



INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF UGANDA

ICPAU ECONOMIC POLICY RECOMMENDATIONS FOR FY 2024/25 NATIONAL BUDGET

The Institute of Certified Public Accountants of Uganda (ICPAU) successfully held its 11th CPA Economic Forum (the Forum) from 19 - 21 July 2023 under the theme: “National Priorities for Socio-Economic Development”. The theme was based on Uganda’s third National Development Plan (NDP III) which is a tool for the achievement of Uganda’s Vision 2040, a transformed Ugandan Society from a Peasant to a Modern and Prosperous Country within 30 years. In selecting the theme, our aim was to contribute to the ongoing efforts to transform Uganda into a modern and prosperous country.

From the NDP III priorities, 8 topics were selected for discussion at the Forum, namely:

1. The Role of National Security in Nation Building
2. Uganda’s Oil and Gas Sector: Value Chain for Public Value
3. Education Sector: Reforms in the National Curriculum
4. Labour Exports: Socio-Economic Benefits and Challenges
5. Industrialization as a Driver for Self-Reliance
6. Empowering Communities through Agricultural Value Addition
7. Hospitality, Tourism Management and Marketing
8. Cooperative Societies as a Driver for Socio-Economic Transformation

We submit our Economic Policy Recommendations deriving from the Forum discussions on each of the topics as part of the accountants’ efforts to contribute towards the economy’s growth and priorities for the government’s budgeting process next FY 2024/25.

ICPAU ECONOMIC POLICY RECOMMENDATIONS FOR FY 2024/25 NATIONAL BUDGET

The Role of National Security in Nation-Building

<p>Challenge(s)</p> <p>While the country has been relatively peaceful overall, the cyclical political violence in the region has resulted into spillover of conflict dynamics across borders. The consequences of these conflicts often include; displacement of persons, refugees, armed groups, devastation of the local economy, and destruction of the social fabric. Others include deaths, complex political emergencies, and regional security complexes.</p> <p>When a nation has been ripped by civil strife, violent conflict, oppression, and economic disaster, new reforms cannot just spring up. A conscious and deliberate effort to create security in the country is required for meaningful nation-building.</p> <p>The state must provide for development by creating an enabling environment for production, thus there must exist institutions and mechanisms of security. National stability is therefore not an end in itself, neither, is National development but they are means to National Social- Economic Transformation.</p>	<p>Proposed Policy Recommendations</p> <ol style="list-style-type: none"> 1. The country should have core values/national values for its existence, which should be known and understood by all citizens. Ideally, National Values should be entrenched at the lowest family level such that the leaders at the National level are engrained with these values. This is against the common view that it is the Top Leadership to dictate these National Values to the lower levels. In effect, the family Unit should be strengthened across the country. 2. Uganda should develop a business strategy that is attached to its security strategy and operations. This will help Uganda to take advantage of the economic opportunities in the countries where the Ugandan Army has helped to maintain peace and security. Why should other countries have economic establishments in the areas where the Ugandan Army fought for peace, and seemingly no Ugandan-owned establishment in the same jurisdictions? 3. Further, the government must ensure food security, for a hungry man is an angry man and therefore un-tamable.
---	--

Uganda's Oil and Gas Sector: Value Chain for Public Value

<p>Challenge(s)</p> <p>The risks of Uganda's petroleum industry are such that it is highly capital intensive; with highly volatile prices; poverty amidst plenty (resource curse); and high borrowing/ resource-backed loans.</p>	<p>Proposed Policy Measures</p> <ol style="list-style-type: none"> 1. A lot of oversight and accountability is required for public value to be created in the oil and gas sector. This should be achieved through: <ol style="list-style-type: none"> a. State participation along the entire value chain; b. Local content-capacity enhancement,
--	---

<p>While the government’s efforts to fast-track the pipeline are recognized, we have concerns about why the country should be building an expensive pipeline only to export crude oil.</p>	<ul style="list-style-type: none"> c. Gender inclusion; d. Value addition - (refining and petrochemicals); e. Revenue maximization and management - ensure that the loans acquired are used productively and prudently, mitigate illicit financial flow risks, and review/minimize tax exemptions; and f. Good governance practices; transparency in loan acquisition, improvement in project management, investment in human capital, and sustainable development of the oil and gas sector. <p>2. An effective Local Content Unit should be operationalized to:</p> <ul style="list-style-type: none"> a. Manage the process of getting the right local content (develop training programs, develop ‘Approved Vendor’ qualification schemes, liaise with multinationals in designing tender processes, etc.). b. Implement a training program for both firms and individuals to raise their capabilities to the standards needed for servicing multinational companies. c. Target supply-side constraints to domestic firm growth and productivity such as access to affordable credit, standards certification, etc. <p>3. We believe efforts should be put towards a refinery, much more than towards a pipeline.</p>
--	--

Education Sector: Reforms in the National Curriculum

<p>Challenge(s)</p> <p>Education is a powerful tool for transforming society that is delivered through academic programs called curricula. Education curricula are conscious programs that keep being revised/reformed periodically for purposes of keeping relevant to society's needs.</p> <p>We believe that the Government should be able to direct the</p>	<p>Proposed Policy Recommendations</p> <p>For effective and efficient curriculum reform, we recommend the following:</p> <ul style="list-style-type: none"> 1. The curriculum is not complete without curriculum support materials, including Non-Textbook Materials, Tools, and Equipment. The government must adopt a supportive education system to enhance high levels of literacy, numeracy, and computer skills.
--	---

kind of education its citizens should have. The country should have a National Philosophy on Education. This should reflect the summation of the aims and objectives of education in Uganda. The key question to ask then is what is the philosophy of Uganda's education? Aligning education to changing society demands and challenges; nation building; democracy promotion; fighting corruption; dealing with pandemics; food security; gender balance; fighting Poverty; 21st-century technology and labor demands; and challenges & opportunities for globalization, among others, is critical.

There is hope in the new Competency Based Curriculum (CBC), as it seeks to address the purpose of education in the 21st Century, thus;

- a. Students must Learn how to Learn;
- b. It will address aspects of nation-building;
- c. Learners must be taught how to think and not what to think;
- d. Lifelong learning aspects;
- e. Thinking outside the box;
- f. Provision of problem-solving skills; and
- g. Destabilizing everyday truth to question the existing conventions and assumptions, among others.

Whereas the current curriculum reform is largely desirable, commendable, and well-intentioned, it has glaring limitations including:

- i). The inability to integrate home environments into the class situation
- ii). Teachers' capacity is not in tandem with the reforms, school necessities, and assessment Aspects
- iii). Lack of funding poses a challenge to the government's commitment to the new reforms.

This requires undertaking purchases of Textbooks, teaching aids/ instruction materials, and other non-textbook materials.

2. **Building Teacher Capacity and teacher orientation** is also critical for these curriculum reforms so as to be able to facilitate learning but also undertake effective assessments of learners.
3. **Prioritize ICT and develop robust technological capacity in schools** to facilitate 21st-century learning and ensure that society copes with globalization.
4. Curriculum review must be undertaken **every five (5) years** to keep pace with changing market needs and global trends.
5. All stakeholders must be brought on board: policymakers, teachers, parents, and industry to ensure the successful adoption and implementation of the new education reforms.

Labor Exports: Socio-Economic Benefits and Challenges

Challenge(s)

Human capital now defines the wealth of a country, therefore, if the government cannot invest in its human capital, then in terms of sustainability, the country shall be doing poorly on the global market.

According to the World Bank, Uganda's labor force is growing above four percent per annum, predicted to have added 10 million potential workers into the labor market in 2020. The vast majority of Uganda's labor force is employed in low-productivity activities.

Labor Export should not only be looked at as a brain drain but as a brain gain, where citizens can go to work for a certain period of time, return home with skills acquired, and apply them for development work.

Proposed Recommendations

1. The government should invest in **human capital** - train labor for the domestic market but also for export. The country should think about the kind and type of labor that it is exporting, and efforts should be made to train labor meant for export in skills relevant to the destination markets.
2. **Government-to-government (G2G) Placements** are welcome and should also be prioritized. This is where governments work together to get jobs for workers, particularly professionals, such as engineers, doctors, nurses, teachers, accountants, etc. To facilitate this, we believe the government should institute Labor attachés in the countries of destination and also undertake standardization of Labor to make the reputation of Uganda's labor respected and not doubted.
3. **National and Formal Agreements for labor** should be signed with those countries receiving Uganda's labor.
4. National statistical institutions and data collection systems and practices should be strengthened to inform labor migration governance.
5. **Collaboration** on diplomatic and consular assistance for migrant workers should be established.

Industrialization as a Driver for Self-Reliance

Challenge(s)

We note that the government target is to make manufacturing contribute half of the GDP from the current 16%; employ at least 26% of the population up from the current 9% and contribute 50% of exports up from 13%.

Proposed Recommendations

We recommend the following:

1. A value chain development approach to the development of the manufacturing sector and the creation of sustainable jobs; targeting agriculture value chains - tea, coffee, and dairy, but also extractives

<p>For sustainable industrial growth and self-reliance in Uganda, manufacturers under their umbrella body the Uganda Manufacturers Association (UMA) are pursuing a national program dubbed ‘The Green Industrial Agenda’ as a tool for sustainable socio-economic development. The Green Industrial Agenda aims to promote sustainable industrial growth in Uganda, in line with the global Sustainable Development Goals.</p> <p>The lack of involvement of the private sector in the government’s development programs, especially in the value chain development, market source access, and affordable financing are the key challenges.</p>	<p>like steel, oil and gas, e.t.c to reduce the export of raw materials. The government must focus on developing the value chains of the primary sectors of the economy - agriculture, mining, and minerals in order to promote resilient industries.</p> <ol style="list-style-type: none"> 2. The government must strategically position itself in the East African Community and the African Continental Free Trade Area (AFCFTA) to boost market access for Uganda’s exports. 3. The government needs to fast-track the Buy Uganda Build Uganda (BUBU) policy and its implementation to promote indigenous industry growth. 4. There must be a deliberate Government Policy to support & nurture the local/national private investors - through incentivized policies such as subsidies and tax incentives (these should be publicly available and known). 5. The government should be able to identify affordable technologies and set up industries informed by the availability of appropriate technologies and requisite skills.
--	---

Empowering Communities Through Agricultural Value Addition

Challenge(s)	Proposed Recommendations
<p>Uganda's demographic makeup is heavily engaged in agriculture, with 70% of the population between 15 and 24 years old involved in this sector. Additionally, women constitute 73% of the agricultural labor force, underlining the importance of harnessing the potential of this sector to drive overall economic prosperity.</p> <p>Uganda's agricultural sector accounts for about 24% of the Gross Domestic Product and 54% of export earnings. However, despite its significance, the growth in agricultural value chains has been constrained by internal and external factors.</p> <p>The National Development Plan III (NDP III) has identified tea, cotton,</p>	<ol style="list-style-type: none"> 1. Government needs to promote organic products and value-addition, by creating incentives for the development of sustainable food systems. This will not only enhance export earnings but also contribute to improved nutritional outcomes, benefiting both local communities and international consumers. 2. To amplify agricultural products' marketing, we call for stronger collective voices and support for the government's Buy Uganda, Build Uganda (BUBU) policy. We note that effective marketing strategies and branding will enhance Uganda's visibility in global

<p>coffee, cassava, cocoa, rice, maize, and beans as priority crops vital for Uganda's agricultural and economic development. Currently, about half of the agricultural processing investments (e.g., 50% for cassava) remain idle due to low farm production and productivity in addition to limited access to climate-smart technologies.</p> <p>The missed investment opportunities in the agricultural value chains, namely: growing input market due to high demand for certified seeds and fertilizers, post-harvest market due to high demand for agro-based raw materials, potential local and export demand for fresh food and associated products for domestic and industrial markets and specialized value-chain support services which include training, provision of machinery, organizational and business development service, governance, and financing and other professional services.</p> <p>There is a need to address challenges in the agricultural value chains, such as low fresh farm gate prices as compared to final-end consumer price, high cost of value addition technologies and limited knowledge in application, limited market appreciation of agricultural value addition, cheap imported agricultural products, and lack of suitable crop varieties that meet the specific quality attributes for industrial uses.</p>	<p>markets, attracting more consumers to our high-quality agricultural products.</p> <ol style="list-style-type: none"> 3. The significance of affordable inputs at every node of the agricultural value chain cannot be over-emphasized. 4. The government is also advised to establish a wheat substitution policy and effectively implement it. We believe that reducing reliance on imported wheat products and promoting locally-produced alternatives will enhance food security and reduce Uganda's import bill. 5. The government should deepen efforts to expand extension services for the farmers and put-up knowledge information centers (say in each Constituency so as to improve access to market information and support research & development. Research is critical for agro-industrialization across the value chain. Investors should be able to carry out some trials first before they scale up production. This can help inform potential investments in the sector.
<p>Hospitality, Tourism Management and Marketing</p>	
<p>Challenge(s)</p> <p>Tourism was identified as a priority sector and one of the key growth drivers of the economy (NDP III). However, the sector is marred with countless challenges constraining its ability to contribute substantially to national development. These challenges include; the inadequate tourism infrastructure, limited marketing of tourism attractions, inadequate manpower and skills in the sector, and high cost of capital.</p>	<p>Proposed Recommendations</p> <p>We make our Proposals below to further improve Uganda's tourism:</p> <ol style="list-style-type: none"> 1. The government should undertake a number of tourist-related infrastructure as a way of increasing the competitiveness of Uganda's tourism. These include the redevelopment of the Source of the Nile; Entebbe International Conventional Centre; the Creation of Recreation Spas; Upgrading Airstrips; the Development of Cable cars on Mountain Rwenzori; and the

<p>Uganda also faces a challenge where the impact of resources on the communities is not consistent with the increase in the value of the resources. For example, the contribution to the Gross Domestic Product of tourism is not translated in the communities in which the national parks exist.</p>	<p>Introduction of Leisure Boats on Lake Victoria, among others. Tourism Infrastructure is critical and we believe that the government should come back into the Tourism Infrastructure space, as it used to be in the past when it owned the Uganda Hotels Brand for example, e.t.c.</p> <ol style="list-style-type: none"> 2. To address the lack of funding for the sector, we propose that the government institutes a Tourism Development Levy to cater to the much-needed infrastructure developments required for the sector to thrive. 3. The government must undertake tourism promotion and marketing initiatives by for example; undertaking collaborations with Uganda’s Missions abroad and in-country missions; exploring Partnerships with a number of relevant tourism stakeholders such as airlines and international travel agencies to offer special travel packages to Uganda; Digital Marketing and the Use of Domestic & International Influencers. 4. Diversification of Uganda’s tourism product offering by harnessing the opportunities of Meetings, Incentives, Conferences, and Events (MICE) industry under the Uganda Convention Bureau; Leveraging Sports Tourism, Adventure and Eco-tourism, Agro-tourism, and Cultural Tourism. 5. Encouraging and embracing Franchising and Foreign Direct Investments as business models to finance the ventures. 6. Skill Development and Capacity Building for the required labor force.
---	--

Cooperative Societies as a Driver for Socio-Economic Transformation

<p>Challenge(s)</p> <p>Cooperatives are critical for socio-economic development for a number of reasons, including poverty reduction; affordable credit; employment; and women empowerment. Despite this fact,</p>	<p>Proposed Recommendations</p> <p>Because cooperatives are critical for socio-economic transformation, we believe they should be enhanced. We therefore propose the following:</p>
---	--

cooperatives are facing a multitude of challenges. These include liquidity challenges; Poor saving culture; Heavy taxation; Low technology uptake; Limited youth engagement; Multiple and inconsistent Legislation; etc.

1. The **Cooperative Bank should be established** (to channel the money that now sits in the Uganda Microfinance Support Center Ltd to provide affordable credit.
2. **Cooperative educational institutions** should be strengthened. Kigumba should be upgraded to become a university for cooperative philosophy education and training at all levels - to train cooperative officers who understand the philosophy of cooperatives.
3. The government should come out clearly on the policy direction towards the cooperatives movement. We believe to address the issue of inconsistent legislation, a **proposal for a Cooperative Regulatory Authority** so as to undertake enforcement of all policies that relate to cooperatives should be prioritized.