



PARLIAMENT OF UGANDA

A MINORITY REPORT ON THE NATIONAL BUDGET FRAMEWORK PAPER FOR FY2022/23 – 2025/26

JANUARY 2022

1.0 INTRODUCTION

Pursuant to Rule 205 of the Rules of Procedure of the Parliament of Uganda, we hereby present a dissenting opinion from the opinion of majority of the Committee.

2.0 AREA OF DISSENT

We dissented with majority of the Committee on the following:

- a) Implementation Approach Parish Development Model
- b) Risky Projects in Externally Financed Project Portfolio
- c) Capital Flight
- d) Government Tax Arrears
- e) Prompting of Supplementary Expenditures
- f) Value for Money Audits
- g) Contingent Liabilities
- h) Non Remittance of Environmental Levy

3.0 DISSENTING OBSERVATIONS

3.1 Implementation Approach of the Parish Development Model

While the majority report raises concern on the risk of duplication of structures in the implementation of the Parish Development Model, its recommendation only focuses on mainstreaming at the local government level.

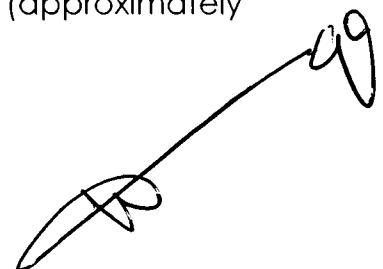
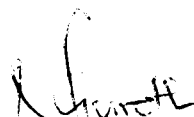
Government has adopted the Parish Development Model as a national development strategy with emphasis on the parish being the lowest planning unit. This therefore demands in the spirit of decentralization that all Ministries, Departments and Agencies should operate and execute their mandates at the parish level. This would require no new structures and additional resources for MDAs already have been allocated resources to execute their mandates. As a consequence, all sub country structures should be collapsed as was the case for LC IV structures that were collapsed when sub counties were adopted as the lowest planning unit.

Aware that all government agencies already have allocated resources, they should decentralise their services to parish model other than creation of new execution structures.

3.2 Risky Projects in Externally Financed Project Portfolio

The majority report agrees to the approach undertaken by Government to renegotiate or cancel 17 risky projects for which USD 457 million (approximately

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UGX 1.7 trillion) has been spent and USD 757 million (approximately UGX 2.8 trillion) remains undisbursed attracting commitment charges. The risk could be attributed to the fact that most projects are committed without undertaking feasibility studies.

Table 1: Risky Projects in the Externally Financed Project Portfolio

Project Title	Cumulative Commitment (USD)	Commulative disbursement (USD)	Undisbursed (USD)	Value at risk (USD)	Value at risk / Project cost (%)
Multinational Lake Victoria Maritime Communications and Transport Project	14,708,319	1,404,596	13,303,723	21,338,645	145%
Enhancing National Food Security through increased rice production	34,050,000	1,701,584	32,348,416	34,827,377	102%
Mirama - Kabale 132KV Transmission Project	83,750,000	34,486,130	49,263,870	76,058,430	91%
Construction of Muzizi Hydro Power Station	90,011,011	-	90,011,011	81,159,847	90%
Kyenjojo - Hoima - Masindi - Kigumba Road	112,388,290	54,388,529	57,999,761	96,247,498	86%
Opuyo Moroto Interconnection Project	80,620,000	48,174,763	32,445,237	67,782,984	84%
Vocational Education Project	14,300,000	788,610	13,511,390	11,997,324	84%
Energy for Rural Transformation Phase Three (ERT III)	35,000,000	8,597,765	26,402,235	29,180,609	83%
Upgrading of Masaka - Bukakata Road Project	27,000,000	16162963	10,837,037	22,384,353	83%
Tirinyi - Pallisa - Kumi/Kamonkoli Road	120,000,000	85,897,900	34,102,100	97,490,353	81%
Upgrading of Luwero Butalangu Road Project	23,000,000	-	23,000,000	17,102,289	74%
Upgrading Mbale - Bubulo - Lwakhakha Road	42,294,028	14,911,161	27,382,867	29,919,356	71%
Uganda Rural Electricity Access Project (UREAP)	100,000,000	42,788,475	57,211,525	64,161,381	64%
Kampala - Entebbe Transmission Line	20,242,915	5,878,692	14,364,223	12,985,183	64%
Busega - Mpigi Express Highway	150,859,155	26,674,189	124,184,966	93,096,253	62%
Kampala Flyover Construction and Road Upgrading Project	181,718,182	30,905,597	150,812,585	108,035,296	59%
Electrification Industrial Parks Project	84,979,503	84,979,503	-	-	0%
Total	1,214,921,403	457,740,457	757,180,946	863,767,178	71%

Source: MoFPED

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

Section 43 of the Public Finance Management Act should be amended to create a provision that demands a project that is to be funded by loans and grants to present a feasibility study.

A select Committee of Parliament should be formed to critically enquire into each of the 17 projects.

3.3 Capital Flight

The majority committee highlights revenue mobilization bottlenecks such as lack National Tax Policy, lack of a revenue mobilization strategy implementation plan, tax arrears and tax exemptions but is silent on the risk of capital flight or repatriation of profits.

Majority of the beneficiaries of public contracts and incentives are foreign owned companies that repatriate profits or close business once the contracts and incentives cease. This is mostly pronounced in the construction particularly roads, water and manufacturing sub sectors.

Table 2: Selected major roads projects and contractors in Uganda

S.No	Project	Works Contract Value (UGX)	Source of Funding	Works Contractor and Origin
Development Projects – New Roads Under Construction				
1	Kampala – Entebbe Expressway (51km)	USD 479.172m (UGX 1,725 bn)	China EXIM Bank	China Communications Construction Company (CCCC) - China
2	Kampala Northern Bypass Project (KNBP) Expansion (17km)	Euros 67.934 m (UGX 258.2 bn)	European Union (EU)/EIB	Mota Engil Engenharia E Contrucao SA - Portugal
Reconstruction/Upgrading Projects				
3	Hoima – Kaiso – Tonya Road (92km)	UGX 360.605 bn	GoU	Kholin Construction Company - Turkey
4	Vurra – Arua – Oraba Road (92km)	UGX 138.861 bn	World Bank	Chongqing International Construction

S.No	Project	Works Contract Value (UGX)	Source of Funding	Works Contractor and Origin
				Corporation (CICO) - China
5	Mbarara – Kikagati – Murongo Bridge (74km)	UGX 178.227 bn	GoU	China Communications Construction Company (CCCC) - China
6	Gulu – Atiak Road (74km)	UGX 89.669 bn	World Bank	China Henan International Corporation Group (CHICO) - China
7	Atiak – Nimule Road (35km)	UGX 53.74 bn	Japan International Corporation Agency (JICA)	China Railway (Wuju) Group 5 Corporation - China
8	Ishaka – Kagamba Road (35.4km)	UGX 111.6 bn	GoU	General Nile and Dott Services Ltd JV – India/Uganda
9	Moroto – Nakapiripiriti (93km)	UGX 228 bn	GoU	China Road and Bridge Corporation - China
10	Fort Portal – Kamwenge Road (66km)	UGX 117.942 bn	World Bank	China Railway Seven Group Co. Ltd (CRSG) - China
11	Ntungamo – Mirama Hills (37 km)	UGX 85.90 bn	Trademark East Africa (TMEA)	Zhongmei Engineering Group Ltd - China
12	Mpigi – Kanoni Road (65km)	UGX 123.770 bn	GoU	Energoprojekt – Niskogradnja AD - Serbia
13	Kanoni – Sembabule – Villa Maria Road (110 km)	UGX 239.120 bn	GoU	China Railway No. 3 Engineering Group Co. Ltd - China
14	Mukono – Kyetume – Katosi/Nyenga Road (74 km)	UGX 253.940 bn	GoU	SBI/Reynolds Construction Company (RCC) JV - Israel
15	Oliwyo – Gulu Road (70.3 km)	UGX 164.025 bn	GoU	Zhongmei Engineering Group Ltd - China
16	Gulu – Acholibur Road (77.7 km)	UGX 164.199bn	GoU	China Railway No. 5 Engineering Group Co. Ltd - China
17	Acholibur – Kitgum – Musingo Road (86.4 km)	UGX 195.102 bn	GoU	Chongqing International Construction Corporation (CICO) - China

S.No	Project	Works Contract Value (UGX)	Source of Funding	Works Contractor and Origin
18	Musita – Lumino – Busia/Majanji (104 Km)	UGX 206.784 bn	GoU	China Railway 18th Bureau (Group) Co. Ltd - China
19	Bulima – Kabwoya (66 Km)	UGX 141.9 bn	African Development Bank (AfDB)/ DFID	China Railway No. 5 Engineering Group Co. Ltd - China
20	Kyenjojo – Kabwoya Road (100 km)	UGX 215 bn	International Development Association (IDA)/World Bank (WB)	Shengli Engineering Construction (Group) Co. Ltd of Shengli Oilfield – China
21	Mubende – Kakumiro – Kagadi Road (107 km)	UGX 484.887 bn	GoU	China Communications Construction Company (CCCC) - China
22	Bumbobi – Lwakhakha Road (44 km)	UGX 140.724 bn	African Development Bank (AfDB)	China State Construction Engineering Ltd - China
Rehabilitation Projects				
23	Tororo – Mbale Road (49 km)	UGX 63.804 bn	GoU	Dott Services Ltd – India/Uganda
24	Mbale – Soroti Road (102 km)	UGX 108.124 bn	GoU	Dott Services Ltd – India/Uganda
25	Jinja – Kamuli Road (57 km)	UGX 79.846 bn	GoU	Dott Services Ltd – India/Uganda
26	Buteraniro – Rwentobo road (59 km)	Euros 51.123 m (UGX 194.3 bn)	European Union (EU)	Reynolds Construction Company (RCC) - Israel
27	Rwentobo – Kabale – Katuna Road (65 km)	Euros 65.808 m (UGX 250.1 bn)	European Union (EU)	Reynolds Construction Company (RCC) - Israel
28	Mbarara Bypass Project (41 km)	Euros 49.042 m (186.4 bn)	European Investment Bank (EIB)	China Railway Seven Group Co. Ltd - China
29	Kiryandongo – Karuma – Kamdini Road (59 km)	UGX 56.705 bn	GoU	China Communications Construction Company (CCCC) - China
30	Kamdini – Gulu Road (62 km)	UGX 71.436 bn	GoU	China Communications Construction Company (CCCC) - China
31	Mukono – Kayunga – Njeru Road (94 km)	UGX 223.126 bn	GoU	SBI International Holdings - Israel
32	Namunsi – Sironko – Muyembe/	UGX 50.150 bn	GoU	China Civil Engineering Construction

S.No	Project	Works Contract Value (UGX)	Source of Funding	Works Contractor and Origin
	Kapchorwa Road (65 km)			Corporation (CCECC) - China
33	Nansana – Busunju Road	UGX 54.29 bn	GoU	Spenco Services Ltd – India/Uganda
34	Nakalama – Tirinyi – Mbale Road (102 km)	UGX 73.36 bn	GoU	Dott Services Limited – India/ Uganda
35	Kyenjojo – Fort portal Road (50 km)	UGX 71.435 bn	GoU	China Wu Yi Co. Ltd - China
36	Hima – Katunguru Road (60 km)	UGX 83.258 bn	GoU	China Railway No. 3 - China

Source: Department of Research Services

Furthermore, the government has proposed financing option of prefinancing which raises a huge risk of hemorrhage through capital flight if not regulated. It should be noted that for the last 6 financial years, the country has been experiencing average capital flight of 69% of the capital injected into the economy.

Table 3: Capital inflow and flight for FY2015/16 – FY2020/21

FY	Capital Inflow (USD Millions)	Capital Flight (USD Millions)	% of Capital Flight
2015/16	681.68	391.75	57%
2016/17	714.20	609.78	85%
2017/18	929.03	777.46	84%
2018/19	1217.44	747.56	61%
2019/20	967.96	554.45	57%
2020/21	890.41	599.71	67%

Source: BOU

Government should deliberately and competitively venture into investing into infant industries such as 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 investments into the country.

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The government contradicted itself when it indicated that there would be limited supplementary budgets in FY2022/23 but at the same time elaborately articulate unfunded priorities or additional expenditure needs of UGX 2.62 trillion. Unfortunately, the majority report is silent on this fiscal indiscipline. The indiscipline of supplementary budgets is bound to continue and government has sent indications that a minimum of UGX 2.62 trillion will be sought in due course.

As has been the trend in the past years, the supplementary requests are inadequately screened. Section 25 of the Public Finance Management Act has on several times been abused immediately after the start of new financial year to access 3% of 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.

Given the fact that the annual budget is approved by 31 May and expenditures of subsequent financial year immediately begin on 1 July, Section 25 of the Public Finance Management Act should be amended to deal away with the express 3% supplementary limit. Besides this does not deter government to introduce a supplementary request whenever need arises.

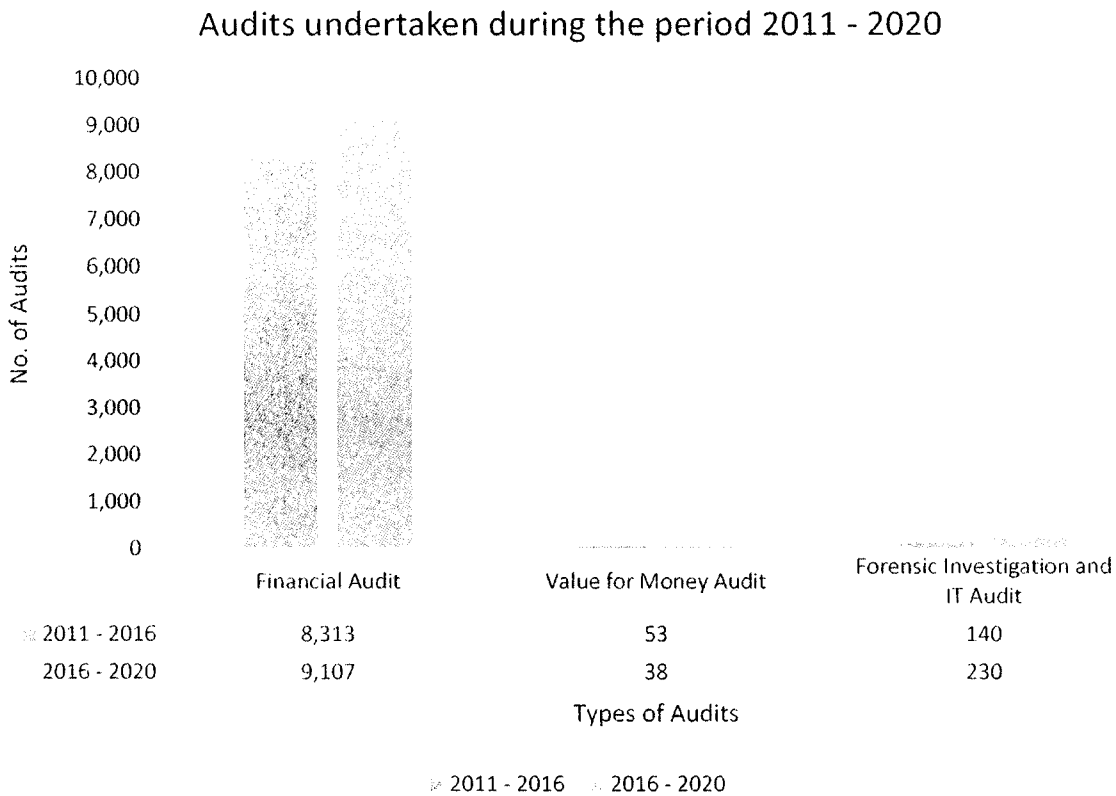
3.6 Value for Money Audits

With the shift to programme-based budgeting, there should be a shift in the prioritization of audits by the Auditor General. Emphasis should be placed on setting performance targets for value for money audits. Unlike output-based budgeting whose audit is more targeted to accountability, programme-based budgeting focuses on outcomes or changes arising from interventions which can be best ascertained through value for money audits. These place emphasis of efficiency and effectiveness of spent public funds. Unfortunately, in the FY2020/21, the Auditor General was only able to undertake 2 Value for Money Audits out of the target of 21¹. This translates to a performance of 10%.

It has been noted that in the last 10 years, the Auditor General has undertaken only 91 (0.5%) Value for Money audit compared to 17,420 (97.4%) Financial audits and 370 (2.1%) Forensic Investigation and IT audits.

¹ Office of the Auditor General, 2022. Brief on the Budget Framework Paper for Financial Year 2022/23

Figure 1: Graph showing number of Audits undertaken in the period 2011 - 2020



Source: OAG and OLOP

In each year an increment of 10% is realised in the number of Value for Money Audits undertaken by the Auditor General.

3.7 Contingent Liabilities

Although the majority report is concerned with escalating public debt, its recommendation urging government to only consider concessional loans and mobilize more domestic revenue is oblivious of other drivers of debt stock.

It has been noted with concern that there is an escalating rise in contingent liabilities which when they materialize lead to accumulation of public debt and erosion of sustainability of public finances².

² Bank of Uganda, 2021. BOU Views on the Charter for Fiscal Responsibility

As of June 2020, contingent liabilities were over UGX 5 trillion³. Liabilities accruing from public corporations amounted to UGX 2.18 trillion for guarantying of loans. Other liabilities arise from grants and government contributions UGX 3.24 trillion, legal proceedings UGX 10.40 billion and local governments UGX 136.88 billion. Liabilities are also incurred for public private partnerships such as Kampala – Jinja Expressway, Kampala Waste Management treatment facility at Dundu in Mukono district, ICT park in Entebbe, National Council of Sports Complex in Lugogo, National Theatre, Nommo Gallery, Mulago Hospital Car Park, Gulu logistics Hub and Uganda Rural Water Development Project⁴. However, the value of guarantees of these projects could not be established.

There also guarantees made to private enterprises amounting to UGX 10.43 billion as at end of June 2020 as indicated in table below⁵. The criteria of determining who qualifies for the guarantees is ambiguous. This raises the risk of abuse through discretionally selection. The value of guarantees of private enterprises could not be established.

Table 5: Private Enterprises that have on-lent loans

Debtor Name	Directors	Balance in UGX as at 30.06.2020
Akamba Uganda Limited	Mohamood Noordin Thobani, Zulfikar Noordin Thobani, Niaz Hassanali Nathoo, Nazir Nathoo	329,045,798
Baggrey Trading Company Limited	Godfrey Kirumira, Moses Kalungi, Kalungi Kirumira	358,326,024
BTS (U) Limited		173,730,610
Central Purchasing Company Limited		5,326,322,326
Dick Kizito		169,378,642
G M Combine		368,008,078
G M Turnpeco Limited		55,576,260
HighWay Motors Limited		101,965,214
Jasaba Pharmacueticals Limited	James Sali Babumba, Anne Babumba, Edith Mary Babumba	209,906,779
Kibuguma Coffee Growers Limited	Johnson Saimon Kiwanuka, Sowedi Nsibambi, Haji Ahamed Munafu	58,300,476

³ Ministry of Finance, Planning and Economic Development, 2021. Report on Public Debt, Guarantees other Financial Liabilities and Grants for FY2020/21

⁴ Ministry of Finance, Planning and Economic Development, 2021. Contingent Liabilities Annual Fieldwork Report FY2019/2020

⁵ ibid

Debtor Name	Directors	Balance in UGX as at 30.06.2020
Makyo Enterprises Limited		36,624,535
Marks Pharmaceuticals Ltd	Musiitwa Robert, Namutebi Harriet, Kavuma Barbara	72,487,473
Mpiima Trading Company Limited	Dick Musisi Mpiima, Elizabeth Nakungu	58,673,804
Oscar Industries Limited		2,703,785
Seki Trading Company Limited	Gordfrey Sekiwunga, Angel Peace Rwanjagarara, Daphine Ann Nabatanzi	145,683,024
Sembule Steel Mills Limited	Christopher C., Tonny Edward, Francis Sembuya	385,862,329
Tank Hill Quarry Limited	George Kyaligonza, Joshua Kwezi, Jackson Doleera, Lalji Premji	37,343,399
Uganda Motors Ltd	Managing Director, Director of Operations, Marketing Manager, Director of Finance, Purchasing Manager	118,469,894
UPET		2,424,794,521
Total Loans		10,433,202,971

Source: MoFPED

The criteria for benefiting from government guarantees should be disclosed to ensure transparency and fairness in their access.

The budget framework paper should explicitly declare the stock of contingent liabilities and beneficiaries that are likely to fall due within the subsequent financial year.

3.8 Non Remittance of Environmental Levy

While the majority report recommends that part of the environment levy is remitted to the National Environment Management Authority (NEMA), it contravenes Article 153(2) of the Constitution and Section 32 of the National Environment Act, 2019. The provisions stipulate that the funds ought to be deposited in the National Environment Fund and utilized for the purpose for which the environmental levy was established. The levy was intentioned at mobilizing 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.

Table 6: Environmental Levy Collections in FY2017/18 – 2020/21

Financial Year	Environmental Levy Collections (By URA)
2020/2021	262,483,680,571
2019/2020	210,087,133,757
2018/2019	233,660,965,241
2017/2018	234,877,532,323

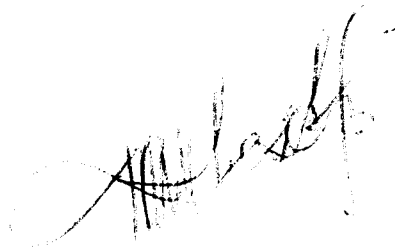
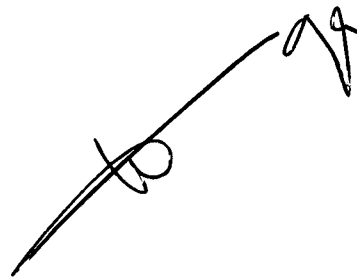
Source: NEMA

In accordance with Article 153(2) of the Constitution and Section 32 of the National Environment Act, 2019, all funds realized from environmental levy should be remitted to the National Environment Fund.

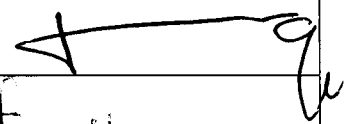
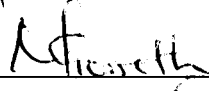
4.0 CONCLUSION

Rt. Hon. Speaker and Members, we implore you to support the Minority report.

WE BEG TO SUBMIT



MEMBERS ON THE COMMITTEE ON BUDGET WHO SIGNED THE MINORITY REPORT ON THE NATIONAL BUDGET FRAMEWORK PAPER FOR FY2022/23 – 2025/26

S/N	NAME	Signature
	Muwanga Kivumbi Muhamad	
2.	Alamusa Gwasa	
3.	NANUBISI JOHN BAMA	