FY 2024/25 Government Responses to Private Sector Proposals

Presented by Mr. Stephen Asiimwe, CEO PSFU

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Presentation Outline

1) Budget Outlook.
2) PSFU Engagements in the FY Planning Cycle.
3) Budget Strategy.
4) Government Responses Vs Private sector Issues.
5) General Budget Aspects to Private Sector Development.
6) Conclusion.
General Budget outlook

**Theme:** “Full Monetisation of the Uganda’s Economy through Commercial Agriculture, Industrialisation, Expanding and Broadening Services, Digital Transformation and Market Access”.

1. Resource envelope - Shs. 72.136 trillion
2. Domestic Revenues - Shs 31.982 trillion
3. Domestic borrowing - Shs 8.968 trillion
4. Budget support - Shs 1.394 trillion
5. External financing for projects - Shs 9.583 trillion
6. Domestic Refinancing of maturing domestic debt - Shs 12.022 trillion
7. Petroleum Fund drawdown - Shs 115.4 billion

**Uganda GDP**

- GDP growth at 6% this FY 2023/24 compared to 5.3 percent in FY2022/23.
- Size of the Economy is Estimated USD 50 billion.
- Service sector growth at 6.6%
- Agriculture sector grow at 5.1%
- Industrial sector growth at 5.8%

**Tax Revenue**

- Shs 29.366 trillion will be tax revenue
- Shs 2.616 trillion will be Non-Tax Revenue
- Local Government revenue collections - Shs 293.9 billion.
PSFU Engagements in the FY Planning Cycle

i. Private Sector Position papers on contemporary policy issues affecting Private Sector profitability, growth and competitiveness.


iv. Prepare Private Sector tax proposals for the following Financial Year.

v. Prepare Private Sector Position paper on Tax Bills for the following FY.

vi. Private Sector Positions papers on other Bills before Parliament.

vii. Private Sector Position Papers on Quarterly State of the Economy

viii. Private Sector Position papers on Strategic Investment Priorities to spur economic growth in the long run.

ix. Private Sector Position papers on regional trade and investment policy issues.

x. Private Sector Position papers on the implementation of the AfCFTA.
Public-Private Sector Engagements

i. Dialogues with MDAs Technical Teams.

ii. Dialogues with MDAs Senior Management Teams and Policy-Makers.

iii. Dialogues with Committees of Parliament

iv. Dialogues with OPM,

v. Dialogues with the Cabinet Secretariat.

vi. Regional Dialogues at EAC, COMESA, IGAD, etc.

vii. Dialogues at AfCFTA.
## FY 24/25 Budget Priorities

### Private Sector strategic proposals FY 2024/25

1. Macro-Economic Stability
2. Legal Regulatory Regime
3. Stable Tax regime
4. Productive Infrastructure
5. MSME Development
6. Reduction in Domestic Borrowing
7. Payment of Domestic Arrears
8. Access to patient and affordable credit
9. Investment in the Human resources
10. Climate Change Mitigation
11. Research and Development
12. Pest and Diseases Controls
13. Coffee value addition
14. Local Content in the Oil and Gas Sector

### GoU: GROWTH STRATEGY FOR FY 2024/2025 AND THE MEDIUM TERM

- The Government has developed a strategy for growing Uganda’s economy tenfold from **USD 50 billion** in 2023 to **USD 500 billion** by 2040.
- Government has identified four anchor sectors to drive this growth. These are:
  
  i. Agro-Industrialisation – **1.87 trillion**

  ii. Tourism Development - **Shs 289.6 billion direct investment.**

  iii. Mineral Development, including oil & gas, and – **962.41 billion.**

  iv. Science Technology and Innovation (STI), including ICT – **213.11 billion direct investment.**
## PS Vs. Gov’t Priorities: Cross Cutting Issues

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<thead>
<tr>
<th>Macro-Economic Stability</th>
<th>GoU Response</th>
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<tr>
<td>i. Ensure a stable economy through mitigation of the impacts of external shocks, reduce inflation rate to medium target of 5% and interest rates lower than 19.3% in 2023 and stable exchange rates.</td>
<td>i. Government contained the inflation at an average rate of 3.2% which is one of the lowest in the region.</td>
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<td>ii. Prioritize investment in the selected production sectors – Agri-Industrialisation, Mining and Tourism</td>
<td>ii. The commercial banking rate reduced to 17.7% in April 2024 as compared to 19.3% in 2023.</td>
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<td>iii. Government interventions should be based on a value chain basis</td>
<td>iii. The value of our currency stabilised at an average US$ exchange rate of Shs 3,771.</td>
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<td>iv. Government considered, Agro-Industrialisation, Tourism, Minerals and Science and Technology – ATMS as key sectors to drive growth for the Next FY</td>
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### Legal Regulatory Regime

i. Enact Laws that promote business growth such as Competition Bill, Animal Feeds Bill, Contract Farming Bill, National Local Content Bill and Government Pensions (Amendment) Bill.

ii. Do not rationalize key agencies that support the Private Sector like UNRA, URF, UCDA, URSB, NITA-U, and DDA.

iii. Implement the report on the Comprehensive Business Licensing Reform 2012 by the Ministry of Finance, Planning and Economic Development.

### GoU Response

i. Government Passed the Animal Feeds Bill, Competition Bill, and the National Local Content Bill.

ii. The key agencies that support the Private Sector like UNRA, URF, UCDA, URSB, NITA-U, and DDA were not rationalized.

iii. Government has commissioned a study on the legal licensing reform for implementation in the FY 2024/25.

**Government is requested to fast track the implementation of the Competition Law to protect the Traders against the unfair competition.**
### PS Vs. Gov’t Priorities: Cross Cutting Issues

#### Stable Tax Regime

1. Reduce the Capital gains Tax from 30% to 5%
2. Reduce the cost of DTS rates
3. Do not consider imposition of excise duty on powdered beer and construction materials,
4. Do not increase the tax on petrol, diesel, imported wines,
5. Consider tax Exemptions on electric and hybrid cars and related equipments like batteries
6. Extend the waiver of penalties and interest on arrears outstanding by June 2023 to December 2024.
7. Increase the number of URA Staff and administration units for better administration.
8. Streamline the information sharing deal with the challenge of illicit trade
   - Waive off Penalties for Traders due to lack not using IFRIS and consider meeting initial cost of investment in the machines

#### GoU Response

1. Reduced capital gains tax to 5% from the 30%
2. Reduced the DTS rates for beers
3. Imposed excise duty on powdered beer at Shs 1,000 per kilogram and Shs 500 to construction materials
4. Increase excise duty on petrol and disease by Shs 100 per litre and 100% or 10,000 per liter on wines
5. Considered exemption of tax on electric cars, batteries and related equipments
6. Extended the waiver of penalties and interest on arrears outstanding by June 2023 to December 2024
7. Expanding URA presence and coverage by opening up 5 liaison offices;
8. Committed to Strengthening the exchange of information with other tax authorities to combat illicit financial flows and under-declarations
   - All the Penalties were waived off

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Strategies to widen the tax base will help reduce tax burden on the already compliant taxpayers.
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<td>i. Increase distribution of water for production to support continuous production.</td>
<td>i. To increase storage capacity for water for production from 76.8 million cubic metres from the current 52.6 million cubic meters.</td>
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<td>ii. Allocate resources to develop Kampala and save over 52 days in traffic jam annually.</td>
<td>ii. Shs 1.629 trillion allocated for tourism and city roads and</td>
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<tr>
<td>iii. Develop Tourism and international roads.</td>
<td>iii. Tourism and Masaka-Mutukula to be developed</td>
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<tr>
<td>iv. Investment in the procurement of cargo and passenger planes and aerodromes for domestic flights.</td>
<td>iv. To procure 2 cargo and 2 passengers' planes to be bought and maintain 13 aerodromes and</td>
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<td>v. Investment in strategic infrastructure to facility for both imports and exports.</td>
<td>v. Shs 162 Billion to complete Kabalega International Airport.</td>
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<td>vi. Investment in water transport</td>
<td>vi. Allocation of Shs 4.989 trillion to maintain roads, rehabilitate metre gauge railway and construction of SGR.</td>
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<td>vii. The construction of two (2) Lake Bunyonyi Ferries to be completed.</td>
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Investment into water transport shall reduce the cost of transport and logistics and this easily be through PPPs.
PS Vs. Gov’t Priorities: Cross Cutting Issues

**MSME Development**

i. Increase resource allocate to UNBS and UIRI to support quality and standards for goods produced

ii. Align Public Procurement guidelines to enable MSMEs participation in Public Procurement.

iii. Standardize Business Development Service Provision

iv. Invest resource of new markets for the MSMEs

v. Make a deliberate effort to provide for local content.

**GoU Response**

i. UNBS and UIRI to be facilitated to certify products for women under the GROW Project

ii. PPDA guidelines aligned to enable MSMEs participation in Public Procurement

iii. Standards for BDS developed and approved

iv. Shs 50 billion allocated to Foreign Missions to engage in commercial diplomacy and marketing Ugandan products.

v. 93% jobs in oil and gas sector for Ugandans amounting to 13,607 jobs, and since 2021, 25% of contracts worth US$ 1.796 billion signed of the USD 7.162 billion.

*Given the increase in demand for MSMEs, early disbursement of resource to UNBS will easily facilitate Business Growth.*
### Payment of Domestic arrears and Reduce Domestic Borrowing

1. Reduce domestic borrowing to avoid crowding of the Private Sector due to increase in the cost of capital
2. Prioritize clearance of verified domestic arrears standing at Shs. 2.5 trillion.

### GoU Response

1. The government has increased domestic borrowing to 8.9 trillion from 3.6 trillion.
2. Shs 199.90 billion for settling domestic arrears, of the verified arrears of Shs. 2.5 trillion

At this rate, Government will take 12.5 years to clear the current verified arrears.
PS Vs. Gov’t Priorities: Cross Cutting Issues

Access to patient and affordable finance

- Provide cheap and affordable credit to the MSMEs to facilitate their growth and complete recovery from the COVID 19 effects.

Government Plans to Simply Conditions for Access to SBRF should be fast trucked.

GoU Response

i. Shs 100 billion allocated for the Small Business Recovery Fund (SBRF) on top of the Shs 250 billion all to be given at 10% per annum

ii. GROW project worth Shs 824 billion project to support women-owned enterprises.

iii. INVITE project worth Shs 800 billion for value addition and exports.

iv. UDB has been capitalised with extra Shs 55 billion on top of the formidable Shs 1.6 trillion already available.

v. ACF given additional Shs 30 billion on top of the Shs 303 billion. This facility has benefited over 3,868 projects.

vi. Emyooga allocated Shs 80.28 billion on top of the Shs 480 billion.

vii. PDM allocated Shs 1.059 trillion for the PDM SACCOs with each parish getting Shs 100 billion
## PS Vs. Gov’t Priorities: Cross Cutting Issues

### Investment in Human Resources

1. Prioritize investment in quality education to produce productive human resources
2. Investment in medical care to ensure a healthy and productive population
3. Consider investment in Water, Sanitation and Health
4. Provide resources to facilitate the competence-based curriculum that emphasises development of skills among ang the O level students

### GoU Response

1. 26.3% of the entire budget allocated.
2. Shs 10.204 trillion allocated for education, water, Sanitation and Hygiene.
3. 362 billion allocated for construction of 60 seeds schools in sub counties without seeds schools.
4. Shs 2.966 trillion specifically for the Health Sector
5. **Shs 2.497 trillion** provided to support.
### Research and Climate Mitigation

### Research
- Prioritise research and development to the pathogen, Agro-industrialization, transport and mobility value chains.

### Climate Change
- Government to collaborate with the Private Sector in the Planting of trees to mitigate climate change impacts.

### GoU Response

#### Research
i. Resources allocated to facilitate establishment of an afla-safe facility at Namulonge to manage aflatoxins in cereals and nuts.

ii. Allocated Shs 2.07 billion for the commercialisation of COVIDEX and other natural therapeutics to be certified internationally.

iii. Allocated Shs 25 billion for the development and commercialisation of 20 million antitick vaccine.

#### Climate Change
- Shs 516.78 billion to procure a total of 15 million seedlings for distribution to the Albertian and refugee host districts.
PS Vs. Gov’t Priorities: Cross Cutting Issues

**Diseases Control and Value addition**

**Pest and Disease Control**
- Prioritise the procurement of vaccines for the control of Foot and Mouth Disease (FMD) to secure Ushs 3 trillion regional market for meat and milk

**Value addition**
- Allocate resources to facilitate coffee value addition

**GoU Response**

**Pest and Disease Control**
- Shs 427.21 billion to procure and distribute 44 million doses of vaccines. This is contrary to last FY where FMD vaccines were not budgeted, and cattle farmers were affected.

**Value addition**
- Shs 75 billion to acquire modern roastery, produce instant coffee, roast and ground coffee products

Effective measures to implement the coffee value addition and FMD control will greatly contribute Uganda’s Export revenue.
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<td>v. Holding of Ugandan tracks caring mail flour to South Sudan</td>
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<td>Sample Regional Issues</td>
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<td>iv. Milk Import permits to Kenya</td>
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<td>vi. The Timber export ban.</td>
<td>vi. Timber exports cleared.</td>
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### Sample of Continental Issues

1. Consider adoption of Coffee as a strategic Commodity for the AfCFTA
2. Consider coffee value addition as a commodity to deliver AfCFTA Strategy.
3. Adopt the African Development Bank and the African and Afriexim banks to provide dedicated financial resources to boost coffee production.

### Status

1. All these proposals were adopted by the African Heads of State at the 37th AU summit in Addis Ababa, Ethiopia on 18th Feb 2024.
PSFU through the FY

Graphical summary on the policy Engagements through the Year.
KEY PRIVATE SECTOR CONCERNS ON THE BUDGET

Budget Financing:

i. Heavy reliance on domestic borrowing (Shs 8.968 trillion) and refinancing maturing debt (Shs 12.022 trillion) could crowd out private sector borrowing and raise interest rates.

ii. Substantial tax revenue target (Shs 29.366 trillion) could burden businesses, reducing profitability and competitiveness.

Tax Base Concerns:

i. PSFU proposes a stable tax regime without frequent tax increments as this can discourage strategic investment.

ii. Strategic interventions to widen the tax base are vital to create more jobs and tax payers.

Local Market Concerns:

i. Strategic Initiatives on increasing disposable income for Ugandans are very important to increase aggregate demand within the population.
THANK YOU!!