



Agriculture, Health, Education budgets to fall as Finance unveils Shs 28 trillion budget



Hon. Bahati addressing Parliament. Photo | ©Chimpreports

Yesterday 21st December 2016, Hon. Bahati the Minister of State Planning at Ministry of Finance laid before Parliament the National Budget Framework Paper (NBFP) for the financial year 2017/18. Although the budget figures are expected to shoot up from Shs 26 trillion to Shs 28trillion, there will be biting cuts to key social sectors.

Section 9 (5) of the Public Finance Management Act 2015 requires the Finance Minister to submit the Budget Framework Paper to Parliament by 31st December of the preceding year. The NBFP for 2017/18 indicates that the budgetary allocations for crucial sectors like Agriculture, Health, Education, Water and Environment are set to reduce while the budgetary allocations for Security, Energy and Mineral Development will increase.

The share for Agriculture has been reduced from 823b to 784b (3.7%) of the budget. There will, however, be Shs 351.82billion for Agriculture planting materials under Operation Wealth Creation. The budget for Health is to reduce from Shs1.8t to Shs1.2t (6.1%) of the budget, way short of the Abuja Declaration that calls for 15% of budgets to be allocated to the Health sector.

Security is set to be one of the winners of the 2017/18 budget as its budget is to increase from Shs1.75t to Shs1.9t (9.2%).Energy and Mineral Development will also increase from Shs 2.3t to Shs3t(14%) of the budget.

According to the BFP, the 2016/17 Budget has been prepared based on the 2nd National Development Plan, the 2016-2021 NRM Manifesto and the 23 point strategic guidelines and directives of the President. "The budget for 2017/18 prioritises infrastructural investments which are necessary to facilitate private sector development and enhance the productivity capacity of the economy," reads Kasaija's statement.

On interest rates, the BFP indicates that while the Bank of Uganda rate has gradually reduced in support of faster pace of economic activities, the reduction in commercial banking rates has been much slower due to the current mismatch between lending products and which are of a short-term nature and long-term investments which require financing of a longer maturity, largely due to limited availability of long-term capital in the economy. The other factors include high over-head costs and high risk value of high profile borrowers.

Figures:

Some of the key Policy recommendations proposed in the National Budget Framework Paper:

- Counterpart funding will have a first call on any identified additional resources and ring-fenced for development projects to avoid delays in project implementation for all approved projects
- Eliminate domestic arrears by prioritising them in all sector MTEF ALLOCATIONS to ensure that service providers are paid in time.
- Accounting officers who continue to accumulate domestic arrears shall be held personally responsible.
- Scale down domestic borrowing given its implications on private sector credit moving forward.
- Restrict external financing to oil related infrastructure and Standard Gauge Railway to ensure debt sustainability.
- Arising from the inadequacy of programme execution highlighted in the Annual Government Performance Report (GAPR), penalties will be enforced against Accounting Officers who do not achieve government's programmed targets.
- Budget reforms will be deepened further by focusing more on outcomes rather than output through programme based output.
- Effective FY 2017/2018, Loans will only be sought for ready projects i.e. those with feasibility studies and project design in place to avoid delays and consequent penalties in form of payment of commitment fees.

Highlight of expected FY 2017/18 budget changes for key sector:

Sector	FY 2016/17 Budget	Proposed FY 2017/18 Budget	% change
Education	Shs2.4t	Shs2.3t	10.9%
Agriculture	Shs 823b	Shs 784b	3.7%
Health	Shs 1.8t	Shs 1.2t	6.1%
Agriculture	Shs823b	Shs 784b	3.7%
Security	Shs 1.75t	Shs 1.9t	9.2%