



PARLIAMENT OF UGANDA

REPORT OF THE BUDGET COMMITTEE ON THE NATIONAL BUDGET  
FRAMEWORK PAPER FOR THE FY 2022/23 -FY 2026/27

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JANUARY 2022

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**LIST OF ACRYNOMS**

NBFP	National Budget Framework Paper
CFR	Charter of Fiscal responsibility
EOC	Equal Opportunities Commission
FY	Financial Years
GOU	Government of Uganda
GDP	Gross Domestic Product
ICT	Information and Communication Technology
IMF	International Monetary Fund
MTEF	Medium term Expenditure Framework
MDA	Ministries Department and Agencies
MFPED	Ministry of Finance, Planning and Economic Development
NPA	National Planning Authority
NPV	Net Present Value
NTR	Non Tax Revenue
PBO	Parliamentary Budget Office
PBB	Programme Based Budgeting
PFMA	Public Finance and Management Act
SMEs	Small and Medium Enterprises
MSMEs	Micro, Small and Medium Enterprises

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## 1.0 INTRODUCTION

Rt. Hon. Speaker, Hon. Members,

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 Rule 145 of the Rules of Procedure of Parliament, Committees are mandated to consider, discuss and review the Budget Framework Paper and through the Budget Committee present a report to the House for approval by 1<sup>st</sup> February of each year.

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 2022/23- 2026/27 for consideration and approval by the August House as required by section 9(8) of the PFMA 2015 and Rule 145(3).

This report structured in two parts:

**Part A:** Legal Compliance of the NBFP; Economic and Budget Performance Highlights FY2020/21; Economic and Fiscal Strategy for FY2022/23 and the Medium Term; Budget Priorities and Policies for FY2022/23

**Part B:** The Sectoral Committees' Observations and recommendations made thereon.

## 1.1 METHODOLOGY

The methodology adopted by the Committee involved examination of relevant documents and interactions with stakeholders.

Key Documents Examined:

- The National Budget Framework Paper For The FY2022/23 - FY 2026/27;
- The National Development Plan III (NDPIII), FY2020/21-FY2024/25;
- The Charter of Fiscal Responsibility for FY2022/23-FY2025/26;
- The Certificate of Gender & Equity Responsiveness of NBFP for The FY2022/23 - FY 2026/27;

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- The Public Finance Management Act, 2015 and Regulations;
- The Annual Budget Performance Report for FY2020/21
- The Annual Macroeconomic & Fiscal Performance Report for FY2020/21
- Parliamentary Committee Reports;
- The *First Budget Call Circular (1st Bcc)* on Preparation of The Budget Framework Papers (BFPs) and Preliminary Budget for FY2022/23

Stakeholders Consulted:

- Ministry of Finance, Planning and Economic Development (MFPED)
- National Planning Authority (NPA)
- Economic Policy Research Centre (EPRC)
- Civil Society Budget Advocacy Group(CSBAG)
- Equal Opportunities Commission
- Office of the Leader of the Opposition

## **PART A: MACRO ASPECTS OF THE NBFP**

### **2.0 LEGAL COMPLIANCE OF THE NBFP**

In accordance to Section 9 of the PFMA:

- (i) 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;
- (ii) The Budget Framework Paper shall be in the format prescribed in Schedule 3 of the PFMA;
- (iii) The Minister shall, with the approval of Cabinet, submit the Budget Framework Paper to Parliament by the 31<sup>st</sup> of December of the financial year preceding the financial year to which the Budget Framework Paper relates;
- (iv) The Minister shall, in consultation with the Equal Opportunities Commission, issue a certificate - certifying that the budget framework paper is gender and equity responsive; and specifying measures taken to equalize opportunities for women, men, persons with disabilities and other marginalized groups;

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**2.1 Submission of the NBFP to Parliament**

The National Budget Framework paper for FY2022/23-2026/27 was submitted to Parliament on the 21<sup>st</sup> of December 2021 and an Addendum to the NBFP accompanied with the Certificate of Gender and Equity Responsiveness was submitted to the Office of the Clerk to Parliament on the 31<sup>st</sup> of December 2021.

**2.2 Compliance with Schedule 3 of the PFMA**

An assessment by the Committee indicates that the NBFP’s overall structural compliance level to Schedule 3 of the PFMA (2015) largely conforms to the requirements of Schedule 3 under the PFMA (2015) Act as indicated in the Table 1.

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

- i. Quantifiable estimation of the fiscal impact of fiscal risks. An estimation of the likely fiscal impact of risks if they materialize and an alternate fiscal framework;
- ii. The floor of investments of Government in the financial year;

The Committee notes that the compliance of the BFP to Schedule 3 over the past has never been fully complied with.

**The Committee recommends that Schedule 3 of the PFMA is fully complied with and a statement on compliance of this schedule is presented to Parliament whenever the NBFP is laid in Parliament.**

**Table 1: Compliance Assessment of NBFP to Schedule 3 of PFMA**

Schedule 3, PFMA	Schedule 3 Requirements	NBFP Provisions
Schedule 3(1)	Medium term Macroeconomic forecasts: BFP should indicate the actual, estimated and projections covering the	The average and year end gross domestic. Year end GDP outturns and forecast provided
		The rate of inflation (average and year end): Year-end Inflation outturns and forecast provided

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Schedule 3, PFMA	Schedule 3 Requirements	NBFP Provisions
Schedule 3(5)	Statement of Resource for the annual budget for next Financial year	Presented under section 1.4. However the floor of investments of Gov't in the FY is not provided
Schedule 3(6)	Statement of Policy measures	Provided under section 1.9
Schedule 3(7)	Medium 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 is provided in Annex 1 and 2
Schedule 3(8)	Fiscal Risks statement	Statement of main sources of risks on fiscal objectives of Government provided in section 1.7. However the quantified estimation of fiscal impacts of these risks is not provided

Source: PBO Compilations

## 2.2 Consistency with the National Development Plan III

Hon. Members, the goal of NDPIII is to Increase average Household Incomes and Improve the Quality of Life of Ugandans. The overall theme of NDP III is "Sustainable Industrialization for inclusive growth, employment and sustainable wealth creation".

With regards to **Macroeconomic Policy alignment**, the NBFP is largely aligned to the NDPIII (see table 2 below for details).

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**Table 2: Consistency between NDP III and NBFP Macroeconomic Policy targets**

NDP III Macroeconomic Policy Objectives	NBFP Macroeconomic Policy Targets
Poverty reduction from 21.4 percent to 18.5 percent by FY2024/25	Information Not Provided
Achieving an accelerated economic growth rate at about 7 percent by FY2024/25	Growth is projected at 7.0% in 2024/25 and 7.6% in FY2026/27
Increase in the stock of jobs by an annual average of about 512,000	Projected Stock of jobs to be created in the FY2022/23 is 200,000- 150, 000agro industry value chain, 10,000 Tourism, 30,000 ICT, 10,000 Urbanisation and Housing Sector
Maintaining core inflation within the target band of 5 percent +/- 3	Core inflation projected at 5.3% in 2024/25 and 5% in FY2026/27
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	Present Value of Debt to GDP projected at 34% in FY2024/25 and Nominal Debt to GDP projected at 51.2% in 2024/25 and 49.3% in FY2025/26; Fiscal deficit as percent of GDP projected at 3.7% in FY2024/25 and 2.9% in FY2025/26
Domestic revenue average annual growth of 0.5 of GDP percentage points	Domestic Revenue to GDP projected to increase by an average of 0.5% over the medium term. Projected at 15.72% in FY2025/26

**Source: PBO Compilations**

In regards to **allocative efficiency alignment** of the NBFP to the NDPIII, there are slight allocative inefficiencies as highlighted in table 3, mainly in the Public Sector Transformation Programme, Regional Development Programme and Climate Change Programme.

**Table 3: Assessment of allocative efficiency alignment**

SN	PROGRAMME	BFP 2022/23 Indicative Budget Allocations (Ushs Bn.)	NDP III Public Sector Budget Allocations (Ushs Bn.)	Variance Btn BFP and NDPIII Allocations (Ushs Bn.)	As Share of Total BFP Budget Allocations	As Share of Total NDPIII Budget Allocations
1	Human Capital Development	6,919.5	6,029.0	890.50	16.3%	10.6%

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SN	PROGRAMME	BFP 2022/23 Indicative Budget Allocations (Ushs Bn.)	NDP III Public Sector Budget Allocations (Ushs Bn.)	Variance Btw BFP and NDPIII Allocations (Ushs Bn.)	As Share of Total BFP Budget Allocations	As Share of Total NDPIII Budget Allocations
2	Governance and Security	6,480.2	7,435.0	(954.80)	15.3%	13.1%
3	Integrated Transport Infrastructure & Services	4,855.9	5,385.0	(529.10)	11.4%	9.5%
4	Agro-Industrialization	1,798.6	1,732.0	66.60	4.2%	3.1%
5	Sustainable Energy Development	1,107.8	1,159.0	(51.20)	2.6%	2.0%
6	Development Plan Implementation	1,027.9	1,916.0	(888.10)	2.4%	3.4%
7	Regional Development	1,066.4	4,228.0	(3,161.60)	2.5%	7.4%
8	Climate Change, Natural Resource, Env't & Water Mgt	890.0	2,088.0	(1,198.00)	2.1%	3.7%
9	Legislation, Oversight & Representation	686.6	881.4	(194.80)	1.6%	1.6%
10	Private Sector Development	660.9	653.0	7.90	1.6%	1.2%
11	Sustainable Urbanization and Housing	427.6	952.0	(524.40)	1.0%	1.7%
12	Administration of Justice	383.9	768.4	(384.50)	0.9%	1.4%
13	Public Sector Transformation	207.8	3,847.0	(3,639.20)	0.5%	6.8%
14	Digital Transformation	217.7	727.0	(509.30)	0.5%	1.3%
15	Tourism Development	181.6	731.0	(549.40)	0.4%	1.3%
16	Sustainable Development of Petroleum Resources	149.3	852.0	(702.70)	0.4%	1.5%
17	Manufacturing	79.1	594.0	(514.90)	0.2%	1.0%
18	Community Mobilization and Mindset Change	72.6	811.0	(738.40)	0.2%	1.4%
19	Mineral Development	35.6	651.0	(615.40)	0.1%	1.1%

SN	PROGRAMME	BFP 2022/23 Indicative Budget Allocations (Ushs Bn.)	NDP III Public Sector Budget Allocations (Ushs Bn.)	Variance Btn BFP and NDPIII Allocations (Ushs Bn.)	As Share of Total BFP Budget Allocations	As Share of Total NDPIII Budget Allocations
20	Innovation, Technology Development & Transfer	24.2	582.0	(557.80)	0.1%	1.0%
Memo	Domestic Refinancing, External Debt Amortization, & Interest Payments	15,202.2	14,742.0	460.20	35.8%	26.0%
	<b>Total (excl arrears &amp; AIA LG)</b>	<b>42,475.4</b>	<b>56,763.8</b>	<b>(14,288.40)</b>	<b>100.0%</b>	<b>100.0%</b>

Source: PRO Computations

The Committee observes that the Agro-industrialisation programme is key in monetising the subsistence economy and an allocative efficiency assessment of this programme was therefore paramount (see table 4).

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.

**Table 4: Allocations within Agro-Industrialisation Programme**

Sub-programme/objectives	Allocations (UShs. Billion)		Allocation %	
	NDP III	NBFP 2022/23	NDP III	NBFP 2022/23
Agricultural Production and Productivity	822.1	1454.8	54.9%	80.9%
Storage, Agro-Processing and Value addition	363.2	69.2	24.3%	3.8%
Agricultural Market Access and Competitiveness	130.1	103.9	8.7%	5.8%
Agriculture Financing	161.6	0	10.8%	0.0%
Institutional Strengthening and Coordination	20	170.3	1.3%	9.5%
<b>Total</b>	<b>1497</b>	<b>1798</b>	<b>100.0%</b>	<b>100.0%</b>

Source: NPA Computations

### **Committee Observations:**

- The NBFP's Nominal debt to GDP target of 53.2 percent is above the NDP III target of 48 percent in FY2022/23 and this is a concern to fiscal sustainability;
- The NBFP doesn't directly present the implementation status and list of NDP III core projects and yet this information will be useful in effectively ascertaining the alignment of the NBFP and NDP III. It should be noted that the NDP III core projects are high multiplier projects with significant impact to realisation of the NDP III objectives;
- The NBFP does not provide detailed information that would be required to undertake a more comprehensive alignment of the NBFP to the NDP III.
- Allocative efficiency at programme level is not fully consistent with the NDP III;

### **Committee Recommendations:**

- There is a critical need to scale up revenue mobilization 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.**
- The indicative allocation efficiency of the BFP should be fully aligned to the NDP III;**
- comprehensive assessments of BFP alignment to the NDP would require a restructured BFP that would provide detailed information on:**
  - **Implementation status and a statement of alignment of the BFP to NDP core projects;**
  - **A costed Budget Strategy including costs of key/priority interventions & policies; and details of the projected impact of each key intervention to the economy;**
  - **A comprehensive statement of implications of misalignment of BFP with NDP, where the misalignment exists.**

- iv) **The National Planning Authority should fast track the Mid-Term review of the 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 and where possible rethink the efficacy of this reform.**

## 2.4 Consistency with the Charter of Fiscal Responsibility (CFR)

The Charter of Fiscal Responsibility (CFR) has 3 fiscal objectives namely: (i) total public debt in nominal terms is reduced to below 50% of GDP by FY 2025/26; (ii) the overall fiscal balance including grants should gradually adjust to a deficit not exceeding 3.0 percent of non-oil GDP by FY 2025/26 and (iii) a minimum of 0.8% of the preceding year's estimated non-oil GDP outturn shall be transferred to the consolidated fund for budget operations. The balance shall be transferred to the Petroleum Revenue Investment Reserve (PRIR) for investment in accordance with the PFMA as amended. In order to ensure more compliance with the charter, a path (i.e. annual targets) were set.

The Committee undertook an assessment of the CFR targets against the NBFP targets as detailed in Table 5 below.

**Table 5: Assessment of CFR targets against NBFP targets**

<b>PUBLIC DEBT</b>		<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
Nominal Debt to GDP	CFR Targets	52.70%	53.10%	52.40%	51.20%	49.30%
	NBFP Targets	52.70%	53.10%	52.40%	51.20%	49.30%
<b>FISCAL BALANCE</b>		<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
Overall Fiscal Balance Including Grants	CFR Targets	-6.40%	-5.40%	-4.60%	-4.20%	3.00%
	NBFP Targets	-5.40%	-3.60%	-3.80%	-3.70%	-3.10%
Total domestic debt interest payments to Total revenues	CFR Targets	15.20%	14.60%	14.10%	13.60%	12.50%
	NBFP Targets	22.70%	19.9%	17.4%	15.0%	11.8%
Non-oil Revenue to GDP	CFR Targets	13.80%	14.40%	14.90%	15.40%	15.90%
	NBFP Targets	14.80%	15.2%	15.7%	16.2%	18.5%

Source: BBO Computations

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The NBFP 2022/23 is largely consistent with the CFR at the broad level. However, by 2025/26 the fiscal deficit to GDP is projected at 3.1% which is slightly higher than the 3% CFR target. In addition, the projected total debt interest payments to revenues (excl. grants) of the NBFP are not consistent with the CFR for the first 4 years of the CFR period.

**The Committee recommends that the budget for the short and medium term fully complies with CFR requirements and any deviation must be guided by Section 7 of the PFMA, inclusive of the reasons for the deviation and the adjustments to be done to bring the overall fiscal deficit back to the set path over the remaining financial years.**

## 2.5 Gender and Equity Responsiveness

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 2022/23 – 2026/27 is gender and equity responsive; - and
- b) Specifying measures undertaken to equalize opportunities for men, women, persons with disabilities and marginalized groups.

In fulfilment of the requirements of the sections 9(5) to 6(a-b), the Commission assessed the National Budget Framework Paper for FY 2022/23 – 2026/27 and the overall compliance with Gender and Equity requirements was at 70% an improvement from last NBFP 2021/22 which was rated at 64.75%.

The Certificate of Gender and Equity Responsiveness indicates that the imbalances in society have been reduced to the categories also referred to as constituencies of children, gender, location, person with disabilities and youth.

**Table 6: Gender and Equity performance**

Programme	FY2021/22	NBFP2022/23
Human Capital Development		80%
Community Mobilization and Mindset Change	79%	79%
Climate Change, Land and Water Management		75%
Development Plan Implementation	63%	73%
Public Sector Transformation	62%	70%

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Programme	FY2021/22	NBFP2022/23
Administration of Justice		70%,
Agro-industrialisation	68%	69%
Legislature		69%
Innovation, Technology Development and Transfer	66%	69%
Governance and Security	68%	68%
Integrated Transport Infrastructure and Services	66%	68%
Manufacturing	56%	68%
Digital Transformation	66%	67%
Sustainable Urbanization and Housing	63%	65%
Regional Development		65%
Tourism Development	61%	63%
Private Sector Development		61%
Mineral Development	59%	59%
Sustainable Petroleum Development		59%
Sustainable Energy Development		54%

**Source: Certificate for Gender and Equity Responsiveness on NBFP FY2021/22 & 2022/23**

**The Committee observes:**

- The gender constituencies identified need to be broadened to address aspects such as employment imbalances/inequalities among others.
- Interventions articulated in the Certificate were not informed by any national gender and equity gap-mapping survey to inform the assessment of the national budget framework paper and subsequently recommendations of the Equal Opportunities Commission.
- The interventions to address the gender and equity gaps in each of the constituencies showed that the budget allocations were very minimal to cause impacts to the most vulnerable. The assessment was also largely at a more macro level covering programmes and agencies at central government level. The local government's budgets are not included in the assessment.
- The late submission of the Budget framework Papers by MDAs to the

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- EOC affects the timely assessment and production of the assessment report and hence hinders the timely issuance of the Certificate.
- Some MDAs do not possess adequate capacity in gender and equity budgeting and analysis.

**Committee Recommendations:**

- **Equal Opportunities Commission is supported to undertake periodic national gender and equity gap-mapping surveys;**
- **EOC should consider expanding its scope of work to include local governments and employment imbalances;**
- **More capacity building should be undertaken at all MDAs especially with regard to the assessment criteria and methodology.**
- **The MDAs that do not submit the required documents in time should be subjected to the sanctions as provided for in Section 78 of the PFMA, Act (2015).**

**2.6 Climate Change Responsiveness**

Section 30(b) of the National Climate Change Act 2021 requires the Minister responsible for climate change to consult with the Chairperson of the National Planning Authority and issue a certificate certifying that the Budget Framework Paper is climate change responsive and contains adequate allocation for funding climate change measures and actions and measures. The NBFP 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**

**3.0 ECONOMIC AND BUDGET PERFORMANCE HIGHLIGHTS**

**3.1 Economic Performance FY2020/21**

**Economic growth:** The size of the Ugandan economy expanded from US\$ 139,686 billion in FY2019/20 to US\$ 147,962 billion in FY2020/21, registering a real GDP growth rate of 3.4 percent. This performance though modest, represents a better recovery from 3.0 percent growth in the previous financial year. A mild recovery is underway in some sectors (industry and