

ROADMAP TO ATTAINING MIDDLE INCOME STATUS FOR UGANDA

By National Planning Authority

1) What is middle income?

According to the World Bank, middle-income countries are nations with annual per-capita gross national income ranging between USD 1,025 and USD12,615. Per capita-income status is used by the World Bank to classify economies for operational and analytical purposes. Per-capita gross national income is used for classification of nations because of its simplicity and ease of international comparison across countries for the determination of economic capacity and progress of nations. The World Bank classifies every economy as low, middle or high income. Low-income and middle-income economies are collectively referred to as emerging economies.

2) What does it mean for an ordinary Ugandan?

Uganda's target is to attain a lower middle income status by 2020 with an annual per capita income of USD 1,033 according to the NDPII. This means that all Ugandans including children who are not working on average should each be earning at least USD 1,033 (UGX3.5million) annually and USD 86 (UGX 290,000) monthly.

However, using averages can be misleading for Ugandans across the country. Because we could run into a danger of having a middle income status with a high proportion of the population still trapped in poverty like the way it is in countries like Angola and Equatorial Guinea.

The middle income goal for Uganda should be anchored at household level focusing on the household earnings, which would translate into inclusive growth. The implication of achieving this inclusive middle income country would require **each household to earn a total annual income in proportion to its size**. For example if a household has 10 members, then we would expect a total annual income of (10 people X 1,033) USD 10,330 (UGX 35million), representing monthly income of UGX2.9million from such a household.

Meaning that

This would mean that; there will be enough food for everybody, longer years of schooling for children, fewer children dying from common diseases, having a manageable household size, absence of malnutrition, people being able to read and write etc.,. In addition, a middle income status would mean our country having no people living in abject poverty, though with pockets of insecure non poor, no wide disparities in income distribution across the country. Currently we have an average poverty level of 19.7% countrywide.

3) Can Uganda attain this middle Income Status?

This is achievable, provided the NDPII is implemented as laid out to the dot.

4) How does the NDPII recommend this to be achieved?

The NDPII identifies five lead sectors that if well focused, can propel this country to middle income status. These are: Agriculture; Tourism, minerals, oil and gas; Human Capital development and infrastructure development. To maintain and improve competitiveness, Uganda must strive to increase productivity throughout its economy especially in the key growth sectors along their entire value chain. Increased productivity with an outward orientation across these sectors would propel growth by 2020.

At a macro level for middle income status to be achieved we must ensure the following;

- GDP must grow and the population growth must be contained
- Macroeconomic stability must be ensured (including foreign exchange stabilization)

For foreign exchange to be stabilized, exports must increase progressively, capital outflows should be reduced, and capital inflows increased

- Productivity across sectors must be increased
- Investment in public infrastructure must be frontloaded
- Financial deepening / savings must be increased
- Capital accumulation must be front loaded
- Low interest rates must be maintained / cheaper capital

(i) Enhanced agricultural production & productivity:

To achieve an inclusive middle income status, improving production & productivity in agriculture will be critical. This is because agriculture employs majority of Ugandans (over 68%) and most of them are in peasant and subsistence agriculture. As such, to achieve a sustainable middle income status by 2020 with everyone on board would mean targeting growth to this sector. Leaving the 68% of the population which forms a greater base in this growth equation would leave them in abject poverty or in an insecure non poor state. It is against this backdrop that NDP prioritized Agriculture. There still exists deficiencies in production and productivity in agriculture despite its economic potential to the economy of Uganda. Some of the eminent issues in this respect include: limited research and development to guide production; sub-standard inputs on the local market (planting materials, fertilizers, pesticides e.tc); unstructured and unregulated distribution of the inputs (nursery operators, input dealers e.tc); and poor agricultural practices. Proposed actions to these issues include:

- a) Development of interventions along the value chains of different prioritized commodities such as coffee, tea, horticultural crops, citrus etc.
- b) Strengthening and/or up scaling research and development – rehabilitating and equipping existing research facilities, developing local human capacity in research, etc.
- c) Regulation and structuring of input supply in the country. Proposals include:
 - Enhance dissemination of developed planting materials, from the labs to the producers
 - Certification of nurseries, closer monitoring of inflow (import) of agro-inputs and activities of input dealers
 - Adoption of innovative and efficient approaches in the government input distribution programmes. For example the ‘Garuga’ Model’ that was adopted for up scaling Tea production in Western Uganda.
- d) Promotion of good agricultural practices – for example soil moisture management, use of fertilizers and proper post-harvest handling
- e) Pest and disease control. This is critical for both crops and animals. For example, as a way of increasing beef and milk production, its proposed mandatory and regular animal vaccination and treatment programmes should be implemented at the sub-county level
- f) Strengthening of extension services – across the board
- g) Review of the regulatory frameworks that guide production and trade in the different sectors. For example, institution of a Coffee Law, Grain Trade Policy and other such regulatory instruments.

(ii) Tourism development:

This is one of the avenues through which Uganda can attain a middle income status. Government must invest in the skills, tourism related infrastructure, product development and aggressive marketing. This would generate employment along the entire value chain.

(iii) Minerals , oil and gas

In addition to oil projects, there is need to fast-track the realization of the iron ore and phosphates industries which would be a milestone in the realization of the middle income status. These will create jobs, fertilizers for the agricultural sector; boost the steel industry and generate steel products required by the country in the current northern corridor infrastructure projects and thus save the country the foreign exchange.

The anticipated growth from oil investments will to a greater extent create a middle income country with high poverty disparities. Therefore this will require proper income redistributive policies for oil revenues if we are to attain a middle income country status with inclusive growth by 2020.

(iv) Increased Infrastructure Investment

Addressing Uganda’s infrastructure deficit should enhance the country’s competitiveness, and drive productivity enhancements in all sectors. Investment in an economy is majorly constrained by a huge infrastructural deficit, unfavorable business environment. Investments in the infrastructure along their different entire value chains would create enormous jobs, and cause tremendous faster realization of the middle income status. This would also increase competitiveness through reducing the cost of production and of doing business; widening and integrating markets; achieving economies of scale; encouraging participation of the private sector; and attracting foreign direct investment and technology. The overall resultant impact of these investments would be an attainment of middle income status. For Uganda to attain the middle income status, Government should:

- a) Fast track the construction of the Standard Gauge Railway System
- b) Finalize the construction of strategic roads especially express Highways and Tourism roads
- c) Entebbe Airport rehabilitation and expansion and revival of the National Carrier
- d) Finalize construction of key Hydro Electricity Dams (Karuma, Isimba, Ayago) and extend the transmission lines
- e) Fast track the construction of the oil pipeline and oil refinery
- f) Extend the National Backbone Infrastructure (NBI) to all districts.

(v) Human capital development

Human capital development particularly in health and education are key in improving productivity, enhancing competitiveness and propelling economic development. Realizing a middle income status will require development of functional health systems, training systems, research and innovation system in the country. The government and all Ugandans have therefore to focus on skills development, innovation in science and technology, and primary health care.

a) Comprehensive Skills Development

- Accelerating the development of five vocational / technical institutions into Regional Centers of Excellence in delivering skills for strategic projects must be done.

- Urgently instituting a mechanism for international standardization and certification of the immediate skills requirements especially in oil and gas, minerals and other key infrastructure
- Fast tracking establishment of the National Service Programme and the introduction of soft skills in the education and training curriculum at different levels.
- Strengthening the visibility and capacity of the Directorate of Industrial Training to support certification of informal trades and skills.

b) Upgrade and fully resource all primary health care facilities in the country

For Uganda to move to middle income status, a population without access to quality basic health services should be greatly reduced. Investment in health infrastructure, human resources for health, and preventive health programmes in all rural districts will be critical to the realization of the outcomes from the agricultural sector especially in terms of labour productivity.

c) Develop and implement a national local content policy

Failure to focus on the national local content policy, realization of middle income status may be a challenge. This will require increasing local participation in the national development agenda. Key issues to be addressed by the policy include;

- Employment of Ugandan nationals in most of the projects in the country being undertaken by foreign companies. This would create knowledge transfer, increase per capita incomes and reduce outward remittances.
- Utilization of local inputs / materials. Government should ensure as much as possible that all projects on going in the country utilize locally available materials.
- Development of the local capacity of the local service providers and contractors as a means of nurturing Ugandan own companies.
- Promotion of the BUBU (buy Uganda build Uganda) initiative.

5) What will it take to achieve this?

Good planning alone WILL NOT deliver Uganda to the middle income status. Despite the excellent strategic direction provided by the NDPII and Vision 2040 as indicated above, achieving a middle income status will require doing business unusual on the part of all stakeholders particularly the implementing sectors, MDAs and LGs under the political leadership of the respective sector Ministers. Fundamentally the following three issues must be addressed if this dream is to come true;

1. Strong Institutional Framework is key to delivering Uganda to middle income status.

The middle income status can only be achieved when institutions are functioning well. Currently institutional synergies are lacking, even within sectors themselves, there is a lot of disorientation. The ministry of agriculture must be seen driving the agricultural agenda set out in the sector with all the stakeholders. Production along the value chain in the agricultural and related sectors including the export sector will not be realized unless the agricultural sector ups its game.

Employment Opportunities associated with the pipeline infrastructure projects in the country will only be tapped if the education sector reconfigures its current technical institutions to be able to produce artisans and technicians who are certified to work in projects such as oil, standard gauge railway among others. Doing the technical education as usual will leave many missing out on the employment opportunities and the ultimately increasing outward remittances

2. Effective and Efficient Implementation Framework:

The implementation of government plans, projects and programmes should take care of the existing institutional arrangements and implementation instruments such as the national budgets, Public Investment Plans. The priority sectors should be seen driving the NDPII agenda including Agriculture, Tourism, Energy, Education, Health and Works. Government implementation strategy should be strengthened to maximize institutional synergies amongst the stakeholders to achieve efficiency in resource utilization.

The current Public Investment Management is weak and this has resulted into huge losses especially on infrastructure projects. **This way of doing business as usual has made us realize less than a dollar for every dollar invested according to the World Bank study on PIM in Uganda.** These must be addressed if the returns on investments have to create impact for realization of the middle income status. There is therefore need to have a well-coordinated and strategic partnership within Government and the private sector, the development partners, the civil society and other non-state actors. In this regard, government should:

- a) Enhance and strengthen institutional coordination
- b) Strengthen implementation planning at the sectors, MDAs and LGs
- c) Strengthen public investment management process
- d) Fast track Land Acquisition Legal processes for public projects
- e) Strengthen the Uganda Development Corporation (UDC)
- f) Alignment of budgets and budget Implementation to Plans

3. Effectiveness and Efficiency in Public Service Delivery mechanisms

For Uganda to realize a middle income status, political leadership at the implementation level must stand up to the task. To enhance public service delivery, government needs to;

- a) Focus on the priority sectors of the economy i.e. Agriculture, Tourism, Minerals-oil-and-gas, Infrastructure (transport, ICT, Energy, water for production)
- b) Administer and enforce performance contracts at both political and technical levels: from Ministers, Permanent Secretaries, up-to commissioner levels (or equivalents) should have clear annualized performance targets in line with the NDPII and NRM Manifesto.
- c) Streamline institutional mandates taking regard of policy, planning, implementation, regulation and enforcement.
- d) Streamline procurement systems and processes taking regard of the need to deliver timely services
- e) Address corruption and distortions through strengthening systems, re-inculcating ethics and integrity at all levels of society, and making the fight against corruption a national priority with adequate professional manpower.
- f) Strengthen Public Investment Management. Build sectoral and national capacity for preparation of investment ready projects
- g) Strengthen sectoral, Local Government and MDA level capacity for planning, think tanking, budgeting, monitoring and evaluation
- h) Strengthen standards, regulation, and enforcement in all the priority sectors. This is towards quality assurance, value for money and compliance.