UGANDA DEBT NETWORK — DEBT IS SLAVERY — UDN

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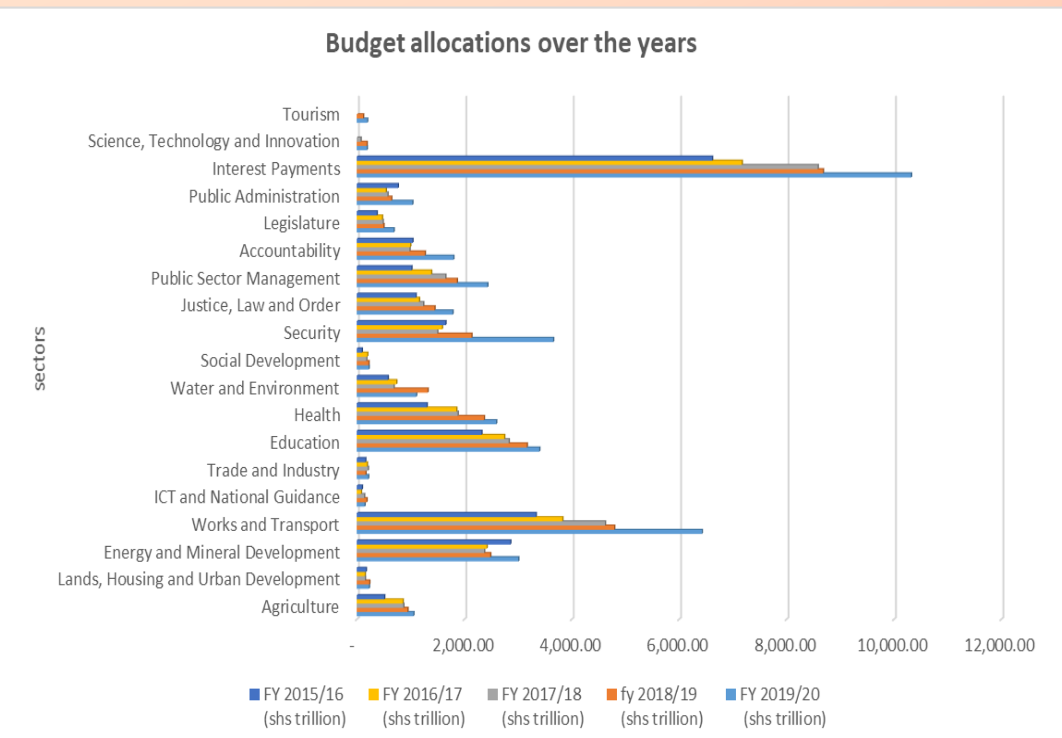
UGANDA'S HOPE TO ATTAIN MIDDLE INCOME STATUS RESURRECTED

1. PREAMBLE.

The world Bank classifies economies of the World in four income groups (that is low, lower-middle, upper-middle and high income counties). Annually, the thresholds (for Gross National Income (GNI) per capita in current USD) are updated because factors such as economic growth, inflation, exchange rates, and population growth influence GNI per capita in several countries and also to keep the income classification thresholds fixed in real terms (https://blogs.worldbank.org/opendata/new-world-bank-country-classifications-income-level-2021-2022). A number of countries in the world have had their income status change to either a higher category or from a higher category.

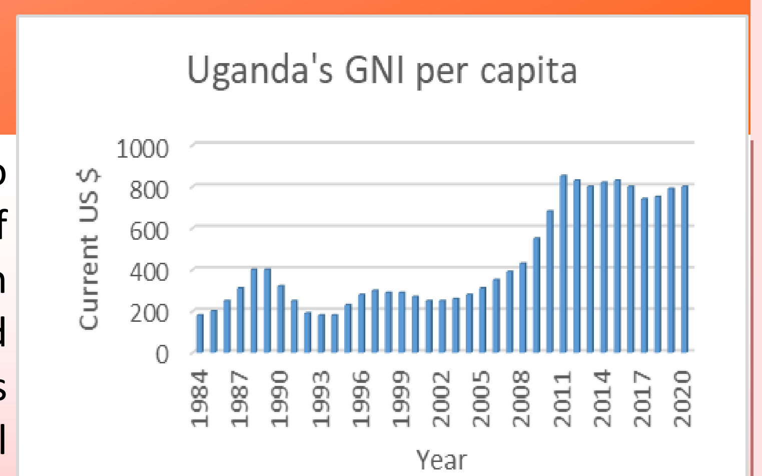
2. Uganda aspires to move to lower middle income category



Source: Ministry of Finance, Planning and Economic Development

Uganda aimed to attain lower middle income status by 2020 thus undertook investment in capital development which was reflected in the budget allocations towards works and transport sector and the energy and mineral development sector over FY2016/17 - FY 2018/19.

Indeed, expenditures on capital formation accounted for about 51% of overall spending in FY2015/16. These investments were expected to significantly contribute to growth of the country's GDP thus attain middle income status by 2020.



Source: World bank open data

Uganda's GNI per capita increased by 8.1% from US $740 in 2017 to US $800 in 2020 against the lower middle income threshold of $1,036—$4,045. This indicates that the country did not attain middle income status by 2020 due to lower than expected productivity, especially in agriculture, shocks from natural disasters and inefficiencies in public investments resulting in less than optimal returns (National Budget speech 2021/22).

Moreover, Uganda's Economic update: Seventh edition 2016 by World Bank notes that for every dollar invested in Uganda's capital infrastructure, only seventeenth of a dollar has been generated, indeed according to the Inspectorate of Government the total cost of corruption in Uganda is estimated to be UGX 9.144 trillion per year. Corruption and poor management of the public investment projects has increasingly been cited as contributors to project failure hence undermining the role of public investment in Growth.

3.Uganda's Hope to attain middle income status resurrected

During the state of the nation address on 7th June, 2022, President Museveni noted that "Uganda's economy, by the budget time in the next few days, will be standing at US$ 45.7billion by the exchange rate method and at USD 131.6 billion by the Purchasing Power Parity method. This means that the GDP per capita is now $1046." The world Bank classifications for income level for FY 2021-2022 shows that for a country to be in the Lower-middle income category, it's GNI per capita should be in the range of US$1,046 – US$ 4,095.

However, to be declared a middle-income country, there is need to sustain this threshold for three consecutive years.

4.Uganda's Hope to attain middle income status resurrected

In order to maintain the middle-income status, it is vital to build a stable middle-class in the country. The Economic Policy Research Centre report on middle class (February 2021) revealed that drivers which are vital in attaining a stable middle-class include investing in organized urbanization (through planned inclusive green cities that create economic opportunities for all, including the urban poor), having smaller manageable household sizes, economic activities including diversification and entrepreneurial development and quality education as a tool for human capital development.

While, Government has invested in all the above through the implementation of the NDP III, these still face a number of challenges including;

i) Newly created cities have faced land wrangles with mother Districts, limited resource allocation among others. This has undermined the role of urbanization in contributing to increase in GNP per capita;

ii) Delayed implementation of Government Programs like the PDM that is aimed at fully monetizing the economy from the House Hold level.

5. Uganda's Hope to attain middle income status resurrected

i) Government should improve public investment management by conducting feasibility studies before investments are undertaken, cubing corruption and embezzlement of public funds among others. This will contribute to sustainable growth.

ii) Implement sustainable poverty reduction measures like timely implementation Parish Development Model which aims at Monetization of the economy at the Household level. Proper utilization PDM funds will increase household income and in turn reduce poverty.

UDN IN PICTURES.

Above; PS/ST Ministry of Finance, Planning & Economic Development, Ramathan Ggoobi in a policy engagement meeting with a UDN led CSO team to discuss Health Sector Financing.

Above; The PSST, Ministry of Finance(3rd Left) in a group photo with CSO representative from SEATINI, UNHCO and UDN right after the policy engagement meeting at MoFPED offices.

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EDITORIAL TEAM:

Priscilla Naisanga- communications@udn.or.ug; Opio Jacob– jopio@udn.or.ug; Gilbert Musinguzi- gmusinguzi@udn.or.ug

Please visit/ talk to us at; Uganda Debt Nework ,
P.O. Box 21509, Kampala -Uganda,
Plot 153/155 Ntinda—Nakawa Road ,
Tel +256-414-533840/543974
Website: www.udn.or.ug