# PARLIAMENT OF THE REPUBLIC OF UGANDA

FOR GOD AND MY COUNTRY

## REPORT OF THE BUDGET COMMITTEE ON THE ANNUAL BUDGET ESTIMATES FOR FY 2019/20

OFFICE OF THE CLERK TO PARLIAMENT

KAMPALA, UGANDA

MAY 2019

## TABLE OF CONTENTS

## LIST OF ACRYNOMS

| | |
|---|---|
| AMISOM | African Union Mission in Somalia |
| BFP | Budget Framework Paper |
| CFR | Charter of Fiscal responsibility |
| *EOC* | Equal Opportunities Commission |
| FY | Financial Years |
| GoU | Government of Uganda |
| GDP | Gross Domestic Product |
| ICT | Information and Communication Technology |
| IMF | International Monitory Fund |
| JLOS | Justice, Law and Order Sector |
| MTEF | Medium term Expenditure Framework |
| MDA | Ministries Department and Agencies |
| *MFPED* | Ministry of Finance, Planning and Economic Development |
| NEMA | National Environmental Management Authority |
| NPA | National Planning Authority |
| NPV | Net Present Value |
| NTR | Non Tax Revenue |
| *PBO* | Parliamentary Budget Office |
| PBB | Programme Based Budgeting |
| PFM | Public Finance and Management |
| RDCs | Resident District Commissioner |
| *SMEs* | Small and Medium Enterprises |
| SAGE | Social assistance Grants for Empowerment |
| *SGR* | Standard Gauge Railway |
| UBC | Uganda Broadcasting Corporation |
| UCICO | Uganda Construction Industry Commission |
| UDC | Uganda Development Bank |
| UHRC | Uganda Human Rights Commission |
| UNBS | Uganda National Bureau of Standards |
| UNRA | Uganda National Roads Authority |
| VAT | Value Added Tax |

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

## 1.0 INTRODUCTION

In accordance with Article 155 (4) of the Constitution of the Republic of Uganda; Section 13(4) of the Public Finance Management Act, 2015(as amended) and Rule 147(2) and Rule 170 (3) of the Rules of Procedure of Parliament, the Budget Committee is mandated among others to;

a) To examine, discuss and review the budget estimates and make appropriate recommendations to Parliament.
b) To consider sectoral committee reports on the budget estimates referred to the Committee by Parliament for reconciliation and harmonization.

On 28th March, 2019, the Minister of Finance, Planning and Economic Development laid before Parliament the proposed Annual Budget Estimates for FY 2019/20 and this was referred to the Budget Committee. In addition, Parliament referred to the Budget Committee the Sectoral Committee reports on the Ministerial Policy Statements of FY 2019/20 for reconciliation and harmonisation.

The Budget Committee has consulted, discussed and reviewed the proposed Annual Budget Estimates for FY 2019/20 and now wishes to report to the House as follows.

## 1.1 SCOPE

The report covers the following aspects;

a) Macro-level Observations and Recommendations
b) Key Sectoral recommendations with high policy bearing for the implementation of the Budget.
c) The proposed budget re-allocations for the different votes (recurrent and development expenditure).

## 1. 2 METHODOLOGY

The Committee held meetings with the Minister of Finance, Planning and Economic Development, Chairpersons of Sectoral Committees of Parliament and some selected Heads of Ministries, Departments and Agencies. The Committee consulted, reviewed and discussed the proposed annual budget FY 2018/19 and made references to the following official government documents:

a) The National Development Plan II (FY 2015/16-FY 2019/20),
b) Draft Budget Estimates FY 2019/20,
c) The Corrigenda to the Draft Budget Estimates FY 2019/20,
d) Certificate of Compliance for the Annual Budget for FY 2018/19 (An Assessment Report by NPA),
e) Assessment Report on Compliance of Ministerial Policy Statements with Gender and Equity Requirements for FY 2019/20 by the Equal Opportunities Commission,
f) Statement of Multi-year Commitments of Government, FY2019/20
g) The approved National Budget Framework Paper FY 2019/20 - FY 2023/24,
h) Sectoral Committee Reports on the Ministerial Policy Statements FY 2019/20,
i) Sectoral Ministerial Policy Statements FY 2019/20,
j) 2nd Budget Call Circular for FY2019/20
k) Report on Public Debt, Guarantees and grants FY 2018/19
l) Report on the Petroleum Fund, Semi Annual-2018/19.
m) IMF Country Report No. 19/126, May 2019
n) Previous Reports of Parliament on National Budgets,

# PART ONE

## MACRO-LEVEL OBSERVATIONS AND RECOMMENDATIONS

### 2.0.0 ECONOMIC PERFORMANCE AND OUTLOOK

### 2.0.1 Economic Growth and Inclusivity

The Committee notes that, Uganda's economy is expected to post a real GDP growth of 6.3% in the FY2019/20 up from the earlier projection of 6.0%. The medium-term outlook is positive, with real GDP growth projected at 6 to 7% per annum. The main drivers of faster growth in the medium term include accelerated growth in trade, manufacturing, private construction, public sector investments in infrastructure, agriculture and tourism.

The Committee notes that Uganda's economy has performed relatively well over the past two and a half decades. However, with a population growth rate of around 3 percent per annum, employment opportunities as a result of growth has not kept up with population growth.

Uganda's population reached 38.8 million in 2018, and is expected to almost triple by 2050 according to the UN projections; and according to World Bank (2018), Uganda will need to create more than 600,000 jobs per year before 2030 and create more than 1 million jobs per year by 2040 to keep up with the pace of labor force entrants (World Bank, 2018).

The Committee notes that, the share of youth not in education, employment or training (NEET) was 34 percent of the total youth population in 2017, which is higher than regional peers (such as 15 percent in Tanzania, 21 percent in Nigeria and 26 percent in Ghana).

In addition, skill mismatch is a big issue for youth employment. On average 80 percent of working young people were under-educated for their occupations, and the skill mismatch is particularly high for professional and skilled agricultural young workers based on the 2015 UBOS report.

The Committee notes that youth unemployment remains a serious policy challenge in Uganda and jeopardizes inclusive growth prospects. In this regard, the Committee recommends that Government continues to strengthen employment social programs like the Youth Livelihood Programme, PCA Model, State House Youth Fund, the Uganda Women Entrepreneurship Programme and Microfinance related Programs; by providing adequate funds, improving technical capacities, and improving the rate of recovery of funds loaned out.

The Committee notes that the Agricultural Sector is a key pillar for an all-inclusive growth strategy and very critical in guaranteeing sustainable economic growth. Agriculture has the greatest potential for increasing household incomes and addressing unemployment in the rural communities. This will address the livelihoods of over 68% of Uganda's households that are engaged in agriculture and related agribusinesses. The agricultural sector budget has increased from Ushs 892.9 bn to Ushs 1,011.4bn in FY 2018/19 and FY 2019/20 respectively.

The Committee notes that the cost of doing business is still high in Uganda, partly attributed to the relatively high power tariffs, high tax rates, high costs of borrowing, and limited access to long term finance. The financial sector is still underdeveloped and has limited long term finance as a result of an underdeveloped pensions sector, high operational costs in commercial banking, and crowding-out of private sector credit with high levels of government borrowing.

The Committee recommends that Government reduces its appetite for borrowing from the Domestic Market and focuses on strategies to increase our domestic revenue collections and promote the development of the Pension and Capital Markets Sector for long term debt and equity financing. There is also need to further capitalize Uganda Development Bank (UDB) to increase the amount of affordable credit and diversify financial products to address the challenge of long term financing and high risk private investment.

### 2.0.2 Public Debt Management

The Committee noted that , the total public debt stock increased by 12.5 percent to USD 11.52 billion as at end December 2018 from USD 10.24 billion as at end December, 2017 out of which domestic and external debt accounted for 33.5 percent (USD 3.86 billion) and 66.5 percent (USD 7.66 billion) respectively. The external debt stock increased by USD 0.78 billion to USD 7.66 billion by end December 2018 from USD 6.88 billion at end December 2017. The increase was mainly from China (25 percent) and World Bank (40 percent).

The Committee notes that, the nominal value of public debt as a percentage of GDP stood at 41.8% as at end December 2018. The Present Value (PV) of public debt to GDP increased from 30.1 percent as at end December 2017 to 31.7 percent at end December 2018.

The Committee noted that the stock of undisbursed debt as at 31st December, 2018 amounted to USD 4.05 billion as compared to USD 4.48 billion as at end December 2017. The decrease in undisbursed stock is attributed to the improved performance of projects. Multilateral Creditors dominate the undisbursed loan stock with 61 percent, bilateral creditors are 38 percent and Commercial Banks with 1 percent of the total undisbursed stock. The bulk of undisbursed loan projects is composed of large infrastructure projects like; Kabaale International Airport, Busega-Mpigi Expressway, the Entebbe Airport Expansion project and the various power grid extension projects.

In addition the Committee notes that the total amount guaranteed amounts to USD 55.1 million. The exposure to disbursed and outstanding guaranteed debt as at December 2018 amounted to USD 19.9 million (UGX 75 billion), indicating a 143% increase compared to USD 8.2 million (UGX 29.8 billion) as at December 2017. This increase is mainly attributed to the disbursements of the BADEA and IDB loans to UDBL.

The Committee notes that, as at end December 2018, none of the PPP projects entered into after the enactment of the PPP Act 2015 had yet reached commercial or financial close. Therefore, Government is not yet exposed to any fiscal commitments and contingent liabilities from these projects. The PPP projects entered after the enactment of the PPP Act, 2015 include:

1. Kampala- Jinja Express Way Toll Project
2. Mulago Car Parking Project
3. Kampala Waste Management Project
4. Redevelopment of Uganda National Cultural Centre (UNCC) Properties
5. Redevelopment of National Council of Sports (NCS) Complex
6. Redevelopment of Uganda Post Limited Properties

The Committee is also aware that the Government had entered into other PPP projects before the enactment of the PPP Act 2015, including the Bujagali Hydropower Generation project, Eskom Generation Concession, Umeme Power Distribution Concession, Kalangala Infrastructure Services, Kampala Serena Hotel, Kilembe Copper Mine Concession. These projects continue to be implemented and monitored via the legal regime under which they were originally undertaken.

The Committee observes that Government has continued to contract public debt in order to finance infrastructure gaps specifically in the energy and transport sectors. Although the debt sustainability analyses indicate a low risk of debt distress for Uganda, the rate at which public debt stock is accumulating, points to increasing vulnerabilities to the country.

### 2.0.3 Risks to Economic Outlook

The Committee notes that, the economic outlook seems favorable, however it's important to note some potential risks to this favorable economic outlook. According to the IMF, further delays in the start of oil production, security concerns and political tensions could dampen confidence. The fiscal outlook could be undermined by revenue shortfalls and higher spending in the run-up to the 2021 elections. Weather conditions and climate change remain a big risk. Inadequate donor financing for refugee aid could further strain provision of public services to communities with refugee presence.

On the upside, private sector activity could gain further strength with supportive credit. Externally, improved regional security (South Sudan and DRC) could boost Uganda's exports, although recent border tensions with Rwanda and a potential spreading of Ebola from neighboring countries are risks. Globally, rising trade tensions could weigh on growth and put pressure on the shilling.

## 2.1.0 COMPLIANCE TO THE PFMA ACT, 2015 (As Amended)

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

According Section 13 (6) of the PFM Act, 2015, the annual budget shall be consistent with the National Development Plan, the Charter of Fiscal Responsibility and the Budget Framework Paper.

On 21st December, 2016, Parliament approved the Charter for Fiscal Responsibility (CFR) for this country for a period FY 2016/17 – FY 2020/21. The CFR presents Government's strategy for operating a fiscal policy which is consistent with sustainable fiscal balances over the medium term and the maintenance of prudent and sustainable levels of public debt. The approved CFR specifies the following measurable fiscal objectives:

a) The Government fiscal balance (including grants) is reduced to a deficit of no greater than 3% of GDP by FY2020/21;
b) Public debt in net present value terms is maintained below 50% of GDP; of which the net present value of external debt is maintained below 30% of GDP and the net present value of domestic debt maintained below 20% of GDP.

Subject to Section 13 (6) of the Public Finance Management Act, 2015 (as Amended) the Committee assessed the fiscal measurable objectives of the CFR against the proposed annual budget FY 2019/20 and made the following observations:

a) **The overall fiscal deficit projected to rise to 8.2% of GDP in FY 2019/20, from 5.2% projected for FY2018/19. Fiscal deficit for the FY2020/21 is projected at 6.1%;**

b) **The public debt in net present value (NPV) terms is projected to increase to 36.3% of GDP in FY 2019/20 from 31.7% as at 31st December 2018. The present value of external debt to GDP and domestic debt to GDP is reported at 17.7% and 14.0% respectively; as at end December 2018.**

The Committee was able to confirm that the Annual Budget for FY 2019/20 is consistent with the Charter of Fiscal Responsibility as required by section 13(6) of the PFM Act (2015). However, the Committee observes that, the Fiscal deficit projection in the FY2019/20 has taken an upward trend, but is projected to decline to 6.1% by FY2020/21.

The fiscal deficit projection of 8.2 percent of GDP for FY 2019/20 is above the CFR and EAC monetary convergence criteria of no greater than 3 percent of GDP. Government will have to adopt severe austerity measures and at the same time explore measures to enhance its domestic revenue mobilization efforts in order to meet the CFR and EAC monetary criteria threshold on fiscal deficit by FY 2020/21.

### 2.1.2 Certificate of Compliance of the Annual Budget to the NDPII

The Committee notes that, the compliance of the FY 2018/19 annual budget to NDPII was assessed at 60%, compared to 54.0 percent in FY2017/18. In particular, Macro level compliance improved from 41.9 percent in FY2018/19 to 54.1 percent, National level from 59.3 percent to 62.8 percent, Sector level from 53.2 percent to 58.2 percent, and Local Government Level from 62.2 percent to 66.4 percent. Overall, the Annual Budget for FY2018/19 is moderately satisfactory compared to last year's level of unsatisfactory.

**Table 1: Assessment Scores for the different Levels**

| S/N | Level of assessment | 2015/16 | 2016/17 | 2017/18 | 2018/19 | Year to Year Change |
|---|---|---|---|---|---|---|
| | | (1) | (2) | (3) | (4) | (5) = (4) - (3) |
| **A** | **Macro level Assessment** | **72** | **48.1** | **41.9** | **54.1** | **12.2** |
| **B** | **National Level Assessment** | **75.4** | **74.2** | **59.3** | **62.8** | **3.5** |
| | | | | | | 0 |
| **C** | **Sector level** | **57.7** | **60.1** | **53.2** | **58.2** | **5** |
| *1* | *Agriculture* | *56.1* | *57* | *50.9* | 58.1 | 7.2 |
| *2* | *Tourism, Trade and Industry* | *58.3* | *53.4* | *48.5* | 49.7 | 1.2 |
| *3* | *Energy & Mineral Development* | *53.4* | *64.5* | *41.9* | 50.5 | 8.6 |
| *4* | *Health* | *52.9* | *51* | *51.7* | 51.2 | -0.5 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 5 | *Education* | *49.4* | *60.4* | *50.9* | 56.3 | **5.4** |
| 6 | *Water & Environment* | *55.7* | *51.8* | *51.2* | 56.1 | **4.9** |
| 7 | *Works and Transport* | *72.4* | *55* | *58* | 61 | 3 |
| 8 | *Social Development* | *65.1* | *57.7* | *65* | 64 | -1 |
| 9 | *ICT* | *68.6* | *50.8* | *49.8* | 60.8 | 11 |
| 10 | *Lands, Housing & Urban Development* | *41.3* | *65.1* | *52.9* | 45.6 | -7.3 |
| 11 | *Justice, Law & Order* | *71* | *70.4* | *57* | 62.6 | 5.6 |
| 12 | *Public Administration* | *58.3* | *67.7* | *50.1* | 71.8 | 21.7 |
| 13 | *Legislature* | *70.3* | *61* | *52.8* | 55.3 | 2.5 |
| 14 | *Accountability* | *41.3* | *70* | *55.7* | 57.6 | 1.9 |
| 15 | *Public Sector Management* | *50.7* | *62.7* | *47.8* | 55.4 | 7.6 |
| 16 | *Defence and Security* | *61* | *63.9* | *67.7* | 72.5 | 4.8 |
| | | | | | | 0 |
| **D** | **Local Government** | | **51.8** | **62.2** | **66.4** | **4.2** |
| **Total Compliance** | | **68.3** | **58.8** | **54** | **60** | 6 |

*Source: CoC to NDP II, National Planning Authority (2019)*

**The Committee noted the following key emerging issues from the assessment:**

1) **GDP growth has recovered** in the previous year, towards NDPII average annual target of 6.8 percent. However, it is not high enough to lead the economy into the lower middle-income status by 2020. The projected GDP outturn at 6.1 percent by the end of FY2018/19 is below NDPII target. The per capita GDP target for FY2018/19 in both the NBFP and the Annual Budget at USD750 is below the NDPII target of USD 982. This trend continues into FY2019/20 since the per capita GDP target for FY2019/20 in both the NBFP and the AB at USD824.3 is below the NDPII target of USD1, 039. Thus, the Country will not achieve the middle-income target by 2020.

2) **Agriculture expenditure has been skewed towards to production** at the expense of investment along the entire value chain. Along the value chain, on average primary production takes the majority (91 percent) of the sector budget compared to market access and value addition (only 4.3 percent). Further, the Uganda Commodity Exchange (UCE) which would have helped market access for Agriculture commodities is yet to be fully operationalized. The collapse of maize prices nationwide in 2018 following a bumper harvest is a great reminder of the need to balance investments across the agricultural value chain and shift from concentrating the bulk of investments in primary production as the sector has done over the years.

3) **The Budget does not capture previous FY unspent balances** and this is underestimating the available resource envelope. While annually there are unspent balances the budget does not include them in the resource envelope. In the FY2017/18, 31 central government votes and 10 local governments were not able to spend the resources allocated to them. These unspent balance totaled UGX 289.4 billion of which UGX 277.6 billion (96%) was from central government votes and 11.77 billion (4%) was from local government votes.

4) **Low capacity to deliver NDP II core projects -** 19 percent of the NDP II core projects have not yet started, 16 percent are undergoing feasibility study, 9 percent have been prepared and are now ready for implementation, 53 percent are under implementation but below schedule, and 3 percent are under implementation and on schedule. The NDPII ends in FY 2019/20 and its very unlikely that core projects under implementation will go beyond 10 percent. This gross inconsistence between the budget and NDP implementation of core projects is one of the main reasons why our growth targets remain single digit.

5) **Human Capital Development is hampered by skills development efforts that are too scattered** to yield the required impact, despite enormous government expenditure. There are 12 projects and 5 institutions all implementing skills development projects in silo approach. The 5 institutions are: Education, Social Development, Trade and Cooperatives, Tourism, and Energy. There is need for these projects to be delivered under one program of skills development.

*6)* **UDB is currently not providing adequate affordable development finance** as envisaged. The current average lending rates of UDB at 14 percent for Uganda Shillings and 8 percent for USD is close to the Commercial Bank lending rate further limiting access to development finance.

***In this regard, the Committee recommends the following:***

1. *Fast-track infrastructural investments for oil and gas and other core projects; like the oil Roads, Kabale airport, Jinja-Kampala Expressway, Bukasa port, Tourism infrastructure, irrigation infrastructure and the petroleum refinery. The annual budget should be focused on delivering these and other NDPII flagship projects for the economy to maintain its pace towards middle income status;*

2. *Government investment in agriculture should be along the entire value chain. While consolidating the gains made at supporting agricultural production and productivity through provision of inputs, more public investment is now required in value addition, post-harvest handling, storage and market access;*

3. *Unspent balances of the previous year budget should be included in the resource envelope of the new budget so that they finance NDP objectives;*

4. *Government should devise all means possible to deal with land compensation that are affecting infrastructure budgets and implementation;*

5. *Capitalization to UDB should be increased over the medium term, in order to provide access to affordable credit especially for agro-processing and manufacturing but cost of borrowing should be lowered to meet government aspirations for long-term financing e.g. lowering interest rates to lower than 12% p.a.*

### 2.1.3 Status on Implementation of NDPII Core Projects

The Committee notes that the FY2019/20 is the last year of implementing the NDP11, and yet most of the Core projects have not been implemented. (Refer to Table 2 for details).

The Committee notes that, most core projects are performing below NDPII schedule while others have failed to completely kick off. Duplication, inadequate project readiness for implementation and failure to finalize projects as planned are still major challenges. This delay in project implementation is likely to reduce returns on public investment and thereby affecting debt sustainability in the medium term.

*The Committee recommends that a robust Public Investment Management Systems Policy Framework should be developed to complement the existing guidelines with a focus on: strengthening capacity and financing for preparation of priority NDP projects; strengthened efforts to review the Public Investment Plan (PIP) to eliminate expiring projects to free fiscal space for new priority projects; and strengthen project monitoring and evaluation functions.*

**Table 2: Progress on Core Projects by December 2018 and Loan Funds disbursements for 2019/20**

| Project | Funding Secured | | Status of implementation | 2019/20 Disbursement, USD Million |
|---|---|---|---|---|
| | USD, Mn | Source | | |
| Agriculture cluster development project | 140 | IDA | Financing Agreement | 30 |
| Markets and Agriculture Trade improvement | 120 | AfDB | 25 percent for 7 markets<br>15 percent for 3 markets<br>1 market at procurement | - |
| Farm Income Enhancement and forest Conservation | 91.43 | AfDB | Financial Performance is at 22percent | - |
| Oil related infrastructure projects | 0 | EXIM Bank of China | Discussions with financier still under way for 9roads and 2 bridges | - |
| Albertine Airport | 318.59 | UKEF | Not Available | 139.5 |
| | 43.75 | Standard Chartered bank | | |
| Albertine Region Roads | 95 | WB | Not Available | 5.56 |
| | 72.94 | AfDB | | |
| Karuma Hydro power plan | 1435.1 | EXIM Bank of China | 90 percent | 146.3 |
| Isimba Hydro Power plant | 482.6 | | Commissioned in **March 2019** | |
| Industrial Park Substations | 84.98 | EXIM Bank of China | 1 of 4 industrial parks Substations at 55percent;<br>1 of 4 at 22percent<br>Others yet to start | 25.02 |
| Grid Extension: North east, Lira and Buvuma | SDR71 | IDA | Not Available | 24.99 |
| | 40 | Germany KfW | Approval before parliament | |
| Masaka Mbarara Transmission Line | EUR37.1 | AFD | Not Available | |
| | EUR35 | KfW | | 20.6 |
| Kabale Mirama Transmission Line | 83.75 | IDB | Not Available | 16.38 |
| Grid Extension (incl. Power pool) | 15 | IDA | Not Available | Until 2020/21 with 20.25 |
| | SDR97.9 | | | |
| | 55.1 | France AFD | | |
| Standard Guage railway | | Exim Bank of China | Feasibility Study donation | 0 |
| | | N/A | EPC/Turnkey Commercial Contract for Malaba-Kampala signed with China Harbor Engineering Corporation | |
| | | Exim Bank of China | Loan Negotiations ongoing | |
| Entebbe Airport rehabilitation | 200 | Exim Bank of China | N/A | 10 |
| Kampala Jinja High Way | UA164.47 | AfDB | Prequalification of private firms completed. | 96.93 |
| | 229.47 | AfDB | | |

| Project | Funding Secured | | Status of implementation | 2019/20 Disbursement, USD Million |
|---|---|---|---|---|
| | USD, Mn | Source | | |
| | EUR90 | AFD | | |
| | 105 | AFD | | |
| | 90 | EU Grant | | |
| Upgrading Kapchorwa Swam Road | 88 | AfDB | N/A | - |
| Kampala - Mpigi – Express High way | 150.9 | AfDB/fund | Financing for Kibuye-Busega still being negotiated | 54.23 |
| Rwekunye –Apac-Lira_Kitgum-Musingo Road | 210.0 | IDB | Secured Funding | 26.19 |
| Road Construction equipment | 131.75 | JBIC | Project Completed | N/A |
| Comprehensive Skills development programme | 13.3 | OPEC | Vocational Training | 82.3 |
| | 106.1 | IDB | | |
| | 150 | WB | Skills Devt Proj. | |
| | 17.6 | Belgium | Skilling Uganda Strategy: | |
| | UA22.5 | AfDB | Centers of Excellence: | |
| Strengthening effective Mobilization management and Accountability for the use of public resources | | Various Devt partners | Ongoing under FINMAP basket funding | Not Clear |
| Revitalization of UDC and capitalization of UDBL | 16 | BADEA | | Not Clear |
| | 10 | IDB | | |
| | 5 | India EXIM Bank | | |
| | 15 | AfDB | | |
| ICT National Backbone Project | 15.4 | WB | | |
| | 75 | Regional Communication Infrastructure prog (RCIP). | | |

**Source: National Planning Authority**

### 2.1.4 Consistency with the Budget Framework Paper 2019/20

According Section 13 (6) of the PFM Act, 2015, the annual budget shall be consistent with the National Development Plan, the Charter of Fiscal Responsibility and the Budget Framework Paper.

The Committee notes an increase (by 10.6%) in the resource envelope for annual budget FY 2019/20 compared to what was approved under the National Budget Framework Paper FY 2019/20 – FY 2023/2. The main contributors to the increment are in the areas of: Project Support (3.3%), Domestic Tax Revenue (2.9%) and domestic refinancing (2.7%).

The Committee notes with concern that Government is now proposing to withdraw resources amounting to shs. 445.8 billion from the Petroleum Fund, yet this was not provided for under the approved BFP for FY 2019/20.

**Table 3: Comparisons between the Annual Budget Estimates and BFP Estimates**

| Item | NBFP FY 2019/20 | Annual Draft Budget FY 2019/20 | Changes BFP Vs Draft AB |
|---|---|---|---|
| **Domestic Resources** | **26,122.95** | **29,449.60** | **12.7%** |
| Domestic Revenue | 19,568.05 | 20,487.00 | 4.7% |
| Petroleum Fund | 0 | 445.8 | 44580.0% |
| Domestic Financing | 534.9 | 2,327.20 | 335.1% |
| Domestic Debt Refinancing | 6,020 | 6,189.60 | 2.8% |
| | | | |
| **External Resource** | **8,181.80** | **10,098.90** | **23.4%** |
| Budget support | 477.8 | 675.2 | 41.3% |
| Project support (External Financing) | 7,704.00 | 9,423.70 | 22.3% |
| **TOTAL RESOURCE** | 34,304.8 | 39,548.5 | 15.3% |
| | | | |
| **Expenditure by Category** | **34,304.8** | **39,548.5** | **15.3%** |
| Wage | 4,371.18 | 4,622.42 | 5.7% |
| Non-wage | 15,241.10 | 17,434.04 | 14.4% |
| GOU Development | 5,195.90 | 7,467.22 | 43.7% |
| External Financing | 7,704.00 | 9,423.68 | 22.3% |
| Arrears | 600 | 601.14 | 0.2% |
| AIA | 1192.55 | 0 | -100.0% |
| **TOTAL EXPENDITURE** | **34,304.8** | **39,548.5** | **15.3%** |

*Source: Draft Estimates FY 2019/20 and PBO computations*

### 2.1.5 Certificate of Gender and Equity Responsiveness

The certificate confirming that the annual budget is Gender and Equity responsive was laid in the House by the Minister as per the requirement of section 13(11)(e) of the PFM Act, 2015.

On 28th March, 2019, under section 13(15)(g) of the PFM Act, 2015, the Minister submitted a Certificate of Gender and Equity Compliance, certifying that some Ministerial Policy Statements were compliant with the Gender and Equity requirements. However, the Committee noted that the certificate was short on measures taken to equalize opportunities for men, women, persons with disabilities and other marginalized groups as required by the law.

The Committee noted that the Commission assessed a total of 114 Ministerial Policy Statements (that had submitted their MPSs by 24th March 2019) out of the 147 expected Votes to be assessed for the FY 2019/20. The assessment indicates that out of the 147 MDAs, 100 MDAs (68.02%) achieved the required pass mark of 50% and above, 14 MDAs (9.52%) performed below the Pass Mark and; 33 MDAs (22.45%) did not submit their Ministerial Policy Statements on time and were not assessed.

Overall, there has been improvement in the level of compliance of Ministerial Policy Statements with gender and equity requirements in the FY 2019/2020, from 58% in 2018/19 to 60% in FY2019/20 (See Annex 1 for details). The improvement is attributed to capacity building effort, change of attitude and development of guiding tools on gender and equity planning and budgeting such as the National Compendium on gender and equity. Out of the seven assessment areas, commitment to demonstrate impact with respect to gender and equity was the only area whose average score (of 40%) was below 60%.

The Committee noted that, the assessment also examined the extent to which each of the 114 votes addressed gender and equity issues. Under equity, the areas of focus included; Age (in terms of children, youth and older persons), Location (hard to reach places, rural areas, mountainous areas and islands among others) and Disability. Results reveal that on equity by location and gender, there was a registered score of 82% and 65% respectively. There was also consideration for the youth and children with overall compliance levels of 69% and 44% respectively. On the other hand, the Votes showed less commitment towards older persons and persons with disabilities whose score was below 50%.

The Committee noted with concern that MDAs did not submit their MP's to the Commission by the 15th of March 2019 as required by the Public Finance Management Act, 2015. Votes that submitted their MPS's past the PFMA deadline were majorly under the Health Sector, Public Administration and Education Sector.

The Committee noted that, whereas the Gender and Equity compliance requirement is by Law, there are no sanctions for non-compliance. This may explain the lack of effort by some institutions to improve on the compliance levels.

The Committee noted that, there is limited or no reporting on the progress of implementation on the previous gender and equity commitments in the FY 2018/2019 bi-annual reports.

The Committee noted that, Votes lack disaggregated data in their Reports particularly on the programme outcome indicators by sex, location and disability where applicable.

***The Committee recommends the following:***