REPORT OF THE COMMITTEE ON NATIONAL ECONOMY ON THE PERFORMANCE OF THE ECONOMY AS AT JUNE, 2022

Office of the Clerk to Parliament
Parliament buildings

August 2022

1.0 INTRODUCTION

Article 90(1) of the 1995 Constitution of the Republic of Uganda mandates Parliament to establish Committees necessary for the efficient discharge of its functions.
Section 11 of the Budget Act, 2001 mandates Parliament to analyze programmes and policies that affect the economy, and where necessary recommend alternative approaches to Government.

Pursuant to Rule 178(2)(a) and (g) of the Rules of Procedure of Parliament of Uganda the Committee on National Economy is mandated to examine and monitor the state of the national economy, and explore avenues of improving it.

In fulfilment of the above legal provisions, the Committee carried out a macroeconomic diagnosis on the status of the economy and now reports.

1.1 Objective of the Report

The overall objective of this report is to inform Parliament on the performance of the economy as at June 2022.

1.2 METHODOLOGY

In consideration of this report, the Committee held meetings and received views from the following;

a) Ministry of Finance, Planning and Economic Development
b) National Planning Authority
c) Bank of Uganda,
d) Uganda Manufacturers Association,
e) Private sector Foundation Uganda
f) Economic Policy Research Centre
g) Uganda Debt Network,

In addition, the Committee reviewed other documents from a number of Agencies that are mentioned in the report.

International Monetary Fund (IMF) World Economic Outlook, October 2021;

a) International Monetary Fund (IMF) World Economic Outlook, April 2022;
b) International Monetary Fund (IMF) World Economic Outlook, July 2022;
c) The third National Development Plan FY 2020/21-FY 2024/25 (NDPIII);
d) Annual Macroeconomic and Fiscal Performance Report FY 2020/21 by Ministry of Finance, Planning and Economic Development;
e) Half year Macroeconomic and Fiscal Performance Report FY 2021/22 by Ministry of Finance, Planning and Economic Development;
f) Report on the Performance of the Economy FY 2020/21 and Half of FY 2021/22 by Parliamentary Budget Office;
g) Government of Uganda Consolidated Report on Domestic Arrears, May 2022;
h) National Budget Framework Paper FY 2022/23-FY 2026/27;
i) Uganda National Household Survey Report FY 2019/20;
j) Multi Poverty Dimensional Index Report 2022;
k) Auditor General's Report for the year ending June 2021

2. GLOBAL AND DOMESTIC ECONOMIC DEVELOPMENTS

2.1 Global Economic Growth

Global growth is projected to decline from 6.1 percent in 2021 to 3.2 percent in 2022, 0.4 percentage point lower than in the April 2022 World Economic Outlook. Lower growth earlier this year reduced household purchasing power, and tighter monetary policy drove a downward revision of 1.4 percentage points in the United States. In China, further lockdowns and the deepening real estate crisis have led growth to be revised down, with major global spillovers. And in Europe, significant downgrades reflect spillovers from the war in Ukraine and tighter monetary policy (Table 1).

In addition, this decline in growth is attributed to the rising energy prices and supply disruptions that have resulted in higher and more broad-based inflation than anticipated, notably in the United States and many emerging market and developing economies. In China, the retrenchment of China's real estate sector and the slower- than-expected recovery of private consumption contributed to the limited growth prospects. Further, the pandemic-induced disruptions related to the zero-tolerance COVID-19 policy and protracted financial stress among property developers have induced a 0.8 percentage-point downturn.

Table 1: Overview of the World Economic Outlook Projections

Category (in Percentage unless specified)	Year over Year			
	2020	Estimate	Projections	
		2021	2022	2023
World Output	**–3.1**	**6.1**	**3.2**	**2.9**
Advanced Economies	**–4.5**	**5.2**	**2.5**	**1.4**
United States	–3.4	5.7	2.3	1.0
Euro Area	–6.4	5.4	2.6	1.2
Germany	–4.6	2.9	1.2	0.8
France	–8.0	6.8	2.3	1.0
Italy	–8.9	6.6	3.0	0.7
Spain	–10.8	5.1	4.0	2.0
Japan	–4.5	1.7	1.7	1.7
United Kingdom	–9.4	7.4	3.2	0.5
Canada	–5.2	4.5	3.4	1.8
Emerging Market & Developing Economies	**–2.0**	**6.8**	**3.6**	**3.9**
Emerging and Developing Asia	–0.9	7.3	4.6	5.0
China	2.3	8.1	3.3	4.6
India	–7.3	8.7	7.4	6.1
Emerging and Developing Europe	–1.8	6.7	-1.4	0.9
Russia	–2.7	4.7	-6.0	-3.5
Latin America and the Caribbean	–6.9	6.9	3.0	2.0
Brazil	–3.9	4.6	1.7	1.1
Middle East and Central Asia	–2.8	5.8	4.8	3.5
Saudi Arabia	–4.1	3.2	7.6	3.7
Sub-Saharan Africa	–1.7	4.6	3.8	4.0
Nigeria	–1.8	3.6	3.4	3.2
South Africa	–6.4	4.9	2.3	1.4

Source: World Economic Outlook July 2022

Otherwise, economic growth for countries in the Sub Saharan Africa is projected to decline modestly from 4.6percent in 2021 to 3.8percent. This is mostly driven by the slower growth projected in South Africa at 2.3percent in 2022 down from 4.9percent in 2021. The decline in South Africa is attributed to the continued structural constraints such as unreliable electricity supply and job regulations.

2.2 Global Inflation

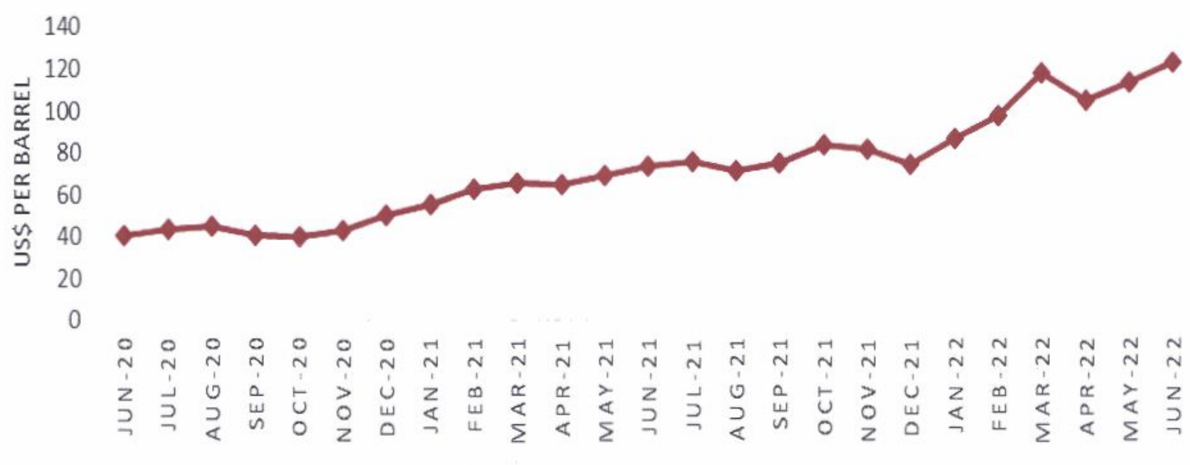
According to the IMF World Economic Outlook, global inflation has gone up due to food and energy prices as well as lingering supply-demand imbalances. It is anticipated to reach 6.6 percent in advanced economies and 9.5 percent in emerging market and developing economies this year. This implies an upward revision of 0.9 and 0.8 percentage points respectively.

It is observed that significant increases in headline inflation among major economies such as the United Kingdom (2.7 percentage point upward revision to 10.5 percent) and the Euro area (2.9 percentage point upward revision to 7.3 percent) were the main drivers of global inflation

Global inflation is expected to remain high and persistent, driven by war-induced commodity price increases and broadening measures. The effects of the Russian-Ukraine war have aggravated commodity demand and supply imbalances, leading to significant prices increases.
Russia and Ukraine together account for 30percent of global exports of wheat, 23.4percent of mineral fertilizers, 20percent of corn and natural gas and, 11percent of oil. For the month of March 2022, monthly prices of energy and fertilizers rose by 24.1 and 21 percent respectively.

Cumulatively Brent crude oil prices rose by 48percent, while palm oil and wheat prices rose by 36percent and 28percent, between December 2021 and March 2022, respectively (Figure 1).

Figure 1. Average Monthly Brent Oil Price per Barrel (US $)



Source: www.statista.com June 2022.

The hike in international oil prices was on account of rising global demand for oil that outmatched supply. On the demand side, the global relaxation of COVID-19 related restrictions combined with a pickup in global economic activity resulted into a rise in global demand for oil. On the supply side however, there was a slower increase in global oil production which followed a deliberate decision by Oil Producing and Exporting Countries (OPEC+). (OPEC + is a group of 23 oil exporting countries which meet every month in Vienna to decide how much crude oil to sell to the world market). In a bid to support higher crude oil prices, the group decided to limit supply of crude oil following the oil price slump experienced from 2020. As such, global oil production increased slower than demand. These developments coupled with the recent eruption of the Ukraine – Russian war together explain the increase in the global oil prices.

The rising commodity prices globally have led inflation to increase in many economies and is projected to remain higher for a longer period. In the USA, inflation reached 8.5percent in July 2022[1], the highest since 1981; in the UK it reached 8.8percent[2] in July 2022, the highest since 1991. In the Euro area, inflation reached 8.9percent[3], in July 2022.

In Africa, inflation is double digit in some countries for example: Ghana and Nigeria where it reached 31.7[4] and 19.6[5]percent, respectively in July 2022. In Kenya, South Africa, Rwanda and Tanzania inflation had increased to 8.3[6], 7.8[7], 5.9[8], and 4.5[9] percent respectively in July 2022.

Consequently, the IMF projects that for 2022, inflation in advanced economies and emerging market and developing economies is projected at 5.7percent and 8.7percent, 1.8percent and 2.8percentage points higher than the projected in January. On the other hand, inflation in sub Saharan Africa is projected to increase from 11.0Percent in 2021 to 12.2percent in 2022(World Economic Outlook, April 2022).
According to World Bank, the more tighter monetary policy in the United States will prompt tighter global financial conditions, which will exert pressure on emerging market and developing economy currencies, resulting into higher interest rates, which will make borrowing more expensive worldwide, straining public finances.

[1] Source: U. S. Bureau of Statistics
[2] Source: Office for National Statistics
[3] Source: Euro stat is the statistics office of the European Union
[4] Source: Ghana Statistical Service
[5] Source: Nigeria-National Bureau of Statistics
[6] Source: Kenya National Bureau of Statistics
[7] Source: Department: Statistics South Africa, Republic of South Africa
[8] Source: National Institute of Statistics of Rwanda
[9] Source: Tanzania National Bureau of Statistics

Tighter financial conditions, exchange rate depreciations, and higher imported inflation is expected to result into challenging monetary and fiscal policy trade-offs in economies with high foreign currency denominated debt. This will require fiscal consolidation in many emerging market and developing economies in 2022 to minimize high post-pandemic debt burdens for years to come.

2.3 DOMESTIC ECONOMIC DEVELOPMENTS

2.3.1 Domestic Growth

The Committee observed that preliminary outturns indicate that the size of Uganda's economy expanded from UGX 130.881 trillion in FY 2020/21 to UGX 136.871 trillion in real terms in FY 2021/22. This represents a real GDP growth rate of 4.6 percent which is higher than the 3.5 percent registered in FY 2020/21. This increase however, is less than the NDP III target of 6.0 percent. In nominal terms, the economy expanded to a level that generates GDP Per Capita of US$ 1,046 compared with US$ 957 recorded in FY 2020/21 and the NDP III target of US$ 1,049 (Table 2)

The slow growth was largely on account of a slower than expected growth under the agricultural sector. Agricultural output grew by 4.3 percent, the same as in FY 2020/21. Real GDP growth was supported by growth in the Services and Industry sector which grew by 3.8 percent and 5.4 percent as compared to 2.8 percent and 3.5 percent registered in FY 2020/21 respectively.

Growth in the Agriculture sector was affected by slow growth in Cash crops and Food crops activities with 7.1 and 3.5 percent in FY 2021/22, compared to a growth of 12.5 and 4.1 percent respectively in the previous year as production in this sector was affected by prolonged drought during the financial year.

The services sector registered a growth of 3.8 percent in FY 2021/22, higher than 2.8 percent in the previous FY 2020/21. The growth of the services output was driven by mainly Trade and Repairs, Real estate Activities and Education services among others.

Industry output grew by 5.4 percent, higher than the 3.5 percent growth in FY 2020/21, mainly due to improved Mining and quarrying activities. Out of the projected growth of 4.6percent in FY 2021/22, 1.6 percent was attributed to growth from services, 1.4 percent to Industry while

Agriculture accounted for 1.0 percent (Figure 2).

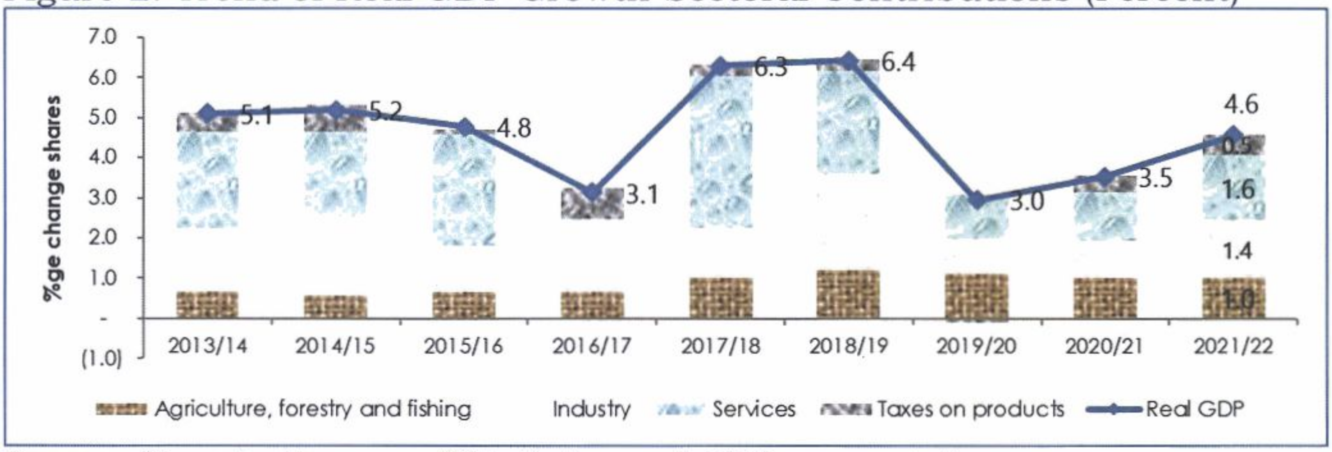
The Services sector remains the highest contributor by sectoral share in the country's GDP with an average of 44 percent over the last five years. This level of contribution to GDP has been maintained despite the effects of Covid-19 pandemic.

Table 2: Uganda's Real Economic Output (UGX, billions) unless specified

Category	2020/21	Prel. 2021/22	Growth (%ge)		Contribution to GDP growth (%ge)	Sector Share(%ge)	
			2020/21	2021/22		2020/21	2021/22
GDP at market prices	130,881	136,871	3.5	4.6	4.6	100	100
Agriculture, forestry and fishing	30,604	31,933	4.3	4.3	1.0	23	23
Industry	34,499	36,365	3.5	5.4	1.4	26	27
Services	57,081	59,223	2.8	3.8	1.6	44	43
Taxes on products	8,697	9,350	6.2	7.5	0.5	7	7
Per capita GDP US$	957	1,046					

Source: Uganda Bureau of Statistics & PBO computations

Figure 2: Trend of Real GDP Growth Sectoral Contributions (Percent)



Source: Uganda Bureau of Statistics and PBO computations

2.3.2 Domestic Growth Outlook

Source	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23
UBOS	3.0	3.5	4.6	-
IMF	3.4	1.9	5.0	5.7
MoFPED	3.0	3.5	4.6	6.0
NDP 3	3.1	4.5	6.0	6.4

Source: IMF, MFPED & NDP III

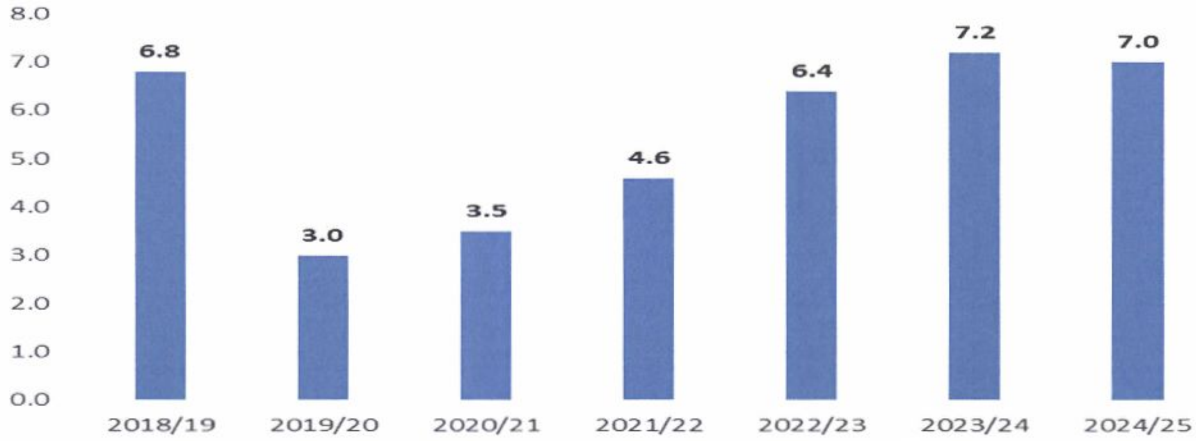
Given the mild recovery underway in some sectors (industry and services), economic growth is projected to return to its pre-pandemic levels of 6 percent in FY 2022/23. According to the Ministry of Finance publications, growth is mainly attributed to; Investments in the oil and gas sector following the final investment decision; Government interventions through programs like the Parish Development Model, the Small Business Recovery Fund, EMYOOGA, among others; Continued improvements in the efficiency of public investments; Continued recovery in some of the key sectors that were affected by the Pandemic and Continued deepening of regional economic integration and exports.

However, the risks to the growth outlook include: continued rise in global oil prices which could increase costs of production and commodities in Uganda; exchange rate depreciation due to global strengthening of the dollar; climate change effects on agriculture production; and increased geopolitical tensions between Ukraine and Russia. These risks could potentially reduce the projected GDP growth by between 0.5 to 1 percentage points in FY 2022/23.

The Committee is however concerned that one of the biggest risk to growth is the failure by Uganda Revenue Authority to raise the anticipated revenues, since many businesses have closed or are struggling. Growth in FY 2022/23 is premised on among others: Government interventions through programs like the Parish Development Model, the Small Business Recovery Fund, EMYOOGA all require funding and by quarter one FY 2022/23 these had received less than 25percent of their budget. The projected cash flow requirement for Quarter 1 FY 2021/22 was UGX 14.57 trillion, however, only UGX 10.25 trillion was available in the resource envelope, leading to altering the cash flow to fit available resources.

Over the NDP III period, Real GDP growth is expected to return to its level of an average of 7 percent, consistent with the NDPIII (Figure 3).

Figure 3: Projected GDP Growth



Source: UBoS, & NDP III

However, there are uncertainties surrounding the outlook. On the downside, risks to the growth outlook emanate from uncertainty surrounding the pandemic, particularly the effects of tighter containment measures and the slow vaccination rollout and the supply chain disruptions arising from the Ukraine – Russian war which has exerted pressure on the US Dollar and fuel prices globally.

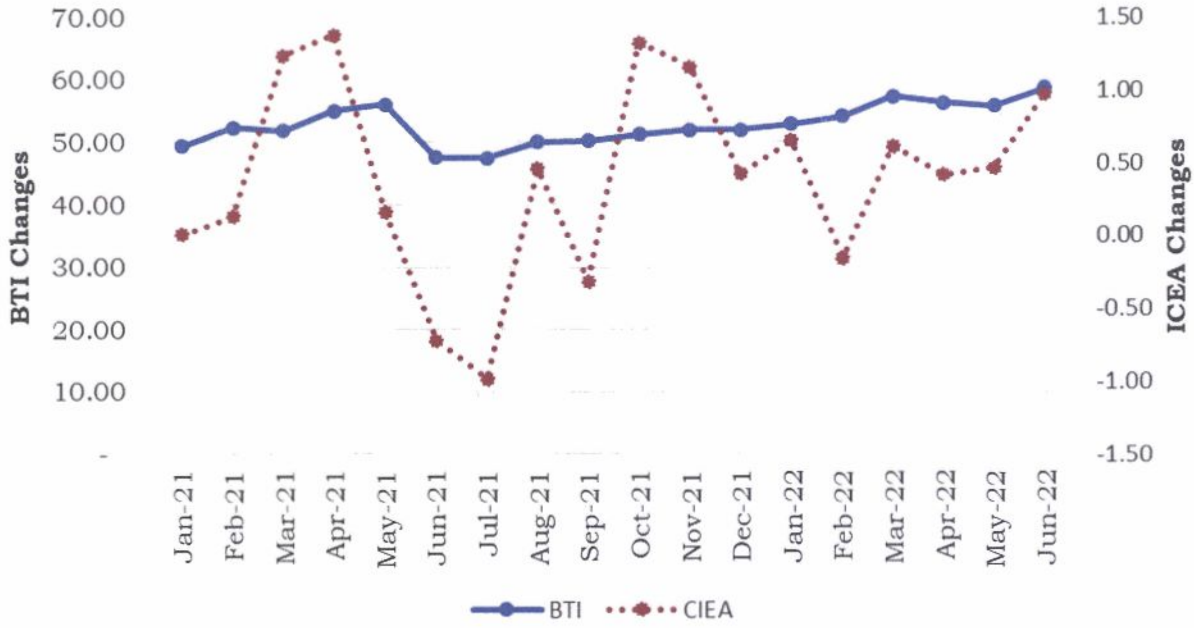
2.4 Performance of Indicators of Business prospects (CIEA & BTI)

The committee observed that the 2nd lockdown due to COVID-19 in June 2021 led to a significant decline in economic activity as the Business Tendency indicator performed below the threshold of 50, and from August 2021 economic activities started resuming. During the FY 2021/22, high frequency indicators of business prospects particularly the Composite Index of Economic Activity (CIEA) and the Business Tendency Index (BTI) depicted continued recovery. Whilst the BTI and CIEA were indicative of a struggling economy during the month of July 2021 as the economy had just emerged from the 2nd lockdown, they picked up during the subsequent months.

The CIEA posted positive growth rates. On average, it grew at 0.4 percent in comparison with the same period last year and, the BTI was above the 50-mark threshold from the month of September 2021 to June 2022 on account of gradual easing of the Covid-19 containment measures leading to growth in output and new orders (Figure 4). A BTI of less than 50 reflects negative expectations and a more pessimistic situation. A BTI of more than 50 reflects positive expectations and a more optimistic situation. On the other hand, positive changes in

CIEA imply increase in economic activity.

Figure 4: Changes in CIEA & BTI



Source: Bank of Uganda and PBO Computations

2.5 Domestic Inflation developments and Outlook

Table 1: Domestic Annual Inflation

Category	2019	2020	2021	2022					
	June	June	June	Jan	Feb	Mar	Apr	May	Jun
All items Index	2.2	3.4	2.0	2.7	3.2	3.7	4.9	6.3	6.8
Core Index	2.9	3.7	2.7	2.3	3.1	3.6	4.3	5.1	5.5
Food Crops and Related Items Index	-2.0	-0.7	-2.8	3.7	0.7	1.9	5.4	13.6	14.5
Energy Fuel and Utilities (EFU) Index	-1.4	5.1	-1.3	6.5	7.0	8.5	11.2	12.0	14.2
Inflation Target	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0

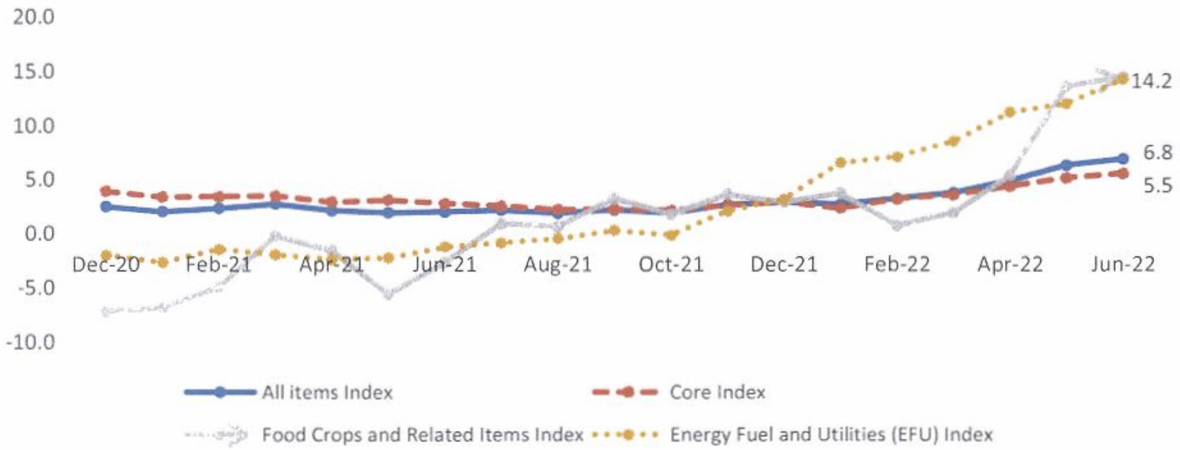
Source: Uganda Bureau of Statistics and PBO Compilations

Inflation remained well below the 5 percent target during the first ten (10) months of FY 2021/22, reflecting a combination of low aggregate demand largely due to the effects of COVID-19 on economic activity and robust supplies of essential commodities. However, Inflation rose above the 5 percent target from May 2022 and continued to June 2022, reflecting a combination of increased aggregate demand due to relaxation of COVID-19 containment measures, reduced supplies of essential commodities occasioned by the Russia-Ukraine war as well as domestic rising food prices due to dry weather spells across the country.

The annual average headline inflation for FY 2021/22 increased to 3.4 percent, up from 2.5 percent in FY 2020/21, largely driven by an increase in the average Food Crops and Related items inflation to 4.4 percent, up from minus 4.2 percent in the previous year (Figure 5).

The increase in average annual core inflation by 5.1 percent was driven by an increase in Energy, Fuel and Utilities inflation by 13.6 percent, particularly Liquid energy fuels due to scarcity occasioned by the Russia-Ukraine war.

Figure 5: Domestic Inflation Movement



Source: Uganda Bureau of Statistics and PBO Computations

The Committee noted that despite the headline and core inflation figures performing in single digit, the rise in some individual commodities was worrying for example soap, cooking oil, cement and food items selected in table 4.

Table 4: National Average of Selected items

Item	Quantities	Apr-21	Mar-22	Apr-22	Annual Change
Cement	50kg bag	28130	29481	36037	28.1%
Refined Oil	1 litre	7065	10114	11110	57.3%
Laundry soap big	1 kg	3864	6988	7798	101.8%
Passion fruits	1 kg	4710	5345	6619	40.5%
Laundry soap small	1 kg	3487	5790	6353	82.2%
Petrol	1 litre	3856	5087	5209	35.1%
Diesel	1 litre	3423	4327	4704	37.4%
Kerosene	1 litre	3094	3251	3330	7.6%
Rice	1 kg	3646	3647	3829	5.0%
Sugar	1 kg	3196	3556	3745	17.2%
Cucumber	1 kg	2348	2765	3291	40.2%
carrots	1 kg	2710	2766	3149	16.2%
Beans	1 kg	3323	2873	3066	-7.7%
Maize flour	1 kg	1814	2086	2275	25.4%
Matooke (Cluster)	1 kg	849	931	1053	24.0%

Source: UBoS & NPA Computations

The interplay of global geopolitical dynamics involving major players in trade and supply chains as well as domestic conditions largely explain the price increments. Food prices have been going up, and according to NPA, households spend 40percent of their household expenditure on food and 18.2 percent on housing, electricity, gas and other fuels. This implies, that the rising prices are making the poor even poorer.

In addition, the Russian invasion in Ukraine that started on 24th February 2022 also created uncertainties which have disrupted supply chains. Specifically, the rising prices of soap were attributed to the rising price of crude palm oil, a key ingredient in making soap, whose prices have been increasing from the 3rd quarter of 2021 due to lower expected production in Indonesia and Malaysia. The Ukraine and Russia Conflict resulted in a surge for demand in crude palm oil from Indonesia and Malaysia which contribute 85percent of the global crude palm oil production, moreover, increased labour costs in Indonesia due to the Covid -19 pandemic challenges also increased the crude palm oil prices.

According to NPA, Uganda Majorly imports its crude palm oil from Indonesia (64.7%), Kenya (24.8%) and Malaysia (6.4%). The demand for crude palm oil in the country is 350,000 metric tonnes and Uganda produces 80,000 metric tonnes of oil per year of which only 40,000 metric tonnes are crude palm oil, implying that the biggest share of crude palm oil in the country is imported (310,000 metric tonnes).

The sugarcane Manufacturer's Association attributed the rise in sugar prices to the rise in fuel prices, owing to the fact that raw sugarcane is transported by trucks, and a rise in fuel prices increases the cost of materials and transport.

Petrol and Diesel prices were affected by both global and domestic factors. Economic Policy Research Centre (EPRC) indicated that changes in international prices of crude oil explain 40 percent of the pump prices while taxation is 31percent and; costs related to distribution and fuel dealers' margins constitute the remaining 29 percent. Given the nature of the market associated with inelastic demand, for every dollar increase in global fuel prices, a significant portion is passed to consumers.

2.6 POVERTY AND UNEMPLOYMENT

2.6.1 Poverty

The Uganda National Household Survey 2019/20 report by UBOS indicates that, the percentage of people living below the poverty line (1 US$ per day) modestly decreased from 21.4 percent in 2016/17 to 20.3percent in 2019/20. However, in absolute terms, the number of poor people increased from 8.03 million to 8.3 million. In Rural areas poverty reduced to 23.4percent (7 million people) in 2019/20 from 25.2percent (7.1 million people) in 2016/17 while in urban areas, it increased from 9.5percent (0.9million people) to 11.7percent (1.3 million people).

There are wide regional poverty disparities observed with Acholi (67.7percent), Karamoja (65.7percent), Bukedi (34.7 percent), Busoga (29.4 percent), Kigezi (27.8%), Lango (23.4%), Teso (21.9 %), West nile (16.9%), Buganda North (13.8%), Elgon (13.2%), Ankole(13.2%), Tooro (12.8),Bunyoro (9.8%), Buganda South (6.9%),Kampala (1.6%).

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.

2.6.2 Unemployment

The 2019/20 Uganda National Household Survey report (UNHS) by UBOS indicates that national unemployment rate in Uganda stands at 8.8percent, with female unemployment rate at 8.9percent, male unemployment rate at 8.7percent, youth (18-30 years) unemployment rate at 13percent, urban unemployment rate at 8.2percent (with Kampala at 9.2%) compared to the rural unemployment rate of 9.1percent.

Overall unemployment is 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).

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 13.3percent to 9.7 percent by 2024/25.

3. Monetary Sector Developments

3.1 Commercial Interest Rates and Treasury Bill Rates

3.1.1 Commercial Interest Rates

Table 5: Period Annual Average Interest Rates (Percent)

Category	2018/19	2019/20	2020/21	2021/22	2020/21 Half Year	2021/22 Half Year
Lending Rates	19.95	19.26	18.95	18.6	19.45	18.62
Savings Deposits	3.58	2.51	2.44	2.39	2.47	2.31
Time Deposits	10.14	9.94	9.41	8.24	9.85	8.22
Spread	9.81	9.32	9.54	10.3	9.6	10.4

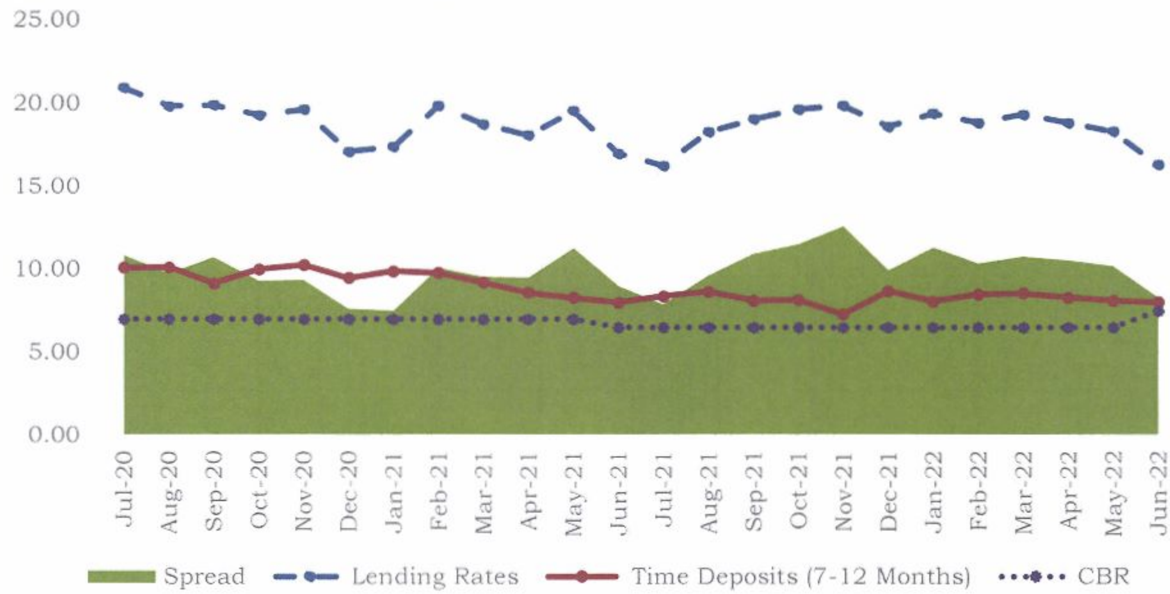
Source: Bank of Uganda and PBO Computations

During the FY 2020/21, the weighted average lending rate on shilling denominated loans registered a modest decline to an average of 18.95 percent, down from 19.26 percent in the previous year 2019/20. Similarly, in FY 2021/22, the weighted average lending rate on shilling denominated loans declined marginally by (1.8 percent) to an average of 18.6 percent from 18.95 percent in the previous year 2020/21 .

The decline in lending rates is partly attributed to the accommodative monetary policy stance by Bank of Uganda (BoU) coupled with extra measures taken by BoU to guard the economy against the adverse effects of the COVID-19 pandemic. BoU instituted a Standing Lending Facility for commercial banks to ease liquidity pressures in the financial system and credit relief measures to borrowers whose loan repayment capacities were impaired by the COVID-19 containment me asures.

Consequently, the spread (gross margin) between the lending and time deposit rates increased to 10.3 percent in FY 2021/22, from 9.54 percent in FY 2020/21 (Table 5). The widening of the interest rate spreads reflects structural rigidities in the financial sector, where the gains from lower lending rates were offset by higher reductions in the time deposit rates. A similar trend is observed in the half year performance (Table 5 and figure 6).

Figure 6: Interest Rate Spread



Source: Bank of Uganda

The committee observed that, whereas the Central Bank has been successful in taming inflation through the CBR, the response of Commercial Bank lending interest rates has continued to be slow. This is partly a reflection of the structural rigidities within the financial sector and in particular, the undeveloped financial systems. Consequently, it takes considerable time for the effects of monetary policy to be fully felt.

Other reasons advanced for the slow response include; high risks associated with lending to private sector as well as high costs for utilities and Institutional Challenges among others. It is these costs that form part of the costs imbedded in the lending rates. These factors together with Government policy of liberalization of the financial sectors explain the observed trends in lending rates.

3.1.2 Treasury Bills Yields

Table 6: Average Annual TB Yields (Percent)

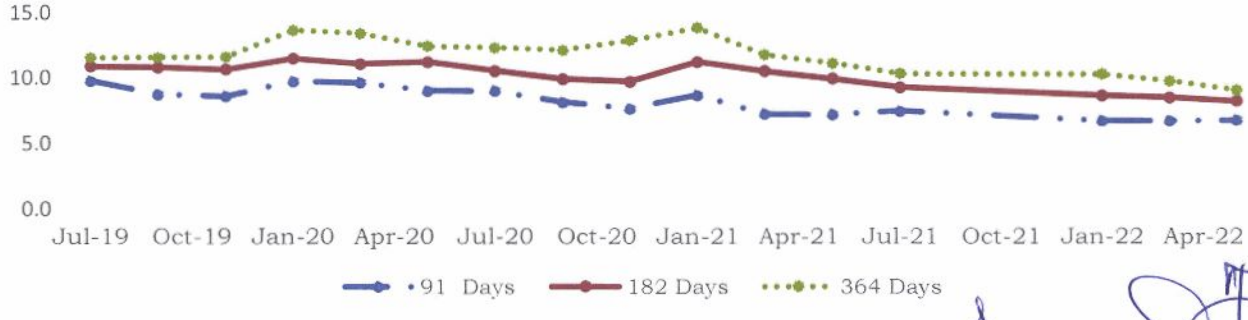
Category	2019/20	2020/21	2021/22	2020/21 H1	2021/22 H1
91 Days	9.2	7.8	7.0	7	8.1
182 Days	11.9	10.2	8.6	8.8	10.1
364 Days	12.0	12.1	9.9	10.1	12.5

Source: Bank of Uganda and PBO Computations

The Committee observed that yields on the 91-day, 182-day and 364-day T-bills declined to 7.0 percent, 8.6 percent and 9.9 percent in the FY 2021/22 down from 7.8 percent, 10.2 percent and 12.1 percent, respectively in FY 2020/21 reflecting ample liquidity and increased demand for government securities. The 2-year, 3-year, 5-year, 10-year and 15-year yields were lower at 10.35 percent, 13.90 percent, 12.23 percent, 13.50 percent, 13.69 percent, 14.62 percent and 15.83 percent from a previous 13.95 percent, 14.72 percent, 15.69 percent, 15.52 percent and 15.26 percent respectively.

The yields remained relatively stable on account of fiscal, monetary and macro prudential policy support measures that uplifted business sentiments following the fall-out from the COVID-19 pandemic. On a year on year basis, the TB rates for FY 2021/22 were lower than those of the previous year 2020/21 partly reflecting subdued demand. This trend is similar to the half-year basis (Table 6).

Figure 7: Trend of Treasury Bill Rates



Source: Bank of Uganda.

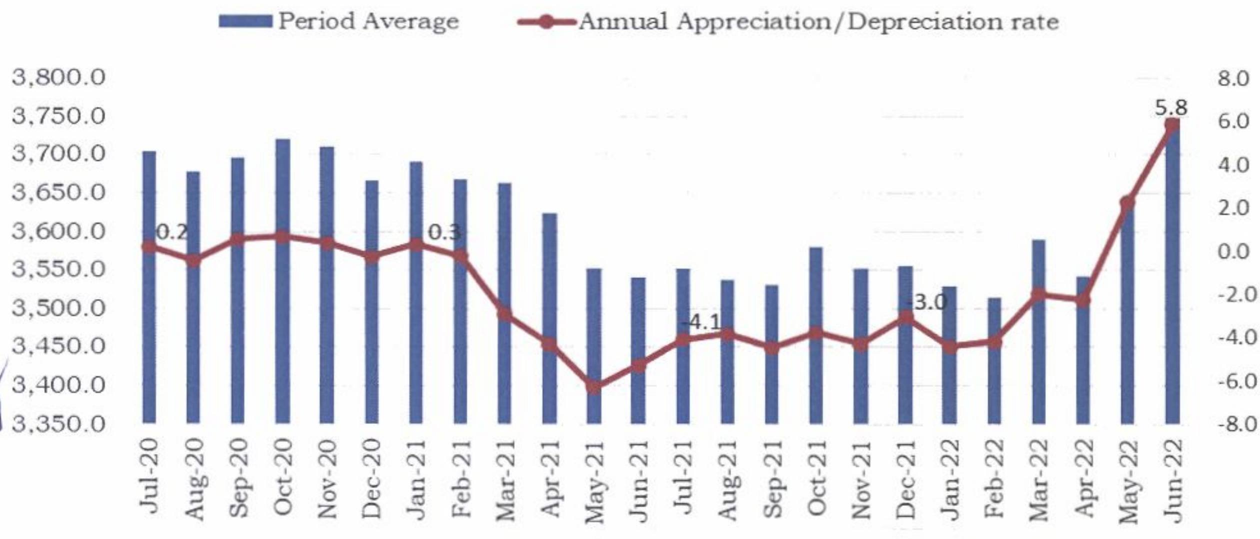
3.2 Exchange Rate Movements

On a Year basis, the shilling recorded an appreciation of 2.4 percent to an average annual mid-rate of UGX 3,571 per US dollar in the FY 2021/22, compared to an appreciation of 1.4 percent recorded in the previous year 2020/21. The appreciation reflects strong financial inflows comprising of foreign direct investment (FDI), portfolio investment and loan disbursements to the government, current account flows comprising of remittances, coffee export receipts, and the Bank of Uganda monetary policy stance and actions.

The Uganda shilling subsequently weakened against the dollar in June 2022 with UGX 3,747.4 at period average per 1 USD as the highest rate recorded during the financial year.

According to Bank of Uganda, the depreciation was mainly driven by higher demand for foreign currency, bearish sentiments on the Ukraine-Russia war and related sanctions on Russia besides inflows from NGOs and other sectors which were outmatched by the healthy demand from corporates, offshores and the interbank including skyrocketing costs of imports like fuel, cooking oil and steel, as well as transport and other services and monetary policy tightening by the Fed and other advanced economies' Central Banks.

Figure 8: Movement in Foreign Exchange Rate



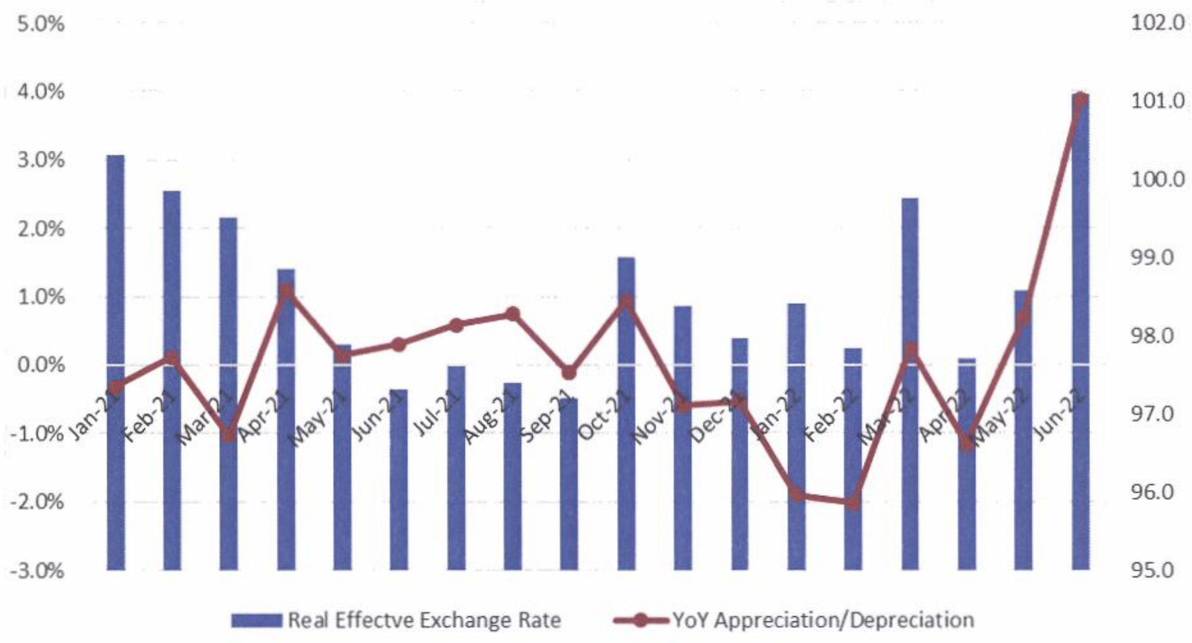
Source: Bank of Uganda

3.3 Real Effective Exchange Movement

The real effective exchange rate (REER) is a measure of the value of the currency against a weighted average of several foreign currencies from major trading partners of a given country. An increase in REER means that exports are more expensive while imports are cheaper and vice-versa.

For the period under review, the REER remained below 100 until June 2022 when it was 101.1, implying Uganda's exports were more expensive while import cheaper, for the largest part of the financial year.

Figure 9: Trend in the REER Movement



Source: Bank of Uganda

3.4 Private Sector Credit Development

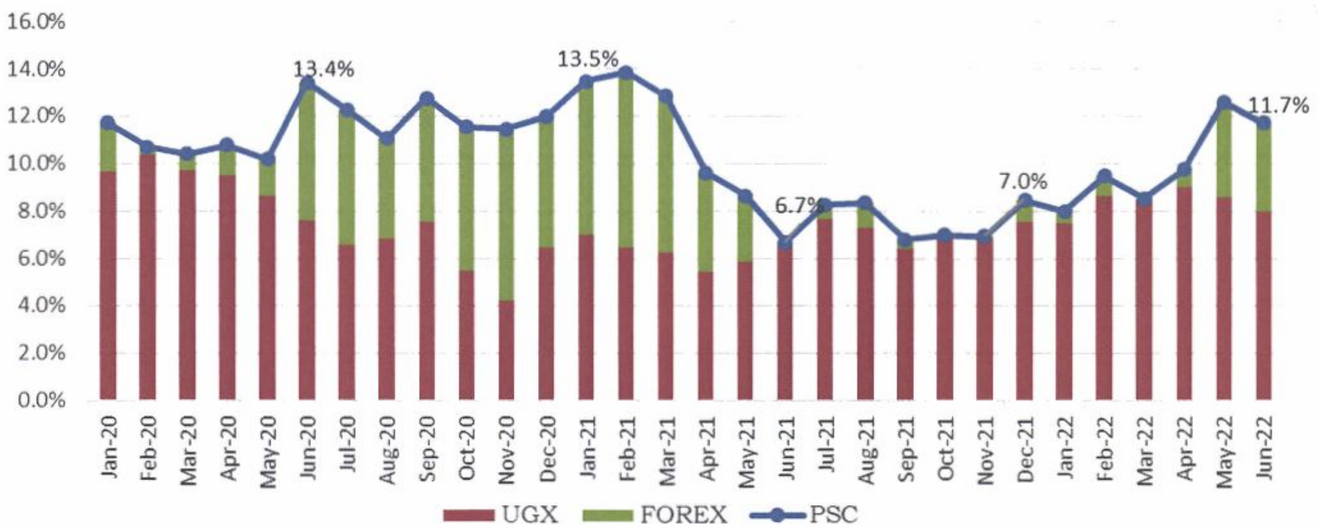
The Private Sector Credit (PSC) growth increased to an annual growth rate of 11.7 percent in FY 2021/22 from 6.7 percent registered in the FY 2020/21 above the NDPIII targets of 10.72 percent for FY 2021/22. This was on account of an improved economic environment following the negative effects of the COVID-19 pandemic.

The increase in credit growth was on account of shilling denominated lending which grew by 8percent compared to 6.7percent registered in FY 2020/21. The annual growth in foreign currency denominated loans increased from 0.1 percent to 3.7 percent in the FY 2020/21 and FY 2021/22 respectively.

Growth in Private Sector Credit was recorded in the sectors of agriculture (7.7 percent), mining and quarrying (8.8 percent), manufacturing (20 percent), trade (10.3 percent), transport and communication (12.4 percent), building, mortgage, construction and real estate (13.5 percent), business services (13.5 percent) and personal loans and household loans (17.5 percent).

However, there was a decline in credit extended to the sectors of electricity and water (3.9 percent) and community, social and other services (6.9 percent) in the FY 2021/22 from 10.5 percent and 3.2 percent respectively. Figure 10 depicts the PSC growth by currency in the FY 2021/22.

Figure 10: Private Sector Credit Growth

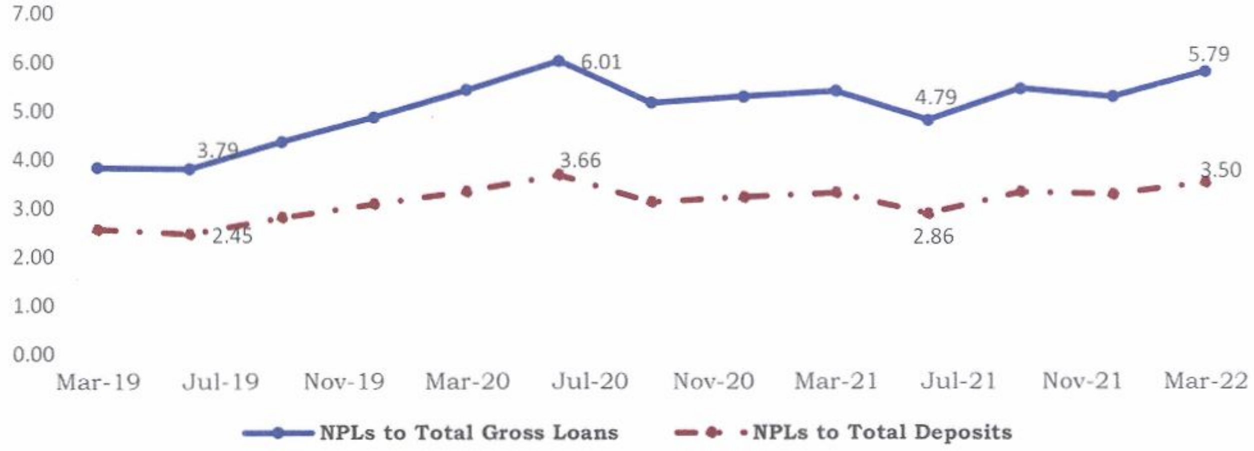


Source: Bank of Uganda

3.5 Non-Performing Loans

The ratio of Non-Performing Loans (NPLs) to total gross loans fell from 6.0 percent in June 2020 to 4.79 percent in June 2021. This was largely on account of BOU providing a moratorium to borrowers in commercial banks who had experienced difficult cash flows during the COVID 19 related lockdown. Lending institutions were instructed by the Central Bank to restructure loans, many of which would have fallen under the non-performing loans category. This improvement in the assets quality however, was temporally as by March 2022, the ratio of nonperforming loans to gross loans had increased to 5.79precent, suggesting that the asset quality has started weakening.

Figure 11: Non-Performing Loans (percent)



Source: Bank of Uganda

4. FISCAL SECTOR DEVELOPMENTS

Table 7: Fiscal Operations for the Financial Year 2021/22 (UGX, billions)

	Outturn 2019/20	Outturn 2020/21	Planned 2021/22	Prel. Outturn 2021/22	Variance	Perf. (%)
Revenue & Grants	**18,442.20**	**21,792.55**	**23,850.00**	**22,992.30**	**-857.7**	**96%**
Revenue	17,285.90	19,838.78	22,425.00	21,830.33	-594.67	97%
Grants	1,156.40	1,953.77	1,424.00	1,161.96	-262.04	82%
Expenditure & Net Lending	**28,401.10**	**35,206.31**	**32,397.00**	**34,753.85**	**2,356.85**	**107%**
Recurrent Expenditure	15,101.50	18,686.07	17,731.00	21,111.64	3,380.64	119%
Development expenditure:	12,063.90	15,085.05	14,755.00	12,784.87	-1,970.13	87%
o/w Domestic	8,096.90	9,606.42	6,758.00	8,140.58	1,382.58	120%
o/w External	3,966.90	5,478.63	7,997.00	4,644.29	-3,352.71	58%
Domestic Arrears	404.7	794.33	400	605.82	205.82	151%
Overall balance (Incl. Grants)	**-9,958.80**	**-13,413.76**	**-8,547.00**	**-11,761.55**	**-3,214.55**	**138%**
Financing	9,958.80	13,413.76	8,547.00	11,761.55	3,214.55	138%
Memo Items						
As a share of GDP						
Revenue	12.4%	13.4%	14.6%	13.5%	-1.1%	92%
Expenditure	20.3%	23.7%	21.1%	21.4%	0.3%	102%
Overall balance (Incl. Grants)	-7.1%	-9.0%	-6.4%	-7.3%	-0.9%	113%

Source: MoFPED and PBO Computations

4.1 Overall Deficit

Preliminary outturns indicate that during FY 2021/22, Government operations resulted into an overall fiscal deficit worth UGX 11.761 trillion as at June 2022. This is lower than the fiscal deficit UGX 13.413 trillion recorded in FY 2020/21 and UGX 3.214 trillion higher than the planned deficit of UGX 8.547 trillion for FY2021/22.

The observed deficit (11.761 trillion) was largely on account of higher than planned recurrent expenditure by UGX 3,380.64 billion and shortfalls in revenue and grants by UGX 857.70 billion. Out of UGX 857.70 shortfall, UGX 594.67 billion was expected from domestic revenue while UGX 262.04 billion was expected from grants.

As a share of GDP, the overall fiscal deficit is estimated at 7.3 percent in FY 2021/22, as compared to 9.8 percent in FY 2020/21. Although there is projected improvement in the outturn, it is 0.9 percentage points higher than the Charter of Fiscal Responsibility target of 6.4 percent of GDP by 2021/22.

The higher anticipated fiscal deficit is largely attributed to effects of covid-19 containment measures adopted by the Country and globally which led to shortfalls by most of the major tax heads against their respective targets.

4.2 Revenue performance

Preliminary outturn indicates that during FY 2021/22, total domestic revenues realized amounted to UGX 21,830.3 billion, performing at 97percent of the budget, which translates to a revenue to GDP ratio of 13.5 percent , below the budget target of 14.6percent (Table 7). The total revenue shortfall recorded amounting to UGX 594.67 billion represents a shortfall of 3% against the target. Of this, UGX 412.0 billion was tax while UGX 182.67 billion was non-tax revenue.

For the 12 months of the financial year, a positive fiscal balance was realized only in the month December 2021 at UGX 175.6 billion, partly because businesses had picked up from the previous lock down instituted by Government and this is the period when most businesses file their returns with URA.

There has been improvement in revenue collections resulting from implementation of some tax administrative measures especially with the lifting of covid-19 restrictions. This resulted into improved collections of income taxes, such as pay-as-you-earn (PAYE) and corporate tax, as profitability and employment levels in the private sector continue to pick-up. In addition, improved enforcement of the digital tracking system and the Electronic Fiscal Receipting and Invoicing System (EFRIS) led to improved efficiency in the collection of consumption taxes.

Despite the cumulative revenue shortfalls in FY2021/22, there was a 10percent growth in revenue collections, compared to the FY 2020/21 outturn. However, this growth rate is lower than the average growth rate for the last five financial years of 13 percent.

Otherwise, during the year, Government received Grants amounting to UGX 1.161 trillion against a target of UGX 1.424 trillion representing a performance of 82percent (Table 7).

4.3 Expenditure Performance

Preliminary outturns indicate that total expenditure for FY 2021/22 amounted to UGX 34.753 trillion. This is 4percent higher than the planned spending levels for the year of UGX 32.397 trillion. Expenditure on recurrent activities exceeded its annual target by UGX 3.381 trillion, while development activities fell short of the target expenditure by UGX 1.970 trillion. This was mainly on account of external development activities which had a shortfall of UGX 3.352 trillion against the target. The major driver of poor development expenditure performance was project execution challenges among MDA's that affected disbursements from the development partners. On the other hand, spending on domestic development activities exceeded the annual target by UGX 1.383 trillion.

The higher than planned spending on recurrent items was largely due to supplementary expenditures approved by Parliament that were largely meant for Covid-19 related expenditures and boosting economic recovery.

Expenditure on arrears performed at 151percent by the end of June 2022. UGX 605.82billion was spent out of the planned target of UGX 400 billion. This was in line with Government's decision to increase arrears payments in a bid to support the private sector's recovery from the negative effects of the COVID-19 pandemic and ease liquidity constraints of local suppliers to Government.

5. EXTERNAL SECTOR DEVELOPMENTS

5.1 Balance of Payments

Table 8a: Balance of Payments (US$, millions)

Category	2017/18	2018/19	2019/20	2020/21	Nom. Change	% change
Current Account	-1,799	-2,632	-2,513	-3,839	-1,326	53%
Capital Account	105	100	70	180	110	156%
Financial account: net lending (+) / net borrowing(-)	1,124	2,440	1,638	3,428	1,790	109%
Net errors and omissions	409	161	981	473	-508	-52%
Overall Balance	**-161**	**69**	**177**	**241**	**65**	**37%**
Reserve assets	-163.9	65.5	672.1	497.1	-175	-26%

Source: Bank of Uganda & PBO Computations

The Balance of Payments in FY 2020/21 recorded a surplus of US$ 241.4 million (0.6 percent of GDP), which is an increase of 37 percent from US$ 177 million during FY 2019/20. This growth is largely on account of the developments in the financial account whose deficit widened by US$ 1,790 million arising from the disbursements of Government loans acquired to support the budget and some projects. Subsequently, the increased capital inflows financed the current account balance and maintained reserves sufficient to cover 4.5 months of imports of goods and services, similar to that observed in FY 2019/20.

Similarly, the Balance of Payments at end of the third Quarter FY 2021/22 recorded a surplus of US$ 387.4 million which is an increase of 497 percent from the US$ 97.7 million deficit in the same period in 2020 (Table 8b).

Table 8b: Balance of Payments by Third Quarter FY 2021/22 (US$, million)

Category	2019/20 Q3	2020/21 Q3	2021/22 Q3	Nom. Change	% change
Current Account	-1,816.1	-2,684.4	-2,773.8	-89.4	3%
Capital Account	61.5	161.5	125.9	-35.6	-22%
Financial account: net lending (+)/net borrowing (-)	1,088.6	2,310.4	2,492.7	182.4	8%
Net errors and omissions	740.5	114.8	542.5	427.7	373%
Overall Balance	74.4	-97.7	387.4	485.1	-497%
Reserve assets	71.9	-99.9	511.3	611.2	-612%

Source: Bank of Uganda & PBO Computations

5.1.1 Current Account

Table 9a: Current Account in million US$

Period	Current account Balance	Goods and Services Balance	Primary Income Balance	Secondary Income Balance
2019/20	-2,512.57	-3,745	-633	1,865.73
2020/21	-3,839.06	-4,944.67	-680	1,785.12
Difference	**-1,326.49**	**-1,199.85**	**-46.03**	**-80.61**
		as % of GDP		
2019/20	(6.7)	(10.0)	(1.7)	5.0
2020/21	(9.5)	(12.2)	(1.7)	4.4

Source: Bank of Uganda and PBO computations

The current account deficit widened by US$ 1,326.49 million in FY 2020/21, to a deficit of US$ 3,839 million (9.5 percent of GDP), down from its level of 6.7 percent recorded in FY 2019/20. This is worse than what is projected in the NDPIII of 8.2 percent. The widening of the CA deficit is attributed to the worsening goods and services account deficit in relation to the previous FY 2019/20 by US$1,199.85 million during FY 2020/21.

In addition, the decline in investment income earned from the rest of the world to US $36.2 in FY 2020/21 from US $ 46.5 million in FY 2019/20 and, the increase in investment income earned by foreigners in the country from US $ 554.4 million in FY 2019/20 to US $ 599.4 million in FY 2020/21 widened the primary income deficit which worsened the CA. Further, the worsening of the CA is also attributed to a decline in the secondary income account driven by the decline in personal transfers (remittances from Ugandans abroad), which declined to US$ 1,154.26 million in FY 2020/21 from US$ 1,291.65 million in FY 2019/20.

The widening of the current account deficit suggests Uganda used more savings from the rest of the world to address the savings investment gap in FY 2020/21 compared to FY 2019/20. Otherwise, the deficit in the current account means that all of the payments that the economy had to make to purchase goods and services, payment for factors of production from the rest of the world or transfers to the rest of the world exceeded payments the economy received from the same. Consequently, Uganda has continued to be a net borrower from the rest of the world.

Table 9b: Summary of the Current Account by FY 2020/21 Q3 in million US$

Third Quarter (Q3)	Current account Balance	Goods and services Balance	Primary Income Balance	Secondary Income Balance
2020/21	-2,684.40	-3,527	-513	1,354.74
2021/22	-2,773.84	-3,440.50	-613	1,279.82
Difference	**-89.44**	**86.08**	**-100.61**	**-74.92**
		as % of GDP		
2020/21	(8.9)	(11.7)	(1.7)	4.5
2021/22	(8.2)	(10.1)	(1.8)	3.8

Source: Bank of Uganda and PBO computations

By third quarter FY 2021/22, the current account deficit widened by 3.3 percent to US$ 2,773.84 million relative to the quarter ending March 2021, primarily due to expansion in the Primary and Secondary income deficits. The goods and services deficit narrowed by 2.4 percent to US$ 3,440.5 million, as both exports and imports declined, reflecting subdued economic activity.

The primary account deficit widened due to an increase in investment income earned by foreigners in Ugandans which increased by 10percent to US$ 525.9 million from US$ 477.4million in three quarters of FY 2021/22 compared to the same period in FY 2020/21.
Similarly, there was a decline in secondary income, driven by a 7percent decline in personal transfers to the country from US $ 875.5 million during the three quarters of FY 2020/21 to US $ 812.7 million in the same period in FY 2021/22.

Balance on Trade in Goods

The balance on trade in goods in FY 2020/21 resulted into a deficit amounting to US$ 3.048 billion. This was increase from a deficit of US$ 2.402 billion recorded in FY 2019/20, attributed to growth in the import bill which exceeded receipts from exports. Receipts from exports improved by 39 percent driven by the non-coffee exports earnings (excl. gold earnings), which increased by US$ 220 million. The total earnings from exports of coffee increased by US$ 57.5 million in FY 2020/21.

On the other hand, the imports of goods (excl. gold) increased by 18.3 percent, largely on account of increase in government and private imports that grew by 24 and 18 percent respectively in FY 2020/21. The increase in both the exports and imports resulted into a widening of the trade balance (Table 10).

Similarly, by the end of the third quarter FY 2021/22 the balance on trade in goods worsened by 14 percent, occasioned by a 27.7 percentage decline in exports as opposed to the 13.1 percentage reduction in imports.

Table 10: Summary of the trade in Goods Account, US$, million)

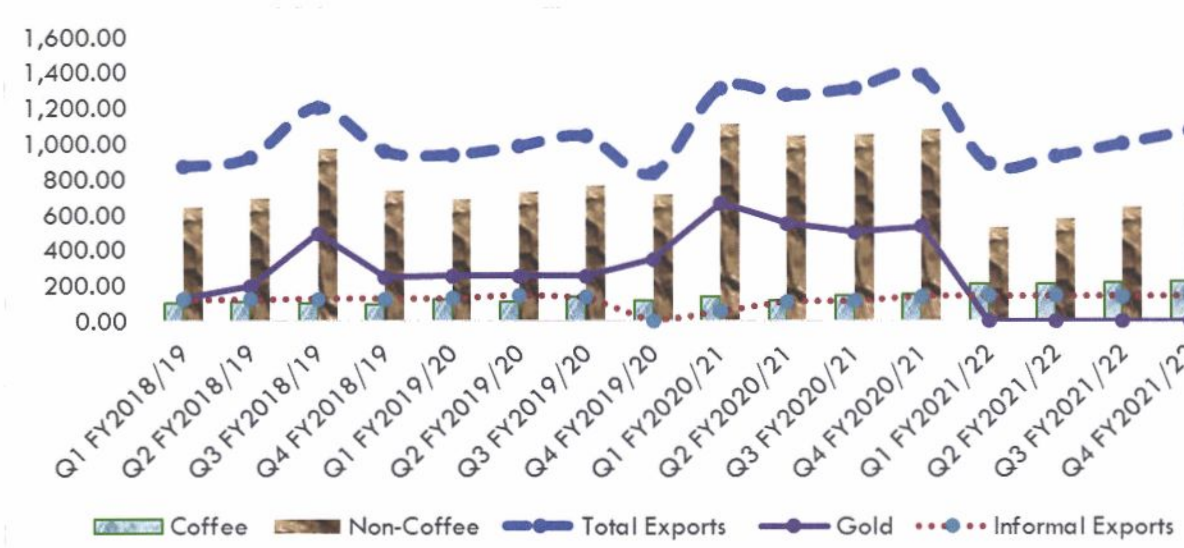
Item	2019/20	2020/21	Nominal Change	Y-on-Y Change	Q3 - 2020/21	Q3 - 2021/22	Nominal Change	Y-on-Y Change
Goods	**-2,402.10**	**-3,048.90**	**-646.8**	**27%**	**-2,050.50**	**-2,346.20**	**-295.8**	**14.40%**
Credit (Exports)	**3,807.10**	**5,275.50**	**1,468.40**	**39%**	**3,895.30**	**2,818.20**	**-1,077.10**	**-27.70%**
Debit (Imports)	**6,209.20**	**8,324.40**	**2,115.20**	**34%**	**5,945.70**	**5,164.40**	**-781.4**	**-13.10%**
General merchandise	-2,384.40	-2,968.50	-584.1	24%	-2,113.70	-2,346.20	-232.6	11.00%
Credit (exports)	2,688.70	3,025.80	337.1	13%	2,177.40	2,818.20	640.8	29.40%
Coffee	497.4	554.9	57.5	12%	399.2	634.6	235.4	59.00%
Non coffee (excl. gold)	1,804.70	2,025.00	220.3	12%	1,511.20	1,775.60	264.4	17.50%
Debit (Imports)	5,073.10	5,994.30	921.2	18%	4,291.00	5,164.40	873.4	20.40%
Government Imports	397.2	490.7	93.4	24%	361.5	294.2	-67.4	-18.60%
Project Imports	380.4	479.5	99.1	26%	353.8	276.2	-77.6	-21.90%
Non project imports	16.8	11.2	-5.7	-34%	7.7	18	10.3	133.20%
Private imports	4,627.30	5,455.90	828.5	18%	3,895.20	4,824.50	929.3	23.90%
Oil imports	850.5	830.4	-20.1	-2%	575.6	848.4	272.8	47.40%
Non-oil imports	3,776.80	4,625.50	848.7	22%	3,319.50	3,976.10	656.5	19.80%
Non-monetary Gold	-17.7	-80.4	-62.7	354%	63.2	-	-63.2	-100.00%
Credit (exports)	1,118.40	2,249.70	1,131.40	101%	1,717.90	-	-1,717.90	-100.00%
Debit (imports)	1,136.10	2,330.10	1,194.00	105%	1,654.70	-	-1,654.70	-100.00%

Source: Bank of Uganda and PBO computations

Exports of Goods

Preliminary outturns indicate that the total value of Uganda's exports declined by 26.2 percent from US$ 5.275 billion in FY 2020/21 to US$ 3.891 billion in FY 2021/22. The decline is largely as a result of the drop in Gold exports to zero during the financial year with no earnings recorded. The Committee noted that gold exports had previously risen by more than 100 percent to US$ 2.250 billion in FY 2020/21.however, following the amendment of the Mining Act, 2003, a specific export tax on each kilogram of gold, equivalent to 5percent for processed and 1.0percent for unprocessed gold made the business of importing and processing gold for export in Uganda unprofitable. This forced the traders to relocate to other countries with favorable taxes. Whereas government is willing to adjust the tax policy, it requires amendment of the law which this House did in the recently passed mineral and mining bill, 2022, now awaiting Presidential ascent.

Figure 12: Trend of Exports by Major composition in Million USD



Source: BOU & PBO Computations

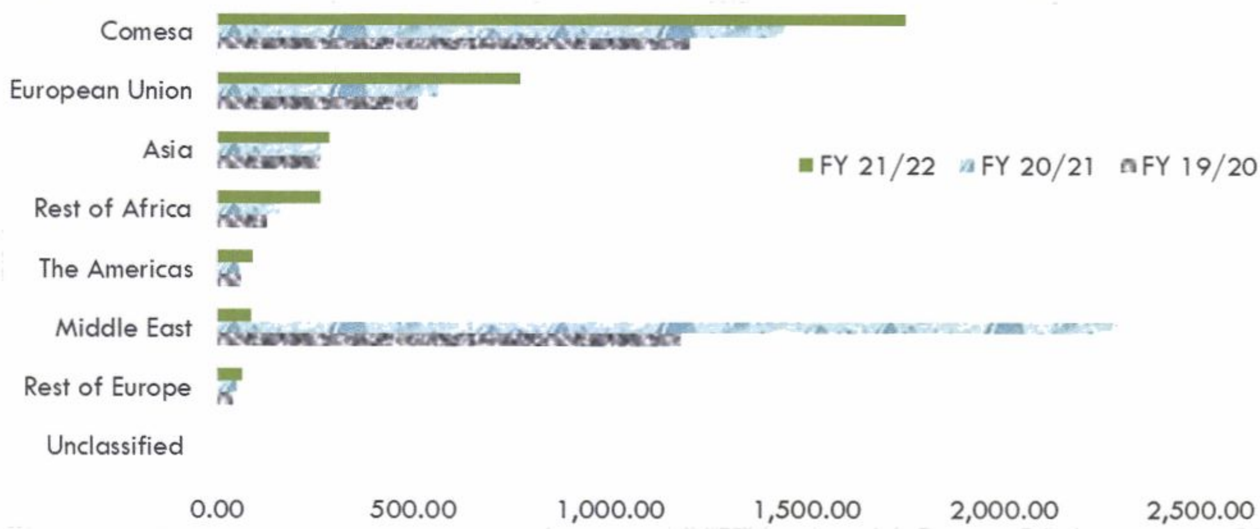
Coffee export remains the highest foreign exchange earner. However in the FY 2019/20 to 2020/21 foreign exchange earnings from gold surpassed coffee. Coffee exports grew by US$ 307.3 million from US$ 554.89 million in FY 2020/21 to US$ 862.22 million in FY 2021/22. This was driven by the increase in the average unit price by 55.5 percent from an average unit price of US$ 1.52 in FY 2020/21 to US$ 2.36 in FY 2021/22. The volume of Coffee exports also increased by 2.9 percent to 6.26 million 60kg bags.

Other export earnings were realized from fish and fish products (USD 135 million), electricity (USD 41.86 million), beans (USD 113.09 million) among others.

Foreign exchange earnings from informal cross border trade increased by 34.5 percent to US$ 574 million from US$ 427.59 million earned in FY 2020/21. Consequently, the share of earnings from informal cross border trade to total exports increased to 15 percent during FY 2021/22.

The COMESA and European Union are the largest consumers of Uganda's exports accounting for 52.8 and 23.3 percent respectively during the FY 2021/22. Previously, the United Arab Emirates accounted for 54 percent of the exports as it consumed most of the gold exports. During the FY 2021/22, the Middle East consumed only 2.7 percent of Uganda's exports.

Figure 13: Destination of Uganda's Exports in Million USD

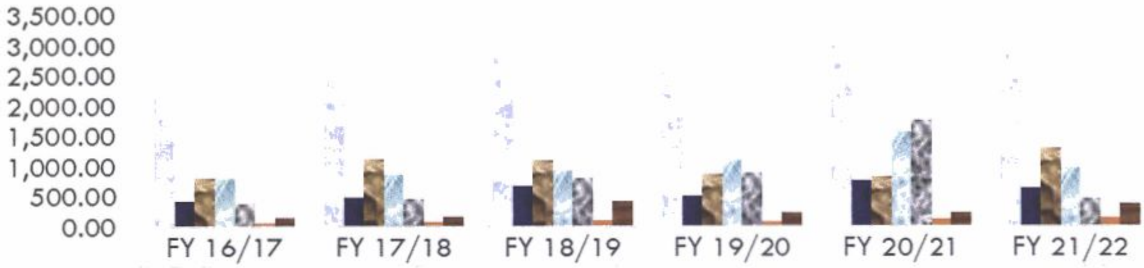


Source: Bank of Uganda and PBO computations

Imports of Goods

Uganda's imports decreased by 14.9 percent from US$ 8.324 billion in FY 2020/21 to US$ 7.083 billion in FY 2021/22. Asia continues to be Uganda's major import source, that represents 44.9 percent of the imports, and these are mostly from China and India that supply 18.9 percent and 12.6 percent of the total imports respectively. Across the region, 13.8 percent of Uganda's imports are from the COMESA region and, 79.4 percent of these imports are from Kenya while, Tanzania contributed 70 percent of Uganda's imports from the rest of African region.

Figure 14: Origin of Uganda's Imports (US$, million)



	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22
Asia	2,146.86	2,390.02	2,767.49	2,537.56	3,033.09	3,180.82
European Union	416.96	493.79	678.69	505.27	772.66	645.48
Middle East	795.99	1,118.68	1,106.86	869.24	824.11	1,297.23
Comesa	811.12	879.66	942.60	1,096.87	1,574.72	979.16
Rest of Africa	375.78	463.05	803.06	881.87	1,769.66	460.10
Rest of Europe	63.85	86.40	107.41	93.04	117.48	138.16
Unclassified	157.40	177.50	422.21	225.34	232.67	383.02

Source: Bank of Uganda and PBO computations

5.1.2 Trade in East African Community

Uganda was a net exporter to the EAC during the FY 2021/22 with exports amounting to US$ 2.307 billion compared to the total imported goods worth US$ 2.128 billion.

Formal exports accounted for 75percent of the country's exports in the region during FY 2021/22. Kenya, South Sudan and Democratic Republic of Congo were the major importers of Uganda's goods during the FY 2021/22 (Table 11).

Uganda's exports to Rwanda declined by 57 percent from US$ 6.4 million in FY 2020/21 to US$ 2.75 million in FY 2021/22. This is attributed to mainly the closure of the border between the two countries during the financial year.

Table 11: Trade between Uganda and the rest of East Africa (US$, million)

Country/ Category	Exports FY 2020/21	Exports FY 2021/22	Exports % change	Exports % Share	Imports FY 2020/21	Imports FY 2021/22	Imports % change	Imports % Share
Kenya	**618.31**	**660.43**	**7%**	**29%**	**846.68**	**778.1**	**-8%**	**68%**
o/w Formal	544.33	544.23	0%	24%				
o/w informal	73.98	116.2	57%	5%				
Burundi	**64.99**	**87.69**	**35%**	**4%**	**25.5**	**0.84**	**-97%**	**0%**
o/w Formal	64.99	87.69	35%	4%				
o/w informal								
Rwanda	**6.41**	**2.75**	**-57%**	**0%**	**3.81**	**6.49**	**70%**	**1%**
o/w Formal	2.08	1.17	-44%	0%				
o/w informal	4.32	1.58	-63%	0%				
Congo (D.R.)	**560.4**	**754.52**	**35%**	**33%**	**24.71**	**28.31**	**15%**	**2%**
o/w Formal	303.56	415.38	37%	18%				
o/w informal	256.84	339.14	32%	15%				
South Sudan	**457.98**	**631.29**	**38%**	**27%**	**14.91**	**15.47**	**4%**	**1%**
o/w Formal	398.98	546.43	37%	24%				
o/w informal	59.01	84.86	44%	4%				
Tanzania	**123.43**	**170.23**	**38%**	**7%**	**1,212.40**	**323.19**	**-73%**	**28%**
o/w Formal	90	137.86	53%	6%				
o/w informal	33.43	32.37	-3%	1%				
Total	**1,831.52**	**2,306.90**	**26%**	**100%**	**2,128.02**	**1,152.40**	**-46%**	**100%**
o/w Formal	**1,403.94**	**1,732.75**	**23%**	**75%**				
o/w informal	**427.59**	**574.15**	**34%**	**25%**				

Source: Bank of Uganda and PBO computation

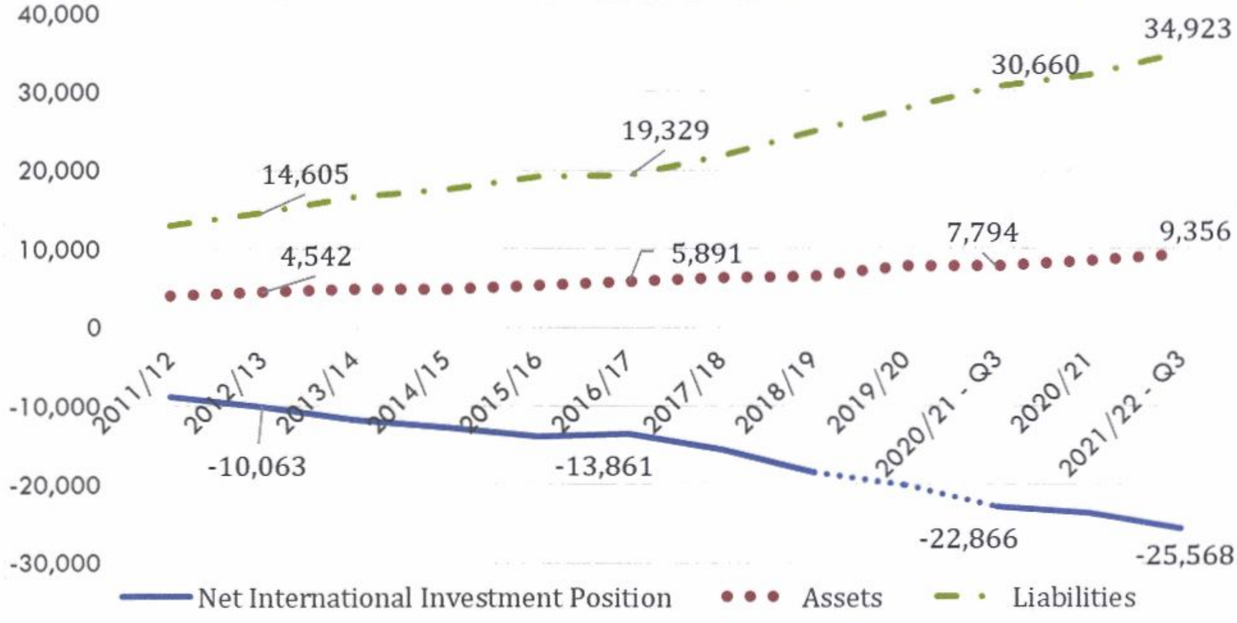
5.2 International Investment Position (IIP)

Uganda's Net International Investment Position recorded a net liability of US$ 25.568 billion (minus 55.9 percent of GDP) in the third quarter of FY 2021/22. The weakening of the Investment Position is attributed to the financing of the current account deficit through the financial account that was mostly driven by the incurrence of liabilities by government through loans especially during the financial year.

Both the country's Assets and liabilities grew during the third quarter of the financial year 2021/22, by 20 and 14 percent respectively. Assets grew from US$ 7.794 billion in Q3 FY 2020/21 to US$ 9.356 billion in Q3 FY 2021/22 mostly driven by the increase in the stock of reserve assets from US$ 3.617 billion to US$ 4.464 billion in Q3 FY 2021/22. The growth in reserves was mostly driven by the loans acquired during the period.

The country's liabilities grew by US$ 4.263 billion from US$ 30.660 billion to US$ 34.923 billion (76 percent of GDP) mainly as a result of increased Government borrowing. Uganda therefore remains indebted to the rest of the world as she does not generate enough income to pay for her expenses.

Figure 15: International Investment Position (in US $ Millions)



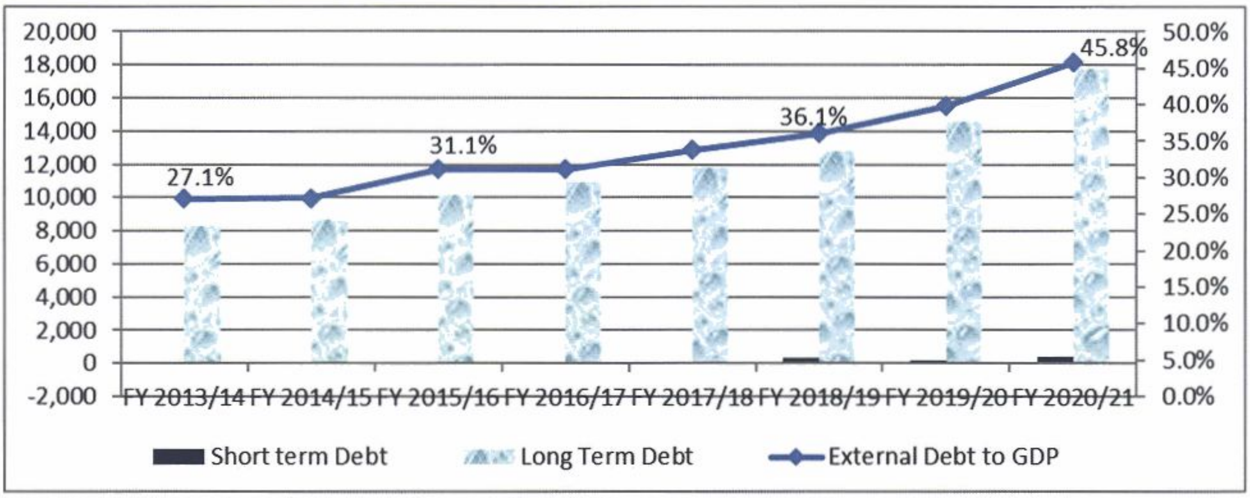
Source: Bank of Uganda and PBO computations

5.3 External Debt

The total external debt (both public and private) increased by US$ 3.55 billion from US$ 14.97 billion inFY 2019/20 to US$ 18.52 billion in the FY 2020/21 representing 45.8 percent of GDP. Out of this, long-term Debt accounts for 98 percent while, Public External Debt accounted for 69.9 percent of the total External debt.

Atteli

Figure 14: Uganda's Gross External Debt



Source: Bank of Uganda and PBO computations

The total external Debt-to-export of goods and services rose by 2.3 percent from 273.1 percent in 2019/20 to 279.3 percent in FY 2020/21. The country's external debt grew by 23.8 percent while exports of goods and services grew by 21 percent. This implies that during the year, the country borrowed at a higher rate than the rate at which its exports were growing to address the COVID-19 pandemic among others. The external debt-to-GDP growth indicates that debt is vulnerable to shocks to exports indicating that there is little fiscal space toabsorb the shocks to exports.

By third quarter of FY 2021/22, the country's external debt had modestly increased by 14percent to US $ 19,703 million when compared to the same period in FY 2020/21. The increase in the country's external debt stock was driven by both public debt that increased by 13percent and private sector debt which grew by 18percent by third quarter FY 2021/22, when compared to the levels of third quarter FY 2020/21.

The total Public Debt in FY 2020/21 stood at US$ 19.5 billion (UGX 69,512.45 billion) of which US$ 12.39 billion (UGX 44,061.35 billion) is external and US$ 7.16billion (UGX 25,451.1 billion) is domestic. The total public debt represents a 28percent increase in the debt stock from US$ 15.3 billion in FY 2019/20. As a share of GDP, public debt stood at 47.0 percent in FY 2020/21, of which external debt accounted for 63percent of the debt stock, while domestic debt was 37percent.

Preliminary outturns indicate that at end June 2022, total public debt stood at UGX 78,799.1 billion (US $ 20.98 billion), an increase by

13percent from the June 2021 levels. This debt stock constitutes of UGX 48,137.5 billion (US$ 12.814billion) as external debt, while UGX 30,661.6 billion (US$ 8.162 billion) is domestic debt. In terms of shares, external debt takes the largest share of total public debt at 61percent while domestic debt is 39percent of total public debt

Growth in public debt is driven by the borrowing that arose out of the need to finance the COVID-19 Budget in FY 2019/20 and in FY 2020/21 as well as the need to finance development projects which remains the main driver of public debt in the country.

Although, the country's level of public debt–to-GDP is higher than the sub-Saharan average for 2021 (42.4%), Uganda's debt is performing fairly in comparison with the regional peers in East Africa.

5.4 EXTERNAL SECTOR OUTLOOK

5.4.1 Current Account

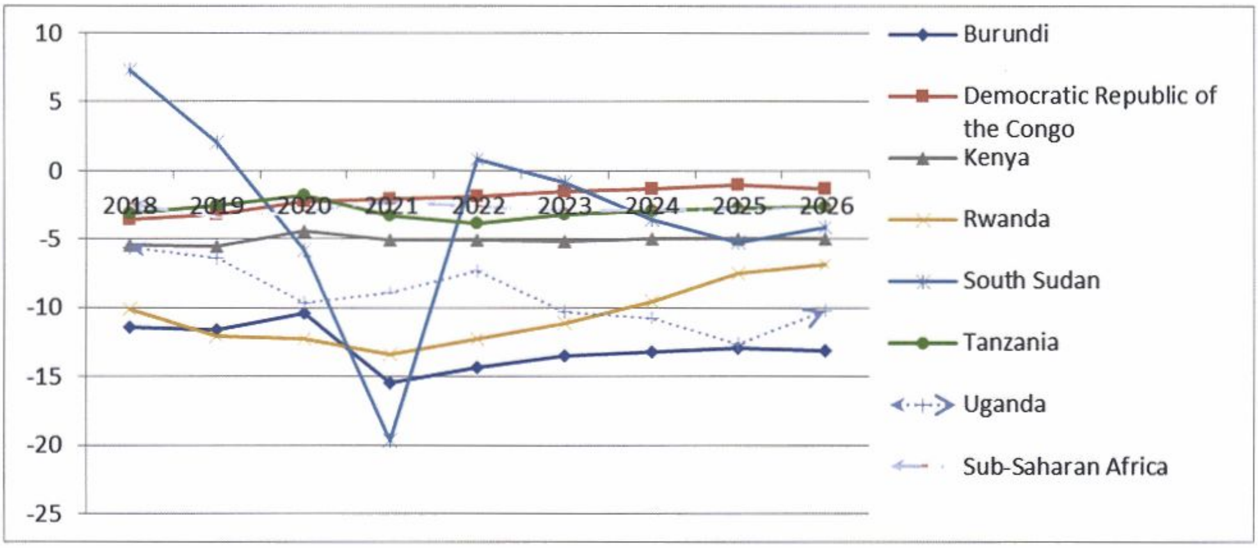
Exports (goods and services) are projected to increase from USD 6,630 million realized in FY2020/21 to more than US$ 7,356 million in FY 2024/25 projected in the NDPIII. On the other hand, imports (goods and services) are expected to decrease from USD 11,750 million realized in FY2020/21 to US$ 10,567 million in FY 2024/25 projected in NDPIII.

Consequently, the overall current account balance (incl. grants) as a share of GDP is projected to improve over the medium term. There is potential for exports growth especially for processed foods due to planned government's interventions in agro-processing.

Despite the projected improvement in the current account balance as a share of GDP, Uganda's CAB deficit is still large in comparison with its peers in the region. Uganda is projected to have the second worst CAB deficit, only better than Burundi (Figure 16).

However, the current account will be partly financed by increase in foreign direct investments and government foreign borrowing.

Figure 16: CAB to GDP EAC & Sub-Saharan Africa



Source: IMF, WEO Database, October 2021 & PBO Compilations

5.4.2 Reserves

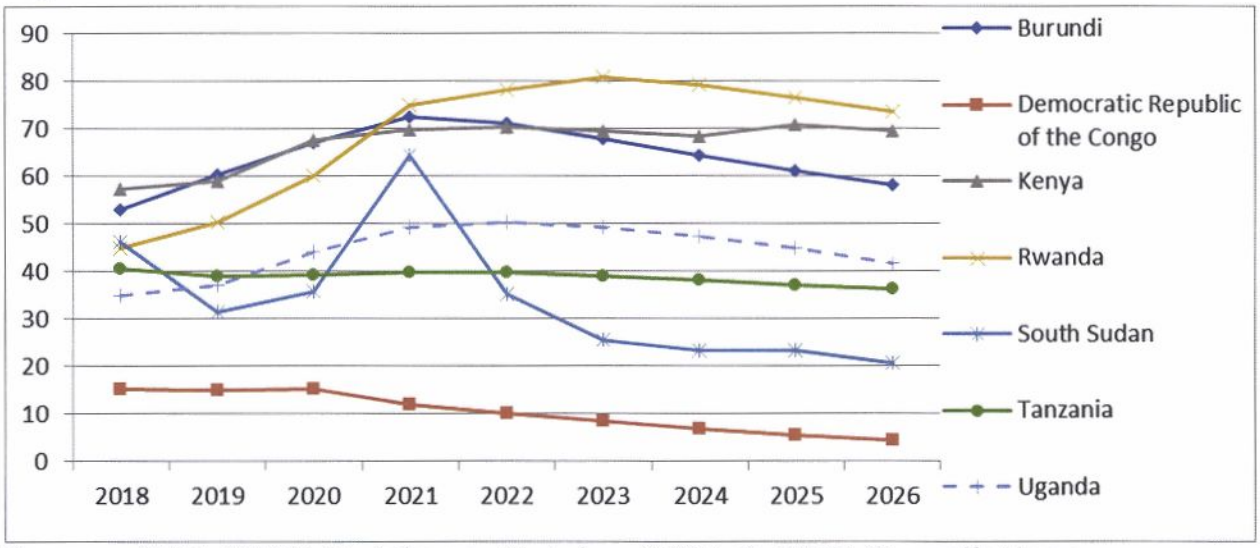
Uganda will pursue an ambitious trade strategy that will involve both export promotion and import substitution. The strategy is envisaged to yield a healthy level of reserves cover equivalent to an annual average of at least 4.5 months of imports of goods and services.

Government intends to strengthen the country's capacity to locally and competitively produce products that were previously imported consistent with the World Trade Organization (WTO), EAC, COMESA, and African Continental Free Trade Area (AfCFTA) provisions for international trade.

5.4.3 Public Debt

The country's Public is projected to decline to less than 50percent over the medium term, performing on average compared to her regional peers (Figure 17).

Figure 17: East African Countries' Gross Debt to GDP



Source: IMF, WEO Database, October 2021 & PBO Compilations

6. OBSERVATIONS AND RECOMMENDATIONS

REAL Sector

6.1 Need to finance timely statistics

The Committee observed that preliminary outturns from Uganda Bureau of Statistics (UBOS) for Gross Domestic Product in FY 2021/22 indicate that the expansion of the economy by 4.6percent. This translates into a GDP per capita of US $ 1,046 using the population estimate of 43.717 million.

On the other hand, World Bank estimates the country's GDP per capita at US $ 858 using the population estimate of 47.123 million in 2021. On the other hand the IMF's World Economic Outlook (April 2022) indicates that GDP per capita in Uganda is projected to increase from US $ 1,000 in 2021 to US $ 1,060 in 2022 using population estimates of 42.460 million and 43.734 million respectively. The different per capita statistics by the different agencies is attributed to inadequate availability of updated data. The Committee noted that there is need to take stalk of demographic and socio-economic data which is useful for planning and evidence-based decision making.

The Committee noted that UBOS had requested for additional resources for UGX 160.6 billion in the budget for FY 2022/23 to enable it carry out the National Population and Housing Census. However, only an extra 2.0 billion was allocated to finance the census preparatory activities in FY 2022/23.

The Committee recommends that Government prioritizes facilitating Uganda Bureau of Statistics to conduct a national population and Housing Census in FY 2023/24 for proper planning in the country.

6.2 Boost aggregate demand in the economy

The Committee was informed that the private sector reported low effective demand for goods and services as the main or biggest policy challenge affecting growth of their entities. This has been worsened by the COVID-19 pandemic. The Uganda Manufacturers Association, in their 2017 study revealed that their members were operating at an average of 53 percent of their installed capacities. In addition, insufficient domestic demand affected the ability of companies to exploit their installed capacities in terms of machinery and labor, resulting in limited production and productivity.

The Committee recommends that Government expedites the process of enacting and implementing the local content law, to ensure that procurements that use public funds support the country to generate more tax revenues, create jobs and support domestic economic growth.

In addition, Government through the Ministry of Finance, Planning and Economic Development and URA should critically review the tax regime with a view of increasing consumption for goods and services.

6.3 Need for more inclusive Economic Growth

The committee observed that the economy grew by 3.5percent in FY 2020/21 and is projected to have expanded by 4.6percent in FY 2021/22 in real terms to UGX 136.871trillion. According to UBOS preliminary findings, GDP per capita on the other hand is projected to have increased by 9.3 percentage points from UGX 3.5 million (US$957) in FY 2020/21 to UGX 3.71 million (USD 1,046) in FY 2021/22.

Growth in the economy is mostly driven by the services sector. Of the 3.5percent growth rate of GDP in FY 2020/21, the Services sector contributed 1.2 percent, while agriculture and industry contributed 1.0percent and 0.9percent respectively.

The Committee observed that although the Agricultural sector employs over 60 percent of Ugandans, 47percent of Ugandans aged 14 to 64 years are engaged in subsistence agriculture only. Therefore, growth is not inclusive given the fact; the sector that employs the largest population of Ugandans has the least contribution to economic growth.

The budget for FY 2022/23 has prioritized implementation of the Parish Development Model, to integrate the 3.5million households in subsistence economy into the money economy and to proactively create jobs and wealth. The Parish Development Model is to be complemented by other Government programmes such as the Emyooga Fund; the Microfinance Support Centre credit to other SACCOs and Village Savings Groups; the Small Business Recovery Fund; and other wealth creation initiatives.

However, the Committee was concerned that the Parish Development Model which was piloted in selected districts in FY 2021/22 was rolled out across the country in the FY 2022/23, hardly a year of piloting it to generate enough lessons to guide its implementation. This implies that the design of the PDM did not benefit from enough on-ground experience and challenges to enable an effective roll out of the program.

The Committee recommends that Government carefully implements the Parish Development Model, with continuous monitoring to ensure there is performance improvement and any gaps identified are addressed in a timely manner. This will ensure efficiency and value for money in Government expenditure in the PDM and the various programs complementing it, while supporting the country to achieve more inclusive economic growth in the subsequent years.

6.4 Poverty measurement and policy interventions

According to Uganda Bureau of Statistics (UBOS), 2019/20 National Household Survey, 8.3 million Ugandans are living in poverty up from 8 million in 2016/17 and, 6.7million in 2012/13. The Human Poverty Index (HPI) reported in the Human Development Report of the United Nations Development Programme (UNDP) in 1997, was the first integrated measure of poverty, however in 2010, the UN's Multidimensional Poverty Index (MPI) replaced the HPI. The MPI combines two key pieces of information to measure acute poverty: the proportion of people (within a given population) who experience multiple deprivations (i.e. the incidence of poverty) and the intensity of their deprivation—the average proportion of (weighted) deprivations they experience. Therefore, the MPI is the product of incidence and intensity of poverty, indicating that it is sensitive to both prevalence (and incidence of poverty) and its breadth or intensity.

The Committee observed that in Uganda, poverty has been measured using the one dimensional measure of wellbeing usually income or household expenditure. In 2022, UBoS produced the first report on poverty estimated using the multi-dimensional poverty index (MPI) premised on the 2019/20 and 2016/17 Uganda national household (UNH) statistics. The MPI was calculated using four dimensions; education; health; living standards, employment and financial inclusion, which all together have a total of 12 indicators.

Although the 2019/20 UNH survey report revealed that the percentage of the population in poverty reduced from 21.4 percent in 2016/17 to 20.3 percent in 2019/20, the report based on the MPI revealed that at the national level, the incidence of multi-dimensional poverty (the percentage of people who are multi-dimensional poor or the poverty rate or headcount ratio) was estimated at 42.1 percent in 2019/20 down from 44.3 in 2016/17. The rural multi-dimensional headcount ratio was estimated at 50.2 percent, which is approximately three times larger than that of urban areas at 19.7 percent. The average intensity of poverty (the average percentage of dimensions in which poor people are deprived, or the average deprivation score of poor persons) was estimated at 54.5 percent, implying that on average, the poor are deprived in 2.2 dimensions, out of the above assessed four dimensions. The MPI measure, which quantifies the weighted average number of deprivations (as a proportion of the maximum number of possible deprivations) was estimated at 0.23 in 2019/20. This means that multi dimensionally poor people in Uganda experience 23 percent of the deprivations that would be experienced if all people in Uganda were deprived in all indicators.

At the regional level, multi-dimensional poverty is highest in the Northern region (63 percent), followed by the Eastern region (45.7 percent). At the sub-regional level, Karamoja has the highest levels of multidimensional poverty and poverty intensity, at 85 percent, and 68 percent respectively. The other sub-regions with high incidences of poverty are Acholi (64 percent), West Nile (59 percent), Lango (57 percent), and Teso (56 percent). The least incidence of poverty was reported in Kampala (0.4 percent), Buganda-South (18 percent) and Buganda-North (30 percent).

Based on individual indicators, at the national level, the highest deprivations are in access to improved toilet facilities (76 percent), housing materials (65 percent), electricity (65 percent), asset ownership (46 percent) and overcrowding (45 percent). The lowest deprivation rates were recorded in access to health services (14 percent). At the sub-regional level, Karamoja has the highest deprivations in years of schooling, school attendance and access to toilet facilities (97 percent), housing material (93 percent), electricity (87 percent), and asset ownership (87 percent). The prevalence of child labour (56 percent) is the highest in Lango and Teso while Busoga has the highest deprivation in productive employment (36 percent).

The Committee therefore recommends that going forward, Government develops measures to eliminate poverty, based on statistics informed by the multidimensional measure that is broad, as opposed to relying on only the monetary poverty measure where a large percentage of people who are multidimensionally poor are left behind.

In addition, affirmative action should be undertaken by Government to support the most disadvantaged communities. This will help in bridging the existing the economic gap.

6.5 High cost of doing business

The Committee was informed that some of the key factors that imped private sector competitiveness are the high cost of electricity, high interest rates, costs of traffic jam and regressive tax regimes; as these drive the production cost of firms involved in production, processing and distribution. Consequently, the high cost of doing business affects growth of the firms and job creation as well as economic growth in the country.

Private Sector Foundation Uganda informed the Committee that energy cost contributes approximately 15percent and up to 35percent in some SMEs of the total costs of production in Uganda. Energy costs for industrialists excluding VAT range between US$ 5 and 12cents per kWh. The Committee was further informed that the competitive energy cost should range between 2 and 5percent (US$ 4 cents per kWh) and, countries like Egypt, India and China are operating within these levels, giving their firms an advantage over Ugandan ones.

The Committee was informed that in Uganda, the cost of transport accounts for over 40percent of the total production and distribution costs, as opposed to a maximum of 10percent in best practices. The cost of distribution in urban centres alone is 10percent of total price, above the 4percent according to best practice, while that of distribution for agricultural products being sold as inputs into agro –processing range from 15-25percent of the total price of the product depending on the distance, above the 7.5percent recommended in best practices. The situation has worsened with the current fuel prices.

The Committee noted that traffic jam causes productivity losses in the county with productive labour in Uganda spending 90 minutes a day in traffic jams which translates to 450 minutes (7.5 hours) a week in 5 working days, equivalent to 1 working day lost to traffic jam per week equivalent to 52 days in a year. In addition, poor road network affects the time one needs to reach a certain destination. Poor road network further results into persistent mechanical breakdowns of vehicles, thus increasing the cost of doing business.

The Committee observed that the current allocation for road maintenance is very low with some districts receiving as little as UGX 25 million a quarter from the Uganda Road Fund, which is inadequate for maintenance of roads that are cut off by the heavy rains, thus affecting movement of persons and goods across affected areas.

The Committee noted that although Sec. 21 of the Uganda Road Fund Act, 2008 specifies the Fund sources which include among others; fuel levies, road licenses, fines under Traffic and Road Safety Act, the Fund only receives monies appropriated by Parliament. This implies that the Fund receives less 20percent of what it would receive if the law was operationalized. See table below.

Table 12: Trend of selected Revenue sources and Budget Allocations to URF

Item with figures in Billion UGX	FY 2019/20	FY 2020/21	Est. FY 2021/22	Proj. 2022/23	Proj. 2023/24	Proj. 2024/25	Proj. 2025/26	Proj. 2026/27
Petroleum Duty	2,012.54	2,453.38	2,617.25	2,978.06	3,482.01	4,055.87	4,721.37	5,480.41
Temporary Road License	73.56	82.33	97.4	110.82	129.58	150.93	175.7	203.94
Total for two sources	**2,086.10**	**2,535.71**	**2,714.65**	**3,088.88**	**3,611.59**	**4,206.80**	**4,897.07**	**5,684.35**
Uganda Road Fund budg	448.84	512.175	506.422	487.953	487.953	497.792	597.07	805.274
Share from two tax sourc	22%	20%	19%	16%	14%	12%	12%	14%

Source: MFPED and PBO Computations

Parliament has overtime made recommendations urging government to operationalize the Uganda Road Fund as a second generation fund with less success, and recently passed a resolution on the same, that remains to be implemented.

Further, high interest rates negatively impact businesses by weakening their cash flow positions and affecting their ability to meet their obligations, which sometimes includes the lenders themselves. Interest rates in Uganda that averaged at 20percent for some time were attributed to the central bank rate (6.5%), Credit Risk (7%), Operating expenses (4%) and a margin (3%). Domestic Borrowing offers banks an investment option that crowds out the private sector.

The Committee noted that high levels of corruption also increase the cost of doing business.

The Committee reiterates that Government urgently operationalizes the Uganda Road Fund as a second Generation Fund, as resolved by Parliament to ensure adequate funds are availed to support road maintenance in the country.

In addition, the rehabilitation of the railway line should be fast tracked to provide alternative transportation for persons and goods across the country, to reduce the cost of transportation and decongest roads which shall reduce on traffic jam as well.

Further, the railway network should be expanded to connect all industrial parks and border points and fast truck the Standard Gauge railway project and electric trains/trums for intra and intercity connections.

Government through Ministry of Energy and Mineral Development expedites the implementation of Electricity transmission projects to facilitate evacuation of power to those in need, and increase connectivity to include the 81percent of the population without access to the national grid. For hard to reach areas, the use of solar power should be explored.

6.6 Climate smart investments in the country

The committee observed that there is massive environmental degradation that is a threat to agricultural production and food security in the country, given the heavy reliance on rain fed agriculture. Between 2015 and 2020, the deforestation rate stood at 10 million hectares per year, a situation that has contributed to climate change resulting in prolonged drought in the country most especially North Eastern Uganda and Karamoja Regions. This implies that a sizeable population of the country is going hungry and this situation is likely to escalate if there are no efforts to reverse this trend. In addition, there has been increasing cases of heavy rains and floods across the country which among others destroy agricultural investments, livelihoods as well as road networks.

The committee notes that although government has been providing money to address the issues of environment, minimal results have been registered. There are cases of manmade activities that destroy the environment, that is, wetland encroachment, depletion of forest cover, industrial developments and no punitive actions against those who destroy the environment.

The Committee noted that in order to mitigate and address climate change, Government has allocated UGX 628 billion in the budget for FY 2022/23. The mitigation measures include; increasing the target to increase the national forest cover from the current 12.4 percent to 15 percent; Protection of Central Forest Reserves from encroachment by re-surveying and marking of 6200 square kilometers of boundary and restoring 850 square kilometers of wetlands and forests by having them demarcated and gazetting; among others.

The Committee recommends that Government ensures that the planned mitigation measures to address climate change are dully financed during budget implementation and not subjected to budget suppressions.

In addition, Government should explore restoring the environment through the use of carbon credits, and the use of a national environment day to sensitize and promote conservation of the environment.

Further, Government through the office of the Prime Minister establishes formal working partnerships with faith based Organizations and Traditional Leaders to drive the environmental protection campaign, given the success that have worked in other areas like immunization, the fight against HIV/AIDS among others.

Government through the Ministry of Works and Transport should review its building and construction standards to take into consideration the climate changes, to ensure that current and future designs for infrastructure structures have resilience to the floods that are affecting more districts with each passing year. In addition, an urgent policy for transport pollution to reduce green gas emissions should be developed.

Government should scale up investments in climate smart agriculture across the country to ensure that more districts are supported with irrigation equipment among others to reduce over reliance on rain fed agriculture.

6.7 Need for Price Stabilization Mechanisms in the country

Government majorly uses monetary policy to stabilize prices in the economy, which comes at a cost, close to 9percent of GDP. In FY 2021/22, the country has had effects of imported inflation attributed to the global supply disruptions and effects of the war in Russia and Ukraine that led to a spike in commodity and

energy prices. The Committee observed that although overall inflation performed at a single digit, some commodity individual price increases were in double digit as indicated in Table 4 of the report.
The Committee was informed that demand for crude palm oil which is a major ingredient in the production of oil and soap has increased. The current demand is 350,000 metric tonnes but the country can only produce 80,000 metric tonnes of oil per year of which only 40,000 metric tonnes are crude palm oil, implying the biggest share of crude palm oil in the country is imported. By April 2022, the price of one litre of vegetable oil had increased by 57percent while that of one bar of laundry soap had increased by over 85percent.

The Committee also observed that most agricultural commodities suffer from low prices in periods of bumper harvests and experience high prices whenever there is limited supply. Limited supply is attributed to unreliable weather patterns, pests and diseases among others. Relatedly, fuel prices rise in the country whenever there are challenges with accessing the coast through Mombasa port, even when global oil conditions are stable.

A number of countries have liberalized their economies, but still maintain a strong role of Government. The third National Development Plan (NDPIII) emphasizes a greater role of Government in the development process between FY 2020/21 and FY 2024/25.

The Committee recommends the following in the short to medium term:

i. **Government should fast-track the implementation of the National Oil Palm Project by way of compensating project affected persons to enable the project access the land in order to boost domestic supply of crude palm oil in the country respectively.**

ii. **In addition to use of monetary policy, Government should adopt use of fiscal policy to stabilize prices in the production of goods and services for instance, establishment of buffer stocks for fuel and critical food products to build resilience of the economy to guard against external shocks and better manage excessive increase in prices due to supply shortages.**

iii. **Government should support research and innovation in close substitutes for commodities that have high demand yet inadequate supply.**

iv. **Further, Government should fast track the oil refinery project to**

boost domestic supply of refined petroleum products in the country.

6.8 Review policies to stimulate demand and support employment

The Committee observed that the Buy Uganda Build Uganda (BUBU) policy has not yet been appreciated by majority of Ugandans. In addition, although there is planned effort by Government to create employment through industrialization, majority of the industries are still owned by foreign investors who employ non Ugandans. Where Ugandans are employed, their remuneration is meagre to make meaningful economic benefit to lift them out of poverty.

In addition, a deliberate Policy that would require education facilities to provide specific food to the students or health facilities would stimulate demand in those regions. For example a cost sharing policy that requires all students to have lunch at school or specific meals at a health facility would stimulate large scale production of the required food in the respective commodities, increasing incomes of the participating households and consequently, enhancing their purchasing power and subsequent contributions to tax revenues through indirect taxes.

The Committee recommends that Government reviews its policies to ensure that all Government policies have greater multiplier effects on the economy and the continent's Agenda 2063 at large.

In addition, the Buy Uganda Build Uganda campaign should be supported as one of the ways of stimulating demand and supply in the economy.

MONETARY SECTOR

6.9 High lending rates

Government through the central bank has made several efforts to bring down the cost of financing in the country, including among others reducing the Central Bank Rate, to little or no success. The committee was concerned that although the central bank rate was reduced by 2.5percentage points from an average of 9 percent in FY 2019/20 to 6.5percent for the nine months in FY 2021/22, the bank rate to commercial banks declined by 3.4percentage points from an average of 13.92 percent in FY 2019/20 to 10.5percent in the nine months of FY 2021/22. This implies that the average lending rates have declined modestly by only 0.45percentage points from an average of 19.26percent in FY 2019/20 to an average of 18.81percent in the first nine months of FY 2021/22.

The Committee noted that Bank of Uganda has a limit to which it can influence lending rates, as they are driven by both monetary policy and nonmonetary policy factors. The non-monetary factors causing lending rates to remain elevated include slow enforcement of loan contracts due to court injunctions on sales of collaterals to recover bad loans, high operating costs, government borrowing to finance the budget and domestic arrears to Government suppliers who access loans from the domestic banking system, the general riskiness of the borrowers notwithstanding.

The Committee established that interest rates in Uganda stood at an average of 20percent for some time. This was attributed to the Central Bank Rate (6.5%), Credit Risk (7%), Operating expenses (4%) and a margin (3%). Private Commercial Banks attach a higher premium (7%) on risk on default by borrowers.
The Committee observed that a publically owned commercial bank that is well capitalized would de-risk this high percentage to less than 3%, thus leading to a significant reduction in lending rates.

The Committee further observed that the role of Government in the development process during the NDPIII period was to be strengthened, as the market alone is unlikely to deliver the optimal development process. One of the interventions for reducing the cost of doing business in the NDPIII is to increase access to affordable credit largely targeting SMEs, with specific interventions including capitalizing public commercial banks and setting up a short-term development credit window for SMEs among others.

The Committee recommends that Government capitalizes a Government owned Commercial Bank with a view of bringing down interest rates.

In addition, Government should strengthen the efforts to clear domestic arrears, so as to support the banking system and minimize on the riskiness of clients who do business with Government.

6.10 Scale down Domestic Borrowing to boost private sector credit Growth

The Committee observed that the ratio of Private Sector credit to GDP has stagnated at around 12percent, which is much lower than the Sub Saharan Average of 27percent and, lower than the low middle income countries' average of 45percent.

The Committee further observed that the trend of domestic borrowing has been high in the recent past from UGX 1.795 trillion in FY 2017/18 to UGX 2.163 trillion in FY 2018/19 to UGX 2.570 in FY 2019/20 and UGX 6.318 trillion in FY

2020/21. In FY 2021/22, the approved budget had domestic borrowing of UGX 2.943 trillion while FY 2022/23 is UGX 4.965 trillion.

Consequently, the ratio of domestic debt stock to Private Sector Credit has increased from 99.9percent in FY 2017/18 to 102.8 in FY 2018/19 to 110percent in FY 2019/20 to 148percent in FY 2020/21. The performance is above 75percent recommended in the third National Development Plan (NDP III) and the previous public debt management framework (PDMF, 2013), for purposes of not crowding out the private sector.

The Committee observed that by December 2021, Banks maintained the largest share of Treasury Bills accounting for 79percent of the stock of the Treasury Bills and 38percent of the total stock of domestic debt. This implies that Government Securities offer banks a less risky investment option compared to the private sector and, with increased domestic borrowing, the funds available to the private sector become limited, thus, making lending rates remain sticky downwards.

The Committee recommends that Government slows down the pace of acquisition of domestic debt to slowdown the ratio of domestic debt to private sector credit. This will ensure that government domestic borrowing does not crowd out private sector growth.

6.11 Boost Private Sector Credit to Productive Sectors

The Committee observed that on average, the largest share of private sector Credit (PSC) is mostly tied up in unproductive investments and consumption with (21%) towards buildings, mortgage, construction and estates as well as personal and household loans (19%).

Productive sectors like Manufacturing, Agriculture, Mining and quarrying on average, received 13percent, 12percent and 0.3percent respectively of the private sector credit. In agriculture, credit was mostly tied to processing and marketing (7%) when compared to production (5%).

Further, the committee observed that the financial sector is characterized by a structure with oligopolistic tendencies, mostly with short term savings.

The Committee recommends that Government considers establishing sector based banks for example; Agriculture, Manufacturing, education, health, Construction and Tourism sectors.

FISCAL SECTOR

6.12 Slow pace of clearing domestic arrears

Domestic arrears consist of unpaid bills that remain outstanding beyond the fiscal year in which they were incurred, and in contrast to other forms of debt, domestic arrears pose serious risks to the economy particularly through their impact on:

i. The welfare of pensioners and existing employees to whom emoluments are owed,
ii. Private firms whose liquidity positions are undermined, exposing them to the risk of business failure and foreclosure,
iii. The increase in government's cost of doing business given that suppliers are inclined to bid higher charges to mitigate against risks of delayed payments, and
iv. Budget implementation given that arrears constitute off budget expenditures that may most likely fall outside priority areas set by Government.

The Committee observed that the Public Debt and other Financial Liabilities Management Framework FY2018/19-FY2022/23 developed a strategy to liquidate the existing stock of domestic arrears incurred in FY 2018/19 amounting to UGX 2.9 trillion. These include annual allocations of UGX 600 billion from FY 2019/20 to FY 2022/23. However, this strategy has not been fully implemented and instead the stock of domestic arrears has been on the rise. In the FY 2020/21, total expenditure on domestic arrears was UGX 844 billion while in the previous budget of FY 2021/22, there was an approved budget of UGX 400 billion, and UGX 697.95 billion in FY 2022/23.

Auditor General's report for the year ending June 2021 indicated that the stock of domestic arrears increased to UGX 4.65 trillion from UGX 3.83 trillion as at end June 2020. The GoU consolidated report on domestic arrears run on 13th May 2022, indicates that most of the MDAs have domestic arrears to Uganda Revenue Authority, companies that have supplied goods and services, utility companies (UMEME and NWSC) and, individuals mostly in form of pension, salaries and wages. Further, some of the arrears are owed to persons who have borrowed from the banking sector, contributing to the non-performing loans.

The Committee noted that with the allocation of UGX 697.95 billion in FY 2022-23, it shall take seven (7) years to clear the current stock of domestic arrears, assuming that there is no further accumulation to increase it. This could pose negative economic implications on the livelihood of the individuals and operations of the affected companies.

The Committee therefore recommends that Government develops a deliberate strategy to stop accumulation and clear domestic arrears within the medium term as a means of supporting the economy and reducing the cost of doing business in the country.

6.13 Boosting Domestic Revenue

The Committee noted that an increase in revenue reduces the country's budget deficit and consequently her reliance on debt, thus keeping public debt at sustainable levels. Over the years, domestic revenues have stagnated around 13percent of GDP, despite the growth in the economy. Tax collections remain below the sub Saharan average of 15percent. Uganda's economy is dominated by informal sector (55%), implying limited tax collections. In addition, most of the direct taxes are generated from the smaller formal sector. The URA half year report for FY 2021/22 indicated that 75percent of the revenue for the period was generated from the five (5) top sectors namely: Whole sale and Retail trade (29%), Manufacturing (23%), Financial activity (10%), ICT (9%) and, Public Administration (4%).

The Committee noted that in a bid to enhance revenue mobilisation, Government developed the Domestic Revenue Mobilisation Strategy (DRMS) 2019/20-2023/24. The core objective of the strategy is to improve revenue collection, and raise Uganda's tax to Gross Domestic Product (GDP) ratio from 12.5percent to 16-18percent within the five financial years. Further, the revenue strategy over the third National Development Plan (NDP III) period envisages improving compliance and efficiency in tax revenue collections through the implementation of the DRMS. Emphasis is given to strengthening administrative efforts so as to narrow the gap between current and potential revenue performance.

Preliminary outturns indicate that domestic revenues are projected to perform at 13.4percent of GDP in FY 2021/22, which is still below the minimum target of 16percent. With an annual target of increasing revenue to GDP by 0.5percent every financial year, by FY 2023/24, we could realize a 14.4percent ratio going by preliminary outturns. This means efforts to boost domestic revenue should be strengthened.

The Domestic Revenue Mobilization Strategy Semi Annual Monitoring report FY 2021/22 shows that, overall performance based on the interventions tracked was fair at 61.5percent. Of the twenty six (26) DRMS interventions tracked, seven (27%) registered good performance, nine fair (35%), and ten poor (38%). Tax policy interventions performed fairly at 66percent while Tax administration interventions performed at 57percent. Some challenges identified included: none implementation of key interventions (9); inadequate specialized training carried out by staff of the Tax policy Department (TPD) of Ministry of Finance and URA and; Low Technical Staffing levels at both TPD and URA.

The Committee was informed that, under the current tax administration, some agencies are audited after 5 years , which is inconveniencing , as sometimes, entities have misplaced or lost tax related documents, as compared to a shorter period of one or two years.

The Committee recommends that Government devises mechanisms to address the poor performing interventions in the Domestic Revenue Mobilization Strategy to ensure that the challenges are addressed so as to enhance revenue collections in the country.

In addition, Government should consider requiring all business in the country to belong to a trade association that brings all people involved in related activities, so as to push informal players to formality, since membership comes with registration requirements.

Further, URA should develop mechanisms to ensure that tax audits are carried out over a shorter period of time preferably, within a year after the audit period, as compared to operating in a backlog.

6.14 Revenue Loss due to Tax expenditures

The Committee observed that Government is incurring a significant loss in tax revenues on account of tax expenditures. Tax expenditure refers to revenue losses attributed provisions in tax laws which allow exemptions or deductions from gross income or deferred tax liabilities. They include payments of taxes by Government on behalf of investors; payment of taxes on goods procured by organizations were Government is obliged by agreement; and on behalf of some religious, cultural and Non-Government Organizations (NGOs).

In FY 2020/21 alone, URA collected UGX 18.3 trillion (12.4% of GDP) and lost UGX 7.7 trillion (5.21% of GDP), implying that without the tax expenditures, Government could have collected UGX 26 trillion (17.6% of GDP). With 17.6percent of tax revenues to GDP, the country's budget deficit would significantly decline and reduce the borrowing need.

Table 13: Tax Revenue Foregone (UGX billion)

Exemptions Category	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21
Total income tax Loss	391.85	453.79	1,009.84	851.21	2,358.67
VAT tax expenditures	815.15	1,323.55	1,434.34	1,855.49	2,195.34
Customs Tax Exemptions	960.022	912.456	1,716.37	2,065.15	3,168.51
Total Exemptions	2,167.02	2,689.80	4,160.55	4,771.85	7,722.52
GDP	108,518	120,485	132,096	139,711	148,278
Tax-GDP ratio	**2.00%**	**2.23%**	**3.15%**	**3.42%**	**5.21%**
Tax-GDP ratio actual collections	11.5%	11.7%	12.2%	11.4%	12.4%
Total URA Tax Collections	**12,463**	**14,076**	**16,163**	**15,912**	**18,336**

Source: MoFPED and Committee computations

The committee further noted, that there has been an upward trend in the tax loss as a percentage of GDP from 2.0percent in FY 2016/17 to 5.2percent in FY 2020/21 as observed in table 13, implying that if not checked, the country will continue to lose more tax revenues with every passing year.

In order to successfully implement the Government's Domestic revenue management strategy, the committee recommends that tax loses on account of tax expenditures should be reduced to at most 2percent of GDP in any given financial year.

In addition, the Ministry of Finance, planning and Economic development should expedite the undertaking of an impact assessment on all existing tax exemptions and report back to Parliament as earlier directed.

6.15 Diversification of Funding sources to include the population

The committee observed that over the years, the country's domestic resources have stagnated around 13percent, of GDP yet the expenditure pressures are on the rise. Most of the public facilities providing education and health services do not require citizens to pay any fees, especially with the introduction of Free universal primary and secondary education. The quality of services in the facilities that are free, is perceived to have gone down. Moreover, over the past financial year, the commodity prices for most essential goods increased, implying that the cost of running these facilities has increased.

In health facilities that are allowed to operate a private wing, which necessitates the citizens to make some contributions to services, the quality of care is perceived to be better than the general free section. Uganda's per capita health contributions are estimated at US $37 below the minimum recommended US $ 86 by World

Health Organisation, for low income countries. Capitation grants in the education sector are equally less than 100,000 per year, recently increased to UGX 20,000 for UPE pupils while for Secondary- O' level is UGX 56,000 and A' level is 90,000.

Moreover, according to guidelines, school expenditures that are eligible for the UPE capitation grant include instructional and scholastic materials (35 per cent), co-curricular activities (20 per cent), school management (15 per cent), administration (10 per cent) and contingency expenditure (20 per cent).Therefore the given the high cost of commodities, the current allocation is inadequate. Table 14 illustrates the annual and termly budget for a school with 500 pupils or O' level Students.

Table 14: Distribution of capitation grant based on UPE guidelines, a case of 500 Pupils or O' Level Students

Category	% of capitation	20000 per UPE pupil	Per term UPE (UGX)	56000 per USE student (UGX)	Per term C level (UGX)
Total a year	**100%**	**10,000,000**	**3,333,333**	**28,000,000**	**9,333,333**
Instructional and scholastic materials	35%	3,500,000	1,166,667	9,800,000	3,266,667
Co-curricular activities	20%	2,000,000	666,667	5,600,000	1,866,667
school management	15%	1,500,000	500,000	4,200,000	1,400,000
Administration	10%	1,000,000	333,333	2,800,000	933,333
Contingency	20%	2,000,000	666,667	5,600,000	1,866,667

Source: PBO Computations

The committee also observed that sub-regions are at different levels of poverty, and so generalizing contributions to be made by the populations could lead to overburdening some areas with unaffordable fees, leading to some citizens missing out on the intended services. Therefore, such a measure would require amounts approved by the area councils.

The committee recommends that given the budget constraint, Government considers enhancing funding to specific sectors through initiatives that support local revenue mobilization for example allowing modest contributions in education and health facilities, as well as fast tracking the establishment of a national health insurance system, to boost respective sector budgets and enhance service delivery.

In addition, Government should enhance efforts towards adjusting tax policy focus away from deepening tax payments to widening the tax base.

6.16 Efficiency and effectiveness of Government expenditure

The committee observed that Government expenditure over the years has been characterized by duplications, poor quality and wastage in some cases. Government embarked on rationalization of Government entities, which is one step in reducing wasteful expenditure through duplication of Government services.

However, the committee observed that the Auditor General in his report for the year ending June 2021, noted that UETCL continues to pay significant amounts relating to deemed energy purchases. As a result, deemed energy costs of UGX.87.7 billion in regard to thirteen (13) Power Purchase Agreements (PPAs) was paid by June 2021, expenditure that could have been avoided if there were transmission lines in place to evacuate the generated power.

In addition, the committee observed that the Auditor General in his report for the year ending June 2021 established that "Ministry of Finance, Planning and Economic Development requested for a temporary advance of UGX. 2.1 Trillion from Bank of Uganda in line with the Public Finance Management Act, 2015. The advance was granted by Bank of Uganda on 1st October 2020, based on an average interest rate of the 272 day Treasury bill rate of 9.999%. Government paid an amount of UGX.98.77billion as interest for the temporary advance due to delayed pay back."

The Committee recommends that Government should fast track the implementation of the proposal to rationalize government size with appropriate action taken on the MDAs that duplicate already existing mandate to enhance efficiency and effectiveness of service delivery in the country.

In addition, the Ministry of Finance should adhere to the requirements of the Public Finance Management Act, 2015 as amended, to ensure that all budgets are implemented in accordance with the law, and minimize nugatory expenditures that are associated with penalties for delayed repayments of temporary advances from the central bank.

Further, Government should strengthen e-government services to enhance efficiency of service delivery across the various Government Ministries, Departments and Agencies.

16.17 Budget support loans on non-concessional terms

There has been an increase in budget support loans in the recent past to address revenue shortfalls and effects of COVID-19 pandemic. Most of these loans have been acquired on non-concessional terms, which are associated with higher interest rates and shorter repayment periods, and hence have more expensive terms compared to concessional borrowing.

The Public debt management framework guides that non concessional borrowing is for projects that have high economic returns. However, with budget support, it is difficult to measure the return on investment, given the fact the funds are placed in a pool to meet revenue shortfalls.

The Committee noted that often the amount of budget support to be borrowed is approved with the budget in the resource envelope, however the terms for borrowing are often negotiated during a financial year, often leading to submissions for Parliamentary approval being made within the second and most recently third quarter of a Financial year which is supposed to be financed.

Government should consider negotiating loans for a financial year during a preceding FY to enable submission of loan requests in time, preferably with the draft budget just like revenue bills, so that Parliament approves a budget in agreement with the terms associated with a proposed budget support borrowing.

The Committee further recommends that going forward, non-concessional borrowing should be preserved for projects with high returns and budget support borrowing limited to concessional or semi concessional financing below the market terms.

16.18 Strengthen Local Content in Externally financed projects

The Committee observed that most of the financing agreements for externally financed projects are carefully designed by creditors to ensure that most of the investment funds benefit the financing country. Most of these creditors are development banks whose core objective is to support growth, promote exports and create employment in their respective countries. Consequently, their financing agreements often require contractors to come from those countries, some equipment or materials obtained from those countries and workers or contractors to come from those countries or member states of the bank.

Government has made efforts to promote local content, by among others developing a local content policy and guidelines, where most of the contractors have been required to subcontract part of their works, as well as hire some Ugandans, and more recently a local content bill was enacted. However, a lot is still desired, as often the Ugandans are given the junior positions or sub contracts with smaller amounts of money. Moreover, private Ugandan companies are left to compete with international companies often owned by their Governments that boost their capacity to deliver on projects.

The Committee recommends that Government considers establishing companies and, recapitalizing existing ones to compete for infrastructure

works starting nationally and targeting internationally over the medium term, to enhance local content in the infrastructure investments, create jobs and boost export earnings through the international works secured.

EXTERNAL SECTOR

16.19 Need to boost exports in the country

The committee noted that the current account balance worsened in the last two financial years from a deficit of USD 2.513 billion in FY 2019/20 to USD 3.839 billion in FY 2020/21, mostly driven by the balance on trade in goods that widened from a deficit of USD 2.402 billion to USD 3.049 billion over the same period.

There was a disproportionate increase in imports of goods and services compared to exports of goods and services. Expenditures on imports rose from USD 9.736 billion in FY 2018/19 to USD 11.643 billion in FY 2020/21 compared to export earnings that marginally increased from USD 6.272 billion to USD 6.698 billion over the same period of time. Preliminary outturns for FY 2021/12 indicate that for the first three quarters, the current account balance worsened compared to the past two financial years.

The committee observed that in FY 2019/20 Uganda imported cereal products worth USD 292 million; vegetable fats worth USD 274 million; wood and wood products worth USD 122 million; textile and textile products worth USD 259 million; prepared foodstuffs, beverages and tobacco worth USD 210 million, which products can be produced in the country.

The committee recommends that a value addition drive is developed for five (5) to seven (7) leading exports from Uganda so as to boost export earnings in the country and reduce or eliminate the balance on trade deficit, as opposed to majorly relying on only coffee for major export earnings.

In addition, Government establishes an export guarantee insurance through the insurance Regulatory Authority as a matter of strategic national importance to de-risk exports to the largely volatile regional markets like DRC, CAR, and South Sudan.

Further, Government continues to address the competitiveness enablers like the cost of finance, labour productivity, cost of power and water, standards of tradable goods and services among others.

Furthermore, the import substitution strategy should be strengthened.

16.20 Need to track the quality of Externalized labor force

The Committee noted that remittances from abroad constitute a significant source of foreign exchange earnings in the country (US$ 1.154 billion in FY 2020/21). However, the available statistics do not provide details on the quantity and category of workers being exported out of the country. Details on information published are for destination of externalized labour as well as the category by sex. Moreover, recent concerns have been raised on the welfare of the citizens in some of the countries where our labor has been exported.

The Committee recommends that Government, through UBOS and Ministry of Gender, labour and Social Development, provides regular statistics on the category of skills for externalized labour to facilitate tracking and monitoring welfare of the Ugandans working abroad, and provide statistics to guide policy decisions on labor exportation.

16.21 Balance of payments

The Committee noted that the twelve (12) months to march 2022 recorded a positive surplus in the balance of payments, reflecting robust capital inflows, a rebound in tourism receipts and strong export earnings, leading to a buildup in reserve assets equivalent to 4.2 months of import cover, higher than the 3.7 for the same period in the previous financial year. There was a surge in loan disbursement, Foreign Direct investments (FDI) and portfolio inflows driven by attractive yields on treasury securities. Loan Disbursements amounted to USD 1.52 billion, FDI inflows surged to USD 2.350 billion while foreign investments in Government debt (Treasury securities) amounted to USD 466.5 million during the first three quarters of FY 2021/22.

Consequently, the shilling remained strong during the period, continued to appreciate against the US dollar until April 2022, reflecting the strong financial inflows of FDI, portfolio investments, loan disbursements, a rebound in foreign exchange earnings in tourism, strong exports earnings over the first three quarters of FY 2021/22.

On the other hand, the current account deficit widened during the same period, reflecting high global commodity prices and effects of unwinding lockdowns in many economies.

The Committee recommends that Government strengthens the balance of payments surplus in the medium to long term through increased Foreign Direct Investment inflows and export earnings, as opposed to increased debt

that boosts the country's foreign reserves at a high cost.

16.22 Utilization of Public Debt

The Committee observed that there has been increase in public debt, driven by an increase in domestic debt, although external debt maintained a dominant share of 61 percent. Consequently, total debt service is exerting more pressure on domestic revenues, taking up 27percent in the first three quarters of FY 2021/22 compared to 20percent in the same period in FY 2020/21.

Domestic interest payments increased by 28percent to UGX 2.907 trillion during the first three quarters of FY 2021/22. As a percentage of domestic revenue, domestic interest payments increased to 16.7percent during the first three quarters of FY 2021/22, compared to 15.7percent and 12.3percent during the similar period in FY 2020/21 and FY 2019/20.

The Committee noted that accumulation of public debt is not bad per se, especially for low income countries that have large infrastructure gaps. However, debt should be utilized for productive investments that enhance the country's capacity to generate more income and boost exports to service the debt.

Project implementation of many projects is usually associated with delays attributed to a number of challenges including: Low absorption especially regarding civil works resulting in slow physical progress rate due to under mobilization by contractors; Procurement management challenges and delays; Land acquisition challenges as a result of Project Affected Persons (PAPs) compensation amounts disputes and delayed payments; Harsh weather conditions like heavy rains affect progress of civil works and; Project management challenges.

The Committee recommends that Government among others : acquires loans for projects whose sites have been acquired, enhances the capacity of local contractors and; builds the capacity of project management units and in house supervising teams, to ensure quality and timely delivery of public goods and services.

16.23 Need to increase tradable Assets in the country

The Committee observed that over the years, the country has remained a net borrower from the rest of the world. By the third quarter FY 2021/22, as a share of GDP, the country's total assets stood at 20.5percent while the liabilities to the rest of the world stood at 76.4percent translating into a net international investment position of 55.9percent.

On average, the country's liabilities to the rest of the world continue to grow faster than the assets. Between FY 2012/13 and FY 2015/16, on average the assets annually increased by 6percent while liabilities grew by 10percent. Similarly, between FY 2017/18 and FY 2020/21 on average the country's assets annually increased by 10 percent while liabilities increased by 13percent. So, if this trend continues, it implies that the country will remain a net borrower from the rest of the world in the long term.

The Committee noted that in FY 2019/20, Government acquired a loan of Special Drawing Rights (SDR) of 361 million equivalent to USD 491.5 million from the IMF's Rapid Credit Facility to boost the balance of payments position and USD 340 million was specifically for strengthening the reserve assets position in the central bank (BOU).

Consequently the ratio of foreign exchange reserves in months of the next years' imports of goods and services increased to 4.8 at the end of FY 2019/20, from 4.0 end of FY 2018/19. In FY 2020/21, the ratio was maintained at 4.8. In FY 2021/22, the ratio of reserves to imports of goods and services declined during the second quarter, and by end of third quarter (March 2022) it stood at 4.6, although the monthly ratio declined from 4.0 in April 2022 to 3.8 in June 2022.

The Committee observed that there are countries that have invested in boosting their foreign exchange earnings by strategically providing services that attract investors in services to the country, as opposed to majorly producing goods for export. A case in point is Dubai, where few goods are produced, however, it's a platform for many foreign traders to meet and trade in either goods or services.

The Committee recommends that Government explores the possibility of strategically positioning the country in the region to attract services which will enhance foreign exchange inflows in the country and increase the country's foreign assets, and thus strengthen the countries international investment position in the medium to long term.

17. Conclusion

Despite the global economic challenges that affected the country mostly through imported inflation, supply chain disruptions, global shortages compounded by the geopolitical conflict between Ukraine and Russia, Uganda's Economy grew slightly faster than projected in FY 2021/22 although the growth is still below the NDPIII target. However, economic growth is projected to return to its NDPIII forecasted path by the end of FY 2022/23.

In order to maintain this resilience over the medium term, Government should remain committed to actualisation of the strategic Policies aimed at boosting aggregate demand to spur economic recovery in all sectors. In addition, Government should continue addressing all aggregate supply constraints as well as building the much needed resilience towards external and domestic shocks to guarantee all inclusive growth.

I beg to Report

SIGNING OF THE REPORT OF THE COMMITTEE ON NATIONAL ECONOMY ON THE PERFORMANCE OF THE ECONOMY AS JUNE, 2022

S/N	NAME	CONSTITUTENCY	SIGNATURE
1.	**Hon. Ikojo John Bosco C/P**	**Bukedea County**	
2.	**Hon. Migadde Robert Ndugwa D/CP**	**Buvuma Islands County**	
3.	Hon. Awich Jane	DWR Kaberamaido	
4.	Hon. Ayoo Tonny	Kwania County	
5.	Hon. Baka Stephen Mugabi	Bukooli County North	
6.	Hon. Katwesigye Oliver Koyekyenga	DWR Buhweju	
7.	Hon. Natukunda Midius	DWR Rukungiri	
8.	Hon. Byarugaba Alex Bakunda	Isingiro County South	
9.	Hon. Chemutai Phyllis	DWR Kapchorwa	
10.	Hon. Etuka Isaac Joakino	Upper Madi County	
11.	Hon. Isabirye Iddi	Bunya County South	
12.	Hon. Kajwengye Twinomugisha Wilson	Nyabushozi County	
13.	Hon. Agaba Aisa	Bugangaizi East County	
14.	Hon. Kemirembe Pauline Kyaka	DWR Lyantonde	
15.	Hon. Lematia Ruth Molly Ondoru	Maracha East County	
16.	Hon. Lochap Peterkhen	Bokora East County	
17.	Hon. Twinobusingye Jovanice	DWR Kiruhura	
18.	Hon. Aber Lillian	DWR Kitgum	
19.	Hon. Avur Jane Pacuto	DWR Pakwach	
20.	Hon. Byanyima Nathan	Bukanga North County	
21.	Hon. Kibalya Henry Maurice	Bugabula County South	
22.	Hon. Awas Sylvia Vicky	DWR Nabilatuk	
23.	Hon. Kwizera Paul	Kisoro Municipality	

24.	Hon. Wokorach Simon Peter	Aswa County	
25.	Hon. Teira John	Bugabula County North	
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33.	Hon. Oguzu Lee Denis	Maracha County	
34.	Hon. Akena James Micheal Jimmy	Lira East Division	
35.	Hon. Kayondo Fred	Mukono County South	
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37.	Hon. Kirumira Hassan	KatikamuCounty South	
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39.	Hon. Saazi Godfrey	Gomba East County	
40.	Hon. Bwanika Abed	Kimaanya-Kabonera Division	
41.	Hon. Gen. Mugira James	UPDF	