strained growth in FY21.

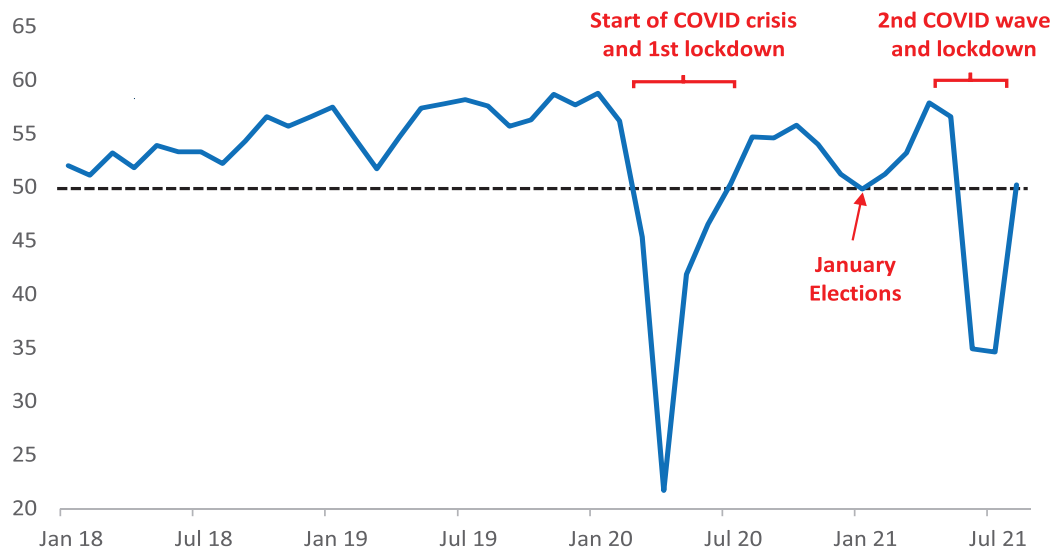
**Figure 7:** Real GDP growth in Uganda by quarterly sector contributions (% y/y)




**Source:** UBOS
**Note:** Net taxes are included to ensure the value-added numbers are in line with the overall GDP growth statistics.

10. **With improved levels of business confidence, fewer trade disruptions and more open regional borders, the industrial sector rebounded strongly towards the end of FY21** (Table 1). This was driven by increasingly better performance of the manufacturing and construction sectors. Even a dip in business confidence in January 2021 – around the election period (Figure 8) – seemed to have little impact, with both manufacturing and construction growing at over 9 and 11 percent, respectively, in the second half of FY21. The surge of activity in the gold mining sector, including a significant increase in the value of gold exports in FY21 compared to FY20 (see section 1.6), and a growing number of artisanal and small-scale miners continues to support robust growth in mining and quarrying. This growth is likely to have slackened considerably in Q1 FY22 though, given a rapid slowdown in gold exports as dealers waited on the outcome of negotiations with government to reduce a new tax levy on gold exports that was introduced in FY22.

**Figure 8:** Uganda PMI (>50 = improvement since previous month)




**Source:** Stanbic Bank, (2021, October)

11. **Increased domestic demand is supporting some growth in services, but a stronger recovery in FY21 was held back by a sustained contraction in education, recreation and trade**. Although all service sectors started to recover in FY21 – with particularly strong growth in Q4 – the overall performance of the sector is being held back by a few sectors that continue to face sustained operating and mobility restrictions (Table 1). Given the protracted closure of most schools and learning institutions, the education sector continued to contract sharply in FY21 – with a similar outcome expected in the first half of FY22 as uncertainty remains as to when this sector will fully reopen again (see Box 1). Moreover, given the limited operating hours (a curfew remains in place) and with no recovery in tourism, the sectors of trade, accommodation, food services, recreation and entertainment continued to contract in FY21. Better performance in the trade sector is also being curtailed by global and regional supply chain disruptions, which is negatively affecting the ability of traders to replenish inventories and fully meet the growing domestic demand. There were, however, better signs in the latter part of FY21, but this is likely to have been curtailed by the second lockdown and reintroduction of longer curfew hours. At the same time, the information and communication sector sustained double-digit growth inFY21, as firms and households increasingly use online solutions to make and receive payments and ensure continuity of business and daily life.

12. **Agricultural growth fluctuated throughout FY21 as food crop output slowed and fishing contracted**. Although growth in food crops had been largely robust through the early stages of the COVID-19 crisis and at the same time boosted by good weather, there was a sharp contraction in the second half of FY21 (Table 1). This slowdown could adversely affect livelihoods, given that many who had lost jobs in non-farm sectors because of the COVID-19 crisis – particularly the urban and informal poor – shifted to the agriculture sector as a buffer against the crisis (see section 1.4). However, cash crops have continued to grow robustly throughout FY21, with the value of coffee exports increasing by almost 12 percent, despite the fall in the annual average price of Robusta coffee.[7] While poorer weather may have affected production of both food and cash crops, the latter was less affected given the higher resilience of cash crops due to better use of farming practices to manage weather fluctuations. This divergence in the performance of food and cash crops may increase in the years to come, as Uganda continues to be amongst the world's most vulnerable and simultaneously least adapted countries to climate change. The fishing sector continues to face COVID-19 related trade disruptions – the value of fish exports declined by 19 percent in FY21, following a 21 percent decline in FY20 – as well as long standing sectoral challenges such as poor-quality fish stock (e.g. too few adult fish), limited access to feeds, and trade in illegal and unrecorded immature fish.

7 From US$1.63 per kg in FY20 to US$1.52 per kg in FY21

**Table 1**: Real GDP sub-sector outcomes

| | FY21 | FY20 | | | | FY21 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | *share of GDP* | *y/y growth rates* | | | | | | | |
| **AGRICULTURE** | 23.3 | 6.6 | 8.6 | -1.3 | 4.2 | 6.7 | 6.3 | -0.2 | 0.7 |
| Cash crops | 2.5 | 3.1 | 9.5 | 17.3 | -1.7 | 5.0 | 7.3 | 5.9 | 14.7 |
| Food crops | 12.3 | 5.5 | 9.6 | -11.1 | 10.0 | 11.0 | 9.5 | -7.4 | -5.3 |
| Livestock | 3.4 | 7.8 | 7.9 | 8.5 | 7.4 | 7.9 | 7.8 | 7.2 | 8.2 |
| Agriculture support services | 0.0 | 14.2 | 16.2 | -1.2 | -6.5 | -7.4 | -4.0 | 19.9 | 13.7 |
| Forestry | 3.5 | 4.5 | 6.9 | 4.4 | -2.4 | -4.8 | 0.5 | 6.4 | 9.7 |
| Fishing | 1.6 | 27.0 | 6.0 | -10.0 | -15.5 | -14.7 | -4.9 | -9.0 | -5.8 |
| INDUSTRY | **26.4** | **10.8** | **11.0** | **1.9** | **-10.1** | **-2.7** | **-2.2** | **2.8** | **17.7** |
| Mining & quarrying | 1.4 | 31.5 | 101.6 | 0.0 | -34.8 | 25.2 | -15.4 | -14.5 | 48.8 |
| Manufacturing | 15.0 | 11.6 | 8.6 | -1.0 | -14.0 | -3.1 | -4.8 | 2.1 | 18.0 |
| Electricity | 1.4 | 12.8 | 16.1 | 16.9 | -1.6 | 6.8 | 7.1 | 7.2 | 25.7 |
| Water | 2.3 | 4.3 | 3.9 | 4.2 | 4.0 | 4.6 | 4.9 | 4.6 | 5.0 |
| Construction | 6.2 | 6.6 | 5.8 | 5.9 | -2.7 | -13.8 | 3.7 | 6.6 | 16.3 |
| **SERVICES** | **43.7** | **6.8** | **7.2** | **1.3** | **-5.3** | **-4.8** | **-2.7** | **5.5** | **14.6** |
| Trade & repairs | 8.3 | 4.2 | 5.1 | -3.2 | -11.9 | -2.2 | -6.8 | -3.0 | 11.2 |
| Transportation & storage | 3.0 | 4.3 | 2.1 | -2.3 | -10.7 | -8.3 | -3.6 | 1.5 | 10.4 |
| Accommodation & food service | 2.5 | 5.6 | 9.5 | -2.9 | -45.9 | -25.9 | -19.8 | 2.7 | 82.8 |
| Information & communication | 2.2 | 21.4 | 31.1 | 20.1 | 6.3 | -2.4 | -1.9 | 16.5 | 39.1 |
| Financial & insurance | 3.0 | 19.4 | 18.1 | 9.6 | -7.1 | 3.2 | -1.0 | 10.1 | 21.7 |
| Real estate activities | 6.7 | 4.1 | 0.9 | 6.1 | 9.5 | 5.7 | 8.0 | 1.4 | 0.8 |
| Professional, scientific & technical | 2.1 | 32.5 | 29.4 | -26.4 | -21.9 | -35.1 | -12.0 | 60.1 | 33.6 |
| Administrative & support service | 2.0 | 15.7 | 15.6 | 1.7 | -1.9 | -2.2 | -2.8 | 8.0 | 7.0 |
| Public administration | 3.1 | 14.9 | 18.8 | 14.9 | 16.3 | 5.0 | 8.4 | 19.9 | 17.1 |
| Education | 4.0 | -7.3 | -6.2 | 0.0 | 6.0 | -20.9 | -12.4 | 2.1 | 13.4 |
| Human health & social work | 3.4 | 1.9 | 5.4 | 2.5 | -5.8 | 13.0 | 9.0 | 0.8 | 4.9 |
| Arts, entertainment & recreation | 0.2 | -0.9 | 2.1 | -7.9 | -27.1 | -27.6 | -23.3 | -19.1 | 29.8 |
| Other service activities | 2.5 | 2.5 | 1.5 | 0.9 | 0.8 | 1.0 | 2.2 | 3.7 | 4.9 |
| Activities of households | 0.8 | 2.8 | 2.8 | 2.8 | 2.7 | 2.7 | 2.7 | 2.7 | 2.8 |
| **ADJUSTMENTS** | | | | | | | | | |
| **Taxes on products** | **6.7** | **10.6** | **9.2** | **-0.6** | **-24.4** | **-1.6** | **-3.2** | **-3.7** | **43.2** |
| **GDP AT MARKET PRICES** | | **7.9** | **8.7** | **0.8** | **-5.9** | **-0.9** | **-0.6** | **3.0** | **13.7** |

## 1.4 Poverty and vulnerability have increased, and threats to human capital loom large

13. **Poverty increased significantly after the first lockdown introduced in March 2020.** According to the latest Uganda National Household Survey (UNHS),[8] even though overall poverty in 2019/20 was slightly lower than in 2016/17 – 20.3 versus 21.4 percent – poverty in the COVID-19 period was significantly higher than in the pre-COVID-19 period (Figure 9). It increased from 18.7 to 21.9 percent during the first COVID-19 wave in Uganda. These poverty numbers in the first wave may not be strictly comparable, however, because they cover different months and could be subject to seasonal changes. As discussed below though, results from UHFPS help to shed more light on the impact of COVID-19.[9]

**Figure 9:** Headcount poverty rates in 2016/17 and 2019/20 (% of population)

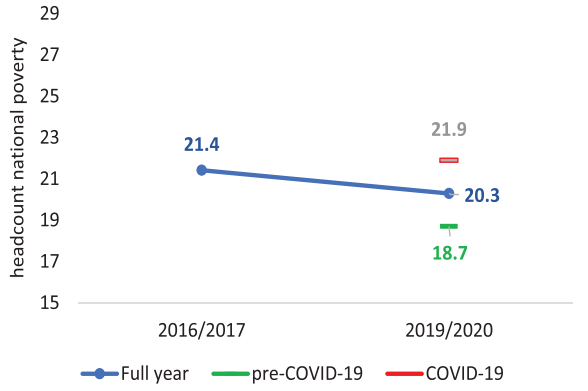
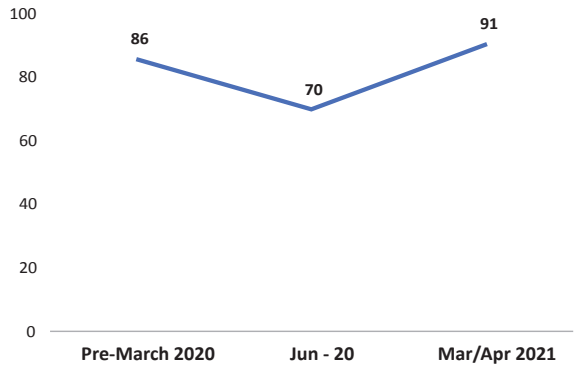



**Figure 10:** Employment status (% of respondents working)




**Source:** UNHS 2016/17 and 2019/20, UHFPS different rounds, and World Bank calculations
**Note:** Figure 9 results shall be treated with caution given different data collection periods across rounds and within UNHS 2019/20.

14. **A decline in employment may have happened after the second lockdown in June-July 2021, but may not be as severe as during the first lockdown in March-June 2020**. Following the first lockdown in 2020, the employment rate declined significantly, before picking up over the rest of 2020 and into 2021 (Figure 10). Given this tendency, a drop in employment may have also happened after the second lockdown. This is also corroborated by a recent survey of micro, small and medium enterprises (MSMEs), with most of them reporting that they have reduced their staff by more than 50 percent because of the impact of the pandemic and consequent lockdowns.[10] However, the decline in mobility during the second lockdown was relatively modest (Figure 11); therefore, the decline in employment may not necessarily be as pronounced as during the first lockdown and could even recover faster.

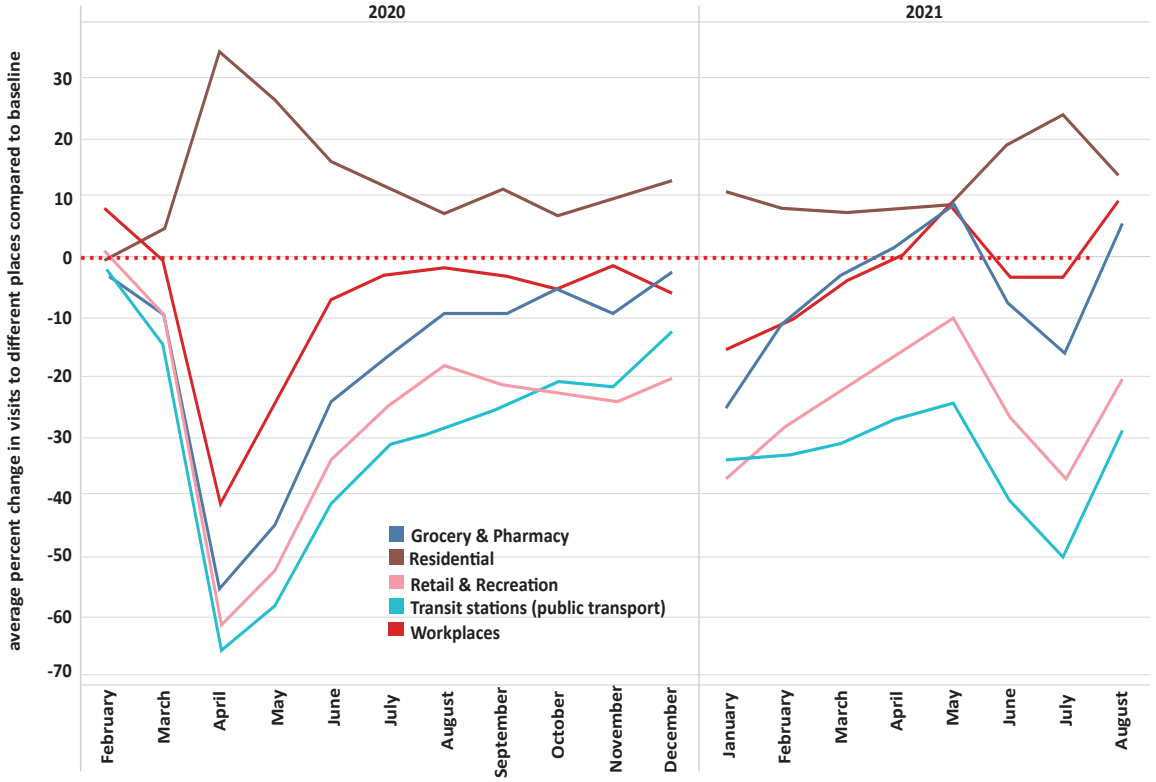
15. **Despite a full recovery in employment, respondents were more likely to work in agriculture, which is highly vulnerable to weather shocks**. As shown in Figure 12, the employment structure changed after the first lockdown in 2020, with more respondents working in the agriculture sector. This tendency was still observed in April 2021, a full year after the pandemic erupted. Given that rural residents and those working in agriculture are more vulnerable to weather shocks and have a lower capacity to adapt to climatic stressors, and that the second lockdown may have forced more workers to move to the agricultural sector (as a safety net), this is likely to have further increased overall vulnerability. This is also more concerning given the fluctuations in agricultural growth in FY21 (see section 1.3), and that most Ugandan households have limited access to alternative off-farm income streams.

8 UBOS (2021). UBOS has recently announced poverty rates based on UNHS 2019/20. The data for this survey was collected in two periods with a break during the strictest lockdown period between March–June 2020. The first data collection period started in September 2019 and ended in February 2020, then it resumed in July 2020 and ended in November 2020.

9 In order to track the impacts of the COVID-19 pandemic on households in Uganda, UBOS, with the support from the World Bank, launched the UHFPS on COVID-19 in June 2020. This survey is to be conducted every few months and will try to recontact the entire sample of households that had been interviewed during the 2019/20 round of the Uganda National Panel Survey (UNPS) – where phone numbers for at least one household member or a reference individual exist. Six rounds of data collection have been conducted between June 2020 and March/April 2021 (sixth round).

10 Federation of Small and Medium Sized Enterprises in Uganda (August 2021).

**Figure 11:** Mobility trends in Uganda (percent change in visits to different places)




**Source:** Google LLC "Google COVID-19 Community Mobility Reports."https:/www.google.com/covid19/mobility/ Accessed: August 30, 2021.
**Note:** This dataset shows how visits to different places changed compared to the baseline (i.e., 5-week period Jan 3–Feb 6, 2020.

16. **The slow recovery in income, as observed over the last year, is likely to have been further disrupted by the second lockdown**. In contrast to employment, income levels for many households have not returned to pre-COVID-19 levels (Figure 13). Despite some improvement observed between October 2020 and April 2021, income levels were still below pre-COVID-19 levels for at least one third of households. The second lockdown is very likely to stall and even possibly reverse progress in income recovery. In fact, 49 percent of MSMEs interviewed on the impact of the second lockdown indicated that they struggled to make ends meet.[11] Of those MSMEs in Kampala, 45 percent reported closing their business as a direct consequence of the pandemic. They were facing both demand (willingness to spend) and supply (labor force disruptions) constraints. Furthermore, the majority (83 percent) reported that they were not aware of government's relief measures.

17. **Female-owned MSMEs seem to have been more negatively impacted by the COVID-19 crisis.** Following the recent lockdown in mid-2021, 45 percent of female owned MSMEs reported that their sales completely stopped, compared to 39 percent of male owned MSMEs.[12] This can be partly explained by the fact that women entrepreneurs are concentrated in sectors like trade, tourism and food services, which have been hardest hit by the pandemic. Secondly, many women entrepreneurs and managers have had to take on additional domestic and care responsibilities during the lockdowns, which also negatively affected their businesses. Job losses have also disproportionally affected women with 67 percent of female employees in MSMEs being laid off, as compared to 33 percent of male employees. Section 3 considers this further.

11 Ibid.
12 Ibid.

18. **The coverage and design of social protection programs in Uganda have a limited ability to mitigate the negative impact of the COVID-19 crisis.**[13] Only four percent of households received any type of social assistance in March/April 2021 (Figure 14), with in-kind non-food assistance (soap, mosquito nets and masks) remaining the main source of support. Overall, direct cash transfers have been extremely small, reaching no more than 1 percent of households. In addition, one of the largest safety-net programs in the country, Northern Uganda Social Action Fund (NUSAF), ended in June 2021. This program provided income support in the poorest region of the country. Government is considering restarting and expanding the program, which is important to help reduce vulnerabilities in some of Uganda's poorest households.

**Figure 12:** Economic sector of employed respondents (% of those working)

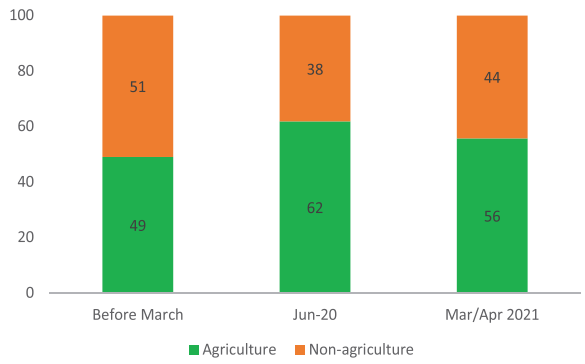
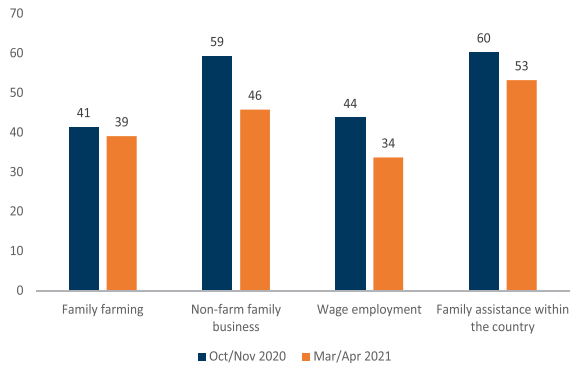


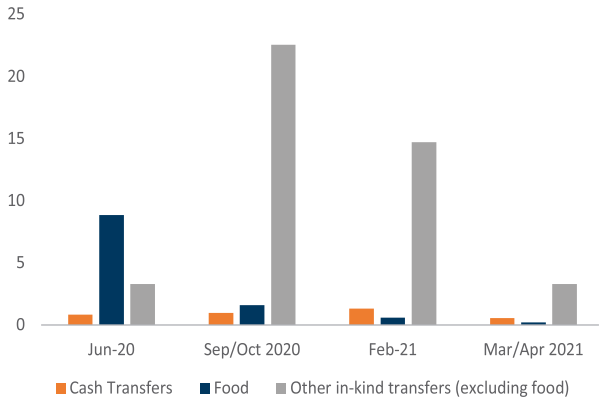

**Figure 13:** Households with income below average monthly income during 12-month's prior to COVID-19 crisis (% receiving income)




**Source:** UHFPS different rounds and World Bank calculations

19. **Persistent high inequalities in access to education remain a key threat to human development in Uganda during and most likely after the pandemic**. On average, about 84 percent of children aged 3-18 attended school in Uganda before the closure of schools in March 2020. Schools have been gradually re-opening for some grades since then, whilst children from other grades were supposed to study from home. Overall, only 41 percent of children either returned to school or were engaged in any learning activities from home in early 2021 (Figure 15) – this is about half of the school attendance before the lockdown. Moreover, participation in learning activities was very unequal, with children in urban areas and from the wealthiest pre-COVID-19 consumption quintiles having much higher chances to study compared to children in rural areas and those from the poorest quintiles (see Box 1). This will have significant implications for the scale and extent of learning lost, as well as for future productivity and economic growth. COVID-19 related learning losses and increased dropouts may cost Ugandan students an average of 0.8 learning-adjusted years of schooling, resulting in a US$170 per year of average earnings losses in the future.[14]

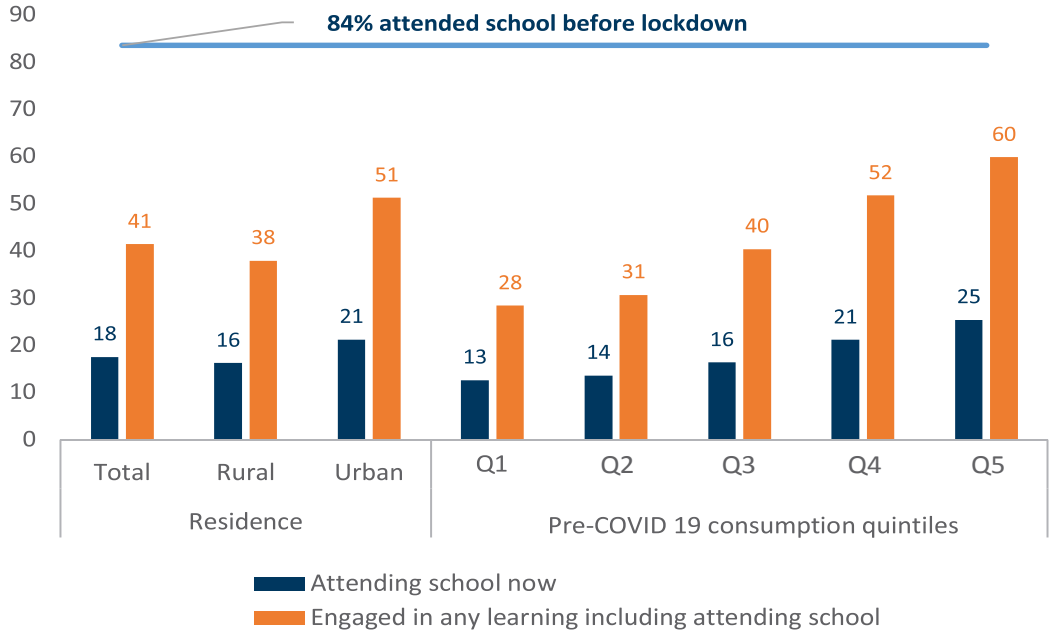
**Figure 14:** Incidence of social assistance




**Source:** UHFPS different rounds and World Bank calculations

13 World Bank (2020, January)
14 Azevedo, J.P et al (2020)

**Figure 15:** Children (age 3-18) attending school or participating in any learning activities in March/April 2021 (percentage of children)




## Box 1: School closures and the worsening of existing inequalities

**The COVID-19 pandemic has created an unprecedented crisis related to school closures.** Most of the students in Uganda have not been able to attend school since March 2020. Schools partially re-opened for selected classes in October 2020, only to face another shutdown in June 2021. Uganda has experienced one the longest periods of school closures in the region, and is currently an outlier amongst its neighbors who have either fully or partially reopened schools.[i] It is estimated that approximately 15 million learners are currently out of school.

**Early data indicates that school closures have already exacerbated existing inequalities.** By March/April 2021, only 41 percent of children (3-18 years) participated in any remote learning activity with an unequal distribution by wealth and location. While 60 percent of children from the richest pre-COVID-19 consumption quintile reported some learning activity, only 28 percent of those among the poorest quintile did.[ii] Furthermore, Primary 6 learners rated proficient in English literacy dropped by 4.7 percentage points between 2018 and 2021, and their numeracy proficiency achievement also decreased by 12.4 percentage points in this period.[iii] Notably, these were further drops from levels of literacy and proficiency that were already a matter of concern.[iv]

**Emerging evidence indicates that girls and young women also face additional and unique challenges related to protracted school closures and lockdown measures.** These include, inter alia, a larger burden of home-based work, a need to turn to income generating activities to cope with economic shocks in households, as well as higher incidence of cyber-bullying in the context of increased reliance on digital tools.[v] In addition, recent reports suggest that pre-existing issues related to gender-based violence (GBV) and teenage pregnancies have been exacerbated during school closures, which may lead to lower re-enrolment numbers for girls. Indeed, the number of young girls, between 10 and 14, who sought their first antenatal care increased by over 4.5 times from 290 in March 2020, when the country entered the first lockdown, to 1,353 in September 2020.[vi] Section 3 considers this further.

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[i] UNESCO (2021).
[ii] UBOS (2021).
[iii] MoES (2021).
[iv] World Bank (2019, May)
[v] Population Council, Regional Education Learning Initiative, & Daniels M. (2021).
[vi] FAWE (2021)

## 1.5 Monetary measures preserved financial stability, yet private sector credit continues to decelerate

20. **Given the weak domestic economy and only modest external inflation through most of FY21, pressure on domestic prices has remained limited, largely coming through supply side factors.** Inflation in the transport sector stayed in double-digits due to COVID-19 related vehicle occupancy restrictions, but overall inflation remains muted given weak domestic demand and exchange rate appreciation pressures (see section 1.6). As a result, core inflation has slowed to 2.2 percent in September 2021, while headline inflation remained stable at 2.2 percent.

21. **The exceptional monetary policy measures have effectively reduced government's cost of domestic debt, leading to increased government borrowing and the associated risk of crowding out private sector credit**. The Bank of Uganda (BOU) reduced the policy rate by 50 basis points to 6.5 percent in June 2021 and has sustained liquidity buffers in the financial system.[15] Interest rates in the interbank money market, government securities market, and on commercial bank deposits declined noticeably in the second half of FY21 and into the first quarter of FY22 (Figure 16). On the other hand, lending rates remained high and volatile, and then swiftly declined to a record low of 16.3 percent in the first quarter of FY22. This high cost of credit, combined with operational difficulties for businesses, and a risk-averse banking system affected the growth in private sector credit (Figure 17). In real terms, annual private sector credit growth averaged 6 percent in the six months to July 2021, compared to 6.8 percent and 12 percent in the corresponding periods of 2020 and 2019. Credit to the trade and business sectors remains low, even as some businesses benefit from the COVID-19 support programs of the Uganda Development Bank. Lending qamounts to community and social services also slumped, after government's one-off disbursement through microfinance institutions and the Emyoga program to support social groups. In contrast, government net lending remained steady in FY21 – similar to FY20 at about 20 percent in real terms, but at a lower cost.

**Figure 16**: Policy and market rates (percent per annum)

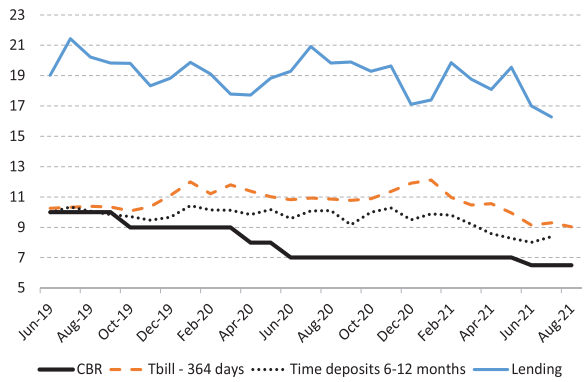
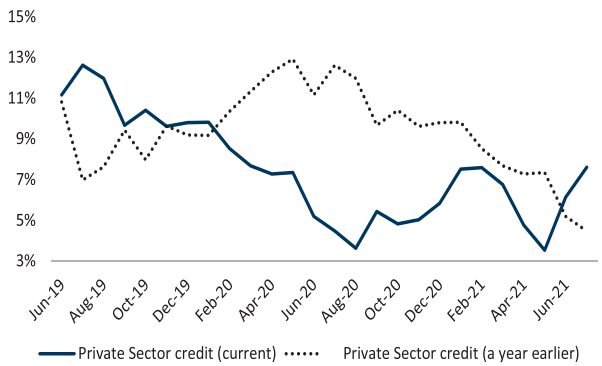



**Figure 17**: Private sector credit growth (y/y percentage change)




**Source:** BOU

22. **The macro-prudential policies and liquidity buffers kept the financial system capitalized and liquid**. In addition to lower money market rates, the credit relief measures (CRM), that were in place between April 2020 and September 2021, exceptionally permitted Supervised Financial Institutions (SFIs), at their discretion, to restructure loans of borrowers affected by the pandemic. The other liquidity buffers, that were approved in April 2021, continue to provide support.[16] Combined with a steady growth of deposits to USh27.7 trillion in June 2021, compared to USh25.4 trillion a year earlier, and supported by increased holding of government securities, this has sustained comfortable levels of liquidity in the banking system. By June 2021, the liquid assets to deposits ratio was 51.6 percent, compared to 49.1 percent a year ago. Non-performing loans (NPLs) also decreased to 4.8 percent of total gross assets in June 2021, from 6 percent a year earlier. Capital assets remain above the minimum requirements for banks and non-bank financial institutions.

15 Through its Credit Relief Measures (CRM) – which expired at the end of September 2021 – and the on-going COVID-19 Liquidity Assistance Program and Emergency Assistance Liquidity Facility.
16 These include the COVID-19 Liquidity Assistance Program and Emergency Assistance Liquidity Facility.

## 1.6 Strong import growth helped the recovery, but contributed to a current account deterioration

23. **The current account deficit widened sharply to 10 percent of GDP in FY21, from 6.7 percent in FY20, as a result of a stronger recovery in imports compared to exports** (Annex 1). Trading activity (represented by the total value of exports and imports) increased to 44.8 percent of GDP during FY21, from 39 percent recorded in FY20. Nonetheless, imports accelerated to nearly US$12 billion in FY21, driven by pent-up domestic demand for both consumption and investment goods, reopening of global supply chains, and a sustained real appreciation of the shilling – recorded at 1.3 percent in FY21, which for the third straight year has lowered the cost of imports. This overshadowed the sizable rebound in exports, given gross inflows from travel and remittances remained below pre-COVID-19 levels (Figure 18), amidst accelerated repatriation of incomes earned by foreign investors.

24. **Both investment and consumption imports surged, as firms re-opened, supported by a real appreciation of the shilling and easing of global supply chains in the aftermath of the initial COVID-19 shock in late FY20**. The total goods import bill was 34 percent above the depressed levels of FY20. Almost a third of these imports, valued at US$2.5 billion, were mineral products (excluding petroleum) and base metals and their products, which were almost 83 percent above their levels in FY20. With Uganda's own source of gold still limited to artisanal miners, a large part of these imports were raw gold from neighbors like DRC, that helped to feed Uganda's nascent refining industry. Further support to investments came from private imports of machinery, equipment, vehicles, and accessories, that increased by 24 percent, partially funded by borrowing from the domestic financial system, while government imports remained steady for ongoing infrastructure projects and classified items. Consumption was supported by imports of food and related items that accounted for 10 percent of the total import bill. Services imports also grew strongly, unabated by the disruptions from the second COVID-19 wave and subsequent lockdown (Table 2).

25. **Exports have contributed to the recovery in economic activity amidst the second wave of COVID-19 and subsequent lockdown**. A doubling in gold shipments (now Uganda's top export) drove total export revenues to a record US$5.3 billion during FY21, compared to a pre-COVID-19 level of US$3.9 billion (Figure 18). The steady increase in export volumes for coffee (Figure 18 and Table 2) was on the back of improved domestic production practices, which is crucial for economic recovery, employment, and poverty reduction. Even though Uganda realized a lower unit price per kilogram in FY21, international coffee prices improved in Q1 of FY22, on account of lower supplies from major producers such as Brazil, which had been affected by drought and frost, and Vietnam, which had faced major disruptions due to COVID-19 outbreaks and container shortages. Hence Uganda's coffee export values continued to rise, reaching US$155.7 million during Q1 of FY22.17 Other traditional and non-traditional exports had recovered to pre-pandemic levels by the end of FY21, including through formal and informal cross border trade that has been threatened by intermittent administrative measures imposed by importers.[18] The better performance of goods exports was in contrast to the sluggish recovery of the travel industry, which despite the steady increase through the second half of FY21, brought in only about 43 percent in value of pre-pandemic levels during FY21 (Figure 18).

17 BOU (2021, June)
18 In March 2021, Kenya issued a ban on importation of maize from Uganda and Tanzania on account of high levels of aflatoxins.

**Figure 18**: Key export and remittance flows (US$ millions)

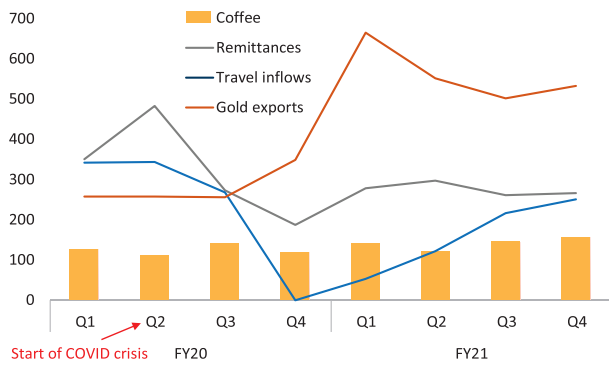
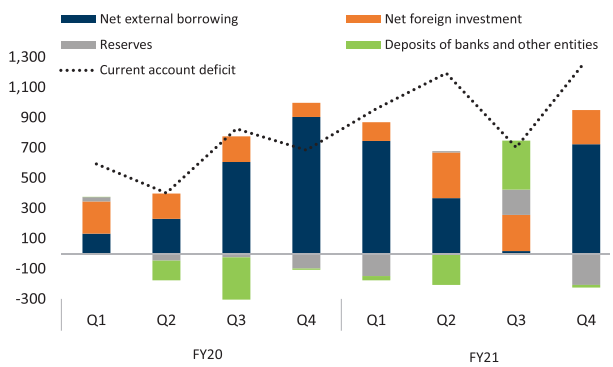
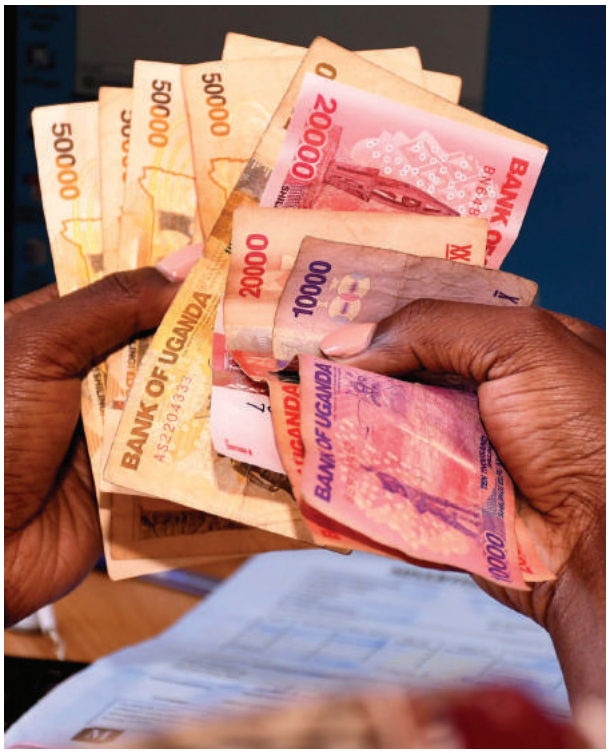



**Figure 19**: Financing of the current account (US$ millions)




**Source:** BOU

26. **Remittances are still lower than pre-COVID-19 levels but had started closing the gap in FY21 (in GDP terms) compared to the end of FY20** (Table 2). While remittances are critical to support consumption and income of households (see section 1.4), their average of US$264 million during the first half of 2021, is still more than 10 percent lower (in nominal terms) than what was received in the corresponding period of 2019.[19] This decline is alongside an increase in income repatriation by foreign investors and workers in Uganda, further deteriorating the current account.



27. **The current account deficit was financed mainly through borrowing, largely on concessional terms** (Figure 19). With international companies still grappling with recovery, FDI to Uganda has remained sluggish, at only US$847 million ( just over 2 percent of GDP) in FY21, compared to US$967 million in FY20 and US$1,217 million in FY19 (Annex 2). This reflects the slowdown in equity and intercompany loan inflows, and more cautious reinvestment of earnings. Net government borrowing, on the other hand, totaled US$1,427 million or 3.5 percent of GDP in FY21, of which US$533 million was COVID-19 emergency budget support from the World Bank and IMF.[20] This borrowing has led to a fast increase in public debt, as discussed in section 1.7. Furthermore, whereas some of these loans went to BOU to reinforce foreign reserves, as a stronger buffer in the face of the COVID-19 shock, the level of these reserves actually dropped to US$3.6 billion or 4.4 months of import cover in June 2021, from 4.7 months in June 2020. This happened as government withdrew some of these reserves to finance increased spending pressures. Nonetheless, the IMF's August 2021 general allocation of SDR346 million (about US$489 million) boosted reserves. Moreover, with the strong real appreciation, BOU has room to build reserves through purchases of foreign exchange from the market.

19 IFAD (2021, May). Uganda is one of few countries to have estimates on remittances sent through informal channels and to include these flows in their national statistics. As a result, Uganda's decline in remittances may reflect a better recording of their flows, compared to countries that have shown no decline or even an increase during the COVID-19 crisis.

20 The authorities have used a large portion of IMF financing to support BOU's reserve position, with the rest being on-lent by BOU to the Ministry of Finance for budget support

**Table 2:** Balance of Payments (quarterly, % GDP)

| | FY19/20 | | | | FY20/21 | | | |
|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| **Current account balance** | **-6.3** | **-4.6** | **-10.3** | **-8.9** | **-9.9** | **-13.1** | **-8.0** | **-14.5** |
| ***Trade in goods and services balance*** | ***-9.4*** | ***-9.5*** | ***-13.2*** | ***-11.8*** | ***-12.6*** | ***-16.2*** | ***-10.3*** | ***-17.1*** |
| Exports | 15.7 | 17.5 | 18.7 | 12.7 | 16.0 | 17.3 | 19.3 | 20.5 |
| o/w coffee | 1.3 | 1.3 | 1.8 | 1.5 | 1.5 | 1.3 | 1.6 | 1.8 |
| o/w gross travel | 3.6 | 3.9 | 3.3 | 0.0 | 0.5 | 1.3 | 2.4 | 2.8 |
| Imports | 25.1 | 26.9 | 31.9 | 24.6 | 28.6 | 33.5 | 29.6 | 37.6 |
| o/w oil | 2.5 | 2.8 | 3.0 | 1.7 | 1.7 | 2.2 | 2.3 | 2.9 |
| o/w government imports | 1.0 | 1.2 | 1.7 | 1.0 | 1.8 | 1.2 | 0.7 | 1.8 |
| ***Primary income, net*** | ***-1.8*** | ***-1.6*** | ***-2.3*** | ***-1.8*** | ***-1.9*** | ***-1.7*** | ***-2.1*** | ***-2.0*** |
| o/w public interest payments (debit) | 0.5 | 0.2 | 0.3 | 0.3 | 0.6 | 0.2 | 0.7 | 0.3 |
| ***Secondary income, net*** | ***4.8*** | ***6.4*** | ***5.2*** | ***4.7*** | ***4.6*** | ***4.9*** | ***4.5*** | ***4.6*** |
| o/w personal transfers (credit) | 3.7 | 5.5 | 3.4 | 2.4 | 2.9 | 3.2 | 3.0 | 3.0 |
| **Capital account balance** | **0.1** | **0.4** | **0.2** | **0.1** | **0.5** | **0.8** | **0.4** | **0.2** |
| **Net borrowing (balance from current and capital a/c)** | **-6.2** | **-4.2** | **-10.1** | **-8.8** | **-9.4** | **-12.2** | **-7.6** | **-14.3** |
| **Financial account balance** | **3.5** | **2.4** | **7.2** | **6.7** | **10.4** | **4.5** | **7.3** | **9.6** |
| Direct investment, net | 3.0 | 3.3 | 2.7 | 2.3 | 2.2 | 2.3 | 2.4 | 2.4 |
| Portfolio investment, net | -0.8 | -1.3 | -0.6 | -1.1 | -0.9 | 1.0 | 0.3 | 0.2 |
| Other investment, net | 1.2 | 0.4 | 5.1 | 5.4 | 9.1 | 1.2 | 4.5 | 7.0 |
| o/w Government loans, net | 1.3 | 2.3 | 7.3 | 5.1 | 7.2 | 3.2 | -0.2 | 5.1 |
| Disbursements | 1.7 | 2.8 | 8.0 | 5.7 | 8.1 | 3.7 | 1.1 | 5.6 |
| Repayments | -0.5 | -0.6 | -0.7 | -0.6 | -0.8 | -0.5 | -1.3 | -0.5 |
| **Net errors and omissions** | **2.4** | **2.4** | **3.2** | **3.4** | **0.5** | **7.6** | **-1.6** | **7.1** |
| **Overall balance** | **-0.3** | **0.5** | **0.3** | **1.3** | **1.5** | **-0.1** | **-1.9** | **2.4** |
| **Financing** | **0.3** | **-0.5** | **-0.3** | **-1.3** | **-1.5** | **0.1** | **1.9** | **-2.4** |
| Central bank net reserves (- increase) | 0.3 | -0.5 | -0.3 | -7.8 | -1.5 | 0.1 | 1.9 | -5.3 |
| Use of Fund Credit | 0.0 | 0.0 | 0.0 | 6.5 | 0.0 | 0.0 | 0.0 | 2.9 |
| Memorandum GDP, nominal (in mil US$) | **9386** | **8705** | **8022** | **7711** | **9684** | **9144** | **8809** | **8809** |

**Source:** BOU and World Bank calculations

## 1.7 Revenue shortfalls and COVID-19 related spending pushed the fiscal deficit to a record high

28. **Suppressed revenues and a sharp increase in spending widened the overall fiscal deficit to 9.2 percent of GDP in FY21, which is about double its pre-crisis levels** (Table 3). Although there was a slight improvement on FY20 as the economy started to recover, domestic revenues continued to underperform in FY21, missing the national budget target by about 1.5 percent of GDP. With businesses still constrained by COVID related restrictions, and fiscal support to the private sector sustained largely through exemptions and deferral of tax payments, total taxes were almost 10 percent lower than had been budgeted.[21] Meanwhile, total expenditures rose by over 20 percent in FY21, and, in GDP terms, were above the projected pre-COVID trajectory (Figure 20). Domestic financing, including from BoU, has increasingly become more important in financing the fiscal deficit, increasing to new highs in FY20 and FY21 (Figure 21). Budget support – provided by international finance institutions (IFIs) and syndicated commercial loans from Stanbic and the Trade Development Bank – has also provided critical support since FY20 (Figure 21). Commercial loans for general budget support are unusual given the non-concessional terms involved.[22]

**Figure 20**: Fiscal deficit (RHS axis) and total tax revenues and expenditures (% GDP)

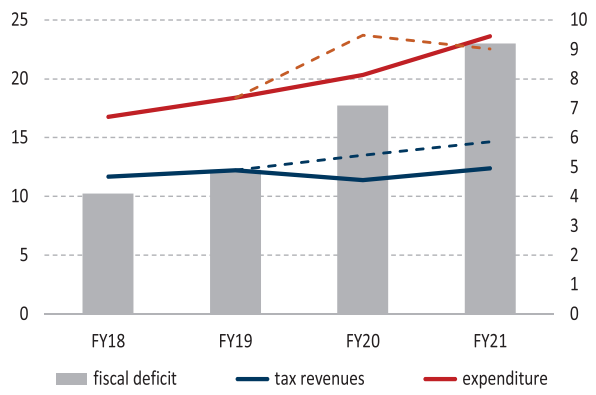
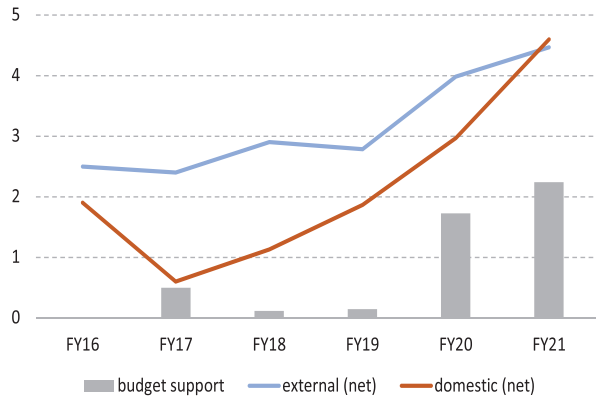



**Figure 21**: Financing the fiscal deficit (% GDP)




**Source:** MoFPED and World Bank calculations

**Note:** Dashed lines in Figure 20 show pre-COVID projected tax revenues and expenditures from the FY20 medium term fiscal framework. Although budget support is part of gross external financing, it is included in Figure 21 to give a sense of its increase since the start of the COVID crisis.

29. **At 12.4 percent for FY21, the tax-to-GDP ratio is about the same as pre-crisis levels and well below both pre-COVID projections and revenue targets** (Table 3). Despite the COVID effects on businesses and failure of some tax measures initiated during FY21 to be fully rolled out, tax collections improved on the back of a moratorium for taxpayers to clear outstanding obligations and arrears without penalty. There was also an improvement in revenues collected from all tax heads in FY21 compared to FY20, even though the effects of the COVID-19 crisis continue to weigh on both domestic and international taxes. As the economy recovers, so too will taxes, but in order to reach the long standing government target of 16 percent of GDP, this will need to be accompanied by better implementation of the Domestic Revenue Mobilization Strategy (DRMS, 2019).[23] Some specific revenue measures have already been proposed for FY22, including removing certain exemptions, increasing fuel excises, and tax administration efforts to collect arrears, increase registered taxpayers, and enhance tax audits and investigations. Going forward, a stronger focus on enforcing recent tax revenue and administration reforms should be prioritised, rather than introducing any new tax policy measures.

21 This underperformance in tax revenues was also driven by Parliament's rejection of certain revenue enhancement measures, and a delay in approving the increase in excise duty on fuel. There were also delays in implementing tax administration reforms by URA, including the establishment of the Electronic Fiscal Receipting and Invoicing System (EFRIS).

22 It is understood that the terms for the first EUR600 million syndicated loan in June 2020 were a maturity of 7 years, grace period of 2 years, amortization over 5 years, and at an interest rate of Euribor plus 4 percent.

23 MoFPED (2019, October)

30. **Given pressures to respond to the COVID crisis, exacerbated by weak budget processes, current spending rose significantly above budget to 12.5 percent of GDP compared to 10.8 percent in FY20**. This was driven primarily by increased spending on goods and services, a spike in transfers to other agencies, and higher interest payments on debt. Elevated interest payments are to be expected given the shift in recent years to increased domestic financing (Figure 21) – which hit 4.6 percent of GDP in FY21 or about 3 percent of GDP higher than the average pre-crisis levels – and externally financed commercial borrowing. Some of the increase in current spending was also driven by much higher levels of supplementary spending in FY21, which increased to almost 11 percent of the approved budget, more than double pre-crisis levels. Of this spending, about a quarter went to support the direct COVID-19 response – including an almost 20 percent increase on the original health budget – but with the bulk (37 percent) going to Ministry of Defence and State House for classified purposes.[24] In addition to revealing issues in the budget process, supplementary budgeting ought to be limited to emergency situations, otherwise it could distort national spending priorities.

**Table 3:** Key fiscal indicators, FY18 – FY21 (% GDP)

| | FY18 | FY19 | FY20 | FY21 | FY21 Budget | FY22 Budget |
|---|---|---|---|---|---|---|
| **Total revenue and grants** | **12.7** | **13.5** | **13.2** | **14.4** | ***15.9*** | ***14.9*** |
| Revenue | 12.0 | 12.6 | 12.4 | 13.2 | 14.7 | 14.0 |
| Tax | 11.7 | 12.2 | 11.4 | 12.4 | 13.7 | 13.0 |
| o/w Income and profits | 3.9 | 4.2 | 4.2 | 4.5 | | |
| o/w Goods and services | 6.3 | 6.6 | 5.9 | 6.5 | | |
| o/w International trade taxes | 1.4 | 1.4 | 1.2 | 1.3 | | |
| Non tax | 0.4 | 0.4 | 1.0 | 0.9 | | |
| Grants | 0.6 | 0.9 | 0.8 | 1.2 | 1.2 | 0.9 |
| **Expenditures and net lending** | **16.8** | **18.4** | **20.3** | **23.6** | ***24.7*** | ***21.4*** |
| Current expenditures | 9.1 | 9.4 | 10.8 | 12.5 | 11.9 | 11.9 |
| Wages and salaries | 2.9 | 3.2 | 3.5 | 3.4 | | |
| Interest payments | 1.9 | 1.9 | 2.1 | 2.7 | | |
| domestic | 1.6 | 1.5 | 1.7 | 2.1 | | |
| foreign | 0.3 | 0.4 | 0.4 | 0.7 | | |
| Other current | 4.3 | 4.3 | 5.2 | 6.4 | | |
| Development expenditures | 6.3 | 7.6 | 8.6 | 10.1 | 11.6 | 9.2 |
| External | 2.7 | 3.1 | 2.8 | 3.6 | | |
| Domestic | 3.6 | 4.5 | 5.8 | 6.5 | | |
| Net lending and investment | 1.2 | 1.1 | 0.6 | 0.4 | | |
| Hydropower projects | 1.2 | 1.1 | 0.5 | 0.1 | | |
| Recapitalization BoU | 0.0 | 0.0 | 0.1 | 0.3 | | |
| Other spending | 0.3 | 0.3 | 0.3 | 0.6 | | |
| Clearance of domestic arrears | 0.3 | 0.3 | 0.3 | 0.6 | | |
| **Primary balance** | **-2.2** | **-3.0** | **-5.0** | **-6.4** | ***-6.1*** | ***-3.6*** |
| **Overall Balance** | **-4.1** | **-4.9** | **-7.1** | **-9.2** | ***-8.8*** | ***-6.5*** |
| **Financing** | **4.1** | **4.9** | **7.1** | **9.2** | | |
| External Financing (net) | 2.9 | 2.8 | 4.0 | 4.5 | 6.4 | 4.5 |
| disbursements | 3.6 | 3.7 | 4.6 | 5.0 | | |
| projects | 3.5 | 3.6 | 2.8 | 2.8 | 3.1 | 2.3 |
| budget support | 0.1 | 0.1 | 1.7 | 2.2 | 4.1 | 3.4 |
| repayments | 0.7 | 0.9 | 0.6 | 0.6 | | |
| Domestic Financing (net) | 1.1 | 1.9 | 3.0 | 4.6 | 2.4 | 2.0 |
| banks (net) | 0.2 | 1.0 | 1.6 | 1.7 | 1.4 | 1.0 |
| non-banks (net) | 0.9 | 0.9 | 1.3 | 3.0 | 1.0 | 0.9 |
| Errors and omissions | 0.1 | 0.2 | 0.2 | 0.1 | | |

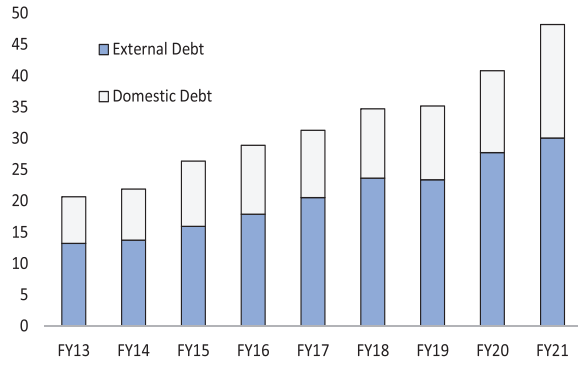
**Source:** MoFPED

**Note:** These figures are preliminary given possible data revisions on fiscal outcomes for FY20/21. Although the fiscal framework is prepared on a cash basis, errors and omissions are understood to include payables accrued in the previous FY.

24 MoFPED (2020, July – 2021, June).

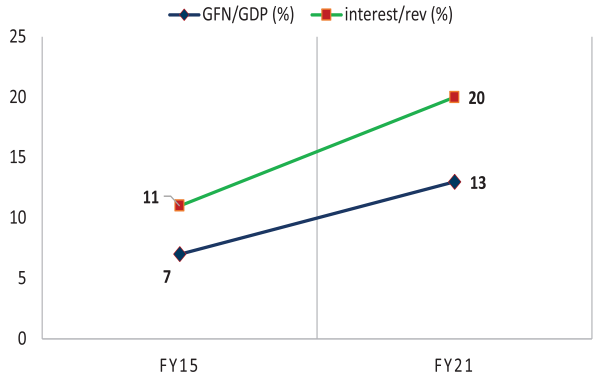
31. **Although development spending increased in FY21, it was still well below budget, which could constrain the recovery, particularly for the construction sector and related services**. The underperformance was largely due to the poor execution of externally financed investments, which was only about half of what had been budgeted. This continues to be hampered by uncoordinated budgeting for government's own contribution to these projects and poor planning for rights of way and land compensation. On the other hand, domestically financed investments increased strongly in FY21, with noticeable emphasis on roads and bridges, aircraft for the continued revival of Uganda Airlines, and classified investments. Meanwhile, at 0.6 of GDP, domestic arrears payments (at about USh840 billion) were significantly higher than target (USh450 billion) in FY21, which, in GDP terms, was also double the FY20 outcome. This would have eased liquidity for some private sector businesses and reduced the associated risk of default within the financial system. However, due to poor budgeting (manifested through supplementary budgets) and within year expenditure controls, as well as the tight fiscal situation, significant new arrears may have accumulated.

**Figure 22**: Total public debt (% GDP, nominal)




**Source:** BoU

**Figure 23**: Liquidity indicators (GFN-to-GDP and interest-to-revenue ratio)




**Source:** WB, IMF (2021, June)

32. **Against the background of low tax revenues and increasing expenditure, Uganda has seemingly exhausted the fiscal space it would need to drive the recovery and respond to shocks**. Uganda's public debt has surged from 27 percent of GDP in FY15 to about 48 percent in FY21, with a significant accumulation in the last two years as government responded to the COVID-19 crisis (Figure 22).[25] This sizable increase has led to a shift in Uganda's rating from low to moderate risk of debt distress.[26] This deterioration is largely predicated on worsening fundamentals due to the impact of the COVID-19 shock, which has decelerated real output growth and non-debt-creating foreign exchange inflows such as remittances and FDI, and led to Uganda's debt carrying capacity being revised from strong to medium. The pandemic has also revealed that a debt-financed, government spending-led growth model may have run its course.

33. **Increased non-concessional external borrowing, together with sizable domestic borrowing, has led to heightened liquidity pressures**. The latter is reflected in a narrowing of the fiscal space, as shown by the doubling of interest spending to 20 percent of domestic revenue in FY21 (Figure 23). This has been exacerbated by continued weak revenues, and a combination of growing domestic debt, which carries double digit interest rates, and higher non-concessional borrowing. In addition to exposing the budget to vulnerabilities, the large interest payment bill of close to 3 percent of GDP also consumes valuable fiscal space – central government interest payments on domestic debt alone exceeded

25 About two-thirds (US$8.5 billion) of outstanding public debt is owed to external creditors, largely for energy and infrastructure projects, and with a weighted average interest rate of about 2 percent. Domestic debt totals about US$4.3 billion, with roughly three-fourths in Treasury Bonds with maturities from 2 to 15 years, while the rest is in short-term Treasury Bills.

26 World Bank, IMF (2021, June)

spending on both education and health (excluding donor projects) in FY20. The gross financing need (GFN), which includes the fiscal deficit and principal payments coming due, has also almost doubled to 13 percent of GDP in FY21 from 7 percent in FY15 (Figure 23). Furthermore, the increasing reliance on domestic debt raises the risk of crowding out private investment, given that a key driver of large interest rate spreads are the high interest rates on government bonds.[27]

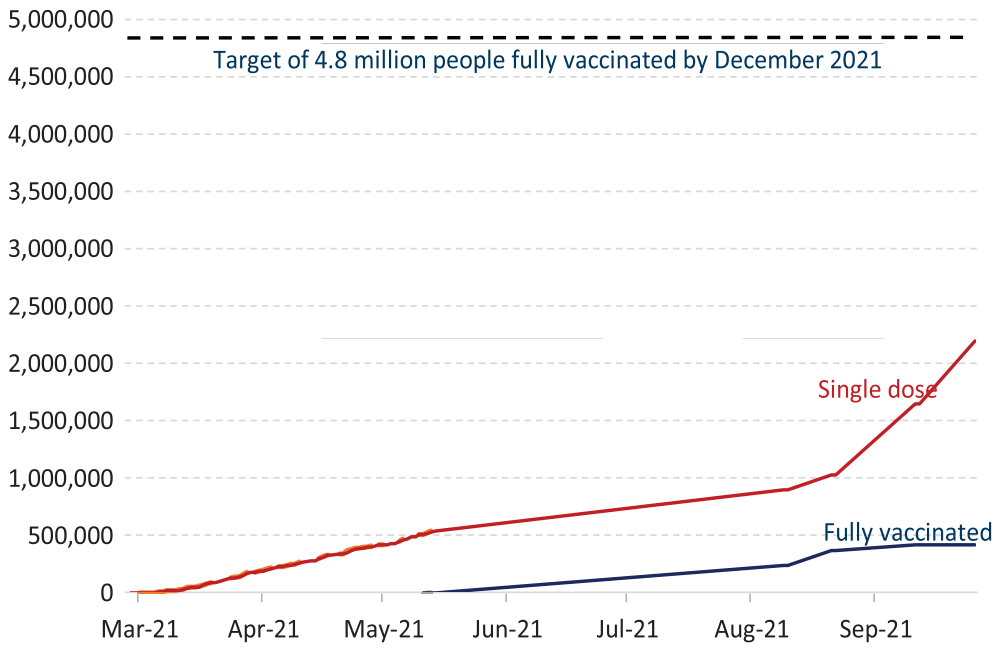

27 Jefferis et al. (2020).

## 2. ECONOMIC OUTLOOK, RISKS AND POLICY ACTIONS

### 2.1. An uncertain stop-start economic recovery is expected

34. **Significant uncertainty remains on the evolution of COVID-19 and its effects in Uganda, relying largely on the success of the vaccination effort**. So far, the vaccination program launched in March 2021 has progressed slowly. Only about 2.2 million people, representing about 5 percent of the country's population and 10 percent of the eligible population, had received at least one dose of the COVID-19 vaccine by early October 2021, which is well short of government targets (Figure 24).[28] This percentage will probably only rise gradually though, due to a limited supply of vaccines and reluctance by some people to vaccinate. A stronger vaccination effort – which is critical for the economic recovery – is expected to take place from late 2021 and well into 2022, with over US$120 million budgeted for vaccines in FY21/22.

**Figure 24**: Total number of Ugandan's vaccinated and government's target




**Source:** GoU and Our World in Data

**Note:** Government's December 2021 target includes health workers, teachers, security personal, people 50 years and plus, and those aged 18-50 that have comorbidities. The overall target is 49.6 percent of the population (about 22 million people) by December 2021.

28 Our World in Data. https://ourworldindata.org

35. **Under the baseline scenario, real GDP is expected to grow by around 3.5–4.0 percent in FY22 and about 5.5 percent in FY23** (Table 4 and Figure 25). This is a full percentage point lower than the projections in the June 2021 Economic Update and incorporates the impacts of the second lockdown in mid-2021 and likely evolution of the pandemic in Uganda. It also aligns with government's recent adjustment (in September 2021) of its FY22 growth projection from 4.3 to 3.8 percent. Given limited vaccine coverage, alongside relaxed adherence to public health and social distancing measures, this could lead to progressive waves of the pandemic and sustained mobility restrictions, which would slow the economic recovery.[29] Unfortunately, even with stronger growth in FY22, per capita GDP will remain well below the NDPIII target (Figure 26) – meaning Uganda will now take longer to reach the lower-middle-income target.

36. **Growth is likely to be driven by a pick-up in private consumption – as household incomes recover – investment, and a recovery in exports as the global economy stabilizes**. This forecast is also supported by PMI data (Figure 8), which shows how quickly business and demand conditions have recovered after the previous two lockdowns. Under a more optimistic scenario, growth could even be closer to 4 and 6 percent in FY22 and FY23, respectively, if the overall Final Investment Decision (FID) on oil production is taken before the end of 2021 or in early 2022,[30] and investments are ramped up quite quickly thereafter. Given the increase in private and public sector investments that would follow, up to US$20bn is expected to flow into the country to develop oil infrastructure, some of which could be tapped by local suppliers – as per the country's local content policy – and local communities. However, these suppliers and communities will only benefit if they have the skills to support the development (and production) phase of a globally orientated oil sector, as well as the necessary information on opportunities in the sector. Thus, efforts to improve skills and information sharing over the next few years are critical.

**Table 4:** Baseline economic outlook (annual percent change unless indicated otherwise)

| | FY21 | FY22 | FY23 |
|---|---|---|---|
| **Real GDP growth (baseline)** | **3.4** | **3.7** | **5.5** |
| Private consumption | 3.9 | 2.9 | 4.4 |
| Government consumption | 9.8 | 0.9 | 2.5 |
| Gross fixed capital investment | 3.5 | 5.1 | 7.8 |
| Exports (goods & services) | 3.2 | 14.2 | 12.6 |
| Imports (goods & services) | 8.3 | 9.4 | 9.1 |
| | | | |
| Agriculture growth | 3.8 | 3.4 | 4.0 |
| Industry growth | 3.4 | 5.1 | 7.6 |
| Services growth | 2.7 | 3.1 | 5.0 |
| | | | |
| Inflation (CPI) | 2.5 | 4.0 | 5.0 |
| Current account (% GDP) | -10.1 | -8.2 | -8.3 |
| Net FDI (% GDP) | 2.1 | 2.4 | 2.9 |
| Fiscal balance (% GDP) | -9.2 | -6.4 | -4.0 |
| Public debt (% GDP) | 48.2 | 53.4 | 53.3 |

**Note:** Gross fixed investment in Table 4 includes both public and private investment

**Figure 25**: Real GDP growth rate (percent)

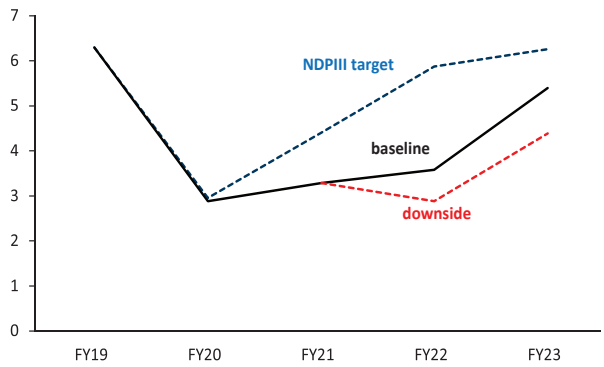
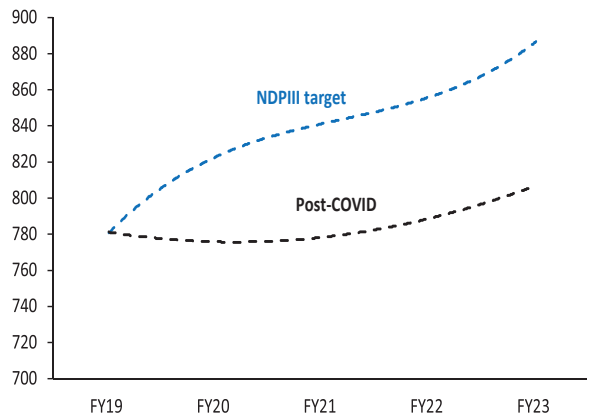



**Figure 26**: Real GDP per capita (US$)




**Source:** UBOS, NDPIII and World Bank estimates

29 GoU MoH (2021, May)
30 See World Bank (2021, June)

37. **Due to the expected lingering effects of the pandemic on private sector finances, monetary policy is likely to remain accommodative to support the fragile recovery in economic activity**. The combination of pent-up domestic demand, as economic activity picks up, and strengthening global growth may exert pressure on prices. Nonetheless, this is expected to remain modest, as the output gap is unlikely to close and create significant inflationary pressures. Thus, core inflation is projected to remain within the range of 3.5 to 4 percent during FY22, and only approach its target of 5 percent in FY23, as the economic recovery strengthens. Unless inflationary pressures surprise upwards, due to sustained increases in global commodity prices, particularly oil, and/or depreciation pressures as global financial conditions tighten, an easier monetary policy stance and liquidity support (see section 1.6) is expected to continue to support liquidity in the financial system and economic recovery. Furthermore, given the potential for increased NPLs and growing exposure of banks to government debt that could affect financial stability, the eventual withdrawal of monetary support is likely to be carefully and gradually managed.

38. **The stabilizing global environment could support stronger exports, tourism and remittances and hence improve the current account**. For both FY22 and FY23, the current account deficit is projected to decline to about 8 percent of GDP, as exports accelerate from improved domestic production and a stronger global and regional recovery. The latter supports a positive outlook for Uganda's major exports – such as gold, tourism, coffee and maize – over the next three to five years. Imports will also continue to grow strongly, assuming the final investment decision in the oil sector is made soon. Whilst an improvement in remittances will largely depend on employment recovery in source countries and is expected to strengthen alongside the global recovery,[31] the outlook for services (particularly tourism in a post-COVID world) will largely be determined by vaccination trends and evolution of the pandemic.[32] With the slow recovery of FDI to 2.4 and 2.9 percent of GDP in FY22 and FY23, respectively, the current account deficit is expected to be financed largely through government borrowing – partly through concessional financing from IFIs – and a drawdown of foreign exchange reserves, which could include use of the special SDR allocation. Financing through non-concessional means is likely to be limited given ongoing efforts by government to improve Uganda's debt profile.

39. **Fiscal consolidation over the next few years will be anchored on the recently approved (June 2021) IMF Extended Credit Facility program**. The fiscal deficit is expected to reduce to 6.4 and 4.0 percent of GDP in FY22 and FY23, respectively. This will be largely driven by non-interest expenditure cuts, as revenue improvements are likely to take some time, and with total expenditure projected to decline by 2.5 percent of GDP to 21.1 percent in FY22 from 23.6 percent in FY21, and average about 19.3 percent over the medium-term.[33] However, improved revenue performance as the economy picks up also augurs well for the fiscal consolidation, and will likely be supported by tax policy and administration measures that aim to increase revenues by at least 0.5 percent of GDP a year. Ultimately, this consolidation intends to shift debt back to a more sustainable path[34] – peaking at around 53 percent of GDP – and limit private sector crowding out. Although government is entering this period of fiscal consolidation, it is important that efforts are still made to support the recovery and revitalization of key sectors (education and health), which are critical for inclusive growth and poverty reduction. This may require further emphasis on a fiscal strategy that creates space for critical spending priorities, continues to rebalance expenditure away from a focus on hard infrastructure and back to social sectors such as education and health, and improves efficiency in public investment management to maximize returns.

31 IFAD (2021, May). Nearly a third of remittances came from Europe in 2018, led by the UK, Sweden and Germany, whilst nearly a quarter came from the Middle East, led by the UAE.

32 According to the latest UNWTO Panel of Experts, almost half of all experts (45%) continue to see international tourism returning to 2019 levels in 2024 or later, while 43% point to a recovery in 2023 (https:/www.unwto.org/news/vaccines-and-reopen-borders-driving-tourism-s-recovery)

33 The FY22 and proposed FY23 Budgets include: (i) broad spending cuts, especially to sectors that normally take a large share of the Budget such as Works and Transport (down by 13 percent in FY22) and energy and mineral development (down by over 40 percent in FY22); (ii) scaling down on non-essential expenditures such as travel, workshops and seminars; (iii) strengthening of procurement systems to eliminate waste; and (iv) better budget monitoring and use of digital PFM systems to improve efficiencies.

34 Below 50 percent of GDP in nominal terms, as per the new Charter for Fiscal Responsibility FY21/22-FY25/26.

## 2.2. Risks remain tilted to the downside

40. **The recovery over the next couple of years could, however, be slower considering large global and domestic uncertainties**. Under a downside scenario, growth may be closer to 3 percent in FY22 and with a more muted recovery to around 4.5 percent in FY23 (Figure 25 and Table 5). This poorer performance could materialize if Uganda experiences a combination of progressively worse waves of infections, widespread coverage of the vaccine is only achieved in 2023, heavy mobility restrictions are intermittently reintroduced, government's planned fiscal consolidation means scaling back significantly on the support to vulnerable persons and businesses, financial sector conditions deteriorate markedly, tourists only start traveling to Uganda in larger numbers from 2024 onwards, and/or the overall FID is delayed further due to unexpected oil price fluctuations and uncertainties in the global environment, including from a sustained COVID-19 shock and growing climate change considerations. On balance, however, although there is great uncertainty regarding the key health variables (Table 5), the economic variables (Table 5) look more on course towards the baseline scenario.

41. **Spending pressures and adjustments to government's debt profile could jeopardize Uganda's hard-earned macroeconomic stability**. Although the present value (PV) of public debt-to-GDP ratio is expected to peak at 43.7 percent in FY22 under the baseline scenario, the indicative benchmark of 55 percent for countries with a medium debt-carrying capacity is breached (slightly and temporarily) under a stress scenario that includes contingent liabilities related to SOE debt, PPP liabilities and financial markets – all together estimated at about 16 percent of GDP (Figure 27). Additional pressures may arise, however, from excessive spending to contain further waves of the pandemic, support the recovery and meet government's commitments for developing the oil sector ahead of production in about 2025. Furthermore, weak implementation of DRMS tax-enhancing measures and a roll-back of reforms to reduce ad-hoc tax exemptions may strain government's ability to raise additional revenue and offset higher expenditures. This may then affect the smooth decline in the debt service-to-revenue ratio (Figure 27), which is dependent on DRMS implementation and oil-related revenues from 2024/25 onward. A significant shift in debt towards more non-concessional borrowing and/or the issuance of a Eurobond would then disrupt the smooth repayment profile Uganda currently enjoys, raise debt burden trajectories, and further increase debt vulnerabilities. Further delays beyond 2025 for oil production and exports would also compromise debt sustainability given government's expectation that these revenues will play an important role in managing the accumulated debt. Enhancing debt transparency, including better coverage of nonguaranteed debt issued by SOEs, and limiting non-concessional borrowing would help to mitigate some of these risks.

**Table 5:** COVID-19 health and economic assumptions

| Key variables | Baseline scenario | Downside scenario |
|---|---|---|
| **Health** | | |
| Number of daily cases | Decreasing waves through 2022 | Progressively worse waves through 2022 |
| Widespread coverage of vaccine | By mid-2022 | In 2023 |
| **Economic** | | |
| Lockdown and mobility restrictions | Partial/fewer restrictions through 2022 | Recurrent heavy restrictions through 2022 |
| Support to firms and vulnerable h/holds | Continued in 2022 | Fully scaled back by end-2021 |
| Financial sector conditions | Mostly stable through FY22 and FY23 | Deteriorate through FY22 and FY23 |
| Oil price, Brent (average US$/bbl) | $74 in 2022 and $65 in 2023 | <$55 in 2022 and <$50 in 2023 |
| Key commodity prices (coffee & gold) | Moderate | Weak |
| Tourism rebound to pre-COVID levels | In 2023 | In 2024 |

**Source:** World Bank

**Note:** Widespread coverage of the vaccine means having covered 90 percent of the most vulnerable population (i.e., health workers, security personnel, teachers, persons of 50 years and above, and persons with comorbidities) and at least 10 percent of the non-vulnerable population (i.e., a further 30 percent of the population)

**Figure 27**: Public debt under alternative scenarios


**Source:** WB, IMF (2021, June)

42. **A tightening of monetary policy and pull back in liquidity support may impact financial stability and financing of the post-COVID recovery.** BOU may be forced to take these measures if inflationary pressures build or to ensure external stability in response to tightening in developed countries. This would then have knock-on effects for Uganda's financial system, which is currently well capitalized and liquid. Such a situation could be exacerbated by the growing exposure of banks to government debt through treasury securities and accumulation of arrears. By end-March 2021, up to USh888.6 billion (5.1 percent of outstanding loans) was held by borrowers with exposure to government arrears. Of these loans, 12.7 percent were already classified as NPLs, and 22.2 percent were in default by 189 days. Moreover, with the expiry of the CRM and/or a sudden withdrawal of monetary support, this could lead to further NPLs. Given the cost of finance is already high in Uganda – and lending rates have been slow to fall in response to the monetary easing – very few Ugandan firms have a bank loan or line of credit, and the ones who do face high costs and large collateral requirements. Thus, any increase in NPLs and further deterioration of asset quality in the banking sector will probably lead to increasingly risk averse financial institutions who respond by increasing lending rates and, thereby, further limiting access to finance and frustrating the post-COVID-19 rebound in private sector activity.

43. **Any weather-related shocks in FY22 or FY23 would certainly impede the post-COVID recovery**. The increasing frequency of climatic shocks (e.g., drought and floods) pose a heavy burden on the economy, export earnings and rural livelihoods. This is further exacerbated by generally low technology adoption rates, limited access of rural households to alternative off-farm income streams and, since the start of the COVID-19 crisis, the shift of a large share of the workforce into agriculture as a safety net. The country also lags its East African peers in water management, storage and irrigation, which are key to building resilience in the agriculture sector. However, even with these improvements, poorer Ugandans, particularly in rural areas, will still face increasing climatic risks to their livelihoods. For Uganda to minimize these risks, it must improve agricultural productivity that will support its economic transformation, requiring all stakeholders to work together to effectively move a larger proportion of landowners and producers to adopt sustainable land management and climate smart agriculture practices. Financial incentives and instruments to overcome initial cost barriers and manage risks associated with adoption are vital.[35]

35 See World Bank (2021, June)

## 2.3. Key policy actions for a resilient and inclusive recovery

44. **The COVID-19 crisis poses significant risks to Uganda's socioeconomic stability that need to be carefully managed**. The livelihood of many Ugandans has been severely disrupted, and poverty is set to increase further. COVID-19 has also altered Uganda's development options and priorities. Government is going to have to respond with fewer resources, due to a slow uptick in revenues, and ensure fiscal sustainability by limiting public debt vulnerabilities. Although the vaccination program has been slow, government has shown strong commitment to achieving widespread coverage by the end of 2022. This is an essential policy priority for ensuring a quicker and deeper socioeconomic recovery in Uganda and shifting the current stop-start recovery to the stronger and more sustained pre-COVID-19 growth path. As discussed in section 1.1, economies that have rebounded fastest are also those that have achieved the quickest vaccine rollout.

45. **In addition to a strong vaccination program and given the analysis of the preceding sections, immediate policy attention is required in three key areas to ensure an inclusive recovery**. These areas are presently of great concern to Ugandan's, critical to ensuring a balanced and strong recovery over the medium and longer-term, and where government needs to commit to a more consistent and effective policy agenda. They include:

a) **Opening the schools with safeguards to minimize disease transmission**. Government was swift in developing an impressive "continuity of learning" framework based on multi-media (radio and television), distribution of print materials and encouraging parental engagement in the process of remote learning. However, the results show that this approach may not be accessible to all students and continued closure of schools will have significant implications for future productivity and economic growth (see Box 1). The implications for girls are even more grave (see section 3). As a result, schools need to gradually and/or partially reopen. Uganda is an outlier in the region, with most countries in southern and eastern Africa having either fully or partially reopened schools.[36] As learners return, schools will need to focus on two overarching measures: minimizing disease transmission rates and accelerating learning recovery. Additional resources will need to be committed to ensuring SOPs are adhered to and monitoring of cases is undertaken on a consistent basis. There should be a strategy and protocols for continuous assessment and identification of areas and schools where cases are spiking to enable appropriate measures for isolation and temporary closures. As children return to classrooms, Uganda will also need to re-orient its system for a learning remediation process on an unprecedented scale. Several measures tested globally have yielded positive results in terms of effectively addressing learning losses.[37]

b) **Prioritizing MSMEs for job creation during the economic recovery**. In order to drive the post-COVID-19 recovery and job creation, MSMEs will need affordable finance to recapitalize their businesses and make new investments – this includes being aware of and having access to government's existing relief measures. Partial public credit guarantee schemes could be explored, and MSMEs should be supported to access more affordable finance through digital platforms. Digitalization also offers opportunities to reach new customers, stay engaged with stakeholders, deliver goods and services efficiently, transact remotely and ensure the post-COVID-19 resilience of MSMEs.[38] However, for MSMEs to digitalize, it is important that government continues to facilitate access to affordable

36 UNESCO (2021)

37 Teaching at the appropriate level will be critical to address different learning losses across cohorts of students and help them catch up to grade-level standards. Establishing small group tutoring programs for the lowest achieving students can help them catch up more quickly. Self-guided learning, whether paper-based or tech-assisted, can aid the pace and effects of remediation, especially when combined with other measures. Finally, expanding learning time, by introducing schooling between terms, or modifying the school year/term, can also provide space for implementing a range of remediation activities. For further information, see https://www.worldbank.org/en/news/factsheet/2021/04/30/notes-on-school-reopening-and-learning-recovery

38 As discussed in section 1.3, ICT and the digital economy have grown strongly since the onset of the pandemic.

electricity, ICT products and services, and the right technical skills and capacity. Formal firms have been more resilient to the pandemic than their informal counterparts. Therefore, efforts to support the recovery need to include a hands-on approach to formalization. Using punitive measures to bring more people into the tax bracket may yield short term results, but they may not be sustained. Further options for increasing voluntary formalization need to be explored. Given women owned MSMEs have been disproportionately affected by the COVID-19 crisis (see section 1.4), they should be put at the center of the recovery; through skilling, linkages to markets, and provision of low-cost credit (as discussed further in section 3).

c) **Maintaining prudent and transparent fiscal and debt management**. Uganda still has a reasonable fiscal and debt position that needs to be protected, especially as oil revenues draw closer, to ensure a smooth recovery. Commodity prices can be highly volatile, and countries that are exposed to these resource flows need to build strong institutional frameworks to limit the transmission of volatility to the domestic economy, and thereby ensure a stable macroeconomic environment in which the private sector can flourish.[39] Raising revenues and using public resources more efficiently to maximize returns on investments are critical for improving fiscal and debt sustainability. More efficient public investment management and procurement will ensure that infrastructure is built faster, at a better quality, and with less resource waste and delays. This additional infrastructure will improve total factor productivity and thereby increase growth, which will feed into higher revenues. However, for these higher revenues to materialize, separate measures – as prescribed in the DRMS – need to be implemented. Furthermore, budget planning and credibility must also improve, which are being increasingly undermined by the growing use of supplementary budgets, financing through domestic arrears, increasing allocation to classified expenditures, and rising costs of public administration. The latter is driven by the creation of new districts and increase in Parliament, cabinet and other top executive administration units that have resulted in the hiring of more personnel.

39 Kojo, N.C. (2014).


# PART 2:

## WOMEN'S ECONOMIC EMPOWERMENT

### PUTTING WOMEN AT THE CENTER OF UGANDA'S ECONOMIC REVIVAL

## 3.1. Uganda continues to face significant gender inequality in economic outcomes

46. **Women's economic empowerment not only is the right thing to do; it is smart economics.**[40] Increases in women's labor force participation and earnings are associated with reduced poverty and faster economic growth. Women will benefit from their own economic empowerment, but so too will men, children, and society as a whole. Women's lack of economic empowerment, on the other hand, not only imperils growth and poverty reduction; it also has a host of other negative impacts, including less favorable education and health outcomes for children. The business case for expanding women's economic opportunities and their ability to make decisions about these opportunities is clear; this is nothing more than smart economics.

47. **Uganda has narrowed gender gaps in a few key economic indicators, although progress has reversed under the COVID-!9 pandemic.** Its female labor force participation rates historically have been higher than those in other countries in sub-Saharan Africa, which tends to have higher rates than other developing regions. Women comprise 40 percent of all business owners – making Uganda one of seven countries in the world to achieve gender parity in the rate of entrepreneurial activity.[41] Women also fare relatively well in financial inclusion: in 2019/2020, 49 percent of Ugandan women had access to some form of financial service, compared to 57 percent of Ugandan men.

48. **Substantial gender inequalities remain, however, particularly in outcomes correlated with sustainable income generation, which is the cornerstone of poverty reduction and inclusive growth.** Gender gaps in educational attainment and paid employment – accompanied by occupational sex segregation – exclude women from higher-skill and higher-profit jobs and enterprise ownership. Moreover, many the inequalities have been increasing over past five years, and at an accelerated rate during the COVID-19 pandemic. Together, these gender gaps constrain not only women's economic empowerment, they also choke off opportunities for women to push the economy forward in its transformation out of subsistence agriculture and into an industrialized society with greater wealth for all. Gender equality has the potential to increase human capital wealth by up to US$1,619 per capita, which is an 11.8-percent increase over the base value of Uganda's total wealth per capita.[42]

49. **Persistent gender gaps threaten to undermine Uganda's human capital investments in its youth.** Historically, increased spending on infrastructure has been at the expense of investing in social sectors such as education and health, which experienced a decade-long decline in real per capita allocations, thereby impacting service delivery. In efforts to reverse this trend, government has since prioritized human capital investments in youth, a cross-cutting theme in the NDPIII. Uganda has the world's second-youngest population, with a mean age of 15.9 years. This population must enter the workforce in greater numbers and with increased productivity to harness the demographic dividend.[43] Nearly three-quarters of Ugandan youth still enter the workforce through farm labor.[44] Young females and males must be educated, trained, and linked to growth sector paid jobs to productively participate in the workforce and pull the country ahead in its efforts to industrialize and economically prosper.

50. **Greater investments will be needed to boost female youth, who lag behind male youth in completion of schooling and attainment of marketable job skills.** This will require efforts to address barriers that are specific to female youth in the school-to-work transition, under which lie stubborn gender norms that give greater value to the education, paid employment, and business leadership of males. These are the same norms that allow child marriage and teen pregnancy to continue, putting girls at great risk and crippling their future income streams and overall well-being.

40 World Bank Group (2015).
41 Mastercard. (2019).
42 Wodon and Onagoruwa (2019).
43 Merotto (2019), World Bank (2019, May), World Bank (2017, December).
44 Merotto (2019).

51. **Ugandan women tend to be excluded from the most productive sectors of the economy, a pattern that has become more pronounced during the COVID-19 pandemic.** Starker than ever, gender gaps have exposed the need to address deeper structural and institutional factors that drive economic gender inequality. Building back better than before the pandemic is a chance to correct past disparities. If all Ugandans have equal opportunity and are fully engaged, economic recovery will be faster and stronger.

52. **Improving women's economic empowerment will involve, inter alia, bringing more women into SMEs.** More female entrepreneurs need to transition out of microenterprises to start and grow larger businesses in priority value chains and sectors of the economy and move into higher positions in these value chains. By using new approaches and learning "what works" to bring women into sustainable jobs in priority growth sectors, these lessons can be applied to men – eventually increasing their contributions to household incomes as well, thus further accelerating Uganda's sustainable industrialization.

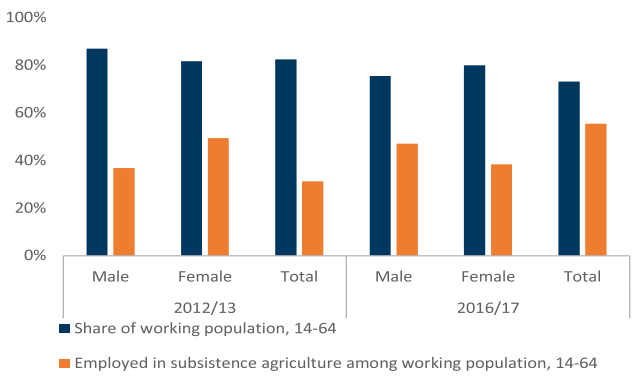
53. **Uganda's policy framework is generally supportive of women's economic activity but could improve its laws on inheritance and access to capital.** NDP III and Uganda Vision 2040 prioritize gender equality and women's empowerment as part of inclusive growth and development. An NDP III goal is to achieve "full gender equality" under its Human Capital Development Program. Government's Uganda Women Entrepreneurship Program (UWEP) is solely dedicated to women's economic development.

54. **This section examines economic empowerment in terms of Ugandan women's ability to advance economically and possess the agency and power to reap the benefits of economic activity**.[45] In addition to exploring different domains of women's economic empowerment – primarily regarding gender gaps in key economic outcomes and control over assets – the analysis identifies the determinants of gaps. It considers factors that constrain a narrowing of gender gaps in these domains: (i) Labor market outcomes; (ii) Ownership and control of household assets, namely land, and other factors in agricultural productivity; (iii) Financial inclusion; and (iv) Opportunities for entrepreneurship and, in particular, growth-oriented women-owned enterprises. Ways in which policy could be improved and better implemented to facilitate greater economic equality will also be addressed in this section, which concludes with several key recommendations.

45 This is based on the definition of women's economic empowerment suggested by Golla et al. (2011).

## 3.2. Expansion of gender gaps in labor outcomes has accelerated during the pandemic

**Figure 28:** Share of working-age population (14-64 years) working and working solely in subsistence agriculture, by sex and year (%)




**Source:** UNHS, WB calculations for 2019/20

**Note:** Only usual household members are included in 2019/20 and indicators may be slightly different from official UBOS numbers.

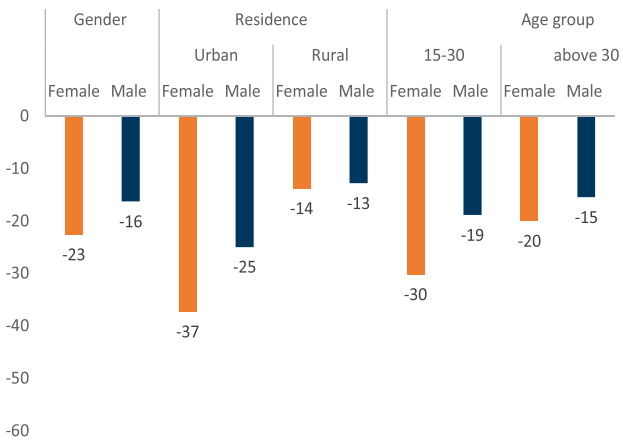
55. **Gender inequality in labor force participation and other labor market outcomes has grown in recent years, but even more so since the start of the pandemic.** In contrast to the consistent rise in women's workforce participation between 1992 and 2012, the share of working-age women (age 14-64) has fallen since, from 82 percent in 2012 to 76 percent in 2016 and then to 73 percent 2019/20 (Figure 28). With men's rates remaining above 80 percent, the gender gap in participation increased from five to seven percentage points. The pandemic has pushed a disproportionate share of women into subsistence agriculture or out of work altogether. Their already substantial share in subsistence agriculture has grown even further, from 47 percent in 2016/17 to 55 percent in 2019/20 for the entire survey period.

**Table 6:** Percentage distribution of working population by forms of work

| Forms of Work[46] | Before 20 March 2020 | | | | | After 20 March 2020 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Male | Female | Urban | Rural | Total | Male | Female | Urban | Rural | Total |
| Employment | 65.7 | 49 | 76.4 | 50.3 | 57.4 | 55.5 | 38.5 | 69.1 | 39.9 | 47 |
| Subsistence Agriculture | 33.1 | 49.5 | 22.2 | 48.4 | 41.3 | 43.5 | 60.4 | 29.4 | 59.2 | 51.9 |
| Unpaid Apprenticeship | 0.5 | 0.3 | 0.3 | 0.5 | 0.4 | 0.2 | 0.3 | 0.5 | 0.2 | 0.3 |
| Volunteers | 0.7 | 1.2 | 1.1 | 0.8 | 0.9 | 0.8 | 0.8 | 1 | 0.7 | 0.8 |
| **Total** | **100** | **100** | **100** | **100** | **100** | **100** | **100** | **100** | **100** | **100** |

**Source:** UBOS 2021

**Figure 29:** Work Stoppages by Sex, Age and Residence (Percent)




**Source:** UHFPS 2020 Round 1, World Bank calculations.

56. **Following the lockdown in March 2020, more than 60 percent of all females in the working population were engaged in subsistence agriculture** (Table 6). This is a whopping 17 percentage points higher than the share of males working in subsistence agriculture. Considering all forms of work, nearly one-quarter of women working before the lockdown reported a work stoppage in June 2020, compared to 16 percent of men (Figure 29). People in urban areas were more likely to stop work, especially women. In rural areas, the shares of men and women who stopped were lower and had a smaller gap between them. Younger women (age 15-30) have also experienced a high share of work stoppages.

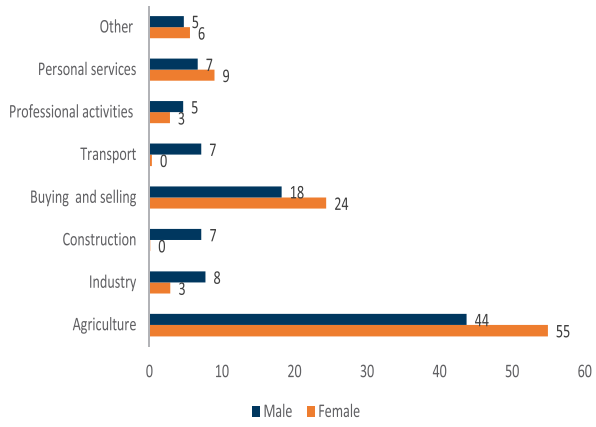
46 UBOS (2021). The Uganda Bureau of Statistics defines subsistence households as "those households that are unable to meet their basic needs regardless of whether they were engaged in any economic activity" (p.26) Subsistence agriculture is defined as "engaged in agriculture mainly for own or family use but partly for sale/barter" (p. 127); and employment work as "work performed for others in exchange for pay or profit" (p. 63). Unpaid trainee work comprises "work performed for others without pay to acquire workplace experience or skills"; and volunteer work comprises "non-compulsory work performed for others without pay" (p. 63).

57. **Women are almost 50 percent more likely than men to want employment yet not be able to seek or secure it.** In 2019/20, the share of women 14-64 years old who were not in employment and had expressed an interest in employment but were limited by existing conditions in their active job search or availability – defined as the potential labor force (PLF) – was 31.3 percent, compared to 21.3 percent of same-aged men.[47] The gender gap in PLF more accurately reflects Ugandan women's relative lack of access to job opportunities than does the unemployment rate, in which there is a negligible differential between women (8.9 percent) and men (8.7 percent). PLF is higher in rural areas for both women and men (35.1 percent and 24.3 percent, respectively) than in urban areas (24.2 percent and 14.5 percent, respectively), which suggests that the need to loosen constraints on employment is even greater for rural women than for urban women and rural men. One of the reasons working rates for Ugandan women exceed regional and global averages is their predominance in subsistence agriculture. Women and men alike cannot afford not to be economically active, but the work opportunities available to them are not sufficient to increase household incomes.[48] Unpaid care work and other constraints on women's employment and job seeking are discussed further below.

58. **Men predominate as paid employees in sectors associated with higher skills, higher pay, and the transition to industrialization.** Prior to the first lockdown in March 2020, these sectors included transport, construction, professional activities, and industry (Figure 30). Women, on the other hand, tend to predominate in agriculture (including but not limited to subsistence agriculture), personal services, and buying and selling. The gender gap in sectors of employment – and in the skill level of jobs in sectors –may partly explain gender wage gaps in Uganda.

59. **Partly due to gender discrimination, women earn less than men in Uganda – particularly young women, who earn 25 percent less than young men.[49]** Before March 20, 2020, median monthly nominal wages for male wage employees on their main job were USh250,000, but only USh140,000 for female wage employees in their main job; the gender differential in median number of hours worked is too small to account for this gap in median wages.[50] After this date, women's median monthly wages plummeted to USh100,000. Gender wage gaps in Uganda tend to be explained not only by differences in men's and women's labor market and other characteristics such as sector of employment, level of education, and age. A substantial portion also tend to be unexplained, suggesting that male-favoring gender bias (including statistical and institutional gender discrimination) by employers is at play.[51]

**Figure 30:** Pre-lockdown economic sectors of employment, by sex (% of employed population)




**Source:** UHFPS 2020 Round 1, World Bank calculations.

47 Ibid. In the Uganda National Household Survey 2019/2020 report, the Uganda Bureau of Statistics defines the unemployment rate as "the proportion of the unemployed population to the employed and unemployed" (p. 80).
48 Merotto (2019).
49 Khamis (2019).
50 UBOS (2021).
51 Research using earlier rounds of UNHS data (the 2020 estimates of median monthly nominal wages are from UNHS 2019/2020 survey data) finds the unexplained portion of the gender wage gap to be between 61 and 78 percent in rural areas and between 41 percent and 68 percent in urban areas (Kagundu and Pavlova 2007). This earlier study finds that in rural areas of Uganda, 68 percent of the gender wage resulted from discrimination against females and one percent from nepotism toward males. In urban areas, 24 percent of the gender wage gap was due to nepotism toward males and 68 percent to discrimination against females.

60. **The quality of women's jobs is lower than men's, with labor conditions more precarious.** This is in part due to women's higher representation in the informal sector and in jobs that are more vulnerable.[52] Greater vulnerability to economic shocks explains why women have experienced work stoppages at greater rates than men following the lockdown. In general, women are less likely than men to have a written contract and work in a formal or large firm.[53]

61. **Due to setbacks under the pandemic, Uganda faces the dual challenge of once again bringing women back into the workforce and, beyond that, into jobs that are on par with men's jobs**. Women's paid work has become even more precarious. With many schools in Uganda closed after March 2020 and children at home, a key constraint on women's work – related to unpaid care work – has also become more binding (discussed further below). More than ever, Uganda needs to invest in girls' and young women's education and skills development.

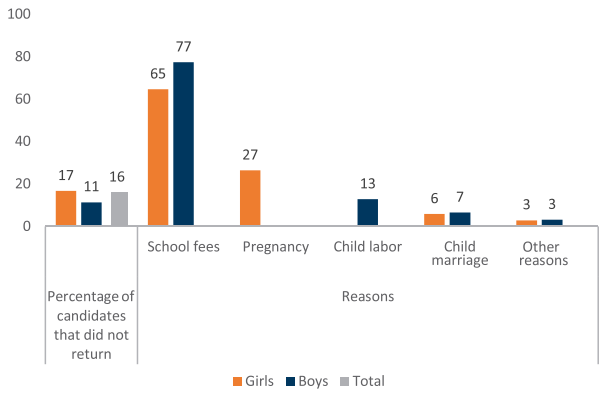
62. **Gender norms create additional barriers for young women in their school-to-work transition.** Available data suggest three main obstacles that are specific to Ugandan women in their transition to sustainable work in wage jobs or enterprise ownership: (1) gender gaps in educational attainment and skills acquisition; (2) women tend to cluster in female-dominated sectors (often those associated with caregiving, such as health and education) and lack awareness of and exposure to alternative, more remunerative livelihoods; and (3) family care and other household responsibilities, which disproportionately fall on female household members. These barriers are in addition to statistical and institutional gender discrimination, which play out in complex ways in the economy (for example, in gender wage gaps, as noted above) and is beyond the scope of this discussion.

**Table 7:** Reasons reported for leaving school, by share of males and females aged five years and above

| Reason for leaving school | Female | Male |
|---|---|---|
| Completed desired schooling | 6.02 | 8 |
| Too expensive | 62.76 | 68.55 |
| Parents did not want | 6.8 | 1.98 |
| Not willing to attend further | 7.21 | 12.03 |
| Poor academic progress | 2.65 | 2.83 |
| Had to help at home | 1.9 | 0.88 |
| Pregnancy | 5.74 | 0.03 |
| Sickness or calamity in family | 4.24 | 3.12 |
| Other | 2.68 | |
| **Total** | **100** | **97.42** |

**Source:** UNPS, WB calculations for 2019/20.

**Figure 31:** Candidates who did not return to school and reasons for not returning, %




**Source:** EPRC Rapid Survey March 2021.

63. **More than one-third of Ugandan women are illiterate; among Ugandans with any formal education, the critical gender disparities are in completing school, rather than attending.** Only 66 percent of women ages 18 and above are literate, a 14-percentage-point difference from same-aged men's literacy rate of 80 percent. Rates for both sexes are higher in urban than in rural areas, with the widest gender gap being in rural areas, where women's and men's literacy rates are 60 and 77 percent, respectively. Although usage rates of Early Childhood Development (ECD) programs are low, there is gender parity in ECD attendance —around 38 percent in urban

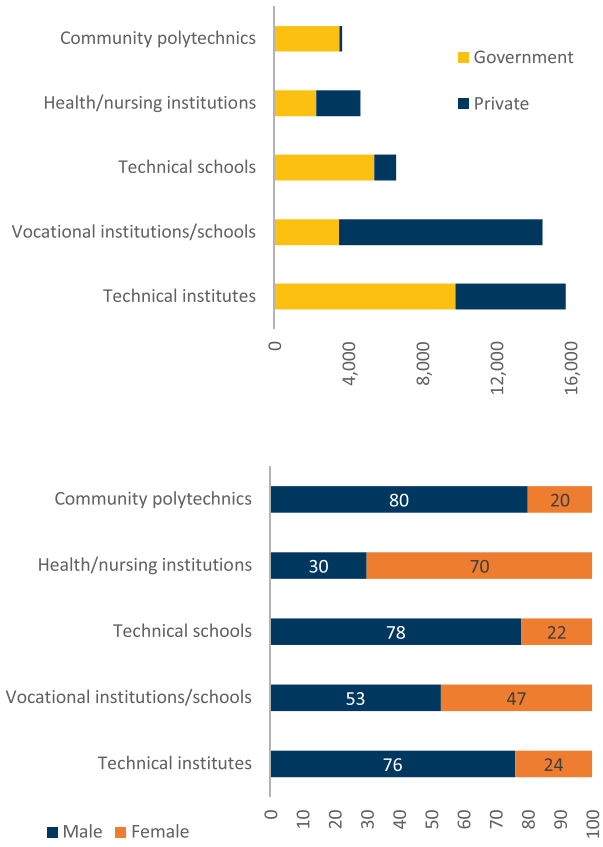
52 Khamis (2019); Merotto (2019).
53 Khamis (2019).

and rural areas. Girls also outpace boys by 1-3 percentage points in primary (81 percent) and secondary (29 percent) net enrolment rates. Yet, men's higher literacy rate reflects gender gaps in educational attainment. Nationwide, completion rates for females aged 15 and above are 12 percent for primary school (14 percent for same-aged men), seven percent for secondary (10 percent for same-aged men), and six percent for post-secondary and above (10 percent for same-aged men).

64. **For more females than males in Uganda, educational aspirations are unmet due to pressure from families and family responsibilities.** The top two reported reasons that both males and females left school in 2019/2020 were (i) it is too expensive for the household, and (ii) they are not willing to attend further (Table 7). Women's lower likelihood of reporting the latter as a reason suggests a greater interest among females in continuing their education, with alternative norms-driven reasons playing a stronger role in their tendency to drop out. These norms, which prioritize the human capital development of male household members, underlie (a) parental pressure to drop out, which is higher for females than for males; (b) pregnancy (adolescent girls could be supported to stay in school and return after childbirth); and (c) having to help at home instead of going to school. During the pandemic, pregnancy may have become an even greater factor in the interruption of girls' education (Figure 31). Among all girls and boys in candidate classes, 16 percent did not return to school when it re-opened in October 2020. Yet, the share of female candidates not returning is almost six percentage points higher than for non-returning males. Pregnancy is the second-most-reported reason for girls not returning, after school fees, suggesting an increased vulnerability among females to teenage pregnancy as well as child marriage.

65. **Lower levels of educational attainment are correlated with lower odds of wage employment.** Of those in the working population, 42.5 percent with some primary education are employed. This rate rises with each level of schooling, up to 67.8 percent for those completing secondary education and 84.9 percent with post-secondary and higher education.[54] Given girls' comparatively low completion rates and their lower rates of returning to school after the shutdown, it is more critical than ever to prioritize girls' enrolments and educational attainment at levels that set them up for wage employment in the future.

**Figure 32:** Enrolment in BTVET by ownership, sex, and institution type




**Source:** Annual School Census (MoES, 2017) in Ministry of Education and Sports (MoES), GOU 2019 (pending publication)

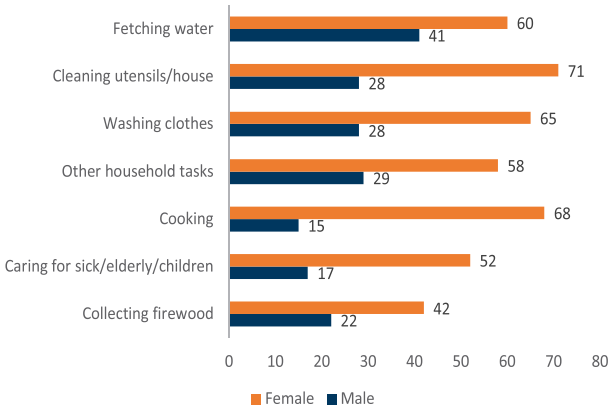
54 UBOS (2021).

66. **Female students are the minority in Business Technical Vocational Education and Training (BTVET) institutions that provide skills training in more technical, higher-paying economic sectors.** BTVET enrolments nearly tripled between 2012 and 2019, from 34,380 to 95,841, thanks in large part to investments in expanding, staffing and equipping BTVET facilities. Yet, women remain the minority in BTVET institutions that prepare students for higher-skill, more remunerative occupations and sectors, most of which tend to be male-dominated (Figure 32). As in most economies globally, feminized sectors in Uganda tend to pay lower wages. Female students are the minority only in health and nursing institutions. The overall share of females among BTVET students ranges from 35 to 45 percent – which is lower than the 2018 target of 48.5 percent in the Education Sector Strategic Plan 2015-2020.

67. **Adding to gender gaps in education and skills acquisition, there is reportedly a lack of awareness among women about higher-skill and higher-pay jobs.** Young women (age 15-29) in particular lack knowledge about sectors that will be more remunerative for them as employees and more profitable for them as entrepreneurs (see discussion in entrepreneurship section for more detail). At 12.5 percent, the share of young women who are neither in employment nor in education or training (NEET) was more than twice that of young men (5.7 percent) in 2016. Men also have greater access than women to job networks and mentors in higher-paying (typically male-dominated) fields.[55] Women also have fewer apprenticeship opportunities than men, although the pandemic has undercut these opportunities for everyone (Table 6). Although subsistence agriculture could be seen as a safety net for women facing economic shocks during the pandemic, in the longer term it is a setback in Uganda's aspirations for industrialization. The recent backsliding into subsistence agriculture underscores the urgency of interventions in agriculture to improve labor productivity and remuneration for those who remain in the sector and to strengthen pathways out of agriculture

68. **As with stopping their educations, women are more likely to report family duties as a reason for not seeking work or starting a business.** In 2019/2020, family responsibilities or housework was the reason for 27 percent of female household members and only 9 percent of male household members. Gender norms place childcare and housework responsibilities primarily on household females in most parts of the world. In Uganda, longstanding norms compete with and often override girls' – and their parents' – aspirations for their education, skills development, and time spent earning wages outside the home (which is more likely to pay wages than in-home work).

**Figure 33:** Percentage distribution of persons aged 5 years and above engaged in UCW, by sex and chore




**Source:** UBOS 2021

69. **In Uganda, 83 percent of females and 53 percent of males in households over age 5 participate in Unpaid Care Work (UCW).** Females engage in all tasks more than males do, with the greatest gender gap in cooking and cleaning (Figure 33). The largest gap is among those over age 30 in the working-age population. Before the March 2020 lockdown, 31 percent of men and 92 percent of women ages 31-64 were engaged in UCW. After the lockdown, the share of women remained at 92 percent, but men's share declined to 28 percent.

55 World Bank, forthcoming.

70. **Care work and other household demands on women's time are multiplied by the higher-than-average number of children in Ugandan households**. At 4.82 births per woman, Uganda's Total Fertility Rate (TFR) exceeds the average TFR for sub-Saharan Africa (4.7), which is more than double the 2.3 global average for developing regions.[56] The high TFR appears to be driven by personal preferences of parents (especially fathers) as well as by an unmet demand for family planning, which was reported by 28 percent of married women and 32 percent of sexually active unmarried women.[57] Especially for rural women – who, compared to urban women, average slightly higher fertility rates, shorter birth intervals, earlier average age of first sexual experience, and earlier average age of first marriage – opportunities for education and, later, decent paid work are truncated too early in life.[58]

71. **Uganda's TFR has been declining modestly in recent decades, and further fertility adjustments will be needed to help reduce fiscal costs of human capital investments and, in turn, allow the country to fully realize its demographic dividend**.[59] The lower child dependency ratio that results from decreased fertility enables households and government to spend more per child on education and other aspects of human capital development. The reduction in women's UCW improves their availability to join the formal labor force, which brings additional income to households as well as the economy overall. This enables even greater human capital investments per child, substantially increasing odds of female and male youth acquiring the education and skills they need to move into more productive and higher-paying jobs. A second part of the demographic dividend arises from this younger cohort's enhanced capacity to save some of the earned income and productively invest savings in priority economic sectors, thus helping advance Uganda along the path to industrialization. Greater savings also allow each cohort to better support itself in old age, leaving more income earned by younger cohorts to be invested in productive labor and growth-oriented enterprise. Without additional fertility adjustments, Uganda will remain in a status quo – what the 16th Edition of the Uganda Economic Update calls the "Business as Usual" scenario – in which current access levels and quality of public services persist, requiring vast fiscal increases to cover services for an expanding population.[60]

56 World Bank Gender Statistics (https:/databank.worldbank.org/source/gender-statistics).
57 UBOS (2016), in 2016, the most recent year in which available Uganda Demographic and Health Survey data were collected, the ideal number of children reported by women age 15-49 was 4.8 per women, compared to 5.4 for same-aged men. For 34 percent of these men 15-49, the ideal number was six or more children. Awareness of contraceptive methods is high among both men and women, but only 52 percent of women's demand for family planning is met by modern methods.
58 Ibid.
59 World Bank (2020).
60 Ibid.

72. **Enabling more women to join and remain in the labor force – and, furthermore, to secure paid employment with higher wages – will depend on augmenting their human capital and increasing the time they have available for paid work.** Girls need support on multiple levels to bring them back into schools and encourage them to remain there until they are sufficiently skilled to meet the demands of employers, such as in Uganda's industrial zones. Keeping girls in school longer also protects them from early marriage, teen pregnancy, and defaulting into subsistence livelihoods and unpaid care work.

73. **Provide a range of complementary interventions to bring girls back and keep them in school.** Government's School Reentry Policy (drafted as of this writing) has revised the guidelines for preventing and managing teen pregnancy, which will help address determinants of girls' drop-out and failure to return to school.[61] Alongside large-scale remediation interventions, pro-active re-enrolment activities, and adherence to health SOPs, government will also need to provide psycho-social support for vulnerable students coping with COVID-19 related stressors, especially girls who might have experienced GBV or pregnancy during the pandemic. Health interventions could be bundled with efforts to educate male and female students about sexual and reproductive health (SRH) – not only about the need for modern contraceptive methods, but to offer more guidance on how adolescents can physically access contraception to better meet young women's demand for modern methods. Only about one-third of women who visit a health facility discuss family planning.[62] In-school programs could also address norms underlying Uganda's high rates of GBV, which have increased since the beginning of the pandemic, by adapting successful evaluated interventions such as GEMS in India.[63]

74. **Expand access to ECD programs and invest in developing childcare services.** The relatively low usage of ECD programs—even before closures due to the pandemic—suggests that parents, particularly mothers, also will need an expanded set of options for childcare to free up time to pursue education, training, and paid work. Industrialization will eventually bring greater opportunities for employer-supported childcare.[64] In the meantime, government might consider developing and supporting affordable, community-based childcare models that have seen success in Latin America and the Caribbean and are not dependent on employers. In such models, government trains a trusted adult woman from each neighborhood (selected by parents in the community) and then supplements a small stipend that parents pay for her daytime care of their children in her home. Using this approach, the Hogares Comunitarios program in Guatemala provided 12 hours per day of affordable and reliable childcare; mothers who were program beneficiaries were more likely than mothers in the control group to be engaged in formal sector – and likely more stable – employment and earned higher incomes.[65]

75. **Support girls in school to study male-dominated subjects and then work in related sectors.** Teachers and peer support groups can be effective in encouraging girls to study science, technology, engineering and mathematics (STEM) fields and in lowering attrition rates of female students from these fields.[66] Matching female students with female role models in male-dominated sectors increases the odds of graduates pursuing jobs in such sectors, including ICT.[67] Female students' computer literacy rates are highest in school settings where it is universally mandated (a requirement for all males and females).[68] In Uganda, the top-reported reason for not using the internet is the lack of confidence, knowledge, or skills to use it – 62.1 percent for men and 64.7 percent for women.[69]

61 FAWE (2021).
62 UBOS (2016).
63 Achyut et al. (2011).
64 Select evaluated global examples of private sector, government, and PPP-provided childcare for employees have proven effective in increasing women's odds of labor force participation and employment. See, for example, Niethammer et al. (2017).
65 Ruel et al (2002).
66 Asian Development Bank (2012); Espinosa (2011).
67 Hermann et al. (2016).
68 Lyon et al. (2012).
69 UBOS (2021).

76. **For all of the recommendations above, government will need to identify high-level champions.** High-level messaging by government champions will be crucial in communicating government's commitment to keeping girls in school and economically empowering women.

## Box 2: Uganda's legal framework: women as workers and asset owners

Uganda's legislation supports gender equality in the workplace overall, but it does not sufficiently protect paid work for women who want to continue working after childbirth. Gender-based discrimination and sexual harassment in employment are both prohibited, and sexual harassment in employment is met with civil remedies or criminal penalties. Uganda also mandates equal remuneration for work of equal value and allows women to work the same night hours and in the same industries and jobs as men (even if deemed hazardous or inappropriate). Its laws that govern women's paid work around childbirth are weak, however. Although dismissal of pregnant workers is prohibited, there are no requirements for paid parental leave (such as at least 14 weeks of paid leave available to mothers) or for government to administer 100 percent of maternity leave benefits. The World Bank's "Policy Note: Legal Gender Gaps and Reform Recommendations for Women's Economic Empowerment in Uganda" recommends that the 2006 Employment Act's current provision (Section 56) be amended to (i) ensure women's right to a period of at least 14 weeks of maternity leave; and (ii) shift from employers to government the responsibility of administering maternity leave benefits so that the cost of employing women is not so disparate from that of employing men. It also recommends introducing paid parental leave provisions through adoption of legislation that requires the right to some form of parental leave, either as individual entitlements or as shared by the mother and father.

Uganda is currently reviewing the Succession Act, Cap. 162, which fails to grant female heirs and descendants (surviving wives and daughters) rights to inheritance of land and other assets that are equal to those of male heirs and descendants (surviving husbands and sons) in intestate succession. In cases of succession, where – in the absence of a will – a widow is not entitled to the matrimonial home shared with her husband prior to his death, ownership of the home is passed to the intestate's legal heir, who is defined as the closest male lineal descendant. Of all other property (both shared and unshared prior to the husband's death), only 15 percent is granted to the widow, with the rest going to the lineal descendant. The review may result in reforms that entitle female heirs and descendants equal rights to male heirs and descendants, which the Policy Note also recommends.

Source: World Bank (2021, November).

## 3.3. Lack of land ownership limits women's productivity and empowerment

77. **Land is important for the survival of women and their families, as well as for increasing household wealth in Uganda.** With the pandemic disproportionately pushing women into subsistence agriculture, as of 2019/2020 more working-age females (73 percent) than males (63 percent) are occupied in agriculture (including but not limited to subsistence level) than in 2016/2017.[70] Women's land inheritance and ownership rights – or at a minimum, land use rights – are essential to their agricultural productivity; however, these rights have not been adequately protected under Ugandan law in the past (Box 2). Without access to sufficiently large land parcels, women in agriculture are less able to produce beyond what they and their household members need to subsist. Income from agricultural production that is above and beyond subsistence level can be used to invest in health and education of family members, non-land household assets, and capital to start and even grow an enterprise (Box 3).


78. **Increasing household incomes will require the creation of more productive and remunerative work in agriculture as well as jobs outside of agriculture.** With such a large share of the population engaged in agriculture – and among it, the majority belonging to smallholder farm families who work their own farm – increases in household wealth will initially need to occur through enhanced agricultural productivity, until other sectors have grown sufficiently to absorb more of the labor supply. Agricultural businesses in Uganda outside of smallholder farms grew by 15 percent per year between 2001 and 2010, as did businesses in food and beverage retail, and in food and beverage processing. Together, these firms accounted for one-fourth of all employment in formal firms in 2010, with large food manufacturing firms achieving the highest rates of job creation.[71] Transforming the country's food system is likely to create more paid jobs than the rest of the economic sectors put together between 2010 and 2025, according to research of several sub-Saharan African economies.[72]

79. **Women farmers will need to improve their agricultural productivity, as agricultural land managed by female farmers is 20-30 percent less productive than land managed by male farmers in Uganda.**[73] Closing the agricultural productivity gender gap could raise Uganda's GDP by 0.42 percent – enough to bring 119,000 people above the poverty line.[74] There are multiple determinants of women's lower agricultural productivity in Uganda, among them a disproportionate share of childcare responsibilities, greater constraints on transport which limit access to input and output markets, lower use of and returns to pesticides and improved seeds, and a lower uptake of cash crops.[75] This discussion focuses on the productivity-limiting gender gap in land ownership, an important non-financial household asset – control over which is a key measure of women's economic empowerment.

70 Ibid.
71 Merotto (2019).
72 Townsend et al. (2017), cited in Merotto (2019).
73 UN Women, UNDP, UNEP, and World Bank (2015).
74 Ibid.
75 Ali et al. (2015).

## Box 3: More land can enhance women's productivity, enterprise growth, and household wealth

Thirty-two-year-old Margaret Ziraba is a small-scale commercial farmer in Buikwe, a rural district in central Uganda. She uses part of the family's two-acre land to grow vegetables and fruits which she – like other emerging commercial farmers in her village – sells to intermediaries from Kampala. She also has a small piggery with the potential to grow bigger. Both ventures have proven profitable.

However, her desire to grow more vegetables and expand the piggery is limited by the small acreage of their untitled family land. She keeps her small savings under the mattress hoping to raise enough money one day to acquire another two acres of land and expand her farming business.

Her husband, a village mason, has not shown keen interest in her venture although he recognizes its contribution to the income and welfare of the five-member family.

In the evenings, they listen to the radio together but never discuss the wife's business since he considers it the venture of a "mere" woman that is not worth taking very seriously.

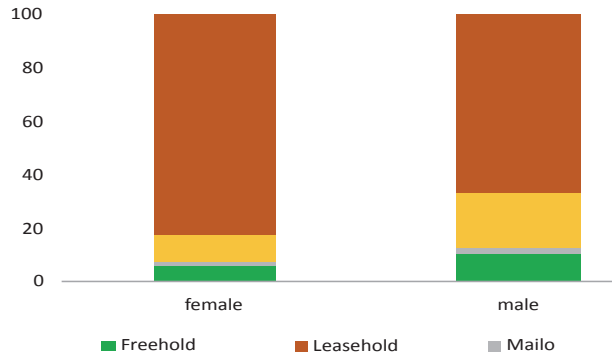
Source: MoGLSD (2021).

80. **Uganda's insecure land tenure system aggravates gender inequalities in land ownership.** As in other parts of Sub-Saharan Africa, in Uganda, formal land ownership through land titling and registration is far less common than customary land ownership, which is informal. Only 15-20 percent of national land is registered with land rights protected under freehold, leasehold, and mailo tenure systems, with the rest held under customary land tenure arrangements.[76] Titling and leasing are rare partly due to high costs associated with surveying and demarcation, which are required to obtain a land title.[77] Women tend to lack the funds to cover these costs and so are at a disadvantage in achieving formal ownership. They are at a disadvantage in customary ownership as well. Uganda's Land Act does not govern customary land ownership rights; the customary tenure system is not required to allow women to serve as co-owners or managers of customary land. Rather, community-specific norms and practices determine access to, control over, and transfer of land. These norms tend to be rooted in traditional beliefs that men – not women – should make decisions about household finances and assets, and thus encourage discrimination against women.[78]

81. **Men outpace women in formal and informal land ownership rights.** As recently as 2019/20, only 17 percent of women in Uganda are estimated to have any type of land ownership rights, compared to almost one-third of men (Figure 34). The share of men with freehold or leasehold land ownership is nearly double that of women. Both males and females are more likely to possess customary than formal ownership rights, but men are nearly twice as likely as women to have the latter. Female landowners also are less likely to have a formal certificate of title or customary certificate, a semi-formal or informal document establishing land ownership, and a formal sales receipt.

76 The correct text for this footnote is as follows: Freehold land ownership is considered permanent and involves a certificate of title, which constitutes formal ownership. Mailo landowners possess the same rights as freehold but must respect the rights of lawful and bona fide occupants and Kibanja holders (former field-holding chiefs appointed as civil servants by the British, starting around 1900) to occupy and live on the land.
77 Mwsigye et al. (2020).
78 Ibid.; Merotto. (2019).

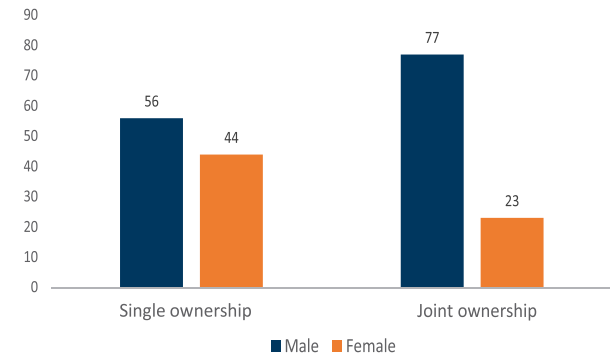
**Figure 34:** Ownership rights, by tenure type and sex




**Source:** UNPS (2019/20), World Bank calculations.

**Note:** the number of persons with "other" ownership is so small that percentages are estimated at 0 percent relative to other types of tenure.

**Figure 35:** Single and joint ownership of land in Uganda, by sex, among parcels of land owned




**Source:** UNPS 2019/20, World Bank calculations.

82. **Women also own much less land than men in Uganda—with smaller land parcels—despite a relatively narrow gender gap in rates of sole ownership of any land parcel**. Among those who have sole ownership rights over any agricultural land parcel, an estimated 44 percent are women (Figure 35). A key gender disparity in land ownership is in the size and number of parcels owned. As of 2019/2020, men have larger estimated landholdings (a mean of 1.6 hectares) than women (a mean of 1.17 hectares); in other words, Women own 72.9 percent as much land as men. This is a slight decline since 2016/2017, when women owned an estimated 73.6 percent as much land.[79] Men on average also own a greater number of parcels than women.[80]

83. **Because it is comparatively difficult for them to purchase land, women must rely on inheritance as their primary means of land ownership; however, inheritance rights are not commonly enforced or even understood**. Men acquire their land by purchasing it at more than double the rate that women do – about 68 percent and 32 percent, respectively, in 2019/20. Women acquire the land they own more often through inheritance than through purchase, but still at lower rates than men acquire land through inheritance (37 and 63 percent, respectively). Enforcement of rights to inheritance is weak in Uganda, especially when it is the inheritance rights of women in question. The sentence should be: Although final passage of the Succession Amendment Act 2021 will legally establish gender equality in inheritance, custom frowns upon women's inheritance of land that is considered to be the property of the husband's natal family.[81] Women are much more vulnerable than men to illegal seizure of their land ("land grabbing"), including land to which they are legally entitled through inheritance. In 2019/20, female landowners were more likely than male landowners to have been involved in a land dispute or disagreement with someone over their land parcel.

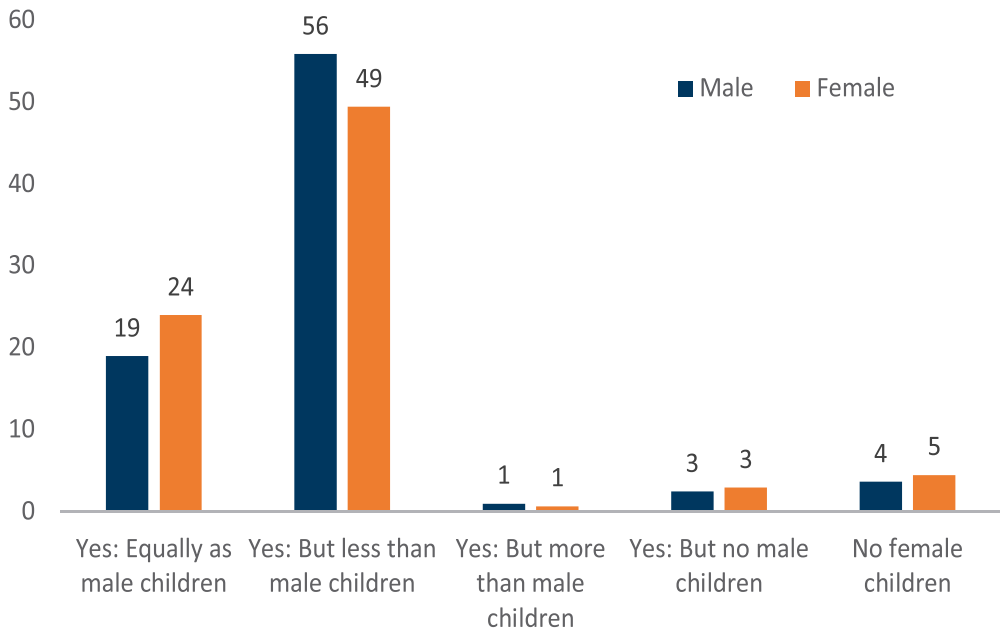
84. **A majority of both men and women believe that female children do not have land inheritance rights that are equal to those of male children.** When asked if female children have the right to inherit family land, 54 percent of women responded that either female children have less right to inherit than male children (49.4 percent) or no right to inherit at all (4.5 percent) (Figure 36). Among men, 3.7 percent responded that female children have no rights and 56 percent that they have less than their male counterparts. Only 19 percent of men and 24 percent of women responded that rights to inherit land are gender equal. Regarding the inheritance of family housing property (as opposed to family-owned agricultural land), belief in equal inheritance rights is a bit more common – reported by 28 percent of female household heads and 23 percent of male household heads.

79 Mwsigye et al. (2020).

80 Data from the 2019/2020 UNPS agricultural survey allow identification of the gender of the first (if solely owned) and second (if jointly owned) owner of each parcel of land belonging to the household. This seems to be a more accurate way of attributing land ownership by gender, as opposed to identifying the gender of the household head as the (sole) owners of the land. Being a female head of household does not ensure her ownership of a land parcel that belongs to the household, particularly given the hurdles that women face in fulfilling their land inheritance rights. The analysis of land ownership thus considers gender of the parcel owner(s) rather than gender of the household head.

81 Ibid.

**Figure 36:** Responses to question: Do female children have the right to inherit land?




**Source:** UNPS 2019/20, World Bank calculations.

85. **Women's lower agricultural productivity than men's derives, in part, from gender gaps in land ownership rather than gaps in land use.**[82] Ownership of land includes the rights to sell, mortgage, rent, make improvements on and retain the revenue generated from the land. Use rights involve only some of these. Gender inequalities in use rights are less pronounced than in ownership, although men's use rights tend to be over parcels that are much larger than those over which women have use rights. Crop yields are higher (by about 552.3 kg per hectare) on plots where women have ownership rights than on plots where women have use rights only; in fact, yields from plots where women have ownership rights are higher than those on which men have ownership rights. On plots where men have use rights, yields are higher (by 182 kg/ha) than on plots where women have use rights.

86. **Finally, land tenure insecurity is not only bad for women's land ownership and agricultural productivity; it is bad business for Uganda.** Without ownership rights over land, women lack the main form of collateral required to secure loans from formal financial institutions, which have the capacity to provide larger volumes of loans than microcredit institutions. Insecure land also is a deterrent to investments in technology and other innovations in agriculture; moreover, insecurity lowers the value of land to be used as collateral for loans.[83] Less than one-fifth of Uganda's land has sufficiently secure tenure to qualify as collateral for formal loans. Land insecurity (specifically, lack of access to private land) is also associated with land fragmentation, in which land parcels are so small – and, in cases where households own multiple parcels, are typically separated from each other – as to severely constrain how much farmers can invest in the land. Women's relative lack of owned land, compared to men's, and high degrees of land fragmentation, together with Uganda's high fertility rates, suggests an immense pressure on small parcels of land to support large numbers of household members. The combination is simply not sustainable, and it implies decreasing investments per child – the wrong direction for Uganda.

82 Ibid.
83 Merotto (2019); World Bank UEU17 (2021, June).

## Recommendations and global good practices for closing gender gaps in land ownership

87. **The land tenure system's bias toward male landowners has negative implications for productivity, profits, and sustainable management of land in Uganda – as well as for women's economic empowerment**. Until more jobs are available outside of agriculture, raising productivity of the agricultural sector will be critical to increasing access to wage employment, boosting household incomes, and economic growth. Enforcing legislation that guarantees gender equality in land ownership and inheritance is an important condition of rapid growth. To boost women's land ownership, enforcement of laws could be accompanied by measures to ease procedural barriers to women's ownership, such as steep costs of certification and registration.

88. **Pass and enforce the amendment of Sections 2(7)(n)(ii), 26(1), and 38(2) of the Succession Act, Cap. 162 so that female heirs and descendants possess inheritance rights that are equal to those of male heirs and descendants in intestate succession.** Although the Ugandan parliament passed the Succession Amendment Act, 2021 in April 2021, with this amendment as an objective, the Bill was sent to the President, who then returned it to Parliament in August 2021 to reconsider certain provisions.[84] Once amended, the policy would need to make clear that it prohibits, in particular, gender discrimination in rights to inherit assets for sons and daughters, as well as for male and female surviving spouses. Ideally, enforcement of equal rights would extend from formal land tenure arrangements to customary tenure arrangements. To the extent possible, policy enforcement needs to occur in parallel with implementation of climate-smart land tenure reform (see below) so that implementation partners can leverage the law and supporting mechanisms (such as local courts and community arbitration agents) to enforce it.

89. **Raise men's and women's awareness of gender equality in rights to inherit land – both as spouses and as children of either sex.** Awareness raising programs could be carried out as soon as the Succession Amendment Act is finally passed and under implementation. Examples from other countries are instructive and could be adapted to the Ugandan context. For example, the Property Rights Program in Kosovo, supported by USAID, has successfully used media campaigns – including through radio, billboards, and grassroots events for children – to increase awareness of female property rights and significantly raise women's inheritance and property registration rates. Under this program, the number of women who filed inheritance claims in courts rose by a factor of 10.[85] Among several promising social mobilization programs in Bangladesh, the NGO, Center for Development Services (CDS), conducts interactive media campaigns on women's rights to identify customary practices and discriminatory laws that obstruct women's ability to claim property. To enable in-person transmission of this information, CDS also identifies certain women in communities and trains them in mobilizing their communities to advocate and redress property rights violations.[86]

90. **Implement Sustainable Land Management-Climate Smart Agriculture (SLM-CSA) as a means of making land tenure more secure and more gender-equal.**[87] In a country with 80 percent of land under informal and insecure ownership, implementing SLM-CSA can jumpstart the much-needed process of land demarcation along with defining land ownership and land use rights, as detailed in the 17th edition of the Uganda Economic Update, From Crisis to Green Resilient Growth-Investing in Sustainable Land Management and Climate Smart Agriculture. For example, government could administer land policies that enable organized groups of female (as well as male) producers to access and even purchase land, while requiring them to commit to the adoption of SLM- CSA and judicial management of natural capital as a condition for accessing land.

84 World Bank (2021, November).
85 Limani et al (2018).
86 USAID (2003).
87 World Bank UEU17 (2021, June).

This approach could help overcome land fragmentation challenges as well as take advantage of women's greater inclinations toward sustainable land management while improving their access to and ownership of land. Implementation of SLM-CSA could build upon an array of existing programs in Uganda (which need support and upscaling in any case) that aim to promote tenure security through improved land demarcation or provision of adequate documentation to male and female landowners. Two examples of effective ongoing programs are the Systematic Land Adjudication and Certification (SLAAC) program and the partnership between the Ministry of Lands, Housing and Urban Development (MLHUD) and GIZ.[88]

88 Ibid.

## 3.4. Women are more financially included than ever, but less so in formal mechanisms

91. **Women are catching up to men in financial inclusion in Uganda.**[89] According to Findex, the share of adults (age 15+) in Uganda with an account at a financial institution or with a mobile money provider increased from 44 percent in 2014 to 59 percent in 2017.[90] The gender gap in favor of men narrowed during this period from 41 to 25 percent. According to the UNHS, in 2019/20, 53 percent of the Ugandan population age 15 and above either used mobile money or had access to formal or informal accounts (Table 8).[91] Men were more likely to be financially included than women using this indicator (57 versus 49 percent, respectively).

**Table 8**: Access to financial accounts and usage of the mobile money service in 2019/20, age 15+

| Indicator | National | | | Urban | | | Rural | | |
|---|---|---|---|---|---|---|---|---|---|
| | male | female | total | male | female | total | male | female | Total |
| Used mobile money services | 52 | 39 | 45 | 66 | 57 | 61 | 47 | 32 | 39 |
| Commercial bank or MDI account | 11 | 5 | 8 | 22 | 12 | 16 | 7 | 2 | 4 |
| Account or membership in SACCO, MFI | 3 | 2 | 3 | 4 | 3 | 3 | 3 | 2 | 2 |
| Membership in informal institutions or using individual informal financial services | 16 | 20 | 18 | 12 | 16 | 14 | 17 | 22 | 20 |
| Used any financial services from above | 57 | 49 | 53 | 69 | 62 | 65 | 53 | 44 | 48 |

**Source:** UNHS 2019/20, World Bank calculations.

**Note:** MDI (Microfinance Deposit Taking Institutions), SACCO (Savings and Credit Cooperative Organizations), and MFI (Micro Finance Institution).

92. **Gaps in access to financial services are largest between rural and urban areas**. Only 48 percent of adults in rural areas use some form of informal or formal financial services, compared to 65 percent in urban areas. Urban women (62 percent) are significantly more financially included than rural women (44 percent) and rural men (53 percent), but lag behind their fellow male urban residents (69 percent).

93. **Mobile money has driven increased financial inclusion for women, but women's phone ownership and use of mobile money lags behind that of men.** In 2019/20 (Table 8), 52 percent of men and 39 percent of women over the age of 14 used mobile money services, with access being much higher in urban areas (61 percent) than in rural areas (39 percent). Women were less likely (39 percent) than men (52 percent) to be connected with these services.[92]

94. **Men more often use formal financial mechanisms, whereas women tend to rely more on informal institutions, particularly in rural areas**. Men are twice as likely (11 percent) as women (5 percent) to have a formal bank account, either at a commercial bank or microfinance deposit-taking institution (MDI) (Table 8). Women more often have membership in informal groups, such as Village Savings and Loan Associations (VSLAs) or use financial services from individuals; about 20 percent of women reported this, compared to 16 percent of men. Accounts in informal savings groups are especially important for women in rural areas, where the reach of formal banks is more limited.

89 The two most reliable sources of data on financial inclusion are the Global Findex Database (Findex), with the most recent survey conducted in 2017, and the UNHS with the latest round conducted in 2019/20, which includes questions on access to financial services. These sources use different measures of financial inclusion and therefore are not directly comparable; however, they offer some insight into trends.

90 The FinScope survey conducted in 2017 uses a broader definition of financial inclusion than the UNHS, as FinScope it includes insurance mechanisms and UNHS does not. Estimates from the FinScope 2017 survey data (that women's access to financial services was 77 percent in and reached parity with men's access in 2017) are higher than those using UNHS (2016/17) data – FinScope (2018). Selected findings from FinScope will be used further below for select topics on which UNHS does not collect data.

91 The more recent estimates, for 2019/20, are from the UNHS, which uses slightly different measurements than FinScope,

92 Due to differences in the way questions were asked in rounds of the UNHS prior to the UNHS 2019/20, it is not possible to accurately assess trends since 2016/17, but the numbers suggest that use of mobile money services is increasing; in 2016/17 43 percent of adults (age 16+) were registered users of mobile money, which included 51 percent of men and 37 percent of women.

95. **Ugandan youth are the least likely to have access to financial services.** Only 38 percent of the Ugandan population age 15-29 years used financial services in 2019/20 (Table 9). This was much lower than usage rates by older age groups – 77 percent among those age 30-54 and 52 percent among those over age 54. The largest gender gap was among this oldest group. The gender gap in favor of men was only two percentage points among 15-29-year-olds, compared to 11 percentage points for those age 30-54 and 15 percentage points for those over 54 years old.

**Table 9:** Access to financial accounts and usage of the mobile money service in 2019/20, by sex

| | Male | | | Female | | |
|---|---|---|---|---|---|---|
| | 15-29 | 30-54 | 55+ | 15-29 | 30-54 | 55+ |
| Used mobile money services | 36 | 71 | 52 | 31 | 52 | 32 |
| Commercial bank or MDI account | 4 | 17 | 14 | 3 | 8 | 4 |
| Account or membership in SACCO, MFI | 1 | 5 | 4 | 1 | 4 | 2 |
| Membership in informal institutions or using individual informal financial services | 8 | 23 | 20 | 11 | 31 | 23 |
| Used any financial services from above | 38 | 77 | 60 | 36 | 66 | 45 |

**Source:** UNHS 2019/20, World Bank calculations.

**Note:** MDI (Microfinance Deposit Taking Institutions), SACCO (Savings and Credit Cooperative Organizations), and MFI (Micro Finance Institution).

96. **Both men and women avoid borrowing – by either taking out loans or borrowing goods on credit – if they can.** Only 14 percent of women and 17 percent of men reported ever having borrowed any money in the 12 months prior to the survey in 2019/20, with no significant differences between urban and rural areas (Table 10). Even fewer respondents borrowed goods in 2019/20 – eight percent in urban and nine percent in rural areas. An earlier survey from 2016/2017 finds that 24 percent of men and 17 percent of women reported borrowed money during the 12 months before the survey, with the overall incidence of borrowing money (with men and women pooled) declining from 20 percent in 2016/17 to 16 percent in 2019/20.[93]

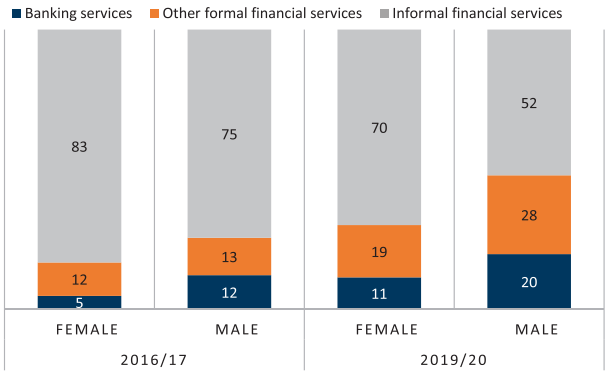
**Table 10:** Borrowing among individuals in 2019/20, age 15+

| | National | | | Urban | | | Rural | | |
|---|---|---|---|---|---|---|---|---|---|
| | male | female | total | male | female | total | male | female | total |
| Borrowed or got money in the last 12 months to be paid back later? | 17 | 14 | 15 | 15 | 13 | 14 | 17 | 14 | 16 |
| Borrowed or got goods on credit in the last 12 months? | 9 | 9 | 9 | 8 | 8 | 8 | 10 | 9 | 9 |

**Source**: UNHS 2019/20, World Bank calculations.

93 Reported numbers from UNHS (2016/17) and UNHS (2019/20) rounds on borrowing money are consistent with those from FinScope (2018), which found that 21 percent of men and 22 percent of women said they borrowed money in the 12 months prior to the survey.

**Figure 37:** Sources of borrowing in 2016/17 and 2019/20 by sex, 18+




**Source:** UNHS (2019/20), World Bank calculations.

97. **Both men and women have increased their use of formal institutions for borrowing.** There was a significant reduction in using informal sources for borrowing from 2016/17 to 2019/20 (Figure 37), accompanied by greater uptake of formal services. Women more than doubled their use of formal banks for borrowing. Whereas only five percent were using formal banking services and only 12 percent using other formal financial services in 2016/17, by 2019/20, 11 percent and 19 percent were using these services, respectively. Men also increased their use of formal services, but at lower rates, helping to close the gender gap.

98. **Even with increasing use of formal services, women are still more likely than men to look to informal savings groups, especially in rural areas.** Both men and women prefer informal credit sources overall, but women are significantly more likely to use these (70 percent) than men (52 percent). Usage is much higher for women in rural areas, where formal institutions have less of a presence. Among rural residents, 31 percent of women rely on VSLAs, compared to 21 percent of women in urban areas.

99. **Supply-side barriers to women's access to and use of financial services include, first and foremost, practices by formal lenders that afford less flexibility to women.**[94] Women tend to face stricter collateral requirements than men do. Female entrepreneurs studied in 2015 were more likely than their male counterparts to be asked to present collateral to access business credit.[95] As a result, only about 31 percent of female entrepreneurs in the study reported borrowing capital to start a business, and they held only 38 percent of the volume of loans held by their male counterparts. The absence of legislation prohibiting discrimination based on gender in access to credit (Box 4) also contributes to inequalities in practice, as does potential discrimination on the part of lenders (see section on women's entrepreneurship, below, for further discussion).

100. **Women's greater use of group-based, informal savings and credit also reflects the fact that these institutions have traditionally marketed their services to women and been a source of resilience during economic shocks, including the COVID-19 crisis**. Over more than a decade, donors including CARE,[96] the Bill and Melinda Gates Foundation[97] and others have invested many millions of dollars in Uganda creating VSLAs and scaling up a national infrastructure to support them, all with an explicit focus on connecting women with informal financial services. A 2021 review found that these groups served as a critical source of resilience during the COVID-19 shock. Many were able to continue operating, serving as networks for sharing information, a cushion for economic shocks and a platform for helping women transition from sectors and activities most affected by the lockdown into more profitable areas.[98]

94 The UNHS does not include questions about preferences for and experience in seeking different financial services, but other studies, such as that by Campos et al. (2015), offer some insights.
95 Campos et al. (2015).
96 CARE (2020). Village Savings and Loans Associations Annual Report. Atlanta, Georgia.
97 Bill and Melinda Gates Foundation (2021, March).
98 Ibid.

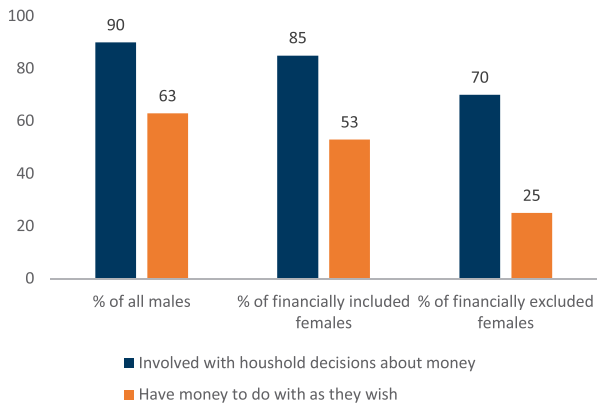
101. **Demand-side barriers relate to a common perception that financial services are expensive, and a lack of trust in allowing other people to handle one's money**. In 2017, 29 percent of women and 27 percent of men who were not at the time using any financial services felt it cost too much, while 23 percent of men and 15 percent of women reported not trusting others with their money.[99] These perceptions were stronger among young people: 29 percent of young adults reported that financial services were too expensive, and 17 percent reported a lack of trust in others to handle their money. Less common responses were related to the greater-than-preferred physical distance to travel to access the financial service, which was reported by nine percent of men and seven percent of women.

102. **Apprehension about using technology and a preference to deal directly with people has limited women's uptake of digital financial services.** In 2017, 74 percent of women reported that they would rather work with people face-to-face than with machines, such as ATMs or phone applications; moreover, women are less likely (63 percent) than men (72 percent) to have an interest in learning to use new technology.

103. **Access to financial services goes hand in hand with economic independence.** In 2017, more than half (53 percent) of women who were connected with informal or formal financial services were more likely than women without connections to such services (25 percent) to report having disposable income to spend as they wish (Figure 38).[100] Similarly, 80 percent of those who are financially included participate in household decisions about money, compared to 70 percent of those financially excluded.

This is in stark contrast to men (considering both financially included and excluded together), 90 percent of whom reported participating in household decisions about money and 63 percent of whom reported having disposable income. Even with access to financial services, a substantial portion of women do not participate in household decisions about money or have disposable income to spend as they like. This strongly suggests that additional barriers are at play, such as gender norms that recognize the authority of household males to make decisions about household finances more than the authority of women to make these decisions.

**Figure 38:** Empowerment of women in household decision-making, among financially included and excluded




**Source:** FinScope 2018

104. **Women who do not have access to financial services are also more likely to be economically dependent on others.** Among women without any access to formal or informal or financial services, the great majority (78 percent) reported being dependent on a household member to cover expenses. Notably, of all women who reported receiving some kind of income from outside the family, 95 percent said they had to spend at least some of it on other household members, and five percent said they were forced to give it to another household member.

99 FinScope (2018).
100 UNHS does not include questions about economic decision-making and empowerment; however, FinScope does assess this, so the FinScope 2017 survey findings are used here.

## Recommendations and global good practices for closing gender gaps in financial inclusion

105. **Improving the financial inclusion of women is a first step in harnessing the potential of Ugandan women to jumpstart economic recovery from the pandemic**. Secure savings mechanisms, such as mobile banking, grant women greater control over their finances. Barriers that are specific to women need to be addressed, such as traditional collateral requirements to secure loans. Loan products that depend less on collateral enable women to invest in and grow their businesses. In enterprise ownership, larger volumes of finance have a more transformational impact than microfinance.

106. **Continue to expand access to mobile and digital technology that connects women with financial services, especially in rural areas.** Mobile money has been a game-changer for women's financial inclusion in Uganda. The largest remaining gaps in access are in rural areas, where women are less likely to have access to mobile phones or the Internet. Continuing efforts to expand technology access in rural areas – for example, through mobile phone and other technology services providers' expanding coverage to underserved rural communities – will go a long way toward deepening women's access to financial services. The effectiveness of enhancing women's financial inclusion through improving access to mobile money is well supported.[101] In addition, mobile money technology can address gender norms that keep women economically dependent on men by allowing women to conduct financial transactions and decisions in private, including without needing their husbands' permission; privacy is an important precondition for higher savings and productive use of income among women and can help them overcome mobility and time constraints.[102]

107. **Build on the success of informal group-based savings and credit mechanisms by better connecting these to the formal economic architecture.** Heavy investment in VSLAs and other group-based platforms has helped connect millions of women with financing. These groups played a critical role in supporting women during the COVID-19 shock. There is a need to better connect the fragmented system of VSLAs with the overall formal economic architecture, so that women can transition to formal financial mechanisms as they become more economically successful.

108. **Provide incentives for formal financial institutions to increase flexibility in collateral requirements and repayment procedures.** Ugandan women would benefit from greater availability of collateral-free, flexible credit to lower or remove related financial and transaction costs and help meet their demand for larger loans. Microfinance loans are typically provided without demanding traditional collateral as security, made possible largely through the application of group-based lending technologies. Uganda has seen considerable success with group savings models, such as VSLAs, where women join a group of prospective borrowers who serve as guarantors of sorts. However, such models tend to limit the size of loans and come with restrictive repayment schedules. Commercial bank practices that privilege men's access to savings and credit work against women's financial inclusion and deprive the economy of contributions women could make. The standard Grameen Bank group lending model in Bangladesh, with fixed repayment schedules and inflexible floors and ceilings on loan amounts, is increasingly regarded as inappropriate for both extremely poor/vulnerable non-poor women and women seeking business growth opportunities.[103] More recently it is being adapted to offer borrowers more choice about the length and size of their loan.[104] Providing lenders with greater information on female borrowers or using psychometric tests to assess a potential borrower's ability to pay

101 Gammage (2017); Aron and Muellbauer (2019).
102 Wandibba, et al. (2014); Buvinić, et al (2013).
103 Zaman (2004).
104 Rhyne, E. (2012); Solotaroff et al. (2019).

back a loan can compensate for women's lower access to collateral as well.[105] Alternative methods of assessing women's creditworthiness, given their re lative lack of credit history and traditional credit scoring, could include mechanisms that use traditional as well as alternative data, such as payment of utility bills and transaction histories on digital platforms—in particular, mobile and social footprints. Recent machine-based learning mechanisms that utilize substantial traces of unstructured data from individuals' mobile phones show considerable promise in predicting loan outcomes; by increasing lenders' information about prospective female borrowers, such mechanisms could significantly enhance women's access to credit while reducing their overall default rates.[106]

109. **Promote instruments and practices that allow women to hold assets in their own names and expand their use of formal financial services.** Providing savings and other financial products solely in women's names can increase their control of financial resources. When women have financial assets in their own names, rather than in their husbands' names or jointly with their husbands, they are more likely to have control over these financial resources. Experiments across the world have used largescale cash transfers to pull households out of poverty and economically empower women; such programs in Brazil and Mexico increased women's bargaining power in the household.[107] Efforts within banking systems to create a more supportive, a women-friendly environment and women-staffed banks, such as the Habib Bank's HBL Nisa program in Pakistan and the Yes Bank in India, show promise in increasing the confidence of would-be female clients and, in turn, increasing shares of women among clients.[108] Use of female agent bankers in local stores also has seen success in increasing women's use of financial services.

110. **Address demand-side barriers by improving women's rates of financial literacy.** Financial literacy programs for women need to be implemented more broadly, keeping in mind that without other complementary interventions, financial literacy alone may not be enough to improve women's financial inclusion. Some MFIs simultaneously offer collateral-free finance and address other barriers to women's financial inclusion related to flexible loan sizes and repayment schedules, financial literacy, geographical access, and women-friendly environment, among others. A package of characteristics that simultaneously addresses the multiple, often-related barriers to women's financial inclusion is likely necessary to notably increase inclusion of women.[109] Evaluated examples from other countries illustrate how entertainment media can be used to improve women's financial education together with financial behavior and use of financial services. As Ugandan women may not have access to television or may be time-poor, successful examples of media in other countries could be adapted to radio or to visual materials posted in public spaces. For example, a soap opera in South Africa with a financial education storyline and a 70-percent-female viewership is linked to viewers' lower likelihood than a control group (which viewed a different TV show) to engage in high-risk financial behaviors.[110] The show's success is attributable to strong community involvement in designing it, which improved viewers' ability to relate to the characters. The Kenyan soap opera, 'Makutano Junction', with a focus on financial literacy, was successful in getting a large share of its non-banked, low-income rural female viewers to open formal bank accounts.[111]

105 Alibhai, S. et al (2018).
106 Agarwal, et al. (2020).
107 Ambler & De Brauw (2017).
108 Hamm et al. (2017) and Schnabel and McNally (2017).
109 Banerjee et al. (2015)
110 Berg, G. & Zia, B (2017).
111 Women's World Banking and Credit Suisse (2013).

## Box 4: Uganda's legal framework: women as financial decision-makers and entrepreneurs

Ugandan law recognizes gender equality in whether men and women are able to open a bank account, sign a contract, and register a business. In practice, women do face greater obstacles than men in these areas, especially in registering a business, but this is based on a lack of law enforcement rather than inadequate policy. The law does not prohibit discrimination in access to credit based on gender, however. The effects of this discrimination on women's entrepreneurship are discussed below.

Source: World Bank. (2021, November).

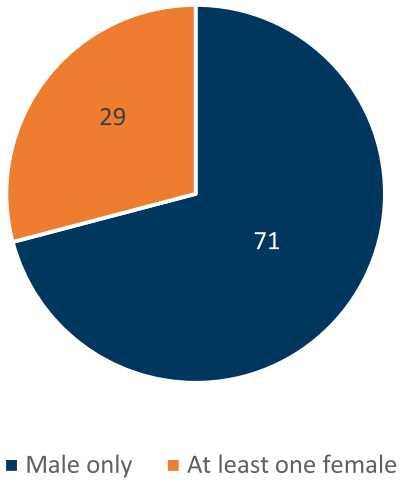
## 3.5. Meeting female entrepreneurs' demand to lead growth-oriented businesses

111. **Uganda's achievements in women's entrepreneurship, broadly speaking, are impressive.** At 40 percent, the share of women among all formal and informal business owners in Uganda is the highest in the world, including all developed and developing regions.[112] Uganda has been recognized among the top eight performers globally in the percentage of female population, age 18-64, who are nascent entrepreneurs or the owners/managers of new businesses, relative to their male counterparts.[113] Uganda is seen as an outlier because of its exceptional rate of entrepreneurship, especially among women, and its high scores in nearly all indicators of entrepreneurial behavior and attitudes that lead women to start businesses – despite being a low-income, factor-driven economy with sub-par entrepreneurial conditions.[114]

112. These high scores mask stark gender disparities in markers of entrepreneurial success, however, especially in the performance, growth, and endurance of enterprises owned by women, compared to those owned by men in Uganda. In Uganda there is a 30 percent gap in profits between male and female microenterprise owners.[115] On average, women-led enterprises are more constrained than men-led enterprises in size, access to capital, and sectoral location. As with other types of employment, women's childcare responsibilities also play a role in the gender profit gap in enterprises. In Uganda, profits of enterprises where small children are present are 48 percent lower than those without small children present, including female-owned enterprises without children; whereas 37 percent of female entrepreneurs bring their children to work in Uganda, zero percent of male entrepreneurs do.[116]

113. **First, female-owned enterprises are smaller, with fewer employees than in male-owned firms.** The most recent Uganda Enterprise Survey shows that less than 30 percent of formal sector small, medium and large enterprises surveyed had any female participation in ownership (Figure 39).[117] Because of high poverty rates, a large share of women who start businesses in Uganda do so out of necessity, rather than because they want to take advantage of a market or business opportunity. These businesses are not growth-oriented and remain on the lower ends of value chains.[118] It is not uncommon for women in Uganda to start businesses – albeit of the smallest kind – out of desperation driven by extreme poverty, economic shocks to their households, or after leaving households in which they are facing abuse (Box 5). Table 11 displays the distribution of formal sector firms by level of employment and share of female ownership. Women entrepreneurs in Uganda are most concentrated in small businesses (5-50 employees). Firm size does not appear to increase with greater shares of women among firm owners.

**Figure 39:** Proportion of formal enterprises with at least one female owner (n=762)




**Source:** Computations based on the Uganda Enterprise Survey, 2013

112 Mastercard (2019).
113 Bosma et al. (2021). In Uganda this ratio is 1.10, exceeded in Sub-Saharan Africa only by Togo (1.20) and Ghana (1.19), and outside only by Oman (1.20) and Philippines (1.30).
114 Mastercard (2019); Bosma et al (2021).
115 World Bank. (2019, March).
116 Delecourt, S. & Fitzpatrick, A. (2021).
117 The most recent Business Enterprise Survey for Uganda was conducted in 2013.
118 Mastercard (2019); Mugabi (2014).

114. **Second, female-led firms tend to have less capital than those led by men and access much smaller loans.** Those women who can afford to start enterprises out of opportunity (as opposed to necessity) still lack finance to grow their businesses, but smaller capital investments in women-led firms also stem from women's relative financial exclusion when it comes to loans, particularly larger loans and longer repayment periods.[119] Their relative lack of traditional forms of collateral such as land render them less credit-worthy in the eyes of formal financial institutions with the capacity to provide larger volumes of finance than microfinance institutions, many of which are informal, and collective savings groups. Women not only lack collateral in traditional forms, such as solely or jointly owned land; they also are more likely than men to be asked for collateral to obtain loans.[120] This underscores the need for alternative means of establishing creditworthiness (as noted above in the discussion on financial inclusion) and the need for legislation against gender-based discrimination by lenders.

**Table 11:** Share of enterprises, by level of employment and degree of female ownership

| Number of employees | All firms (n=745) | Any female Owner (n=232) | <20% Female owned (n=56) | 20-40% female owned (n=40) | 40-50% female owned (n=29) | >50% female owned (n=92) |
|---|---|---|---|---|---|---|
| Less than 5 | 5.1 | 4.31 | 5.36 | 5 | 0 | 5.43 |
| 5 to 50 | 79.46 | 76.72 | 73.21 | 62.5 | 93.1 | 81.52 |
| 50 to 100 | 6.58 | 8.62 | 10.71 | 12.5 | 3.45 | 7.61 |
| More than 100 | 8.86 | 10.34 | 10.71 | 20 | 3.45 | 5.43 |

**Source:** Computations based on the Uganda Enterprise Survey, 2013

115. **Third, women's enterprises are more likely to locate in less productive and less profitable sectors of Uganda's economy, which tend to be male dominated.** Less than 10 percent of women entrepreneurs operate in male dominated sectors.[121] Even after accounting for business characteristics not related to the sector – as well as personal and household characteristics of these female entrepreneurs – these women tend to have larger enterprises and greater sales revenues than women whose businesses are in female-dominated sectors; in fact, they attain the revenues made by male entrepreneurs in the male-dominated sector, closing the gender gap.[122] For Uganda, "male-dominated" describes a sector in which at least 75 percent of firms are led by men. Male-dominated sectors in Uganda include, inter alia, automobile maintenance and sales, construction, electricity and gas supply, metal works and engineering, real estate activities, transportation & storage, small transport services, trade food beverage & tobacco retail, trade of textiles and footwear, water supply and waste management, and wood manufacturing and repair.

119 Nationwide, the average amount of loan/credit received by men is USh1,918,037 and by women is USh699,596 (a 2.7 male-to-female ratio). In urban areas, the average amount for men and women, respectively, is USh2,530,770 and USh1,533,158 (a ratio of 1.7), and in rural areas, men average USh173,9378 and women USh405,268 (4.3 ratio).
120 World Bank, (2019, March).
121 Campos et al. (2015).
122 Bardasi, et al. (2011); World Bank, forthcoming.

## Box 5: Worsening under the pandemic, GBV harms survivors, their households, and the economy

Gender-based violence (GBV) is detrimental to the health and empowerment of girls and women, with measurable costs to women's economic empowerment. In Uganda, GBV takes different forms, ranging from intimate partner violence – especially in the home – to sexual harassment in workplaces and public spaces. An estimated 56 percent of Ugandan women report having experienced violence by a spouse, and 22 percent report having experienced sexual violence. In addition, harmful practices such as child/early marriage and female genital mutilation persist in some parts of Uganda.

Gender-based violence imposes substantial emotional, physical and economic costs; evidence shows the degree to which it undermines women's productivity and livelihoods. According to a 2013 study undertaken by the Center for Domestic Violence Prevention, an estimated nine percent of Ugandan women who had experienced violence in the previous 12 months had to take time off from work due to domestic violence; survivors took an average of 11.8 days off work per year. Domestic violence – and specifically, intimate partner violence – is a factor in women having to resort to entrepreneurship out of desperation, rather than out of perceived opportunities to start a profitable business.

Violence can also have broad, negative impacts on the economy. A 2012 study on the costs of domestic violence estimated that the response to such violence costs the country 0.35 percent of GDP and 0.75 percent of the national budget.

The incidence of GBV appears to have increased during the COVID-19 crisis. An estimated 3,280 cases of GBV, including intimate partner violence, were reported to the police between March 30 and April 28, 2020, while in 2019, an average of 1,137 domestic violence cases were reported each month.

According to the Uganda Child Helpline (Sauti 611), calls reporting violence against children escalated to 881 in March 2020, up from an average of 248 cases per month over the previous three years.

Source: AFDB (2016), CEDOVIP (2013), CEWIGO (2020), Kasirye (2012), MoGLSD (2020), UBOS and ICF (2018) & World Bank (2020).

116. **There may be a growing momentum among women-led entrepreneurs in the *informal* sector to shift into male-dominated sub-sectors that support industrialization**. Available enterprise survey data show women entrepreneurs in the formal sector being concentrated in hotel and restaurants, food, retail trade, and textiles, garments and leather products. Female entrepreneurs are largely operating in the informal sector in Uganda, however. Among households with informal-sector non-crop farming household enterprises, 889,186 (32 percent) are headed by women and 1,891,000 by men.[123] The most recent UNHS data suggest a diversification of female enterprise into additional sectors,such as manufacturing (Table 12). Only in transport and storage do male-led household firms predominate.

123UBOS (2021). This is the same share of female-headed households (2,846,811) among all households in the economy (8,901, which suggests that female-headed households are operating informal enterprises at the same rate as male-headed households.

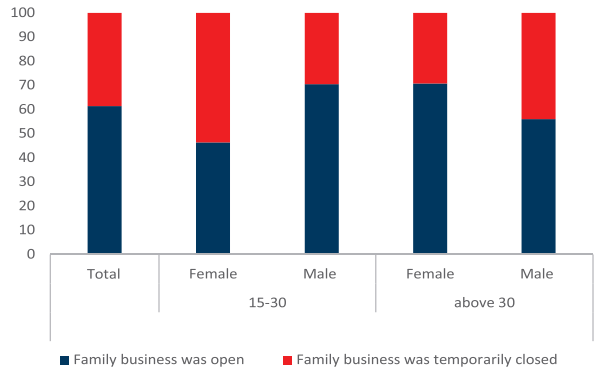
**Table 12:** Distribution of household enterprises by industry

| Sex | Agriculture, forestry and fishing | Mining and quarrying | Manufacturing | Trade | Transport and storage | Hotels, restaurant eating places | Other service activities | Others | Total |
|---|---|---|---|---|---|---|---|---|---|
| Male | 9.3 | 1.3 | 16.5 | 42.8 | 14.4 | 2 | 6.8 | 6.8 | 100 |
| Female | 5.8 | 1 | 24.4 | 51.3 | 0.4 | 8.3 | 6.8 | 1.8 | 100 |

**Source:** UBOS UNHS. World Bank calculations for 2019/2020.

117. **Many women and their households have lost income from having to shut down household enterprises during the pandemic** (Figure 40). As with work stoppages, young women have borne the greatest losses. Throughout the 2020-21 period, although women's enterprises have had roughly the same odds of closing as men's, they have had much greater odds of requiring financial assistance in order to reopen. This has been particularly true in the services sector. Half of all businesses surveyed required some kind of financial support, but 85 percent of the female-owned firms needed assistance—compared to just 31 percent of male-owned firms requiring financial support. Businesses shut down at high rates among some of the most vulnerable populations in Uganda – all of which include women, making these women doubly vulnerable. Among the country's sizeable refugee population, which has the potential to be a powerful contributor to Uganda's economic recovery and growth, women's work saw the greatest losses (Box 6).

**Figure 40:** Status of family business among Ugandans, by sex and age of household head




**Source:** UHFPS 2020 Round 1, World Bank calculations.

118. **Factors that increase the odds of women entrepreneurs crossing over into male-dominated sectors** in Uganda involve acquiring more information about and greater proximity to the sector through relationship connections, particularly with men.[124] This "learning" can occur through different channels, such as exposure to a new line of business in the sector, access to social networks that convey information about the sector, or having a male role model operating a firm in the male-dominated sector. The initial barrier is a lack of any information about the sector, including the higher profits associated with operating a business there. In Uganda, 80 percent of female entrepreneurs in non-male-dominated sectors whose earnings were lower than those of female entrepreneurs in male-dominated sectors believed their earnings were the same or higher than those of their counterparts in the male-dominated sectors.[125] A second barrier is a lack of information about market opportunities.

119. **Women entrepreneurs who transition to these higher-profit sectors appear to have in common the influence of role models and mentors, with most of these influential individuals being men**: fathers, male family members, male friends, and male community members. Specific factors associated with increased odds of transition by female entrepreneurs include the following:[126]

- Having a male contact who suggests the business idea
- Receiving training (typically from a man) in skills that are specific to a male-dominated sector
- Inheriting the business that a parent – most likely a father – owns in a male-dominated sector

124 World Bank forthcoming.
125 Campos et al. (2015).
126 World Bank forthcoming.

- Building non-cognitive skills and supporting innovative mindsets so that women entrepreneurs are more confident, risk-tolerant and opportunity-oriented.[127]

120. **Women entrepreneurs who operate in male-dominated sectors in Uganda have firms with higher levels of production, more capital, and more employees than firms of non-crossover women**. Differences in inputs and capital do not explain the disparity in sales, however. Among other determinants that could explain this difference is discrimination against women entrepreneurs. Indeed, qualitative research has uncovered incidents in which customers preferred to place orders with male-owned enterprises in the metal fabrication and carpentry sector. Average monthly profits are USh494,000 (US$197) for a female entrepreneur in a male-dominated sector and USh205,000 (US$82) for a female entrepreneur in a non-dominated sector. The latter is still less than the average monthly profit for a male entrepreneur in a male-dominated sector: USh515,000 (US$206).

121. **Female entrepreneurs may also need encouragement, peer support, and even assurance of safety to cross over into male-dominated sectors**, given social proscriptions against women entering male-dominated spaces and the high rates of gender-based violence in Uganda, including in the workplace. Women with firms in male-dominated sectors in Uganda report feeling deficient in managerial and technical skills.[128] This recalls related research findings that women who work in male-dominated sectors tend to have negative perceptions of their work identities and that female students in male-dominated classes and fields, particularly STEM, often lack confidence and have high attrition rates from these fields.[129]

122. **Finally, women entrepreneurs have considerably less access to technology, market information, and effective business training than male entrepreneurs – all of which is associated with lower profits for these women's firms.** Female heads of household enterprises have attended business development services training at lower rates (6.5 percent) than male heads of enterprises (8.1 percent) nationwide, with the lowest rates and biggest gender gap among rural household heads, according to analysis of UNHS 2019/2020 data. Psychology-based training that fosters a growth-oriented mindset in women entrepreneurs and increases both innovation and profits of enterprises has demonstrated greater success than standard business training approaches.[130] Female household business owners are also less likely than their male counterparts to keep a complete record of accounts (11 percent and 18 percent nationwide, respectively), with rural male heads more than twice as likely as rural female heads to keep complete records. Only 53.7 percent of women own any kind of telephone, whereas 74.5 percent of men do. Further, women comprise a full two-thirds of Ugandans who do not use a mobile phone.[131] Closing this digital divide would improve women's access to financial services, market information, and networks.


127 World Bank (2019, March).
128 Ibid.
129 Martin and Barnard (2013).
130 Copley et al. (2021).
131 EPRC (2019).

## Box 6: Economic impacts of the COVID-19 shock on female refugees

**COVID-19 has had a significant negative impact on Uganda's labor markets, affecting women more than men, with related shocks particularly impacting refugee women.** Among Uganda's refugee population of 1.5 million, more than half of households are headed by women, compared with one-third of households nationally. High levels of refugee humanitarian aid dependence are being affected by diminishing food rations. Women and female-headed households (FHHs) are more likely than men and male-headed households to receive income from vulnerable employment.

**Figure B1:** Pre-lockdown employment rates

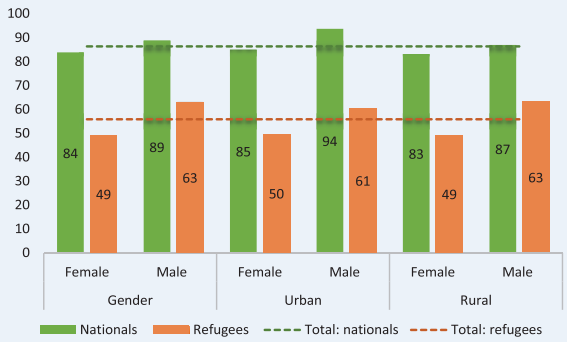
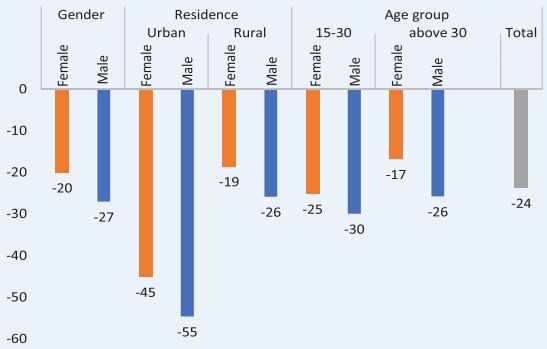


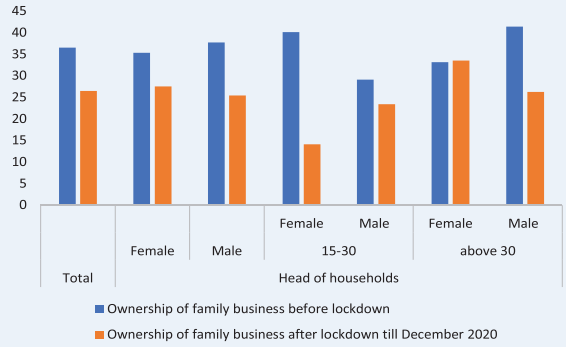

**Figure B2:** Work stoppages among refugees




Source: HFPS and URHFPS, WB calculations. Urban areas cover Kampala, rural areas the Southwest and West Nile regions.

Prior to the first lockdown in 2020, female refugees were much less likely to be employed than Ugandan nationals and refugee men (Figure B1). With lockdowns of settlements, refugees were more likely to cease working due to COVID-19 (Figure B2). Whereas 19 percent of Ugandans who worked before March had stopped working by June 2020, 24 percent of refugees had stopped by November 2020 – showing their inability to work again once lockdowns were lifted.

**Figure B3:** Ownership of family business before and after lockdown by gender of refugee household head




Refugee entrepreneurs were also more likely than Ugandan entrepreneurs to have their businesses close. Refugee ownership of household enterprises declined by 10 percentage points (to 27 percent) in April-December 2020 from the pre-lockdown rate of 37 percent ownership (Figure B3). Male-headed households' ownership of family businesses declined more than female-headed ones. However, there was a much greater difference in the reduction of ownership of household enterprises for younger FHHs. This was similar to Ugandan nationals (see Figure 40 in entrepreneurship section). In particular, the ownership of a household enterprise among this 15-30-year-old group of FHHs declined from 40 percent before the lockdown to 14 percent in October/November 2020.

Refugee women represent an under-utilized source of entrepreneurship and growth. Female refugees are concentrated in lower-paying, often informal jobs, primarily in agriculture, trade and services. There are some differences by region, with rural refugees more likely to work in agriculture compared to those in urban areas, where more refugees work in retail. Access to finance, skills and business inputs remains a constraint, with only about eight percent of refugees reporting any kind of job training.

Sources: UNHCR (2021) Data portal; World Bank (2019); FAO (2018).

## Recommendations and global good practices for closing gender gaps in entrepreneurship

123. **The findings above suggest interventions that could be especially helpful in bringing women entrepreneurs into more productive and profitable sectors in Uganda**. These recommendations are in addition to: (a) recommendations on how to improve women's financial inclusion (see above), which is important for women's entrepreneurship; and (ii) evidence-based approaches that enable female business owners to transition from necessity-based, subsistence-level to opportunistic and growth-oriented entrepreneurship. Interventions will need to address women's lack of business skills as well as information asymmetry. Female entrepreneurs must have means of acquiring more knowledge about products for which there is market demand, as well as the capacity to develop products at the higher ends of value chains in these more profitable sectors. Within sectors, women tend to hire other women as employees. Support that encourages a growth orientation among female entrepreneurs will thus have a substantial positive effect on the labor market participation and employment of other women in these higher-profit sectors.

124. **Provide sufficient credit to meet the demand of female entrepreneurs**. In addition to the good practices recommended for financial inclusion, offering flexible credit to female entrepreneurs is imperative for improving enterprise performance and earning. As long as it is accompanied by financial literacy and/or business development skills training, it encourages these women to take more financial risks in an informed manner. This approach was used with poor, urban women in Kolkata, India, for example. They were granted a flexible grace period in which to repay their loans, which doubled their odds of starting a new business compared to women repaying under the short, inflexible replacement times that microfinance institutions (MFIs) typically offer. The women who had borrowed under the flexible arrangement continued to report higher capital increases and profits for at least three years.[132] It is also critical to address procedural costs that hinder borrowing by female business owners. There are many good practice global examples of addressing costs that arise from a lack of credit history (among first-time female entrepreneurs, for example). Alternative means of credit testing, such as a psychometric credit tool developed and tested in Peru, do not require traditional forms of credit-related documentation and thus facilitate credit to unbanked entrepreneurs who would otherwise be rejected by traditional credit-assessment approaches. An evaluation of a pilot using this tool found it to be effective in screening a financial institution's existing clients for high-risk entrepreneurs.[133]

125. **Pass and enforce legislation that prohibits discrimination in access to credit based on gender.** Despite achieving one of the highest rates of women's entrepreneurship not only in sub-Saharan Africa but in the world, Uganda is outperformed by 26 countries in sub-Saharan Africa in its Women, Business and the Law (WBL) index score. Uganda's relatively low ranking is in no small part due to its failure to legally prohibit gender-based discrimination in access to credit. Without passing and enforcing such a law, women will continue to be severely constrained in securing the volumes of capital they need to grow sustainable and profitable businesses, particularly in priority growth sectors (Box 7).

132 Buvinic, M. & O'Donnell, M. (2016).
133 Arraiz et al. (2015).

## 3.6. Conclusion and key recommendations: taking action to improve women's economic empowerment

126. **Tapping into women's economic potential is essential to an integrated response to shorter-term recovery needs and longer-term actions that will address deeper gender inequalities and foster more inclusive and sustainable growth.** There are particular approaches, linked to specific actions, that government, private financial institutions, women-focused NGOs, and other stakeholders can take to help women set Uganda on a course to sustained economic recovery and industrialization. These approaches fall under five key action areas that are relevant to closing gender gaps in the economic outcomes discussed above (where details of recommended actions can be found) and in economic empowerment more broadly.

### Box 7: Unmet demand for business capital - Maude's story

Maude used to be a wholesale trader in Ntungamo district. Selling mainly beans and millet flour in her shop, she used to do quite well – with many retail traders buying from her – before the pandemic shutdown. At that time, her sister, who lived with their mother, lost her job. Maude started supporting them by sending money for food, but then her mother died. Maude spent a great deal of money to travel and bury her. This caused her to spend most of her business capital. She could no longer continue with her wholesale business, so she now has a small retail shop where she sells maize, tomatoes, onions and other small foodstuffs. She makes very little money.

She belongs to a VSLA, to which each member contributes USh5,000 (about US$1.5) each week. But when she is not able to raise the weekly amount, she has to pay a fine. Although she has recently borrowed USh100,000 (US$28) from the VSLA to use as capital for her business, it is not enough – even with the small amount she takes from money that her husband gives her to support her sister's family. There are limited opportunities for improving her business, as the lockdown restricts people's movement. When asked what she needs to access such opportunities, she answers only, "I need more capital for my business. More capital."

Source: Willman et al. forthcoming.

127. **Meet women entrepreneurs' demand to grow enterprises and improve profitability.** There are enormous gains to be made by women's movement into the small, medium, and large enterprise space, particularly in higher-profit, male-dominated subsectors of Uganda's economy. Women entrepreneurs are more prone than their male counterparts to hire women as employees,[134] so the economic returns on investing in growth-oriented women entrepreneurs are likely to be exponential. Facilitating this transition will involve, inter alia:

- Passing and implementing legislation that prohibits sex discrimination in access to credit
- Strengthening and enforcing policy that protects women's rights to inheritance of land and other family assets across formal and informal land tenure arrangements; enforcement will need to cover public and private financial institutions, as well as main branches and their subsidiaries in rural areas, which may be more bound by traditional gender norms than headquarters in urban areas.
- Engaging with formal and informal financial institutions to promote adoption of flexible loan repayment conditions and alternatives to traditional methods of risk assessment and collateral requirements.
- Training teachers or counselors in general education and BTVET, as well as community leaders, in how to link nascent or aspiring female entrepreneurs to role models and mentors who run businesses in male-dominated sectors
- Rolling out programs, media campaigns and community mobilization efforts to increase women's use of mobile technology to access financial services and market information
- Expanding women's access to social networks for doing business, and technology for improving efficiency and productivity

128. **Keep girls in school and improve their acquisition of technical skills to support their school-to-work transition.** Young women aspiring to well-paid wage employment as well as to entrepreneurship require the education and training that will better match them to employers in growth sectors and will make them more productive and profitable as entrepreneurs. It is thus critical to ensure that:

- Poor households that cannot afford school fees for girls receive financial support, such as conditional cash transfers, to enable girls to complete their schooling
- Male and female students are educated as early as possible about modern contraceptive methods
- Sexual and reproductive health education (SRH) is bundled with support services for girls experiencing GBV and/or teen pregnancy
- BTVET program curricula are directly informed by growth-oriented employers, such as those in Uganda's industrial parks and in priority sectors identified in the NDP III
- BTVET institutions strengthen systems that connect students, particularly female students, to apprenticeships and paid jobs in male-dominated subsectors
- A high-level government official is identified as a champion of female educational attainment and women's economic empowerment and becomes the face of a national campaign to disseminate effective messages

134 See, for example, Chiplunkar and Goldberg (2021); Cirera and Qasim (2014); Weisul (2018); and West and Sundaramurthy (2019). Research of women entrepreneurs in five Sub-Saharan African countries finds that the average share of female workers in female-owned businesses is 75 percent (compared to 20 percent in male-owned businesses), even when accounting for the sector of operations (World Bank, 2019, March).134

129. **Help reduce the household time burden on women.** Women, especially young women, need more time and freedom than they currently have to attain sufficient levels of education; and to seek, obtain, and remain in jobs that lift them out of poverty. Childcare and other unpaid care work responsibilities are an obstacle to women's economic empowerment, whether women are running businesses, working as paid employees, or (as adolescents and young women) trying to complete their education. Given the relatively low access to ECD programs – especially in the event of shutdowns – government needs to explore different models of childcare provision that are appropriate for Uganda. In the short-term, these models could replicate community-based approaches that do not depend on parents' employers to offer childcare services. For the longer-term, when Uganda advances further on its path to urbanization and industrialization, government needs to consider examples of public-private partnerships and private sector employer-provided childcare that have succeeded in lower-middle and upper-middle income countries. In-country stakeholders, such as women's empowerment-focused NGOs, could also adopt community-focused programs that promote more gender-equal division of unpaid care labor in the household. Programs such as the Bandebereho Couples Intervention in Rwanda and the MenCare Child Care and Protection Program in South Africa have successfully changed norms and behaviors regarding childcare and other household tasks.[135] Interventions related to fertility adjustments could accompany messaging on gender-equal sharing of unpaid care work and provision of childcare services.

130. **Re-orient government employment programs to create pathways for women to move from subsistence-level to more growth-oriented sectors and jobs.** There is a need to re-orient government policies and programs to consider the diversity of skills and strengths women could bring to the economy. To date, most programs targeting women's economic empowerment have focused on a blanket conceptualization of women as subsistence level workers, particularly in the agricultural sector. Guiding labor market policies and employment programs, including the National Green Jobs Creation Strategy and Plan (GJCSP) (2020/21–2030/31) the Green Jobs and Fair Labour Market Program (GJFLMP), and the Uganda Women's Entrepreneurship Program (UWEP), tend to consider women within the broad category of 'vulnerable groups', employed mostly in the informal sector.

131. **It will be important to translate national strategies into programs with clear targets and guidelines for women's participation**. While the overarching Uganda Green Growth Development Strategy (UGGDS) includes targets for women's employment in job-creating sectors, the GJCSP and its key program, the GJFLMP, do not specify targets for women's participation, although government officials have said they are working toward a 50 percent target. Government programs could be re-oriented to better support women to move into better-quality, more sustainable work in higher growth sectors. For example, at present government employment programs tend to reinforce occupational sex segregation by training women in more female-dominated sectors and lines of work, such as hairdressing, tailoring, and food service. As the economy moves toward greener jobs, there is a strong opportunity for women to transition into higher-paying jobs in growth sectors such as renewable energy, waste management and greener agriculture.[136]

135 Doyle et al. (2018); Van den Berg et al. (2013).
136 ILO (2018).

132. **Fill gaps in sex-disaggregated microeconomic data and make existing data easier to access**. Thanks in large part to the efforts of UBOS and its collaboration with development partners, Uganda offers a wide array of rich data sources with which to analyze gender disparities in economic outcomes and economic empowerment. Analysis of sex-disaggregated data to identify gender gaps – and, importantly, the determinants of gender gaps – is imperative for recommending appropriate responses to address and effectively narrow these gaps. Reliable, nationally representative, sex-disaggregated economic data are made possible, for example, by successive rounds of the UNHS, Uganda National Panel Survey (UNPS), Uganda Labour Force Survey, Uganda Enterprise Survey and – more recently, to accommodate pandemic conditions that have interfered with in-person survey enumeration – the UHFPS. Although most of these surveys are updated at regular and frequent intervals (every 1-4 years, depending on the survey), there is a notable time lag for some. One example is the Uganda Enterprise Survey, which has not been administered since 2013. Lack of recent data about gender gaps in formal entrepreneurship create great challenges in trying to understand patterns of women in entrepreneurship – such as barriers and facilitators to women's growth-oriented business leadership – and in pinpointing areas in need of intervention and support. In other cases, data may be up to date but not available outside of UBOS for extended periods of time. This, too, frustrates efforts to better understand and respond to obstacles to women's income-generation, overall economic empowerment, and contributions to Uganda's economic recovery and growth.

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# ANNEX 1: Balance of Payments (annual, % GDP)

| | FY18 | FY19 | FY20 | FY21e |
|---|---|---|---|---|
| **Current account balance** | **-5.3** | **-7.1** | **-6.7** | **-10.1** |
| ***Trade in goods and services balance*** | ***-7.3*** | ***-9.4*** | ***-9.8*** | ***-12.5*** |
| Exports | 16.9 | 18.3 | 14.6 | 16.2 |
| o/w coffee | 1.5 | 1.2 | 1.3 | 1.4 |
| o/w gross travel | 2.7 | 2.6 | 2.5 | 1.6 |
| Imports | 24.1 | 27.7 | 24.5 | 28.6 |
| o/w oil | 2.8 | 2.6 | 2.3 | 2.0 |
| o/w government imports | 1.8 | 2.0 | 1.1 | 1.2 |
| ***Primary income, net*** | ***-2.8*** | ***-2.6*** | ***-1.7*** | ***-1.7*** |
| o/w public interest payments (debit) | 0.3 | 0.3 | 0.3 | 0.4 |
| ***Secondary income, net*** | ***4.8*** | ***5.0*** | ***4.8*** | ***4.1*** |
| o/w personal transfers (credit) | 3.8 | 3.9 | 3.5 | 2.7 |
| **Capital account balance** | **0.3** | **0.3** | **0.2** | **0.4** |
| **Net borrowing (balance from current and capital a/c)** | **-5.0** | **-6.8** | **-6.5** | **-9.7** |
| **Financial account balance** | **3.4** | **6.9** | **4.3** | **7.1** |
| Direct investment, net | 2.8 | 3.5 | 2.6 | 2.1 |
| Portfolio investment, net | -1.0 | -0.5 | -0.9 | 0.1 |
| Other investment, net | 1.6 | 3.9 | 2.6 | 4.9 |
| o/w Government loans, net | 3.2 | 3.3 | 3.5 | 3.5 |
| Disbursements | 3.9 | 4.0 | 4.0 | 4.2 |
| Repayments | 0.7 | 0.7 | 0.5 | 0.7 |
| **Net errors and omissions** | **1.1** | **0.1** | **2.6** | **3.0** |
| **Overall balance** | **-0.5** | **0.2** | **0.4** | **0.4** |
| **Financing** | **0.5** | **-0.2** | **-0.4** | **-0.4** |
| Central bank net reserves (- increase) | 0.5 | -0.2 | -1.7 | -1.1 |
| Use of Fund Credit | | | 1.3 | 0.6 |
| Memorandum GDP, nominal (in mil US$) | **32910** | **35157** | **37377** | **41036** |

**Source:** BOU and World Bank calculations

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