UGANDA DEBT NETWORK — DEBT IS SLAVERY

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ATTAINING ZERO POVERTY BY 2030 FOR UGANDA MAY NOT BE POSSIBLE !!

1. PREAMBLE

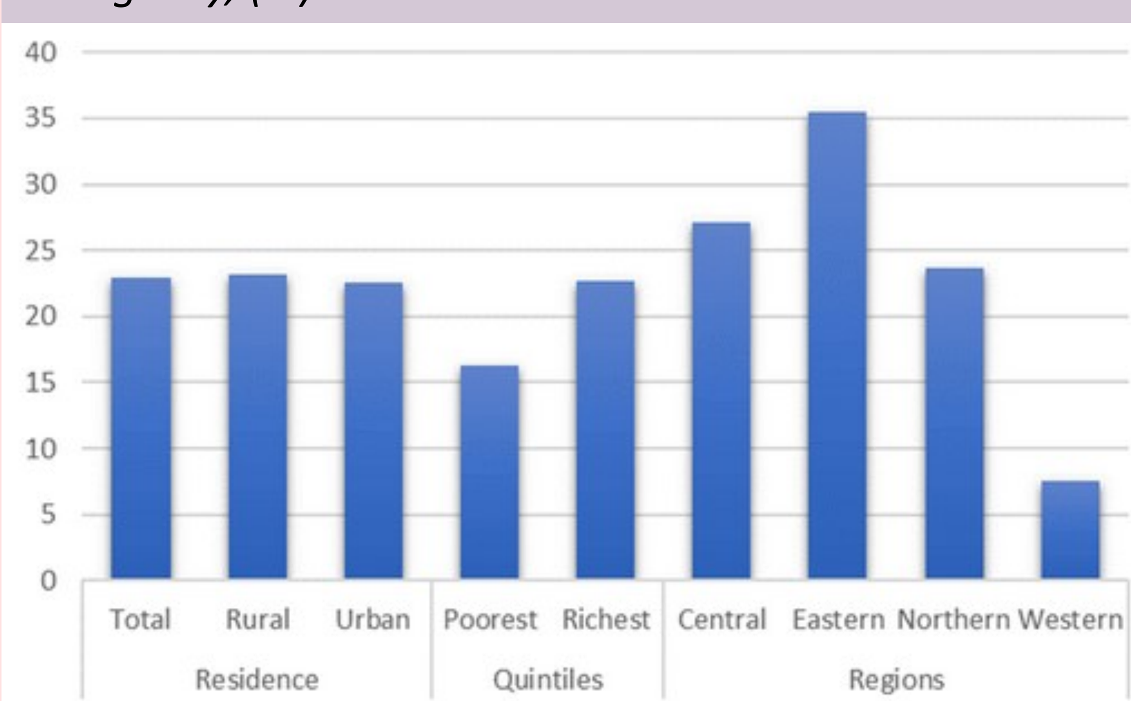
The twin health and economic shocks of the COVID-19 pandemic are staggering in their breadth and scale. While the disease arrived later and has spread more slowly in many low- and middle-income countries, COVID-19 is threatening the lives and long-term livelihoods of millions of poor people, and could push many more into extreme poverty. Although the health crisis has been relatively passive, the employment crisis is especially acute. Given the above trends, it is unlikely for Uganda to attain the Sustainable Development Goal 1 on Zero Poverty by 2030 unless profound development planning and implementation is well targeted towards who the poor are.

2. CASE OF UGANDA

Uganda's household income has been growing steadily albeit very slow since 2009. Household incomes grew at an annualized growth rate of 3.1 percent (UBOS, 2009-2015 Panel Surveys). However, there have been notable fluctuations in income, with ***every fifth household having to borrow money to face the COVID-19 emergency since March 2020***.

Using the microdata, survey report and tabulations from the second round of the Uganda High-Frequency Phone Survey on COVID-19 (UHFPS), there were clear indications of severe shocks that at least 27% of households in Uganda incurred more debt in the last three months to August as they struggled to cope with the impact of COVID-19 emergency situations.

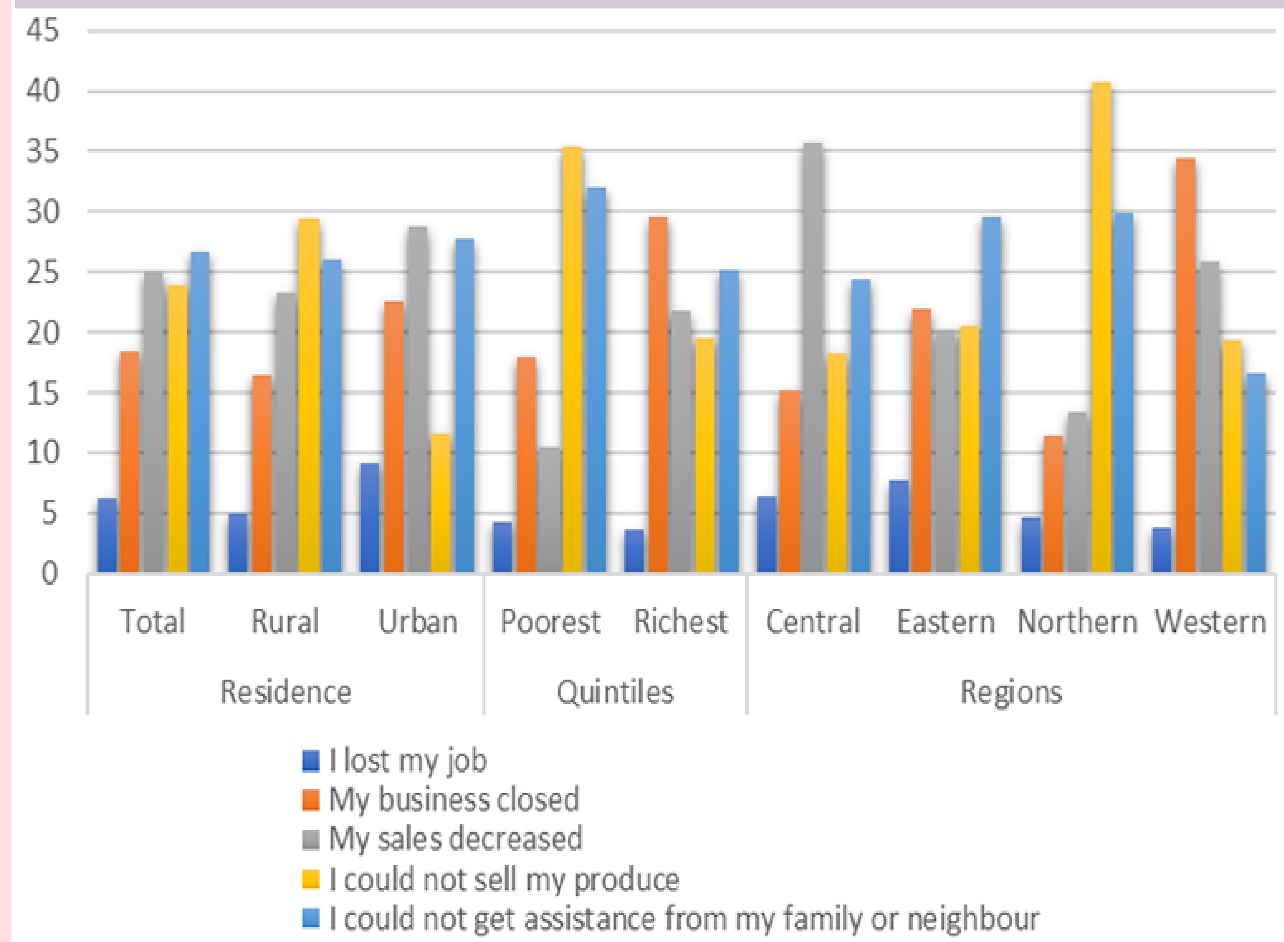
Figure 1. *Share of households who had to borrow money since March 2020 to face the COVID-19 emergency, (%). **Source: UHFPS.***



Households in the eastern, northern (36%) and central (27%) indicated that they had to borrow money over: loss of jobs, low sales and closed businesses, among others, to fund their immediate needs.

In the western region, only 8% said they had borrowed money in the same period.

Figure 2. *Reasons why households had borrowed since March 2020, by rural/urban residence, region and pre-COVID-19 household per adult equivalent consumption quintiles, (%). **Source UHFPS***



The COVID-19 containment measures adopted at the outbreak of the pandemic, account for the most direct effect. Restriction of movements, mandated market closures at home and abroad and social distancing especially affected the economic sectors wherein informal, low-productive urban employment is usually clustered – commerce, food, transportation, personal services and domestic work. The agricultural sector was also affected by restrictions to mobility. Workers in those sectors represent the majority of the workforce in Uganda.

3. RECOMMENDATIONS

1) In attempt to reduce the effects of shocks, households adopt risk averse production strategies that come at a cost-persistent poverty. The persistent poverty we are observing is a cost that comes as smallholder farmers attempt to smooth their income with less resilient coping strategies.
2) Given that poverty is multi-dimensional in nature, addressing programmes that are complementary to income generation are vital such as education, health, water and sanitation. In addition, the ability to ensure stable available market for agricultural produce cannot be over looked for poverty reduction. This is because, markets create avenues for selling goods and services which boost incomes.
3) What also is needed to break the poverty cycle is building households' asset base. Assets contribute directly to the income generation process, hence, policies that support savings, more precisely the accumulation of productive assets, are critical for a sustainable income growth and poverty reduction. Furthermore, developing well-functioning financial markets (insurance and credit) targeting farmers would in the end compensate for reduced agricultural incomes in bad years. In the presence of such markets, the need for income smoothing is less urgent.

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