** **

**6th Debate of the National Development Policy Forum**

**13th October 2016,**

**Office of the President Conference Hall**

**THE PROCESS OF ATTAINING MIDDLE INCOME STATUS: WHAT THIS MEANS FOR UGANDA?**

**Report of Proceedings**

1. **INTRODUCTION**

The National Planning Authority (NPA) is mandated to strategically plan for this Country. In pursuance of this primary planning function, NPA adopted an inclusive approach where National Development Policy Forums (NDPFs) are organized to create a platform to share key economic and social policy issues and options so as to increase public understanding and participation in economic and social policy debate. In this way, the annual policy debates encourage Ugandans to discuss development issues inclined to the implementation of the Uganda Vision 2040 and the NDPII unreservedly.

Against that backdrop, the 6th National Policy Development Forum was organized on Thursday 13th October 2016 at the Office of the President Conference Hall under the theme: “The process of attaining Middle income status: what this means to Uganda? The debate was timely because the NDPII targets achieving a lower middle income status with a per capita income of USD 1,039 by 2020. However, this generated healthy national wide debate with some being optimistic and others pessimistic on; whether it is possible to achieve the target; what type of middle income we envisage (definitional questions); how we expect to achieve it, what will it take, who will do what and when, among others. In light of the above, it was appropriate for NPA to broadly come out and show why the goal is achievable and as well provide suggestions on how it can be achieved.

The forum was attended by the First Deputy Prime Minister Gen. Moses Ali who represented the Prime Minister Rt. Hon. Dr. Ruhakana Rugunda as the Guest of Honour; The Minister of State for Planning, Hon. David Bahati; Hon. Mary Karooro Okurut, Cabinet Minister in Charge of General Duties in the Office of the Prime Minister; and the general audience. The audience was diverse and included; politicians, representatives of Government Ministries, Departments and Agencies, Development Partners, the Private Sector, Civil Society Organizations, Academia, students and ordinary Ugandans.

The keynote presentation was made by the NPA Executive Director, Dr. Joseph Muvawala and discussed by a panel of eminent persons including: the Dean School of Economics Makerere University - Prof Edward Bbaale; a Senior Economist at the World Bank - Ms. Rachel Sebudde and the Managing Director Centenary Bank, Mr. Fabian Kasi.

The debate was facilitated by Mr. Oscar Semweya-Musoke, the host of a popular political talk show – the Capital Gang on Kampala’s Capital radio.

* 1. **Objective of the Forum**

The objective of the 6th NDPF was to provide technical guidance, understanding of the middle income envisaged in the NDPII and as well provide suggestions on how this will be achieved. The 6th NDPF aimed at explaining the paradigm shift required in attaining the middle-income status and as well rally the public towards its realization.

1. **Summary on the Proceedings**
   1. **Opening Remarks and Speech**

The NPA Executive Chairperson, Dr. Kisamba Mugerwa made opening remarks and later called on the Minister of State for Finance, Planning and Economic Development (Planning), Hon. David Bahati, who welcomed the guest of honour to make his and officially open the event.

The Executive Chairman stressed that it is NPA that planned for the attainment of Middle income status by 2020 and therefore it is in best position to give technical guidance as regards the topic. In that line, he said that it’s time to shift our gears in terms of; changing mindset; building strong functional institutions; commitment and taking quick decisions; everyone using the opportunities that are available; and thinking standards and quality in health, education, descent public transport.

He noted that along with an upper middle income of per capita USD9,500, the Uganda Vision 2040 lays down a development strategy scenario where citizens will have a higher standards of living, will be better educated, will have a more equitable socio-economic environment, and the sustainability of development will be ensured through better protection from climate change and natural disasters. He added that the economy will be managed within a free market framework of a market economy but with appropriate government interventions to correct market distortions, to ensure equality of opportunities, and to ensure equity and social justice for all.

He said that the development priorities in the Second National Development Plan (2015/16-2019/20) are distilled from the Uganda Vision 2040 to take Uganda to a lower middle income status by the year 2020 before urging the participants to debate openly and unreservedly.

* 1. **Speech of the Prime Minister**

The Prime Minister emphasized that the **Middle-Income Goal** is one that must be **achieved, and therefore failure is not an option however, this will take more than talking but tackling the challenges facing the economy.** He further noted that by inviting the general public to a forum like this, government was making the public statement of accountability on what we are doing, and as well inviting all the stakeholders to play their rightful role.

* 1. **Keynote Presentation on the Process of Attaining Middle Income Status: What This Means for Uganda**

He explained that the NDPII target of achieving a lower middle income status of USD 1,039 by 2020 is **realistic and achievable**. He emphasised that the middle income envisaged in the NDPII is not only focusing on the attainment of the GNI per capita income but also improvement in the socio-economic indicators. The presentation indicated that Uganda has met most of the Economic Vulnerability indices, but more effort was needed to sustain and as well improve the Human Assets index, especially the malnourished population indicator of 25.7 against index of 65.5.

The presentation highlighted districts with pockets of middle income; Kalangala - known for palm oil; Mpanga - known for tea; and Kiruhura district - known for milk and beef products. Thus, the lessons picked from the domestic examples are a need to identify an area/region specific niche commodity/service, organization of farmers and producers around the niche product, as well as carrying out value addition and agro-processing for the niche product. Dr. Muvawala noted that Uganda’s per capita income at USD 764 would have been higher if it were not for the volatile exchange rate and the high population growth.

Further, lessons were drawn international best practices, including: China, an upper middle income country; Vietnam, a lower middle income country; and Ethiopia, an aspiring lower middle income country. The key lessons that Uganda can pick as regards to becoming a middle-income country include; ensuring macro-economic stability; ideological reorientation; strong leadership and governance; credible commitment to growth, inclusive development; effective and efficient administration; exploitation of the global economy through importation and exportation of ideas, knowledge and technology; securing the future through high rates of savings and investments, including investment in public infrastructure; increasing agricultural productivity through targeted land reform; Quasi market approach where the market allocates resources and government intervenes through provision of tax credit, subsidized credit, directed lending and other such measures; agriculture-led industrialization that diversifies to other labour intensive light manufacturing and building sustainable capacity for heavy industries.

The presentation further highlighted what the middle-income status envisaged in NDPII means to a common household:

1. On average, each individual in a household should earn or produce an equivalent of Ushs 290,000/= per month or 3.5 million per annum;
2. Every individual in a household should afford at least two meals a day (equivalent to at least 1,500 Kilo calories of food per day);
3. On average, each member of the household should be able to complete ordinary level education (attain 11 years of schooling);
4. At least 2.2 million (from the current 1.03 million) out of 7.3 million households should have access to electricity by 2020; and
5. All urban households and at least 4.8 million (80%) of the 6 million rural households should have access to safe water.

The presenter emphasized that Uganda attaining the long-term development aspirations will require a shift from an incremental approach to a transformative approach. This approach entails doing business unusual and among the actions include: **Strengthening implementation, effectiveness and efficiency in Public Service Delivery**; **Implementing a national local content policy to increasing local participation in the national development agenda**; **Strategic stepwise industrial development**; **export oriented growth**; **re-focusing agriculture to increase productivity; undertaking land reforms** ; **addressing the high cost of capital through different interventions that will put pressure on commercials banks to reduce interest rates; enhancing domestic revenue mobilization; implement a development approach to wages; faster human capital accumulation.**

In conclusion, the Executive Director urged the nation to share the Vision and to work hard in developing the country, and therefore implored the audience **to own up to the plan** because it is theirs.

* 1. **Panel Discussion**

The panelists noted as follows:

1. Whereas there was general agreement that the middle-income goal can be delivered, it was noted that it took Uganda a decade since 2005, to raise its Uganda GNI per capita from USD 300 to USD 670 in 2015. Therefore, **extra effort is needed** to hit **the middle-income mark** by 2020, and this would require the growth rate to double even with a constant population assumption.
2. One of the major challenges to Uganda’s development is the issue of land rights. According to the 6th World Bank Economic update, much of Uganda’s land is not fully registered (only 20 percent) compared to countries like Ethiopia and Rwanda where over 50 percent and 60 percent of the land is registered in Ethiopia and Rwanda respectively. Against that, Uganda cannot fully leverage the importance of agriculture if the land issue is not streamlined through land reforms and registration. For example, since many farmers are small-holders and the land is not registered, they cannot use land as collateral and this affects the agricultural produce.
3. There is need to carry out a financial analysis of the infrastructure projects so as to establish the rate of return of undertaking a particular project and opportunity costs vis-a-vis other government projects.
4. For Uganda to attain the middle-income status, the economy should be growing at either 9 or 10 percent, above the 6.3 percent NDPII growth rate. In accelerating this growth rate, there is need for a paradigm shift, and this transformative approach requires a refocus on land as a major factor of production. Carrying out land reform should be a priority since it is difficult to develop, for instance infrastructure, without solving the land issue, as this involves compensation of people losing their land. However, this would require building strong institutions so that they can help to manage conflicts, and register the land among other things.
5. There is also need to develop industries as way of developing agriculture; focus on the sources of income and whether people are employed in increasingly higher productive sectors; as well as focus on making local firms and business entities in Uganda to grow.
6. In addition, achievement of a middle-income status within the specified period would require a deeper understanding of how the people structurally work within the agricultural sector so that they are able to earn more than they are earning. In this regard, efforts to develop the agricultural sector would focus on the private sector as a potential financier. It was noted that the cost of capital is high and impending development of sectors like agriculture which are very critical.
7. The solution to the high cost of capital should focus on other public sector interventions other than interest rate capping. In this, efforts should be on addressing the structural challenges facing the banking sector, since the market interest rate is still determined by forces of demand and supply. For instance, Uganda has 25 commercial banks and in order to reduce bank interest rates, the participants should; undertake more savings and mostly long-term saving; pay enough taxes and then government won’t be able to borrow from the private sector; increase output levels; pay the loans in time; implement government projects in time; establish pension funds; encourage all people to shop from the domestic market.
8. **Plenary Discussions**

The moderator, Mr. Oscar Semweya Musoke engaged the participants in a question session where they asked questions and gave their views on the presentation and the panel discussion. The key issues to the achievement of the goal included;

1. Corruption still remains a challenge to attaining middle income status and thus impedes the attaining of inclusive growth as spelt out in the NDPII theme. This is an indication for NPA to foster the fight against corruption since without its reduction, all the development goals within the NDPII could be compromised.
2. Environmental destruction as well remains a concern since with the sustainable exploitation of the environment and natural resources the country remains at risk of the natural calamities like drought, floods that will otherwise require unplanned spending from the government. It is important to include the environment protection as a key cross cutting issue in the sectoral programmes and projects.
3. The proportion of the population whose land is registered remains low and therefore they cannot even use land as collateral to access credit from financial institutions. To leverage this opportunity, the government should ensure that faster acquisition and registration of land since ownership of land plays a critical role in development.
4. The cost of capital remains high and therefore the government should diverse solutions to reducing it since high interest rates impede investment and consumption.
5. The NDPII strategizes on frontloading infrastructure investments as a way of closing the infrastructure deficit. However, much remains on ensuring the successful implementation of the infrastructural and other government projects since many of these have been either delayed or poorly executed. There is need to harness and strengthen the existing institutional implementation arrangements like the Office of the Prime Minister.
6. The attaining of the middle-income goal remains challenged because of the increasing population growth that it is competing with the GDP growth rate. Against that, it is important to diverse ways to reduce the growing population and as well make it more productive to take on the existing economic opportunities in the country.
7. In increasing the success of the business enterprises, there is need to regulate the participation of foreigners in the economy since they unfairly compete with local traders through undercutting of prices and selling of inferior products. In the same realm, the marginal propensity to import especially household products, clothing, foot wear remains high among Ugandans, and therefore impedes domestic production.
8. To realize the goal of the plan, there is need to change the mindset of Ugandans towards hard work, saving, care for public assets; inadequate provision of finance to local governments. Without a positive mindset and right ideological orientation that facilitates the effective and efficient implementation of the plan, the realization of the middle-income goal remains in vain.

**5.0 Closing remarks from the Chairperson, Dr. Kisamba Mugerwa**

In his closing remarks, the chairperson gave prominence to implementation challenges in the form of corruption, low absorption levels, and among others. He stressed that need for collective responsibility at all levels to make our communities and country better than it is, with our homes and families as starting point. In addition, the participants were encouraged to focus on development irrespective of background, political differences, ethnicity and religion.

1. **Conclusion and Recommendations**

In light of the mixed opinions from the public as regards to the attainment of the middle-income goal, 6th NDPF provided an opportunity to clear the ground and make it known to the public that the goal is attainable. Further, the forum highlighted the paradigm shift required in achieving the middle-income status, and above all doing business unusual. Lastly, the forum informed the public on the prime mandate of NPA of producing comprehensive and integrated plans, given that the public has different views as regards to the core mandate of NPA. To strengthen this, there is need to holder NDPFs as they clear the NPA’s role as regards to what it can do and cannot do in driving the economy towards attaining Vision 2040.