



PARLIAMENT OF UGANDA

**REPORT OF THE COMMITTEE ON BUDGET ON THE ANNUAL BUDGET
PERFORMANCE AND THE ANNUAL MACROECONOMIC AND FISCAL
PERFORMANCE FOR FY2021/22**

January 2023

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LIST OF ACRYNOMS

NBFP	National Budget Framework Paper
CFR	Charter of Fiscal responsibility
FY	Financial Years
GOU	Government of Uganda
GDP	Gross Domestic Product
ICT	Information and Communication Technology
IMF	International Monetary Fund
MTEF	Medium term Expenditure Framework
MDA	Ministries Department and Agencies
MFPED	Ministry of Finance, Planning and Economic Development
NDP	National Development Plan
NPA	National Planning Authority
NPV	Net Present Value
NTR	Non Tax Revenue
PBO	Parliamentary Budget Office
PBB	Programme Based Budgeting
PFMA	Public Finance and Management Act
VAT	Value Added Tax
DRMS	Domestic Revenue Mobilisation Strategy
PS/ST	Permanent Secretary/Secretary to Treasury
MSMEs	Micro, Small & Medium Enterprises
EAMU	East African Community Monetary Union

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EXECUTIVE SUMMARY

Rt. Hon. Speaker, and Hon. Members.

Pursuant to Section 18 of the Public Finance Management Act (PFMA) 2015, the Minister of Finance, Planning & Economic Development presented to Parliament the Annual Budget Performance Report FY2021/22 on the 29th of September 2022 and the Annual Macroeconomic and Fiscal Performance Report for FY2021/22 on the 31st of October 2022. The two reports were referred to the Committee on Budget pursuant to Rule 173(3)(h) of the Rules of Procedure.

1.0 ECONOMIC AND FISCAL STRATEGY, FY2021/22

Hon. Members, Government's economic and fiscal strategy in the FY 2021/22 were hinged on policy interventions that would sustain economic recovery from the socioeconomic setbacks caused by the COVID-19 pandemic as well as the development objectives set out in the third National Development Plan (NDP III).

Economy: The size of Uganda's economy expanded to US\$ 162.7 trillion in FY 2021/22 from US\$ 148.3 trillion in FY 2020/21 representing a growth rate of 4.7 percent in real terms, from 3.5 percent the previous financial year. This improvement in economic activity was higher than the targeted growth rate of 4.3% and was mainly credited to the full re-opening of the economy in January 2022, following the Covid-19 pandemic lock down measures.

All three sectors of the economy registered growth in FY 2021/22, with a strong recovery in the industry and services sectors. The services sector was still the largest contributor to GDP (41.5 percent), followed by industry (26.8 percent), and the agriculture, forestry, and fishing sector (24.1 percent).

Inflation: Headline inflation remained modest in the first half of the fiscal year but soared in the second half, averaging 3.4 percent for the fiscal year, up from 2.5 percent in FY 2020/21. Core inflation declined to an average of 3.2 percent in FY2021/22, from 3.5 percent the previous year, remaining within the Central bank's 5 percent target but higher than targeted 3.0% in the FY2021/22.

Trade Balance: The merchandise trade deficit widened further during the period under review as the exports fell faster than imports. Export receipts declined by 27.3 percent, following a decline in maize and tobacco exports albeit robust growth in coffee earnings; whereas the import bill fell by 14.3 percent. The merchandise trade deficit was recorded at US\$ 3,300 million in FY 2021/22, higher than the deficit of US\$ 3,045.4 million recorded a year ago. Asia surpassed the EAC as Uganda's major trading partner in FY 2021/22, with total trade of US\$ 3,489.3 million, up from US\$ 3,299.4 million in FY

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2020/21. The European Union, the Middle East, and the Rest of Africa followed in that order.

Foreign Direct Investments & Remittances: Following the final investment decision in the oil and gas sector, foreign direct investment inflows increased by 32.4 percent to US\$ 1,218.39 million from US\$ 920.03 million in FY 2020/21. Remittances from Ugandans living abroad totaled US\$ 1,133.94 million, down from US\$ 1,154.26 million the previous year, due in part to lower employment levels in migrant hosting countries.

International reserves: At the end of June 2022, the stock of international reserves stood at US\$ 4,117.2 million. This was equivalent to 4.5 months of imports of goods and services. This reserve cover was lower than the 4.9 months of import cover recorded at the same time, the previous year.

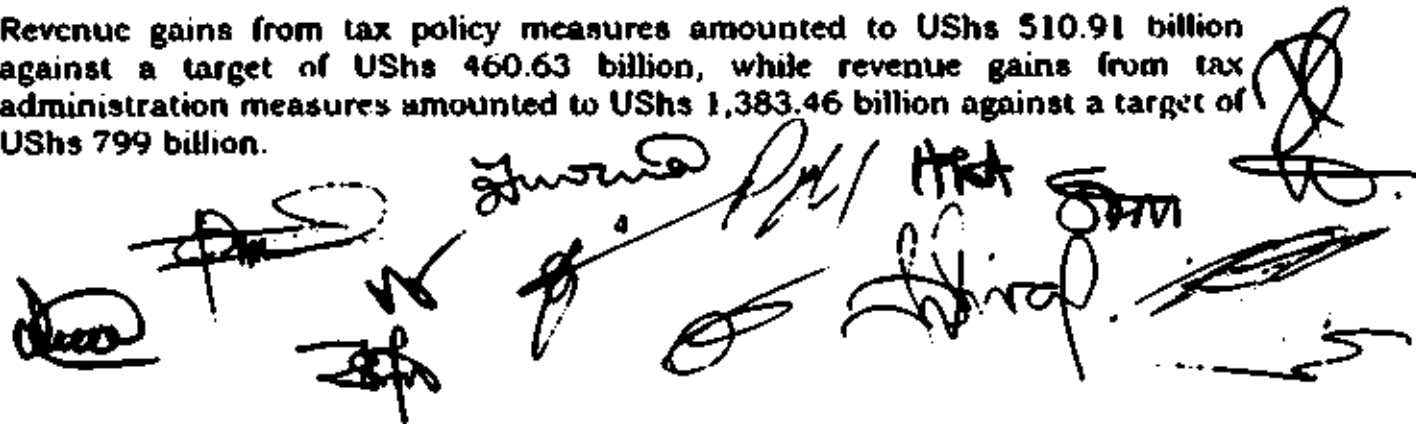
Overall fiscal balance: The overall fiscal balance in FY2021/22 was a deficit of US\$ 11,973 billion representing 7.4 percent of GDP, a deficit higher than the 6.4 percent of GDP target at the time of the budget and the CFR. The fiscal deficit was largely financed from borrowing from the domestic market which is generally non-concessional borrowing and contrarily to Governments debt strategy. It is also worth noting that external financing disbursements amounted to US\$ 6,539 billion against a target of US\$ 9,027 billion, representing a performance of 72.4% or less by US\$ 2,487.6 billion.

Hon. Members, a fiscal deficit largely financed by domestic borrowing has a huge implication on the cost of doing business, due to its effects of crowding out of the private sector in the credit market and consequently leading to high interest rates or high cost of capital.

It is well known that one of the bottlenecks to the development of the private sector is the limited access to credit and high cost of capital. The credit available to the private sector is characterized by high lending interest rates, which has constrained the sustainable development of the Micro, Small & Medium Enterprises (MSMEs) in Uganda.

Revenue Collections: Cumulative revenue collections (i.e. Tax and NTR) for the FY 2021/22 amounted to US\$ 21,831.8 billion against a target of US\$ 22,425.35 billion, registering a deficit of US\$ 594.19 billion (of which NTR deficit was US\$ 142.9 billion). This represents a 13.5% revenue to GDP ratio against a target of 13.8% as per the CFR. In regards to a year on year comparison, revenue to GDP has grown by only 0.1% against the DRMS annual growth target of 0.7% (i.e. 0.5% tax revenue and 0.2% NTR).

Revenue gains from tax policy measures amounted to US\$ 510.91 billion against a target of US\$ 460.63 billion, while revenue gains from tax administration measures amounted to US\$ 1,383.46 billion against a target of US\$ 799 billion.



Tax Expenditure: During the FY201/22 the value of revenue foregone from tax expenditures was estimated to amount to US\$ 2,487.5 billion or 1.56% of GDP and 12.2% of total tax collected. Compared to previous period of FY 2020/21 tax expenditures grew by 15%. The largest share of revenue foregone was from VAT at 47%, amounting to US\$ 1,160.85 billion, which was 0.73% of GDP.

Hon. Members, revenue yields remain below its potential (estimated at between 22% and 26% of GDP by Langford & Ohlenburg, (2016); with revenue-to-GDP ratio of 13.5% in FY 2021/22 is still behind the regional peers. While estimates from a number of studies may be over optimistic, they indicate that Uganda's existing tax policy and administration have leakages.

Addressing areas of weakness in tax policy might bring some immediate gains. However, increasing tax revenues is not simply a case of adding new taxes or increasing rates, especially if the increases are to be sustainable and fair.

The DRMS highlights a number of areas where tax policy can be refined and improved but some constraints appear most urgent given the current government expenditure pressures. They include:

- The wide range of exemptions and deductions granted to investors, resulting in low corporate income tax yield and low effective tax rates. Poor monitoring of tax expenditures and limited linkage to specific economic development and welfare objectives has rendered such incentives overly generous. Overall, these incentives result in substantial amounts of lost revenue, estimated to be 1.56% of GDP in FY 2021/22, yet their effectiveness in attracting new, productive investment is not explicit. For instance, James & Sebastian (2014) found that 93% of investors would have taken their activities in Uganda even if tax incentives had not been provided.
- Frequent, ad hoc adjustments have created an unstable and unpredictable policy environment. DRMS acknowledges the fact that Uganda's tax policy is reactive to short term pressures, with little alignment to a clear, overarching strategy. Frequent, piecemeal changes entail high compliance adjustment costs for the tax payer, eroding confidence. In addition the level of analysis and consultation undertaken in the course of policy development is often insufficient and rarely focused on the revenue impact of a proposal, without understanding the whole spectrum of economic, distributional, social and welfare effects.
- Limited consultations on tax policy issues. The narrow focus is compounded by limited dialogue with the private sector and other stakeholders and insufficient recognition of the range of interfaces that businesses have with the tax system. As a consequence, tax policy is not always in alignment with wider government objectives, and too little

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attention is paid to ensuring that taxation does not hamper the growth of firms.

Debt Sustainability: The stock of public debt increased from US\$ 19.34 billion (US\$ 69,512 billion) in June 2021 to US\$ 20.98 billion (US\$ 78,799 billion) in June 2022. As a share of GDP, public debt increased from 46.9 percent to 48.4 percent over the same period, performing within the thresholds of the Charter for Fiscal Responsibility and the convergence criteria of the East African Community Monetary Union (EAMU) portal. The increase in debt over the past few years, exacerbated by the COVID-19 pandemic, has resulted in the deterioration of the risk of debt distress from low to moderate.

In regards to debt service indicators (liquidity indicators); domestic interest payments to total revenues amounted to 22.7% in the FY2021/22 from 20.1% in the FY2020/21; against the CFR target of 15.2% in the FY2021/22. These developments indicate that the target of 12.5% by FY2025/25 as per the CFR will may not be achieved and the ability for Government to meet its obligations as and when they fall due is steadily deteriorating.

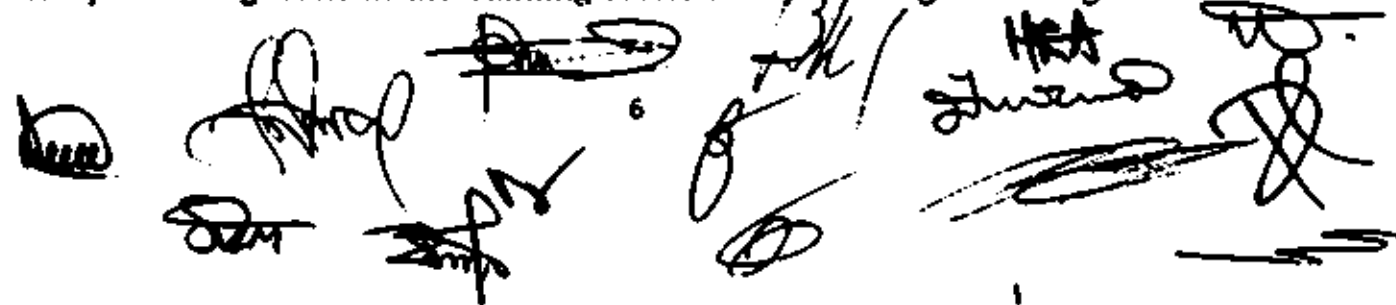
According to the CFR, to ensure Uganda's total public debt exposure remains sustainable, the nominal publicly guaranteed debt to GDP should be maintained below 5%. However, the current status of Publically Guaranteed debt to GDP has not been provided.

Government has projected debt to remain sustainable over the medium to long term, underpinned by higher revenues following the implementation of the Domestic Revenue Mobilisation Strategy (DRMS), as well as the onset of oil production.

It is worth noting that the key objective of the DRMS is to increase revenue as a share of GDP by 0.7% annually and this has not currently been achieved. In addition, the risk to debt distress was found to deteriorate to moderate due to risks mostly attributed to shocks to the country's exports. However, exports declined by 27% in the FY2021/22 compared to the previous FY

In the FY2021/22 Government programmed to borrow US\$ 3,142 billion (a target of 1.5% of GDP) from the domestic market to finance its deficit, however US\$ 5,586 (equivalent to 3.4% as share of GDP) was actually borrowed from the domestic market; representing 177.8% performance or US\$ 2,443.3 over and above its targets.

As a result of this surge in domestic borrowing, yields on treasury instruments edged upwards and consequently this could have sustained the high lending rates due to crowding out the private sector. It is also worth noting that the non-performing loans in the banking sector as a percentage of total gross loans

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amounted to 5.32 percent in FY 2021/22, compared to 4.79 percent registered the previous financial year

2.0 BUDGET PRIORITIES/INTERVENTIONS, FY2021/22

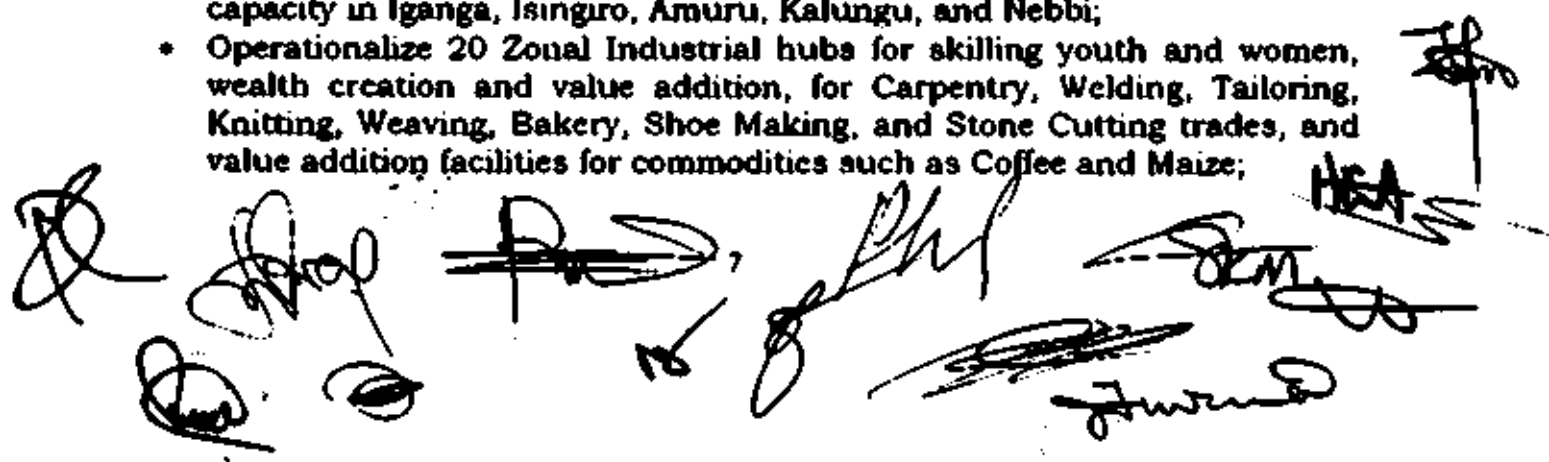
The budget for the Financial Year 2021/22, was premised on the theme "Industrialisation for Inclusive Growth, Employment and Wealth Creation".

The priority interventions to boost businesses were:

- Increase access to affordable medium-to-long term capital through Capitalisation of Uganda Development Bank with an additional Shs. 103 billion;
- In order to continue targeting funding for agriculture, women and youth group projects, the Agricultural Credit Facility (ACF) at the Bank of Uganda, the Emyooga programme through the Micro Finance Support Centre (MSC) and the Uganda Women Entrepreneurship and Youth Funds were to be enhanced.
- To further support advancement in scientific research and innovation, the construction of the National Automotive Park was to commence in the FY2021/22. Feasibility studies for Regional Science and Technology Parks and Technology and Business Incubators were planned to be carried out in the FY2021/22.
- In order to promote investment, foreign and domestic direct investment were to be facilitated. To this end, 23 regional Industrial Business Parks across the country, were to be established, among others.

The priority interventions to enhance agro-industrialization were:

- Enable the production of the 14 key commodities under the Parish Development Model, including maize, cassava, banana, beans, Irish potato, sweet potato, millet, sugar cane, cattle (beef), dairy, coffee, tea, cocoa and fish;
- Multiply fish, poultry and crop technologies developed by National Agricultural Research Organisation (NARO) and improved breeding stock by National Animal Resources Centre and Databank (NAGRC&DB) to be replicated across the country using the Parish Development Model;
- Build parish and sub-county centres and district regional warehouse storage capacity with adequate equipment to address post-harvest losses and ensure standards are maintained.
- Develop agro-industries such as the Luweero Fruit Factory, and the masterplan for the Zombo Fruit Factory;
- Complete construction of storage facilities of 42,000 Metric Tonnes capacity in Iganga, Isingiro, Amuru, Kalungu, and Nebbi;
- Operationalize 20 Zonal Industrial hubs for skilling youth and women, wealth creation and value addition, for Carpentry, Welding, Tailoring, Knitting, Weaving, Bakery, Shoe Making, and Stone Cutting trades, and value addition facilities for commodities such as Coffee and Maize;



- Construct 2 storage facilities in Bunyangabu and Katakwi; 6 milk collecting centres in Kyenjojo, Gomba, Nakaseke, Kumi and Kibuku; 12 food processing plants and 18 Value addition facilities across the country;
- Provide affordable long term agricultural financing and insurance to de-risk entrepreneurs at all levels of the Commodity Value Chain;
- Operationalize a 1,000 metric ton Grain processing plant and a 150 kg per hour Peanut butter plant in Soroti; a 3,000 metric ton Maize processing plant in Busia, and a 500metric Tonne Multigrain Processing Plant and Feed mill in Arua; and
- Establish the Kabarole Agro-Industrial Park, two (2) Regional Value Addition Incubation Centres (RVAICs) in Kasese and Gulu; and two (2) Regional Farm Service Centres (RFSCs) in Gulu and Kabarole.

The priority interventions in the mining industry were:

- Complete the airborne geophysical surveys of the remaining 20% in the Karamoja sub-region;
- Finalise the mining law and enhance Public Private Partnership (PPP) arrangements to develop minerals, starting with iron ore in Western Uganda, restoration of the Katwe Salt Factory;
- Explore all the geothermal resources to quantify the geothermal potential of the country and promote the development of Kibiro, Katwe, Buranga and Panyimur geothermal prospects

The priority interventions in the oil and gas industry were:

- Signing of the of agreements between Uganda, Tanzania and the International Oil Companies (IOCs) for the East African Crude Oil Pipeline (EACOP);
- Enacting of legislation for the East African Crude Oil Pipeline (EACOP Bill);
- Commencement of the second licensing round of exploration areas in order to enable discovery for additional petroleum reserves;

The priority interventions in transport infrastructure were:

- Upgrade of 400 kilometres equivalent of national roads from gravel to tarmac, including the construction of 37 new bridges on national roads;
- Rehabilitation of 200km equivalent of national roads and 400km of Community Access Roads, and the maintenance of national and District Urban and Community Access (DUCAR) road network;
- Rehabilitation, procurement of ferries and construction of selected landing sites including the Laropi, Obongi and Kyoga ferries; and the Bukuungu-Kagwara-Kaberaimaido landing sites;
- Acquire right-of-way for the Standard Gauge Railway (SGR); rehabilitate Tororo - Gulu Metre Gauge Railway; and of the Kampala-Malaba Metre Gauge railway line; and complete the Gulu Logistic Hub.

The priority interventions in regards to enhancing digital transformation were:

- Extension of broadband ICT infrastructure up to the sub-county level;
- Expanding the Digital Terrestrial Television and Radio Broadcasting network to facilitate tele-education for learners;
- Facilitating the development of software solutions to support e-Government, e-Commerce and e-Payment, among others.

The priority interventions in regards to improving health services were:

- Upgrade Forty-three (43) health facilities and construct new Health Centre III's in sixty (60) sub-counties. To ensure functionality, the recruitment of additional staff for each of the upgraded health facility was planned;
- Completion of construction and equipping of the Uganda Heart Institute at Mulago and establishment of the Regional Oncology and Diagnostic Centre in Gulu, Arua, Mbale and Mbarara;
- To ensure adequate supply and delivery of essential medicines and health supplies. The National Medical Stores budget was increased from Shs. 420.3 billion in the FY2020/21 to Shs.600.3 billion in the FY2021/22.

The priority interventions in regards to enhancing access to education were:

- Recruitment of 4,200 primary school teachers to raise the national staffing level to 70%. In addition, 1,055 secondary teachers will be recruited in local governments with staffing level below 50% of the establishment;
- To improve supervision, 440 inspectors were to be recruited across all local governments;
- To address learner, teacher and school management absenteeism, the Integrated Inspection System (electronic inspection) was to be rolled out throughout the country;
- Rehabilitation of 74 primary and 13 traditional secondary schools was planned to be undertaken;
- Construction of 36 partially completed schools, for example Morungatunyi secondary school, was to be completed;
- Construction of 7 skills development institutions like the Arua School of Nursing was to be completed in the FY2021/22.

The priority interventions in regards enhancing access to safe water and sanitation were:

- Ensure that every village in underserved districts has at least one safe water source, as well as promote improved sanitation.

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It is worth noting that the target is to increase the coverage of safe water supply in rural areas to 81% and to 100% in urban areas by 2025.

The Annual Budget Performance Report, 2021/22 and table 15 of this report provide some details of extent of achievements of some of the priority interventions highlighted above.

Recurrent Expenditure: Total wage releases amounted to Ushs. 5,692.01 billion (102.9%) of the Approved Budget with an absorption rate of 96.9%. Non-wage recurrent releases amounted to UShs. 10,307.05 billion, representing 117.9% of the approved budget with absorption rate of 96.5%.

Development Expenditure: Releases for the domestic development expenditures amounted to Ushs. 7,966.72 billion, representing 99.6% of the approved budget and an absorption rate of 98.5%. However, externally financed development expenditure underperformed. The Budget for External Financing amounted to Ushs 6,868.25 billion. Of this amount, Ushs 4,785.65 was disbursed which was 69.7 % of the Approved Budget. Out of the funds which were disbursed, Ushs 3,338.45 billion was spent representing an absorption rate of 69.8%.

The absorption rate of externally financed projects has improved from 63% in the FY202/21 to 69.8% in the FY2021/22. However, externally financed projects continues to experience low disbursements of funds on account of low absorption of funds caused by the slow execution of projects even with the reforms under the Public Investment Management Strategy (PIMS). This has compromised the timely realization of public investment dividend.

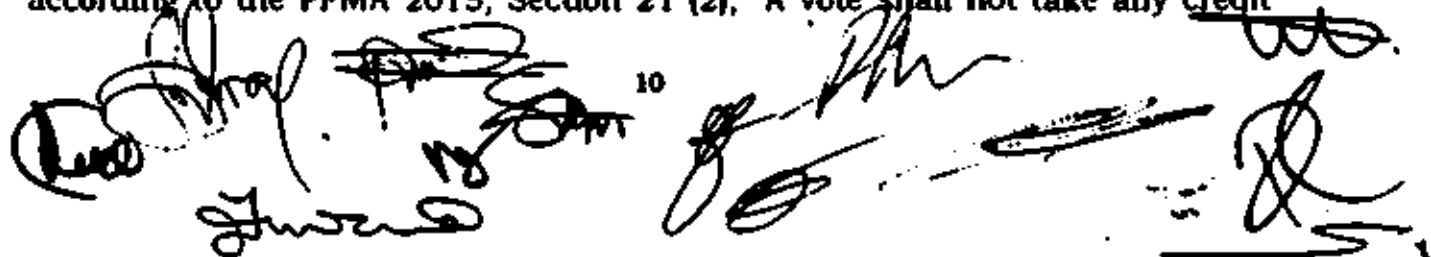
Domestic Arrears: Domestic arrears repayment performed at 151% in FY 2021/22. Total outturn was UShs 606 billion out of the planned UShs 400 billion. However, according to the Auditor General, domestic arrears increased by 21% from UShs 3.83 trillion in 2020 to UShs 4.65 trillion in 2021.

Over the years, the accumulation of domestic arrears has become a persistent problem in Uganda. In the past several interventions have been implemented. However, the amount of arrears has continued to increase almost eight times since FY 2006/2007. The escalation in the arrears stock

The continued accumulation of domestic arrears signifies the lack of fiscal discipline, poor financial management and leadership, and weak system controls. The economic implications are also great. The consequences are far reaching in that it impacts the operations of small and medium sized businesses, resulting in higher cost of doing business.

Hon. Members, accumulation of domestic arrears is prohibited by law and according to the PPMA 2015, Section 21 (2), "A vote shall not take any credit

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from any local company or body unless it has no unpaid domestic arrears from a debt in a previous financial year; and it has capacity to pay for the expenditure from the approved estimates as appropriated by Parliament for that financial year".

In 2021, Government developed a Strategy to clear and Prevent Domestic Arrears with specific measures that include:

- Compilation of the stock of domestic arrears and establishing a baseline of valid arrear;
- Accounting officers who subsequently accumulate arrears will be subject to sanctions allowable by Sections 79 and 80 of the PFMA, 2015 (as applicable) and subject to termination or not be reappointed;
- Establishment of a Database and a payment plan;
- Establishment of an Oversight Team;
- Enforce Accountability and ensure Budget Realism;
- Improve Financial System Control;
- Improve Organizational Budget Planning

Virement: According to Section 22 of the PPMA, the Minister of Finance may, upon request by an Accounting Officer, vary within a vote, the amount of the money allocated to the vote. However, the virement made should not: (a) be more than ten percent of the money allocated for an item or an activity of a vote where the virement is from one item or activity to another; (b) be contentious; or (c) result into a future liability for the vote or the Government.

In FY 2021/22, preliminary data indicate US\$ 728 billion was vired throughout the year. The complete report on virement is provided in the Annual Budget Performance Report. Virements were observed in forty votes. Most notable amongst these virements was the reallocation of US\$ 11.1 billion from various items under the Ministry of Energy and Mineral Development for the purpose of deemed energy obligations under the Achwa Agago power dam.

Petroleum Fund: The Financial Year opened with US\$ 119.1 billion in the shilling denominated account and US\$ 30.9 million in the dollar denominated account of the petroleum fund. Inflows into the account amounted to US\$ 82.2 billion in the shilling account while there were no deposits in the dollar account. The sources of the revenue were income and withholding taxes, surface rentals and educational/instructional related levies. A combined total of US\$ 200 billion was drawdown from the US\$ account and the shilling account to finance activities as appropriated in the budget for the FY 2021/22. The closing balance as of 30th June 2022, was US\$ 90 billion on the shilling account and US\$ 5.4 million on the dollar account.

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Performance of NDP III Core projects: Core/flagship projects are high multiplier projects with significant impact to realization of the NDP III results and therefore it is important to highlight their financial performance in FY 2021/22.

Overall, the government funded components of core projects performed generally well. US\$ 536.3 billion was released out of an approved budget of US\$ 458.2 billion for core projects indicating 117% release performance and an absorption performance was 100%.

However, releases in relation to externally financed core projects performed at 42% and absorption was 78%. Out of an approved budget of US\$ 1,288.5 billion, US\$ 538.5 billion was released.

Low releases were registered under several core projects under both external and GoU financing while some projects had no releases at all.

Slow implementation of core projects will adversely affect growth and job creation and undermining Vision 2040. This implies that the envisaged high multiplier effect of core projects on NDP III results will not be realized.

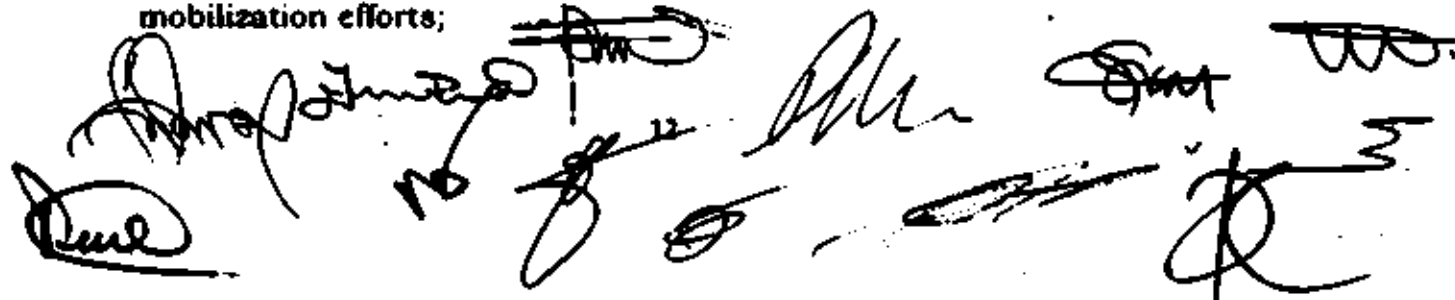
Absorption of funds to projects has continued to be a challenge and this undermines the development agenda of the Country. This 'poor' budget execution in projects is mainly as a result of challenges in project executions that result in delays in disbursement of funds from development partners.

The Committee recommends that Government should improve project selection, design, appraisal and analysis before the project is approved and sanctioned for funding.

3.0 COMMITTEE RECOMMENDATIONS

Resource Mobilization:

- Establish clear policy guidelines for the issuance, management, and monitoring of the different tax exemptions and incentives
- Fast track the review of DRMS in view of the current economic challenges (Covid-19) and develops an effective Implementation Action Plan for the effective operationalization of the DRMS; this should include establishing policies to formalize the informal sector.
- Develop a National Tax Policy that would form the basis for effective tax legislation and tax administration as currently there is none.
- Implement a coordinated approach to revenue mobilization across Government Ministries, Departments and Agencies to improve revenue mobilization efforts;

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- Undertake a studies and develop a monitoring framework on the effectiveness of tax exemptions in Uganda
- Domestic revenue mobilisation interventions should be strengthened as Government aggressively seeks external funding from development partners. In addition, it will be necessary to put planning and budgeting on a more fiscally realistic path due to the current global economic challenges.

Charter of Fiscal Responsibility:

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

NDPIII Core Projects:

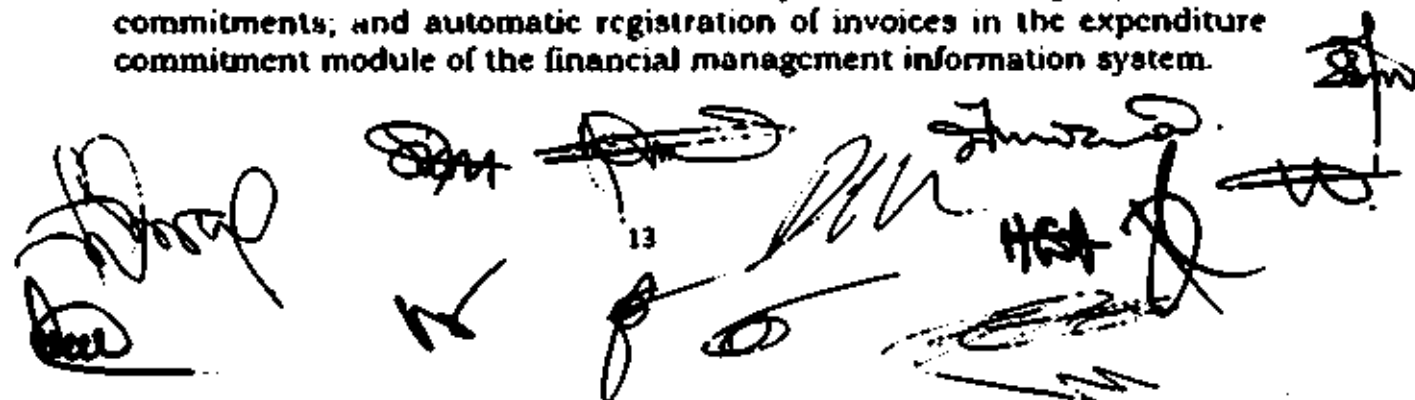
- There is need to review the NDPIII core projects with a view of financing and implementation of these projects so as to realize the NDP III goals.

Public Debt:

- There is need for Government to focus on keeping public debt on a sustainable path while improving the composition of spending to create fiscal space to finance private investment, foster growth and reduce poverty.
- Fiscal consolidation, appropriately based on both revenue and expenditure measures should seek to stabilize the public debt ratio. Prudent debt management is important to reduce vulnerabilities, particularly given Uganda's moderate risk of debt distress ratings. Every effort should continue to be made to seek concessional financing while reducing reliance on domestic financing to alleviate crowding out private sector financing.
- In addition, Government should significantly reduce on non-concessional financing unless the beneficiary projects' rate of return exceeds its cost.
- Efforts to boost exports should be prioritized as a means minimizing on vulnerabilities to debt sustainability.

Domestic Arrears:

- In order to overcome growing domestic arrears, Government should strengthen the commitment controls by instituting penalties on individuals who commit government on unauthorized expenditures; automatic confirmation of fund availability before incurring expenditure commitments; and automatic registration of invoices in the expenditure commitment module of the financial management information system.



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Improving performance of externally financed projects:

- Effectively implement Government's project selection criteria, which will ensure that only 'ready' projects are selected from the pipeline of bankable projects in the Integrated Bank of Projects for inclusion in the annual PIP and budget. The selection criteria should ensure among others, that projects have met all readiness conditions such as acquisition of right of way, availability of fiscal space to take on new interventions, ranks the financial and economic benefits of projects to the entire economy among others.
- Public projects whose implementation is off track should be reviewed and refocused to achieve their intended objectives. In addition projects should be vigorously evaluated at all levels through the PIMS framework. Only appraised projects should be admitted to the Public Investment Plan.
- An accommodative monetary policy stance should be maintained in order to revitalize business activities;
- To scale up the provision of affordable long term financing by development finance institutions like UDB or other government banks (c.g. Post bank, Pride Micro finance);
- Promote Foreign Direct Investment (FDI) through well-developed industrial parks;

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1.0 INTRODUCTION

Rt. Hon. Speaker, and Hon. Members,

Pursuant to Section 18 of the Public Finance Management Act (PPMA) 2015, the Minister of Finance, Planning & Economic Development presented to Parliament the Annual Budget Performance Report FY2021 on the 29th of September 2022 and the Annual Macroeconomic and Fiscal Performance Report on the 3rd of November 2022. And the two reports were referred to the Committee on Budget for scrutiny.

Pursuant to Rule 173(3)(b) of the Rules of Procedure of Parliament of Uganda the Committee on Budget is mandated to review and advise Parliament on the reports submitted by the Minister to Parliament on the fiscal performance and the economy as provided for under Section 18 of the Public Finance Management Act, 2015.

In fulfillment of the above legal provisions, the Committee carried out a scrutiny of the above reports and now reports.

1.1 METHODOLOGY

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

Key Documents Examined:

- The Third National Development Plan (NDP III), FY2020/21-FY2024/25;
- The Public Finance Management Act, 2015 (as amended);
- The Annual Budget Performance Report for FY2021/22
- The Annual Macroeconomic & Fiscal Performance Report for FY2021/22
- Parliamentary Committee Reports;
- National Budget Framework Paper FY 2022/23-FY 2026/27;
- Approved Annual Budget Estimates FY2022/23
- The Approved Charter of Fiscal Responsibility for FY2022/23-FY2025/26

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Stakeholders Consulted:

Ministry of Finance, Planning and Economic Development (MFPED)

2.0 FISCAL & BUDGET PERFORMANCE FOR FY 2021/22

2.1 Fiscal Outturn for FY2021/22

Due to the unforeseen expenditure as a result of the COVID-19 pandemic, fiscal operations during the year were constrained by revenue shortfalls and supplementary expenditures that resulted into additional borrowing and reallocation within the budget. The overall fiscal balance was a deficit of UGX 11,973 billion, equivalent to 7.4 percent of GDP and this was higher than the 6.4 percent of GDP projected at budget time and further deviation from the Charter.

Table 1 below highlights a summary of the Fiscal operations for FY2021/22 and outturn for FY2020/21. During the Financial Year 2021/22 UGX 22,993 billion was realized in Revenue and Grants against a target of UGX 23,850 billion hence a shortfall of UGX 857.2 billion. Expenditure amounting to UGX 34,967 billion was utilized against a target of UGX 34,233 billion. Recurrent expenditure was UGX 21,324 billion against a target of UGX 18,967 billion and development expenditure was UGX 12,785 billion against a target of UGX 14,755 billion. This resulted in a fiscal deficit of UGX 11,973 billion, equivalent to 7.4 percent of GDP an increase of 1 percent from the target of 6.4 percent.

The Committee recommends that there is need for fiscal consolidation by government through reducing unnecessary recurrent expenditure, government should expedite the rationalization of MDAs in order to tame the rise in the wage bill and grow development expenditure in order to increase revenues, restore public finances and maintain market confidence.

Table 1: Fiscal Operations for FY2021/22 (UGX Bn.)

UGX Billion	Outturn FY2020/21	Budget FY2021/22	Outturn FY2021/22
Revenue and Grants	21,239	23,850.00	22,993.00
Revenues	19,639	22,425.00	21,831.00
Tax Revenue	18,337	20,877.00	20,426.00
Non-tax revenue	1,301	1,548.00	1,405.00
Oil Revenue	141	.	.

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due to increased recurrent expenditure against planned by 12.4 percent; however development expenditure underperformed at only 68.7 percent.

2.3 Fiscal Deficit Financing

The fiscal deficit in the Financial Year 2021/22 was financed through borrowing from the domestic market, external market and development partners. From external sources, a total of UGX 6,539 billion was disbursed against a target of UGX 9,027 billion out of which UGX 2,475 billion was general budget support and UGX 4,064 billion was tied to specific projects.

As at June 2022, the stock of public debt stood at UGX 78,799 billion up from UGX 69,512 billion as at June 2021. As a share of GDP, public debt increased from 47 percent to 48.4 percent as of June 2022 and it is further projected to increase to 53.1 percent in June 2023 before reducing to below 50 percent in the medium term.

2.4 Compliance with the Charter for Fiscal Responsibility

In FY2021/22, nominal debt was 48.4 percent within the target of 52.7 percent as per the CFR and within the CFR objective one of reducing debt to GDP ratio below 50 percent. Fiscal balance was 7.4 percent with a 1 percentage point increase compared to the target of 6.4 percent as per the CFR with an objective of reducing it to 3 percent within the medium term. In the CFR, the goal for non-oil revenue as a percentage of GDP was 13.8 percent however only 13.5 percent was realized by June 2022.

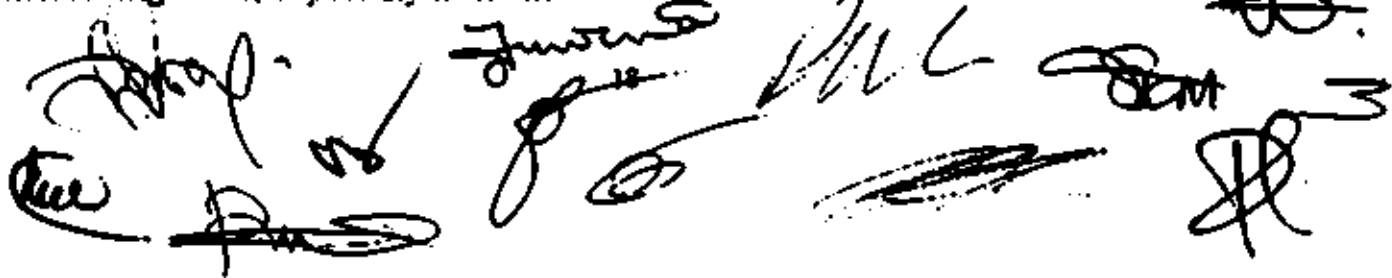
3.0 PERFORMANCE OF REVENUE FOR FY 2021/22

3.1 Introduction

Over the past decade, Uganda has seen annual increases in the revenue to GDP ratio, averaging 0.3 percentage points. However, revenue yields remain below its potential (estimated at between 22% and 26% of GDP by Langford & Ohlenburg, (2016); with revenue-to-GDP ratio of 13.5% in FY 2021/22 behind the regional peers. While estimates from a number of studies may be over optimistic, they indicate that Uganda's existing tax policy and administration have leakages.

Collection of taxes in an economy like Uganda is difficult, since it is made up of many small enterprises and subsistence agriculture, while non-farm, formal sector wages comprise a small share of total national income. This makes the potential tax base for traditional value added and income taxes relatively narrow.

Addressing areas of weakness in tax policy might bring some immediate gains. However, increasing tax revenues is not simply a case of adding new taxes or increasing rates, especially if the increases are to be sustainable and fair.

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Government's objective in FY 2021/22 was to increase revenue by 0.5 percentage points of GDP, consistent with Government targets envisaged in the Domestic Revenue Mobilization Strategy (DRMS) and the National Development Plan III. Furthermore, the Revenue Strategy for FY 2021/22 was premised on the need and potential to generate sufficient domestic revenues to deliver essential public goods and services.

Over FY 2021/22, Uganda's tax- to- GDP ratio increased by 0.45 percentage points from 12.4% in FY 2020/21 to 12.8% in FY 2021/22. This remained on course in the implementation of the Domestic Revenue Mobilization Strategy (DRMS) and the National Development Plan III. This also points towards the start of the recovery from the effects of COVID-19 pandemic, which slowed down economic activity starting in FY 2019/20 under some tax heads. Despite this progress, the country registered a shortfall of UGX 451 billion, relative to the approved targets during the FY 2021/22.

As noted above the overall yield from taxes is lower than expected and below the level required to finance government expenditure. The DRMS highlights a number of areas where tax policy can be refined and improved but 3 Constraints appear most urgent given the current government pressures. They include

i) The wide range of exemptions and deductions granted to investors, resulting in low corporate income tax yield and low effective tax rates. Poor monitoring of tax expenditures and limited linkage to specific economic development and welfare objectives has rendered such incentives overly generous. Overall, these incentives result in substantial amounts of lost revenue, estimated to be 1.56% of GDP in FY 2021/22, yet their effectiveness in attracting new, productive investment is questionable. For instance, James& Sebastian (2014) found that 93% of investors would have taken their activities in Uganda even if tax incentives had not been provided.

ii) Frequent, ad hoc adjustments have created an unstable and unpredictable policy environment. DRMS acknowledges the fact that Uganda's tax policy is reactive to short term pressures, with little alignment to a clear, overarching strategy. Frequent, piecemeal changes entail high compliance adjustment costs for the tax payer, eroding confidence. In addition the level of analysis and consultation undertaken in the course of policy development is often insufficient and rarely focused on the revenue impact of a proposal, without understanding the whole spectrum of economic, distributional, social and welfare effects.

iii) Leakages in the VAT system. VAT accounts for one - third of Uganda's tax revenue, however, certain exemptions are insufficient in their scope and poorly targeted, making the system a relatively more regressive fiscal instrument. Studies have shown that direct transfers have shown to be more efficient and

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better targeted redistributive tools than exemptions (Harris et al, 2018). A study on VAT returns data indicated that misreporting by firms costs government at least US\$ 383 million in uncollected revenue between 2013-2016 (Almunia et.al, 2020). These losses are in part due to inefficient compliance management, particularly inadequate analysis of tax payer information and limited use of available data to reconcile returns.

iv) Balancing the competing objectives of import substitution, export promotion, and revenue generation is difficult. Studies have indicated that if import interruptions to the same degree as found at the outset of the COVID-19 pandemic had continued, 6.6% of formal firms would have closed, reducing formal employment by 4.7% (Spray& Rauschendorfer, 2020). These results suggest that pursuing protectionism without considering knock-on effects risks harming the private sector, reducing firm profitability and formal employment, and rising consumer prices.

v) limited consultations on tax policy issues. The narrow focus is compounded by limited dialogue with the private sector and other stakeholders and insufficient recognition of the range of interfaces that businesses have with the tax system. As a consequence, tax policy is not always in alignment with wider government objectives, and too little attention is paid to ensuring that taxation does not hamper the growth of firms.

3.2 Revenue Projections for FY 2021/22

The domestic revenue projection for FY 2021/22 was UGX 22,425.37 billion, broken down into Tax revenue of UGX 20,876.95 billion and NTR (including AIA) of UGX 1,548.42 billion. This translated to a nominal growth of 16 percent compared to the projected outturn of FY 2020/21. This projection was approved before Government instituted another lockdown following the second wave of the Covid-19 pandemic and it was based on the following assumptions;

- i. The base - which was the projected revenue outturn of FY 2020/21 of UGX 19,302.86 billion.
- ii. The base in (i) above was subjected to a revenue forecasting model to derive revenue gains on account of macroeconomic assumptions (buoyancy). The revenue gains on account of buoyancy amounted to UGX 1,863.00 billion.
- iii. Revenue gains from tax policy measures of UGX 460.60 billion and revenue gains from tax administration measures of UGX 799 billion.

3.3 Revenue performance for FY 2021/22

Cumulative collections for the FY 2021/22 amounted to UGX. 21,831.18 billion. Against a projection of UGX 22,425.37 billion registering a deficit of UGX. 594.19 billion. Revenue collections grew by 11 percent compared to FY 2020/21 as shown in the table and figure below.

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Table 2: Domestic Revenues for FY 2021/22

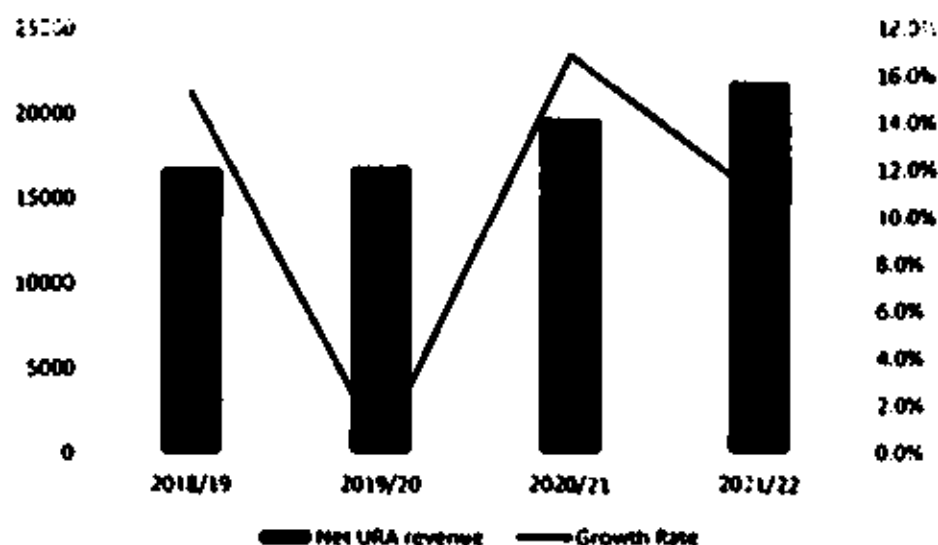
Billions of Shillings	Program- FY 2021/22	Outturn - FY 2021/22	Performance	Annual Variance
Overall net revenue	22,425.37	21,831.18	97%	(594.19)
Net URA tax revenue	20,876.95	20,425.63	98%	(451.31)
Direct Domestic Taxes	7,433.83	7,379.64	99%	(54.19)
O/W PAYE	3,193.45	3,634.76	114%	440.81
Corporate Tax	1,747.42	1,635.06	94%	(111.56)
Presumptive Tax	37.96	7.46	20%	(30.50)
Withholding Tax	1,298.52	1,177.41	91%	(121.10)
Rental Income Tax	349.93	156.10	46%	(184.96)
Indirect Domestic Taxes	5,689.50	4,942.60	87%	(746.90)
Excise duty:	1,873.37	1,646.70	88%	(226.67)
O/W Cigarettes	33.29	21.39	65%	(11.90)
Beer	371.47	324.84	87%	(46.62)
Spirits	187.05	122.92	66%	(64.13)
Soft drinks	186.18	176.02	95%	(10.17)
Mobile Money Transfers	125.07	133.90	107%	8.92
Bank Charges	174.19	101.75	58%	(72.43)
Levy on Mobile money withdrawals	112.36	164.58	146%	52.21
Interests debt	175.04	85.76	49%	(89.28)
Value Added Tax	3,816.13	3,295.90	86%	(520.23)
O/W Manufacturing	2,331.69	1,908.48	82%	(423.21)
Services	438.33	649.86	148%	211.53
Construction	194.92	106.25	54%	(88.67)
Taxes on International Trade	2,140.49	2,434.37	114%	293.88
O/w Petroleum duty	2,617.25	2,686.27	103%	69.02
Import duty	1,676.49	1,557.06	93%	(119.43)
Excise duty	261.05	268.69	103%	7.64
VAT on imports	2,850.70	3,291.64	115%	440.93
Withholding Taxes	201.23	167.78	83%	(33.45)
Tax Refunds:	(439.11)	(440.85)	100%	(0.95)
Stamp duty & Embossing fees	72.22	113.28	157%	41.07
Total NTR	1,548.42	1,405.55	91%	(142.87)

Source: MFP&D and PBO Computations

Domestic revenue collections totaled UGX 21,831.18 billion, up 11.7 percent from the previous year. Tax revenue accounted for UGX 20,425.63 billion (97.8 percent) of total revenues, while non-tax revenue accounted for UGX 1,405.55 billion. Domestic revenue has risen at a nominal rate of 13 percent over the last four years, except for FY 2019/20, which was hampered by COVID-19, as indicated in the figure below. During this time, the rate of growth has also slowed. Tax revenue collections in FY 2021/22 were short of the UGX 20,876.95 billion target by UGX 451.31 billion as all major tax categories excluding tax on international trade, posted shortfalls.

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Figure 1: Revenue Performance from FY 2018/19- FY 2021/22 (UGX bn)



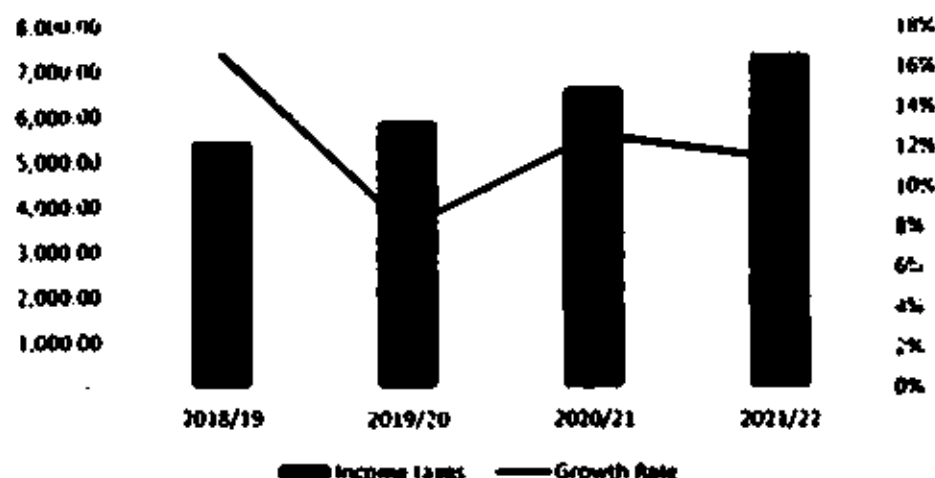
Source: Mapped

3.4 Revenue Performance by tax head for the FY 2021/22

3.4.1 Income taxes

These include taxes on employment income, business income and property income. Revenue collections for the period under review amounted to UGX. 7,375.64 billion against a projection of UGX. 7,413.85 billion registering a deficit of UGX. 38.22 billion. Despite the shortfall, there was a growth of 11 percent (UGX. 756.24 billion) in revenues compared to the same period of FY 2020/21. This performance is summarized in Figure 2.

Figure 2: Performance of taxes on income for the period - FY 2018/19 to 2021/22 (UGX bn)



Source: MoFPED

Surpluses were registered under Pay As You Earn (PAYE) (UGX. 440.81 billion) and Casino/ gaming tax (UGX 22.67 billion) while deficits were registered under corporate income tax (UGX. 111.56 billion), withholding tax (UGX. 121.1 billion) and rental income tax (UGX. 184.96 billion).

This performance is mainly attributed to the following:

- i. The UGX. 440.81 billion Surplus on PAYE was on account of recruitment and promotion of employees in the public sector, in addition to payment of bonuses and higher salaries in the private sector. As a result, PAYE collections increased by UGX. 174.61 billion in the Public Sector while contributions from private sector increased by UGX.266.2 billion.
- ii. The UGX. 111.56 billion Shortfall on corporate income tax is attributed to declines in the profitability of firms, as a result of the negative impacts of lockdown measures instituted to curb the spread of coronavirus. Specifically, the deficit is attributed to:
 - a. Low levels of aggregate demand leading to a shortfall of UGX. 7.74 billion in Real estate, renting and business activities.
 - b. Restrictions on movement led to a shortfall of UGX. 23.79 billion in Hotels, Camping and accommodation services.
 - c. Closure of education institutions led to a shortfall of UGX. 21.08 billion; and
 - d. UGX. 76.78 billion Which was registered under the construction sub-sector

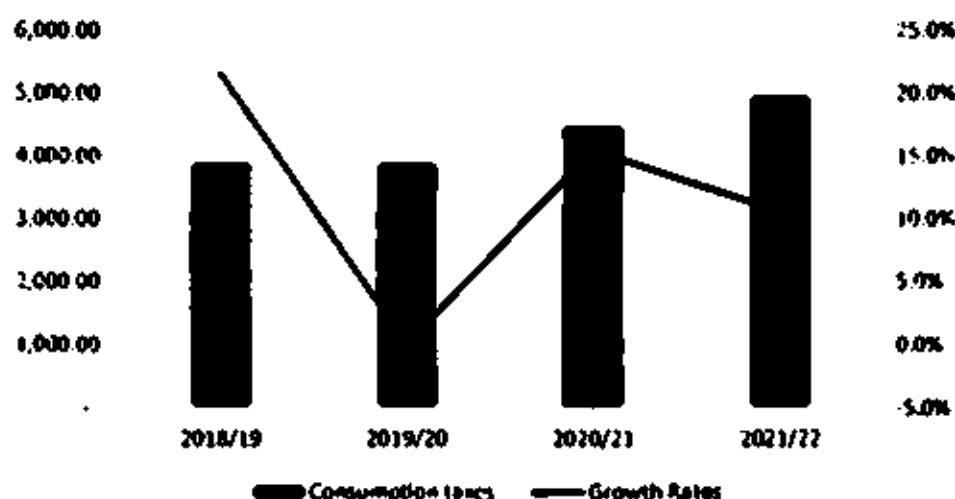
The deficit of UGX 184.96 billion in rental income tax is partly on account of delayed implementation of the rental income tax collection solution. In addition, there have been some losses on account of ambiguity in the rental income tax legislation, which complicates tax administration. There was also a shift in the behavior of individuals as some businesses permanently operated remotely while some traders shifted their business to online trading. This resulted in declines in occupancy and hence, decline in rental income tax.

- iv. The deficit of UGX 121.1 billion in withholding tax was on account of decline in Government Payments (UGX 64.63 billion) arising from operating remotely and general budget cuts, Management & Professional fees (UGX 80.56 billion) and General supplies (UGX 49.86 billion). There was also a decline of UGX. 100.55 billion on withholding tax on dividends, which is another indicator of declines in profitability of firms.

3.4.2 Consumption taxes

These are taxes on goods and services. They include Excise Duty and Value Added Tax (VAT). Collections for the period under review amounted to UGX. 4,942.6 billion against the projection of UGX. 5,689.50 billion, hence a deficit of UGX. 746.90 billion. Despite the shortfall, there was growth of 10.5 percent in revenue collections compared to the same period in FY 2020/21. The performance from FY 2017/18 to FY 2021/22 is shown in Figure 3.

Figure 3: Performance of Consumption taxes for the period - FY 2018/19 to FY 2021/22 (UGX bn)



Source: URA and PDO Computation

VAT collections amounted to UGX 3,295.90 billion against a projection of UGX 3,816.13 billion registering a deficit of UGX 520.23 billion. Despite the deficit, there was growth of 10.1 percent (UGX 302.98 billion) in VAT collections,

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compared to the same period in FY 2020/21. Major deficits were registered under beer (UGX 52.02 billion), spirits (UGX 66.11 billion), soft drinks (UGX 48.43 billion), and Cement (UGX 34.5 billion), while a major surplus was registered under phone talk time (UGX 56.37 billion).

Excise Duty collections amounted to UGX. 1,646.70 billion against a target of UGX. 1,873.37 billion registering a deficit of UGX. 226.67 billion and a 11.3 percent (UGX 166.72 billion) growth in revenue collection compared to FY 2020/21. Major deficits were registered under beer, phone talk time, internet data and spirits of UGX 48.72 billion, UGX 36.21 billion, UGX 39.28 billion and UGX 64.13 billion respectively whereas, major surplus was registered on excise duty on the value of mobile money withdrawals (UGX. 52.21 billion). The above performance is mainly attributed to declines in sales and production volumes of goods and services as a result of suppressed aggregate demand. Some of the products that attracted taxes on consumption registered declines in production and sales as indicated in the table below

Table 3: Production and Sales Volumes for FY 2021/22

Parent Product Name	Production Qty-FY 2020/21	Production Qty-FY 2021/22	FY 2021/22- Growth/Decline
Beer(Ltrs)	346,929,468	349,152,862	1%
Cement(kgs)	4,886,006	4,920,411	1%
Cigarettes(Milles)	1,874,780	1,530,560	-18%
Cooking oil(Ltrs)	292,656,705	248,987,381	-15%
Cosmetics and Perfumes(Kgs)	119,440,356	247,356,803	107%
Drinking Water(Ltrs)	493,366,316	668,791,363	36%
Motor vehicle lubricants(Ltrs)	668,326	4,229,521	533%
Plastics	3,712	285,979	7604%
Soft Drink e.g.soda, juices(Ltrs)	762,852,968	889,252,916	17%
Spirits(Ltrs)	86,619,001	103,006,233	19%
Sugar(Kgs)	528,959	1,169,465	121%
Wines(Ltrs)	978,302	13,540,382	1284%
	Sales Qty-FY 2020/21	Sales Qty-FY 2021/22	FY 2021/22- Growth/Decline
Beer(Ltrs)	344,657,057	345,141,820	0%
Cement(kgs)	4,884,518	4,910,398	1%
Cigarettes(Milles)	1,921,610	1,413,610	-26%
Cooking oil(Ltrs)	292,043,545	248,402,547	-15%
Cosmetics and	66,736,836	51,474,342	-23%

Parent Product Name	Production Qty-FY 2020/21	Production Qty-FY 2021/22	FY 2021/22 Growth/Decline
Perfumes(Kgs)			
Drinking Water(Ltrs)	488,605,768	639,133,318	31%
Motor vehicle lubricants(Ltrs)	1,242,487	3,941,458	217%
Plastics	376	35,191	9259%
Soft Drink e.g.soda, juices(Ltrs)	762,191,627	848,214,531	11%
Spirits(Ltrs)	88,090,172	102,804,129	19%
Sugar(Kgs)	545,997	774,675	42%
Wines(Ltrs)	878,455	4,263,416	385%

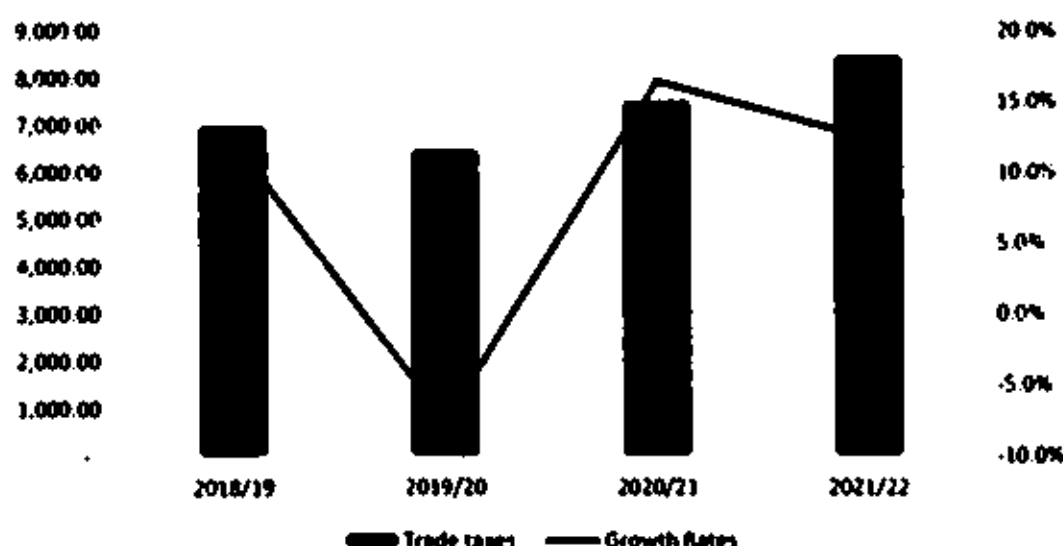
Source: URA databases

In addition to declines in sales and production volumes, there were delays in the enforcement of Electronic Fiscal Receipting and Invoicing System (EFRIS) and the Digital Tax Stamps (DTS).

3.4.3 Trade taxes

During the FY 2021/22, trade taxes collections amounted to UGX 8,434.17 billion registering a surplus of UGX. 293.69 billion against the projection of UGX 8,140.49 billion. This represents a growth of 12.4 percent (UGX 928.31 billion) in revenues collections compared to FY 2020/21. A summary of this performance is shown in Figure 4

Figure 4: Performance of Trade taxes for FY 2018/19 to FY 2021/22 (UGX bn)



Source: MoFPED and PBO Computations

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Major surpluses were registered in VAT on imports (UGX 440.93 billion) and Petroleum duty (UGX 69.02 billion), while major shortfalls were registered under import duty (UGX 119.43 billion) and withholding taxes on imports (UGX 33.45 billion). This performance is on account of the following;

i. The surplus of UGX 69.02 billion on petroleum duty is attributed to increase in excise duty by UGX. 100 per litre of petrol and diesel leading to extra collections of UGX. 84.6 billion.

ii. UGX. 440.93 billion surplus registered under VAT on imports is on account of increase value and volumes of major items. Increased values and volumes led to surpluses in the following items;

a. Cereals - UGX. 20.42 billion

b. Animal or vegetable fats and oils - UGX. 75.61 billion

c. Salt, sulphur, plastering materials, lime and cement - UGX. 59.72 billion

d. Iron and steel - UGX. 123.2 billion; and

e. Vehicles - UGX. 69.41 billion.

iii. The deficit of UGX. 119.43 billion is mainly attributed to shortfall of UGX. 40.42 billion registered under imports of electrical machinery and equipment.

Other factors that have influenced revenue performance during the FY 2021/22 are the following;

(a) Lower than projected revenues from less productive revenue enhancement measures. These are both policy and administrative in nature. They are;

i. DTS, EFRIS and the rental income tax solution;

ii. Tax regime for rental income for individuals and companies -registered a shortfall of UGX 184.96 billion

iii. Export levy on gold - registered a shortfall of UGX 32.76 billion mainly attributed to the decision by Cabinet to halt the collection of levies on exported gold.

iv. Export levy on tobacco - UGX 16.27 billion shortfall

(b) Non-payment of taxes by Government. According to URA, the total outstanding tax arrears owed to URA by Government amounted to UGX 658.69 billion as at 8th November, 2021.

(c) Donor Funded Projects especially the VAT deeming provisions; and

(d) Tax expenditures for which revenue is foregone. In FY 2021/22 alone, the total revenue foregone as a result of tax expenditures was estimated at UGX.

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2,478.1 billion, equivalent to 1.56 percent of GDP, and 12% of Tax revenue collected in FY 2021/22.

3.5 Performance of Non-Tax Revenue

Total NTR amounted to Shs.1, 405.4Bn (URA and AIA) performing at 65%. Out this, URA collections and AIA realized amounted to Shs.835.4Bn and 570Bn respectively. Compared to FY 2020/21, an increment of Shs.475.4Bn was realized and growth rate of 51% and 64% was registered for Overall and URA NTR respectively as indicated in the table below

Table 4: Non-Tax Revenue Performance for FY 2021/22

Tax category (Billion)	Collections FY2020/21	Estimates FY2021/22	Collections FY2021/22	NTR Perf FY 2021/22
Overall NTR(URA+AIA)	930.00	2,150.00	1,405.40	65%
URA NTR	510.00	818.90	835.40	102%
Central Govt	200.00		250.00	.
Local Govt			30.00	.
Others	320.00		555.40	.
AIA		1,331.10	570.00	43%
Central Govt		731.11		.
Local Govt			30.00	.
Others		600.00	540.00	90%

Source: MoFPED, URA Data and PBO Computations

The under-performance of NTR in FY 2021/22 is partly attributed to non-remittance of revenue by MDAs such Uganda National Examinations Board, Uganda Wildlife Authority and National Medical Stores to URA, which altogether amounted to UGX 239.10 billion of the NTR target for FY 2021/22.

Total NTR collection from Local governments amounted to UGX.60 Billion out of which Shs.30 Billionn was collected by URA. No NTR targets were set for local governments which may discourage effort to collect NTR and compromise accountability.

Appropriation in Aid (AIA) amounting to Shs.570 Billion was realized and spent at source against a target of UGX.1, 331.1 billion performing at 43%

3.6 Performance of Administrative Measures during the FY 2021/22

In FY 2021/22, new tax policy and administrative measures are expected to contribute to a revenue gain of UGX. 1,259.63 billion. However, as indicated in table 5, these efforts resulted in a total net revenue increase of UGX 1,894.37 billion, indicating a 150.39 percent realization.

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Table 5: Performance of Revenue Enhancement Measures in FY 2021/22

Measure Category	Expected Revenue gain/Loss	Actual Revenue Gain/Loss	Performance
Income Tax	48.20	-	0%
Excise Duty	283.20	280.66	96%
VAT	10.00	116.39	1164%
Fish Act, 2021	6.00	6.74	112%
Tobacco Control Act, 2021	10.00	0.05	1%
Mining Act, 2021	30.00	2.32	8%
Customs Amendments	62.00	104.75	169%
NTR	1.23	-	0%
Administrative Measures	799.00	1,383.46	173%
Total	1,250.63	1,894.37	150%

Source: Annual Budget Performance Report-FY 2021/22, MFPED

Administrative measures accounted for 73 percent of the total revenue collections from the measures, while tax policy measures accounted for 27 percent. The bulk of revenue gains from tax policy measures is attributed to excise duty that contributed UGX. 280.66 billion out of total tax policy revenue gains of UGX. 510.91 billion. The performance of tax administration measures is mainly attributed to arrears management efforts and improved non-intrusive inspection technologies such as scanners, which have contributed considerably to tax revenue collections during the fiscal year 2021/22.

3.6.1 Tax Expenditure for FY 2021/22

Tax expenditures are, broadly defined, any reductions in tax liability compared with some benchmark tax system¹. They can take the form of exemptions, allowances rate reliefs, credits and deferrals.

Government spends through the tax system in form of tax reliefs. The value of revenue foregone from the reliefs is what is called Tax Expenditure. Tax expenditure exist for i) social purposes, ii) to provide relief to certain sectors of the economy, iii) due to difficulties in collecting revenue from hard to tax sectors.

The purpose of tax expenditure reporting is to assess the effectiveness and efficiency of tax exemptions or reliefs provided to guide policy decisions. However, The Tax expenditure report indicates that the figures presented are

¹ During the FY 2021/22, a number of new provisions have been added to the repository of tax expenditures which revenue foregone was estimated. New provisions in the tax amendment acts of FY 2020/21 and FY 2021/22 were identified as potentially constituting tax expenditures. However, they were not estimated due to data constraints, as the tax base for computing revenue foregone was not obtained since relevant tax returns are not captured.

an under-estimate of the true amount of revenue foregone from tax expenditure, due to data limitations. The assessment doesn't take into account any behavioral changes due to the presence of the tax expenditure. Therefore revenue foregone is not equivalent to revenue gain that may be achieved from removing tax reliefs. Further the impact of the tax exemptions is not assessed in the economy. Therefore further studies will have to be instituted to assess the effectiveness, efficiency and impact of the tax exemptions in greater detail.

During the FY the value of revenue foregone from tax expenditures was estimated to amount to UGX 2,487.5 billion or 1.56% of GDP and 12.2% of total tax collected. Compared to previous period of FY 2020/21 tax expenditures grew by 15%.

The largest share of revenue foregone came from VAT at 47%, amounting to UGX 1,160.85 billion, which was 0.73% of GDP, as indicated in the table below

Table 6: Summary of Estimates of Revenue Foregone by Tax Head in UGX Billions otherwise stated.

	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	% Share
Total Tax Exp	947.466	1318.777	1703.796	1891.452	2165.171	2487.461	
Tax Exp Growth rate		39%	29%	11%	14%	15%	
GDP	108,904.14	120,988.72	132,077.36	140,107.56	148,299.38	159,452.63	
As % of GDP	0.87%	1.09%	1.29%	1.38%	1.46%	1.66%	
Total Tax Collected	12,593.2	13,940.53	16,037.39	15,912.21	18,336.78	20,425.63	
As % of Total Tax	7.52%	9.46%	10.62%	11.89%	11.81%	12.18%	
VAT Exp	229.616	415.667	743.688	743.232	924.301	1160.851	47%
VAT(% GDP)	0.21%	0.34%	0.56%	0.53%	0.62%	0.73%	
Customs	246.08	266	350.92	322.59	352.99	411.65	17%
Customs(% GDP)	0.23%	0.23%	0.27%	0.23%	0.24%	0.26%	
Income Tax	189.76	231.61	236.35	473.69	449.72	416.62	17%
Income Tax (%GDP)	0.17%	0.19%	0.18%	0.34%	0.30%	0.26%	

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Excise	282.01	405.5	372.84	351.94	438.16	198.33	20%
Excise(% GDP)	0.26%	0.34%	0.28%	0.25%	0.30%	0.31%	

Source: MFED Tax Expenditure Report, URA and PBO Computations

Over the past six financial years, Tax Expenditures in Uganda have grown both in number and in terms of the value of revenue foregone. The value of revenue foregone due to tax expenditures has increased from around 0.87% of GDP in FY 2016/17 to 1.56% of GDP in FY 2021/22, an increase of around 79% over the period under review.

3.6.2 Income Tax

The revenue foregone under the income tax in FY 2021/22 is estimated to stand at around 0.26% of GDP, or UGX 416.62 billion. This represents a slight decline since FY 2020/21, where revenue foregone under income tax stood at UGX 449.72 billion or 0.3% of GDP. The decline was largely due to projected yield from income tax exemptions which fell by 13%, as indicated in the table below

Table 7: Revenue foregone from Income Tax Expenditures (UGX Billions)

Type of Tax Exp	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
Exemptions	177.19	193.92	211.02	386.44	384.72	335.73
Allowances & Deductions	0	0	1.37	75.36	56.24	65.8
Rate Reliefs	12.57	37.69	23.96	11.89	8.76	15.08
Total	189.76	231.61	236.35	473.69	449.72	416.61

Source: MFED Tax Expenditure Report

The largest category of income tax expenditures is that of Exemptions. However, the Allowances and Deductions category has increased in importance, due to the re-introduction of the initial allowances on plant and machinery and industrial buildings under Section 27A of the Income Tax Act, in July 2017

Revenue foregone from allowances and deductions is primarily driven by the initial allowance in respect of plant and machinery, which constitutes between UGX 51 billion and UGX 67 billion, in any given year since reintroduction in FY17/18. The data for these initial allowances in FY 2021/22 are estimates based on previous 2 FYs.

Rate reliefs (i.e. various sources of income being subject to a lower tax rate than would be the case in the benchmark scenario) also exist within the income tax system.

Estimates of revenue foregone due to income tax rate reliefs are significantly lower than those of exemptions or allowances under the income tax, standing at around UGX 15.08 billion in FY 2021/22. The majority of the revenue foregone under this category is from Payment of Service Fees by mining and Petroleum Licensees.

3.6.3 Value Added Tax

The revenue foregone from exempt and zero-rated items is calculated simply as 18% of the sales, or import, value of that item. VAT returns do not capture a description of specific items sold and thus, when estimating foregone revenues of specific items against a pre-defined benchmark, it is not possible to identify the value of local sales of those items. However, the report captures the foregone VAT on imports of most items. Thus, the estimates presented for VAT capture revenue foregone on items originating overseas reasonably well, but less comprehensively on items that originate locally.

Tax expenditures under VAT stood at UGX 1,160.85 billion in FY 2021/22. This represented an increase from UGX 924.3 billion in FY 2020/21 (or 26% increase). As a % of GDP, revenue foregone on VAT stood at 0.73% of GDP, an increase from 0.62% of GDP in the preceding year. This includes the knock-on effects resulting from tax expenditures under Customs and Excise duties that generated additional VAT foregone as indicated in the table below

Table 8: Revenue Foregone under VAT Expenditures (UGX Billions)

Type of Tax Exp	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
VAT Exemptions	17	41.06	62.36	110.56	116.33	128.94
VAT Allowances	42,798	148,267	449,298	411,012	551,431	743,861
VAT Rate Reliefs	74.72	105.44	101.73	100.28	114.14	124.25
Knock-on Effects from Other Tax Rate Reliefs/Exemptions & Exp from Customs and Excise	95.1	120.9	130.3	121.4	142.4	163.8
Total	228,816	415,867	743,488	743,232	924,301	1,160,851

Source: NPPED Tax Expenditure Reports & PBO Computations

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The value of revenue foregone due to VAT exemptions has risen from UGX 17 billion in FY 2016/17 to UGX 128.9 billion in FY 2021/22. The total value of VAT exemptions as a % of GDP is estimated to stand at 0.081% of GDP in FY 2021/22. Three new VAT exemptions were estimated, namely those covering the Supply of Cotton Seed Cake, Processed Milk and VAT relief on products to fight the Covid-19 pandemic.

The revenue foregone for VAT allowances comes from deemed VAT, however, the Tax Expenditure Report of the Ministry of Finance did not obtain relevant data for deemed VAT according to the three categories² and therefore used the aggregate figure for all. Revenue foregone from VAT deeming constitutes the largest category of revenue foregone under the VAT, standing at 0.47% of GDP in FY 2021/22, continuing an increasing trend seen since the introduction of the practice.

The total revenue foregone attributable to VAT rate reliefs has increased from UGX 74.72 billion in FY 2016/17 to UGX 124.25 billion in FY 2021/22. In terms of % GDP however, the amount has remained fairly constant, at around 0.07-0.08% of GDP. The expenditure from which the amount of revenue foregone was largest (UGX 58.74 billion) was *Relief for handling services as provided for under Section 24 (4), 28(1) (a) & para 1(d) 3rd Schedule VAT Act*.

The VAT revenue foregone due to knock-on effects from other reliefs, on customs and excise duties, amounted to UGX 163.8 billion during the FY 2021/22. The figures indicated represent 18% of revenue foregone from these categories, thus any increases over time are reflective of increases in the underlying revenue foregone figures under VAT or Customs. The expenditure from which the amount of revenue foregone was largest (UGX 89.7 billion) resulted from the knock on VAT effect from Excise Tax expenditures.

3.6.4 Customs

Revenue foregone from Customs in FY 2021/22 stands at **UGX 411.65 billion** or around 0.26% of GDP. Whilst in nominal terms this has increased from UGX 246.08 billion in FY 2016/17, as a % of GDP the figure has remained fairly constant at between 0.22 and 0.26% of GDP over the past six financial years as indicated in the table below.

Table 9: Revenue Foregone under Customs Tax Expenditures (UGX Billions)

Type of Tax Exp	FY2016/17	FY2017/18	FY2018/19	FY2019/20	FY2020/21	FY2021/22
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² The 3 categories are: i) Deemed VAT payment on supplies by a contractor to a licensee under mining or petroleum operations- Section 24(5) VAT Act, ii) Deemed VAT on supplies to a contractor executing an aid funded project- Section 24(6) VAT Act; iii) Deemed VAT on supplies by contractors executing aid funded projects to a government (MDA)- Section 24(6) VAT Act

Exemptions	24.87	41.30	68.35	44.45	48.56	47.88
Rate reliefs	221.20	224.70	282.60	278.10	304.00	363.8
Total	246.07	266.00	350.95	322.55	352.96	411.68
Memo items						
GDP	108,904.14	110,988.72	132,077.36	140,107.56	148,299.38	159,452.63
As % of GDP	0.23%	0.22%	0.27%	0.23%	0.24%	0.26%

Source: MFPED Tax Expenditure Reports & PBO Computations

The value of revenue foregone due to customs exemptions has risen from UGX 24.87 billion in FY 2016/17 to UGX 47.88 billion in FY 2021/22. As a % of GDP, however, the revenue foregone from customs exemptions has remained fairly constant over this time period on average, currently estimated to stand at around 0.24%. The expenditure from which the amount of revenue foregone was largest (UGX 43.73 billion) is on solar equipment to enable the population access renewable energy sources.

Under customs rate relief, imports considered are those that benefited from 'Stays of Application' and / or 'Remission of duty' as denoted in the EAC Gazettes. Only those goods which received a blanket stay of application or remission of duty are considered. Total revenue foregone from Rate Reliefs has grown from UGX 221.2 billion in FY 2016/17 to UGX 363.8 billion in FY 2021/22. The expenditure from which the amount of revenue foregone was largest (UGX 200.29 billion) is on wheat grain, as it is used as an input into the production of confectionaries and food items, but also not locally produced at commercial scale.

3.6.5 Excise Duty

In addition to their revenue raising objective, excise duties are typically designed to address negative externalities or discourage particular behavior. The one exception is an exemption for excise duties is on 'Strategic Investment Projects'. Any exceptions or reductions granted to certain consumers would be considered tax expenditures.

Revenue foregone under Excise Duty has not shown a constant upward or downward trend over the past six financial years as indicated in the table below

Table 10: Revenue Foregone under Excise Tax Expenditures (UGX Billions)

Type of Tax Exp	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
Strategic Investment Projects	N/A	N/A	N/A	No Data		
Beer	0	60.27	52.76	35.51	26.41	27.69
Spirits	169.17	180.14	126.4	83.88	144.79	151.68

Type of Tax Exp	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
Wine	0.55	0.6	1.53	1.74	13.09	39.7
International Calls	112.29	164.49	192.14	230.8	253.88	279.27
Furniture	No Data					
Total	282.01	408.8	372.83	351.93	438.17	498.34

Source: MFPED Tax Expenditure Reports PBO Computations

The value of revenue foregone due to Excise tax expenditures has risen from UGX 282.01 billion in FY 2016/17 to UGX 498.34 billion in FY 2021/22. As a % of GDP, however, the revenue foregone from Excise duties has remained fairly constant over this time period on average, currently estimated to stand at around 0.29%. The expenditure from which the amount of revenue foregone was largest (UGX 279.27 billion) is on international calls assumed to be coming from One Network Area³ (ONA).

4.0 EXPENDITURE PERFORMANCE

4.1 Budget performance (Budget Vs outturns) for FY 2021/22 by Category

Table 11 showing overall release and expenditure by classification

Classification	Outturns (Sh. Bn)	Approved Budget (Sh. Bn)	Released (Sh. Bn)	Spent (Sh. Bn)	Release Rate (%)	Absorption Rate (%)
Recurrent Wage	5,180.00	5,533.06	5,692.01	5,513.24	102.9%	96.9%
Recurrent Non-wage	9,325.00	8,740.76	10,307.05	9,950.96	117.9%	96.5%
Development- CoU	9,682.00	7,997.15	7,966.72	7,647.38	99.6%	98.5%
Development- External	5,479.00	6,868.25	4,785.65	3,338.45	69.7%	69.8%
CoU Total	24,187.00	22,270.97	23,965.78	23,311.59	107.6%	97.3%
CoU Total + Ext. Fin	29,666.00	29,139.22	28,751.43	26,650.04	98.7%	92.7%
Arrears	844.00	555.44	666.99	663.87	120.1%	99.5%
Total Budget	30,510.00	29,694.66	29,418.43	27,313.91	99.1%	92.8%
A.I.A Total	0	212.38	193.57	193.57	91.1%	100%
Grand Total	30,510.00	29,907.05	29,612.00	27,507.48	99.0%	92.9%

Source: Annual Budget performance report FY2021/22

³ Incoming international calls from the Republic of Kenya, Rwanda and South Sudan are charged KSh duty while other incoming international calls are charged US\$ 0.09 per minute

At an aggregate level UGX. 23,965.78 billion of the GoU budget was released by the end of June 2020. This represented 107.6% of the approved budget. Aggregate absorption (measured by expenditure as a proportion of releases) was 97.3 %.

The high release was on account of supplementary expenditure which included UGX 430.30 billion for various central and local government votes to undertake COVID 19 operations to mitigate the spread, UGX 184.82 billion for the rehabilitation of the Malaba-Kampala Railway Line under MoWT, and UGX 129.59 billion to UDC for Atiak Sugar Factory, Soroti Fruit Factory and cassava processing in Lira, Gulu/West Nile.

4.1.1 Wage

Total wage releases performed at UGX. 5,692.01 billion (102.9%) of the Approved Budget and of this, UGX. 5,513.24 billion was spent which represents an absorption rate of 96.9%. The release above 100% was supplementary expenditure to cover wage short-falls.

4.1.2 Non-Wage Recurrent

Non-wage recurrent releases were recorded at UGX. 10,307.05 billion, representing to 117.9% of the approved budget with absorption of 96.5%. The high release was mainly towards Covid expenditures and State House UGX 235 billion, UGX 59 billion for Local Revenue, and UGX 40 billion for emyooga, etc.

4.1.3 Domestic Development

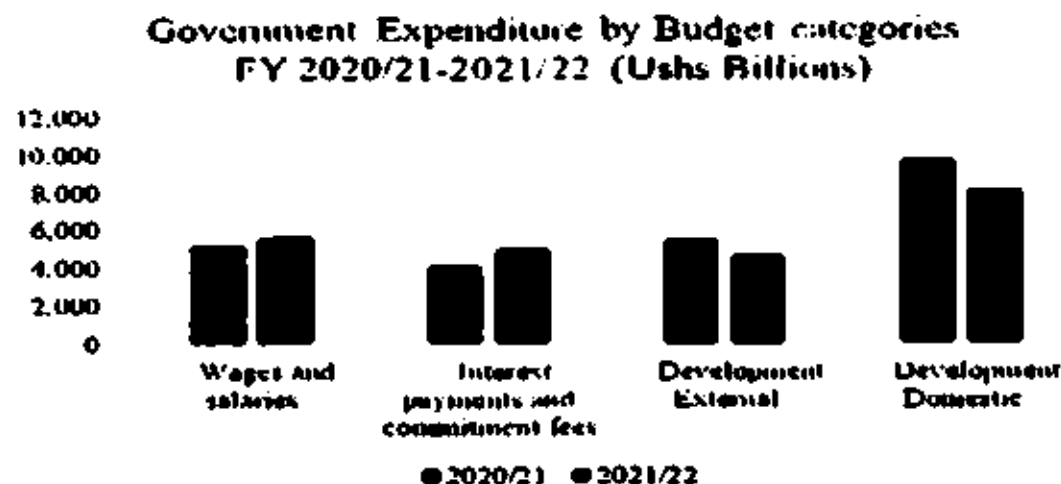
Releases for the domestic development budget performed at UGX. 7,966.72 billion, representing 99.6% of the Approved budget. UGX 7,847.38 billion of this amount was spent, representing absorption of 98.5%. The high development expenditures was as result of purchase of specialized machinery and classified assets under the Defence Equipment project in Ministry of Defence.

4.1.4 External Financing

The Budget for External Financing amounted to UGX 6,868.25 billion. Of this amount, UGX 4,785.65 was disbursed which is 69.7 % of the Approved Budget. Out of the funds which were disbursed, UGX 3,338.45 billion was spent representing an absorption rate of 69.8%. It should be noted External Financing continues to experience low disbursements of funds on account of low absorption of funds caused by the slow execution of projects.

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Figure 5: Government Expenditure by Budget Categories (UGX Billions)



Source: Annual Macroeconomic & Fiscal performance report FY 2021/22

The Committee observed that recurrent expenditure (wages & salaries, interest payments and other non-wage recurrent) have increased in FY 2021/22 compared to FY2020/21. However, development expenditure (both domestic and external) have reduced over the same period. This signifies that most of the expenditure is mainly consumptive. This low development expenditure was mainly attributed to lower spending on externally financed projects resulting from lower disbursements. This attributed to delayed procurement for engineering works, delays due to land acquisition challenges resulting from speculation and exaggerated property values and disbursement of funds for projects with low readiness for implementation, inadequate counterpart (GOU) funding, capacity challenges, consideration of unready projects, the outbreak of the COVID-19 pandemic in FY2020 and over commitment of the budget for some projects.

The Committee recommends that Government should prioritise spending on development projects in programmes that are capable of generating additional revenue to finance consumptive expenditures and the increased interest payments

4.2 Budget performance (Budget Vs outturns) for FY 2021/22 by Sector

Table 12: Showing overall releases and expenditure by sector for FY2021/22

Sector	Outturns 2020/21	Approved Budget (Shs Bn)	Released (Shs Bn)	Spent (Shs Bn)	Release Perf (%)	Absorption (%)
01 Agriculture	1,194.39	1,313.66	1,178.63	1,077.28	90%	91%
02 Lands, Housing and Urban	231.52	255.4	296.39	259.84	116%	88%

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Sector	Outturn 2020/21	Approved Budget (Shs Bn)	Released (Shs Bn)	Spent (Shs Bn)	Release Perf (%)	Absorption (%)
Development						
03 Energy and Mineral Development	1,075.63	1,356.61	765.4	703.33	56%	99%
04 Works and Transport	5,219.05	5,225.23	4,332.28	3937	87%	87%
05 ICT and National Guidance	179.8	219.78	214.79	148.16	98%	69%
06 Trade and Industry	297.84	174.70	336.44	334.82	193%	100%
07 Education	3,483.67	3,618.49	3,762.68	3,731.95	99%	99%
08 Health	2,304.97	3,355.90	3,460.43	2955.5	103%	85%
09 Water and Environment	1,046.39	1,404.32	1,076.52	903.52	77%	84%
10 Social Development	152.64	234.17	287.46	286.4	123%	100%
11 Security	5,597.32	4,045.20	4,617.95	4,618.01	114%	100%
12 Justice Law and Order	1,963.57	2,174.97	2,245.34	2,178.72	103%	97%
13 Public Sector Management	611.05	427.75	683.4	672.89	160%	98%
14 Accountability	2,914.93	1920.62	2,362.66	1,963.31	123%	83%
15 Legislature	589.97	834.94	822.28	818.53	98%	100%
16 Public Administration	1,893.94	1,026.86	1,360.3	1,279.77	132%	94%
17 Science Technology and Innovation	163	288.47	22.98	22.88	8%	100%
18 Tourism	128.4	178.96	173.45	172.29	97%	99%
19 Local Government	1,438.47	1,538.65	1,278.87	1,253.06	83%	98%
Total	30,486.55	29,694.68	29,418.45	27,313.96	99%	93%
Memorandum items						
Interest payments	3,990	4,698		4,966	0%	
AIA		212.38	193.57	193.57	91%	100%

Source: Annual Budget Performance Report for the FY 2021/22

Out of a total budget of UGX 29,694.68 billion for the FY 2021/22, UGX 29,418.45 billion was released representing 99%. Of this UGX 27,313.96 was spent amounting 93% absorption.

The Energy & Mineral development, Water and Environment recorded the lowest releases of 56%, 77% and 8% respectively. This is attributed to the low releases of external funds for development projects. While the Trade and industry, Social Development, Security, Public Sector Management, Accountability and Public Administration sectors recorded the highest releases of 193%, 123%, 114%, 160%, 123% and 132% respectively.

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The highest absorption was registered under the sectors of Security, Social Development and Science, Technology and Innovation. However, the lowest absorption was under ICT and National Guidance, Health, and Water and Environment sectors.

The Committee observed that the Annual Budget performance review as reported was prepared on the basis of the sectors i.e they have carried out a sector budget performance. However, the National Development Plan III FY 2021/21 to 2024/25 and the Annual Budget for FY 2021/22 were prepared basing on programmes. Hence performance review based on sectors makes the comparison with the annual budget and NDPIII difficult. Hence we were not able to analyze the performance of the programmes.

The Committee recommends that going forward since Uganda adopted the Programme Based Budgeting, the budget performance review should be prepared basing on programmes rather than the sectors.

The Committee noted that the following 5 programmes had the highest expenditure during the FY 2021/22. National Defence and National roads maintenance & construction had the highest expenditure.

Table 13: Showing programmes with highest expenditures

Vote	Programme	Shs Bn
004 Ministry of Defence	01 National Defence Force(UPDF)	3,929.06
113 Uganda National Roads Authority	51 National road maintenance & construction	1,396.74
104 Parliamentary Commission	51 Parliament	818.53
002 State House	31 Logistical and administrative support to the Presidency	653.76
116 National Medical Stores	Pharmaceutical and Medical Supplies	589.02

Source: ABPR FY2021/22

While the following 5 programmes had the highest unspent balances at end of June 2022:

Table 14: Showing the programmes with the highest unspent balances

Vote	Programme	Shs Bn
130 Treasury Operations	51 Treasury Operations	218.30
141 URA	54 Revenue collection & Administration	80.75
102 Electoral Commission	Management of Elections	66.27
141 URA	18 Administration & support services	43.33
101 Judiciary	Judiciary Services	25.84

Source: ABPR FY2021/22

4.3 Performance of key programme interventions.

Table 15: Showing the Performance of key programme interventions.

Programme	Key Interventions 2021/22	Performance Results
1. Governance and Security	Establish and operationalize a National Service Programme to strengthen the capacity of Security Agencies such as the UPDF (Shs3.7 Trillion)	Established the National Service Program and undertook stakeholder engagements with officers from Ministries Departments and Agencies (MDAs) and LGs i.e MoPS, MoDVA, MoGLSD, MoICT&NG, NALI, and Kasese, Lira, Mubende, Kibuku, Masaka, Kampala, Nebbi, Mpigi, Butambala, Gomba, Rukungiri, Kanungu, Busia, Gulu respectively
Governance and Security	Government provided a total of UGX. 28.3 billion in FY towards the construction of the JLOS House.	The Construction of the JLOS house was launched on 10th June and the first phase is expected to be completed in 2024
Governance And Security	Government will seek to commence the construction of Mpigi High Court Circuit, Rukungiri High Court Circuit, and Maracha, Bunyangabu, and Namayingo Magistrate Grade I Courts	
Governance And Security	Government will focus on strengthening Business Registries (URSB, DCIC, NIRA, and NGO Bureau) so as to improve Ease of Doing Business Index from 60 to 62	Achieved Ease of Doing Business Index of 57 at end of 4 Quarter
2. Public Sector Transformation	Government will commence the implementation of the PDM, aimed at transitioning households in the subsistence economy into the monetized economy	conducted capacity building of 63 National PDM Facilitators to support rollout of training activities across the country; capacity of 885 District/City/Municipality "Training of Trainers" (Community Development Officers, Planners, Communication Officers) was undertaken on the implementation of the PDM
	Develop and operationalize the Public Service Pension	HEA

Programme	Key Interventions 2021/22	Performance Results
	Fund/Scheme to strengthen the human resource management function to better service delivery (shs 5.4)	
	Develop a Centre for Public Service Policy Research and Innovations for enhanced efficient and effective service delivery (shs 5.4 bn)	
	Implement the e-GP (shs 646 m)	
3. Development Plan Implementation	Improve Government-wide Policy coordination by strengthening existing institutional coordination frameworks and other platforms	
	Operationalize the National Development Planning Research Agenda aimed at increasing the participation of non-actors in planning and budgeting, and citizen participation in Local Government Economic Development (LED)	
	Continued implementation of the domestic revenue mobilization strategy aimed at raising the contribution of domestic revenues by 0.5 percentage points of Gross Domestic Product every financial year and fast track the implementation of Extractive Industries Transparency Initiatives	
	Conduct Censuses and Surveys including National Labour Force (NLS), National Service Delivery Survey (NSDS), Uganda Demographic Household Survey (UDHS), among others	
4. Integrated Transport Infrastructure & Services	Construction of 400km equivalent of national roads and rehabilitation of 200km equivalent of national roads;	By the end of FY 2021/22, UNRA registered an average performance in regard to construction of National Roads with 252.92 km of gravel roads upgraded to paved bituminous standards representing 63.23% against

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Programme	Key Interventions 2021/22	Performance Results
	<p>Acquisition of 1,897.988 hectares for right of way (RoW) of national roads;</p> <p>Rehabilitate 500km of district roads, 800km of community access roads;</p> <p>Undertake Feasibility Studies and detailed engineering designs of 24 road projects totaling 1,495.1km; Rehabilitate 28km of Kampala - Malaba MCR line and compensate 3,200 PAPs; 100km of Tororo - Gulu line; procure 50 wagons/conchcs; and acquire 1,856.16 hectares of RoW of the SGR;</p> <p>Conclude the construction and rehabilitation of the remaining 20 percent of works at the Entebbe International Airport and 23 percent development of the Kabanale International Airport;</p> <p>Open up new international routes for the Uganda Airlines, i.e. Entebbe - Dubai, Entebbe - London, Entebbe - Guangzhou;</p>	<p>the annual target of 400 km</p> <p>27,189 hectares acquired and 185 PAPs compensated</p> <p>The Ministry registered achievements in the following: Road Transport 700km of Community Access Roads 176.26km of roads opened, shaped, graded and compacted</p> <p>Railway Transport Detailed design for 28km of railway track refurbishment (Kampala - Namanve, Tororo - Malaba) completed; Rehabilitation of the Tororo - Namanve Railway Line commenced - 47% Weighted physical progress achieved; 04No. used 3000 Hp locomotives acquired; Test run for the locomotives (Kampala - Jinja) undertaken; 02No. reach stackers acquired; Locomotives overhead cranes commissioned; 18.8% works of 160 km along Tororo-Gulu meter gauge Railway Line completed; 100% works of Gulu Logistics Hub (Phase 1) completed</p> <p>DLP works undertaken Air Transport 6.1% works on the passenger terminal building completed; 89.54% works on Apron 1 completed; 97% installations for domestic and fire water supply systems completed; 79% construction works at Kabanale International Air Port completed.</p> <p>Applications for a route to London made to the UK CAA; Slots for London got; Application for third country Operator permit made, and</p>

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Programme	Key Interventions 2021/22	Performance Results
	<p>Complete up to 75 percent of physical works at Bukasa port;</p> <p>Test and certify 50 seafarers and inspect 50 water vessels; and Complete 5 percent of one stop centre building for driver licensing and vehicle registration.</p>	<p>the team is working on the EASA and TCO to have the route launched; China Route: Foreign operator Permit is pending appointment of general sales Agent, waiting for the response for other bidders to have procurement process completed. However, Flights are expected to commence 18th October 2022</p> <p>83 Project Affected Persons (PAPs) at Bukasa Port compensated; 180 PAPs for Bukasa Port paid out of the 274 verified PAPs</p> <p>During FY 2021/22, 308 of Inter Water Transport (IWT) vessels were inspected for registration and licensing; 154 IWT vessels of traditional build were licensed; 80% progress was achieved for assembling 1 ambulance boat. The contract for 9 rescue boats, 1 firefighting and boat was extended;</p>
S.Sustainable Urbanization & Housing	<p>The Programme has been allocated UGX.68.64 billion to undertake the following interventions in FY2021/22:</p> <p>Implementation of the Uganda Support to Municipal Infrastructure Development (USMID-AP) Program;</p> <p>Support development and implementation of Physical Development Plans for Districts and Urban Councils;</p> <p>Coordinate the of the development of the National Physical Development Plan and implementation of other Physical Development Plans</p> <p>Implement new housing projects;</p>	<p>National Physical development Plan submitted to Cabinet</p>







Programme	Key Interventions 2021/22	Performance Results
	<p>Improve rural housing, and settlements; and</p> <p>Implementation of slum redevelopment project in partnership with the National Housing Construction Company.</p>	
6. Energy Development	<p>Increase electricity generation capacity and expand the transmission and distribution networks to load centres and rural towns;</p> <p>Increase access to modern energy services through rural electrification and renewable energy development, especially to rural areas; and</p> <p>Continue to promote sustainable use of biomass resources by encouraging tree-planting and promotion of more efficient stoves for better respiratory health of girls and women.</p>	<p>By end of Q4, the electricity generation capacity increased by 57MW, from 1,268.9MW as at the end of last Financial year to 1,346.9MW</p> <p>The transmission network increased from 3,100km to 3,385.56km as at end of the quarter 4 following the addition of the Karuma - Kawanda 400kv and Karuma - Olwyo 132kv Transmission Line. The section for 132kv Karuma-Lira Transmission Line at 90%. The substation of Luzira is complete but commissioning awaits completion of the 15km, 132kV transmission line</p> <p>All district headquarters have been connected to the national electricity grid except Buvuma District, awaiting financial resources. Electricity connectivity was 57% to electricity on grid 19% and off-grid 38%). Following the resumption of the Electricity Connections Policy (ECP), Government connected about 10,000 clients since the receipt of some materials.</p>

sustainable use of biomass resources by encouraging tree-planting and promotion of more efficient stoves for better respiratory health of girls and women.

Programme	Key Interventions 2021/22	Performance Results
<p>7. Agro-Industrialisation: 0702518511</p>	<p>In FY 2021/22, Government has allocated UGX 1,420.29 billion for the Agro-Industrialisation Programme. These funds are intended for:</p> <ul style="list-style-type: none"> Implementation of strategic investments in key value chains investments in markets for priority product lines; Development of policy and regulatory framework for biotechnology technologies; Development and promotion of protocols for value addition; Reviewing the National Food Safety Policy; Development and strengthening the system of inspections, verification of compliance, capacity building and issuance of sanitary and phytosanitary certificates; Strengthening the National Agricultural Research System through identification and building of key human resource capacity; Further capitalization of UDB and UDC to support the private sector; Continued implementation of the Agricultural Credit Facility and Uganda Agricultural Insurance Scheme; Increasing agro-processing for priority commodities and establish 2 Regional Value addition Incubation centers (RVAICs). 	<p>UGX 74.725bn was disbursed as capitalization for Uganda Development Bank</p>
<p>8. Mineral Development</p>	<p>Increase the value of investments into the exploration and processing of selected minerals from USD 0.3 billion to USD 1.2 billion;</p>	

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Programme	Key Interventions 2021/22	Performance Results
	<p>Increase contribution of processed minerals to total manufactured exports from 5 percent to 5.6 percent;</p> <p>Increase the number of people employed in mineral sector from 1.6 million to 2 million, and the number of trained and skilled geoscientists from 108 to 140;</p> <p>Decrease the volume of imported iron and steel from 700,000 tonnes to 450,000 tonnes;</p> <p>Increase the volume of copper produced to 600 metric tonnes and value of refined gold exports from 450 metric tonnes to 700 metric tonnes; and</p> <p>Reduce the value of imported iron and steel from USD 370 million to USD 214 million, inorganic fertilizers from 75,000 tonnes to 42,169.9 tonnes and value of imported inorganic fertilizers from USD 26million to 15.4 million.</p>	
9. Sustainable Development of Petroleum Resources	<p>In FY2021/22 and in the medium term, Government aims to:</p> <p>Increase amount of revenue from Oil and Gas sector from UGX 62.98 billion to UGX 265 billion by 2025;</p> <p>Increase investment industry contribution to GDP from 3 percent to 5 percent by end of 2025;</p> <p>Increase the proportion of investment in Oil and Gas to GDP from 20 percent to 24 percent;</p> <p>Increase number of days of stock levels in the country from 1 to at least 10 days by 2025;</p>	<p>The Final Investment Decision (FID) for the East African Crude Oil Pipeline (EACOP) was concluded and signed on 1st February, 2022. UNOC was awarded with the first tranche of USD 130M (UGX 481 billion) to partially meet its 15% shareholding obligation in the East African Crude Oil Pipeline.</p> <p>The Refinery Front End Engineering Design (FEED) was completed while the project Environmental Social Impact Assessment was at 95% progress</p> <p>A total of 1,750 PAPs had been paid with disclosures ongoing for remaining PAPs along the refined products</p>

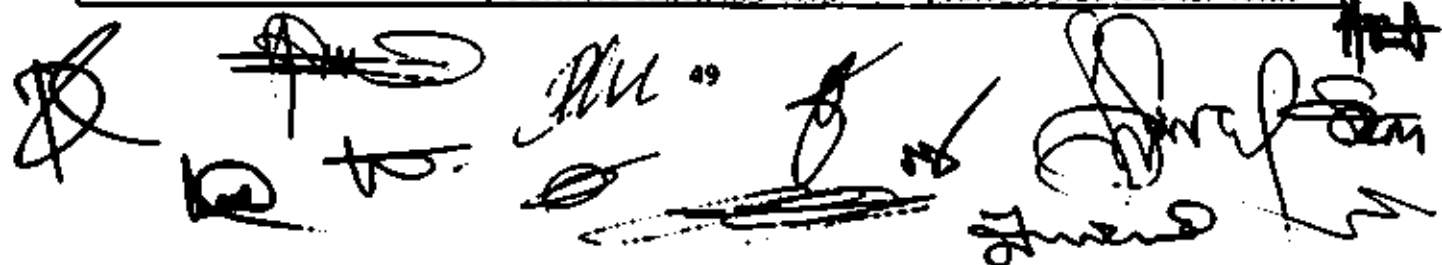
Programme	Key Interventions 2021/22	Performance Results
	<p>Increase the number of Ugandans employed in Oil and Gas related industries from 3,400 to 50,000 by 2025; and</p> <p>Increase the levels of quality compliance of refined petroleum products from 99.0 percent to 99.7 percent by 2025.</p>	<p>pipeline route between Kuluale, Hoima and Bukoba, Wakiwo. However, construction of resettlement houses had not commenced and geotechnical and hydrological surveys were ongoing.</p> <p>Approximately 300 acres of land for establishment of the Kampala fuel storage terminals had been acquired in Wakiso district.</p> <p>On implementation of the National Content Policy, 5,372 people were directly employed in the oil and gas industry of which 5,106 (95%) were Ugandan Nationals</p>
10. Tourism Development	<p>The MTWA plans to spend USD 600 million (approximately UGX 2.2 trillion) in developing tourism infrastructure countrywide. The major infrastructure projects include: the Source of the Nile and Kagulu Hills in Busoga; Mt Rwenzori Tourism infrastructure development project phase II and Mt Elgon infrastructure development project. The MTWA will also develop roads to cultural heritage sites at Elgo-Byamugonyi Archaeological Heritage, Nyero, Patiko and Emin Pasha's Fort;</p> <p>Relocation and Upgrading the airstrip at the periphery of Kidepo Valley National Park. Construction of Marine Water Routes including 20 docking piers on Lakes Victoria and</p>	<p>HA</p> <p>Emp</p>

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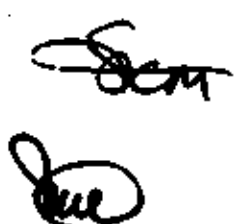



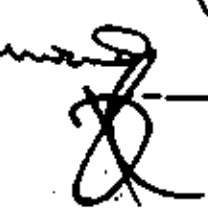

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Programme	Key Interventions 2021/22	Performance Results
	<p>Alert and Upgrading of 370km of tourism roads across the country;</p> <p>Government and the World Bank entered the negotiations stage for a funding of USD 145.2 million to be extended over a six-year period towards investment in forest protected areas for Climate Smart Environment.</p>	
11. Natural Resources, Environment, Climate Change, Land and Water Management	<p>Increase the land area covered by forests from 12.4 percent to 15 percent and that of wetlands from 8.9 percent to 12 percent;</p> <p>Operationalize the new National Environment Act, 2019 and related regulations providing for restrictions on practices such as the manufacture and use of hazardous chemicals within the</p>	<p>In a bid to increase forest cover in the country 6,073,069 tree seedlings were supplied to individual farmers, refugee hosting communities, institutions and local governments. Additional 670,204 (1072ha) assorted tree seedlings were distributed in Mubuku II, Manafwa, Ngenge, Tochi and Wadiali. 7,898 Ha of degraded critical wetlands were restored.</p> <p>7,898 Ha of degraded critical wetlands were restored</p> <p>To enhance forest restoration and conservation 5,101ha of degraded Central Forest Reserves were freed from encroachment in all 9 regional management areas across the country. 6,227ha of degraded natural forests were restored through restoration planting with indigenous tree species and under natural regeneration.</p>

Programme	Key Interventions 2021/22	Performance Results
	<p>country;</p> <p>Support integration of environmental management practices into planning and budgeting processes;</p> <p>Restoration and protection of wetland ecosystems through demarcation of wetland boundaries to reduce encroachment and degradation;</p> <p>Promotion of equitable and sustainable use of wetland resources for livelihood enhancement and economic growth in line with obligations under International Agreements;</p> <p>Development of the Real Estate Agency Law.</p> <p>Dissemination and implementation of National Land Policy;</p> <p>Development of the National Land Valuation Information System by 25 percent;</p> <p>Increase awareness of the National Housing Policy to 60 percent and dissemination of Prototype Plans implementation to 40 percent.</p>	
12. Human Capital Development	<p>In FY2021/22, Government has allocated a total of UGX 8.046 trillion to the Human Capital Development Programme. Under this Programme, Government will:</p> <p>Prioritise the prevention and control of communicable diseases, with focus on high burden diseases (HIV/AIDS, TB, Malaria, Neglected Tropical Diseases) and epidemics to improve population health. UGX. 5.5 billion has been</p>	<p>The main result under the intervention is reduced morbidity and mortality due to HIV/AIDS, TB and malaria and other communicable diseases. By the end of the financial year, the multi resistant Tuberculosis case detection increased from 62% to 82%. Above 90% of the HIV pregnant mothers were enrolled on ART which resulted in reduced positivity rates of 3.29% at six weeks</p>

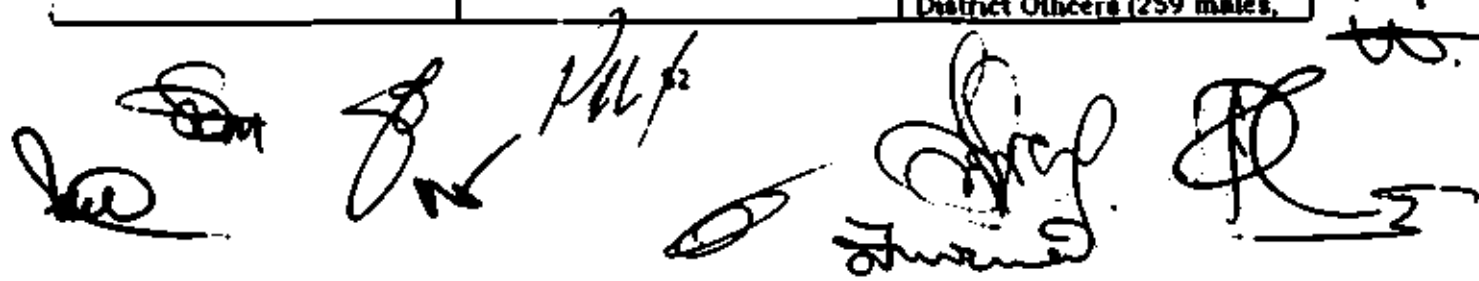


Programme	Key Interventions 2021/22	Performance Results
	<p>appropriated to this intervention next financial year.</p> <p>Set up and operationalize the four regional cancer centres in Gulu, Arua, Mbale and Mbarara. The Mbarara centre is already in place and the Arua centre has opened doors to the community starting with cancer screening. The construction of the Gulu Cancer Centre is expected to commence next financial year;</p> <p>Construct safe water supply systems in the rural areas, to increase the number of water point systems and piped water supply systems using solar powered technologies, and promote appropriate sanitation and hygiene technologies;</p> <p>Enhance Social Protection and Livelihoods by expanding the scope and coverage of Direct Income Support (DIS) for vulnerable groups. UGX.73 billion has been appropriated to this intervention</p>	<p>and 5.23% at 18 months The malaria reduction and elimination strategic plan was developed and disseminated to National and district levels by the end of the FY 2021/22, 15,106,069 people equivalent to 71% of the target population of 22 million persons above 18 years have received at least one dose of covid-19 vaccines while 10,061,104 persons representing 47% are considered fully vaccinated</p> <p>The process to establish Centre of excellence in cancer was under way with the construction and equipping of the East African Center of Excellence in Oncology in advanced stage. The construction of the multipurpose building was at 78% against the target of completion while the construction of the oncology center in northern Uganda was at 85% against the timeline of 95%.</p> <p>Construction of 20 solar powered systems is at 92% level Completion under Lot I in 19 districts and 20 solar powered systems of Lot II in 17 districts to 90% completion. 122 boreholes (41 hand pumps and 81 production wells) were drilled across the country</p> <p>National roll-out of the SAGE (216,815 females, 151,722 males) was carried out; 2. Special Grant for Persons with Disabilities implemented; 9,322 males 9,179 females; 3. The NSSF</p>

Programme	Key Interventions 2021/22	Performance Results
	<p>to support;</p> <p>Construct science laboratories in six secondary schools and establish virtual labs in 200 secondary schools using the Cyber Schools Technology Model to streamline STEI/STEM in the education system;</p> <p>Establish a National Teacher Education Institute and upgrade 3 PTCs to Degree Awarding Institutions; establish a TVET Council to coordinate promotion of skills development in conjunction with the industry; and</p> <p>Review the National Physical Education and Sports Policy (NPESP) 2004, Physical Activity and Sports (PAS) Bill and Nakivubo War Memorial 1953 Trustee (Amendment) Bill.</p> <p>Continue with the construction and rehabilitation of sports facilities and stadia to promote the country's niche sports (ie. football, netball, athletics, and boxing).</p>	<p>Act was amended to provide for mid-term awards to beneficiaries</p> <p>Furthermore, 12 institutional policies were developed and validated and approved the Master plan and strategic plan for the operationalization of Uganda National Institute of Teacher Education (UNITE)</p> <p>Costed the National Physical Education and Sports Policy (NPESP)/ Physical Activity and Sports (PAS) Bill.</p>
13. Innovation, Technology Transfer & Development	<p>Fund the establishment of three technology and business incubators which will be nurtured to go to Industrial Parks, Zonal Industrial Hubs, Regional Science and Technology Parks or remain as independent sites. UGX 55.71 billion has been provided for this intervention to develop the requisite STEI.</p> <p>Fund Research and Innovation initiatives across the country to</p>	<p>Government continued to demonstrate its commitment to the Research and Development agenda by channeling Ughs 31.500 billion to the Research and</p>






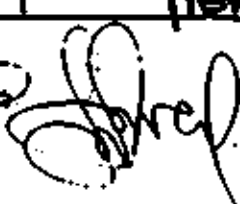


Programme	Key Interventions 2021/22	Performance Results
	<p>unlock the potential of inventors. UGX.10 billion has been allocated for this intervention.</p> <p>Develop detailed designs for the construction of the National Automotive Park and initiate its construction</p> <p>Operationalize the National Research agenda and disseminate it to stakeholders.</p> <p>Government will also support 100 Innovators to acquire Intellectual Property Rights (IPRs) across the country</p>	<p>Innovation Fund (RIF) under Makerere University that benefited 123 Research Grantees in the third cohort of 2021/22. Tangible products that are at the point of commercialization include the peddle operated seed cleaner that is already being used in communities.</p>
14. Community Mobilization And Mindset Change	<p>In the FY 2021/22, Government has allocated UGX.56.9 billion to this Programme. Government will review and implement a comprehensive strategy aimed at empowering citizens to embrace national values and actively participate in issues of national development</p>	<p>Total of 1,500 Religious leaders from 6 regions were sensitized on the Parish Development Model (PDM); 108 Local Governments and public/community libraries were monitored and inspected; conducted capacity building of 63 National PDM Facilitators to support rollout of training activities across the country; capacity of 885 District/City/Municipality "Training of Trainers" (Community Development Officers, Planners, Communication Officers) was undertaken on the implementation of the PDM, Technical Support Supervision was undertaken in 65 Local Governments reaching 395 District Officers (259 males,</p>



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Programme	Key Interventions 2021/22	Performance Results
		1.4. females), 6,000 copies of the Training of Trainers Guide on the PDM Pillar of Community Mobilization and Mindset Change was printed and disseminated; 1,500 copies of the PDM Operational Manual printed and disseminated.
15. Regional Development	<p>Implement the Parish Development Model (PDM) to extend services to all parishes (10,594) of the country. The PDM will be premised on seven pillars: Production, Processing and Marketing, Infrastructure and Economic Services, Financial Inclusion, Social Services, Community Data, Governance & Administration and; Mindset Change. This is intended to improve the economic and social wellbeing of the populace, and transition households from the subsistence to monetised economy.</p> <p>Continue supporting the restoration of livelihoods in Northern Region; Local Economic Growth (LEGS) Support Project and the Markets and Agricultural Trade Improvements Programme (MATIP 2). UGX 133.3 billion has been allocated to this intervention.</p>	<p>The conceptual framework for the Parish Development Model (PDM) was finalized to facilitate smooth implementation.</p> <p>the Ministry of Local Government spearheaded implementation of activities such community sensitization and mobilization, production of guidelines, organization of local financial institutions/groups, among other</p> <p>PARISH DEVELOPMENT MODEL INFORMATION SYSTEM (PDMIS) Successfully launched the PDMIS in Bukedea North and rolled out the system to all parishes throughout the country; Data collection at Parish level is ongoing in the whole the country; The PDMIS operational manual developed and in use BPO/ITES Developed a concept note on the demand for BPO services</p>

Programme	Key Interventions 2021/22	Performance Results
16. Private Sector Development	<p>Mobilization of alternative financing sources for private investment;</p> <p>Development of a transparent incentive framework that supports local investors;</p> <p>Establishment of a National Business Development Services framework;</p> <p>Establishment of a One Stop Centres for business registration and licensing; and</p> <p>Development of an overarching Local Content Policy framework.</p>	
17. Manufacturing	<p>Support existing local manufacturers for both medical products and pharmaceuticals</p> <p>Enforce the laws on counterfeits and poor-quality products</p> <p>Enacting and enforcing the Local Content law</p> <p>Supporting existing sugar factories to produce industrial sugar</p> <p>Supporting the national conformity assessment system</p>	<p>Feasibility studies for Virika Intravenous fluids is on-going.</p> <p>The amendment of the counterfeits law was ongoing by MTIC in collaboration with Uganda National Bureau of Standards (UNBS). A regulatory impact assessment to review and amend the weights and measures rules and regulations was conducted</p> <p>The MTIC developed draft regulations for the Industrial Licensing Act Amendment Bill. The MTIC consulted key stakeholders on the draft Trade remedies and Consumer Protection Bills respectively. The Hire Purchase regulations were reviewed and the National Competition and Consumer Protection Policy were printed and distributed to 100 Local Governments (LGs).</p>

Programme	Key Interventions 2021/22	Performance Results
	<p>to attain international recognition</p> <p>Supporting 200 Aggregation and Collective Marketing Societies with cleaning, drying, grading and processing equipment</p> <p>Establishing 6 Training and common facility centres</p> <p>Establishing resource-efficient and sustainable industries</p> <p>Enhancing the capacity of UNBS to undertake quality assurance and standard inspection</p> <p>Create regional value addition centres centred on the most viable priority commodities in specific regions</p> <p>Supporting the operationalization of Machining and Manufacturing Production and Training Centre for Industrial Skills Capacity Training</p> <p>Regulating Warehouse Receipts</p>	
18. Digital Transformation	<p>Extend broadband ICT infrastructure coverage countrywide, in partnership with the private sector and implement last mile connectivity in public service delivery areas to leverage existing infrastructure by public and private sector players.</p> <p>Expand the Digital Terrestrial Television and Radio Broadcasting network</p> <p>Establish and enhance</p>	<p>A total of 736 additional MDADLO and target user sites were connected to the NBI bringing the cumulative number of sites connected to 1,394 sites and of these a total of 1,294 sites were utilizing services over the NBI.</p> <p>Capacity was developed in navigation and functionality of the National Broadband GIS portal</p>

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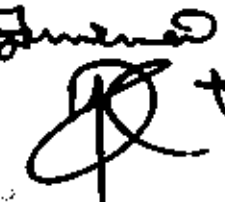

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Programme	Key Interventions 2021/22	Performance Results
	<p>national common core infrastructure (data centres, high power computing centres, specialized labs)</p> <p>Mainstream ICT in all sectors of the economy and digitize service delivery.</p> <p>Develop and implement the Data Protection and Privacy Program</p> <p>Implement National Guidance Policy</p> <p>Develop and support the ICT Research and Innovation ecosystems. Increase job creation especially for the Youth through ICT Research and Innovation</p> <p>Establish model incubation centers /hubs to encourage innovation and creation of local content at regional level</p> <p>Implement the National Postcode and Addressing System</p> <p>Promote the manufacturing and assembling of ICT devices in Uganda</p> <p>Provide capacity building for MDA/LO staff to ensure uptake and usage of services and rolling out</p> <p>E-government services. Position UICT as the specialized institution for ICT training</p>	<p>Organized and launched a campaign dubbed "I am Ugandan", which is a call to embrace those ideals framed by our eminent citizens between 1991 and 1995 and placed as National Objectives and Directive Principles of State Policy in the Constitution of the Republic of Uganda.</p> <p>Progress registered by Phase Three innovator awardees assessed and a report produced</p>

The Committee also observed that the budget interventions were reviewed basing on sectors contrary to programmes that were included in budget for FY 2021/22 and NDP III. We have attempted to assess the performance of the interventions according to programmes. However, we are unable to establish the performance of some of the interventions hence remaining blank in the table 15 above.

The Committee recommends that the Ministry of Finance Planning and Economic Development should report on the performance of the Programmes planned in Budget since the Country transitioned to Programme Based Budget to ensure proper evaluation of the the budget and the National Development Plan three (NDP III).

4.4 Performance of Domestic Arrears, Virements, Contingency Fund and NDP III Core Projects for FY 2021/22

4.4.1 Domestic Arrears

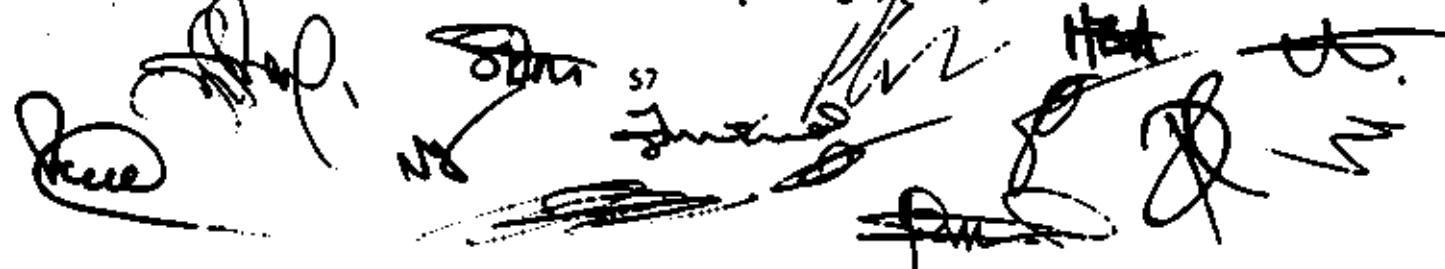
Domestic arrears repayment performed at 151% in FY 2021/22. Total outturn was UGX 606 billion out of the planned UGX 400 billion. However, the stock of domestic arrears has continued to grow over time. Domestic arrears increased by 21% from UGX 3.83 trillion in 2020 to UGX 4.65 trillion in 2021 according to the Auditor General's Report.

Growth in arrears is an indication of the failed commitment control system and appears unattainable.

The Committee observed that domestic arrears in Uganda are a long-standing challenge in response to which, Government has over the years put in place several measures to address the problem. These include:

- The introduction of the Commitment Control System (CCS) in 1999;
- Strengthening the legal framework surrounding the Public Financial Management system with special provisions entrenching the CCS;
- Formulation of a comprehensive domestic arrears strategy as part of the 2007 Public Debt Strategy;
- Introduction public financial management systems and reforms such as the Integrated Financial Management System (IFMS), Planning and Budgeting System (PBS), decentralization of the salary and pension payrolls, all aimed at strengthening budgeting and expenditure controls.

It was observed that UGX 676Bn was allocated and disbursed to various MDAs to settle domestic arrears with a view of improving liquidity within the local

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business community according to the Auditor General's Report. It was noted that 90% of funds were used appropriately for the intended purpose. However, it was also noted there was diversion of funds to pay for unrelated expenditure worth UGX 4.897Bn (0.7%), unsupported domestic arrears of UGX 27.38Bn (4%), and Payment for contested/rejected domestic arrears of UGX 1.245Bn (0.2%). UGX 33.8Bn (5%) was used to settle international obligations thus did not contribute to the stated objective since the funds were externalized.

The Committee recommends that although government developed a Domestic Arrears Management Strategy which is meant to guide the effective management of domestic arrears, it should explore strategies to stop the accumulation of domestic arrears as this constrains private sector growth.

4.4.2 Report on Virements

According to the Section 22 of PFMA, the Minister of Finance may, upon request by an Accounting Officer, vary within a vote, the amount of the money allocated to the vote. However, the virement made should not: (a) be more than ten percent of the money allocated for an item or an activity of a vote where the virement is from one item or activity to another; (b) be contentious; or (c) result into a future liability for the vote or the Government.

In FY 2021/22, virements were observed in forty votes. Most notable amongst these virements was the reallocation of UGX 11.1 billion from various items under the Ministry of Energy and Mineral Development for the purpose of decmed energy obligations under the Achwa Agago power dam.

4.4.3 Spending on Contingency Fund

The Contingencies Fund shall be used to provide funding for supplementary expenditure and to respond to natural disaster as per the PFMA. In FY 2021/22, a total of UGX 228.30 billion was allocated for the Contingency fund and transferred for increasing nurses and midwives lunch allowance under Ministry of Health.

The Committee noted that, Section 26 of the PFMA requires the report made by the Minister on the contingency fund to indicate (a) the date of withdrawal of money from the Contingencies Fund; and (b) an explanation confirming that the withdrawal complies with the requirements. However, these details were not provided.

The Committee recommends that the Minister should adhere to the provisions of the PFMA by reporting the details information on the withdrawals from the contingent funds

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4.4.4 Performance of NDP III Core projects

The 2020/21-2021/22 Projects Investment Plan (PIP) contains the rolling list of core/ flagship projects, and programme level projects to be implemented by Ministries, Departments and Agencies (MDAs) within the medium term. Implementation of core projects is at various stages with some at project ideas stage, others are at concept level while some are ongoing.

Core/flagship projects are high multiplier projects with significant impact to realization of the NDP III results and therefore it is important to highlight their financial performance in FY 2021/22.

a) Financial performance of Core Projects

It should be observed that overall, the government funded components of core projects performed generally well. UGX 536.3 billion was released out of an approved budget of UGX 458.2 billion for core projects indicating 117% release performance. Absorption performance was 100%.

On the other hand, external funding releases performed at 42% and absorption was 78%. Out of an approved budget of UGX 1,288.5 billion, UGX 538.5 billion was released.

b) Releases above approved budgets

During the financial year, financial releases over and above approved budgets were realized in nine (9) core projects (see table 16 below). Absorption of funds released was generally good except for the Regional Communication Infrastructure project where expenditure performance for government funds was 75% and 48% for external financing.

Notable projects with good release performance among others include: Karuma Hydro Power Plant where physical percentage progress as at June 2022 was 99%.

The Committee observed that Lira-Gulu-Agago 132KV transmission project registered the highest release performance (1803%). However, its delayed completion resulted into payment for deemed energy obligations under the Achwa Agago power dam.

Table 16: Core Projects where release performance was above approved budgets FY 2021/22

PROJECT	Source of Funding	Approved Budget (UGX Bn)	Released (UGX Bn)	Spent (UGX Bn)	Release Perf (%)	Absorption (%)
Isimbe Hydro Power Plant	GoU	13.95	17.05	17.05	122%	100%
Karuma Hydro Power Plant	GoU	30.00	73.85	73.79	246%	100%

PROJECT	Source of Funding	Approved Budget (Shs Bn)	Released (Shs Bn)	Spent (Shs Bn)	Release Perf (%)	Absorption (%)
Dukasa Port	GoU	15.00	16.68	16.53	111%	99%
Improving Access and Use of Agricultural Equipment and Mechanisation through the use of labour Saving Technologies	GoU	36.32	73.43	73.35	199%	100%
Agriculture Value Chain Development	External	32.23	34.81	29.27	108%	84%
Midstream Petroleum Infrastructure Development Project	GoU	5.51	34.01	34.01	617%	100%
Regional Communication Infrastructure	GoU	1.62	1.90	1.42	117%	75%
Regional Communication Infrastructure	External	110.08	110.08	53.24	100%	48%
Lira-Gulu-Agago 132KV transmission project	GoU	5.68	102.42	102.42	1803%	100%
Mt. Rwenzori Tourism Infrastructure Development Project (MRTIDP)	GoU	2.79	2.79	2.79	100%	100%

Source: PBU computations based on ABPR data

4.4.5 Core Projects with very low releases

Low releases were registered under several core projects under both external and GoU financing (see table 17 below). Some projects had no release at all.

Slow implementation of core projects will adversely affect growth and job creation and undermining Vision 2040. This implies that the envisaged high multiplier effect of core projects on NDP III results will not be realized.

The Committee further observed that absorption of funds to projects has continued to be a challenge and this undermines the development agenda of the Country. This 'poor' budget execution in projects is mainly as a result of challenges in project executions that result in delays in disbursement of funds from development partners.

The Committee recommends that Government should improve project selection, design, appraisal and analysis before the project is approved and sanctioned for funding.

Table 17: Core Projects with low releases FY 2021/22

PROJECT	Source of Funding	Approved Budget (UGX Bn)	Released (UGX Bn)	Spent (UGX Bn)	Release Perf (%)	% release Spent (Absorption)
Muzizi Hydro Power Project	External	15.39	0	0	0%	0%

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PROJECT	Source of Funding	Approved Budget (UGX Bn)	Released (UGX Bn)	Spent (UGX Bn)	Release Perf. %	% release Spent (Absorption)
The Entebbe Airport Rehabilitation Project	External	61.4	19.14	19.14	31%	100%
Kisoro-Mgahinga National Park Headquarters Road	External	18.75	0	0	0%	0%
Kisoro-Lake Bunyonyi Road	External	18.75	0	0	0%	0%
Bukasa Port	External	96	7.46	7.46	8%	100%
Moyo-Yumbe-Koboko road	External	10.92	0	0	0%	0%
Kampala Metropolitan Transmission System Improvement Project	External	84.71	1.83	1.83	2%	100%
Masaka-Mbarara Grid Expansion Line	External	15.39	0	0	0%	0%
Kampala-Entebbe Expansion Project	External	5.7	2.22	2.22	39%	100%
Energy for Rural Transformation (ERT) Phase III	External	55.49	21.06	20.01	38%	95%
Power Supply to industrial parks and Power Transmission Line Extension	External	32.29	0	0	0%	0%
Uganda Rural Electrification Access Project (UREAP)	External	112.28	0	0	0%	0%
Integrated Water Resources Management and Development Project (IWRMDP)-urban	External	240.53	84.36	33.48	35%	40%
Development of Industrial Parks	External	45.25	0	0	0%	0%
Improvement of Ferry Services	GoU	29.45	10.41	10.41	35%	100%
Moyo-Yumbe-Koboko road	GoU	0.11	0.04	0.04	36%	100%
Kampala Metropolitan Transmission System Improvement Project	GoU	1.96	0.78	0.78	40%	100%
Masaka-Mbarara Grid Expansion Line	GoU	12.33	4.76	4.76	39%	100%
Liquefied Petroleum Gas (LPG) Supply and Infrastructure	GoU	11.5	3.89	3.89	34%	100%
Opuyo Moroto Interconnection Project	GoU	1.02	0.36	0.36	35%	100%
Kampala-Entebbe Expansion Project	GoU	7.69	0	0	0%	0%
Grid Expansion and Reinforcement Project - Lira, Gulu, Nebbi to	GoU	2.5	1.08	1.08	43%	100%

PROJECT	Source of Funding	Approved Budget (UGX Bn)	Released (UGX Bn)	Spent (UGX Bn)	Release Perf.	% release Spent (Absorption)
Arua Transmission Line						
Power Supply to industrial parks and Power Transmission Line Extension	GoU	34.51	13.04	13.04	40%	100%
Kikagati Naongeri Transmission Line	GoU	4.15	1.02	1.02	25%	100%
Airborne Geophysical Survey and Geological Mapping of Karamoja	GoU	9.1	2.78	2.78	31%	100%
Development of Industrial Parks	GoU	45.25	0	0	0%	0%

Source: PBO computations based on ASFR data

Table 18: Performance of Other Core Projects

PROJECT	Source of Funding	Approved Budget (UGX Bn)	Released (UGX Bn)	Spent (UGX Bn)	Release Perf.	% release Spent (Absorption)
Isimba Hydro Power Plant	External	110.71	93.32	93.32	84%	100%
Muzizi Hydro Power Project-GoU	GoU	3.52	1.25	1.25	50%	100%
Nyagak III Hydro Power Project-GoU	GoU	11.77	7.06	7.06	60%	100%
Kisoro-Mgahinga National Park Headquarters Road-GoU	GoU	17.33	15.02	15.01	87%	100%
Kisoro-Lake Bunyonyi Road-GoU	GoU	2.32	1.68	1.68	72%	100%
Albertine Region Airport (Kabaale international airport-Hoima)-Ext	External	166.39	119.38	119.38	72%	100%
Albertine Region Airport (Kabaale international airport-Hoima)-GoU	GoU	6	5.86	5.86	98%	100%
The Project on Irrigation Scheme Development in Central and Eastern Uganda (PLSD)-JICA Supported Project-Ext.	External	5.67	5.6	5.47	99%	98%

PROJECT	Source of funding	Approved Budget (UGX Bn)	Released (UGX Bn)	Spent (UGX Bn)	Release Perf.	% release Spent (Absorption)
Agriculture Value Chain Development-GoU	GoU	3.5	3.45	3.44	99%	100%
Construction of Oil Refinery-GoU	GoU	6.41	6.25	6.25	98%	100%
Strengthening the Development and Production Phases of Oil and Gas Sector-GoU	GoU	13.53	8.86	8.86	65%	100%
Mbak-Uulumbuli (Atari) 132KV transmission line and Associated Substation-GoU	GoU	5.34	4.8	4.8	90%	100%
Lira-Gulu-Agago 132KV transmission project-Ext	External	15.38	11.28	11.28	73%	100%
Grid Expansion and Reinforcement Project - Lira, Gulu, Nebbi to Arua Transmission Line-Ext	External	15.39	9.4	6.47	61%	69%
Energy for Rural Transformation (ERT) Phase III-GoU	GoU	12.07	7.07	7.07	59%	100%
Airborne Geophysical Survey and Geological Mapping of Karamoja-Ext	External	20.31	18.62	18.62	92%	100%
Rural Electrification Project-GoU	GoU	116.7	83.97	83.77	72%	100%
Bridging the demand gap through the accelerated rural electrification Programme (TBEA)-GoU	GoU	10	6	6	60%	100%
Building Resilient Communities, Wetland Ecosystem and Associated Catchments in Uganda-GoU	GoU	7	6.48	6.48	93%	100%
Piped Water in Rural Areas-GoU	GoU	5.5	4.72	4.72	86%	100%
Integrated Water Resources Management and Development Project (IWMDP)-rural-GoU	GoU	11.08	8.61	8.42	78%	98%

Source: PDO computations based on ABPR data.

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5.0 CONCLUSION

Rt. Hon. Speaker, and Hon. Members,

Developments in the performance of revenue indicate the need to reform the tax and non tax system through expansion of the tax base, improvement in tax administration measures and undertaking evidence based tax policy research, among others. On the policy side there is need tackle the excessive tax exemptions. Exemptions should be focused to specific sectors or social policy objectives, with mechanisms of adequate monitoring. In this regards a Tax Expenditure governance framework should be developed to include an extensive cost- benefit analysis for each proposed new exemption and an assessment of the existing ones.

Developments in regards to budget execution indicate that fiscal sustainability is steadily being compromised as fiscal indiscipline is on the rise, high multiplier projects are still challenged with slow implementation, domestic arrears are still persistent and the budget is majorly financing debt service costs as opposed to development programmes.

Safeguarding debt sustainability should be prioritized. In this regard there is need for continued domestic revenue mobilization and sound project Implementation, especially to realize the envisaged growth dividend from infrastructure investment.

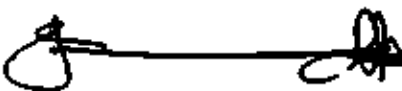

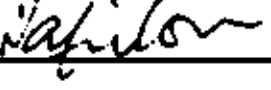

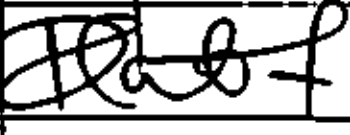

There is also urgent need to accelerate structural reforms aimed at facilitating private sector activity (particularly local MSMEs to develop capacity to drive the industrialization effort, increase exports, create jobs and increase local content. These reforms should include further improving the business environment by increasing the access to affordable credit and reducing the cost of doing business.



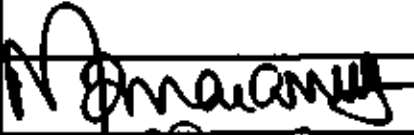
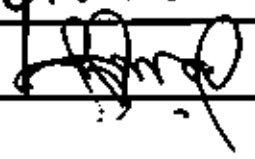




To harness the potential of human resource to adequately drive Uganda's development agenda, there is need to continue to: build up the skills base with the relevant education requirements for employment, employability and sustainable growth, Expand the pool of entrepreneurs, business leaders, managers and professionals who will be able to contribute to solving problems in their establishments, create new products and services and help their enterprises to grow; and streamline national education and training systems in light of the national, regional and global Human Resource needs and trends.

Rt. Hon Speaker, I beg to submit

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**MEMBERS OF THE COMMITTEE ON BUDGET WHO CONSENTED TO THE
REPORT ON THE ANNUAL BUDGET PERFORMANCE AND THE ANNUAL
MACROECONOMIC AND FISCAL PERFORMANCE FOR FY2021/22**

Sr. No.	NAME	TITLE	CONSTITUENCY	Signature
01	Hon. Opolot Parick Isagi	Chairman	Kachumbala County	
02	Hon. Wamukuyu Ignatius Medini	Deputy Chairman	Elgon County	
03	Hon. Dr. Kecfa Kiwanuka	Member	Kiboga County East	
04	Hon. Namukuta Brenda	Member	DWR Kaliro	
05	Hon. Magogo Moses	Member	Budioppe West	
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41	Hon. Sacmujju Ibrahim Nganda	Member	Kira Municipality	
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44	Hon. Herbert Edmund Ariko	Member	Soroti City East	