



CSBAG BUDGET NEWS BRIEF



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Uganda's economy could suffer disruption, Experts Warn

Recently, the Governor Bank of Uganda, Prof. Emmanuel Tumusiime Mutebile, said Uganda's economy could face disruption in the next two to five years. Experts have backed his statement, calling for immediate deterrent measures by Government and other key stakeholders.

The Governor cited depressed economic growth, weather related risks and slow implementation of public investments as some of the factors that would lead to economic disruption.

"There are downward side risks to this outlook. On the external scene, lower external demand due to depressed global economy could weigh on our balance of payments, particularly in the tourism sector and lead to volatility in the domestic foreign exchange market," Mutebile said, in a brief on Bank of Uganda's Monetary Policy Statement for the month of August 2019.

For the medium term, according to the Governor, Uganda's economy will continue growing at about 6.2%.

Reacting on Mutebile's statement, Ramadan Goobi, an economist at Makerere University Business School (MUBS), said Government has been setting ambitious economic targets without looking at factors ahead such as the current slow economic growth trends. He cited China, whose current economic slowdown could affect Uganda's export sector performance since it imports much of Uganda's agricultural produce.

"China's economy has gone down yet it has been importing a lot of products from Uganda; China's Exim Bank is also currently stingy about funding Foreign Direct Investments (FDIs), which could affect Uganda," said Goobi.

On weather related risks in the agricultural sector, Goobi said there have been fears that the weather may not be as good as expected thereby forecasting disruption in the agricultural sector especially in production.



Prof. Augustus Nuwagaba, a senior economist and poverty alleviation expert speaking at an event recently. © CSBAG 2019

Prof. Augustus Nuwagaba, a senior economist and poverty alleviation expert explained that there is lack of command of production factors especially in agriculture, which is dangerous for the economy. About slow implementation of public investments, Nuwagaba said that corruption is the major factor for slow progress.

"The greatest challenge in Uganda is failure to implement plans. We have good policies, planning and action points but we remain weak at implementation mainly due to corruption.

If we fight corruption, we will make progress in public investments," he stated. He also said that Uganda has a habit of borrowing money when it is not ready to take on projects.

"Our behavior has been that even when Parliament approves a loan, investments are always unready and interests start multiplying even before the start of planned projects especially in infrastructure," said Nuwagaba.

China-US trade war, a key factor

Nuwagaba said there's global economic challenge brought about the trade war between United States and People's Republic of China, which could affect many economies including that of Uganda.

"The balance of trade between US and China is about USD 140 billion. America imports goods worth USD 200 billion from China while the latter imports USD 60 billion from the United States. So, America has put tariffs on China goods yet China imports many intermediate goods from a number of African countries including Uganda, hence loss on our export sector," he stated, adding, that if china's economy declines, African countries will also feel the pinch since it is one of largest trading partners of the continent.

Dr. Fred Muhumuza, a policy analyst and economics expert said a number of countries worldwide employ a restrictive and closed door policy to preserve their own markets and ensure economic growth.

UPCOMING EVENTS

What: *LOCAL GOVERNMENT BUDGET CONSULTATION MEETINGS*

When: 15th September to 4th October 2019

Where: Eastern, Central, Northern, and Western Uganda

OUR WORK IN PICTURES



District Planners, Chief Administrative Officers, and District Community Development Officers from 17 districts as well as representatives from the Equal Opportunities Commission and UN Women pausing for a group photo after the National Dialogue on Gender and Equity Responsive Budgeting in Kampala on 22nd August 2019. © CSBAG 2019

"Other challenges to Uganda's growth may be internal such as increased poverty and limited markets which cannot be blamed on global economic growth," he said.

Way forward

Goobi said Government should always plan before budgeting. According to him, about USD 4 billion, which was obtained by Government through borrowing, has never been dispatched to start work on public investments.

"The Government should also rethink its investments which aren't yet planned for. We also need a budget neutral fiscal policy; the issue of looking for more money to spend is not good," he said.