

**OFFICE OF THE
LEADER OF THE OPPOSITION**

**OPPOSITION RESPONSE TO THE
NATIONAL BUDGET FRAMEWORK PAPER
FY2018/19 – 2022/23**

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1.0 Introduction

In accordance with Section 6E(2) and (4) of the Administration of Parliament (Amendment) Act, 2006 as well as Rule 52 of the Rules of Procedure, the Opposition in Parliament presents a Response to the National Budget Framework Paper FY2018/19 – 2022/23.

1.1 Economy Overview

Uganda is targeting to attain lower middle income status at USD 1,036 per capita by 2020/21¹. This target is now unrealistic. This is attributed to the fact that the Government set its priorities on enabling and complementary sectors which attract over 30% of national budget as compared to 20% allocated to primary growth sectors that directly produce goods and services.

Uganda is predominantly an agricultural economy. Over 70% of her population is employed in agriculture. However, it is projected to be allocated 3.8% of national budget amounting to UGX29.2 trillion in FY2018/19 as compared to works and transport which is allocated 21.4%.

In FY2015/16, Uganda earned USD1.35 billion from tourism². This is equivalent to over UGX4 trillion. However, in FY2018/19, the sector is projected to be allocated only UGX119.4 billion which translates to 0.5% of the national budget. It is also imperative to note that UGX119.4 billion translates to about 2% of USD1.35 billion earned by the sector in FY2015/16.

It is, therefore, not surprising that:

- The number of poor people in Uganda has increased to 27% of the population (10.1 million) in 2016/17 as compared to 20% (6.6 million) in 2012/13. The rural areas with about 76% of the population (estimated at 37.7 million) contribute 86% of national poverty³ and depend on agriculture.
- The revised growth for FY 2016/17 is lower than 4.7% recorded in FY2015/16 and the FY2016/17 budget target of 5.5%. The economy grew at a revised rate of 4.0% in FY2016/17, against an earlier estimate of 3.9%. The key reason

1 Parliament of Uganda, 2017. *A Report from the Parliamentary Budget Office on the Performance of the Economy for FY2016/17. Annual Issue No. 13, Vol. No. 01*

2 Ministry of Finance, Planning and Economic Development, 2017. *Background to the Budget for Fiscal Year 2017/18. Pg. 105*

3 Uganda Bureau of Statistics, 2017. *Uganda National Household Survey 2016/17*

for this is that growth has been driven by the services sector which employs a small proportion of the population at the expense of agriculture and manufacturing sectors that have very strong forward and backward linkages and spill-over effects in the economy⁴.

The Opposition through this response assesses the National Budget Framework Paper and proposes alternatives to propel sustainable development in Uganda.

2.0 Compliance Assessment

2.1 Format and Content

Section 9(4) of the Public Finance Management Act 2015 prescribes the format and expected content of a Budget Framework Paper. Following a critical assessment as indicated in Table 1, it was established that the Format and Content Compliance rate was 63% a drop from 70% in FY2017/18.

Table 1: Budget Framework Paper Format and Content Compliance Assessment

Budget Framework Paper structure	Indicators	Score* (0-2)	Comment
Medium Term Macroeconomic Forecast	Average and year end gross domestic product	2	Adequate information
	Average and year end rate of Inflation	1	No year-end rate of inflation
	Rate of employment and unemployment	0	No information
	Average and year end exchange rate	0	No information
	Interest rates	0	No information
	Money Supply	0	No information

⁴ National Budget Framework Paper FY2018/19 – 2022/23, Pg. 8

Budget Framework Paper structure	Indicators	Score* (0-2)	Comment
Statement on Medium Term Fiscal Framework in line with Charter of Fiscal Responsibility	Government fiscal balance	2	Adequate information
	Net Present Value of Public Debt	1	No information on Net Present Value of Public Debt
Medium Term Fiscal Forecast	Tax revenue	2	Adequate information
	Non Tax Revenue	2	Adequate information
	External Grants (towards Annual budget and Project)	2	Adequate information
	Petroleum Revenue	0	No information
	Current Expenditure	2	Adequate information
	Investment Expenditure	1	Not segregated from net lending
	Net Lending	1	Not segregated from investment expenditure
	Overall balance of govt	2	Adequate information
	External financing	2	Adequate information
	Domestic financing	2	Adequate information
	Petroleum Fund financing	0	No information
	Errors and Omissions	2	Adequate information

Budget Framework Paper structure	Indicators	Score* (0-2)	Comment
Compliance with Charter of Fiscal Responsibility	Consistency of fiscal targets with objectives	2	Adequate information
Statement of the resource for annual budget for the next financial year	Ceiling of govt expenditure	2	Adequate information
	Floor of govt investments	0	No information
	Ceiling of total budget funding from Petroleum Revenue Holding Account	0	No information
Statement of Policy Measures to meet fiscal targets	New expenditure policies	2	Adequate information
	New revenue policies	2	Adequate information
Medium Term Expenditure Framework	Vote expenditure projects	2	Adequate information
Fiscal Risk Statement	Alternate fiscal framework	0	No information
	Individual risk sources	2	Adequate information
	Fiscal risk impact	2	Adequate information
COMPLIANCE RATE (max score – 60)		38 (63%)	

* 0 – None, 1 – Partial Compliance, 2 – Adequate Compliance

Source: PFM (2015) Act, NBFP 2018/19-2022/23, and OLOP Computation

Based on the above, the following key information should have been provided for they influence determination of allocations and selection of strategic interventions:

- a) Rate of employment and unemployment
- b) Money Supply
- c) Petroleum Revenue
- d) Petroleum Fund Financing
- e) Flow of Government investments
- f) Ceiling of total budget funding from Petroleum Revenue Holding Account

The inadequacy of information on the above variables is an indication that the growth of the economy reflected in the budget framework paper is unrealistic.

The National Budget Framework Paper FY2018/2019-2022/23 is too summarised for it lacks reasonable details on performance particularly key outputs and allocations, major changes in resource allocations as well as unfunded outputs for sectors and votes. This limits constructive scrutiny by relevant stakeholders involved in the budget process, henceforth representing a sharp decline in the quality of budget information as compared to National Budget Framework Paper FY2017/18-2021/22.

Effective FY2019/20, the Government should incorporate a section in the National Budget Framework Paper on progress made in addressing recommendations of Parliament. This would improve the quality of the National Budget Framework Paper.

2.2 Inconsistent Programme Indicators

Uganda has developed a National Standard Indicator Framework to track progress towards attainment of middle-income status by 2020⁵.

The National Standard Indicator Framework articulates indicators for national, sectoral and service levels (MDAs) of government operations. The indicators are aligned to the Second National Development Plan (NDP II) and the Sustainable Development Goals (SDGs).

⁵ National Planning Authority, 2016. Review Report On Uganda's Readiness For Implementation Of The 2030 Agenda

This linkage will enable Government to evaluate whether funding is spent wisely on a 'programme' that is meeting its goals or the resources should be better utilised on another 'programme'. Programme Based Budgeting will focus on the outcomes of programmes – the things citizens want their Government to accomplish, such as safer neighbourhoods, better road conditions, better health and effective schools – and will be informed by the National Standard Indicator (NSI) framework⁶.

An effective Programme Based Budgeting (PBB) arranges the budget around a set of programmes and objectives that are clear and specific. The indicators and targets must also be concrete, realistic, and have credible baselines and timelines⁷.

However, critical analysis of the outcome indicators contained in the budget framework paper across all sectors indicates a pronounced mismatch with the National Standard Indicator Framework.

Furthermore, the baselines indicated in the budget framework paper seem hypothetical for they are not cumulative, based on credible data and inconsistent with past trends. For instance in the sector of Justice, Law and Order, there are disparities in sector outcome indicator for sector outcome of 'Infrastructure and access to JLOS services enhanced'. For FY2017/18, it was indicated that measure is 'Percentage of case backlog analysed as forensic evidence'⁸ while in FY2018/19 the measure is 'Percentage of Backlog cases in the system'⁹. The earlier measure was focused on medium and quality of process of addressing backlog with the latter measure focused on stock of cases. This makes performance tracking and reporting extremely difficult.

It is extremely difficult to link the National Budget Framework Paper of FY2017/18 and that proposed for FY2018/19. The programme indicators are completely different hence making it almost impossible to track progress and quality of targets.

6 Ministry of Finance, Planning and Economic Development, 2016. *Budget Execution Circular for Financial Year 2016/17*. Pg. 6

7 Jason Lakin and Vivian Magero, 2015. *Improving Programme Based Budgeting in Kenya*

8 National Budget Framework Paper FY2017/18 – 2021/22. Pg. 267

9 National Budget Framework Paper FY2018/19 – 2022/23, Pg. 151

The Ministry of Finance, Planning and Economic Development should urgently review and update the National Standard Indicator Framework 2016 so as to articulate clear, measurable, agreeable and concise indicators, key outputs and targets across sectors. This will facilitate adequate scrutiny, appropriate allocation of resources and ease Government performance management.

2.3 Misalignment with Second National Development Plan

In line with Section 9(1) and (2) of the Public Finance Management Act 2015 Accounting Officers prepared and submitted their respective budget framework papers to the Minister to generate the National Budget Framework Paper. The Minister is expected to ensure that the National Budget Framework Paper is consistent with the National Development Plan as provided for in Section 9(3) of the Public Finance Management Act, 2015.

To the contrary, it has been noted that although alignment at sectoral level is 81%, the alignment at service delivery centres i.e. Local Governments, Ministries, Departments and Agencies is below 25% as indicated in Table 2. There is a great mismatch in alignment of strategic plans of sectors, Ministries, Departments and Agencies as well as Local Governments to the National Development Plan. Hence the foundations of the National Budget Framework Paper FY2018/19 i.e. Local Governments, Ministries, Departments and Agencies levels are inconsistent with the National Development Plan. This contravenes Section 9(3) of the Public Finance Management Act, 2015.

Table 2: Status of Alignment to the Second National Development Plan

Sector / Agency	Total	Fully aligned Strategic plans to NDPII	Percentage
Sectors	16	13	81%
Ministries, Departments and Agencies	127	31	24%
Local Governments	157	33	21%

Source: MoFPED¹⁰ and OLOP Computations

¹⁰ Ministry of Finance, Planning and Economic Development, 2017. *First Budget Call Circular (1st BCC) on preparation of Budget Framework Papers (BFPs) and Preliminary Budget Estimates for FY2018/19. Annex 3: Status of Strategic Plan Submission by Sectors, MDAs and Local Governments Sept 2017. Pg. 1*

In line with Section 9(8) and 78(1) of the Public Finance Management Act, 2015, the following should be undertaken:

- a) Approve the Budget Framework Paper with conditions that Ministerial Policy Statements for Local Governments, Ministries, Departments and Agencies without aligned strategic plans should not be submitted to Parliament.***
- b) The Minister of Finance, Planning and Economic Development makes a report to Parliament why the National Budget Framework Paper was prepared based on submissions of votes that lack strategic plans aligned to the National Development Plan.***

As resolved by Parliament on 31 May, 2017 through the adoption of the report of the Budget Committee on the Annual Budget Estimates FY2017/18:

- a) All sectors, Ministries, Departments and Agencies as well as local governments which have failed to produce strategic plans should be sanctioned through non approval of their annual budgets.***
- b) Accounting Officers who have failed to produce strategic plans for their Ministries, Departments and Agencies as well as Local Governments should not be approved to manage public funds.***

2.4 Outstanding Pledges

According to the Second National Development Plan, one of the roles of the Presidency is to monitor the performance of the manifesto commitments for the ruling Party¹¹.

The NRM Manifesto is now in its second year of implementation. However, according to the monitoring and analysis reports of the Different Ministries, Agencies and Local Government budgets revealed that a number of them have not streamlined the commitments and the intended targets into their work plans¹². This adversely affects the credibility of presidential pledges and the President who is a Fountain of Honour as provided for in Article 98(1) of the Constitution of the Republic of Uganda.

¹¹ *Second National Development Plan 2015/16 – 2019/20, Pg. 245*

¹² *Ministry of Finance, Planning and Economic Development, 2017. First Budget Call Circular (1st BCC) on preparation of Budget Framework Papers (BFPs) and Preliminary Budget Estimates for FY2018/19. Pgs. 3-4*

Associated to the above, the President has made numerous pledges that have been cited to adversely affect budget execution as indicated in the Final Budget Call Circular for FY2017/18.

H.E the President has made a number of pledges which are sector specific and have financial implications on the budget. Sectors have continued to ignore these pledges while allocating the funds including Local Government Conditional Grants. In addition, some sector Ministries issue letters for Local Governments to substitute on-going planned activities with Presidential pledges which are not in the work plans¹³. This distorts priorities and achievement of committed targets for a financial year.

There has been a consistent pledge and undertaking to gradually increase the coverage of the elderly persons under the Social Assistance Grant for the Elderly (SAGE). Out of the 121 districts of Uganda¹⁴, SAGE has been rolled out in only 40 districts raising equity concerns. In a bid to rollout to other districts, the Government starting FY2015/16 committed that five (5) new districts will be added every Financial Year until 2019/20¹⁵. However, this will not be attainable given the fact that Government has defaulted on counterpart funding against the memorandum of understanding with development partners. In response, Government issued a Letter of Assurance to reaffirm its commitment to finance the programme. Furthermore, Government has failed to produce a comprehensive rollout framework as resolved by Parliament on 4th October 2017.

Although the pledges are made across several service sectors, the budget framework paper has provided only UGX4.58 billion¹⁶ to the Education sector to be utilised as Support Services Grant. It should be noted with concern that the grant is to be executed in an adhoc manner yet the sector has many outstanding and unfulfilled pledges.

13 Ministry of Finance, Planning and Economic Development, 2017. *Final Budget Call Circular on finalisation of detailed Budget Estimates and Ministerial Policy Statements (MPSs) for Financial Year 2017/18*. Pgs. 7-8

14 Ministry of Local Government, 2017. *Ministry of Local Government Fact Sheet*

15 Ministry of Finance, Planning and Economic Development, 2017. *Background to the Budget for Fiscal Year 2017/18*. Pg. 132

16 *National Budget Framework Paper FY2018/19 – 2022/23*, Pg. 368

Over the medium term (FY 2008/09-FY 2016/17), there have been 292 pledges in the different education sub sectors, of which 45.5% were fulfilled, 7.1% had works ongoing and 47.2% were not yet fulfilled. By 19th April 2017, the pledges in the Education Sector were worth UGX198.28 billion of which UGX65.21bn (32.8%) had been disbursed, and UGX133.07 billion was outstanding¹⁷. Hence the allocated UGX4.58 billion is insufficient.

In June 2017, the Committee on Government Assurances established that in the period 1986 – 2014, Government had implemented only 75 assurances out of a total of 550 assurances made in the sectors of Works and Transport, Health, Education and Sports, Energy, Agriculture, Water and Environment. This translates to implementation performance of only 13.6% which was attributed to financial constraints. The assurances were made by the President, Vice-President, Prime Minister and Ministers in the House.

Table 3: Summary on Implementation of Assurances from selected sectors, 1986 - 2014¹⁸

SN	SECTOR	No of Assurances	No of Assurances implemented	Percentage of implemented Assurances (%)
1	Education	113	29	25.7%
2	Energy	104	16	15.4%
3	Health	136	14	10.3%
4	Works and Transport	149	15	10.1%
5	Water and Environment	48	1	2.1%
	Total	550	75	13.6%

Source: Committee on Government Assurances and OLOP computations

As a means of taking stock of outstanding pledges, in March 2017, the Secretary to Treasury in a circular directed that the pledges be programmed within the sectors

¹⁷ Ministry of Finance, Planning and Economic Development, 2017. *Is the fulfilment of Presidential Pledges in the Education Sector on track? BMAU Briefing Paper (4/17)*

¹⁸ Parliament of Uganda, 2017. *Status of Implementation of Government Assurances: A statement by the Chairperson, Committee on Government Assurances and Implementation for the end of First Session of the 10th Parliament in Accordance with Rule 167(3)*

ceilings over the medium term. However, the National Budget Framework Paper does not incorporate all pledges made by the President and Government officials. This makes it difficult to establish funds needed to implement the pledges.

The next National Budget Framework Paper should articulate outstanding pledges in every sector and progress in implementing them.

3.0 Resource Envelope Analysis

Discretionary Resources

Although the total resource envelope is projected to increase by 1% from UGX29.008 trillion in FY2017/18 to UGX29.274 trillion in FY2018/19 an increase of UGX265.5 billion, discretionary resources available constitute only 44% (UGX12.744 trillion) or 32% (UGX7.758 trillion) when domestic refinancing is not reflected as resource inflow as indicated in table below.

Table 4: Adjusted Projected Resource Envelope FY2018/19*

S/N	Source	FY 2018/19 (UGX Billion)
1	Domestic Revenues	15,547.8
2	Budget Support	152.8
3	Domestic Financing (Borrowing)	939.9
4	Project Support (External Financing)	6,774.0
5	Appropriation in Aid (AIA)	872.9
	Total Resource Inflow (1+2+3+4+5)	24,287.4
6	External Debt Repayments (Amortisation)	-894.0
7	Project Support (External Financing)	-6,774.0
8	Domestic Refinancing	-4,986.6
9	Domestic Arrears	-300.9
10	Appropriation in Aid (AIA)	-872.9
11	GOU MTEF: Resource Envelope Less External Debt Repayments, Project Support, Domestic Refinancing, Arrears and AIA	10,459.0

S/N	Source	FY 2018/19 (UGX Billion)
12	Interest payments	-2,700.7
13	GOU MTEF: less interest payments (Discretionary resources)	7,758.3
14	Wage Bill (Excl. Arrears and AIA)	-3575.9
15	Service Delivery Funds	4,182.4

*Domestic Refinancing amounting to UGX 4.986 trillion has been reduced from the total resource inflow for it is already committed expenditure that is due for repayment hence not revenue.

Source: MoFPED and OLOP Computations

The discretionary resources once reduced by wage bill of UGX3.575 trillion, funds available for service delivery in FY2018/19 amount to only UGX9.169 trillion or UGX4.182 trillion when domestic refinancing is not reflected as resource inflow. With Uganda's population estimated at 38 million, each Ugandan has been allocated a share of UGX241,289 or UGX110,052 for service delivery. The bulk of the budget is towards loan repayment, interests, arrears, projects and domestic refinancing.

Domestic Borrowing

Government domestic borrowing comprises mainly of securities i.e. Treasury Bills and Treasury Bonds. Treasury Bills are issued in maturities of 91, 182 and 364 days while Treasury Bonds are issued in maturities of between 2 and 15 years¹⁹.

Domestic borrowing is intended to bridge Government financing gap, operation of monetary policy (Central Bank capitalisation) and development of the financial markets. As a result, Government in FY2012/13 started issuing treasury bills and bonds for fiscal policy purposes. Since then, the stock of domestic debt has increased from UGX11.61 trillion in the FY2015/16 to UGX12.05 trillion in FY2016/17²⁰.

¹⁹ *Parliament of Uganda, 2017. A minority Report on Annual Budget Estimates FY2017/18*

²⁰ *Parliament of Uganda, 2017. An Analytical Report from the Parliamentary Budget Office on the State of Indebtedness and Public Debt Sustainability for Uganda as at end June 2017. Annual Issue No. 14, Vol. No. 01*

Out of the total of Government securities traded in the FY2016/17 amounting to UGX12.05 trillion, Treasury Bills (which are short term borrowing instruments) amounted to UGX3.60 trillion (30%) while Treasury Bonds amounted to UGX8.45 trillion (70%). Banks take the largest share of Treasury Bills i.e. 83% of face value (UGX2.99 trillion) while pension and provident funds take largest share of Treasury Bonds i.e. 54% of face value (UGX4.59 trillion).

Section 36(5a) of the Public Finance Management Act (as amended) stipulates that loans raised for management of monetary policy or treasury operations shall not exceed 10% of the domestic revenue of Government and shall, in any case be repaid automatically from the Uganda Revenue Authority Collections Account held in Bank of Uganda, within the financial year.

Section 36(5b) of the Public Finance Management Act (as amended) defines treasury operations to mean day to day management of Government cash needs by undertaking annual, quarterly and daily cash forecasts for ensuring through investments and temporary borrowing, that Government has sufficient liquidity to meet its obligations on time in line with Parliamentary appropriations.

In FY2018/19, domestic revenue is projected at UGX15.547 trillion. In line with the cited provisions above, Government is able to borrow only UGX1.554 trillion for Treasury Bills that can be repaid within the financial year. Temporary loans borrowed between 91 days and 364 days are referred to as Treasury Bills²¹. In this regard, the UGX939.9 billion²² that is reflected as domestic borrowing in FY2018/19 is within the legal threshold or limit of UGX1.554 trillion.

It is noted with concern that domestic borrowing in FY2018/19 is projected to far exceed UGX939.9 billion by an additional UGX4.986 trillion which is reflected as domestic refinancing. This is borrowing²³ that is raised domestically is a debt roll over as indicated by the Minister of Finance, Planning and Economic Development during the consideration of Annual Budget Estimates for FY2017/18. This means that in FY2018/19, Government proposes to borrow a total of UGX5.926 trillion. This is UGX4.372 trillion beyond the threshold of UGX1.554 trillion. This is illegal in

21 *Parliament of Uganda, 2017. A minority Report on Annual Budget Estimates FY2017/18*

22 *National Budget Framework Paper FY2018/19 – 2022/23, Pg. 15*

23 *Parliament of Uganda, 2017. Hansard – Wednesday, 31st May 2017*

the meaning of Section 36(5b) of the Public Finance Management Act (as amended). Furthermore, the projected total amount of UGX5.926 trillion that is to be borrowed domestically is just 49% of the total stock of UGX12.064 trillion.

More still, the UGX4.986 trillion is Treasury Bonds that are expected to mature in FY2018/19. Treasury Bonds are issued in maturities of between two (2) and 15 years. Hence this is already borrowed money that is due for repayment and should be treated as expenditure.

Based on the above, the total resource inflow is UGX24.287 trillion. Hence this would imply that the resource envelope would have a deficit of UGX4.986 trillion if it is to finance the proposed budget for FY2018/19.

During the consultation meeting held between the ministers responsible for Finance, the Attorney-General and minority report movers when considering the Annual Budget Estimates for FY2017/18, it was agreed that 'domestic refinancing' be called 'deficit financing'²⁴ for it is a debt roll over. By implication, this would be financed through Section 36(2) (a) of the Public Finance Management Act, 2015. The terms and conditions of a loan raised by the Minister shall be laid before Parliament and the loan shall not be enforceable except where it is approved by Parliament by a resolution.

The total resource inflow should be reflected as UGX24.287 trillion instead of UGX29.274 trillion.

Domestic refinancing should be reflected as deficit refinancing and financed through Section 36(2) (a) of the Public Finance Management Act, 2015.

Domestic Arrears

Government is commended for considering the Opposition's recommendation to raise allocations towards domestic arrears from UGX110 billion as was earlier proposed by Government to UGX300.13 billion in FY2017/18. This too was inadequate to clear verified stock of domestic arrears amounting to UGX2.7 trillion in FY2015/16. The stock has since risen to UGX2.9 trillion²⁵ in FY2016/17.

²⁴ Parliament of Uganda, 2017. Hansard – Wednesday, 31st May 2017

²⁵ Office of the Auditor-General, 2017. Annual Report of the Auditor-General on the Results of Audits for the year 2017. Pgs. 8 & 10

This comprises of arrears in regard to goods and services, salaries, wages, pension and gratuity. The continued growth in domestic arrears particularly for suppliers of goods and services has led to collapse of businesses and banks. This is mainly attributed to failure to repay back loans thereby raising bad loans. It is, therefore, not surprising that there have been requests for bail outs and Crane Bank collapsed due to unsustainable rise in non-performing loans.

Furthermore, 50% of the stock of domestic arrears amounting to UGX1.45 trillion should be cleared in FY2018/19. This would spur tax revenue growth, motivate civil servants and facilitate public for improved productivity and increase availability of disposable income for enhanced economic activity.

A list of every supplier that is being owed by Government should be laid on the Table in Parliament so as to establish breakdown of the arrears and transparent clearance criteria.

Contingency Fund

Section 26 of the Public Finance Management Act (as amended) requires that the Contingency Fund is replenished with an amount equivalent to 0.5% of the appropriated annual budget of government for the previous financial year. The Contingency Fund is meant to respond to natural disasters such as drought, floods and hunger among others as provided in Section 27 of the Public Finance Act²⁶.

Unlike this FY2017/18, it is commendable that allocation amounting to UGX 77 billion²⁷ has been allocated towards the Contingency Fund. However, this is short of the equivalence to 0.5% of the appropriated annual budget (UGX 29.01 trillion of FY2017/18 which amounts to UGX145.04 billion. This amounts to a deficit of UGX68.04 billion which violates Section 26 of the Public Finance Management Act (as amended).

26 Parliament of Uganda, 2017. *A minority Report on Annual Budget Estimates FY2017/18*

27 National Budget Framework Paper FY2018/19 – 2022/23, Pg. 25

The Contingency Fund should be replenished with addition UGX68.04 billion so as to satisfy Section 26 of the Public Finance Management Act (as amended) and boost country's financial preparedness in responding to natural disasters.

4.0 Macroeconomic Forecast Analysis

Unsatisfied GDP Targets

Uganda has never achieved its real GDP growth targets set in the Second National Development Plan that covers the period of FY2015/16 – 2019/20.

For instance, it was projected that the economy will grow at 5.8% in FY2015/16, 5.9% in FY2016/17 and 6.4% in FY2017/18²⁸. However, the economy grew at 4.7% in FY2015/16, 4.0% in FY2016/17 and projected at 5.0% this financial year²⁹.

The failure to meet the development plan GDP targets is attributed to the inappropriate strategy of prioritisation of infrastructural development which is a support sector other than productive sectors.

The mismatch of prioritisation constrains Uganda's potential for import substitution and value chain improvement. This subsequently affects production and gainful employment hence failure to attain middle income status³⁰. As a consequence, the nation cannot harness self-growth to sufficiently support its own infrastructural developments rather largely depends on borrowing. For instance in FY2018/19, it is projected that UGX2.1trillion out of UGX4.7 trillion which translates to 45% of the budget of the Works and Transport Sector will be funded by external sources.

In the Budget Framework Paper, Government attributes failure to meet GDP targets to hyped services sector which employs a small proportion of the population at the expense of agriculture and manufacturing sectors that have very strong forward and backward linkages and spill-over effects in the economy.

28 *Second National Development Plan 2015/16 – 2019/20, Pg. 130*

29 *National Budget Framework Paper FY2018/19 – 2022/23, Pg. 8*

30 *Opposition Response to the National Budget Framework Paper - FY2017/18 – 2021/22*

Macroeconomic Outcomes

It is prudent to note that the envisaged second development plan macroeconomic outcomes i.e. sustained growth, keeping inflation below 5% and attaining of middle income status can only be achievable when emphasis is refocused from enabling and complementary sectors to primary growth sectors.

The primary growth sectors consist of sectors and subsectors that directly produce goods and services. These include agriculture, forestry, manufacturing, tourism, mining, oil and gas, ICT and housing development³¹.

Unfortunately, in FY2018/19, the primary growth sectors (agriculture 3.8%, water and environment 3.2%, tourism, trade and industry 0.5%, energy and mineral development 11.5%, ICT and national guidance 0.5% as well as lands, housing and urban development 0.7%) are projected to receive a total share of only 20.2% of the budget as compared to enabling sectors (38.80%) and complementary sectors (21.70%) as indicated in Table 5. As a consequence there is rising poverty, decline in food production and rising unemployment among others.

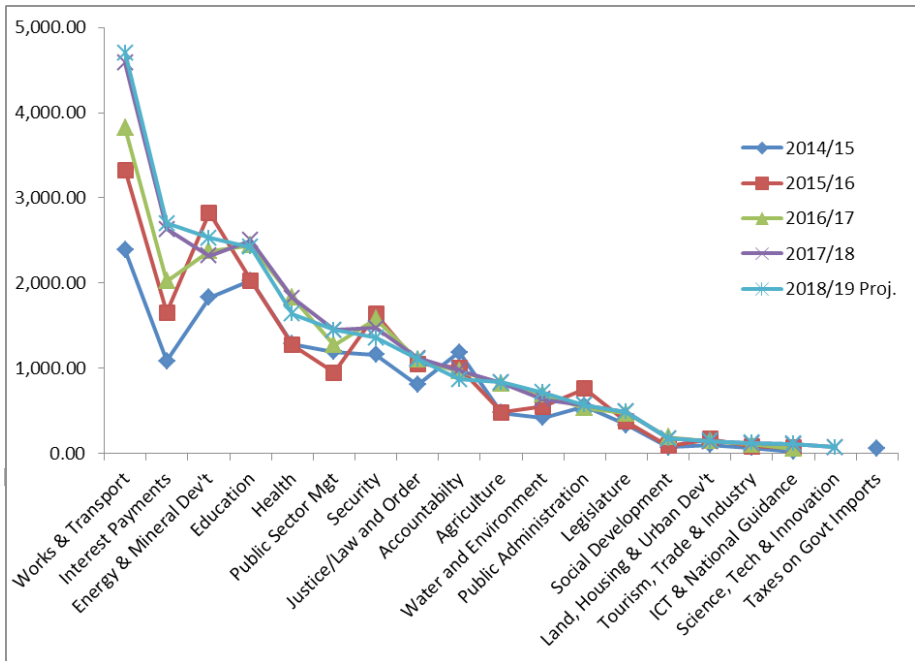
Based on the above, it is not surprising that the Second National Development Plan targets cannot be achieved in its life time. The plan expires in FY2019/20.

31 *National Development Plan 2010/11 – 2014/15. Pg. 15*

Table 5: Budget Share allocations according to social, primary growth, complementary and enabling sectors

SECTORS	FY 2017/18	FY 2018/19
SOCIAL SECTORS	20.50%	19.20%
Education	11.40%	11.00%
Health	8.30%	7.40%
Social Development	0.80%	0.80%
PRIMARY GROWTH SECTORS	18.80%	20.20%
Energy and Mineral Development	10.50%	11.50%
Agriculture	3.80%	3.80%
Water and Environment	2.90%	3.20%
Lands, Housing and Urban Development	0.60%	0.70%
Tourism, Trade and Industry	0.50%	0.50%
ICT and National Guidance	0.50%	0.50%
COMPLEMENTARY SECTORS	21.10%	21.70%
Works and Transport	20.80%	21.40%
Science, Technology and Innovation	0.30%	0.30%
ENABLING SECTORS	39.60%	38.80%
Interest Payments	12.00%	12.30%
Public Sector Management	6.60%	6.60%
Security	6.70%	6.20%
Justice/Law and Order	5.10%	5.00%
Accountability	4.40%	3.90%
Public Administration	2.60%	2.60%
Legislature	2.20%	2.20%

Source: MoFPED and OLOP



Source: NBFP 2014/15-2018/19 and OLOP

The poor budget prioritisation is attributed to the fact that the Ministry of Finance, Planning and Economic Development has not given adequate room to the National Planning Authority to influence resource allocations. Ideally, the Ministry should solely be charged with resource mobilisation and accountability.

The National Planning Authority should be charged with the responsibility of guiding resource allocations while the Ministry should solely be charged with resource mobilisation and accountability.

As a means of attaining the NDP II macroeconomic targets and outcomes, nationalisation interventions should be undertaken in the following sectors:

a) Agriculture

- ***Revival of the National Seed Company so as to ensure supply of authentic and improved seeds***

- *Construct regional silos so as to boost food storage, reduce post-harvest losses and improve food distribution across the country.*
- *Establish an agricultural bank to address farmers' challenge of accessing affordable capital to invest in agriculture.*

(b) Tourism

- *Set up an aggressive campaign to show cast inland tourism potential in print and visual media as a means of attracting Ugandans to visit tourist sites in Uganda.*
- *Develop customised tourism promotion packages for different target external markets so as to showcase and attract foreign tourists in Uganda. For instance, the naming of features in Uganda such as Murchison Falls, Queen Elizabeth National Park, Owen Falls as well as reference of Uganda as Pearl of Africa by Winston Churchill could be used to attract British tourists to Uganda. A package for India may focus on Source of the Nile and Mahatma Ghandi.*

Unemployment

According to the Second National Development Plan, Uganda's labour market continues to face a shortage of requisite skills, with only few people being in possession of some form of tertiary education qualification. There was a mismatch between the curriculum at the tertiary institutions and the labour market requirements, which explains the high graduate unemployment rates on Uganda's labour market³².

It is estimated that of the 700,000 individuals who enter the labour market each year, only 100,000 find employment³³. This creates a job deficit of about 600,000 jobs. This high unemployment represents both widespread personal misfortunes for individuals and a lost opportunity for critical national and global economic development.

During the State of the Nation Address 2017, the President highlighted that he used part of funds allocated to him as donations to support skilling and equipping of youth involved in artisanal industry.

³² *Second National Development Plan 2015/16 – 2019/20*, Pg. 7

³³ *Ministry of Finance, Planning and Economic Development, 2014. Uganda's Employment Challenge*

In FY2016/17, UGX983 million was spent towards the Presidential skilling intervention. However, the intervention presently is mainly benefiting youth in Kampala and Wakiso districts. This raises equity concerns.

Besides, the Youth Livelihood Programme and the Skilling Uganda Programme have been running with the intention of addressing the high numbers of the unemployed youth. These too were intended at reducing youth unemployment and addressing the skills gap in Uganda.

It should also be noted that over the years, the NRM Government pledged to establish vocational technical institutes in every sub county. However, this has never been achieved. During the election year, the NRM committed in its 2016 manifesto to change strategy i.e. establish technical and vocational institutes in each constituency but initially starting with districts³⁴.

Instead of establishing technical and vocational institutes in each constituency, at least five (5) regional centres of excellence for Business Technical and Vocational Training (BTJET) in central, northern, eastern, southern and western regions should be established. These would be easier to equip and manage. The centres will greatly contribute to the transformation of the informal sector into a highly productive formal sector.

Establish a National Skills Inventory that should be complemented by a comprehensive curriculum reform to address skills mismatch.

5.0 Fiscal Forecast Analysis

External Resource Commitments

The continued reliance on external financing for infrastructural investments is a clear indication that Government's fiscal strategy is expansionary i.e. increase spending so as to increase money supply in the economy and stimulate economic activities. External financing is projected to increase from UGX4.56 trillion in FY2017/18 to UGX4.77 trillion³⁵ in FY2018/19.

³⁴ NRM Manifesto 2016 -2021, Pg. 174

³⁵ National Budget Framework Paper FY2018/19 – 2022/23. Pg. 11

Unfortunately, performance of most of the infrastructural loans and projects is unsatisfactory for they are characterised by poor absorption, project overruns both in cost and time as well as delays in anticipated benefits. It should also be noted that majority of loans were approved over two (2) years ago but their total disbursements have performed at a mere 27%³⁶ a reduction from 28%³⁷ as of December 2015.

Table 6: Performance of External Loan Disbursements

S/N	SECTOR	Net commitment (USD-millions)	Cumulative Disbursement as at end December 16 (USD-millions)	Percentage Disbursed
1	Lands	150.0	112.1	75%
2	Health	408.9	191.0	47%
3	Private Sector Development	368.2	148.7	40%
4	Water	667.0	233.5	35%
5	Public Sector Management	608.3	187.3	31%
6	Agriculture	411.1	124.8	30%
7	Energy	3,102.6	717.3	23%
8	Education	331.5	73.7	22%
9	Works and Transport	2,180.6	412.9	19%
10	ICT	90.4	6.1	7%
	TOTAL	8,318.4	2,207.4	27%

Source: Ministry of Finance, Planning and Economic Development

³⁶ Report on Public Debt, Guarantees, Other Financial Liabilities and Grants for Financial Year 2016/17 and the Medium Term Debt Management Strategy 2017/18 – 2020/21– Pg.110

³⁷ Hon. Kasaija Matia, 2016. Report on Public Debt (Domestic and External Loans), Guarantees and other Financial Liabilities and Grants for Financial Year 2015/16

Most of these constraints relate to failure to prioritise resources for multiyear counterpart commitments, limited capacity to prepare and monitor projects often resulting in an escalation in commitment fees and projects exceeding their expiry periods³⁸.

This is affirmed by an assessment of Government projects undertaken by the Ministry of Finance, Planning and Economic Development in the sectors of agriculture, education, energy, health, public sector management, roads, water and environment.

Overall, about 83% of the project delays were associated with inefficiencies in planning and budgeting. Three (3) (health, water and environment, and roads) of the seven (7) sectors had 100% of the delays attributed to poor planning and budgeting. The sectors of education, energy, agriculture and public sector management had other factors that variously contributed to the delays.

Planning and budgeting of projects poses challenges across all sectors of Government. This is so even where 100% budgeted funding is availed. The effect of delayed projects include, denied public services to the population, increased costs of implementation through inflation and changing of inputs over time³⁹. Hence land acquisition and compensation is not the cause of delayed implementation of infrastructural projects and absorption of loans BUT rather poor planning.

Furthermore during the consideration of the National Budget Framework Paper FY2017/18, it was noted of the 15 oil roads that were allocated funds, feasibility studies and detailed designs were undertaken for only two (2) roads. Therefore, it was not possible for the remaining 13 roads to absorb funds in FY2017/18 amounting to a total of UGX851.12 billion. This worsens the fiscal deficit through continuous upward cost revisions and supplementary budgets. Besides these are multiyear commitments whose actual total project cost is not provided so

38 Ministry of Finance, Planning and Economic Development, 2016. *First Budget Call Circular on preparation of Budget Framework Papers and Preliminary Budget Estimates for FY2017/18. Annex 6: Summary Report on the development committee review of the performance of existing projects.* Pg. 6

39 Ministry of Finance, Planning and Economic Development, 2017. *Delayed Implementation of Government Projects: To what extent is it a problem of poor planning and budgeting? BMAU Briefing Paper (16/17)*

as to establish required commitment through their project cycle. Unfortunately the budget framework paper provides no concise information on multiyear commitments in contravention of Section 23(3) of the Public Finance Management Act, 2015.

In line with 23(3) of the Public Finance Management Act, 2015 the Budget Framework Paper hence forth should provide information on multi year commitments. It should indicate how the proposed allocations in the medium term contribute to meeting the already established costs i.e. costs established after undertaking relevant feasibility studies.

Change of fiscal strategy from growing the external loan portfolio for the at least three (3) financial years and place priority on fully utilising the already committed loans. This is premised on the fact total loans absorption is just 27%.

The nation's infrastructure development portfolio should be capped until ongoing projects are completed. This will ensure financial prudence.

Priority should be placed on fully utilising the already committed loans and repaying all domestic arrears. This would spur tax revenue growth, motivate civil servants and facilitate the public for improved productivity and increase availability of disposable income for enhanced economic activity.

Mobile Money Regulation

Mobile money services continued to register significant growth in the year to June 2017. This growth was propelled by the services' convenience. Besides being an avenue for money remittance and bills payments, mobile money has revolutionised the banking sector, complementing the banks' operations. Notably, banks' customers are using mobile money to transfer funds between their bank and mobile money accounts. They can also save and borrow through the mobile money accounts. The number of mobile money transactions increased from 809.1million in the year to June 2016 to 1.1 trillion during the year to June 2017. The corresponding increase in the value of mobile money transactions was from UGX37.4 trillion to UGX52.8 trillion. The number of registered mobile money users increased from 19.6 million to 22.8 million during the period⁴⁰.

40 Bank of Uganda, 2017. Bank of Uganda Annual Report 2016/17

It should be noted with concern that mobile money operations are not guided by any stringent and elaborate regulations. The Government has for years promised to develop mobile money regulations. To date, Uganda lacks mobile money regulations. The subsector is only guided by Bank of Uganda Mobile Money Guidelines, 2013.

For instance, in the Budget Speech for FY2013/14, the President committed that the financial sector will be deepened by proposing amendments to the Financial Institutions Act to allow new innovations in financing and development of mobile money regulations.

In June 2017, Government embarked on drafting the National Payment Policy Framework. This is expected to be finalised within this financial year as a precursor to the formulation and enactment of a comprehensive national payment systems law⁴¹. With past failed commitments as precedencies, it would be unfortunate for mobile money operations to continue amidst fast and risk prone technological advancements.

The National Payment Policy Framework and subsequent law should be completed within FY2018/19. In the meantime, we shall take up an initiative to introduce a Private Members Bill.

Off Budget Support

A particular problem faced by recipient governments in incorporating aid into budgetary processes is that not all aid that flows into a country is recorded by the Government. The mix of aid in the form of budget support and donor projects presents particular problems for incorporating aid in budget planning as only the former is fully recorded (while the latter can create future spending commitments)⁴².

The proposed intervention to mainstream off budget support so as to be appropriated by Parliament is indeed a worthy intervention. This will ensure that one gets a holistic view of how much resources are allocated to a given sector.

41 Ministry of Finance, Planning and Economic Development, 2017. Background to the Budget for Fiscal Year 2017/18. Pg. 34

42 Thomas Bwire et al, 2017. Fiscal Reforms and the Fiscal Effects of Aid in Uganda

6.0 Certificate of Gender and Equity Responsiveness

On 20th December 2017, when the National Budget Framework Paper FY2018/19 – 2022/23 was laid it was not accompanied by a Certificate on Gender and Equity Responsiveness. This contravened Section 9(6) of the Public Finance Management Act, 2015 and Rule 143(2) of the Rules of Procedure.

It was, however, established that the Ministry of Finance, Planning and Economic Development submitted the Budget Framework Paper before it being assessed whether its gender and equity responsive. This defeated the intended purpose of the Certificate particularly informing corrective measures to any emerging issues. Any attempt therefore to lay the Certificate later on would not fit within the timeframe stipulated in Section 9(5) of the Public Finance Management Act, 2015. This provision required that the Budget Framework Paper and the Certificate on Equity and Gender Responsiveness are submitted to Parliament by 31st December 2017.

The Equal Opportunities Commission (EOC) submitted their assessment report on 28th December 2017 i.e. eight (8) days after the Budget Framework Paper was laid in Parliament. As a consequence, the Secretary to Treasury failed to comply with the first call circular instructions for FY2018/19 particularly the undertaking to reject any sector budget framework papers that have not satisfied gender and equity responsiveness parameters

Nonetheless, the EOC assessed all the 17 sectors of which 16 passed the assessment (50% minimum) and one (1) failed i.e. Sector of Science, Technology and Innovation. It scored 18%.

The overall national compliance to gender and equity responsiveness was 61%⁴³.

In line with Section 78(1) of the Public Finance Management Act, 2015 the Minister of Finance, Planning and Economic Development submits a report to Parliament as to why the Budget Framework Paper was not accompanied with a Certificate on Gender and Equity Responsiveness.

⁴³ Equal Opportunities Commission, 2017. Assessment Report on Compliance of Sector Budget Framework Papers with Gender and Equity Requirements – Financial Year 2018/19

7.0 Critical Issues on Proposed Sectoral Priorities for FY2018/19

The Budget Framework Paper highlights key strategic sector interventions and priorities whose implementations are anchored on the Second National Development Plan and the NRM Manifesto 2016 - 2021.

It is imperative to emphasise that as earlier articulated in Section 2 of this Response, the budget is insufficiently anchored on either the Second National Development Plan or the NRM Manifesto 2016 - 2021. Service delivery sectors lack plans aligned to the Second National Development Plan while majority of the Presidential pledges and NRM Government assurances are unfulfilled. Hence there is a misrepresentation of facts regarding the budget strategy for FY2018/19.

Nonetheless, following analysis of sectoral priorities proposed by Government for FY2018/19, a number of observations were made.

7.1 Increasing Production and Productivity in Agriculture Agricultural financing

In FY2018/19, Government contends to improving agricultural financing through the Agricultural Credit Facility (ACF) and enhancing uptake of agricultural insurance policies. This intervention is inappropriate based on the following:

- a) Agriculture lacks a good financial institution that understands and is passionate about farming. The present levels of low funding have prevented agriculture from becoming a commercial activity that farmers can depend on to earn favourable income. This is in spite of the fact that finance is a key enabler in developing profitable agricultural value chains and in addressing issues of community mobilisation, cooperative development, production planning and management as well as harvesting and marketing⁴⁴.
- b) Financial institutions in Uganda still consider agriculture a high risk sector for lending. This perception prompted Government to introduce the ACF in FY2009/10⁴⁵.

44 *The National Farmers Manifesto. Agenda 2016 and Beyond. Pg. 12*

45 *Ministry of Finance, Planning and Economic Development, 2017. Background to the*

However, this facility benefits wealthy farmers or companies who are engaged in commercial farming and is not an appropriate intervention to empower subsistence farmers who ordinarily lack adequate collateral to attain machinery and equipment.

c) The maximum loan amount to a single borrower is up to UGX2.1billion. However, this amount can be increased up to UGX 5billion on a case-by-case basis (for eligible projects that add significant value to the Agriculture Sector and the economy as a whole). There is no designated minimum loan amount to the final beneficiary (farmer/ agro-processor) but Bank of Uganda can only reimburse a minimum of UGX10 million to the Participating Financial Institutions (PFIs). The primary security for the credit facilities is the machinery and equipment financed, where applicable, and any other marketable securities provided by the borrower/final beneficiary⁴⁶.

d) There was regional disparity in access to the ACF, with most loans accessed by beneficiaries from Central and Western regions with the East and North having the lowest access⁴⁷.

As at June 30, 2017, total disbursements amounted to UGX236.55 billion extended to 378 eligible projects across the country, of which the Government of Uganda's contribution amounted to UGX117.34 billion.

The Agricultural Credit Facility that mainly benefits the privileged should be dissolved and funds channelled towards establishing a National Bank for Agricultural Transformation.

Operation Wealth Creation

The proposed review of Operation Wealth Creation (OWC) is a long overdue intervention given the fact that it has contributed to conflict and mismatch of mandates in the Agricultural Sector.

Budget for Fiscal Year 2017/18. Pg. 102

⁴⁶ *Bank of Uganda, 2016. Agricultural Credit Facility Brief to Clients. Pg. 3*

⁴⁷ *Ministry of Finance, Planning and Economic Development, 2016. Annual Budget Monitoring Report FY2015/16. Pg. 54-55*

The President launched OWC was in 2014 as an intervention intended at rolling out countrywide initiatives that supported civilian – veterans in the Luweero – Rwenzori Triangle. The President as the Commander-in-Chief issued Standing Orders of Procedure (SOP) in February 2015. The orders arose from challenges faced in the integration of OWC interventions in production departments of district local governments and soldiers' failure to share progress reports with other stakeholders other than the President.

It is important to note that OWC was integrated into the National Agricultural Advisory Services (NAADS) and budgeted for within Vote 152 under specific budget codes i.e. Outputs 015414 and 015416. District local governments are also expected to mobilise local resources to support OWC implementation particularly input delivery and beneficiary ascertainment.

It is essential to note that over the years, total allocations under the two (2) output codes constitute over 80% of the total budget of NAADS as indicated in table below.

Table 7: Budget Allocations to OWC

BUDGET ALLOCATION	FY 2015/16 ('000)	Percentage of Vote	FY 2016/17 ('000)	Percentage of Vote	FY 2017/18 ('000)	Percentage of Vote
VOTE 152 - NAADS SECRETARIAT	178,974,681		318,607,455		315,702,434	
Output 015414 - Provision of Agricultural Inputs to farmers	75,068,606	42%	88,330,594	28%	266,622,772	84%
Output 015416 - Strategic Interventions Supported	72,103,072	40%	167,049,358	52%	-	0%
Total Output 015414 + 015416	147,171,678	82%	255,379,952	80%	266,622,722	84%

Source: Ministry of Finance, Planning and Economic Development and OLOP computations

OWC raises the following critical issues that should be addressed:

- The UPDF is engaged in facilitating production particularly distribution of inputs contrary to engaging in production activities as required under Section 7(d) of the Uganda Peoples' Defence Forces Act, 2005.
- NAADS is engaged in planning and budgeting for distribution of farming inputs contrary to promotion of modern farming inputs as required under Section 6(b) of the NAADS Act, 2001.
- The UPDF does not provide extension services to beneficiaries for they lack

the requisite skills. As a consequence, emphasis is placed on quantity of distribution rather than focusing on output from the agricultural inputs given to farmers. Many farmers have since complained of poor selection of beneficiaries as well as low productivity of crops attributed to poor quality inputs and inadequate extension services⁴⁸.

- d) The Standing Orders of Procedure creates conflict of mandates among Ministries, Departments and Agencies. UPDF is expected to ensure value addition and agricultural mechanisation yet this is a mandate of the Ministry of Agriculture, Animal industry and Fisheries (MAAIF). Furthermore, the UPDF is expected to promote cooperatives, post-harvest handling and marketing yet this is a mandate of Ministry of Trade, Industries and Cooperatives.
- e) Many people meet the OWC beneficiary selection criteria but only a few people benefit. This raises equity and fairness risks to participation in national development.

The UPDF should engage in production activities for development of Uganda as required under Section 7(d) of the Uganda Peoples' Defence Forces Act, 2005. Therefore, UPDF should be a beneficiary of inputs so as to raise productivity of crops and livestock in Uganda.

The distribution of farming inputs and provision of extension services should solely be a preserve of MAAIF.

OWC should be discontinued so as to enable all MDAs fulfil their rightful mandates.

7.2 Enhancing Industrialisation to Support Job Creation and Exports

The Government of Uganda formulated a 10 year National Industrial Parks Development Strategy with effect from FY 2008/09 to FY 2017/18⁴⁹. The strategy aimed at creating 22 industrial parks across the country and started with the setting up of the Kampala Industrial Parks in Bweyogerere, Luzira and Namanve.

⁴⁸ Ministry of Finance, Planning and Economic Development, 2015. *Agriculture Sector Annual Monitoring Report FY2014/15*

⁴⁹ Ministry of Finance, Planning and Economic Development, 2015. *Industrialisation Sub Sector Annual Monitoring Report Financial Year 2014/15. Pg. 37*

In fulfilment of that mandate, the Uganda Investment Authority secured land in Namanve, Kasese, Soroti, Mbale, Moroto, Bweyogerere, Luzira and Mbarara. The total project cost was estimated at UGX200 billion. The project started in July 2008 and was expected to be completed in June 2016⁵⁰.

Although initiatives to promote industrialisation should be supported, it would not be prudent to acquire a loan from the Exim Bank of India for the development of industrial parks which should have been completed by now.

However, development in the industrial parks has been minimal despite the substantial investment by Government. Over the years, the Auditor-General⁵¹ noted the following concerns:

- a) Except for the Namanve Industrial Park, there was no feasibility study done for the rest of the parks.
- b) Out of the 343 investors allocated land in the different industrial parks, only 45 investors representing 13%, had satisfied the investment conditions.
- c) Out of the anticipated 57,452 jobs that would have resulted if the land so far allocated had been developed and fully utilised, only 1,345 jobs were created which represents a performance level of 2%.
- d) Functions of the UIA spelt out under Section 6 of the Investment Code do not explicitly provide the UIA with authority to develop or allocate land to investors as part of its core business.

Based on the above, it would be unjustifiable to invest funds into development of new industrial parks.

With immediate effect, halt the allocation of land by the UIA and a moratorium placed on allocating investors free land.

Land available in industrial parks should be advertised in widely circulated newspapers and criteria for allocation clearly articulated.

50 Ministry of Finance, Planning and Economic Development, 2014. *Industrialisation Sub Sector Annual Monitoring Report Financial Year 2013/14*. Pg. 14

51 Office of the Auditor-General, 2015. *Value for Money Audit Report. Management of Investment Land in Industrial Parks by Uganda Investment Authority*. Pg. ii

Prospective investors should compete and subsequently pay for land suitable for their proposed projects in designated industrial parks. This would curb the growing trend where land allocated to investors is not developed or has been transferred to another investor without the approval of Government.

Section 40 of the Land Act should be amended to provide for maximum lease period of 49 years instead of 99 years so as to reduce incidence of idle and absentee landlords.

7.3 Improving Service Delivery

Health

A healthy population is critical for any economic recovery, growth and social transformation. The middle income status shall remain a dream that is unachievable until the health sector is prioritised through better allocations and interventions.

It is indicated that in FY2018/19 emphasis will be placed on disease prevention measures at household and community level particularly healthy nutrition, good hygiene practice and healthy lifestyles⁵². This programme objective is allocated to Local Governments (primary health care) and referral hospitals. However, the performance indicators are increased diagnostic investigations, bed occupancy and specialised clinics outpatient attendances. These do not relate to healthy nutrition, good hygiene practice and healthy lifestyles.

Furthermore it is indicated that emphasis will be placed on equipping the referral system to enable early diagnosis and treatment of Non-Communicable Diseases. Equipment prioritised under Programme 2 Health Infrastructure and Equipment includes caesarean, blood transfusion, imaging and radiography. These are important. However, it is essential that adequate allocations are made for equipment maintenance. This is premised on the fact that there is inadequacy of human resource and funds for the maintenance of medical equipment nationwide⁵³.

52 *National Budget Framework Paper FY2018/19 – 2022/23. Pg. 21*

53 *Ministry of Health, 2017. Ministerial Policy Statement FY2017/18. Pg. 22*

Priority should be placed on training and recruitment of Biomedical Engineers. This will improve equipment functionality and subsequently proper disease diagnosis.

In 2014, the Ministry of Health established the Uganda National Ambulance Service (UNAS) to address the need for emergency pre-hospital care in Uganda⁵⁴. In Uganda however, response to accident victims remains a challenge with many victims left to the mercy of onlookers and good Samaritans. Many 'lucky' ones are usually seen being pushed under the seats of Police patrol pick-up trucks. Points of reference are also non-existent as most of the health facilities lack the requisite facilities for Accident and Emergencies.

To date, Uganda National Ambulance Service, a key health infrastructure and equipment has not been actualised. Provisions of adequate number of ambulances throughout the country would greatly strengthen the referral system and save lives. Hard to reach areas such as islands and mountainous areas were to be given special attention⁵⁵. However, of late, the initiative to procure an adequate number of ambulances has been left for individual well-wishers and Members of Parliament.

According to the Annual Health Sector Performance Report for FY2016/17, there are 484 ambulances in the country of which 411 are functional. Categorisation by ownership indicates that Government has 181 (37%) functional ambulances and 56 (12%) grounded; private not-for-profit or Non-Governmental Organisations have 124 (26%) functional ambulances and nine (9) (2%) grounded; and functional privately owned ambulances were 106 (22%) and eight (8) (2%) grounded. Assuming the functional ambulances were evenly distributed in all 121 districts of Uganda,⁵⁶ each district would have only three (3) functional ambulances. This is a worrying situation that needs to be improved.

Ambulance lanes should become a permanent inclusion on any urban road design and development.

⁵⁴ Ministry of Health, 2018. Uganda National Ambulance Service. <http://health.go.ug/departments/uganda-national-ambulance-service>. Last accessed 2nd January 2018

⁵⁵ Second National Development Plan 2015/16 – 2019/20. Pg. 190

⁵⁶ Ministry of Local Government, 2017. Ministry of Local Government Fact Sheet

Fully equipped Regional Ambulance Service Centres should be established along highways.

The National Indicator Framework indicates a programme outcome of inclusive health finance with one of the indicators being health insurance coverage. This is not reflected in the budget framework paper contrary to the undertaking made in the House. In July 2017, Government indicated UGX3 billion is required to start preparation and implementation arrangements for the National Health Insurance Scheme starting FY2018/19⁵⁷.

UGX3 billion should be availed in FY2018/19 to start preparation and implementation arrangements for the National Health Insurance Scheme.

7.4 Improving Governance

Pay Reform

Government indicated that it has witnessed agitation for pay increase by a number of institutions⁵⁸.

Industrial actions were notably undertaken by the Uganda Medical Association and prosecutors which paralysed service delivery across the country in the health and justice sectors respectively. Over the years, industrial action arising from demand for better remunerations has also been rampant in the Education Sector. Each time industrial action is called by aggrieved civil servants, the Government initiates negotiations and makes commitments that are largely delayed or not fulfilled at all.

Based on the above, it is disheartening that after the Government committed to undertake salary enhancements effective FY2018/19, the same Government indicates that it cannot accommodate the required funds within next year's national budget. Indeed the wage bill is proposed to remain the same in FY2018/19 at UGX3.575 trillion as is in this FY2017/18. Therefore, it is not possible for Government to undertake any phased salary enhancements for any critical cadres. This indicates that industrial actions are likely to resume and further hurt service delivery.

⁵⁷ Minister of State for Health (PHC), 2017. Statement to Parliament of Uganda, an update and roadmap for National Health Insurance Scheme (NHIS)

⁵⁸ National Budget Framework Paper FY2018/19 – 2022/23. Pg. 21

A number of stakeholders have continuously proposed the establishment of the Salary Review Commission. This would provide a mechanism for all different cadres in the Public Service to submit their views and subsequently advise government. However, when Cabinet instituted a salary review intervention, its members and constitution were never adequately publicised. It is, therefore, not surprising that the undertaking was not comprehensive in addressing the agitations for pay increase.

The Government should institute and gazette a Salary Review Commission to deal with issues relating to salary discrepancies and control selective awards across the service.

The pay reforms should be complemented by efficiency audits of civil servants in Government agencies. This will improve performance, reduce redundancy of labour and eliminate ghost civil servants.

Justice, Law and Order

Economic development and transformation cannot thrive if citizens and investors have no confidence in the rule of law and the justice system⁵⁹.

In FY2018/19, Government indicated it will focus on efficiency in the Justice System through improved use of faster and cheaper alternative corrective measures⁶⁰. Instead of focusing on preventive measures or dealing with the challenge at its preliminary stage, it is focusing on post occurrence interventions such as community service, plea bargaining and intermediation.

Uganda as a country still suffers from internal insecurity as criminals over time have caused havoc and death to many innocent Ugandans. The police population ratio is still very low as to day stands at 1:900⁶¹ far below the UN recommended ratio of 1:500. It is not surprising that paramilitary outfits such as Boda Boda 2010 and crime preventers are emerging to fill the gap without any enabling law.

59 Second National Development Plan 2015/16 – 2019/20. Pg. 43

60 National Budget Framework Paper FY2018/19 – 2022/23. Pg. 22

61 Leadership, 2017. Police need more citizens engagement to reduce crime.

<http://leadershipmagazine.org/?p=12945>. Last accessed on 12th January 2018

The Uganda Police Force should be facilitated to recruit more manpower. However, this should only be undertaken on the premise that there will be professionalisation, improved efficiency and prioritisation of deployment to high crime rate centres as opposed to containing activities of the Opposition leaders.

Furthermore, the delayed holding of local council elections has contributed to the degradation of justice, law and order in Uganda. Ever since the local councils were declared unconstitutional in 2006, benefits from the following key functions as provided for under Section 48 and 49 of the Local Government Act are unattainable:

- (a) Resolving problems or disputes;
- (b) Assisting in the maintenance of law, order and security; and
- (c) Serving as the communication channel between the Government, the district or higher local council and the people in the area.

Unfortunately, even after passing the Local Government (Amendment) Act, 2016 and availing about UGX16 billion to the Electoral Commission, elections for local councils have still not been conducted.

Local Councils are important grassroots level of governance of Uganda and the foundation block of the decentralisation policy. The absence of properly constituted local councils for the last 16 years poses serious challenge to governance⁶².

Local Council elections should urgently be held so as to improve and maintain law, order and security in Uganda.

CONCLUSION

The issues addressed and proposals made in this response when appropriately addressed would spur productivity, efficient utilisation of public resources and ensure the sustainable development of Uganda.

62 Parliament of Uganda, 2017. Report of the Sectoral Committee on Public Service and Local Government (Amendment) Bill, 2016



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