

FINANCIAL YEAR 24/25 NATIONAL BUDGET MONTH LAUNCH

PSFU'S CHAIRMAN'S STATEMENT

Protocol

1. Hon. Minister, Ministry of Finance, Planning and Economic Development (MoFPED)
2. Other Ministers Present
3. Hon. Members of Parliament
4. PS/ST – Ministry of Finance, Planning and Economic Development
5. Permanent Secretaries Present
6. Leaders of the Business Support Organisations
7. Leaders of the Civil Society Organisations
8. The Captains of the Industry
9. Third Estate
10. Distinguished Ladies and Gentlemen

PSFU appreciates the MoFPED for this Financial Year's (FY) budget theme; "Full Monetization of the Uganda economy through commercial agriculture, industrialization, expanding and broadening services, digital transformation, and market access".

Word of thanks

- MoFPED for consulting the private sector throughout the budget process
- Parliament of Uganda especially the Committee on Finance, Planning and Economic Development
- URA – Specifically the CG and your technical team for always giving the private sector a listening ear and for your open-door policy

Introduction/ Background

The Private Sector Foundation Uganda (PSFU) is Uganda's apex body for the private sector in Uganda. It comprises over 330 business associations, corporate entities, and key public sector

agencies that promote private sector growth. PSFU's diverse membership spans 12 economic sectors: Oil, Gas, and Minerals; Financial Services; Information Communication and Technology (ICT); Tourism and Hospitality; Professional Services; Manufacturing; Trade and Commerce; Agriculture; Construction and Real Estate; Human Resources, Education, and Skills; Transport and Logistics; and Culture and Creative Arts. PSFU's primary role is to engage in policy advocacy and facilitate dialogue with the Government of Uganda to create a favorable business environment. PSFU mandate is to facilitate dialogues with the Government of Uganda on the matters required to create a conducive business environment through evidence-based policy advocacy.

A. PSFU activities towards the Financial Year 2024/2025 National Budget.

1. Consultations with the private sector and MoFPED on the FY 2024/25 Budget strategy

The PSFU conducted extensive consultations with the private sector and the Ministry of Finance, Planning, and Economic Development (MoFPED) for the FY 2024/25 Budget strategy. These discussions aimed to ensure the budget addressed the critical needs of the private sector by gathering input from various industry stakeholders to understand their challenges and priorities. Through this collaborative approach, the PSFU sought to align the budget strategy with the economic goals of the private sector, advocating for policies and allocations that supported business growth, enhanced the business environment, and promoted sustainable development. The consultations also provided feedback to MoFPED to ensure the final budget reflected the collective interests of private sector entities.

2. PSFU through several consultation with members, we developed papers leading towards this FY's planning and budgeting. We also presented on Critical areas that need funding in FY 2024/25 to boost production and private sector access to market and competitiveness; presented to the Presidential Advisory Committee on Budget (PACOB), MoFPED, Parliamentary Committees on Budget, National Economy and Finance, Planning and Economic Development. Among the proposals for the FY 2024/25 budget were;

- i. Increase funding to the National Agricultural Research Organization (NARO) to increase domestic production of high-value agricultural seeds.
- ii. Allocate resources for non-wage operation grants at LG for supporting agricultural extension services in the FY 2024/25 budget.
- iii. Prioritize investment in infrastructure for water production to the level of road transport and rural electrification program by ensuring that water for irrigation reaches the farm level to support the farmers.
- iv. Invest in cold chains and warehousing facilities (one-stop cargo consolidation hubs) for export across the country and most especially on key border posts.
- v. Prioritize aggregation of farmers and other supply chain actors in key export products to ensure traceability and easy access by the private sector to raw materials for value addition and export.
- vi. Strengthen the portfolio of Commercial Attaches to promote commercial diplomacy for market intelligence, investment promotion, marketing and branding of Uganda within the international and regional system.
- vii. Leverage Public-Private Partnerships to invest in trade-facilitating logistics like One Stop

Logistics Center, National Integrated Logistics Platform Project, Hub and Spoke Logistics Supply Chain Model project.

- viii. Expedite plans to establish the Standard Gauge Railway as this would reduce the cost of freight transportation from Mombasa to Kampala from USD 0.16 per tonne-km to about USD 0.03 per tonne-km. This should be extended to the Mutukula border post.
- ix. Free resources to promote Water as a viable and safer alternative means of transport for cargo by increasing cargo ships through government investments and PPPs. This will require tabling and expediting the passing of the draft Water Transport Bill, 2020 to cater for modalities of promoting water transport.
- x. Support Uganda Air Cargo Corporation (UACC) with cargo planes to provide quick delivery of goods in regional and global markets. The appropriate US\$266 million³⁴ as a resuscitation plan for UACC's purchase of cargo planes should be released to facilitate this plan. 32 Trademark Africa. (2021).
- xi. Free up resources for UNRA to ensure the construction and maintenance of tourism roads including internet hotspots and aerodromes at regional and international required levels
- xii. Emulate Kenya and Rwanda in promoting the free movement of persons by granting visa-free entry for all Africans.
- xiii. Fast-track the construction of the planned Kampala storage terminal which is to store about 60 million litres of fuel as this would complement the existing oil reserve in Jinja which can only store 30 million litres.
- xiv. Expedite the implementation of the Electricity Access Scale-up Project to achieve the target of delivering about 1.3 million⁴¹ last-mile connections on both the grid and off grid.
- xv. Attract both domestic and FDI targeting Investment in the sports sector to establish sports activity. Which is timely given the fact that the country is co-hosting the African Cup of Nations in 2027.
- xvi. Enact the National Graduate Scheme bill into law and roll it out to introduce a mandatory National Service Scheme.
- xvii. In FY 2024/25, the government should treat the need to have a common user hub/facility as a critical infrastructure to promote the sector.
- xviii. Expedite plans to extend broadband connectivity to the parish level and last mile connectivity to expand access to affordable high-speed internet through the National Backbone Infrastructure.
- xix. Support the development of local ICT products (innovations) by supporting regional ICT incubation hubs and training communities and SMEs on digital literacy.
- xx. Address delays in paying Domestic Arrears: Domestic arrears have increased to US\$2.5 trillion⁴⁹ which is verified despite the existence of the Strategy to Clear and Prevent Domestic Arrears in June 2021, and according to the Public Finance Management Act (PFMA) 2015, Section 21 (2).
- xxi. The government should increase the staffing and laboratory capacity of UNBS to enhance its mandate of developing, enforcing, and monitoring standards for increased

good-quality exports.

- xxii. The government to optimally fund UNBS and treats its services as an infrastructural enabler rather than as a source of revenue which is now undermining the affordability of UNBS certification fees.
- xxiii. The government expedites the enactment of the anti-counterfeit bill to combat the importation and sale of counterfeit products on the Ugandan domestic market. This bill was withdrawn by the government in 2021 on the grounds that there are other laws that can address the gap.
- xxiv. Enact and implement the Local Content Bill 2020 to enforce the Buy Uganda Build Uganda (BUBU) policy and reservation schemes.
- xxv. Mainstream local content in the ICT sector's budget to allow for the participation of young "entrepreneurs" who are critical in driving the country's digital transformation agenda.
- xxvi. Ensure that if Ugandan products meet the required standards, Public Procurement should be skewed towards these goods and services.
- xxvii. Establish a Construction Industry Development Fund in the Uganda Development Bank that would offer fair and affordable financing at an interest rate of say 7 – 12% P.a.

3. PSFU DTS study report titled Impact of Digital Tax Stamps on Manufacturers in Uganda.

In fulfilment of PSFU's mandate, PSFU contracted the services of PwC to assess the impact of the Digital Tax Stamps on the manufacturing sector. From the findings, it has been evident that the DTS system has increased the cost of manufacturing in Uganda and capital flight. As such, we have made several proposals to government on how to remedy the situation and we hope they will be considered in this coming Financial Year.

4. Private sector position paper on the FY 2024/25 tax bills and their impact to the private sector.

Presented to Parliamentary committee of finance planning & economic development- parliament of the republic of Uganda. This document includes recommendations that the business sector felt would significantly boost the economy and increase job possibilities for Uganda's youth once they were accepted and put into practice. The Plan Contained Restructuring the Digital Tax Stamp (DTS) payments to account for the increased excise duty collections, limiting the application of DTS to taxpayers who have consistently under-declared the correct excise duty payable, ensuring accountability and service delivery, bolstering URA's ability to administer taxes through successful Private Public Partnerships, and creating tax policies that encourage the use of electric and hybrid vehicles are all ways to ensure a predictable (stable) tax regime.

B. Planned PSFU activities during the National Budget Month FY 2023/24

1. The Private Sector National Post-Budget Dialogue Financial Year 2023/24.

The PSFU plans a Post-Budget Dialogue to engage Women Entrepreneurs and Women-Owned MSMEs, focusing on advocacy efforts to improve the business environment. The event is part of National Budget Month activities, partnering with other agencies. Policy reforms affecting

women's work opportunities need analysis for further policy reforms.

Key policy makers, prominent figures in the private sector, and representatives of participating development partners will participate in the national dialogue between the public and private sectors. During the dialogue, the challenges facing the business environment as a result of national and international shocks such as high inflation, tight financial conditions in most regions, and the COVID-19 pandemic's secondary negative effects will be discussed, and solutions to these problems will be developed with an emphasis on the theme of **"Full monetization of the Ugandan Economy through commercial agriculture, industrialization, expanding and broadening services, digital transformation, and market access"**.

Objectives for the dialogue and Credit Facility Awareness Campaign.

- i. To account to the PSFU members, Women Entrepreneurs and Women Owned MsMes on the policy advocacy agenda for the year 2023/24 citing out the achievements and weaknesses.
- ii. Consult the Women Entrepreneurs and PSFU members on the implications of the FY 2024/25 National Budget Strategy and how it affects investments, business operations and Job creation which will inform the advocacy process for the next Financial Year.
- iii. To create an awareness to Women Owned MsMEs in areas of tax education, business formalization, standards, and the implications of the budget across the country.

2. Regional Post Budget Sensitizations.

The national budget results into policy reforms that impact the needs of women entrepreneurs who want to grow their businesses, sustain their self-employment, and create more jobs through credit awareness. PSFU is planning to hold regional dialogue(s) to sensitize and consult its members and women entrepreneurs in **Arua, Lira, Jinja, Mbale, Soroti, Masaka, Mbarara, Hoima, and Kabale.**

Conclusion.

PSFU extends its heartfelt appreciation for the ongoing collaboration and opportunities provided by the Ministry of Finance, Planning, and Economic Development (MoFPED), the Parliament of Uganda, and the Uganda Revenue Authority (URA). The engagement and consultations with the private sector have been instrumental in shaping the National Budget, reflecting the collective interests and needs of the business community. As we move forward, PSFU remains committed to advocating for policies that foster a conducive business environment, drive economic growth, and create sustainable job opportunities. We look forward to continued partnership and dialogue to ensure the successful implementation of the National Budget for FY 2024/25 and beyond.