

Analysis of National Budget Framework Paper (NBFP) FY 2022 /23

Presentation to **DEG**

11th January 2022

Introduction

- The NBFP was presented to Parliament on 21st Dec, 2021.
- However, did not contain the detailed Program Plans and Allocations, and the Medium Term Expenditure Framework FY 2021/22- FY 2026/27 – this was submitted on 31st Dec, 2021.
- Budget Theme FY 2022/24: *“Full monetization of the Ugandan Economy through involvement of Rural Households into commercial Agriculture, industrialisation and market access.”*
- The Budget for FY 2022/ 23 has been full re-aligned with the Programme Planning and Budget Approach as per the third National Development Plan.

Economic policy objectives

- a. Ensuring Peace and stability, through enhanced Security, and Macroeconomic stability, as key foundations for growth and development.
 - b. Mitigating the impact of the COVID19 pandemic through "widespread vaccination, support to businesses, and re-opening the economy to enable all sectors to function optimally.
 - c. Enhancing socio-economic transformation by redirecting budgetary resources towards wealth and job creation, industrialization, export promotion and other areas with high returns on investment.
- Real Monetary GDP growth projected at 6% from 3.8% in 2021/22 - overly ambitious
 - Expected recovery in aggregate demand following Gov't interventions in reviving private sector activity and full re-opening of economy.

Policy Proposals for FY 22/23

- Enhancing fiscal and debt sustainability by scaling up revenue mobilization & limiting commercial borrowing including domestic borrowing
- Reduce public expenditure and improve the efficiency of the Gov't through freezing the creation of administrative units & speed up rationalization of government MDAs.
- Promotion of Local Content by ensuring that Gov't procurement targets purchase of locally produced goods and services.
- Limit supplementary budgets for only emergencies and unforeseen expenditures as provided for under the PFM Act 2015.
- Postponement of salary enhancements across the board until the economy recovers and resources become available.
- Using alternative financing modality where a contractor pre-finances the entire construction of the road project.
- Expanding infrastructure for post-harvest storage of commodities and support agro-processors across the sub-regions of the country.
- Increasing access & reducing the cost of capital through strengthening microfinance interventions under the Parish Development Model and EMYOOGA.
- Timely payment of government suppliers and the clearance of domestic arrears.
- Enforcing strict adherence to Performance Contracts by Accounting Officers.
- Enhancing public investment management.

Resource Envelope FY 2022/23

Item	2022/23 1st BCC	2022/23 NBFP	2021/22 Budget	Change YoY
Domestic Revenues	25,516	25,516	25,568	-0.2%
Petroleum Fund	-	-	200	-100%
Budget Support (External)	1,292	1,292	3,583	-64.0%
Project Support (External Financing)	5,473	5,576	6,868	-18.8%
Domestic Borrowing and Refinancing (roll-over)	10,488	10,488	8,547	22.7%
Local Revenue for LGs	212	212	212	0.0%
Total	42,980	43,083	44,979	-4.2%
Discretionary Resource Envelope	21,693	21,697	22,271	-2.6%

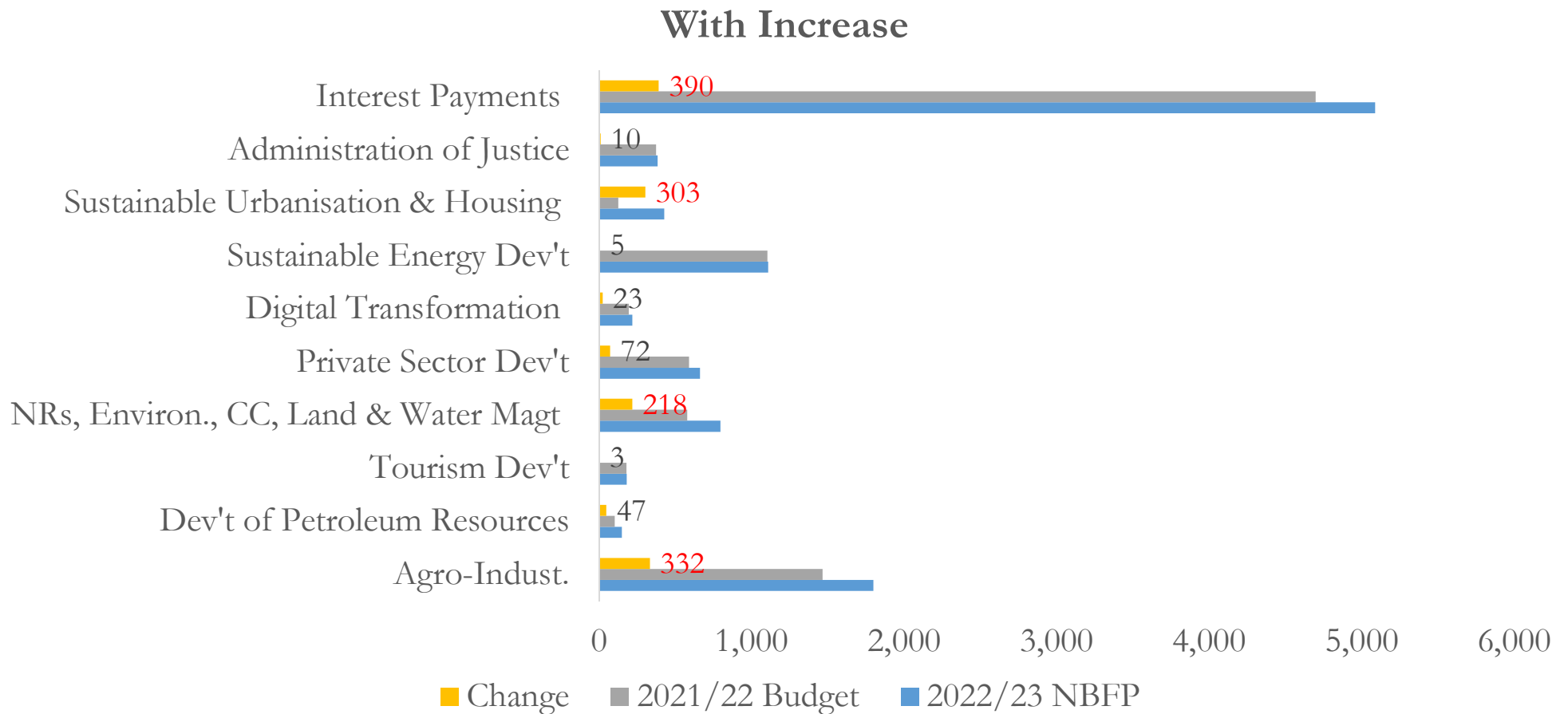
* USb Billion

- Reduction on overall resource envelope by 2.6% (UShs 1,896).
- Reduction in GoU discretionary resource envelope (excl. external financing, debt payments, & Local Revenue) by 2.6% (**USh 573.70 Bn**).
- Increase in external funding in the NBFP compared to 1st BCC by **UShs 103 Bn**.

Resource Envelope FY 2022/23 -ctd

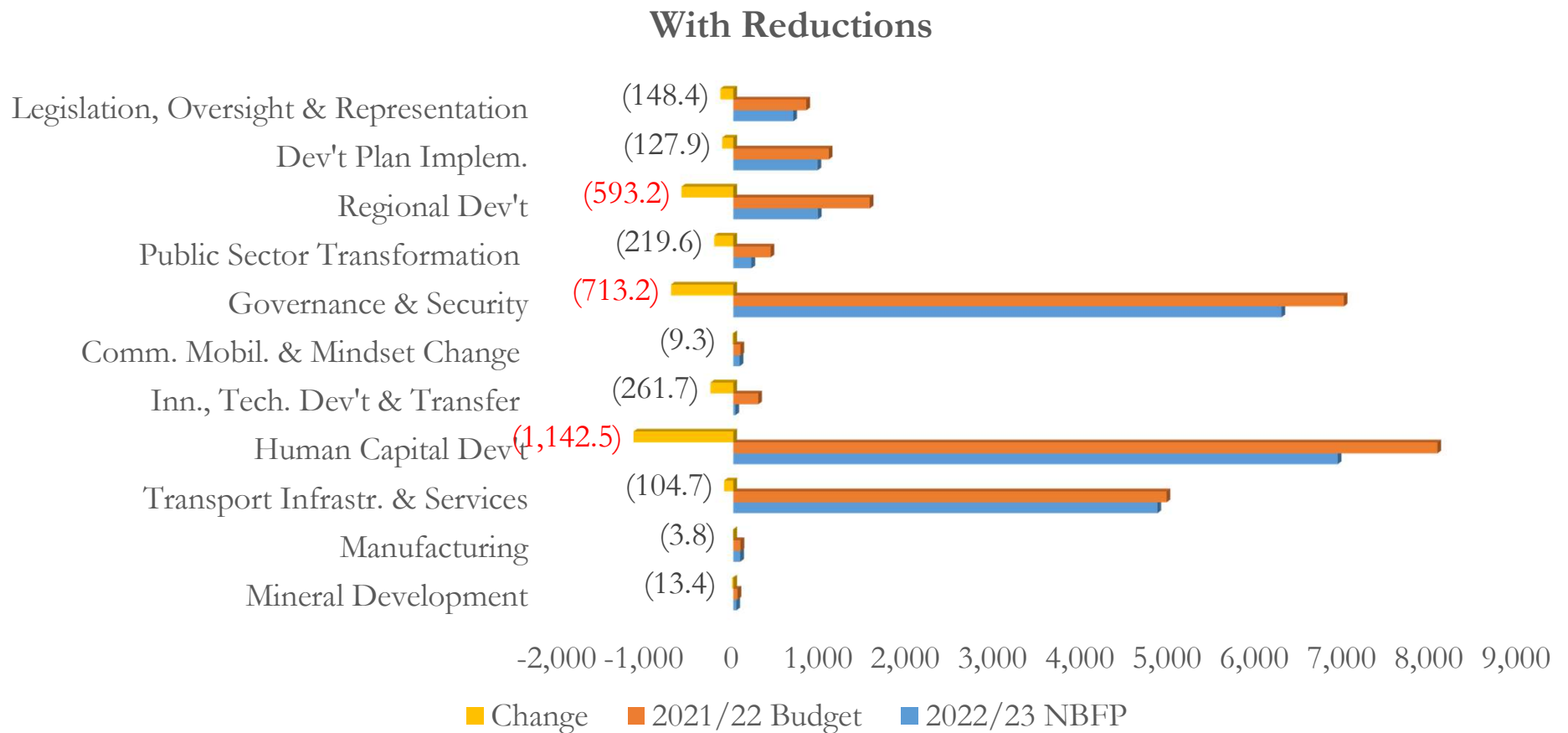
- **UShs 1,261.62 bn** to be rationalized through:
 - Budget review (to finance key priorities) raised **UShs 1,056.02 bn**
 - Wealth Funds (i.e. UWEP, PRDP etc) to be re-allocated to the PDM – **UShs 205.5 bn.**
 - Concerns on UWEP; challenges in targeting of women.
- Funds to allocated to Priority areas FY 2022/23:
 - a. Enhancement of salaries for scientists and health workers – UShs 400.4 bn
 - b. Ex-gratia for PS's who recently retired – UShs 0.50 bn
 - c. Wage and Pension shortfalls for selected Institutions – UShs 246.60 bn
 - d. Operationalization of new Administrative Units – UShs 88.08 bn
 - e. Operationalization of Newly Created Cities – UShs 60.60 bn
 - f. Operationalization of the PDM (financial inclusion pillar) – UShs 465.48 Bn

Proposed Budget Allocations for FY 2022/23



* US\$ Billion

Proposed Budget Allocations for FY 2022/23 -ctd



* US\$ Billion

Proposed Budget Allocations for FY 2022/23 -ctd

Programme	GoU		External		Total	
	Budget 22/23	Change YoY	Budget 22/23	Change YoY	Budget 22/23	Change YoY
Human Capital Dev't	6,135.0	-0.3%	784.5	-58.9%	6,919.5	-14.2%
Governance & Security	6,161.7	-4.8%	115.0	-77.6%	6,276.7	-10.2%
Interest Payments	5,088.1	8.3%	-	0.0%	5,088.1	8.3%
Transport Infrastr. & Services	2,983.4	2.0%	1,872.5	-8.0%	4,855.9	-2.1%
Agro-Indust.	1,033.4	1.4%	764.8	71.2%	1,798.2	22.7%
NRs, Environ., CC, Land & Water Magt	268.0	-29.1%	526.8	164.7%	794.7	37.7%
Regional Dev't	926.8	-13.3%	42.2	-91.4%	969.0	-38.0%
Sustainable Energy Dev't	364.4	-1.3%	743.4	1.3%	1,107.8	0.4%
Dev't Plan Implem.	938.9	-11.3%	26.6	-22.3%	965.5	-11.7%
Private Sector Dev't	455.5	0.3%	205.5	52.8%	660.9	12.3%
Legislature	686.6	8.3%	-	0.0%	686.6	-17.8%
Judiciary	383.9	2.8%	-	0.0%	383.9	2.8%
Sustainable Urbanisation & Housing	72.4	-1.5%	355.2	591.3%	427.6	242.4%
Public Sector Transformation	207.8	-30.0%	-	-100.0%	207.8	-51.4%
Inn., Tech. Dev't & Transfer	24.1	-89.5%	-	-100.0%	24.1	-91.6%
Digital Transformation	84.6	0.0%	133.1	20.9%	217.7	11.8%
Tourism Dev't	181.6	1.5%	-	0.0%	181.6	1.5%
Dev't of Petroleum Resources	149.3	45.9%	-	0.0%	149.3	45.9%
Manufacturing	79.1	-4.6%	-	0.0%	79.1	-4.6%
Comm. Mobil. & Mindset Change	72.6	-11.3%	-	0.0%	72.6	-11.3%
Mineral Development	29.4	2.4%	-	-69.5%	29.4	-27.4%

* USh Billion

Additional Expenditure Needs FY 2022/23

- **Total Additional Expenditure Needs FY 2022/23 – UShs 2,625.5 Bn:**
- Major funding gaps:
 - a. Operationalization of the Parish Model – UShs 594.52 Bn
 - b. Capitalisation of UNOC – UShs 77.00 bn
 - c. Capitalisation of UDC – UShs 100.00 bn
 - d. Land Acquisition under Standard Gauge Railway (SGR) – UShs 100.00 bn
 - e. Funding for Border roads between Uganda and DRC – UShs 100.00 bn
 - f. Funding for Deemed Energy – UShs 103.34 bn
 - g. Shortfalls on road maintenance – UShs 100.00 bn
 - h. URA -Additional funding to support collection of taxes – UShs 50.00 bn
 - i. Counterpart funding requirements under UGIFT – UShs 336.50 bn
 - j. Operational Shortfalls for Petroleum Authority of Uganda – UShs 84.84 bn
 - k. 40% part payment for Mbale Industrial Park – UShs 167.94 bn

Assessment of Externally Financed Project Portfolio

- MoFPED has carried out an assessment of project performance in order to ascertain non-performing projects that should either be re-structured, renegotiated or cancelled.
- The assessment considered the following:
 - Assessment of Value at Risk (VAR) for each ongoing project that considers the project performance shortfall as result of Earned Value being less than Planned Value;
 - Risk ranking for each ongoing project arising from Value at Risk compared to the Project Cost.
- Government will proceed as follows:
 - Projects which are moderate risk should continue implementation under enhanced supervision and monitoring;
 - Renegotiate projects which are at a medium high risk; and
 - Cancel projects which are at a high risk, and commence on the process with the Development Partners.
- Government identified **17 projects** that are at a risk, which amount to **\$ 1.214 billion** of which **\$ 457 million** has been disbursed **and \$ 757 million** remains undisbursed.
 - Government will carry out further assessment of these projects with a view to renegotiate or cancel the projects in order to free fiscal space for FY 2022/23.

Agro-Industrialization Budget Allocations for FY 2022/23

Vote	2022/23 NBFP	2021/22 Budget	Change YoY
Agriculture, Animal & Fisheries	579.0	547.7	31.3
Ministry of Local Government	13.3	-	13.3
Ministry of Trade, Industry and Co-Operatives	10.2	-	10.2
Ministry of Water and Environment	435.5	164.9	270.6
East African Community	0.3	0.4	(0.2)
NPA	0.3	-	0.3
Dairy Development Authority	11.6	11.6	(0.1)
KCCA Agric Grant	7.2	2.4	4.8
National Animal Genetic Res. Centre and Data Bank	71.8	72.3	(0.5)
National Agricultural Research Organisation	108.3	110.3	(2.0)
NAADS Secretariat	103.4	104.5	(1.1)
Uganda Cotton Development Organisation	8.0	8.0	(0.0)
Uganda Coffee Development Authority	85.6	86.9	(1.3)
UNBS	1.1	-	1.1
Missions Abroad	6.1	-	6.1
Local Governments	356.7	356.7	(0.0)
Total	1,798.2	1,465.7	332.5

* USh Billion

Human Capital Dev't Budget Allocations for FY 2022/23

Vote	2022/23 NBFP	2021/22 Budget	Change YoY
Ministry of Education & Sports	544.4	526.83	17.6
Ministry of Health	331.7	1,512.25	(1,180.5)
Ministry of Gender, Labour & Social Dev't	178.1	178.09	(0.0)
Ministry of Water & Environment	773.9	747.15	26.7
East African Community	-	0.36	(0.4)
Uganda AIDS Commission	10.7	11.09	(0.4)
NPA	10.4	-	10.4
Public Universities	906.1	909.4	(3.3)
Uganda Cancer Institute	66.1	74.82	(8.7)
Uganda Heart Institute	28.9	28.92	(0.1)
National Medical Stores	597.1	600.31	(3.2)
Kampala Capital City Authority	70.8	57.62	13.1
Equal Opportunities Commission	0.8	12.19	(11.4)
UNEB	144.7	146.45	(1.7)
Education Service Commission	12.9	12.92	(0.1)

Vote	2022/23 NBFP	2021/22 Budget	Change YoY
Health Service Commission	8.0	8.13	(0.1)
Uganda Blood Transfusion Service (UBTS)	18.1	18.08	-
Mulago Hospital Complex	69.3	69.31	(0.0)
Butabika Hospital	17.4	17.37	0.0
Regional Referral Hospitals	213.0	207.03	6.0
Mulago Specialized Women & Neonatal Hospital	24.7	24.69	(0.0)
National Curriculum Development Centre	29.3	42.16	(12.8)
Uganda Virus Research Institute (UVRI)	15.4	15.81	(0.4)
National Council for Higher Education	10.1	10.18	(0.1)
Uganda Business & Technical Examination Board	28.1	28.90	(0.8)
National Population Council	12.7	-	12.7
National Council of Sports	18.1	18.37	(0.3)
Missions Abroad	0.4	-	0.4
Local Governments	2,778.5	2,783.60	(5.1)
Total	6,919.5	8,062.0	(1,142.5)

* US\$ Billion

Integrated Transport Infrastructure Budget Allocations for FY 2022/23

Vote	2022/23 NBFP	2021/22 Budget	Change YoY
Ministry of Works and Transport	718.5	940.8	(222.3)
Uganda National Roads Authority (UNRA)	3,387.3	3,326.6	60.8
Road Fund	506.2	506.4	(0.2)
KCCA Road Rehabilitation Grant	198.6	153.1	45.5
Local Governments	45.2	33.7	11.5
Total	4,855.9	4,960.7	(104.7)

* USh Billion

Governance and Security Budget Allocations for FY 2022/23

Vote	2022/23 NBFP	2021/22 Budget	Change YoY
Office of the President	115.2	124.1	-8.9
State House	402.2	410.2	-8.0
Office of the Prime Minister	116.3	72.5	43.8
Ministry of Defence	3,353.8	3,852.5	-498.8
Ministry of Foreign Affairs	27.4	33.6	-6.2
Ministry of Justice & Constitutional Affairs	104.4	159.3	-54.9
MoFPED	2.0	-	2.0
Ministry of Internal Affairs	49.5	54.5	-5.0
Ministry of LG	1.5	-	1.5
Ministry of Gender, Labour & Social Development	5.0	5.0	-
Ministry of East African Community	30.0	0.3	29.8
Electoral Commission	121.5	184.0	-62.5
Inspectorate of Government	50.0	50.0	-0.0
Law Reform Commission	11.4	11.9	-0.5
Uganda Human Rights Commission	20.6	20.9	-0.3
Directorate of Ethics & Integrity(DEI)	9.0	9.4	- 0.3

* USh Billion

Vote	2022/23 NBFP	2021/22 Budget	Change YoY
URSB	17.6	0.7	16.9
National Citizenship and Immigration Control	96.2	100.4	-4.3
National Lotteries and Gaming Regulatory Board	0.0	-	0.0
Equal Opportunities Commission	0.9	-	0.9
Financial Intelligence Authority (FIA)	16.7	17.1	-0.4
Office of the Auditor General (OAG)	67.8	71.8	-4.0
Director of Public Prosecutions	59.0	59.3	-0.2
Directorate of Government Analytical Laboratory	25.6	26.1	-0.5
NIRA	65.5	66.0	-0.5
Uganda Police Force	840.2	879.9	-39.7
Uganda Prisons	277.4	277.5	-0.1
PPDA	21.9	22.0	0.0
Internal Security Organisation (ISO)	97.9	98.2	-0.3
External Security Organisation (ESO)	52.4	52.8	-0.4
Law Development Centre	32.3	33.9	-1.6
Missions Abroad	185.5	222.5	-37.0
Total	6,276.7	6,916.2	-639.4

Observations

- a. The NBFP budget allocations are still preliminary; likely to change with inclusion of external funding projections.
- b. The NBFP lists a number of interventions/ priorities, however, they are not costed to enable detailed budget analysis.
 - Detailed analysis will done when Ministerial Policy Statements are produced in March.
- c. The reduction in the governance and security budget allocation (especially Defence & security) is likely to reversed during budget implementation through supplementary budgets which has always been the case in previous FY.
- d. Contrary to the gov't proposal to limiting commercial borrowing including domestic borrowing, there is 26% (Ushs 1,941 Bn) increase in domestic borrowing and re-financing (roll-over) during FY22/23 compared to FY 21/22.
- e. Government identified **17 externally funded projects** that are at a risk, which amount to **\$ 1.214 billion**; DPs may need to liaise with MoFPED get more information on such projects.

Key Activities in the Budget Process Calendar FY 22/23

No.	Activity	Due Dates
1	The National Budget Conference	Sept, 2021
2	1st Budget Call Circular FY 2022/23	Sept, 2021
3	LG Regional Consultations	Oct, 2021
4	Consultations with DPs on Budget Strategy	Sep, 2021
5	Development of Programme Budget Framework Papers	Nov, 2021
6	Submission of Programme Budget Framework Papers to MoFPED	12 th Nov, 2021
7	National Budget Framework Paper FY 2022/23 to Parliament	17 th Dec, 2021
8	Debt Sustainability Analysis	14 th Jan, 2021
9	Approval of the NBFP Paper by Parliament	26th Jan, 2022
10	2nd Budget Call Circular FY 2022/23	11th Feb, 2022
11	Ministerial Policy Statements to Parliament	10th March 2022
12	Presentation of the Annual Budget in Parliament	24 th March 2022
13	Approval of Annual Budget	26 th May 2022
14	Budget Speech for FY FY2022/23	9 th June 2022

Thanks!