

- A) **Microeconomic Developments:** This Section provides a summary commentary on the eight thematic issues of the MIND. The indicators are provided in the Dashboard on page 4.

Issue	Market Updates
<b>Employment</b>	Formal employment is slowly rebounding, having recorded a 5.5% increase in the PAYE Register from 644,500 employees in August 2021 to 679,787 employees in September 2021 <sup>1</sup> . However, migrant labour reduced from 8,148 employees in August 2021 to 4,704 in September 2021. The sharp decline is due to the continued closure of training centres that train all migrant labour, which is now a new requirement by Government. Improvement in the numbers of migrant workers is expected, following the scrapping of a requirement for the Certificate of Good Conduct and digitisation of the recruitment process by Ministry of Gender, Labour and Social Development.
<b>Living Standards</b>	Monthly Inflation for food and non-alcoholic beverages recorded a 1.2% increase for the month of September 2021, from 1.1% rise recorded in August 2021. This was due to an increase in the general food prices. Monthly EFU Inflation registered a 0.4% rise for the month of September 2021 from a 0.2% drop recorded in August 2021, due to an increase in the general fuel prices.
<b>Equity and Economic Inclusion</b>	The number of public pension beneficiaries decreased by 0.14% from 83,615 members in August 2021 to 83,497 members in September 2021. Furthermore, Government continued the payment of SAGE grants to beneficiaries across the country for the months of July, August and September 2021.
<b>Environmental Sustainability</b>	The month of September 2021 had normal plus rainfall with a higher concentration of rainfall in the Northern and Eastern Uganda <sup>2</sup> . The air quality also improved from 88µg/m <sup>3</sup> in August to 76µg/m <sup>3</sup> in September 2021. However, this still remains far above the WHO recommended ceiling of 25µg/m <sup>3</sup> .
<b>Productivity</b>	The average incidence of malaria increased by 4.8% from 2.1 per 1,000 persons in August 2021 to 2.2 per 1,000 persons in September 2021.
<b>Competitiveness</b>	The Liquid Energy Inflation recorded a slight increase, but at a decreasing rate i.e. from 1.9% in August 2021 to 1.6% in September 2021. This was on account of mild increases in prices of major fuels such as Diesel and Petrol.
<b>Markets &amp; Regulation</b>	Global commodity prices realised a sharp increase of 5.44% between August 2021 and September 2021. The rise was due to the increase in economic activity following the slowdown in COVID-19 infections and the worldwide campaign for mass vaccination of people. Also, trade activities at the Uganda Securities Exchange declined on account of slower than expected economic recovery, resulting in reduction in turnover from Ushs 3.9 billion in August to Ushs 895 million in September 2021. Accordingly, the All Share Index declined by 1.63% from 1,546.17 in August 2021 to 1,520.94 in September 2021.
<b>Local Content</b>	The Trade Balance deficit widened by 26.7% from US\$196.4m in July 2021 to US\$248.8m in August 2021. This was partly driven by the halt in exportation of Gold and increased importation of Machinery Equipment, Vehicles & Accessories; and Petroleum in August 2021. Also, the value of contracts awarded to Ugandans has increased from 52% in 2019/20 to 74% in 2020/21.

<sup>1</sup> Uganda Revenue Authority (URA), 'Uganda Revenue Authority Pay As You Earn - September 2021.'

<sup>2</sup> Uganda Meteorological Authority, 'September to December, 2021 Seasonal Rainfall Outlook over Uganda.'

**B) Policy Response Measures:** This edition of the MIND focuses on Local Content as a Thematic Area. Increasing Local Content participation is one of the development strategies Government is pursuing in implementation of the National Development Plan III.

Objective	Interventions
Increasing Local Content	<p>Government is determined to support the private sector to become more competitive and resilient, particularly the SMEs. During the NDP III period, Local Content will be supported through the following approaches:</p> <p>a) <b>Promote local manufacturing:</b> Government is undertaking a two pronged approach to promote local participation in manufacturing: <b>i)</b> promoting import substitution or replacement; and <b>ii)</b> export promotion. Majority of Uganda’s exports are semi-processed commodities such as Coffee, Gold, Cotton, Tea - with no or limited value addition. Meanwhile, the main imports are easily replaceable. For instance, in August 2021, the main imports were machinery equipment, vehicles &amp; accessories; petroleum products; chemical &amp; related products; base metals &amp; their products; vegetable products; animal, beverages, fats &amp; oil<sup>3</sup>. All these are easily replaceable by sufficiently utilizing the country’s natural endowments. To this end, Government has prioritised petroleum &amp; petroleum products; iron &amp; steel; medical &amp; pharmaceutical products; cereals; plastics; vegetable fat &amp; oils; textile; salt; fertilizers; sugars &amp; sugar preparations and three services i.e. transport; construction and medical – to drive local participation of SMEs in manufacturing<sup>4</sup>.</p> <p>b) The Presidential directive to use the UPDF Engineering Brigade to construct schools, health centres and service Industrial Parks will lower the cost of service delivery and complement the industrialisation drive.</p> <p>c) <b>Government partnering with the Private Sector to deliver public projects:</b> Government, in partnership with the private sector, is set to undertake major projects during the NDP III. The private sector will play a critical role in delivering projects such as road networks connecting cities, standard and meter gauge railways, oil and gas pipeline, and iron and steel development. This mechanism is also supported by the Industrialisation Strategy under the NDP III that is inclined towards diversification of local manufacturing, supporting the private sector competitiveness and increasing the amount of manufactured goods in the process.</p> <p>d) <b>Supporting Policy, Legal and Regulatory Frameworks:</b> The 2018 National Content Policy for the petroleum subsector is geared towards increasing participation of Ugandans in the oil and gas activities, as well as building their prospects for employment. In the same spirit, the Buy Uganda Build Uganda Policy, and the Public Procurement and Disposal of Public Assets (PPDA) Act have provided a platform to use Special Preference Schemes and investments in supplier development programmes<sup>5</sup>. For instance, the Standard Gauge Railway project has designed a Local Content Strategy where at least 40% of the value of works is spent locally and 9 out of 10 employees will be Ugandans<sup>6</sup>.</p> <p>e) Parliament is also expected to review the National Local Content Bill, and will consider a cross-section of concerns raised by H. E. the President when the Bill was forwarded to him for assent. The President, for instance, cited provisions in section 4 of the Bill as some of the provisions for review, to ensure that it would not put Uganda on a parallel course with the international community<sup>7</sup>.</p>

<sup>3</sup> Bank of Uganda, 'Composition of Imports of August 2021'

<sup>4</sup> National Planning Authority, 'Third National Development Plan (NDPIII) 2020/21 – 2024/25'

<sup>5</sup> Public Procurement and Disposal of Public Assets, 'Public Procurement and Disposal of Public Assets (Amendment) Act 2021'

<sup>6</sup> Standard Gauge Railway Uganda, 'Local Content Strategy'

<sup>7</sup> <https://www.parliament.go.ug/news/5396/parliament-reconsider-bill-promoting-local-content>

**C) Microeconomic Outlook:** Though COVID-19 and its respective containment measures have slowed down the drive for local participation within the economy, it has presented different opportunities for both the private and public sector to increase local content participation. Government is looking forward to harness the opportunities presented by the pandemic to spur economic growth through the following:

<b>MEDIA WATCH POST</b>	<b>MICROECONOMIC ISSUES IN THE NEWS &amp; REPORTS</b>
<b>September 2021</b>	<b>Local Content and Employment</b>
<b>Increasing local participation in manufacturing, public works and services</b>	<ul style="list-style-type: none"> <li>a) To further deepen local participation in economic activities, especially in provision of works and services, Government published an amendment of the 2003 Public Procurement and Disposal of Public Assets (PPDA) Act in July 2021, to provide for marginalized groups under reservations schemes, among other provisions<sup>8</sup>. This will cement the already existing legislation on preference and reservation schemes that are geared towards promoting domestically manufactured goods; Ugandan contractors; and consultants in public procurements. Using the same schemes, the Act is inclined towards promoting certain sectors within specific geographical areas.</li> <li>b) Uganda and Tanzania are working together to formalise a partnership to jointly bid for contracts in the Oil and Gas sector<sup>9</sup>. The Government of Uganda, through the Private Sector Foundation (PSFU) and Uganda Chamber of Mines and Petroleum (UCMP) together with their counterparts in Tanzania are working on a Memorandum of Understanding (MoU) that will support local companies in both countries to benefit from the construction of the pipeline through provision of locally available goods and services. Other policy responses such as the Local Content Fund, anchored in the National Content Policy for the Petroleum Subsector in Uganda, will be critical in facilitating this new development<sup>10</sup>.</li> <li>c) Uganda Investment Authority (UIA) has signed an MoU with National Enterprise Corporation, following the directive by Cabinet to use the UPDF Engineering Brigade to construct infrastructure within the Industrial Parks.</li> </ul>
<b>Structural transformation through industrialization</b>	<ul style="list-style-type: none"> <li>a) Uganda is expected to achieve middle income status in Financial Year 2022/23 with a per capita income of US\$ 1,049. This is expected to be largely driven by the Industrialisation Strategy based on export promotion and diversification of local manufacturing by taking on strategic public and private sector investments.</li> <li>b) Data from the Uganda National Household Survey, 2019/20, published in September 2021, shows that between 2016/17 and 2019/20, employment in industry remained stagnant at 13.9% in 2019/20 from 13.8 in 2016/17. Employment in services, in the same period, declined from 50.3% in 2016/17 to 45.9% in 2019/20<sup>11</sup>. This is a setback to the envisaged movement of labour from agriculture to high productivity sectors of industry and services. Instead most of the labour has remained in agriculture with the sector experiencing 3.8% rise in its employment share from 35.8% in 2016/17 to 39.6% in 2019/20. Government is targeting local participation strategies to address bottlenecks like low production and productivity in agriculture in order to release labour to higher productivity.</li> </ul>
MIND is compiled by Economic Development Policy and Research Department (EDP&RD) in the Ministry of Finance, Planning and Economic Development	
EDPRD: Simplified, seamless and speedy knowledge services for monitoring, assessment and communication of Uganda's economic development policy and its results	

<sup>8</sup> Public Procurement and Disposal of Public Assets, 'Public Procurement and Disposal of Public Assets (Amendment) Act, 2021'

<sup>9</sup> The Independent, 'Uganda, Tanzania to Bid Jointly for Oil Contracts.'

<sup>10</sup> Ministry of Energy and Mineral Development, 'National Content Policy for the Petroleum Subsector in Uganda.'

<sup>11</sup> Uganda Bureau of Statistics (UBOS), 'Uganda National Household Survey 2019/2020.'

