Towards Sustainable Development

POLICY BRIEF

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Expanding fiscal space for social protection:
The case for adolescent-oriented services.

Uganda has been affected by the COVID-19 pandemic, and the pandemic is likely to continue to impact residents in the short- and medium-term, especially children. To contain the spread of the virus, the Government of Uganda (GoU) instituted several measures, including lockdowns and school closures—all of which severely disrupted livelihoods. Projections indicate that economic growth slowed down to 3.2 per cent in FY 2019/20 from 6.8 per cent in FY 2018/19—due to loss of employment opportunities, disruptions to supply chains, social distancing SOPs—all of which will affect the ability to raise domestic revenues in the medium term. The pandemic poses severe threats to inclusive development and has the potential risk of widening inequality. In response to these challenges, social protection (SP) programmes can provide additional support to mitigate the impact of COVID-19 on vulnerable groups, and the long-term recovery of the economy through investments in the well-being of young people. However, broadening the scope of SP coverage will require expanding the fiscal space given the constrained fiscal environment in Uganda.

There are important reasons for making a case for increased social protection spending in Uganda. Like other countries in sub-Saharan Africa (SSA), Uganda has traditionally allocated relatively meagre funding to SP. On average, SSA countries allocate 0.6 per cent of GDP to SP, and this level of spending is less than a quarter of the average spending globally of 2.6 per cent of GDP (OXFAM International (2020).[1] Based on UNDP's 2019 Social Assistance in Africa database, Uganda spends only USD 8.3 per capita on cash transfers, making it one of the lowest in SSA (UNDP, 2019).[2]

Secondly, the response to the pandemic has partly demonstrated that the GoU can raise resources quickly when faced with a shock. The public debt as a share of GDP increased from 35.3 per cent in FY 2018/19 to 41 per cent in FY 2019/20 and is projected to peak at 49.9 per cent by June 2021 (Ministry of Finance Planning and Economic Development, 2021).[3] However, the spending of additional resources was not focused on sectors that can significantly realise SP outcomes. Indeed, in response to the pandemic, SP expenditures were much lower than the fiscal stimulus packages allocated to other programmes in response to the pandemic. Estimates by the International Monetary Fund (IMF) show that the additional social protection spending (i.e., in the health sector, non-health sector) was much lower than the liquidity support (i.e. equity injections, loans, asset purchase or debt assumptions) offered to enterprises. Additional spending relating to social protection spending was 0.2 per cent of GDP in Uganda compared to liquidity support that amounted to 0.6 per cent of GDP (International Monetary Fund, 2020).[4]

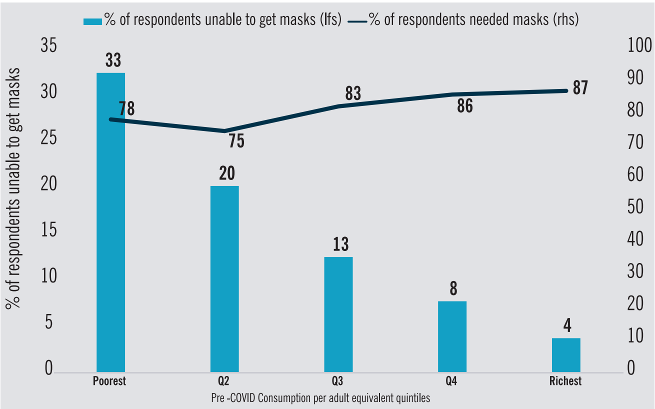
Another reason for the need to prioritise SP spending in Uganda is that a significant income source—notably remittances—was lost due to the economic downturn because of the pandemic. Before the pandemic, Ugandans relied on remittances for livelihood support—the country received at least 4.1 per cent of its GDP as remittances in 2019. The decline in remittances is happening against a COVID-19 backdrop of a reduction in informal employment opportunities. According to the World Bank, due to both the health crisis and unemployment risks, remittances to sub-Sharan Africa (SSA) are projected to decline by 9 per cent in 2020 from US$ 48.8 Billion in 2019 to US$ 44 Billion in 2020 (World Bank, 2020).[5] Worse still, remittances in SSA are projected to decline further in 2021 by another 6 per cent. The projected declines in remittances due to COVID-19 will affect food security and poverty.

This brief focuses on fiscal space for adolescent-oriented services (notably in health and education) within the broader social protection framework. There are several reasons for focusing on adolescent services in Uganda, including their increasing needs, given the devastating effects of COVID-19. First, adolescents aged 10-19 years account for a substantial proportion of Uganda's population—26 per cent (Uganda Bureau of Statistics, 2020)[6] and have specific needs arising from their current demographic status. Second, adolescents face the highest risk of school dropout among school-going children, and adolescents from poor households are significantly less likely to continue school. Nearly half of the children aged 18-19 years were out of school, even before the COVID-19 pandemic. Third, extended school closures due to the COVID-19 pandemic have significantly increased the risks faced by adolescents. The stay-at-home and school closure measures adopted exposed children to violence at home, while access to violence prevention and response services was severely disrupted (UNICEF, 2020).[7] In addition, the continued school closures are likely to push so many children into early child labour activities. Fourth, Uganda has an extremely high rate of teenage pregnancies, which affect school continuation for girls. Finally, in the current government spending on education and learning, several specific needs for adolescent remain unfunded, e.g. inputs to address menstrual hygiene. Consequently, this policy brief examines the fiscal space for social protection—focusing on adolescent services.

New demands arising due to COVID-19

As earlier noted, the COVID-19 pandemic presents additional demands for adolescents' services, especially school continuation under the circumstances requiring adherence to COVID-19 standard operating procedures (SOPs). Partly due to these challenges, schools are yet to re-open for all students since closing in March 2020. In October 2020, schools partially re-opened for children due to undertake end-of-education-level examinations, while in March 2021, semi-candidates reported back to school. Ensuring schools are safe before re-opening requires additional financing in order to provide all children with face masks and handwashing facilities and ensure sufficient social distancing. Figure 1, based on the high-frequency surveys, shows that individuals from the poorest households in Uganda are yet to receive face masks. Hence when schools eventually fully re-open, the lack of face masks could be used as the criteria for sorting school entry—similar to what uniforms were at the advent of universal primary education.

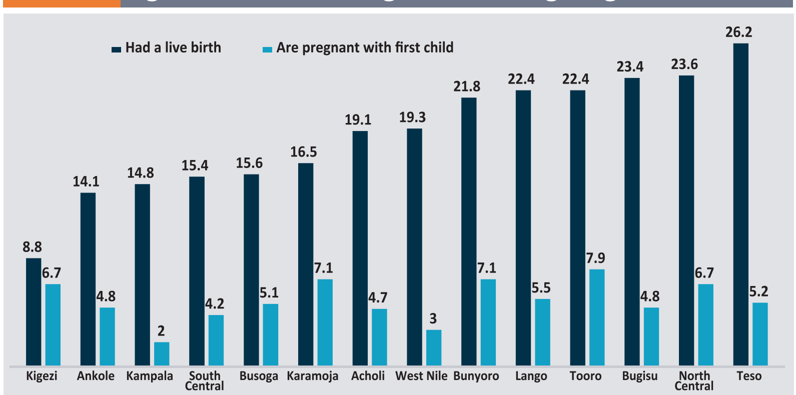
Figure 1 Availability versus need for face masks by wealth status, 2020



Source: World Bank and UBoS (2020)[8]

The COVID-19 pandemic has exacerbated the already high rates of teenage pregnancy in Uganda. The 2016 Uganda Demographic and Health Survey (UDHS) showed that one out of every four girls aged 15-19 years has already given birth. Figure 2 shows the distribution of early childbirth across 15 geographical regions of Uganda. It is indicated that in 3 sub-regions—notably North Central, Teso, and Tooro—teenage pregnancy rates exceed 30 per cent. Uganda's medium-term target to improve population health, safety and management are to reduce adolescent pregnancy rates to 22 per cent in FY 2020/21 and 15 per cent by FY 2025/26 (Ministry of Finance Planning and Economic Development, 2020).[9]

Figure 2 Teenage pregnancy and motherhood: Percentage of women aged 15-19 who have begun childbearing in Uganda, 2016



Source: UBoS and ICF (2018)[10]

Media reports and household surveys during the COVID-19 pandemic indicated that teenage pregnancy rates increased in 2020. "***Moroto district registers 6,000 cases of teenage pregnancies during lockdown***" has become a relatively familiar headline during the COVID-19 pandemic in Uganda. Other newspaper reports in July 2020 indicated that in Kitgum, 2,300 schoolgirls conceived, and 128 were married. On the other hand, a household survey of refugees in Kampala and settlements revealed that teenage pregnancies and child marriage had increased by 21 per cent and 18 per cent, respectively, during the COVID-19 pandemic (UNHCR et al., 2020).[11]

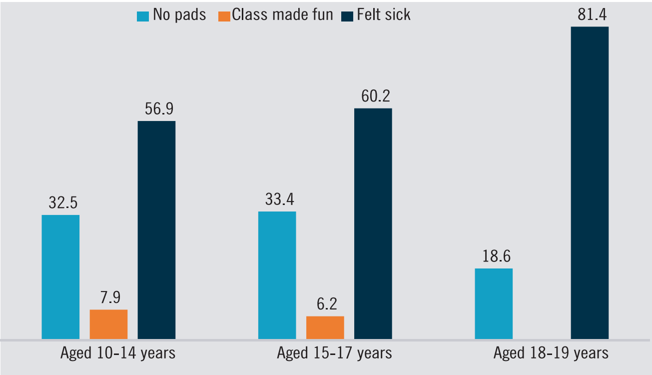
The increase in teenage pregnancies registered during COVID-19 has implications for healthcare and the aspirations of the adolescents affected. Concerning health, adolescent pregnancies are associated with a higher likelihood of death due to childbirth complications. Out of the estimated 1.63 million births in Uganda, at least 6,000 women and young girls die due to associated difficulties. Fistula is another potential health outcome from teenage pregnancy—at least 0.5 per cent of all adolescents who have had a live birth experience fistulas symptoms (Uganda Bureau of Statistics and ICF (2018). Relatedly, adolescent pregnancies are associated with a higher likelihood of needing a C-section for birth—especially after the onset of labour pains, which can increase mortality rates. Finally, apart from pregnancy, early sexual activity increases the risk of contracting sexually transmitted infections—especially HIV/AIDS. The 2019 Uganda Population-based HIV impact assessment established that 1.8 per cent of young girls aged 15-19 years tested positive for HIV, which translates to about 4,291 young women affected (Ministry of Health, 2019).[12]

Interventions to address adolescent health challenges are typically financed through the community health budget line of regional referral hospitals (RFHs) and through adolescent clinics operated at RFHs. The services offered at these facilities include special clinic days for adolescents, provision of HIV/AIDS services, and providing access to antennal services for adolescents. The corresponding budget allocation for the above services is minimal. For example, in FY 2020/21, Masaka, Arya and Moroto allocated UGX 160 million, UGX 50 million and UGX 75 million, respectively, to adolescent related services. For the above hospital, the adolescent health services received only about 1 per cent of the budget (Ministry of Health, 2020).[13]

Lack of public financing for services needed by adolescents

Although the human capital development programme under the NDP III prioritises adolescent sexual and reproductive health services, it nonetheless does not focus on non-health facility-based services, such as adolescent menstrual hygiene, which affects school attendance. The 2017 Adolescent Health Risk Behaviours in Uganda national study revealed that only 52.1 percent of teenage girls were using disposable sanitary pads while 46.1 per cent used other forms of support during their monthly cycle (Ministry of Health et al., 2017). Also, in the same survey, at least 26 per cent of the adolescents reported menstrual-related school absenteeism. Although the predominant reason for school absenteeism was the feeling of sickness, a substantial proportion of young girls miss school due to the lack of pads (Figure 3).

Figure 3 Menstrual related reasons for school absenteeism, 2017 (per cent)



Source: Ministry of Health et al. (2017)[14]

In 2016, the Government of Uganda pledged to provide free sanitary pads to all girls in school. In 2020, the Ministry of Education indicated that this pledge was not feasible due to cost. Table 1 estimates the cost to the government to provide free sanitary pads to adolescent girls. Based on a market survey undertaken in December 2020, a monthly pack of 10 pads costs UGX 3,125 or USD 0.86. The annual cost would range from UGX 49.7 Billion—if the government covers only girls who presently cannot afford, and up to UGX 118.2 Billion—if the government is to support all school-going girls regardless of current usage needs. This estimated cost ranges between 2.4 per cent and 6.1 per cent of the current education expenditure in primary and secondary sectors, i.e. UGX 1,947.7 Billion (MFPED, 2020).[15] The FY 2020/21 expenditures were about 18 per cent higher than the FY 2019/20 expenditures (UGX 1645 Billion).

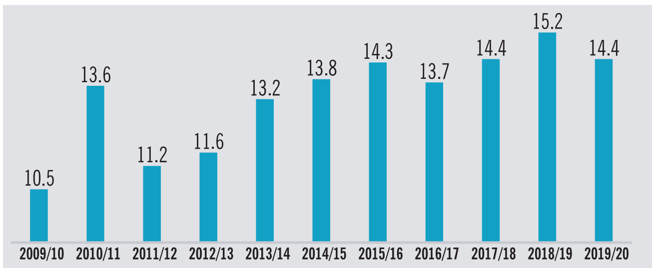
Furthermore, over time, the average cost of sanitary pads has reduced from USD 1.3 in 2012 (Crofts and Fisher, 2012)[16] to the current USD 0.84 in December 2020 due to increased usage. Hence, a nationwide initiative could decrease per-unit costs, and therefore might be considered as complementary efforts to social protection initiatives. While the government pledge was shelved in January 2020, the above analysis suggests it is attainable even within current funding modalities.

Fiscal space

The above discussions reveal that current funding for adolescent education and health services fall short of the increasing needs. A key question is whether there is fiscal space to increase adolescent oriented services. According to the IMF (2015)[17], fiscal space is defined as "the availability of budgetary room that allows a government to provide resources for the desired purpose without any prejudice to the sustainability of a government's financial position". The possible approaches for creating fiscal space include: (a) external grants in the form of aid or debt relief; (b) domestic revenue mobilisation through improved tax administration or tax policy reforms; (c) deficit financing through domestic and external borrowing; and (d) reprioritisation and efficiency of expenditures. The above definition emphasises fiscal responsibility and sustainability and notes that not all alternatives for creating fiscal space are recommendable. For example, if a country is already highly indebted, increasing debt is not an excellent approach to creating fiscal space.

For the domestic revenue mobilisation approach, fiscal space can be created through tax reforms. However, the current macro-economic environment in Uganda constrains the feasibility of this approach. Figure 4 shows that Uganda's domestic revenues as a share of GDP have stagnated at about 14 per cent during the past 10 years. Indeed, this performance is below par in comparison to COMESA and SSA averages. Uganda has ample room to increase tax revenues, but the COVID-19 pandemic has affected fiscal position and options. Instead of tax reforms, improving tax administration is more likely to be politically acceptable. Even then, macroeconomic growth rates have reduced during COVID, which will likely negatively affect potential fiscal space from revenues expenditures.

Figure 4 Uganda: Total Domestic Revenue as a share of GDP (per cent)



Source: MoFPED (2020)

Borrowing to finance expenditures is another approach to increasing fiscal space. Expansion of the fiscal deficit would ordinarily be covered through foreign borrowing, mostly on concessional terms. Nonetheless, the GoU is also increasingly pursuing commercial loans (these accounted for about 1 per cent of GDP in 2019/20). Even then, there are signs that the sources for concessionary funding appear to be drying up. This was partly demonstrated by the limited options to raise financing at the start of implementing FY 2020/21. Specifically, the government of Uganda instituted budget cuts in July 2020—which is unusual.

Table 1 Estimated Costs of providing free sanitary pads to adolescent girls in Uganda, FY 2020/2021

		Category of girls that may require support				Estimated Annual Cost of providing sanitary pads (UGX Billions)		
Age category	Estimated numbers of girls	Proportion of girls that have had first menses (1) [A]	Proportion not currently using (1) [B]	Proportion of girls attending school (2) [C]	Mimimum number of girls who require support [D]	All girls regardless of current usage status [E]	Only girls attending school [F]	Girls attending school and cannot afford [G]
10-14 years	3,098,579	21.9%	52.3%	92.7%	328,994	25.4	23.6	12.3
15-17 years	1,604,979	92.3%	47.2%	76.0%	531,406	55.6	42.2	19.9
18-19 years	885,523	98.9%	46.2%	58.3%	235,888	32.8	19.1	8.8
All	5,589,081	56.4%	47.9%	82.5%	1,245,687	118.2	97.5	46.7

Notes: (1) Based on the Ministry of Health et al (2017) report. (2) Based on the Uganda National Panel Survey 2019/2020.
[D] Those who require support are not presently using cloth, herbs, grass or none at all based on UNICEF et al (2017).

Source: Authors estimates (2021)

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Furthermore, non-concessionary finance, which typically charges higher interest rates, is not suitable for education and health as yields are long term. As earlier noted, public debt has risen by 5-percentage point to 40.2 per cent in FY 2019/20 and is projected to peak at 49.9 per cent by the end of FY 2020/21 (MFPED, 2021). The increased borrowing is partly driven by the low revenue base, despite ongoing improvements before the pandemic due to its domestic revenue mobilisation strategy. Uganda is moving towards the ceiling in the Charter for Fiscal Responsibility of 50 per cent debt-to-GDP ratio. Hence there is a limited choice in using the debt option.

Reprioritization of expenditures offers another option to increase fiscal space—basically by increasing government spending efficiency. This can be attained by reallocating resources across sectors and programmes, ensuring that the most efficient programmes receive more resources. Or through improvements in the efficiency of current expenditure through better management and operational reforms. Public administration and public sector management expenditures reform can support fiscal consolidation and free up adolescents-oriented services. However, for Uganda's case, the room for reprioritisation is limited by the prominence of security-related expenditures, prioritised first in most supplementary budget changes. For example, for the UGX 284 Billion supplementary budget approved in April 2020, at least 27.1 per cent was ring-fenced for security. For the July 2020 supplementary budget request of UGX 1,363, at least UGX 200 Billion was earmarked for the State House for classified expenditures.[18]

The reprioritisation of non-social protection expenditures is unlikely in Uganda for several reasons. First, in the medium term, projections indicate a disproportionate increase in infrastructure spending as part of NDP III contrary to investing in social services. Although infrastructure investments such as roads can serve adolescents' needs but also spur growth and tax revenue, these are just indirect inter-sectoral benefits that cannot relied on for social protection financing. Secondly, it is difficult to carry out sustained multi-annual changes. The only exception could be sectors, e.g. health which will continue to demand more resources to deal with the effects of the COVID-19 pandemic.

External grants or official development assistance (ODA) offers another approach to expanding fiscal space. It is worth noting that Uganda is already a recipient of significant ODA targeting adolescents. Indeed, development partners have financed the expansion of adolescent health and youth-friendly services and several social assistance programmes (cash transfer schemes) that indirectly benefit adolescents. However, some of the ODA support may require counterpart funding which is not assured. Also, ODA is not a sustainable approach to long term investments in human capital. The external debt to GDP ratio increased from 15.4 per cent in FY 2018/19 to 18.8 per cent of GDP in FY 2019/20 and is projected to reach 22.5 per cent of GDP by the end of FY 2020/21 (MFPED, 2021).

In conclusion, Uganda has a substantial population of adolescents who require specific education and health services and for whom social protection could provide a critical safety net to ensure those investments take place. The potential to increase funding for their services is limited by the lack of significant progress in increasing domestic revenues. Secondly, ongoing prioritisation of infrastructure spending under NDP III constitutes another constraint to increasing the fiscal space for priority expenditures. Overall, the cost of inaction is substantial given the large population of adolescents and the prioritisation of human capital development within NDP.

Endnotes

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18 The other major line items for the July 2020 supplementary budget request were UGX 455.2 for COVID-19 stimulus through the Uganda Development Bank, UGX 223 Billion to pay domestic arrears, UGX 89 Billion for the Health Sector.

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