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A MINORITY REPORT ON THE REPORT OF THE BUDGET COMMITTEE ON THE BUDGET FRAMEWORK PAPER FOR THE FY2023/24-2027/28.

JANUARY 2023

1.0 INTRODUCTION

In accordance with Article 155(4) of the constitution of the Republic of Uganda; Section 9(7) of the Public Finance Management Act, 2015 and Rule 148 of the Rules of Procedure of Parliament, Sectoral Committees are mandated to among others things to;

1. Examine and Comment on Policy matters affecting ministries and departments under jurisdiction and ;
2. Examine critically Government recurrent and capital budget estimates and make recommendations on them for general debate and considerations on them for general debate and consideration both in the committee on budget and the House.

Pursuant to Rule 205 (1, 2 & 3) of the Rules of Procedure of the Parliament of Uganda, we hereby present a dissenting opinion from the opinion in the majority report.

2.0 AREAS OF DISSENT

We dissented with the majority report on the following:

1. **Unrealistic Majority Report.**
2. **Tax exemptions.**
3. **Unrealistic Resource Envelope**
4. **Domestic Refinancing (Roll-over).**
5. **The Road Fund.**
6. **Mineral Cartels**
7. **Bank of Uganda Advances**
8. **Rationalization of Agencies.**

3.0 DISSENTING OBSERVATIONS

3.1 Unrealistic Majority Report

The majority report has come up with a funding gap of up to 6.1 trillion in unfunded priorities without identifying the source of funds for the priorities identified. Government came up with the Resource Envelope showing the proposed sources of revenue in the BFP FY2023/24. For the budget committee to identify a huge funding gap of 6.1 to be added to the already exaggerated Resource Envelope of 49.9 trillion without identifying the sources of revenue renders this exercise an academic trip to no particular practical import into the budget process.

We therefore dissent on the process done.

3.1 Tax exemptions.

Tax exemptions and related expenditures are a big cost to the government. Government loses over UGX 8 trillion annually in tax exemptions and related expenditures. A sample of a handful of tax exemption beneficiaries in table 1 demonstrate the extent of the hemorrhage where the country loses over half a trillion.

Table 1: Selected Companies that are exempted from paying Taxes.

Beneficiary Entity(Taxpayer)	Tax Head	Amount
Oil Palm Uganda Limited	VALUE ADDED TAX	155,284,987,015
Oil Palm Uganda Limited	CORPORATION TAX	189,707,594,312
Roofing Rollings Mills Limited	CORPORATION TAX	149,729,625,350
Steel And Tube Industries Limited	CORPORATION TAX	15,711,281,785
Uganda Post Limited	VALUE ADDED TAX	5,207,241,761
Uganda Post Limited	PAYE	6,214,846,144
Fine Spinners Uganda Limited	STAMP DUTY	239,570,000
The Commission Of Inquiry Into Effectiveness Of Law Policies And Processes Of Land Acquisition Administration Management And Registration 2017	PAYE	13,653,794,150
The Commission Of Inquiry Into Effectiveness Of Law Policies And Processes Of Land Acquisition Administration Management And Registration 2017	WITHHOLDING TAX	212,750,088

University Of Kisubi	PAYE	172,936,414
Finasi-Ishu Construction Spv Limited	PAYE	1,854,504,747
Finasi-Ishu Construction Spv Limited	WHT	47,999,754,290
International Specialised Hospital Of Uganda Limited	PAYE	1,786,395,442
International Specialised Hospital Of Uganda Limited	WHT	523,302,413
Total		**588,298,583,910**

Source: Uganda Revenue Authority

We suspect that the award of exemptions may be one of the main conduits for corruption. The big companies are exempted from taxes yet the small taxpayers are made to pay. The small tax payers desire a favorable tax regime and affordable credit. Unfortunately, these are less prioritized by the government.

We propose that a select committee be instituted with a mandate of three months to inquire into tax exemptions and expenditures and report back in April 2023 before approval of the annual budget for FY2023/24.

Secondly, we need the quarterly tax exemption reports presented to this August House as per Section 77 of the PFM Act, 2015 which states;

(1) A person or an authority granted power to exempt the payment or to vary any tax under an Act of Parliament, shall in each financial year, on or before the 30th day of September, the 31st day of December, the 31st day of March and the 30th day of June, make a report on the matter, to Parliament.

(2)A report made under subsection (1) shall indicate— (a)the person exempted from the payment of tax;(b)the reasons for the exemption;(c)the amount of tax foregone by the Government; and(d)the benefits to Government, from the exemption.

3.2 Unrealistic Resource Envelope.

The proposed resource envelope is unrealistic. This is demonstrated based on two aspects, i.e. tax revenue or URA collections and debt stock. Based on past performance, it is not feasible that domestic revenues will grow by UGX 3.28 trillion.

Since FY2022/23 is still running, the fiscal trends of FY2018/19 – FY2021/22 can be used to demonstrate the dishonesty in the budget framework paper. Apart from FY2018/19, URA has never surpassed its targets. Secondly, the growth in government expenditures surpasses URA collections. An indication that affirms that Government is a perennial borrower to sustain its superficial existence. This is affirmed in the growth of debt, which is more than double the growth in URA collections as illustrated in table 3 below.

Aspect	FY2018/19	FY2019/20	FY2020/21	FY2021/22
URA Revenue Targets (UGX Billions)	16,358.76	20,344.13	21,638.65	22,363.51
Actual URA Collections (UGX Billions)	16,617.65	16,751.64	19,263.00	21,658.01
Government Expenditure (UGX Billions)	24,267.57	28,853.93	36,269.00	35,027.00
Total Debt (UGX Billions)	46,885.82	57,139.28	70,259.13	78,330.74

Source: Uganda Revenue Authority

Given this unrealistic resource envelope, we propose that, the Auditor General conducts a special audit of the budgeting frameworks used to generate the resource envelope.

3.3 Domestic Refinancing (Roll-over).

Domestic refinancing is projected to increase from 8 trillion to 8.7 trillion this FY 2023/24 representing an increase of UGX 790.9 billion. This is very costly for the country. We believe that, the government cannot continuously borrow to pay domestic loans. The interest payments increase each time borrowing takes place. Currently, the Interest payments for Uganda's debts increased by 1.4 trillion from 4.6 trillion in 2022/23 to 6.1 trillion this financial year 2023/24.

This very high interest payments explains why the country's discretionary resource envelope shrank from UGX 25 trillion to UGX 22 trillion. The UGX 6.1 trillion we are planning to spend on interest payment is enough to cover the proposed budget allocations for 6 out of the 20 programmes in the FY 2023/24, namely: agro-industrialization (Shs 1.4trillion), Mineral Development (Shs 38.5 billion), Sustainable Petroleum Development (Shs 539.2 billion), Manufacturing (UGX 268.4 billion), Tourism Development (89.2 billion), Natural Resources; Environment, Climate

Change, land and Water (546.3 billion) and Digital Transformation (UGX 176.7 billion).

Our proposal is that the country has to come up with a mechanism for reducing the debt burden. Firstly, "a debt fund" may be set up where an agreed sum of money is reserved especially for debt financing. This can be done for a period of five years.

We also propose putting a cap on Government expenditure for a period of say three years, Government must reduce unnecessary expenditure that leads to borrowing. We should also avoid consumptive loans and put emphasis on productive loans for development.

3.4 Road Fund.

The Integrated Transport Infrastructure and Services programme was allocated 4.6 trillion. The committee has added another 1billion shillings to each District as an addition funds to rehabilitate roads in the country. Whereas we consider the funds allocated for roads not enough to repair the dilapidated transport infrastructure in the country, particularly the road network that is in a very sorry state, and causing rising road carnage, we disagree with adding more funds to the Road Fund before operationalizing the Road Fund.

For that matter, we propose the expeditious operationalization of the Road Fund to routinely finance the maintenance of public roads and related infrastructure in the county.

3.5 Mineral Cartels

It has been noted that cartels are holding the government at ransom. Unbelievably, the gold players, due to their high influence, repelled the new tariff that was passed and commenced in FY2021/22. As a consequence, the value of gold imports dropped from USD 2.2 million to zero. This is contrary to ordinary citizens, who have to bear tax increases annually that strain their livelihoods. Unfortunately, they are powerless to resist new tax measures. This is an indication of poor civic empowerment.

Secondly, several minerals are produced and traded in Uganda. Tax revenues, on the other hand, are only traceable for gold. This explains why mineral revenues are never reflected in the resource envelope. Going by precedents, revenues are only included for petroleum. This adversely affects the realization of the Charter of Fiscal Responsibility, particularly the management of mineral revenues.

	FY	FY	FY	FY	FY
Financial Year	**17/18**	**18/19**	**19/20**	**20/21**	**21/22**
Gold Value (USD Millions)	343.31	1,069.11	1,118.38	2,249.73	0.00

Source: Bank of Uganda

A Minerals Fund should be established, as agreed in the Charter for Fiscal Responsibility FY2021/22- FY2025/26, to track and ensure proper management of mineral revenues. Give priority to high value minerals like iron ore and gold which do not require expensive infrastructure investment like oil.

3.6 Bank of Uganda Advances

In September 2022, Parliament was informed of the threat of outstanding Bank of Uganda advances. The government makes a provision for their clearance for the first time. Unfortunately, the UGX 1.2 trillion reflected in the budget framework paper is just a fraction of the huge stock of advances. The advances are partly the cause of the non-observance of the performance criterion on international reserves. This has been aggravated by the amendments to the service level agreement that were made on 18th February 2022. In effect, the amendments widened the mandate of the Bank of Uganda into debt provision, weakening its status as a regulator of government lenders, particularly commercial banks.

Parliament should inquire into the addendum to the service level agreement that was made on 18th February 2022. Additionally, the government should table the payment schedule of the advances.

3.7 National Forestry Authority

In the last 25 years Uganda has lost about 80% of her natural forests. In 1990, the forest cover was estimated at 24% of the total land area. By 2015, it had reduced to 12.4%. Currently, Uganda's forest cover stands at 9%. Sadly, the National Forest Authority (NFA), the agency mandated to sustainably manage Uganda's Central Forest Reserves has not effectively performed its duties. It has continued to give-away parts of forest land to private planters for profit gain under the guise of forest restoration, and hence destroying nature. For instance, NFA endorsed the give away of part of Bugoma forest to Hoima Sugar Limited and MZ Agencies for sugar cane growing. Soldiers and land dealers are the dominant title holders in forest reserves. For instance, titles have been acquired by private people in Kajjansi Forest Reserve, Kitubulu, Kyewaga, Kajjansi and Mugomba forest reserves. There is massive illegal logging in Zoka forest in Northern Uganda, Mabira, Budongo, Nawandigi forest among others.

We strongly disaagree with allocating any funds to National Forestry Authority(NFA) which has consistently failed to execute its mandate to preserve our forest cover.

3.8 Rationalization of Agencies.

The proposal to rationalize was intended to eliminate duplications, overlaps, and wasteful expenditures. The process of rationalisation began in February 2021 and is supposed to be implemented this year, by 1st July 2023.Surprisingly, the BFP 2023/24, didn't reflect this arrangement. Instead, agencies that were supposed to be merged presented separate budget proposals. For instance, the Equal Opportunities Commission and the Uganda Human Rights Commission needed to share one budget. Uganda Nurses and Midwifery Examinations Board, Uganda Allied Health Examinations Board, and Uganda Technical and Business Examinations Board were earmarked for merging and placed under the Ministry of Education and Sports, but each defended their budgets in contravention of the policy proposal.

For avoidance of further* duplications, overlaps, and wasteful expenditures in government Agencies, *we propose an expeditious conclusion to the rationalization process. And therefore recommend that a special Audit be instituted to investigate the conduct of the NFA

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

I BEG TO SUBMIT

MEMBERS ON THE COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT WHO SIGNED THE MINORITY REPORT ON THE NATIONAL BUDGET FRAMEWORK PAPER FY 2023/24-2027/28.

S/N	NAME	Signature
1.	Muwanga Kivumbi Muhammad	[signature]
2.	Namugga Gorreth	[signature]
3	Dr Bayigga Michael Lulume	[signature]