



# **ACCELERATING UGANDA'S DEVELOPMENT:** Ending Child Marriage, Educating Girls

□ **UGANDA ECONOMIC UPDATE 10TH EDITION**



**THE WORLD BANK**  
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## ABBREVIATIONS AND ACRONYMS

<b>BoU</b>	Bank of Uganda	<b>PAPP</b>	Project Analysis and Public–Private Partnerships
<b>BOP</b>	Balance of Payments	<b>PDU</b>	Procurement and Disposal Unit
<b>CBR</b>	Central Bank Rate	<b>PFMA</b>	Public Finance Management Act
<b>CCB</b>	Capital Conservation Buffer	<b>PFM</b>	Public Financial Management
<b>CEM</b>	Country Economic Memorandum	<b>PIMA</b>	Public Investment Management Analysis
<b>CNOOC</b>	China National Offshore Oil Corporation	<b>PIMAC</b>	Public and Private Infrastructure
<b>CPI</b>	Consumer Price Index	<b>PMC</b>	Investment Management Centre
<b>CPIA</b>	Country Policy and Institutional Assessment	<b>PIMI</b>	Public Investment Management Index
<b>COMESA</b>	Common Market for Eastern and Southern Africa	<b>PIMS</b>	Public Investment Management System
<b>DAC</b>	Development Assistance Committee	<b>PPDA</b>	Public Procurement and Disposal of Public Assets Authority
<b>DHS</b>	Demographic and Health Survey	<b>PPP</b>	Purchasing Power Parity
<b>DRC</b>	Democratic Republic of Congo	<b>PPPs</b>	Public-Private Partnerships
<b>DSA</b>	Debt Sustainability Analysis	<b>RAPs</b>	Resettlement Action Plans
<b>EAC</b>	East African Community	<b>RDP</b>	Reconstruction and Development Plan
<b>ELA</b>	Empowerment and Livelihoods for Adolescent Girls	<b>REER</b>	Real Effective Exchange Rate
<b>EU</b>	European Union	<b>SBFP</b>	Sector Budget Framework papers
<b>FDI</b>	Foreign Direct Investment	<b>SMEs</b>	Small and Medium-sized Enterprises
<b>FY</b>	Financial Year	<b>SRH</b>	Sexual and Reproductive Health
<b>GDP</b>	Gross Domestic Product	<b>SSA</b>	Sub-Saharan Africa
<b>HIPC</b>	Highly Indebted Poor Countries	<b>SWA</b>	Sector Wide Approach
<b>HIV/AIDS</b>	Human Immunodeficiency Virus/ Acquired Immune Deficiency Syndrome	<b>SWG</b>	Sector Working Group
<b>IBP</b>	Integrated Bank of Projects	<b>UEU</b>	Uganda Economic Update
<b>ICT</b>	Information and Communications Technology	<b>UBOS</b>	Uganda Bureau of Statistics
<b>IFC</b>	International Finance Corporation	<b>UNESCO</b>	United Nations Educational, Scientific and Cultural Organization
<b>IMF</b>	International Monetary Fund	<b>UNFPA</b>	United Nations Population Fund
<b>MDRI</b>	Multilateral Debt Relief Initiative	<b>UNHS</b>	Uganda National Household Survey
<b>MFPED</b>	Ministry of Finance, Planning and Economic Development	<b>UNICEF</b>	United Nations Children’s Fund
<b>MDA</b>	Ministries, Departments and Agencies	<b>UGX</b>	Uganda Shillings
<b>MoLG</b>	Ministry of Local Government	<b>UPE</b>	Universal Primary Education
<b>MTEF</b>	Medium Term Expenditure Framework	<b>UPPET</b>	Universal Post Primary Education and Training
<b>RWA</b>	Risk Weighted Assets	<b>USA</b>	United States of America
<b>NCN</b>	Non-Concessional Borrowing	<b>UNRA</b>	Uganda National Roads Authority
<b>NDP</b>	National Development Plan	<b>URA</b>	Uganda Revenue Authority
<b>NEER</b>	Nominal Effective Exchange Rate	<b>USE</b>	Universal Secondary Education
<b>NPA</b>	National Planning Authority	<b>VAT</b>	Value Added Tax
<b>NBFP</b>	National Budget Framework Paper	<b>WASH</b>	Water, Sanitation and Hygiene
<b>NSSF</b>	National Social Security Fund	<b>WB</b>	World Bank
<b>ODA</b>	Official Development Assistance	<b>WDI</b>	World Development Indicators
<b>OECD</b>	Organization of Economic Cooperation and Development		
<b>OPM</b>	Office of the Prime Minister		

## FOREWORD

**I**n Uganda, almost six in ten people are below the age of 18 years, making its population one of the most youthful in the world. This youthful population can be an asset if it is educated and provided access to productive work. A sizable share of this human capital is, however, not fully utilized because of early marriage, early childbearing and high fertility rates that result in young children that do not attain sufficient education. As demonstrated in many countries, education raises labor productivity, which in turn supports the creation and expansion of businesses, and consequently raises output growth. As a result, incomes rise and poverty declines. In Uganda, official statistics show that the poverty rate in households headed by persons with no formal education is 2.3 times higher than the households headed by persons with at least some secondary school education. Let us not forget that the young are the most vulnerable, and are disproportionately affected by shocks that push many below the poverty line.

Against this background, I am pleased to introduce the Tenth Uganda Economic Update Series, which highlights the economic costs of child marriage, early childbearing, and low educational attainment for girls. The 10th Uganda Economic Update argues that educating girls, ending child marriage, and preventing early childbearing is essential for girls to have agency, not only as future wives and mothers, but also as a productive workforce that contributes to the development of the country. Specifically, lowering population growth, the fertility rate, and the dependency ratio, will raise the productivity of the labor force, hence offering an opportunity to accelerate economic growth. Even more fundamentally, girls marrying, having children, or dropping out of school early are disempowered in ways that deprive them of their basic rights.

In line with the structure of the earlier editions of Uganda Economic Update series, the report first discusses the status of macro-economy, before delving into the special topic related to child marriage, early childbearing, and low educational attainment for girls.

I hope that this update is useful and will inform the debate and agenda for this important aspect of Uganda's development.

Diarietou Gaye

**Country Director - Eritrea, Kenya, Rwanda, and Uganda; Africa Region**

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## KEY MESSAGE

**Following decades of sustained economic growth during which Uganda made dramatic progress towards poverty reduction, the country has recently experienced a period of economic growth slow down.** To return to higher rates of economic growth and poverty reduction, the Government must address fundamental constraints. Facing a range of internal and external shocks, Uganda's economy has grown at the average annual rate of 4.5 percent over the past five years, far lower than the historical average of about 7.8 percent. The recent deceleration in growth affected all sectors of the economy. With these lower growth rates, combined with other external shocks to the households, the remarkable progress that Uganda had made towards reducing poverty since 1992 has been reversed. In the period from 1992 to 2013, the national poverty rate declined from 56 percent to 19.7 percent. Since then, it has rebounded, increasing to a preliminary 27 percent. For Uganda to again achieve higher rates of economic growth and poverty reduction, it must address two fundamental factors: its low levels of productivity and the vulnerability of its people to poverty.

**Uganda's youthful population has the potential to achieve increased productivity and to build its resilience to shocks.** Today, almost six in ten people in Uganda are below the age of 18 years, making Uganda's population one of the most youthful in the world. On the one hand, this youthful population is an asset. If Uganda's youth were provided with the appropriate education and enabled to fully participate in production processes at an increasingly higher level of productivity, this would enable Uganda to reap significant demographic dividends. On the other, Uganda's young are disproportionately affected by shocks that threaten to push a significant proportion of the population below the poverty line.

**Efforts to increase productivity and to reduce vulnerability must be implemented with the intention of realizing the full potential of Uganda's large number of youths. In particular, this will require the provision of universal education, irrespective of gender.** In this area, Uganda has made significant progress in a number of areas, particularly

in terms of increasing the level of girls' participation in primary education. However, many girls and young women are still unable to achieve their full potential. At present, more than a third of girls in Uganda get married before the age of 18, and almost three in ten have a child before that age. As a result, the proportion of girls enrolling in secondary education is still lower than for boys, with an even smaller proportion completing lower secondary level education and with the trend becoming even more pronounced at higher levels of education. Girls who are married or have children at a young age or drop out of school early are more likely to experience poor health, to have more children over their lifetime, and to hold mainly low productivity and low paying jobs during adulthood.

**Following an assessment of the current state of Uganda's economy and its outlook for the future, the tenth Uganda Economic Update focuses on issues related to how ending child marriage, preventing early childbearing, and improving girls' levels of educational attainment are essential for the achievement of faster growth and inclusive development.** In addition to addressing the substantial risks and suffering faced by adolescent girls and their children, investments in ending these practices can produce huge economic gains, not just for the girls, or their households, but for the country at large.

### Part 1: State of the economy

**During the second half of FY2016/17, Uganda's real GDP annual growth accelerated to reach the rate of 5.0 percent, up from 3.0 percent achieved in the first half of FY2016/17.** Despite an increase in final consumption expenditure, the real GDP growth rate decelerated to 4 percent for FY2016/17, as a whole, compared to the rate of 4.7 percent recorded in the previous year, when output growth was driven by a strong rebound in ICT investment. With energy and fuel prices firming up, the inflation rate increased to 6.1 percent for the period from January to October in 2017, compared to the figure of 5.5 percent recorded during the same period last year. During the same period, the

core inflation rate decelerated to 4.7 percent, down from the figure of 6.0 percent recorded a year ago. Inflationary pressures remained subdued, despite the reduction in the Central Bank Rate (CBR) by a total of 5.5 percentage points, with this rate declining to 9.5 percent in October 2017. Despite the ongoing reduction to the CBR, banks' lending rates declined only marginally, to around 21-22 percent. Thus, the reduction resulted in only a marginal increase in lending to the private sector.

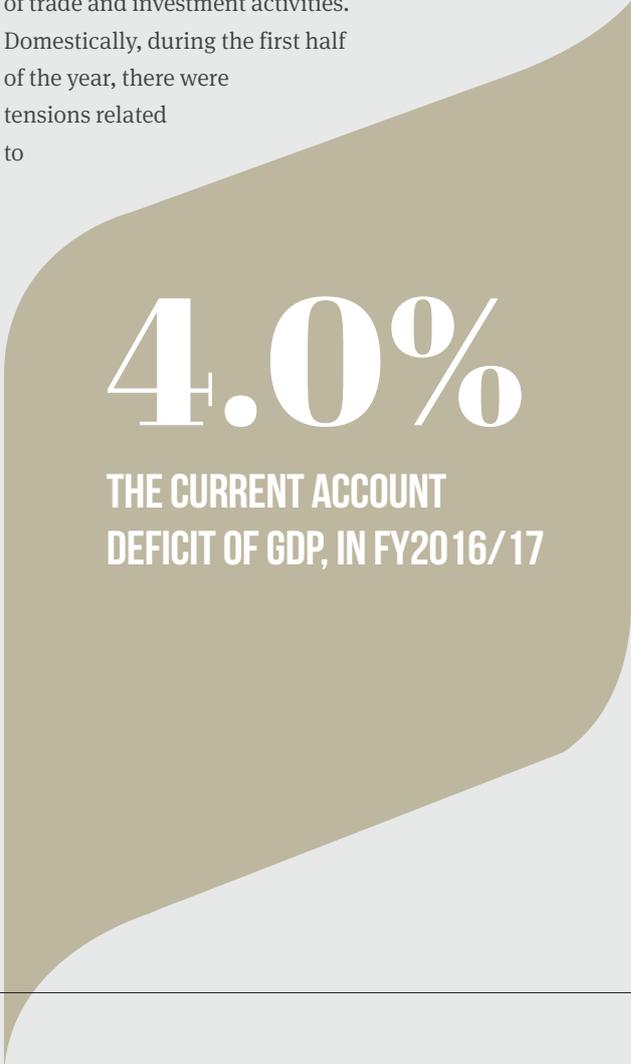
**The current account deficit narrowed markedly in FY2016/17 due to the decline in government consumption, the deceleration in private investment, and the improved performance of exports.** The current account deficit narrowed to USUS\$ 1.0 billion, or 4 percent of GDP, in FY2016/17, down from USUS\$ 1.2 billion, or 4.9 percent of GDP, in FY2015/16. The narrowing of the deficit was driven by an increase in the export of goods, with imports remaining roughly constant, and with a broadly unchanged service balance. Once adjusted for net FDI inflows, the current account deficit shrunk to 2.1 percent of GDP in FY2016/17, down from 2.3 percent of GDP in the previous year. The current account shortfall was financed by long-term government project financing. With the value of long-term loans steady at around 3.3 percent of GDP and with budget support flows amounting to 0.6 percent of GDP, financing risks stemming from volatile short-term inflows are limited. The total value of external debt stock has stabilized at 23 percent of GDP in FY2016/17, after increasing by 6 percentage points to 22 percent of GDP in the previous year. Foreign exchange reserves remained stable at around 5.4 months imports of goods and services cover, while depreciation pressures dissipated in FY2016/17, following a cumulative depreciation of 33 percent during the period from FY2014/15 to FY2015/16.

**The overall fiscal deficit contracted sharply during FY2016/17, going down from 4.4 percent of GDP in FY2015/16 to 3.5 percent in FY2016/17, due to a less expansionary fiscal stance, than originally budgeted.** The actual fiscal deficit was almost half of the budgeted deficit of 6.2 percent of GDP, largely due to the under-execution of budgeted capital expenditures. The total value of collected tax revenues increased by another percentage point of GDP in FY2016/17 compared to a year ago, with total

budget revenues totaling 14 percent of GDP. Increasingly, the Government is financing the fiscal deficit through the domestic debt market, crowding out the private sector's access to credit. Overall, the total public debt stock increased to about 39 percent of GDP by the end of FY 2016/17, with two-thirds of this debt stock consisting of external public debt. Uganda's stock of public debt is lower than that of many of its regional comparators, including Kenya (53 percent of GDP at end-2016) and Rwanda (44 percent of GDP at end-2016). Tanzania's public debt stock is roughly at the same level as Uganda's.

**Despite an expected softer output growth outcome in the first half of FY2017/18, based on some leading indicators, real GDP is expected to grow at the rate of 5.1 percent for the year as a whole in FY2017/18.**

This acceleration is expected to be driven by stronger private consumption as pent up demand and supply activities materialize following a reduction in the political uncertainty in the Kenyan elections, which led to the suspension of trade and investment activities. Domestically, during the first half of the year, there were tensions related to



4.0%

THE CURRENT ACCOUNT  
DEFICIT OF GDP, IN FY2016/17

the proposed constitutional amendments regarding the age limit for presidential candidates. Stronger government capital expenditure, especially on key infrastructure projects should help support stronger output growth in the second half of 2017/18. If weather conditions remain favorable, a rebound in agricultural production could support the gradual increase in the overall growth rate to 5.1 percent this year and 5.7 percent in FY2018/19. However, there are significant downside risks to this growth outlook. In particular, over-reliance on the domestic debt market to finance the fiscal deficit will continue to inhibit private sector investment. Furthermore, increasing pressures for higher public sector wages, particularly by medical personnel, may affect the composition of expenditures and result in a higher proportion of recurrent spending, delaying plans for the full execution of infrastructure investments. Increased domestic demand should result in a widening of the current account deficit, although greater net FDI inflows would keep the adjusted current account deficit between 2 to 2.5 percent of GDP.

### **The Cost of Not Investing in Girls: Child Marriage, Early Childbearing, and Low Educational Attainment for Girls, and their Impacts**

**Ending child marriage, preventing early childbearing, and improving educational attainment for girls are essential for Uganda's development, yet investments towards those goals remain limited.** The international community is increasingly aware of the negative impacts of child marriage, early childbearing, and low educational attainment for girls on a wide range of development outcomes. The Government of Uganda has adopted a national strategy to end child marriage and teenage pregnancies. Improving girls' education is also a priority of the government. Still, more could be done to accelerate progress in these areas. To inspire greater commitments towards ending child marriage, preventing early childbearing, and improving educational attainment for girls, this study demonstrates the economic and social costs of not investing enough in these areas in Uganda. The study also suggests options that could be considered for investments. This study for Uganda is adapted from a global study, and a more detailed report is available

apart from the synthesis provided here (Wodon et al., 2017).

**The issues of child marriage, early childbearing, and low educational attainment for girls are closely related, as they affect each other.** Child marriage is likely the cause of more than half of all instances of early childbearing. In some cases, early childbearing may lead to child marriage, but this is probably less likely. In addition, the causality between child marriage and early childbearing on the one hand, and educational attainment on the other hand, goes both ways. Child marriage and early childbearing have a negative effect on educational attainment. Conversely, keeping girls in schools reduces the risks of child marriage and early childbearing. This is why incentives for girls to remain in school or go back to school if they dropped out appear to be effective to delay the age at first marriage and prevent early childbearing. It is worth noting that achieving universal secondary completion for girls could dramatically reduce the prevalence of child marriage and early childbearing. On the other hand, while ending child marriage and early childbearing would help improve girls' educational attainment, this would not be sufficient in itself to ensure universal secondary completion.

**Child marriage, early childbearing and low educational attainment for girls have negative impacts on many other areas including (i) fertility and population growth; (ii) health, nutrition, and violence; (iii) work and earnings; and (iv) women's agency.** Overall, the impacts of child marriage, early childbearing, and low educational attainment for girls, whether taken individually or collectively, are large. As shown in the Table below, child marriage/early childbearing, secondary education completion for girls, or both have a statistically significant impact on all the indicators listed except birth registration. This shows how pervasive and widespread the impacts of a lack of opportunities for adolescent girls are. In terms of the size of the impacts, the effects on fertility and thereby population growth are very substantial in Uganda. Impacts on women's earnings and intimate partner violence are also large. Some of the impacts on health and nutrition are large at the margin, but not necessarily large at the national level. This is the case for under-five mortality and stunting where large negative marginal effects are observed for early

**Summary Table 1: Summary of Statistically Significant Estimated Impacts by Domain**

Domains and Indicators	Child marriage or early childbearing	Secondary education completion	Either one of the two
<b>Mutual relationships</b>			
Child marriage/ Early childbearing	-	Yes	Yes
Educational attainment	Yes	-	Yes
<b>Fertility and population growth</b>			
Fertility	Yes	Likely	Yes
Population growth	Yes	Likely	Yes
Modern contraceptive use	No	Likely	Yes
<b>Health and nutrition</b>			
Under-five mortality	Yes	No	Yes
Under-five stunting	Yes	No	Yes
Labor force participation	No	Yes	Yes
Demand for healthcare	No	Yes	Yes
<b>Work and productivity</b>			
Intimate partner violence	Yes	No	Yes
Women's earnings	Yes	Yes	Yes
Household welfare	Yes	Yes	Yes
<b>Women's agency</b>			
Decision-making ability	No	Yes	Yes
Land ownership	No	Yes	Yes
Knowledge of HIV/AIDS	Yes	Yes	Yes
Birth registration	No	No	No

Source: Wodon et al. (2017).

Note: The term "likely" is used for some impacts of secondary completion because for those indicators, while the impact of secondary education completion is not statistically significant possibly due to small sample sizes, the impacts of some secondary as well as higher education are statistically significant.

childbearing, but ending childbearing would not make a major difference at the national level simply because relatively few children are born of mothers younger than 18. Other direct impacts of child marriage and early childbearing including on women's decision-making, knowledge of HIV/AIDS and birth registrations are not always statistically significant, but low educational attainment for girls in those areas tends to have a large impact on these outcomes.

**These negative impacts in turn have monetary costs, especially for fertility and population growth, earnings, and the health of the children born of young mothers.**

Tentative estimates of costs are provided for some of the impacts of child marriage. The estimates should not be considered as precise given that they depend on (1) econometric estimates of impacts that have themselves standard errors and (2) a range of assumptions for costing that could be debated. Still, they provide an order of magnitude of the potential costs of child marriage. The largest economic cost of child marriage is the welfare loss associated with population growth. By reducing the annual

rate of population growth, ending child marriage and associated childbirths could lead to welfare benefits for Uganda of about US\$2.4 billion (in purchasing power parity terms) by 2030. Also as a result of lower population growth, ending child marriage

**US\$2.4** BILLION  
**WELFARE BENEFITS BY 2030  
 FROM LOWER POPULATION  
 GROWTH**

and early childbearing today could result in education budget savings for the Government of up to USUS\$257 million by 2030 if Uganda were to achieve universal secondary education by then (this is an upper bound for savings given that achieving universal secondary education is a tall order). In addition, today, if women who were married early had been able to avoid child marriage, the gains in earnings and productivity that would have resulted are estimated at USUS\$514 million. Finally, substantial economic benefits would result from reductions in under-five mortality and stunting rates, estimated together to reach USUS\$275 million by 2030.

**Based on a literature review of programs intended to improve young women’s sexual and reproductive health outcomes, delay marriage and childbearing, and improve girls’ participation in education, a three-pronged approach is recommended.**

- **Programs to provide life skills and reproductive health knowledge:** These interventions often rely on safe space programs empowering girls through life skills training, better knowledge of sexual and reproductive health, and other skills. These programs have achieved important benefits for girls, not only in terms of knowledge acquired, but also through gains in self-esteem and confidence, among others. Yet, without additional livelihood opportunities or incentives for schooling, it is not clear that safe spaces by themselves are sufficient to delay marriage and childbearing.
- **Programs to expand economic opportunities:** Interventions that combine an emphasis on empowering girls, often through safe spaces, with a focus on providing livelihood opportunities have demonstrated some success in increasing earnings for participants, as well as employment and savings. In some cases, they may also improve reproductive health outcomes and delay marriage or childbearing, but not systematically so. In Uganda, there is evidence that such interventions have worked well.
- **Programs to keep girls in school or delay marriage:** Interventions to promote education, especially by reducing the opportunity and out-of-pocket cost of schooling, are among the most likely

to help delay the age at marriage and childbearing. Some of these programs also enable girls who dropped out to return to school. Programs providing financial incentives to girls or families directly to delay marriage may also work.

**Implications for policy:** While some of the programs work better than others to delay marriage and childbearing and to improve educational attainment for girls, all three categories of programs have benefits. By targeting different groups of girls, for example those in school or with the potential to return to school, and those who dropped out and may not be able to return, all three categories of programs should be considered when implementing a strategy aiming to improve opportunities for adolescent girls.

**In addition, to improve educational attainment for girls, basic conditions must be met, and for challenges such as gender-based violence, other interventions are needed.** The focus on the above three types of interventions is not meant to be exhaustive in terms of what is needed to invest in adolescent girls in Uganda. For educational attainment, at the secondary level, there is a need to build schools closer to where children (boys and girls) live, or as an alternative, provide adequate modes of transportation to schools. Providing separate water, sanitation and hygiene facilities for girls is also important, as is the need to reduce the risk of violence and sexual harassment in school. Finally, for specific challenges such as intimate partner violence or gender-based violence more generally, community-based interventions with men, women, leaders and service providers are also needed, with successful pilots in Uganda.

**While investments to end child marriage, prevent early childbearing, and promote education for girls should not be based solely on economic considerations, this study demonstrates that the benefits from such investments would be large.** The primary motivation for ending child marriage, preventing early childbearing, and promoting education for girls should be to address the substantial risks and suffering faced by adolescent girls and their children. The evidence of the negative impacts of these issues on a wide range of development outcomes is clear. However, in addition, these issues have large economic costs. Demonstrating the magnitude of these

costs provides an additional justification for investments in adolescent girls in Uganda. Ending child marriage, preventing early childbearing and improving education opportunities for girls is not only the right thing to do from a moral and ethical standpoint, it is also a smart investment for Uganda's development.

**ENDING CHILD MARRIAGE,  
EDUCATING GIRLS IS A SMART  
INVESTMENT**

# PART 1

## STATE OF THE UGANDAN ECONOMY

- During the second half of FY 2016/17, Uganda's real GDP growth rate accelerated to 5.0 percent, up from 3.0 percent in the corresponding period in the previous year. However, during the first half of FY 2017/18, economic activity has been subdued, with the positive effects of sustained monetary easing, improved weather conditions, and the improved external environment partially offset by the negative impact of a number of regional and domestic developments.
- With the annual inflation rate remaining at around the targeted level of 5 percent, the Bank of Uganda has maintained easy monetary policies, reducing the CBR to a historical low of 9.5 percent in October 2017. By September 2017, the full impact of this stimulus policy had yet to be realized, with commercial banks' lending rates declining only marginally to 22 percent and with the stock of private sector credit increasing only modestly by 6.5 percent compared to the level at the same point in the previous year.
- In FY 2016/17, Uganda's external current deficit declined by almost a full percentage point of GDP to 4.0 percent. The strong performance of coffee exports offset the decline in the performance of tourism. The shilling remained stable, with Uganda's foreign reserves increasing to 5.4 months of import cover.
- The implementation of the FY 2017/18 budget has been constrained by shortfalls in revenues, with these revenues standing at 3.2 percent below the target level for the half of FY 2017/18, and by the under-execution of the development budget. The failure to meet revenue collection targets and the pressure to increase recurrent spending may increase the overall fiscal deficit beyond the level of 6.4 percent of GDP budgeted for the year.
- The economy is projected to grow at the rate of 5.1 percent during FY 2017/18, with this rate expected to accelerate to 5-6 percent for the subsequent three years. However, this acceleration is predicated on the improved execution of public projects, an increased level of private investment, favorable weather conditions, increased access to credit, and improved external conditions.
- There are a number of significant downside risks to the growth forecast, with the most significant risks related to fiscal management; to the potential of adverse weather conditions to negatively impact agricultural output; and to regional political developments that may adversely affect private investment.
- To achieve higher rates of sustainable growth, Uganda must increase the productivity of its labor force. The elimination of early marriages and early child bearing and the increased participation of girls and education are factors that may provide significant support to the achievement of increased productivity growth and higher levels of sustained economic growth.





▲  
Young women make a living as market vendors, Nakasero Market, Kampala (Morgan Mbabazi, 2017)

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*During FY2016/17, it is estimated that Uganda's economy grew at the rate of 4.0 percent, a significant deceleration from historical averages, which stand at about 7-8 percent. Over the past year and a half, the economy suffered from adverse weather, unrest in South Sudan, and an uncertain global economic recovery. The fiscal deficit contracted sharply, while monetary easing had little impact in terms of reducing banks' interest rates. In addition, structural constraints and liquidity issues in the financial market prevented commercial banks from increasing the volume of loans to the private sector. While growth is expected to accelerate in FY2017/18 as a whole to 5.1 percent, economic activity seems to have been weaker than expected in the first half of the year. The latter may have been caused by uncertainties related to Kenya's electoral process and to political developments in Uganda, which in turn are likely to have postponed trade activities and investment. With these uncertainties reducing, economic activity is expected to pick up in the second half of the year. While significant progress has been made towards poverty reduction over the past 20 years, in recent years, the poverty rate has begun to increase, with the proportion of households living below the national poverty line rising from 19 percent in FY2012/13 to a preliminary estimate totaling 27 percent in FY2016/17.*

**Over the past five years (2012 to 2016), Uganda's economy has grown at the average annual rate of 4.5 percent, significantly below the average annual rate of 7.8 percent achieved over the decade to 2011.** On the production side, the deceleration in real growth has occurred across all sectors. In industry and agriculture, output growth has declined by around 50 percent, largely due to a slowdown in manufacturing and food crops. Meanwhile, in the services sector, the growth rate decelerated from 8 percent to 5 percent, with increased growth in real estate being more than offset by a decline in trade services, ICT and professional,<sup>1</sup> and scientific and technical services.

**The recent decline in the real GDP growth rate means that it will take significantly longer for Uganda to obtain its goal of achieving middle income status than it had envisaged.** Uganda's average annual population growth rate is high, standing at around 3.3 percent. With the relatively

low differential between the population growth rate and the economic growth rate, there have been only modest improvements to average per capita incomes. In other words, the average annual growth rate of per capita income stands at only around 0.2 percent. Thus, with the current deceleration in economic growth, it may take more than a decade for Uganda's average per capita incomes to increase from the current level of US\$ 706 to US\$ 1000, the threshold level that defines middle-income status.

### **1.1 The real output growth remains subdued amidst external shocks and unrealized policy stimulus**

**Throughout 2017, the global economic recovery has been strengthening, driven by increased domestic demand and exports, and supported by investment stimulating growth in global trade<sup>2</sup>.** In the first half of 2017, the Euro Area recorded its highest rate of growth for two years, with increased growth driven by decreased policy uncertainty, increased industrial activity, and more rapid credit growth, following years

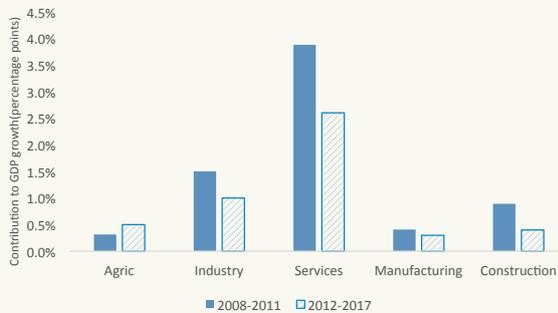
<sup>1</sup> The ICT grew around 20 percent between FY 2009/10 and FY 2012/13, as firms aggressively expanded services to new areas and introduced new products. This has recently slowed as these firms consolidate positions, which has resulted into exits and mergers.

<sup>2</sup> World Bank, 2017, Global Economic Prospects. June 2017



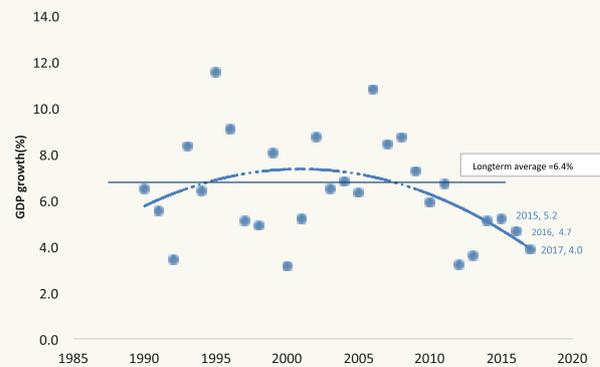
▲ Entebbe Expressway construction works (Morgan Mbabazi, 2017)

**Figure 1:** The decline in economic activity has come from all sectors of the economy, except agriculture



Source: Uganda Bureau of Statistics

**Figure 2:** Sustained decline widening distance from long term average



Source: Uganda Bureau of Statistics

of accommodative monetary policy. The US economy has sustained improvements to its labor market, with this trend likely to continue throughout 2017. China's economic growth rate for the first half of the year stood at the robust rate of 6.9 percent. These more favorable global trends have supported a recovery in the SSA region, with the highest growth rates recorded by large commodity-exporting economies, such as Nigeria and Angola<sup>3</sup>. The region is benefiting from a modest recovery in commodity prices, increased demand for exports,

3 World bank, 2017, Africa Pulse, Volume 16. October 2017

and more benign financial conditions. As a result, real GDP growth in the SSA region is projected to double from 1.3 percent in 2016 to 2.6 percent in 2017.

**Despite the overall increase in SSA regional growth, economic activity in Uganda has remained subdued, largely due to the impact of political uncertainty, both within Uganda and in neighboring countries.** During the first half of FY2017/18,<sup>4</sup> Uganda's GDP growth rate is forecast

4 July 2016 to December 2016

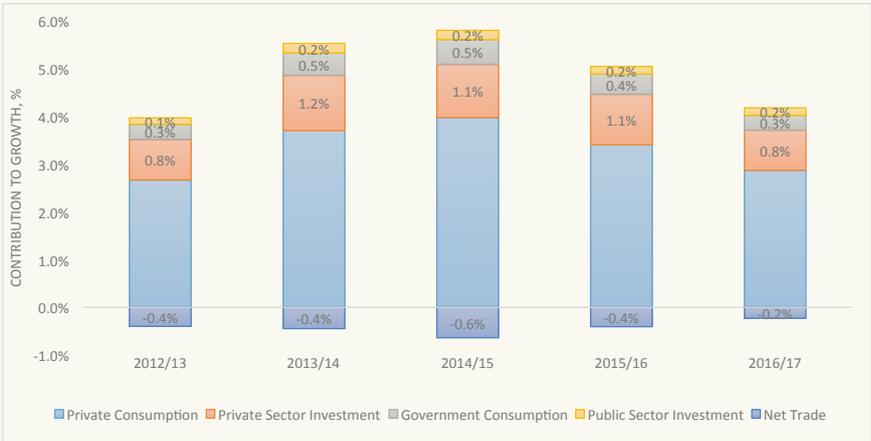
to have remained weaker than that of the previous period. With the conflict in South Sudan still not resolved, Uganda's exports have still not returned to levels recorded prior to 2016. In addition, Kenya's recent elections were marked by a high degree of uncertainty and volatility, conflict and unrest, particularly in the period after August 2017, when election results were annulled and a new election was held two months later. As a result of these developments, exporters and importers in both countries adopted a 'wait and see' approach, which is likely to have had a negative impact on the performance of Uganda's exports. Within Uganda, there have been tensions regarding proposed constitutional amendments related to the age limit for presidential candidates. This has likely affected investment sentiment of the private sector, which also suffered due to the closure of some large business, such as retail supermarkets and the posting of significant losses by large banks. These uncertainties are likely to have affected also public investment in the first half of the year.

**In FY2016/17, private consumption and net exports were the main drivers of real output growth.**

Private consumption increased by around 3 percent, more than offsetting the sharp decline in government consumption, which fell by 11 percent over the year. It is difficult to accurately determine the demand-side factors that led to this increase due to the lack of short-term demand-side data, with a lack in particular

of high frequency information related to Uganda's labor market. However, the increase in the volume of bank loans to the household and personal sector suggests that increased disposable incomes may have contributed to the growth. Overall, final consumption grew at the rate of 1.4 percent in FY2016/17, following negative growth of -0.7 percent in the previous year. Furthermore, net exports shrunk by almost a third in FY2016/17 relative to the level recorded in the previous year, with total imports declining by 12.5 percent, significantly outpacing the decline in total exports of 2.2 percent. Meanwhile, private investments contracted by 2.5 percent, a stark contrast to the growth of 11 percent recorded last year. This contraction was the result of both demand- and supply-side factors, including the high interest rates on loans to the private sector and the uncertainty in the financial sector triggered by near-crisis risk levels. In particular, the banking sector's non-performing assets ratio reached a record high of 10 percent in December 2016, at which point the Crane Bank was dissolved. The situation was further exacerbated by the disruptions in the South Sudan market for produce. In addition, private investment has been affected by the Government's high level of accumulation of domestic arrears. With some improvement to the execution of the public infrastructure investment programs, government investments increased by 2.8 percent, a reversal from the negative growth rate of -1.5 percent recorded in FY 2014/15 and -3.6 percent recorded in FY2015/16. Overall,

**Figure 3:** Uganda's growth driven by consumption as investments remain subdued



Source: Uganda Bureau of Statistics

gross fixed capital formation remained stagnant at the rate of 0.1 percent.

**On the production side, the contribution of the agricultural sector to overall economic value-added has continued to decline.** The deceleration in this sector’s real growth rate, from 2.8 percent in FY2015/16 to 1.6 percent in FY2016/17, was mainly the result of the poor performance of cash crops, livestock and forestry, with the production of food crops remaining stagnant at 1.4 percent. The delayed rainy season adversely affected cash and food crop production, with the delays resulting in drought-like conditions during the first half of the year. In addition, pest attacks, particularly by the army worm, impacted production in major grain-producing districts. Finally, the restructuring of service delivery mechanisms in the agricultural sector has not resulted in the envisaged improvements to productivity. The sector continues to be beset by institutional bottlenecks including those related to the delivery of extension services, low rates of technological adoption, and the proliferation of sub-standard inputs.

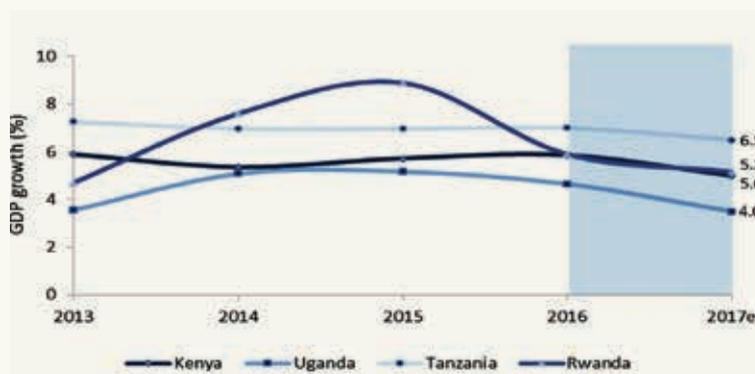
**Whereas growth in the industrial sector continues to decelerate, the performance of the services sector has remained strong.** The slowdown in the growth rate of the industrial sector, from 4.6 percent in FY2015/16 to 3.3 percent in FY2016/17, was largely driven by the deceleration in the growth of the mining and construction subsectors, with the latter being caused at least in part by challenges to the execution of the Government’s investment program. On the other hand, with the impact of the South Sudan conflict receding, manufacturing activity has started to recover, with

agro-processing in particular benefitting from improved regional trade. Meanwhile, the strong performance in services came from the double-digit growth rates in the ICT sector and an acceleration in education services, mainly driven by high levels of private investment in the sector.

**With Uganda’s deceleration in output growth, its performance continued to lag behind those of its peers in the East Africa region, despite the fact that growth in these economies also decelerated in 2017.** Growth across the East African economies decelerated in 2017 (see Figure 5), due to the prolonged effect of the drought that begun in 2016 and that persisted into 2017. This drought has had a negative impact on agricultural output and thus on GDP growth across the region. A cyclical downturn in credit growth across the region’s economies has also had a dampening effect on growth. As a result of these factors, Tanzania’s real GDP growth rate declined from 7.7 percent in the first half of 2016 to 6.8 percent in the corresponding period of 2017; Kenya’s declined from 5.8 percent to 4.8 percent; while Rwanda’s declined from 8.2 percent to 2.9 percent, with the particularly drastic decline in the latter due to the imposition of a tighter fiscal stance. In addition, insecurity and political tensions continued to constrain economic activity in Burundi, Central Africa Republic, and South Sudan.

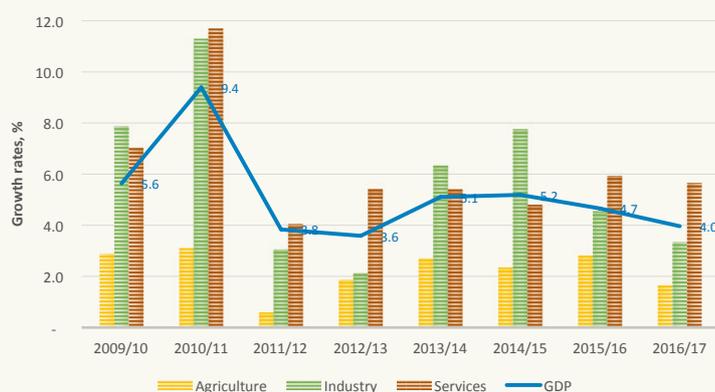
**Despite the lackluster performance of Uganda’s agricultural sector, this sector continues to be the primary source of employment for the country’s workforce.** Using a methodology that distinguishes ‘work’ from ‘employment,’<sup>5</sup> the Uganda National Household Survey 2016/17 report suggests that even though a much higher proportion of the working population is engaged in the

Figure 4: Uganda’s recent growth performance lower than comparators<sup>1</sup>



Source: Uganda Bureau of Statistics and World Bank (MFM0d)

Figure 5: Uganda's GDP growth across sectors



Source: Uganda Bureau of Statistics

agriculture sector, about 36 percent of the working population derives an income from employment in this sector, with 21 percent employed in casual labor. An additional 43 percent of the working population is involved in subsistence agricultural production. Meanwhile, 52 percent of the population derives a livelihood from the services sector, with about 45 percent involved in trade. The manufacturing sector provides employment to approximately 16 percent of the working population, while the construction sector provides employment to an additional 12 percent. With the exception of the mining sector, the bulk of jobs within the services and industry sectors are concentrated in urban areas.

### 1.2 A sustained easing of monetary policy has only marginally reduced commercial lending rates

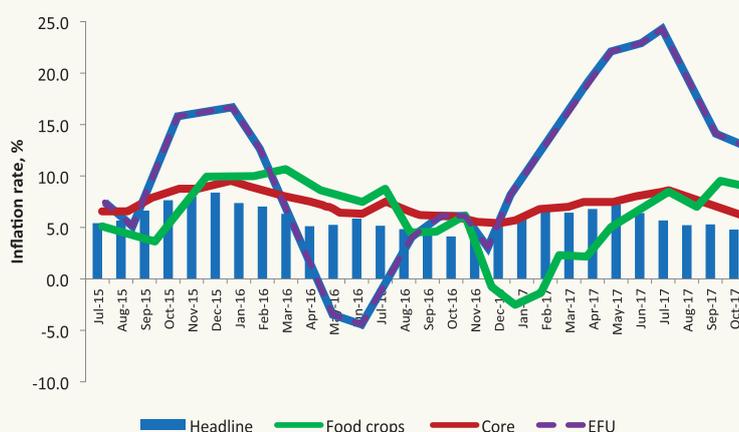
**Subdued demand and favorable weather conditions have exerted downward pressure on Uganda's inflation rate, which has remained at less than 6 percent over the past 18 months.** In FY 2016/17, the annual inflation rate stood at 5.7 percent, down from the figure of 6.6 percent recorded in the previous year. Even though the rate was lower than in FY2015/16, there were upward pressures on food prices during the second half of the year, with the rate standing at 23 percent in May 2017. During the first four months of FY 2017/18, the rate gradually decreased to 4.8 percent, with this level significantly lower than the central bank's target of 5 percent. Inflationary pressures receded as the impact of drought conditions dissipated and the prices of Uganda's imports

continued to decline, with the exchange rate remaining stable.

**With the decreased inflationary pressures, the Bank of Uganda aggressively maintained its easy monetary policies, with the Central Bank Rate (CBR) reaching a historical low 9.5 percent in October 2017.** As a result, the CBR is at a level lower than at any point since its inception in 2011. The Bank of Uganda's sustained commitment to easy monetary policies is appropriate in the context of the low level of demand resulting from the under-execution of government projects; the strength of the Ugandan Shilling; and the contraction in private investments described above.

**As has been the case in the past, the easing of the policy rate has not had a significant effect on banks' lending rates, with a limited stimulating effect on the economy.** In the period from June 2016 to August 2017, the weighted average commercial bank lending rate declined from 23.9 percent to 20.9 percent. However, this rate later increased again to 22 percent. Commercial banks significantly increased their deposits, with their holdings of securities declining with the declining return. In contrast, the total value of credit extended to the private sector increased modestly, by 5.7 percent, following a strong recovery during the second half of FY 2016/17. The growth of these loans increased at an average rate of six percent. With these developments, the ratio of private credit to GDP declined to 13.3 percent, down from 13.7 percent in FY 2015/16.

Figure 6: Core and headline inflation has remained within central bank target



Source: Uganda Bureau of Statistics

**Apart from the impact of interest rates, bank lending has been strongly affected by the reduced appetite for foreign currency denominated loans, which by September 2017 still contributed to about 41 percent of total credit.** In contrast to the trends observed over the past three years, the rate of growth of credit denominated in foreign currency has decelerated. Thus, the total value of foreign currency loans increased by only 2.7 percent in the six months to June 2017, a significantly lower rate than the 8.4 percent increase recorded for loans denominated in shillings. Over 60 percent of foreign currency denominated bank lending to the private sector goes to the building, mortgage, construction and real estate sector and the manufacturing sector. Overall, lending to these sectors declined over the past 18 months, with this decline offsetting the strong recovery in credit extended for personal and household use, agriculture, and business services.

**Beginning in the second half of FY 2016/17, the banking system has begun to recover from a near crisis, when non-performing assets (NPAs) reached almost 11 percent of total assets.** By the end of June 2017, the proportion of NPAs was 6.1 percent, lower than the figure of 10.5 percent recorded by December 2016. The closure of Crane Bank, which carried a substantial proportion of the NPAs, reduced the overall banking system credit risk. Nonetheless, more stringent lending conditions were also imposed throughout the banking system, with banks increasing their capital buffers in preparation for the imposition of higher standards for capital adequacy. By June 2017, the average ratio of capital to risk-weighted assets stood at 24 percent, far higher than the statutory requirement of 12 percent. The ratio of liquidity assets to deposits had also increased to about 50

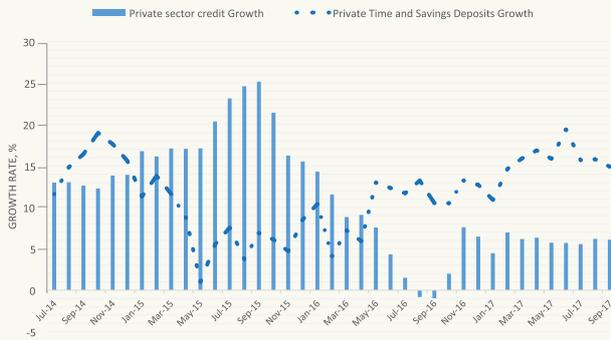
percent, which is more than twice the statutory requirement of 20 percent. The banking sector's profit margins declined severely in FY 2016/17, but started to recover gradually in the three months leading to June 2017.

### 1.3 The external position has improved, driven by recovery of exports

**In FY2016/17, the current account deficit narrowed significantly compared to the previous year due to the decline in government consumption, the deceleration in private investment, and the improved performance of exports.** The current account deficit narrowed to US\$ 1.0 billion, or 4 percent of GDP, in FY2016/17, down from the figure of US\$ 1.2 billion, or 4.9 percent of GDP, recorded in FY2015/16. The narrowing in the deficit was driven by an increase in the export of goods, with imports remaining stagnant, and a broadly unchanged service balance. Once adjusted for net FDI inflows (i.e. non-debt creating flows), the current account deficit shrunk to 2.1 percent of GDP in FY2016/17, down from the figure of 2.3 percent recorded in the previous year.

**During FY2016/17, the total value of goods exports increased to 12 percent of GDP, up from the figure of 11 percent recorded in the previous year.** The value of coffee exports increased by 39 percent, reaching US\$ 490 million. Meanwhile, the value of formal non-coffee exports increased by 12 percent, largely due to increases in the export of cotton, gold, electricity, fish and flowers. At the same time, the growth rates for the export of tea, tobacco, hides and skins, simsim (sesame), and maize all declined relative to the levels recorded in the previous year. According to Bank of Uganda

**Figure 7:** Commercial banks response to lower interest rates remains modest



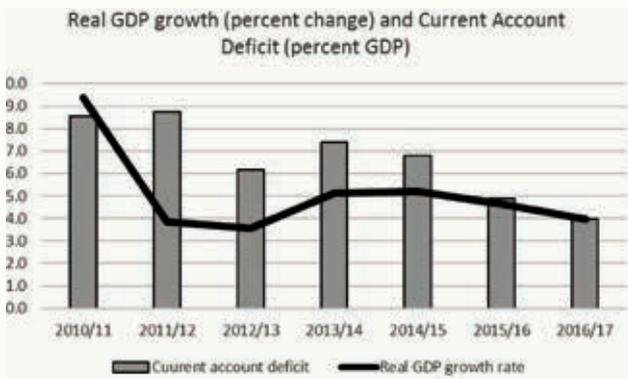
Source: Bank of Uganda

**Figure 8:** The value of loans approved was increasingly lower than applications



Source: Bank of Uganda

**Figure 9:** Current Account Deficit matching the trend in GDP growth



data,<sup>6</sup> the value of informal cross-border trade (ICBT) exports continued to grow, driven in particular by a 21 percent increase in the value of exports of industrial products, with this value increasing to US\$ 305 million in FY 2016/17.

**In FY2016/17, the total value of goods imports declined to 18 percent of GDP, down from the figure of 19 percent recorded in the previous year.** This was largely due to a 11 percent decline in the Government’s import bill, resulting from the steady progress on the construction of two key public infrastructure projects (the Karuma and Isimba hydropower electric power projects). At the same time, the value of private sector imports increased slightly, by 2.2 percent, as global commodity prices, especially

<sup>6</sup> Bank of Uganda, 2016, Exports of goods. [http://www.bou.or.ug/bou/rates\\_statistics/statistics.html](http://www.bou.or.ug/bou/rates_statistics/statistics.html)

petroleum prices, started to recover. During FY2016/17, the average unit price of Uganda’s oil imports increased by 17 percent, offsetting in part the decline of 8 percent in the volume of oil imported during that period. Other non-oil imports declined, driven by a reduction in the import of machinery and equipment as private investment contracted.

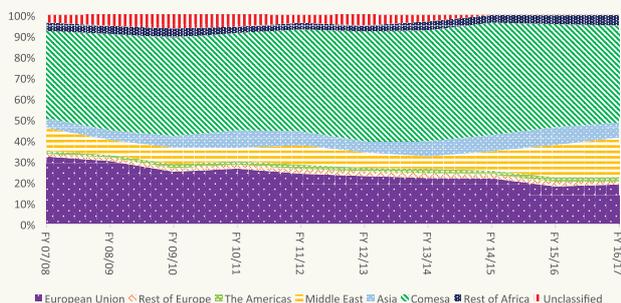
**The financing of the current account deficit relies mostly on long-term government project financing<sup>7</sup>.**

With the value of long-term loans remaining roughly constant at around 3.3 percent of GDP and with budget support at around 0.6 percent of GDP, financing risks stemming from volatile short-term inflows remained limited. As a result, the total stock of external debt has stabilized at 23 percent of GDP, after increasing from 16 percent of GDP in FY 2014/15 to 22 percent last year. Foreign exchange reserves remained roughly constant, at around 5.4 months of import cover.

**With the huge capital inflows, the value of the shilling has remained relatively stable for the eight-month period since January 2017.** After a cumulative depreciation of 33 percent during the period from FY2014/15 to FY2015/16, the value of the shilling depreciated further during the six months prior to January 2017. During that period, the nominal value of the shilling against the US dollar depreciated by 7 percentage points. In the period from January to

<sup>7</sup> In FY 2016/17, net portfolio inflows increased by 38 percent to a value of US\$ 212 million and the value of disbursed loans amounted to US\$ 1,051 million in FY 2016/17, up from US\$ 639 million in the previous year. This offset the decline in the total value of net FDI was US\$ 494 million, from US\$ 630 million received in FY 2015/16.

**Figure 10:** Uganda's exports still dominated by coffee, as Middle East takes larger share of exports



Source: Uganda Bureau of Statistics

September 2017, the shilling traded within a narrow range, helped by reduced demand for imports and a surge in exports during the last half of FY 2016/17 and the first quarter of FY 2017/2018.

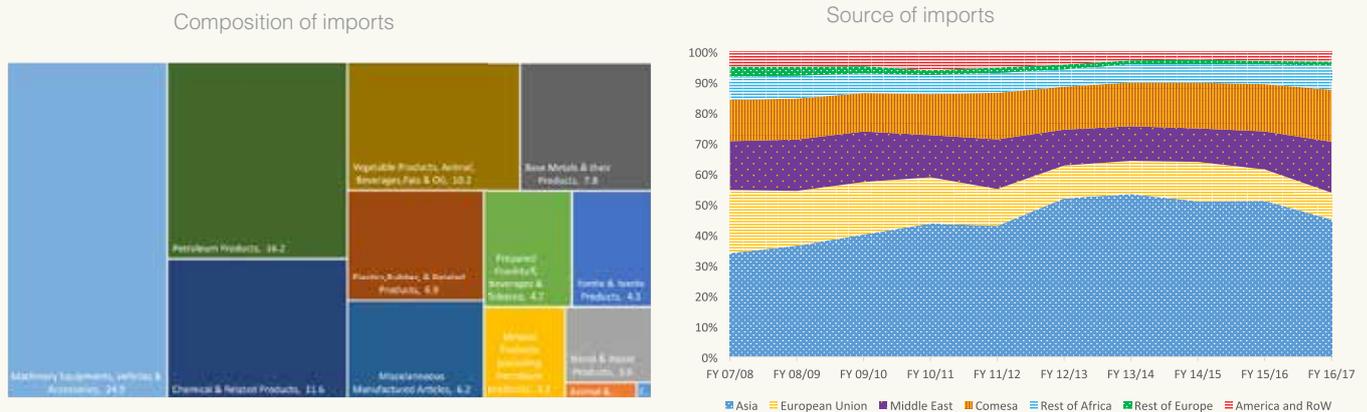
**The composition of Uganda's export partners is changing, with new export markets in Asia and the Middle East opening up.** Until recently, Uganda's three biggest markets were the East African region (including Burundi, Democratic Republic of Congo, Kenya, Rwanda, South Sudan, and Tanzania); the European Union; and the Middle East. During FY 2016/17, the value of Uganda's exports to the Middle East amounted to US\$ 505 million, around the same as its exports to the European Union. The vast majority of the exports to the Middle East were to the United Arab Emirates, which accounted for 96 percent of the total. The value of exports to Asia reached US\$ 195 million, with more than 80 percent of these exports going to India, Malaysia, China, Singapore, Hong Kong, and Indonesia. Following the unrest in South Sudan, the share of exports to regional markets declined dramatically. However, since FY 2016/17, a recovery has taken place, largely due to the diversification of ICBT trade to other destinations, particularly to DR Congo and Kenya, which now accounts for 50 percent and 25 percent of the value of ICBT export trade respectively. As a result, the value of ICBT exports to regional markets is estimated to have increased to US\$ 484 million, up from US\$ 390 million in FY 2015/16.

**While the bulk of Uganda's imports comes from Asia, the share of imports from the Middle East and Africa is**

**increasing.** In FY 2016/17, the share of imports from Asia (i.e. China, India, Japan, and Indonesia) declined to 45 percent, down from the figure of 51 percent recorded in the previous year. An increasing proportion of Uganda's imports come from within Africa, with the share of imports from COMESA increasing from 15.5 percent to 17 percent over this time period. While Kenya and South Africa together account for 60 percent of Uganda's imports from within Africa, the value of imports from DR Congo increased from US\$ 22 million to US\$ 148 million, while those from Tanzania increased from US\$ 76 million to US\$ 169 million over the period. The increase in imports from DR Congo has been mainly driven by an increase in the import of raw gold for use by a gold refinery commissioned during FY2016/17 to process gold for re-export.

**96%**  
OF THE EXPORTS TO THE MIDDLE EAST WERE TO THE UNITED ARAB EMIRATES

**Figure 11:** Uganda is mainly importing machinery and equipment, largely from Asia



Source: Uganda Bureau of Statistics

Conversely, the increase in imports from Tanzania has been mainly driven by an increase in industrial consumer goods following recent efforts by both countries to improve the transport corridor through Tanzania, hence opening up the market in Uganda.

**Over the year, the performance of Uganda’s services, income and transfer accounts subsectors was mixed, with the net impact of the performance of these sectors failing to support an improvement in the overall current account.** During this year, the value of tourism receipts (referred to as travel credit within the BOP statistics) amounted to US\$ 979 million, falling below the US\$ 1 billion mark for the first time since FY2011/12. A number of factors have contributed to the decline, including the lingering impact of election-related uncertainties during the first half of the year, followed by the Kasese clashes in western Uganda; by sporadic outbreaks of disease across Africa, including avian flu and Ebola; and by outbreaks of conflict and unrest in a number of neighboring countries, including the ongoing clashes in South Sudan and the conflict related to the election in Kenya. In terms of the income account, factors contributing to outflows increased during the year, including: (i) repatriated profits associated with foreign direct investment (by 35 percent); (ii) income payments for portfolio investments, mainly on account of the higher rate of interest paid on securities (by 50 percent); (iii) compensation for foreign residence employees (by 16 percent); (iv) and other investments (by 38 percent).

As a result of these outflows, the overall deficit in the income account increased significantly over the year, from a value of US\$ 490 million to US\$ 673 million. With the value of official transfers declining by about 23 percent to US\$ 184 million, the improvement in secondary income was mainly driven by an increase in the value of private transfers by 25 percent over the fiscal year, to reach US\$ 1,183 million. It is possible that this increase was driven by the improving global economy and by the inflow of resources resulting from the increased influx of refugees from South Sudan.

**1.4 The fiscal policy stance has been less expansionary, in part due to under-execution of the capital budget**

**The overall fiscal deficit contracted sharply during FY2016/17, declining from 4.4 percent of GDP in FY2015/16 to 3.5 percent in FY2016/17.** The actual fiscal deficit was almost half of the budgeted value of 6.2 percent of GDP, indicating a significant under-execution of the planned budget. This under-execution was primarily due to lower-than-budgeted development spending (capital expenditures), with actual expenditure 2.7 percentage points of GDP lower than the budgeted level. In addition, not all expenditures were envisaged in the approved budget, with the Government thus being required to issue supplementary budgets to a total value of Shs 62 billion (equivalent to four percent of the approved budget), well in excess of the threshold limit of three percent

**Table 1: Fiscal Operations**

In percent of GDP	FY2014/15	FY2015/16	FY2016/17	FY2017/18	FY2017/18
				App. Budget	Proj.
Revenues and grants:	14.4	15.2	15.4	16.2	15.5
<b>Domestic revenues</b>	<b>13.2</b>	<b>13.8</b>	<b>14.3</b>	14.4	<b>14.0</b>
o/w Tax revenues	12.4	13.0	13.5	13.6	13.2
<b>External Grants</b>	1.2	1.4	1.0	1.8	1.5
<b>Total expenditure</b>	<b>18.7</b>	<b>20.1</b>	<b>19.3</b>	22.5	<b>20.2</b>
Recurrent	10.0	11.0	11.0	10.4	10.5
Development	6.8	7.1	7.4	9.8	8.6
Domestic Development	4.3	4.2	4.7	4.7	4.3
Externally Financed Projects	2.5	2.9	2.7	5.1	4.3
Net Lending & Investment	1.6	1.8	0.6	1.9	0.7
o/w Hydro-power Project	1.3	1.6	0.5	1.9	0.7
Other (e.g. Clearance of domestic arrears)	0.3	0.1	0.1	0.4	0.4
Float	0.1	0.4	-0.4	0.0	0.0
<b>Overall balance</b>	<b>-4.4</b>	<b>-5.3</b>	<b>-3.5</b>	<b>-6.2</b>	<b>-4.7</b>
External Financing	1.2	3.0	2.9	5.4	3.7
Domestic Financing	3.2	2.3	0.7	0.9	1.1
o/w Petroleum Fund withdrawals	0.0	0.0	-0.1	-0.1	0.2
Memorandum items:					
Nominal GDP (Shs billions)	76,517	82,903	91,351	100,552	101,267

Source: Ministry of Finance, Planning and Economic Development, IMF, and World Bank

of the approved budget, defined by the Public Financial Management (PFM) (Amendment) Act 2015.

**Over the year, the total value of collected tax revenues continued to increase in proportion to GDP.** In FY2016/17, tax revenues, and domestic revenues more broadly, increased by an additional percentage point of GDP compared to the value recorded in the previous year. Budget revenues came to a value equivalent to 14 percent of GDP, despite the Uganda Revenue Authority (URA) recording a shortfall in the collection of taxes of Shs 459 billion, equivalent to 0.5 percent of GDP. Nevertheless, the total value of domestic revenues has increased dramatically in proportion to GDP since FY2014/15, when the value of these revenues stood at 11.6 percent of GDP.

**The FY 2017/18 budget forecasts an increase to the headline fiscal deficit to more than 6.0 percent of GDP, with the increase intended to support investment in infrastructure and social services.** The budget envisages an increase to the total value of expenditure by a full percentage point of GDP, to 22.5 percent. Of the total budget, 21 percent has been allocated for the development of transportation infrastructure, with 10.5 percent allocated to the energy sector. In terms of investment in social services, allocations to the education sector increased by 44 percent and to the health sector by 26 percent, but as share of GDP, both have remained unchanged compared to the previous year. With domestic revenues projected to increase to 14.4 percent of GDP, the fiscal deficit was expected to reach a

level in excess of 6 percent of GDP in FY 2017/18, with more than 80 percent of the fiscal deficit being funded through external borrowing, mainly from commercial sources on non-concessional terms (with the total value of loans contracted on these terms standing at 5 percent of GDP). Domestic financing is projected to reach 0.9 percent of GDP, consistent with the Government's strategy to limit its level of dependence on this expensive source of financing and to avoid crowding out the private sector's access to credit.

**The Government has proposed changes to tax policy that are intended to stimulate the economy, but with mixed effects on revenue mobilization.**

With the intention of boosting agricultural production, the Government proposed in its new tax bills for FY 2017/18 to remove VAT on crop extension services, animal feeds and premixes, deep cycle batteries and composite lanterns, irrigation equipment and works, sprinklers and ready-to-use drip lines. VAT on access to tourist sites and tour guides and game driving services has also been removed and first-time investments on sites more than 50 km from Kampala have been granted tax relief. At the same time, a withholding tax of 15 percent will be introduced on gross payments for winnings from various forms of betting on sports, while the gaming tax rate will be reduced from 35 percent to 20 percent. The authorities have also indicated that in FY2017/18, the Uganda Revenue Authority will be given the mandate to collect non-tax revenues. This is expected to reduce leakages in the system and to contribute significantly to domestic revenue mobilization efforts. At the same time, some key tax policy proposals such as the expansion of the infrastructure levy to cover more goods and intermediate inputs, were presented in the budget, but were not approved by Parliament. In addition, plans to re-impose import duty on crude palm oil were reversed.

**Despite its stated intention of tightening tax loopholes, the proposed granting of tax exemptions to a number of domestic companies could severely impact revenue outcomes.** In the

context of declining growth, the authorities have proposed a new draft of tax incentives to stimulate the growth of key sectors of the economy and to address employment and export bottlenecks. These proposals include tax relief to several companies and organizations in FY 2017/18. These additional tax incentives could complicate the Government's efforts to achieve the targeted fiscal deficit for the year. Half-year estimates of Government revenue and expenditure for FY 2017/2018 show that allocations for the provision of tax support to exempted service providers had been overspent by more than three times compared to the figure envisaged in the original budget. During the first quarter of FY 2017/18, the Uganda Revenue Authority collected tax revenues amounting to Shs 2.86 trillion, representing a shortfall of about 3.2 percent compared to the targeted level, with the shortfall largely due to the lower than expected collection of international trade taxes.

**The authorities have increasingly resorted to domestic borrowing to finance the fiscal deficit.**

The recurrent deficits had increased Uganda's debt stock to about 39 percent of GDP by the end of FY 2016/17. While about 65 percent of the total debt stock consist of external debts, the nominal stock of domestic debt at cost has increased rapidly to reach Shs 11,486 billion, or 13.2 percent of GDP, by the end of FY 2016/17. The increased reliance on government securities will necessitate a higher level of coordination between the monetary and fiscal authorities to avoid crowding out the private sector's access to credit. The Government's unexpected decisions to issue securities for fiscal operations undermine the conduct of the monetary policy and increase its costs.



▲ Primary leaving examination time at one school in the outskirts of Kampala. (Morgan Mbabazi, 2017)

## 2. Economic Outlook

*Uganda's real GDP growth is expected to increase from 4.0 percent in FY 2016/17 to 5.1 percent in FY 2017/18. With constrained private investment, the increased output growth will be driven by private consumption and public investment. Barring a recurrence of the protracted drought-like conditions that have occurred in previous years, growth in the agricultural sector should drive an increase in real GDP growth rates to around 6 percent in FY 2018/19. With stronger domestic demand, the current account deficit will widen to 5 percent in FY 2017/18 and to 6 percent in FY 2018/19.*

However, a large proportion of the current account deficit will be financed with non-debt creating FDI inflows, while the further build-up of public external debt does not pose a threat to debt sustainability yet. However, there are a number of significant downside risks, with lower than budgeted tax collections threatening the execution of capital expenditure and of the attainment of the fiscal target and with weather-related shocks having the potential to adversely impact agricultural production, particularly given the sector's low level of resilience.

### 2.1 Higher real GDP growth expected from increased public investment and agriculture output

**In FY2017/18, Uganda's output growth rate is expected to increase to 5.1 percent, up from the figure of 4.0 percent recorded in FY 2016/17, with the increase largely due to higher levels of private consumption and accelerated public investment.**

Improvements in the macroeconomic environment, weather conditions and credit availability for some sectors have resulted in an increased private enterprise output growth of and increases in new orders and employment. This loosening in the labor market may drive increased private consumption, which may also be supported by higher levels of agricultural output due to improved weather following the end of the two-year spell of drought-like conditions. The increase

in private consumption and public investment will result in a widening of the current account deficit to 5.5 percent of GDP in FY2017/18, and to 6 percent of GDP in FY2018/19.

**If capital expenditures are executed according to the approved budget, the fiscal deficit is expected to widen to 5 percent of GDP by FY2018/19 before declining to around 4.0 percent of GDP in FY2019/20.**

With the accelerated construction of key infrastructure projects, total expenditure is likely to increase to a level in excess of 20.2 percent of GDP in FY2017/18 and FY 2018/19. Specifically, the development of oil-related transportation infrastructure, especially in the Albertine region, will help to ensure the smooth commencement of oil production by FY2020/21. In addition to several road development projects, the Government is preparing to contract loans amounting to the value of US\$ 2.9 billion from China Exim Bank to finance the Malaba-Kampala Railway, which will connect the regional network with the existing network between Nairobi and the commercial sea port of Mombasa. The first phase of the network, between Nairobi and Mombasa, was completed by the Kenyan government in June 2017. The railway line will be extended in three phases, first to Naivasha, then to Kisumu, and finally to Malaba. In addition to its transport infrastructure development initiatives, the Government intends to complete the Karuma and Isimba hydroelectric power projects and to construct power lines to support the distribution of electricity, especially in the rural areas.

**The prospect of fiscal revenues falling short of budgeted targets and thereby undermining the accelerated execution of capital spending is significant.** Based on an assessment of performance in the first quarter of FY2017/18, the value of fiscal revenues, excluding grants, is set to reach 14 percent of GDP for the year as a whole. This is close to 0.5 percentage points of GDP below the budgeted target. The shortfall is largely due to the lower-than-expected collection of taxes on international trade, particularly VAT on imports. While external grants may reach the budgeted level of 1.8 percent of GDP by the end of the year, so far, performances have been below par, with disbursements amounting to Shs 142 million, or less than 10 percent of the budgeted figure of Shs 1.7 billion. The value of disbursements of grants during the first quarter of FY2017/18 is equal to 1/3 of the value disbursed during the same period last year.

**The authorities will have to balance the need to stimulate the economy with the need to restrain inflationary pressures.** Given the currently low inflationary pressures, the authorities may further ease monetary policy to stimulate output growth. However, central bank financing of the fiscal deficit could complicate liquidity management and undermine the credibility of monetary policy. In addition, with food crops still accounting for 27 percent of the national CPI basket, supply-side factors such as persistently low productivity in the agricultural sector combined with weather shocks may result in price volatility. Furthermore, if international oil prices continue to increase, the domestic prices for many imported goods will also likely rise, contributing to inflationary pressures. If monetary policy tightens in response to such developments, then private investment may remain low in response to tightened credit market conditions.

**Table 2: Uganda / Macro poverty outlook indicators (annual percent change unless indicated)**

<b>Real GDP growth, at constant market prices</b>	<b>5.2</b>	<b>4.7</b>	<b>4.0</b>	<b>5.1</b>	<b>5.7</b>	<b>6.0</b>
Private Consumption	9.0	2.9	2.9	5.0	5.3	5.9
Government Consumption	4.6	-17.9	-14.9	-1.7	7.5	1.7
Gross Fixed Capital Investment	-0.5	8.9	0.1	5.2	5.3	6.0
Exports, Goods and Services	-2.4	3.6	-2.1	6.0	6.1	6.5
Imports, Goods and Services	4.6	-3.8	-12.5	4.0	4.8	5.0
<b>Real GDP growth, at constant factor prices</b>	<b>5.4</b>	<b>5.1</b>	<b>4.1</b>	<b>5.1</b>	<b>5.6</b>	<b>6.0</b>
Agriculture	2.3	2.8	1.6	2.6	3.1	3.3
Industry	7.8	4.7	3.3	5.7	5.8	6.1
Services	5.9	6.4	5.4	5.9	6.6	7.0
<b>Inflation (GDP Deflator)</b>	<b>5.2</b>	<b>4.3</b>	<b>5.3</b>	<b>4.8</b>	<b>5.1</b>	<b>5.1</b>
Inflation (Private Consumption Deflator)	6.3	7.8	4.6	4.8	5.0	5.0
Inflation (CPI inflation)	2.9	6.6	5.7	5.1	4.9	4.7
<b>Current Account Balance (% of GDP)</b>	<b>-8.7</b>	<b>-6.5</b>	<b>-5.1</b>	<b>-4.5</b>	<b>-5.5</b>	<b>-6.1</b>
<b>Financial and Capital Account (% of GDP)</b>	<b>6.3</b>	<b>5.8</b>	<b>4.2</b>	<b>5.1</b>	<b>6.0</b>	<b>7.0</b>
Net Foreign Direct Investment (% of GDP)	2.9	2.2	1.9	1.9	1.9	2.0
<b>Fiscal Balance (% of GDP)</b>	<b>-4.0</b>	<b>-4.7</b>	<b>-3.7</b>	<b>-4.7</b>	<b>-5.5</b>	<b>-4.0</b>
<b>Debt (% of GDP)</b>	<b>32.2</b>	<b>35.7</b>	<b>38.5</b>	<b>40.7</b>	<b>44.3</b>	<b>45.8</b>
<b>Primary Balance (% of GDP)</b>	<b>-2.5</b>	<b>-2.7</b>	<b>-1.7</b>	<b>-1.5</b>	<b>-3.1</b>	<b>-1.4</b>

Sources: World Bank, Macroeconomics and Fiscal Management Global Practice, and Poverty Global Practice.

Notes: e = estimate, f = forecast, Data reported in financial years July-June

(a) Calculations based on 2009-UNHS and 2012-UNHS.

(b) Projection using point-to-point elasticity (2009-2012)

with pass-through = 1 based on GDP per capita in constant LCU.

© Actual data: 2012. Nowcast: 2013 - 2017. Forecast are from 2018 to 2020

### Box 1: Doing Business 2018: Uganda's ranking declines

According to the World Bank Doing Business 2018 report, released in October 31, 2017, Uganda's ranking in terms of the ease of doing business indicator has slipped to 122<sup>nd</sup> place out of 190 countries, down from 115<sup>th</sup> place in the previous year. On the one hand, the report acknowledges that Uganda has made some significant improvements. In terms of the distance to frontier indicator, Uganda's score increased to 56.94 in 2017, up from 56.52 in the previous year. This shift is based on Uganda's improvements to its business regulations. In addition, Uganda's implementation of reforms to facilitate trade across borders was also acknowledged. These involve measures to reduce the time to comply with export document requirements by allowing for electronic submission of documents related to processing certificates of origin and to develop and improve the Malaba One-Stop Border Post.

However, the report also emphasizes that Uganda is not doing enough, as reflected through a comparison with regional comparators. As in previous years, Sub-Saharan African (SSA) countries implemented a greater number of reforms in 2016/17 than those in any other region, with a total of 83 reforms recorded in all the areas measured by Doing Business. In addition to the reform count, SSA also recorded impressive progress in terms of the distance to frontier (DTF) indicator. The region recorded the most significant increase in terms of this indicator, with the average SSA country improving by 1.23 percentage points, compared to the global average of 0.76 percentage points. Eight of the region's economies improved their DTF score by more than three percentage points this year: Malawi (+6.33), Djibouti (+3.99), Zambia (+3.92), Nigeria (+3.85), Senegal (+3.75), Rwanda (+3.21), Liberia (+3.10), Madagascar (+3.05).

Three economies in SSA were among the top ten reformers worldwide. These three countries included Malawi, Nigeria, and Zambia. Malawi and Nigeria joined this list for the first time. Meanwhile, Mauritius and Rwanda (the two African economies in the top 50), have made significant strides upward, with Mauritius ranking in the 25<sup>th</sup> place and Rwanda in the 41<sup>st</sup> place. With six reforms, Kenya implemented more reforms than any other country in the region. Rwanda, Mauritania, Nigeria and Senegal each implemented five reforms; Mauritius, Niger, Malawi implemented for reforms; and Zambia, Angola and Benin implemented three reforms.

**Over the medium term, Uganda's real output growth rate should gradually increase to 6 percent or above.** Higher growth rates will be supported by increased private investment as FDI inflows to the extractives sector recover following the issuance of exploration agreements, supported by the Government's renewed prioritization of the development of oil-related infrastructure. The Government's renewed commitment to the development of this infrastructure follows the agreement between Uganda and Tanzania, signed in November 2017, to construct a pipeline between Hoima and Tanga port to facilitate the export of oil. With these developments, the acceleration in output growth should be supported by growth in the construction and services sectors. Furthermore, barring another protracted episode of drought-like conditions, the real output growth rate in the agricultural sector could reach 3 percent in FY2018/19, with longer-term

weather forecasts pointing to more favorable climatic conditions and better rainfalls than in the recent past. Uganda remains vulnerable to risks associated with volatile climatic conditions and food prices, unless the implementation of mitigation measures, including the development of improved irrigation systems, takes off. With agriculture remaining the primary source of livelihood for more than 69 percent of Uganda's population, supply disruptions resulting from changes to weather patterns could have significant negative effects on consumption and livelihoods. They could also complicate the management of inflation.

#### 2.2 Risks remain tilted to the downside

**In the short term, delays to the execution of planned public investments and the continued crowding out of the private sector may constrain real GDP growth.** If the execution of capital

expenditure is delayed due to revenue shortages, as has been the case with several energy projects in the past, or if the large investment program fails to deliver a sizable growth dividend, then this may slow output growth and place the public debt-to-GDP ratio on a steeper upward trajectory. In that context, it would be even more important for the Government to contain leakages that undermine the collection of revenues and to maintain tight control over expenditure, including by limiting further tax exemptions to companies, as these exemptions could further reduce revenue.

**The Government's increased reliance on domestic financing threatens to crowd out private investment.** The value of the Government's domestic debt stock has almost doubled in proportion to GDP, increasing from 7 percent of GDP in FY2008/09 to 14 percent in FY2016/17. While this increase may assist in deepening the capital market, it is also crowding out private sector investment, with higher interest rates increasing the cost of borrowing for the private sector. Although interest rates for commercial loans in local currency have declined somewhat since mid-2017, there are still at exorbitant levels, standing in excess of 20 percent.

**Over the medium term, the prospects for improved human development outcomes may be undermined by a continued emphasis on infrastructure development.** The Government's current strategy identifies infrastructure gaps as the key constraint on growth and is focused on addressing these gaps. This emphasis on infrastructure could lead to underinvestment in human capital development. With more imminent returns on investments in infrastructure than in human capital development, global experience shows that many countries may be tempted to postpone the latter, despite their critical importance for long-term development.

**Any further deterioration in the region's social, economic and political conditions could further undermine private investment in Uganda.** Protracted post-election unrest in Kenya could adversely impact Uganda's trade with Kenya. In the case of South Sudan, increased tensions could increase the refugee inflows into Uganda, with the numbers rising beyond the one million living in resettlements in the Northern Uganda, with implications for social service delivery. Similarly, if tensions within Uganda related to the constitutional amendment are prolonged, this could also have a negative impact on private investment.

▼ Nurses participate in a health awareness march (Morgan Mbabazi, 2017)



### 2.3 Higher productivity is needed to support higher sustainable growth over the medium term

**The recent deceleration in Uganda's real output growth can be attributed to insufficient investment in productivity to sustain longer-term growth and to enhance resilience to exogenous shocks.** At the aggregate level, the shift in the production structure from agriculture to services has not been matched by a corresponding transformation in the structure of the labor force. The relative contribution of agriculture to total output has declined by more than half over the past two decades, dropping to around 25 percent of GDP over the past five years. Nonetheless, it continues to be the primary source of employment for more than 75 percent of the labor force. Increasing productivity in agriculture will go a long way towards supporting output growth and reducing poverty.

**Output growth has been driven by the proliferation of small low-productivity firms, in both the agricultural and services sectors.** Despite households shifting from involvement in agriculture to small-scale, low-value added retail services, output growth has been little affected by this shift in production. With the majority of new firms being established in low value production sectors, the transformation of production into manufacturing and higher value-added products has been slow. Businesses that have recorded the highest increases in productivity have generally achieved this through the deployment of new technology, which in part has replaced labor.

**The deceleration of output growth, particularly in agriculture has been accompanied by a reversal in the progress made towards poverty reduction since 1992.** Uganda's trajectory in poverty reduction can be characterized by three distinct periods: the first runs from FY1992/93 to FY2005/06; the second from FY2005/06 to FY2012/13; and the third from FY2012/13 to the present. During the first period, the poverty rate declined from 56 to 31 percent, largely due to increased productivity of food crops, high average global coffee prices, and economic transformation characterized by diversification into non-farm income. The second period was characterized by improved connectivity, with better infrastructure resulting in enhanced access to markets; by improved regional

security, with the South Sudan peace accord in 2010 leading to increased agriculture production in the North; and a relatively long period of favorable weather conditions.<sup>1</sup> In terms of non-monetary indicators, Uganda also recorded strong improvements. In the period from 2001 to 2011, the infant mortality declined from 88 deaths per 100,000 births to 54 and the under-five mortality declined from 137 per 100,000 births to 90. Over the same period, the ownership of modern assets such as telephones and motorcycles increased, with a concurrent decline in the use of less advanced technologies, such as bicycles.<sup>2</sup> However, since FY2012/13 poverty rates have either remained stagnant or have possibly even reversed. According to the latest Uganda National Household Survey (UNHS) report, published in FY2016/17, the national poverty rate is estimated to have increased by 7 percentage points to 27 percent since the previous survey was conducted four years ago.

**Faster poverty reduction and inclusive development has been adversely impacted by lack of access to basic services, regional disparities, and gender inequality.** Only 14 percent of Ugandan households have access to adequate sanitation facilities, with this rate half of the Sub-Saharan Africa (SSA) regional average. In Uganda, only one in five households uses electricity for lighting, with the regional average standing at one in three.<sup>3</sup> Increasingly, poverty has become concentrated in the Northern and Eastern regions, with 84 percent of Uganda's poor located in these areas. Finally, a large proportion of Uganda's poor live just above the poverty line and remain highly vulnerable to external shocks, including shocks related to price volatility and adverse weather incidents. During the period from 2006 to 2010, for every three Ugandans who rose above the poverty line, two fell back below the line, illustrating the fragility of the gains achieved.<sup>4</sup> In FY 2012/13, 43 percent of Ugandan households could be categorized as vulnerable to falling back below the poverty line, with incomes above the threshold level that marks the poverty line but not exceeding twice this figure.

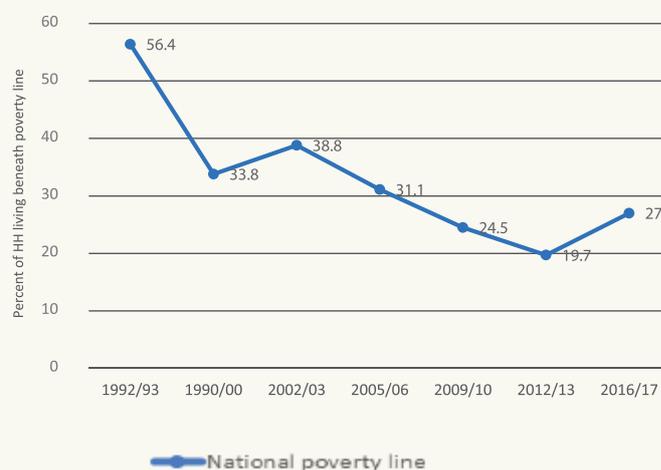
1 World Bank, 2016, The Uganda Poverty Assessment, September

2 World Bank, 2016, The Uganda Poverty Assessment Report 2016. Farms, cities and good fortune: assessing poverty reduction in Uganda from 2006 to 2013.

3 World Bank, 2016, Uganda Systematic Country Diagnostic, Boosting Inclusive Growth and Accelerating Poverty Reduction, Washington DC

4 Economic Policy Research Centre, 2012. Sewanyana and Kasirye.

**Figure 12:** Sustained achievement in poverty reduction recently reversed



Source: Uganda Bureau of Statistics

**The recent spell of slower real GDP growth has postponed Uganda’s goal to advance to middle income status, with issues related to child marriage, early childbearing and low educational attainment playing an important role in this postponement.** With Uganda’s high population growth rate, roughly at around 3.3 percent with no sign of decline over the last twenty years, the current economic growth rate generates only modest improvements in average per capita incomes. This in turn leads to limited gains in consumption per capita for households, contributing to persistently high rates of poverty, and in some cases increases in poverty when growth is not pro-poor. Child marriage, early childbearing, and low educational attainment for girls contribute to high fertility rates for women and thereby to high population growth. In addition, they reduce the earnings potential of women. Larger household sizes as well as limited employment opportunities for poorly educated girls both contribute to household poverty, as discussed in the second part of this report. With the current deceleration in growth, it may take at least another 10 years for Uganda to elevate its average per capita income from the current US\$ 706 to US\$ 1000 and achieve middle-income status as well as substantial poverty reduction.

**For Uganda to achieve higher rates of economic growth, it must increase the productivity of its labor force and increase its stock of capital.** The approaches adopted to address obstacles to higher productivity need to ensure inclusive growth. Indeed, efforts to build both physical and human capital through investments in infrastructure and social services can yield good results, if appropriately implemented. Achieving sustainable, long-term improvements to productivity require a sustained focus on the development of an inclusive education system that equips the workforce with the skills needed to facilitate these improvements. Not only do phenomena such as early marriage, early child bearing and failure to attain a good level of education have an adverse impact on productivity at the individual level, they also have an adverse impact at the community and national level. The second part of this report presents an analysis of the cost of failure to invest in the girl child and outlines a path forward to achieving inclusive human capital development and thereby to achieving higher rates of inclusive growth and poverty reduction.

# PART 2

## THE COST OF NOT INVESTING IN GIRLS: CHILD MARRIAGE, EARLY CHILDBEARING, AND LOW EDUCATIONAL ATTAINMENT FOR GIRLS, AND THEIR IMPACTS

- Child marriage, early childbearing, and low educational attainment for girls have a wide range of negative impacts not only on the girls themselves, but also on their children, their families, and society at large.
- Some of the impacts with the largest economic costs relate to fertility and population growth, women's earnings, and the health of children born of young mothers. Other impacts range from losses in women's agency to higher risks of intimate partner violence.
- Ending child marriage today could generate by 2030 up to US\$2.7 billion in annual benefits (in purchasing power parity terms) simply from lower population growth and a reduction in rates of under-five mortality and stunting for young children. In addition, women's earnings today would be higher if they had been able to avoid marrying early. This loss in earnings is estimated at more than US\$ 500 million.
- Other benefits from lower population growth would include budget savings for the government for the provision of basic services. These savings could be invested to improve the quality of the services provided.
- To delay the age at first marriage and childbearing, adequate laws are a first step, but interventions are also needed. Interventions that alleviate economic constraints to girls' education tend to be the most proven. But there is also a role for interventions expanding economic opportunities for adolescent girls who dropped out of school and are not likely to be able to go back to school.
- Imparting adolescent girls with life skills and reproductive health knowledge is also essential, whether girls are in school or out of school. This can be done among others through safe space clubs that have proven effective for such purposes.
- To improve educational attainment for girls, basic conditions also must be met. At the secondary level, there is a need to build schools closer to where children (boys or girls) live. As an alternative, adequate modes of transportation to schools must be provided. Providing separate water, sanitation and hygiene facilities for girls is also important, as is the need to reduce the risk of violence and sexual harassment in school.
- Finally, for the broader challenge of gender-based violence and inequality, community-based interventions to work with men, women, leaders and service providers can also be beneficial.





▲  
*Revision time for lower  
secondary students in a Kampala  
school (Morgan Mbabazi 2017)*

### 3.1 Why should we measure the costs of child marriage, early childbearing, and the lack of education for girls?

**Despite progress over time, adolescent girls still have on average in Uganda lower educational attainment than boys at the secondary level. In addition, rates of child marriage and early childbearing remain high.** Educating girls and ending child marriage and early childbearing is essential for girls and young women to have agency in their life, not only as wives and mothers, but also beyond those roles. It is also essential to enable Uganda to reach middle income status. Unfortunately, despite progress over time, more than one in three girls still get married before the age of 18 according to the latest publicly available Demographic and Health Survey for 2011 (the unit level data from the 2016 survey have not yet been publicly released; therefore the analysis is based on the 2011 survey). In addition, almost three in ten girls have their first child before the age of 18. In part because of persistently high rates of child marriage and early childbearing, completion rates for primary and especially secondary education for girls remain low. This means that girls, their children and the country are not empowered to reach their full potential. Given that Uganda has one of the most youthful populations in Sub-Saharan Africa, and one of the highest rates of young women out of the labor force, the benefits from empowering adolescent girls should be large. This study, which is adapted from a global study with a similar focus, makes the case for investments to end child marriage, prevent early childbearing, and educate girls in Uganda. A more detailed report on the analysis is available apart from the synthesis provided here (see Wodon et al., 2017).

**Low levels of educational attainment, child marriage, and early childbearing affect girls' life trajectories in profound ways.** Girls who were married, had children, or dropped out of school early are more likely to experience poor health, have more children over their lifetime, and earn less in adulthood. This makes it more likely that their household will live in poverty. Other consequences for women associated with a lack of educational attainment, child marriage, and early childbearing include higher risks intimate partner violence and a lack of decision-making ability

within the household. Fundamentally, these girls are at a higher risk of being disempowered in ways that deprive them of their basic rights. This affects not only the girls, but also their children. For example, the children of young mothers face higher risks of dying by age five, being malnourished, and doing poorly in school. The economic and social costs of child marriage, early childbearing and low educational attainment are large first and foremost for individuals, but also at the level of communities and the nation.

**While there is support in Uganda for ending child marriage, preventing early childbearing, and educating girls, investments are not sufficient for lasting change.** Ensuring that girls receive a good education and do not marry at an early age are targets under the Sustainable Development Goals. Uganda and several other countries in sub-Saharan Africa have adopted laws and national strategies to end child marriage, prevent teenage pregnancies, and invest in girls' education. But while laws and strategies can help, they are not sufficient. Targeted interventions are needed to deal with economic constraints as well as social norms and cultural traditions contributing to poor outcomes for girls. This requires significant and long-term financial investments and political will. In other words, while there is a consensus that dropping out of school and marrying or having children too early have a wide range of negative development impacts, actual investments to improve opportunities for girls remain limited.

A better understanding of the cost of not investing in adolescent girls could help convince policy makers and other stakeholders to do more. The lack of adequate investments to benefit adolescent girls may be due in

By documenting the economic impacts of child marriage, early childbearing, and low educational attainment for girls, as well as the aggregate costs associated with those impacts, the study makes a case for investments in adolescent girls by the government, donors, and other stakeholders.

part to the fact that the economic case for these investments has not yet been made forcefully enough. This may be especially the case for child marriage and early childbearing, as the evidence on the benefits of girls' education is firmly established. Child marriage, itself the cause of most early childbearing, is often perceived as a social or human rights issue, and not necessarily as an economic issue. This may be one of the reasons why sufficient targeted investments have not yet been made to end the practice in many countries. By documenting the economic impacts of child marriage, early childbearing, and low educational attainment for girls, the study makes a case for more sustained investments by the government and other stakeholders in those areas.

The study starts with a basic diagnostic, proceeds with an analysis of impacts and costs, and ends with a discussion of policy options. More precisely, the report: (i) provides a brief analysis of trends in child marriage, early childbearing, and educational attainment for girls over time and how these issues are linked to poverty; (ii) analyzes the relationships between child marriage, early childbearing, and educational attainment, as well as their impacts on other development outcomes and selected costs associated with those impacts; and (iii) uses evidence from Uganda and other countries to discuss policy options to end child marriage, prevent early childbearing, and improve educational attainment for adolescent girls.

### 3.2. How have child marriage, early childbearing, and girls' education changed over time?

Following global trends, child marriage and early childbearing have decreased in Uganda over time, but rates remain unacceptably high. Child marriage is defined as a formal or informal union before the age of 18. Some studies suggest that over the past three decades, the prevalence of child marriage in developing countries may have decreased by about a dozen percentage points (Nguyen and Wodon, 2015; see also UNFPA, 2012, and UNICEF, 2014). The decline in Uganda has been slightly larger. As shown in Table 1, the share of women aged 18-22<sup>14</sup> who married before the age of 18 was at 36.5 percent according to DHS data for 2011 (data

14 The prevalence of child marriage has been estimated in previous reports among others by UNICEF and UNFPA for women aged 20 to 24. In this study, the analysis is carried out for women aged 18 to 22, which tracks more closely the conditions prevailing in countries at the time of the survey. Measures of child marriage could also be estimated solely among girls 18 years of age, but using a larger bracket in terms of years provides more robustness in terms of statistical results. In addition to estimating the prevalence of the practice, other useful measures can also be estimated (see Nguyen and Wodon, 2015).

from the 2016 DHS were not yet available for this study; see Box 2 on data sources). This share was ten points lower than the share observed among women aged 23-30 (46.3 percent), and 16 points lower than for women aged 41-49. This is encouraging, and it is hoped that this decline will be confirmed by the 2016 DHS. At the same time, child marriage rates remain high, and the same is true for early childbearing, defined as mothers having their first child before the age of 18. In some countries, three fourths or more of all instances of early childbearing are likely to be due to child marriage. In Uganda, as discussed below, about half of instances of early childbearing are a likely consequence of child marriage. This suggests that the two phenomena are closely related, although not always so. Table 3 also provides the share of girls marrying or having their first child before age 15, with similar trends over time.

**Table 3: Trends in Child Marriage and Early Childbearing for Girls in Uganda (%)**

	Child marriage		Early childbearing	
	Before 18 years	Before 15 years	Before 18 years	Before 15 years
All women ages 18-49	46.8	14.4	37.7	8.5
<b>Age group</b>				
18-22 years	36.5	7.3	28.6	5.0
23-30 years	46.3	14.5	39.2	8.4
<b>31-40 years</b>	53.3	17.8	42.6	10.1
41-49 years	52.8	19.4	40.4	11.6

Wodon et al. (2017)

**36.5%**  
**WOMEN AGED 18-22 WHO**  
**MARRIED BEFORE THE AGE OF 18**

## Box 2: Data Sources for Analysis

The analysis of child marriage, early childbearing, and educational attainment for girls was based on several large scale and nationally representative surveys that capture information on these outcomes. The main data sources used for the quantitative analysis are the following: (i) Demographic and Health Surveys (DHS), with the latest publicly available DHS for Uganda implemented in 2011; (ii) the Uganda National Household Survey (UNHS) for 2012-13; and (iii) the National Uganda Panel Survey for 2011-12. While new data may become available from the DHS 2016 and the UNHS 2015-16, the main messages from the analysis should remain valid.

The qualitative analysis relies in large part on data collected in 2012-13 through focus group discussions and interviews in 14 districts across the country: Bukomansimbi and Gomba (Central 1 region), Buvuma (Central 2 region), Namayingo (East-central), Kween (Eastern), Makindye (Kampala), Lamwo (North/Mid-northern), Napak and Kaabong (Karamoja/North-east) Yumbe (West Nile), Ntoroko and Hoima (Western/Mid-western), and Kanungu (Southwest/South-western). Topics discussed in the focus group discussions include education, health and water and sanitation. While the focus group discussions were not specifically on child marriage, they provide rich insights into the constraints faced by households that may lead to child marriage and early childbearing. In addition, the qualitative analysis also draws on insights from a range of published studies.

*Source: Wodon et al. (2017).*

**Uganda has also made progress towards higher educational attainment for girls. Still, fairly few girls complete their upper or even lower secondary education.** Substantial efforts have been made in Uganda to improve educational attainment for both boys and girls (see Box 3). At the same time, large gaps remain. Table 4 provides data from the 2011 DHS survey on completion rates for primary, lower secondary, and upper secondary school. The estimates are provided for various age groups, starting a few years after the normal completion age to allow for late starts and repetitions. The data suggest gains in completion rates over time, but with a long way to go to achieve universal primary and secondary education. While progress has been achieved in the last few years since the implementation of the 2011 DHS, data from the UNESCO Institute of Statistics suggest that in 2015, the primary completion rate for girls was still at only 53.4 percent (52.7 percent for boys). At the lower secondary level, the completion rate for girls was at 24.9 percent, below that for boys at 26.8 percent.



Young graduates at Aga Khan University in Kampala (Morgan Mbabazi, 2017)

<sup>15</sup> For primary, the first age group is girls aged 15 to 18, with a lower completion rate than the next age group. This suggests substantial late starts and repetitions leading to several years of delayed completion.

**Table 4: Trends in Educational Attainment for Girls in Uganda (%)**

Primary Completion		Lower Secondary Completion		Upper Secondary Completion	
Age Group		Age Group		Age Group	
All 15 - 49	38.72	All 18 - 49	17.59	All 21 - 49	8.47
15 - 18	37.35	18-20	20.36	-	-
19 - 22	51.82	21-24	26.37	21 - 24	12
23 - 30	45.55	25-30	20.45	25 - 30	10.08
31 - 40	29.35	31-40	12.43	31 - 40	6.93
41 - 49	25.56	41-49	8.91	41- 49	4.4

Source: World Bank staff using latest publicly available DHS.

**Box 3: Efforts to Improve Educational Attainment in Uganda**

Uganda has a long history of promoting educational attainment for both boys and girls. The policy of providing free primary education was launched in 1997 and later became known as Universal Primary Education (UPE). Ten years later, the Government of Uganda launched a comprehensive reform program to provide universal access to post primary education and training (UPPET) to accommodate the bulge from free primary education provided under UPE. The Government created two sub-programs under UPPET: (i) Universal Secondary Education (USE) to improve transition rates from primary to secondary schools; and (ii) similar policies for vocational education (schools/community/polytechnics). Through UPPET, Uganda became the first country in sub-Saharan Africa to introduce a Universal Secondary Education Policy.

Thanks to these efforts, Uganda made progress towards higher educational attainment for both boys and girls. Gender parity has been achieved at the primary education level. At entry into lower secondary (Secondary 1), intake rates are similar for boys and girls, but girls start to fall behind towards the end of lower secondary (Secondary 4). At the upper secondary level (Secondary 5-6), the gap between girls and boys is more pronounced, in part due to child marriage and early childbearing, two issues that affect girls much more than boys.

**There are differences between regions in the prevalence of child marriage, early childbearing, and low educational attainment for girls.** These differences can be measured finely using census data, or at a higher level of geographic aggregation using survey data. They are illustrated for child marriage and early childbearing in Table 5 at the regional level and for urban and rural areas using data from the 2011 DHS. These differences reflect heterogeneity in standards of living, opportunities for girls, and gender norms across various parts of the country, and they can be used to target interventions to areas with the least favorable outcomes for adolescent girls.

**53.4%**

**IN 2015, THE PRIMARY COMPLETION RATE FOR GIRLS**

**Table 5: Child Marriage and Early Childbearing by Region (%)**

	Child marriage (18-22 years)	Early childbearing (18-22 years)
<b>All</b>	<b>36.5</b>	<b>28.6</b>
<b>Region</b>		
Kampala	17.8	19.4
Central 1	26.9	22.9
Central 2	37.4	34.5
East central	42.0	35.4
Eastern	49.4	38.1
North	51.5	35.3
Karamoja	59.7	33.9
West-Nile	36.5	23.8
Western	39.5	33.1
Southwest	23.9	13.8
<b>Residence</b>		
Urban	22.5	24.6
Rural	40.6	29.8

Source: Wodon et al. (2017).

### 3.3. How does poverty affect child marriage, early childbearing, and low educational attainment for girls?

**While cultural factors play an important role in the persistence of child marriage, early childbearing, and low educational attainment for girls, the role of**

**poverty should not be underestimated.** In the case of child marriage, as noted in multiple reviews (e.g., UNICEF 2005; Vogelstein 2013; UNFPA 2012; UNICEF 2014; Klugman et al. 2014; Parsons et al., 2015; Wodon, 2017), social and cultural norms related to gender roles and gender inequality contribute to the persistence of the practice. When overlaid with a culture that assigns specific gender roles to men and women, poverty and a lack of opportunities for girls often leave few options but to marry early. Higher fertility and a reduction in earnings due to child marriage and early childbearing as well as low educational attainment contribute to poverty, a lack of empowerment, and the perpetuation of disadvantage and gender discrimination over time.

#### **The links between poverty and child marriage, early childbearing, and low educational attainment for girls are very clear in Uganda.**

In Table 6, households are categorized in five quintiles from poorest to richest based on their level of wealth in the 2011 DHS. The prevalence of child marriage and early childbearing is much higher in the bottom three quintiles of wealth, after which it decreases, especially among girls from the richest quintile. A similar but inverted pattern is observed for girls' educational attainment, with higher shares of girls completing various levels of schooling in the higher quintiles.

**Table 6: Child Marriage, Early Childbearing and Educational Attainment for Girls by Quintile (%)**

	Child marriage 18-22	Early childbearing 18-22	Primary completion 15-18 years	Lower sec. completion 18-20 years	Upper sec. completion 21-24 years
Poorest	54.4	41.6	11.6	4.2	0.8
Poorer	49.9	36.6	24.1	7.3	2.3
Middle	40.5	31.3	26.2	8.0	3.5
Richer	29.9	21.8	47.2	22.1	7.9
Richest	19.9	18.9	61.7	45.4	32.0

Source: Wodon et al. (2017)

**Multiple factors are leading to differences in outcomes between socio-economic groups.** When poverty makes it hard for a household to send all children to school, prevailing gender norms may mean that boys receive preferential treatment, at least at the secondary level, while girls may be kept home from school to take care of housework. Parents in traditional communities may also place a lower value on girls

than boys simply because the benefits of educating girls are likely to accrue to in-laws, while the benefits of educating boys are more likely to benefit the family of origin. A lack of formal employment opportunities for young women may also mean that less value is placed on secondary education for girls as parents find little benefit in investing in their education. In some cases, girls may have few career choices outside

“Parents sometimes make the unrealistic assumption that education means only studying up to university, and ignore all other openings that education can culminate into, such as technical, business and vocational sectors which can be as fulfilling and rewarding in life. Discrimination between sexes of children and predetermining the direction each child’s education should take is not good.”

of marriage and child rearing. A lack of meaningful social and economic alternatives may make it difficult for girls and their families to envision viable alternatives to early marriage and childbearing. Structural weaknesses in the provision of education also play a role. The fact that schools are of poor quality, sometimes far away, or costly for families in terms of both fees and lost hours of (unpaid) household work for girls when they go to school may lead to de-prioritizing girls’ education and may encourage parents to marry off their daughter, particularly if she is deemed to be of marriageable age and the suitor is acceptable. Further, when poor families face food insecurity, having a girl marry early gives that family one less mouth to feed. Finally, financial transactions (bride prices or bride wealth) around marriage may also lead parents, or in some case their daughters, to benefit from marrying these daughters early.

The causality between poverty and child marriage, early childbearing and a lack of educational attainment for girls runs both ways. Poverty increases these risks substantially for girls, and those risks contribute to the transmission of poverty from one generation to the next.

### **Conversely, child marriage, early childbearing, and low educational attainment for girls also contribute to poverty and differences in wealth between groups.**

Early marriage leads girls to have children earlier and more children over their lifetime. This reduces consumption per capita in the household, thereby increasing the likelihood of being poor. Girls marrying early often must leave school, which curtails their earnings potential as adults due to low educational attainment. These are but two of the channels through which child marriage may lead to higher poverty. One important implication of the relationship between poverty and child marriage, early childbearing, and low educational attainment for girls is that most benefits from interventions in those areas would accrue to the poor. The costs associated with the impacts of child marriage, early childbearing, and low educational attainment for girls are borne by the poor. Therefore, programs and policies in these areas would be pro-poor in Uganda as in other countries.

### **3.4. What types of impacts and costs are associated with child marriage, early childbearing, and low educational attainment for girls?**

**A simple conceptual framework is used to measure the economic and social impacts of girls dropping out of school, marrying early, or having children early.** The framework is illustrated in Figure 1, which is adapted from a global study on the economic impacts of child marriage. As discussed in the previous section, the top panel in Figure 13 recognizes that girls’ education and child marriage/early childbearing are closely linked. The literature and estimates from this study suggest that keeping girls in school is one of the best ways to delay marriage and early childbearing in Uganda. Conversely, marrying or having a child early often lead girls to drop out of school. In turn, both girls’ educational attainment and child marriage/early childbearing matter for other development outcomes. Four main outcomes are considered in this study: (1) fertility and population growth; (2) health for mothers as well as their children (including under-five mortality and malnutrition for children, and the risk of exposure to intimate partner violence for mothers); (3) work (including labor force participation, land ownership, and earnings); and (4) agency (including decision-making and other impacts). While some

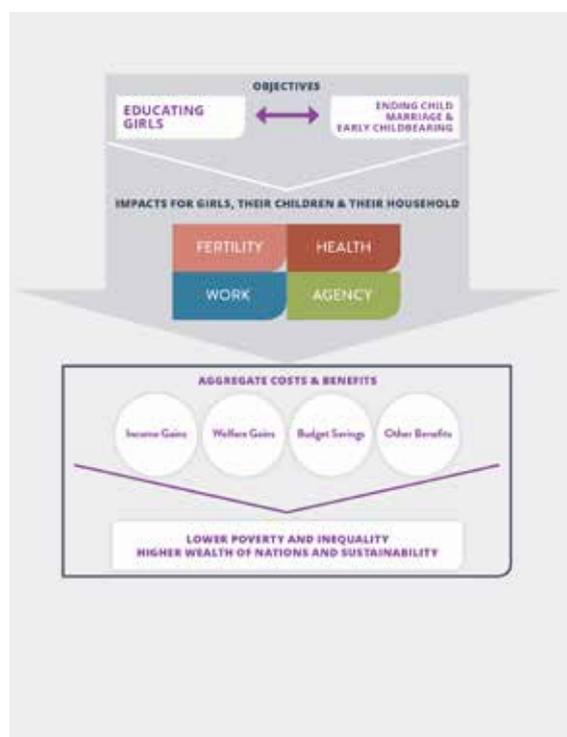
of the impacts of child marriage, early childbearing, and educational attainment for girls are estimated for the girls themselves, others are estimated for their children. We use the term “impacts” for simplicity, recognizing the difficulty of establishing causality (see Box 4).

**Selected monetary costs or benefits associated with the impacts of child marriage, early childbearing, and low educational attainment for girls are estimated.**

The framework distinguishes four types of benefits from educating girls and ending child marriage and early childbearing: income gains, welfare gains, budget savings, and other benefits. Examples of benefits include (i) higher growth in GDP per capita thanks to lower population growth; (ii) higher earnings for women in adulthood thanks to higher educational attainment; (iii) higher earnings for children in adulthood thanks to a reduction in stunting; (iv) benefits associated with the valuation of children’s lives saved; and (v) reduced budget needs for the Ministry of Education thanks to lower population growth. This list is by no means exhaustive, but it includes some of the largest expected economic benefits. Finally, benefits from educating girls and ending child marriage and early childbearing at the level of individuals and households have broader implications at the national and even global level. By raising standards of living (including through higher GDP per capita thanks to lower population growth and higher earnings for women), educating girls and ending child marriage and early childbearing should reduce

Apart from looking at the relationships between child marriage, early childbearing, and education for girls, this study looks at their impacts in four areas: fertility, health, work, and agency. In turn, various types of costs associated with those impacts are estimated.

Figure 13: Conceptual Framework for Measuring Impacts and Costs



Source: Wodon et al. (2017).

▼ Youth enjoy welding work at a Workshop in outskirts of Kampala (Morgan Mbabazi, 2017)



poverty and inequality, as well as increase standards of living substantially.

**The economic benefits from improving outcomes for girls can be measured as flows from one year to the next or as stocks.** Examples of flows include impacts on GDP per capita and annual earnings for women. An example of stock is the estimate of the wealth of a nation. The concept of a nation's wealth differs from that of its GDP. While a country's GDP is an aggregate measure of annual production or income, wealth is a measure of the assets of a country. A country's assets are what enables it to produce future income or GDP. Recent research suggests that human capital accounts for two thirds of global wealth worldwide, with produced and natural capital accounting for the rest. Improving outcomes for adolescent girls would contribute to increasing Uganda's human capital, and thereby its wealth and long-term capacity to generate future incomes. Said differently, educating girls and ending child marriage and early childbearing would help in ensuring the long-term sustainability of Uganda's development path. In this study the focus is on measuring benefits as annual flows, although the analysis of impacts on wealth is available from the authors. It is worth noting that estimates of costs based on wealth are much larger than those based on annual flows of income.



▲ Youthful nursing officers at service of in Jinja referral hospital (Morgan Mbabazi, 2017)

#### ■ Box 4: What Is Meant by “Impacts” and Associated Costs?

The aim of this study is to estimate the impacts of child marriage, early childbearing, and girls' education on a wide range of development outcomes and the economic costs associated with some of these impacts. The term “impact” is used for simplicity, but one must be careful about not necessarily inferring causality. Estimates of impacts are obtained through regression analysis aiming to isolate the potential impact of child marriage, early childbearing or girls' education on various outcomes controlling for other factors affecting those outcomes. In the literature, this approach is known as “association studies.” What is measured is a statistical association between child marriage, early childbearing or girls' education and various outcomes. This is not necessarily an impact as could be observed with a randomized control trial. Since child marriage or early childbearing cannot be randomized, the study must rely on regression analysis to estimate impacts, but there is always a risk of bias in the resulting measures of likely impacts. Based on measures of impacts, costs associated with some of these impacts are computed. These costs are based on assumptions that could be debated, including discount rates in some cases. Therefore, cost estimates only represent an order of magnitude of potential costs, and not precise estimations. These caveats must be kept in mind.

### 3.5. What are the estimated impacts of child marriage, early childbearing, low educational attainment for girls?

**This section provides estimates of the economic and social impacts of child marriage, early childbearing, and low educational attainment for girls.** The section looks first at the relationships in Uganda between the three issues (child marriage, early childbearing, and low educational attainment for girls). Thereafter, the section looks at the impacts of these issues on other development outcomes related to fertility, work, health, and agency broadly defined.

#### 3.5.1. Links between child marriage, early childbearing, and girls' education

In Uganda, child marriage is likely the cause of more than half of all instances of early childbearing. The relationships between child marriage and early

childbearing can be complex. In some cases, having one or more children before the age of 18 may be the consequence of child marriage. In other cases, the inverse may be true, as child marriage may result from an early childbirth or an expected birth. For yet other girls, early childbearing may not be related to child marriage at all. Still, child marriage is more likely to lead to early childbearing than the reverse. Using simple assumptions and data on the timing of a women's first marriage and first child (in terms of the number of months separating the two events), it is possible to provide a rough estimate of the share of early childbearing likely due to child marriage. For Uganda, estimates suggest that at the level of mothers, more than half (52.4 percent) of early childbearing may be due to child marriage. At the level of children, 56.4 percent of early childbirths (children born of mothers younger than 18) may be due to child marriage. In other words, ending child marriage could reduce early childbearing for mothers and early childbirths for children by about half. These estimates are lower than in many other countries, suggesting that a substantial proportion of cases of early childbearing may occur outside of formal or informal unions. Still, it appears that the majority of cases of early childbearing is likely due to child marriage. Ending child marriage should therefore have a major positive impact towards reducing early childbearing, whether at the level of mothers or children<sup>16</sup>.

Slightly more than half of all instances of early childbearing are likely due to child marriage in Uganda. This proportion is lower than in many other countries.

**Table 7: Impacts of Child Marriage on Early Childbearing**

Indicators	Estimated Impacts
(1) Early childbearing for women (first child before the age of 18)	Child marriage is likely the cause of more than half (52.4 percent) of girls having children before the age of 18
(2) Early childbirths for young children (being born of a mother younger than 18)	Child marriage is likely the cause of more than half (56.4 percent) of births of children from mothers younger than 18
(3) National rates of early childbearing (for mothers) and early childbirths (for children)	Ending child marriage could reduce early childbearing for girls as well as early childbirths for children by about half

Source: Wodon et al. (2017)

<sup>16</sup> At the margin, ending child marriage may entail behavioral responses which in some cases could lead to births among young mothers out of wedlock. The extent to which such behavioral responses could be observed would need to be estimated using more advanced models as opposed to simple statistics. But the simple statistics provided here suggest that even if such behavioral responses were to be observed in some cases, it is still likely that ending child marriage should lead in Uganda to a major reduction in early childbearing. It is important to note, however, that ending child marriage would not be sufficient for avoiding all early pregnancies and childbirths. Providing adolescents with access to sexuality education and adolescent-friendly reproductive health information and services are critical to ensure that adolescent girls do not face unintended pregnancies within or outside marriage.

Child marriage and early childbearing have large negative impacts on girls' educational attainment. Conversely, remaining in secondary school reduces the risk of marrying or having children early.

**The causality between child marriage/early childbearing and educational attainment goes both ways. First, child marriage and early childbearing have a negative effect on educational attainment.**

Two approaches can be used to assess the impact of child marriage on educational attainment for girls. The first approach consists of asking parents in household surveys why their daughters dropped out of school. According to parents responding to household survey questions in Uganda, a pregnancy is the reason for dropping out of secondary school for up to a third of girls depending on the

level of education considered. Principals also confirm that child marriage and pregnancies are major reasons for girls dropping out. The second approach consists of estimating the impact of child marriage on educational attainment for girls econometrically. Estimates for Uganda suggest that child marriage has a large and statistically significant impact on secondary education enrollment and completion. For example, child marriage may reduce the likelihood of completing secondary school by 12 to 23 percentage points depending on how early girls marry. This is confirmed by the fact that once a girl is married, statistical analysis suggests that it is very difficult for her to remain in school. Finally, while child marriage for a mother itself may not have a direct negative impact on the education of her children, the fact that child marriage may reduce the educational attainment of the mother leads to a negative impact on the education prospects of her children (boys and girls). The results are summarized in Table 8. They point to a large negative impact of child marriage on educational attainment for girls, and to some extent on the education of their children too

**Table 8: Impacts of Child Marriage/Early Childbearing on Educational Attainment**

Indicators	Estimated Impacts
(1) Girls dropping out of school	According to parents and principals, early pregnancies and marriages are major reasons for dropping out of school
(2) Educational attainment for girls	Child marriage reduces the likelihood of completing secondary school by 12 to 23 percentage points
(3) Marriage vs. schooling trade-off	Once a girl is married, statistics suggest that it is very difficult for her to remain in school, whatever her age
(4) Intergenerational effects	Child marriage affects the education of the children of girls marrying early at least indirectly

Sources: Wodon et al. (2017).

Conversely, keeping girls in schools often helps to delay child marriage and early childbearing. The analysis for this study suggests that each year of secondary education leads to a reduction in the likelihood of marrying as a child of seven percentage points, and a similar impact is estimated on the probability of having a first child before the age of 18. These impacts are large as Table 9 shows. These impacts are also confirmed by a review of the literature on interventions that have the potential to delay marriage, given that many of the more successful interventions to delay marriage and childbearing tend to focus on keeping girls in school or enabling them to return (as discussed later in this report)

“We are faced with long distances to primary schools. Girls on their way to school meet men who entice our daughters with money for sex. Later some get pregnant and drop out of school. Also, we have no vocational school that will train our girls after P7 and S4, so we see it as a waste of resources to educate a girl.”

**Table 9: Impacts of Girls' Educational Attainment on Child Marriage/Early Childbearing**

Indicators	Estimated Impacts
(1) Education's impact on child marriage	Each year of secondary education leads to a reduction in the likelihood of marrying as a child of seven points
(2) Education's impact on early childbearing	Each year of secondary education leads to a reduction in the likelihood of early childbearing of seven points

Sources: Wodon et al. (2017).

**However, qualitative data suggest heterogeneity between communities in factors leading to child marriage, early childbearing, and low educational attainment for girls.** In some communities, there is equal support for boys and girls. Wodon et al. (2016) look at the relationship between child marriage and educational attainment for girls in Uganda with data from focus group discussions and key informants. In some communities, respondents express virtually equal support for the education of boys and girls. They express the belief that “All children are equal, so all deserve an equal right to education as vital to all children in the community for the sake of self-independence in the future.” Education is seen as shaping character, which motivates parents to give equal attention to all children irrespective of their sex: “Education is good, and it is the responsibility of all parents to ensure that both girls and boys attend school. It is education that empowers a person to get to his or her destination in life. Most dreams and ambitions are easier to fulfill and realize for people who are educated”. Educating boys only is considered “old fashioned thinking”, because while there is a risk that a girl will get married sooner, there is also a risk that a boy, when educated, may care more about his in-laws. In some communities, educating girls is also seen as a way to fortify girls against uncertainties in today’s more volatile and fragile marriage institution. Educated girls are more likely to be able to have an independent life if confronted with problems in their marriage. In one community, the education of girls was considered important for future generations, as members explained that if you take girls to school, they become better mothers for their children.

**Yet in other communities, support for girls' education remains weaker than it is for boys. This contributes to child marriage and early childbearing.** In those communities, preference for investing in the education of boys is rooted in cultural frames considering sons as natural heirs. Parents prefer educating boys because girls must inevitably get married, and the wealth they accumulate benefits in-laws. By comparison, boys normally remain within the environment of their parents even after marriage and help them throughout their life. There is also a perception that girls are diverted from education by men at an early stage, so families would rather educate boys who may stay longer in school: “We are faced with long distances to primary schools. Girls on their way to school meet men who entice our daughters with money for sex. Later some get pregnant and drop out of school. Also, we have no vocational school that will train our girls after P7 and S4, so we see it as a waste of resources to educate a girl.” Another factor are the consequences of HIV/AIDS orphaning children and leaving them under the care of grandparents who may be overwhelmed. As a result, some grandparents may exhort girls to “kula ogende ofumbirwe,” which means “grow up and get married quickly”. Overall girls tend to be more vulnerable than boys in many communities. In Karamoja, the poorest area of the country, daughters may also be seen as a source of wealth for parents. In the past, when there was plenty of cattle, bride wealth could reach 100 cows. Although this number has now been reduced considerably, girls are still potentially a source of wealth, and their socialization at home is towards getting married as soon as possible. Puberty also makes it difficult for girls to continue to go to

There is heterogeneity between communities in the drivers of child marriage, early childbearing, and low educational attainment for girls. The role of social norms and gender inequality is stronger in some communities than others.

school, as does the division of labor in the home, with girls tending to most of the household chores.

**This heterogeneity must be acknowledged when designing interventions to end child marriage, prevent early childbearing, and improve girls' education.** The close links between child marriage, early childbearing, and low educational attainment for girls in many communities suggest that access to quality primary and secondary education is one of the best ways to delay marriage and childbearing. Parents know that school can sometimes lead to highly valued employment. Why then do so few girls complete secondary school? Parents wishing to educate their daughters face an array of economic, social and institutional barriers, including schooling costs (out of pocket and opportunity costs) and the poor quality of the education provided. Without alternatives, early marriage may be attractive to parents and even some girls. This suggests that in many communities, providing economic incentives for

girls to remain in school may be the way to go, but in other communities, these interventions may not work without additional programs tackling gender-based social norms.

### 3.5.2. Impacts on fertility and population growth

Child marriage and early childbearing have large impacts on fertility, and thereby on population growth, but effects on modern contraceptive use are smaller. Child marriage and early childbearing can have devastating and long-lasting consequences for girls (see Box 5). They also have implications for fertility and population growth at the national level. Total fertility is defined as the number of live births that women are expected to have over their lifetime under current conditions. The analysis for this study focuses on the impact of child marriage and educational attainment on total fertility. Controlling for other factors, a girl marrying at 14 will have on average 19 percent more children over her lifetime in Uganda than if she had married at 18 or later. If a girl marries at 17, she would still have on average 10 percent more children over her lifetime. Considering the rate of child marriage and the characteristics of girls married early, ending child marriage could reduce the national rate of total fertility by 8 percent. This impact of child marriage on total fertility comes in part from the fact that women marrying early tend to also have children earlier. As a result, according to demographic projection models, ending child marriage and early childbearing could reduce population growth in Uganda by 0.17 percentage point. By contrast, marrying early tends not to be associated with an increase or decrease in modern contraceptive use later in life, possibly because of limited access to contraception. These impacts are summarized in Table 10.

**Table 10: Impacts of Child Marriage/Early Childbearing on Fertility and Population Growth**

Indicators	Estimated Impacts
(1) Number of live births over lifetime	Depending on the age at marriage, child marriage increases total fertility for women by 10% to 19%
(2) National rate of total fertility	Ending child marriage would reduce the national rate of total fertility by 8%
(3) Use of modern contraception	Marrying as a child does not have a statistically significant impact on modern contraceptive use
(4) National rate of contraceptive use	Ending child marriage would not affect national use of modern contraceptives
(5) Population growth	Ending child marriage and early childbearing could reduce population growth by 0.17 percentage point

Sources: Wodon et al. (2017).

### Box 5: Early Childbearing May Have Long-Lasting Negative Impacts

The Susan was 18 years old at the time she was interviewed. Her mother had died. With one sister and four brothers, she lived with her father. She started school at six years of age and dropped out last year because she became pregnant at the age of 17. She was still in primary school. She had dropped out previously, in 2008, to help her mother who was bed-ridden just before she died. At that time, she was in the third year of primary school. She now works as a casual laborer in people's gardens, earning about 8,000 shillings a week. Payment is usually in cash, but at times in kind with sorghum or millet to bring back home. She uses her earnings to buy essential things for the home such as soap, salt, sugar, and food. The challenge she faces now is that she cannot work effectively because she is pregnant and sickly. Yet, she is still supposed to look after her siblings. In her assessment, gardening is much tougher than school, but she is emphatic that "I cannot go back to school any more. I just want to take care of my young siblings and see them through primary school, and if possible up to secondary school." Support that could help her realize her wish of a better education for her siblings could be seed money to help her start an income generating activity, again to help her siblings complete school.

Source: Wodon et al. (2016).

There is also evidence of an impact of low educational attainment for girls on fertility, population growth, and contraceptive use. In the regression analysis, the impacts of the completion of primary or secondary education on total fertility as well as on modern contraceptive use are not statistically significant. However, having some secondary education or higher education is associated with a statistically significant reduction in total fertility (-11 percent for some secondary education, and -30 percent for higher education). Furthermore, some secondary education is also associated with an increase in modern contraceptive use (increase of six points), and this is also the case for higher education (increase of 15 points). Because the focus in this study is on estimating

gains associated with primary and secondary education completion, for which effects in the regression analysis are not statistically significant, we conclude in Table 11 that the evidence is mixed even if the estimates for other levels of education suggest impacts.

Child marriage and educational attainment for girls both have impacts on fertility, and thereby population growth, but in Uganda data on those impacts are more robust for child marriage than for girls' education.

**Table 11: Impacts of Girls' Educational Attainment on Fertility and Population Growth**

Indicators	Estimated Impacts
(1) Number of live births over lifetime	Some secondary and higher education lead to reductions in fertility of -11% and -30% respectively
(2) National rate of total fertility	Due to a focus on estimated impacts for primary or secondary completion, no national effects are reported
(3) Use of modern contraception	Some secondary and higher education lead to increases in use of 6 points and 15 points respectively
(4) National rate of contraceptive use	Due to a focus on estimated impacts for primary or secondary completion, no national effects are reported.
(5) Population growth	Due to a focus on estimated impacts of primary or secondary completion, no national effects are reported

Sources: Wodon et al. (2017).

### 3.5.3. Impacts on health and nutrition

Through its impact on early childbearing, child marriage affects the health and nutrition of children born of young mothers. It also has an impact on intimate partner violence, but the impact on maternal mortality is less clear. The literature suggests that adolescent girls have in many countries a higher level of maternal morbidity and mortality than women aged 20-24. At the same time, while avoiding pregnancy at a very young age is essential, it does not follow that ending child marriage and thereby reducing early childbearing would necessarily result in a decrease in maternal mortality ratios at the national level. This is in part because women may then have children at a later age when rates of maternal mortality are higher. Other health impacts of child marriage and early childbearing are more clear-cut. When a child is born of a young mother, controlling for other factors, this increases the risks of under-five malnutrition (stunting) and mortality. In Uganda, the impacts on stunting and mortality are large at the margin. Ending early childbearing would however not have a large

“Some children look younger than their biological age due to poor nutrition. Those children between eight and nine years look as if they are five or six years old.”

effect on the national rates of under-five stunting and mortality because only a small share of children are born of mothers younger than 18 at the time of birth. Finally, child marriage is associated with higher risks of intimate partner violence for women in Uganda, with larger effects than in other countries. Noting that this study does not address all aspects of health that may be affected by child marriage and early childbearing, such as obstetric fistula or sexually-transmitted infections (including HIV/AIDS), the magnitude of the impacts on health, nutrition, and violence are summarized in Table 12.

**Table 12: Impacts of Child Marriage/Early Childbearing on Health, Nutrition, and Violence**

Indicators	Estimated Impacts
(1) Maternal mortality	The impact that ending child marriage would have on maternal mortality ratios is not fully clear
(2) Risk for children of dying by age 5	Being born of a mother younger than 18 increases the risk of under-five mortality by 4.7 percentage points
(3) National rate of under-five mortality	Ending all early childbirths would reduce under-five mortality from 6.58 percent to 6.31 percent nationally
(4) Risk for children of being stunted	Being born of a young mother has an unusually large impact on under-five stunting at 22 percentage points
(5) National rate of under-five stunting	Ending all early childbirths would reduce under-five stunting from 33.61 percent to 32.58 percent nationally
(6) Intimate partner violence	Child marriage appears to have a substantial direct impact on intimate partner violence

Sources: Wodon et al. (2017).

Evidence is mixed on the impact of a mothers’ educational attainment on the health of her children. The same holds for the impact of a women’s educational attainment on the risk of intimate partner violence. In the regression analysis, primary and secondary education completion for mothers do not have statistically significant impacts on the risks of under-five mortality and stunting for their young children. For stunting, there is a statistically significant reduction in risk when the mother has higher education only. Furthermore, in Uganda (but not in many other countries), higher educational attainment for women does

Early childbearing has a larger impact on under-five mortality and stunting for the children of young mothers than the mother’s educational attainment. In addition, child marriage has a larger impact on intimate partner violence than is the case for educational attainment.

not necessarily reduce the risk of intimate partner violence. The impacts are summarized in Table 13

**Table 13: Impacts of Education on Health, Nutrition, and Violence**

Indicators	Estimated Impacts
(1) Risk for children of dying by age 5	Controlling for other factors, the educational attainment of the mother does not affect the risk of under-five mortality
(2) National rate of under-five mortality	Universal primary or secondary education for girls would not necessarily lead to a national decline in under-five mortality
(3) Risk for children of being stunted	The effect of a mother's education on under-five stunting is statistically significant only for higher education (-15 points)
(4) National rate of under-five stunting	Universal primary or secondary education for girls would not necessarily lead to a national decline in under-five stunting
(5) Intimate partner violence	Educational attainment for women does not appear to have a statistically significant impact on intimate partner violence

Sources: Wodon et al. (2017).

### 3.5.4. Impacts on labor force participation and earnings

**Child marriage (and indirectly early childbearing) do not affect labor force participation in a substantial way, but they reduce educational attainment and thereby earnings and household welfare.**

In Uganda, child marriage itself does not have a statistically significant direct impact on labor force participation for women. Through its impact on fertility and educational attainment for girls, child marriage may result in a small decrease in labor force participation for women. Ending child marriage would therefore increase labor force participation only slightly. More importantly, through its impact on educational

attainment, child marriage reduces women's earnings in adulthood. Specifically, for child brides, earnings in adulthood could increase by 15 percent with the elimination of child marriage. This could increase the population's total earnings nationally by one percent. Based on research for other countries, child marriage is not likely to have a direct impact on household consumption per capita or food adequacy after controlling for other variables. However, again through their impact on fertility and girls' education, child marriage and early childbearing are likely to reduce household welfare and increase poverty. These various impacts are summarized in Table 14.

**Table 14: Impacts of Child Marriage/Early Childbearing on Work, Earnings, and Welfare**

Indicators	Estimated Impacts
(1) Women's labor force participation	Ending child marriage could lead to a small increase in labor force participation for women through its impact on education
(2) Impact on earnings	Ending child marriage could increase earnings in adulthood for women marrying early by 15% through better education
(3) National impact on earnings	Ending child marriage could increase the population's earnings and productivity nationally by one percent
(4) Household welfare	Child marriage is likely to reduce welfare and increase poverty due to its impact on women's education and fertility.

Sources: Wodon et al. (2017).

**Higher educational attainment increases earnings, with especially large expected benefits from universal secondary completion.**

Universal primary or secondary education may lead more women to work, with gains in labor force participation estimated at one percentage point nationally with universal primary education, and five percentage points with universal

Educational attainment for women has a large impact on their expected earnings, and more so than is the case for child marriage.

secondary education. Gains in earnings would be much larger, as a lack of education and agency for girls affects their productivity, including on the farm (see Box 6). Total earnings for the labor force (men and women) could increase by 18 percent with universal primary education. Earnings could potentially double nationally with universal secondary education for women. These simulations however do not

account for weaknesses in the demand for educated labor. In other words, especially for universal secondary education, the simulations may be overstating potential gains. Still, earnings gains could be large. The potential impacts on labor force participation and earnings as well as household welfare are summarized in Table 15.

**Table 15: Impacts of Girls' Educational Attainment on Work, Earnings, and Welfare**

Indicators	Estimated Impacts
(1) Women's labor force participation	Universal primary and secondary education could increase labor force participation by one and five points, respectively
(2) National impact on earnings	Universal primary education could raise earnings by 18%. The impact of universal secondary education would be larger.
(3) Household welfare	Universal primary or secondary education could have large positive effects on welfare and reduce poverty substantially

Sources: Wodon et al. (2017).

**Box 6: Women's Empowerment and the Returns to Farming**

Even though women make up a large proportion of Africa's farmers, they are, for the most part, locked out of land ownership, access to credit and productive farm inputs, support from extension services and access to markets, to name just a few factors essential for productivity. This array of challenges means that, on average, Africa's female farmers produce less per hectare compared with men, which adversely affects their families, communities and, in the long term, their entire country. Analysis by the Africa Gender Innovation Lab at the World Bank suggests that in Uganda, plots managed by women produce on average 13 percent less (in terms of gross value of output) per acre than plots managed by other family members. Relative to men, women's lower levels of schooling, access to extension services and application of non-labor inputs on their plots, including pesticides and organic fertilizer, widen the gender gap. The cost of the gender gap in agricultural productivity is estimated at US\$ 67 million per year in Uganda. Closing this gender gap could lift more than 100,000 people out of poverty and increase annual crop output by 2.8 percent. Policies targeting the provision of technical information to women, securing equal access to and use of non-labor inputs, and supporting women's education and training would help to alleviate gender inequality in the sector and thereby enhance productivity.

Source: O'Sullivan et al. (2014) and Buehren (2015).

**3.5.5. Impacts on Women's Agency and Other Outcomes**

**The impacts of child marriage (and indirectly of early childbearing) on women's decision-making and other indicators of agency are not always large.** For this study, we consider measures of household decision-making, land ownership, knowledge of HIV/AIDS, and birth registrations as elements of women's agency. Controlling for other variables,

child marriage does not affect an index of women's decision-making ability within the household directly, but it does matter indirectly through its impact on education, as will be discussed below. Child marriage is associated with a higher likelihood of land ownership for women (more research is needed to understand why). Child marriage is not associated with a reduction in knowledge of HIV/AIDS in adulthood, nor does it affect directly a women's ability to seek care for

herself without the permission of her husband (this is one of the aspects of decision-making ability). Yet again, indirect effects may be at work through education as discussed below. Finally, child marriage is also not associated with a higher risk of not registering a child's birth in comparison to marrying at age 18 or later, after controlling for educational attainment. These various impacts are summarized in Table 16.

“They come and get services [at the health center], except they may want a [contraceptive] method which we don't have. Now this lady is escaping from the husband. If you tell her go to Jinja and get counseled, she will not come back.”

**Table 16: Impacts of Child Marriage/Early Childbearing on Women's Agency**

Indicators	Estimated Impacts
(1) Women's decision making ability	Child marriage does not affect decision-making ability directly, but it matters indirectly through education.
(2) Women's ability to seek care	Child marriage does not affect women's ability to seek care directly, but it matters indirectly through education.
(3) Women's land ownership	Child marriage is associated with a higher likelihood of land ownership (two percentage points) for women
(4) Women's knowledge of HIV/AIDS	Child marriage is not associated with a reduction in adulthood in women's knowledge of HIV/AIDS
(5) Birth registration for children	Child marriage is not associated with a reduction in birth registration rates for young children

Sources: Wodon et al. (2017).

Educational attainment for women often has a larger impact on various measures of women's agency than child marriage.

**Educational attainment tends to have a larger impact on women's agency than child marriage.**

The impacts of girl's education attainment on the

same indicators of women's agency are summarized in Table 17. Controlling for other variables, educational attainment has a statistically significant effect on women's decision-making ability within the household. Positive Impacts are also observed for the ability of women to seek care for themselves and their knowledge of HIV/AIDS. The impact for birth registrations is not statistically significant. There is also a positive correlation between educational attainment and land ownership.

**Table 17: Impacts of Girls' Educational Attainment on Women's Agency**

Indicators	Estimated Impacts
(1) Women's decision making ability	Universal secondary education could increase women's decision-making ability within the household by 19 percent
(2) Women's ability to seek care	Universal secondary education could increase women's ability to seek care for themselves by close to one third
(3) Women's land ownership	Educational attainment for women is associated with a higher likelihood of land ownership for women
(4) Women's knowledge of HIV/AIDS	Universal secondary education could increase women's knowledge of HIV/AIDS by four percent
(5) Birth registration for children	Educational attainment for women is not associated with an increase in birth registration rates for young children

Sources: Wodon et al. (2017).

### 3.5.6. Synthesis on Estimated Impacts

Overall, the negative impacts of child marriage, early childbearing, and low educational attainment for girls are large. Table 18 summarizes the main estimates of impacts discussed in previous sections. First, the mutual relationships between child marriage, early childbearing, and low educational attainment for girls are strong. Second, all three issues tend, in turn, to have negative impacts individually or collectively on a wide range of other outcomes. For all outcomes except birth registrations, either child marriage/early childbearing or secondary education completion have

For all indicators except birth registrations, either child marriage/early childbearing or secondary education completion have a statistically significant impact. This shows how pervasive and widespread the impacts of a lack of opportunities for girls are.

a statistically significant impact. Clearly, the impacts of a lack of opportunities for adolescent girls are pervasive and widespread.

**Table 18: Summary of Statistically Significant Estimated Impacts by Domain**

Domains and Indicators	Child marriage or early childbearing	Secondary education completion	Either one of the two
<b>Mutual relationships</b>			
Child marriage/ Early childbearing	-	Yes	Yes
Educational attainment	Yes	-	Yes
<b>Fertility and population growth</b>			
Fertility	Yes	Likely	Yes
Population growth	Yes	Likely	Yes
Modern contraceptive use	No	Likely	Yes
<b>Health and nutrition</b>			
Under-five mortality	Yes	No	Yes
Under-five stunting	Yes	No	Yes
Labor force participation	No	Yes	Yes
Demand for healthcare	No	Yes	Yes
<b>Work and productivity</b>			
Intimate partner violence	Yes	No	Yes
Women's earnings	Yes	Yes	Yes
Household welfare	Yes	Yes	Yes
<b>Women's agency</b>			
Decision-making ability	No	Yes	Yes
Land ownership	No	Yes	Yes
Knowledge of HIV/AIDS	Yes	Yes	Yes
Birth registration	No	No	No

Source: Wodon et al. (2017).

Note: The term "likely" is used for some impacts of secondary completion because for those indicators, while the impact of secondary education completion is not statistically significant possibly due to small sample sizes, the impacts of some secondary as well as higher education are statistically significant.

### 3.6. What are the costs associated with those impacts?

#### The case of child marriage

**The impacts documented so far have large monetary costs not only for girls and their children, but also for the country. This is illustrated in this section for child marriage.** While it is not feasible to provide a monetary valuation of all costs associated with the negative impacts

of child marriage, tentative estimates can be provided for some of the largest impacts. The estimates in Table 19 should not be considered as precise given that they depend on (1) econometric estimates of impacts that have themselves standard errors and (2) a range of assumptions for costing that could be debated. Still, the estimates provide an order of magnitude of the monetary costs of child marriage. Estimates are provided in terms of annual benefits from ending child

marriage in 2015. Estimates are provided for 2015 and for 2030 as the reference year for the Sustainable Development Goals. This helps to illustrate how some of the benefits of ending child marriage (and indirectly early childbearing) increase over time.

- **Welfare benefits from lower population growth:** If child marriage had been eliminated in 2015, the welfare benefits from lower population growth would have been at US\$95 million that year (in purchasing power parity or PPP terms). The benefits increase to US\$2.4 billion by 2030. This rapid increase comes first from the fact that annual impacts on population growth are cumulative. Each year, economic gains become larger because the cumulative reduction in population growth keeps growing. In addition, as standards of living (GDP per capita) improve, valuations also become larger.
- **Budget savings from lower population growth:** Lower population growth implies that the size of the population requiring publicly provided services is smaller, leading to budget savings. We consider the benefits of ending early childbearing for education budgets. Savings start six years after early childbearing is ended since this is the time needed for fewer children to enter primary school. Savings are estimated as the reduction in the anticipated cost of a trajectory that would achieve universal secondary education by 2030. The benefits increase over time and could reach up to US\$257 million in current US dollars by 2030 if Uganda were to achieve universal secondary education by then. This is an upper bound estimate of potential savings as the country may not reach universal secondary education by 2030. The cost of keeping more adolescent girls in school is also not factored in. Still, the estimate provides an order of magnitude of potential benefits. When considering the elimination of only child marriage, benefits are a bit lower than when considering the prevention of all early childbearing.
- **Benefits from reduced under-five mortality and stunting:** While reducing early childbearing thanks to the elimination of child marriage may not reduce national rates of under-five mortality and stunting dramatically, many children would

nevertheless avoid stunting as well as survive past age five. The benefits from such improvements are not primarily monetary. But with all necessary caveats, a tentative monetary value can be associated with these improvements. The valuation is based on the discounted value of future wages for the children who avoid stunting, and future GDP per capita for children surviving past age five. The share of early childbearing likely due to child marriage is factored in the estimations. For stunting, the estimated benefits rise from US\$43 million (PPP) in 2015 to US\$81 million in 2030. For under-five mortality, the benefits rise from US\$104 million (PPP) in 2015 to US\$194 million in 2030.

The economic costs associated with the impacts of child marriage on development outcomes are very large. Ending child marriage today would generate billions of dollars of benefits by 2030.

- **Education and earnings:** The costs associated with earnings losses for women married as children are high. These costs are related for the most part to the fact that child marriage reduces girls' educational attainment and thus earnings in adulthood. For adult women, the gains in earnings that could have resulted if past child marriages could have been avoided are estimated at US\$514 million in 2015.

US\$2.4B

ANNUAL WELFARE BENEFITS FROM  
LOWER POPULATION GROWTH BY  
2030

**Table 19: Order of Magnitude of Benefits from Ending Child Marriage**

Benefits	Annual Benefit in 2015/2016	Annual Benefit in 2030
	[Most estimates in PPP or Purchasing Power Parity]	
<b>Fertility and population growth</b>		
(1) Welfare cost	US\$95 million (PPP)	US\$2.4 billion (PPP)
(2) Budget savings for education	No benefit	Up to US\$257 million (current)
<b>Health, nutrition, and violence</b>		
(3) Under-five mortality	US\$104 million (PPP)	US\$194 million (PPP)
(4) Under-five stunting	US\$43 million (PPP)	US\$81 million (PPP)
<b>Education and earnings</b>		
(5) Earnings loss for women	US\$514 million (PPP)	Not estimated

Sources: Wodon et al. (2017). Estimates for education budget savings are an upper bound and actual savings are likely to be lower.

**To illustrate the magnitude of the benefits from ending child marriage, comparisons with net Official Development Assistance may be useful.** Net Official Development Assistance (ODA) consists of disbursements of loans made on concessional terms (net of repayments of principal) and grants by official agencies. The agencies included are members of the Development Assistance Committee (DAC), multilateral institutions, and non-DAC countries. Net ODA includes loans with at least a fourth of grant element. Net ODA in Uganda has amounted to six to eight percent of Gross National Income in recent years. This suggests that if child marriage could have been eliminated in 2015, this could have generated by 2030 benefits equivalent to one fourth of the net ODA likely to be received by Uganda, simply through the welfare benefits obtained from lower population growth. When adding all the other benefits from ending child marriage, gains would be larger.

**While economic costs and benefits should not be the sole rationale for investments to end child marriage, prevent early childbearing, and improve girls' education, they are an important consideration.** Ending child marriage, preventing early childbearing and improving education opportunities for girls are the right thing to do from a moral and ethical standpoint. But in addition, these issues have large economic costs. The hope is that the demonstration of some of these costs in this study will help generate consensus for higher investments to end child marriage, prevent early childbearing, and promote girls' education in Uganda.

### 3.7. How can we end child marriage, prevent early childbearing, and improve girls' educational attainment? Lessons from international experiences

Ending child marriage, preventing early childbearing, and educating girls requires interventions. Beyond appropriate laws, life skills and sexual reproductive health knowledge, economic opportunities, and incentives for schooling are needed. At the minimum, countries need to promulgate appropriate laws, especially in the case of child marriage as discussed in Box 7. But laws and more generally strategies to empower girls as well as broad information and mobilization campaigns to tackle gender inequities are not likely to be enough by themselves. Specific targeted interventions to empower girls are needed to ensure that they have appropriate life skills and reproductive health knowledge. Economic incentives are also needed for girls to remain in school, go back to school if they dropped out, or expand their livelihood opportunities if they cannot go back to school in order to delay marriage and childbearing. While the literature on these interventions is too large to be reviewed comprehensively here, subsets of this literature can be synthesized. Building on a recent review by Botea et al. (2017), the section focuses on three types of interventions for adolescent girls: (1) programs providing life skills and reproductive health knowledge; (2) programs expanding economic opportunities; and (3) programs keeping girls in school or enabling them to return to school.

### Box 7: Child Marriage Laws and their Limitations

The Convention on the Rights of the Child emphasizes the need for full and informed consent for marriage. It notes that children typically do not have the ability to provide full and informed consent. This is one of the reasons why 18 is recommended as the minimum age for marriage. In Uganda, the 1995 Constitution sets the minimum age of marriage at 18 years (Article 31), but national laws have other provisions. The Marriage Act of 1904 sets the minimum age for consent at 21 years but allows written consent of the father, mother, guardian, or registrar for the marriage of minors. The Marriage and Divorce of Mohammedans Act of 1906 is silent on the minimum age for consent. Both the Hindu Marriage and Divorce Act of 1961 and the Customary Marriages (Registration) Act 1973 set the minimum age for consent at 16 years for girls and 18 years for boys. They allow marriage of minors upon consent of parents or a guardian. As discussed by Wodon, Tavares et al. (2017), such exceptions allowing girls to be married early with parental or judicial consent should be avoided.

The focus on these three types of interventions stems from a body of evidence showing that they can have positive impacts. Each of these three types of programs is hypothesized to potentially delay marriage/childbearing and increase educational attainment in different ways. They have different “theories of change” (see Box 8). Close to 40 interventions are reviewed by Botea et al (2017). To be included in the review, interventions had to fulfill the following selection criteria: (1) Target girls aged 10-19, either exclusively or

as part of a broader target group; (2) Provide life skills and sexual and reproductive health (SRH) knowledge, economic opportunities, or education opportunities; (3) Demonstrate results in terms of improving the health of young women, especially for SRH, or delay marriage or childbearing; and (4) Have been tested in a developing country, usually in sub-Saharan Africa, but also in other low income settings. Several of the interventions were implemented in Uganda.

▼ *A water point at a village in Mukono, Central Uganda (Morgan Mbabazi, 2017)*



## ■ Box 8: Theories of Change for Interventions Targeting Adolescent Girls

**Life skills and SRH knowledge:** By increasing knowledge and awareness, life skills can increase young women's perceived risk of becoming pregnant at an early age and the desire to avoid early pregnancies (through family planning). Through these channels, life skills may lead to better health outcomes for the girls and their children. By increasing girls' confidence and self-esteem, life skills may also increase girls' aspirations. With increased aspirations, girls may have a greater desire to delay marriage and childbearing. Finally, life skills can increase young women's communication and decision-making skills, leading to increased abilities to negotiate their preferences for delayed marriage and childbearing. At the same time, while life skills and SRH knowledge may empower girls, they may not be sufficient to delay marriage and childbearing if social norms curtailing agency for girls are not also addressed at the same time.

**Life skills together with economic opportunities:** Programs increasing earnings potential for young women may increase their ability to plan marriage and childbearing decisions in three ways. First, the ability to make an economic contribution expands the role of women beyond that of sex and reproduction. This can increase their desire to limit or space childbearing. The transformation of girls from economic liabilities into assets in the eyes of their societies and families can also alleviate external pressures on girls to marry or have children early. Second, the loss in earnings associated with childrearing is an opportunity cost which may increase women's desire to limit or space births and exercise reproductive control. Third, a young women's increased earnings may improve her bargaining power within the household and allow her to effectively exercise reproductive control by negotiating delays in sexual debut or marriage, and negotiating the terms of sex including the use of contraceptives. Creating income-generating opportunities for women can therefore contribute to female empowerment beyond the economic realm by widening personal choice and control over SRH outcomes.

**Incentives for schooling or delayed marriage:** In many communities, the economic, cultural, and social environment does not provide viable alternatives to marriage for adolescent girls. Once girls drop out of school, possibly because of poor quality or high cost, it may be difficult for parents not to get their daughter married. In those communities, improving the provision of quality and affordable primary and secondary education may be one of the best way to delay marriage and childbearing as parents often see schooling as a viable alternative to marriage for their daughters. Incentives and programs to keep girls in school may also lead to "tipping points" in communities whereby more and more girls remain in school and are able to delay marriage. A few interventions have also aimed to delay marriage through financial incentives conditional on not marrying early, with additional schooling often as an additional benefit.

*Source: Botea et al. (2017).*

**The first category of programs emphasizes the empowerment of girls by providing life skills and reproductive health knowledge.** The typical intervention is that of a "safe space club" for adolescent girls. These clubs are delivery platforms for convening girls with a trusted adult mentor at a specific time and place. The approach was pioneered by BRAC in South Asia and the Population Council

in Africa and Latin America. The clubs have proven effective when implemented well. By combining socializing, fun, and access to mentors, the clubs are attractive for girls to attend. From there, other services are delivered. Clubs can be held in a variety of settings, including schools or community centers. Girls meet regularly and are able with the help of the mentors to discuss a range of issues, including those related to SRH.

They learn “life skills” in those meetings, including “soft” or socio-emotional skills such as critical thinking and problem solving, communication and negotiation (for example within one’s household). One of the objectives is often to boost the girls’ self-awareness and self-esteem, so that they can explore and fulfill their own aspirations. In many cases, safe space clubs are also used to impart “hard” skills, such as basic literacy and numeracy, or basic business skills.

**These programs have helped improve SRH knowledge and behaviours.** This includes an increase in girls undergoing HIV testing or counseling; an increase in the use of modern contraception or other methods of family planning; a reduction in the desire for practicing female genital mutilation for daughters in countries where the practice is prevalent; a reduction in the risk of intimate partner violence when the program also reaches out to men; an increase in self-esteem; and gains in specific skills taught during safe space sessions, for example in the areas of financial literacy or basic literacy and numeracy. At the same time, without additional interventions related to schooling or employment and livelihoods, it is not clear that safe spaces are sufficient to delay marriage and childbearing (though that may not have been a primary goal of these projects). Therefore, it is important to consider programs whereby safe spaces have been combined with livelihood opportunities and incentives to remain in school, usually with larger impacts on the age at marriage and childbearing.

**The second category of programs combine an emphasis on empowering girls, often through safe spaces, with in addition a focus on providing livelihood opportunities.** These programs are appropriate for girls who are not in school. For these girls, building skills for income-generation may provide an alternative to early marriage and childbearing. Two groups of interventions are distinguished: livelihood interventions and financial literacy/access to financial

Without other incentives, safe space programs may not be sufficient to delay marriage and childbearing or improve schooling. Still, they achieve important intermediary outcomes related among others to aspirations and self-esteem, confidence, and SRH knowledge.

services. Impacts on the age at marriage and early childbearing tend to be larger than with life skills/SRH knowledge alone, but not in all cases. Given their focus on economic opportunities, the programs often have some success in increasing earnings, employment, and/or savings. Several of the programs also succeed in increasing the use of modern contraceptives and SRH knowledge, which may help delay childbearing. In some cases, the programs also succeed in delaying the age at marriage and reducing teen pregnancies, as observed in Uganda (see Box 9). The message from the review is that adding a livelihood dimension to life skills and SRH knowledge programs may help delay marriage and childbearing, but not in all cases. The focus on economic opportunities may also help in ensuring regular participation by girls in the programs.

Interventions combining an emphasis on empowering girls, often through safe space clubs, with livelihood opportunities may improve reproductive health outcomes and delay marriage or childbearing. This has been the case in Uganda, but not systematically so in other countries. Since these are often the only option available for out-of-school girls, more research is needed to figure out what works and what doesn’t.

### Box 9: BRAC Uganda Empowerment and Livelihoods for Adolescent Girls (ELA)

The ELA project in Uganda aimed to increase economic empowerment for adolescent girls in rural areas by providing life skills training, skills related to income-generation, and access to microfinance. The program has demonstrated strong positive impacts on economic, health, and agency outcomes for girls. Among other outcomes, the program (1) increased the likelihood of engaging in income-generating activities by 32 percent; (2) increased self-reported routine condom use by those sexually active by 50 percent; (3) reduced fertility rates by 26 percent; and (4) reduced reporting of unwanted sex by 76 percent. There were also reductions in teenage pregnancies and child marriage. To gather further evidence on the effectiveness of the intervention in promoting entrepreneurship, the evaluation looked at the impact of the program on the willingness to compete in an experimental setting, including for the girls' brothers. The results suggest that programs that target adolescent girls' empowerment such as ELA may also have spillover effects on their brothers and shift gender dynamics in the community.

Sources: Bandiera et al. (2014) and Buehren et al. (2016).

#### The third set of programs focuses on keeping girls in school or enabling them to return if they dropped out.

A few programs directly aim at delaying marriage. The literature, including a recent review by Kalamar et al. (2016), suggests that there are multiple intervention options available to keep girls in school and delay marriage. In a few cases, evaluations are also available for programs focusing directly on delaying marriage through financial incentives, often with the additional benefit of enabling girls to remain in school. The programs providing incentives for schooling succeed quite often in keeping girls in school and sometimes delay marriage and childbearing. Some of these programs enable girls who dropped out of school to go back. Not all programs

Of the three types of interventions reviewed in this study, interventions to promote education, including by reducing out-of-pocket and opportunity costs for schooling, are the most likely to help delay marriage and childbearing.

succeed in all areas, but the evidence is broadly convincing that in comparison to the other two types of programs reviewed above, those focusing on schooling for girls, or in some cases on delaying marriage with financial incentives, may be more successful in indeed delaying marriage and childbearing. At the same time, however, all three

intervention types hold promise and multiple interventions are needed to reach different profiles of girls.

#### The interventions mentioned above are not meant to be exhaustive. For example, to improve educational attainment for girls, additional interventions are needed.

The three types of interventions listed above were selected because their evaluations looked at changes in SRH knowledge, child marriage, and/or early childbearing. In the case of educational attainment, there is a much broader literature on what is needed to achieve gains (see Box 10). Basic conditions need to be in place, and they matter quite a bit especially in low income countries such as Uganda. First, there is a need to build new schools closer to where children (boys and girls) live. In Uganda, access to lower secondary education remains extremely low in part because there just are not enough secondary schools. Building schools closer to populated areas means that girls do not have to walk too far to go to school and parents can be more comfortable with their daughters' safety on their way to and from school. In cases where schools cannot be built nearby, providing modes of transportation for girls to go to school is an option. Second, access to water, latrines and hygienic facilities are important for adolescent girls. Building and upgrading schools with separate water, sanitation and hygiene (WASH) facilities is also an important intervention that should be pursued in Uganda. Third, an unacceptably high percentage of girls in Uganda are at risk of violence and sexual harassment in school. There is a need for specific interventions to deal with these risks too.

### ■ Box 10: Improving Educational Attainment and Learning for Girls

Because multiple reasons may contribute to gender gaps in educational attainment and learning, the types of interventions that could be implemented to reduce these gaps are multiple. Should the distance to schools be reduced, whether this is done by building new schools in remote areas or reducing travel time through modes of transportation? Should scholarships be provided to girls? Should more female teachers be hired? Should the priority be to make separate toilet blocks available for boys and girls? Should more focus be placed on understanding and changing cultural practices? Should pedagogical interventions targeting girls be implemented? The right choice between potential interventions depends on a country's or a community's context. But reviews of the evidence can help, and such reviews are becoming available thanks to a substantial increase in rigorous impact evaluations in recent years.

One such review was published in June 2014 (Unterhalter et al., 2014). The review assessed the evidence on the impact of interventions for girls' education focusing on (i) providing resources (including transfers) and infrastructure, (ii) changing institutions, and (iii) changing norms and including the most marginalized in education decision making. The review summarized the impact of different types of interventions on three outcomes: participation, learning, and empowerment. For each type of intervention and category of outcome, the evidence on the likelihood of impact was classified as strong, promising, limited, or needed (i.e., weak). For participation, the evidence on the impact of conditional cash transfers, information about the potential employment returns to education, and the provision of additional schools in underserved and unsafe areas was found to be strong. This was also the case for the evidence on some interventions related to teacher training, group-learning, and measures to promote girl-friendly schools, as well as learning outside the classroom, for example through tutoring. Several of these interventions (group-learning, programs for learning outside the classroom, and scholarships linked to student performance) were also found to have impacts on learning. The evidence on the impact of interventions on empowerment was generally weaker.

*Source: Unterhalter et al. (2014).*

**For specific challenges, such as gender-based violence, additional specific interventions may also be needed.** Uganda has high levels of intimate partner violence (IPV). International evidence suggests that prevention programs can help in reducing the prevalence of IPV, especially when they address the harmful social norms that are leading to gender-based violence. The most successful interventions tend to be

community-based and have multiple components to work with men, women, leaders and service providers. There is also promising evidence to recommend economic empowerment interventions for women that are combined with gender transformative training and engagement of male partners and family members. Lessons can be learned from programs implemented in Uganda, such as SASA! (see Box 11).

### ■ Box 11: Interventions to Reduce Intimate Partner Violence

SASA! means "Now!" in Kiswahili. The program was developed by Raising Voices and it has been implemented in Uganda by the Center for Domestic Violence Prevention. It appears to be the first community-based violence prevention program in sub-Saharan Africa to be rigorously evaluated. The program employs multiple strategies to build a critical mass of engaged community members, leaders, and institutions, including local activism, media and advocacy, communication materials, and training. The Activist Kit that is central to SASA! community engagement and mobilization involves four phases: Start, Awareness, Support, and Action. The content evolves with each phase, with power as a central theme. Results from a randomized controlled trial suggest positive effects after three years of programming. In comparison to control communities, SASA! communities reported (i) a reduction in levels of violence against women of 52 percent; (ii) an increase in the share of women and men who believe it is acceptable for women to refuse sex of 28 percent; and (iii) an increase of 50 percent in the share of men and women who believe that physical violence against a partner is unacceptable.

*Source: Abramsky et al. (2014).*

### 3.8. Conclusion: What Have We Learned?

**This study has provided strong evidence of the negative impacts child marriage, early childbearing, and low educational attainment for girls.** After a brief review of trends over time, and an assessment of the relationships between child marriage, early childbearing, and low educational attainment for girls, four domains of impacts were considered: (i) fertility and population growth; (ii) health, nutrition, and intimate partner violence; (iii) work, earnings, and productivity; and (iv) women's agency. The analysis indicates that child marriage, early childbearing, and low educational attainment for girls have a wide range of negative impacts on girls, their children, families, communities, and the country at large.

**The largest monetary impacts are related to fertility and population growth, earnings, and the health of children born of young mothers.** These impacts are all closely related in terms of their timing in the life of adolescent girls. When the use of modern contraception is low, child marriage leads to early childbearing, which increases health risks for mothers and children alike. The timing of child marriages and early childbearing conflicts with the ability of girls to remain in school, which depresses earnings in adulthood. All those effects are at work when girls are vulnerable. By contrast, impacts in other domains – from labour force participation to decision-making, are observed throughout a woman's life and may depend on many other factors than whether girls married early. For example, a lack of decision-making ability is the result of widespread gender inequality. Child marriage, early childbearing and low educational attainment for girls contribute to perpetuating gender inequality, but delaying marriage by a few years may not be sufficient to fundamentally change gender roles and social

norms. This may be why in those areas, while ending child marriage may help, impacts may be smaller or not statistically significant. Still, when considering together child marriage/early childbearing and low educational attainment for girls, negative impacts are observed for almost all indicators.

**The economic costs associated with these impacts are large. This has been illustrated in the case of child marriage.** Tentative estimates of the costs associated with the impacts of child marriage were provided. These are annual estimates of the benefits from ending child marriage as of 2015. The estimates only provide rough orders of magnitude of potential costs. The largest cost is the welfare loss associated with population growth. By reducing population growth, ending child marriage could lead to welfare benefits for Uganda of US\$2.4 billion (in purchasing power parity terms) by 2030. As another benefit from lower population growth, ending child marriage and early childbearing could result in education budget savings for the government of up to US\$257 million by 2030 under a trajectory to achieve universal secondary education (this is an upper bound for savings given that achieving universal secondary education is a tall order). In addition, today, if women who were married early had been able to avoid child marriage, they could have earned US\$514 million more. Finally, substantial economic benefits would result from reductions in under-five mortality and stunting rates, estimated together at US\$275 million by 2030.

**In terms of policy options to end child marriage, prevent early childbearing, and improve education opportunities for girls, a review of interventions provides insights.**

Several lessons emerge from this review. First, interventions that alleviate economic constraints to schooling are the most proven to delay marriage and childbearing. Second, interventions providing economic opportunities have mixed

Ending child marriage, preventing early childbearing, and improving educational attainment for girls is not only the right thing to do. It is also a smart economic investment.

There are examples of successful interventions to provide better opportunities for adolescent girls, including in Uganda. These interventions could be scaled up for larger impacts nationally.

results in terms of delaying marriage and childbearing. In some contexts, they have large impacts, while in others, this is less the case. Third, life skills and SRH knowledge interventions, while valuable, may not be sufficient to end child marriage, prevent early childbearing, and improve education opportunities for girls. At the same time, all three intervention types have value and combining them is often needed to reach different groups of girls such as those in school or not, and those married or not.

**More generally, to improve educational attainment for girls, basic conditions also must be met.** At the secondary level, there is a need to build schools closer to where children (boys or girls) live. As an alternative,

adequate modes of transportation to schools must be provided. Providing separate water, sanitation and hygiene facilities for girls is also important, as is the need to reduce the risk of violence and sexual harassment in school. Finally, for the broader challenge of gender-based violence and inequality, community-based interventions to work with men, women, leaders and service providers can also be beneficial.

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## ANNEXES





▲  
*Accessing practical skills at a technical school in Jinja, one of the secondary cities of Uganda (Morgan Mbabazi, 2017).*

**TABLE A1: KEY MACROECONOMIC INDICATORS**

Indicator	Unit measure	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Population	Millions	31.0	31.9	35.1	37.6	38.7	39.9	41.1	42.3
GDP	USD millions	20181.6	20262.3	23218.9	24663.1	27757.4	27573.2	24661.1	26282.8
Per capita GDP	USD	651	635	662	656	717	691	600	621
GDP growth	%	5.6	9.4	3.8	3.6	5.1	5.2	4.7	4.0
Gross Domestic Savings	as % of GDP	19.7	19.5	17.7	21.7	18.8	17.1	18.2	20.1
Gross Investments	as % of GDP	12.5	12.3	28.2	29.5	26.7	24.6	24.9	24.5
Inflation (period average)	%	4.0	18.7	14.0	4.9	5.3	2.9	6.6	5.7
Exchange Rate (end-year)	UGX/USD	21776	2522.7	2504.6	2591.1	2538.0	2827.7	3443.0	3528.3
External Sector									
Exports, f.o.b.	Million USD	23173	22978	26674	2912.1	2706.3	2738.4	26878	3163.7
Imports - f.o.b.	Million USD	-4,116.8	-4,671.1	-5,241.5	-5,035.1	-5,073.5	-4,988.0	-4574.5	-4,718
Current Account Balance	Million USD	-14972	-1732.6	-2030.9	-1517.3	-2051.7	-1876.5	-1208.8	-1039.8
Balance of Payments (overall balance)	Million USD	-229.6	606.0	-746.6	-338.0	-378.5	352.8	-101.5	-4376
Gross Foreign Reserves	Million USD	2384.7	2044.0	2643.8	2912.3	3394.0	2895.0	2962.0	3429.0
External Debt	Million USD	2343.4	2904.9	3254.1	3825.2	4300.7	4380.1	5309.2	6014.1
Foreign Direct Investment	Million USD	659.7	706.4	1243.9	939.9	1087.4	884.6	629.4	493.8
Monetary Sector									
Average Deposit Rate	%	2.0	2.1	3.2	3.0	3.1	3.3	3.2	3.3
Average Lending Rate	%	20.7	19.8	24.6	24.8	22.1	25.2	23.7	22.6
Growth in Money Supply (M3)	%	23.6	25.7	26.1	6.6	17.4	15.9	7.1	13.6
Government Finance									
Total Domestic Revenue	as % of GDP	10.5	13.6	11.2	11.3	11.6	13.2	13.8	14.3
Tax Revenue	as % of GDP	10.3	10.9	10.3	11.0	11.1	12.4	13.0	13.5
Non Tax Revenue	as % of GDP	0.3	0.2	0.2	0.3	0.5	0.6	0.7	0.7
Grants	as % of GDP	2.1	1.9	1.9	1.4	1.0	1.2	1.4	1.0
Total Expenditure and net lending	as % of GDP	16.7	19.1	15.6	16.2	16.6	18.7	20.1	19.3
Recurrent Expenditure	as % of GDP	10.5	12.7	9.1	9.0	9.5	10.0	11.0	11.0
Development Expenditure	as % of GDP	6.1	6.1	6.1	6.5	7.0	6.8	7.1	7.4
Fiscal Balance (overall)	as % of GDP	-4.0	-3.6	-2.5	-3.5	-3.5	-4.4	-5.3	-3.5

Source: GOU Authorities and World Bank Staff Estimates

**TABLE A2: GROWTH AND STRUCTURE OF THE ECONOMY**

Economic Activity	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/2017	2017/18 Proj
<b>Real GDP Growth Rates (%)</b>	<b>5.6</b>	<b>9.4</b>	<b>3.8</b>	<b>3.6</b>	<b>5.1</b>	<b>5.2</b>	<b>4.7</b>	<b>4.0</b>	<b>5.1</b>
Agriculture	2.9	3.1	0.6	1.9	2.7	2.3	2.8	1.6	2.6
Industry	7.9	11.3	3.1	2.1	6.3	7.8	4.6	3.3	5.7
o/w manufacturing	4.5	7.8	2.7	-2.5	2.2	11.6	0.6	2.1	3.0
o/w construction	12.6	14.8	3.9	4.2	12.5	1.9	7.3	6.1	6.5
Services	7.0	11.7	4.0	5.4	5.4	4.8	5.9	5.7	5.9
<b>GDP Shares (% of constant GDP)</b>									
Agriculture	26.2	24.7	24.0	23.6	23.0	22.4	22.0	21.5	21.0
Industry	18.1	18.4	18.3	18.0	18.3	18.7	18.7	18.6	18.7
o/w manufacturing	8.5	8.4	8.3	7.8	7.6	8.0	7.7	7.6	7.6
o/w construction	5.8	6.1	6.1	6.1	6.5	6.3	6.5	6.6	6.6
Services	48.5	49.5	49.6	50.5	50.6	50.5	51.1	51.9	52.3
FISM and net taxes	7.2	7.3	8.1	7.9	8.1	8.4	8.2	8.0	8.0
<b>GDP Shares by expenditure type (% of nominal GDP)</b>									
Final Consumption Expenditure	85.9	87.4	85.6	81.9	82.7	86.2	84.5	83.5	83.7
Households	76.3	74.6	77.4	73.9	74.2	76.9	77.0	75.4	75.5
Government	9.6	12.8	8.2	8.0	8.5	9.3	7.5	8.1	8.2
Gross Capital Formation	25.6	27.5	27.3	28.4	27.3	24.6	25.5	23.9	23.8
Gross fixed capital formation	25.2	27.1	26.9	27.9	26.8	24.2	25.0	23.4	23.3
Charges in inventories	0.3	0.3	0.4	0.4	0.5	0.4	0.5	0.5	0.5
Net exports	-11.5	-14.9	-12.9	-10.3	-10.0	-10.8	-10.1	-7.4	-7.8
Gross domestic saving (% of GDP)	12.5	12.3	17.7	21.7	18.8	17.1	18.2	20.1	21.0
Public	2.9	3.3	2.4	3.1	2.3	2.9	2.8	3.3	4.6
Private	9.6	9.0	15.3	18.6	16.5	14.2	15.4	16.8	16.4

Source: Uganda Bureau of Statistics and World Bank Staff Estimates

**TABLE A3: CENTRAL GOVERNMENT FISCAL FRAMEWORK (% OF GDP)**

Item	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18 App. Budget	2017/18 Proj
<b>REVENUES AND GRANTS</b>											
Revenues	13.5	12.7	15.5	13.1	12.8	12.6	14.4	15.2	15.4	16.2	15.5
URA	11.0	10.5	13.6	11.2	11.3	11.6	13.2	13.8	14.3	14.4	14.0
Non-URA	10.6	10.3	10.9	10.3	11.0	11.4	12.4	13.0	13.5	13.6	13.2
Oil Revenues	0.4	0.3	0.2	0.2	0.3	0.5	0.6	0.7	0.7	0.8	0.7
Grants	0.0	0.0	2.5	0.7	0.0	0.0	0.2	0.1	0.1	0.0	0.1
Budget Support	2.6	2.1	1.9	1.9	1.4	1.0	1.2	1.4	1.0	1.8	1.5
Project Support	1.5	1.1	1.1	1.0	0.3	0.3	0.3	0.4	0.3	0.3	0.3
	1.0	1.0	0.8	0.9	1.1	0.7	0.9	1.0	0.8	1.5	1.2
<b>EXPENDITURE AND LENDING</b>											
Current Expenditures	15.0	16.7	19.1	15.6	16.2	16.6	18.7	20.1	19.3	22.5	20.2
Wages and Salaries	9.5	10.5	12.7	9.1	9.0	9.5	10.0	11.0	11.0	10.4	10.5
Interest Payments	3.4	3.2	3.5	3.1	3.3	3.4	3.6	3.6	3.7	3.7	3.5
Other Recurr. Expenditures	1.0	0.9	0.9	1.0	1.4	1.4	1.6	2.0	2.6	2.7	2.7
Development Expenditures	5.1	6.4	8.2	5.0	4.3	4.8	4.8	5.4	4.7	4.0	4.3
Net Lending/Repayments	4.8	6.1	6.1	6.5	6.5	7.0	6.8	7.1	7.4	9.8	8.6
Domestic Arrears Repaym.	-0.2	-0.1	-0.1	-0.1	0.6	0.0	1.6	1.8	0.6	1.9	0.7
	0.8	0.2	0.4	0.5	0.1	0.0	0.3	0.1	0.2	0.4	0.4
<b>OVERALL DEFICIT</b>											
Overall Fiscal Bal. (excl. Grants)	-4.0	-6.1	-5.5	-4.4	-4.9	-5.0	-5.6	-6.7	-4.5	-8.0	-5.2
Overall Fiscal Bal. (incl. Grants)	-1.5	-4.0	-3.6	-2.5	-3.5	-4.0	-4.4	-5.3	-3.5	-6.2	-3.7
<b>Financing:</b>											
External Financing (Net)	1.5	4.0	3.6	2.5	3.5	4.0	4.4	5.3	3.5	6.2	3.7
Domestic Financing (Net)	1.6	1.9	1.5	1.9	2.2	1.3	1.2	3.0	2.9	5.3	2.7
	0.0	1.7	2.3	0.0	1.1	2.3	3.2	2.3	0.6	0.9	1.0
<b>MEMORANDA ITEMS</b>											
Nominal GDP (Shs billions)	34504	40946	47078	59420	64758	70458	76517	82903	91351	100552	101267

Source: Uganda Authorities and World Bank Staff Estimates

**TABLE A4. MONETARY INDICATORS**

	2008/9	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
<b>Monetary Aggregates</b>									
M3 as % of GDP	18.3	20.5	22.4	19.0	18.6	20.1	21.3	21.1	22.0
M2 as % of GDP	14.3	15.9	17.1	13.0	14.0	14.5	14.4	14.5	15.5
M3 growth rate (%)	25.0	33.2	25.7	7.2	6.6	17.4	15.9	7.1	13.6
M2 growth rate (%)	26.3	32.1	23.9	-4.2	15.7	14.1	8.8	8.9	16.0
<b>Domestic Credit</b>									
Total domestic credit (% of GDP)	9.2	11.9	16.0	11.8	12.5	13.8	16.7	17.2	16.2
Private sector credit (% of GDP)	10.4	11.4	14.3	12.7	12.4	12.9	14.3	13.7	13.3
Total domestic credit growth (%)	64.1	54.7	54.1	-6.5	13.4	21.9	32.3	10.8	2.6
Private sector credit growth (%)	31.3	29.8	44.1	11.6	6.0	14.1	20.3	4.3	5.7
<b>Interest Rates Structure</b>									
Average TB rate (period average, %)	8.4	5.3	7.6	17.2	10.3	9.9	12.0	17.8	13.2
Average lending rate (%)	20.9	20.7	19.8	24.6	24.8	22.2	21.6	24.0	22.6
Average deposit rate (%)	2.1	2.0	2.1	3.2	3.0	3.1	2.8	3.0	3.5

Source: Bank of Uganda

**TABLE A5.1: BALANCE OF PAYMENTS (PERCENT OF GDP UNLESS OTHERWISE STATED)**

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18 Proj.
Current Account (incl transfers)	-8.1	-9.8	-9.5	-6.3	-7.6	-6.8	-4.9	-4.0	-5.1
Exports of goods	11.5	11.3	11.4	11.7	9.7	10.1	11.1	12.4	12.3
o/w coffee	1.3	1.8	1.9	1.7	1.5	1.5	1.4	1.9	2.0
Imports of goods	-20.4	-23.1	-22.6	-20.1	-18.3	-18.3	-18.9	-17.8	-18.8
o/w oil imports	-2.5	-3.4	-4.1	-4.1	-3.9	-3.4	-2.6	-2.6	-2.6
Services (net)	-2.1	-3.4	-1.7	-1.6	-1.2	-2.5	-2.7	-1.9	-1.7
Trade balance	-8.9	-11.8	-11.1	-8.5	-8.5	-8.3	-7.8	-5.4	-6.5
Income (net)	-1.7	-1.7	-2.0	-2.1	-2.2	-1.6	-1.7	-2.2	-2.5
Current transfers (net)	4.6	7.1	5.3	5.9	4.3	5.1	6.3	5.3	5.5
Capital and Financial Account	8.8	5.3	10.1	6.1	6.5	4.2	4.2	3.9	5.4
Capital account	1.0	0.8	0.8	0.1	0.3	0.4	0.5	127.0	137.0
Financial account	7.9	4.5	9.3	5.9	6.1	3.9	3.7	910.0	1385.0
o/w direct investment	3.4	3.5	5.4	3.8	3.9	3.2	2.1	667.0	897.0
o/w portfolio investment	0.2	0.0	-1.1	-0.2	0.0	-0.6	-0.7	164.0	48.0
Overall Balance	1.2	-2.9	3.3	2.1	1.1	1.5	2.9	1.6	0.4
Gross International Reserves (million USD)	2384.7	2044.0	2643.8	2912.3	3394.0	2895.0	2962.0	3380.0	3475.0
Gross international reserves in months of imports	4.4	3.2	4.3	4.5	5.2	5.0	5.4	5.5	4.9

Source: Bank of Uganda

**TABLE A5.2: BALANCE OF PAYMENTS (USUS\$ MILLIONS)**

Variable	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18 Proj.
<b>Current Account (incl transfers)</b>	<b>-1,631.0</b>	<b>-1,984.0</b>	<b>-2,219.0</b>	<b>-1,582.0</b>	<b>-2,103.0</b>	<b>-1,958.0</b>	<b>-1531.0</b>	<b>-1,058</b>	<b>-1,418.0</b>
Exports of goods	2,317.0	2,298.0	2,660.0	2,912.0	2,706.0	2,738.0	2688.0	3169	3,387.0
o/w coffee	262.0	371.0	444.0	423.0	404.0	400.0	352.0	490	548.0
Imports of goods	-4,117.0	-4,680.0	-5,241.0	-5,035.0	-5,074.0	-4,988.0	-4574.0	-4,561	-5,177.0
o/w oil imports	-501.0	-679.0	-947.0	-1,028.0	-1,090.0	-933.0	-646.0	-694	-739.0
Services (net)	-416.0	-691.0	-404.0	-405.0	-331.0	-561.0	-563.0	-487	-481.0
Trade balance	-1,800.0	-2,382.0	-2,581.0	-2,123.0	-2,367.0	-2,250.0	-1870.0	-1,392	-1,790.0
Income (net)	-335.0	-341.0	-471.0	-528.0	-610.0	-492.0	-492.0	-582	-687.0
Current transfers (net)	920.0	1,430.0	1,238.0	1,473.0	1,204.0	1,345.0	1411.0	1403	1,540.0
<b>Capital and Financial Account</b>	<b>1,786.0</b>	<b>1,081.0</b>	<b>2,357.0</b>	<b>1,519.0</b>	<b>1,813.0</b>	<b>952.0</b>	<b>1060.0</b>	<b>1,037</b>	<b>1,522.0</b>
Capital account	197.0	160.0	194.0	33.0	91.0	99.0	120.0	127	137.0
Financial account	1,589.0	921.0	2,163.0	1,486.0	1,722.0	853.0	940.0	910	1,385.0
o/w direct investment	693.0	719.0	1,244.0	940.0	1,087.0	785.0	530.0	667	897.0
o/w portfolio investment	31.3	-2.1	-264.7	-47.0	26.0	-191.0	-151.0	-164	-48.0
Overall Balance	235.0	-597.0	759.0	534.0	378.0	-353.0	101.0	427	104.0
Gross International Reserves (million USD)	2,384.7	2,044.0	2,643.8	2,912.3	3394.0	2895.0	2962.0	3380.0	3475.0
Gross international reserves in months of imports	4.4	3.2	4.3	4.5	5.2	5.0	5.4	5.5	4.9
Memoranda items									
GDP at current prices (USHS billions)	40,946.0	47,078.0	59,420.0	64,758.0	70458	76517	82903	91351	100552
GDP at current prices (USUS\$ millions)	20,181.4	20,262.5	23,237.3	24,663.1	27,757.5	27,102.7	24,079.0	25,891.0	...
Exchange rate (period average)	2,028.9	2,323.4	2,557.1	2,591.0	2,538.3	2,823.2	3,443.0	3,528.3	...

Source: Bank of Uganda

**TABLE A6. INFLATION RATES (PERCENTAGE CHANGES)**

Item	2008/9		2009/10		2010/11		2011/12		2012/13		2013/14		2014/15		2015/16		2016/17		
	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	
CPI (average)	14.2	9.4	6.5	23.7	5.8	6.7	2.9	5.7											
CPI (end of period)	10.9	4.6	4.0	15.4	6.4	3.0	4.9	6.4											
Food (end of period)	27.9	16.5	9.3	12.8	-1.4	7.2	7.2	7.2											
Core Inflation (end of period)	8.9	6.7	5.7	19.5	5.8	2.9	5.0	6.8											

Source: Uganda Bureau of Statistics



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