

Securing Socio-economic Transformation amidst Covid-19
Strategies to Accelerate both Recovery and Growth

A Keynote Address Presented at the 5th Annual NTV-MoFPED Economic Summit held at Kampala Serena Conference Centre

By

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1.0 Introduction

I would like to begin by thanking our co-organizers of this 5th annual economic summit, the NTV and all the participants. It is very constructive to have open dialogues on matters such as the one we are discussing about today. The theme is timely.

H.E the President declared the 2021–2026 term “a *kisanja* for socio-economic transformation.” He guided us to focus resources and efforts to creating wealth, jobs and incomes for Ugandans, particularly the 39% proportion of Ugandans that is still in subsistence economy.

We have designed the Budget Strategy next year (FY 2022/23) to kick-start this transformative agenda. Of course we are mindful that we are embarking on this agenda at a time when the economy and the global environment in which we have to operate have been shattered by the Covid-19 pandemic.

IMF forecasts indicate that the global economy experienced a GDP loss of 3.1% p.a. in 2020. The global GDP was estimated at around 84.54 trillion U.S. dollars in 2020 – registering almost 2.96 trillion U.S. dollars of lost economic output.

In Uganda we lost over 3 percentage points of GDP growth p.a. during the past two years, despite the unbelievable resilience shown by the economy. This notwithstanding, our economy grew by 3% in 2019/2020, and it was among a few economies in the world that registered positive growth in 2020. Among the major economies, only China (2.3%) had positive growth in 2020. [*U.S = -4.5%; UK = -9.8%; Germany = -4.6%; Japan = -4.6%; India = -7.3%; SA = -6.4%*]

The good news? The global economy continues to recover, even as the pandemic resurges in parts of the world. The IMF projects that the global economy has grown by 5.9% in 2021 and will further expand by 4.9% in 2022. This recovery is based on policy support and rapid vaccine rollouts.

Our three-objective strategy to accelerate both recovery and growth

During the next FY 2022/2023 and over the medium term, our economic policy will seek to achieve the following three broad objectives:

1. Mitigation of the Covid-19 impact on business activity and livelihoods through wide spread vaccination to fully re-open the overall economy; and financial support to businesses;
2. Speeding up socioeconomic transformation through re-prioritization of the national budget to redirect resources towards wealth and job creation, industrialization, export promotion and other areas with high return on investment; and
3. Sustaining national security and macro-economic stability as key foundations for recovery, growth and transformation.

Where exactly are we going to invest more?

- i) Vaccination of all Ugandans to support efforts to re-open the economy and stay open.
- ii) Stimulus packages and payment of domestic arrears to boost aggregate demand and support businesses to restart
- iii) Agro-industrialization, light manufacturing and industrial park infrastructure;
- iv) Covid-19 emerging investment opportunities for export promotion and import substitution;
- v) Digitization and scientific innovations including protection of intellectual property;
- vi) Market entry in UAE, EU and AfCFTA;
- vii) Continued infrastructure development – especially road maintenance, energy reliability and affordability; rail rehabilitation; and urban transport;
- viii) Commercialization of oil and gas (finalization of FID to attract FDI), mineral beneficiation;
- ix) Restoration of tourism and hospitality sector – rebranding Uganda to get here more than just tourists;

- x) Deepening financial inclusion – implementing the Parish Development Model to support the 39% of Ugandan households still in subsistence to join the monetized economy, SACCOs, *Emyooga*, SME Recovery Fund, UDB/UDC, and investment in a national payment switch; and
- xi) Public sector reforms to achieve efficiency and effectiveness – rationalisation and e-GoU particularly e-procurement and e-education.

Financing strategy: where will the money to fund these interventions come from?

- First, as a country we are going to learn to live within our means. We’re going to stop budgeting incrementally. Winners are going to gain by taking from losers rather than claiming incremental resources. We are going to make the budget redistributive. We must promise in the plans what can pay for in the budget.
- We are going to make the budget less accommodative. We are going to restore fiscal discipline. The tendency to presume that spending must be higher next year than this must stop.
- Supplementary budgets are going to be only for emergencies and unforeseen expenditures.
- Like elsewhere, we are facing revenue shortfalls and tightening room for borrowing. Therefore, the most pragmatic way out is to increase allocative and technical efficiency. This calls for strict adherence to agreed priorities by both the bureaucrats in MDAs and politicians.

Therefore, to finance the budget we are going to:

- a) Implement practical actions under the Domestic Revenue Mobilization Strategy (DRMS) to generate more revenue and reduce the share of the budget that is financed through borrowing.
- b) Enforce compliance instead of introducing new taxes. My Minister will announce the actual measures that we are going to undertake to increase revenue without increasing the tax burden on typical groups of taxpayers.
- c) Enhance management of public debt in line with the new Charter for Fiscal Responsibility to ensure that our national debt stays sustainable. [*By the way Uganda’s*

debt-to-GDP ratio is one of the lowest in the region: Kenya = 72%; Rwanda = 66%; Burundi = 76%; Ethiopia = 56%; TZ = 38%]. We are going to borrow largely concessionary or longer-dated commercial to reduce refinancing risk.

- d) Review projects to identify poorly performing ones to release resources and/or free our fiscal space.

State of the economy

- GDP = Ushs 148 Trillion (equivalent to US\$ 40.5 Billion) in June 2021
- GDP Growth rate = 3.4% during FY2020/21
- GDP per capita = US\$ 954 (equivalent to Ushs 3.5 million) in June 2021, up from US\$ 916 (Ushs 3.4) in June 2020
- GDP is projected to grow at 3.8% this FY, and overall GDP to expand to Ushs 159 Trillion (US\$ 44 billion)
- Coffee Exports = increased from \$156m in Q4 of 2020/21 to \$212m in Q1 of 2021/22, but non-coffee exports reduced to \$528m from \$1,085m during the same period, mainly due to reduction in gold exports. Equally, imports reduced from \$2.9m in Q4 of 2020/21 to \$1.9m in Q1 of 2021/22.
- Inflation has started pick-up to 2.6% in November from 1.9% in October
- Exchange rate has appreciated to UGX 3,552 per USD
- Lending rate has increased from 16% in July to 19.7% in October
- The Business Tendency Index has been improving since July from 45.9 to 51.9 in November.

Conclusion

We are currently focused on preparing for the post-pandemic economy by reversing the pandemic-induced setback to human capital development, facilitating new growth opportunities, digitalization, and ensuring sustainable public finances. The past two years may have been a pain to each of but the future looks bright. Support our reforms to create an economy that works for everyone.