

ENGENDERING THE FISCAL STIMULUS PACKAGES TO RESPOND TO COVID-19 EFFECTS IN UGANDA

Policy Paper

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Fatuma at Kalerwe Market in Kampala during the COVID-19 lockdown; photo taken by the communication officer Institute for Social Transformation.

Background:

This brief paper has been prepared in accordance with the guidance note from UN Women in consultation with the Equal Opportunities Commission (EOC), Civil Society Budget Advocacy Group (CSBAG) and the Institute for Social Transformation. It also draws from the national E- conference organized by CSBAG and partners held on 28 May 2020 on the extent to which the National Budget 2020/2021 is inclusive for sustainable and Prosperous Societies. The paper targets Legislators and the Ministry of Finance Planning and Economic Development (MoFPED). It implores the Government to assess the impacts of COVID-19 and other natural disasters on different vulnerable groups and adjust the National Budget for the financial year 2020/21 to respond to the immediate needs and realities of the people accordingly. It proposes realistic Fiscal Stimulus Packages that can address the Social Economic Impacts of COVID-19, taking into consideration gender in all response and recovery plans to stimulate and spur inclusive economic growth.

Context:

Whereas the COVID-19 global pandemic has affected all aspects of peoples' lives, it has had greater effects and impact on vulnerable groups. The economic crisis associated with COVID-19 has disproportionately impacted women in the labor market. Majority of these are women in developing countries working in the informal

economy, which constitute 70% of the world's health and social sectors, working as nurses, caregivers, cleaners and related professions. Further, women are heavily concentrated in export manufacturing and in labor-intensive manufacturing (ex. garments, textiles) and in Micro, Small and Medium Enterprises (MSMEs). Specifically, Uganda has approximately 94% of the population working in the informal sector. Most of these jobs are in trade followed by the manufacturing and services industries.

Women and girls, Persons with Disabilities (PWDs), people living with HIV, migrants, refugees and other marginalized communities have been greatly affected due to unequal power relationships and social expectations; The total halt on income generating ventures especially for workers in the informal sector has deepened poverty among women and placed many of them under additional economic stress, exacerbating their vulnerability, this is coupled with the risk of facing household conflict and domestic violence.

Besides, the current challenges are not only associated to COVID-19 pandemic, but also other natural disasters such as, locusts, floods, and landslides which have further weakened the community's social cohesion, causing tensions, displacements, food insecurity as result of destructed systems of livelihoods.

The current situation has also greatly weakened the economic fabric of people, escalated fear and anxiety among communities and heightened conflicts, human rights violations and abuse. *Without an efficient and effective fiscal system and environment, Uganda runs a risk of a steep and persistent decline in economic activity and deepening levels of poverty.* Media, development actors, community leaders and the United Nations have reported alarming increases in gender-based violence, child sacrifices and abuses during this COVID-19 pandemic crisis, disruptions in the economic supply chains due to loss of jobs and unemployment.

According to a May 2020, Private Sector Foundation Uganda (PSFU) report, most Private Sector businesses that were operating between 50-60% capacity have now declined to about 20% with general business activity reducing by 50%. Further to this, the Economic Policy Research Center (EPRC) Uganda Business Climate Index, May 2020 reveals that, 65% of businesses reported a decline in their ability to repay loans as a result of the risk associated to COVID-19 and the subsequent measures taken to contain the disease. Note, that Government secured an interest free loan from the International

Monetary Fund worth USD\$491million. Part of the support from IMF is to recapitalize Uganda Development Bank to enable Small and Medium Enterprises (SMEs) to access capital to generate liquidity for the financial sector.

Emerging Social Economic and livelihoods issues.

The restrictions in movement and stretched lock down period has resulted into loss of employment especially in the private and informal sector, posing a challenge in accessing essential basic needs like food, and a disruption in basic social and protection services as well as the medical essential services. Furthermore, domestic violence has spiked as a result of the long stay-at-home under/ lockdown guidelines issued by Government as a safety measure to curtail the spread of COVID-19.



Flooding around Lake Victoria remains a serious threat for most women in fishing communities possessing a challenge in accessing lifesaving services. Photo taken by CSBAG

There has been reduced access to markets and a slowdown in the food supply chain. This disproportionately affected the informal sector which constitutes a significant proportion of the poor, most who are predominantly women and youth. Most women are engaged in jobs like market vending, selling fruits, vegetables, food staffs, saloon work, shop attendants, roadside kiosks, restaurant waitresses, factory work (packaging and assembling) bakeries and casual labour at construction sites. The lockdown measures seriously affected the level of economic transactions, consequently limiting and slowing down women's ability to earn an income. The situation is exacerbated by the 7pm curfew, that forced most women to sleep in the markets for the last two months due to transport restrictions and this has affected social cohesion in the process.

Access to SRH Services

Access to essential services such as clean sanitation facilities for menstrual hygiene management became a challenge for most market women vendors in addition to being exposed to, sexual harassment. Other services like sexual and reproductive health services, maternal, newborn and child health services become even more challenging for

young women and girls to access in the context of COVID19. Given the lockdown and ban on public transport, most women found it difficult to access essential health services, SRHS including sanitary pads and towels, contraceptives for those using short term methods and access to health facilities at the time of delivery.

Access to GBV response and Social Protection services.

The pandemic has caused a lot of anxiety, stress, and hardships to most communities. So far, there is increased reported cases of domestic violence across the country. According to the Ministry of Gender, Labour and Social Development, a total of 5,552 cases of GBV were reported through different reporting mechanisms for the period March-April 2020; 3,260 through the Uganda Police, 690 cases of Violence Against Children through the Sauti 116, 1,110 cases of GBV through the 13 GBV Shelters and 283 cases of GBV recorded through the National GRB data base. This is in addition to 283 cases of Violence Against Children bringing the total to over 5000 cases of violence in May. Also, as many people are likely to continue to lose jobs or means of economic livelihoods, depression and mental challenges may become widespread requiring the need for more counselling and psychosocial support services to communities to be able cope with the new lifestyles. In FY 2020/21, Social Development sector has been allocated only UGX 3.103 Bn under off budget support dedicated to addressing GBV only in Busoga region. However, these funds are not enough to address GBV cases that have increased across the country because of partial lockdown due to COVID-19 pandemic.

Further to this, access to social protection services remains a challenge. Most social assistance schemes in Uganda like NSSF which is explicitly for the formal sector workers do not benefit most women because of their few numbers in formal employment. Other social assistance grants for empowerment of PWD and the elderly are still limited in their coverage leaving out most of the youth and women unattended to. The lock down due to COVID-19 worsened this situation and further exposed the urgent need to rethink the national and decentralized social security and protection systems. Like in many previous crises, women, and children especially the girls have been disproportionately negatively affected because of their inherent social status and limited bargaining power within households and society. *Not addressing the above concerns can jeopardize women's labor force participation and their income security deepening poverty and increasing their vulnerability.*

The Cost of Doing Business

While revenue sources ran down for businesses, most fixed and variable costs have not followed suit. Costs including rent, tax obligations and transportation remain high and hurtful to businesses. These costs, plus other emerging requirements such as observing the standard operating procedures for COVID – 19 like social distancing, are expected to be continuously affected for some time.

The distribution of women in the labor market is highly context specific, based on whether it's in urban or rural setting. In order to

assess and engender fiscal stimulus packages, government will require evidence and data disaggregated by sectors and components as well as data on women's and men's position in the economy. For example, employment by sectors and business size, status in the informal/formal employment formal/informal, feminized occupations in both formal and informal sectors. According to the Mastercard Index of Women Entrepreneurs 2019 (MIWE), every 4 in 10 informal enterprises/ business in Uganda are owned by women despite being less wealthy, less developed, lagging in knowledge assets and financial access.

Market women form a big proportion of the informal sector players in Uganda. Every town in Uganda has a marketplace where usually women constitute more than 75% of the traders. Due to COVID-19 the business activities of the market women were halted resulting into huge interruptions in their livelihood, loss of capital and savings, accumulation of payment arrears; rent for business and accommodation, school fees, loans, and food among others. On a similar note, EPRC's Business Climate Survey (May 2020) projects that majority of micro and small businesses would exit business in 1 to 3 months if the current situation persists. Overall, 21.6% of the businesses would close in 1 to 3 months while 20% would close in a space of 3 to 6 months. Many of these businesses are owned by women.

On 28th May 2020 the Civil Society Budget Advocacy Group (CSBAG) with partners organized a national E- conference to discuss the extent to which the current National Budget 2020/2021 is inclusive for sustainable and prosperous societies. During the dialogue it was noted that Uganda is experiencing multiple emergencies beyond the COVID-19 pandemic, the country is experiencing infestation of locusts and floods posing serious challenges on the economy and affecting various communities differently. Government is already aware of how the informal sector and private sector especially in the service and tourism sector which contributed about 40% to GDP has been highly affected. As a result, economic growth is projected to drop to 3.5 percent instead of the projected growth of 6 percent. It was also noted the budget when being drafted back in 2019 did not consider the impact of COVID-19.

According to the World Bank, the full or partial closure of businesses and industries in the country is increasingly hitting the low and middle-income earners hence raising vulnerability of the poor majority of whom are women. The MoFPED, predicts that additional 2.6 million people are likely to become poor (below the poverty line).¹

However, the approved FY 2020/21 budget indicates that Investment in the current national budget is still high on the enablers for development such as governance, peace and security at UGX 4.5 Tn (9.9% of the total budget) and infrastructure development specifically Works and Transport at UGX 5.8 Tn (12.8%). Moreover, the social development sector is at a paltry UGX 172 billion (0.38%), while

Trade and Industry sector has UGX 171.8 billion (0.38%)². With the effects of COVID-19, its expected that more budgetary allocation should have gone towards the fiscal policies to spur social economic growth and recovery.

Scientific research and innovations are also critical for increased access to services, improved livelihoods of the most vulnerable and consideration in recovery packages to avoid the risk of being left behind under the 2030 agenda. Therefore, the economic stimulus packages should go beyond the macroeconomic policies and work with existing structures, the private sector and increase diversification to respond to economic dynamics of the emerging issues globally and regionally to better meet the forces of demand and supply through borrowing and investing properly.

It is also anticipated that about 40% of the women will not keep their businesses afloat as opposed to 10% that previously drop every quarter. Profits go to middlemen and regulatory agencies that levy multiple dues for the very small businesses leaving women in a cycle of borrowing amidst exclusion from affordable financial services, sexual harassment, and poor sanitation conditions. This is exacerbated by the outdated Market Act 1942 regulation.

The Country Representative from IMF emphasized the need for Uganda's Economic stimulus packages to be inclusive, focus on growth for all, address the issues in the service sector to address unemployment, vulnerable populations such as refugee communities and women making livelihood and other services available in order to minimize the effects from the lockdown. Timely and temporally measures must target households and companies affected. The most vulnerable must be targeted in a progressive but cost-effective manner. It was also noted that a greater proportion of Uganda's National Budget is spent on procurement, during the E-dialogue there was a call to Government to support gender and equity responsive procurement whereby at least 30% of the public contracts are awarded to women and other vulnerable groups. This will go a long way in boosting their economic activities and consequently improve incomes.

Government loans must be well managed as well as debt repayment and corruption vice must be dealt with, transparency must be improved as well as accountability for every loan and public resources acquired and allocated specifically, Parliament is yet to approve a \$491.5 million (Shs1.9 trillion) loan from the World Bank and another \$300 million (Shs1.1 trillion) to support Uganda's COVID-19 response plan. *There is need to ensure good governance, transparency for value for money and accountability on all government's commitments and allocations in both the short term and long term for quick recovery to take effect.*

¹ <https://www.finance.go.ug/press/statement-minister-finance-parliament-economic-impact-covid-19-uganda>

² See Budget Committee Parliamentary report on FY 2020/21 budget



To what extent is the National Budget 2020/2021 inclusive in addressing vulnerabilities caused by natural disasters like the floods in Kasese and around Lake Victoria? Photo from Kasese taken by CSBAG

Therefore, in order to address the effects from COVID-19 pandemic, the budget FY 2020/21 will need to be adjusted for the country to address effects from other natural disasters. For communities affected by floods in addition to COVID-19 in Western Uganda, Eastern, and parts of Karamoja region, it has led to the breakdown in infrastructure, loss of livelihoods, exposing them to food shortage and insecurity, reduced access to services such as health care and markets due to impassable roads and the breakdown of bridges.

Engendering the Fiscal Stimulus packages: Recommendations to the Government; Given the disproportionate adverse social economic impacts that the crisis has on women, youth and other vulnerable groups, it is imperative that gender equality concerns are embedded in national fiscal stimulus packages as well as in the design of national policy responses. This brief paper serves that purpose. It is intended to guide Government, Civil Society and the Private Sector Partners on the need for a collective effort in addressing the social economic challenges of our times by effectively assessing the effects visa vis budget priorities and advocate for engendered fiscal stimulus packages taking into the concerns of all at all levels. During the E-dialogue conference, it was emphasized on the need to focus more on solutions rather than the effects, because quick recovery will depend more on the right strategies employed for both social and economic interventions.

The Economic stimulus packages should be inclusive and focus on growth for all. The package should address the issues in the service sector to address unemployment challenge, vulnerable populations like refugee communities and women in marketplaces making livelihood and providing other services in order to minimize the effects from the lockdown. Advocate for increased and innovative financing for women-dominated enterprises – SMEs need to recapitalize their enterprises, at least get cheap credit,

interest free start-up capital or with a grace period of 3-6 months. Government of Uganda might not have all the required funding for this kind of investment, but encouraging public-private partnerships with financial institutions, it is possible to find innovative financial tools that can support agro-Industrialization for Small and Medium Scale industries.

Promote innovations to reduce gender gaps in the Private Sector; Through a partnership with the Private Sector Foundation Uganda (PSFU), Uganda became the first country in Africa to endorse the Gender Equality Seal for Private Enterprises. The pledge by PSFU to make business adopt the Gender Equality Seal is an innovation towards closure of the Gender gaps in corporate environment to support and enhance knowledge on mainstreaming gender in Corporate Companies procurement. Supporting more women to participate in the Public Procurement and the Public Private Partnerships (PPPs) processes will lead to an increased number of women achieving economic empowerment and growth in their enterprises. The use of PPPs in engaging the public particularly women to participate in the different value chains will greatly enhance innovation, productivity and competitiveness. Timely and temporally measure must target households and companies affected. The most vulnerable must be targeted in a progressive but cost-effective manner. Streamline the payment fees levied and eliminate multiple fees payment in markets and provide free access to sanitary facilities such as toilets in all public and private markets.

Expedite required legal reforms; Members of Parliament should commit to expedite the passing of the Market Amendment Bill, 2019, which repeals the outdated Market Act Cap 94 1942. This will address, exclusion, economic exploitation and other forms of human rights violation such as sexual harassment, poor sanitation facilities, loss of profits through the use of middle men, absence of critical services like child day care facilities, stealing of goods in markets without compensation, among others and create a conducive environment for the women to participate in all governance structures and allow both women and men to fully participate and benefit from existing opportunities.

Increase investment and access to ICT for business and support innovations; Government through the Ministry of Information and Communications Technology and National Guidance (MoICT & NG) should prioritize addressing the gender devoid in the use of digital services and invest more in awareness on the importance of using technology to benefit from national, regional and global business opportunities. Deliberate efforts are required to provide affordable internet services- revise the high internet costs, regressive taxes like OTT which make it almost impossible for women to opt to integrate ICT in their work. Targeted ICT business-oriented capacity building programs and providing incentives for women to integrate ICT in their business model can be some of the ideas fronted to the market women and business community to benefit from on line opportunities such as access to information on in puts, new markets, easy financial transactions, price shifts, new research on quality and standards, for

example, through the Market Garden App. Otherwise missing out on the online clientele opportunities may result into low competition, profits for businesses leading to closure. Such opportunities would enable women to actively and fully participate on e-platforms leverage opportunities such as simplified loan application processes and payments. Through the same ministry, the innovation fund to facilitate research should be made available to target and support more women and youth led initiatives.

Invest in skilling to diversify the business and alternative incomes sources and establish common user facilities aiming at value addition; The already high youth unemployment levels have been exacerbated by COVID 19 pandemic due to the shutdown. Many youths especially young females/women in the informal sector who have been working and earning from hand to mouth such as hawkers, roadside sellers, market vendors of nonfood items, salon among others have had their businesses greatly affected. Also, women and girls who have been working in leisure and pleasure economy such as bars, hotels, tour operators, night clubs, recreation centers among others have seemingly lost jobs and their livelihoods hangs in balance As a result, they have consumed all their capital and may not be able to resume work even after the lockdown. This spells danger for the economy.

Government needs to invest in re-skilling and retooling of the women and young women to enable them to establish alternative enterprises that provide productivity solutions for enhanced economic recovery. Additionally, targeted special fund for the women and young women to get back in business will be vital in restoring the hopes of majority youth especially women, and other special interest groups. It is therefore necessary for MoGLSD together with Ministry of Finance Planning and Economic Development and Private Sector Foundation to quickly organize skills programmes aimed at retooling the women and young women that are currently unemployed. The current government skilling program should target all vulnerable groups in business including the local markets and train women and young women in selected skills; craft making, painting, driving, cycling, shoe making, detergent making. Training at facilities nearer to the markets.



Establish common user facilities nearer to markets and support value addition through UNBS certifications and URSB business group's formalization to benefit from BuBu. Facilities such as tomato and vegetable drying, detergent making, shoe making both for local and external exports.

Government should facilitate intense negotiations with landlords and banks to work out reasonable payment plans in favor of both parties and reduce stress, business anxiety and threats to business closure. Government should provide incentives to support businesses especially those owned by women including tax waivers and deferrals for women business that have been greatly affected to quickly turn around their business and recovery.

Furthermore, with the plan to capitalize UDB and microfinance institutions to provide cheaper credit to SMEs and the informal small businesses, a special fund should be capped to specifically target youth, persons with disabilities, women and girls in business to access cheap and flexible micro credit support. Failure to provide medium to longer term strategies and options for economic recovery may send hundreds of business enterprises and households into incessant poverty while jeopardizing women's labour force participation.

Stepping up women's economic empowerment initiatives, including cash transfers, fiscal relief and stimulus for businesses; In the FY2020/21 budget, MoGLSD allocated UG 33.94 billion³ for Gender Equality and Women's Empowerment Programme. The MFPEP should allocate more funds to the Ministry of Gender, Labor and Social Development (MGLSD) to step up women's empowerment schemes by earmarking financial resources for, youth, women and girls to boost their businesses that have since collapsed or been stressed for the reasons emanating from the lockdown. This is in addition to the already existing interventions like the Uganda Women Entrepreneurship Program (UWEP) which was allocated only UGX 32 billion in FY2020/21. Women in informal business set ups should be prioritized and aided through specific micro credit loans targeting microfinance institutions and Village Loans and Saving Associations to help rejuvenate their businesses to be able to restore their livelihoods. Furthermore, the vulnerable women who don't have any other form of livelihood should be given direct cash transfers to help cushion themselves from the impact of COVID-19, Locusts and Floods which are affecting different communities differently. Besides these crises there is VAWG and GBV. It is critical to promote peace and harmony at family/Household levels and within communities.

Also, FY2020/21 budget has only budgeted UGX 75.01 billion⁴ for Social protection for vulnerable groups. This is quite small considering extra vulnerability caused by COVID 19 pandemic and other natural disasters. This should dominate the allocation in the

³ Draft budget estimates FY2020/21

⁴ Draft budget estimates FY2020/2021

updated budget that the PSST promised is being designed or FY 2020/21. Access to affordable financing cash transfer to scale up work for households and companies that are struggling to bounce back, is one of the measures emphasized by the PSST that's going to be deployed as part of the COVID-19 response plan. The proposed distribution of agricultural distribution of inputs through the voucher system in a gender and equity responsive targeted manner will go a long way in addressing the community challenges.

The government needs to prioritize protection and promotion of human rights and guarantee women and girl's safety from gender-based violence. All COVID-19 response Task forces at National and District level incorporate the management of GBV cases into their risk reduction and response plan, budget and Standard Operating Procedures to protect vulnerable groups.

Increase financing to Community Outreach Services to offer more psycho-social support and other services for those that lost means of livelihoods.

Increase funding to support the Gender Office, Probation & Welfare, and the Child and Family Protection Unit of Uganda Police Force in Local Governments to facilitate coordination of GBV actors as they undertake widespread public and community sensitization programmes and information sharing against GBV.

Strengthen coordination and all measures of law enforcement to deter violence and impunity.

Resettlement packages for disaster affected places; Uganda is currently experiencing natural disasters of landslides and flash floods which are ravaging livelihoods in various communities amidst COVID-19 health challenges. About 500 families (majority women and girls) have been displaced in Busia District (eastern Uganda) who are in urgent need of shelter and food. In south-western Uganda, people living in Kasese district close to the rivers of Nyamwamba, Mubuku, and Nyamugasan have been affected by floodwaters and forced to evacuate and now being hosted in camps in sounds public schools. There are floods already happening around the Lake Kyoga basin due to increased inflow from Lake Victoria. Several infrastructures such as houses, roads and bridges were flooded and washed away making transport in rural areas connecting with farmers highly problematic and affecting distribution of farm products including food. About 800 people are estimated to have been displaced. Government should.

- i) Government needs to finance mitigation measures and surveillance of natural disasters such as locust, floods, landslides, pests and diseases, floods and other calamities.
- ii) Government should provide emergency fund to Uganda Road Fund (URF) to facilitate rehabilitation of all destroyed roads.
- iii) Provide resettlement packages for the displaced population so that they can establish small businesses and boost production for local markets to improve their livelihoods.

✚ Government must also prioritize payments of domestic arrears to increase liquidity and cash flow for the private sector that is struggling to operate effectively with the existing COVID-19

effects. The EPRC Uganda Business Climate Index, May 2020 reveals that private business index reports that, 65% of the businesses reported a decline in their ability to repay loans as a result of the risk associated with COVID-19 and the subsequent measures taken to contain the disease. In April 2020 Bank of Uganda issued guidelines to financial institutions to support loan restructuring to ease the burden on loan repayment for the struggling private sector.

Prioritize the generations and use of Gender disaggregated statistics at all levels; Put in place systems to develop statistics on vulnerable groups that are highly likely to be affected by the COVID-19 pandemics to ensure inclusion of their issues in national plans and budgets at all levels.

Members of Parliament ought to play their oversight role to ensure good governance and democratically accountable structures. This is critical for effective management of budget allocations based on issues affecting the population and commitments made.

In conclusion: the COVID_19 crisis poses serious challenges that threaten the hard-won progress made towards Gender Equality, and if gender and equity issues are not well prioritized within all response and post COVID-19 recovery fiscal stimulus package policies, plans and budgets, the effects can actually reverse most gains made towards gender equality and economic empowerment of women.

Opportunities:

- Since the budget 2020/2021 is going to be adjusted to reflect COVID 19 response, there is a need to quickly organize an E- conference with the key stakeholders including legislators to advocate the key priorities that will be proposed in light of the challenges being faced by women and other vulnerable groups.
- Share this information with CSBAG and EOC to come up with a policy brief taking points for MPs to better inform their budget revision discussions for consideration based on current context and post COVID- 19
- There is need to come up with regular feedback on the progress of the responses and whether they are gender and equity responsive.
- There is also an opportunity to influence spending priorities for FY 2020/21 to ensure pro-people priorities especially those that will stimulate the economy to support recovery are set and implemented.

END

