



## The socio-economic impact of COVID-19 pandemic on the urban poor in Uganda

### Overview

The Government of Uganda's response to the Coronavirus Disease 2019 (COVID-19) pandemic has been commendable. In an effort to "flatten the curve" of transmission, Government announced a country-wide lockdown on 30<sup>th</sup> March, 2020 with subsequent extensions.

The lockdown has mostly affected the economy, significantly disrupting the market and production-supply chain. This has had profound effects especially on the informal sector which employs many urban poor people, majority of them being women and youths.

The Uganda Urban Labour Force Survey (2009) notes that informal firms account for 57% of the city's employment. The UBOS (2016) statistics estimate that of the 13.67 million persons engaged in the informal sector, 55% operate in Kampala alone.

With the already existing inequalities, the pandemic shocks are likely to outlast the COVID-19 itself and the economic impact will significantly hurt livelihoods of especially the urban poor.

This policy brief assesses the socio-economic impact of COVID-19 on the urban poor, while focusing on gender and equity issues, and suggests possible policy actions in the short and medium term.

### Introduction

The spread of COVID-19 and subsequent abrupt lockdowns to control its further spread has created a great strain on the livelihoods of millions of Ugandans,

### Key Issues

- i) About 23% of the urban poor are at risk of losing 100% of their daily income hence creating financial instability.
- ii) Food insecurity has worsened among the most vulnerable groups in urban slum areas.
- iii) Health risks are more likely to increase as 51% of the urban poor have limited access to safe water.
- iv) Surge in gender based violence with over 3,000 cases reported countrywide in the last two months, majority being in urban slums.

hence creating disruptions and severely affecting the socio-economic situation in the country.

According to World Bank, (2020), the Gross Domestic Product (GDP) projections have been revised downwards for most African countries. Uganda's GDP growth rate projections were revised from 6% to between 4.6% and 5.1% for Financial Year 2019/20 (MoFPED, 2020).

It is further projected that those employed in the informal sector in urban areas are likely to bear the most severe economic and social repercussions and are at high risk of slipping into poverty. Evidence from prior pandemics further suggests that women and girls are more likely to be negatively affected, compared to their male counterparts.

In Uganda, with over 85% of people employed in the informal sector already operating below the poverty line, Ministry of Finance, Planning and Economic Development (MoFPED) predicts, an additional 2.6



million people could be pushed below the poverty line in the worst case scenario.

According to the National Household Survey (2016), Kampala and Central Uganda regions which dominate in urban centers comprise of almost 30% of Uganda's urban residents. In Kampala alone, over 60% of its residents live in informal settlements, majority being poor parents and youth who work in informal employment (UN Habitat 2006 Report). These slum settlements are characterized by extreme poverty, lack quality services and infrastructure (Kwiringira, et al., 2014). These categories of people include casual laborers, hawkers, *boda-boda* riders, tailors, hair dressers, market stall operators, food vendors, urban refugees and migrants, among others.

However, because of the lockdown, many urban poor have lost their sources of regular income, creating financial instability as they have little or no savings to resort to. It is estimated that about 23% are at risk of losing 100% of their daily income (Financial Sector Deepening-Uganda (FSD) & MoFPED, 2020).

Whereas it is still difficult to predict the full-long-term socio-economic cost of the mitigation measures against COVID-19, it is significantly important that policy actors take into account the socio-economic vulnerability of the population that live on hand-to-mouth basis and risk being pushed further into poverty.

It is therefore imperative that critical attention is given to the socio-economic impacts of COVID-19 especially on gender and equity aspects of people in urban slums.

### Economic impact of COVID-19 on the urban poor

#### i) Impact on livelihoods

Due to the lockdown and mobility restrictions, there has been decline in the quantity of work, leading to decline in wages or income because revenue

generation is predicated on daily customer flow and face-to-face interactions.

These disruptions have affected women more because they mainly rely on informal jobs and are estimated to earn 50% nominal monthly income lower than the men (The State of the Economy for Ugandan Women Report, 2019) and have six time less savings than their male counterparts (FSD-MoFPED, 2020) yet continue to shoulder the burden of taking care of their families. To ensure continuity of their families' wellbeing, some women risk to defy the lockdown orders because the option of staying home means starving. A case in point is where an elderly woman vending fruits was assaulted by the security personnel for defying the lockdown orders as shown in the picture below.



*Ms. Christine Awori being whipped by a Local Defence Unit (LDU) security operative in Kampala for defying lockdown. Orders. Source: Daily Monitor 27<sup>th</sup> March, 2020.*

#### ii) Impact on businesses

The COVID-19 pandemic is primarily a public health crisis (UNDP-Uganda, 2020) but has had a disproportionate impact on 85% of all businesses. (UNCDF, 2020). A recent survey by the Economic Policy Research Center (EPRC, 2020), indicates that micro and small businesses which employ most of the urban poor, have experienced the most severe effects compared to the medium and large scale businesses. This may be due to the fact that 47% of informal



business in Kampala alone sell directly to individuals or households (Morgan, 2018). This has further exacerbated pre-existing credit constraints as 69% of the businesses surveyed by EPRC reported a decline in credit, with 34% experiencing severe decline. This has made many micro and small business owners fail to meet their loan obligations and may face rising interest rates and crippled businesses.

The lockdown has further led to a surge in unemployment. The EPRC has projected that 3.8 million people are likely to lose their jobs temporarily, while 625,957 are predicated to lose their jobs permanently. In addition, 80% of the workers are likely to lose their jobs permanently in Kampala alone.

### **Social impact of COVID-19 on the urban poor**

#### **i) Impact on food security**

Food insecurity is likely to be at an all-time high. A comprehensive livelihood analysis study conducted by Dimanin (2012) among the urban poor in Kampala alone indicated that 83% of the households were noted as being severely food insecure. Other surveys suggest the situation could be worse among the women and child headed households, the elderly, people with disabilities, people living with HIV, migrants and urban refugees.

A recent survey by Uganda Bureau of Statistics (UBOS) on consumer price index (CPI) for the month of April, further indicates an increase in food prices up to 4.8% especially for the staple foods. Considering that food constitutes 45.5% of the household monthly expenditure especially for the urban poor (UBOS, 2017 National Household Survey), this has already had devastating effects at household level.

Whereas Government's effort to distribute food to about 1.5 million urban poor is commendable, these distributions have concentrated on Kampala slums and some parts of Wakiso leaving out the urban poor in

other parts of the country. There is also evidence that the food is inadequate to cover the households for the duration of the extended lockdown. As the lockdown hunger bites, the situation is first descending into one of desperation and is most likely to trigger an increase in urban crimes.

#### **ii) Health risks in the slums**

Despite the high end health risk posed by the pandemic itself especially in urban slums, the lockdown guidelines may be difficult to observe due to the congestion and limited access to quality services, making social distancing almost impossible to enforce. The urban poor live in neighborhoods with often shared access to basic services like water points, and community latrines. In a survey conducted by Kwirigira, et al, (2014) in Kampala slums, it was observed that 70% of the urban poor use shared latrines.

In addition, public health experts have advised washing hands at least 20 times a day, yet 51% of the urban poor suffer limited access to safe water and many do not have access to improved sanitation facilities. This raises the risk of vulnerability to infection.

#### **iii) Surge in gender based violence**

The lockdown has exacerbated gender based violence and reduced the capacity to respond to gender based violence due to mobility restriction. According to UN Women, 46% of women experienced physical violence before the COVID-19 pandemic measures. It is estimated that these figures are likely to increase. Different media reports already indicate a surge in gender based violence including several fatalities since the lockdown was declared. The Ministry of Gender, Labour and Social Development estimates that over 3,000 cases of gender based violence have been reported in the last two months.



## Conclusion

Cognizant of the significantly notable strides in the fight against the pandemic by the Government, it is evident that the urban poor have suffered the blunt from this pandemic. Many livelihoods have been shattered as the poor have possibly consumed the business capital they had.

There is need to improve the responses during the lockdown as well as measures to stimulate livelihoods thereafter. This is critical given the rapid urbanization rate of 5.2 per annum that the country is experiencing.

## Recommendations

### Immediate

- 1) The National Taskforce under the Office of the Prime Minister (OPM) should encourage equal representation and participation of various stakeholders by including vulnerable groups in the COVID-19 response measures to ensure more inclusive decision making during, and after the pandemic.
- 2) A vulnerability assessment should be done by Ministry of Health, Ministry of Water and Environment, and Ministry of Local Government to identify high risk locations such as those lacking water access points, and public toilets among others. Timely and relevant access to information will enhance effective policy responses.
- 3) The OPM in collaboration with other relevant authorities should partner with community leaders and non-governmental organizations to form emergency planning committees that consider the unique social-economic needs of the vulnerable in charting the appropriate responses as the lockdown is eased.
- 4) The Justice, Law and Order Sector, and Ministry of Gender, Labour and Social Development should enhance measures to protect the vulnerable groups from abuse, harassment and exploitation.

### Short-term

- 5) The Ministry of Water and Environment, and National Water and Sewerage Corporation should device a more

proactive plan to provide access to basic water and sanitation facilities either free or at minimal cost. For example, government sponsored water tanks, handwashing facilities in communities among others.

- 6) The Ministry of Local Government, and Kampala Capital City Authority with other partners should design programs to support the stimulation of small and micro enterprises that have suffered decline during the pandemic.
- 7) The MoFPED should provide additional resources to the Microfinance Support Center to enable eligible traders in the informal sector revamp their businesses.

## References

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