



REFLECTIONS ON COVID-19 POLITICS IN UGANDA

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Ugandans to choose 'death-style': COVID or Hunger?

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For the first time, every single person on planet earth is anxious about catching a contagious infection. As a result, efforts have understandably been invested in combating the spread of coronavirus disease (COVID-19).

For this fear, Uganda, like many other countries in the world, has been under lockdown since late March. So far, the strategy has worked. The infection curve has flattened and Uganda, and at the time of writing this opinion, Uganda has not lost a single person to COVID-19.

Now the fear on everyone's mind is; could COVID-19 become more economically contagious for Uganda than it has been medically?

"Museveni saved us from one danger and delivered us to another harm's way. Now we have a tough choice to make; between COVID-19 and hunger, what should we die from?" one Ugandan succinctly put it on a local television programme.

Since historical experience shows pandemics are typically not discrete—they occur in multiple waves—it is time to start thinking about the frequency, intensity and length of lockdowns we are likely to face. Early lockdown of the country, the strict nature of the attendant measures and other social-distancing procedures slowed down the growth of infections.

However, these measures also are expected to have significant economic shocks whose full impact is yet to be determined. The nature and extent of shock will have substantial implications on the economic policies and strategies to be adopted by the Museveni administration going forward.

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President Museveni has already indicated Uganda is on the way to policy reversal into inward-looking import-substitution. However, to pull off this, there are two 'transfer' challenges Uganda is likely to face:

First, raising fiscal capacity to execute the import substitution strategy. This is a challenge of transfer from private to public sector. With low savings, shallow financial sector, high interest rates, and a big consumptive and freeloading government, how will Uganda mobilize fiscal resources to finance an in-ward looking strategy without raising further the already excessive interest rates and the already predisposed inflationary pressures?

Second, transfer from the rest of the world. Uganda is already bordering over-reliance on foreign direct investment (FDI) whose presence is dominant in the productive real economy, particularly manufacturing. With COVID-19 and its devastating impact on global national economies, will more capital come to Uganda? Are we safe enough a destination for the now scarce and rare capital? How will Uganda compensate for the likely massive loss of remittances, tourism revenues, and other capital inflow sources?

The COVID-19 contagion effect is likely to manifest in three key stages: the first stage entails controlling the pandemic (which studies show will take at least three months depending on the effectiveness of the lockdown); the second stage will necessitate recovery from recession (stretching 6-9 months depending on the health and economic measures during the first stage); and the third stage will require discovering the new normal which nobody knows what it is going to be.

We need to note that the Museveni administration, like many others in Africa, chose prevention over treatment for COVID-19, and treatment over prevention for livelihoods and economic recession. The blueprint was provided by President Nana Akufo-Addo of Ghana: "We know how to bring the economy back to life. What we do not know is how to bring people back to life."

Whereas the trade-off between saving lives and saving livelihoods is real and excruciating, some governments devised mechanisms to ease it by doing whatever it takes to preserve people's livelihoods as much as possible in the midst of the lockdown.

They tried to flatten both the epidemiological and livelihood crisis curves, respectively using the lockdown method and economic emergency and recovery policies. They protected the vulnerable and the poor including in-kind support, protected jobs, supported businesses, and cushioned the macro-economy.

In Uganda, the government concentrated on flattening the infection curve and announced several disjointed and poorly executed relief and economic interventions. It is yet to make a robust analysis of the extent to which COVID-19 has impacted the economy let alone providing an elaborate economic recovery plan.

What does the future look like?

- a) Sequencing of policy interventions will be critical – which sectors to open first and which kind of support to offer them to reactivate the economy and livelihoods?
- b) Policymaking is going to face unprecedented levels of uncertainty and without much wiggle room.
- c) Heightened difficulty to define debt sustainability since we shall not know the path towards or the characterization of the steady state. Uganda will most likely join neighbors (Rwanda, DRC, and South Sudan) in seeking temporary debt relief or what World Bank has termed a “debt standstill.” We shall now borrow with sorrow!
- d) Devastating impact on household welfare given the high levels of informality yet the future (at least the next couple of years) will require social distancing.
- e) Growth prospects will weaken across all sectors.
- f) Trade wars are to heighten and further weaken the already debilitated EAC as nations pursue mercantilism and in-ward looking policies.
- g) The winner is the health sector: it will no longer be looked at as a “donor sector” and thus likely to receive more funding.
- h) Since crises are like taxis; another one is coming.

In conclusion, the government of Uganda (GoU), in particular President Museveni, has taken an optimist’s viewpoint, hoping to take advantage of the COVID-19 pandemic. He hopes that policy reversal into inward-looking import-substitution would enable Uganda to leverage the pandemic and rebuild the economy. Apart from the transfer challenges Uganda is likely to face to pull off this ambition, people have started to choose what, between COVID-19 and hunger, they should die from.

About the Uganda Transition Scenarios Thought Leadership Group – UTSTLG

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