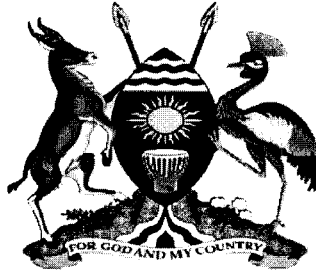
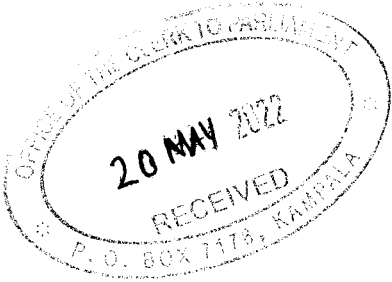


PARLIAMENT OF THE REPUBLIC OF UGANDA



REPORT OF THE COMMITTEE ON BUDGET  
ON THE ANNUAL BUDGET ESTIMATES FOR FY2022/23

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KAMPALA, UGANDA

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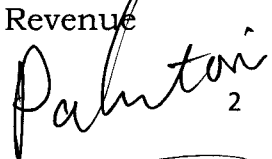



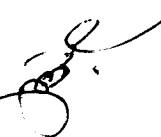


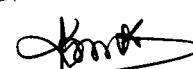


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**LIST OF ACRYNOMS**

ADB	African Development Bank	
ABPR	Annual Budget Performance Report	
AIA	Appropriation In Aid	
CCS	Commitment Control System	
CDO	Community Development Officer	
CERF	Central Emergency Response Fund	
CFR	Charter of Fiscal responsibility	
COVID-19	Corona Virus Disease of 2019	
DRMS	Domestic Revenue Mobilization Strategy	
ECHO	European union's Civil protection and Humanitarian aid Organization	
ENABEL	The Belgian Development Agency	
EOC	Equal Opportunities Commission	
EPRC	Economic Policy research Centre	
EU	European Union	
FDI	Foreign Direct Investment	
FY	Financial Years	
GDP	Gross Domestic Product	
GoU	Government of Uganda	
ICT	Information and Communication Technology	
IDA	International Development Association of the World Bank	
IDB	Islamic Development Bank	
IFMS	Integrated Financial Management System	
IMF	International Monetary Fund	
JICA	Japan International Cooperation Agency	
LGs	Local Governments	
LTA	Lighter Than Air	
MDA	Ministries Department and Agencies	
MDAs	Ministries, Departments and Agencies	
MFPED	Ministry of Finance, Planning and Economic Development	
MPS	Ministerial Policy Statement	
MSMEs	Micro, Small and Medium Enterprises	
MTEF	Medium term Expenditure Framework	
MYCS	Multi Year Commitment Statement	
NBFP	National Budget Framework Paper	
NDP III	3 <sup>rd</sup> National Development Plan	
NPA	National Planning Authority	
NTR	Non Tax Revenue	

NTR	Non Tax Revenue
OAG	Office of the Auditor General
OLOP	Office of the Leader of Opposition
PBO	Parliamentary Budget Office
PBS	Programme Budgeting System
PDM	Parish Development Model
PFMA	Public Finance and Management Act
PIAP	Programme Implementation Action Plan
PIMS	Project Investment Management System
PIP	Public Investment Plan
PRIR	Petroleum Revenue Investment Reserve
SACCO	Savings and Credit Cooperative Organisation
UBOS	Uganda Bureau of Statistics
UDB	Uganda Development Bank
UDC	Uganda Development Corporation
UGX	Uganda Shilling
UK	United Kingdom
UNF	United Nations Foundation
USA	United States of America
USD	United States Dollar
VAT	Value Added Tax
WHO	World Health Organization

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## 1.0 INTRODUCTION

### **Rt. Hon. Speaker and Hon. Members,**

In accordance with Article 155 (4) of the Constitution of the Republic of Uganda, Section 12 and Section 13(4) of the Public Finance Management Act 2015(as amended); and Rule 148(2), 149(2) and 149(3) of the Rules of Procedure of Parliament, the Budget Committee is mandated among others:

- a) To examine, discuss and review policies, programmes and the annual budget estimates; and where necessary, make appropriate recommendations to Parliament;
- b) To consider Sectoral committee reports on the budget estimates referred to the Committee by Parliament for reconciliation, harmonization and consolidation.

On 31<sup>st</sup> March 2022, the Minister of Finance, Planning and Economic Development laid before Parliament the proposed Annual Budget Estimates for the FY 2022/23 and these estimates were referred to the Budget Committee for examination. In addition, Parliament referred the Sectoral Committee reports on the Ministerial Policy Statements of FY 2022/23 to the Budget Committee for reconciliation, harmonization and consolidation.

Furthermore, on the 18<sup>th</sup> of May 202, the Minister of Finance, Planning and Economic Development laid before Parliament a Corrigenda to the Draft Annual Budget Estimates of FY2022/23 indicating a budget increment of Shs 879,733.94 billion which revised the budget estimates from Shs 47,250.43 billion to Shs 48,130.68 billion.

The Budget Committee has examined, discussed and reviewed the proposed Annual Budget Estimates for FY2022/23 and now wishes to report to the House.

This report structured in two parts:

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

- Legal Compliance; Economic and Budget Performance Highlights; Resource Envelope for FY2022/23; Proposed Expenditure Allocations for FY2022/23;

### **PART B: RECONCILIATION AND HARMONIZATION OF BUDGET ESTIMATES FOR FY2022/23**

- Proposed adjustments to the annual budget estimates for FY2022/23; Budget estimates recommended for Supply by Parliament

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## 1.1 Methodology

The Committee held consultative meetings with the Ministry of Finance, Planning and Economic Development, National Planning Authority, the Equal Opportunities Commission, Chairpersons of Sectoral Committees of Parliament, Economic Policy Research Centre, Shadow Finance, Planning and Economic Development-OLOP, Chairperson the Parliamentary Committee of Human Rights, Minister of Science Technology & Innovation, Inspectorate of Government and Members of Parliament representing the Elderly.

The Committee also made references to the following key documents:

- a) The Third National Development Plan (NDP III) 2020/21-2024/25;
  - 1) The Programme Implementations Action Plans (PIAPs) for the Programmes;
  - 2) The National Budget Framework Paper for FY2022/23-FY2026/27
  - 3) The Approved Annual Budget Estimates for FY2021/22
  - 4) Draft Budget Estimates for FY 2022/23 (Volumes I, II, III and IV),
  - 5) Certificate of Compliance of the Annual Budget for FY 2021/22 to the NDP III (An Assessment Report by NPA),
  - 6) Assessment Report on Compliance of Ministerial Policy Statements with Gender and Equity Requirements for FY 2022/23 by the Equal Opportunities Commission,
  - 7) Statement of Multi-year Commitments of Government, FY2022/23;
  - 8) Plan for Divestment of Government Assets;
  - 9) Plan for Financing the Fiscal Framework, 2022/23;
  - 10) Statement Attesting to Reliability and Completeness of the Budget for FY2022/23;
  - 11) Statement on Tax Expenditures for the period July 2021-March 2022;
  - 12) Macroeconomic Developments and Fiscal Prospects;
  - 13) Consolidated Status of Treasury Memorandum as at 17<sup>th</sup> March 2021;
  - 14) Medium Term Debt Management Strategy 2022/23-2025/26;
  - 15) Recovery of Monies arising from OAG recommendations during Financial Year ended 30<sup>th</sup> June 2021;
  - 16) Report on Public Debt, Grants, Guarantees and Other Financial Liabilities for Financial Year 2021/22
  - 17) Budgets of Commissions for the FY2022/23;
  - 18) The Certificate of Financial Implications for the Budget of Financial Year 2022/23;
  - 19) The Semi-Annual Budget Performance Report for FY2021/22
  - 20) The Semi-Macroeconomic & Fiscal Performance Report for FY2021/22
  - 21) Parliamentary Committee Reports;
  - 22) The Budget Call-Circulars relating to FY2022/23
  - 23) The Approved Charter of Fiscal Responsibility FY2021/22-FY2025/26;

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- 24) The Public Debt and Financial Liabilities Management Framework (2018/19-2022/23);
- 25) Annual Report of the Auditor General for the year ended 30<sup>th</sup> June 2021;
- 26) Public Finance Legislation and; other relevant documents
- 27) Corrigenda to draft budget estimates of FY2022/23

## PART A: MACRO ASPECTS OF THE BUDGET

### 2.0 LEGAL COMPLIANCE OF THE ANNUAL BUDGET ESTIMATES



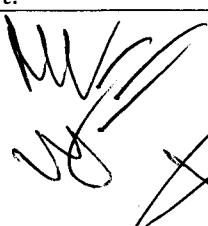
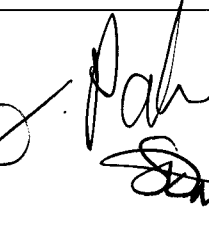
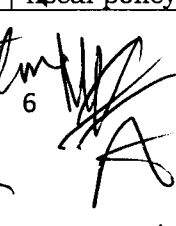
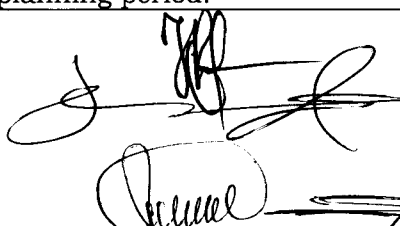

#### 2.1 Compliance in relation to Submission of Information

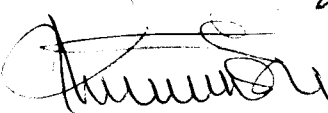

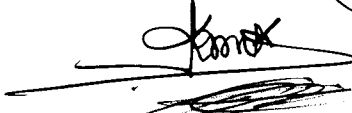

Section 13(3) of the PFM Act, 2015 requires the Minister on behalf of the President, to present the proposed annual budget to Parliament, by 1<sup>st</sup> April each year. In addition, the PFMA, 2015 requires that the Annual Estimates should contain various sets of information as well as key documents that must accompany its submission as stipulated in Sections 13( 7), 13(9a to 9c), 13(10a to 10f) and 13(11a to f) of the PFM Act.

Table 1 below, highlights compliance assessment findings in relation to the legally required budget documents to Parliament.

**Table 1: Compliance assessment on submission of required information as per the PFMA, 2015**

PFMA Section & Requirement	Comment	Verdict
Section 13(3) requires the Minister on behalf of the President, to present the proposed annual budget to Parliament, by the 1 <sup>st</sup> April each year.	The Annual Draft Budget Estimates for the Financial Year 2022/23 were submitted on 31 <sup>st</sup> March 2022.	Complied.
Section 13(7) requires the annual budget to be accompanied with a Certificate of compliance of the annual budget of the previous financial year issued by the National Planning Authority.	The Certificate of compliance of the annual budget for FY 2021/22 with the National Development Plan III was submitted.	Complied.
Section 13(9a) requires that the annual budget shall set out the recent trends and developments on the indicators of the economy and provide forecasts of the indicators, for a period of five years.	The recent trends and developments on the indicators of the economy provided but the five year period forecasts of the economic indicators not provided	Partially complied.
Section 13(9b) requires that the annual budget to specify the period considered by the Minister to be appropriate for the planning of the fiscal policy of the Government.	The Medium Term Expenditure Framework and Fiscal framework and the medium term revenue projections provided indicate 5 year fiscal policy planning period.	Complied.

PFMA Section & Requirement	Comment	Verdict
Section 13(9c) requires that the annual budget shall supply detailed information on recent fiscal developments and forecasts for the period determined by the Minister under Section 13(9b) in respect to: Revenues, recurrent and capital expenditures, borrowing and debt servicing and contingent liabilities.	The Fiscal Framework FY 2021/22 - FY 2026/27, the medium term revenue projections FY 2019/20 - 2026/27, provides information on recent fiscal developments and forecasts for the period of 5 years on Revenues, recurrent and capital expenditure, borrowing. No information on contingent liabilities provided.	Partially complied.
Section 13(10a) requires the annual budget to indicate the financing estimates for the financial year to which the budget relates, including: (i) Financing to be transferred from the Petroleum Fund to the Consolidated Fund; (ii) Plans for domestic financing of the annual budget including borrowings by Government and the drawing down of Government deposits; (iii) Plans for external financing of the budget in the form of borrowing and grants; (iv) Plan for the government debt and any other financial liabilities for the financial year to which the annual budget relates; (v) Plan for the guarantees to be issued in the financial year; (vi) Money recovered as a result of the recommendation of the report of the Auditor General; and (vii) Plan for divestment of government assets.	Most of the information Contained in the Draft estimates of revenue and expenditure FY 2022/23 contained in Vol. I and Statement of monies recovered.	Complied.
Section 13(10b) requires the annual budget to indicate the expenditure estimates for the preceding financial year, the current financial year, and proceeding financial year.	Information Contained in the Draft Budget Estimates FY 2022/23 Vol. I, II & III.	Complied.
Section 13(10c) requires the annual budget to indicate a statement of the multi-year commitments to be made by Government in the financial year.	The Statement for Uganda Multi-year commitments submitted.	Complied.
Section 13(10d) requires that the annual budget to indicate a statement of the tax expenditures of Government.	The statement of the Tax Expenditures of Government was tabled.	Complied.
Section 13(10e) requires that the annual budget shall indicate the budgets of self-accounting departments, commissions and organizations set up under the Constitution and the opinion of the Government on these budgets.	The annual budgets of self-accounting departments, commissions and organizations provided in Draft Budget Vol. III.	Complied.
Section 13 (10f) requires that the annual budget to indicate the grants to the local governments and any subventions for the financial year.	Provided in Draft estimates of revenue and expenditure FY 2022/23.	Complied.
Section 13(11a) requires the Minister to present with the annual budget the Appropriation Bill and any other Bills that are necessary to implement the annual budget.	The Appropriation bill, the Tax bills for FY 2022/23 together with the respective certificates of financial implication tabled.	Complied.
Section 13(11b) requires the Minister to present with the annual budget, Treasury memorandum specifying the measures taken by the Ministry to implement the recommendations of Parliament in respect to the report of the Auditor General for the	Treasury memorandum specifying the measures taken by the Ministry to implement the recommendations of Parliament in respect to the report of the Auditor General of the preceding financial	Complied.

PFMA Section & Requirement	Comment	Verdict
preceding financial year, on the management of the Treasury.	for FY 2020/21 provided.	
Section 13(11c) requires the Minister shall present with the annual budget a statement of budget signed by the Minister and the Secretary to the Treasury attesting to the reliability and completeness of the information provided under this section and the conformity of the information to the Charter for Fiscal Responsibility.	The Document was tabled.	Complied.
Section 13(11d) requires the Minister to present with the annual budget a list of Accounting Officers appointed or designated under Section 11(2).	List of Accounting Officers FY 2022/23 was tabled.	Complied.
Section 13(11e) requires the Minister to present with the annual budget a certificate issued by the Minister responsible for Finance in consultation with the Equal Opportunities Commission. (i) Certifying that the budget is gender and equity responsive; and (ii) specifying the measures taken to equalize opportunities for men, women, persons with disabilities and other marginalized groups.	The G & E Certificate provided.	Complied.
Section 13 (11f) requires the Minister to present with the annual budget the budgets of the public corporations and state enterprises.	Provided for in Volume 3 of the Draft estimates of revenue and expenditure 2022/23. Only 14 public corporations and state enterprises submitted.(See Appendix 1&II	Partially Complied.

**Source: PBO Compilations**

The Committee established that, there has been tremendous improvement (compared to the previous financial years) in complying with submissions of the legally required budget information. However, budgets for all public corporations and state enterprises have not been submitted

**The Committee recommends that the budgets for all public corporations and state enterprises must be presented to Parliament as required by the law.**

## 2.2 Consistency with the Charter for Fiscal Responsibility

Section 13(6) of the PFM Act, 2015 compels the annual budget to be consistent with the Charter for Fiscal Responsibility.

On 27<sup>th</sup> January, 2022, Parliament approved the 2<sup>nd</sup> Charter for Fiscal Responsibility (CFR) for the period FY 2021/22 – FY 2025/26. The CFR presents Government’s fiscal policy objectives to support the socioeconomic transformation agenda while ensuring macroeconomic stability and fiscal



sustainability during the period FY2021/22 – FY2025/26. The approved CFR specifies the following measurable fiscal objectives:

**Objective 1: Public Debt**

a) *Total Public debt in Nominal terms is reduced to below 50% of GDP by financial year 2025/26; as shown in the table below;*

	2021/22	2022/23	2023/24	2024/25	2025/26
Nominal Debt to GDP	52.7%	53.1%	52.4%	51.2%	49.3%

b) *Total domestic debt interest payments to total revenues (excluding grants) is reduced to 12.5%; as shown in the table below:*

	2021/22	2022/23	2023/24	2024/25	2025/26
Total domestic debt interest payments to Total revenues	15.2%	14.6%	14.1%	13.6%	12.5%

c) *Nominal Publicly guaranteed debt to GDP is maintained below 5%*

d) *The Government may borrow from the Bank of Uganda only in accordance with section 36 (5)(a) and (b) of the Public Finance Management Act, 2015 as amended and section 33 of the Bank of Uganda Act.*

**Objective 2: Fiscal balance**

e) *The Overall Fiscal Balance including grants should gradually adjust to a deficit not exceeding 3.0 percent of non-oil GDP by financial year 2025/26; as shown in the table below:*

	2021/22	2022/23	2023/24	2024/25	2025/26
Overall Fiscal Balance Including Grants	-6.4%	-5.4%	-4.6%	-4.2%	3.0%

f) *The ratio of Non-oil revenue to GDP shall grow by at least 0.5 percentage points on an annual basis; as shown in the table below:*

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	2021/22	2022/23	2023/24	2024/25	2025/26
<b>Non-oil Revenue to GDP</b>	13.8%	14.4%	14.9%	15.4%	15.9%

g) *The growth rate in recurrent spending as a percentage of GDP shall not exceed the growth rate of revenue (excluding oil) as a percentage of GDP.*

**Objective 3: Petroleum Fund Transfers to the Budget and Petroleum Revenue Investment Reserve (PRIR)**

h) *A maximum of Oil revenue worth 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 Public Finance Management Act (2015) as amended.*

Accordingly, an assessment of the CFR against the annual budget estimates as per Section 13(6) of the Public Finance Management Act, 2015, was undertaken by the Committee and Table 2 below provides the details of the findings.

**Table 2: CFR Consistency Assessment**

	CFR Annual Target	Annual Budget Estimates (Proj)
	2022/23	2022/23
Total Nominal Public Debt to GDP	53.10%	55.1%
Total domestic debt interest payments to total revenues (excluding grants)	14.60%	18.7%
Overall Fiscal Balance including grants to of Non-oil GDP	-5.40%	-5.1%
Ratio of Non-oil revenue to GDP	14.40%	14.7%
Growth rate in recurrent spending as a percentage of GDP (GRRS) VS Growth rate of revenue (excluding oil) as a percentage of GDP (GRRV)	GRS<GRV	-0.2%<2.6%
Ratio of oil revenue to preceding year's estimated non-oil GDP	0.80%	N/A
Growth in Non-oil Revenue as %ge of GDP	0.48%	1.4%
<b>Memo Items: (UGX. Billions)</b>		
Nominal GDP		173,963
Nominal Debt Stock		95,828

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	CFR Annual Target	Annual Budget Estimates (Proj)
	2022/23	2022/23
Total Non-oil Revenue (Incl.NTR, Excl. Grants)		25,572.89
Domestic Debt Interest Payments		4,784.00
Overall Fiscal Balance (Incl. Grants)		(8,878)

**Source: PBO Computations and MFPED Data**

The Committee observes that, the annual budget estimates are not consistent with the CFR in regards to Nominal Debt to GDP and Debt Interest payments to Revenues. The Stock of Nominal Public Debt to GDP is projected at 55.1% in the FY2022/23, which is higher than the CFR provision of 53.1% in the FY2022/23. Furthermore, Total domestic debt interest payments to total revenues (excluding grants) is projected at 18.7% in the FY2022/23, which is higher than the CFR provision of 14.6% in the FY2022/23;

**The Committee recommends that, in accordance with Section 7 of the PFM Act, 2015 and the CFR 2022, the Minister of Finance, Planning and Economic Development seeks Parliamentary approval for deviation from the objectives of the CFR.**

### 2.3 Consistency with the Budget Framework Paper

Hon Members, Section 13(6) of the PFM Act, 2015 compels the annual budget to be consistent with the Budget Framework Paper. In this regard, the Committee assessed the revised NBFP of FY2022/23-FY2026/27 against the annual budget estimates for FY2022/23 and presents its findings in Table 3 and 4 below.

**Table 3: Resource Envelope Consistency Assessment**

	NBFP 2022/23	Revised Annual Budget Estimates FY2022/23	Changes	
			Absolute (UGX Bn.)	Relative
<b>Domestic Revenue</b>	<b>25,728.10</b>	<b>25,789.27</b>	<b>61.17</b>	<b>0.24%</b>
Tax Revenue	23,754.90	23,754.90	0.00	0.00%
Non Tax Revenue	959	1,040.60	81.60	8.51%
Appropriation In Aid	1,014.20	993.77	-20.43	-2.01%
o/w AIA Central	801.8	755.28	-46.52	-5.80%
o/w AIA Local Gov't	212.4	238.49	26.09	12.28%

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	NBFP 2022/23	Revised Annual Budget Estimates FY2022/23	Changes	
			Absolute (UGX Bn.)	Relative
Petroleum Fund	0	-	0.00	0.0%
<b>Grants</b>	<b>869</b>	<b>2,168.50</b>	<b>1,299.50</b>	<b>149.54%</b>
o/w Budget Support	63	78.00	15.00	23.81%
o/w Project Support	806	2,090.50	1,284.50	159.37%
<b>Domestic Borrowing</b>	<b>10,487.50</b>	<b>12,973.23</b>	<b>2,485.73</b>	<b>23.70%</b>
o/w Domestic Financing	2,836.00	4,965.23	2,129.23	75.08%
o/w Domestic Refinancing	7,651.50	8,008.00	356.50	4.66%
<b>External Borrowing</b>	<b>5,998.60</b>	<b>7,165.49</b>	<b>1,166.89</b>	<b>19.45%</b>
o/w Budget Support	1,228.70	2,578.79	1,350.09	109.88%
o/w Project Support	4,769.90	4,586.70	-183.20	-3.84%
<b>Revolving Fund -UWEP</b>		<b>34.15</b>	<b>34.15</b>	
<b>GRAND TOTAL</b>	<b>43,083.2</b>	<b>48,130.6</b>	<b>5,047.43</b>	<b>9.70%</b>

Source: MFPED Data & PBO Computations

Table 4: Budget Allocation Consistency by Programme(UGX Billion)

PROGRAMME	Approved Budget (UGX Bn.) FY2021/22	NBFP (UGX Bn.) FY2022/23	As a Share of NBFP Total Budget	Revised Annual Budget Estimates (UGX Bn.) FY2022/23	As a Share of Total Annual Budget Estimates	NBFP Vs Annual Budget Estimates	
						UGX Bn.	Percentage
Human Capital Development	7,598.50	6,919.50	16.10%	8,740.43	18.16%	1,820.93	26.32%
Governance and Security	6,971.90	6,480.20	15.00%	7,030.24	14.61%	550.04	8.49%
Integrated Transport Infrastructure & Services	5,024.90	4,855.90	11.30%	4,171.65	8.67%	-684.25	-14.09%
Sustainable Energy Development	1,150.20	1,107.80	2.60%	1,606.64	3.34%	498.84	45.03%

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