

UGANDA PEOPLES CONGRESS

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Checking Uganda's inflation through emphasizing fiscal policies and strengthening the agricultural sector

Uganda Peoples Congress wishes to differ with Bank of Uganda on its recent monetary policy that saw it increase interest rates from 16% to 20%. This means that commercial banks and other banks that lend to the business community, farmers and the private sector in general will too be forced to increase their interest rates to an average of 30%. This is not fair in two ways;

- i. Individuals and companies who borrowed from commercial banks earlier than this policy implementation will now have to service their loans under the new interest rate terms set by their lenders, and
- ii. When the high interest rates mix with the ever increasing rent fees; water and power tariffs; exorbitant VAT, income tax, property tax, license and other taxes, the cost of doing business shoots exorbitantly high and the private sector becomes the most hit.

For the last 20 years and precisely from the inception of the privatization divestiture in 1991, government of Uganda has been clamoring for a private-sector led and export oriented national economy. After a discriminatory tax regime for all these years, acute racketeering and corruption in tendering and other government units, the government of Uganda cannot afford to renege further and make interest rates unbearable for the already hurting private sector.

Inflation in Uganda was boosted early this year when government raided the national treasury and took most of the cash to buy votes for president Museveni and other NRM candidates. This caused excess liquidity with so much money in circulation [non investable] while at the same time denying Bank of Uganda enough money for gainful investment.

On the other hand however the NRM slogan of "helping people to sleep" seems to have been taken seriously by the public. Unfortunately for Ugandans when they were sleeping the people of Rwanda, Tanzania, Sudan and Kenya were busy working. As globalization takes its toll on our people, goods and services which traditionally were exclusively sold in the country now freely go abroad. Since people of the neighbouring countries are willing and able to pay higher prices for food, meat, sugar and others, the traders have no option but to give them first priority in search of profits. In short goods are in plenty but Ugandans have no purchasing power given competition in the region.

Government has also erroneously argued that the economic challenges facing the country are global. That inflation and the cost of living are going up in every other country. One wonders why the economies of the neighbouring countries like Tanzania, Rwanda, Kenya and Sudan, some of which are land-locked countries just like Uganda, are not in free fall yet.

The argument that the service and industrial sectors should be emphasized at the expense of agriculture is equally misleading. Over 85% of Ugandans derive their livelihood and income from agriculture. The sector employs at least 73% of the country's workforce and yet it still contributes just 21% of the GDP. Sidelining this sector means underutilizing lots of the country's productive labor force. This in turn relegates a vast

majority of our population to hunger, dependency and poverty. On the contrary the service and industrial sectors only employ 5% of our population. It is ironical that anyone can expect development on a whole country when just 5% of its population is employed. And besides why should people work hard in order to buy expensive food? Why not spare a good percentage of our budget to facilitate agriculture the sector that feeds our entire nation?

Proposals

In order to curb inflation and salvage our economy from the slumber it has gone, the UPC proposes the following;

1. Instead of bothering Bank of Uganda to institute hurting monetary policies, the ministry of finance should employ fiscal policies with emphasis on tax reductions and public expenditure cuts in order to hold the national economy back in check. At a time close to 8 million Ugandans sleep on hungry stomachs there can never be any justification whatsoever for government to continue importing armaments and fighter jets; spending on workshops and retreats; and keeping a huge baggage of RDCs, Ministers, Presidential Advisers and Personal Assistants. When all this waste is checked, the funds that would have gone to these individuals and groups of people can be viably channeled to fixing gaps now existing in the economy.
2. Lavish and politically motivated expenditures must be questioned. The wisdom of spending on bicycles for LCI chairpersons must be interrogated. Ugandan villages are full of gardens, plantations, paddocks and farms. On what roads will the village chairpersons ride these bicycles and where exactly will they be going? The 5bn shillings wasted on this project that never was must be retrieved and used to subsidize other useful sectors like energy and agriculture.
3. Government should scrap taxes on fuel, electricity and water. Each of these has so much multiplier effect that if made easily accessible will inevitably lower the cost of production and transportation thereby reducing the ultimate cost on to the importers, exporters, merchants, traders, retailers, and consumers.
4. Agriculture in our sector of comparative advantage in East Africa. Government should increase budgetary allocation to agriculture to at least 10% so it can be able to offer subsidies to farmers and agribusiness owners. Such subsidies would include; seeds, fertilizers, farm inputs, machineries, tractors and pesticides. This is a sure way to widen supply of good and quality agricultural commodities, influence the cost of such commodities and increase production.
5. The agricultural subsidies should be immediately followed up by government's deliberate intervention to quickly increase agro-based industries in the country to enable farmers sell their produce in time and maintain their output levels.
6. Genuine cooperative unions must also be re-established to enable farmers produce in bulk, transport in time and access market easily.

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