



CSO PRESS STATEMENT FOR IMMEDIATE RELEASE

“Does the Draft Budget Estimates FY2021/22 Address the concerns of Uganda Citizens?”

CSO CONCERNS ON THE DRAFT BUDGET ESTIMATES FY2021/22

Date: 21st April 2021 | Venue: FOWODE offices, Ntinda, | Time: 10.00am – 12.00pm

1. We the members of the Civil Society Budget Advocacy Group (CSBAG) are gathered here today to share our perspectives on the Draft Budget Estimates FY2021/22 which was tabled by the Minister of Finance Planning and Economic Development to Parliament of Uganda for approval.
2. We would like to commend the Minister of Local Government for putting a ban on the creation of new administrative units. The creation of new administrative units puts a lot of pressure on government to fund the new units despite the limited resource envelop. For example, the Ministry of local Governments have funding pressures of UGX 29.8 Billion for operationalizing 377 new sub counties gazetted in FY2017/18, UGX 80 Billion for 356 new town councils.¹
3. In addition, we commend the government for implementing the stimulus package from July 2020 to support the recovery in economic activities from the adverse effects of COVID-19 pandemic. By December 2020, UGX 480.96 Billion had been availed to Uganda Development Bank (UDB) to provide affordable credit to private investments.
4. The FY2021/22 budget is projected to decrease by 9% (UGX 4,274 Billion) i.e., from UGX 45,493 Billion in FY2020/21 to UGX 41,219 Billion. In FY2021/22, total domestic revenue is projected to increase by 16% (UGX 3,120 Billion) i.e., from UGX 19,302.86 Billion in FY2020/21 to UGX 22,422.36 Billion in FY2021/22. Of the total domestic revenue, UGX 1,588.4 Billion is projected to be collected from non-tax revenue while UGX 20,833.94 Billion from tax revenue. In FY2021/22 budget, External financing is also projected at UGX 4,345 Billion while domestic financing is projected at UGX 2,542 Billion.
5. In FY2021/22, programmes that are projected to receive the highest allocations include; Governance and security programme UGX 7,790.77 Billion (18.9%), Human Capital Development programme UGX 6,831.94 Billion (16.6%), Integrated Transport Infrastructure and Services programme UGX 3,987.52 Billion (9.7%).
6. The least funded programmes in the FY2021/22 budget include; Public Sector Transformation programme which is projected to receive UGX 324.89 Billion (0.79%), Community Mindset Change Programme, UGX 56.905 Billion (0.14%).

¹ Ministry of Local Government Ministerial Policy Statement FY2021/22

We would like to commend government for the key reforms that was adopted. Some of these reforms include;

- The review of project performance
- Review of FY2020/21 budget which was aimed at rationalizing the budget and reduce on consumptive/wasteful expenditures.
- The implementation of the Program Based Budgeting (PBB) approach by the MoFPED despite the challenges faced. The PBB is aimed at enhancing synergies through eliminating the silo approach to implementation among MDAs

CSOs Concerns

7. Poor absorption of Public Debt

We note that under absorption of loans remains a big challenge. According to the Auditors Generals Report FY2019/20, several loans worth UGX.1.3 trillion appeared to be performing poorly, with some nearing expiry, while others reached the closing date without fully disbursing. Failure to address such bottlenecks in public investment management means Uganda's return on debt financed projects will remain low. A World Bank (2016) indicates that for every dollar invested in the development of public capital stock generates only 0.8 dollars' worth of returns. The low absorptive capacity of loans has led to an increase in the cost of loans hence leading to low returns public investments.

We therefore, call upon government to improve on efficiency in public investment management by exercising due diligence and addressing issues relating to project identification, appraisals and absorptive capacity of for public debt financed projects.

8. High cost of debt service

We note that high cost of debt servicing affects the amount of money available for service delivery. For instance, only UGX 7.557 Trillion is projected to be allocated to Agro-industrialization, Human capital development and Community Mobilization & Mindset Change programmes in FY2021/22 budget compared to UGX 15.224 trillion projected to be allocated in FY2021/22 for debt service and redemptions.

We call upon government to only borrow and invest in productive projects which will yield high returns on investment.

9. Noncompliance to the PFMA, 2015 in relation to the Certificate of Gender Compliance

Section 13(15) g (i) and (ii) of the public Finance Management Act 2015(as amended), requires the Equal Opportunities Commission (EOC) to carry out an assessment on compliance of Ministerial Policy Statements (MPS) with Gender and Equity requirements. However, we note that there is no report on the assessment of the MPS for FY2021/22 by the EOC which has been released.

We therefore call upon the EOC to release the assessment report on the compliance of the MPS as required by the PFMA and further request Parliament

not to consider the Ministerial Policy Statements for the next financial year, before the Gender and Equity Assessment compliance report is tabled in Parliament.

10. Inadequate Local Government financing:

Despite the fact that local governments are at the fore front of delivering services to citizens, financing to local governments through central government transfers is still low. For example, the budget for Local governments is posed to slightly increase from UGX 4,382 Billion in FY2020/21 to UGX 4,611 Billion in FY2021/22. Much as we welcome such an increment, it is still marginal given the high number of new administrative units in the country. This is compounded by the fact that local governments have been performing poorly when it comes to domestic revenue mobilization and have continuously failed to meet their set revenue targets. According to the Local Government Performance Assessment 2019 report, only 23% of LGs were able to meet their revenue targets.

Relatedly, monies meant for local Governments for service delivery continue to be retained by Ministries Departments and Departments (MDAs). In FY 2019/20 UGX budget allocations for six sectors ²totaling UGX 1.07 trillion was retained by MDAs in FY2019/20 while in FY2020/21, UGX 1.32 trillion was retained representing an increase of nearly UGX 250 billion.³

We therefore recommend that;

- a) The Ministry of Local Government to expedite the process of domesticating the Domestic Resource Mobilization Strategy which will strengthen the Local Revenue Mobilization system at LG levels.**
- b) The MoFPED should ensure monies meant for LGs held by MDAs are relocated as mandated under the Second Schedule of the LGA (CAP 243)**

11. Low funding to Uganda Revenue Authority.

Low funding to URA has led to regressive taxes in the country. Therefore, enhancing URAs capacity to efficiently collect taxes requires capacity building and recruitment of additional staffs. However, we note that funding to URA is still low. For example, UGX 331.9 Billion was allocated to URA in FY2018/19 and in FY2021/22, this sum is projected to increase to UGX 536.6 Billion. Improving domestic revenue mobilization and increasing the country's revenue to Gross Domestic Product requires that URA is adequately financed to enable it enforce tax compliance and widen the tax base.

We therefore recommend that the Uganda Revenue Authority (URA) be adequately financed to enable it improve efficiency of revenue administration through modernization, enhancement of institutional and human resource capacities.

² Agriculture, Health, education, Water and Environment, Social Development and trade and Industry

³ Ggoobi R and Lukwago D. (2020) An Analysis of the Draft National Budget Estimates for FY 2020/21 and Proposals for Re-allocation

12. Tax proposals FY2021/22

We commend government for tabling the different tax bills/amendments FY2021/22. These amendments will enable government expand the tax base as well as seal various avenues for tax leakages. For instance, the amendment of section 5 of the Income Tax to require a person earning from rental income to pay for each property separately is a welcome proposal which will prevent owners of multiple buildings from using the costs from one building to offset income from another building.

However, we call upon government for more clarity so that the proposed 60% deduction for individuals remains automatic as is the case for the 20% so as not to increase the cost of compliance.

13. Inadequate preparation and implementation of Lower Secondary Curriculum (LSC)

We note that, before the temporary shutdown of schools in 2020 due to the COVID-19 pandemic, some teachers had been trained in the new Lower Secondary Curriculum. From our analysis of the Education Sector Ministerial Policy Statement FY2021/22, there are no funds allocated for the full rollout and training of remaining number of teachers. For Retooling of S.3 teachers and continuous professional development (CPDs) for S.1 and S.2 teachers to implement the LSC, a funding gap of UGX 11.75 Billion

Relatedly, the Ministry of Education and Sports (MoES) has a funding gap of UGX 4.70 Billion to fund the development of training manuals, assessment tools and distribution of specialized equipment for the implementation of Lower Secondary Curriculum for Special Needs Learners (SNE). Failure to address this funding gap means that SNE learners will not benefit from the implementation of the Lower Secondary Curriculum.

We therefore recommend that;

a) The MoES prioritizes funding for the retooling of teachers and provision of adequate facilities to enable the implementation of the new curriculum.

b) Government should urgently address the funding gap required for the development of training manuals and assessment tools and distribution of specialized equipment for the implementation of LSC for SNE learners

14. Poor state and functionality of General hospitals, health centres IIIs and IVs at local government levels.

According to the health sector annual performance report of 2019/20, 124 health centre IIs were upgraded countrywide to health centre IIIs under the Uganda Intergovernmental Fiscal Transfer (UGIFT) Programme funded by a loan from World Bank. We commend government for improving the status of health care in the

country. However, we are concern about the poor state and functionality of health centers and general hospitals. The FY 2019/20 Auditor General Report noted that in 20 Health Facilities comprising of 2 Regional Referral Hospital, 6 District Hospitals and 12 Health Centre IVs had 121 medical equipment that were in working condition but were not being put to use. Furthermore UGX 23 billion to rehabilitate Masindi, Itojo, Abim, and Iganga general hospitals which are in a poor state in FY 2021/22.

Therefore, we call upon the Ministry of health together with the respective local governments should prioritize rehabilitation of health facilities that are in poor state, adequately equip recruit and train health workers in order to improve the functionality of health facilities across the country.

15. Inadequate funding for Extension service delivery

FY 2021/22 marks the 6th year since government revived the extension system and introduced the single spine agricultural service delivery system. However, only 3,820 extension workers have been recruited to date compared to the expected 5,000 that were approved by cabinet to be recruited by the FY 2016/17. This is compounded by the fact that at the revival of the extension system in FY 2015/16, there were only 111 districts. Today, there are 146 districts and 2,184 sub counties. For instance, in 2018 only 11.7% Percentage of farming households were accessing agricultural extension services whereas the FY2021/22 target is 22%. We are concerned that even this conservative target may not be achieved as government seems to have shifted focus from recruiting the adequate number of extension workers to serve all the local governments to inadequately skilled village agents.

We therefore recommend that the MAAIF prioritize the recruitment of extension workers.

16. Inadequate funding to Rural and Urban water supply programmes

We note that the budgetary allocations for rural water supply and sanitation is projected to reduce by UGX 54.033 Billion while urban water supply program budget allocation is projected to reduce by UGX 544.356 Billion. This is despite the fact that an additional UGX 55 billion is required annually to increase the rural water supply coverage and roll out the shift of handpumps to solar powered mini piped water in rural areas to support transformation and reduce congestion and distances to water sources. The urban water supply sub programme has unfunded priorities totaling to UGX 40 billion.

Therefore, achieving the Sustainable Development Goal 6 by 2030 requires improving water coverage, access to safe and clean water in the rural and urban areas through adequate budgetary allocations.

17. Delays in passing the National Disaster Preparedness and Management Bill

We note that the process of development of the legal framework of the National Disaster Preparedness and Management Bill began in 2019 with the formulation of the bill has not been finalized. Currently the bills await to be presented to Parliament.

The absence of a law has created a big gap yet the National Disaster Preparedness and Management Policy provides a basis for the formulation of a Comprehensive Disaster Management legal framework.

We recommend that Parliament should expedite the process of finalization of the development of the National Disaster Preparedness and Management Bill.

Conclusion

As CSOs, we are concern about the national budget taking into consideration and addressing the needs and plight of the common person. Increasing financing towards the social sectors will improve the livelihoods and incomes of most households as envisaged in the National Development Plan III. Therefore, as Parliament scrutinizes and debates the budget FY2021/22, emphasis should be on ensuring the final budget is people centered and addresses the needs of an ordinary Ugandan.

.....**Because Every Shilling Counts!!**

Contact US :Civil Society Budget Advocacy Group P.O Box 660 Ntinda | Plot 11 Vubya Close
Tel: 0414 677707 | Web: www.csbag.org
Community Integrated Development Initiatives (CIDI)- WASH- cidi@cidiuganda.org
Food Rights Alliance (FRA) -Agriculture-fra@frauganda.org
CEHURD-Health-cehurd@cehurduganda.org