

**Friday, 28 January 2022**

*Parliament met at 11.05 a.m. in Parliament House, Kampala.*

PRAYERS

*(The Deputy Speaker, Ms Anita Among, in the Chair.)*

*The House was called to order.*

COMMUNICATION FROM THE CHAIR

**THE DEPUTY SPEAKER:** Honourable members, I welcome you to today’s special sitting meant to consider the National Budget Framework Paper, knowing that we have the constitutional timeline as to when this should be considered. Today’s sitting is to enable us to receive and process the report of the Committee on Budget on the National Budget Framework Paper of the Financial Years 2022/2023-2026/2027.

As you are aware, under Rule 145(3) of our Rules of Procedure, this House is to consider the National Budget Framework Paper by 1 February of each year. To ensure the timelines of our delivery, I decided to call for the House today. You will have to bear with us for that because we had no choice.

I, therefore, invite the Minister of Finance, Planning and Economic Development to move a motion for the adoption of the National Budget Framework Paper. After which, I will invite the chairperson of the Committee on Budget to present his committee report to the whole House. I am also informed there is a minority report so we will also receive it. Then we will debate the two reports.

MOTION FOR ADOPTION OF THE NATIONAL BUDGET FRAMEWORK PAPER FOR THE FINANCIAL YEARS 2020/2022 – 2026/2027

11.09

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PLANNING) (Mr Amos Lugoloobi):** Madam Speaker, under Rule 144, the Ministry of Finance, Planning and Economic Development laid the National Budget Framework Paper on the Table. Under rule 145, Madam Speaker, you referred the Budget Framework Paper to the Committee on Budget and the relevant sectoral committees.

I now wish to move a motion for the adoption of the National Budget Framework Paper for the Financial Years 2022/2023 – 2026/2027. I beg to move.

Secondly, some small discrepancies were discovered during the process of meeting the various committees of Parliament. We did a correction of those figures through the Committee on Budget. I now wish to lay on Table the addendum that corrects those figures, which we already did with the Committee on Budget and other sectoral committees. Just allow me, for the record, to lay this document on Table.

**THE DEPUTY SPEAKER:** Please lay. Members, the minister has moved a motion. Is the motion that has been moved seconded? It has been seconded by hon. Rita Atukwasa, hon. Charity Bainababo, hon. Jennifer Alanyo, hon. Bishango, hon. Patrick Isingoma-Mwesigwa, hon. Geofrey Ekanya, Minister of Tourism, hon. Solomon Silwany, hon. Moses Magogo, hon. Nathan Itungo, hon. Sarah Opendi, hon. Faith, the Minister of Gender and the whole House.

I am mentioning some names for the purposes of the *Hansard*. You know we were taken to court where somebody said, “Everybody has seconded.” However, no name was mentioned. I know it has been seconded by everybody.

Minister, where is your chairperson? Can we have the report presented?

**MR LUGOLOOBI:** Madam Speaker, my understanding is that the chairperson is for Parliament. As a Minister of Finance, my motion is to adopt the National Budget Framework Paper, which we laid on Table. I could move that the question be put to adopt the Budget Framework Paper as laid on Table.

11.13

**MR GEOFREY EKANYA (FDC, Tororo North County, Tororo):** Madam Speaker, I would like to seek your indulgence that as the chairperson prepares to start the process, maybe you suspend that item and we handle other matters of national importance.

Madam Speaker, we have very critical matters of national importance –

**THE DEPUTY SPEAKER:** The motion is still on. The minister has not spoken to his motion and he has not justified it. Let him speak to his motion and justify it as he waits for the chairperson. We only have one item today; the National Budget Framework Paper. The matters of national importance will be handled on Tuesday. Minister, could you speak to your motion and justify it as we wait for the chairperson?

**MR LUGOLOOOBI:** Madam Speaker, thank you very much. In the National Budget Framework Paper that we are presenting for the period, as already indicated, we present a framework which comes midway through the process of preparing the final estimates of our national budget. The idea largely is that we receive comments and ideas from various stakeholders. In this case, we are receiving the ideas from Parliament - on where you think we should move with our budget.

The Budget Framework Paper is meant to ensure that we implement the National Development Plan (NDP).

It is moved based on the interventions that are contained in the NDP.

Over the years, we have made effort to ensure that the National Budget Framework Paper speaks to the NDP and the consistency between the two documents has been growing over the years.

As we speak now, we have been able to develop the programme-based budgeting tool to ensure that the budget speaks to the plan. The plan we have now has been arranged in such a way that we go along with the programmes identified within the NDP.

Therefore, the plan or the budget that is before you - the annual plan that we are talking about now - presents the various programmes. This is where Parliament needs to reorganise in such a way that its committees actually speak to the current arrangement, because we have moved away from that sectoral arrangement - the silo-based arrangement - where each sector would speak to itself, to an arrangement where they speak to a programme.

Various sectors come together to deliver a certain programme; the goal within a particular programme. I think it is now important that Parliament reorganises to make sure that these committees are no longer sectoral committees, as they used to be, but they are committees that are consistent with this programme-based budgeting. That is when it will become more relevant.

For example, if we take the agro-industrialisation programme, we would get a committee in charge of that particular programme of agro-industrialisation. Then, they would be able to tackle the issues to ensure that there is full integration within that programme; that industrialisation speaks to agricultural production. As it is now, agriculture sits in the other committee and then, you have an industry committee somewhere else debating separately.

In this arrangement, these two sectors - industry and agriculture - will be in one arrangement so that you can look at the goals, the interventions, the budgets and analyse them critically.

In the current arrangement, where the two are not speaking to one another, you end up in a situation where a lot of resources are allocated to a particular sector and very little to the other. In the end, the value chain, which we want to promote, is not delivered because it is now skewed in favour of one sector. That is why I am appealing to Parliament, in going forward, to ensure that the committees of Parliament are arranged accordingly. That is what we propose.

Madam Speaker *-(Interruption)*

**MR BYANYIMA:** I am sorry to interrupt the honourable minister, but none of the Members got that copy of the document you are reading. You kept it to yourself and figures were not tallying. You claimed that you had put it on our iPads but it is not there - this is the copy. I mean what I am saying; we are supposed to get copies of the National Budget Framework Paper but Members never accessed it.

You are telling us something new. We more or less ignorantly went through an extra mile to go to battle. I cannot see how you put 350 pages on an iPad when you want to look at education, health or physical infrastructure.

A Member of Parliament of our calibre - Madam Speaker, I do not think we can continue being tuned to this Finance business; there could be about four copies of the document he has in this House, yet, we are supposed to have this copy so that we read, highlight and each one gets comfortable in their sector.

I think it is not procedurally right for Finance to continue taking Members of Parliament for a ride. The figures that are there do not tally with what the ministers presented in the committees. This is a new programme but we are not yet there. Now, we are going to approve something that is not in tandem with what is in the paper. Thank you.

**THE DEPUTY SPEAKER:** Thank you. Honourable minister, did you furnish Members with the copies?

**MR LUGOLOOBI:** Madam Speaker, we sent to Parliament 65 copies of well-printed documents that looked like this. In fact, when we went to the Committee on Budget, we laid in that committee copies of this document. The rest of the other copies were sent to the Office of the Clerk to Parliament to be sent to the various committees of Parliament.

This Parliament took a decision that we are tending towards a paperless office. In that regard, a decision was taken to buy iPads with huge capacity to accommodate documents of this kind.

**THE DEPUTY SPEAKER:** Honourable minister, in the 10th Parliament we still had iPads but we would still get those documents in our pigeonholes. The Leader of the Opposition will bear me witness on this. Isn’t it true Leader of the Opposition that we would get the NDP, the National Budget Framework Paper in hard copy?

Of course, the Members are saying it is a big document. But what we can now say; because of COVID-19, if it has been uploaded on the iPads, that is understandable.

**MR BYANYIMA:** It is not there.

**THE DEPUTY SPEAKER:** Anyway, what we are going to discuss is not what he is talking about. We are going to discuss the report from the Committee on Budget so that is the one I want uploaded.

I need the two reports uploaded; the minority report and the major report.

**MR LUGOLOOBI:** Madam Speaker, we are sorry, but that was our understanding - that the document would be uploaded. I think there was a problem somewhere and the IT people did not upload this document. Otherwise, it is supposed to be a record of Parliament and so, it should be on the iPad. We thought by presenting it to the Clerk to Parliament, the document would be uploaded.

Going back to my earlier submission, we have laid a macro economic framework for the next budget. We have made projections largely focused on the restoration of our national economy that has been largely devastated by COVID-19; almost two years of COVID-19 lockdown, here and there, so it has not left our economy the same. Therefore, this coming budget will largely focus on the restoration of our economy.

Secondly, we have been facing challenges associated with our resource envelope, particularly its structure of which has been largely composed of interest payments, debt refinancing issues and amortisation for external commitments. Now, that is a big problem because that takes away a lot of our resources that we would otherwise use as discretionary expenditure on the various national priorities.

So, in brief, we have a resource that is about Shs 32 trillion, largely for discretionary expenditure which includes interest payment of Shs 5 trillion.

In effect, we have Shs 27 trillion out of Shs 43 trillion available for distribution within the various programmes of our national budget. I think I should mention the programmes for Members to note since they do not have the document:

1. Agro-industrialisation is getting a total of Shs 1.798 trillion.
2. Mineral development is getting Shs 35.6 billion.
3. Sustainable development of petroleum resources Shs 149.3 billion.
4. Tourism development Shs 181.6 billion.
5. Climate change (Natural Resources Environment and Water Management) Shs 890 billion.
6. Private sector development Shs 660.9 billion.
7. Manufacturing is getting Shs 79.1 billion.
8. Integrated transport infrastructure and services Shs 4.855 trillion.
9. Sustainable energy development Shs 1.1 trillion.
10. Digital transformation is getting Shs 217.7 billion.
11. Sustainable urbanisation and housing Shs 427.6 billion.
12. Human capital development Shs 6.9 trillion.
13. Innovation technology and development Shs 24.2 billion.
14. Community mobilisation and mindset Shs 72.6 billion.
15. Governance and security Shs 6.48 trillion.
16. Public sector transformation Shs 207.8 billion.
17. Regional development is where, we largely have the Parish Development Model which is Shs 1.06 trillion.
18. Development planning implementation Shs 1 trillion.
19. Administration of justice is Shs 383.9 billion.
20. Legislation oversight and representation Shs 686.6 billion.
21. Interest payments due is 5.088 trillion.

Now, we have this memo items that I referred to earlier:

1. Domestic refinancing - Shs 7.651 trillion.
2. Amortisation on external debt- Shs 2.462 trillion.
3. Domestic arrears- Shs 395.5 billion.
4. Appropriation in-aid/local revenue - Shs 212.4 billion.

That gives us a total of Shs 43.083 trillion.

Madam Speaker, as we are all aware, this is a process. We are still continuing to review our national budget with the view to moving resources from where they are, especially in areas that do not constitute their priorities identified in our budget strategy, to areas that are considered to be of more importance in the current budget strategy.

That process is still ongoing and we had a long discussion with the Committee on Budget about this particular issue. We hope that by the time we get back, we shall have directed resources to certain areas, where we appear to be wanting at the current state. Therefore, we shall be allocating more resources in those areas.

Madam Speaker, with those remarks, I thank you very much, for this opportunity.

**MR SILWANY:** Madam Speaker, I would like to take this opportunity to thank the chairperson -

**THE DEPUTY SPEAKER:** He was formerly the Chairperson of the Committee on Budget.

**MR SILWANY:** He was formerly the Chairperson of the Committee on Budget and he was my chairperson. I apologise for constantly referring to him as “chairperson” when God already promoted him.

What I expected the minister to do – the minister has told us that we are going to pay interest on loans of Shs 5 trillion. This is what has been happening time and again; we are always paying interest. Minister, what is the long-term plan of the Ministry of Finance, Planning and Economic Development to start tackling our loans? Even if we handle one per cent of the principle, what is the long-term plan? In every Budget Framework Paper that the ministry brings to this Parliament, we are handling interest –

**THE DEPUTY SPEAKER:** I think what we will do –

**MR SILWANY:** Madam Speaker, I am building the procedural point. Wouldn’t it be procedurally right, for the minister, to give us the the ministry’s long term plan for the payment of the principal of the loans, that we keep approving in this Parliament, other than telling us every time that we are going to cover this interest up to this level? That is the matter I wanted to raise.

**THE DEPUTY SPEAKER:** Hon. Silwany, I know you wanted to divert the minister and that is okay. However, I had told the minister to make a justification for his motion, which of course, he has done. Let the chairperson now come with his report. Both reports are being uploaded. Bear with these people and let the chair start reading the report so that we are able to have all the reports read. Vice-Chairperson of the Committee on Budget - and the shadow on this side will also read the other report.

11.32

**THE VICE-CHAIRPERSON, COMMITTEE ON BUDGET (Mr Wamakuyu Mudimi):** Madam Speaker, this is the report of the Committee on Budget on the National Budget Framework Paper for the Financial Year 2022/2023 to Financial Year 2025/2026. It is a 236 page report. It is being uploaded now in the library. I beg your indulgence, if I could start with the macro part. It has two sections: macro part one and part two is sector committee’s recommendations, which form bulk of the document.

In accordance with the provisions of Article 90 and 115 of the Constitution, section 9(1) to (8) of the Public Finance Management Act 2015, as amended under rule 145 of our Rules of Procedure of Parliament, the committee is mandated to consider, discuss and review the Budget Framework Paper and report to the House, for approval by 1st February each year. In compliance with the above provision, I beg to present a report of the Budget Committee on the National Budget Framework Paper for Financial Years 2022/2023 to 2026/2027 for consideration and approval.

Like I said, there is a legal compliance of the National Budget Framework Paper and part two is sectoral committees’ observations.

Methodology

We reviewed:

i) The National Budget Framework Paper for Financial Year 2022/2023 to Financial Year 2026, which the minister showed here;

ii) The National Development Plan III for Financial Year 2020/2021 to Financial Year 2024/2025;

iii) The Charter of Fiscal Responsibility for Financial Year 2022/2023 to Financial Year 2025/2026;

iv) Certificate of Gender and Equity Responsiveness of financial years 2022/2023 to 2026/2027;

v) The Public Finance Management Act, 2015 and the regulation.

vi) Annual budget performance report for Financial Year 2020/2021;

vii) Annual macroeconomic and fiscal performance report for Financial Year 2020/2021;

viii) The parliamentary committee reports;

ix) The First Budget Call Circular

Stakeholders

We met:

i) The Ministry of Finance, Planning and Economic Development;

ii) The National Planning Authority;

iii) The Economic and Policy Research Centre;

iv) The Civil Society Budget Advocacy Group;

v) The Equal Opportunities Commission;

vi) The Office of the Leader of the Opposition, represented by the Shadow Minister of Finance, Planning and Economic Development.

Part A: Macro aspects of the NBFP

Legal compliance of the National Budget Framework Paper

In accordance with Section 9 of the Public Finance Management Act;

1. The minister shall, for each financial year, prepare the National Budget Framework Paper which shall be consistent with the National Development Plan and with the Charter of Fiscal Responsibility.
2. The National Budget Framework Paper shall be in a format prescribed in Schedule 3 of the Public Finance Management Act.
3. The minister shall, with the approval of Cabinet, submit the Budget Framework Paper to Parliament by 31 December of the financial year proceeding the financial year to which the National Budget Framework Paper relates.
4. The minister shall, in consultation with the Equal Opportunities Commission, issue a certificate certifying that the National Budget Framework Paper is gender and equity responsive; and specify measures taken to equalise opportunities for women, men, persons with disability and other marginalised groups.

Submission of the National Budget Framework Paper to Parliament

The National Budget Framework Paper for the financial years 2022/2023 to 2026/2027 was submitted to Parliament on 21 December 2021. An addendum to the National Budget Framework Paper, accompanied with a Certificate of Gender and Equity Responsiveness, was submitted to the Office of the Clerk to Parliament on 31 December 2021. That is when hon. Nathan Byanyima raised the issue that we do not have that document, but it is all combined there. By that time, we were on recess and that is why it was delivered to the Office of the Clerk.

Compliance with Schedule 3 of the Public Finance Management Act

An assessment by the committee indicates that the National Budget Framework Paper’s overall structural compliance level with Schedule 3 of the Public Finance Management Act, 2015 largely conforms to the requirement of Schedule 3 under the PFMA, as indicated in Table 1.

However, the following information was not provided as required by law:

i. Quantifiable estimation of the financial impact of fiscal risks.

ii. An estimation of the likely fiscal impact of risks, if they materialise, and an alternate fiscal framework.

iii. The flow of investment of Government in the financial year.

The committee notes that the compliance of the National Budget Framework Paper with Schedule 3 over the past years has never been fully met.

Therefore, the committee recommends that Schedule 3 of the Public Finance Management Act is fully complied with and a statement on the compliance with this schedule is presented to Parliament whenever the National Budget Framework Paper is read to Parliament.

Table 1

Compliance assessment of the National Budget Framework Paper with Schedule 3 of the Public Finance Management Act.

Requirement 1

a. The medium-term macroeconomic forecasts

 BFP should indicate the actual, estimated and projections covering the previous two financial years, the current financial year and the next five years.

b. The national budget framework provisions

i. The average and the year-end growth domestic product (GDP);

ii. Year-end GDP outturns and forecast provided

c. The rate of inflation (average and year-end)

 Year-end inflation outturns and forecast provided.

d. The rate of employment and unemployment provided is 47 per cent for formal employment as at March 2021 and nine per cent for Financial Year 2019/2020, respectively.

e. Average and the year-end exchange rates

 Only average rates for two years availed.

f. Interest rates;

 Only the previous two years average provided.

g. Money supply

 Not provided.

Requirement 2

Medium term fiscal framework

Targets of Government for variables which are subject to fiscal objectives under Charter of Fiscal Responsibility.

Those ones were provided under section 1.2.

Requirement 3

Medium term fiscal forecast covering the previous two financial years, the current and the next five years.

a. Non-petroleum revenue provided

b. Petroleum revenue not provided.

c. Expenditure and net lending provided.

d. Overall balance provided.

e. Non-petroleum balance provided.

Requirement 4

There is a statement of resources for the annual budget for the next financial year. It is presented under section 1.4. However, the flow of investment of Government is not provided like earlier on alluded to.

Requirement 5

Statement of policy measures. This is provided.

Requirement 6

Medium expenditure framework

Under this, projections of Government expenditure in respect of each financial year and each programme for the financial year and the next financial years are provided.

Requirement 7

Fiscal risks statement

Under this, the statement of the main sources of risks on fiscal objectives of Government was provided in section 1.7. However, quantified estimation of fiscal impacts of this risk is not provided.

Consistency with the National Development Plan III

Madam Speaker, the goal of NDP III is to increase average household incomes and improve the quality of life of Ugandans.

The overall theme of NDP III is sustainable industrialisation for inclusive growth, employment and sustainable wealth creation. With regard to macroeconomic policy alignment, the National Budget Framework Paper is largely aligned to NDP III.

Table 2 shows the alignment. Since the report is coming, I can read verbatim.

NDP III macro-economic policy objectives and National Budget Framework Paper macro-economic policy targets. The NDP talks about poverty reduction from 21.4 per cent to 18.5 per cent by Financial Year 2024/2025. In the National Budget Framework Paper, the information is not provided.

The NDP talks about achieving an accelerated economic growth rate of about seven per cent by Financial Year 2024/2025. Growth is projected at seven per cent, in Financial Year 2024/2025 and 7.6 per cent in Financial Year 2026/2027.

The NDP increase in the stock of jobs by an annual average of about 512,000 persons; that is NDP. The National Budget Framework Paper projected stock of jobs to be created in Financial Year 2022/2023 is 200,000. So, out of the 200,000 jobs, 150,000 will be in agro-industry value chain, 10,000 jobs in tourism, 30,000 in ICT and 10,000 jobs in the urbanisation and housing sector.

Under NDP, maintaining core inflation within the target band of five percent +/- 3. In the National Budget Framework Paper, core inflation is projected at 5.3 per cent, in 2024/2025 and five per cent, in 2026/2027.

Ceiling on debt to GDP of 50 per cent in present value terms and a gradual achievement of a fiscal deficit of three per cent by Financial Year 2024/2025

In the National Budget Framework Paper, present value of debt to GDP is projected at 34 per cent, in the Financial Year 2024/2025 and nominal debt to GDP is projected at 51.2 per cent, in Financial Year 2024/2025 and 49.3 per cent, in Financial Year 2025/2026; fiscal deficit as percent of GDP projected at 3.7 per cent, in Financial Year 2024/2025 and 2.9 per cent, in Financial Year 2025/2026.

Domestic revenue average annual growth of 0.5 of GDP percentage points; that is NDP III.

In the Budget Framework Paper, domestic Revenue to GDP is projected to increase by an average of 0.5 per cent over the medium term. It is also projected at 15.72 per cent in Financial Year 2025/2026.

In regards to allocative efficiency alignment of the National Budget Framework Paper to the NDP III, there are slight allocative inefficiencies as highlighted in table 3, mainly in the Public Sector Transformation Programme, Regional Development Programme and in the Climate Change Programme.

Table 3 gives us an assessment of Allocative Efficiency Alignment Programme, Budget Framework Paper and NDP III. It shows that - but Members when it comes, I think you will read it.

The committee observes that the Agro-industrialisation programme is key in monetising the subsistence economy and the allocative efficient assessment of this programme was, therefore, paramount. It is clear from the table that the indicative budget allocations are biased on agriculture production and productivity. There exists a significant allocative inefficiency in the area of storage, agro-processing and value addition, when compared to the NDP III.

Members, when we compare what is provided in NDP III on storage, agro-processing and value addition - NDP III is talking about Government allocating Shs 363.2 billion. In the National Budget Framework Paper for Financial Year 2022/2023, Government has allocated Shs 69.2 billion. That is what I am trying to talk about.

The committee observes as follows:

1. The National Budget Framework Paper’s nominal debt to GDP target of 53.2 per cent is above the NDP III target of 48 per cent, in Financial Year 2022/2023 and this is a concern to fiscal sustainability;

2. The National Budget Framework Paper does not directly present the implementation status and list of NDP III core projects, yet, this information will be useful in effectively ascertaining the alignment of the National Budget Framework Paper and NDP III. It should be noted that the NDP III core projects are high multiplier projects with significant impact to the realisation of the NDP III objectives;

3. The National Budget Framework Paper does not provide detailed information that would be required to undertake a more comprehensive alignment of the National Budget Framework Paper to the NDP III; and

4. Allocative efficiency at programme level is not fully consistent with the NDP III.

The committee recommends as follows:

i) There is critical need to scale up revenue mobilisation and gradually reduce the appetite for borrowing especially domestic borrowing. Any further borrowing should be highly concessional to address key strategic interventions that have high returns on investment and can spur growth of the economy;

ii) The indicative allocation efficiency of the Budget Framework Paper should be fully aligned to the NDP III;

iii) A comprehensive assessment of the National Budget Framework Paper alignment to the NDP would require a restructured BFP that would provide detailed information on the following:

a) Implementation status and a statement of alignment of the National Budget Framework Paper to NDP core projects;

b) A costed budget strategy, including costs of key or priority interventions, policies and details of the projected impact of each key intervention to the economy;

c) A comprehensive statement of the implications of misalignment of the National Budget Framework Paper with NDP, where the misalignment exists; and

iv) The National Planning Authority should fast-track the midterm review of NDPIII, in light of the implementation challenges occasioned by the persistent COVID-19 pandemic and its associated effects on the major sectors of the economy. The review should also address the institutional challenges encountered in the shift from sector-wide approach to programme-based approach where possible, rethink the efficacy of this reform.

Consistency with the Charter of Fiscal Responsibility (CFR)

We tackled this one yesterday and I beg to report to the House that the NDP is largely consistent with the Charter of Fiscal Responsibility at a broader level. However, by the Financial Year 2025/2026, the fiscal deficit to GDP is projected at 3.1 per cent, which is slightly higher than the three per cent CFR target.

In addition, the projected total debt interest payment to revenue exceeding grants over the National Budget Framework Paper are not consistent with the Charter for Fiscal Responsibility for the first four years of the CFR period.

The committee recommends that the National Budget Framework Paper should be aligned and where there are possible deviations, section 7 of the PFMA should be enforced.

Gender and Equity Responsiveness

Section 9(5) to 6(a-b) of PFMA provides that the Minister responsible for Finance, in consultation with Equal Opportunities Commission, issues a certificate certifying that the National Budget Framework Paper for the Financial Years 2022/2023–2025/2026 is gender and equity responsive – I had read that earlier.

In fulfilment of the requirement of section 9(5) to 6(a-b), the commission assessed the National Budget Framework Paper for the Financial Years 2022/2023 – 2026/2027 and overall compliance with gender and equity requirement was at 70 per cent, an improvement from the last National Budget Framework Paper for the Financial Year 2021/2022, which was rated at 64.75 per cent. There is some bit of improvement.

However, the committee noted the following:

1. Gender inconsistences identified need to be broadened to address aspects such as employment imbalances, inequalities, among others.

2. Interventions articulated in the certificate were not informed by any national gender and equity gap mapping survey information.

There are many interventions. Local Governments also do not provide information on gender.

We recommend that:

1. The Equal Opportunities Commission is supported to undertake periodic national gender and equity gap mapping surveys.

2. Equal Opportunities Commission to consider expanding its scope to work –

**The Deputy Speaker:** Honourable members, check your iPads. The report should be there now. It is already uploaded.

**Mr wamakuyu:** - to include Local Government and employment imbalances.

3. More capacity building should be undertaken at all MDAs, especially with regard to assessment criteria and methodology.

4. The MDAs that do not submit the required documents in time should be subjected to sanctions as provided for in Section 78 of PFMA.

Climate change responsiveness

Section 30(b) of the National Climate Change Act, 2021 requires the minister for climate change – that is the Minister for Environment - to consult with the Chairperson of the National Planning Authority and issue a certificate certifying that the National Budget Framework Paper is climate change responsive, and contains adequate resource allocation for funding climate change measures and actions. The National Budget Framework Paper under review, however, lacks this certificate.

The committee recommends that the minister responsible for climate change complies with the law and presents before Parliament, a certificate certifying that the budget framework paper is climate change responsive.

Honourable members, I hope you have seen the document. I am on page 15.

Economic and Budget Performance highlights

Economic Performance for the Financial Year 2021/2022

Honourable members, I beg you to read that. There is a part on economic growth where the economy grew from three per cent to 3.4. There is also an area on employment, a section on inflation on page 16, a section on external sector, a section on public debt and a section on budget performance for the Financial Year 2020/2021.

The economic and fiscal strategy for the Financial Year 2022/2023 and the medium-term

The Economic Strategy

The economic strategy in the Financial Year 2022/2023 and the medium-term has the twin objective of restoring economic activity, to pre-pandemic levels and subsequently accelerating the pace of socio-economic transformation. As a result, the real GDP growth is projected at six per cent in the Financial Year 2022/2023 and an average of seven per cent over the medium-term.

The economic strategy in the Financial Year 2022/2023 and in the future seeks to achieve the following three broad objectives:

i) To ensure peace and stability through enhanced security and macro-economic stability as a key foundation for growth and development.

ii) To mitigate the impact of COVID-19 pandemic through widespread vaccination, support to businesses and reopening of the economy to enable all sectors to function optimally.

iii) To ensure economic social transformation by redirecting budgetary resources towards wealth and job creation, industrialisation, export promotion and other areas with high returns on investment.

The committee observed that the economic outlook remains highly uncertain with the downward trend including the resurgence of the tight containment measures linked to new COVID-19 Variant. Therefore, what remains critical is the mitigation of the COVID-19 pandemic through vaccination of the targeted 22 million Ugandans and strengthening of the health system to deal with the pandemic.

Government should also maintain an elaborate sensitisation programme as the whole economy is opened to ensure that the population keeps aware and safe from the surging variant.

Medium-Term Fiscal Strategy

The overall fiscal strategy is to promote inclusive growth to increase household incomes, and improve quality of life of Ugandans without compromising fiscal and debt sustainability.

The fiscal target for the Financial Year 2022/2023 reflects a fiscal consolidation while prioritising social spending. The budget appropriately targets 3.6 per cent of GDP deficit target.

The 1.8 per cent of GDP improvement over the projected outturn of this Financial Year, 2021/2022, will help lower expensive domestic borrowing costs and create space for private sector credit to reduce the fiscal deficit.

The public expenditure will be reduced from 20.4 per cent in the current Financial Year 2021/2022 to 18.7 per cent of GDP in the Financial Year 2022/2023. This will be done by freezing the creation of administrative units and a speed up rationalisation to improve efficiency in Government.

In addition, salary enhancement across the board will be postponed.

The committee recommends that:

i) Fiscal policy should balance support for socio-economic recovery and sustainable public debt, while reducing reliance on domestic financing to alleviate crowding out private sector financing.

ii) An increase in the spending of the Financial Year 2022/2023 of 12 per cent of GDP compares the reduction of private investment spending of 7 per cent of GDP may not increase the productive capacity of the economy. It is, therefore, important to improve the spending composition towards public investment. Over the medium-term, the recurrent expenditure is projected to average at 11.3 per cent of GDP while the development expenditure is projected to average at 8.5 per cent of GDP. In order to improve productive capacity, the stock of productive infrastructure should be stepped up.

iii) The risk of debt distress has increased from low to moderate over time. The reduced amount of expensive domestic borrowing and the sourcing of concessional financing over the medium term will help to keep debt sustainable, despite increasing resort to non-concessional financing. Caution should be taken as greater shift in the composition of financing towards non-concessional financing would increase the risk of debt distress further. Considerations by Government in the National Budget Framework Paper to adopt pre-financing mechanisms may avoid this risk.

Resource Envelope for Financial Year 2022/2023

The total resource envelope for the Financial Year 2022/2023 is projected at Shs 43,083.2 billion, a decrease of Shs 1,695.6 billion compared to the approved resource envelope of Financial Year 2021/2022. The projected decrease in resource inflows is mainly attributed to a projected substantial decrease in external borrowing for project support (by Shs 2,279.5 billion). It is also important to note that domestic borrowing is projected to decrease by 8.72 per cent (or by Shs 1,002.1 billion) compared to Financial Year 2021/2022.

Domestic revenues are expected to increase by Shs 2,890.7 billion on account of increased tax revenues as a result of implementation of domestic revenue mobilisation strategy and a projected growth of the economy.

Table 8 shows a summary of projected resource envelope for the Financial Year 2022/2023. You can read that. Hon. Lugoloobi had earlier on indicated that. It amounts to Shs 43 trillion.

The committee notes that the resource envelope, as submitted, may be subjected to adjustment given the fact that it was premised on December projections. If there are any new resources identified before the finalisation of the budget, as indicated by the minister during the interaction with the Committee, priority interventions should focus on improving the productive capacity in all sectors to support economic recovery strategy. The minister said they are still working. Something could come up to beef up.

Resource allocations by programmes

Resources have been allocated to 20 programmes in line with NDP III. Debt-related expenditure (including domestic arrears) continue to take the lion’s share of 36.2 per cent or Shs 15,597.6 billion of the budget. The Human Capital Development Programme, the Governance and Security Programme and the Integrated Transport Infrastructure Service Programme have been financially prioritised with a share of the budget at 16.1 per cent, 15 per cent and 11.3 per cent, respectively.

Other key priority programmes that would spur growth, increase production and create employment have remained inadequately funded. These include agro-industrialisation, private sector development, tourism development, mineral development programmes that have been financially given 4.2 per cent, 0.4 per cent, 0.1 per cent share. We propose that once resources are identified, we should go into intervention.

Table 9 shows the projected budget estimate along those lines.

Review to finance the budget strategy for Financial Year 2022/2023

Before I came in, Hon. Lugoloobi talked about it. I do not want to get into it but Members can read it.

Review of expenditure needs versus the NDP priorities and the budget;

a. Strategy for Financial Year 2022/2023;

b. Ensuring that recurrent expenditure items that were part of the supplementary schedule be incorporated;

c. Statutory obligation be provided;

d. Wage allocation should be based on established approved staff establishments;

e. Provision of mandatory operational costs ensuring on-going commitments with contractual obligation; and

f. Ensuring that project interventions are aligned to the budget strategy and Programme Implementation Action Plans.

Accordingly, the total proposed funds which have been raised amount to Shs 1,261.62 billion (as indicated); from rationalisation of the budget and from the Operation Wealth Creation funds. Members, you can read table 10 –

**THE DEPUTY SPEAKER:** Can you give us an executive summary of your report?

**MR WAMAKUYU:** Yes. Members, you can read that one. There are allocations for that; women empowerment lost some money. You can read all that.

This is important, Madam Speaker and Members. The committee observes that in order to support economic recovery and bring on board a section of the population of the subsistence economy to a money economy, the rationalisation of the budget is paramount. However, the rationalisation of the wealth fund must be informed by comprehensive evaluation studies to ensure that the gains or benefits from these wealth funds are not lost.

We recommend reinstatement of existing wealth funds until comprehensive evaluation studies are undertaken in order not to disrupt the possible gains achieved under the existing wealth funds. Parliament had made a resolution on these funds earlier.

Budget priorities and proposals

Revitalising business activities; here, they want to help the economy to recover.

The strategies they are using are:

a) Business recoverable fund to enable small businesses to access low-cost capital to recover.

*b) Emyooga* Fund and support SACCOs to provide seed capital.

c) Implementation of the financial inclusion pillar of the Parish Development Model.

d) Capitalisation of UDB.

e) Strengthening private sector institutions and organisations capacity by focusing on establishing of functional business development centres regionally.

f) Fast-tracking of approval of financial sector development strategy.

Those are the interventions.

We recommend that Bank of Uganda extends credit relief to those affected during COVID-19 pandemic and to the Microfinance Support Centre, agricultural credit facility, UDB and UDC.

5.2 Parish Development Model (PDM)

Honourable members, you are aware of this model. We are saying that it is going to deliver the last mile in the parish. The model has seven pillars.

In the Financial Year 2022/2023, Shs 200 billion, was appropriated towards preparatory activities for the phased implementation of the PDM. These funds were able to support key activities like the establishment of the PDM Secretariat, recruitment of 6,000 parish chiefs and popularisation of the Parish Development Model guidelines.

In the Financial Year 2022/2023, the Government proposes to allocate an additional Shs 465.48 billion for the operationalisation of Pillar Three (financial inclusion pillar) of the Parish Development Model in order to embark on pursuing its objective of the *wananchi* contributing to the money economy. However, these funds are not fully provided. So, Shs 465 billion, for about 10,594 parishes, gives a shortfall. Therefore, we are recommending that for it to fully roll out, we have to look for the shortfall of Shs 500 billion plus.

5.3 Enhancing agro-industrialisation and light manufacturing

The intervention by the Government is on focusing and redirecting resources to commodities that have high impact on transforming households, expanding storage and processing agriculture commodities, providing funds to private sector investment through UDC, recapitalisation of UDB and support development of regional industrial parks.

However, as earlier observed, the indicative budget allocations are biased on agriculture production and productivity. Therefore, we need to provide more funds in the areas of storage, agro processing and value addition over the medium term.

5.4 Improving the foundations for human capital development

The Government has done some work there in improving health, education.

The committee recommends that the Government upholds its strategy in the Financial Year 2022/2023 of combating the COVID-l9 pandemic through country wide vaccination;

a. Fast-tracking the national health insurance policy, including the national ambulance systems and the education sector.

5.5 Promotion of local content

We have been talking about local content. In this regard, the committee made the following recommendations:

a. The Ministry of Finance, Planning and Economic Development immediately issues a Certificate of Financial Implications of the National Local Content Bill in order for Parliament to expeditiously finalise this Legislation;

b. Build the capacity of local firms to benefit from public investments by implementing the existing local content policy, and other related legislation;

c. Develop and implement a holistic local content policy, legal and institutional framework.

5.6 Enhancing domestic revenue mobilisation

We recommend that –

The Government fast-tracks the review of domestic revenue mobilisation strategy in view of the current economic challenges of COVID-19 and develops an implementation action plan for the effective operationalisation of the domestic revenue mobilisation strategy. This would include:

a. Establishing policies to formalise the informal sector;

b. Developing a national tax policy;

c. Implementing a coordinated approach to revenue mobilisation across Government Ministries, Departments and Agencies;

d. Undertaking a study on the effectiveness and productivity of tax exemptions in Uganda.

5.7 Enhancing fiscal space and Government efficiency

The minister has talked about rationalisation and the Parish Development Model.

We recommend that –

a) Government through the Ministry of Public Service should fast-track the implementation of the Cabinet’s decision to rationalise and merge some Government Departments and Agencies to reduce resource wastage, duplication of services and bring about efficiency in service delivery.

b) Government should table in Parliament the necessary constitutional amendments and laws to enable completion of the rationalisation of Government Ministries, Departments and Agencies;

c) Government develops a road map for the implementation of the commitment to enhance salaries of public servants by 50 per cent;

d) Enforce strict adherence to performance contracts by accounting officers.

5.8 Clearance of domestic arrears

Honourable members, yesterday, I talked about domestic arrears. We implore the Minister of Finance, Planning and Economic Development to provide money to clear domestic arrears because this has greatly affected most of the citizens. Some have lost property, some have closed business, but it also helps to kick-start the economy.

The provision of Shs 395 billion in the Financial Year 2022/2023 is inadequate to address this challenge.

5.9 Strengthening public sector management

We recommend that –

a. Government should only undertake projects, which are ready but those which are under feasibility study and not ready should wait;

b. We also recommend a monitoring mechanism for this programme.

6.0 Way forward

The strategy in the medium term should continue building sound principles of private sector led inclusive growth and public sector reforms to strengthen governance and transparency. It should also envisage multi-year physical consolidation while increasing priority and high quality infrastructure spending and foster public sector efficiency.

Safeguarding daily sustainability should be prioritised. There is also an urgent need to accelerate reforms aimed at facilitating the public sector activities, particularly local MSMEs to develop capacity to drive the industrialisation effort, increase exports, create jobs and increase local content. These reforms should include further improving the business environment by increasing access to affordable credit and reducing the cost of doing business through increased access to affordable energy and a reliable transport infrastructure that links the country to regional partners in order to widen market opportunities.

To harness the potential of human resource to adequately drive Uganda’s development agenda, there is a need to build up the skills base *–(Interruption)*

**MR EKANYA:** Madam Speaker, I would like to raise a procedural matter on the way we are handling – I would like to request the Vice-Chairperson Budget Committee to kindly yield.

**MR WAMAKUYU:** I am winding up.

**MR EKANYA:** Madam Speaker, this is a Budget Framework Paper. Under our rules, all of us have participated in the process through the sectors although, according to the minister, we should have adjusted our rules of procedure and constituted ourselves under programmes. However, all of us have participated through the committees on trade, agriculture and others and we appeared before the Budget Committee.

I thought that the chairperson would highlight areas where we disagreed with the Government such that the Government picks up and goes to harmonise them. When they bring the estimates, then we would see whether they considered the issues which we raised or not. That would be the right procedure. However, if we read everything, what time shall we have for the shadow minister to present?

Madam Speaker, we should have even allowed the shadow minister to present because it is the Opposition that has serious issues of dissent, which the Government needs to listen to. Are we proceeding the right way or we need to make some adjustments? Thank you.

**THE DEPUTY SPEAKER:** Thank you, hon. Ekanya. He is concluding. I agree with you on the issues of dissent. The reason we have Opposition is to give us alternative policies and check us in Government. Therefore, we would like to make emphasis on areas of dissent and see how we can harmonise the process: how the minister can go back and make sure that this is harmonised and he reports back to the House before the ministerial statements are brought.

Chairperson, can you conclude?

**MR WAMAKUYU:** Madam Speaker, I was on the last paragraph. Hon. Ekanya came a bit late but I am winding up.

I have finished with Part A and Part 2 is on sectoral committee’s observations and recommendation, which my brother, hon. Ekanya has talked about. All of us processed this work and I implore Members to read the recommendations from the sectors on the report. The sectors’ recommendations are attached from page 36 to page 236.

However, I have a minority report attached to this report. I beg one of the authors of the minority report to present it to the House. *(Applause)*

**THE DEPUTY SPEAKER:** Thank you very much, the Vice-Chairperson Budget Committee. Thank you for the presentation that you have made. I would like to remind ourselves that we are doing this as per rule 145(3) *–(Applause)*

I also want to highlight that the Budget Framework Paper is a Government overall strategy document for the budget, that provides the Government’s overall policies identified in the National Development Plan and the annual budget. It is the harmonisation process. Just like he said, it contains the macro- economic policy, the plans and the overall fiscal strategy such as the revenue projections, the resource envelope that is available and the priority interventions that will be identified in the National Development Plan.

Remember we are supposed to get our recommendations and submit to the President by the 1st of February. After the debates today, I am directing the Clerk to Parliament to extract all the recommendations and make sure that they are with the President by the 1st of February.

First, I would like you to lay on the Table the attendance register, the minutes and submissions of witnesses.

**MR WAMAKUYU:** Madam Speaker, I beg to lay on Table the report of the Budget Committee on the National Budget Framework Paper for Financial Years 2022/2023-2026/2027.

**THE DEPUTY SPEAKER:** Thank you.

**MR WAMAKUYU:** It is accompanied by a copy of several sectoral committees’ reports, minutes of the committee meetings, submissions on the National Budget Framework Paper from entities: Ministry of Finance, Planning and Economic Development; National Planning Authority; Shadow Minister of Finance, Planning and Economic Development; Equal Opportunities Commission; Economic Policy and Research Centre; and Civil Society Budget Advocacy Group. I beg to lay.

**THE DEPUTY SPEAKER:** Thank you for the submission and for being brief. I pray the shadow minister is briefer and gives us just the executive summary of the areas of dissent.

12.31

**THE SHADOW MINISTER OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (Mr Muhammad Muwanga Kivumbi):** Madam Speaker, I thank you for this opportunity. Later on, I will ask my sister here to present our minority report. Before I invite her, Madam Speaker, allow me to take this opportunity to officially lay – not the minority report – our response to the Budget Framework Paper because we were not sitting under COVID-19. The rules permit that we should have laid it here. However, it is important that we officially lay it, under rule 53 of our Rules of Procedure and the Administration of Parliament Act. I beg to lay.

**THE DEPUTY SPEAKER:** Honourable minister, you need to look at all the documents that are being laid in regard to the National Budget Framework Paper and see how to harmonise them.

**MR MUWANGA KIVUMBI:** Madam Speaker**,** let me request my sister, hon. Gorreth Namugga, from Mawogola County South –

**THE DEPUTY SPEAKER:** As I said, be brief.

**MR MUWANGA KIVUMBI:** She will try her level best. It is part of grooming and mentoring the next leadership in this country.

12.32

**MS GORRETH NAMUGGA (NUP, Mawogola County South, Ssembabule):** Thank you, Madam Speaker. I am here to present a minority report on the National Budget Framework Paper for Financial Years 2022/2023-2026/2027. I am going to summarise.

Madam Speaker, pursuant to Rule 205 of the Rules of Procedure of Parliament, we hereby present a dissenting opinion from that of the majority of the committee members.

Areas of dissent

We dissented with the majority on the committee on the following areas:

1. Implementation of the Parish Development Model.
2. Risky projects in externally financed project portfolio.
3. Capital flight.
4. Government tax arrears.
5. Prompting of supplementary expenditures.
6. Value-for-money audits.
7. Contingent liabilities.
8. Non-remittance of environmental levy.

In summary, these are the observations.

Madam Speaker, the Government has adopted the Parish Development Model, which we all support. However, the demands in the spirit of decentralisation that all Ministries, Departments and Agencies should operate and execute their mandate at the parish level, would require no new structures and additional resources because MDAs have already been allocated resources to execute their mandate.

We recommend that since all Government agencies already have allocated resources, they should decentralise their services to the parish model other than creating new structures because the resource envelope is very limited.

Risky projects in externally financed project portfolio

The minority report agrees with the approach undertaken by Government to renegotiate or cancel 17 risky projects, which come to a total of $557 million, approximately Shs 2.8 trillion. This could be attributed to the fact that most projects are committed without a feasibility study, which is a cost to the Government of Uganda.

To the contrary, it is our considered opinion that Parliament undertakes oversight and accountability through an inquiry into each of the risky projects with the intention of understanding the impact of the cancellation of the projects in beneficiary communities, drawing lessons and informing considerations of future projects. This will also assess the reasons advanced by Government for projects that are critical to the lives of Ugandans.

We recommend that Section 43 of the Public Finance Management Act be amended to create a provision that demands that for a project to be funded by loans and grants, it has to first present a feasibility study. Also a select committee of Parliament be formed to critically inquire on each of these 17 projects. The details are within this report.

Capital flight

Madam Speaker, majority of the beneficiaries of public contracts and incentives are foreign-owned companies that repatriate profits or close business once contracts and incentives cease. This is mostly common in the construction particularly of roads, water and manufacturing sub sectors. These projects consume a large sum of Uganda’s budget under development projects for construction of new roads, reconstruction/ upgrading and rehabilitation.

Madam Speaker, it should be noted that for the last six financial years, the country has been experiencing an average capital flight of 69 per cent of capital injected into the economy.

Our recommendation is that Government should deliberately and competitively venture into investing in construction and mining industries among others where a lot of public funds are spent.

Funds should be allocated towards undertaking a study on how to facilitate reinvestment of proceeds from foreign investors into the country.

Further, effort should be geared towards improving the governance of public corporations so as to improve their worthiness for capital markets financing models such as selling of equity.

Lastly, a legal framework should be developed for emerging alternative financing mechanisms, particularly, pre-financing and contract financing, among others.

Another area is Government tax arrears. This is another revenue mobilisation risk to which Government abdicates its tax obligations. Unfortunately, it never penalises itself.

It should be noted that the greatest defaulter is the Ministry of Finance, Planning and Economic Development – you will see the list. Otherwise, this ministry has tax arrears of Shs 151,788,705,000, among others.

The tax arrears should be reduced from the allocations of each of the Ministries, Departments and Agencies in the Financial Year 2022/2023.

Prompting of the supplementary expenditures

Madam Speaker, the indiscipline of supplementary budgets is bound to continue and Government has sent indications that a minimum of Shs 2.6 trillion will be sought in due course. As has been the trend in the past years, the supplementary requests are inadequately screened.

Section 25 on the Public Finance Management Act has, on several times, been abused immediately after the start of the new financial year to access the 3 per cent of the annual budget as supplementary expenditure without prior approval of Parliament.

Unfortunately, most of the supplementary expenditures have been found not to satisfy the supplementary criteria of being unavoidable or unforeseeable.

Our recommendation is that given the fact that the annual budget is approved by 31 May and expenditures of the subsequent financial year immediately begin on 1 July, Section 25 of the Public Finance Management Act should be amended to deal with the express 3 per cent supplementary limit. After all, this does not deter Government to introduce a supplementary request whenever a crisis arises.

Value-for-money audits

Madam Speaker, it has been noted that in the last 10 years, the Auditor-General has undertaken only 91, which is 0.1 per cent of value-for-money audits, compared to 1, 420, which is 97 per cent of the financial audits and 370, which 2.1 per cent of the forensic investigation and IT audits; the figures are given.

We recommend that in each year, an increment of 20 per cent is realised in the number of value-for-money audits undertaken by the Office of the Auditor-General.

Another area is contingent liabilities

It has been noted with concern that there is an escalating rise in contingent liabilities, which when they materialise, leads to accumulation of public debt and erosion of sustainability of public finances. As of June 2020, contingent liabilities were over Shs 5 trillion.

Madam Speaker, there are also guarantees made to private enterprises amounting to Shs 10.43 billion, as at the end of June as indicated in the table.

However, the criteria for determining who qualifies for the guarantee is ambiguous. This raises the risk of abuse through discretionary selection. The value of guarantees of the private enterprises could not be established.

Our recommendation is that the criteria for benefiting from Government guarantees should be disclosed to ensure transparency and fairness in their access.

Two, the National Budget Framework Paper should explicitly declare the stock of contingent liabilities and the beneficiaries that are likely to fall due within the subsequent financial year.

Non-remittance of the environmental levy

Madam Speaker, while the majority recommends that part of the environmental levy is remitted to the National Environmental Management Authority, this contravenes Article 153 of the Constitution of the Republic of Uganda and Section 32 of the National Environment Management Act, 2019.

The provisions stipulate that funds ought to be deposited in the National Environment Fund and utilised for the purpose for which the fund levy was established.

The levy was intentioned at mobilising funds to finance environmental activities such as protection, conservation, enforcement and rehabilitation, among others. Unfortunately, these are among the least financed activities hence the continued degradation of the environment.

Our recommendation is that in accordance with Article 153 of the Constitution and Section 32 of the National Environmental Act, 2019, all funds realised from the environmental levy should be remitted to the National Environment Fund.

Madam Speaker and honourable members, we implore you to support this minority report. The report has been signed by hon. Muwanga Kivumbi, hon. Goretti Namugga and hon. John Baptist Nambeshe. I beg to submit and thank you.

**THE DEPUTY SPEAKER:** Thank you very much, hon. Gorreth Namugga, for the report. Members, you have heard the two reports. I constituted a harmonisation team. Can I have a report from the harmonisation team for us to avoid wastage of time? Can we have a statement from you?

12.44

**MR PATRICK OPOLOT-ISIAGI (NRM, Kachumbala County, Bukedea):** Thank you, Madam Speaker. We normalised and came up with positions.

Madam Speaker, let me briefly start on the Parish Development Model. We all realise that Government’s strategy was to close some existing programmes in order to create funds for the Parish Development Model. However, as you may be aware, the majority report indicated that you cannot close successful programmes like the Coffee Development Authority and claim to transfer that money to fund the Parish Development Model.

The funds for the Parish Development Model should be looked for by an adjustment in the resource envelope, because the same Government has tried to squeeze and over tighten the belt by, first of all, reducing on the borrowing.

However, we are saying, if there is any time Government of Uganda should have borrowed money, it is now when we are coming out of this heavy shocks. *(Applause)*

You cannot now wake up – you have been borrowing when the situation was normal; now when you have reached this stage, when we are coming out of shock, when we are supposed to undergo economic recovery, you are saying “No, we do not need to borrow. We need to squeeze”. It may lead to economic collapse.

The fear there is the debt to GDP ratio. The debt to GDP ratio should not worry us much because it is a factor of a numerator and denominator; the numerator being the debt and the denominator being the GDP.

Therefore, to maintain a percentage, which is acceptable, it is not necessarily by reducing the numerator. You may maintain debt where it is but invest wisely in productive sectors so that you grow the denominator and you will have a reduced percentage. So, we are agreeable to that.

Now, what needs to be done, according to the minority report, is once we go into funding the parish level, do we still need other structures like LC3 and districts or we move from the President to parish? That is why we are saying that we need more studies on that - Government should study it further and bring its findings to this House.

The second point is on capital flight. The projects, which are listed for capital flight; we borrow money, undertake heavy projects like roadworks but we contract the roadworks to foreign companies. Now, a private Member brought here to this House a BUBU Bill, which we have not yet processed.

Secondly, this heavy works capacity, as far as we are concerned, is not yet well built locally with our companies but Government is also in a process. It started funding technical development, as far as capacity is concerned. That is why there is a college in Mbale under Elgon Technical Institute to train the youths in hands-on road sealing. We are saying that Government should continue funding that programme so that we can build capacity and come out of that crisis over time.

There are risky projects. We agreed that Government conceded. There are projects, which have been idle. There are projects for which we borrowed money, but they are not taking off and yet, we are meeting commitment fees. So, Government is going to take a review of all these projects and renegotiate, in order to make them good. Those which do not result in becoming good, where the probability of success is totally not seeable, are then abandoned. So, on that report, Madam Speaker, you will direct Government to do that study and bring the report concerning the projects.

Tax arrears

We thought this one is not a very big crisis because it is from the left pocket demanding from the right pocket. It is the same Government demanding taxes from Government. So, its relevance as far as revenue growth is concerned is neutral.

Supplementary budgets

On this one, we thought we did not need to emphasise much on it, but we all keep it in view. It is really right that we develop financial budget discipline. If we are to bring any supplementary, we expect those, which pass the test, not even tea, drinking water for meetings So, that one –*(Interruption)*

**MR SSASAGA:** Thank you, Madam Speaker. I rise on a procedural point. What I expected from the honourable chairperson about the harmonised position was that this was the position of the main report; this was the position of the minority report; this is what we harmonised.

**THE DEPUTY SPEAKER:** You see, hon. Ssasaga, what the chairman is saying is when you look at the implementation of the Parish Development Model, he agrees with the minority report. That is why he is saying that we are going to ask the Minister of Finance to bring a harmonised position from Government before they present the Ministerial Policy Statement. All these are agreed positions; he is giving an explanation on what is happening. I think he is in agreement of the minority report – a very important thing.

**MR OPOLOT-ISIAGI:** Thank you, Madam Speaker, for the wise ruling. The last one is value for money audit. The minority report is right; we need to move away from concentrating much on financial audit and go for value, so that we look at the quality. What are the results from the investments?

So, the major report under our recommendation from the sector of finance and economic development is the Auditor-General be allocated more funds specifically to carry out value for money audits, so that when they buy a table, we are not going to say, “We have bought a table at this amount; here are the receipts”. We must check the table. Does it serve the purpose and what is the quality of that table? What is the lifespan of the table?

That is, in our discussion with hon. Kivumbi, an example, which was given for the value for money, so that Auditor-General undertakes most of effort on performance audit, other than checking which entries and receipts which can even be forged.

So, we are totally in agreement and Government has to take that seriously. When they bring the Budget, we expect more allocation of funds to the Auditor-General to be able to undertake performance audits. I thank you.

**THE DEPUTY SPEAKER:** Before we allocate more funds to the Auditor-General, we need to audit the Auditor-General first. We need to audit the Auditor-General because when we talk about the output and value-for-money, we need to see the real output that we are getting from there.

Chairman, you and I have been in accountability committees; we know the loopholes that are there. This institution must be audited. This is an institution of Parliament; it is us to make sure that they are audited. Can I have a commitment from Government? Now that the chairperson has accepted that the amendments must be taken into consideration, can I have - yes, do you have something?

12.53

**Ms sarah opendi (NRM, Woman Representative, Tororo):** Thank you, Madam Speaker. I thank the Committee on Budget for their very detailed report and also thank the Opposition for coming up with the alternative – the minority report.

I agree with the issues that were raised in both the majority and the minority reports. The minority report raises quite serious issues. When you look at the domestic revenue in this country, we have untapped sources.

I was in the mineral sector and I want to inform this House. If we can organise the minerals sector, it will contribute much more than we are actually getting from even tourism, which is currently the highest income source. This is why we came up with the Minerals and Mining Bill that has been presented before this House. I appeal to the committee that is handling this Bill to fast-track it. Their hands are tied because of the law that is currently outdated. If that could be done, we would really improve the livelihoods of Ugandans and also our revenue base.

The other issue is that the out-of-pocket expenditure on health is extremely high in this country. That is another area that we need to tap into. Much of this money that a majority of our people are paying for health goes into the pockets. You all know about the corruption in our health facilities.

We gave a press statement the other day. Right now, for you to be attended to in our health facilities - the mothers - if you do not have between Shs 300,000 and Shs 500,000 for a caesarean section, you will not be attended to. Mothers are dying in health facilities and this money is going into the pockets of some of the corrupt. Not all health workers are corrupt, but there are some who are.

Therefore, if we had the National Health Insurance Scheme, this corruption would be history. That would be another revenue base to help us finance the health sector.

I want to end. We did meet with the Leader of the Opposition, the presenter of the minority report, the signatories and the chairperson of the Budget Committee. We agreed that the issues raised by the opposition are quite valid and should not be lost. Therefore, Madam Speaker, if it is okay, I would like to move that we adopt both reports and ask Government to look into the issues raised in the minority report and see how to take them up or address them. Thank you.

**The Deputy Speaker:** Honourable minister, that is why I needed a commitment from Government that they are going to adopt and make amendment on what the minority report is saying. However, even when I heard you addressing the press on health issues - you are a Member of Parliament, it is auditing time - I told you that you should have gone to make sure that the budget provides for money for health. It is not the press that answers some of these questions.

Honourable minister, can we have real commitment? You can speak from morning up to sunset but there is only one person to solve this thing.

12.57

**Mr Geoffrey ekanya (FDC, Tororo North County, Tororo):** Thank you, Madam Speaker. I am sorry, honourable minister. Hon. Isiagi raised the issue of BUBU but you know it very well, and all of us do, that all these foreign companies that do work here are supported by their mother countries, including South Africa, under export credit. The earlier we put money in the budget to indigenous the economy the better.

Secondly, I come from Malaba. For the last one month - the non-tariff barriers increase cost of doing business. Fuel trailers are still stuck to this date. I was in Nairobi last week, we were told the President of Uganda and the President of Kenya have talked and ordered that trailers must be cleared without scanning or weighing. Hence the price of fuel is up. Most factories are lacking raw materials and we are sitting here expecting that we shall raise local tax. Madam Speaker, I request that this issue be addressed immediately as we move forward.

**The Deputy Speaker:** Hon. Ekanya, we are discussing the issue of fuel on Tuesday; so make sure you are here.

12.59

**Dr abed bwanika (NUP, Kimaanya-Kabonera Division, Masaka City):** Thank you, Madam Speaker. I have two issues. When we first came to this Parliament - those of us who are new - the Speaker mentioned that this is going to be a people’s Parliament. When I look at the budget framework paper and it seeks to provide 4.2 per cent of the national budget to the agro-industry, where our people are, I begin to doubt whether we are a people’s Parliament.

Under the Agro-based Industry Programme, it seeks to expand storage and processing capacity for our agricultural commodities. They seek to allocate only Shs 69 billion. We were in Buhweju and farmers were crying for tea factories. In my place where I come from - Greater Masaka - we are crying for the last 20 years for a pineapple fruit factory so that we can add value. Our farmers will come from the subsistence that this Government talks about 39 per cent of our people – We are seeking your indulgence, Madam Speaker.

Secondly, about the parish development model, the way it is designed, Government seeks to allocate funds for every parish. However, this is my concern. In central Uganda we have 1,701 parishes with a population of 11.9 million people; eastern Uganda with a population of 10.8 million, there are 3,273 parishes; northern Uganda with a population of 8.6 million has 2,300 parishes; western Uganda with a population of 10.6 million people also has 2,570 -

**The Deputy Speaker:** Dr Abed, the National Budget Framework Paper is on the principles. You are debating the figures –

**Dr abed:** Madam Speaker, this is the principle –

**The Deputy Speaker:** Wait, they are going to bring a ministerial policy paper –

**Dr abed:** But this is the principle –

**The Deputy Speaker:** Can you sit.

**Mr tayebwa:** Madam Speaker, Government presented a statement on the Parish Development Model, which was referred to the Committee on Local Government and where we expect a full report to be presented on the Floor and we discuss. Therefore, I wanted to inquire whether we are procedurally moving well when there is a committee looking into the parish development model. It is going to present a report before the ministerial policy statement is presented but there is a Member who is pre-empting discussions of the committee.

**The Deputy Speaker:** The issues that have been raised by the shadow minister are very important issues that must be addressed. You cannot remove the saying, “We are a people’s Parliament” because of the 4.2 per cent provided to the agro-industry. During this budgeting process, all of you have been involved apart from the Rt Hon. Speaker. *(Applause)* Therefore, it is you, who does not love the people of Uganda.

1.04

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PLANNING) (Mr Amos Lugoloobi):** Madam Speaker, let me begin by appreciating the movers of the majority and minority report. Indeed, with this kind of input, I would like to state that we are meeting the objective of this exercise because the idea is that once you get your input, you are part of the stakeholders in this process.

Therefore, I would like to appreciate the reports that have been presented and the ideas that have come through; both from the majority and minority reports. To whatever extent possible, we are going to analyse all these issues and within the context of our resources, try to implement them.

The Chairperson of the Committee on Budget has gone further to indicate that even “if it needs additional borrowing, please do so”. In effect, you are now revising the Charter of Fiscal Responsibility that you approved yesterday so it is good that it is coming from your side. We did not want to violate the rules but I think by that statement, you are telling us that we should widen the fiscal space to accommodate some of these things. We are all ready for the consequences of doing that.

We are trying to manage the economy to make sure that we do not land into very difficult situations, where we are not able to service our debts and where inflation goes haywire. However, we are going to study all these issues.

We are already handling the issues of capital flight. We have a directive from the President and the Cabinet as the Ministries of Finance and Works, particularly on the roads, to see how far we can build the capacity of our local enterprises to reduce this problem of capital flight. We already note that this is a serious problem. We borrow money from wherever and then the same people come here and do the work because of lack of capacity in this country.

Therefore, the issues of building the capacity of our enterprises, including public enterprises – You have already heard about a directive by His Excellency the President that the army brigade should construct health facilities and schools. We began implementing that directive this financial year and all that is intended to indigenise construction capabilities.

Madam Speaker, we would really like to move with the House on the recommendations that have been made. We promise to do our best to make sure that we implement them. Thank you very much. *(Applause)*

1.08

**THE LEADER OF THE OPPOSITION (Mr Mathias Mpuuga):** Thank you, Madam Speaker, for your indulgence. I would like to thank, initially, my team on the Committee on Budget for the in depth appreciation of the National Budget Framework Paper and their minority thereof that deeply informed our discussion on this subject.

Madam Speaker, the fact that this is the first year and the first budget of the 11th Parliament, it is very important that Members are helped to understand the budgeting cycle and the key pillars of our budget arrangement.

One of the challenges we need to fully appreciate while considering the budget framework paper is that - if I recollect quite well – over the last three financial years, we undertook a migration from output-based budgeting to programme budgeting. That migration is causing challenges at Parliament of appreciating what changed, when we started considering the indicators as per the National Development Plan (NDP) documents.

Therefore, we need to be fully appreciative of why these are very key. The reason is that the issues talked about in the minority report, especially value for money audit, are very key issues. In the programme based budgeting, I have very many challenges, where accountability can easily be shielded and protected, so we need to be very clear about auditing value for money, under the new budget framework, which is programme-based.

The minister has to assure this House that eventually after rationalisation, they are going to reconsider options. One, to bridge the gaps. Initially, what I have considered is a gap of Shs 2.6 trillion. Therefore, the parish model has barely less than half of the desired funding. We are prioritising oil yet, the National Oil Company is not funded. We intend to revitalise the economy through Uganda Development Corporation; it is a pipe dream because there are unfunded priorities. We really need to think through the direction of the economy, if we are going to pick up. We can blame COVID-19 for very many problems but part of the problem is our planning that is skilled towards consumption and not production.

For the last two financial years, expenditures on some of the sectors were frozen; including Parliament. We said there was no money because of COVID-19. Part of what we wait for eventually is to appreciate exactly how much money was expended, despite the fact that expenditures were frozen. Maybe the minister will tell us “we have a huge bank balance because of the frozen expenditures.” Of course, we still did not collect that much. That is the problem.

We expect that these available funds – the fact that over the last two financial years, we agreed in principle to freeze - especially consumption expenditure - to which Parliament was a victim and other key agencies of the Government. So, we expect some of these key expenditure centres for economic revitalisation to find resources.

Yesterday, Madam Speaker, I had a problem understanding why the Minister of Finance, hon. Musasizi, was arguing about the need to structure revenue from minerals. I acknowledge that the majority report also appreciates the fact that our revenue sources are not rationalised. That is why we are here and there and nowhere.

I would like to inform the minister that even before we have the minerals Bill processed, there is a lot of money moving around through the mineral resources – not gold only. Go to Kabale, there is export of iron ore, through the various channels. Who is pocketing this money? Why is it that there is money in the system for us to see that there is a source, when the export is taking place?

I was in Kabale a few weeks back speaking to the people owning iron ore deposits. Wolframite is being mined in the same geographical area. So, is this food for people to eat in the locality or an export? Who is pocketing this money that people do not want us to align, as Parliament for sources?

Therefore, it is very important that we do not wait for the Bill but because money is moving through these resources, we need to align them.

Lastly, Madam Speaker, the statement by hon. Dr Abed Bwanika should not be lost. I appreciate the fact that we have an assignment given to the committee. Our rules stipulate the timeframe. Madam Speaker, do assign this committee to produce this report before we do process the policy statements of ministries.

My understanding of the Parish Model, whatever its challenges, is that it is a form of equalisation for communities. Therefore, it should not be used as a form of economic gerrymandering to undermine particular regions of the country.

Therefore, before we process the final budgets, let us get this report, Madam Speaker, so that we are able to understand whether the key pillars of this model and its purposes and intentions are going to be served by the way parishes are aligned in the country because it has a lot to do with population distribution and attendant resource allocation.

Once again, I would like to thank my team for a job well done and also appreciate the minister for climbing down his high horse and appreciating the Opposition for doing a very good job. *(Applause)* Thank you.

**THE DEPUTY SPEAKER:** Also, appreciate the whole House.

**MR MPUUGA:** Madam Speaker, it is in order to congratulate the while House.

**THE DEPUTY SPEAKER:** Yes. Thank you very much, LOP. I thank the chairperson of the committee and the chairpersons of the sectoral committees*. (Applause)* I saw people working tirelessly to ensure that they feed the Budget Committee; you have done a great job during this time – mindful of the timeframe we had. I must say thank you, Chairperson Budget Committee and the shadow minister, for the exhaustive report.

The Minister of Finance should register the matters that have been raised in the minority report and have them duly addressed and report to this House before the ministerial policy statements are presented.

In addition, be mindful that the ministerial policy statements are supposed to be presented by the 15th March. Therefore, we should have a response and actions taken on what has been raised before that date. The issues raised in the minority report must be harmonised with the majority report.

The minister should study those issues raised and then report back. The various sectoral committees of Parliament, in their day-to-day oversight duty, should also monitor whether what was agreed is what is coming in the ministerial policy statements or else you will be left out. You need to do your work in making sure that what you have recommended is in the ministerial policy statement.

I also instruct the Clerk to Parliament to extract all the recommendations, including what is in the minority report, and ensure that they are sent to the President by 1 February 2022 - that will be a Tuesday.

I now put the question that the report of the Budget Committee on the Budget Framework Paper for Financial Years 2022/2023 to 2026/2027, taking into consideration the amendments from the minority report, be adopted by this august House.

*(Question put and agreed to.)*

*Report adopted.*

**THE DEPUTY SPEAKER:** Thank you very much for today’s sitting. I am sorry for the inconvenience. House adjourned until Tuesday at 2 o’clock.

*(House rose at 1.19 p.m. and adjourned until 1 February 2022 at 2.00 p.m*.)