

# of time for 2020



Huge infrastructure projects could provide the growth required to attain middle income status

compounded average growth during this period is under 12%.

So what do we need to jump start the economy which fell short of expectations last year growing by 4.6% compared to the earlier projected 5.5%.

### Where will the quick fixes come from?

“Agriculture. Because of how many people it employs when agricultural output grows by even 4%, it has a ripple effect through the economy. People are already producing and the market is already there so you can see almost immediate gains if we targeted agriculture. It feeds into our exchange rate and directly into the incomes of the people,” economist Dr Fred Muhumuza, says.

The interventions would take the form of provision of improved planting and breeding materials and extension services in the immediate term and improved financing options and policy reforms in the long term.

Muhumuza also suggests that reforms in the way government works will be necessary.

“These stalled government projects need to get off the ground. Why do we have money lying around unused? The projects will not only release cash into the general economy, but their implementation will have a multiplier effect through the economy.”

Muhumuza, a senior manager of an accounting firm KPMG, is sceptical that the huge infrastructure projects will provide the growth required to take us over the finish line in four years.

“The benefits of infrastructure will come over time. But being funded by foreign financing is becoming troublesome, “a veiled reference to the World Bank’s recent announcement it was suspending aid to Uganda, for our inability to optimally utilise existing resources.

Muhumuza wondered as to why when interest rates were negative in more developed economies, we are not seeing a surge of funding to our shores, which would support this mega projects that are sorely needed to bridge our huge infrastructure deficits.

Another observer of the economy speaking on condition of anonymity was less forgiving.

“Middle income status will come soon enough out of sheer momentum. But we can do better if we only got our strategy right, put the right people in place and gave them an enabling environment. Talk is cheap, let us just do the bare minimum we are supposed to do – provide quality education and health services, enable improvements in transport and other infrastructure and cut down on corruption and it is a mathematical certainty that middle income will come, but not in the next four years.”

On the surface of it, it is clear that one way to more evenly spread the love and set ourselves on a sustainable path to middle income status is to raise rural incomes.

The National Planning Authority (NPA) agree.

“The NDPII (National Development Plan II) identifies five lead sectors that if well focused, can propel this country to middle income status. These are: Agriculture, Tourism, minerals, oil and gas, Human Capital development as well as infrastructure development,” NPA said recently in their recent “Roadmap to attaining middle income status for Uganda”

“At a macro level, for middle income status to be achieved, we must ensure the following; GDP must grow and the population growth must be contained; Macroeconomic stability must be ensured (including foreign exchange stabilisation) for foreign exchange to be stabilised, exports must increase progressively, capital outflows should be reduced and capital inflows increased; Productivity across sectors must be increased; Investment in public infrastructure must be frontloaded – Financial

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deepening/savings must be increased – Capital accumulation must be front loaded – Low interest rates must be maintained/cheaper capital,” NPA added.

### Can we achieve middle income by 2020?

From a purely arithmetical standpoint, to attain middle income status by December 31, 2020 our per capita income – now at about \$780, will have to grow by 12% a year. When you factor in our population growth of about 3%, the economy will have to grow by at least 15%

a year for the next four years starting in 2017. Essentially, the economy has to almost double from its current \$26b to \$47b.

According to the World Bank, at the peak of the current economic revival in the 1990s and 2000s, economic growth averaged 7%, putting Uganda among the fastest growing economies in the world.

But maybe it is not impossible. The Ugandan economy has almost quadrupled in size to the current \$26.37b, according to the World Bank from \$6.179b in 2002. This means that the

