

# **UGANDA FIRST 2020**

## **STRATEGIES FOR ATTAINING MIDDLE INCOME STATUS**

*“Increasing average household incomes  
and improving the quality of life of  
Ugandans”*

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**PCF: Shaping the Nation**

“The role of the private sector in reinforcing government priorities to transform an economy “

## INTRODUCTION

The private sector and informal sector are seen to be the largest employers, thus playing a key role in human resource development and industrialization. Having a vibrant private sector dictates the national development agenda, by playing a key role in job creation and, improving the standard of living, which translates into an increase in purchasing power, which also translates into demand for goods that increase production, and the cycle leads to job creation. Since the economy was liberalized in the 90's, it was with a view that the private sector would largely drive the economy as it is said - Private Sector is engine of the economy.

The current government continues to address the bottlenecks towards ease of doing business; security, infrastructural developments, Energy and providing integrated Markets, plus **the Private Sector continues to grow by single digits, averaging 5%** over the last 10 years. With the emphasis to tackle the hardware issues, which are, Peace, Roads, Railway, Electricity and Skills to grow the economy. This however, could yield the preferred results if enhanced inclusion of the PRIVATE SECTOR is brought on board to align government's interests with private sector driven objectives that would be achieved through the structured interface with the leadership. As we witness, to-date African leaders have taken a step to integrate the markets like the Africa Continental Free Trade Area (AfCFTA) initiative. Such initiatives can be fully achieved with a well-coordinated Private Sector.

Presidential CEO Forum, is that conduit set up to compliment government and other bodies like the PIRT by providing solution-based strategies to drive the economy into a sustainable and desirous towards productivity and prosperity.

## **BASIC PRINCIPLES TO THE FORMATION OF THE PCF**

1. First, the formation of a private sector led board of 5 + 9 committee members.
2. Secondly, the Forum to advise government with factual documents on leadership, industrialisation, skilling among others. This means the Forum leadership to partake in profiling representations that must at all times participate in HoS Forums, conferences, political gatherings that do necessitate to inform the mind change of citizens both internally and externally.
3. Thirdly, the Forum to undertake structured meetings prior with research based topics to inform the planned bi annual meeting with HoS on Patriotism/Pan Africanism/Democracy/ Social Economic Transformation.

## **RATIONALE**

Uganda is now on the path to achieving the *middle-income status* through the *income per capita method*. We are not far. We need to add US\$ 121 on US\$ 905 and we are there. Our current GDP per capita is at US\$ 905 yet the middle-income status begins from US\$ 1,026 to US\$ 4,035<sup>1</sup>. *Given our big informal sector, generally above 50 percent in the countryside, and the fact that 68.9 percent of Ugandan households are in subsistence (nkolera lubuto), there is even a big possibility that we actually already in the middle-income status.* We need UBOS to estimate well the contribution of this informal sector (they produce their own food, personally build their shelter, own coffee, animals, matooke, etc.) to our national income figures.

## **WHY UGANDA FIRST?**

Globally, for the last 20 years, countries have been pursuing “*My Country First*” in their trade and economic development strategies in order to boost personal incomes, GDP, and achieve prosperity. We note that while they are members of the World Trade Organisation

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<sup>1</sup> According to the World Bank (2016) and NPA (2017). The Process of Attaining Middle Income Status: What does this mean for Uganda? Policy Paper

(WTO), an organisation which was established in 1995 to promote and monitor global liberalisation of trade<sup>2</sup>. Countries ranging from USA, UK, Russia, China, South Korea, India, Japan, Chile, Kenya, Tanzania, Malawi, Botswana and South Africa (among others) have at different times pursued policies, strategies, and activities related to “My Country First” approaches.

Largely, those who pursued such approaches have succeeded and their economies are now developed or advanced most of them with per capita income above US\$ 4000.

Our current development stage, which has tremendously improved over the last 30 years, requires that we pursue these approaches to move to the middle-income status and even surpass it in the next 5 - 10 years.

Imports are hurting the economy by taking away our hard-earned foreign exchange. We need to undertake import replacement/substitution of those consumer goods we import regularly. We need to produce most of those goods that we import whose technology we can import via attracting FDI and local investors to produce them. Experience of Covid-19 pandemic has shown that our current manufacturing can substitute imports in a short period of time. A country’s over dependency on imports for most goods<sup>3</sup> may have a negative effect on national security, peace and stability. *For example, there are goods that we need for food security, and health that should be available locally so that we do not suffer scarcity and experience national riots and demonstrations as people demand for such goods.*

## **STRATEGIES TO MAKE UGANDA FIRST**

This paper is focused to providing approaches developed jointly by Government and the private sector to further boost our country to **“Increasing average household incomes and improving the quality of life of Ugandans”**<sup>4</sup> by making **Uganda come first** and **attaining middle income status via the per capita income method**. We will

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<sup>2</sup> In 1995 WTO replaced the GATT (General Agreement on Trade and Tariffs) which had been a stand-in world trade organization since 1945.

<sup>3</sup> As a country, we cannot completely stop importing because there are required imports such as raw materials, machines and spare parts.

<sup>4</sup> NDP3 came into effect on 1<sup>st</sup> July 2020 with the goal

show the role of the state, role of the private sector, and both jointly under public private partnership.

Joint government and private sector focusing, first on building *Uganda First* to address import substitution, export promotion, value addition and innovation supported by qualified, competent, and ethical teams of MDAs leaders. In doing so, we have to address the following indicators of middle-income status:

PCF, believes that, if their role by representing the private sector to contribute to the country's economic transformation, here are the two clusters to be supported by government with private sector inclusion.

## **1 INDIGENISATION OF UGANDAN ECONOMY**

There comes a time in the history of a country when there is need for leadership and support from the state to boost economic prosperity. That time is now. We are ready to support domestic industries and boost economic growth. We therefore need a package of incentives to support our domestic investors, industries, and enterprises. We have borrowed experiences from South Korea, Malaysia, South Africa, Namibia, Nigeria, and UAE.

*Support to local industrialists is one of the best solutions by government and must be prioritised, through budget allocation, policy formulation and private public sector mobilisation. Indigenisation, brings about self sustenance of an economy, promotes the purchasing power of a country as well as build capacity of the human resource thus fosters the country's independent values by cultivating through the following principles:*

- a) Promote Industrialisation:** Capitalising on the continued government's intervention in boosting industrialisation in the country through zoning of Industrial parks, through cheap capital placed in UDB, this then will play a key role in enhancing the economy's sustainability and growth through increased production and employment. PCF is to foster an indigenised policy driven document at government level targeting the profiled indigenous Ugandans at regional level
- b) Reduce on import substitution** by establishing a deliberate policy to replace consumer imports by promoting the emergence and expanding of locally produced goods.

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- Substitute domestic production of those previously imported consumer goods that we have capacity to produce locally.
  - Move into sophisticated manufactured goods. Thus raise tariffs on imports of those products that we are able to produce, this approach will help Uganda to achieve the benefits of greater industrial diversification and job creation.
  - Ultimately, Uganda's ability to export will expand especially in the manufacturing sector where we are currently exporting around 12 percent yet we need 25 percent of manufactured exports to move towards and advanced country.
- c) **Enhance Export Promotion**, government's number one strategy the efforts to expand the volume of the country's exports to improve the current account of its BOP to achieve other national economy objectives stabilizing foreign exchange, keeping enough foreign exchange reserves, increasing household income, and reduce import bill. Government can realise this through export promotion strategy:
- Increase export incentives (e.g., exports are zero rated for taxes);
  - Decrease export disincentives; undertake aggressive export marketing (market research and information dissemination,
  - Promotion activities including trade fairs and exhibitions);
  - Direct activities of linking producers and foreign buyers (buyer- seller meetings; trade missions);
  - Opening marketing offices and having and commercial attaché in target markets.

*Government too has a huge comparative advantage in the EAC region, as agricultural country with 80% of the produce as organise foods, promoting commercial agriculture less investment in mechanism is required compared to other regional state. Today Uganda is the supplier of ARV's in the region and across, this can also be a multiplier effect to other prioritised products. A must to align allocation of resources into agro processing for value addition thus drive economic transformation with targeted markets. Farm - Factory – consumer CHAIN LINK. This today can work for priority line of production as:*

- *Livestock: adopt the Ankole – Masaka ranching scheme thus ring fence an area for livestock keeping, becoming a disease free area, built an abattoir(s) near the Hoima International Airport.*

- *Cassava, into starch to feed into the existing drag factory and clothes industry among others*
- *Sugar on large scale to produce the sugar syrup, ethanol etc*
- *Cotton from field to factory capitalise in all the five stages of production plus all the other products like oil and animal feeds.*

d) **BUBU POLICY:**

This policy is in line with enhancing the growth and realization of the indigenization of Uganda. It is therefore key that as we focus on Uganda First, initiative like BUBU that are already in place thus government in partnership with the private sector to capture the key actionable points that will boost indigenization participation for governments inclusion at all levels of MDA's implementation. For instance procurement, which accounts for a big percentage of the annual MTEF budgets. Most of the spending is with large infrastructure projects like roads, railways, dams indigenous partners must have 30 percent of participation to any contract approved by government.

Provide affirmative action to have a practical policy to ensure active participation and skills and technology transfer to Ugandans. In key projects, Government can plan in advance and ensure there are skilled persons before commencement of projects or for long term projects like Dams, capacity can be built within the initial years of projects implementations. This will ensure that expatriates skills are put to better use by transferring knowledge to Ugandans.

## **2. HUMAN RESOURCES REQUIREMENT AND LEADERSHIP AND OPTIMUM USE OF UGANDAN SPECIALISTS FROM ABROAD**

The Forum is to advocate for the need to promote for the right leadership, who must deliver results, and can optimally use the available resources to save government of the expenditure.

How: Profile seasoned and tested leaders from the private sector that have the cadreship mentality of Uganda First. This will then boost the efficiency and effectiveness of the MDAs in delivery and accountability. It is important as a strategic goal for the country to attain the middle-income status, ultimately economic prosperity for Uganda through tested leadership.

- Developing a date bank for seasoned qualified, competent and ethical leaders to provide service delivery. Be a go to Forum by HE and government for recommendation on postings and Board placements.
- Changing the mindset by the private sector towards government's culture therefore boosts local content to ultimately contribute to the country's projected NDP III.

Attracting the qualified professionals living abroad to share there experience in global competencies and technology enhancement through enhancing their remuneration of the clustered professions like the scientists. There are a number of Ugandans who have attained training from prestigious institutions abroad through development partners scholarships or deliberate government plans and investments in building capacity of Ugandans. There is need to document such highly skilled Uganda citizens and deliberately put them to best optimum use.

- Working with the private sector to identify and mentors individuals for future possible assignments in Government. The private sector will identify such individual's whom they train and recommend to H.E and his team. Long term establish a Uganda Leadership Academy. A number of other scientific ways to achieve human resource development are:

**Case Study:** *Deliberate efforts have been taken by countries such Singapore, China, South Korea, and Ethiopia, among others, to build a pool of individuals who are later deployed in both the Government and private sector. For a country that is developing, building a pool of people that can man the 'commanding heights' of its society is important. Individuals will be identified and sent to train so that when they come back, they are employed where their specialisation is required.*

**a) Policies to exploit opportunities arising from global competition and technological development.**

Knowledge, technology and global markets are changing at an increasingly faster pace. Technological development is crucial in the private and public service industry, which covers a sizeable percent of the labour market. Technological development creates opportunities for better and more efficient service production, both in the public and private sectors. In the public sector

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interaction between social innovation and technological innovation can contribute to developing better education and welfare services for the population. Technological advances offer opportunities for stimulating jobs. Technological developments provide opportunities for increased efficiency and innovation.

***Government may therefore have a deliberate policy to attract world-manufacturing companies in key growth sectors like mining and agriculture.*** These indigenous companies then will nurture other many high-tech small and medium sized businesses. Such Technological developments give these small firms high growth potential, because digitalization and automation facilitate decentralized and flexible production with lower capital costs than previously. This would provide opportunities for industrial development in Uganda.

**b) Reinforce the Skills Policy and develop vocational education and career opportunities**

Uganda has the world's youngest population with over 78 percent of its population below the age of 30 years. This young population once skilled appropriately can contribute immensely to the development of Uganda. The young population's skills are Uganda's most important resource and the basis for welfare, growth, wealth creation and sustainability by:

- Have a functional skills policy that contributes to innovation, productivity and competitiveness within the labor market is key to realization of "Uganda first" objective.
- Promote Private sector to support government to institute a skills policy with strategies incorporating a whole of- government approach with strong stakeholder involvement so that educational institutions and the potential employers.
- Document the skills needed in the labour market to enable proper and continuous evaluation of what has been achieved and also identify the skills gaps.
- The labour market is dependent on sufficient access to skilled workers. This calls for recruitment of skilled workers, therefore, it is crucial that more students' complete secondary education with skills needed to increase production in key industry sectors. This requires increased access to apprenticeships in the private sector. Currently, Government has invested heavily in vocation education but it still remains not attractive as everyone is still competing to have a university degree. The public service has also continued to emphasize university degrees even for

primary teachers, which may not be appropriate. Government must therefore institute policies to motivate and increase intakes in vocational education by ensuring that skilled vocational students easily find jobs so as to influence others.

### **PCF'S MANDATE TO BE MEASURED OUT PUTS**

- i) Provide a neutral arm to the government through a professional business minded body for investment analysis and implementation across all sectors
- ii) Aligned Institutionalised policies
- iii) Promoting apprenticeship programs that recruit vocational skilled students – influence job creation.
- iv) Foster deliberate effort to implement that BUBU policy through MDA's acquisitions agreed by government
- v) Profile and create a data bank for high skilled Ugandans both within and as external expatriates to work for government business oriented institutions. (to be reference for Government appointments and placements and establish an integral Leadership Academy)
- vi) Adoption of the standardised Board chart by all Board
- vii) Popularising the decentralise skills centres under MoES and use of cooperatives
- viii) Command the operationising of the Board charter at Government level.
- ix) Enhancing market links through Public Private Partnership
- x) Adopt and invest in industrial cottages at district levels

### **CONCLUSION**

The Presidential CEO Forum (PCF) is set to harness the private sector inclusion in policy and advocacy implementation through mobilisation of squid ideology and leadership to champion the country's goal to attain economic transformation based on available resources from the rich private sector led growth, well-researched surveys on private sector inclusion.

This thus will inform the generation of a policy paper for parliament and cabinet approval with the incorporation of His Excellency the Presidents' input emphasising Uganda First.

## **Annex I: Role of the State**

It is important to briefly explain the role of the **state (visible hand)** and that of the **private sector (invisible hand via forces of demand and supply)** in spurring economic growth and, ultimately, a country prosperity.

The role of the state will be important in production, investment, industry, imports replacement, and exports promotion. Almost all developed and advanced countries have used the state to boost economic growth and improve the standard of living of their people.

This paper argues that development does not happen basically of its own accord and certainly not with pace, speed, and continuity that is required when a country needs real and sustained improvement in economic growth to be achieved in the course of a generation. Here you need the role of the state. As Leftwich (2007:7), summed it up “.....**what is required is a central coordinating intelligence or coordinating capacity which can steer, push, cajole, persuade, entice, coordinate and at times instruct the wide range of economic agents and their groupings to go this way instead of that, to do this and not that, and which itself can act here or when private agents either cannot or will not**”.

The role of the state has been clearly stated in NDP3. The role of the state will be enhanced in areas where the market forces do not yield desired outcomes. The Constitution of the Republic of Uganda (1995) defines the “Role of the State in Development” as follows:

*“The State shall stimulate agricultural, industrial, technological and scientific development by adopting appropriate policies and the enactment of enabling legislation”.*

The state can play different roles: facilitating, regulating, influencing, and investing in the economy. Over their growth path, **UK, USA, France, Japan, South Korea, Singapore, Indonesia, China, Taiwan, Chile,** and Brazil, among others have had the role of the state supporting their industrial policy and exports promotion. They did it in different ways as

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