

# An open development model

## INTERVIEW WITH MARIA KIWANUKA

MINISTER OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT



### MARIA KIWANUKA

Maria Kiwanuka graduated with a Bachelors degree in Commerce (BCom) from Makerere University and holds an MBA from London Business School. From 1980, she worked as an economist for more than ten years with the World Bank. She has also served as a non-Executive Director on the Board of Directors of Aga Khan Foundation (East Africa), The Nabagereka Development Trust, Nkumba University, Uganda Development Bank and Stanbic Bank Uganda Limited.

### What are the principal roles and responsibilities of your ministry?

I am responsible for finance, planning, and economic development, which is quite a mouthful. I am responsible for raising and allocating finance as well as making sure it is being spent properly. In other words my mandate is to maximise resource mobilisation, ensure efficient use of those resources, as well as monitoring and timely accounting. In this sense, my role is spread across a number of sectors; not just finance. In that way I spread across all the sectors; it's not just finance. Sometimes I can't escape myself! This means that if I want to set up a project under the auspices of the Ministry of Economic Development, I must get the money from the Finance Ministry, and as the Minister of Economic Development I must also make sure that it generates tax revenue for the Ministry of Finance.

### How would you describe Uganda's economic development model, and how does it compare with others in the region?

We have an open economy in both the current and capital account, which means you can bring any amount of money in and then repatriate it. Obviously, we hope that most of it will stay to help kickstart development. Our model is based on a five-year development plan within which we try to ensure that our development priorities are reflected. We have a framework for the economy. We establish priorities: this is where we are going to be putting our tax resources; this is where we'll put financing; and we hope that foreign investment will come in as a result. We recognise the importance of the private sector, which is responsible for more than 80 per cent of our economy. The government's role is not to try to pick winners; not to compete, but to enable. We ask ourselves what can the government do that the private sector cannot or will not do? The government is committed to maintaining the macroeconomic stability that has made us the envy of the region for the last two decades. We are one of the few major African economies whose debt was forgiven in the early 1990s and that has not been back to ask for more debt forgiveness. We want to keep inflation low, below five percent in single digits at any rate, and we want to keep interest and exchange rates predictable, but we do not intervene. Our job is also to provide infrastructure. We are trying to close the infrastructure gap as quickly as we can. We are

committed to rolling out the road network, power and generation capacity, and also to provide the main ICT backbone, and then let the private sector do the rest. The private sector does not like, long-term, expensive projects where the benefits accrue not only to you, who paid for it, but for others. This approach also applies to the third criteria, which is developing human resource potential. That means education. This is something the government must do by providing training to try to move our people into the technological bracket where they can be of use in the private sector. Our fourth task is to create an impartial regulatory framework that will not hinder private investment, but guarantee that there is enough left over for national development.

### How successful have you been in expanding size and complexity of the middle classes?

Creating a middle class is very important, it is the market for industrialisation and processing. Uganda has been growing very quickly over the last decade, and inequality has dropped. The proportion of households living in poverty dropped from over 30 per cent a decade ago to 21 percent today. The challenge is to make sure that the newly emerging middle class does not tip back, and we must make sure that as many as possible of the remaining 20 percent are helped out of poverty. The government is not a major employer, but we want to see job creation across the country so that more Ugandans are working at more value-added jobs, which will help them join the middle classes. We are doing this by harnessing our competitive advantages: one is geographical, and the other climatic. The geographic advantage is that we are in the middle of Africa, and land-linked to six countries that are all net importers of our food, because our second advantage comes from our agricultural climate, which means that we have two growing seasons per year. Uganda is Africa's second biggest coffee exporter, and its second largest tea producer. We already export foodstuffs to Western Kenya, Southern Sudan, the DRC, Rwanda, and Tanzania. Uganda has to become the distribution hub for East Africa.

### What role do you see for tourism in Uganda's economic development?

We have tremendous tourism diversity. We have the biggest variety of bird life in the world. The river Nile,

the equator crossing the middle of the country, and the Kidepo Valley National Park which is a hidden treasure in Karamoja. Uganda also has a welcoming population that is a melting pot of the main tribal groupings of Africa. We are welcoming and diverse people, living in harmony with our 40 different cultures, each with their own languages, dances, dress, and practices.

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**What role do you see for British companies in helping Uganda develop its tourism potential?**

The time has come to start telling the world about Uganda's potential. We have the jewels in the rough. So we're saying to British investors, help us maximise our potential. We believe that the Ugandan's tourism offer is well suited to the British experience of developing tourism. For example, we have bird life, and we want to know how to make it easy for bird watchers to come here. We have mountain ranges, and so we need help to arrange climbing expeditions. We want to bring groups interested in community and cultural tourism. Uganda is the home of one of the oldest monarchies in Africa: the Kingdom of Buganda. There is a lot of tourism potential, a lot of targeted opportunities to exploit.

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**What are your main goals and ambitions for the forthcoming London visit?**

As minister for finance I hope to show people the opportunities available for foreign investment here. I will reiterate the safeguards and the potential for maximum returns. Regarding the oil sector, we still have opportunities for prospecting: we haven't even covered 50 percent of the likely area. I will definitely be telling companies about the need for support services for oil production in Western Uganda where we are going to develop a satellite city from scratch. At the same time, we need to make sure that there are opportunities for employment for local people.

We also have opportunities for power generation. Our system will take anything independent producers can supply: We have a tariff for each energy sub-sector, so you can work back and say that I have a captive market that will take whatever I can produce, and set a price.

We estimate that the first oil will be coming in three years. Over time, it will amount to 15 percent of GDP. Our strategy is based on using oil to develop our agricultural potential, which is renewable and will last for ever. Let's use the revenue to fill the infrastructure gap. Our prime need is not for pensions, but to provide the infrastructure so people can travel to work.

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**How do you see the financial services sector in Uganda shaping up?**

I am responsible for this in so much as I mobilise

resources for national projects. We are working on spreading financial inclusion, We have started a financial literacy campaign with the banks to harness the capacity of mobile money in order to spread banking services to rural areas, where it is too expensive to build a bank. The aim is not just to provide facilities to withdraw money, but to offer people a range of financial services such as loans, appraisals, financial services and so on. We're working with the Bank of Uganda and the private sector, and even the credit card companies, to see how we can roll out financial inclusion. We have a good relationship with the foreign banks operating in Uganda. There are no caps on pricing their products. 12

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The Uganda Coat of Arms, Parliament building, Kampala

