



## **Summary presentation on FY 2021/22**

### **Government Response to Private Sector Proposals and emerging opportunities**

**By**

**Mr. Francis Kisirinya, Ag. Executive Director**

**On the Public Private Policy Dialogue on Implications of COVID 19 pandemic on Life,  
Business and Job creation, 8<sup>th</sup> July 2021**

Hon. Minister for Finance Planning and Economic Development,  
Hon. Minister of Science Technology and Innovation,  
Chairman, Board of Directors and Board members,  
MasterCard Foundation,  
Members of the Private sector,  
Fellow Participants

Hon. Minister, First, I take this opportunity on behalf of PSFU management to congratulate you upon being re-appointed the Minister of Finance and Economic Development recently. Secondly, I thank you very much for standing with us when we lost our Executive Director; Mr. Gideon Badagawa. We thank you and the Ministry of Finance for the generous contribution towards the burial arrangements.

Hon Minister, the report I'm presenting to you today is the peak of the PSFU's cycle in the National Budget making process. This process begins with extensive consultations among our 12 sectors across the country on issues they consider important for inclusion in the national budget. Members, when we received your policy concerns and proposals, we compiled, synthesized, prioritized and harmonized any conflicting ideas into a comprehensive policy advocacy agenda.

We then engaged with various Government agencies including Ministry of Trade Industry and Cooperatives, Ministry of Finance Planning and Economic Development and later to Parliament of Republic of Uganda, to present the various concerns raised by the Private Sector. I thank the Chairman and Board of PSFU and the Chairman of our Policy Advocacy Committee Mr. Rajesh Chaplot for ably leading this effort. I also thank the members who moved with us in the many meetings to present our case. And thank you all Government Agencies for welcoming us and engaging with us.

I now want to give an account to you our members on how the submissions we made have been considered in the national budget that was read on 10<sup>th</sup> June 2021. I will also share with you, the implications of some pronouncements to your business together with the opportunities this budget opened up so that you are better prepared to take advantage of them.

My account is going to be in summary and I have grouped our submissions into five areas. I will mention the area, what was proposed and why and how the budget responded.

**PSFU MEMBERS PROPOSALS AND GOVERNMENT RESPONSE**

Proposal	Examples/ Specifically	Government Response
<p>Taxation (Income tax, Excise Tax, VAT etc)</p> <p>Progressive tax policy with aim of a) accelerating innovations to add value on agricultural commodities (Maize, Cassava, Fruits etc).                      b) Increase incomes of farmers from the various commodities.                      c) Accelerating import replacement (Local Content) in line with NDPIII and the stimulus package government announced around May 2020.</p>	<ol style="list-style-type: none"> <li>1) Proposed introduction of cider category of non alcoholic beverages with tax of 0% in the first year</li> <li>2) Reduce excise duty on beer whose Local raw material use is at least 75% excluding water from 30% or UGX 650 per liter (whichever is higher) to 30% or UGX 550 per liter.                      Implications:                     <ol style="list-style-type: none"> <li>i. Provide markets for maize and cassava farmers for about 180,000 farmers. Income per annum was forecast at 123bn.</li> <li>ii. Generate an extra 8 bn. Shillings annually in excise duty</li> <li>iii. Generate 12.3 bn. Shillings annually in VAT</li> </ol> </li> <li>3) Proposed reduction in the rates of DTS to be similar to those in neighbouring countries and eliminate externalizing DTS fees collection</li> <li>4) Drop the OTT tax but rather charge income tax on the business proceeds which are generated by use of internet as an enabler to doing business. If internet is affordable, then consumption of internet will increase which yields more VAT.</li> </ol>	<p>This was accommodated and will offer pineapple farmers opportunity to sell to organized manufacturers. Thank you</p> <p>Excise duty on beer whose local raw material use is at least 75% excluding water from 30% or UGX 650 per liter was not considered.</p> <p>Instead, Excise duty of 20% or UShs. 230 per litre whichever is higher on any other locally produced alcoholic beverages. The likes of kambuchas, mukama nayamba etc.</p> <p><i>This does not encourage use of local raw material in the alcohol sector.</i></p> <p>Questions were they ready or will they suffer the opaque beer fate?</p> <p>This was not done.</p> <p>Dropped OTT tax but rather introduced 12% excise duty on internet. This undermines use of ICTs to carryon business in the current Covid 19 times.</p> <p>Increase in tax of plastic raw materials. This will undermine local production and encourage imports to the detriment of import substitution.</p>

<p>Maintaining effective demand within the population given the challenges of covid 19. (lockdowns, job losses, etc). This was meant to ensure that businesses continue selling products, avoid laying off workers and stop possible business closures.</p>	<p>a) Payment of all domestic areas.</p> <p>b) Enactment of Local Content Law</p> <p>c) Enhancement of implementation of existing BUBU policy in public procurement</p> <p>d) Insurance for Government assets</p>	<p>Allocations were made and a release was made by the ministry two days ago. Thank you but let's ensure that all arrears are paid and no more are accumulated.</p> <p>Happy that Local content law has been prioritized under the budget. Our hope is that the contentious issues of the use extension of the law towards public funds – concessional loans and tax revenue will be resolved.</p> <p>Still below 40% which limits the country the opportunity to use public funds to stimulate consumption.</p> <p>Happy as it will grow insurance sector, generate jobs etc.</p> <p><b>Stimulus package 2 needed. (Renew loan moratorium program, defer taxes, address rent for traders)</b></p>
<p>Reduce cost of financing in the economy</p>	<p>a) Capitalization of UDB up to US\$1bn</p>	<p>Happy with addition 103bn besides the Us440bn earlier disbursed. Please convert this into capital</p>

	<p>b) Enactment of NSSF Amendment</p> <p>c) Enactment of Government Pensions Scheme Amendment bill and its operationlization.</p>	<p>Not mentioned. HE needs to assent to these laws. It is the only solution towards making available local resources for reduction of lending rates.</p> <p>Operatilizatoin of the Government scheme requires auctorial service.</p>
<p>How to effectively implementation of agreed policies,</p>	<p>a) Involve the private sector in implementation of policies and programs.</p> <p>b) Rationalize Government Agencies should be driven by research on implications to service delivery to particularly to the private sector</p> <p>a) Rewards and sanctioned should be used on the performance of public servants</p>	<p>Parish Development model developed with objective of inviting the private sector to participate.</p> <p>But research needs to be done to examine the impacts on service delivery.</p> <p>Not mentioned</p>

Members, as you have noted already, the budget has this time accommodated only 72% of our proposals. This is the lowest in the last 10 years. This is despite our many researched positions and numerous engagements. Otherwise in 2013/14 - 77%, 2014/15-75%, 2015/16- 78%, 2016/17 -76%, 2017/18-81%, 2018/19-73%, 2019/20 at 82%, and 2020/21 at 80%.

Hon Minister, I note that every time the score was low, we got substantial increases the subsequent year. I hope it will happen again this time around. So members let us continue to make proposals beginning today so that next year's budget accommodates more of our proposals.

*Hon Minister, this measure is very important in showing how Government responds to private sector issues. I recommend that it is included as part of Key Performance Measures in our NDPIII monitoring and Evaluation Framework. I'm convinced that by tracking it will increase our level of engagement leading to better service delivery.*

## **OPPORTUNITIES**

Members, the budget has also provided many opportunities for us to take opportunity of to grow our business but also start new ones. These include;

- 1) The Parish Development Model was allocated 490 billion Ushs to promote inclusive sustainable growth at the parish. This provides opportunities in value chain development, infrastructure and BDS development, financial inclusion and Community Information System.
- 2) Extended period for restructuring loans from 1st April 2021 for a further six months, September 2021 which provides relief to companies. Please talk to you Bank
- 3) Continued re capitalizing UDB with Shs. 103 billion in 2021/22 to support the business community. Visit them for financing
- 4) Provided Seed capital amounting to Shs. 200 billion out of Shs. 416 billion – Emyooga to support youth entrepreneurship. Young people. Do you hear me.
- 5) Plans to set up Regional Science and Technology Parks and Business Incubators to promote innovations done by the young people
- 6) DR Congo joining the EAC region increase the market for goods and services provided by the private sector-Lets position ourselves.
- 7) Signature of the oil exploration and pipeline agreements presents an opportunity for supply of goods and services provided they conform to the set standards. This sector has so far

brought in 4 billion USD worth investment money and in the next 3-5 years a total of USD 20 billion investments is expected in Uganda. Ugandans need to prepare to take charge of these opportunities.

As, I conclude, I wish to request you members to continue entrusting us with your policy concerns. Let us keep the debates more and more vibrant and out of these we shall turn up with excellent proposals needed to build the private sector even more. We also request Government to continue engaging PSFU on issues of private sector development. Lastly, I want to assure the wider private sector that the PSFU will continue to be your apex body to drive your interests even after the demise of our late Executive Director.

I thank you all for listening to me and I assure you members "Your Business is our Business" always

For God and my country

---