PARLIAMENT OF UGANDA

REPORT OF THE BUDGET COMMITTEE ON THE NATIONAL BUDGET FRAMEWORK PAPER FOR THE FY 2021/22 – FY 2025/26

January 2021

1.0 INTRODUCTION

Rt. Hon. Speaker, Hon. Members,

1. In accordance with the provisions of Articles 90 and 155 (4) of the Constitution, Section 9(1) to 9(8) of the Public Finance Management Act 2015 (As Amended) and Rules 143 and 144 of the Rules of Procedure of Parliament, Committees are mandated to among other things, to consider, discuss and review the Budget Framework Papers and through the Budget Committee present a report to the House for approval by 1st February of each year.

2. In compliance with above provisions, I beg to present a report of the Budget Committee on the National Budget Framework Paper for the Fiscal year 2021/22- 2025/26 for consideration and approval by the August House as required by section 9(8) of the PFMA 2015 and Rule 144(3).

2.0 SCOPE

3. The Committee scrutinized the NBFP and the reports of the Sectoral Committees and has prepared a report structured in two parts:

Part 1: Legal Compliance to the PFM Act, State of Economy and Budget Performance Highlights, and Medium Term Fiscal Framework;

Part 2: The Sectoral Committees' observations and recommendations made thereon.

3.0 METHODOLOGY

4. The Committee analyzed the NBFP to acquaint itself with the detailed contents of the document before interacting with the Sector Committees.

5. The Committee held meetings with the Minister of Finance, Planning and Economic Development, National Planning Authority and Chairpersons of Sectoral Committees of Parliament and discussed their observations and recommendations on the components of the NBFP under their jurisdictions.

PART 1: LEGAL COMPLIANCE TO THE PFM ACT, STATE OF ECONOMY, BUDGET PERFORMANCE HIGHLIGHTS, AND MEDIUM TERM FISCAL FRAMEWORK

4.0 LEGAL COMPLIANCE OF THE NBFP FY2021/22-FY2025/26

4.1 Submission of the NBFP to Parliament

6. According to Section 9(5) of the PFM Act 2015, the Minister shall with the approval Cabinet, submit the Budget Framework Paper to Parliament by the 31st of December of the financial year preceding the financial year to which the Budget Framework Paper relates. The National Budget Framework paper FY 2021/22-2025/26 was submitted to Parliament on the 18th of December 2020.

7. **In this regard, the submission of the NBFP to Parliament was in compliance with the legal provision as per Section 9(5) of the PFM Act, 2015.**

4.2 Structure of the NBFP

8. According to Section 9(4) of the PFM Act 2015, the NBFP shall be in the format prescribed in Schedule 3 of the PFM Act. An assessment by the Committee indicates that the BFP's overall structural compliance level to Schedule 3 of the PFMA (2015) was largely consistent. However, the Committee reorganized that some vital statics like the employment and unemployment rates are still based on data derived from on the 2016/17 Uganda National Household Survey.

   The Committee reiterates its earlier recommendation that, there is an urgent need by Government to undertake more timely survey's in order to have timely statistics that can provide evidence that could effectively inform development interventions. The National Statistical System needs to be prioritized and strengthened.

4.3 Consistency with the National Development Plan III

9. According to Section 9(3) of the PFM Act 2015, the Minister shall for each financial year, prepare a Budget Framework Paper which shall be consistent with the National Development Plan and with the Charter for Fiscal Responsibility.

10. With regard to the macroeconomic policy objectives, the NBFP is largely aligned to the NDPIII (see table below). This is attributed to the fact that the macroeconomic objectives of the NDP III under pin the budget strategy in the NBFP.

Table 1: Consistency between NDP III and NBFP Macroeconomic Objectives

NDP III Macroeconomic Objectives	NBFP Macroeconomic Objectives
Poverty reduction from 21.4 percent to 18.5 percent by FY2024/25	Information Not Available
Achieving an accelerated economic growth rate at about 7 percent by FY2024/25	Growth is projected to reach 7.2% by 2024/25
Increase in the stock of jobs by an annual average of about 512,000	Projected Stock of jobs to be created in the FY2021/22 is 482,844 jobs
Maintaining core inflation within the target band of 5 percent +/- 3	Core inflation to range between 3%-5% by 2024/25
Ceiling on debt to GDP of 50 percent in present value terms and a gradual achievement of a fiscal deficit of 3 percent by FY2024/25	PV Debt to GDP projected at 49.3% by 2024/25; Fiscal deficit as percent of GDP to decline to 2.9% by 2024/25
Domestic revenue average annual growth of 0.5 of GDP percentage points	Domestic Revenue to GDP projected to increase by 0.42% in 2021/22 compared to projected outturn of 2020/21

Source: NBFP 2021, NDP III, & PBO Compilations

11. In regards to the extent of alignment of the budget strategy with the NDPIII Strategic Direction, the committee observes that the NBFP Budget strategy is aligned to the NDPIII strategic direction (please refer to page xxii-xxxviii of the NBFP for details). It is important to note that the five strategic objectives of the NDIII include:

(i) Enhance value addition in key growth opportunities;
(ii) Strengthen the private sector capacity to drive growth and create jobs;
(iii) Consolidate and increase the stock and quality of productive infrastructure;
(iv) Enhance the productivity and social wellbeing of the population; and
(v) Strengthen the role of the state in guiding and facilitating development.

12. In regards to alignment of the indicative NBFP budget allocations to the NDPIII allocations, there are deviations as highlighted in table 2. In particular, Integrated Transport Infrastructure and Services and Human

Capital Development programmes recorded the highest difference deviation of 9.6% and 8.5% higher than the NDPIII allocations respectively. On the other hand, the Community Mobilisation and Mindset Change, Public Sector Transformation and Regional Development programs were allocated much lower funds as compared to the NDPIII planned allocations.

Table 2: Programme Allocation Alignment (% of budget)

NDPIII Programmes	NDPIII (%)	BFP (%)	Difference *(BFP-NDPIII*
Integrated Transport Infrastructure and Services	7.7	17.3	9.6
Human Capital Development	11.9	20.4	8.5
Governance and Security	14	22.4	8.4
Energy Development	1.9	4.7	2.8
Agro-industrialisation	3.5	4.4	0.9
Private Sector Development	1.1	1.9	0.8
Sustainable Urbanization and Housing	1.7	1.7	0
Development Plan Implementation	3.8	3.5	-0.3
Innovation, Technology Development and Transfer	1.2	0.8	-0.4
Tourism Development	1.2	0.5	-0.7
Sustainable Development of Petroleum Resources	1.4	0.7	-0.7
Mineral Development	1	0.2	-0.8
Manufacturing	1	0.2	-0.8
Digital Transformation	[illegible]	0.3	-1
Community Mobilization and Mindset Change	1.5	0.1	-1.4
Natural Resources, Climate Change, Environment, Land and Water Management	3.8	1.7	-2.1
Regional Development	7.8	4.2	-3.6
Public Sector Transformation	7	0.7	-6.3
Interest Payments Due (% of budget)	27.4	14.4	-13

Source: NPA Report on the Alignment of the BFP FY2021/22 to the NDPIII

4.4 Consistency with the Charter of Fiscal Responsibility (CFR)

13. According to the PFM Act Section 9 (3), the NBFP must be consistent with the Charter of Fiscal Responsibility. The CFR for the period 2021/22-2025/26 is still being prepared and will come into effect not later than three months after the first sitting of Parliament following the 2021 general elections. This implies that the consistency of this BFP with the CFR cannot be ascertained at the moment.

14. The Committee observes that, a projected fiscal deficit of 7% of GDP in FY 2021/22 is higher than the revised EAC monetary convergence criteria of 3% of GDP.

4.5 Gender and Equity Responsiveness of the NBFP

15. Section 9(5) to 6(a-b) of the Public Finance Management Act 2015 provides that the Minister responsible for Finance shall, in consultation with Equal Opportunities Commission issue a certificate; -

a) Certifying that the National Budget Framework Paper for FY 2021/22 – 2025/26 is gender and equity responsive; - and
b) Specifying measures undertaken to equalize opportunities for men, women, persons with disabilities and marginalized groups.

16. In fulfillment of the requirements of the sections 9(5) to 6(a-b), the National Budget Framework Paper for FY 2021/22 – 2025/26 was assessed and the overall compliance with Gender and Equity requirements was at 65.75%.

17. The performance is as follows; -Agro-industrialisation-68%, Governance and Security-68%, Manufacturing-59%, Tourism Development-61%, Development Plan Implementation-63%, Innovation, Technology Development and Transfer-70%, Mineral Development-63%, Integrated Transport Infrastructure and Services-66%, Digital Transformation-66%, Public Sector Transformation-62%, Sustainable Urbanization and Housing-63%, and Community Mobilization and Mindset Change-79%, Human Capital Development-82%, Private Sector Development-62%, Sustainable Petroleum Development-58%, Sustainable Energy Development-57%, Regional Development-63%, Natural Resources, Environment, Climate Change, Land and Water Management Development-76%

18. The Committee observed that whereas the Gender and Equity compliance requirement is by Law, there appears to be no sanctions in place for non-compliance and this may explain the lack of effort by some institutions to improve on their compliance levels.

19. The Committee further observes that the Certificate is silent about measures undertaken to equalize opportunities for women, men, persons with disabilities and other marginalized groups as required by Section 9 (6) of the PFMA.

20. This poor performance in Gender and Equity compliance may constrain the country's progress in achieving the Sustainable Development Goal 5 (Gender Equality) and 10 (Reduced Inequalities).

4.6 Consistency with Schedule 3 of the PFM Act 2015

21. The Committee observes that Schedule 3 of the Public Finance Management Act, 2015 provides for the Format of the National Budget Framework Paper. The BFP for FY 2020/21 – FY 2024/25, largely conforms to the requirements of Schedule 3 under the PFM (2015) Act as indicated in Table 3, below:

Table 3: Compliance to Schedule 3 of the PFM Act, 2015

Schedule 3(1)	Medium Term Macroeconomic forecasts: BFP should indicate the actual, estimated and projections covering the previous two FY, the current FY and the next five FY.	The average and year end gross domestic product: Only year-end forecasts provided.
		The rate of inflation (average and year-end): Only average forecasts provided.
		The rate of employment and unemployment: rates provided for status over three years ago.
		The average and year end exchange rate: Only average rates for the previous 2 years availed.
		The interest rates: Only the previous 2 years average provided.
		The money supply: *Not availed.*
Schedule 3(2)	Medium Term Fiscal Framework: Targets of Government for variables which are subject of Fiscal Objectives under the CFR.	Presented under Section 1.2
Schedule 3(3)	Medium Term Fiscal Forecast: Covering the previous two FY, the current FY and the next	Non Petroleum Revenues Available.
		Petroleum Revenues stated as zero.
		Expenditure and Net lending provided.

Table 3: Compliance to Schedule 3 of the PFM Act, 2015

	five FY.	Overall balance provided. Non petroleum Revenue Balance provided.
Schedule 3(5)	Statement of the resource for the annual budget for the next financial year.	Presented under Section 1.4.
Schedule 3(6)	Statement of policy measures.	The statement of Policy measures is provided under section 1.3.
Schedule 3(7)	Medium-Term Expenditure Framework	Projections of Government expenditure in respect of each Vote (and each Programme) for the financial year and the next financial year(s), split into current expenditure and investment expenditure are provided under Annex 1 and Annex 2.
Schedule 3(8)	Fiscal Risks Statement	Statement of the main sources of risk to the fiscal objectives of Government and a quantified estimation of the fiscal impact of these risks is provided under Section 1.7.

Source: PFM Act, NBFP, & PBO Compilations

22. Uganda has developed a National Standard Indicator Framework to track progress towards attainment of middle-income status by 2024/25 An effective Programme Based Budgeting (PBB) arranges the budget around a set of programs and objectives that are clear and specific. The indicators and targets must also be consistent, realistic, and have credible baselines and timelines. However critical analysis of the outcome indicators contained in the budget framework paper across some sectors indicate some inconsistencies. For instance, the debt to GDP figures presented by the Ministry are inconsistent. The BFP presents two inconsistent figures in regards to the nominal public debt o GDP. In part 2 of the BFP, the nominal debt to GDP is reported to reach 43.8% in FY2021/22 (page 512) while on page 517 of the NBFP the nominal debt to GDP is projected at 48.3% in FY2021/22.

23. The Committee recommends that Government undertakes a thorough review of the performance indicators with a view ensuring consistency of outcome and intermediate indicators.

4.7 Programmatic Approach to Budgeting

24. The 2021/22 BFP adopted a programmatic approach to budgeting and consequently the government institutions and the Medium-Term Expenditure Framework (MTEF), have been clustered along the eighteen NDP programmes. The rationale of the programme approach is to eliminate the silo approach to planning, budget implementation and ultimately improve efficiency in resource utilization as well as budget outcomes.

25. Parliament was been placed under the Governance and Security Programme. Other implementing agencies under the programme include Office of the President, Office of the Prime Minister, Judiciary, Ministry of Defence, Ministry of Internal Affairs, Ministry of Justice and Constitutional Affairs, previous Justice Law and Order sector institutions, to mention but a few. The Political head /coordinator of this programme is the Minister for Presidency.

26. By implication, Parliament's budget priorities and budget ceilings will be subject to scrutiny and review by the Programme Working Group MDAs which will be headed by the Minister of the Presidency. This could undermine the Legislatures Independence and its oversight mandate of the executive arm of Government.

27. The Committee observes that there is need to uphold the same principle as per the Sector Wide Approach where the Legislature was a Sector of its own and not subject to review by other MDAs, thereby safe guarding the independence and preserving the separation of power between the Legislature, Judiciary and Executive arms of Government.

28. The Committee therefore strongly recommends that separate Programmes for the Legislature and Judiciary are developed before the presentation of the Annual Budget for FY2021/22 and presentation of the Ministerial Policy Statements for FY2021/22.

29. In addition, the Committee recommends that in order to reduce duplication of roles and mandates, some Authorities and Agencies should be merged along the new programmes with a view of increasing efficiency and rationalization of resource.

30. The Committee also notes that in 2018, a Public Service restructuring report that aimed at stopping mush rooming of

agencies and duplication of mandates was produced but is yet to be implemented.

5.0 STATE OF THE ECONOMY & BUDGET PERFORMANCE HIGHLIGHTS

5.1 Real GDP Growth

31. The economy grew by 2.9 percent in FY 2019/20 which is lower than 6.8 percent recorded in FY 2018/19 and lower than the projection of 6.3% for the FY2020/21. This was on account of lower than expected global demand which weighed down on local manufacturers, construction companies, exporters, logistics firms, tourism companies and other service providers. The situation was compounded mainly by the covid-19 containment measures adopted.

32. The industry sector was most hit by the impact of the pandemic, growing by just 2.2 percent compared to the 10.1 percent growth registered in FY2018/19. Similarly, the services sector also slowed down to 2.9 percent from the 5.7 percent registered in FY 2018/19. The agriculture, forestry and fishing sector was the most resilient in FY2019/20, expanding by 4.8 percent. This was mainly due to favourable weather conditions in the country.

33. The medium term average GDP growth outlook has been revised to 4.3% in the FY2021/22 which is lower than 6.0% envisaged by the NDPIII in the FY 2020/21.

34. Over the medium term, growth is projected to reach potential levels (between 6.0 to 7.0 percent), supported mainly by enhanced private sector activity; increased returns from public infrastructure investments; increased activities in the oil and gas sector; and recovery in industry which will be supported by manufacturing as well as public and private construction.

35. The Committee observes that the benefits to the growth of the economy are skewed towards a few in mainly the Services Sector demonstrated by its highest contribution to GDP. The Gini Coefficient has grown from 0.39 in 1996 to 0.41 in 2017, reflecting deterioration in the distribution of income in Uganda. The Gini index measures the extent to which the distribution of income among individuals or households within an economy deviates from a perfectly equal distribution. Thus a Gini

Coefficient of 0 represents perfect equality, while an index of 1 implies perfect inequality.

36. The Committee recommends that growth needs to become more inclusive. Interventions targeting the 68.9% households trapped in subsistence agriculture must be prioritized. In addition, the development interventions must be affirmative taking into account the existing regional poverty disparities.

5.2 Poverty & Unemployment

37. The percentage of people living below the poverty line (USD 1.00 per day) increased from 19.7 percent in 2012/13 to 21.4 percent in 2017/18. In absolute terms, the number of poor people increased from 6.6 million to 8.03 million. In addition, there are wide regional poverty disparities with Bukedi (43.7 percent), Busoga (37.5 percent), Bugisu (34.5 percent) and Teso (25.1 percent); while national child poverty was registered at 55 percent in 2017.

38. Overall, poverty has been driven by heavy reliance on subsistence rain-fed agriculture as the only economic activity, which is prone to crop failures due to harsh weather conditions and poor agriculture practices. The regions and economic groups that have experienced poverty reversals were those that largely depended on crop farming as their source of livelihood. As a result, rural poverty has become further entrenched as a disproportionate percentage of the population remains trapped in subsistence agriculture (at 68.9%).

39. The 2016/17 Uganda National Household Survey report (UNHS) indicated that national unemployment rate in Uganda stood at 9.2%, with female unemployment rate at 13%, male unemployment rate at 6%, youth (18-30 years) unemployment rate at 13.3%, urban unemployment rate at 14.4% (with Kampala at 21%) compared to the rural unemployment rate of 6.2%.

40. Overall unemployment is being driven by a working age population that is growing faster than the economic growth. Currently a total of 700,000 people enter the labour market every year of which only about 238,000 (34 percent) are absorbed or employed (paid or self-employed).

41. The Annual Labour Force Surveys of FY2017/18 and FY2018/19 show a shift in the share of labour in agriculture to industry and services. The share of labour in services increased to 45.6 percent in FY2018/19 from 41.8 percent in FY 2017/18 while in industry, it increased to 17 percent from 15 percent in FY2017/18. On the other hand, the share of labour in agriculture reduced to 37.4 percent in FY2018/19, from 43.2 percent in FY2017/18.

42. The Committee observes that the NDP III's job creation strategy envisages a creation of about 2.5 million jobs by 2024/25, with an average of about 512,000 jobs being created annually. The highest number of jobs (1.3 million jobs) is expected to come from the Services Sector with the Trade Subsector contributing the largest proportion (797,179 jobs). Agriculture is expected to be the second highest contributor to jobs (796,411 jobs), followed by industry (396,079 jobs) whose largest share of jobs is expected to arise from manufacturing (249,376 jobs). With these new jobs created, youth unemployment is projected reduce from 13.3% to 9.7 percent, while urban unemployment is projected to be reduced from 14.4% to 9.4% by 2024/25;

43. **In this regard, the Committee recommends that Government prioritizes the following interventions to strengthen the private for job creation:**

- **Scale up the provision of affordable long term financing by development finance institutions like UDB or other government banks (e.g. Post bank, Pride Micro finance);**
- **Promote Foreign Direct Investment (FDI) through well-developed industrial parks;**
- **Increase the value of public contracts and sub-contracts that are awarded to local firms;**
- **Support small and medium enterprises (SMEs) to access export markets and affordable credit;**
- **Strengthen local economic development, accelerate the transformation of agriculture from subsistence to commercial production in particular by connecting smallholders with value-chains;**
- **Reduce the amount of domestic arrears and putting in place mechanisms to ensure these are kept low;**
- **Further deepen the insurance industry to increase risk management;**
- **Further expanding retirement benefits to increase national savings;**
- **Further enhance the provision of tax incentives to key**

private sector players, in selected priority sectors in line with the local content policy;

- **Support the private sector to provide a apprenticeships, and provision of seed capital in kind for young graduates to enhance their take - off;**

44. In addition, Government needs to build a critical mass of skilled and competent labour force to be able to take up job opportunities in mainly the services, and industry sectors. Consequently government should:

- **Review the current Skilling Uganda Strategy in order to accelerate skills and vocational development, to address youth unemployment;**
- **Build capacities of the existing vocational and tertiary institutions to expand programmes that produce graduates with the required skills, while at the same time reducing intakes for courses that no longer address the needs of our economy. For instance, vocational and tertiary institutions should be supported to develop a pool of national expertise in the emerging mining, light manufacturing, oil and gas industries.**

5.3 Inflation

45. The Committee observes that, annual headline inflation averaged at 3.0 percent in FY2019/20, a slight decline from 3.1 percent recorded in the previous financial year. The lower inflation in FY2019/20 was largely due to lower food prices and low global oil prices. The subdued food prices were attributed to mainly stable food supplies in the market due to favorable weather conditions. In FY2020/21, annual headline inflation is projected to increase to 4.4 percent.

46. On the other hand, core inflation (which excludes volatile prices of food & energy) averaged 3.1 percent in the FY2019/20 which is lower than 3.8 percent recorded in FY 2018/19. This outturn is attributed to low aggregate demand arising mainly from less economic activity in the second half of the financial year due to covid-19 containment measures adopted by Government. Core inflation is projected to average 3.0 percent in the FY2021/22 which is consistent with the macroeconomic medium term target of 5 percent.

5.4 Public Debt

47. Total Public Debt stood at USD 15.27 billion (UGX 56,959.24 billion) of which USD 10.45 billion (UGX 38,979.96 billion) is external and USD 4.82 billion (UGX 17,979.27 billion) is domestic as at June 2020. This is equivalent to 41.0 percent of GDP in nominal terms and 31.8 percent in present value terms.

48. The Committee observes that for the period of one year, public debt increased by UGX 10,592 billion representing a growth rate of 23 percent. The need for extra borrowing to cover for both the revenue shortfalls and the Covid-related expenditure needs was the main driver of the significant increase in debt in FY2019/20.

49. As Government continues to support economic recovery through provision of the economic stimulus package to various sectors, debt is projected to increase further over the near term amounting to 47.6 percent of GDP in present value terms in the FY2021/22 and peaking at percent at 49.7% in the FY2023/24 before starting to decline to 48% in FY2025/26.

50. Debt sustainability analyses indicate that Uganda's debt is still sustainable. However, vulnerabilities have increased; the growing debt stock has resulted in a higher cost of debt service. Debt service (interest payments, amortization, & domestic debt refinancing) are projected to take up 33.6% (or Shs 15,361.6bn) of the indicative budget for FY2021/22.

51. In this regard, the Committee recommends that there is a critical need to scale up revenue mobilization through effective operationalisation of the Domestic Revenue Mobilization Strategy aimed at increasing domestic revenue by 0.5 percentage points of GDP each year.

52. In addition, there is need to sequence borrowing towards projects, with priority given to those generating a bigger growth dividend.

5.5 Highlights of Budget Performance for FY2020/21

53. Domestic revenue was projected at Shs 21,810.66 billion in the FY2020/21. Of this amount, tax collections were projected at Shs 20,219.68billion while Non-Tax Revenue was projected at Shs 1,590.98billion. However, taking into account the adverse effects of COVID-19 on the economy, it is now projected that domestic revenue collections will be Shs 18,773.96 billion (resulting to a deficit of Shs 3,036.7bn) for the financial year 2020/21.

54. As of October 2020, revenue collections amounted to Shs 5,528.43 billion which is equivalent to 25.3 percent of the revenue target for the whole year.

55. For the period July-October 2020, Shs 26,615.45 billion or 58.5 percent of the total approved budget has been released for spending. Of this amount, Shs 20,626.05 billion was for government discretionary spending (thus excludes domestic debt refinancing, external amortization and interest payments).

56. In regards to absorption, Shs 11, 684.04 billion (equivalent to 56.6 percent of the amount released for discretionary spending was spent in the period July to October 2020.

6.0 MEDIUM TERM FISCAL FRAMEWORK

6.1 The Budget Strategy for FY2020/21

57. The Committee observes that the economic strategy and the Government spending priorities for Fiscal Year 2021/22 are centered on two (2) issues and these are; (i) the policy interventions required to sustain recovery from the socioeconomic setbacks caused by Covid-19 as well as harness the opportunities that come along, and (ii) the Third National Development Plan. The strategy is focused on three broad interlinked growth agenda which are central to developing and harnessing the factors of production. These are: -

i) Accelerating the pace of industrialisation, research and innovation to enhance value addition to agriculture and mineral commodities.
ii) Building an integrated and self-sustaining economy by

enhancing the capacity for import substitution and export markets access; and,

iii. Strengthening the private sector by improving enterprise competitiveness, partly through increased efficiency and effectiveness of public sector investments.

58. In Financial Year 2021/22, the Committee observes that Government tax policy and compliance efforts will focus on the following:

i. Fostering equity of the tax systems to reduce inequalities.
ii. Improve the efficiency of revenue administration through modernisation, enhancement of institutional and human resource capacities.
iii. Improving tax transparency by publishing tax expenditures regularly to facilitate cost-effective assessments, ultimately helping to reduce wasteful tax expenditures.
iv. Implementing joint action to combat tax-motivated illicit financial flows and tax avoidance by strengthening tax governance, fiscal transparency and intensifying the exchange of information; and,
v. Providing an enabling environment for taxpayers and tax practitioners to be meaningfully involved in tax and revenue formulation matters.
vi. Finalising and implementing a comprehensive, prioritized and costed Domestic Revenue mobilization implementation plan after public consultation with relevant stakeholders.

6.2 The Resource Envelope for FY2021/22

59. The total resource envelop for the FY 2021/22 is projected at UGX 45,658.2 billion an increase of UGX 163.43 billion when compared with the FY 2020/21.The projected increase in resource inflows is mainly attributed to a projected increase in domestic borrowing for domestic debt refinancing (by Shs 1,036.5bn) and external borrowing for budget support (by Shs 812bn).

60. Domestic revenues are expected to decline by UShs 117.7 bn on account of a decline in Non Tax Revenues (declining by Shs 270.2bn), Appropriation in Aid (declining by Shs 219.8bn) and Tax Revenues (declining by Shs 87.7bn), compared to FY2020/21.

Table 4: Summary of the Resource Envelope

UGX Billions	2019/20 Approved	2020/21 Approved	2021/22 Indicative	2020/21 Vs 2021/22	
				Absolute	Relative
Domestic Revenue	**20,646.40**	**22,026.30**	**21,908.60**	**-117.70**	**-0.53%**
Tax Revenue	18,877.30	20,218.70	20,131.00	-87.70	-0.43%
Non Tax Revenue	1,139.40	593.8	864	270.20	45.50%
Appropriation In Aid	**432**	**1,133.40**	**913.6**	-219.80	-19.39%
o/w AIA Central	432	917.8	698	-219.80	-23.95%
o/w AIA Local Gov't Revenue	-	215.6	215.6	0.00	0.00%
Petroleum Fund	**197.7**	**56**	-	0.00	0.00%
Draw-down of Gov't Deposits	-	**24.4**	-	0.00	0.00%
Grants	**1,900.00**	**1,719.90**	**1,908.00**	**188.10**	**10.94%**
o/w Budget Support	100.6	133.6	77	-56.60	-42.37%
o/w Project Support	1,799.40	1,586.30	1,831.00	244.70	15.43%
Domestic Borrowing	**6,554.90**	**11,046.40**	**11,512.50**	**466.10**	**4.22%**
o/w Domestic Financing	534.9	3,054.20	2,483.80	-570.40	-18.68%
o/w Domestic Refinancing	6,020.00	7,510.50	8,547.00	1,036.50	13.80%
o/w BOU Capitalization	-	481.7	481.7	0.00	0.00%
External Borrowing	**8,208.80**	**10,702.10**	**10,329.00**	**-373.10**	**-3.49%**
o/w Budget Support	574.6	2,773.10	3,585.10	812.00	29.28%
o/w Project Support	7,634.20	7,929.00	6,743.90	- 1,185.10	-14.95%
GRAND TOTAL	**37,310.10**	**45,494.70**	**45,658.10**	**163.40**	**0.36%**

Source: MFPED and PBO Computations

61. **It is observed that the resource envelope of Shs 45.658 trillion, only Shs 29.538 trillion is discretionary. The balance of Shs is allocated to debt related expenditure, Shs 170bn for Wage Pension and Gratuity**

Shortfalls, and Shs 215.59bn for Appropriation in Aid as Local Revenue for Local Governments

62. **After a comprehensive scrutiny, the Committee observed that resources for the capitalization of the Bank of Uganda were not required as the Bank of Uganda's operational capital is not impaired. In this regard, the Committee recommends that the resource envelope is revised given these developments.**

63. **In order to increase domestic revenues, the Committee recommends that effective operationalization of the Domestic Revenue Mobilization Strategy (DRMS) is prioritized**

6.3 Overview of Indicative Resource Allocations, FY2021/22

64. The Committee observes that the resource allocations for FY2021/22 have been structured along the programme approach, premised on the eighteen (18) development programmes identified in the third National Development Plan III.

65. Using resource allocations to proxy prioritization, it is evident from the table below that 34.46% (equivalent to Shs 15,733.72bn) of the indicative budget is prioritized to debt related payments (including domestic arrears) compared to 20.04% (equivalent to Shs 9,115.08 bn) for the FY2020/21 Approved Budget.

66. The Governance & Security programme, Human Capital development Programme, and the Integrated Transport Infrastructure & Services programme have been financially prioritized with 16.9%, 15.43%, and 13.07% share of the total budget respectively.

67. In regards to the least priroitzed programmes, Community Mobilization and Mindset Change, Manufacturing, and Mineral Development programmes are projected to receive 0.08%, 0.12% and 0.18% share of the budget respectively.

Table 5: Resource Allocations BY Programme (Shs. Billions)

PROGRAMME	FY 2021/22 (Shs Bn)	Share of Total Budget (Shs Bn)
Governance and Security	7,717.59	16.90%
Human Capital Development	7,043.86	15.43%
Integrated Transport Infrastructure & Services	5,968.80	13.07%
Sustainable Energy Development	1,634.70	3.58%
Agro- Industrialization	1,509.26	3.31%
Regional Development	1,447.00	3.17%
Development Plan Implementation	1,193.24	2.61%
Private Sector Development	648.36	1.42%
Climate Change, Natural Resource, Env't & Water Mgt	593.61	1.30%
Sustainable Urbanization and Housing	575.44	1.26%
Innovation, Technology Development & Transfer	270.86	0.59%
Public Sector Transformation	253.48	0.56%
Sustainable Development of Petroleum Resources	235.48	0.52%
Tourism Development	176.73	0.39%
Digital Transformation	101.77	0.22%
Mineral Development	80.57	0.18%
Manufacturing	52.76	0.12%
Community Mobilization and Mindset Change	35.35	0.08%
SUB TOTAL	**29,538.85**	**64.70%**
**** Memo Items**		
Domestic Refinancing	8,547.00	18.72%
Interest Payments	4,960.47	10.86%
External Debt Repayments (Amortization)	1,826.25	4.00%
Domestic Arrears	400.00	0.88%

PROGRAMME	FY 2021/22 (Shs Bn)	Share of Total Budget (Shs Bn)
Shortfalls on Wage, Pension and Gratuity	170.02	0.37%
Appropriation in Aid/Local Revenue	215.59	0.47%
GRAND TOTAL	**45,658.17**	**100.00%**

Source: NBFP 2021/22 and PBO Computations

68. **The Committee observes that the current resource allocation indicates our fiscal operations are in distress; as debt related payments continue to take the largest share of the budget. A 34.46% (equivalent to Shs 15,733.72bn) of the indicative budget prioritized to debt related payments is evident that debt related payments are constraining resources that would otherwise be utilized in interventions that would directly support the development agenda of Industrialisation for Inclusive Growth, Employment and Wealth Creation.**

69. **The Committee has identified priority areas that need addition funding in the FY2021/22. Please refer to Annex 1, attached.**

6.4 Domestic Arrears

70. The Committee observes that domestic arrears in Uganda are a long-standing challenge. Government has over the years put in place several measures to address the problem. These include:

(i) The introduction of the Commitment Control System (CCS) in 1999,

(ii) Strengthening the legal framework surrounding the Public Financial Management system with special provisions entrenching the CCS

(iii) Formulation of a comprehensive domestic arrears strategy as part of the 2007 Public Debt Strategy;

(iv) Introduction public financial management systems and reforms such as the Integrated Financial Management System (IFMS), Planning and Budgeting System (PBS), decentralization of the salary and pension payrolls, all aimed at strengthening budgeting and expenditure controls.

71. However, the stock of domestic arrears as at Sept 2020 stood at UGX 2.148 trillion. Domestic arrears have increased from UGX 1.874 trillion in 2018/19 to UGX 2.148 trillion as at Sept 2020; yet the current indicative allocation is only Shs 400 billion.

72. The Committee therefore recommends that Government sets aside adequate resources in the domestic arrears budget to clear the current stock of arrears.

Vote/Insititition (MDA)	Item	Funding Gap(Bns)	Justification
VOTE 001 – OFFICE OF THE PRESIDENT	Facilitation of RCC Offices in the Newly Created Cities	3.20	Office of the President requires Ushs. 3.2 bn to facilitate deployment of Resident City Commissioners (RCCs), DRCCs and support staff in the 10 Newly Created Cities whose operations came into effect on 1st July 2020.
	Manaifesto implementation	1.00	
	Monitoring and Evaluation of Cabinet Decision's Implementation	1.39	Office of the President requires Ushs. 1.39 bn to monitor and evaluate Cabinet decision's implementation but no allocation has been provided.
	Development of the One – Stop Government Office Campus at Bwebajja	1.32	Government of Uganda represented by Office of the President is developing a One – Stop Government Office Campus at Bwebajja in Wakiso District to provide Office accomodation to selected Ministries, Departments and Agencies.
VOTE 159 ESO	Foreign Intelligence Collection	3.00	
VOTE 002:STATE HOUSE	Procurement and maintenace transport equipment	10.00	
	Operation of model parishes	5.00	
INTERNAL SECURITY ORGANIZATION (ISO)	Transport Challenges to ISO	2.00	Government should provide atleast Ushs. 10.0 bn as development budget to enable the procurement of transport equipment in the medium term.
	Recruitment and Training	2.00	issues relating to security are dynamic in nature and the concerned organization should be prepared to recruit staff that are fit for the purpose at all times.
VOTE 107 – Uganda Aids Commission	Interventions to reduce burden of HIV	2.57	HIV and AIDs scourge is still a threat and real and therefore requires continued interventions if the Country is to mitigate this threat with its associated effects on productivity.
VOTE 122 – KAMPALA CAPITAL CITY AUTHORITY (KCCA)	Management of Kiteezi and Dundu Landfill	5.00	Solid waste is one of the major challenges facing Kampala City with the amount of waste generated exceeding their capacity both technical and financial to collect and dispose.
	Road Infrastructure Development and Maintenance	5.00	
VOTE 003 – OFFICE OF THE PRIME MINISTER	Commitment to Affirmative Action Programs	49.50	Busoga Affairs requires Ushs. 13.0 bn but only Ushs. 5.2 bn is provided leading to a funding gap of Ushs. 7.5 bn. Teso Affairs requires Ushs. 17.43 bn but only Ushs. 5.43 bn is provided leading to a funding gap of Ushs. 12 bn and therefore kick starting the implementation of the Teso Development Plan is far from reality. Bunyoro Affairs requires Ushs. 13.72 bn but only Ushs. 3.72 bn is provided leading to a funding gap of Ushs. 10.0 bn that constrains the implementation of Bunyoro integrated Affirmative Development Plan.
MINISTRY TRADE, INDUSTRIES AND CORPORATIVES	Export Promotion	10.10	while Uganda Export Promotions Board has set a target of increasing the value of exports from the current USD 3,450.7 million to USD 4,973 million in the medium term, it continues to suffer perennial budget shortfalls.
	Establishment of National Sugar Board and its operations	2.00	Parliament passed the Sugar Bill, 2017 which sought to establish a Sugar Board amongst other provisions. Government issued a certificate of financial implication as per the requirement of Section 76 of the PFM Act, 2015 amounting to Shs.80.1 million. The current MTEF does not provide Shs.2Bn required to establish the board yet Government committed itself that it would fully provide for the board.
	Unfunded Priorities for UDC	21.00	Uganda Development Corporation requires Shs.21Bn to undertake key investments which include; expansion of Soroti Fruit Factory, set up a sugar factory in Busoga, set up a glass facility, acquire additional equity in Bukona Agro-processors Ltd and acquire shares in Virika Pharmaceutical Limited.
	Establishment of National Sugar Board and its operations	2.00	Parliament passed the Sugar Bill, 2017 which sought to establish a Sugar Board amongst other provisions. Government issued a certificate of financial implication as per the requirement of Section 76 of the PFM Act, 2015 amounting to Shs.80.1 million. The current MTEF does not provide Shs.2Bn required to establish the board yet Government committed itself that it would fully provide for the board.
VOTE 007 MOJCA	Establishment of a Constitutional Review Commission	2.00	as a result of a number of proposed amendments to the 1995 constitution, a Constitutional Review Commission is critical to handle the process more comprehensively.
	Regulation of the legal profession	0.64	The Law council was restructured but the new structure has not yet been fully implemented. Currently there are backlog cases and this has a bearing on the ease of doing business. In addition there is need for publishing the Approved, Suspended and Not Approved law firms and accredited firms

OTE 104 PARLIAMENTARY COMMISSION	Parliamentary Oversight role	22.80	Parliament heavily relies on it's recurrent budget to fulfill its oversight role.
	Support to Departments of Parliament	31.97	departments of Parliament receive the least budgets despite their mandate of providing technical support to committees and Parliament as a whole.
	Wage Shortfalls	21.32	the 11th Parliament will have 5?? MPs from the current 457. This creates a wage shortfall of Ushs 21.124 billion in the FY 2021/22 budget.
	Shortfalls in the Development Budget	5.42	Parliament will need to procure 13 vehicles including those for the speaker and deputy speaker, their lead and backup police cars and the entitled Directors and Assistant Directors.
	Shortfalls in the recurrent non-wage budget	165.00	MPs are entitled to a car grant of Ushs 200 million. No provision has been made amounting to Ushs 165 billion for FY 2021/22. The committee further noted that government intends to raise these resources from tax revenue measures.
VOTE 119 UGANDA REGISTRATION SERVICES BUREAU (URSB)	Implementation of staff structure	1.85	the existing staff structure stands at 58%. Increase in staffing levels will enhance productivity and promote expansion thus national wide access of services.
VOTE 148 JUDICIAL SERVICE COMMISSION (JSC)	Minimum Operational Standards for Courts	1.75	the proportion of Courts that meet the minimum operational standards is projected to reach 18% in FY 2021/22. This implies that the administration of justice in the country is still of low quality. JSC has to improve on its level of monitoring against the set standards of courts.
VOTE 023 MINISTRY OF SCIENCE TECHNOLOGY AND INNOVATION	NATIONAL SCIENCE, TECHNOLOGY, ENGINEERING AND INNOVATION SKILLS ENHANCEMENT PROJECT (NSTEI-SEP)	8.00	Parliament passed a resolution on 26thSeptember 2018 authorizing Government to borrow up to US $84.73 million from the Exim Bank of China to finance NSTEI SEP. The NSTEI-SEP spearheaded by the Uganda National Council for Science and Technology, is aimed at providing incubation facilities for Ugandan scientists as well as enhancing STEI skills of young technicians and engineers; retooling unemployed graduates and supporting them to establish Start up businesses and to undertake infrastructural development of the country and local manufacturing of products in line with the BUBU policy.
	SERICULTURE PROJECT	20.89	government projects are housed on privately owned land which will leads to wastage of government resources in the long run. If Government land is to be procured for sericulture, it would need a minimum of one square mile in each of the regions of East, West, Central and Northern Uganda near water that can be used for supplementary irrigation and in cocoon processing costing approximately 9,750,000/- per acre including the costs associated with boundary opening and surveying.
	INADEQUATE FINANCING FOR MOSTI's RETOOLING	1.00	The Ministry has had overwhelming retooling needs in terms of office equipment, vehicles and ICT equipment since its inception. Since 2017/18, the office equipment procured is inadequate.
	SCIENCE AND TECHNOLOGY PARKS	2.00	The MoSTI has plans to establish specialized Regional Science and Technology Parks, Municipal Innovation and Technology (MIT) Hubs; Value Addition Centers; as well as Technology and Business Incubators
VOTE 009: MINISTRY OF INTERNAL AFFAIRS	Management of Explosives	1.28	UGX. 5.400 Bn. is require for Management of Explosive and that Government provided UGX. 4.129 Bn. and the shortfall is UGX. 1.279bn
	Strengthen Community Service Implementation	3.70	the number of inmates has increased over a period of time and that the cost of feeding and utilities has almost doubled over a period of time, the Committee noted the need for Community Service implementation through increase usage, awareness and acceptability of Community Service. More targeted and continuous sensitisation programmes - radio programs, TV shows, IEC material and Training of stakeholders - especially supervisors hence reduce operational cost of the Ministry
VOTE 144: UGANDA POLICE FORCE	Police Accommodation/ Staff Housing project	35.00	Police accommodation and staff Housing project need to be prioritized and completed. The project at Naguru will have only 1020 units when complete yet UPF has a housing gap of 49422 inclusive of the 10,000 new recruits. This has forced many police officers to rent outside the barracks making mobilization very difficult.
Vote 145: UGANDA PRISONS SERVICE	Management of COVID-19 pandemic in Prisons	2.00	COVID - 19 spreads very fast especially in highly congested locations. It also severely affects populations with low immunity (with pre - existing conditions like diabetes, high blood pressure and other non-communicable diseases) SOPs require putting on of masks, frequent hand washing/sanitization and social distancing.
VOTE 309: NATIONAL IDENTIFICATION AND REGISTRATION AUTHORITY		20.00	NIRA offices is temporarily in Kololo airstrip and not conducive for office operation.
	Major rehabilitation and Expansion of Traditional Secondary Schools (34)	27.00	Re roofing and new construction of school facilities including replacing of asbestos roofs
	Major rehabilitation and Expansion of 100 Primary Schools	89.82	Re roofing and new construction of school facilities. This includes construction of 350 stances of lined pit latrines with incinerators to address sanitation needs. Procure and supply 1,000 3 sitter desks to increase sitting space.

VOTE 013 MINISTRY OF EDUCATION AND SPORTS	Government takeover of Mountains of the Moon University Busoga University	31.00	Complete takeover of Mountains of the Moon University and facilitate Busoga University takeover and take over
	Development and operations of Uganda Petroleum Institute Kigumba (UPIK)	11.60	This is required to complete ongoing construction, equip the institution and meet operational costs in light of accreditation of the institution and increase enrollment to respond to the demands of the oil and gas sector.
	Operational expenses for National High Altitude Training Centre (NHATC) and MNS	2.00	Need to operationalize phase 1 of NHATC and pay operational expenses for Mandela National Stadium
	Development of Regional Stadia	4.72	Akii Bua and Buhinga stadia (Counterpart Financing)
	Renovation and upgrade of Mandela National Stadium	96.20	Construction/renovation of new synthetic tracks, relay pitch grass, ticketing, parking and security surveillance, electromechanical and open fittings and equipping the stadium
	Counterpart funding for new Projects	10.00	Counterpart funding for USEEP, UTSEP 2, HEST 2 and Korean funded projects
	Promotion of grassroots/community sports	5.61	District sports councils and grassroot sports competitions supported at 25m per LG per annum.Grassroot community Sports activated support district sports councils through training, providing sports equipment
VOTE 011: MINISTRY OF LOCAL GOVERNMENT	Funding of New Town Councils and Sub Counties	135.91	Newly created administrative units, including sub counties and town councils have remained non functional due to lack of funds for their operation. This state hinders meaningful service delivery. Currently 377 Sub-Counties and 355 Town Councils have not been fully operationalized and Government to date has not provided the required funds to operationalize them as the MTEF allocation for the FY 2021/22 has not catered required funding for the new Sub counties which presently stands at UGX 41.516bn and UGX 91.394bn for the Town Councils.
	Critical staffing posts in Local Governments	52.25	To date, a number of critical positions in most local governments are still vacant with many still grappling with huge staffing and capacity gaps as severally reported by the Auditor General.
	Operationalization of cities	122.90	the newly created cities do not have a legal provision for their operations and existence and are currently being run under the Local Government Act, the Committee therefore urges the Minister of Local Government to work towards bringing an amendment to cater for these cities. Secondly, ten (10) of the approved Fifteen (15) cities commenced operations on the 1st July, 2020. These include; Mbarara, Fort portal, Masaka, Jinja, Mbale, Soroti, Lira, Gulu, Arua and Hoima. These cities have to date not achieved full operational potential due to financial constraints and are existing on the budget allocation initially appropriated for the Municipalities.
	Induction of Councilors in 177 Districts/MCs/Cities	2.00	one of the greatest detriments to service delivery and productivity in the Local Governments has been the failure by the political leaders in performing their duties especially supervision of staff and monitoring of Government programmes and projects at these lower LGs.
MOWT	Spares parts and repair services procured (district road equipment)	59.74	
	Refurbishment of mechanical Workshops undertaken	4.60	
	Marine Administration	5.20	
	Development of Boat Building Standards for Vessels	0.10	
	Development of automated vessel registration and licensing system	2.10	
	Water transport safety awareness programs	2.00	
	Search and Rescue activities	1.00	
	Development of Kabaale Airport	1.07	
	DUCAR		
	9 bridges on DUCAR network constructed	19.80	
	-6 cable foot bridges	2.20	
	-Steel bridges constructed	-	
	824km district unsealed roads Rehabilitated	15.50	
	37.5 Km of District low cost sealed roads rehabilitated	12.00	
	-10 Km of Urban roads sealed	3.00	
	- 1137 km of community access roads Rehabilitated	27.80	
	11 km of low volume roads sealed	9.70	
	-25 km of medium volume roads sealed		
	-2 No. of bailey/compact panel bridges Procured	4.00	
UNRA	Ferry Machinery Procurement and operationalization of ferries (Sigulu, 2no BKK, 2no Bunyonyi, 1 no Nakiwogo, 1no Kalangala, 1no Koome)	50.93	
MOLHUD	National Building Review Board	11.40	
	National housing policy	3.71	

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	Enhancing the operations of the burns unit	2.00	There is only one specialized burns unit in the country operating from Mulago National Referral Hospital and the unit is currently underfunded to offer the required services due to increased number of patients.
Health	Salaries & Facilitation for Senior Consultants	15.02	Enhance Salaries of 40 Senior Consultants and Procure Vehicles.
	UBTS Increase access and availability of blood.	5.71	The country continues to face challenges of blood shortage due to inadequate mobilization capacity and this requires stepping up of blood mobilization activities
	Recently upgraded hospitals of Kawempe, Kiruddu and Entebbe require additional medicines and health supplies, human resources and operational funds.	21.00	These facilities are going to be upgraded to Regional Referral Hospital status in FY 2018/19 and require funds to cover wages, Non-wage recurrent and Development costs. Each of these Hospitals requires additional shs. 7bn to enable them provide the required services of a Regional Referral.
	Co financing of donor funded projects.	13.00	Under the Children's surgical Hospital in Entebbe falling under this
	Maintenance of oxygen plants under the regional referral hospitals.	1.40	For each of the 14 regional referral hospitals be allocated an additional Ushs100 million to cater for maintenance needs of the oxygen plants including piping and procurement of oxygen cylinders.
	Wage short fall.	12.90	To cater for absorption of the donor supported contract staff within the existing structures in various votes. These include Ministry of Health Headquarters, UVRI, CPHL Lab, JCRC, Mulago National Referral, Regional Referrals and District Local Governments. This was a commitment by Government of Uganda to main stream the above staff into Public Service after the donor support ends.
	Rehabilitation of General Hospitals.	23.00	Many of the general hospitals some of which were constructed long time are in dire need of renovations since the infrastructure has broken down and urgently need repair. The Ministry has rehabilitated some but a number of them are still in urgent need of renovation. These include, Masindi, Bugiri, Abim, and Iganga.
	Construction of a home for Uganda Heart	20.00	Uganda Heart Institute has developed capacity overtime to handle
	Increase provision of HIV/AIDs and TB drugs.	55.00	NMS requires shs. 50bn as part of government commitments towards HIV/AID drugs and TB drugs to reduce shortfall
VOTE 010 MAAIF	Treatment facility using Gamma ray radiation technology, for pest treatment of horticultural exports and imports established at exit points established	40.00	
	Bush clearing machines	9.50	
	Undertake a national farmer registration exercise through multi agency technical and steering committee oversite i.e MAAIF, UBOS, MTIC, MOLG, MFPED, and OWC	30.00	
	Acquire vaccines for state-controlled/economic animal diseases	12.00	
	ATIAK SUGAR WORKS	98.60	Counterpart obligation. To enhance operation of Atiak Sugar works
	Agriculture Mechanisation.	68.00	To support Agriculture Mechanisation.
	Design, construct and stock 200 one-acre ponds to support youth and women fish farmers	7.50	
WATER FOR PRODUCTION/ MWE	Commence construction of one (1) large scale Irrigation scheme of Kabuyanda in Isingiro District (30% Physical progress)	24.00	
	Complete the irrigation schemes under construction/rehabilitation including; Doho II, Mubuku II, Wadelai, Tochi, Ngenge, Rwengaaju and Olweny in the Districts of Butaleja, Kasese, Pakwach, Oyam, Kween, Kabarole and Lira (100% Pyhsical progress).	39.03	
VOTE 121 DIARY DEVELOPEMNT AUTHORITY	DDA strengthened for improved delivery of dairy development and regulation services through wages/salaries of existing staff, recruitment of staff for Agro industrialization, management and other support functions.	13.28	
	Compliance to food safety quality standards and regulations through routine dairy inspections (milk vendors, transporters, farms etc), standard regulations enforcement exercises and market surveillance of dairy products for counterfeit and substandard goods countrywide.	1.61	
VOTE 142- NATIONAL AGRICULTURAL RESEACH ORGANISATION - NARO	Develop research products for food and nutrition security.	11.47	
	Agri engineering solution for improved food security, food safety and industry	14.71	
	Develop soil maps and crop suitability maps	5.00	

Vote 006 MINSTRY OF FOREIGN AFFAIRS	MTEF reinstatement for ministry Headquaters	2.00	
	Establishement of Embassy in South Korea	4.00	To promote Commercial Diplomacy
	Dubai Expo 2020	1.60	Preparation and participation in activities leading to EXPO 2021
Vote 019 Ministry of Water And Environment	Rehabilitation of Boreholes	20.00	
	Solar Powered Boreholes	150.00	
	Urban Water	97.00	
NWSC	Counterpart funding for ongoing Projects	[illegible].70	
VOTE 157 :NFA	New Plantations and Reserve Protection	32.00	
Vote 003 OPM	Support and settlemt to communities affected by floods and landslides	63.20	
MoFED	Micro Finance Support Centre	30.00	For onward lending to SACCOS
CBOS	Census of Livestock ,National Population	138.60	
	Development of [illegible] Office	11.60	
	Implementation of One stop Centre	2.00	
Vote 310 UIA	Industrial Parks	10.00	
OAG	Expand Audit Coverage,ICT infrastructure,Capacity building,iob evaluation exercise,Forensic laboratory	17.26	
TOTAL		**2,483.86**	

PARLIAMENT OF UGANDA

A MINORITY REPORT ON THE NATIONAL BUDGET FRAMEWORK PAPER FOR FY 2021/22-FY25/26

JANUARY 2021

1.0 INTRODUCTION

The NBFP was laid before Parliament on 18th December 2020 and subsequently referred to Committee on Budget for scrutiny

Pursuant to Rule 194 (1) of the Rules of Procedure of the Parliament of Uganda, which states that a member dissenting from the opinion of the Majority of a committee may state in writing the reasons for his or her or their dissent and the statement of reasons shall be appended to the report of the Committee. Rule 194(2) provides that the member dissenting from the opinion of the majority of the Committee shall be given time to present the minority report at the time of Consideration of the Committee report I hereby present a dissenting opinion from the opinion of the majority of the committee on Budget.

The dissenting Opinion was informed by:

a) Legal Frameworks of Uganda particularly the Constitution, Rules of Procedure, Budget Act and public Finance Management Act.
b) Committee interactions with Ministry of Finance, Planning and Economic Development, Ministry of Works and Transport as well as Uganda Lands Commission
c) Parliamentary Reports

2.0 AREAS OF DISSENT

We dissented with the majority of the Committee, in regard to the following;

a) Failure to comply with the Charter of Fiscal Responsibility
b) Failure to cater for Productive sectors of the economy as envisaged in NDP111.
c) Under funding of the Health, for proper management of COVID 19 Pandemic
d) Lack of alignment to NDP111
e) Credibility of the resource envelop and inconsistence with the PFM Act 2015

3.1 Failure to Comply with the Charter of Fiscal Responsibility.

Compliance to the Charter of Fiscal Responsibility. It has been noted that Government has been increasing its expenses through the creation of additional administrative units eroding the gains of additional revenues as a consequence. Currently the fiscal deficit for FY 2021/22 is projected to reach 10.7% and decline to 7% all above the Chatter of Fiscal Responsibility (CFR) threshold of 3% of GDP. This implies that the target set for Fiscal deficit in the CFR has not been met, making the BFP for FY2021/22 and the medium term inconsistent with the CFR. This is completely against section 9(4) of the PFM ACT 2015.

Inconsistency with the CFR implies that additional debt has to be raised to finance the excesses created in the budget that were not envisaged in the CFR. Section 7 of the PFM Act 2015 provides for incidences of deviations from the Chatter, in this regard, Government must prove that economic shock that resulted from the COVID 19 led to an increase in the Fiscal deficit of 7.7% of GDP in FY 2020/21(10.7%-3%=7.7% of GDP).

Hence, the NBFP for FY 2021/22 and the medium term should not be approved under the current CFR which limits Fiscal policy to a deficit of 3% of GDP because it has been contravened.
Alternatively, Government may opt for fiscal consolidation (reduce spending significantly) to attain a fiscal deficit out turn of 3% of GDP in FY 2020/21.

3.2. Failure to cater for productive sectors of the economy.

a) Agro- industrialization

The Agro- Industrialization Programme under the Budget Framework Paper FY 2021- 26 will receive UGX I, 509.26 billion representing 5.1% from 3% for the yr. 2019/20. Agriculture remains Uganda`s most important sector employing over 34 million of the estimated million Ugandans especially during the Covid -19 pandemic.

We propose an effective policy and funding in the plantation agriculture in order to address the crisis being experineced in the sugar industry. ***Therefore be an increase in the budget allocation to at least 15%, in compliance with the Maputo Protocol of AU.***

It should also be noted that to complete the preparation for the National Irrigation Master plan for Uganda was not provided for in the NBFP ***Therefore, we recommend that an allocation be made to this programme to cater for this item of irrigation which promotes agro Industrialization Master Plan and this programme must be equitably spread in all the regions in the Country. We further recommend increased funding to tourism and trade and other productive sectors of the economy.***

3.3. Underfunding of the Health sector in the face of the pandemic,

The total budget proposed for the Health Sector amounts to UGX 2,522.88bn. This translates into decrease of UGX 258.29bn (23.6%) from the approved budget of UGX 2,781.17bn for FY 2020/21.

It should be recalled that for the FY 2020-21, a number of critical unfunded activities totaling to UGX 347.415 billion remained unfunded with some being funded by donors.

With the increasing challenges arising from Covid-19 management among others, it is noted that a total of UGX 173.00bn is required for COVID response to mitigate the dangers posed by the Pandemic. This funding is needed to undertake treatment, testing, surveillance, PPEs, Allowances/ wages, fuel and lubricants, managing the quarantine centers and other logistical needs.

It is also noted that there is also funding gap of UGX 1.40bn for maintenance of oxygen plants under the regional referral hospitals. This means that every regional referral hospital be allocated UGX 100 Million to cater for maintenance needs of the oxygen plants including piping and procurement of oxygen cylinders.

We propose an audit of the all the money which was received in the form of donations in cash or in kind from:-

I. The public
II. Development partners
III. Budget line.

The purpose is to establish the funding gap and whether or not further funding is still necessary in view of the above donations and also whether the monies so received were properly utilized targeting priority areas.

3.4 None alignment to NDP111

The NPA in its presentation before the Committee noted the following with regard to alignment of the BFP to NDP111.

At the Macroeconomic level, he BFP is aligned to NDP111 at a level of 53.3%. This is unsatisfactory performance is on account of

I. Lower targets of GDP in the BFP FY 2021/22 (4.3%) compared to those in the plan (5.9)
II. Deviation of the programme allocation as presented in the table in the BFP
III. Increment in the nominal public debt
IV. Levels of domestic financing in the BFP are higher than those in NDP 111.

Therefore failure to align resources, with the NDP is centrally and inconsistent with the provisions of the PFM Act 2015 (section 9(3)). The section mandates the Minister to present the BFP which is consistent with the NDP111. So, if NPA which is mandated to produce the plan shows that it's unsatisfactory, then the committee cannot cross over this inconsistence. Moreover, the plan is in the second year of implementation.

The Minister of Finance in his brief to the Committee also acknowledged this inconsistence by indicating that they are reviewing the programmes to align them to NDP111.

3.5. **Credibility of the resource envelop and inconsistence with the PFM ACT 2015**

In the process of scrutiny of NBFP, we established that the Ministry of Finance had a figure of Ush.481 Billion purporting to be funds for the recapitalization of the Central Bank (BOU). The Bank of Uganda Deputy Governor disowned the funds before the Committee. This raise the issue of integrity and needs to be followed up because it has far reaching effects on the resource envelop. According to section 9(4) of the PFM Act, schedule 3 section 5, parliament must approve the total resource envelop ceiling to be used in the preparation of the annual budget.

The implication of having the recapitalization of the BoU from the resource envelop is;

The interest cost on the budget will be overestimated since there capitalization was supposed to be financed by issuance of domestic securities.

The resource envelop is over stated therefore, there the resource envelop and the budget should be readjusted to attain a balanced budget. The basis of inclusion or recapitalization funds to the Central Bank without any justifications questions the integrity of the budget interventions were determined.

The Fiscal Authority needs to merit government interventions based on properly articulated plans guided by the NDP111.

1.................................

2.................................