

## Highlights of the National Budget Framework Paper FY2021/22 Budget

DEG<sup>1</sup>

February, 2021

### Key highlights:

- a. Real GDP Growth:
  - The economy grew by **2.9% in FY 2019/20** which is lower than 6.8% recorded in FY 2018/19.
  - Economic growth in the FY 2020/21 is projected in the 2- 3% range and is expected to improve further to between 4- 5% in FY 2021/22.
- b. Fiscal deficit: The fiscal deficit as % of GDP estimated at **10.7% for FY 2020/21** up from 7.2% in FY 2019/20, but projected to decline to 7.0% in 2021/22. This is in contradiction of the Charter for Fiscal Responsibility (CFR) objectives of the period FY2016/17–FY2020/21, which is “to maintain the fiscal deficit as a proportion of GDP to below 3 %”.
- c. Public Debt: Total Public Debt stood at USD 15.27 billion (of which USD 10.45 billion is external and USD 4.82 billion is domestic) as at June 2020. This is equivalent to 41.0% of GDP in nominal terms and 31.8% in PV terms.
  - Debt is projected to increase further over the near term amounting to **49.9% of GDP by end June 2021**, and peaking at 54.1% in 2022/23.
  - Debt service (interest payments – 10.9%, External debt repayments (amortization) – 4.0% and domestic debt refinancing – 18.7%) are projected to take up **33.6% of the proposed FY 2021 /22 budget**.
- d. Efficiency Measures from FY 2020/21: US\$ 351.6 billion (Recurrent - US\$ 267.9 Billion and Development - US\$ 83.72 Billion) savings (generated through budget cuts of non-essential spending) in FY 2020/21 would be maintained in FY 21/22. This is in addition to the one-off savings <sup>2</sup>amounting to US\$ 945.1 Billion. The Total Efficiency Savings is projected at **US\$ 1,296.7 Billion**.
- e. Fiscal Strategy: Fiscal operations in FY 2021/22 and the medium term will focus on policy interventions to sustain recovery from the socioeconomic setbacks caused by the COVID-19 pandemic as well as the development objectives set out in the NDP III.

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<sup>2</sup> these are funds which would not be spent as part of the one-off expenditures in FY 21/22 (which were excluded from the Programme MTEF ceiling)

f. Resource Envelope. The total resource envelope, in FY 2021/22 is projected at UShs. **45,658 billion** an increase of UGX 163.4 billion when compared with FY 2020/21. See Figure 1 and Table 1.

- Total Resource Envelope is projected to increase **by 0.4%** compared to FY21, with domestic resources contributing 75% and external resources 25%. External funding is expected to decline by 1.5% compared to FY21, but budget support /grants is projected to increase by 26%. However, the increase in grants is unlikely given the half year performance (July –Dec, 2020), where only 40% of the programmed amount of grants were received by Government, and the negative impact of Covid-19 on the donors.
- Interest payments to increase by 22% (UShs 911 Bn); increasing the share of national budget to 14.4% in FY 22 from 11.2% in FY 21
- Domestic Refinancing will increase by 14% (UShs 8,547 Bn) and take over 19% of the total resource envelope.
- Domestic arrears payments projected to reduce by 11% (UShs 50 Bn) compared to FY21. Domestic arrears amounted to UGX 3.34 trillion in June 2019 which was 2.7% of GDP. This has potential implications for the stimulation of the domestic economy given the Covid-19 pandemic.
- Appropriation in Aid (AIA) projected to decline by 19% with the central government AIA declining by 24%; an indication on limited efforts towards revenue mobilisation by central government agencies.
- The UShs 481.7 billion BoU Recapitalization was not supported by BoU, since the CB’s operational capital is not impaired.

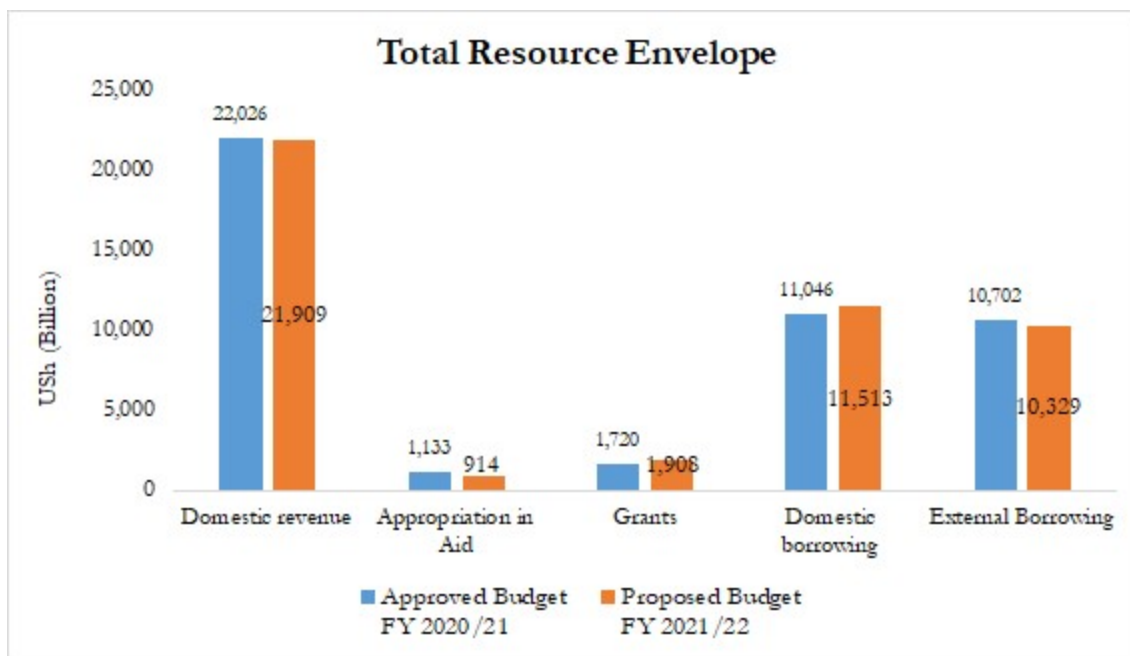


Table 1: Resource Envelope for FY 2021/21 (UGX Billion)

Source	Approved Budget FY 2020/21	Proposed Budget FY 2021/22	Annual Change	% Share of Resource, FY 2021/22
<b>Domestic revenue</b>	<b>22,026.3</b>	<b>21,908.6</b>	<b>-0.5%</b>	<b>48.0%</b>
Tax Revenue	20,218.7	20,131.0	-0.4%	44.1%
Non Tax Revenue (NTR)	593.8	854.0	43.8%	1.9%
<b>Appropriation in Aid</b>	<b>1,133.4</b>	<b>913.6</b>	<b>-19.4%</b>	<b>2.0%</b>
o/w Central	917.8	698.0	-23.9%	1.5%
o/w LGs	215.6	215.6	0.0%	0.5%
<b>Petroleum Fund</b>	<b>56.0</b>	-	<b>-100.0%</b>	<b>0.0%</b>
<b>Draw down of Gov't deposits</b>	<b>24.4</b>	-	<b>-100.0%</b>	<b>0.0%</b>
<b>Grants</b>	<b>1,719.9</b>	<b>1,908.0</b>	<b>10.9%</b>	<b>4.2%</b>
Grants / Budget support	133.6	77.0	-42.4%	0.2%
Project support	1,586.3	1,831.0	15.4%	4.0%
<b>Domestic borrowing</b>	<b>11,046.4</b>	<b>11,512.5</b>	<b>4.2%</b>	<b>25.2%</b>
Domestic Financing	3,054.2	2,483.8	-18.7%	5.4%
Domestic Refinancing	7,510.5	8,547.0	13.8%	18.7%
BoU Recapitalization	481.7	481.7	0.0%	1.1%
<b>External Borrowing</b>	<b>10,702.1</b>	<b>10,329.0</b>	<b>-3.5%</b>	<b>22.6%</b>
Grants/ Budget Support	2,773.1	3,585.1	29.3%	7.9%
Project Support	7,929.0	6,743.9	-14.9%	14.8%
<b>Total</b>	<b>45,495</b>	<b>45,658</b>	<b>0.4%</b>	<b>100%</b>
Interest payments	-4,049.50	-4,960.50	22.5%	
Domestic arrears	-450.0	-400.0	-11.1%	

Source: Author's calculations based on the National Budget Framework Paper FY 2021/22

- g. Additional required funds for FY 2021/22. Amount to **Ushs 5,994.28 billion**. However, after review, table 2 shows the critical areas for additional funding. These will be covered through tax policy and administrative measures that are still under review.

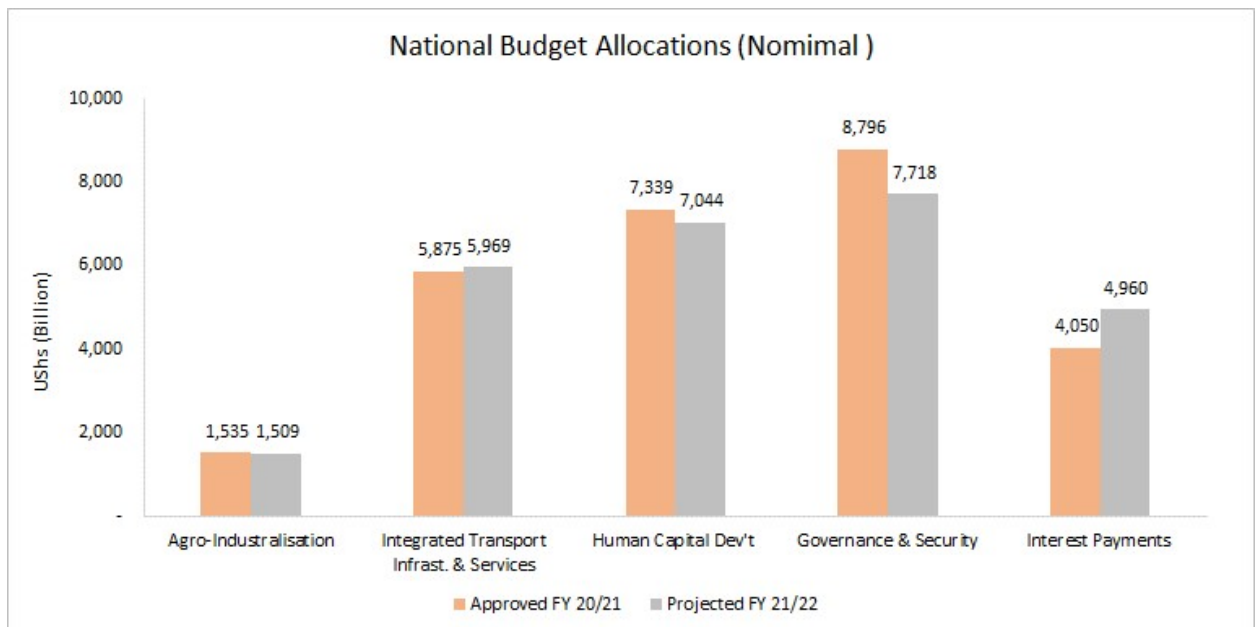
Table 2: Proposed Allocation of Additional Resources FY 2021/22 (Ushs. Billions)

#	Vote/ Category	Requirement	Proposed Allocation	Funding Gap
	Classified equipment project under MoDVA	1,026.0	1,026.0	-
	UNOC: Capitalization	539.9	100.6	439.3
	Salaries, Pension and Gratuity	492.4	170.1	322.3
	Recurring Supplementary FY20/21	388.6	-	388.6
	UGIFT Counterpart Funding	381.5	-	381.5
	Vehicles for new Members of Parliament	165.0	-	165.0
	Compensation for Cattle in Acholi, Lango and Teso	200	-	200
	<b>Total</b>	<b>3,193.4</b>	<b>1,296.7</b>	<b>1,896.7</b>

- Though the classified expenditures are covered, they will still get higher portion of the supplementary budgets.

h. FY 2021/22 Budget allocations:

- Governance & Security (22.4%); Human Capital Dev't (20.4%); Integrated Transport Infrastructure and Services (17.3%); Interest Payments (14.4%) will take three-quarters of the total budget). The share are calculated excluding Arrears, Debt (external amortisation & domestic financing).
- Budgets (in nominal terms) for Agro-Industrialisation; and Human Capital Dev't declined by 1.7% and 4% compared to FY21 respectively.
- Budget (in nominal terms) for Integrated Transport Infrastructure and Services to increase marginally by 1.6%, with UNRA getting a 30% increment.
- The biggest increases in sectoral budget allocations in FY22 compared to FY21 are: Sustainable Urbanization & Housing (172%); Sustainable Dev't of Petroleum Resources (56%); and Interest Payments (23%). While the biggest losers are: Digital Transformation (37%); Community Mob. & Mindset Change (32%); Manufacturing (30%); Sustainable Energy Dev't (30%); and Regional Dev't (27%). See Figure and Table 2.



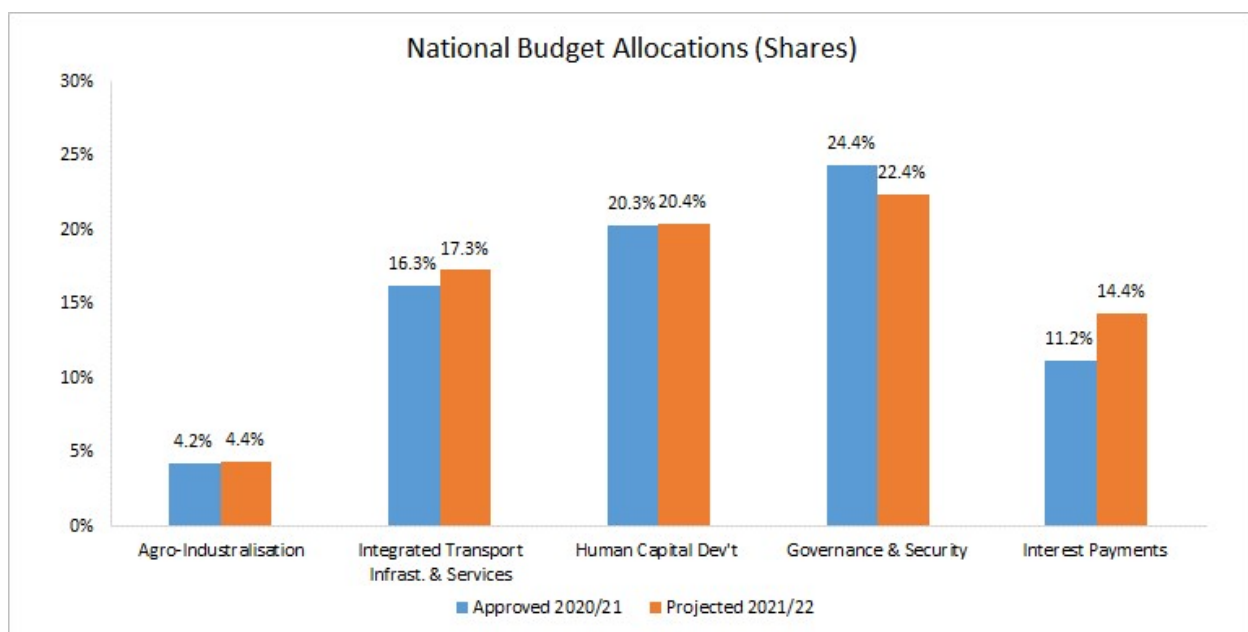


Table 3: Budget Allocations for the FY 21/22 excl. Arrears, & Debt (external amortization & domestic financing), [US\$ Billion]

Programme	Approved 2020/21			Projected 2021/22			Annual Change (nominal)	Projected 2021/22
	GoU	External	Total	GoU	External	Total		
Agro-Industrialization	869.9	664.7	1,535	988	520	1,509	-1.7%	4.4%
Sustainable Energy Dev't	443.3	1,922.8	2,366	417	1,218	1,635	-30.9%	4.7%
Sustainable Dev't of Petroleum Resources	146.5	4.5	151	235	-	235	55.9%	0.7%
Sustainable Dev't of Mineral Resources	40.2	38.4	79	29	52	81	2.5%	0.2%
Tourism Dev't	197.4	-	197	177	-	177	-10.5%	0.5%
Climate Change, Natural Resource, Env't & Water Mgt	306.6	456.7	763	279	315	594	-22.2%	1.7%
Private Sector Dev't	463.0	239.1	702	465	183	648	-7.6%	1.9%
Manufacturing	75.8	0.0	76	53	-	53	-30.4%	0.2%
Integrated Transport Infrastr. & Services	3,369.8	2,505.0	5,875	2,929	3,040	5,969	1.6%	17.3%
Digital Transformation	87.9	74.8	163	69	33	102	-37.4%	0.3%
Sustainable Urbanisation & Housing	110.0	101.0	211	97	478	575	172.8%	1.7%
Human Capital Dev't	5,917.7	1,421.3	7,339	5,898	1,146	7,044	-4.0%	20.4%
Innovation, Technology Dev't & Transfer	142.8	133.4	276	129	142	271	-1.9%	0.8%
Community Mob. & Mindset Change	39.3	12.7	52	35	-	35	-32.0%	0.1%
Governance & Security	8,358.7	437.0	8,796	7,296	422	7,718	-12.3%	22.4%
Public Sector Transformation	263.2	-	263	253	-	253	-3.7%	0.7%
Regional Dev't	1,326.1	657.4	1,983	1,251	196	1,447	-27.0%	4.2%
Dev't Plan Implementation	906.0	326.6	1,233	891	302	1,193	-3.2%	3.5%

Interest Payments	4,049.5	-	4,050	4,960	-	4,960	22.5%	14.4%
<b>Total</b>	<b>27,114</b>	<b>8,995</b>	<b>36,109</b>	<b>26,451</b>	<b>8,047</b>	<b>34,499</b>	<b>-4.5%</b>	<b>100.0%</b>

Source: Author's calculations based on the National Budget Framework Paper FY 2021/22

- Votes that registered increase in their budgets include: Ministry of Lands, Housing & Urban Development; Law Reform Commission; Uganda National Roads Authority (UNRA); Domestic Interest payments; MoFPED; Regional Referral Hospitals; and External Interest payments.
- Votes that registered largest decrease in their budgets include: Electoral Commission; Uganda Cancer Institute; Ministry of Works and Transport; National Information Technology Authority; Ministry of Foreign Affairs; Ministry of Energy and Mineral Development; Uganda Export Promotion Board; Uganda Tourism Board; among others. See Table 3.

Table 4: Budget Allocations for the FY 21/22 per Vote (US\$ Billion)

Vote	2020/21 Approved	2021/22 Proposed	Change (%)
Ministry of Lands, Housing & Urban Development	167.68	532.14	217.3%
Law Reform Commission	7.88	10.38	31.7%
Uganda National Roads Authority (UNRA)	3,466.51	4,506.63	30.0%
Domestic Interest	3,024.35	3,850.00	27.3%
MoFPED	742.84	843.22	13.5%
Regional Referral Hospitals	200.06	224.76	12.3%
External Interest payments	1,025.20	1,110.47	8.3%
Ministry of Education and Sports	584.67	586.39	0.3%
Local Government Finance Commission	5.31	5.32	0.1%
Health Service Commission	7.08	7.08	0.0%
Judicial Service Commission	10.66	10.66	0.0%
National Curriculum Development Centre	40.16	40.17	0.0%
Muni University	23.71	23.71	0.0%
Mulago Hospital Complex	60.93	60.94	0.0%
LG Roads	24.77	24.77	0.0%
Mbarara University	57.48	57.49	0.0%
Busitema University	51.55	51.55	0.0%
Uganda National Bureau of Standards	65.04	65.05	0.0%
Lira University	27.81	27.81	0.0%
Uganda Bureau of Statistics	60.70	60.70	0.0%
LG Agric	126.86	126.87	0.0%
Uganda Prisons	264.64	264.65	0.0%
Judiciary	195.06	195.06	0.0%
Auditor General	68.75	68.75	0.0%
Makerere University	363.07	363.07	0.0%
LG ENR	94.90	94.90	0.0%
Uganda Industrial Research Institute	23.43	23.43	0.0%
Equal Opportunities Commission	12.07	12.07	0.0%
Treasury Operations	543.78	543.78	0.0%
Education Service Commission	9.36	9.36	0.0%

<b>Vote</b>	<b>2020/21 Approved</b>	<b>2021/22 Proposed</b>	<b>Change (%)</b>
LG Social Development	7.64	7.64	0.0%
URA	436.66	436.66	0.0%
Uganda Land Commission	40.50	40.50	0.0%
LG Education	1,943.52	1,943.52	0.0%
State House	410.13	410.13	0.0%
Office of the Director of Public Prosecutions	48.16	48.16	0.0%
National Medical Stores	420.31	420.31	0.0%
Missions Abroad	191.08	191.08	0.0%
ISO	64.36	64.36	0.0%
External Security Organisation	46.88	46.88	0.0%
Inspectorate of Government (IG)	53.48	53.47	0.0%
Law Development Centre	28.08	28.08	0.0%
Directorate of Government Analytical Laboratory	26.08	26.08	0.0%
Uganda Human Rights Commission	18.90	18.90	0.0%
Uganda Heart Institute	24.92	24.92	0.0%
Uganda Virus Research Institute (UVRI)	8.97	8.97	0.0%
Uganda AIDS Commission	11.09	11.09	0.0%
Butabika Hospital	17.01	17.01	0.0%
National Planning Authority	33.57	33.56	0.0%
Uganda Blood Transfusion Service (UBTS)	17.54	17.54	0.0%
LG Trade & Commercial Services	2.23	2.23	-0.1%
Public Service Commission	9.48	9.47	-0.1%
MTIC:MSME Development	1.10	1.10	-0.2%
LG Health	625.18	623	-0.4%
Road Fund	512.18	509.92	-0.4%
Specified Officers - Salaries (Statutory)	0.68	0.68	-0.5%
Parliamentary Commission	672.83	667.78	-0.8%
National Animal Genetic Res. Centre and Data Bank	73.06	72.31	-1.0%
Makerere University Business School	97.37	95.77	-1.6%
Ministry of Science, Technology and Innovation	252.69	247.44	-2.1%
Kabale University	40.02	38.89	-2.8%
Uganda National Meteorological Authority	26.61	25.75	-3.2%
Office of the President	109.57	105.94	-3.3%
National Citizenship and Immigration Control	103.86	100.39	-3.3%
Kyambogo University	140.55	134.66	-4.2%
National Agricultural Research Organisation	110.00	105.29	-4.3%
Justice	138.65	131.50	-5.2%
PPDA	24.79	23.28	-6.1%
Uganda Management Institute	36.33	33.94	-6.6%
Uganda Cotton Development Organisation	8.62	8.04	-6.7%
Ministry of Tourism, Wildlife and Antiquities	170.61	159.03	-6.8%
Office of the Prime Minister	435.80	397.32	-8.8%
Uganda Police Force (incl LDUs)	963.88	878.38	-8.9%
Gulu University	58.80	52.73	-10.3%
Ministry of Water and Environment	1,514.55	1,357.87	-10.3%
UNEB	140.15	125.05	-10.8%
Ministry of Gender, Labour and Social Development	165.44	146.51	-11.4%
Rural Electrification Agency (REA)	674.72	596.99	-11.5%

Vote	2020/21 Approved	2021/22 Proposed	Change (%)
Ministry of Defence	4,353.08	3,838.18	-11.8%
National Identification and Registration Authority (NIRA)	70.40	61.34	-12.9%
Dairy Development Authority	10.02	8.71	-13.0%
Financial Intelligence Authority (FIA)	15.71	13.63	-13.2%
NAADS Secretariat	152.03	131.84	-13.3%
National Forestry Authority	42.58	36.88	-13.4%
Petroleum Authority of Uganda (PAU)	61.73	53.02	-14.1%
Uganda Coffee Development Authority	105.88	89.86	-15.1%
Ministry of Health	1,268.48	1,056.21	-16.7%
Ministry of ICT and National Guidance	46.40	38.12	-17.8%
MTIC: Trade Development	12.39	10.05	-18.9%
East African Community	39.16	31.43	-19.7%
Uganda Registration Services Bureau	26.84	21.47	-20.0%
Soroti University	20.12	16.01	-20.4%
Ministry of Public Service	29.91	23.78	-20.5%
Agriculture, Animal & Fisheries	727.39	546.30	-24.9%
KCCA	506.30	379.01	-25.1%
Ministry of Local Government	371.40	276.31	-25.6%
Ministry of Internal Affairs	52.83	37.78	-28.5%
National Environment Management Authority	25.56	17.88	-30.0%
Uganda Investment Authority	174.88	121.93	-30.3%
Ministry of Trade, Industry and Cooperatives	75.76	52.76	-30.4%
LG Public Sector Management	1,323.74	912.39	-31.1%
Ethics and Integrity	8.51	5.67	-33.4%
Uganda Tourism Board	26.84	17.71	-34.0%
Uganda Export Promotion Board	5.81	3.75	-35.5%
Ministry of Energy and Mineral Development	1,827.81	1,171.61	-35.9%
Ministry of Foreign Affairs	52.80	30.46	-42.3%
National Information Technology Authority	116.25	63.65	-45.2%
Ministry of Works and Transport	1,571.15	754.30	-52.0%
Uganda Cancer Institute	105.80	37.67	-64.4%
Electoral Commission	566.60	137.97	-75.6%
Agric-Led Interventions	-	200.00	

Source: Author's calculations based on the National Budget Framework Paper FY 2021/22

**i. Key Budget Calendar Dates:**

- a. Issue the Second Budget Call Circular FY 2021/2022 by the MoFPED – 9th February 2021.
- b. Presentation of the Ministerial Policy Statements to Parliament by Line Ministries – 11<sup>th</sup> March 2021
- c. Presentation of the Annual Budget in Parliament by MoFPED, EOC and NPA – 25<sup>th</sup> March 2021.
- d. Approval of Annual Budget by Parliament – 19<sup>th</sup> May 2021
- e. Reading of the Budget Speech for FY 2021/2022 in Parliament by Hon. MoFPED -10<sup>th</sup> June 2021



**j. Opportunities for engagement:**

- a. DPGs with support of DEG to review the Ministerial Policy Statements to examine whether critical service delivery issues are addressed.
- b. DPGs continue to engage Programme (agro-industrialization, HCD, transport) and MoFPED on the draft budget estimates.
- c. DEG to critically review the approved budget 2021/22 for inform debate and proposals for improvement in 2022/23.