FISCAL RESPONSES TO COVID-19 PANDEMIC AND ECONOMIC RECOVERY MEASURES

A Synthesis Report of the Proceedings of the 10th Annual High Level Pre-Budget Dialogue held on May 28, 2020 in Kampala - Uganda

ACODE Policy Dialogue Report Series No.35, 2020

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This dialogue was organized with partners

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Acknowledgements

The 10th Annual High Level Dialogue on Fiscal Responses to the COVID-19 Pandemic and Economic Recovery Measures would not have been successful without the support of the Ministry of Finance, Planning and Economic Development (MoFPED) who went as far as providing a venue where the dialogue was held. To this end, ACODE would like to acknowledge the physical and intellectual support by officials in the MoFPED led by the Permanent Secretary/Secretary ot the Treasury who gave a keynote address. We are also grateful to our other partners the Civil Society Budget Advocacy Group (CSBAG) under the Budget Transparency Initiative (BTI) who co-sponsored the dialogue. Special thanks to our eminent panelists: Dr Elly Karuhanga, Chairman Private Sector Foundation Uganda; Rev Canon Dr John Ssenyonyi, Vice Chancellor Uganda Christian University; Mr Dickson Kateshumbwa, Commissioner Domestic Taxes Uganda Revenue Authority; Ms Clara Mira, IMF Resident Representative in Uganda and Mr Enock Mugabi, UN Women Program Specialist. Above all, we pay special thanks to Hewlett Foundation our development partners for providing financial support to ACODE.

1. Introduction

The Advocates Coalition for Development and Environment (ACODE) in partnership with the Ministry of Finance Planning and Economic Development (MoFPED) and the Civil Society Budget Advocacy Group (CSBAG) convened Pre-Budget Dialogue for FY 2020/21 on 28th May 2020. In light of the Covid-19 containment measures, the dialogue was held in the Ministry of Finance Conference Hall with a limited number of participants due the social distancing guidelines. It was televised live on both NTV and NBS television with plenary participation over Zoom Web-Conferencing.

The dialogue reached about 5 million Ugandans through the different communication platforms. Based on the 2019 IPSOS television viewership survey statistics, it is estimated that the dialogue reached 365,647 Ugandans through NBS Television, and 498,609 Ugandans through NTV Uganda. On social media, the dialogue reached 2,569,551 people via ACODE's twitter page, 34,854 via the NBS Twitter Page and 1,529,414 people via the NTV twitter page. The dialogue was also streamed live on ACODE's Facebook page where it reached 1,925 people.

2. Background

The dialogue was organised under the auspices of the Budget Transparency Initiative (BTI) including MoFPED, CSBAG and ACODE. The dialogue was the 10th in ACODE's Annual High Level Dialogues on the Budget organised in jointly with other key stakeholders. The theme of the dialogue was 'Fiscal responses to Covid-19 Pandemic and Economic Recovery Measures'. The thrust of the dialogue was that, the Covid-19 containment measures put in place by governments around the world unleashed an un-expected global lock down and an economic recession resulting from a drop in economic activity. In Uganda, the economy is expected to underperform by about 3 percentage points from the 6% growth rate that was envisaged for the FY 2019/20. While Uganda has so far done exceptionally well in containing the disease, registering many recoveries and no deaths, it has come at a huge cost. In a bid to slow down infections, economic activity was brought to a grinding halt. This has significantly reduced household incomes and government revenue. Many businesses are in distress from financial obligations as well as disruptions of supply and distribution chains.

In addition, the emergence circumstances that the country has faced have also brought about distortions in planned public expenditure. Several of the containment measures have been financed by way of supplementary budgets which are distortionary in public financial management. Unlike previous budgets where interest payment and infrastructure have taken the lions share, the Covid-19 pandemic has heightened the need for additional funding in health, security and economic recovery. However, the decisions to take away resources from some areas to priorities in this emergency are constrained by contractual obligations such as those in road and energy infrastructure development where projects span across a number of years. In the same vein some infrastructure contracts may have to be varied in response to the re-ordering of priorities and expected reduction in the resource envelope. In addition, Government is obliged to service maturing debt and failure to pay may have serious repercussions for the country's credit rating. It is within this context that the dialogue was organised. It provided a platform for discussion on the budget priorities for FY 2020/21 as well as the proposed measures for economic recovery.

3. Highlights of the Discussion

The debate at the dialogue largely focused on what should be prioritized during the Covid-19 pandemic, what the change may mean for the country's development in the short-term and the interventions for economic recovery. The Dialogue commenced with welcoming remarks from Dr. Arthur Bainomugihsa, Executive Director ACODE followed by Opening Remarks by Mr. Keith Muhakanizi, the Permanent Secretary and Secretary to the Treasury (PSST) – MoFPED. In addition to officially opening the dialogue, the PSST also officially launched the National Budget Month.

Dr Arthur Bainomugisha- Executive Director ACODE

Discussions at the dialogue involved a keynote presentation on priorities and measures for economic recovery, a panel and plenary discussions. The Keynote address was given by Mr. Ramathan Ggoobi, a renowned public sector economist and a member of the Uganda Development Corporation Board of Directors. Discussion of the Keynote address was given by Mr. Keith Muhakanizi, the

Permanent Secretary and Secretary to the Treasury – MoFPED. This was followed by Panel discussion with the Panel Comprised of Mr. Dickson Kateshumbwa (the then Commissioner Domestic Taxes – URA), Rev. Canon Dr. John Senyonyi (Vice Chacellor – Uganda Christian University), Ms. Mira Clara (IMF Resident Representative), Dr. Elly Karuhanga (Chair of the Private Sector Foundation Uganda Board of Directors) and Mr. Enock Mugabi (a program specialist at UN women). The subsequent sub-sections provide excerpts from the discussions held at the dialogue.

Dr Bainomugisha thanked God for hearing the prayers of Ugandans and saving them from the Pandemic. He continued to add that COVID-19 has destroyed global economies and has pushed many households back into poverty. Most African economies were projected to grow at around 5.2% but it is no longer the case. The impact of COVID-19 is intense and global economies are in a recession, it has caused tension between and among nations especially the developed countries. He went on to point out that many small and medium enterprises have closed, food insecurity is on the rise, as well as reduced revenue collected by URA among others effects of the pandemic on the economy. Therefore, the FY 2020/21 budget to a larger extent is expected to be an emergency and economic recovery budget to respond to the impact of COVID-19.

Dr. Bainomugisha also pointed out that Uganda's economic recovery will depend on whether the right interventions are going to be employed to kick-start the economy. There is need to reconcile renegotiation of loan repayments with the need to pay the domestic debt to put money back in the economy. He went on to say that above all, there is need to fight corruption so that the little money available can be utilized efficiently. "As civil society, we want to see a lot of transparency and accountability in how the revenue collected and the loans we are contracting are being used so that Uganda and African are not highly indebted".

He concluded by thanking the PSST- MoFPD and his team for doing a commendable job, along with other partners including CSBAG, Uganda Revenue Authority (URA) and Bank of Uganda. He then called on the general public following the proceedings to participate in coming up with constructive ideas that will help Uganda emerge stronger from the impacts of COVID-19.

3.1 Opening Remarks from Mr Keith Muhakanizi, PSST – MoFPED

Mr Keith Muhakanizi, the Permanent Secretary/Secretary to the Treasury (PSST) began his opening remarks by highlighting the effects of COVID-19 on the budget. He pointed out that the budget had initially been built on the assumption that GDP will grow by 6% or above, which has been revised downwards to 3% The PSST pointed out that over the next calendar year, the country will be lucky if it grows above 0% and any country, which will grow above 0%, will be a great country. Thus the context in which the budget is going to be presented has automatically changed. He continued to add that the service sector comprised of tourism, trade, the informal sector, which contributes 43% of GDP, has been badly affected. The PSST pointed out that Uganda is currently facing three emergencies; that is, the COVID-19 disease, the floods and locusts. Hence, the discussions of this budget and the next budget will take into account the impacts of these occurrences. These occurrences have affected not only the formal and informal sectors but also savings, remittances and the balance of payment as well. The country has lost up to about $2 trillion and about 2.6 million people are expected to slip back into poverty.

Mr Keith Muhakanizi- Permanent Secretary/Secretary to the treasury, Ministriy of Finance, Planning and Economic Development launching the national budget month

Mr Muhakanizi continued to add that in April, more than 650 billion in revenue was lost and the treasury itself, which Government is looking at to get support, is in an emergency. “People must consider this context but also they need to know that the government has been working hard to get solutions to some of these problems” he said.

In line with solving the current challenges, Mr Muhakanizi said that the government is focusing on import substitution in the industrial sector with an emphasis on agro-processing and agriculture. He continued to add that the government is as well looking at prioritizing payment of arrears to put money in the economy and improve aggregate demand. “Even if the government puts money in industries, it cannot produce unless someone is consuming. This will also be important when discussing the budget for the next financial year and the economy”. Furthermore that the government is looking at supporting the poor through negotiating with micro-credit facilities to provide cheap credit, supporting agricultural productivity through the distribution of inputs, which the government plans to do through the voucher system.

In conclusion, the PSST said that the government is also looking at supporting communities which have been affected by the floods and locust probably in the coming financial year. 'Government is looking at labour-intensive works as well as several fiscal measures that are important which the minister will talk about in the budget speech' he added. Therefore, this budget in my view will be immediately adjusted not in the revenue point of view but expenditure, there will be many adjustments. Finally, the PSST also officially launched the National Budget Month as part of his remarks at the dialogue.

3.2 Keynote address on budget priorities for FY 2020/21 and post COVID-19-19 fiscal stimulus options

Whist delivering the keynote address, Mr Ramathan Ggoobi started by listing the five priorities around which the budget was designed before COVID-19 hit. These were; i) Agro-processing and light manufacturing, ii) mineral beneficiation, oil and gas, tourism, scientific research and innovation iii) Building Infrastructure with emphasis on Local Economic Development iv) Improving social services and balancing opportunities across regions and v) enhancing governance and sustaining peace and security.

Mr Ramathan Ggoobi, Senior Lecturer Makerere University Business School delivering a keynote address

Mr Ggoobi continued to say that when he looks at the budget, it is quite heavy on the long term vision of the country especially facilitating the enablers of development such as infrastructure. When you look at what is happening today and what is likely to play out, the future beginning tomorrow is more focused on the 'york'. "The designers of the development plan in 2010 used an analogy of the egg and said they were going to invest in the development of Uganda in line with the way the egg is made to eventually hatch. The egg has an outer layer, which is protecting everything inside which is security in the context of the nation. They also talked of the inner peace of the egg, which we call the york- where growth comes from. Now we are not necessarily looking at growth but how do we recover".

Mr Ggoobi focused on how the budget can be re-thought, re-allocated and rationalized in such a way that prioritizes areas which have not been at the forefront of government public investment such as ICT which was allocated 167B, trade and industry (172B), tourism (194B), social development (184B), and housing (200B).

These according to Ggoobi are poised to be major drivers of growth due to the effects of COVID-19 and need to be looked at to see how the budget can be re-allocated so that they can receive more money; not forgetting Agriculture, the main driver that is going to support the bounce back. He continued to add that as we speak about these re-allocations, COVID-19 has paralyzed the fiscal hand. Government has two fiscal hands; one is taking away and the other is giving. The one, which is supposed to take away from us, is paralyzed. Several tax policy measures in the budget under the highly anticipated domestic revenue mobilization strategy could face serious implementation challenges. These include rental income that was going to play a big role, an alternative minimum tax on loss declaring businesses- the government hoped to tame the businesses that have been declaring losses perpetually by getting some money from them. However, it is anticipated that most businesses are going to be making losses, and then the new tax for small and medium enterprises- the government had put a strategy of incentivizing firms to formalize by taxing those, which had not kept the books of accounts a little more highly. These now need to be revisited before the pressure is mounted on Uganda Revenue Authority (URA) for poor performance.

Mr Ggoobi said that on the highly awaited fiscal stimulus, the government needs to pronounce its self on; i) special interventions to support home economy workers. ii) direct support to firms even those, which are formal and big enough to keep workers on the payroll, iii) direct credit support to village saving groups, SACCOs and Microfinance institutions to support SMEs. Here he said that government needs to listen more to the less represented voices (The informal workers, SMEs and other vulnerable people, iv) support to agriculture should use the value-added approach i.e. government should stop the lopsided approach of the sector. He said that when he analyzed the agriculture budget, 49% of the budget is going to production, 23% to enabling environment (writing policies etc), 21% research, only 2% for processing and value addition and 5% for marketing. He continued to say that he is aware that the private sector plays a role in funding processing and value addition however there is still a very big problem to get growth capital. The working capital in Uganda is not enough to get us out of this COVID-19 challenge and there is a need for growth capital, which can only be provided by the state. He also called on those who are putting together COVID-19 interventions to use the NDP III as the play book. The government needs to align the budget with the COVID-19 adjusted programs made in NDP III especially those, which are rich in employment such as agro-industry, manufacturing and others with high output and labour multipliers.

Ramathan called on the government to desist from impulse spending which may lead to misguided and subsequently regretted departure from pre-committed long-term goals. Besides, the stimulus plan should not displace private sector efforts lest it creates a moral hazard. In conclusion, put forward seven proposals:

i. You need to know your economy beyond microeconomics i.e. we need to ask ourselves today, which sectors need to be prioritized in terms of employment and output multipliers.
ii. Use existing mechanisms as much as possible. Let us not create new mechanisms of taking the stimulus to the people. Existing mechanisms should be leveraged as much as possible.
iii. We need to invent new programs only when it is necessary.
iv. Enlist the private sector as much as possible.
v. Diversify and do not fear duplication or unintended winners in the response.
vi. Ensure that the response is dynamic and persistent.
vii. Better to do too much than doing too little. Some people are worried about the debt but when you are fighting war and recession, the first culprit is debt. Mr Ggoobi encouraged Uganda to borrow more money as long at its negotiated carefully and invested appropriately.

Finally, Mr Ggoobi said that we need to remember what has been failing the implementation of good plans in Uganda. He said that a study on the implementation failure in Uganda found that the number one cause was weak leadership especially at bureaucratic level followed by poor planning and budget indiscipline, long and bureaucratic cycle and lastly corruption. Lastly he noted that the 2020/21 budget should be characterized by, democratic accountability or bureaucratic expertise. This is an election year; voters reward or punish politicians for negative or positive outcomes yet politics does not allow leaders to do what generates positive outcomes. In that we can, all infer what should inform this stimulus package.

Response to the Keynote Address by the PSST: Mr Muhakanizi thanked Mr Ggoobi for the keynote address. He continued to add that there is a consensus on the impact of the Problems Uganda is facing and that he was happy that the speaker did not dwell on the problems but rather the solutions. He also added that he agreed with the keynote citing that there is a need for continuous analysis because most things are changing rapidly. He added that he also agrees that there is need for budget reallocations taking into account revenue shortages and the priorities that have immerged but also keeping the lens on the commitments already made.

He continued to say that as we discuss, there is a need to keep in mind two things; first, the fiscal space is almost zero and this is not for Uganda alone but across

Africa. While Europe, USA, Japan and India could afford quantitative easing (printing money) to get the economy going, the question I keep asking is that can Uganda afford printing money which I hear most people advising us to do without catalyzing inflation and exchange rate depression? Some people have criticized us but the one thing we fear most is inflation. “We are working with Bank of Uganda to look at it but the number one priority is macroeconomic stability; because you might think you are helping the poor but the impact of inflation wipes it off”, Mr Muhakanizi said. Secondly, is the space still there for borrowing? I wonder, he said. He added that Uganda is in a much better situation than most African countries on these issues. The government is very careful not to spend on impulse, a point that Mr Ggoobi talked about. The government is keen not to implement something because other countries are doing it as it can have dire consequences on the economy.

Mr Muhakanizi also pronounced himself about re-allocations with a question, what is the room available to us to do re-allocations? This is what we call budget flexibility; while revenue has been increasing, budget expenditure flexibility has been unfortunately going down. The government has already contracted multi-year programs where it already committed pay periodically. Also in the past Uganda and Africa were financing the budget through the accumulation of domestic arrears. However this room has narrowed due to enforcers of legal rights. People that government was not paying on time now go to court and settling the case turns out to be more expensive compared to paying upfront. The room for flexibility seems to be very narrow hence the need to look at alternative solutions.

While talking about the stimulus package, Mr Muhakanizi said that MoFPED is still working with Bank of Uganda (BoU) on several approaches. He added that BoU had come up with some measures but the private sector said that they were not enough. Meetings are going on to this effect in a bid to come up with agreeable actions he said. Financing in agriculture will focus on Agro-processing. This is crucial because according to MoFPED analysis, most people are in the villages and delivering social protection to them is not easy. Until we deal with marketing their goods, you are not helping them and Uganda is moving to tackle the problem through agricultural guarantee scheme and the money being mobilized from donors through UDB as priority number one because he knows that there is need to create a market for the rural farmers.

In conclusion, ‘MoFPED has committed itself to be transparent in all these processes, I thought you needed to know that’, Mr Muakanizi said. Finally, allow me to listen because I think it is very important and I have encouraged all my staff, to listen to everybody as we try to get solutions together.

3.3 Questions to Ministry of Finance

1. What sort of hope can you give Ugandans because all you are saying is predicting doom?
2. How does the budget intend to mitigate the tendencies of supplementary expenditure that frustrate service delivery
3. What specific interventions are targeting the urban poor?
4. When businesses supply goods to the government, how long should they wait to be paid?
5. Based on the ongoing conversation with the joint parliamentary committees and workers unions, is the issue of access to mid-term credit from NSSF possible?

Mr Muhakanizi answering the questions said that he has been careful not to pre-empt the Minister and the President's speech coming up in one-weeks' time. He continued to add that looking through what was going on in March and April, we thought that economic growth was going to be in negative but we are in a much better position than we thought and this can be contained now on a micro front. About the specific interventions targeting the urban poor, he said that the solutions are coming. Government is waiting on parliament to approve a loan from World Bank and IMF and part of the loan money will be used to support microcredits that support the urban poor. These are some of the things already talked about that are in the discussions among MoFPED, BoU and the private sector.

On how long should business wait to be paid after supplying good/or services to government, Mr. Muhakanizi said that government is endeavoring to pay on time because most businesses are run on loans and when the government does not pay in time, interest increases on the loans being serviced by the business. In the past government has been the destroyer of enterprises and therefore going forward governments' proposal is not to over-commit every year beyond a certain level so that it can always pay on time. However, this has been going on for example, despite advising the government that there is no money to start cities, the government still did. He added that today, there are more than 700 new entities created without a corresponding budget, you can imagine. People in government tend to pretend that there is no fiscal constraint and so we must discipline ourselves to avoid destroying the economy. He added that the other challenge that delays payment to businesses is corruption and supplementary expenditure.

Answering the last question, Mr Muhakanizi said that from his understanding, it was MoFPED and NSSF that came up with the midterm payout proposal. However, one of the points talked about today is that the government should avoid impulse spending/decisions. He added that nobody doubts the need but is NSSF capable of paying that money because all the savings are invested on a long-term basis. Is it possible to liquidate the assets, there is a need to assess NSSF's capacity to pay the 20% and if not, shouldn't this be looked at soberly? Government is not opposed to the 20% payout but the question remains how possible it is.

4. Panel Discussion

4.1 Implications of COVID-19 pandemic on tax revenue projections for FY2020/21

Mr. Dicksons Kateshumbwa, the Commissioner Domestic Taxes - URA, addressing the Implications of the COVID-19 pandemic on tax Revenue projections for FY 2020/21 said that what has been witnessed in the last three months has never been witnessed in the recent history of URA. He added that in April, URA collected about 60% of what was expected and made a shortfall of about UGX 638B and in the previous month of March when the lockdown started, URA collected less revenue by UGX 276B. He continued to say that the performance of exports, on average in the last three month, has declined by about 25.3%. This does not include the informal cross border trade that is not documented which most of the communities along the borders with neighboring countries engage in.

Mr Dickson Kateshumbwa, Commissioner Domestic Taxes Uganda Revenue Authority

He continued to add that generally, there has been a 26% drop in exports since the start of the lockdown. For the imports, in particular, Mr Kateshumbwa said that Uganda's biggest trading partner is China and this pandemic started just after the Chinese New Year celebration had started. Their import was already low and then the pandemic came in. Looking at the imports particular from China, the impact is beyond the consumables because we have industries, which were setting up locally which were importing machinery. All their plans were affected, as machinery could not come in as well the experts to install the machinery this also affects local production.

Mr Kateshumbwa pointed out that URA has a huge target but with little support in policy measures. He added that parliament removed tax measures from the budget and did not reduce expenditure hence the budget is no longer balanced. URA must therefore find means of filing the gap. In this period, what URA has tried to do for the business community is try and be flexible on certain aspects that are within its control such as extending the grace period for payments, filing and not imposing penalties for late payments. Also, URA has been extending housing period for the goods, which are coming in, it has negotiated with the Kenya Port Authority to allow more time for cargo, suspended action and automated certain aspect for getting services from URA to ease the process and fast track support.

“Amidst this, I want to appreciate the taxpayers, last month URA collected about UGX 690 Billion and we were short by around UGX 630 Billion and this was a whole month of lockdown’, said Kateshumbwa. To collect this money in a lockdown month is a big achievement. He continued to say that URA is encouraging taxpayers to be compliant by reaching out to them and by showing them the gap they have so that they come out voluntarily and this is the approach URA intends to continue taking. Finally, URA has been working with the private sector and the Ministry of Finance to develop the tax policy and advice on some of the measures that might need to be taken.

4.2 The impact of COVID-19 on Uganda’s economy

Ms. Clara Mira, the IMF Country Representative, reflecting on a recent IMF study on the impact of COVID-19 on Uganda’s economy said that the economy is likely to grow by a half or less from the 6% that had been projected. She continued to add this is because of the expected decline in both domestic and foreign demand, a sharp decline in remittances, and reduction in foreign direct investment. All these are expected to take a large toll on growth affecting mainly the services, hospitality, manufacturing, construction and agriculture. She added that social impact is also expected to be very large.

In continuation, Ms. Mira said that poverty is likely to increase by as much as 2.6 million people and this could threaten Uganda’s impressive poverty reduction efforts over the last decade. The informal sector, the refugees and the women are particularly vulnerable, hence making social protection and the targeted interventions very critical. “It has already been mentioned that the fiscal outcomes are going to suffer because of low revenue resulting from low growth; companies have fewer benefits on which to base taxes and some of the stimulus methods are likely to affect revenue collection" Ms. Mira added. There will be an increase in expenditure which is reasonable and expected hence the fiscal accounts, as well as the external accounts, are going to be affected.

Ms. Mira said that two things need to be done; firstly, strengthen the health care system which most countries including Uganda have been doing and second is what we are discussing here, limit the propagation of the health crisis into economic activity. There is a need to shield people and firms affected by the containment measures and ensure that the recovery, when it comes, it is quick. The measures that can be used should focus on how to alleviate liquidity constraints; they should be targeted to companies and households to ensure that they can maintain the basic needs and the basic operations to prevent layoffs and exits from the supply chains. The propensity to consume for the most vulnerable is very high so when the most vulnerable are targeted, this will benefit the economy in two ways, it benefits the most vulnerable but they will also consume and increase aggregate demand. Measures should be progressive; that is, they should benefit more those who need more and of course be cost-effective.

Some of the measures that have been taken in other countries and considered in Uganda include on the revenue side; temporary tax and custom exemptions for example on health products and services, temporary tax relief, extending the tax deadline, and expediting value addition refunds for affected sectors and vulnerable firms. It is also important not to incur more arrears because this will compound the problem for the private sector. It would amplify the cash flow and the liquidity problems that companies are having. Where there are liquidity problems in specific sectors, many governments have provided cash flow support in the form of loans, umbrella guarantees among other measures for particularly hard-hit sectors. These can be conditioned to ensure that companies preserve employments and wages. This should be done transparently and ensure good governance. In Uganda, this should be channeled through Uganda Development Bank to provide such solutions.

Ms. Mira continued to say that the other very important part comes in terms of cash transfers. In line with what has been said, it is important to scale up what already exists in terms of facilitating access to social programs. Cash transfers could be a very good way to provide basic support to households that are struggling. It would increase aggregate demand. This is particularly useful for countries like Uganda with a large informal sector. Leveraging on the available technologies with the appropriate information, digital payments can be used to target the companies and the households. This would be a very useful way to cushion the impacts of COVID-19 on SMEs and the informal sector.

Ms. Mira concluded by pointing out that IMF has been compiling all the policy responses that countries have put together and everything is available on open access on the IMF website for those interested.

4.3 Interventions to reduce the effects of COVID-19 on businesses

Dr Elly Karuhanga discussing the Interventions for alleviating the effect of the COVID-19 pandemic on business in Uganda said that as Private Sector Foundation Uganda (PSFU), they have held many meetings with MoFPED and the Office of the Prime Minister. PSFU is synthesizing their issues in a paper which will be discussed in Cabinet on June 01, 2020. PSFU has also looked at what Kenya has done in particular and these have as well been shared for consideration. He said that there is a need to include the private sector in the budgeting process and he is happy that it is beginning to happen. He concluded by pointing out that PSFU is anxiously waiting for Cabinet to pronounce itself on their views during the meeting on June 01, 2020.

4.4 Impact of COVID-19 on the education sector

Rev. canon Dr. John Ssenyonyi, the Vice Chancellor - Uganda Christian University, discussing the impact of the COVID-19 pandemic on the Education Sector said that he was privileged that for the first time, higher education institutions are being called upon, as well as private universities to discussion about the budget. He continued to say they have been advocating for such an opportunity for a very long time, and I wish that in the coming years it can be done much earlier than this. Coming to the private sector, Dr. Ssenyonyi said that one of the biggest challenges that the private sector of higher education is facing are many pronouncements and directives directed to public universities with an assumption, that whatever works in the public universities would work, in the private universities as well.

Rev. Canon Dr. John ssenyonyi, Vice Chancellor Uganda Christian University

Dr. Ssenyonyi continued to add that one of the things that institutions have strongly come up to contest are the methodologies of education that are now becoming inapplicable. All international universities are going online, and here in Uganda, we are being told not to do online teaching. "There is no policy whatsoever to support online teaching, and I want to believe that that is a very important thing", he said. What COVID-19 has done is to expose the fragile traditional methodologies. There is an assumption that students only learn when they sit in a class. What is needed now is to strengthen ICT technologies whether we like it or not. At Uganda Christian University, we already have an e-learning lab well equipped ready for use. We can teach and communicate with students wherever they are, but unfortunately, these are things that are not well understood, and my appeal would be that as the government considers financing ICT technologies, they should be looking at private institutions as well. To equip them now is to enable them to deal with any crisis' that may come in future.

It is important to realize that according to the current situation, COVID-19 is likely to paralyze most of the private institutions. Majority of these private institutions are operating on loans and by now most of them are breaching their loan repayment terms. I remember we wrote to one of our creditors and asked them to give us until December and they are not happy with that. This is going to be difficult, we are waiting for students but will the students be able to pay? Dr. Ssenyonyi inquired. In case they are unable, will our friends from URA still say pay tax? Our creditors, the banks will they say pay? What can the government do? I do think that for us as private institutions we need a tax holiday for at least a year and some of them are saying at least two years.

Dr. Ssenyonyi concluded by saying that we all know that government wants money, but some private universities last paid salaries in December. Uganda Christian University has been able to pay up to this month, and this month we have paid partially, so this is the reality. When the finalists come as the government is proposing they are not many enough for us to be able to meet the obligations and as private institutions, this is another struggle. Finally, there are many inequities in government towards private institutions, although I am the chair for all vice-chancellors both public and private universities, there is a sense in which private sectors of higher education are always being pushed aside. Take for example I did read that there was going to be a 2 million dollars research fund that is going to be given out to universities and over the years, private universities have been asking to compete for the fund in vain. The government normally says this is taxpayers' money and says it is for public universities. But we often ask ourselves, does it mean these other universities are training non-Ugandans? So these are realities that we are faced with and I hope that going forward there is going to be a real engagement of the higher education sub-sectors, and also I would plead for a tax holiday for the universities so that they can catch up.

4.5 The social impact of COVID-19 on gender

Mr Enock Mugabi, the UN Women Program Specilist, talking about the social impact of COVID-19 on gender said that he would not dwell on the impact because they have been explained but will focus on budget instruments with a bias on women. He continued to say that most women are in the informal sector and they are doing very badly living hand to mouth. Women have their SACCOs and VSLAs there is no rocket science in working with these and they don't want free money it can be interest-free. If the money is available it can be a grant between 50,000 to 300,000 to get them back on their feet.

Mr Enock Mugabi, UN Women Program Specialist

Speaking about the agricultural sector, Mr Mugabi said that it is important to turn around the lives of these people. We also know that 60% of the labour force is employed in agriculture, and 80% of those are women, leave alone the gender discriminatory norms and practices, these women can work and can gain from these interventions. I would like to give one example; we modeled around aquaculture (fish farming) and worked with Bugiri district local government in partnership with standard chartered bank using a $600,000 grant. We are supporting about 1400 women in Bugiri to do aquaculture. It takes about 8-9 months to rare fish, and it has a very huge potential. The return on investment is 30 to 40% and we are using natural water, it is not about the land issues with women so if we invest in that I think there will be a turnaround on the lives of people especially women. About the market, Uganda has a deficit of 33000 tonnes, Kenya has half a million, we import tilapia from China and it is cheaper, we need to wake up. The feeds industry, which has forward and backward linkages to this sector, is still underdeveloped to the extent that we currently import feeds from Brazil and Mauritius which are of higher quality but also cheaper.

There is an opportunity to support the feeds industry which uses maize, soya bean and a bit of omega3 which we can easily innovate around the chia seeds that we grow here. The cages are gotten from China, which can last up to 10 years. This is a sector that we need to support.

In conclusion, I think the parliament has done a good job of ensuring gender and equity responsive procurement. Government is the biggest procurer and if it is done through, perfect competition women will never get an opportunity. Kenya has done it, 30% of all government procurements go to the women and it is on all the sectors to build the capacity of the women, youth and the PWDs to be able to supply. You can imagine, the government spends over 40-50% of its entire budget on procurement, and it will not be in supplying water or sweeping, yes those are good, but we can build capacity in ICT and even road works, parliament has approved it and I hear the law is before the president. We appeal to the Ministry of finance to actualize this policy once the president has signed it.

4.6 Comments from Dr. Susan Kavuma, Research Associate-ACODE

Dr. Kavuma said that there is need to dwell more on the solutions than the impact because the PSST has informed us that several papers have been written on the impact of COVID-19. Now moving forward efforts should be focused on revenue generation as well as expenditure. What is very pertinent from the discussion is that we all know that the revenue will be affected, but we need to find ways of how we can boost aggregate demand. Should we talk about the cash transfers, or injecting money in businesses? That is where we all need to put all our heads together and decide because we do not have a lot of resources. We can look at a cash transfer that is national wide targeting the vulnerable people or focus on cash transfers for injecting in businesses that can boost aggregate demand as well as aggregate supply.

4.7 Comments from Dr. Albert Musisi - Commissioner Macroeconomics Department – MoFPED

Dr. Musisi said that there have been many consultations in this year's budget because of the Covid-19 situation and the focus on how best to stimulate the economy. When talking about the fiscal stimulus, two things are being talked about and these are, i) increase in the government expenditure in areas that are going to increase demand and therefore lead to higher growth and ii) tax levied in terms of tax cuts or tax deferrals. These are some of the options under consideration by the Ministry of Finance but I want to put it in context of two things. One is the tax revenue as the commissioner highlighted already, you know Uganda has been collecting a low tax to GDP ratio, and that has to be put into context. Secondly, even though our debt is low, compared to other countries, our debt service to revenue ratio is quite high. So this context has to be taken into account.

Dr. Musisi continued to add that government needs very innovative ways of approaching the fiscal stimulus, and the presentation from the key speaker highlights some of these areas. The choices that the government is going to make will bring a very big difference between how we can have a fiscal stimulus within the context that I have just highlighted. The limited fiscal space means that the private sector will still play an important role even though the public sector has to play the leading role to stimulate the economy.

5. Concluding Remarks

Mr. Julius Mukunda, the CSBAG executive Director appreciated the economic recovery efforts that Uganda has expended so far, saying that despite the challenges, food is being distributed, it has taken long but it's going on; Bank of Uganda has come up with a very good monetary policy, it is not enough but it is very good and important start. He continued to add that the tax measures have been put on board and supplementary budgets to deal with COVID-19 was also passed. We have appreciated the problem and understood that we need to solve it, we are on the same page and I appreciate the Ministry of Finance for a change of heart he added.

Mr Julius Mukunda, Executive Director CSBAG giving his concluding remarks

He continued to add that where the country is going, the road is very clear. There is a need to go back to the drawing board and be innovative and smart if we are to come out of this crisis strongly. Most importantly, we need transparency because in such periods it is when transparency mechanisms are shelved. We call upon the government to ensure that the issues of transparency are prominent. The COVID-19 Public Finance Management (PFM) guidelines have played a great role because people had started putting money in their pockets. We are yet to know how many MPs have returned the UGX 20 million and as civil society, we will keep counting them one by one.

In conclusion, Mr Mukunda thanked the partners including ACODE, the MoFPED, BoU, SEATINI, and URA for the kind of collaboration and participation. "We hope what we have discussed will inform what the president or the ministers' speech in two weeks, and we are anxiously waiting on how we can revamp our economy, protect our citizens and also ourselves."

Appendix: Media Coverage of the Pre-Budget Dialogue

NTV Uganda YouTube Channel: https://www.youtube.com/watch? v=dxalXM9Nxaw&t=2s

ACODE Facebook account: https://www.facebook.com/ACODEUganda/videos/642671139621065/

NTV Uganda Facebook account: https://www.facebook.com/NTV Uganda/videos/598092624152402/

NBS YouTube Channel: https://www.youtube.com/watch?v=tQXn-Mw4DlY

NBS TV YouTube channel: https://www.youtube.com/watch?v=s2ATQ0c3gf8

UBC TV YouTube Channel: https://www.youtube.com/watch?v=glaP7ociojM&feature=youtu.be

Daily Monitor: https://www.monitor.co.ug/News/National/-government-plan--revive-economy-Kasaija-Covid19/688334-5567140-dgj5kpz/index.html

Daily Monitor: https://www.monitor.co.ug/Business/Finance/Private-universities-ask-for-tax-holiday/688608-5572944-ukpgmoz/index.html

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