Give govt more taxes to stop borrowing - Kasaija

Mr Matia Kasaija says the only way for government to stop borrowing, is for Ugandans to pay more taxes and stop unnecessary demands.

BY DOROTHY NAKAWEESI

Finance Minister Matia Kasaija has said Ugandans need to give government more tax revenue as one of the mitigation measures to curb mounting debt levels.

Speaking in a telephone interview at the weekend, Mr Kasaija told *Daily Monitor* that it was difficult for government to stop borrowing amid growth in demands yet tax revenues continue to be low.

"Give me [government] more taxes so that I don't have to borrow. Give me taxes … stop complaining when I increase taxes," he said, noting that Ugandans should as well stop demanding too much from government.

"If you are demanding salary increases, you want roads to be tarmacked, you want this and that. Then, I have got to borrow either internally or externally," he said, adding that taxes collected taxes cannot fund current demands.

Mr Kasaija was responding to *Daily Monitor's* inquiries in regard to mounting debt, which State Minister for Planning Amos Lugolobi last week, said was no longer sustainable.

It is the first time government has conceded that debt stocks have reached unsustainable levels having surged to above the 50 percent threshold in just less than two years.

While speaking at the launch of the National Development Plan III Mid-Term Review last week, Mr Lugoloobi, said public debt was now at 54 percent due to increased borrowing to mitigate challenges resulting from Covid-19 and other disasters such as locusts.

"Today, debt to GDP is 54 percent. So, we have already gone beyond the threshold of 50 percent," he said.

Debt servicing and repayment has become a burden to Uganda, taking up the biggest portion of the National Budget.

However, Uganda's tax to gross domestic product (GDP) ratio, which has stagnated to below 12 percent, is low to support mounting debt servicing.

Mr Ramathan Ggoobi, the Ministry of Finance permanent secretary at the weekend told *Daily Monitor* that as of May 2022, the stock of public debt had grown to Shs77.9 trillion ($20.722b) from Shs73.8 trillion in December 2021, of which, Shs29.4 trillion ($7.84b) was domestic and the rest external debt.

However, he indicated, debt is projected to grow further to Shs90.2 trillion ($24b) during the 2022/23 financial year, of which, $9.31b (Shs35 trillion) will be domestic debt.

Therefore, he said, to mitigate the growing burden, government will reduce accumulation of domestic debt to 1 percent of gross domestic product over the medium term from 4 percent through implementation of the domestic revenue mobilisation strategy, borrowing for strategic projects only such as those that support growth and exports and sequencing commencement of projects by ensuring that only quality and ready projects enter the public investment plan.

Other measures, he said, include rolling out the Public Finance Investment Strategy, which seeks to get alternative financing options and crowding in the private sector to support growth projects that are commercially viable as well as implementing reforms to restore fiscal discipline and budget credibility by limiting supplementary expenditure to what is intended in the law such as unforeseen and unavoidable emergencies, mainly disasters, security threats and perhaps critical industrial policy expenditures needed to support transformation.

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Build capacity of traders for Africa market, says study

BY ISMAIL MUSA LADU

KAMPALA. A study by Eastern African Sub-regional Support Initiative for the Advancement of Women (EASSI) has said capacity of cross border traders, majority of whom are women, must be strengthened to exploit new markets in the African Continental Free Trade Area (AfCFTA).

The study titled: *Strengthening the participation of women cross border traders in the African Continental Free Trade Area*, noted that women's cross border traders contribution in continental trade must be enhanced by building their capacity in terms of skilling and capital enhancement.

Whereas AfCFTA creates an opportunity of a large market, which a number of businesses have prepared to exploit, some experts have warned that there is need build capacity of businesses across board or else business in weak countries will be out-competed.

In a statement at the weekend, Ms Sheila Kawamara-Mishambi, the EASSI executive director, said there is need to enhance the capacity of the small women cross border traders so that they are able to exploit new markets such as AfCFTA.

"Unless the small-scale traders are supported in terms of accessing credit and other trade facilitation, they are unlikely to compete favourably in markets such as the AfCFTA," she said.

The AfCFTA was launched in January 2021 as a free trade area, bringing together 55 countries across Africa with a combined gross domestic product of about $3.4 trillion.

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Mr Aziz Mukota (C), the UNBS manager testing services, shows around officials during the launch of the Food Safety Testing Laboratory in Gulu City last week works. PHOTO I COURTESY

UNBS to build Shs22.6b regional testing labs

BY ISMAIL MUSA LADU

KAMPALA. At least $6m (Shs22.6b) will be injected in regional Food Safety Testing Laboratories in northern, eastern and western Uganda, according to Uganda National Bureau of Standards (UNBS).

Speaking at the launch of one of the laboratories in Gulu City last week, Mr David Ebiru, the UNBS executive director, said the move seeks to decentralise quality assurance and reduction of cost of business.

The initiative, which is supported by VODP through Ministry of Agriculture and the Danish government, trough Trade Mark East Africa, seeks to enhance quality and standards by enabling micro, small and medium enterprises across the country to access testing services.

The Gulu City Food Safety Testing Laboratory will provide testing and certification services to nine districts in West Nile and 17 in northern Uganda, while others, which will be established in Mbala and Mbarara, will serve eastern and western Uganda.

Mr Ebiru said by moving laboratories to the countryside where majority of micro, small and medium enterprises are based, the cost of doing business will reduce while enhancing competitiveness.

The initiative, which comes at a time when Uganda is flooded with substandard and counterfeit goods that risk the life of many, will cost $6m (Shs22.6b) with VODP, through Ministry of Agriculture providing equipment worth $988,470 (Shs3.7b) while the Danish government, through Trade Mark East Africa will provide $4.45m (Shs16.8b).

The laboratories will provide conformity assessment services to businesses in processing and value addition to ensure that their products meet set standard by testing both food and non-food products such as edible fats and oils, milk and milk products, water, fruits and vegetables, cereals and cereal products, grains and animal products, among others.

Mr Nicolaj Hejberg Petersen, the Danish Ambassador to Uganda, said the partnership with UNBS seeks to facilitate internal and international trade among all categories of traders in Uganda, especially women and micro, small and medium businesses.

The laboratories, he said, will be key in improving quality of local products for both local consumption and export markets as Uganda prepares to compete in the Africa Continental Free Trade Area as well as consolidating gains made in other markets such Europe.

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High charges by telecoms threat to Fintechs - players

BY RACHEL NABISUBI

KAMPALA. Stakeholders in financial technology (Fintechs) have said high charges by aggregators, such as telecoms are a threat to business.

Speaking in an interview last week, Mr James Mukasa, the chief executive officer of MoneySent, a remittances and payments Fintech, said that whereas there has been growth in the sector, there is discontent among Fintechs due to high charges by telecoms for aggregation and use of their infrastructure.

The Fintech space has grow tremendously in the last five years with a recent study of the State of Fintech indicating that there are more than 100 Fintechs in Uganda offering payments, digital lending, micro credit, remittances and digital wallets, among others.

Mr Joseph Abdi, the Jpesa chief executive officer, said following the enactment of the 2020 National Payment Systems Act, which separated mobile money from telecom services, contracts of most Fintechs have been reviewed, introducing high charges.

For instance, he said that whereas individual customers are charged between 2 percent and 2.5 percent per transaction, Fintechs are charged 3.5 percent or more.

However, Mr Japhet Aritho, the Airtel Mobile Commerce managing director, said that whereas Fintechs complement mobile commerce, telecoms can only complement where "we feel we are adding value to each other and compete where we feel we are offering almost similar products, noting that "regulators need to create a levelled playing ground for telecoms to ensure that their platforms are available to all Fintechs".

Fintechs, through initiatives such as 40 Days 40 Fintechs organised by HiPipo in partnership with Level One Project, ModusBox, Mojaloop and Crosslake Tech and supported by the Gates Foundation, which will be concluded this week, are seeking solutions to such as challenges.

Mr Innocent Kawooya, the HiPipo chief executive officer, said telecoms and Fintechs need one another, which calls for measures to accommodate each other for the benefit of end users.

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