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MOTION FOR A RESOLUTION OF PARLIAMENT TO COMPEL GOVERNMENT TO ENSURE GREATER ADHERENCE TO THE NATIONAL DEVELOPMENT PLAN (NDP) II

(Moved in accordance with Rule 55 of the Rules of Procedure)

WHEREAS the National Development Plan II is the guide for Uganda's medium term strategic direction, development priorities and attendant implementation strategies; in pursuit of the National Vision Framework 2040 under the theme "Strengthening Uganda's Competitiveness for Sustainable Wealth Creation, inclusive Growth and Employment."

AND WHEREAS Sections 13 (6) and (7) of the Public Finance and Management Act, 2015 (PFMA) mandate the National Planning Authority (NPA) to prepare a Certificate of Compliance to the NDP, which assesses the extent to which the annual budget of the previous year is aligned to the planning and budgeting frameworks of the NDP, the Charter of Fiscal Responsibility (CFR) and the Budget Framework Paper (BFP), a step towards achieving the country's Vision 2040

COGNIZANT OF the issuance of a Certificate of Compliance for the Annual Budget 2017/18 by NPA in compliance with Section 13 (7) of the PFMA, 2015 showing the extent to which National Budget, comprising the sector, MDA and local government budgets are focused on implementation of the National Development Plans (NDPs)

AWARE THAT in 2007, the Government of Uganda (GoU) approved the 30-year National Vision to be implemented through: Three (3) 10-year plans; six (6) 5-year NDPs; Sector Development Plans (SDPs); Local Government Development Plans

(LGDPs); Annual Work Plans (AWPs) and budgets; which together with the detailed bottom-up and top-down development planning processes, constitute the Comprehensive National Development Planning Framework (CNDPF) that defines the planning process in Uganda.

AND FURTHER AWARE THAT in 2013, the NDP I Mid-Term Review under the Policy and Strategic Direction theme report (Page 35) noted the fragmentation of Uganda's national planning and economic development functions characterized by duplication of roles and a lack of clear designation of an institution responsible for designing policy and strategic agenda for the country. The creation of NPA with functions that are limited to development planning, monitoring and evaluation and advising the President left the responsibility of developing the development policy agenda fragmented among NPA, Bank of Uganda, Ministry of Finance and the Presidency.

NOTING THAT the level of compliance of the Annual Budget to the NDP II has steadily dropped from 68.3% in FY 2015/16 to 58.8 percent in FY2016/17 and 54% in FY 2017/18. This drop is mainly attributed to the decline in performance at the Macroeconomic and Sectoral levels. The poor performance at sector level is largely attributed to inadequate budget prioritization of the NDPII projects during allocation and release of funds. Two projects (2) out of the 39 core projects are on course while implementation of 60% of the projects is yet to start FURTHER NOTING THAT the decline in compliance to the NDP II and the non-prioritization and slow implementation or non-implementation of priority projects is a pointer to the misalignment of budgeting with the potential ramification of impeding the realization of national development aspirations.

FURTHER NOTING THAT over the last 3 years, there has been a decline in compliance with NDP II at all levels of assessment, namely; Macro, National and Sectoral with Local Governments registering moderate strides, implying that this regressive trajectory will curtail the attainment of the targets of NDP II and Vision 2040.

NOW THEREFORE be it resolved by this Parliament as follows;

1. The National Planning Authority should prepare the fiscal year's Development Budget, covering all asset and capital expenditures of Government, including estimates of recurrent expenditures that are directly related to the development projects. The development budget estimates so developed will be integrated into the National Budget Framework Paper for appropriation.
2. Parliament should amend the PFMA 2015 with a view to include a provision for a compliance pre-audit of the next year's Annual Budget to establish levels of adherence to the NDP with attendant sanctions for non-adherence.
3. The national planning function, including the mandate for developing the national and economic development strategy should be exclusively domiciled at the National Planning Authority and not the Ministry of Finance, Planning and Economic Development. The Ministry of "Finance, Planning and Economic Development" drops the "Planning and Economic Development" component to avoid duplication The NPA should report to Parliament through a designated standing committee of Parliament.
4. Government considers scrapping the Single Treasury Account policy as it causes a lacuna in accountability for failure to achieve results by sectors since a large number of entities do not receive actual releases of funds appropriated by Parliament. The Single Treasury Account leaves the release of funds to entities at the discretion of the Secretary to Treasury.
5. The Ministry of Finance, Planning and Economic Development should ensure timely integration of off-budget resources into the budgetng

process to improve reporting on results, inhibit duplication and ease the monitoring of the outcomes of governmental interventions

6 The national planning and budgeting function should be harmonized with the IMF's supported Policy Support Instrument (PSI) processes to minimize the current existing inherent disconnect.

7. Public debt should fund only projects identified in NDPII and domestic borrowing should be capped Further, debt management needs to be strengthened to appropriately schedule debt repayments by adequately balancing the structure of the debt incurred.

Moved by: Mwiru Paul (MP, Jinja East)

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Seconded by:

1. Hon. Ariko Herbert Edmund (MP, Soroti Municipality)

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2. Hon. Nsamba Patrick Oshabe (MP, Kassanda North)

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ADDITIONAL INFORMATION ON THE MOTION

a) The National Planning Authority (NPA) issued the Certificate of Compliance (CoC) to the NDP II on 1st April 2018 in consonance with Section 13 (7) of the PFMA 2015. The CoC aims at ensuring that the National Budget, comprising the Sector, MDA and Local Government (LG) budgets focus on the attainment of the targets envisaged in the National Development Plans (NDPs)

b) This requirement seeks to guarantee that public sector planning, budgeting and their attendant outputs and outcomes are aligned to achieving the NDP II Vision of "Strengthening Uganda's Competitiveness for Sustainable Wealth Creation, inclusive Growth and Employment" and its goal of propelling Uganda to middle income status by 2020 as well as the prioritization of the Vision 2040 key growth drivers namely: Agriculture; Tourism; Minerals, Oil and Gas; Infrastructure; and Human Capital Development.

c) The NPA assessment of compliance to the NDP II considered for four different levels namely: Macroeconomic, National, Sector/MDA and LG in a bid to evaluate the consistence of macro-economic targets with the NDPII medium-term macroeconomic targets and outcomes, the alignment of strategic directions with the NDPII strategic directions, whether sector/MDA specific interventions are aimed at delivering the NDPII targets and results and ultimately whether the LG interventions are focusing towards delivering the NDPII targets and outcomes.

d) The findings of the NPA was that the compliance of the Annual Budget for the FY 2017/18 was not only unsatisfactory but has steadily declined over the last 3 FYs as indicated below;

Table 1: Trend of Certificate of Compliance Assessments

S/N	Level of assessment	2015/16	2016/17	2017/18	
		Score	Score	Score	Comment
1	Macro level Assessment	72	48.1	41.9	Unsatisfactory
2	National Level Assessment	75.4	74.2	59.3	Unsatisfactory
3	Sector level	57.7	60.1	53.2	Unsatisfactory
4	Local Government	-	51.8	62.2	Moderately Satisfactory
	Total Compliance	68.3	58.8	54.0	Unsatisfactory

The Annual Budget for the FY 2017/18 is 54.2 percent compliant dropping from 58.8 percent in FY2016/17 and further dropping from 68.3% in FY 2015/16. The worst decline is at the macro level falling by 31% from 72% in 2015/16 to 41.9% in 2017/18. It is noteworthy that the overall decline in compliance scores in the FY2017/18 is mainly attributed to the decline in performance at the Macroeconomic and Sectoral levels. However, there was an improvement in performance at Local Government Level.

The key emerging issues arising out of the analysis are as follows:

a) Disconnect between planning and budgeting processes at macroeconomic level. The PSI is the main driver of budgeting at macroeconomic level. On average, the budget macro targets for FY2017/18 differ by 17 percent from the NDPII targets. Instead, the budget targets seem to be more closely aligned to the IMF supported Policy

Support Instrument (PSI) targets This implies that the budget is guided more by the PSI instead of the National Planning Framework. There is therefore an urgent need to harmonize the national planning, budgeting and the PSI processes

b) The low economic growth performance for the last three years of NDPII implementation implies that the country is unlikely to achieve the low middle-income status by 2020. The growth rate was only 4 8% and 4 0% in FY 2015/16 and 2016/17, respectively and is projected to grow at 5.5% in FY2017/18. The NDPII targeted growth rates were 5.8%, 5.9% and 6.6% for the same years.

c) Therefore, for Uganda to enter lower middle-income status in the remaining 2 years of NDPII implementation, it has to grow by over 15% annually. This is very unlikely given the resources available to the country However, the country should remain focused on the middle-income agenda by pragmatically and prudently implementing the prioritized interventions in the Vision 2040 and its attendant plans.

d) Uganda is likely to miss the opportunity to enhance fiscal expansion before operationalization of the EAC convergence criteria in 2021. In anticipation of EAC convergence that puts a limit on the fiscal deficit to 3 percent, to achieve competitiveness, the NDPII planned to frontload major infrastructure investments through deficit financing, peaking at 7.7 percent of GDP in FY2017/18 before consolidation in the later years to 4.3 percent in FY2019/20. However, over the past three years, the average deficit outturn of 5 percent has been less than the average NDPII target of 7.3 percent for the same period. Therefore, the country has to fast-track the implementation of key competitiveness enhancing projects such as the SGR before this window of opportunity closes.

e) Although the public debt is rising and is consistent with the NDPII targets, the borrowing seems not to be for the NDPII core projects which were expected to be the main drivers of the public debt. The AB projected debt of 40.1 percent of GDP is in line with NDPII targets yet the main drivers of this debt (NDPII projects) are not performing as well.

f) The low private sector credit growth has been a persistent constraint to economic growth. The private credit is about 7.6% yet NDPII envisioned it to be 17 4%; this has a huge implication for growth, particularly that because the private sector is expected to be the driver of sustainable growth

g) Debt interest payments are second to Works and Transport sector, crowding out budget allocations to key sectors and priority infrastructure projects that are key in driving growth and improving competitiveness of the economy. The domestic interest payments in FY2017/18 were 2.3 percent of GDP, compared to 0 8 percent for external interest payments. Interest rate payments and the nature of debt financing are a cause for concern. There is therefore need to ensure prudent debt management taking into account a conducive debt repayment schedule. Further, for Uganda to achieve its development aspirations, enhancing domestic resource mobilization through innovative approaches must be prioritized.

h) The Budget concentrates more on the expenditure side but weak on how revenue will be innovatively mobilized from domestic sources. The AB has performed satisfactorily in line to NDPII targets for domestic resource mobilization, due to mainly improved tax administration. However, the BFP lacks a medium-term strategy to holistically strengthen domestic resource mobilization and expand the tax base. In particular a strategy on the maximization and utilization of Non-Tax Revenue (NTR) is still lacking. There are cases where some MDAs such as CAA, UCC, NDA, NFA, NEMA, UWA, UETCL, ERA, UEDCL among others collect and sometimes spend at source NTR. It is not clear whether Government is getting maximum value out of the collection and use of these NTRs. To maximize domestic revenue mobilization, all NTRs should be collected solely by URA.

At the National Strategic Level

Rt. Hon. Speaker, the key emerging issues arising out of the analysis are as follows

a) There is a disconnect between the intent of the budget and the actual budget allocations. The FY2017/18 AB was intended to deliver on industrialization for job creation. However, the means of achieving industrialization in terms of interventions and resource allocations are inadequate. Key NDPII priorities for industrialization such as: scaling up value addition and collective marketing; establishing an integrated steel and iron Industry; re-establishment of cooperatives to support value-addition; light manufacturing and zonal agro-processing industries; forest and wetlands restoration; improving access to financial services; among others, have not been allocated sufficient funds in the budget. In addition, of the nine industrial parks only two (Luzira and Bweyogerere) are operational; three (Namanve, Soroti, and Mbarara) are partially operational and the remaining four are yet to take off due to inadequate funding.

b) There are specific interventions that require immediate attention in order to ensure achievement of the NDPII objectives. These include: improving access to water for agricultural production; promotion of value addition to the various prioritized commodities, rural feeder roads maintenance; linking of the remaining local governments through the NBI to improve internet connectivity; implementing the Early Childhood Development policy; implementation of the five-regional skills development centres; teacher recruitment; and enhancing government effectiveness and efficiency.

c) The Affirmative Actions or Equalization programmes in the NBFP and AB are not designed to maximize the achievement of NDPII key results The NDPII targeted these programmes to reduce income disparities across the country through mainly the Local Economic Development model/approach. However, the programming as per the NBFP and the AB cannot yield meaning results. The proposed actions and interventions in the budget such as Luweero Rwenzori Development Program (LRDP), Karamoja Integrated Development Programme (KIDP); NUSAF II and III among others, do not have a clear focus on Local Economic Development and do not provide for harnessing of synergies across the different value chains of investments. There is therefore need to redesign these programmes based on the LED approach to deliver the expected outcomes.