# EFFECT OF GOVERNMENT SPENDIND ON ECONOMIC GROWTH (FOCUSES ON AGRICULTURAL SECTOR)

# IN UGANDA (2016-2019)

BY

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DECLARATION

I, ATUGONZA FRED REG NO. 1163-05154, hereby declare to the best of my knowledge that this work is purely my own effort and has never been submitted in any university around the globe for any award with the help of my supervisor

Sign .....

ATUGONZA FRED

Date.....20th.05.2019.....

APPROVAL

This is to certify that this research has been done under my supervision and guidance. It's now ready supervision and examination.

Sign .....

Ms. Nakawungu Faridah

Date..20/05/2019.....

## DEDICATION

I would like to dedicate this piece of work to the Almighty who has enabled me to carry out research successfully and my beloved mother Mrs. Ruzaro Sayuni for her endless support both financially and morally. I also thank my friend Nyesiga Abert and my fellow coursements; Daniel, Joel, John, Damalie, Peter, Isaac, khadir, Kisembo, Stephen and all statisticians for their endless support rendered especially technical support.

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n a special way I would like to thank the almighty God for the gift of life, knowledge and :trength that enabled me to go through my report successfully. I would like to extend my sincere ;ratitude to my supervisor Madam Nakawungu Faridah for the patience, guidance to ensure that his work is perfect. Thank you very much if it wasn't you I don't think I would have achieved his.

Ay sincere thanks go to my lecturers who have transformed me into a better and knowledgeable )erson through the three years of academic struggle at Kampala International University.

ABSTRACT

The study was set to investigate the effect of Public spending on Economic growth focusing on Agricultural sector and it was guided by the following objectives; The main purpose of the study s establishing the impact of government spending on economic growth focusing on Agricultural ector in Uganda, to determine the effect of public expenditure on economic growth in Uganda, o establish the short run and long run relationship between public spending and economic growth, to analyze the direction of causality between public expenditure and economic growth in Uganda. Data were collected from different authorized sources and analyzed using SPSS and Excel. According to the findings of the study, it was indicated that the state of the agricultural ector in Uganda during 2017-2018 paints a discouraging picture with regard to contribution to GDP and the rate of growth as these have significantly declined. The findings also indicated that hat main driver of Uganda's low expenditures is its low intake of domestic revenue. In fact, its ax to GDP ratio, which was 11.6% of GDP in 2012/13 is one of the lowest in the world. The indings also indicate that fiscal policy is the key to success and much effort has, in the past lecade, gone towards fiscal reforms and the improvement of institutional capacities. It was ndicated that public spending contributes much to the GDP growth rates. The following policy neasures have been identified to address the current economic conditions and undertake neasures to rebound the economy in FY 2017/18; Counterpart funds will have a first call on any dentified additional resources and ring fenced for Development Projects to avoid delays in project implementation for all approved projects, eliminate domestic arrears by prioritizing them n sector MTEF allocations to ensure that service providers are paid in time. Accounting Officers who continue to accumulate domestic arrears will be held personally responsible, Review of tax exemptions, Given the limited revenue options and demand to raise revenues, there is no scope for tax rate reductions or increases this is a disincentive to investors, Renegotiate tax treaties to limit base erosion and profit shifting by multinationals and limit treaty abuse In the ecommendations, key role for government is to improve the quality and access to education and ealth services and the maintenance of existing public infrastructure. Spending on education eceives about 22 percent of the budget. In FY2017/18, domestic revenue collections are stimated to amount to Shs. 15,029 billion, of which Shs. 14,633 billion is tax revenue and Shs. 396.7 billion is non tax revenue. It is notable that in past years.

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LIST OF ACRONYMS/ ABBREVIATION

| | |
|---|---|
| BOU | Bank of Uganda |
| MOFPED | Ministry of Finance, Planning and Economic Development |
| MAAIF | Ministry of Agriculture, Animal Industry and Fisheries |
| GDP | Growth Domestic Product |
| UBOS | Uganda Bureau of Statistics |
| IMF | International Monitory Fund |
| OECD | Organization for Economic CO-operation and Development |
| GE | Government Expenditure |
| MS | Money Supply |
| NDP | National Development Plan |
| UCA | Uganda Census of Agriculture |
| PHC | Population and Housing Census |
| EPRC | Economic Policy Research Center |
| GNI | Gross National Income |
| MDAs | Ministries, Departments and Agencies |
| SPSS | Statistical Package for Social Sciences |
| UNRA | Uganda National Roads Authority |
| KCCA | Kampala Capital City Authority |
| ICT | Information and Communication Technology |
| FY | Financial Year |
| EAMU | East African Monetary Union |
| MTEF | Medium-Term Expenditure Framework |

| | |
|---|---|
| OWC | Operation Wealth Creation |
| ACF | Agricultural Credit Facility |
| URA | Uganda Revenue Authority |
| BFP | Budget Framework Paper |
| HDI | Human Development Index |
| IHDI | Inequality-adjusted Human Development Index |
| UNDP | United Nations Development Program |
| FOA | Food and Agricultural Organization |
| MPI | Multidimensional Poverty Index |
| IDA | International Development Association |
| ATAAS | Agricultural Technology and Agribusiness Advisory Services |
| NAADS | National Agricultural Advisory Service |
| PMA | Plan for Modernization Agriculture |
| PIM | Public Investment Management |
| SGR | Standard Gauge Railway |
| GAPR | Government Annual Performance Report |

CHAPTER ONE

# 1.0 INTRODUCTION

## 1.1 BACKGROUND OF THE STUDY

An inclusive and long-term economic growth has become a concern for many policymakers for decades and government spending has been debated whether it is able to accelerate economic growth. Government spending has been used extensively as fiscal policy by the government in many countries, but its effect on economic growth is questionable. Two well-examined economic hypotheses have been used by the economic analyst as a base to debate the effect of government spending in economic growth, that is Wagner's law and Keynesian hypothesis.

### 1.1.1 Government spending or expenditure

Government spending includes all government consumption, investment and transfer payments. In national income accounting the acquisition by the governments of goods and services for current use, to directly satisfy the individual or collective needs of the community, is classed as government final consumption expenditure.

Government expenditure can be financed by government borrowing, or taxes. Changes in government spending is a major component of fiscal policy used to stabilize the macroeconomic business cycle.

Government spending can be a useful economic policy tool for governments. Fiscal policy can be defined as the use of government spending and/or taxation as mechanism to influence an economy. There are two types of fiscal policy: expansionary fiscal policy, contractionary fiscal policy. Expansionary fiscal policy is an increase in government spending or a decrease in taxation, while contractionary fiscal policy is a decrease in government spending or an increase in taxes. Expansionary fiscal policy can be used by governments to stimulate the economy during a recession.

For example, an increase in government spending directly increases demand for goods and services, which can help increase output and employment. On the other hand, contractionary fiscal policy can be used by governments to cool down the economy during an economic boom. A decrease in government spending can help keep inflation in check.

During economic downturns, in the short run, government spending can be changed either via automatic stabilization or discretionary stabilization. Automatic stabilization is when existing policies automatically change government spending or taxes in response to economic changes, without the additional passage of laws.

A primary example of an automatic stabilizer is unemployment insurance, which provides financial assistance to unemployed workers. Discretionary stabilization is when a government takes actions to change government spending or taxes in direct response to changes in the economy. For instance, a government may decide to increase government spending as a result of a recession. With discretionary stabilization, the government must pass a new law to make changes in government spending.

### 1.1.2 Economic Growth

Economic growth is the increase in the inflation-adjusted market value of the goods and services produced by an economy over time. It is conventionally measured as the percent rate of increase in real gross domestic product, or real GDP.

Growth is usually calculated in real terms – that is , inflation-adjusted terms – to eliminate the distorting effect of inflation on the price of goods produced. Measurement of economic growth uses national income accounting. Since economic growth is measured as the annual percent change of gross domestic product (GDP), it has all the advantages and drawbacks of that measure. The economic growth rates of nations are commonly compared using the ratio of the GDP to population or per-capita income.

The "rate of economic growth" refers to the geometric annual rate of growth in GDP between the first and the last year over a period of time. This growth rate is the trend in the average level of GDP over the period, which ignores the fluctuations in the GDP around this trend.

An increase in economic growth caused by more efficient use of inputs (increased productivity of labor, physical capital, energy or materials) is referred to as intensive growth. GDP growth caused only by increases in the amount of inputs available for use (increased population, new territory) is called extensive growth.

## 1.2 STATEMENT OF THE PROBLEM

This study is set to the effect of public spending on economic growth focusing majorly on Agricultural sector. In rural Uganda, people are poor and you can smell poverty. They would like to engage themselves in agriculture because they have the energy. But they are switched off because of high prices for farm inputs and pesticide. Many educated youths have left their homes and moved to urban areas in search for jobs. This has created high unemployment rate Uganda is facing. The situation is likely to worsen because the national budget framework for the next financial year 2019/2020 has indicated a 3.7% decrease to sh336.2b to agriculture sector from the previous (2018/2019) sh434.1b. This money will be used to increase productivity for food security and export-oriented commodities like maize, beans, rice, bananas, cassava, beef and dairy cattle and fish.

The other priority is "to increase effort in the provision of water for irrigation, for livestock and for aquaculture, partnering with private sector and directly digging dams and valley tanks for farmers.

Growth in public expenditure in Uganda has become a topical issue in the light of escalating public expenditure which is resulting in a widening budget deficit; as a result, the government is constantly under pressure to borrow to cover the deficit.

However, on the other hand, government's view is that more public spending will result in economic growth, as the government builds roads, schools, hospitals and as more people benefit from the social welfare programs. This view is backed by the Keynesian economists who postulate that an increase in fiscal spending stimulates demand that leads to economic growth. Government expenditure is presumed to be a veritable tool for economic growth.

## 1.3 OBJECTIVES OF THE STUDY

### 1.3.1 General Objective

The main purpose of the study is establishing the impact of government spending on economic growth focusing on Agricultural sector in Uganda.

### 1.3.2 Specific Objectives

To determine the effect of public expenditure on economic growth in Uganda

To establish the short run and long run relationship between public spending and economic growth.

To analyze the direction of causality between public expenditure and economic growth in Uganda.

## 1.4 RESEARCH QUESTIONS

What is the effect of public expenditure on economic growth in Uganda?

What is the relationship between public expenditure and economic growth in Uganda?

What is the impact of public expenditure on agricultural sector in Uganda?

## 1.5 RESEARCH HYPOTHESIS

There is a significant relationship between government spending, Agriculture and economic growth

## 1.6 SIGNIFICANCE OF THE STUDY

The purpose of the study is to develop a detailed understanding of the impact of public spending on economic growth in Uganda. This study will mainly focus on Agricultural sector. Uganda's spending on agriculture has continued to dip despite the sector being a key pillar of the economy, a report has found therefore the study will provide a basis of planning to the policy makers

The study will also help the government to know how it should allocate resource mainly in Agricultural sector. This is because the study provides the previous performance of the sector in general and how efficient the sector is.

Although the coming year has an increment in budget to about Shs892.9b, up from the Shs865b for the financial year ending June 30, 2018, a good percentage of it is going to wage and non-wage recurrent expenditure, amounting to about Shs270b.

With the National Development Plan II identifying agriculture as one of the primary growth sectors in the coming years employing up to 65 per cent of the population, government says through the sector, it aims to **transform the Ugandan society from a peasant to a modern prosperous society in 30 years.**

In the Agriculture Sector Strategic Plan, the sector aims to be a competitive, profitable and sustainable sector to transform the sector from subsistence farming to commercial agriculture.

This, government says will help create employment opportunities, especially for the youth and women, increase household incomes, while ensuring household food security along the entire commodity value chain.

The study will provide a baseline to other researchers who ought to carry out different studies on Agriculture in different institutions.

The study will also provide critical analysis regarding Agriculture and the trend of government spending in this sector.

As a student of economics and a policy analyst, it will help me to analyze the significance of government spending in priority sectors like Agriculture and other sectors of the economy.

## 1.7 THE SCOPE OF THE STUDY.

### 1.7.1 Geographical Scope

This study was carried out in Uganda. This is because the whole research focuses on Uganda's economy and the data required for the research is basically in Uganda.

### 1.7.2 Study Scope

The study targeted both subsistence and commercial farming of the entire Agricultural sector although it ignores the role of private sector spending in developing the Agricultural sector. It mainly focuses on how the government spending has influenced the economic growth through the Agricultural sector.

1.7.3 Time Scope

The study was carried out by using secondary data from government organizations' data base which give the critical statistics on how public spending has influenced the level of economic growth during the time period of three years from 2016 to 2019.

1.7.4 Theoretical scope

The study will be mainly based on two theories; Wagner's law of public expenditure and Keynesian hypothesis. These theories provide the existing literature on the effect of government spending on Economic growth mainly focusing on Agricultural sector.

# 2.0 CHAPTER TWO

## 2.1 LITERATURE REVIEW

This chapter reviews the existing literature on the effect of government spending on economic growth. In specific the chapter reviews the theoretical review where various theories on government spending are reviewed, empirical review where empirical studies done on the effect of government spending on economic growth are reviewed, and the concept government spending.

### 2.1 Theoretical review

This study is based on the Wagner's law of public expenditure and Keynesian hypothesis.

#### 2.1.1 Wagner's law of public expenditure.

The paper proposes a panel cointegration analysis of the joint development of government expenditures and economic growth in 23 OECD countries. The empirical evidence provides indication of a structural positive correlation between public spending and per-capita GDP which is consistent with the Wagner's law. A long-run elasticity larger than one suggests a more than proportional increase of government expenditures with respect to economic activity.

In addition, according to the spirit of the law, we found that the correlation is usually higher in countries with lower per-capita GDP, suggesting that the catching-up period is characterized by a stronger development of government activities with respect to economies in a more advanced state of development. Within this broad context, the analysis of the size of the government with respect to the degree of development has received a relatively larger attention. In particular, the long-run relation between government expenditures and economic growth has been a lively topic of empirical assessment. The existence of a positive covariance between the two variables was first postulated by the German political economist Adolph Wagner. The so called "law of increasing state activity" maintained that there is both and absolute and a relative expansion of the public sector (including central and local government's bodies and public enterprises), at the cost of the growth in the private sector (Wagner, 1911). This statistical association has been

interpreted in a loose and a strict way. In a loose sense, Wagner's law points to a positive long-run co-movement between government expenditures and economic growth, while in a strict sense, it postulates a long-run elasticity of public spending above unity.

The idea behind Wagner's law is that goods and services provided by the government, including redistribution via transfers and, in particular, the activities of public enterprises, would increase with a county's industrialization since as the economy grows: the administrative and protective functions of the state would substitute public for private activity; there will be a need for increased provision of social and cultural goods and services; government intervention would be required to manage and finance natural monopolies and to ensure the smooth operation of market forces (Bird, 1971). Wagner's law has been statistically tested not only from a cross-country perspective but also relying on standard time-series econometric approach. However, due to paucity of data when dealing with public finance, empirical works has long suffered of an inadequate methodological framework, especially in early cross-country analyses (Abizadeth and Gray, 1985; Ram, 1987). It is not surprising that results from these studies have generally been mixed supporting further investigation.1 The use of integration and cointegration analysis has improved the reliability of the most recent works, allowing a distinction between a long term relationship and short-run dynamics.

However, the range of the investigation has been usually limited to single countries evidence or multi-country comparisons (Thornton; 1999, Islam; 2001, Akitoby et al.; 2006). Traditionally Wagner's Law has been modelled in two ways. The most common is a linear model of the logarithm of government expenditure (GE) on the left hand side and the logarithm of real gross domestic product (GDP) on the right hand side. Sometimes the logarithms of the per capita ratios are modelled instead. This tradition was set by (Gupta, 1967; Goffman, 1968; Goffman and Mahar, 1971; Peacock and Wiseman, 1961; Man, 1980), and it has been followed by others, usually with time series analysis of specific economies, but sometimes with pooled time series across countries. Ignoring the problems of non-stationary variables when modelling GE against GDP, the double log specification seem worthy in that it gives a constant elasticity score of GE with respect to GDP. However, there are some problems with such a model. Whilst constant elasticity is convenient, is it realistic? A constant elasticity greater than unity would mean that as GDP grows the share of GE in GDP could exceed one, which is a logical impossibility. If the

elasticity is less than unity as GDP grows the share of GE in GDP falls toward a limiting value of zero. Further, because GE and GDP may exhibit strong simultaneity there is an identification problem with the log linear model, (Slemrod, 1995).

The alternative specification, which avoids this endogeneity problem, is to model GE as a share of GDP (Musgrave, 1969; Pryor, 1968). Share is estimated as a linear function of per capita real GDP. The clear problem here is that an unbounded linear relationship leads to the possibilities that predicted share could be greater than one or less than zero. (Gupta, 1968) was an early attempt to estimate nonlinear relationships to test the Wagner hypothesis, but this did not address the issue of estimating a form that places sensible boundaries on government share. If government is measured by its expenditure then, following Wagner, if GE grows proportionately more than real GDP then the share of the GDP attributed to government must increase. However, this cannot increase without limit and the share must reach some maximum at a value less than one. Wagner was clear that government could not expand without limit, (Biehl, 1998, Florio and Colautti, 2003) model the share of public expenditures using a logistics equation for five countries. However, they estimate the expenditure share as a function of time, so that in terms of a test of the Wagner hypothesis there must be an implicit assumption that per capita GDP increases over time and that time proxies for real per capita GDP. A more sensible and direct test would be to estimate equation (2) with real GDP per capita as the right hand side variable. Therefore, modelling government through the fiscal share of GDP, and avoiding potential identification problems requires a model based on a function with a domain $-\infty,\infty$ and range e [0, a], where a<1. That is: $(y \mid x) = G(x,\theta)$;

Where

$G(-\infty) = 0$ and $G(\infty) = a$; and

$\theta$ is a set of unknown parameters, including a, which govern the function G.

A candidate for the function G() is the logistics function:

$$y = \frac{a}{1+be^{-xc}} + \varepsilon \quad ;$$

where

$y$ is the ratio of government expenditure (GE) to gross domestic product (GDP);
$x$ is real GDP per capita;
$a$, $b$, and $c$ are unknown parameters, but with $a<1$; and
$\varepsilon$ is a stochastic disturbance and $\varepsilon \sim iid\ (0, \sigma^2)$.

The paper began by making a case for a restatement of Wagner's hypothesis. Particularly, stemming from a recent translation of Wagner's writing, the empirical analysis in the paper is founded on a more realistic model. This model has the virtue that it places sensible bounds on government in the economy when measured as the share of fiscal government in national income. Wagner himself thought that even though there is a strong relationship from economic development to government in the economy, there will be a natural limit to the share of fiscal government in the economy. Wagner did not elaborate on this natural limit and was reluctant to specify the limit a priori. Unlike previous empirical studies of the Wagner hypothesis, this paper incorporates an empirical model based on sigmoid functions which naturally find an upper limit to government share in the economy. That is, in the spirit of Wagner, the data on actual government shares is allowed to determine some upper bound on fiscal government.

The empirical outcomes are consistent with Wagner's hypothesis. It is not possible to dismiss the hypothesis that there is a positive relationship between the development of the economy in terms of per capita GDP and the share of government expenditure in the economy. This can explain how governments expenditure has a greater impact on Economic growth in terms of GDP growth.

### 2.1.2 Keynesian hypothesis

The vision of ensuring sustainable development and reduction of mass poverty at a meaningful magnitude is enshrined, in one way or another in the government's development strategy document. In this respect, economic growth measured by the rate of an annual increase in the nation's real GDP is taken as the main objective for overcoming continuing poverty and offering a hope for the possible development of society. In emerging economies countries such as South Africa, the role of government is considerable in both scope and significance for accelerated economic growth. Notwithstanding the importance of monetary policies, the government's fiscal policy (which include taxation, expenditure, correcting market failure and providing a wide array of public goods such as state security and street lighting) have become a strong and essential

instruments of economic growth of a country. Among the fiscal policy instruments, this study focuses on government expenditures which are the crucial instruments for economic growth at the disposal of policy makers in developing and emerging economies countries.

However, there is neither a general consensus nor consistent evidence regarding the significant relationship between government expenditures and economic growth.

The Keynesian argue that the government spending can positively impact growth when the government borrow from the private sector and repays back through various spending programmes such as infrastructural development. This is based on the argument that the increase in government spending will inject the new purchasing power in the pockets of the consumers and thereby stimulating aggregate demand in the periods where demand is low.

According to the Keynesians, pubic spending boosts economic activities as well as act as a tool to stabilize the short run fluctuations in aggregate expenditure (Ju-Haung, 2006). This view is consistent with the evidence found in some previous empirical studies such as (Omoke, 2009) which show a positive impact of government expenditure on economic growth. The Keynesian macroeconomic model advocates an active government intervention in the economy through an increase in government spending, money supply in order to stimulate the demand for goods and services during periods where there is lack of demand (low demand) and put the unemployed back to work.

The model expresses economic growth (GDP) as an independent variable which is a function of government spending (G). In addition, we include money supply (Ms), and Investment since they can have an impact on economic growth. This is written as follows;

GDP=(G,M,I).....(1)

Where; GDP = real economic growth, G = real government spending, M = real money supply, and I = real investment level in the economy.

This is inconsistent with the Keynesian macroeconomic framework which states that government spending has a positive impact on the nation's output. In the study, it has been evidenced that an increase in government spending in South Africa by 1 percent leads to the reduction in economic growth by 6.5 percent.

## 2.2 Conceptual Framework.

### 2.2.1 Introduction

Many studies have been conducted around government spending; however, currently there appear not to be any consensus on what should be the conclusive impact of public spending on economic growth. Mitchell (2005) argues that at the moment economic theory does not generate strong conclusions on the impact of government spending on economic performance. He further argues that there are indications of circumstances where less government spending will enhance economic growth and other circumstances where higher levels of government spending would be desirable.

This can also be partially explained by budget implementation challenges particularly faced by low income countries as explained by Olomola cited by Oniore (2014), that the budget process has always been faced with great challenges. The most visible of these challenges are associated with budget implementation. The most common being about non-release, partial release and delays in releasing approved funds for budget expenditure. It has also been well observed that a quarter to which funds are related may end before the related funds are made available

### 2.2.2 Empirical Literature Review in the World

There are many empirical studies that support the negative relationship between public spending. Barro (1991) in a study of 98 countries for a period spanning from 1960 to 1985, using the average annual growth rates in real GDP per capita and the ratio of real government consumption to real GDP concluded that the link between growth economic and consumption is negative and significant. Jong-Wha Lee (1995) provided further evidence for the negative relationship between consumption of government and economic growth. More specifically, using an endogenous growth model for an open economy, it is found that government consumption and economic output was associated with slower growth. Starting with the U.S. economy, Knoop (1999) using time series data for the years 1970-1995 concluded that a reduction in the size of government will have a negative impact on economic growth and welfare.

Estimates obtained by Fölster and Henrekson (1999, 2001) while conducting a panel study in a sample of rich countries during the period 1970-1995 gave support to the idea that large public expenditures negatively affect growth. In another empirical study, Ghura (1995), shows the existence of a negative relationship between government consumption and economic growth. During his investigation turned out that the fact that countries with higher rates of growth have experienced higher ratios of investment, export volume growth, higher life expectancy of life at birth, low inflation rates, and standard deviations low inflation, but it does not necessarily mean better terms of trade outcome. In an attempt to investigate the relationship between government size and the unemployment rate Burton (1999) using a structural model error correction for twenty OECD countries for the period 1970-1999, found that the size of government, measured as total government expenditure as a percentage of GDP, has played a significant role in the sustainable level of unemployment.

Using collected data for 113 countries, Grier and Tullock (1989) have investigated the empirical rules of postwar economic growth. Among other results, they found that government consumption is negatively correlated with economic growth. The same study also Konstantinos Alexiou emerged that political repression is negatively correlated with the increase in Africa and Central and South America.

Guseh (1997) in a study on the effects of government size on economic growth rate using Ols estimation , using timeseries data for the period 1960 -1985 to 59 countries with average incomes in developing countries provide evidence suggests that increased government size has a negative impact on economic growth, but the negative effects are three times greater in non-democratic socialist systems than democratic systems market. Further assessments provided by Engen and Skinner (1992) for 107 countries over the period 1970 to 1985, suggested that a balanced-budget increase in government spending and taxation is predicted to reduce output growth, while Carlstrom and Gokhale (1991) reported simulations results according to which the increase in government spending causes a long-term decline in manufacturing. Adopting a Granger causality approach, Conte and Darr (1988), have investigated the causal dimensions between public sector growth and real growth rates for OECD countries. Special emphasis was placed on the effects on economic growth as a result of increased government resulting from macroeconomic policy.

Based on the evidence, the increase in government spending has had mixed effects on economic growth rates, positive and negative for some countries to others. For most OECD economies, however, there is no significant impact of the government's perceived growth rate of real economic growth.

2.2.3 Empirical Literature Review in Africa

It is of paramount important to critically examine the linkage between government expenditure and economic growth. In the Keynesian model, increase in government expenditure (on infrastructures) leads to higher economic growth. Contrary to this view, the neo-classical growth models argue that government fiscal policy does not have any effect on the growth of national output. However, it has been argued that government fiscal policy (intervention) helps to improve failure that might arise from the inefficiencies of the market. The studies of Barro and Sala (1992), Easterly W, Rebelo (1993) and Brons De Grel (1999) emphasized that government activity influences the direction of economic growth. Similarly, Dar and Amir (2002) pointed out that in the endogenous growth models, fiscal policy is very crucial in predicting future economic growth. Many researchers have attempted to examine the effect of government expenditure on economic growth. For instance, Laudau (1983) examined the effect of government (consumption) expenditure on economic growth for a sample of 96 countries, and discovered a negative effect.

Komain and Brahmasrene (2007) examined the association between government expenditures and economic growth in Thailand, by employing the Granger causality test. The results revealed that government expenditures and economic growth are not co-integrated. Moreover, the results indicated a unidirectional relationship, as causality runs from government expenditures to growth. Lastly, the results illustrated a significant positive effect of government spending on economic growth.

In Nigeria, many authors have also attempted to examine government expenditure-economic growth relationship. For example, Oyinlola (1993) examined the relationship between the Nigeria's defence sector and economic development, and reported a positive impact of defence expenditure on economic growth. Fajingbesi and Odusola (1999) empirically investigated the relationship between government expenditure and economic growth in Nigeria.

The econometric results indicated that real government capital expenditure has a significant positive influence on real output.

However, the results showed that real government recurrent expenditure affects growth only by little. Also, study by Ogiogo (1995) revealed a long-term relationship between government expenditure and economic growth. Moreover, the author's findings showed that recurrent expenditure exerts more influence than capital expenditure on growth. Akpan (2005) used a disaggregated approach to determine the components (that include capital, recurrent, administrative, economic service, social and community service, and transfers) of government expenditure that enhances growth, and those that do not. The author concluded that there was no significant association between most components of government expenditure and economic growth in Nigeria. This study is an improvement on other studies on economic growth-government expenditure relationship in Nigeria for two reasons. Firstly, it considers government expenditure on defence as an important variable that affects economic growth.

2.2.4 Empirical Literature Review in Uganda

Like many developing countries, the agricultural sector plays an important role in Uganda's economy. The population largely depends on the sector either directly through food consumption and employment or indirectly through agro processing and trade. The sector employs about 66 percent of the population. Further, with 80 percent of the population residing in rural areas and largely dependent on agriculture for sustenance, investment in the sector is key for poverty reduction efforts.

It is therefore not surprising that the recently adopted National Development Plan (NDP) recognizes agriculture as a primary growth sector of the economy. Enhancing the performance of the sector in part calls for earmarking considerable public resources for this purpose.

Under the current configuration, the agriculture sector covers crop husbandry and animal husbandry and fisheries. The sector has three key outcome areas namely; agricultural production and productivity, improved markets and increase in value addition and, improvement of the enabling environment and institutional strengthening. Uganda is regarded as an agriculture-based

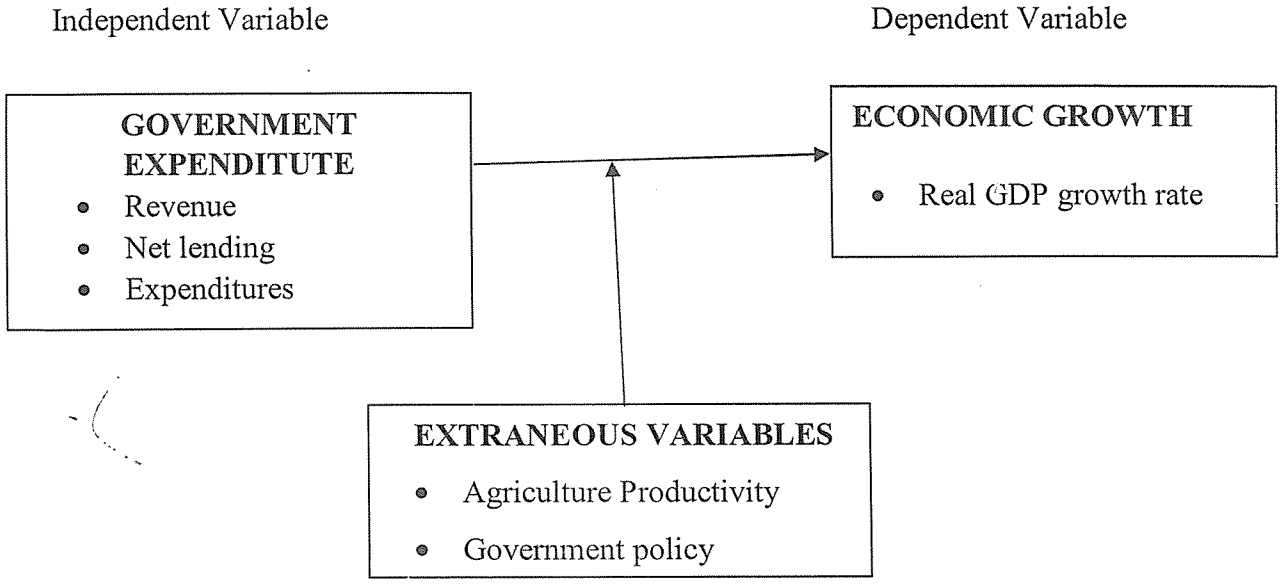
economy and a food basket in the Eastern African region, given its ability to produce a variety of foods and in large quantities.

It comprises of the food and cash crops production, livestock, forestry and fishing subsectors. These sub-sectors contributed 62, 8, 17 and 13 percent respectively to agricultural Gross Domestic Product (GDP) in 2011/12.

Agriculture is considered an important sector that contributed 23.7 percent to GDP (at current prices) in 2011/12. According to the UCA 2008/9, there were approximately 3.95 million small and medium agricultural households with a population of 19.3m persons (60% of the Uganda's population) these produced the bulk (over 95 percent) of the food and cash crops. The agriculture sector, which is mainly subsistence, employs the largest proportion of Uganda's work force. During the Population and Housing Census (PHC) 2002, about 73 percent (81 percent female and 67 percent males) of the work force was employed in agriculture, making it the dominant economic activity at that time. The sector remains a major employer to date, with 70 percent and 66 percent of the working population engaged in agriculture during 2009/10 and 2010/11 respectively. The sector is crucial for general growth of the economy (providing inputs into the industrial sector) and poverty reduction especially among the rural poor for whom it provides employment.

Fig 1: conceptual Framework

The conceptual framework will exam the relationship of various factors, which have led to the adoption of Government spending on Economic growth as well as its impact on Agriculture.



# CHAPTER THREE

# METHODOLOGY

## 3.0 Introduction

This chapter also presents the principles and procedures that shall be applied or followed in undertaking this research. It covers the research design, data collection methods, sampling technique, data sources, data quality control methods, and the ethical considerations of the study. Details of the three methods of analyses proposed are also provided, that is, multiple regression analysis, the Inclusive Growth Analytics Framework, and panel data regression analysis.

This chapter deals with research design, description of target population, description of the sample and sampling procedures, research instruments, data collection procedures and data analysis procedures.

### 3.1 Research design

The study was descriptive correlational design. This design focuses on exploring the behavior and dimensions of a problem under investigation in order to unveil the causal effect one or more variables have on another.

### 3.2 Data collection procedure

The researcher personally collected the data for Public Spending, economic growth and the performance of Agriculture sector from the economic policy research center EPRC, Ministry of Agriculture, Animal Industry and Fisheries, Bank of Uganda, Ministry of Finance Planning and Economic Development (MOFPED) .

Data analysis involved the conversion of raw data into information that could be interpreted. Qualitative data was analyzed and the results used in presenting the study findings.

After data collection, the raw data was edited, coded and entered into the computer software EXCEL for analysis of the descriptive statistics. The analyzed data was then presented in tables and graphs to facilitate easy interpretations for conclusions and recommendations to be made. In this respect, data reduction techniques like coding and summarizing was used.

This research will also involve an inquiry into the identified/stated problem, based on testing the earlier stated hypotheses. In this study measurements will be in numbers, and data analysis will involve statistical techniques with an intention to determine whether the predictive generalizations of the hypotheses hold or not. Specifically, the study will employ Causal Research Design as it will attempt to measure what impact change in Government Spending will have on the indicators of Economic Growth t for Uganda.

3.3 Data Collection methods.

Data of this study will obtain data from the sources both internal and external from different sources. The internal sources of secondary data are: Government censuses, like the population census, agriculture census, Information from other government departments, like Financial Budget Reports, tax records, Social Books, Libraries, Internet, where wide knowledge about different areas is easily available.

Time series and panel data that shall be collected using record review will be used to run panel data regression analysis or solve objectives of the study.

3.4 Measurement of variables

Government spending was measured by using a number of indicators like revenues, public debt, and grants while economic growth in this study was measured by use of Gross Domestic Product (GDP) as a measure.

3.5 Data types and sources

Secondary data for this study will mainly be time series and panel.

Secondary data on agricultural productivity, standard economic growth determinants, GNI per capita, HDI, IHDI and Gini-Coefficient that will be required for this study shall be got from the following sources; Ministry of Finance Planning and Economic Development (MFPED): (http://www.finance.go.ug/). Data on income, GDP growth, government expenditures, economic performance, shall be obtained from here, Uganda Bureau of Statistics (UBOS): (http://www.ubos.org/).

National statistics on poverty,population, education, health, trade, and employment shall be got from UBOS, Bank of Uganda (BoU):( http://www.bou.or.ug/): Data on inflation, interest rates, exchangerates, macroeconomic policies, and financial market performance shall be got from BoU, Ministry of Agriculture, Animal Industry and Fisheries: (http://www.agriculture.go.ug/), Data on agricultural productivity, land, agricultural policies shall be got from this ministry, Food and Agricultural Organization of the United Nations (FAO) (http://faostat.fao.org/site/339/default.aspx), Statistics on agricultural productivity for Uganda,

Ghana and Brazil will be obtained from FAO, United Nations Development Program (UNDP)

(http://www.undp.org/content/undp/en/home/librarypage/hdr/), Data on indicators such as HDI,

IHDI, GII, and Multidimensional Poverty Index (MPI) will be got from Human Development Reports of the UNDP, Other sources of data will be the World Bank, and International Monitory Fund (IMF).

### 3.6 Data Quality Control

#### 3.6.1 Validity

This is defined as the extent to which the instruments measures what it purports to measure (Allen and Yen 1979). Content validity pertains to the degree which the instrument fully assesses or measures the construct of interest. Validity as a concept refers to an instrument that measures what it intends to measure. There are many instruments which people use but do not measure what they are intended to measure. In terms of experimentations (Baker 1999) holds that there are potentially many ways in which experiments could be charged without actually measuring what they purport to measure.

Validity of the instrument tool is the degree to which the tool measures is based on the views that the data is collected from different authorized Ministries, Departments and Agencies ( MDAs)

Only data from reliable sources shall be considered for the study. The researcher shall proof read the data so as to detect and correct errors. Where necessary, some editing and adjustments shall be done to avoid outliers or wild values. The inclusive growth analytics framework: this will be applied to determine the key binding determinants to inclusive growth, and to ascertain agricultural productivity constitutes a binding determinant to inclusive growth in Uganda.

The study will identify potential growth determinants that may constitute binding constraints such as education levels, investment levels, government consumption, quality of maintenance of the rule of law, inflation, trade openness, and terms of trade (see Barro R. J, 1996), following steps in inclusive growth framework (discussed below). Others potential determinants include returns to capital accumulation, their private appropriability, and cost of financial accumulation (see HRV 2005). Agricultural productivity will also be included as a potential determinant.

### 3.7 Procedure of the study

The study was conducted in a planned way in which the researcher first obtained a letter from the College of Economics and Management of Kampala International University which was presented to authorized Ministries, Departments and Agencies. The researcher then gathered empirical data relating to the problem.

### 3.8. Data Analysis.

Data was analyzed using Excel Analysis Tool Pack and SPSS. The purpose of using these packages was to get measures of dispersion which yielded the desired statistical output like relationships. The results were presented in form of tables which were interpreted accordingly

#### 3.8.1 Data processing.

This section involved scrutinizing the data obtained from different sources. Then there was critical analysis of the obtained data. At the completion of data collection, the data was processed, analyzed using EXCEL Analysis Tool Pak and SPSS to reduce on errors and check for relevancy and adequacy.

Data was thematically arranged and integrated into a report. Coding; this is the process of assigning numbers or symbols to answers to enable reducing data into fewer categories. And for this research coding was done before data was collected.

Tabulation; this is the process of transferring the information that has been coded and classified into rows and columns known as a table.

3.9 Ethical considerations

For the study to be carried out effectively, the researcher had obtained permission by the supervisor through the department of Economics and Applied Statistics to carry out any relevant inquiry from different sources. This enabled the researcher to carry out the study without fear and for substantive information therefore would be obtained.

3.9.1 Limitations of the study

The researcher encountered a few limitations during the study especially when it came to interviewing.

**Time;** the researcher faced a challenge of limited time to beat the deadlines as stipulated in the time frame. The researcher overcame this by diligently following the proposed time frame.

In addition, the researcher had limited time for carrying out the research and he had to keep up with class work and other assignments like coursework and doing tests. This was solved by making a time table for himself especially concerning when he is supposed to do the research.

**Financial challenges;** this was such a big challenge as the researcher had to move from one place to another to look for the right data. Also it was a challenge since it involved buying internet data so as to get legit information from some scholars, and writers about this research. In addition to this, the researchers had to pay or spend big in terms of typing, printing, transport, and airtime which are too costly. However, this was solved by planning and making a budget after estimating how much the entire research would cost.

# CHAPTER FOUR

## PRESENTATION OF ANALYSIS, DISCUSSIONS AND INTERPRETATION

### 4.0 Introduction

The aim of this study was to evaluate the effect of Public Spending to Economic Growth on performance of Agricultural Sector. This chapter deals with the presentation, analysis and interpretation of the findings consistent with the research objectives in chapter one

The analysis of the findings was presented according to the objectives of the study. The objectives of the study were; To establishing the impact of government spending on economic growth focusing on Agricultural sector in Uganda. To determine the effect of public expenditure on economic growth in Uganda. To establish the short run and long run relationship between public spending and economic growth. To analyze the direction of causality between public expenditure and economic growth in Uganda.

### 4.1 Government spending

#### 4.1.1 Sector allocations for FY18/19

Government planned expenditure for the coming year, including interest, is UGX 25,093 billion. This represents an increase of 14% compared to the current year. Once again, Works and Transport has taken the biggest piece of the pie as the Government continues to expand and transform the infrastructural network for road, railway, air and water. Although the largest portion within this sector will remain with the Uganda National Roads Authority (UNRA), there is a 120% budget increase in Kampala Capital City Authority's (KCCA) Road Rehabilitation Grant. Under the National Development Plan (NDP), the Government adopted six priority areas to move the country to a lower middle income country by 2040. Under Phase 2 of the NDP, Government identified three key growth opportunities in the sectors of Agriculture, Tourism and Minerals and Petroleum and two fundamental opportunities in infrastructure and human capital development to achieve middle income status by 2020.

Fig 2 Sector Allocations

***Sector allocations***

| | FY17/18 Budget UGX bn | Share % | FY18/19 Budget UGX bn | Share % | Increase from prior year % |
|---|---|---|---|---|---|
| Works and Transport | 4,587 | 20.8% | 4,787 | 19.1% | 4% |
| Education | 2,501 | 11.4% | 2,783 | 11.1% | 11% |
| Energy & Minerals | 2,320 | 10.5% | 2,438 | 9.7% | 5% |
| Health | 1,824 | 8.3% | 2,308 | 9.2% | 27% |
| Security | 1,473 | 6.7% | 2,068 | 8.2% | 40% |
| Public Sector Mgmt | 1,450 | 6.6% | 1,578 | 6.3% | 9% |
| Justice/Law & Order | 1,120 | 5.1% | 1,296 | 5.2% | 16% |
| Accountability | 976 | 4.4% | 1,124 | 4.5% | 15% |
| Agriculture | 829 | 3.8% | 893 | 3.6% | 8% |
| Water & Environment | 632 | 2.9% | 1,266 | 5.0% | 100% |
| Public Admin | 563 | 2.6% | 624 | 2.5% | 11% |
| Legislature | 484 | 2.2% | 498 | 2.0% | 3% |
| Social Development | 176 | 0.8% | 215 | 0.9% | 22% |
| Lands, Housing & Urban Dvpmt | 140 | 0.6% | 202 | 0.8% | 45% |
| Trade & Industry | 89 | 0.4% | 134 | 0.5% | 50% |
| Tourism | 27 | 0.1% | 33 | 0.1% | 20% |
| ICT & National Guidance | 104 | 0.5% | 149 | 0.6% | 43% |
| Science, Tech. & Innovation | 72 | 0.3% | 184 | 0.7% | 156% |
| **Total (excluding interest)** | **19,325** | | **22,579** | | **17%** |
| Interest | 2,676 | 12.0% | 2,514 | 10.0% | -5% |
| **Total (including interest)** | **22,001** | **100.0%** | **25,093** | **100.0%** | **14%** |

*Source: Budget Speech Annex 4*

As can be seen from the sector allocations, there are only modest increases in these areas and their relative share of the total pot has generally declined. Included in the Energy and Minerals rate is a new allocation of UGX 15.2 billion to the Uganda National Oil Company as a boost to the oil and gas sector. There are increased allocations in other areas such as security in a bid to enhance both national and regional security, improvement in access to safe water, health, and ICT/innovation. Government's efforts to harness the cost of borrowing is indicated by the reduction in expenditure on interest down by 5% from the current year.

Fig 3. Trends of performance of the Allocations

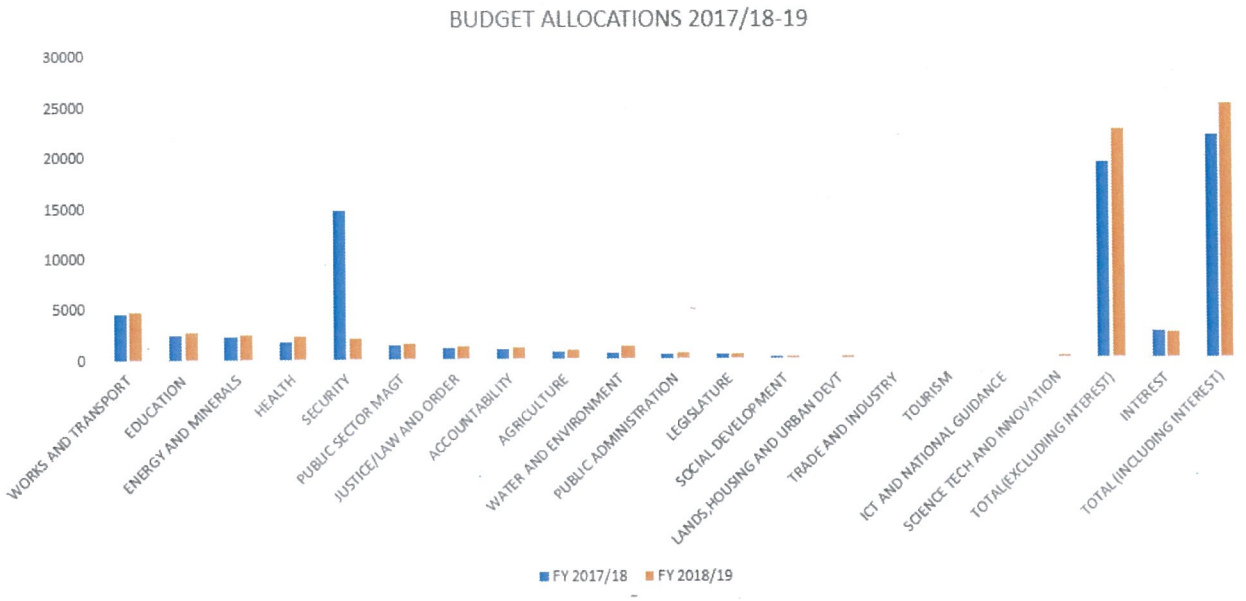



Fig 4 A PIE CHART SHOWING BUDGET ALLOCATION 2017/18

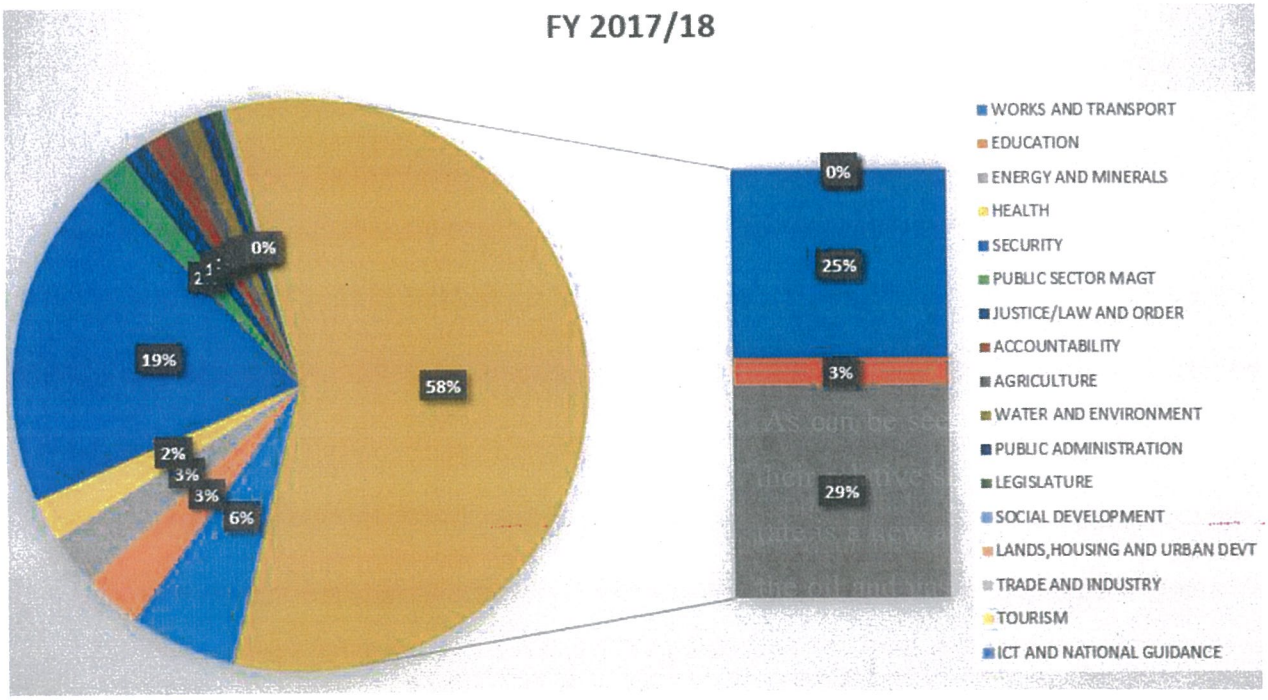
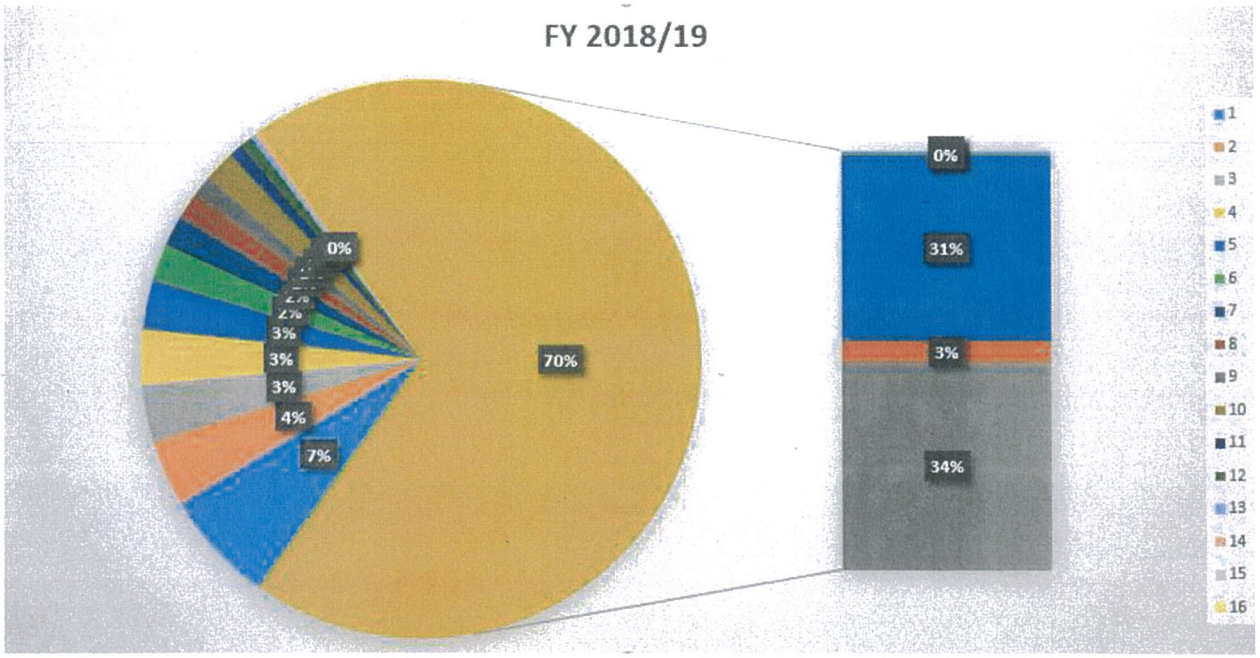


Fig 5 A PIE CHART SHOWING BUDGET ALLOCATION 2018/19




4.2 Real GDP Growth

The economy is projected to grow by 5 percent in real terms in FY2016/17 before accelerating to 5.5 percent and 6 percent, respectively in FY2017/18 and FY2018/19. Economic growth will be supported by a recovery in private sector credit due to the easing of monetary policy and ongoing public infrastructure investments. These factors will spur growth in industry (public construction) and services sectors. In addition, enhanced productivity growth in agriculture & industry, the projected recovery in global growth in 2018, increased activity in the oil sector following the issuance of oil production licenses and public investments, are all expected to improve the growth prospects.

4.3 Fiscal Framework

Table below shows a summary of the medium term fiscal framework. Domestic resources are projected to rise by 0.3 percent of GDP to Shs 14,257 billion in FY2017/18 and over the medium term. This will enable the proportion of the budget financed by domestic resources to rise from a projected 62.4 percent this financial year, to 63.8 percent during FY2017/18, and by approximately 87 percent by FY2021/22.

**Fig 6 Descriptive statistics of variables used Medium Term Fiscal Framework**

| Shs Billions | Outturn 2014/15 | Outturn 2015/16 | Proj. 2016/17 | Proj. 2017/18 | Proj. 2018/19 | Proj. 2019/20 | Proj. 2020/21 | Proj. 2021/22 |
|---|---|---|---|---|---|---|---|---|
| **Total revenue and grants** | 10,898 | 12,455 | 14,103 | 15,683 | 17,421 | 19,550 | 21,782 | 24,608 |
| Revenue | 10,114 | 11,499 | 12,613 | 14,257 | 16,284 | 18,572 | 20,999 | 23,924 |
| Tax revenue | 9,773 | 11,059 | 12,156 | 13,861 | 15,856 | 18,075 | 20,428 | 23,259 |
| Non-tax revenue | 221 | 318 | 330 | 396 | 428 | 497 | 571 | 665 |
| Oil revenues | 120 | 121 | 128 | 0 | 0 | 0 | 0 | 0 |
| Grants | 784 | 956 | 1,489 | 1,426 | 1,137 | 978 | 783 | 684 |
| Budget support | 111 | 148 | 53 | 34 | 35 | 36 | 34 | 35 |
| Project grants | 673 | 808 | 1,436 | 1,392 | 1,102 | 942 | 749 | 649 |
| **Expenditures and net lending** | 14,361 | 16,715 | 19,893 | 21,105 | 23,108 | 24,556 | 26,147 | 28,997 |
| Recurrent expenditures | 7,671 | 9,157 | 9,143 | 10,201 | 11,470 | 12,846 | 13,908 | 12,945 |
| Development expenditures | 5,230 | 5,907 | 9,054 | 10,038 | 9,815 | 9,754 | 9,664 | 12,116 |
| Net lending and investment | 1,235 | 1,532 | 1,539 | 1,805 | 1,713 | 1,595 | 1,914 | 2,126 |
| Other Spending | 225 | 119 | 156 | 110 | 110 | 110 | 110 | 110 |
| **Overall balance** | -3,463 | -4,261 | -5,790 | -6,135 | -5,687 | -5,005 | -4,365 | -4,388 |
| **Financing** | 3,530 | 4,550 | 5,790 | 6,135 | 5,687 | 5,005 | 4,365 | 4,388 |
| External financing (net) | 1,047 | 2,651 | 5,113 | 5,181 | 5,080 | 4,371 | 3,675 | 4,025 |
| Domestic financing (net) | 2,483 | 1,899 | 677 | 954 | 607 | 634 | 691 | 364 |
| E&O | -68 | -289 | | | | | | |

***Source:*** *MFPED*

Government expenditure is projected to rise from a projected level of Shs 19,893 billion in the current financial year to Shs 21,105 billion during FY2017/18. Government spending is then projected to rise in nominal terms in each of the next fiscal year and is expected to average about 8.3 percent per annum over the medium term. As a percentage of GDP, overall spending will average about 19.4 percent over the five-year period.

**Fig 7 Performance of Total Revenue and Grants 2014-219 then the projections 2020-2022**

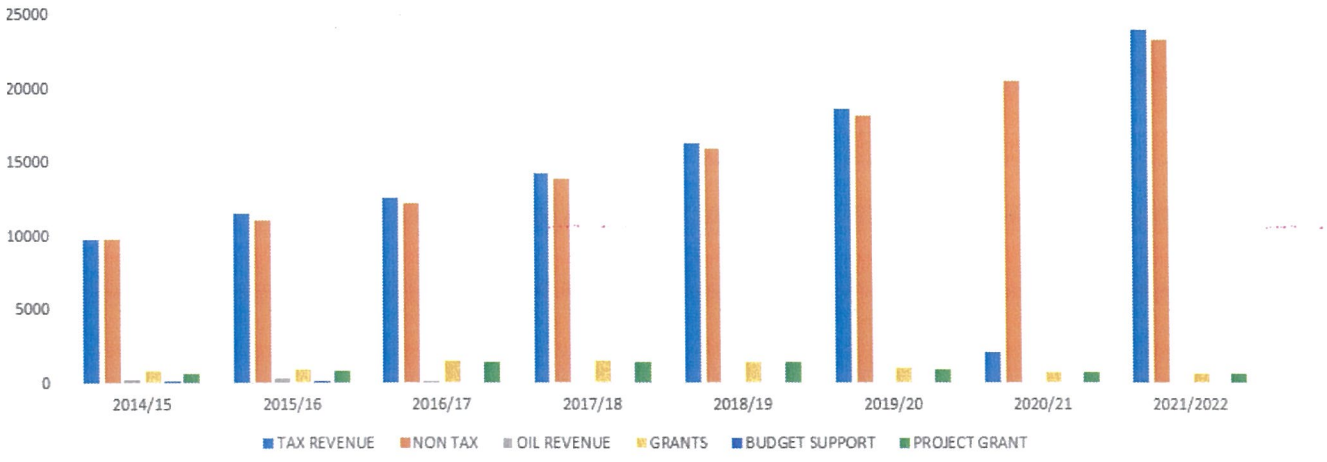


**Fig 8 A trend showing Total Revenue and Grants 2014-219 then the projections 2020-2022**

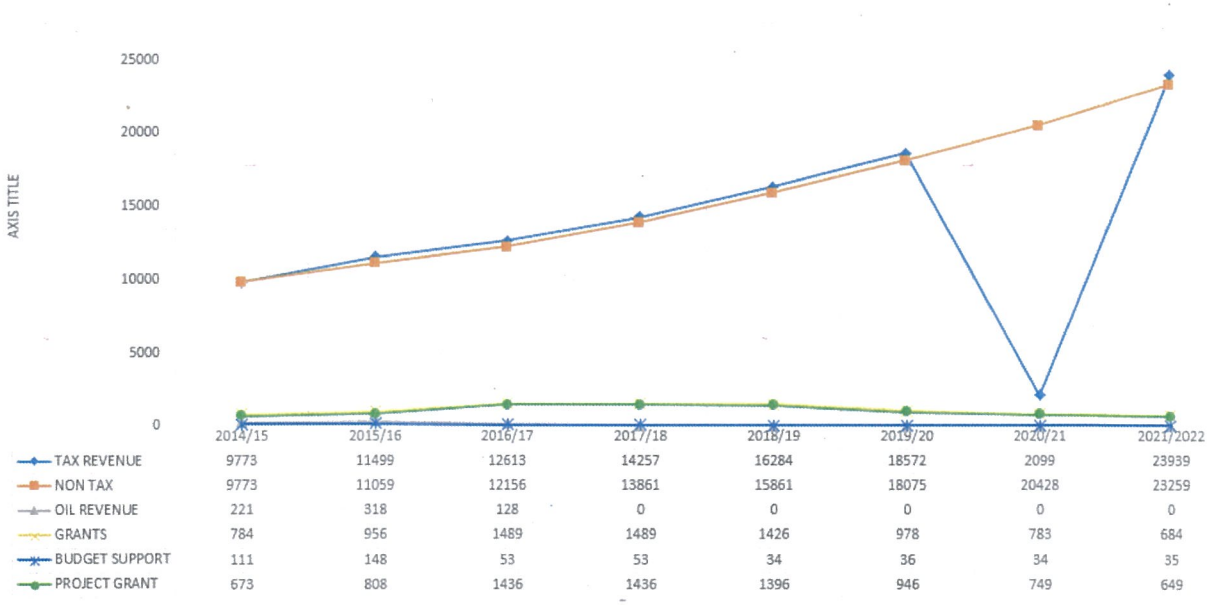
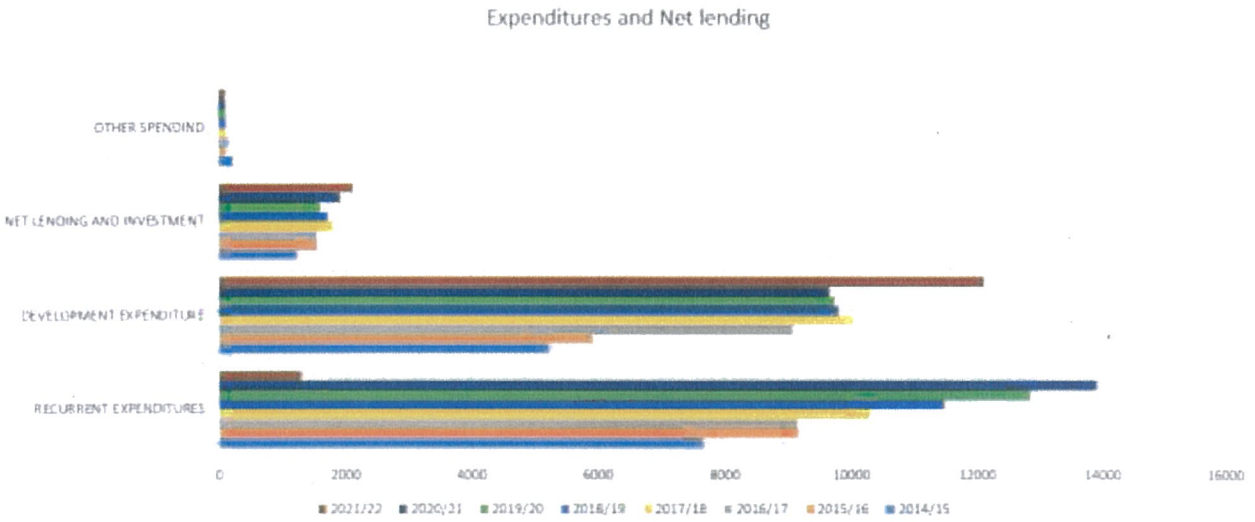



**Fig 9 Performance of Expenditures and Net Lending**

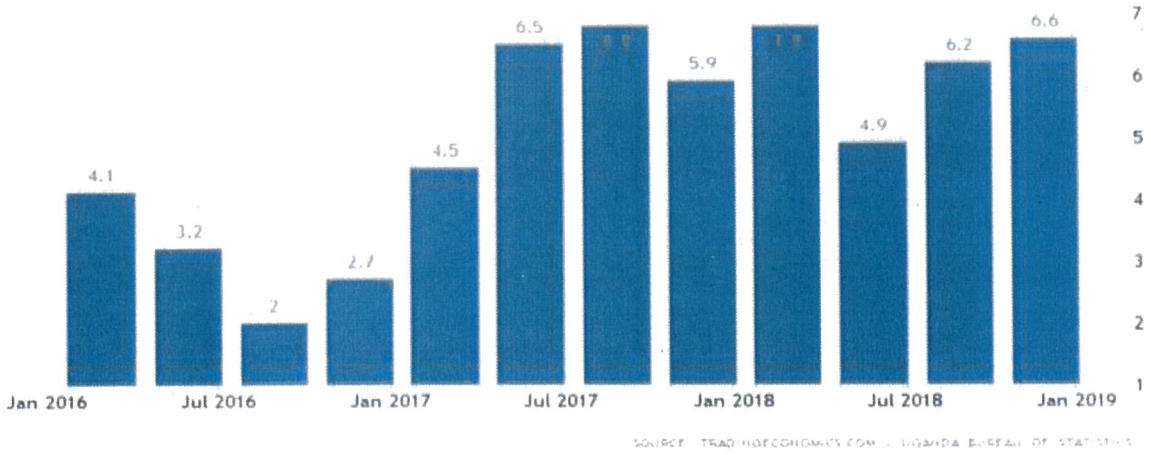


4.4 Government Expenditure Patterns

Total government expenditure and net lending is projected at 21.1% of GDP in FY2017/18. The bulk of this expenditure (9.7%) is largely on account of increase in development spending arising from the scale up of public investments by Government. However, moving forward the implementation of the infrastructure projects will be more gradual to ensure consistency with the requirements to meet the EAMU convergence criteria. Recurrent expenditure as a percentage of GDP is projected to be lower than in FY2016/17 at 9.5% given the one off expenditures related to general elections. In the medium term, there will be a modest increase in recurrent spending, which is expected to average 9.8 percent per annum.

4.5 Uganda Annual GDP growth rate

Fig 10 GDP Growth rate




The services sector is the most important sector of Uganda's economy and accounts for around 51 percent of total GDP. The biggest segments within services are trade & repairs (13 percent); education (8 percent); real estate (5 percent); and finance and insurance (4 percent). Agriculture, forestry & fishing account for 27 percent and the industrial sector represents around 22 percent of the GDP, mostly due to manufacturing (9 percent) and construction (8 percent). This page provides the latest reported value for - Uganda GDP Annual Growth Rate - plus previous releases, historical high and low, short-term forecast and long-term prediction, economic calendar, survey consensus and news. Uganda GDP Annual Growth Rate - actual data, historical chart and calendar of releases - was last updated on May of 2019.

4.6 Overall Balance

The on-going and planned public infrastructure investments are expected to contribute to a temporary increase in the overall fiscal deficit, rising from 5.0 percent of GDP in FY2015/16 to 6.2 percent of GDP during FY2016/17 before falling back to 5.9 percent of GDP next FY2017/18. The fiscal deficit is projected to return to 3.1 percent of GDP by FY2020/21 in line with the objectives of the Charter for Fiscal Responsibility and the convergence criteria set under the East African Monetary Union.

4.7 Sector MTEF Allocations for FY 2017/18

The Budget for the next Financial year has taken into the consideration the constraints that have arisen from this Financial Year, these include revenue shortfalls from URA collections, the emergency food situation in the country that requires additional financing as well as reduction in Budget Support.

This is in spite of the need to enhance production and productivity for food security, value addition for export promotion and to finance key roads and bridges to ensure oil production by 2020, which require additional **Ushs 2, 186 billion.**

In order to meet the above funding obligations, **Ushs 2, 186 billion** has been mobilized from internal revenue sources, efficiency savings (Budget cuts) and external financing to fund the above priorities as follows:

i) Consumptive Items under all Votes have been cut as follows - 10% protected votes and 50% on other votes under recurrent expenditure. 50% cut on all provisions for vehicles apart from Police, Ministry of Health, Ministry of Defense and Missions abroad - **Ushs 210 billion,** rationalization of Funds from Operation Wealth Creation (OWC) – **Ushs 50 billion,** reallocation of Funds from Agricultural Credit Facility (ACF) – MOFPED **Ushs. 30 billion**, r e-allocation from Youth Fund- **Ushs.15 billion.**

In addition, to the above measures, Government will borrow **Ushs 1,107 billion from** the Exim Bank of China and raise **Ushs 773 billion** from revenue measures by Uganda Revenue Authority.

4.7.1 Additional allocations 2018/2019

**Fig 11 Additional Funding for food production, export promotion and Oil production FY 2017/18 (Ushs Billions)**

| Vote | Vote Name | STRATEGIC AREAS | Additional allocation |
|---|---|---|---|
| | | **Works and Transport** | |
| 113 | Uganda National Roads Authority | Funds required for road construction (Hoima -Wanseko Loan requirement) | 1,107.53 |
| | | Initial cost of Exim Bank Loan (15% upfront payment &10% Credit Insurance) | 405.07 |
| | | Funding requirement for Resettlement Action Plan (RAP) | 266.88 |
| | | **Sub - Total Works and Transport** | 1,779.49 |
| | | **Agriculture** | |
| 010 | Ministry of Agriculture, Animal Industry & Fisheries | Support to irrigation interventions - Construction of Valley Tanks in sub regions | 23.36 |
| | | Value addition in beef for export (initial funds transferred from NAADS) | 35.46 |
| | | Animal disease control (vaccines and surveillance) | 9.40 |
| | | Crop pests, disease control and support to certification services | 4.00 |
| | | Quality assurance, monitoring and support to extension services | 4.04 |
| 152 | NAADS Secretariat | Seed & planting materials for beans, maize, cassava, cowpeas, bananas | 27.53 |
| | | Mechanisation and provision of tractors | 15.30 |
| | | Provision of Hoes | 10.00 |
| | | **Sub - Total Agriculture** | **129.08** |
| 019 | Ministry of Water and Environment | **Water and Environment** | |
| | | Kabale micro irrigation model (Construction of 70 solar-pumped systems) | 3.00 |
| | | Construction of Rwengaanju irrigation scheme in Kabarole serving 250 farmers | 20.21 |
| | | Construction of Olweny irrigation scheme in Lira District covering 1,500 acres | 19.00 |
| | | Construction of 14 Windmill-powered water systems in Karamoja sub-region. | 5.04 |
| | | Construction of Mabira dam and watering facilities in Mbarara for multi-purpose uses | 8.97 |
| | | Feasibility studies and detailed engineering designs for Bulk Water Transfer systems for multi-purpose uses in the draught prone areas | 6.00 |
| | | Design of multi-purpose storage dams & watering facilities Nakaale, Acanpii, Ogwete, Ojama, Geregere, Kyahi | 2.00 |
| | Ministry of Water and Environment (cont.) | Feasibility studies for mega irrigation projects around Mt. Elgon, Mt. Rwenzori, the South Western Highlands and Agoro Hills | 2.75 |
| | | Feasibility studies for strategic multi-purpose water storage dams in Karamoja sub-region. | 0.50 |
| | | **Sub - Total Water** | 67.46 |
| | | **Value Addition** | |

| | | | |
|---|---|---|---|
| 019 | Ministry of Water and Environment | covering 1,500 acres | 19.00 |
| | | Construction of 14 Windmill-powered water systems in Karamoja sub-region. | 5.04 |
| | | Construction of Mabira dam and watering facilities in Mbarara for multi-purpose uses | 8.97 |
| | | Feasibility studies and detailed engineering designs for Bulk Water Transfer systems for multi-purpose uses in the draught prone areas | 6.00 |
| | | Design of multi-purpose storage dams & watering facilities Nakaale, Acanpii, Ogwete, Ojama, Geregere, Kyahi | 2.00 |
| | Ministry of Water and Environment (cont.) | Feasibility studies for mega irrigation projects around Mt. Elgon, Mt. Rwenzori, the South Western Highlands and Agoro Hills | 2.75 |
| | | Feasibility studies for strategic multi-purpose water storage dams in Karamoja sub-region. | 0.50 |
| | | **Sub - Total Water** | 67.46 |
| | | **Value Addition** | |
| 023 | Min. of Science, Technology & Innovation | Innovation Fund | 50.00 |
| 008 | Min. of Finance, Planning & Economic Dev. | Uganda Development Bank (Ushs 50 billion per year) | 50.00 |
| | | **Sub - Total Value Addition** | **100.00** |
| | | | |
| 141 | Uganda Revenue Authority | **Additional funding to enhance revenue collection** | 90.00 |
| 020 | Ministry of ICT and National Guidance | **UBC Funding requirements** | 20.00 |
| | | | |
| | | **Grand Total** | **2,186.03** |

*Source: BFP 2019/20*

4.8 National Accounts

The agricultural sector continues to play an important role in Ugandan economy, but its share has significantly declined over time in the end of 1980s, the agricultural sector accounted for 51 percent of GDP, but in 2008 its share was 15.4 percent . The declining share of agriculture in the economy is not necessarily a bad thing if rural-urban migration stimulates manufacturing and services. 3But in Uganda, very little structural transformation has happened in recent two decades, pointing on the weak performance of potentially powerful agriculture rather than the success of non-agriculture.

The share of manufacturing remained at the low 7 percent of GDP, while the agricultural labor is still at around 70 percent of total labor force. Clearly, Uganda has not experienced many gains that regions in Eastern Europe, Asia and Latin America have gotten from structural transformation.

4.8.1 Performance as of BFP FY 2017/18 (Performance as of BFP)

Certification: 500 phyto-sanitary certificates were issued for export consignment for flowers, fruits, coffee, vegetables, tea, tobacco, cocoa, sim-sim and pulses. 30 import permits were issued after undertaking pest risk analysis.

Mechanization: A total of 2,437 Acres of farm land were bush cleared, restored and opened through clearing off and felling down trees, thickets, stamps, ant hills, levelling of land to ease ploughing. This was effected in the fourteen (14) districts of Adjumani, Nakaseke, Gomba, Kiryadongo, Gulu, Buvuma, Kalangala, Bushenyi, Kayunga, Kamuli, Mubende, Nakasongola, Kiruhura and Wakiso. The heavy equipment mainly used were bull dozers and Wheel loaders (for light and thin shrubs). 221Kms (44N0) of farm access roads opening and improved in the eleven (11) districts of Gomba, Kiruhura, Luwero, Wakiso, Kumi, Kalangala, Buvuma, Jinja, Ngora, Adjumani and Mukono. The MAAIF equipment were engaged in hauling of the farm products/materials, water and other related farm inputs like manure, chemicals, seedlings, fertilizers, soil, sand, bricks, steel/cement and stones used for construction and rehabilitation of the farm infrastructure using the dumping trucks and water bowzers services.

**4.8.2 Efficiency of Vote Budget Allocations**

The Agriculture Sector Strategic Plan (ASSP) 2015/16-2019/20 emphasizes the need to allocate resources optimally to activities that will: increase production and productivity; increase access to critical farm inputs; improve agricultural markets and value addition to the priority commodities; and strengthen the institutional capacity and enabling environment of MAAIF and its agencies.

More resources have been earmarked for regulation. The Agriculture Police and the Fisheries Protection Force have been allocated resources and re-tooled to enable them carry out enforcement activities. Agricultural labs have been given equipment to support food safety and certification activities.

Additional funds have also been provided to kick start piloting of the nucleus farmers model, the voucher model of subsidy provision, supporting irrigation of strategic commodities such as horticulture in the export zones.

4.8.3 Major Expenditure Allocations in the Vote for FY 2018/19

The projected MTEF for MAAIF (Vote 010) for FY 2018/19 is UGX: 340.024 billion (excluding arrears).

**UGX: 215.340 billion** was allocated to the Crops Vote Function. The general increase to the vote function is attributed to the loans from IDA to promote production and productivity of maize, rice, beans and coffee in selected production clusters. Also, resources will be allocated to the development of irrigation schemes to promote rice production in Eastern Uganda under the Islamic Development Bank secured loan. Other priorities in the Vote Function will include promotion of activities of seed certification, promotion of the use processing in Kalangala, Buvuma and eastern and northern Uganda. Substantial funds have also been allocated to support nutrition in school going children.

**UGX: 52.217 billion** was allocated to the Animal Vote Function; Most of the funds are from the loan secured from the IDA to promote assistance of the Agriculture Police, and control of tsetse flies. The Ministry has also allocated substantial funds to support the private sector efforts to export beef through construction of internationally acceptable animal holding grounds. The Ministry will also undertake a number of livestock production, disease control and marketing infrastructure.

**UGX 7.225 billion** was allocated to the Directorate of Agricultural Extension Services at the Centre. The funds are mainly meant to coordinate district extension activities. Please note that this excludes the UGX: 75 billion directly sent to the districts to support extension services.

**UGX: 10.163 billion** was allocated to the Fisheries Vote function. The funds will mainly support Fisheries regulation and enforcement activities. The Ministry will support the ongoing policy reforms in the fisheries sub sector to streamline the roles of different fisheries enforcement agencies, standards and fishing requirements.

**UGX:21.234 billion** has been allocated to the Agriculture Infrastructure, Mechanization and Water for Agricultural Production vote function to support provision of water harvesting and irrigation infrastructure to farming communities in water stricken areas.

**UGX: 33.846 billion** was allocated to the Vote Function of Support services; out of which UGX: 11 billion is ring fenced for pensions to retired civil servants.

The Departments in this vote function include the Department of Agricultural Planning, Department of Finance and Administration and the Department of Human Resource Development. The vote function also caters for transfers to Bukalasa Agriculture College and the Fisheries Training Institute.

4.9 Relationships between Variables.

The relationships between public expenditure and economic growth have attracted enormous attention within literature devoted to economics. The literature addresses this issue abundantly; it has also fueled controversy as to the direction of causality, creating two different and contrasting views. One of the main questions in this regard is which one of these two variables is exogenous and which is endogenous.

According to Keynes's view, public expenditure is seen as an exogenous factor to be used as a policy instrument to influence economic growth (Ansari, Gordon & Akuamoah 1997)

# CHAPTER FIVE

## SUMMARY OF THE FINDINGS, CONCLUSION AND RECOMMENDATION

### 5.0 Introduction

This chapter consists of a summary of the findings in relation to the research objectives and questions. Using open group discussions and several gathered policy discussions the research came up with some important findings on the effect of Government Spending on Economic Growth. This will act as a basis of the conclusion, policy recommendation and further research.

### 5.1 Discussion of the research findings

#### 5.1.1 Effect of public spending on Agriculture

The state of the agricultural sector in Uganda during 2017-2018 paints a discouraging picture with regard to contribution to GDP and the rate of growth as these have significantly declined. In the recent past, the government has focused on providing public goods to create an enabling environment to consolidate past achievements of initiatives implemented like the PMA and the NAADS I with the intention of transforming the sector from predominantly substance to commercial agriculture. The recent initiatives include and are not limited to; the 5-year (2015/16 – 2019/20) DSIP, to enhance agricultural production and productivity, improve access to and sustainability of agricultural markets, create an enabling environment for investment in agriculture, and strengthen the institutions in the agricultural sector. The Agricultural Technology and Agribusiness Advisory Services (ATAAS) project was designed as the NAADS II programme, to strengthen the weak linkage between research and extension. The Non-ATAAS component handles the remaining 20 subprogrammes that targets strategic commodities.

Results indicate that growth in actual expenditure did not match that of budget allocation suggesting that the government of Uganda has over time reduced commitment to increase spending in agriculture. The approved budget allocations to the sector are more or less stagnant and actual spending is declining. There is a reasonable discrepancy in growth in the national budget allocation (109 percent) vis-à-vis the in growth in budget allocation towards agricultural and rural development (4 percent).

The low growth in budget allocation towards agricultural and rural development compared to other sectors partly explains the weak performance of the agricultural sector compared to the services and industrial sectors. It is unlikely that under such spending circumstance, the agricultural sector will transform from a predominately substance sector to a commercial sector. The constraints in the sector hinge around inadequate inputs, resulting in low productivity which should be tackled through requisite investment by both government and the private sector. The results suggest that the government is not spending as it should. The level of spending met the CAADP recommendations of allocating 10 percent of the overall budget to agriculture and rural development only between 2015/16 and 2019/20 and has since declined to below the threshold. Similarly, the Government expenditure to the MAAIF (MAFAP's narrow definition of the agricultural sector) has stagnated at an average of 3.5 percent, moreover declining over time. This is contrary to the objectives of the Maputo declaration of 2003 and the CAADP commitments of increasing budget allocations to the agricultural sector. The decreasing trend in budget allocations to support food and agriculture may threaten the sector's development and hence Uganda's economic growth since agriculture is a key sector in Uganda's economy.

Whereas agriculture-specific expenditures account on average for 39 percent of expenditures in support of the food and agriculture sector development, agriculture-supportive expenditures account for 65 percent. In terms of the level of spending, agriculture-specific expenditures reasonably increased over the analyzed period suggesting that even when policies that are specific for agricultural development still lag behind, they are increasingly given more attention over the years as opposed to agricultural supportive sectors. Further disaggregation of expenditures reveals that input subsidies, extension services and agricultural research account for the largest proportion of transfers for agricultural specific policies. This is explained by the operationalization and implementation of the ATAAS programme by NARO whose emphasis is to develop technologies for 29 farmer uptake to increase productivity and to provide agribusiness advisory services. It is noted that marketing has not taken a center station in allocations and yet it is instrumental in moving the economy from substance to commercial agriculture. The fact that marketing only received an average of 5 percent in the seven years of analysis, illustrates how neglected this important area is. There has been limited effort on the side of government to operationalize frameworks intended to improve marketing.

During 2014/15 to 2019/20, rural infrastructure (roads, water and sanitation) and health were the priority. The construction of feeder roads has improved road connectivity in rural areas, increasing chances of farmers to market their produce.

The high investments in infrastructure and expenditures on extension services can bring benefits via lower transaction costs and improved farmer's access to markets. High support to rural development can provide off-farm employment opportunities, while research, training and extension services can help farmers to improve their productivity and help adopt more environmentally. One of the limiting factors with regard to crop and livestock production is the dependence on rain-fed agriculture. The expenditure on water and sanitation does no target water for agricultural production which is the missing link. In order to ensure optimal crop yield regardless of poor rains water for agricultural production should be target for this expenditure as well. It is evident that there are very little expenditures on veterinary/inspection services that are necessary to accompany pest and disease control efforts at the farm level. This has led to wastage of a significant amount of resources spent on on-farm livestock disease control, since they proved to be completely ineffective without accompanying general sector measures, such as investments in veterinary labs to improve disease detection (World Bank, 2010). Furthermore, there are no policy measures improving access to credit for poor farmers. Although there are investments facilitating development of financial institutions in rural areas under the rural finance pillar, these are not accompanied by measures that make lending to poor farmers attractive. In summary, although the overall observed pattern of spending is consistent with government objectives with the majority of public expenditures aimed at the provision of public services and investment, there seem to be an imbalance between particular categories of spending.

The expenditure structure on commodities suggest that the sector has a generalist approach without deliberate commodity approach. The contribution of donor aid in Uganda's agricultural development varies in both agricultural specific polices and agricultural supportive polices with the trends demonstrating donor shift to agriculture specific policies. Furthermore, a large part of funds is allocated to policy administration costs and there seems to be an imbalance between the share of these costs and the share of policy transfers in the total expenditures. Most of these administration costs are dedicated to wages, while only a small proportion to operational costs.

This may significantly constrain the effectiveness of certain expenditures. For example, extension services or training can be provided effectively only if extension or training officers have sufficient resources for travelling to communities where services are needed. Addressing these issues will be crucial for improving performance of expenditures in support of the food and agriculture sector development. Therefore, in light of these findings: the government should increase the budget allocations to the sector; the MAAIF should reduce on administrative costs and expand expenditure on policy transfers; and budgeting should ensure balancing of all categories to ensure better results.

5.2 Effect of Taxation on Economic Growth

The government of Uganda recognises that fiscal policy is the key to success and much effort has, in the past decade, gone towards fiscal reforms and the improvement of institutional capacities. Still, in a country with limited finances and a thin tax base the competition for resources has been stiff. The challenge for Uganda, however, is that its overall expenditures are very low and any positive impacts from fiscal policy are therefore quite modest. The main driver of Uganda's low expenditures is its low intake of domestic revenue. In fact its tax to GDP ratio, which was 11.6% of GDP in 2012/13 is one of the lowest in the world. The largest source of government revenue is indirect taxes. A number of products which have been identified to make up a large portion of the consumption for low-income households are exempt from these. Personal Income tax is also inequality reducing as the threshold is high enough to protect poorer households.

Findings seem to indicate that enhancing domestic resource mobilization at least to comparable EAC levels is one area that needs more strengthening. Uganda's tax yield is the lowest in the region mainly due to sluggish yields from VAT and income tax bases.

5.3 Effect of Government Spending on Economic Growth

A review of the secondary data shows that since 2009/10 Uganda's has been on an expansionary fiscal policy, driven by need for fiscal stimuli following the global down turn and the need to bridge a huge infrastructure deficit. This expansionary fiscal policy is driven by priority public infrastructure projects financed through deficit financing.

This deficit financing stems from sluggish domestic revenue yields on one hand and need to maximize this type of financing before the EAC convergence criteria restrictions are enforced on the other hand.

More recently, the source deficit financing has also changed, largely from conditional concessional external financing to commercial financing both domestic and foreign.

These findings have five major implications for PIM, namely: First, fiscal strategy prioritizes infrastructure spending implying that PIM capacity must be in tandem with increased resources for public investments. Weak capacity will lead to low outcomes starting with low absorption of public investment budget. This has been an area of weakness of Ugandan budgets.

Second, deficit financing for public investment implies that PIM has to be strengthened to ensure value for money and increased returns from investments. Deficit financing will drive up debt levels which have to be repaid, in the limit.

This is only possible if the public investments accrued provide adequate returns to boost the economy, for the economy to generate capacity to repay back the debt. The challenge facing a country with high levels of debt and limited resources for investment, where every dollar allocated to investment must be made to count and contribute to economic growth. This has been an area of great concern in Uganda. Indeed, a key risk to Uganda's fiscal strategy relates to the potential for public investments to fail to yield the expected growth and welfare dividend if not managed effectively and efficiently. Over the past decade, for every dollar invested in the development of Uganda's capital infrastructure, only seven-tenth of a dollar has been generated.

Third, the changing nature of deficit financing from largely conditional and concessional long term debt to short-medium term commercial domestic and external debt has important implications for PIM in Uganda. The conditional, concessional long term debt that was provided mainly by World Bank and African Development Bank was accompanied by project management capacity. The projects were designed, implemented, and evaluated under the financing arrangements. Therefore, with a shift to commercial financing, the PIM capacity is solely dependent on Uganda's own capacity. As such, Uganda needs to urgently enhance its PIM capacity to bridge the capacity gap that has arisen due to change in deficit financing pattern.

This will be crucial in ensuring that projects are well designed, implemented, managed so as to provide greater returns to the economy.

Fourth, Uganda's budget is largely executed at the Central Government (CG), implying that the PIM challenge is a CG issue. Therefore, while it is important to build PIM capacity across the general government, priority should be provided to CG projects executing departments. This will be crucial in improving efficiency and value for money in public investments projects.

Fiscal policy is an effective tool for supporting growth.

While it is difficult to disentangle the impact of fiscal reforms from other factors and to determine causality with certainty, the analysis suggests that they could lift medium- to long-term growth by ¾ of a percentage point in advanced economies and even more in developing economies.

Fiscal policy promotes growth through macro and structural tax and expenditure policies. At the macro level, it plays an important role in ensuring macroeconomic stability, which is a prerequisite for achieving and maintaining economic growth. At the micro level, through well-designed tax and spending policies, it can boost employment, investment, and productivity

## 5.4 Conclusion

The evidence in the literature regarding the relationship between government spending and economic growth remains indeterminate. As Angelopoulos et al. (2008) point out this ambiguity may be attributed to the omission from the analysis of several elements that shape the government size-growth relationship, such as the efficiency of the public sector. Therefore, future research on this relationship should consider in more detail such interrelationships. A limitation in this field is the lack of data on the composition of government expenditure for a large sample of countries and for a long period of time.

In addition, it is likely that the size of government expenditure and its composition are associated with key aspects of the quality of growth, such as income inequality and environmental sustainability (Lopez et al., 2010; Halkos and Paizanos, 2015). For example, Halkos and Paizanos (2013) have argued that in order to capture the total effect of government expenditure on the environment, the analysis should be conducted in a joint framework with two other bodies of literature, namely the literature linking fiscal policy to economic performance, as well as the literature on the growth-pollution relationship.

In the literature there is a lack of theoretical models that examine the underpinnings of the relationship between fiscal policy, output and aspects of growth quality such as the level of environmental degradation; however, for the establishment of such models, the results occurring from recent works can provide a useful starting point (Lopez et al, 2011; Halkos and Paizanos, 2013; Galinato and Islam, 2014).

The separation of countries according to the institutional conditions corresponds with the classification of countries according to the level of economic development. This relation is natural, since the quality of institutional environment positively influences the economic development. On the other hand economic development positively influences the quality of institutional environment, too. This must be taken into account when the results are interpreted.

The empirical results show following. Capital accumulation and human capital have a higher positive impact on economic growth in the countries with worse institutional conditions than in the second group of countries. The conclusion is clear here. Countries in the first group are less economically developed and they have lower capital stock per resident available.

Therefore (due to the decreasing marginal productivity of capital) the unitary accumulation of physical and human capital has a higher positive impact on economic growth.

The impact of government spending on economic growth is positive in OECD15 and negative in OECD19. It can be assumed that in less developed countries the investment into infrastructure prevails and their impact is pro-growth. In developed countries the existence of Wagner's law is showed. However to confirm this hypothesis strictly the future analysis must divide total government spending according to the function classification of government spending (COFOG).

On the other hand taxation impact on economic growth is more negative in the countries with lower fiscal transparency. This result can be connected with institutional conditions (chaotic and non-transparent tax system) and different economic level (more negative impact of income taxes in countries with more productive capital accumulation). For future research the using of World Tax Index as an effective approximate of taxation is necessary. Tax quota is characteristic by many shortages and therefore some results can be distorted

5.5 Recommendations

***Nevertheless, fiscal policies are needed to address complementary growth supporting factors.***

A key role for government is to improve the quality and access to education and health services and the maintenance of existing public infrastructure. Spending on education receives about 22 percent of the budget. Maintenance of the road network is severely under-funded, as is health expenditure. Addressing the quasi-fiscal deficit due to electricity pricing policies would also strengthen the ability of the power sector to sustain its capacity.

The need to address these issues creates a prima facie case for increasing the level of spending. However, the government also faces the challenge of improving the efficiency and effectiveness of its expenditure as well as the need to allocate more resources to priorities.

***A shift in the revenue composition toward more growth-friendly taxes.***

As noted above, corporate income taxes have the most negative effect on growth, followed by labor income taxes, then indirect taxes, and finally property taxes (IMF, 2013a). However, most countries rely to a great extent on direct tax revenue (Figure 11). In many countries, closing value-added tax (VAT) policy and compliance gaps would both improve revenue collection and remove inefficiencies (IMF, 2013a). Increasing excise taxes on alcohol, tobacco and even sugar, can be justified on the grounds of their possible harmful health effects.

The regressive impact of higher indirect taxes can be compensated by expanding spending on programs that benefit the poor relatively more. In Poland, a reduction in the share of direct taxes in overall tax revenues from 45 percent to 36 percent contributed to a significant increase in investment and employment. In Chile, an early introduction of a broad-based VAT with limited exemptions, helped to reduce distortionary effects of sales taxes and yielded substantial revenue gains. In both countries growth improved following the reforms.

***Base-broadening measures.*** These often include rationalizing tax exemptions and preferential regimes. Eliminating preferential treatments or improving their targeting could yield higher revenue and improve horizontal equity while enhancing growth. A number of countries combined tax rate reductions with tax base broadening. Australia in the 1980s launched a tax reform which cut tax rates and tightened tax exemptions in such areas as agriculture, forestry and film production. In Malaysia in the late 1980s, growth-friendly tax cuts (profit and trade taxes) were partially offset by broadening the sales tax base; and in Uganda, civil servants' salaries were made taxable, while tax exemptions were curtailed.

***Improvements in revenue administration.*** Tax compliance affects the revenue yield, efficiency and fairness of a tax system (IMF, 2015b). Effective revenue administration reforms include the introduction of risk management techniques and segmentation of taxpayers (e.g., establishment of large taxpayer units). In addition, simplification of laws and procedures can help reduce the cost of taxpayer compliance.

In Chile, for instance, simplification of taxpayer forms and streamlining of filing and payment procedures contributed to improved enforcement and tax collection. Tanzania and Uganda created a unified revenue authority. Conditionality under Fund-supported programs can help: Crivelli and Gupta (2014) estimate that tax revenues increased by approximately ½ percentage point of GDP in a given year in countries where Fund-supported programs include conditionality on tax policy and administration.

***Rationalizing spending.*** Spending on wages, subsidies and social benefits accounts for around three-quarters of total spending in advanced and emerging economies (Figure 12). Priority areas

that could be examined for rationalization therefore include the government wage bill, especially where public sector wages and employment are high relative to the private sector; and social spending, in particular where it is poorly targeted.

For example, in advanced economies, only one-fifth of total spending on family benefits was means-tested in 2011; and in low-income countries, social assistance programs are often prone to leakages and insufficient coverage of eligible populations (IMF, 2014f).

Country studies illustrate how public wage bill rationalization helped create fiscal space and contributed to wage moderation in the Netherlands, Ireland, Germany, and Malaysia (Figure 13).

The redesign of social transfers formed part of broader adjustment packages in the Netherlands, Chile, Germany, and Poland.

***Improving efficiency.*** Many countries could enhance the delivery of essential public services while saving resources by improving the efficiency of spending. For example, at least 20-40 percent of health spending is typically wasted (World Health Organization, 2010), and, as noted earlier, there is scope for substantial gains in health indicators at current levels of spending (Grigoli and Kapsoli, 2013). With regard to education, trends in the wage bill in many advanced countries do not reflect the fact that teacher-student ratios are falling. Implementing a per-student financing formula such as in the Netherlands could ensure that wage costs remain in line with the number of students and potentially generate savings that could be used to enhance the quality of school infrastructure and teaching materials (IMF, 2014f). The potential for efficiency improvements also extends to quasi-fiscal activities. For instance, reform of inefficient SOEs and privatizations provided significant fiscal space in Chile, Tanzania, and Malaysia.

5.6 Statement of Policy Measures

5.6.1 Revenue Measures

In FY2017/18, domestic revenue collections are estimated to amount to **Shs. 15,029 billion**, of which Shs. **14,633 billion** is tax revenue and **Shs. 396.7 billion** is non tax revenue. It is notable that in past years,

Government has increased rates and streamlined exemptions to raise revenue to meet Government expenditure requirements. In the medium to long term, revenue mobilization effort will focus on strengthening tax administration and compliance of tax payers. On the compliance side, Uganda Revenue Authority in FY2017/18 will focus on the measures below to raise additional revenue; Build a stronger compliance culture across all segments of the taxpayer population, through a more developed approach to risk management, as well as a judicious balance of audit, compliance and taxpayer service initiatives, Provide good taxpayer services and taxpayer education, Improve compliance management (including audit), Strengthen the effectiveness of international taxation, Strengthen tax audits, Review the existing risk identification, mitigation and prioritization mechanism and implement a more robust mechanism, Invest in third party information matching and minimize revenue leakages.

### 5.6.2 Other Policy Recommendations

In light of the current macroeconomic management challenges amidst the continued uncertainty regarding the recovery in the global economy, the following policy measures have been identified to address the current economic conditions and undertake measures to rebound the economy in FY 2017/18; Counterpart funds will have a first call on any identified additional resources and ring fenced for Development Projects to avoid delays in project implementation for all approved projects, Eliminate domestic arrears by prioritizing them in sector MTEF allocations to ensure that service providers are paid in time. Accounting Officers who continue to accumulate domestic arrears will be held personally responsible, Review of tax exemptions, Given the limited revenue options and demand to raise revenues, there is no scope for tax rate reductions or increases this is a disincentive to investors, Renegotiate tax treaties to limit base erosion and profit shifting by multinationals and limit treaty abuse, Scale-down domestic borrowing given its implications on private sector credit Restrict non concessional external financing to oil related infrastructure and Standard Gauge Railway (SGR) to ensure debt sustainability; Arising from the inadequacy of programme execution highlighted in the Government Annual Performance Report (GAPR), penalties will be enforced against Accounting Officers who do not achieve Government's programmed targets; Disciplinary actions shall be taken against Accounting Officers who fail to take appropriate disciplinary action against the Procurement and Disposal Units for using wrong procurement methods, failing to adhere to the recommended procurement methods and irregular disclosure of confidential information during evaluation. Procurement audits will be one of the basis for reappointment of Accounting Officers.

## 5.7 Areas of further research

Future studies should focus on the following areas:

Agricultural Productivity and Economic Development in Uganda.

Effect of Public Debt on Economic Growth in Uganda.

Effects of Monetary Policy on Economic Growth in Uganda

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## APPENDIX A: RESEARCH TIME FRAME

| Activity | FEB-MAR | APRIL | MAY |
|---|---|---|---|
| **Proposal development** | | | |
| **Corrections** | | | |
| **Data Collection** | | | |
| **Data analysis** | | | |
| **Submission of final thesis** | | | |

# APENDIX B: PROPOSED BUDGET

| **Particular** | **Quantity** | **Amount (Ug.sh)** |
|---|---|---|
| Stationary | 3 copies @ 17,000 (binding inclusive) | 51,000 |
| Internet/data | | 100,000 |
| Transport costs | | 64,000 |
| Data collection Assistant | | 40,000 |
| Up keep | | 80,000 |
| Miscellaneous | | 30,000 |
| | **Total** | **365000** |

# APPENDIX C: CURRICULUM VITAE

## 1.0 BIO DATA.

| | |
|---|---|
| SUR NAME: | ATUGONZA |
| OTHER NAME: | FRED |
| GENDER: | MALE |
| AGE: | 25YEARS |
| MARITAL STATUS: | SINGLE |
| NATIONALITY: | UGANDA |
| ADDRESS: | KANSANGA, KAMPALA |
| TELPHONE: | 0759717861 |
| EMAIL: | atugonzafred@gmail.com |
| TWITTER | #atugonzawhitfield |
| FACEBOOK: | Atugonza Whitefield |
| WHATSAPP: | 0759717861/0773197627 |

## 1.1 EDUCATIONAL BACKGROUND

| YEAR | INSTITUTION | AWARD |
|---|---|---|
| 2016-2019 | KAMAPALA INTERNATIONAL UNIVERSITY | BACHELORS OF ARTS IN EC0N0MICS |
| 2014-2015 | MBARARA SECONDARY SCHOOL | UACE |
| 2010-2013 | MBARARA SECONDARY SCHOOL | UCE |

| | | |
|---|---|---|
| 1999-2009 | NYAMITYOBOORA PRIMARY SCHOOL | PLE PASSLIP |

## 1.2 QUALIFICATIONS

Bachelor's degree in Economics

Certificate in planning process

## 1.3 PERSONAL PROFILE

A competent highly motivated able to relate easily, hardworking, flexible, practical person trained with good communication, interpersonal and, intelligent, self-driven with great leadership skills.

## 1.4 LEADERSHIP BACKGROUND

| YEAR | POST | INSTITUTION/AREA/REGION |
|---|---|---|
| 2012-2013 | CLASS COUNCILLOR | MBARARA SEC. SCHOOL |
| 2013-2014 | VICE CHAIRPERSON SCHOOL COUNCIL | MBARARA SEC. SCHOOL |
| 2014-2015 | CHAIRPERSON SCHOOL COUNCIL | MBARARA SEC. SCHOOL |
| 2016-2017 | DEPUTY SPEAKER | **KIU** ECONOMICS AND STATISTICS STUDENTS' ASSOCIATION |
| 2018-2019 | PRESIDENT | **KIU** ECONOMICS AND STATISTICS STUDENTS' ASSOCIATION |
| JUNE-JULY (2018) | INTERN PRESIDENT | MBARARA DISTRICT LOCAL GOVERNMENT |
| 2016-2021 | CHAIRPERSON YOUTH | RUBIRI CELL, MBARARA MUN. |
| 2016-2021 | GEN.SECRETARY YOUTH COMMITTEE | KAKOBA DIVISION, MBARARA MUN. |

## 1.5 WORKING EXPERENCE

June 2018-Julu 2018 Participated in developing a five-year plan at Mbarara district local government

June-July 2018 Worked as a junior planning officer at Mbarara district local government

## 1.6 OTHER SKILLS

speaking

Footballer

Computer skills

Counselor

Data entry and data analysis

## 1.7 CHARACTORS:

Team work.

Self-driven / decision maker and hardworking.

Able to work under supervision.

Punctual / time management.

Flexible to all conditions of work.

High level of integrity.

## 1.8 LANGUAGE PROFICIENCY

| LANGUAGE | FLUENCY(SPOKEN) | WRITTEN |
|---|---|---|
| ENGLISH | V.GOOD | V.GOOD |
| LUGANDA | FAIR | FAIR |
| RUNYANKOLE | V.GOOD | FAIR |
| KISWAHILI | FAIR | GOOD |

**REFEREES**

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