INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF UGANDA

CPA ECONOMIC FORUM POLICY PROPOSALS FOR FY 2021/22 BUDGET

The Institute of Certified Public Accountants of Uganda (ICPAU) successfully held its 8th Economic Forum virtually from the 2-4 September 2020 under the theme: Economic Recovery from the Impact of the COVID-19 Pandemic.

This paper highlights policy recommendations emanating from participants' discussions at the Forum, giving the current challenges and the proposed suggestions.

POLICY RECOMMENDATIONS

HEALTH	
Challenges	**Proposed Recommendations**
The challenges of Uganda's health sector include but are not limited to: 1. High disease burden among Ugandans – HIV, Cancer, Malaria, Hypertension and Diabetes. 2. High maternal mortality rate – even though this has been improving, it translates into 16 women dying per day. 3. Underfunding of the Health Sector at only 5.9% of national budget against an Abuja Declaration target of 15%. 4. Low staff capacity – health workers' recruitment and retention.	1. Improve Health Financing by: a. Increasing the health budget as a proportion of national budget from 5.9% to possibly 15% over a 5-year period. b. Abolishing funding health care of public officers abroad and invest the money into the public health system. c. Increasing sin taxes on tobacco, alcohol, sugary beverages and on sectors that contribute to injuries such as polluting and environmental degrading sectors to boost health funding.

5. Infrastructure – (equipment and its distribution) – Hospital bed capacity of about 48,231 hospital beds at present but require 166,800 beds. – 25,020 ICU units required in light of the current pandemic. – Only 181 government ambulances and a deficit of 225 ambulances. 6. Inequity (rural vs urban, rich vs poor, politics vs access) – public private partnerships are not providing general solutions, but providing piecemeal approaches that do not serve the poor and marginalized groups. • 39 Districts without hospitals • 29 Constituencies lack a Health Centre IV • 331 Sub-counties lack Health Centre III • 132 Sub-counties lack Health Centre at all 7. Inappropriate Health governance systems and inspections. 8. Balancing a hospital-based system with a primary health care system.	2. Improve the Health System by: a. Upgrading facilities and infrastructure at regional referral hospitals. b. Enhancing staff capacity – through staff recruitment to fill vacant posts and retention. c. Setting up a functional and well-coordinated national ambulance service and patient referral system to bolster the national medical emergency service. d. Strengthening components of primary health care to complement the hospital based services. e. Strengthening government stewardship and setting up inclusive governance and accountability structures at facility, district and national levels to ensure value for money and curb corruption. f. Adequately resource the public health system to contribute to universal health coverage. 3. Set up an equitable and affordable Universal Health Coverage Scheme that covers all Ugandans of all ages irrespective of their income or lack of and place where they live. The system should cover health promotion, disease prevention, treatment, rehabilitation and palliative care.
EDUCATION	
Challenges	**Proposed Measures**
Uganda's Vision 2040, speaks to a transformed Ugandan Society from a peasant to a modern and prosperous country within 30 years, with a focus on accelerating Uganda's Socio-economic Transformation. The plan was to	Government should: 1. Conduct rapid technology assessments to establish the technology 'debt' and what it would take to sustain continued teaching and learning, including

have a knowledgeable and skilled population that is able to exploit and use its resources gainfully and sustainably. However, the following issues have been exacerbated by the pandemic: • A huge transition problem: About 2 Million pupils join P.1 each year; • About 30% of the 2 million pupils complete P.7; • About 100,000 students reach S.6 (equivalent of 1 out 20 that join P.1); • Congestion in Schools – high Pupil to Classroom ratio; • Not enough teachers – high Pupil to teacher ratio; • Insufficient Education Infrastructure; • Relevance of the curriculum; • Inequities that exist creating barriers to quality education – the immediate response to the need to close physical campuses was to pivot into online delivery and distance learning solutions but issues of infrastructure/technology platforms, broadband capacity, pedagogical capacity emerged as challenges. • Institutional challenges – operations and systems changes, diminishing resources for institutions, instructional operations and modification of assessment modalities, curtailing of international mobility for international students and staff.	infrastructure/equipment, connectivity, etc. Identify weaknesses in infrastructure, including power, broadband and equipment to strengthen where possible or work around where possible, such as through providing access to hotspots, tablets, etc. 2. Skill and retrain instructors on how to teach remotely. 3. Survey students on their capacity to engage in remote learning— equipment, family responsibilities, home environment, etc. Coach and support students on how to learn remotely; 4. Consider expanding short course options and certification programs to provide rapid skills-oriented options for affected tertiary students. 5. Consider provision of no-cost educational resources for institutions serving disadvantaged student populations, through; a. Strategic allocation of incentive funding for institutions dedicated to expanding and updating technological infrastructure for digital pedagogy, investments in learning science, and for adequate training of faculty members; b. Dedicated (financial, logistical, pedagogical) support programs for at-risk students.
MANUFACTURING AND SUPPLY CHAINS	
Challenges The manufacturing sector declined on account of	**Proposed recommendations** Government should consider the following recommendations to bolster the manufacturing sector:

disruptions to the inflow of raw materials, decline in external demand and supply chain disruptions. Even with the gradual easing of the lockdown measures, the adverse consequences of the global and domestic supply chain disruptions will likely persist through the remaining months of 2020. The sector has suffered shortfalls in their inventories, slowdown in production and reduced capacity. This has greatly reduced their revenue generating ability and ultimately cash flow problems that have resulted in some cases layoff of workers in factories. Some were faced with temporary closures to save on operating and running costs.	1. The COVID-19 pandemic has availed the opportunity for Uganda to undertake and implement its Buy Uganda Build Uganda (BUBU) strategy (the import substitution strategy), especially for commodities that have a high import potential. This will help the country to manufacture a number of commodities that are affected by the slowed importation during the coronavirus episodes; and also enjoy the benefits that are associated with it. The BUBU Policy and campaign should be intensified during this period, prioritizing the preferential commodities. The public should be rallied to buy domestically and only import what cannot be produce locally. 2. The Bank of Uganda should ease pressure on the Uganda currency to enable manufacturers access raw materials. 3. Delay payment of import duty for 30 days to enable manufacturers access industrial inputs on relaxed terms. This can be done for only those entities executing the import substitution strategy (with commodities that have a high import potential). 4. The import-substitution drive should be supported by creating agro-processing industries as well as more incubation centres; but it should not be used to create monopolies. Working with the GoU, through its investment arm, the Uganda Development Corporation (UDC), members of UMA should access targeted incentives to enable them increase production and fully utilise the capacities they have already established through production or at least assembling

	of goods previously imported from China, India, Turkey, Korea, Japan and other dominant import sources. 5. Deferral for payment of PAYE and NSSF for staff on payroll for 6 months. This deferment should come without interest and penalties. 6. Loan repayment restructuring should include extended grace periods for the most affected sectors. 7. Extend the period for submission of VAT returns. Though sales are still low, it takes longer for customers to clear their bills. 8. There is need to address the costs of production, in areas of fuel costs, electricity tariffs; water and other utilities.
LOCAL CONTENT	
Challenges Currently, 60% of Uganda's budget is development, i.e. available for purchase of goods and services (procurement), with infrastructure projects like; the Oil pipeline, Karuma, Isimba, Standard Gauge Railway, taking the lion's share. This presents a unique opportunity for Ugandan firms which is bigger than the export market, if well harnessed. However, Ugandan firms have been operating at below 52% installed capacity (UMA Report). In the last 5 years, 38 contracts worth above UGX 50billions have been awarded to foreign companies (84% of these Contracts were awarded to Chinese Companies, 6% to Israel &	**Proposed recommendations** Government should purpose to promote local content for economic recovery by: a. Making regulations for giving effect to the provisions of the National Local Content Act, 2020 and for its due administration. b. Supporting and building the capacity of Ugandan firms to be able to compete for these projects – encourage Consortiums to enhance capacity.

Turkey, Portugal, India And Serbia shared the remaining 10%). The IMF projects that Uganda's debt burden will reach 50% of its GDP this year 2020, and the bulk of this debt is foreign, 36% of GDP. Servicing this debt naturally puts strain on the exchange rate and forces government to use monetary tools to contribute further to the local debt burden. It is hoped that the infrastructure investment drive that the government has undertaken now will lead to reduction in business costs, encouraging growth and boost domestic revenues. This should help government to get the much needed revenues to repay its debts and provide its population with the much required services.	
TRADE & COMMERCE	
Challenges The impact of the lockdown measures instituted to contain the global COVID-19 pandemic on trade and commerce can only translate into general reduced business activity. Business closure resulted into: • Depletion of capital for most businesses as it was eaten up during lockdown; • Many businesses are not able to service their loans (both principal and interest) because of decreased cash flows. The suggested loan restructuring with interest accruals has only resulted into more defaults; • Many landlords are still asking for rent for periods ended from traders/ retailers, which has resulted into more rent defaults. Some traders have lost their	**Proposed recommendations** Government should: 1. Prioritize payment of government domestic arrears, owed to traders to help to provide liquidity to the trade and retail sector. These payments could be phased for payment in the current financial year and the next FY 2021/22. 2. Reduce on the public expenditure especially recurrent expenditures on Parliament; Cabinet; Cities; Districts, etc; 3. Reduce on internal borrowing and avoid crowding out effects on the private sector; 4. Ensure that the funds which have been advanced to government by the international community as

merchandise to the landlords due to non-payment. • Traders are struggling with maintaining stock levels and are assessing how long they are likely to last. • Some traders' merchandise became obsolete during the lockdown - goods got rotten during the lockdown because of floods, others went bad because they were perishables and yet others just got expired; Others became outdated because they were seasonal goods like Easter Cards, Idd goods and others were for school opening. • Even when the CBR has been reduced by BOU, interest rates remain high because of the anticipated high default rates for private borrowers; • Banks have opted to restructure their operations, and instead of lending more to private sector, they are trading more in government securities. • Methods of sourcing goods have also changed to e-commerce and unreliable sources are being abandoned; • Government emphasis on import substitution has also changed therefore tax structures are geared towards this goal, this means there is more protectionism of local producers than ever before.	economic stabilization grants are used for that purpose, and not extended to the private sector as borrowed funds; 5. Intervene in the area of loan restructuring with the Supervised Financial Institutions regarding interest accruals. 6. Intervene in the matter of rent accruals during the lockdown period. Government should lobby on behalf of traders with landlords to declare these agreements as 'temporarily frustrated agreements'. 7. Create mechanism to identify businesses that have been most affected, and devise mode of support to be provided. For example, there is need to support low hanging fruits with direct grants such as the tourism sector, where there is apparently low investment and yet yields are high.