



538TH EDITION | 8th- 14th APRIL 2019

Advocating for a People Centered Budget that Dignifies Humanity



Developing countries urged to invest in human capital development



The Panel from Right is- Moses Kaggwa, Ag. Director Economic Affairs-Ministry of Finance- Uganda, Kathleen Baer-Chief of Revenue Administration Division II, Fiscal Affairs Department-IMF, Savior Mwambwa- Program Officer- Fiscal Governance (Moderator), Julius Mukunda, CSBAG ED and Steve Rozner, Senior Fiscal Advisor-USAID on 10th April 2019 at the IMF HQ Building in Washington DC.

“The Article IV conducted in 2019, recommends that to generate inclusive growth and job creation that Uganda needs, there has to be a reversal of trends of the declining budget allocations to social sectors, Clara Mira IMF Resident Representative- Uganda

Massive public investment in infrastructure should not be at the expense of the most vulnerable populations, Julius Mukunda advised. This was at a CSO policy session held at the just concluded 2019 IMF/World Bank in Washington to interrogate how Governments can work to ensure public finance management reforms including public investment management can deliver long term outturns in the lives of the ordinary citizens

The session tackled key issues on Uganda’s seemingly impressive public investment management and revenue generation performance and whether the country’s spending is indeed translating into improved human development outcomes, enhanced growth opportunities as well as increased output incomes through job creation.

The debate emphasised the need to focus on bettering local revenue generation in ways that do not impede abilities of the local population to grow and thrive.

Using the case of Uganda Kathleen Baer Chief of Revenue Administration Division at the IMF’s Fiscal Affairs lauded Uganda for the steady growth in its tax to GDP ratio which has for the past 3 years steadily increased to at least 14 percent.

“IMF has overtime worked with the Ugandan authorities to increase the tax revenue in a progressive way. This has allowed the Government to look at the structure of the tax system design, and how taxes are administered including how they engage with the registered tax paying population and the

public at large to improve compliance and improve engagement with the whole tax system and these reforms have translated into improved tax collection. She however questioned how the additional taxes collected are used to impact on people. “There is a whole other side on this topic which is what are the gains to be made from having additional tax revenues and that’s where the Medium-Term Revenue Strategy becomes critical considering its linking revenue collection and spending”. Kathleen mentioned

Through the MTRS Governments are required to determine periodical society’s expenditure needs to enable set revenue collection targets.

Julius Mukunda expressed concern on the MTRS development process in Uganda and called for more stakeholder engagement. “Development of the MTRS should be of interest to the citizens. However, for Uganda’s case, developing of the MTRS started in 2017 and to date it’s not yet finalised. Worse still its development process is highly exclusive, Government should open more spaces to enable stakeholders make their input especially in determining expenditure needs and setting revenue targets for sustainable development” Mukunda stated.

Steve Rozner the Senior Fiscal Advisor in USAID’s Bureau for Economic Growth, Education and the Environment, challenged Government of Uganda on its many tax policies and their effect on actual revenue generated. “Creating more taxes doesn’t necessarily mean additional taxes - Governments can learn from examples like Georgia” he countered. Citing the example of Georgia, Steve shared how Georgia drastically reduced its tax burden by elimination of 15 type of taxes, lowering the rates and leaving them all flat. This coupled with other tax reforms resulted into tax collection growth from 12% to GDP in 2003 to 21.6% to GDP at end of 2007

The role of public investment management in yielding better development outcomes to reduce inequality and promote job creation and inclusive growth was underscored. Steven Rozner from USAID mentioned that PFM reforms including public

public investment if well executed can translate into growth enhancement, increase income output as well as job creation.

This however is possible if there is efficiency and improved fiscal accountability. For example, he mentioned that despite the introduction of the Treasury Single Account to make cash management more efficient, timeliness in accessing cash at the local government level, poor planning in procurement with the related delays in cash disbursement have made it almost impossible for domestic providers to deliver services in the required time, quality and quantity.

To create an environment where PFM can contribute to better services and help the marginalised communities to thrive, there is need to build local systems, strengthen capacities among government, non-government and private actors to contribute effectively to building a strong and effective PFM process”

In response to a query from Myria Koutsoumpa on IMF’s policy advice on health spending, Clara Mira IMF’s Resident Representative in Uganda clarified that striking a balance and more social spending is necessary for inclusive growth and the 2017 PSI programme had a mixture of social spending and infrastructure development. She further mentioned that The Article IV conducted in 2019, recommends that to generate inclusive growth and job creation Uganda needs, there has to be a reversal of trends of the declining budget allocations to social sectors.

The Ag. Director Economic Affairs at Uganda’s Ministry of Finance clarified that reduction in spending for health sector was due to ending infrastructure in FY 2017/18. He assured audience that discussions are ongoing between Government of Uganda and World Bank to invest better in social sectors.

He further revealed Government main strategy of ensuring equitable resource allocation is through the Certificate of gender and Equity where Sectors are required by law to adequately plan and budget for key gender and equity aspects in their various sectors.

He acknowledged his Ministry is grappling with the issues of tax exemptions which is highly politicised in Uganda but assured the audience that the county is reviewing these exemptions and is in process of developing a framework which can inform the country on the different revenues the country is losing as a result of the exemptions.

The need to improve efficiency in DRM was emphasised and Uganda urged not to give up its current efforts to address evasion, strengthening its capacity in revenue generation in the extractives industry. This debate coincides with the realisation that foreign assistance is on the decline in most countries and as such the need to have conversation on how countries like Uganda need to generate more revenue, improve efficiency in public investment management to ably address inequality and overall development strategies on the low-income countries.

OUR WEEK IN PICTURES



CSBAG joined by other CSOs after meeting with the Abebe Aemro Selassie the Africa Department Director and IMF on 10th April 2019



CSBAG team after a courtesy visit to USAID’s Bureau for Economic Growth, Education and the Environment on 12th April 2019



CSBAG after a debrief with IMF Team on 12th April 2019



CSBAG and ACODE under the Budget Transparency Initiative attended the Quarterly Release press conference at Ministry of Finance on 11th April 2019.