

Economist advises on floating UDB shares to boost domestic direct investment



The Governance and Accountability Manager at Oxfam Uganda, Sophie Kyagulanyi (second left) illustrates her point during the CSO Pre-Budget dialogue in Kampala yesterday. Left is Dr Fred Muhumuza, an economist and lecturer at Makerere University. On the right is Paul Corti, a research analyst at the Economic Policy Research Centre. Second right is UBC's Maurice Mugisha who was the moderator of the dialogue. | CSBAG2019

“To support domestic direct investment with long term cheap capital we need to leverage on UDB ...”

An expert in economics, Dr Fred Muhumuza has advised government to float Uganda Development Bank (UDB) shares in order to boost domestic direct investment in the country.

The economist explained that government can invite foreign Banks to buy shares in UDB and list companies on the stock exchange as the best option to support domestic direct investment.

“Let us be sober. To support domestic direct investment with long term cheap capital, we need to leverage on UDB,” Muhumuza said. He argued

that this approach will enhance domestic revenue mobilization. Muhumuza who is also a lecturer at the School of Economics Makerere University made remarks during the second day of the CSO pre-budget dialogue at Wizarts Media Auditorium in Kampala on Wednesday January 30.

The dialogue held under the theme- “Interrogating Uganda’s domestic revenue mobilization and debt repayment: Should we get concerned?” attracted participants from different districts in the country including Members of Parliament, district leaders and members of civil society. The economist told the audience that government needs to re-think its strategies of domestic revenue since the current structure of the economy is not able to generate adequate revenue.

On rising debt accumulation, Muhumuza cautioned government against continuous borrowing, pointing out that investment returns are very low and therefore not worth risking. He said the rate of investment returns is critical as well as social and political good will. “Let us put more efforts on both the political and economic front to achieve win-win scenario,” he said.

Revisit IMF policies

Julius Kapwepwe the programmes director at Uganda Debt Network (UDN) told the audience that government needs to revisit International Monetary Fund (IMF) policies since 1980s, especially in regard to foreign direct investment (FDI) verses domestic direct investment. He said FDI should not be looked at as a panacea. He said the Cabinet and ministry of finance technocrats need to sit down to forge a way forward and ensure that citizens have a stake in the economy. Kapwepwe also hinted on illicit financial inflows and outflows which need to be checked saying laws should be strengthened.

Sophie Kyagulanyi, the Governance and Accountability manager at Oxfam Uganda underscored the need to provide citizens with knowledge on the importance of taxes so that they can comply without grudging in order to domestic revenue mobilization is realized.

She also stressed the need to strengthen Office of the Auditor General (OAG) and Parliament on the oversight role. “How does Parliament approve loans and how have the findings of OAG been implemented?” Kyagulanyi asked. She told the audience that government should invest more in health and agriculture sector because they are critical for the development of economy.

Check wastage

The Bushenyi district chief administrative officer (CAO) Elias Byamungu said there is need to check on wastage and create a favourable environment for investment to enable efficient economic development. Earlier the Executive Director of SEATINI-Uganda, Jane Nalunga, who was among the panelists told the audience that government should revisit the FDI policy and amend the investment code law to avoid repatriation of money to foreign countries by multinationals.

Frederick Kawooya, Policy and Campaigns Manager at Action Aid Uganda observed that the budget process has ceased from being a bottom up approach but is now designed from top to bottom. He stressed that the budget process should be from bottom to top as citizens concerns are incorporated in the national budget to ensure efficient service delivery. Bukoto East MP Florence Namayanja called on government to have agriculture and health as first priorities. She queried government’s decision to lean its investments towards heavy infrastructure projects.

Sharifah Kibirango a youth from Uganda Youth Network tasked government to prioritize People with Disabilities (PWDs); especially in regard to investing more in special needs education. Other participants highlighted the need to down size the number of Members of Parliament and other administrative units so as to reduce administrative costs. Imelda Namagga, an official from UDN cautioned government against over borrowing, arguing that failure to curb the current trend would put the country’s assets at risk.