

FY 23/24 Government Response to Private Sector Proposals



Presented
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Presentation Outline



1. Introduction
Methodology
2. Summary of Budget
3. Budget Priorities
4. GoU Responses Vs PS
Issues
5. General Budget Aspects
6. Conclusion



Appreciation: Introduction

- ❑ PSFU appreciates GoU for involving PS in Budget cycle.
- ❑ PSFU has 12 sectors:- all these were consulted, proposals submitted through the PFA and other Policy Position Papers 2022.
- ❑ Dialogues thru budget strategy, National Budget Framework Paper, Ministerial Policy. statements, finance bill held
- ❑ Some of the proposals have been considered others not included.



Methodology

- ❑ PS consultations: sector meetings, Policy dialogues, round table discussions.
- ❑ Policy Research, fact-finding and analysis
- ❑ Dev't of policy papers
- ❑ Harmonization of positions- Policy Advocacy Committee (PAC)
- ❑ Presented position papers on Budget Strategy, Cross-cutting issues, PFA 2022, Tax proposals to GoU.
- ❑ Perceptual Analysis on GoU response to PS was done using qualitative analysis tools.



The budget

Theme: *“Full monetization of Uganda’s economy through commercial agriculture, industrialization, expanding and broadening services, Digital transforming and market access”.*

- Resource envelope - Shs. 52.7 trillion
- Domestic Revenues -Shs. 29.7 trillion
- Domestic borrowing -Shs. 3.2 trillion.
- Budget support -Shs. 2.8 trillion.
- External financing for projects-Shs. 8.3 trillion; (Shs. 3.01 trillion is from grants, and Shs. 5.3 trillion is from loans).

Tax Revenue

- Shs. 27.4 trillion will be tax revenue
- Shs. 2.3 trillion will be Non-Tax Revenue.

Uganda GDP

- GDP growth at 5.5% (proj)
- Size of the Economy is Estimated Shs. 184.3 Tr
- Service sector growth at 6.2%
- Agriculture sector grow at 5.0%
- Industrial sector growth at 3.9%

FY 24/23 Budget Priorities

PRIVATE SECTOR PROPOSALS

- 1) Macro-economic Stability
- 2) Stimulate effective demand
- 3) Skills & Attitudes for labor productivity
- 4) Infrastructure Development
- 5) Access to affordable finance
- 6) Regional Integration
- 7) Governance and anti-Corruption
- 8) MSME development
- 9) Legal and Regulatory Regime
- 10) Tax Regime

GOU: FY2023/24 BUDGET STRATEGY

- i. Enhancing Security, Good Governance, and the Rule of Law
- ii. Boosting Economic Recovery and Enterprise Resilience
- iii. Facilitating Economic Growth and Competitiveness
- iv. Promoting Social Development and protecting Vulnerable Communities

MACROECONOMIC STABILITY

- i. Integrate buffer stocks in the Parish Development Model for products such as critical food crops for the local market.
- ii. Prioritize investment in the selected production sectors.
- iii. Ensure that at least 80% of the resources reach and directly benefit the producers and service providers.

Proposal: PDM implementation should involve the private sector off-takers and/or processors.

GOU RESPONSE

- i. Full implementation of the Parish Development Model (PDM) to accelerate the transition of the 39% of Households in the subsistence economy into the money economy.
- ii. Fiscal consolidation through reducing the share of expenditure to GDP.
- iii. Limit the borrowing to restore the debt-to-GDP ratio to within 48.2% over the medium term.

Stimulate Effective Demand

- i. Follow a value chain approach to ensure increased production at rural level.
 - ii. Invest more in the leading sectors which can spur this growth.
 - iii. Implement the set target of increasing rural income to about 20 million per homestead so as to create purchasing power.
- i. PDM outlook is production driven but does not show how consumption will deliberately be unlocked.
 - ii. Ensure efficient and cost-effective implementation of PDM and Emyooga programs.

GoU Response

- i. The Parish Development Model (PDM) to be fully implemented and will boost household incomes as well as the development of micro-enterprises (shs. 1.1 Trillion).
- ii. The Emyooga initiative will further boost household incomes and micro enterprises at parish and sub-county levels by directly funding parish and sub-county level enterprise groups (Shs.100 Billion).

SKILLS & ATTITUDE FOR LABOUR PRODUCTIVITY

GOU RESPONSE

- i. Develop a labour information management system to provide required labour information regarding labour demands and supply.
- ii. Prioritize Early childhood development (ECD) through increased funding for the ECD policy in line with the inspection of these canters.
- iii. Revamp the operations of sector skills councils under MoES.

- i. Shs. 60 billion allocated for skilling the youth
- ii. 19 skilling centers established across the country under the Presidential Industrial Hubs initiative.
- iii. 9 Skilling centers in Kampala Capital City Authority established

Developing a labor market information system should be prioritized

INFRASTRUCTURE DEVELOPMENT

- i. Prioritize funding the infrastructure for water for production
- ii. Irrigation Policy Implementation and Technologies to utilize water resources for productivity.

Prioritize more funding for water infrastructure for production and productivity.

GOU RESPONSE

- i. **2.2. trillion** allocated for food security, irrigation, climate change mitigation, value chain development, and agriculture research
- ii. Promote environmental conservation, restoration and protection of degraded water catchment areas and forest cover;
- iii. Construct small, medium and large-scale irrigation schemes in water-stressed areas
- iv. Implement large-scale mechanization and irrigation;
- v. Improve farmer mobilization, education and partnerships with large commercial farmers for the production of strategic commodities

INFRASTRUCTURE DEVELOPMENT CONTD

- i. Reduction in costs to achieve a 5-7 USD cents/kilowatt hour tariff for energy to all manufacturers.
- ii. Implement local content guidelines when procuring items used in big Government infrastructure projects.
- iii. Ensure energy connection (especially for 3 phase lines for rural transformation)

Proposal: Reduce power tariffs to between 5-7 USD for MSMEs

GOU RESPONSE

- i. Commissioning of the Karuma Hydropower (increase to 1978 MW).
- ii. The 6 MW Nyagak III Hydropower project to be commissioned.
- iii. 761 km of transmission lines and associated power sub-stations to be constructed
- iv. Shs. 1.3 trillion has been allocated for Electricity interventions.

INFRASTRUCTURE DEVELOPMENT CONTD

- i. Water transport on lakes especially Victoria
- ii. Air transport: Uganda Airlines concentrate on cargo
- iii. ICT: Complete roll out National Backbone Infrastructure (NBI)
- iv. Roads: Prioritize Tourist Circuit roads.
- v. Rail: SGR and Meter Gauge

Proposal:

- Prioritize the last mile infrastructure (first class murrum roads and power connections).
- Use PPP as a financing mechanism with the private sector.

GOU RESPONSE

- i. Transport Infrastructure (Shs. 4.5 trillion)- Kabalega International Airport will be completed by September 2023.
- ii. Complete 16 national road projects.
- iii. Maintenance of existing road networks, both national and District Urban and Community Access Roads (DUCAR).
- iv. Complete Bukungu-Kagwara-Kaberamaido (BKK) Ferry and related landing sites; and Lake Bunyonyi ferries and their landing sites.
- v. Rehabilitation of the Kampala – Malaba and Tororo – Gulu Metre Gauge.

ACCESS TO AFFORDABLE FINANCE

- i. Finalize the regulations required for the implementation of the Islamic financing modalities to increase access to cheaper sources of funding.
- ii. Create a risk guarantee scheme for about 7 prioritized sectors.
- iii. Amend the current Government Pensions Law

Proposal:

- i. Government should reduce domestic borrowing.
- ii. Ensure efficient Use of existing grants, funds

GOU RESPONSE

- i. Reduce domestic borrowing to 2.2% of GDP in the short to medium term to avoid crowding out the private sector.
- ii. Provide long-term and affordable capital through UDB, Emyooga, the Agriculture Credit Facility (ACF), and the Small Business Recovery Fund.
- iii. Enactment of the draft bills to operationalize Islamic banking in Uganda.

Regional Integration

- i. Ratify the trade agreement to actualize the existing opportunities
- ii. Develop the private sector strategy for implementation of the AfCFTA.
- iii. Engage the EAC secretariat to activate the EAC disputes settlement mechanism and address Non-Tariff Barriers (NTBs).
- iv. Invoke the safeguard measures under the COMESA FTA in mitigation if subsidies can be proved

- i. Private Sector should take full advantage of expanded markets in EAC and AfCFTA.
- ii. Prevalent NTBs with SS, Kenya, and Rwanda needs to be addressed.

GoU Response

- i. Promote export strategies and enhance access to global and regional markets
- ii. Agreed to changes in EAC Taxation structures to promote regional trade
- iii. Agreed as EAC Partner states to changes in taxes on goods from outside EAC.
- iv. Make Ugandan Industries more competitive, attract investments and remove barriers to trade.
- v. Adjustments to promote import substitution and value addition of local industries.

GOVERNANCE AND ANTI-CORRUPTION

- i. Set up a private sector led Whistle Blower facility, to generate evidence on corruption cases.
- ii. Link the various public databases to ensure that they communicate with each other. Among such databases are the Companies Registry at URSB, the Land Registries, the NIRA, UCC and NITA-U

GoU is appreciated for e-government procurement initiatives and other automated systems

GOU RESPONSE

- i. Automate financial management systems (e-Government Procurement, e-Passport).
- ii. Ensure compliance with rules and regulations in public financial management, and implement Parliament's recommendations on the use of public funds.
- iii. Integrity drive to combat corruption and other vices essential for improving revenue collections.

MSMEs Development

- i. Establish new outlets in the industrial parks to be accessed by the wider MSMEs.
- ii. Support BDS, mentorship, training and market guarantee to various MSMEs
- iii. UNBS to develop standards for BDS service provision and also develop a team of BDS service providers that will be working with several MSMEs to support them address their challenges

INVITE Project when properly implemented shall support MSMEs' growth and competitiveness

GoU Response

- i. SMEs to be supported under INVITE- (Shs 209.3 billion provided) Project (SMEs long-term financing of up to 15 years).
- ii. Eight (8) government-owned operational industrial parks.
- iii. Three (3) under Public Private Partnership arrangement (Kapeeka, Mukono and Buikwe)
- iv. 12 square miles acquired by Uganda Investment Authority for industrial development at Local Government level.

LEGAL AND REGULATORY ENVIRONMENT

- i. Involve the private sector in the policy implementation
- ii. There is need to expedite the process of law making especially through parliament.
- iii. Fast track the enactment of critical commercial laws

The enacted Commercial Laws should fully be implemented.

GOU RESPONSE

- i. Parliament has enacted the Convention on Mutual Administrative Assistance in Tax Matters (Implementation) Act 2023.
- ii. Utilizing the Alternative Dispute Resolution mechanism by negotiating with taxpayers for settlement of tax disputes out of the court system to avoid delays in resolution of tax disputes.

TAX REGIME

- i. Ensure Progressive and stable Tax regimes.
- ii. Remove taxes on animal feeds – concentrates and premixes.
- iii. Efficient tax administration should be prioritized.
- iv. Digital Tax stamps: Incur the installation-related costs of the digital tax stamp to reduce the cost of doing business for the private sector.

Proposals

- i. Efficient tax administration should be prioritized and PPP considered.
- ii. Consider widening the base on tax.

GOU RESPONSE

- i. No tax increments on the taxpayers.
- ii. VAT exemption on premixes and concentrates for animal feeds.
- iii. The tax laws have been amended to improve the tax system and ensure fairness.
- iv. Improving tax administration, including use of ICT to fight tax evasion.
- v. Government to expand the tax base without increasing the burden on the same taxpayers.
- vi. Use of ICT systems (Electronic Fiscal Receipting and Invoicing, digital tracking, tax stamps and rental tax solution.
- vii. Rationalization of tax exemptions.

PS Vs. Gov't Priorities: Cross-Cutting Issues

TAX REGIME

- i. Amend Excise Duty on opaque beer from 20% or Ugx 230 whichever is higher to 12% or Ugx 150 per litre whichever is higher.

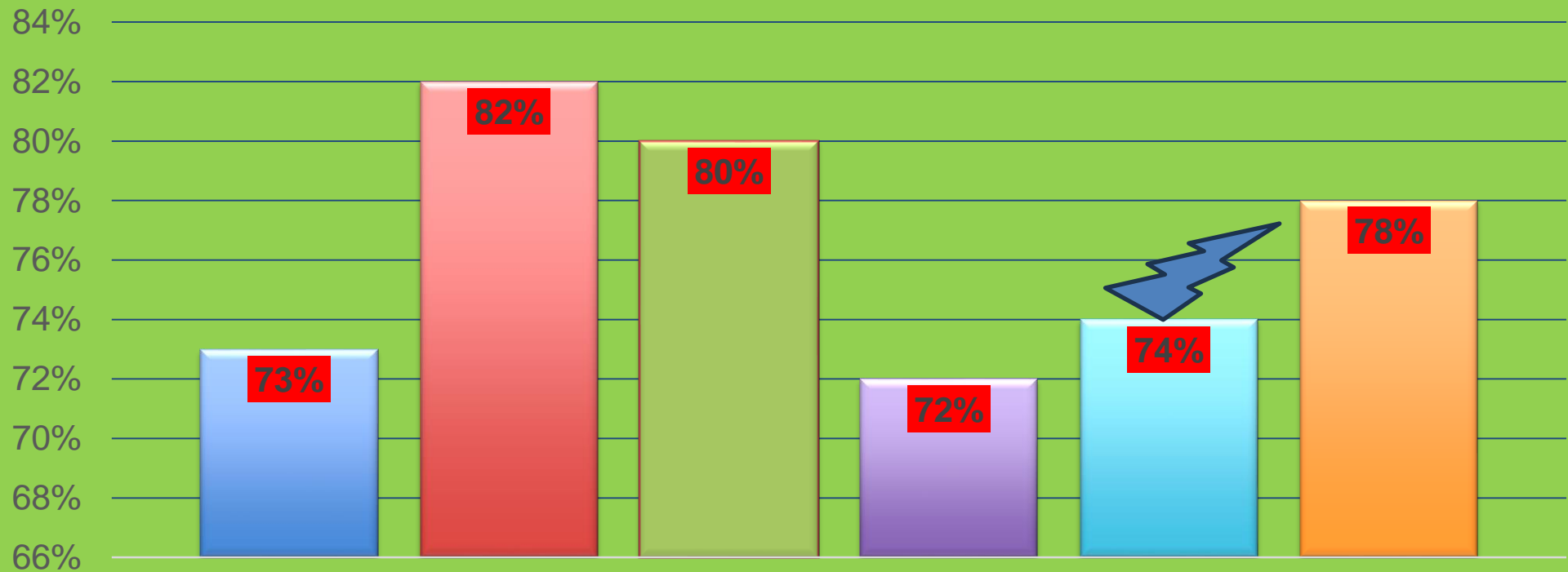
GOU RESPONSE

- i. Government has reduced the taxes on opaque beer to 12% or Ugx 150 per liter whichever is higher.



Private sector response Vs GoU Issues

Government Response to PS Proposals



Trend GoU vs Private Sector Issues (%)

■ 2018/19 ■ 2019/20 ■ 2020/21 ■ 2021/22 ■ 2022/23 ■ 2023/24



General Budget Aspects to Private Sector Devt.

1. Reduction of cases backlog (including commercial courts) will ease doing business.
2. Commitment to settle domestic arrears.
3. Including Tanzania on the One Area Network will enhance EAC trade.
4. Reduction of the size of investment capital required for an investor to benefit from excise duty exemption on construction materials, from US\$ 50 million to US\$ 5 million for Uganda nationals.
5. Oil and Gas:-Construction of EACOP and the National Oil refinery
6. Development of a petrochemical industry at the Kabaale Petro-based Industrial Park.
7. Mineral legislation to regulate Artisanal and Small-Scale Miners (ASMs).
8. Science, Innovation and Research:-(Shs 257 billion allocated).



CONCLUSION

1. Budget **theme** consistent with Private sector priorities (Government must ensure implementation).
2. Infrastructure development will reduce the costs of doing business.
3. **Measures for effective tax administration.** Are welcome and should be well implemented.
4. **Reduction of consumptive expenditure** by government is important.
5. **Settlement of domestic arrears** will unlock Private Sector investments
6. **Parish Development model and Emyooga** should be well implemented.

THANK YOU!!



Business growth is our business



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