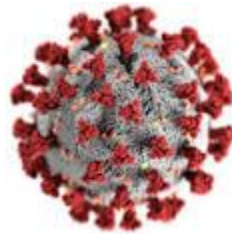




Uganda

Macro-economic impacts of social protection on poverty, inequality, and economic recovery



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Presentation Outline

Three Parts

Part A: Global COVID 19 Impacts and Social Protection Response

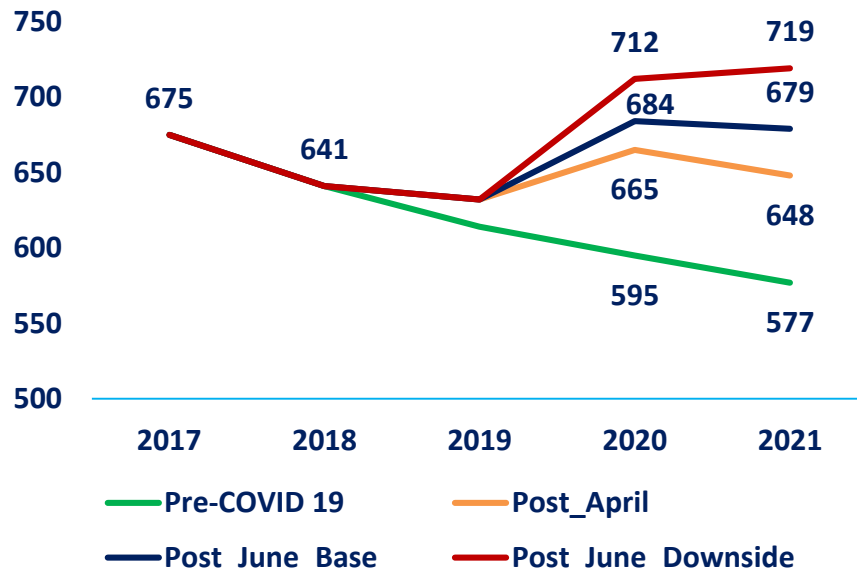
Part B: Uganda COVID 19 Microeconomic impacts and SP responses in Uganda

Part C: Macro and Socio economic Impacts of SP and Investment Responses

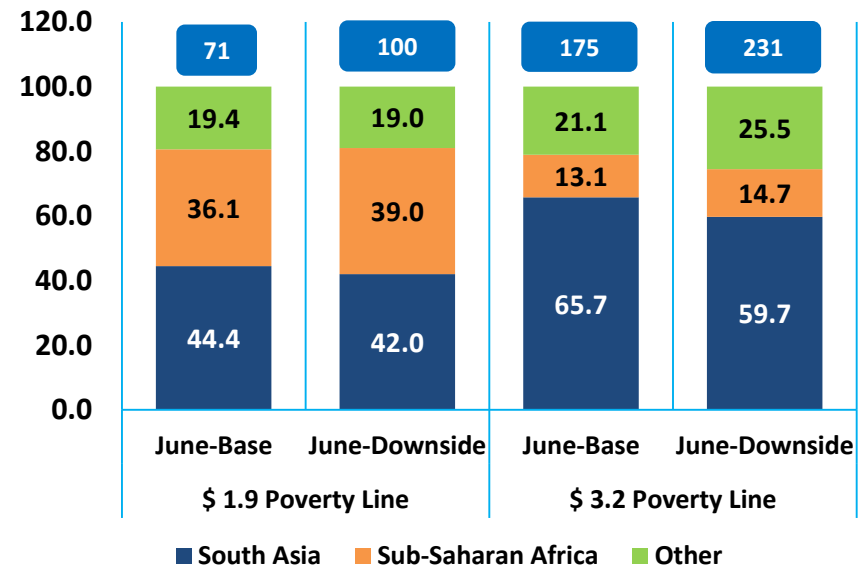
COVID 19 Impacts on Global Growth and Poverty

- COVID 19 (first wave) execrated unprecedented impacts on global economic growth and poverty.
- WB argued that poverty gains achieved in last three decades may be lost due to COVID 19.
- Main transmission channels are: reduced exports; remittances; tourist arrival and domestic lock down

Impacts of global extreme poverty (Million)

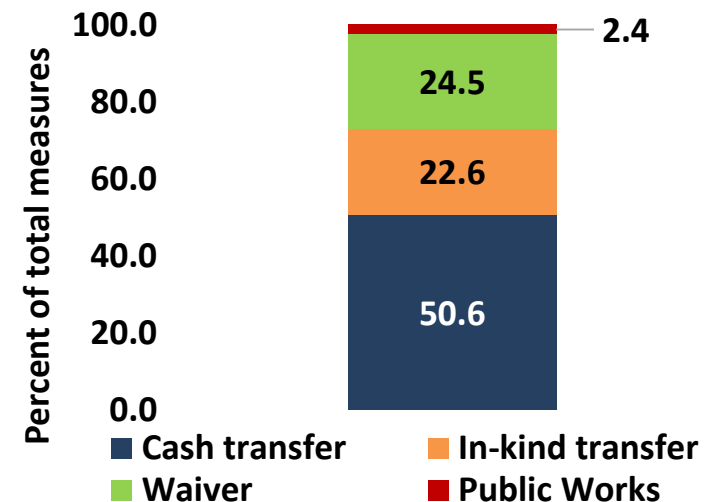
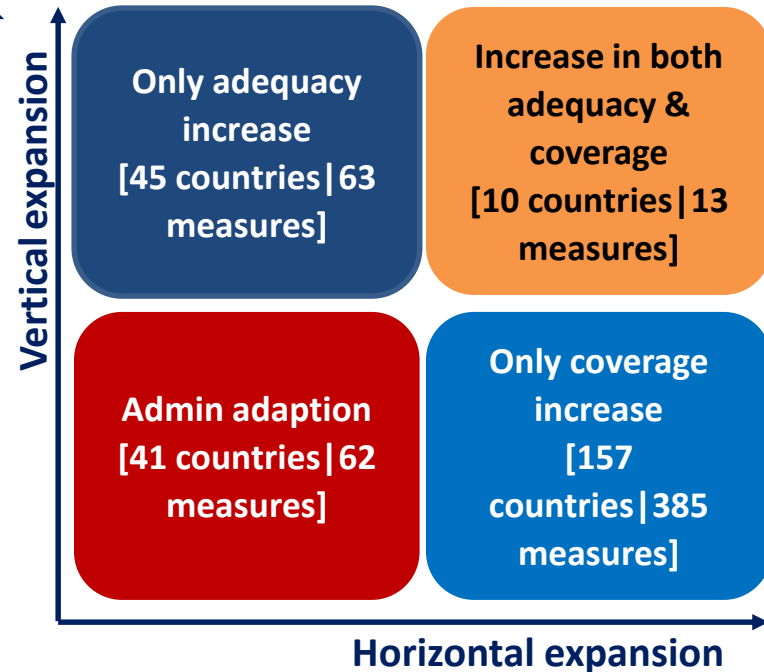


Global extreme poverty by regions (%)



Global Approach to SP Responses

- Use existing SP by
 - Vertical expansion: increase the transfer values
 - Horizontal expansion: expand the number of recipients
- Introduce new scheme
- IMF/WB Joins UN for universal transfers SP
- Most countries increased cash transfers via digital infrastructure for registration and payment
- Fiscal injection of transfers less than 2% of GDP should be judged as inadequate” (Martin Ravallion, 2020)
- Survey of 173 countries – social assistance dominates
- Non-contributory programme 60% of global response

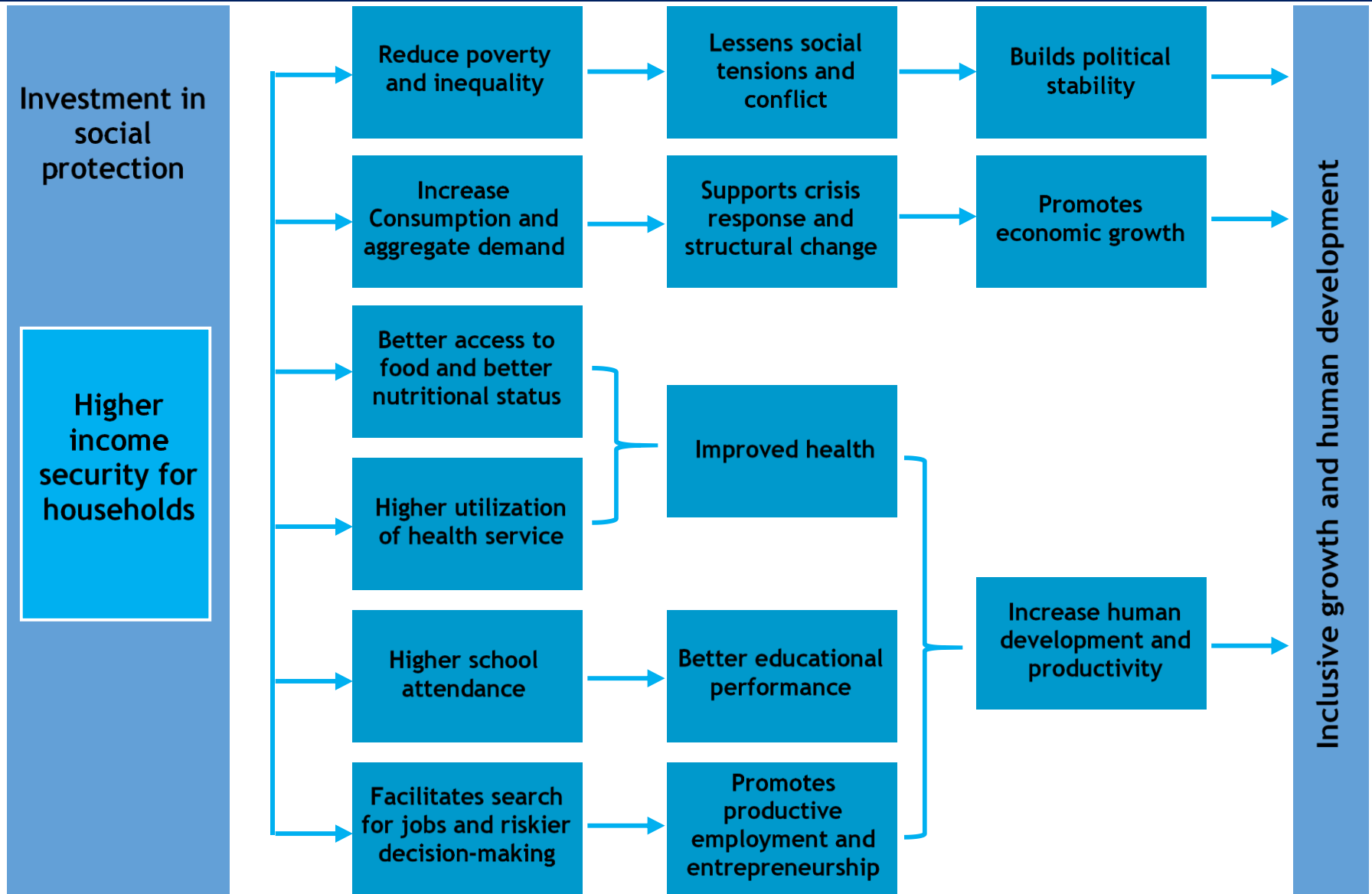


Source: Gentilini et al. (2020)

Life Cycle Risks and Associated SP Schemes

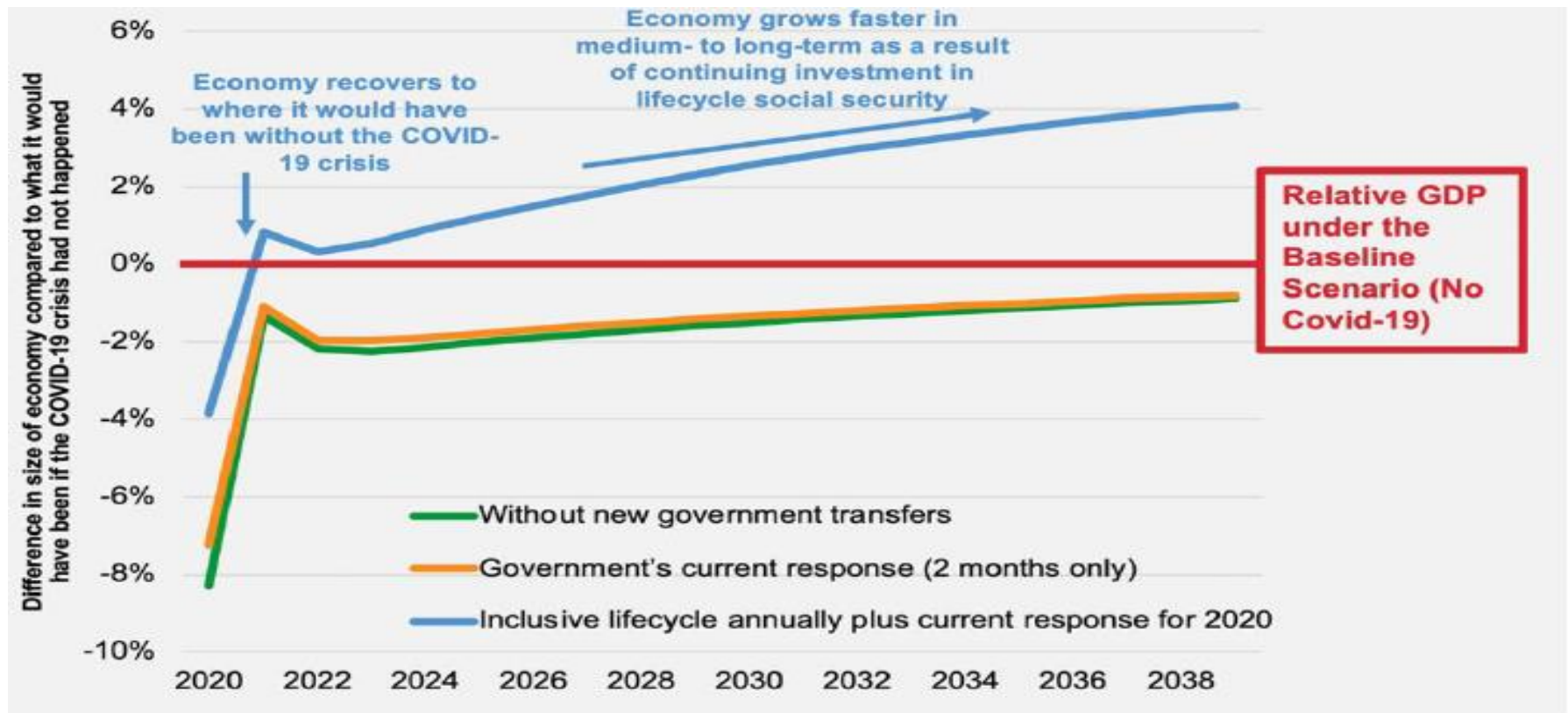


Benefits of an Inclusive SP system



Source: World Bank and ILO (2017)

Lessons from Sri Lanka



- An UNICEF (2020) report on Sri Lanka also found superiority of SP investment for long term recovery compared current measures
- IMF/WB/UN system called for SP interventions.
- The crisis also paved a situation to “build back better”

PART B

Uganda COVID-19: Micro-economic impacts and SP responses

**Results from a Micro-simulation Model
(MOFPED/IGC)**

MOFPED/IGC Study: COVID 19 and Responses

Key Questions

Estimate the economic impact of the COVID-19 crisis, as a result of the pandemic, domestic measures and global recession

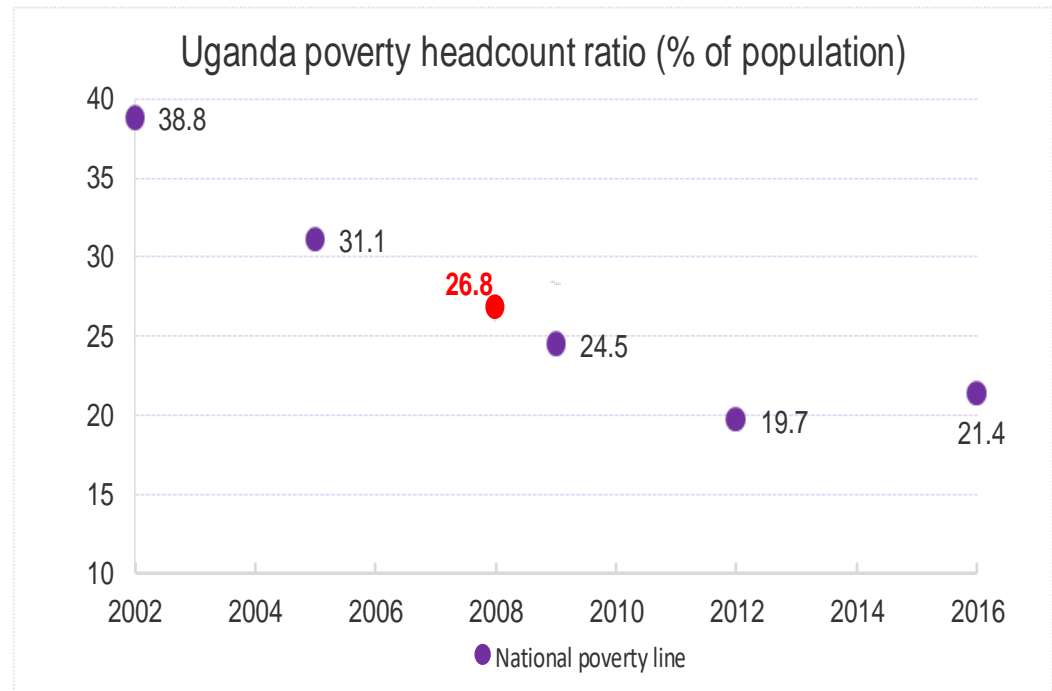
Specifically:

- How much *income* have households lost ?
- How much has *poverty* increased ?
- How income loss varies *by industry* and *by area of residence* ?
- What possible *social protection measures* can help to mitigate impact on poverty and what is the associated *fiscal cost*?

MOFPED/IGC Study: COVID 19 and Responses

Preview of Key Findings:

- **Significant income losses: 9.1 percent of GDP, affects 65% of Ugandans**
- **Erasing poverty gains of past 10 years**
- **Rise in poverty sharpest for Kampala but crisis reaches well beyond urban areas**
- **Analysis covers only short-term impact, longer-term effects would likely be dismal, underscoring need for post C-19 recovery plan**



MOFPED/IGC Study: COVID 19 and Responses

Results 1: Income Losses are Severe

Income loss				
	in USD (million)	Share of monthly GDP	# people in HHs losing income (million)	Share of population losing income
National	184	9.1%	27.0	65%
Kampala	31	1.6%	1.2	68%
Other Urban	78	3.9%	6.0	72%
Rural	74	3.7%	19.8	63%

MOFPED/IGC Study: COVID 19 and Responses

Results 2: Poverty Increases Significantly

Poverty Rate Changes			
	Before Crisis	After Crisis	People falling into poverty (millions)
National	18.9%	26.8%	3.3
Kampala	2.2%	→ 18.9%	0.3
Other Urban	9.1%	→ 22.0%	1.1
Rural	22.4%	28.5%	1.9

MOFPED/IGC Study: COVID 19 and Responses

Results 3: simulations of Policy Responses: SAGE (65yrs +)

Expand SAGE grant to those 65 or older

Transfer = 10,609 , Cost = 0.8% of monthly GDP, Poverty impact = - 1.3 pp

	Poverty Rate			Total Budget, monthly UGX (billion)	
	Before Crisis	After Crisis	After Crisis + Transfer		
<i>National</i>	18.9%	26.8%	25.5%	62.4	
<i>Kampala only</i>	2.2%	18.9%	18.4%	2.5	
<i>Other Urban only</i>	9.1%	22.0%	21.0%	11.5	
<i>Rural only</i>	22.4%	28.5%	27.1%	48.3	

The paper can be found at;

<https://www.theigc.org/wp-content/uploads/2020/11/Younger-et-al-2020-Final-report.pdf>

MOFPED/IGC Study: COVID 19 and Responses

Social Protection Responses adopted by Government

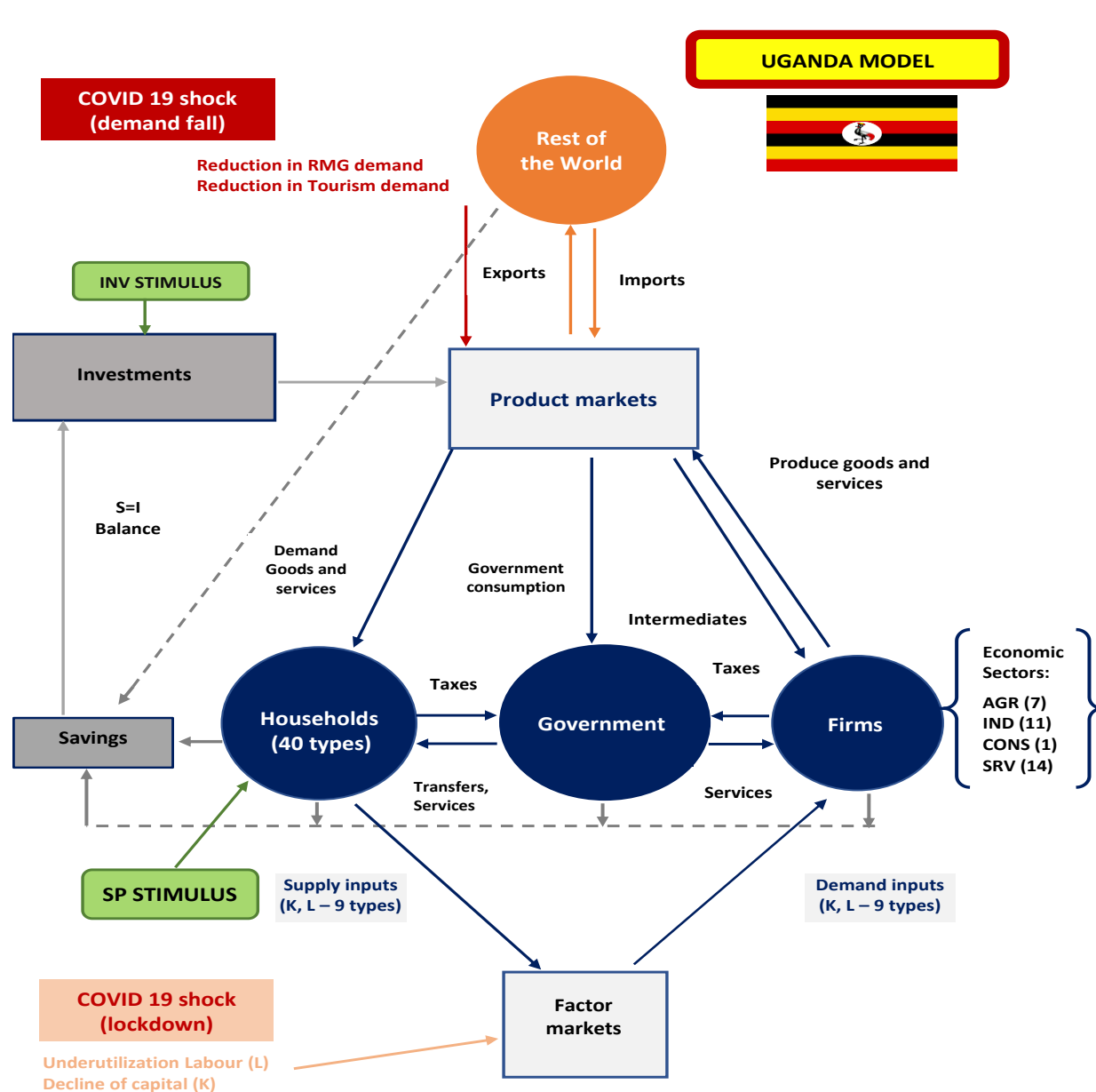
- Roll out the Social Assistance Grant for the Elderly (SAGE) nationwide to persons aged 80 years and above, including the elderly aged 65 years in the piloted 15 districts**
- Relief to affected population like distribution of food to most vulnerable urban population**
- Provide seed capital to organised special interest groups under the Youth Fund, Women Entrepreneurship Fund and the 'Emyooga' Talent Support scheme**
- And many more**

PART C

Macro and Socio-economic of Impacts of SP and Investment Responses in Uganda

Results from a Simulation Model

Simulation: COVID 19 and Responses



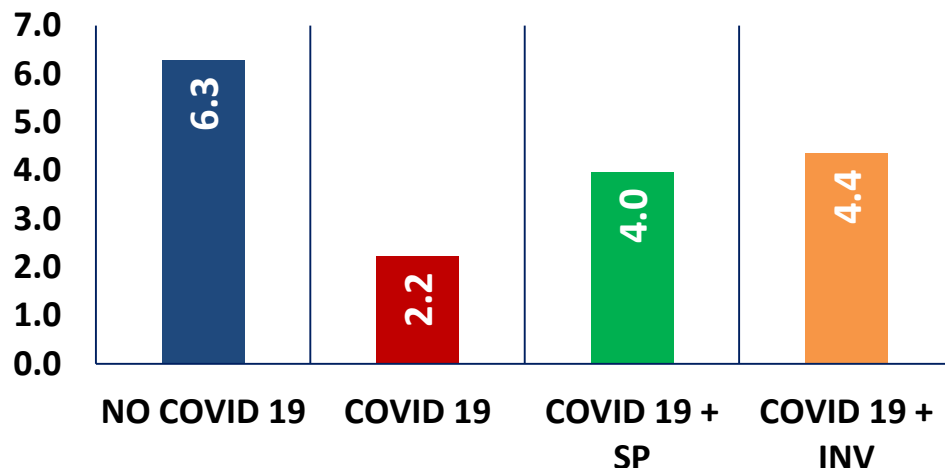
Used a simulation model

Scenarios:

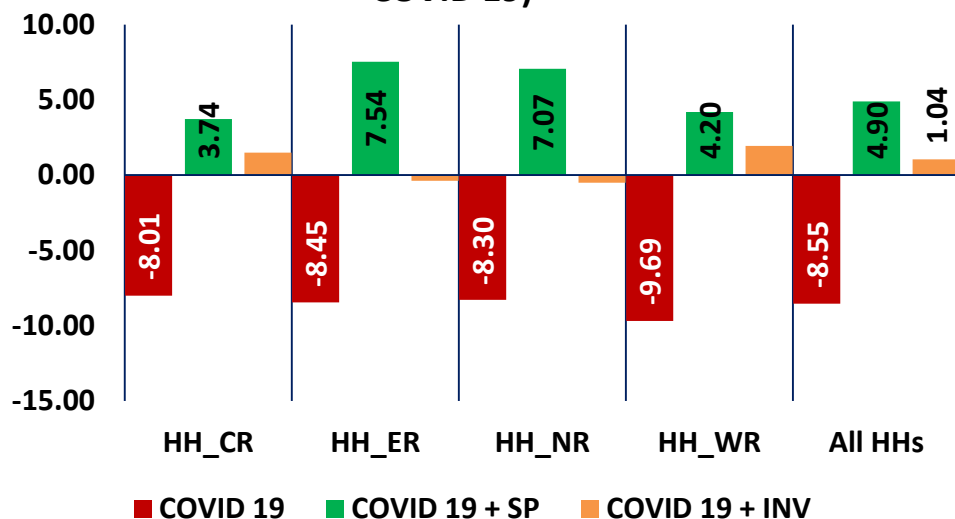
- No COVID 19
- **COVID 19:** Tourism fell by 1 billion \$; 10% export fall in food and food processed food.
- **COVID 19 + SP:** 2 % of GDP injected as SP via 40 HHs.
- **COVID 19 + INV:** 2 % of GDP injected as via Construction and Machinery.

Uganda: COVID 19 Impact of SP and INV

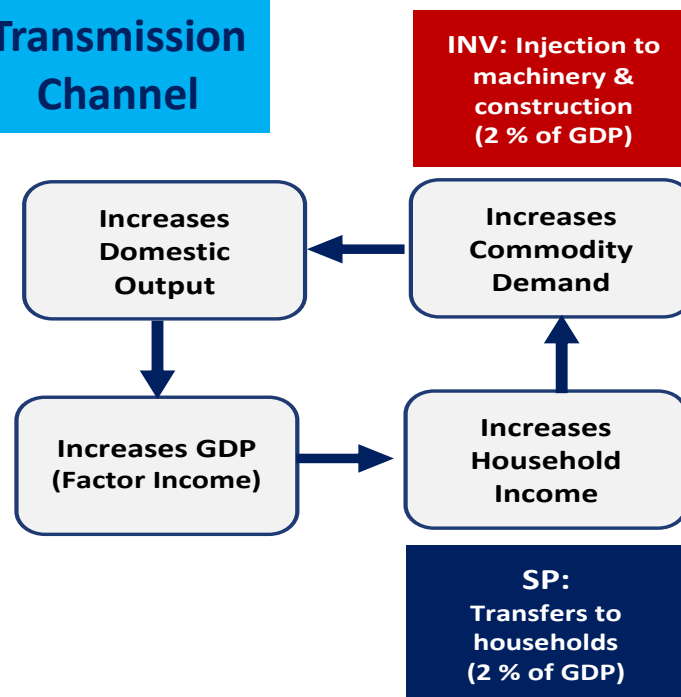
GDP growth rate (% change over 2019)



Household consumption (% change over NO COVID 19)



Transmission Channel

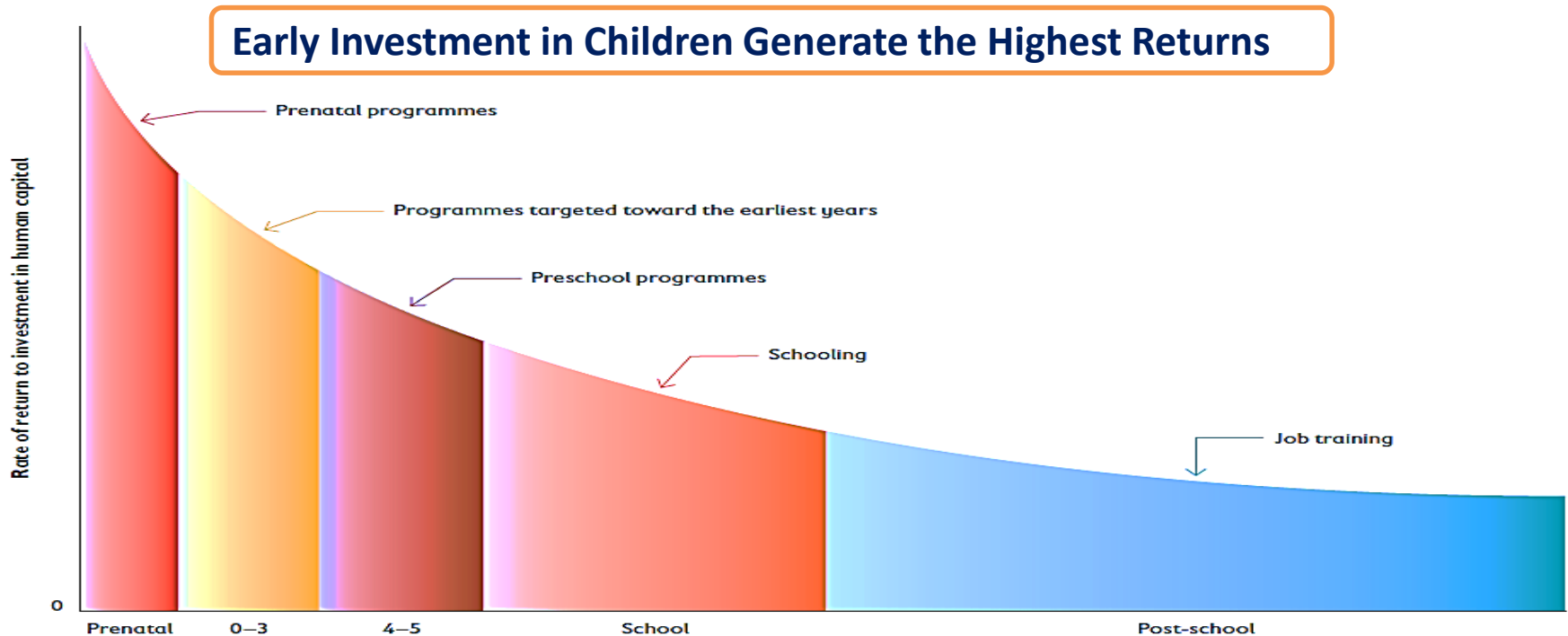


- Growth effects of SP is low but close to the INV stimulus.
- HH Consumption impact higher in SP than INV stimulus.
- It suggests SP investment is superior!

SP Responses

GOU has already Invested in SP to Build Back Better

1. GOU has embarked on this: **SAGE** rolled out nationwide to persons aged ≥ 80 years, including the elderly aged 65 years in the piloted 15 districts
2. GOU may also embark on horizontal expansion by introducing **Child Grant** as it a suitable scheme that *build back better* from early years of life



3. GOU may also introduce **Disability Grant** for greater inclusiveness towards *build back better*

Conclusions

Impacts

1. Short-term effects on poverty & income are severe (incl. impact of both domestic measures and global recession)
2. Crisis erases poverty gains of the past 10 years, and reaches well beyond Kampala
3. Impact on sectors varies, depends on vulnerability to external shock as well as effect of lockdown

SP responses

1. *Uganda-Simulation results* suggest effectiveness of SP measures compared to infrastructure investment in Short-term. Despite that, many countries could not adopt SP measures due to underdeveloped SP infrastructure
2. The COVID 19 crisis is an opportunity to “build back better” Uganda
 - It is important focus developing robust SP system for “Build Back Better”
 - Gov’t has embarked on this: SAGE rolled out nationwide to persons aged =>80 years, including the elderly aged 65 years in the piloted 15 districts
 - GOU may also introduce Child Grant and Disability Grant

QUESTIONS?



**THANK YOU
&.....
GOD BLESS YOU**

