SEATINI

Strengthening Africa in World Trade

Will the National Budget Framework Paper for FY 2022/23 Promote Equitable and Transformative Post COVID 19 Economic Recovery?

Policy Proposals and Recommendations

Position Paper

19th January 2022

Introduction

Government has put in place the National Budget Framework Paper for FY 2022/23 under the theme; "Full monetization of the Ugandan Economy through commercial agriculture, industrialization, market access and digital transformation", in order to accelerate Uganda's economic recovery post COVID 19.

The National Budget Framework Paper (NBFP) is the Government's overall strategy document for the budget, that lays out Government's overall policies as identified in the National Development Plan III and the annual budget.

The NBFP lays out planned interventions for enhancing Uganda's economic growth, consistent with government's Macroeconomic objectives.

COVID 19 and the measures to contain its spread have had an unprecedented negative impact on Uganda's economy and people's livelihoods. Forexample, Uganda lost over US$1 billion due to the impact of Covid-19 on tourism, and lost US$ 200 million as a result of the decline in remittances in 2020. In the first half of 2021, the Ministry of Finance, Planning and Economic Development (MoFPED) reported that poverty rate had increased from 18% to 28 % and that two thirds of Ugandans had lost at least some income due to the Covid-19 crisis[1]. Other negative impacts included; a decline in export earnings which fell by 3.9%,[2] a trade deficit of 452.70 USD Million in November of 2021[3] and a surge in public debt by 3.1% (Shs 73.78 trillion) due to COVID induced borrowing.

This Position Paper aims to analyze the National Budget Framework Paper for FY 2022/23 and its priorities, interventions and provide policy proposals and recommendations for an Equitable and Transformative Post COVID 19 Economic Recovery.

a) Restoring business activity and deepening financial inclusion

Under this priority area, government's immediate focus will be on implementing fiscal and monetary measures that restore business activity and boost aggregate demand through the following interventions;

i. Business recovery fund to enable small businesses to access low-cost capital to recover.
ii. EMYOOGA Funding, and support to SACCOs to provide seed capital for small businesses including special interest enterprising groups.
iii. Implement the financial inclusion pillar of the Parish Development Model.
iv. UDB Capitalization and other financing schemes such as the Agricultural Credit Facility.
v. Strengthening Private Sector Institutional and Organizational capacity by focusing on the establishment of functional business development support services centers regionally.

We commend government for supporting the recovery of business activities through various interventions such as the stimulus packages, Business Development Support services, tax deferrals and loan restructuring, among others. However, the Post Covid 19 stimulus packages have not adequately addressed the challenges faced by Micro and Small Enterprises especially those led by women and youth of accessing viable, timely and affordable finances. This has been as a result of the challenges around the design, management and implementation of the stimulus packages. These challenges include;

- The stringent criteria attached on these financial packages is complex for Micro and Small Enterprises especially for the women and youth entrepreneurs. Forexample, many MSMEs have failed to access the UDB fund depending due to the stringent criteria attached to its access.

- The application process to access these funds is tedious and expensive for the struggling Micro and Small Enterprises.

- There is limited awareness about the modalities required to access these financial packages by the intended beneficiaries.

- There is limited information about the existing funds and financial institutions handling the fund. The information available is mainly online and hard to access by the Micro and Small Enterprises especially those led by women and youth.

1 https://www.dandc.eu/en/article/many-african-countries-covid-19-has-exacerbated-inequality-uganda
2 https://www.bou.or.ug/bou/bouwebsite/bouwebsitecontent/MonetaryPolicy/Monetary_Policy_Reports/2020/Jun/MPR_June_2020.docx.pdf
3 https://tradingeconomics.com/uganda/balance-of-trade

- The information materials available on the stimulus packages are written in English yet most MSMEs are not very well conversant with the English language.

- The amount of resources provided to the micro businesses are minimal and depends on the number of members within a SACCO. (A SACCO may consist of a minimum of 105 and a maximum of 450 members) who are supposed to benefit from 30 million Uganda shillings). Such resources are insufficient to support effective business recovery.

- There is lack of transparency, and accountability in the utilization and disbursement of the funds. For example, according to the Parliamentary Committee on Trade, Tourism and Industry on 1st December 2021, the committee visited industrial parks and discovered that the 500bn sent to UDB to help manufacturers borrow was instead fixed in treasury bills contrary to its intended purpose.

Proposals and recommendations;

- Government should fast-track the accessibility of the stimulus packages through addressing the challenges therein.

- The government of Uganda should as an alternative disburse these funds to MSMEs through their associations such as Uganda Small Scale Industries' Association (USSIA), Federation of Small and Medium Enterprises (FSME), Uganda Women's Entrepreneurs Association Limited (UWEAL) which have structures and membership across the country.

- Government should increase the funds under the various stimulus packages.

- Government should reduce the number of members within the SACCOs to a maximum 30 members.

- Government should continuously provide information, training and sensitization of MSMEs on the modalities attached to the available stimulus funds and on the utilization of those funds. The information should be simplified in all languages and accessible by all Ugandans.

- Government should provide sufficient resources to the District Community Development Officers to provide information, train and monitor the usage of the stimulus packages.

- Government should increase the percentage of women entrepreneurs intended to benefit from the Parish Development Model financial pillar from 30% to 50%.

- As the Government is planning to recapitalize Uganda Development Bank, it should review and address the identified challenges such as high interest rates which is 12% and the stringent eligibility criteria.

- Ministry of Finance, Planning and Economic Development and respective agencies like UDB, Microfinance Support Center and others should periodically publish the list of beneficiaries as part of the accountability process to the general public.

- Government should ensure that there is geographical and gender equity in the disbursement of the stimulus packages and the Business Development support service centers.

Medium and long term proposals;

- Government should review and refocus the stimulus package on re-organizing the long-standing production, productivity and market access challenges facing key actors like farmers, agro producers especially women producers among others.

- Government through the Central Bank should ensure compliance to the Central Bank Rate (CBR) by the Commercial Banks. In the medium term, government should rethink its role in the financial sector (banking, telecommunication and insurance) given the continued financial outflows through this sector and the urgent need go mobilize resources for onward lending.

b. Industrialization (Agro-industrialization and light manufacturing);

Under this priority area, the government's focus will be on Industrialization and sustaining the resilience of agriculture along the value chain, agro-processing, and support to light manufacturing through the following interventions;

i. Expand storage and processing capacity for agricultural commodities within the 18 zones of the country.

ii. Provide funds for private sector equity investment through UDC to be invested in key commodity agro-processing value chains 7

iii. Support industries that use locally sourced raw materials to produce most of the goods that we import.

iv. Capitalize Uganda Development Bank (UDB) to provide affordable and longterm capital at lower interest rates to agriculture, agro-processing and manufacturing.

v. Develop the iron and steel Industry to reduce the cost of construction.

vi. Government investment in and support to private sector industries with untapped export potential particularly in agro-industry and light manufacturing.

vii. Continue with our policy of attracting Foreign Direct Investment through the implementation of the new Investment Code of 2019.

viii. Strengthen standards for quality assurance to improve access of Uganda's export to regional and international markets

Industrialization plays a key role in boosting economic growth and development and this is manifested through creation of job opportunities at higher skill levels, facilitating closer links across the services and agricultural sectors, between rural and urban economies and between consumer, intermediate and capital goods industries.

The NBFP focus under industrialization is on agro-industrialization and light manufacturing. We note that whereas the contribution of agro-processing to total manufacturing has increased from 20.7% to 39.3%, there are challenges affecting the agro-processing sector in Uganda and these include; high cost of operation as a result of high cost of utilities like electricity, capital and transport, insufficient supply of inputs leading to industries operating below capacity; and the delink between aspirations to industrialize and the requisite policies and resources. Infact, the Auditor General's Report 2019 highlights that 70% of the established factories in Uganda are performing below capacity.

for example, there are 12 fish processing plants in Uganda, mainly undertaking primary processing of fish fillets, minced fish, salted and dried/smoked fish. However, due to high capital requirements, there is no firm undertaking secondary processing of fish, while fisheries waste, from which isinglass and pharmaceuticals could be manufactured is wasted.

Currently, over 95% of coffee is exported as raw unprocessed beans yet much of the value is derived from advanced value chains such as roasting, blending, decaffeinating and consumption.

The table below shows the existing agro-processing industries and their operational capacity;

Agro-processing Industry	Operation Capacity (% age)
Coffee	40%
Fish	<30%
Dairy	9 largest are operating at 57%
Tea	60%
Beef	<20%
Maize	46.3% (operating at seasonally)

Source: Adopted from NDP III

We commend the government for developing various policy frameworks that promote the agro processing sector. However, there are key areas which are not funded forexample; trade negotiations which are key to ensure market access, there is a gap in the planned and established Common User facilities; commercial; attachees who are critical in providing market intelligence; and the cooperatives which are equally critical when it comes to production. Furthermore, a transformative industrialization agenda requires supportive policies and frameworks. However, there is still lack of critical policies like the National Trade Policy which expired in 2018; Agro-industrialization Strategy; the Competition and Anti-Trust Law, the Trade Remedies Law and the National Export Strategy among others.

Below are our observations and recommendations that the government should take on for this priority to be realized;

Proposals and Recommendations;

- We observe that in the NBFP, government has provided resources to UDC to establish more agro based industries yet the already established factories are operating below capacity. Therefore, we recommend that the earmarked resources should be used to support the existing factories to run under full capacity so as to deliver on its mandate.
- Government should address the mismatch of establishment of agro-processing industries and production areas to ensure sustainable production of raw materials and promote forward and backward linkages. This can in turn play a critical role in increasing household incomes.
- Uganda Export Promotion Board (UEPB) should be adequately supported to provide timely market information. UEPB should also be supported both financially and human resource wise so as to build the capacity of exporters by conducting pre and post training follow-ups to evaluate the impact of the

training and offer post training.

- The National Coffee Act 2021 and the NBFP supports the production and export of raw coffee. This is not coherent with the industrialization drive. Therefore, government should review this policy and ensure that resources provided capture the entire coffee value chain.
- Regional and global markets are critical in Uganda's post COVID 19 Economic Recovery through providing opportunities for market access. However, key of regional markets are marred with increased protectionist practices and trade wars which are curtailing market entry. Therefore, Government needs to engage the EAC partner states towards resolving the existing trade tensions and the persistent Non-Tarrif Barriers (NTBs)within the EAC region. One practical way of realizing this is through the review of the EAC Treaty inorder to provide for a robust Dispute Settlement Mechanism which at the moment is very weak. This call has also been re-emphasized by countries like Tanzania[4].
- There is need to capacitate the Ministry of Trade to negotiate favorable market access in regional and global markets. There is need to link Private Sector to viable markets and providing them with timely market information on requisite requirements.

Prioritizing of products; Prioritization and Harmonization

- In order to successfully drive the agro-industrialization agenda, government should harmonize the priority products given that the 14 products are too many and for some of them, Uganda doesnot have a competitive advantage like other countries. Forexample, in Macadamia and Cashew nuts, among others.

- Government should prioritize 6 key products which have forward and backward linkages, where we have competitive advantage, can support food security, and be an input in other industries (Forexample, starch from cassava can be used in the pharmaceutical industry). Of all the imported starch and ethanol, 53 percent is for pharmaceutical industries, 32 percent for Paperboard industries, 13.5 percent for food processors and 1 percent for laundry operators. Source: NDP 3.

- Government should also consider new upcoming products i.e. Sesame which has viable global markets and where we have a competitive advantage. For example, Uganda is the 11th producer of Sesame in the world and second in Africa. Therefore, we believe that 6 priority should be coffee, sesame, maize, milk, beans and cassava.

According to the UNBS Vote Performance Report for Financial Year 2021/22, UNBS collected 14.2 Billion UGX through UNBS Non-

4 https://www.eac.int/press-releases/2102-president-samia-suluhu-hassan-calls-for-review-of-eac-legal-instruments-to-reflect-current-times

Tax Revenue (NTR) sources of Inspection, Verification, Calibration, Testing and Sale of Standards among others[5].

Government should negotiate and sign product agreements with specific countries and markets to ensure that we move from market access to actual market entry. For example, Kenya has negotiated with China an agreement to export Avocadoes to China which has led to reduction of levies on Kenyan avocadoes from 30% to 7%. By Uganda negotiating a similar agreement with China, this would help plug the ever-rising huge trade deficit.

- Government should provide resources for key institutions for a successful agro-processing agenda. These key institutions include; the Cooperatives. Although the mandate of the Ministries of Trade, Industry and Cooperatives is to strengthen the Cooperatives, this function has not been funded in the NBFP.

- Government's shift from output-based budgeting to program-based budgeting was aimed at increasing efficiency in Budget implementation through reducing conflicts and overlaps in mandates among different Ministries and Agencies which was leading to wastage. However, a critical analysis of the current NBFP reveals the existence of overlaps and duplication of various interventions under the different programs. For example, the Private Sector Development Programme is headed by the MoFPED yet 90% of the activities under this programme are trade related. These activities include for example; enactment of Bills such as; Trade Remedies, Competition and Consumer Protection are purely trade Bills. Other areas covered under the Private Sector Programme include; Import Substitution, enforcement of Standards, enabling private sector environment and investment. Although MTIC has an MSME Directorate, some of the activities to do with the strengthening of MSMEs are under Private Sector Development under MoFPED. Furthermore, under the Private Sector Development Programme, MoFPED is getting 393.692bn while MTIC is getting 1.967bn only yet as indicated most of the activities should ideally be the mandate of MTIC. Regarding agro-industrialization, out of a total Budget of 1.798.180 trillion , MTIC has been allocated 10.150bn yet it is charged with the critical mandate of delivering on agro-processing and value addition, agricultural market access and competitiveness.

- According to the Auditor General Report of the FY ended June 2020, UEPB is facing a number of challenges including under staffing (out of the 40 positions established, only 18 were filled leaving a shortfall of 55%); underfunding below the required annual budget (entity had a shortfall of 70% in its funding to achieve its mandate. While UEPB required an annual budget of over UGX.13Bn to among others; conduct market studies abroad, promote and market Uganda's manufacturing, agricultural sector, mineral resources and tourism

5 https://budget.go.ug/sites/default/files/Sector%20Spending%20Agency%20Budgets%20and%20Performance/2021-2022_QuarterlyReport_Q1_154_UgandaNationalBureauofStandards_30112021120425.pdf

in foreign markets; only UGX.3.9Bn had been appropriated to the entity leaving a shortfall of over 9 billion i.e. 70% shortfall). In the FY 2022/23, the government is committing to boost exports in order to improve Uganda's position in global trade yet, it is providing only 5.764bn in the FY 2022/23. Therefore, there is need to facilitate UEPB if we are to realize the envisioned market access.

According to the UNBS Vote Performance Report for Financial Year 2021/22, UNBS collected 14.2 Billion UGX through Uganda National Bureau of Standards (UNBS) NTR Revenue sources of Inspection, Verification, Calibration, Testing and Sale of Standards among others[6].

UNBS is critical to ensure viable market access, market entry and competitiveness. According to UNBS, 54% of our products are substandard[7] yet laboratory testing (UGX 1M per parameter[8]), calibration and certification (UGX 500,000 for MSMEs)[9] fees are still high. According to the Auditor General's Report for the FY ended June 2020, UNBS had staff presence at only 27 out of the 170 border entry points. As a result, 143 border points donot subject goods to standard inspection. In the FY 2021/22, UNBS kick-started the implementation and enforcement of 187 new mandatory standards which require all products to be certified and acquire a mandatory Distinctive Mark before being placed on the market[10].

Despite all these challenges, UNBS has been allocated only 64.076bn and it is scattered in 3 program areas. Therefore, government should allocate UNBS atleast 137.8bn[11] to inspect and train the business community, farmers, manufacturers and consumers about standards compliance

and certification, to fast track the standards and certification process for MSMEs and to also undertake government's plan to roll out free certification services to MSMEs in the Oil and Gas Sector. This provision should also be extended to MSMEs in other sectors.

Trade Negotiations;

Another critical area which is not funded in the NBFP is trade negotiations. There are a number of ongoing trade negotiations in which the Government is involved. These include inter alia the African Continental Free Trade Area (AfCFTA); the EAC Common External Tariff; the EAC-COMESA-SADC Tripartite FTA; and World Trade Organization (WTO) negotiations. There are also consultations to admit Democratic Republic of Congo (DRC) into the EAC.

There are also other agreements which Government has concluded i.e. African Growth and Opportunity Act (AGOA); Everything But Arms (EBA) among others. There is need for adequate funding for these negotiations in order for government to negotiate independent positions that protect

6 https://budget.go.ug/sites/default/files/Sector%20Spending%20Agency%20Budgets%20and%20Performance/2021-2022_QuarterlyReport_01_154_UgandaNationalBureauofStandards_30112021120425.pdf

7 https://www.monitor.co.ug/Business/Finance/UNBS-reduces-certification-fees/688608-4808946-a7xo31/index.html

8 The cost for testing each parameter is 1,000,000 and yet the minimum parameters for a product to be certified and approved by UNBS might be a minimum of 5.

9 https://seatiniuganda.org/download/big-news-for-msmes-as-unbs-reduces-certification-fees/

10 https://seatiniuganda.org/download/cso-postion-paper-on-trade-and-industry-sector-in-response-to-the-ministerial-policy-statement-of-fy-2021-22/

11 https://www.scribd.com/document/478756444/Unbs-Annual-Performance-Report-2019-2020

and promote our interests/positions, policy space and sovereignty. This is critical in supporting a conducive policy environment for industrialization and Trade and also to ensure that we benefit from the negotiated markets. There has been limited utilization of the acquired markets.

There has also been limited involvement of stakeholders i.e. Private Sector, Civil Society Organizations, Policy Makers in these negotiations. This partly explains the limited utilization of the negotiated markets. Therefore, we recommend that the National Trade Sector Advisory Council which was formerly Inter-Institutional Trade Committee (IITC), an Inter-sectoral committee with a mandate to generate Uganda's Negotiating Positions, should be adequately funded to ensure adequate consultations on the ongoing negotiations. Furthermore, Parliament and the relevant committees should be timely briefed on the status of these negotiations so as to enable them undertake their oversight role from a more informed point of view.

Policy review;

In order to promote Equitable and Transformative Post COVID 19 Economic Recovery, there is need to review and update critical policies such as the Investment Code Act 2019, the Trade Policy 2008, Competition and Anti-Trust Law, Trade Remedies Bill, Consumer Protection Bill. The NBFP relies heavily on attracting Foreign Direct Investments (FDIs) through the Investment Code Act 2019 to revive the economy. However, there is need to review the Investment Code Act 2019 to explicitly incorporate aspects of Human Rights, and also ensure the balance of rights and obligations among the Investors, Government, Communities and the Environment and introduce performance requirement measures.

Parish Development Model (PDM)

We commend the government for establishing the Parish Development model aimed at organizing and delivering public and private sector interventions for wealth creation and employment generation at the parish level as the lowest economic planning unit. However, there are prevalent challenges that the PDM should address. These include; the limited access to viable and sustainable markets, value addition and post-harvest handling facilities, fluctuating commodity prices, limited market information and limited standards compliance. If these issues are not addressed, the PDM will not achieve its mandate.

We therefore recommend that the PDM should;

- Not reinvent new structures but link up and leverage on existing strategies and structures to enhance production, value chains and market access
- Provide common user facilities in every parish in order to promote value addition instead of cash handouts. These have been proven to be user friendly to Micro and Small Enterprises[12].
- Emulate countries like Tanzania by setting minimum prices for key Agricultural products, this will stimulate production while improving incomes at the household level as envisioned by the NBFP and NDP III.

12 10th Annual Trade Sector Performance Review

c. Improving the wellbeing and building resilience of the population to economic shocks

Under this priority area, the government aims at mitigating the COVID-19 impact while also obtaining value for money for the resources dedicated to combating the pandemic, including Fast-tracking the national health insurance policy and bringing back education to normality so as to attain pre-COVID-19 levels of access to education.

The health sector in Uganda is facing a number of challenges. According to National Health Accounts, Uganda's per capita expenditure for health from all sources is $51.4, below the recommended minimum $84 per capita for low-income countries and below the Health Sector Development Plan target of $92.7 .

Government per capita expenditure on health in FY 2021/2022, was approximately US$ 16, far below the World Health Organization (WHO) Commission of Macro Economics and Health (CMH) recommended per capita government expenditure on health of US $ 34 and the HSDP target of a minimum per capita expenditure on health of US$ 17. Consistent underfunding of the health sector has resulted in a decline in the quality of public health system hence forcing people to resort to a rapidly growing and rather expensive private sector that is not well regulated. This makes it impossible to maintain health as a public good.

The unregulated health sector, coupled with weak and uncoordinated legislation has further weakened the health systems in Uganda. Government has relied heavily on Public Private Partnerships in the delivery of health services. Therefore, the government has largely abdicated its role of regulating actors in the health sector by leaving it either

to the professional councils like the Dental and Medical Practitioners Council and the Nurses Council or to the private sector to self-regulate. Self-regulation has largely not worked. It is no wonder that as the second COVID-19 wave ravaged the country, majority of private sector health actors could charge between Shs2m and Shs5m per day to treat a critically ill patients, which were largely unbearable to many Ugandans, given the current low per capita income of $777 (Shs2.7m)[13]. In addition absence of other critical quality, affordable, accessible social service like education water and sanitation has exacerbated inability to build resilience dynamism.

Recommendations:

Uganda's experience during the COVID-19 pandemic should serve as a caution on privatization and commercialization of healthcare and its corrosive effects on access to healthcare. Therefore, government should play a more pivotal role in strengthening the health care system especially the primary healthcare, research, surveillance and prevention. This will build resilient health systems that will withstand health emergencies, threats and shocks.,

- Re-ignite the role of the State in boosting local pharmaceutical production: Uganda presents an archetypical example of an LDC where the govern-

13 https://www.business-humanrights.org/en/latest-news/uganda-as-case-of-covid-19-rise-cost-of-treatment-at-private-health-facilities-beyond-the-reach-of-many-locals-industry-association-comments/

ment has actively supported a specific deal with a major developing country manufacturer to establish a joint venture in the country that would produce high-quality, low-cost ARVs and antimalarials for the east Africa region. Quality Chemicals Industries Limited is a joint venture between India generic manufacturer Cipla and Ugandan local firm Quality Chemicals Limited. The Quality Chemicals joint venture provides a very interesting case of how technology and related tacit know-how have been transferred to support sustainable local production of ARVs and antimalarial medicines, and shows the set of incentives offered to encourage Cipla to choose Uganda and the local firm with which it partnered. Therefore, the government should emulate this success by supporting local innovations especially the herbal medicines.

- Improving the wellbeing and building resilience of the population to economic shocks will require provision quality, affordable, and accessible, social services like education, water and sanitation.

d. Enhancing the quality and stock of productive infrastructure

This priority area will on increasing coverage of road transport infrastructure, maintenance and undertaking preparatory activities for new constructions, investment in intermodal transportation in rail and water will be key in connecting productive areas to the market.
The priority area will further maintain a good road network system, complete existing contracts, undertake studies and acquire infrastructure corridors for future investments. The programme will further focus on digital transformation by rolling out broadband infrastructure in key government service delivery units, support the development and commercialization of local ICT products, support the roll-out of e-services to SMEs and communities.

The Information and Communications Technology (ICT) sector plays a central role in enabling economic and social transformation. As such, Government has prioritized the development and deployment of data infrastructure to enable connectivity for all, digital inclusion and affordability. However, NDP III notes a number of challenges that have emerged to hinder further growth of the ICT sector. These include; limited ICT infrastructure network; insufficient investment in research, the silo-based approach to planning, necessitating better coordination of ICT infrastructure development, and the need for innovation and human capital development.

The increased use of digital technologies during the COVID-19 lockdown such as mobile money, on-line shopping, on-line education, digital disease surveillance and monitoring, and dissemination of public health messages shows the great potential to support faster economic recovery and strengthen resilience against similar shocks.

We recognize that Uganda has made good strides in enhancing the quality and stock of productive infrastructure. However, the sector still faces numerous challenges as discussed below;

Uganda scores poorly on different global ICT indices. The primary reason for being ranked 152 out of 176 countries in the International Telecommunications Union's IDI; 121 out of 139 countries in the Network Readiness Index; and 64 out of 75 countries in the latest Economist Intelligence Unit (EIU) Inclusive Internet Index (3i), is due to the poor information infrastructure and low levels of Internet penetration in the country. Although over half the population has access to mobile services, only a sixth has access to the Internet[14].

The digital divide still presents enormous hurdles for Uganda's full and beneficial participation in and utilization of E-Commerce. In January 2021, internet penetration in Uganda stood at 26.2 percent, with 12.16 million internet users[15]. Large segments of the rural population remain excluded from the internet. Under such a reality, Uganda like many African countries still lags behind in the 3As of internet i.e. Availability, Accessibility and Affordability. Uganda still ranks highest in EAC regarding the cost of internet (1GB = $2.67 compared to $2.41, $2.18 and $2.18 Kenya, Tanzania and Rwanda respectively[16]).

Currently, e-commerce contributes only marginally to exports and national growth. Furthermore, e-commerce services tend to be provided by foreign companies that in some cases could be to the detriment of emerging local firms.

In addition, the 12% excise duty on internet data is inconsistent with the country's national vision of digital transformation including the national broadband policy of 2018/ 2023 and the Digital Uganda Vision 2020.

Recommendations;

- Government should put in place an enabling environment i.e. digital infrastructure to increase Accessibility, Availability and Affordability of broadband and E-Commerce Policy. This Policy should be reflective of national E-Commerce priorities and should be defended in the Multilateral and Continental E-Commerce negotiations under the World Trade Organization (WTO) and African Continental Free Trade Agreement (AfCFTA).

- The MSME Directorate under the Ministry of Trade, Industry and Cooperatives should undertake training of MSMEs to effectively utilize the digital platforms to trade.

- There is need to review some of our laws in light of recent technological developments related to e-commerce. Such laws include among others; Electronic Transactions Act 2011, Consumer Protection and Competition Bill.

- The UNCTAD, Republic of Uganda Rapid eTrade Readiness Assessment for 2018 recommended that Uganda s considers e-commerce as a way to trade more and create jobs, giving full support to boosting local productive capacities, increasing exports and

14 https://researchictafrica.net/wp/wp-content/uploads/2019/05/2019_After-Access-The-State-of-ICT-in-Uganda.pdf

15 https://datareportal.com/reports/digital-2021-uganda

16 https://www.monitor.co.ug/uganda/business/prosper/why-uganda-s-internet-cost-is-highest-in-east-africa-1873090?view=htmlamp

integrating into regional and Global Value Chains (GVCs)[17].

This can be realized through a conducive policy framework at national level and supportive positions in the WTO and AfCFTA.

- Government should support netrepreneurs (innovators) of e-commerce platforms and products and also safeguard the innovations through protecting and enforcing intellectual property rights.

Minerals, Oil and Gas

This Financial Year priority will be directed towards mineral exploitation and development critical for Uganda's industrialization process. The NBFP FY 2022/23 recognizes the fact that investing in mineral development lowers the cost of production, increases return on investment, and boosts the supply of locally manufactured products like cement, iron and steel, and fertilizers. Considering dwindling tax revenues due to COVID19, this programme prioritizes investments for Import Replacement, Export Promotion; and improvement in domestic resource-based royalties. Because of this, the focus for this programme is towards maintaining existing investments in exploration and quantification for steel and minerals in Karamoja, as well as incentives for import replacement of iron and steel.

The NBFP FY 2022/23 recognizes that the Oil and Gas industry has the potential to transform Uganda's economy. Sustainable development of petroleum resources enhances value addition to oil and gas resources as one of the key growth opportunities. It also facilitates resource-based industrialization agenda through the exploitation of the available oil resources. This contributes to export, employment, and improved quality of life. If well utilized, sustainable exploitation of oil resources provides resources that can leverage investments in other sectors of the economy and lead to increased household incomes. The focus of this programme will be towards fast-tracking completion of the East African Crude Oil Pipeline (EACOP) and refined products pipeline; establishment of the National Petroleum Data Repository; undertaking the preparatory process for establishing a robust petrochemical industry, and capitalization of Uganda National Oil Company.

Observations;

We note that the National Budget Framework Paper for FY2022/23 reflects a 0.2% reduction in allocation to the Minerals, Oil and Gas sector to UGX.29.4 billion from UGX. 80.59 billion in FY 2021/22.

We appreciate government's efforts towards streamlining and formalization of the extractives sector. Efforts are ongoing to review the Minerals and Mining bill 2019 and an online mineral licensing and biometric registration system of Artisanal and Small Scale Miners has been developed. We are also cognizant of the move by the Government of Uganda to join the EITI and actively engage CSOs and other stakeholders in this process as well as the prioritization of the extractives sector in the Domestic Revenue Mobilisation Strategy. We also note the increased contribution of the mining sector to Uganda's GDP from 1.1% in 2016 to 2.3% in 2021.

Despite these interventions, the minerals, oil and gas sector is still undermined by a number of challenges. In the area of mineral development, although there are plans in place, to foster exploration and support import substitution, this target has not been achieved. For instance, the NDP I and NDP II earmarked iron ore among the six (6) minerals for exploitation and value addition with an aim to increase mineral exploitation and value addition in selected resources for quality and gainful jobs in the mineral sector. However, this target was not achieved as Uganda still imports iron and steel. In 2017, 2018 and 2019 Uganda imported Iron and steel equivalent to

17 https://unctad.org/system/files/official-document/dtlstictinf2021d3_en.pdf

USD 282, 004, USD369, 450 and USD 356, 181 respectively. This priority was thus carried forward into the NDP III. More still, although Uganda has huge deposits of phosphates and limestone, the country still imports large amounts of fertilizers and glass.

Furthermore, the mining sector is characterised by massive corruption, political interference, and mismanagement by technocrats.[18] Efforts to formalise the Artisanal and Small-scale Miners (ASMs) and turn it into a more vibrant, safe, economically productive sector with the ability to meaningfully contribute to domestic revenue mobilisation have remained minimal. Instead, a great deal of emphasis has been put on the promotion of large-scale and industrial mining.

The situation is aggravated by the disastrous commercial practices of companies involved in the sector. These include base erosion and profit shifting strategies, tax evasion and avoidance, money laundering, illegal mining, smuggling, price manipulation and treaty shopping. These challenges undermine the maximisation of domestic revenue from the sector. For example, according to the 2018 Auditor General's report, there is a mismatch between the value of gold exports declared, and the amount of royalties actually paid by the companies. This is responsible for huge revenue losses as for instance in the year 2017, Uganda lost between USD 3.39 m to USD 16.95million in unpaid royalties on undeclared gold exports and imports.

Although these challenges equally apply to the oil and gas sector, it is better regulated and has so far managed to generate close to USD 1 billion in revenues even before the country embarks on commercial oil production.[19] Of this, USD 660million was realised from capital gains taxes imposed on the transfer of assets by oil companies.[20]

Furthermore, the recent conclusion of the Oil Pipeline deal between the governments of Uganda and Tanzania on the one hand, and oil companies on the other is expected to unlock Foreign Direct Investment (FDI) in the amount of USD 10-15billion.[21]

This is very significant when compared to the mining sector which as of 2017 had received USD 800 million in FDI.[22]

Recommendations;

- Government should allocate resources for mineral development and value addition to reduce importation of mineral based finished goods from raw minerals exported from Uganda.

- Government should maximize revenue potential from the extractives sector by organising the Artisanal and Small scale Miners who comprise more than 90% of Uganda's mineral sector. Resources should be directed towards ensuring that ASMs are captured on the Online Mineral Licensing and Biometric Registration System.

- Government should direct efforts towards proper planning and re-investment of mineral wealth and revenues in other productive sectors to avoid the Dutch Disease. The Oil revenues should also not be used to mortagage the future of the country.

- The EACOP Law was enacted before other critical and supportive legal frameworks were put in place for example the Tax Expenditures Governance Framework which is being developed, and the Uganda-UK DTA which is yet to be re-negotiated but is instrumental in ensuring that Uganda's

18 *Ibid.*

19 *Bank of Uganda Annual Reports, 2015 to present.*

20 *Ibid*

21 *Fred Ojambo and Paul Burkhardt, Total signs Agreements with Uganda on East African Oil Project Bloomberg, April 11, 2021. Available on https://www.bloomberg.com/news/articles/2021-04-11/total-signs-agreements-with-uganda-on-east-africa-oil-project*

22 *Mining and Minerals Policy, 2018.*

taxing rights are protected. This lack of harmonization will circumscribe the content of the Uganda-UK DTA and the Tax Expenditure Governance Framework.

- Cabinet should fast track the approval of the Mining and Minerals Bill, 2019 to make it possible for it to proceed to the next stage i.e., tabling before Parliament. The Mining and Minerals Bill, 2019 if passed in its current form will to a great extent align the country's laws and policies with the Africa Mining Vision (AMV) and further contribute to maximization of revenue from the extractives sector.

- Government should further boost the capacity of the Directorate of the Geological Survey and Mines (DGSM) and the Uganda Revenue Authority (URA) to collect and administer mineral revenues from elusive mining companies. This should be in the form of allocating more resources towards staffing and provision of specialized training in the taxation of extractive industries, international taxation, and transfer pricing.

- Government should establish an effective mechanism for the coordination of all mineral revenue collection and administration processes. In particular, the mechanism should ensure close collaboration between the DGSM and the URA in the assessment, collection and enforcement of both tax and non-tax revenue payments from mining companies.

The Financing Strategy

The Financing Strategy for the NBFP 2022/23 entails the implementation of the Domestic Revenue Mobilization Strategy (DRMS) in order to reduce the share of the Budget that is financed through borrowing as well as address issues of transparency and fairness in the tax system and promote effective management of public debt. The Financing Strategy also aims at fostering creative approaches to mobilize finances to ensure prudent macroeconomic management and effective implementation of the budget as well as speedy economic recovery in the coming fiscal year 2022/23.

The COVID-19 pandemic has had far reaching implications and has led to an increase in fiscal deficit. The slowdown in growth plus the additional expenditure requirements to finance Government's response measures have further constrained fiscal space and necessitated additional borrowing. Uganda's Debt to GDP ratio has since increased significantly from 41.0% in FY 2019/20, to 46.7% as at end June 2021. The ratio is projected to increase to over 52.4% by the end of the current FY 2021/22 and peak at 54.1% at the end of the FY 2022/23[23].

We commend the Government for making extensive cuts of budgets from its ministries, department and agencies (MDA) to redirect finances to major priorities in the current financial year 2021/2022. UGX Shs203.4 billion which mainly included money for foreign and inland trips, meetings and conferences was redirected to finance areas that will resuscitate the Covid-19-battered economy. Our other concerns are as follows;

Concerns

- There is a mismatch between the financing policies and the medium

23 National Budget Framework Paper FY 2022/23

and long term national sustainable priorities. The increasing use of supplementary budgets purportedly to address priority areas that have not been funded in the Budget undermines the Public Finance Management Act (2015) and in the long run the role of the National Budget in planning.

- There is low absorption capacity of projects with minimal return on investment which has ultimately affected the growth of the economy. The low absorption capacity of projects attracts more commitment fees which add to the country's debt burden. This further has raised issues of value for money and accountability.
- Loan repayments are exceeding spending on social sectors such as Social Development and Education, and the government continued to sink deeper into debt. The rising debt obligations to the country's resource envelope for development is increasing pressure on the revenue collections as well as restraining provision of basic services to the people.
- Imposing of new regressive taxes that are not fair and equitable as well as raising the tax rates in order to pay off their debt obligations, affects the citizens especially the most vulnerable and the marginalized who are most affected by these decisions.Lack of information on off budget financing: As part of taking stock of our revenue and expenditure, budget transparency is a critical aspect. The NBFP for FY 2022/23 provides an outlook of government's expected resourcing for the financial year. However, this is not exhaustive of the entire financing especially with the off-budget financing. Government has not provided an indication of the sources and expected revenues of off budget.

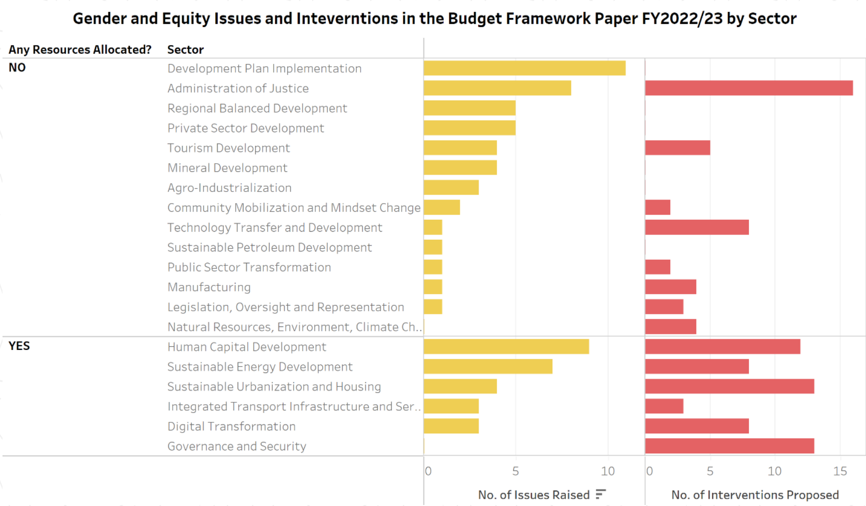
Recommendations;

- Government should raise tax revenues to avoid significant debt liquidity pressures, and also develop a strategy to reduce interest rates in the domestic debt market if it leads to lower domestic borrowing. Tax measures should be fair and equitable as well be closely calibrated with economic performance, especially for sectors that may be struggling to get back to normal business post-COVID-19.
- Government should harmonize its Budget and donor budgets in both calendar and financial year reporting. The government should also provide estimates for ongoing projects and the expected resources that will be off budget. This will give a clear picture of the country's resource envelope and also avoid duplication of expenditures.
- There is a need to improve public investment management by ensuring investment in projects that have maximum return on investment as opposed to the projects that are failing to meet their intended purpose. Effective monitoring of projects especially those externally financed will enhance absorption capacity and possibilities of meeting our debt obligation.

- Concessional financing as compared to non-concessional financing should be prioritized to ensure that debt obligations are being met. A cap on Government expenditure should also be prioritized to ensure resources meet their intended long-term purposes as well as avoid any financial strain on the economy.
- Government needs to curb wasteful expenditure and limit the use of supplementary budgets to finance unfunded priorities. The use of supplementary financing provides an avenue for avoiding scrutiny. In the long run this facilitates fiscal indiscipline within the government and is associated with a rush that prevents supplementary budgets from going through rigorous processes and scrutiny of Parliament.
- Parliament's role in the approval process of the loans or projects is vital. There is need for Parliament to undertake their oversight and monitoring role to ensure that the intended purpose of the loans is achieved.
- Effective transparency and accountability mechanisms in the debt acquisition and management is needed. This is critical to have citizens be aware as well as policy makers such as Parliament to ensure that government can fulfill its obligations. Without transparency and accountability, citizens cannot track the use of resources and the delivery of services promised in the budget, let alone hold the government responsible.

Other Issues and Policy Proposals; Gender and Equity Interventions;

The Government of the Republic of Uganda commenced the implementation of the Public Finance Management Act (PFMA) on 6th March, 2015. Among others, the PFMA provides for gender and equity responsive planning and budgeting in accordance with Sections: (i) 9 (6) (a) and (b)1 ; (ii) 13 (11) e (i) and (ii)2 ; and 13 (15) g (i) and (ii)3 of the Public Finance Management Act, 2015. Pursuant to the above gender and equity provisions, the National Budget Framework Paper (NBFP) for FY 2022/23 provides for various gender and equity issues and interventions as shown in the figure below;



Source: (NBFP) for FY 2022/23 -MOFPED, 2021

As per the table above, the various sectors in the National Budget Framework Paper (NBFP) for FY 2022/23 raised 70 gender and equity issues and 103 interventions were suggested. Only ONE sector – digital transformation budgeted 14.73Bn UGX towards implementation of 5 it's suggested interventions. 95% of the suggested interventions have not explicitly allocated resources to guarantee implementation. In addition, there is absence of objectively verifiable indicators in majority of the sectors to facilitate monitoring of progress in implementation of the interventions.

Therefore, majority of the programs in the NBFP for FY 2022/23 are largely not gender compliant yet NDP III and Vision 2040 stress the need to integrate gender issues in development plans and Budgets[24].

In light of the above challenges, we recommend the following:

- The NBFP should provide for explicit and adequate funding towards the gender and equity interventions suggested.
- The gender and equity interventions suggested should have objectively verifiable indicators to ensure monitoring of progress in implementation.
- Many of the interventions suggested are abstract and incoherent with other planning frameworks within the programs. Therefore, the budgeting officers in government should undertake research to ensure that the gender and equity issues are rooted in the reality and needs of the marginalized.

Rethinking the Neoliberal Policies

- The COVID-19 pandemic has underscored the futility of the neoliberal agenda to deliver inclusive sustainable development. In fact, it has provided an impetus for strengthening the search and demand for a strengthened central role of the State in development, people centered social and economic policies and the promotion of Economic Social, Cultural and Environmental rights. Government should rethink the neoliberal policies of liberalization, privatization and deregulation. The government needs to take a more central role in development.

Conclusion

The COVID-19 pandemic has exposed the long-standing structural bottlenecks and vulnerabilities the Ugandan economy is facing. Whereas we recognize government's efforts towards resuscitation of the economy, we wish to reiterate that achieving an equitable and transformative Economic Recovery Post COVID 19 will require a rethink of the aforementioned policies and practices. Furthermore, the NBFP FY 2022/23 should be reviewed to address the disconnect between the aspirations set therein and the Budget allocations and programming.

24 http://www.oag.go.ug/wp-content/uploads/2016/07/Mainstream-Gender-and-Equality.pdf

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