



PRIVATE SECTOR STATEMENT ON THE FY 2023/24 NATIONAL BUDGET STRATEGY

PRESENTED BY

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BUDGET CONFERENCE FOR FY 2023/24

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Allow me to bring compliments of our Chairman, the Hon. Dr. Elly Karuhanga who has not been able to be with us physically this afternoon. Be assured of his commitment and that of the entire private sector in Uganda to every effort aimed at improving the well of being of citizens.

Private Sector Foundation Uganda, the Apex Body of the entire private sector in Uganda has a major task to Represent, Engage, Advocate, Serve & Build the private sector in Uganda. Accordingly, we are most grateful to Government for always consulting us in matters of policy making. Today's invitation; among hundreds; to contribute to shaping next year's budget strategy is a clear testimony of the Government's commitment to consultations. I thank you Hon. Minister for this.

The private sector in Uganda contributes over 50% to financing the FY 2022/23 national budget and accounts for 90% of all non-farm jobs in the country. This private sector; is dominated by Micro, Small and Medium Enterprises which comprise about 93 for every 100 business establishments. Micro Enterprises comprise about 80 for every 100 business establishments. In terms sector contribution to GDP, the projection is that Services contribute 41.5%, Agriculture 24% and Industry 26% according to the FY 2022/23 budget.

As you are all ware, due to the current global economic turbulences, caused in part by the Russia-Ukraine war, UBOS's quarterly estimates of GDP indicate that the economy contracted by 1.6%

quarter-on-quarter by March 2022. Similarly, the Composite Index of Economic Activity (CIEA) reduced on quarter-on-quarter growth by 1.4% in March and June 2022. Nevertheless, thanks to the good economic policies instituted by the Government, Uganda's Gross Domestic Product (GDP) grew at an average of 8% annually between 2002–12, before decelerating to around 5 percent between 2013-20. The declining GDP was also followed by a gradual increase in poverty levels over the years. According to the Uganda National Household Survey 2019/20, between 2012/13 and 2016/17, the share of the population living under the national poverty line increased from 19.7% to 21.4%, a 1.7%-point deterioration. This resulted in around 1.4 million Ugandans slipping into poverty and sadly, households engaged in agriculture accounted for about three-quarters of the increase in poverty.¹

As if this not-so-good performance wasn't enough COVID-19 came to our land and containment and case management measures affected the economy negatively impacting businesses and employment. According to a study by the Economic Policy Research Centre on the plight of MSMEs amidst COVID-19 dated April 2021, employment in the services sector reduced by about 61% during the total lockdown while the manufacturing and agriculture sectors reduced by 27% and 43% respectively. The study further estimates that based on the monthly average employment recovery rate of 2.4 percent, it would take about 32 months (2 years and 8 months) effective July 2020 for MSMEs to recover their pre-COVID-19 employment levels. As Uganda's private sector was beginning to recover from the COVID-19 economic shocks, the Russia – Ukraine war came in. This has devastated the global supply chains and has contributed to the current food crop inflation of 16.4% and of electricity, fuel, and utilities at 17.2% as of July 2022.

Consultations with the private sector showed that our economy is suffering from the following constraints:

- Covid 19, Russia-Ukraine war and their effects.
- Low purchasing power (even pre-covid).
- Narrow taxable base which forces the government to create a multiplicity of taxes on a few compliant taxable sectors and taxpayers.
- Lack of appropriate capital (development finance) for investments and operations.
- Slow enactment of Business Laws – such as the local content bill.
- Poor and slow implementation of government investment projects and accumulation of domestic arrears which are affecting private sector performance.

¹ Other contributing factors were the overall economic slowdown and widening in regional inequality observed since 2012/13. The only region where poverty did not increase was the Northern region. Poverty declined in this region because of favorable weather conditions and increased transfers (remittances and social transfers).

- Closing markets in the region (NTBs and Others) – such as the recently imposed charges on trucks going to South Sudan (US\$ 100 per year per truck and US\$ 60 per vehicle on every entry).

To address these constraints, the need for an empowered population with wealth and decent income is crucial. We, therefore, recommend that the **budget strategy for the 2023/24 budget should in general terms pay attention to:**

- a) **Mitigating the impacts of the Russia – Ukraine war;** The Russia – Ukraine war has been an eye-opener in terms of how geo-political tensions can destabilize global markets. For example, 30% of the global trade in wheat is from Russia and Ukraine, thus, the war destabilized the global supply of wheat leading to an increase in prices. Thus, Uganda needs to invest more in research and development, especially for the banana, cassava and Irish potato value chain as alternatives to wheat.
- b) **Unprogressive tax regime.** We thank the government of Uganda for not adding any new taxes in FY 2022/23. However, we encourage the government to continue the same trend for at least 3 more years to enable strategic and long-term investments into the economy. Moreover, an unstable tax regime constrains business growth thus should not be encouraged.
- c) **There seems to be allocative inefficiency.** New budget strategy should readjust spending priorities to only those programs that are able to generate growth and attract money into the economy. We thank the government with the leadership of Ministry of Finance, Planning and Economic Development for adopting a policy on program-based resource allocation and encourage that it continues.
- d) Emphasize accountability with evidence of results in Government. The private sector recommends that government expenditure should focus more on private sector development. It is this way that the tax base will be widened.
- e) Address financing constraints through requisite policies and also establish **de-risking mechanisms such as Risk Guarantee Schemes** to increase available capital for investments and operations. Opportunities have opened up in the Oil Sector without appropriate capital local businesses may end up not participating.
- f) Enforcement of **Local Content Policies and Laws** to reduce capital flight, expand markets for local producers by using the budgeted resources to stimulate demand amongst the population. Address market imperfections domestically through regulating competition.

- g) Expand foreign markets by engaging foreign countries to address prevalent non-tariff barriers but also continue the efforts in enhancing commercial diplomacy to open new markets for Uganda's products. PSFU in partnership with the Ministry of Foreign Affairs and Presidential Advisory Committee on Exports and Industrial Development (PACEID) have been engaging in exploring markets for Uganda's products in the region and beyond. Because of the volatility of these markets, a need to establish export guarantee schemes has emerged. This has been requested by the business community. This will improve agricultural productivity and income.
- h) Need to **address capacity challenges and information gaps among MSMEs** to trade meaningfully in AfCFTA. The Ministry of Trade Industry and Cooperatives needs to intensify efforts in creating awareness on AfCFTA and fast-tracking the enactment of the AfCFTA National Implementation Strategy.
- i) Align budget and tax policy to promote value chain development. This is very important in **developing the Agriculture** sector and important if the Import Substitution Strategy is to succeed.
- j) **High domestic borrowing/constrained fiscal space:** Because of expanding expenditure without commensurate growth in domestic revenue, the fiscal space is very limited and hence limited flexibility by Government. Consequently, domestic refinancing strategies through sale of Treasury Bills (TBs) have been adopted and frequently used. Commercial banks end up investing more in TBs and this does not only crowd out the private sector from the financial sector but also undermines the import substitution strategy. This is because, whenever financial instruments are raised through commercial banks, they attract foreign investors who pump forex into the economy. This makes imports cheaper thus making domestically manufactured goods uncompetitive. The policy message here is for these domestic investors end up shifting from local production to imports which affects the country's industrialization strategy.
- k) Identification of Public Private Partnership (PPP) projects that shall be mainstreamed in line with the NDP III trajectory. Such projects should be named and published so that interested private sector players can then approach the PPP secretariat at the MoFPED to commence the PPP process in line with the PPP law. Through such projects, Uganda will be able to address the issue of the establishment of heavy industries that can aid the import replacement agenda and also the local production of industrial inputs that are currently imported. Example: Uganda imports steel in-puts and clinker for cement

production worth about **USD 1.0 billion** of 10% of import Bill for FY 2022/23 that stood in the region of **USD 10 Billion** yet Uganda has deposits of iron ore and limestone that can locally produce its steel and cement in-put needs.

In line with NDP III Program areas, the budget strategy should focus on the following interventions:

1. Innovation, Technology Development, and Transfer and Digital Transformation

- a. **Revise the ICT Sector taxation regime.** There are currently Layers of Taxation on Importation of Internet into the country that are charged on importation and NOT regarded as input Tax. The Tax is called Reverse VAT at 18%. This tax is on top of WHT of 5%, Telecom Licence Universal Access Levies 2%, Licence 1%, Excise Duty 12%, Value Added Tax 12%. These are direct taxes on all Imported Internet. The Reverse VAT Charge is intrusive because it affects available resources for investment into a geographical extension of telecommunications services. The Telecommunication industry is proposing that the Tax be converted into an Input Tax instead of a Tax Charge or be Zero Rated on proof that it is Imported by the connection between two Carriers or Tier Wholesale Suppliers (Foreign and Local) given that the internet cannot be Locally manufactured by its nature. The tax regime has been affecting the price of internet to the final consumer on the upside; creating delays in the deployment of services to end users – as a Cashflow Impact; creating delays in internet penetration efforts which currently sits at 20% in fixed access corporate grade Internet access as at UBOS Telecommunication Survey Report 2022. When revised, a successful tax policy regime will enable the industry to commit to ploughing back and meet geographical promises in their licence obligations on time; Internet cost price discount by 10% immediately and drive innovation, especially among the youth and revenue collection by the government.
- b. **Digital inclusion in the implementation of Parish Development Model.** As already noted, the cost of internet is still high in Uganda. Furthermore, strategic and successful implementation of the PDM will also depend on how the government integrates ICT into the process. We, therefore, recommend including private sector players within the digital space in the implementation of PDM.

2. Agro-Industrialization

- a) **Developing the Horticultural export cold chain:** Uganda produces the best horticultural products such as avocados, hot Pepper, French beans, onions, Garlic, cowpeas, ginger, tomatoes, pineapples, okra and passion fruits among others. However, Uganda doesn't significantly export these good products because of poor logistics. Therefore, the private sector requests that the government invests in the value chain from production to export marketing. Investments in the cold chain and regulation is of critical importance to grow and export these products.
- b) **Invest in agro-storage facilities at parish levels under the PDM.** This will facilitate the consolidation of products at the parish levels and facilitate access to bigger markets. This will also facilitate post-harvest handling issues, especially for grains and other agriculture products such as coffee.
- c) **Invest in the floriculture industry;** the flower industry earns Uganda about USD 61 million but has been facing a lot of export bans in the European Union which is Uganda's main export mark. The industry needs to transition to use of improved infrastructure to meet the increasingly difficult export requirements. Among these very needed infrastructures is the **metallic greenhouses that can be completely covered to maintain pest and disease integrity.** Once supported, the sector can perform much better than the flower industry in Kenya which is employing over **100,000** people and earning over **USD 1 billion.**
- d) **Investing in irrigation.** The 16.4% inflation in food crop prices is in part due to the recently experienced drought as a result of climate change. We, therefore, implore the government to make use of Uganda's endowment of lakes and rivers by investing in irrigation systems to circumvent the climate change effects.
- e) **Investing in veterinary drugs industries.** We also ask the government to invest more in the manufacturing of veterinary drugs and ensure that counterfeits are managed because they are affecting the industry.

3. Mineral Development.

- a) **Invest in Mineral development.** There are growing interest by foreign and domestic investors to invest in Uganda's minerals sector valued at US\$ 620.5 billion. There is also a need for value addition to quadruple the projected value which would grow the

value to US\$ 2,482 Billion. On average, 99.4% of iron ore, Gold, copper, cobalt and Nickel, Vermiculite and Rare Earth Elements are untapped reserves (New Vision Monday, August 9, 2021 p. 20). Therefore, the government should invest more money in mineral development and managing small-scale artisanal miners.

4. Sustainable Development of Petroleum Resources.

- a. To sustainably develop the petroleum industry, the diversification approach needs to be adopted. This will depend on how our local content is developed. Therefore, we propose that the Ministry of Finance works closely with the Ministry of Energy and Mineral Development to fast-track the implementation of a local content fund for oil and gas sector players.

5. Tourism Development.

- a) **Marketing tourism industry.** Uganda is one of the most endowed tourist destinations in the world. In the FY 2022/23 budget tourism was allocated UGX 194.7bn with the target to increase tourism revenues through improved tourism infrastructure, and promotion of domestic tourism. However, the marketing of the industry is still lacking. Therefore, the private sector proposes a deliberate investment in the tourism industry marketing especially investing in trade fairs and using international media.

6. Private Sector Development.

- a) Adopt a **monetary policy- fiscal policy mix** which creates the right balance between the management of inflation and exchange rate to promote the export agenda of the country. These could consider buffer stocks instruments to be used in managing excess agricultural production against the open market instruments- treasury bill and bonds.
- b) **Expedite the enactment of the commercial laws and regulations** required to support the business economy. It is these policies that are used to grow GDP which in turn yields tax revenue that facilitates both Government and the Private sector. We commend the Parliament of Uganda with which we are already engaging for reviving the debate on the Local Content Bill. However, we maintain that the enactment of the bill should be fast-tracked.

- c) **Invest in proper evaluation of government programs and adopt a private sector-inclusive programming.** Over the recent past, economic growth strategies have been developed to guide the budget i.e. Public Investment for Agro Industrialization (PIMA), and Emyooga among others. Unfortunately, several of these have been changed without proper evaluation of success and failures and therefore we are not able to draw lessons from their operations. The Parish Development Model has now been introduced in the current FY. The challenge is, however; the big aggregators were not consulted and/or involved to tap into the **93%** of the producers at parish levels; the parish is very small a market or production base for the small private sector players (aggregators) to make a meaningful contribution. The PSFU proposes that the budget strategy should address itself on;
- Continue with the implementation of the Parish Development Model in the medium term while instituting a performance review mechanism.
 - Create a tier that considers the big private sector players' involvement at Sub-county level for value chain leaders and the sub-national private sector is at parish and village levels. This will facilitate access to markets.
 - Continue investing in infrastructure especially road networks to be able to facilitate market access of products produced at Parish-levels.
 - There is also a need to form and strengthen farmer cooperatives to promote self-bulking to promote consistent supply and regulate price fluctuations. This can be done by under the Parish Development Model.
- d) **Revise the tax regime especially on utilities to facilitate private sector competitiveness.** and manage the commodity prices. Standard rating of VAT. The current VAT rate is unfair as it affects consumption, especially among the poor. This is worsening the price situation which affects the standards of living of people. We propose that VAT rate is aligned with Kenya our main trade partner at 14% and that VAT on utilities and essential products as determined by the basket of goods under UBOs be reduced from 18% to 12%. This will reduce commodity prices on essential products increase consumption and generate more tax revenue on turnover.
- e) **Economic recovery fund.** We appreciate government efforts in allocating resources to Covid-19 economic recovery. We further would like to emphasize that the UGX 200 billion fund for small businesses which make up to **93%** was not enough to help the majority of them recover from the COVID-19 shocks.

- f) Investing in Uganda Air Cargo.** The cost of transporting cargo from Uganda to other market destinations by air and vice versa is still high given that there are in some cases no open routes for water transport and the cargo airlines are limited. The private sector, therefore, requests our governments to invest in air cargo to facilitate easy movement of cargo even within the EAC especially DRC and Somalia when it joins the community.
- g) Invest in the Standard Gauge Railway and Uganda's entire railway system.** The cost of transporting cargo on the road from ports to Uganda is very expensive. Yet, Railway transport is the second cheapest means of cargo transport. We, therefore, implore the government to invest in galvanizing Uganda's railway system to facilitate the transportation of cargo from both Kenyan and Tanzanian ports.
- h) Reducing the cost of the Digital Tax Stamps (DTS).** Since early 2018 Digital Tax Stamps (DTS) have been under discussion in Uganda as a sore point for Manufacturers and Retailers. Uganda decided to introduce the Digital Tax Stamps (sometimes called Excisable Goods Management System – EGMS) solution. However, the DTS system has put a heavy operational burden on manufacturers who were already tax compliant. Therefore, we request that the cost of stamps be reduced and in the next 2-3 years if found not effective, more practical measures be adopted other than the DTS system.
- i) Local Content mainstreaming is key to augment import replacement.** While it is a well-known fact that **65%** of the GoU budget goes into the procurement of goods and services and that the PPDA law in place provides for local content through reservation and preference schemes, traction necessary to support this is missing. The regulation necessary to operationalize the dispensation has remained in abeyance since November 2021! The Inaction is with the Ministry of Finance. This should be resolved to enable the use of local content mainstreaming as basis for economy recovery post the pandemic period.
- j) Government of Uganda (GoU) undertaking deliberate efforts to reduce the cost of capital** so as to spur the private sector credit uptake and meaningful economic recovery from the COVID-19 growth now worsened by the global recession due to the Russia-Ukraine war. At present at least 85% of credit into manufacturing is from commercial banks. This explains in part heavy industrial out-fits are not forthcoming in Uganda due to the absence of concessional patient capital. Three things can be done to change the state of affairs;

- i. Requiring National Social Security Fund (NSSF) that is currently unable to lend optimally in Uganda to purposefully lend to Uganda Development Bank and the East African Development Bank headquartered in Kampala so as to avail Private sector an opportunity to borrow at concessional rates on a long-term basis. In Uganda, Priority investment sectors are duly defined by the Investment Code Act as well as NDP III to ease prioritization;
 - ii. Other pension funds other than NSSF as well as insurance Companies should be incentivized by tax policy to lend more aggressively, on longer-term approach, unlike commercial banks. This will further increase competition even within the development finance tier to reduce cost of capital.
 - iii. Through Tax Policy reforms, GoU should revisit the current Capital Gains Tax (CGT) regime to allow for indexation of business assets so as to allow for updating of real business value. This should also include share stock values. Once this is done, the predominantly family-owned businesses that define the private sector in Uganda shall be able to embrace the listing of shares on the Stock Exchange so as to raise capital without having to borrow expensively. Currently, the CGT regime does not favor listing as historical values for shares across businesses would mean that all monies realized in sale of shares would be whipped out by taxation.

- k) **Facilitation of SMEs to embrace and conform to standards as a tool to guarantee market access, local, regionally and internationally.** In the very recent past, there was a report by the Uganda National Bureau of Standards (UNBS) that confirmed that at least **54%** of goods traded on the local market are substandard. This is a major health and safety risk to Ugandans. In addition, producers of such items that are largely in the SME category just life-supporting held into the next level of competition by preparing and facilitating them to meet required industry standards. Therefore, in the FY 2023/24, GoU should avail a **50%** reduction in cost of certification for SMEs that can prove possession of production facilities for goods and services and compliance with tax obligations.

- i. **GoU should establish tax administration reforms that can enhance compliance in addition to broadening the tax base** with relative ease. While Uganda Revenue Authority (URA) is doing its best through especially automation to drive compliance, there are still gaps that can be plugged to drive both compliance and tax revenue growth. Key proposal is to the amendment of the Tax Laws to allow URA to recruit Certified Public Accountants (CPAs) as Tax Auditors so as to

augment URA audit capacity that is too low to support private sector optimal development. In this, like bank of Uganda (BoU) and or Office of the Auditor General (OAG) does, URA can pre-qualify CPAs authorized to undertake audits on URA's behalf. Such CPAs should not be Tax Advisors and or Statutory Auditors to avoid conflict of interest. This innovation shall be able to ensure that when tax payers file Final Financial Statements, they are also able to file Final Tax Returns and meet their obligations as opposed to now, when tax payers are waiting for 3-5 years to be able to have URA conduct comprehensive tax audits! URA shall never have ample staff to carry out audits. She must embrace the power of strategic partnerships in delivering its mandate.

7. Public Sector Transformation

- a) **Facilitating Ministry of Foreign Affairs to have Trade Development Officers:** Trade development officers as part of Commercial Diplomacy are very essential for Uganda's private sector to access foreign markets both within the region and beyond. Therefore, we ask the ministry to allocate more resources to the Ministry of Foreign Affairs to have Trade Development Officers in every Embassy and High Commission.
- b) Budget development should have controls **on development versus administration budgets**. The business community proposes that **70:30 percent ratio**. This will ensure that enough resources are put in productive work which grows the GDP and generates more tax revenue.
- c) **Efficiency of Government operations through embracing automation of various processes**. This does not only close room for corruption but also improves efficiency in Government. We commend the government for the efforts so far put in the procurement processes to achieve this endeavour. However, we propose that it is integrated in all processes and systems of government to manage the cost of public administration.

8. Natural Resources, Environment, Climate Change, Land and Water Management

- a) **Environmental protection.** Climate change has affected food production and biodiversity which are some of Uganda's crown Jewries. We, therefore, ask the MoFPED to allocate more resources to policing of the environment to protect wetlands and other protected areas.

- b) **GoU Should mainstream green growth for the sustainability of mother nature.** PSFU expects GoU to onboard tax incentives that can drive environmental protection and sustainability through tax policy. For example, a threshold for planted trees by corporates can be established to merit tax rebates and or incentives. Such will more sustainably drive environmental conservation and management as opposed to when it is NGOs driving the agenda of such an important global subject.

9. Human Capital Development

- a) **Skills development.** The NDP III has defined the skills necessary for Uganda to achieve its development trajectory. Unfortunately, there is limited action that details mechanisms of achieving skill-based human capital development which condemns manufacturers to labour imports due to skills deficiency. The Government of Uganda requires to see that the skill-based curriculum is rolled out with a supportive vocational training infrastructure that should be able to absorb the young people dropping out of school to enable them, skilled for production across the private sector. Unfortunately, PSFU continues to see GoU accepting the craze for more public universities in Busoga, Bunyoro, Toro, etc. instead of investing the same resources into vocational colleges for practical skills generation to support private sector production.
- b) **Invest in sports** by putting up facilities that support sports activity through public-private partnerships, and also develop and implement a deliberate policy on sports. This will help learners and parents to identify talent and thus focus on developing the talent into a profession after training.

10. Sustainable Urbanization and Housing.

- a) **Lack of regulation of the construction industry;** this has largely contributed to the underdevelopment of the construction industry. Moreover, the industry is the 2nd largest employer after Agriculture and contributes more than 12.7% to the Gross Domestic Product. It relies heavily on the services of foreign firms and briefcase companies at the expense of genuine nationals and this threatens the country's balance of payment position and continues to render many youths unemployed. PSFU proposes that the government should fast-track and finalize the enactment of the Uganda Construction Industry Commission (UCICO) Bill whose major mandate is to regulate the construction industry that remains fragmented and dominated by briefcase companies.

- b) **Escalating prices of the construction inputs;** the Skyrocketing prices of major construction inputs like fuel, cement, and reinforcements which are currently much higher than the time of bidding and or contract award have made many contractors operate at serious losses that will potentially force them to go bankrupt, and or failure to deliver on their contractual obligations. The private sector proposes that to curb the issues associated with escalating construction costs, the government should treat the prevailing circumstances as “exceptional and justifiable” against which entities may renegotiate all ongoing contracts since they were signed before the current steep escalations. Accordingly, we also propose that moving forward, a price variation clause be included in all government procurement contracts regardless of their contract period to cater for unforeseen circumstances.
- c) **Establish a Construction Development Fund in UDB.** The cost of financing for local firms is currently over 20% which makes it difficult for them to favourably compete with foreign and/or indigenized foreign firms that come with high financial strength and technical capabilities owing to support from their home government. There is, therefore, need to establish a Construction Industry Development Fund in Uganda Development Bank that would offer fair and affordable financing at the interest rate of 7 – 12 % p.a. In this case, the government would invest a minimum of UGX 200 billion in UDB as a revolving fund accessible to hundreds of SMEs.
- d) **Payment of earlier.** Delayed payments for services rendered continue to severely hurt contractors executing government projects. Some companies have not been paid for up to 2 years and this can potentially run a firm into bankruptcy since companies are faced with the accumulated tax penalties and are unable to meet their financial obligations to banks and suppliers. PSFU proposes that government should prioritize payments for all outstanding arrears to contractors and moving forward, always make timely payments for works executed by contractors to reduce challenges that come with constrained cash flows due to delayed payments.
- e) **Acceptance of Insurance Guarantees issued by local insurance companies.** The requirement of Bank Guarantees that are very expensive compared to insurance Guarantees that serve the same purpose but are currently not recognised by the procuring entities and the requirement of Annual Turnover and works of similar nature that is twice or thrice the value of works being procured. PSFU proposes that the **government** through the respective procuring entities to look into the aspect of accepting insurance guaranties issued by a local insurance company instead of Bank Guarantees with a 100% reinsurer backup and to be cleared by the insurance

regulator. Furthermore, **PPDA should issue guidelines to all PDEs** on fair determination of bid qualification requirements especially on average annual turnover and works of similar nature on previously executed projects. Our proposal is that this should be at minimum 0.5 (half) and at maximum not exceeding the estimated value of works being procured.

- f) **Development of the National Contracts Development Plan;** there is lack of comprehensive programs and tools to assist in contractor's development in terms of inter alia assessments, training and mentoring. Despite government efforts to grow domestic capacities in the industry. The law remains convenient in the industry. PSFU proposes that Government through the Ministries responsible for Finance and Works in partnership with private associations should develop a specific national Contractors Development Plan to improve the national provider performance in the identified development areas, which allocates resources and monitors progress in relation to improved performance.

11. Community mobilization and Mindset Change

- a) **Invest resources in formalizing the Culture and Creative Arts Industry.** Intervention 3 under NDP III Program area 18 is to "design and implement a program aimed at promoting household engagement in culture and creative industries for income generation." However, there is no budget allocation to skilling actors in the creative arts industry including musicians, comedians, actors and artists. Yet, this is also a critical industry for tourism and marketing the country in general. Moreover, there is an urgent need for formalizing the industry given the fact that it is highly informal. This will not only build income levels but also raise a lot of revenue for the government.
- b) **Regulation of the Creative Arts Industry.** The informality in the Creative Arts Industry is in part as a result of the fact that there are no specific laws, policies and regulations specific to the industry. As a result, even the government is unable to not only control the industry but also raise revenue from it. Yet, Uganda has some of the most talented musicians, actors, and comedians. Moreover, the industry is also an avenue for job creation, especially for young people.
- c) **Research and Development.** Invest resources in studying the culture and creative arts industry because of information about the industry, how to grow it and its contributions to the economy is scanty. Therefore, the government should have a

deliberate effort to understand the industry and work with the private sector in establishing mechanisms of growing it.

Financing Strategy

The past budgets have relied so much on borrowing to finance budget deficits to the extent that debt sustainability levels have been breached. This could affect the credit rating of the country and lead to higher costs of financing both for the public and private sectors. Yet, the PPP approach is not being used optimally to extend needed goods and services as envisaged in NDPIII. We, therefore, implore the government to enhance its use of PPP in financing the budgets.

In conclusion, the emergency of COVID-19 and its implications coupled with the Russia-Ukraine war and the just-ended drought has worsened the economy. However, several of the bottlenecks in the economy are mainly policy issues that constrain the contribution of the private sector and consequently GDP growth. The Budget strategy should address these policy issues highlighted above. Measures to increase market access, productivity and private sector competitiveness should continue to be prioritized to support the resiliency of the economy.

Thank You

For God and My Country!