

# CSBAG BUDGET NEWS



## World Bank urges Uganda to prioritize Early Childhood Development



Children at Kitante Primary School in Kampala. Photo: 2022 ISER

Uganda's economic growth and prosperity are heavily reliant on investing in early childhood development, experts warn. The country's vision to become an upper-middle-income country by 2040 hinges on building human capital, with a focus on early childhood development (World Bank, Uganda Economic Update, 24th Edition).

A child born in Uganda today will only reach 39% of their potential productivity due to inadequate investment in human capital, attributed to limited access to quality healthcare, nutrition, education, and childcare. This is a stark reminder of the importance of prioritizing early childhood development.

The National Integrated Early Childhood Development (NIECD) Framework, developed in 2016, aims to provide a comprehensive approach to early childhood development. However, implementation remains slow, and significant gaps persist in service provision. For instance, only 15% of breastfed children aged 6-23 months receive both the minimum meal frequency and four or more food groups.

Despite progress in health indicators, such as a decline in under-five mortality rates from 128 per 1,000 live births in 2005/06 to 52 in 2023/24, stunting remains a concern, affecting 24.4% of children under five. Access to safe water and sanitation has improved, but coverage gaps remain, with only 72% of urban and 67% of rural households having access to safe water.

Parent and family support programs have shown promising results in improving children's cognitive development. However, violence against children and neglect remains widespread, with 59% of females and 68% of males reporting physical violence during childhood. This highlights the need for increased investment in parenting support and violence prevention programs.

Uganda has homegrown, evidence-backed parenting support and violence prevention programs, but implementation is limited and fragmented. For example, a program developed by the NGO, Plan International, which involved biweekly group meetings for caregivers with trained community volunteers, showed significant improvements in children's cognitive development.

Experts emphasize that investing in early childhood development is critical for Uganda's future prosperity. With a significant proportion of the population under the age of eight, the country has a unique opportunity to shape the future of its workforce and leaders.

"The future of our country depends on the investments we make in our children today," said a government official. "We need to prioritize early childhood development to ensure that our children have the best possible start in life."

The government has committed to increasing investment in early childhood development, with a focus on improving access to quality healthcare, education, and childcare. A "Balanced Fiscal Adjustment" scenario is expected to accelerate annual GDP growth from 5.2% to 6.6% on average through FY2029/30.

For example, every dollar invested in early childhood development is expected to return approximately 16 times that amount in benefits. Moreover, investing in early childhood development can help reduce poverty and inequality, improve education outcomes, and increase economic growth.

Conclusively, investing in early childhood development is crucial for Uganda's economic growth and prosperity. By prioritizing early childhood development, the government can ensure that children have the best possible start in life, setting the country on a path towards achieving its development aspirations. As the country moves forward, it is essential that policymakers, stakeholders, and citizens work together to ensure that early childhood development remains a priority.

### Economic Highlights

Uganda's economy has shown remarkable resilience in the face of recent global economic pressures, with real GDP growth recording a 6.1 percent broad-based growth in FY2023/24, up from 5.3 percent the previous year. Net exports have been the key drivers of growth, supported by robust global demand and easing supply chain disruptions, resulting in a substantial 46.4 percent increase in real exports.

Domestic demand, however, showed moderation amid tight monetary policy and fiscal consolidation, with consumption remaining the predominant contributor to GDP. The economy's momentum is expected to continue, with growth accelerating further to 6.7 percent in Q1-FY2024/25, driven by improvements in agriculture, which grew by 8.7 percent, and industry, which expanded by 5.9 percent, driven by higher manufacturing and construction activities, as well as increased hydro power generation in the electricity sector.

Uganda has emerged as one of the few countries to rebound to pre-pandemic growth levels, alongside Kenya, Rwanda, and Tanzania, driving the East African Community's growth performance. However, despite its potential to lead the region, Uganda faces unresolved challenges, including an agriculture sector that lacks modernization and remains trapped in low productivity, unlike its peers Kenya and Rwanda. Additionally, the country lags in industrial development and infrastructure compared to Tanzania and Kenya, while its services sector, although growing, suffers from declining productivity and limited diversification, making it vulnerable to competition in attracting investment.

Sub-Saharan Africa's economic growth is expected to rebound, with projections indicating a 3.0 percent growth rate in 2024, accelerating to 4.0 percent on average in 2025/26. As inflation declines and household demand rises, further policy rate cuts may stimulate investment growth and support economic activity. However, fiscal support remains limited due to consolidation efforts, and while fiscal balances continue to improve, public debt is expected to remain elevated, keeping debt-service costs high, with downside risks to the outlook, particularly from escalating violent conflicts in East Africa and the Horn.

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CSBAG's Executive Director recently participated in an expert panel discussion at the 2nd Manufacturers' Pre-Budget Breakfast Dialogue, where he stressed the importance of the government creating an environment that supports the development of manufacturers in Uganda.

**In January 2025, Government operations resulted in a net borrowing of Shs 2,065.45 billion, surpassing the planned fiscal deficit of Shs 1,952.72 billion for the month. This was on account of higher than planned expenses coupled with a shortfall in tax and non-tax revenue during the month. Net tax revenue collections amounted to Shs 2,344.50 billion, against a target of Shs 2,411.82 billion, implying a short fall of Shs 67.32 billion. This was primarily due to lower than anticipated collections for indirect taxes (short of target by Shs 45.12 billion) and taxes on international trade (shortfall of Shs 17.19 billion).**

Source: PERFORMANCE OF THE ECONOMY MONTHLY REPORT JANUARY 2025 BY MoFPED

