PARLIAMENT OF THE REPUBLIC OF UGANDA

REPORT OF THE BUDGET COMMITTEE ON THE NATIONAL BUDGET FRAMEWORK PAPER

FOR THE FY 2015/16 – FY 2019/20

Office of the Clerk to Parliament

Parliament Building

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List of Acronyms

AIA	Appropriation in Aid
ATAAS	Agricultural Technology and Agribusiness Advisory Services
BPO	Business Processing Outsourcing
CEDP	Competitiveness and Enterprise Development Project
CERT	Computer Emergence Response Team
CFR	Charter of Fiscal Responsibility
CFRs	Central Forest Reserves
CMH	Committee on
DRC	Democratic Republic of Congo
EAAPP	Eastern African Agricultural Productivity Project
EAC	East African Community
EOC	Equal Opportunity Commission
EPC	Engineering Procurement Contract
ESO	External Security Organization
EU	European Union
FDI	Foreign Direct Investment
FIA	Financial Intelligence Authority
FMD	Foot and Mouth Disease
FY	Financial Year
GDP	Gross Domestic Product
HSSIP	Health Sector Strategic and Investment Plan
ICGLR	International Conference of the Great Lakes Region
ICT	Information Communication Technology
IG	Inspectorate of Government
ILMS	Integrated Loan Management System
IMF	International Monetary Fund
ISO	Internal Security Organization
IT	Information Technology
JLOS	Justice Law and order Sector
KCCA	Kampala Capital City Authority
LIS	Land Information System
LV	Low Voltage
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MDA	Ministries, Departments and Agencies
MDRI	Multilateral Debt Relief Initiative
MEACA	Ministry of East African Affairs
MFPED	Ministry of Finance Planning and Economic Development
MOFA	Ministry of Foreign Affairs
MTEF	Medium Term Expenditure Framework
MV	Medium Voltage
NAADS	National Agriculture Advisory Services
NAGRIC & DB	National Animal Genetic Resource Centre & Data Bank
NARO	National Agriculture Research Organization
NBFP	National Budget Framework Paper

NBI	National Backbone Infrastructure
NDP	National Development Plan
NEMA	National Environment Management Authority
NITA-U	National Information Technology Authority - Uganda
NPA	National Planning Authority
NRM	National Resistance Movement
OPM	Office of the Prime Minister
OSH	Occupational Safety and Health
OVC	Orphan and Other Vulnerable Children
PFM	Public Finance and Management
PFMA	Public Finance and Management Act
PIRT	Presidential Investment Round Table
PPDA	Public Procurement Disposal of Public Assets Authority
PPP	Public Private Partnership
PV	Present Value
PWD	People with Disabilities
RCIP	Regional Communications Infrastructure Project
REA	Rural Electrification Agency
SACCO	Savings and Credit Co-operatives
SADC	Southern African Development Community
SAGE	Social Assistance Grant for Empowerment
SSASHEW	Support and strengthening of Safety at Work
UAC	Uganda Aids Commission
UBOS	Uganda Bureau of Statistics
UCDA	Uganda Coffee Development Authority
UDC	Uganda Development Corporation
UNATCOM	Uganda National Commission for UNESCO
UNEB	Uganda National Examination Board
UPDF	Uganda People's Defence Forces
URA	Uganda Revenue Authority
USD	United States Dollar
VAT	Value Added Tax
WHO	World Health Organization
YLP	Youth Livelihood Programme

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INTRODUCTION

Rt. Hon. Speaker, Hon. Members,

1. In accordance with the provisions of Articles 90 and 155 (4) of the Constitution, Section 9(1) to 9(8) of the Public Finance Management Act 2015 and Rule 177 of the Rules of Procedure of Parliament, Committees are mandated to among other things, critically examine Government budget estimates and make recommendations for general debate in the House as well as commenting on any policy matters affecting Ministries under their jurisdiction.

2. In compliance with above provisions, I beg to present a report of the Budget Committee on the National Budget Framework Paper for the Fiscal year 2015/16- 2019/20 for consideration and approval by the August House as required by section 9(8) of the PFMA 2015

3. The Executive complied with the PFMA 2015 by laying on table the following documents on 1st April 2015:

   - National Budget Framework Paper (NBFP) for FY 2015/16 – FY 2019/20
   - The Draft Budget Estimates for the FY 2015/16.
   - Report on Public Debt, Grants and Guarantee,
   - Expenditure Estimates of Self Accounting Departments, Commission or Organizations under the constitution,
   - Certificate of Gender and Equity Compliance,
   - Certificate of Compliance for the Annual Budget FY 2014/15,
   - Report of Tax expenditures for the first three quarters of FY 2014/15
   - Treasury Memorandum on the report of the Local Government Accounts and,
   - Ministerial Policy Statements.

SCOPE

4. The Committee considered the NBFP which is required to be approved by Parliament in accordance with section 9 (8) of the PFMA 2015

   The report is structured in two parts:

   - Part 1: Government Medium Term Macroeconomic Plan, fiscal Framework and Indicative Revenue Framework
   - Part 2: The Sectoral Committee's observation and recommendations made thereon

METHODOLOGY

5. Members of the Committee analyzed the NBFP to acquaint themselves with the detailed contents of the document before interacting with the Sector Committees

6. The Committee held meetings with all the Chairpersons of Sectoral Committees of Parliament and discussed their observations and recommendations on the components of the BFP under their jurisdictions.

7. The Committee further interacted with a number of MDA's on the issue of performance of Government loans.

8. Section 9(4) and Schedule 3 of the PFM Act 2015, prescribes the format of the NBFP. The Committee analyzed the compliance of the NBFP to the provisions of the law.

PART 1: GOVERNMENT MEDIUM TERM MACROECONOMIC PLAN, FISCAL FRAMEWORK AND INDICATIVE REVENUE FRAMEWORK

NATIONAL DEVELOPMENT PLAN (NDP)

9. According to section 9(3) of the PFMA 2015, the NBFP must be consistent with the National Development Plan (NDP) and with the Charter of Fiscal Responsibility. The Budget Committee observes that the current NDP 1, which was due to expire by June 2015, was extended for one additional year to allow for the capture of rebased national data; the alignment and updating of the macroeconomic framework; demographic changes and confirm public investment for NDP II.

10. The extension raises a question for the planning framework and a strategic anchor for the FY 2015/16 budget, given that the Macroeconomic projections for NDP I are expiring. On the other hand, the delayed NDP II, has created a vacuum in the planning framework and a challenge for the alignment and implementation of the FY 2015/16 budget.

CHARTER OF FISCAL RESPONSIBILITY (CRF)

11. The Committee observes that Government is yet to finalize the Charter for Fiscal Responsibility (CFR) and according to the IMF country report 14/354 of December 2014; the CFR is expected to be finalized by May 2015[1]. According to Section 5 of the PFM Act (2015), the CFR is expected to provide measurable objectives for fiscal policy, for at least three years ahead; the methodology for measuring performance of fiscal policy objectives; fiscal and macroeconomic data and; assumptions and projections for the performance of the National

[1] IMF Country Report 14/354 ,"Uganda: Poverty Reduction Paper – Progress Report" *(source: http://www.imf.org/external/pubs/ft/scr/2014/cr14354.pdf)*

Economy in the medium term. The Committee recognizes that Government will table the CFR on the first sitting of the 10th Parliament for approval as required by Section 5(1) of the PFM Act 2015.

Macroeconomic Policy Framework

12. In the Medium Term, the Macroeconomic goal is to deliver macroeconomic stability to support inclusive and sustainable economic growth and social economic transformation. The specific Macroeconomic objectives include:

(a) Achieve and maintain a rate of real economic growth of at least 6% per annum;

(b) Maintain annual inflation within single digits;

(c) Maintain foreign exchange reserves cover of at least the equivalent of 4.5 months of imports of goods and services;

(d) Maintain a real exchange rate compatible with a competitive external sector.

13. The macroeconomic policy framework incorporates several infrastructure projects geared towards enhanced regional integration and the emerging oil production.

Key Macroeconomic Assumption and Macroeconomic Forecast

14. This section presents information on the key macroeconomic assumptions and forecasts for the following economic variables (refer to Table 1);

- the average and year end GDP;
- average and year-end inflation rate;
- rate of employment and unemployment;
- The average and year-end exchange rate; interest rates; and money supply.

15. The Committee notes that a lot of information is missing in the NBFP and because of this problem, credibility assessment of the key macroeconomic assumptions is not possible. Specifically,

(a) Information about GDP and Money Supply does not have the absolute values for average and year end,
(b) Information on year-end inflation rates is missing,
(c) Information on rates for employment and unemployment is missing,
(d) Information on Exchange rates and Interest rates is missing.

The Committee recommends that the missing information should be availed in the final document for proper assessment.

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Table 1: Key Macroeconomic Assumptions

		Outturn 2012/13	Outturn 2013/14	Proj. Outturn 2014/15	Proj 2015/16	Proj 2016/17	Proj 2017/18	Proj 2018/19	Proj 2019/20
Real GDP Growth -%		3.3	4.5	5.3	5.8	5.9	6.4	6.6	6.8
Annual Headline Inflation (Average)-%		5.6	6.7	3.1	5.5	5.8	6	6.3	6.3
Money Supply Growth - %		6.7	17.4	17.5	17.5	15.2	15.9	14.9	15.3
Employment									
Labour force (million)		...	...	...		...	...	...	...
Labour Participation rate - %		...	...	...	...	...	...	...	...
Under and Unemployment									
Of the labour force (%)	4.2 (2009/10)	9.4	...	...	...	....	....	....	....
Exchange Rate									
Current Account position		...	....	-3,014	...	...	...	...	...
Interest rates									

Source: NBFP 2015/16 – 2019/20

16. The Committee observes that the Economy has experienced a slower pace of growth in the first four years of the NDP I at 5.5%, lower than the anticipated at 7.2%. This is attributed to both external and internal factors. The external factors include the slow global recovery, the weak demand for the country's exports and the costly non-concessional external borrowing channels.

17. Some Domestic factors included delays in implementation of major projects, especially in the transport and energy sectors, and the prolonged drought periods. Under execution of projects stemmed from lack of detailed feasibility studies, insufficient technical project preparation and weak public sector management.

18. The Committee noted that if weaknesses of poor "Quality at Entry" of core projects are not addressed under NDP II, where envisaged flagship projects are not well appraised to determine their impact on growth, then the macroeconomic projections will not be realized in medium term.

19. The Committee observes that, information on employment levels in the country is insufficient to undertake projections for the medium term. This is due to Government's failure to undertake periodic manpower/ labour force surveys.

20. Despite the impressive data on unemployment rate from UBOS of just 9.4% (as in FY 2012/13), the general perception of Ugandans on unemployment is that unemployment is very high. This is evident among the university graduate youth, as the economy can only absorb less than 20% of the university outputs per year.

21. The foreign exchange rate is projected to depreciate further in the medium term, despite projected rise in Foreign Direct Investments

(FDI) in the energy and oil sectors. **The Committee recommends that the long term solution to foreign exchange stability is for Government to deliberately support the export sector.**

22. The Committee observes that given the facts in Table 1, the projected growth in Money supply far exceeds growth in GDP, implying that inflation is likely to rise much faster than the projected levels averaging 6%.

23. This is further confirmed by the Central Bank monetary policy statement for the month of April 2015[2] where real output was estimated to be above potential and projected to accelerate over the medium term, exerting upward pressures on prices for goods and services. Bank of Uganda's forecast for core inflation is in the range of 7% - 9% in FY 2015/16 in the absence of any adjustment to monetary policy stance, due to potential pressures from the foreign exchange rate.

24. **The Committee recommends that Government gives a more realistic inflation projection figure, harmonized with the Central Bank and consistent with the GDP growth projection.**

Medium Term Fiscal Framework and Forecast

25. Section 4 of the PFM Act 2015 requires that, Government provides the target for fiscal variables consistent with the fiscal policy objectives set out in the Charter of Fiscal Responsibility (CRF). However, the fiscal policy objectives of the FY 2015/16 budget are;

- Support maintenance of macroeconomic stability
- Stimulate economic growth through further infrastructure development.
- Financing new public investment through enhanced domestic resource mobilization, external borrowing and private investment under PPP arrangements
- Ensure new financing is consistent with the country's debt sustainability and absorptive capacity of the economy.

26. The Committee notes that Government has set fiscal targets for the medium term, demonstrating increased Revenue and grants collections (refer to Fig 1) on the basis that the tax system will be stable and there will be improved tax compliance and focused administrative measures for enhancing tax collection efficiency. The main contributor to the overall Revenue will be the Tax Revenue. While Tax revenue is projected to grow by an annual average of 15.5%, Grants will decline by an annual average of 4.4%. The projection is consistent with Government's overarching goal for self-sustenance. In the medium term, the framework assumes no oil revenues; as the requisite infrastructure to support oil production is not yet in place.

[2] https://www.bou.or.ug/opencms/bou/bou-downloads/press_releases/2015/Apr/Monetary-Policy-Statement-for-April-2015.pdf

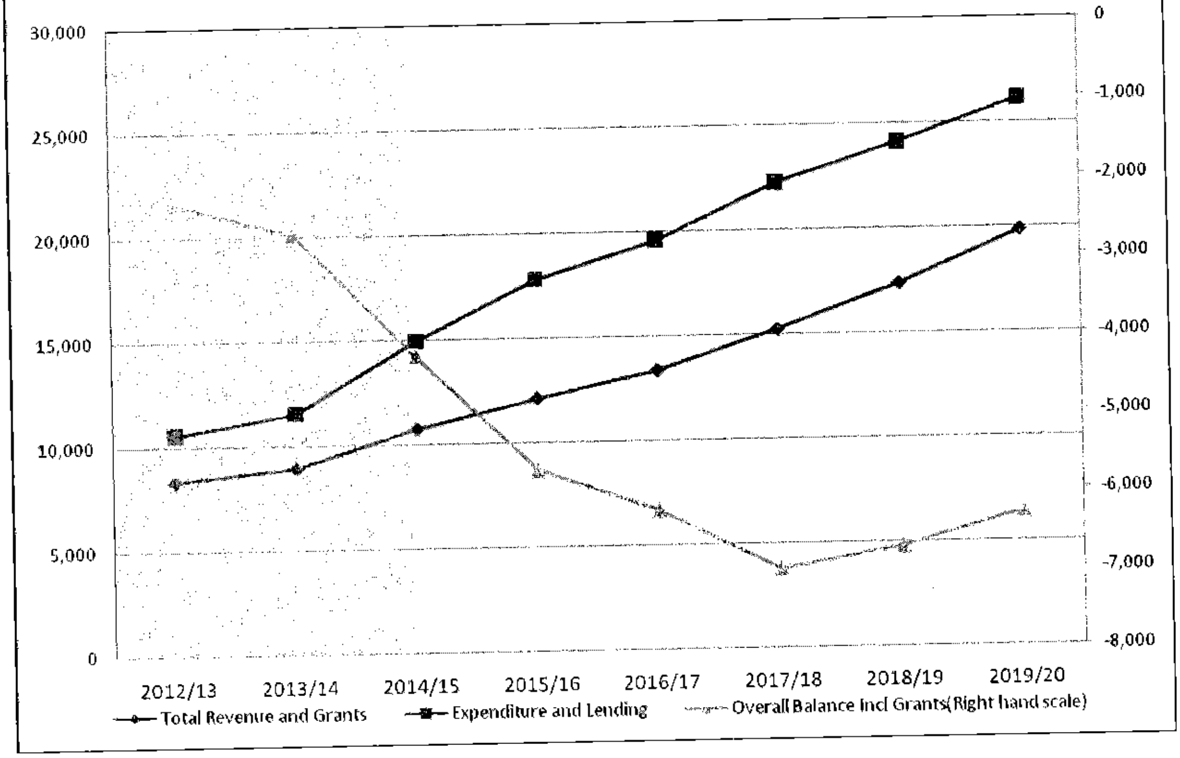
27. The Committee notes there will be no new tax measures in the forthcoming FY but focus will be on strengthening tax administration systems.

28. The Committee recommends more human resource for URA to ensure improved surveillance and compliance to the approved Tax revenues measures.

29. On the expenditure side, Government is demonstrating an increased expenditure level in the medium term projected at an annual average growth of 14.9%. Development and Recurrent expenditures are projected to grow at an annual average of 17.8% and 12.0% respectively. This is in line with Government's commitment for further infrastructure development and to attain sustained growth by reducing consumption in favor of investment in the medium term.

30. The overall balance/Fiscal deficit (including grants) is projected to continue worsening fast at an annual average of 29.1% till FY 2017/18 when it will start improving at 5.2% per annum. The fiscal deficit is projected to be financed mainly by the External sources at an annual growth average of 38.9% compared to the domestic sources at 8.1%.

Fig 1: Projected Government Revenue, Expenditure and Overall Balance (Shs. bn)



31. The Committee observes the following issues on the Fiscal Framework:

(a) While Tax revenues are projected to grow at an annual average of 15.5% in the medium term, investment spending is projected to grow at 17.8%. This implies that investment financing will require a mix of domestic and external debt financing which is projected to grow by 9% on average.

(b) Commercial borrowing is projected to grow by 34% annually on average over the medium term, which is much higher than the average growth rate of domestic revenue projected at 15.5%. Therefore the debt sustainability objective for Government may be threatened over the medium term, unless revenue mobilization efforts grow much faster than debt acquisition on Commercial terms.

(c) The above condition may create unstable macroeconomic environment arising from increased interest rates with crowding out effects to the private sector, hence affecting the growth momentum that is projected in the medium term.

Resources Envelop for FY 2015/16

32. The performance of the resource envelop for FY 2014/15 was not presented in the NBFP, this made it hard to realistically confirm the projections for the next FY 2015/16.

33. However, the resource envelop indicates that while domestic revenues will rise by 14.8%, External Budget support and Projects will decline by 35.6% and 24.7% respectively. Domestic borrowing to finance the budget for FY 2015/16 has been maintained at levels in FY 2014/15. The Committee observes that the domestic financial market is still underdeveloped and shallow to raise sufficient resources to finance the budget, without crowding out private sector borrowing.

34. External debt repayments are projected to increase significantly by 135% in FY 2015/16. The Committee observes that External debt falling due in the next FY will rise at the same time when the country is acquiring more commercial loans projected to increase by 8.25% from Shs. 1,129 billion (1.35% of GDP) in FY 2014/15 to Shs. 3,269.7 billion (3.39% of GDP) in FY 2015/16.

35. The Committee observes that the resource envelop in the NBFP does not indicate the commercial borrowing, hence understating the amount of resources available to finance the budget.

36. The Committee recommends that Government avails projection for commercial borrowing in the final NBFP document.

37. The Committee noted that since FY 2012/13, Parliament has not been approving domestic borrowing to finance the budget as required by the Constitution. **The Committee recommends that Government addresses the anomaly.**

Tax Expenditures

38. Subject to Article 152 (2) of the Constitution and Sections 13(10)(d) and 77 of the PFM Act 2015; the Minister of Finance, Planning and Economic Development reported to Parliament on the Tax

Expenditures for first quarter three of FY 2014/15. The total amount of Tax Foregone was reported at Shs. 14.19 billion.

39. The Committee notes that the socio and economic effects (costs and benefits over time) of the Tax foregone to Government as required by 77(2) of the PFM Act 2015, were not given.

40. The Committee recommends that the Ministry of Finance, Planning and Economic Development should provide detailed and measurable costs and benefits to Government as a result of the tax exemptions in the final NBFP document.

41. Further, the Budget Committee will draft guidelines to be approved by the House on the criteria to be followed in granting discretionary tax incentives to private sector companies and NGOs.

Statement for Policy Measures for FY 2015/16

42. The theme for the FY 2015/16 budget is "***Maintaining Infrastructure Investment and Promoting Excellence in Public Service Provision for Wealth Creation and Socio-Economic Transformation of Uganda's Economy***". The strategic sub-themes of the FY 2015/16 budget include:

(a) Maintenance of National Security and Defence;
(b) Facilitating Private Sector Enterprise for increased Investment, Employment and Economic Growth;
(c) Effective delivery of Infrastructure Development and Maintenance;
(d) Commercializing Production and Productivity in Primary Growth sectors;
(e) Enhancing Capacity for Increased Domestic Revenue Mobilization;
(f) Increasing Social Service Delivery and;
(g) Enhancing Efficiency in Government Management.

43. According to the NBFP, the formulation of FY 2015/16 budget priorities is premised on lessons learnt from the implementation challenges of the NDP I and at the same time focusing on the priorities set out in the Draft NDPII. This implies that the FY 2015/16 budget neither follows NDP I nor NDP II but a standalone.

44. The Committee notes that major expenditures and revenue policies cannot be explicitly aligned to NDP I as presumed, but also have some bearing on NDP II, which is still in a draft form. This phenomenon will pose challenges for assessing the performance of the FY 2015/16 budget, just in case the final and approved NDP II is significantly altered.

45. The Committee observes that;

(i) Capacity for increased domestic revenue mobilization is available in the medium term. However Uganda's average tax to GDP ratio has remained stagnant at about 11.65%, the lowest in East African Region. The informal sector that constitutes 43% of GDP

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is not contributing to tax revenue. This is in addition to tax exemption regime and weakness in the tax administration, particularly with URA remaining city bound with limited pressure in upcountry areas.

(ii) The overall expenditure (excluding Arrears and AIA) is projected to grow by 19% from shs. 15,041.87 billion in FY 2014/15 to shs. 17,956.43 billion in FY 2015/16. The growth is mainly attributed to increases in Energy and Mineral Development, Works and Transport, Interest payments and Security. For the 19% overall growth from FY 2014/15 to FY 2015/16, Energy, Works and Transport, Interest Payments and Security contribute 6.3%, 5.4%, 4.5% and 2.4% respectively. The productive sectors remain extremely underfunded, thus posing very serious challenges for the stability and resilience of the national economy.

(iii) The projected fiscal deficit averaging 6.4% of GDP over the medium term is higher than the East African Community (EAC) convergence criteria limit of 3%.

(iv) Facilitating private sector to increase the level of investment, employment and economic growth will be constrained by the rise in the fiscal deficit (estimated to reach 6.8% to GDP), the likely rise in domestic interest rates, the projected rise in inflation and the under-developed and shallow domestic financial markets which are offering limited long-term credit products.

(v) The private sector will further be hampered by the high cost of doing business. Such high costs stem from lengthy process for the registration of businesses; constrained access to long term credit financing; the high cost of power/energy; inflation; inadequate infrastructure; poor maintenance of infrastructure; and governance challenges including corruption which is yet to be effectively dealt with at different levels of Government.

(vi) The delivery of infrastructure development and maintenance will be done at rather high cost, as the source of funding for most of the infrastructure projects in the energy and transport sectors are from non-concessional sources. For example Entebbe Expressway; Karuma and Isimba hydropower projects; including their respective transmission lines. This may compel Government to charge user fees or raise tariffs or taxes to recover the cost of investment. All this, will have a cost bearing on the private sector growth and competitiveness. Increased sensitization and public participation is what would help to minimize these challenges.

(vii) The risk of a rise in the contingent liabilities resulting from the projected PPPs will have a bearing on the level of public debt in event of any default or shortfall in revenue returns on PPP projects.

(viii) The inadequate capacity in the preparation of appraisal and execution of projects in Uganda, will impact on the delivery of infrastructure services to the population.

(ix) Defence spending will increase by 30.9% in FY 2015/16 compared to FY 2014/15 levels, and its share in the national budget will increase from 7.7% to 8.5%, which is consistent with the budget strategy for FY 2015/16.

(x) The agricultural sector allocation is projected to increase by a dismal 2.3%, however, its share in the national budget is projected to decline from 3.1% to 2.7% in FY 2015/16 compared to the previous levels in FY 2014/15 (refer to table 2). The visibility of agricultural sector is slowly declining in the regulation role in the sector, which poses, a huge challenge in sustaining export markets. For instance disease control is no longer effective; research and the dissemination of research findings have been left to the whims of external financiers. In that case, value addition is likely to be at a higher cost, as quality inputs become hard to come by.

(xi) Commercializing production through productivity enhancement and value addition comes with improving agricultural production, mechanization, irrigation, regulation, standardization, disease control, research, long term financing, land reforms, mindset change especially for the youth and market infrastructure. However, agriculture sector continues to face the above challenges, and the commodity approach is only emphasizing production and not productivity and an effective value chain approach.

(xii) The agricultural extension system is short of manpower to implement the single spine especially in the District local governments. Minimal allocation to this effect has been made and gaps that exist will continue in the medium term.

(xiii) Long term financing that is required to improve mechanization, small scale irrigation and value addition has eluded the market and this is an area Government has to rethink its approach to achieve productivity gains in the sector. Bulk marketing is the only solution for smallholder farmers through cooperatives, which are in dire need of re-organization and financial support to expand and become self-sustaining.

(xiv) Tourism industry has the potential for generating foreign exchange earnings due to the country's endowment with a variety of tourist attractions. However, the tourism promotion, training, regulation, maintenance and infrastructure development to internationally acceptable standards is still a challenge. The tourism industry's budget is projected to increase by 60% (recorded at shs. 29.24 billion) in FY 2015/16 from the previous level in FY 2014/15.

(xv) Transport infrastructure: Government has continued to focus on improving conditions of road network and is committed to fast track development of rail, air and marine transport. Roads and works sector allocation is projected to grow by 34% and the share in the national budget will rise from 16% to 18%. Further Government plans to procure roads maintenance equipment for all districts to undertake periodic maintenance of rural roads.

(xvi) **The Committee recommends that in the medium term, government needs to make adequate provision for the cost of running and maintaining the roads equipment.**

(xvii) Energy and Mineral Development: Government is committed to addressing the power deficit by constructing more hydropower stations at Karuma, Isimba and other mini-hydro power stations. The Energy sector allocation is projected to grow by 52% from the previous FY 2014/15 and the share in the FY 2015/16 will rise from12% to 16%.

Table 2: Sectoral Allocation of the Budget FY 2015/16

SECTOR	Approved FY 2014/15 Amount (shs. bn)	Approved FY 2014/15 Share (%)	NBFP FY 2015/16 Amount (shs. bn)	NBFP FY 2015/16 Share (%)	Draft Estimates FY 2015/16 Amount (shs. bn)	Draft Estimates FY 2015/16 Share (%)	Year-to-Year Growth
SECURITY	1,159.29	7.70%	1,159.47	8.00%	1,517.66	8.50%	30.90%
WORKS AND TRANSPORT	2,389.37	15.90%	2,586.58	17.90%	3,198.01	17.80%	33.80%
AGRICULTURE	473.73	3.10%	424.1	2.90%	484.68	2.70%	2.30%
EDUCATION	2,026.63	13.50%	1,983.94	13.70%	2,011.96	11.20%	-0.70%
HEALTH	1,281.14	8.50%	970.34	6.70%	1,234.40	6.90%	-3.60%
WATER AND ENVIRONMENT	420.45	2.80%	437.83	3.00%	520.88	2.90%	23.90%
JUSTICE/LAW AND ORDER	807.6	5.40%	905.94	6.30%	906.62	5.00%	12.30%
ACCOUNTABILITY	1,188.47	7.90%	1,068.91	7.40%	1,106.83	6.20%	-6.90%
ENERGY AND MINERAL DEVT	1,829.39	12.20%	835.94	5.80%	2,782.72	15.50%	52.10%
TOURISM, TRADE AND INDUSTRY	63.88	0.40%	78.85	0.50%	79.31	0.40%	24.20%
LANDS, HOUSING AND URBAN DEVT	96.62	0.60%	74.64	0.50%	125.93	0.70%	30.30%
SOCIAL DEVELOPMENT	71.3	0.50%	79.97	0.60%	79.97	0.40%	12.20%
INFORMATION COMN TECHNOLOGY	17.01	0.10%	20.87	0.10%	20.87	0.10%	22.70%
PUBLIC SECTOR MANAGEMENT	1,191.03	7.90%	734.75	5.10%	776.12	4.30%	-34.80%
PUBLIC ADMINISTRATION	554.84	3.70%	715.69	4.90%	716.35	4.00%	29.10%
LEGISLATURE	331.92	2.20%	301.68	2.10%	301.68	1.70%	-9.10%
INTEREST PAYMENTS DUE	1,082.87	7.20%	1,761.33	12.20%	1,761.33	9.80%	62.70%
PENSION	56.33	0.40%	331.22	2.30%	331.11	1.80%	487.80%
TOTAL	**15,041.87**	**100.00%**	**14,472.05**	**100.00%**	**17,956.43**	**100.00%**	**19.40%**

Source: NBFP FY 2015/16 – 2019/20

Medium Term Expenditure Framework

46. Projections of Government expenditure in respect of each vote for FY 2014/15 and FY 2015/16 have been split into recurrent and investment expenditure. This is consistent with the PFM Act 2015. However, the projected expenditure allocations for FY 2015/16 do not reflect all the budget strategy objectives, for instance, social services and accountability sector expenditures are instead, projected to decline significantly.

47. **The Committee notes the meager budget allocation to production sectors such as Trade, Industry and Tourism, ICT, Lands, Rural electrification and Water and Environment in the Budget for the**

FY 2015/16 and recommends appropriate action during the consideration and supply of the FY 2015/16 budget estimates.

Fiscal Risks Statement

48. While the main sources of the fiscal risks have been identified to include the Macroeconomic risks due to accuracy and sensitivity of the assumptions and fiscal aggregates; public debt level, debt servicing and limited fiscal space to respond to unexpected shocks; contingent liabilities arising from PPPs; Geo-political risks due to likely instability from country neighbors and trading partners; the poor weather conditions and the supplementary expenditures. **However, the quantified estimation of the fiscal impact of the risks on the economy; and the generation of an alternative fiscal framework based on more realistic assumptions have NOT been provided in the NBFP, as required by the PFM Act 2015. The Committee recommends that Ministry of Finance, Planning and Economic Development addresses this omission.**

49. The Committee observes that one of the important and recurrent fiscal risks has been omitted, and that is the internal governance issues in Uganda, especially around the general elections period. The other fiscal risk is the institutional capacity of sectors to absorb and effectively implement the flagship projects. **The Committee recommends that these two risks be part of the risk portfolio.**

PUBLIC DEBT DEVELOPMENTS 2015

50. The Total public debt as at Feb 2015 stood at US$ 7.28 billion (equivalent to 26% of GDP) from US$ 7.0 billion at March 2014. Out of this amount, total external debt contributes 57% (US$ 4.18 billion) and domestic debt contributes 43% (US$ 3.10 billion).

51. Total external debt exposure stood at US$ 6.27 billion, of which total debt disbursed is US$ 4.18 billion or 66% and US$ 2.09 billion or 34% are loan commitments not yet disbursed.

52. Uganda's external stock of debt outstanding and disbursed has risen by 134% from US $ 1.79 billion in FY 2008/09, when the country benefited from the Multilateral Debt Relief Initiative (MDRI), to US$ 4.18 billion as at February 2015. This has been due to new loan commitments to finance infrastructural projects.

53. However, information from the Ministry of finance indicates that some of the loans contracted have exhibited poor absorptive capacity of loanable funds. This is illustrated where during the FY 2014/15, a total of US$ 992.28 million of external support was budgeted and a total of US$ 433.87 million (44% performance) has so far been disbursed as at February 2015. This is an indicator of inefficiency in the implementation of projects. Poor absorption of loanable funds has resulted from capacity challenges and the lack of preparedness on behalf of implementing agencies. This is coupled with inadequate provision for counterpart funds in the budget. **The Committee recommends that more stringent action be taken on accounting**

officers who have failed to demonstrate justifiable cause for the low performance of the loans under their portfolio.

54. The total stock of outstanding government domestic debt as of end February 2015 was US$ 3.10 billion compared to the stock of US$ 1.4 billion as at end of June 2014. This represents an increase of US$ 1.7 billion of domestic debt issued during FY 2014/15. This is substantial within a period of one year arising from the high fiscal deficit projected for FY 2014/15. Since 67% of the domestic debt is in terms of longer term instruments (bonds), the refinancing risk is minimized; however, the interest cost over the medium term will continue to rise.

Debt Sustainability

55. Despite the rising Public debt, which includes both external and domestic debt, Public debt in Uganda is still sustainable and the country is under no debt distress given the Present Value (PV) of Public Debt to GDP ratio of 20.5% as at end June 2014. This is below the Public Debt Management Framework threshold of 50%. However, the anticipated infrastructure projects over the Medium Term Fiscal Framework would raise the PV-debt to GDP by 7% from the current 20.5% to 27.5%, assuming efficient implementation of the planned infrastructure projects.

56. The Committee notes that the inefficient implementation exhibited in some infrastructure projects, poses risks to the country's debt sustainability levels. In addition borrowing on highly non-concessional terms on projects with both low financial and economic returns also impairs the country's sustainability profile.

57. The Committee recommends that Government ensures timely and efficient implementation of public projects in order for the projects to create productive capacity to repay for the loans.

58. **The Committee further recommends that counterpart funding required for any outstanding (non-performing) loan above three years should have a first call on the budget of any Vote to which the loan relates.**

Consistency between the NBFP and the Draft Budget estimates for FY 2015/16

59. The Committee observes that, the Macroeconomic framework that generated the NBFP for FY 2015/16 – FY 2019/20 has significantly been adjusted to generate the Draft budget estimates in the Ministerial policy statements for FY 2015/16. The adjustment, in part, addresses the short comings highlighted in this report.

60. The Revenue numbers have been adjusted upwards to reflect new revenue measures and to balance up with the rise in Government expenditure as enshrined in the budget estimates for FY 2015/16 and the medium term. However, the fiscal deficit has remained high above the EAC convergence criteria owing to the intended increase in Government investments in the Infrastructure development.

61. The nominal GDP figures to be targeted were not provided, therefore, the projected growth rates may not be confirmed for FY 2015/16 and the medium term.

62. Section 13(5) of the PFM Act requires the annual budget to be consistent with the NDP and the CFR and the NBFP. Again there is glaring departure between the Draft budget estimates for FY 2015/16 and the NBFP; the expenditure framework is very different, there is no explicit planning framework and there is no Charter of Fiscal Responsibility to guide allocations and monitoring of the budget.

Conclusion of the Government Macroeconomic Plan, Fiscal and Indicative Revenue Frameworks

63. The NBFP for FY 2015/16 - FY 2019/20 was prepared with considerable information gaps in the Macroeconomic and Fiscal frameworks as illustrated above.

64. The planning framework applied in developing the NBFP is a combination of NDP I and the Draft NDP II, hence contradicting Government's intention to extend NDP I to cover FY 2015/16 estimates. At the time of presenting this report, NDP II which would be the appropriate anchor for the NFBP is still in a draft form and only laid on table a few days ago for approval by Parliament.

65. The Committee noted that the preparation of the NBFP did not exhaust the procedures and requirement as set out in the PFM Act, 2015. This may be accepted given the fact that this was the first attempt and in the middle of a transition period from the old to the new budget calendar.

66. The observations and recommendations identified in different sectors outlined in part 2 of this report should be given special consideration in the process of approving the Ministerial budget estimates for FY 2015/16 and the medium term expenditure framework.

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PART 2: PROPOSED SECTOR PLANS AND EXPENDITURE KEY OBSERVATIONS AND RECOMMENDATION

WORKS AND TRANSPORT SECTOR

Standard Gauge Railway Cross State Project

67. The Committee noted the commencement of the Standard Gauge Railway project as witnessed by the signing of Engineering Procurement Contract (EPC) which includes the designing of the rail system and further analysis on the different technologies to be applied.

The Committee recommends that all concerned stakeholders and authorities to be brought on board for purposes of ensuring smooth implementation of the program which will greatly spur both social and economic transformation benefits to the region and beyond.

Procurement of District Roads Equipment

68. The Committee appreciates the initiative of equipping all district local governments with roads maintenance equipment; **the Committee however notes the rampant abuse of the current equipment and plants at the districts and accordingly urges Government to ensure proper guidelines are developed for the efficient and prudent management of the roads equipment.**

Entebbe International Airport Expansion and rehabilitation works.

69. The Committee noted the planned commencement of expansion of the Airport with the construction of a new terminal.

The Committee recommends adherence to the developed Master plan for the redevelopment of the airport taking into consideration best international practices.

LANDS AND HOUSING AND URBAN DEVELOPMENT

Rollout of Ministerial Zonal Offices.

70. The sector plans to rollout to 21 more zonal offices under the phrase II of the Land Information System project which has been replaced with Competiveness Enterprise Development project, this will require the recruitment of additional staff for operationalizing the offices. The Ministry of Lands, Housing and Urban Development has planned to recruit staff in the FY 2015/16 however the budget had not been secured through the Government structure.

The Committee strongly supports the project to ease and create harmonious co-existence in the community by enabling quick response to land related conflicts which are rampant in the

society at present. The Committee accordingly upholds the request for increased allocation to the sector in the medium term for staff wage.

Compensation of Absentee Landlord

71. The Committee noted the increased budget pressures on the Uganda lands Commission Budget of Ushs. 70 billion required to acquire land for the resettlement of persons living on the lands of absentee landlord. This is intended to correct the historical imbalance that was created at the time of independence. In view of the increasing land conflicts, the Committee urges Government to increase on the allocation made for fast-tracking of the program.

EAST AFRICAN COMMUNITY AFFAIRS

Government Sector-Wide Approach

72. Government adopted a Sector-Wide Approach in order to harmonize the interventions of development partners, remove overlaps and avoid duplication of efforts, reduce transaction costs, enhance participation by all stakeholders, promote a holistic and forward approach to planning, fund development activities, and provide common reporting, monitoring and evaluation frameworks for a given sector.

Over time, the Sector-Wide Approach has weakened, and full participation and coordination of all the sector stakeholders has declined. This is partly due to the declining (and outright withdraw of) donor support to various sectors. While the MEACA belongs to the Public Sector Management Sector, currently the benefits that MEACA derives from the sector are minimal.

The Committee recommends that PSM Sector Secretariat should recognize the importance and role of MEACA and support it in the following key areas, to facilitate the realization of its strategic objectives in the medium term:

- **i.** **Fast-tracking the mainstreaming of EAC activities into Sector/MDA plans and budgets.**
- **ii.** **Enforcing the harmonization of national laws to conform to the EAC legal framework, especially Common Market Protocol.**
- **iii.** **Supporting sensitization and public awareness.**
- **iv.** **Fast-tracking the implementation of the Customs Union, Common Market and East African Monetary Union Protocols.**
- **v.** **Expediting enforcement of EAC integration across all sectors.**

The Committee further recommends that all Committees of Parliament, in scrutinizing the Policy Statements of the respective MDAs under their jurisdiction, should ensure that

those MDAs have mainstreamed and budgeted for EAC related activities.

Public Awareness and Consultations on EAC Integration

73. EAC integration is a key driver of economic prosperity for Uganda, as envisioned in the NDP and Vision 2040, therefore there is need for the citizens to be aware of the opportunities EAC integration provides so that they are able to participate and take advantage of them.

The Committee recommends that an additional UGX 500 million be provided for this purpose.

Mechanism to Enforce Implementation Of Regional Commitments:

74. MEACA lacks a strong mechanism to enforce implementation of regional commitments in the respective sectors of Government, which implement EAC commitments.

The Committee recommends that MEACA establishes a check-list on EAC matters for all MDAs, and the checklist should be used as a basis for funding.

The Committee further recommends that MEACA positions well-trained focal point officers in all Ministries and Districts to anchor the EAC integration agenda.

Coordination Forum for MEACA

75. The Committee observes that although the coordination of political, legal, productive and social affairs is a key output of MEACA, there seems to be no clear strategic arrangement for MEACA to execute this role within the PSM sector and how it is extended to other Ministries, Departments and Local Governments.

The Committee recommends fast-tracking of the rolling out of the National Policy on EAC Integration.

PRESIDENTIAL AFFAIRS

ESO/ISO Arrears

76. The Committee observed that despite the colossal sums of money passed by Parliament to settle the arrears for ESO/ISO in a number of financials years, non-payment of the same arrears in the security organizations still persist.

The Committee recommends that Ministry of Finance, Planning and Economic Development and Office of the President treat the matter with urgency and ensure appropriate allocation of budget resources for what is demanded so that the arrears are settled once and for all

Domicile of the UAC

77. The Committee observed that the activities of the Uganda AIDS Commission are generally of the health nature,

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The Committee recommends that the UAC be placed under the health sector for purposes of proper supervision and oversight.

Land for Settlement of People in the Sebei Region

78. The Committee observed that the 6000 hectares of land that was meant to resettle the communities displaced from Mt. Elgon National Park had been misallocated by the land allocation Committees that were put in place to handle the distribution of land.

    The Committee recommends that the OPM intervenes quickly to facilitate the resettlement of the legitimate people displaced from the Mt. Elgon National Park.

Special Programmes for Teso and Bunyoro Regions:

79. The Committee observed that since their inception the special programmes in Teso and Bunyoro regions have not realized any tangible developments due to budget constraints. Total budget for the Five (5) special Programes is Shs.103.23 billion, Out of which Teso (2.052 billion) and Bunyoro (0.194 billion) reflecting 2% and 9% respectively.

    The Committee recommends that Government fast tracks the implementation of the two strategic development plans for Teso and Bunyoro regions to achieve development of the two regions.

Funds for National Guidance

80. The Committee observed that the policy on national guidance has not been developed to date and as such no funds have been allocated for this activity despite its importance.

    The Committee recommends that Government facilitates the formulation of the policy on National Guidance to enable its funding and implementation.

HEALTH SECTOR

Sector Budget share

81. The Committee observed that although Uganda is a signatory to the Abuja declaration that requires Governments to appropriate at least 15% of their national budgets to the health sector by 2015, It is clear that Uganda will not achieve this target in the medium term, and the trend is declining from 6.87% projected in FY 2015/16 to 5.16% in FY 2017/18. The Committee further observed that the MTEF allocation excludes votes that are included in the national health accounts such as the Uganda Police services, Ministry of Education, Ministry of Defence, Uganda Prison services and other Ministries.

    The Committee recommends that votes that are included in the National Health Accounts should specify how much is allocated to the health sector to facilitate the summation of the total share of the health budget during consideration of the draft budget.

82. In addition, the Committee observed that Government allocation for health as percentage of the total Government budget for FY 2015/16 is short of the HSSIP target of 9.8%. This allocation translates into a government contribution of US $13 per capita on health in FY 2015/16 which is below the HSSIP target of per capita government expenditure on health of US $ 17. In addition it is below the recommended per capita government expenditure on health of US $ 34 per capita as per the WHO Commission of Macro Economics and Health (CMH).

The Committee recommends that additional funding be provided to the sector in the medium term not only to meet her commitments but also cater for various unfunded requests as identified in the annex attached.

Functional Referral system

83. The Committee observed that one of the indicators of Health infrastructure in the health sector Strategic and Investment plan 2010/11 - 2014/15 is a functional referral system. However, functionalizing the ambulance system remains one of the key unfunded priorities yet maternal death review audits indicate that some mothers die due to lack of transport from their homes to health facilities or lack of transport between health facilities.

The Committee recommends that Government should consider a cost effective ambulance system that can easily be achieved within the constrained sector budget in the medium term as compared to proposed UGX 40 billion that may take a long time to be achieved.

Protecting Children under one year against life threatening diseases

84. The Committee observed that in the National Budget Framework Paper, the outcome of protecting children under one year against life threatening diseases excludes the vote function of pharmaceutical and medical supplies under National Medical Stores yet this vote function procures vaccines supplies that contributes to this outcome.

The Committee recommends that the Ministry of Health should ensure that this vote function is included among those that contribute to the above outcome to give the public a correct picture.

GENDER, LABOUR AND SOCIAL DEVELOPMENT

Gender and Equity

85. The Public Finance and Management Act, 2015 obligates Ministry of Finance, Planning and Economic Development in consultation with Equal Opportunities Commission to issue gender and equity certificate to all MDAs and Local Government. The Committee was informed that in order for the Commission to carry out its mandate, there is need to undertake baseline survey on the magnitude of the

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prevalence of marginalization and discrimination in the country, develop specific indicators for measuring gender and equity compliance and sensitizing all MDAs and Local Governments.

The Committee recommends that Sh.12Bn should be given to Equal Opportunities Commission to execute its mandate.

Youth Livelihood Programme(YLP)

86. The Committee observed that the implementation of youth livelihood program has so far registered great achievements in increasing household incomes, reducing youth unemployment in the country. Parliament approved the YLP with a financial implication of ushs. 265 billion to start with for a period of 5 years. (2013/14 -2017/18) translating into shs. 53 billion annually. However in the first financial year, shs. 19.25 billion was provided while in FY 2014/15, only shs. 35.25 billion was provided leaving a deficit of shs. 17.75 billion.

The Committee recommends that shs. 17.750 billion be given to the Ministry of Gender, Labour and Social Development to enable it extend the program to all sub counties in the country.

Social Assistance Grant for Empowerment

87. Government has for the last 5 years been implementing Social Assistance Grant for Empowerment through Expanding Social Protection Programme to senior citizens with support from DFID & Irish Aid. The program was being piloted in 15 districts spread in all regions of the country with a payment of Shs 25000= per month per beneficially. Currently, the program enrollment stands at 110334 beneficiaries in 141 sub counties of all the 15 pilot districts.
The Committee was informed that Government has prepared a more affordable roll-out strategy which takes cognizance of the need to balance three key considerations, namely: impact on old age poverty and vulnerability; affordability and social and political acceptability. Further, the proposed roll-out plan will enroll only 100 oldest persons in each sub county of every district starting the FY 2015/16.
The Committee was further informed that, Government has provided ugs.7Bn against the required Ugs.33Bn, leaving a funding gap of ugs.26Bn.

The Committee recommends that shs26.730 Bn be given to the Ministry of Gender, Labour and Social Development to kick start the roll-out of SAGE program.
The Committee further recommends that government should make a concrete commitment to roll out the senior citizens grants to cover all districts of Uganda in the FY 2016/2017.

Establishment of Kiswahili Council

88. The Treaty for the establishment of the East African Community Article 137 provides that Kiswahili shall be the Lingua Franca of the Community. Further, the directive made by the 10th Council required that all Member States should establish National Kiswahili Council under the Ministries responsible for Culture in order to promote trade and labour movement within the region. Therefore, Uganda is bound by the EAC to implement the decision of the Council.

Government should expedite the establishment of Kiswahili Council. This will enhance Ugandans' ability to get employment in the region as well as ease their ability to do business.

The Committee recommends that shs. 57.88 billion be provided to the ministry of Gender, labour and Social Development for the initial establishment of Kiswahili Council.

Promotion of Green Jobs and Fair Labour Market Program

89. The Committee was informed that Government through the Ministry of Gender, Labour and Social Development has started a promotion of green jobs and fair labour market program, 2015-2021 with a budget of shs. 863 billion. The program is aimed at strengthening externalization of labour and monitoring mechanisms; promote and support research, innovation and creativity in the informal sector and reduce occupational accidents, diseases and industrial pollution at workplaces. The programme will be implemented in collaboration with Ministry of Education and Sports, Ministry of Trade and Ministry of Water and Environment.

The Committee recommends that Government commits shs. 5 billion to the Ministry to kick start the implementation of the Programme in the FY 2015/2016.

Welfare of Children in the institutions under the Ministry

90. The Ministry of Gender, Labour and Social Development is mandated among others to provide care, protection and empowerment to children in its institutions that is remand homes, rehabilitation centres and youth training centres. The Committee was informed that what is currently being provided to the Ministry is inadequate to cater for the increasing numbers of children in these institutions. The Committee was further informed that Ministry Finance was able to allocate Shs 547, 000,000 against the required Shs 2,722,500,000 representing (20.09%) in its Budget for FY2015/16.

The Committee recommends that sh. 2.175Bn be given to the Ministry to make the institutions operational and provide care and protection of children in the institutions.

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LEGAL AND PARLIAMENTARY AFFAIRS

Donor funding

91. The Committee observes that whereas JLOS has registered substantial achievements on addressing issues affecting the sector, it will not be receiving funding from the development partners over the medium term due to the passing of the anti-homosexuality law. The Committee notes that this will affect the activities that were previously being financed by the donors.

The Committee recommends that Government secures funds for JLOS in order to enable the sector to continue with the Sector Wide Approach in addressing critical issues in the judicial system.

JLOS House Project

92. The JLOS House project which is meant to house all institutions and JLOS is being implemented through a Public Private Partnership. As a requirement under PPP, Government is required to execute guarantees/capital contribution equivalent to 10% of construction costs equivalent to USD 10 million. The Committee was informed that JLOS institutions spend over USD 7 million in rent annually.

The Committee recommends that JLOS needs be supported to implement this Project since it will be a net saving on Government on rent. It recommends that Ministry of Finance provides the US$ 10 million over the medium term starting FY 2015/16.

Salary enhancement of State attorneys

93. The Committee notes that the State attorneys for the Ministry of Justice and DPP are the lowest paid legal officers in Government compared to their counterparts in the Inspectorate of Government, Uganda Registration Services Bureau and Uganda Law Reform Commission. The salaries were last reviewed in 2008; this has led to high staff turnover and therefore costing Government in terms of recruitment costs and training.

The Committee recommends that the salaries for state attorneys in the respective institutions be enhanced over the medium term commencing in FY 2015/16 so that it is competitive across government institutions to minimize staff turnover. The Committee recommends that Ushs 47 billion be provided.

Specified officers Entitlements

94. The Committee applauds Parliament for having approved the appointment of His Lordship the Chief Justice and the Deputy Chief Justice. However, the law that provides for the entitlement of the officers was last reviewed in 1998 when the exchange rate was low at US$ 1-Ushs 1000 as compared to the current rate of US$1- ushs 3000.

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The Committee strongly recommends that Government expedites the amendment of the law on specified officers entitlements and ushs 5 billion be provided in the FY 2015/16 for the enhancement of Judge's allowances to cater for the foreign exchange rate depreciation and inflation.

Increase in Magisterial areas

95. The Committee was informed that the Judiciary intends to increase magisterial areas in FY 2015/16 from 39 to 59 to increase access to Justice across the country. This will require an additional Ushs 8 billion annually. The Committee notes that access to Justice is a key element of good governance.

The Committee recommends that Ushs 8 billion be provided annually to enable access to Justice especially for the vulnerable groups.

PARLIAMENTARY COMMISSION

Development budget for the Parliamentary Commission

96. The Committee notes with concern that the development budget of the Commission was drastically reduced by 77% in FY2015/16 compared to the FY 2014/15 from Ushs 39.208 billion to Ushs 8.966 billion. The Commission intends to start the construction of a new chamber over the medium term in order to address the critical issue of office space.

The Committee recommends that the development budget of the Commission be reinstated to its current level of Ushs 39.208 billion.

Staff Wage Shortfall

97. The Committee was informed that there is a shortfall of Ushs.11.112 billion to cater for the salary shortfall for the recruited staff and salary enhancement.

The Committee recommends that shs. 11.112 billion be provided in FY 2015/16 to cater for the wage shortfall.

INSPECTORATE OF GOVERNMENT (IG)

Construction of IG Head Office

98. The Committee was informed that the IG secured land for the Head Office and evaluations have been completed to carry out the architectural designs.

The Committee recommends that Government prioritizes securing homes for the Government institutions in order to save

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on rent. In addition, IG be provided with Ushs 52 billion over the Medium term to secure its own home.

AGRICULTURE, ANIMAL INDUSTRY AND FISHERIES

Scanners at Boarder Posts

99. The Committee noted that there are no scanners at the different border points to scan the agricultural exports and as such EU is threatening to ban some agricultural produce like the fruits that are said to contain pests. There is also a shortage of agricultural inspection officers at the various border points. The Ministry requires UShs. 12.5 billion and the available funding for FY2015/16 is UShs. 7 billion, additional support to agricultural exports inspection and certification services at border posts requires an additional UShs. 5.5 billion. There are 20 border posts, of which only 9 are manned with a crop inspector (Mutukula, Katuna, Busia, Malaba, UCDA, Nakawa Bus terminal, Railway bus Shade, Lwakhakha and Entebbe airport). This leaves a staffing gap at the border posts of Mpondwe, Oraba, Nimule, Cyanika, Kamwezi, Suam, Post Office Kampala, Ishasha river, Mirama Hills, Jinja Pier and Port Bell.

The Committee recommends that additional funding to the tune of UShs 5.5 billion be availed to procure scanners so as to boost the regulatory function of inspection and certification of agricultural exports and imports. This will improve the value of exports and reduce the number of interceptions.

NAADS Restructuring

100. The Committee observed that during FY 2014/15, MAAIF undertook the reform to restructure the National Agricultural Advisory Services (NAADS) and created a Single Spine Extension System. The main focus was to recruit and fill vacant posts in the extension, production departments of local governments and lower local governments.

The Committee noted that the implementation of the Agriculture Single Spine Extension system is very important in achieving agricultural production/export targets in the medium term. It is through the extension system that farmers will get access to the inputs procured by the NAADS Secretariat and training through demonstrations, on how to utilize the inputs distributed.

101. MAAIF requires a total of UShs 55.9 billion per year to fill and pay salaries for the vacant extension staff in all the districts and sub counties in accordance with the new staff structure. However only UShs 16.9 billion has been allocated leaving a funding gap of UShs 39 billion.

The Committee recommends the provision of more funds to the tune of UShs 39 billion to achieve the staff structure at the local government in FY 2015/16. This will ensure that the agricultural

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inputs given to the farmers are well utilized and hence increase in agricultural output.

Modernization of Agriculture

102. Uganda's agriculture has remained significantly rain fed despite recent changes in weather the country has not invested strategically in Irrigation despite the availability of water sources all over the country. Access to appropriate technologies for irrigation among smallholder has remained a challenge as major focus is given to large scale irrigation schemes that can only serve farmers within proximity. Two sets of earth moving equipment were got as a donation from the government of Japan in FY2014/15 to dig on farm valley tanks and communal valley dams. There is need to acquire additional three sets of heavy earth moving equipment, funds have been availed for only one set to the tune of UShs 2.8 billion in FY2015/16 leaving a funding gap of UShs 5.2 billion.

The Committee recommends that focus should be put to investing in the promotion and availability of appropriate irrigation technologies that can widely be adopted by smallholder farmers. Government should also avail the balance of UShs 5.2 billion to procure the two additional sets of equipment FY 2015/16.

Funding of Research in Agriculture Sector

103. Funding for National Agricultural Research Organization (NARO) has been falling drastically (about UShs 80 billion, in External Financing due to the decline in ATAAS funding and closure of EAAPP project Phase I). This will adversely affect the performance of the Organization and it puts the future of funding agriculture research in a balance.

Over the last three years, NARO has run only three projects funded through Government of Uganda (GoU),(reflected in the MTEF i.e. Support to NARO, the Eastern African Agricultural Productivity Project (EAAPP) and the Agricultural Technological Agribusiness and Advisory Services (ATAAS) project.)

104. EAAPP is concluding this financial year whilst ATAAS is facing challenges arising from the rearrangement of the Government Extension system. The Committee was informed that MAAIF is in the process of negotiating for phase 2 of the East African Agricultural productivity Project under NARO.

The Committee recommends that Government should come up with a new funding modality for research in Agriculture/NARO in FY 2015/16 and the process of negotiating for phase 2 of EAAPP project be fast tracked.

EDUCATION, SCIENCE , TECHNOLOGY AND SPORTS SECTOR

Restructure of the Ministry of Education and Sports

105. The Committee noted that His Excellence the President restructured the Ministry of Education and Sports to the Ministry of Education, Sports, Science and Technology but no guidance has been received from the Ministry of Public Service on the new structure and the financial implications. The Committee notes that there is no direct financial resources accompanying the presidential pronouncement.

The Committee recommends that the Ministry should urgently come up with the new structure and government allocates the required financial resources to implement the Ministry's expanded mandate.

Staffing levels in the sector

106. The Committee noted that a number of institutions under the sector are heavily understaffed. Most of the Universities operate below 40% of the staff ceiling. This greatly affects the performance and achievement of their mandate.

The Committee recommends that government through Ministry of Public Service should review the staff structure of all the institutions in the education sector.

107. The Committee noted that most institutions are on the lands they do not legally own. This complicates the matter when the owners claim their land.

The Committee therefore recommends that Government acquires through negotiations the land on which schools/government institution are located for purposes of legal possession.

Hygiene and Sanitation in rural schools

108. The Committee noted that the poor hygiene and sanitation in most rural schools is responsible for high dropout rates especially of girl child. This is occasioned by shortage of critical infrastructure especially Classrooms, laboratories and sanitation facilities as a result increased enrollment that outstrips carrying capacity the facility. The national Pupil to latrine stance ratio stands at 71:1 against the recommended education standard average of 45:1.
109. Despite the high ratio of pupil to latrine stance Government has cut the capital development budget for schools facilities grant from Ushs 62.219 billion (FY 2011/12) to Ushs 48 billion (FY 2014/15) and now Ushs 16.4 billion for the coming FY.

The Committee recommends that Government prioritizes the hygiene and Sanitation in schools since its failure contributes greatly to the school dropout rates. Government should maintain

the budget provision for the FY 2014/15 in respect of schools facilities grant.

Taxation of Education Materials

110. The Committee noted that Government introduced VAT on printing services for education materials. This has impacted on the operational funds for the institutions of higher learning, especially Universities.

The Committee recommends that Government reconsiders the tax policy on Education materials with a view to make the VAT zero rated supplies.

FOREIGN AFFAIRS

Cooperation Frameworks

111. The Committee was informed that the Ministry of Foreign Affairs (MOFA) participated in the 2nd Extra ordinary Joint meeting of the sectoral councils on cooperation in defence, Inter-state Security and Foreign Policy coordination within EAC, Joint ICGLR/SADC Ministerial Meeting to review the political and security situation in Eastern DRC and the status of implementation of the Nairobi Declarations signed between the DRC and M23. (Luanda, Angola, 1-2 July 2014)

The Committee recommends that Parliament should always be briefed on the outcome of those meetings and where possible and the expenditures involved, in order to ascertain value for money.

Promotion of Trade, Tourism, Education and Investment

112. The Committee was informed that the Ministry coordinated the Uganda-Rwanda business forum for tourism promotion held an investment promotion conference in Rome where Uganda was marketed as a tourist destination. Uganda participated in a tourism exhibition in Tokyo

The Committee recommends that such tourism exhibitions and the reporting mechanisms should be streamlined in all sectors involved and report to Parliament in a more unified way.

Further, the Committee recommends that the figures of tourists and resource inflows out of the exhibitions should be provided to have a comparative assessment of the outcomes and the value for money

Allocation of Development Budget for Foreign Missions

113. The Committee was informed that allocation of Development funds to Missions is based on:

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(i) Technical assessment of the status of the existing structures done jointly with the Ministry of works and Transport. This informs the allocation for renovation;

(ii) The strategic need for fresh construction of chanceries and residences in line with the Ministry's Property Management Plan;

(iii) The state of the existing equipment/furniture;

(iv) Security requirements.

114. Accordingly, the following have been prioritized in the FY 2015/16: renovation of; Uganda House Nairobi, chanceries in Dar-es Salaam, Copenhagen, Brussels, Kinshasa and Paris. In addition, construction of new chanceries in Juba and Ottawa, completing the renovation of the Official Residence in Pretoria and purchase of Land in Addis Ababa, Guangzhou and Beijing have been planned. Transport equipment (motor vehicles) will also be procured for the missions of New York, Ottawa, Bujumbura, Geneva, Khartoum, Abu Dhabi and Juba.

The Committee recommends that the MOFA explores possibilities of using PPP framework once the law has been passed to develop some of the properties of the missions or negotiate for retention of NTR for targeted projects with MFPED.

INFORMATION AND COMMUNICATIONS TECHNOLOGY

Implementation of the National Computer Emergence Response Team (National CERT)

115. The Committee noted that for Uganda to have a fully-fledged National CERT, the Country requires US $ 18 million. However, the process can be done in phases and in initial stages, NITA-U requires about Ushs 12.billion.

116. The Committee observed that activities in form of National CERT infrastructure that involves Establishing Incident Response, Digital Forensics, and Malware Analysis capabilities at the CERT (Ushs 0.70 billion), Staff induction and training in form of Capacity development for the CERT team (Ushs 0.784 billion) and Human resource as Specialist resources to implement and support CERT operations (Ushs 0.551 billion) are among those that constitute a funding gap of Ushs 3.268 billion.

117. The Committee further observes that having a dedicated IT security team helps to mitigate and prevent major incidents and helps to protect valuable assets, centralized coordination for cyber security issues as a point of contact, Centralized and specialized handling of and response to cyber incidents, having the expertise at hand to support and assist the users to quickly recover from security incidents and keeping track of developments in the security field.

The Committee recommends that Ush 3.267 billion be identified to support CERT establishment.

Business Processing Outsourcing(BPO)

118. The Committee noted that Government stimulated the growth of BPO services by providing Shs 5 billion. Based on that, there are youth who are being employed at Statistics House in Kampala. The BPO industry has potential to employ the youth, not only in the capital city but also upcountry.

The Committee recommends that Government allocates more resources for BPOs, especially upcountry to provide employment to graduates from the universities.

Roll Out of Last Mile Connectivity

119. The Roll-out of the Last Mile Connectivity to under-served areas is a planned activity with a funding gap of Ushs 9.2 billion.

120. The Committee was informed that NITA-U has connected 18 new sites in addition to 27 MDAs that were connected under NBI Phase I & II bringing the total to 45 sites. The extension of the NBI for sites within Kampala has been expedited and an additional 50 sites are to be connected by the end FY 2014/15. The Committee learnt that the plan to connect towns in the underserved areas onto the NBI is planned for under the Regional Communications Infrastructure Project (RCIP) and Phase IV of the NBI Project which will connect towns in the northwest and north east that include: Gulu, Pakwach, Arua, Adjumani, Kotido, Moroto, Nakapiripirit and Mbale.

The Committee recommends that the Ministry of Finance remits part of the MDAs' ICT budget that are related to data connectivity and internet bandwidth directly to NITA-U to enable them implement this activity in a phased manner over the medium-term.

NATURAL RESOURCES

MINISTRY OF WATER AND ENVIRONMENT

Water for Production

121. The Committee observed that the current budget allocation of UShs 42.17 billion is inadequate to effectively increase the creation of water storage capacity countrywide through construction of valley dams and tanks to support all-year-round agricultural production through irrigation and industrial processes and rehabilitation of old dams in phases countrywide especially in water stressed areas.

The Committee therefore recommends that in the medium term Government provides UShs 55 billion towards the construction and expansion of valley dams and tanks.

Point Water Source Infrastructure

122. The approach to supply water to the people in the rural communities has mainly been through point water sources (spring, shallow wells, and hand-pumped deep boreholes). However due to the current population pressures the current point water source infrastructure consistently breaks down or are nonfunctional.

In this regard, the Committee recommends Government provides adequate resources in the medium term to implement the new paradigm shift to motorized piped water systems to rural areas to replace the simple borehole/hand pump technology.

National Water Strategy

123. The Committee observed that the National Water Strategy has been finalized but not yet approved by Cabinet. The Committee was informed that the strategy will be presented to stakeholders during the Joint Sector Review at the end of April 2015 for review and later to the Water Policy Committee in the first week of May 2015 for final review and approval before it is printed and disseminated.

The Committee recommends that Government fast tracks the approval and dissemination of the National Water Strategy as this has been long overdue.

Review of NEMA Policy and Act

124. The Committee observed that there is a critical need to review the current policy and legal framework to address the environmental emerging challenges that are required to handle the increasingly fragile ecosystem. Emerging challenges like climate change, electronic wastes, oil and gas, alien and evasive species, biotechnology and biosafety, among others cannot be adequately addressed by the current policy and legal framework. The Committee is aware that NEMA has been in the process of reviewing the policy and legal frameworks. However, the progress of this review has been quite slow (since 2013).

The Committee strongly recommends that the review of the NEMA Policy and Act be expedited so as to address the emerging environmental challenges.

Forest Encroachment

125. The Committee observed that Central Forest Reserves (CFRs) have been heavily encroached over the years. For instance, 18 Forest Reserves in the Lakeshore Range, 3 in Budongo Range, 3 in Katugo Plantations and 1 in West Nile Range with a total of 69,396 hectares had been completely taken over by encroachers by 2012. The process of removing the encroachers requires re-survey and demarcation of the boundaries, stakeholder engagement and dialogue to ensure forest vacation without causing serious conflict. In order to enhance Forest boundary opening, resurveying and marking with pillars NFA would

require additional finances of at least UShs 2.0 billion annually over the medium term.

The Committee therefore recommends that funds are provided to the tune of UShs 2.0 billion annually for the increased resurveying and boundary opening of CFRs.

Funding for transmission Infrastructure

126. The Committee observed that the current budget resources of UShs 85.155 billion (FY2015/16) are inadequate to fund transmission and distribution infrastructure to evacuate power from the various power plants being developed.

The Committee recommends that in the medium term UShs 163.17 billion is provided to expand the rate of transmission line infrastructure.

Nuclear Power Policy and Legal Framework

127. The Committee observed that the existing Energy Policy of 2002 and Atomic Energy Act 2008 did not address critical nuclear power issues, such as; safety, security, safeguards, nuclear fuel cycle, radioactive waste and spent fuel management, decommissioning of nuclear power plant, compensation for nuclear damage, and research and development.

The Committee recommends that the Ministry reviews the existing policy and legal framework in order to effectively guide nuclear power generation in the Country.

Review of the Electricity Act

128. The Committee observed that the review of the Electricity Act 1999 has been long overdue. The review of the Act is critical to strengthen opportunities to increase the energy mix and enhance access through new concessions. The Committee was informed that a Cabinet Memorandum containing the principles to be embodied in the Electricity Act 1999, Amendment Bill, 2015 has been prepared and submitted to the Cabinet Secretariat for approval.

The Committee recommends that the Government expedites the Electricity Act review process and tables an Amendment Bill to Parliament.

National Oil Company

129. The Committee observed that the National Oil Company is not yet operational. The Board for the National Oil Company is fully constituted and awaits appointment by H.E. the President upon the incorporation of the Company. Registration of the company is on-going and the company is expected to be in place during the FY2015/16.

The Committee recommends that the operationalization of the National Oil Company is long overdue and therefore needs to be expedited.

National Content Policy and Strategic Plan

130. The Committee observed that National Content Policy and Strategic Plan for Oil and Gas Sector have not yet been developed. The Committee was informed that stakeholder consultations were undertaken and these draft policy documents are to be presented to Cabinet Committee on Oil and Gas.

The Committee recommends that Government fast tracks the approval of the National Content Policy and Strategic Plan for Oil and Gas Sector.

Construction of Medium and Low Voltage Power Lines

131. The Committee observed that in the FY2014/15 REA planned to construct and commission 3,652Kms of medium voltage (33kV or 11kV) and 2,590Kms of low voltage (240v) power lines. However by March 2015, 519 Kms of MV power lines and 357kms of LV power were constructed. At this rate, REA will not attain its planned outputs by the end of the FY2014/15.

132. The Committee was informed that delays were as a result of delays in the procurement of a consultant to undertake engineering designs (this process took 1 year), delays in acquiring no objection from funders and delayed loan approvals by the EU due to gay rights concerns.

The Committee recommends that as Government resources increase, rural infrastructure projects should take a first call on the budget as the domestic procurement process are not as lengthy as procurement processes of external financers.

The Committee recommends that in order to mitigate delays in project implementation, REA currently seeks approval from prospective financiers to undertake advance procurements before the Financing Agreement is signed.

TOURISM, TRADE AND INDUSTRY

Cooperatives Revival and Development

133. The Committee notes that Cooperatives revival is one of the core components in the National Development plan but the budget allocated for it in vote function 0602 Cooperatives Development in the past two financial years and in the medium term does not reflect government's commitment to revive this sector of the economy.

The Committee reiterates its earlier recommendation that Government prioritizes and provides funds for the revival of the

cooperatives than putting more emphasis on the SACCO's which is sub component of the Cooperatives.

Border Markets

134. The Committee notes that the construction of the Border Market at Bibia in Amuru District cannot take off due to the flooding of the area during rainy season. Although the Committee had recommended that an alternative land be identified by the District Local Government, it was informed that it's not easy to get land of about 5 square miles at the border area. Therefore, the Ministry of Trade, Industry and Cooperatives is working with the Ministry of Works and Transport to address the issue of flooding using their technical expertise since they faced the same challenge when constructing the road to South Sudan in the same area was allocated.

The Committee recommends that the Ministry of Trade, Industry and Cooperatives expedites the process of construction of border markets in collaboration with the Ministry of Works and Transport

Uganda Development Corporation (UDC)

135. The Committee notes that UDC as the development arm of government does not have a Strategic and Master plans for the projects under its jurisdiction.

The Committee recommends that the Ministry of Trade, Industry and Cooperatives develops Strategic plans and a Master plan for all the projects it intends to implement in line with National Development Plan and NRM manifesto.

Land titles for Tourism Sites

136. The Committee observes that there are about 650 tourism sites whose land titles need to be secured by the department of Museums and monuments. However, the Ministry has managed to secure only ten land titles and thus risk encroachment on the tourism sites.

The Committee recommends that the Ministry of Tourism, Wildlife and Antiquities should work with the Ministry of Lands and expedite the acquisition of land titles and protect them from land grabbers.

Satellite Wildlife Education Centres

137. The Committee notes that Uganda Wildlife Education Centre plans to construct four regional Wildlife Education Centres in the country. The Kingdom of Tooro has already provided land in Kyegegwa District and negotiations are ongoing with other regions to provide land for these activity. The project is to cost shs. 2.4 billion.

The Committee recommends that government supports this initiative to decentralize the Wildlife Education Conservation to equip the young generation about the need for conservation of the wildlife.

DEFENCE AND INTERNAL AFFAIRS

Domestic Arrears

138. The Committee was concerned about the increased budgetary allocation towards arrears despite Parliament's recommendation that MDAs should clear all arrears and adhere to the commitment control system. In addition, through the Budget Call Circular, Accounting Officers have always been advised to ensure that Utility bills have the first call on the budget under their ceilings but this has not been honoured. Next FY 2015/16, Ministry of Defence has earmarked a total of Ushs. 5.11 billion Under arrears out of which Ushs. 3.066 billion is for electricity arrears.

The Committee re-iterates its earlier recommendation that MDAs should adhere to the existing commitment control system and forthwith stops committing Government but instead prioritize payment for arrears going forward. Parliament should not approve any budgets for arrears under utilities in future.

Referral Hospital for UPDF

139. The Committee appreciates efforts by Government for the construction of a State-of-Art Hospital for the UPDF however a modest provision of Ushs. 12 billion in FY 2015/16 has been made. The Committee was informed that the total cost for this Hospital is Ushs. 105 billion and the Project is expected to be constructed in five phases (January 2013 – Feb 2017). The actual Construction is expected to commence in August 2015. With this allocation, it will take close to 9 years to have the hospital completed.

The Committee recommends that adequate budgetary provision for the financing the Hospital be made to complete the facility as scheduled as a cost saving measure.

Classified Expenditure

140. The Committee noted that the total budget under classified expenditure is projected to increase from UGX 342.252 billion to UGX 607.144 billion (77%). The Committee was informed that the increase is a result of an increase in the development budget by UGX 264.89 billion which is a loan to finance Defence equipment. The Committee appreciated the need to procure the equipment but was concerned about the increasing budgetary allocation under classified category.

The committee recommends that Parliament should continue to scrutinize classified expenditure to rule out any possible abuse of the provisions of the law.

National Citizen Registration Authority

141. The Committee was informed that the Ministry was in advanced stages of establishing the National Registration Authority following the

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enactment of the Registration of Persons Act, 2015. The Committee was informed that the structures are already in place and that the process of identifying persons for the Board is under way. The Committee was concerned that despite the reported allocation of Ushs. 28.899 billion, there was a huge funding gap to the tune of Ushs. 80.657 billion. In addition, there is no Vote created for the Authority next FY 2015/16.

The Committee recommends that resources be sourced to kick start the authority as envisaged in the law.

Professionalism in Uganda Police Force

142. The Committee noted with concern the declining professionalism standards as far as investigation of cases by Police Criminal Investigation Department is concerned. Equally, the Committee was alarmed with the increasing cases of humiliation of senior Police officers in public on account of errors and mistakes committed allegedly on their part during the course of their duties through demotions in public among others. This humiliation does not only degrade the integrity of Police as an institution but also demoralise the Officers with potential negative impact of the execution of their duties.

The Committee urges the Police Command to desist from public humiliation of Officers but instead adhere to existing structures and disciplinary procedures to instill discipline among Uganda Police Force hierarchy.

Prison Farm Production

143. The Committee commends Uganda Prison Service for the increased production leading to increased food supply and non-tax revenue collection. However, the Committee was concerned that despite the huge land owned by Uganda Prison Service to the tune of 53,000 Acres, less than 5000 Acres is currently being under crop cultivation. As a result only 50% of the total maize requirements by Prison can be supplied by prison farms.

144. In FY 2014/15 a total of Ushs. 8.5 billion was provided as supplementary expenditure for food under Prisons. In addition, there is funding gap of Ushs. 10.776 billion. The Committee appreciated Government for providing an additional Ushs. 10 billion as development budget allocation to increase on Prison Farm production next FY 2015/16.

The Committee recommends that for sustained production and savings, adequate budgetary provisions should be availed to enable Prisons produce enough food both for consumption and for export.

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Dilapidated structures

145. The Committee was concerned about the dilapidated infrastructure across the Country. While a total of Ushs. 120 billion is required to have a complete overhaul of the Infrastructure under Prisons, only Ushs. 6 billion is available in the budget. At this rate of financing, it will take 24 years to have this dream realized.

The Committee recommends that Government makes deliberate efforts to adequately finance renovation of Prison structures across the country.

PUBLIC SERVICE AND LOCAL GOVERNMENT

Functionality of District Local Governments

146. The Committee noted with concern the low levels of staffing at districts on average there were 56% staff posts filled in district local governments and 57% in municipal council posts while only 47% of the critical carder at heads of department levels posts were filled leaving the bulk of posts vacant a state that renders the very essence of decentralization policy redundant

The Committee urges government to seriously consider an affirmative action for the recruitment of staff in hard to reach areas and policy change for the sharing of critical cadre staff for effective delivery of services to the population as envisaged under the decentralization policy.

Payment of Pension for staff under the district Local Government

147. The Committee noted a change in the policy of decentralizing the payment of retiring government officials including those under local administration a case that would call for the amendment of the Local Government Act.

The Committee accordingly recommends the harmonization of the policy with the Local Government Act.

FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

Financial Intelligence Authority (FIA)

148. The Committee noted that the FIA Free Zones Act cannot be effectively establishment because of the funding gap of Shs. 4.0 billion. The Committee made reference to Section 10 of the Budget Act, 2001 that requires "Every Bill introduced in Parliament shall be accompanied by its indicative financial implication"

149. The Committee observes that when the Anti-Money Laundering Bill was read for the first time in Parliament, it was accompanied with a Certificate of Financial Implication. The importance of this provision is

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the assurance to Parliament that funds to operationalize the proposed legislation are available.

The Committee recommends that Shs. 4.00 billion be identified to enable the Authority undertake its mandate.

Capitalization of Post Bank

150. The Committee was informed that Ushs 143.5 billion is required for the capitalization of the Bank. The Committee noted with great concern about the Bank; a Government owned bank with several branches Country wide.

151. The Committee noted with concern the continued capitalisation of this bank yet all other financial institutions are making profits. This matter need to be investigated and Auditor General should take keen interest in this institution

The Committee recommends that capitalizing Post Bank be reviewed given the previous capitalisation without recovery despite being in prime business area.

Completion Report for NDP 1

152. The Committee noted that NDP 1 is coming to an end and it is a requirement that a completion report is prepared. Undertaking this activity will enable the Country appreciate the challenges encountered in the implementation of NDP 1 and this will give rise to mitigating measures in the implementation of NDP 2.

The Committee notes that there is no need for extra resources for report writing since this their routine activity.

Development of Spatial Plans

153. The Committee was informed of the need to align District development with major infrastructure projects of the Standard Gauge Railway and Corridor districts. The Committee observed that 50 corridor districts that include Mukono, Jinja, Tororo, Soroti, Gulu, Mityana, Kasese and Mbarara have been identified to have spatial plans developed. However, NPA will require funding to undertake this activity which is not provided for in the current ceiling.

The Committee recommends that NPA re-prioritizes and makes internal re-allocations to fund this critical activity within the current ceiling.

Clearing of Audit Backlog and Expansion of Audit Coverage

154. The Committee made reference to Section 13 of the National Audit Act 2008, which requires the Auditor General to audit and report on all public accounts of Uganda and of all public offices. However, due to inadequate funding the office is unable to cover its entire audit population especially Local authorities and schools resulting into accumulation of audit backlog.

The Committee recommends that Ushs 13.886 billion be identified to enable the OAG treats this activity as a priority in FY 2015/16.

Construction of the Audit House

155. The Committee was informed that the Construction of the Audit House was completed and commissioned in November 2014 by His Excellence the President of the Republic of Uganda. The building accommodates all staff of OAG in Kampala. The Committee appreciated the goal of the Supreme Audit Institution to achieve operational independence both at Head Office and branch Offices.

156. However, the Committee was concerned about the high variation costs of constructing the Audit House beyond the acceptable allowance by the PPDA. Regulation 55(4) of The Public Procurement and Disposal of Public Assets Regulations, 2014 states that "A single contract amendment shall not increase the total contract price by more than 15% of the original contract price". The Committee noted that the huge variations, from the original contract price, were approved by PPDA and the Solicitor General. By the FY 2014/15, the contract value stood at Ushs 68.00 billion giving rise to a deviation of Ushs 28.00 billion which represents a 63.6% contract variation.

The Committee recommends that the concerned officials be investigated with a purpose of recovering the extra funds.

Conclusion

Rt. Hon Speaker and Hon Members, the Committee recommends that Parliament approves the National Budget Framework Paper (NBFP) for FY 2015/16 – FY 2019/20 with amendments as detailed in this report.

I beg to move.

Annex 1: UNFUNDED AND UNDERFUNDED PRIORITIES FOR FY 2015/16 AND THE MEDIUM TERM

This section provides selected unfunded outputs that need urgent attention. Otherwise, there are very many unfunded outputs in the sectors not listed here but are in the National Budget Framework Paper FY 2015/16-2019/20.

HEALTH SECTOR

Activity	Amount required (Ugs. Bn)	Funding gap (Ugs.Bn)
Inadequate Wage Allocation to Health Service Commission	0.128	0.128
Bonding of newly qualified health workers	10.0	10.0
Allowances for Interns	5.2	5.2
Hepatitis B response plan	5.0	5.0
Stock out of Lab reagents and HIV Test Kits	33.0	33.0
Shortage VAT for Counterpart funding	39.7	39.7
Shortage in the National Medical Stores	25.0	25.0
Total Health Sector	**118.025**	**118.025**

GENDER, LABOUR AND SOCIAL DEVELOPMENT

Under Funded Activities

Activity	Amount required (Ugs. Bn)	Amount approved (Ugs. Bn)	Funding gap (Ugs.Bn)
Wage for established staff	3.093	2.377	0.716
Social Assistance Grant for Empowerment (SAGE)	33.73	7.0	26.730
Youth Livelihood Program(YLP)	53.00	35.25	17.750
Strengthening of Women Entrepreneurship Program	117.20	1.00	116.200
Support and strengthening of Safety at Work. (SSASHEW)	7.500	2.00	5.500
Feeding of children in institutions	2.722	0.547	2.175
Funding for the operation of the Industrial Court	2.172	1.256	0.926
Compensation of 2025 Government workers and rent arrears	5.781	1.00	4.781
Operation of community based services	6.886	0.400	6.486
Wage subvention for the National Library of Uganda	0.510	0.281	0.229
Total Gender, Labour and Social Devt.	**232.489**	**51.188**	**172.701**

Unfunded priorities

ACTIVITY	FUNDING GAP (UG. SHS. Bn)
Purchase of office accommodation	64.00
International Scouts Centenary Jamboree	29.200
Medical arbitration board and labour advisory board	1.00
Operation of PIRT recommendation, JEMAFEAST & Establishment of Kiswahili Council	57.877
Establishment of National Council for older persons	1.4
Monitoring Special Grants for PWDs in Local Governments	0.600
Promotion of green jobs and fair Labour Market in Uganda	63.580
Adult Literacy Instructors	7.200
Labour Administration and Disputes	0.540
Rent for EOC Offices in the city center	1.440
Promotion of OSH standards at Workplaces	70.800
An effective Labour Market Information System	1
Establishment of National Labour Productivity Centre	0.500
Support for OVCs	3
Support to probation services in Local Governments	1.500
Total	**150.16**

LANDS AND HOUSING SECTOR

Activity	Amount required (Ugs. Bn)	Funding gap (Ugs.Bn)
LIS implementation and Maintenance	1.43	1.43
Ministry Zonal Offices	6.4	6.4
Tax Obligations under CEDP (LIS Implementation Phase II	8.0	8.0
Preparation of the Karuma City Physical Development Plan, City Development Strategy	6.8	6.8
Total	**22.63**	**22.63**

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WORKS AND TRANSPORT SECTOR

i) Rwenkunye – Apac – Lira – Acholibur (290km)
ii) Atiak – Moyo – Afogi (104km)
iii) Kamuli – Bukungu road (64km)
iv) Buliisa-Paraa Road (20km) – oil road
v) Moroto-Kotido (100km)
vi) Bushenyi-Kitagata Road (PIBID Rd)4km)

MINISTRY OF EDUCATION SCIENCE AND TECHNOLOGY

Activity	Ushs Bn
10% enhancement of teacher's salary is unfunded activity	123.86
To operationalize the UNATCOM Act 2014, the commission requires to change its status to autonomous body in the FY 2015/16	9.50
To cater for some of the outstanding Presidential Pledges in all Subsectors since FY 2008/09	
In preparation for the Standard Gauge Railway construction, the sector requiresfor construction of Tororo Railway Polytechnic to produce craftsmen and technicians to provide the skilled labour required.	8.90
The proposal for funding the construction of a Science and Technology Institute in Kisoro	4.37
The Scheme of Service for teachers requires to promote 1000 Assistant Education Officers to Education Officers and 200 Education Officers to Senior Education Officers.	3.97
Recruitment of teachers for secondary schools with less than 16 teaching staff on payroll	11.65
Instructional materials, equipment and facilities for teaching Physical Education and Sports	20.00
Education Service Commission	
Acquisition of land for the construction of head office	1.00
Higher Education Students' Financing Board	
Tuition fees for a total of 1000 additional new first year students	3.80
Funding an additional 520 students to pursue diplomas at Ushs	1.57
Finalization of the second phase of the integrated loan management system (ILMS)	1.85
Filling the critical positions of staff for effective running of the Board operations and non-wage	1.24
Makerere University	
Fund 10% increase in fees for private students for the 1st and 2nd year students.	8.10
Construct a perimeter wall around Makerere University	3.00
Settle pension arrears that have accumulated as a result of inadequate financing	30.00
Kyambogo University	
Overhaul the old and dilapidated water and sewerage system	3.50
Busitema University	
Accumulated gratuity arrears amounting	3.30
Shortfall on the capital funding to address the inadequate infrastructure	53.66

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facilities on number of campuses	
Uganda National Examination Board	
Shortfall on the UNEB examination fees	6.82
Total	**296.12**

PRESIDENCY AFFAIRS: UNDERFUNDED PRIORITIES

Activity	Amount required (Ugs. Bn)	Funding gap (Ugs.Bn)
External Security Organization (ESO	4.26	4.26
Compensation for Kasubi market affected residents (KCCA)	2.50	2.50

AGRICULTURE SECTOR

Activity	REQUIRED FUNDING (UGX bn)	AVAILABLE FUNDING (UGX bn)	FUNDING GAP (UGX bn)
Under funded priorities			
Funds to ensure availability of FMD vaccines for livestock.	14.5	5.5	9.0
Recruitment of extension officers at the district and sub counties to operationalize the single spine extension system	56.0	6.9	49
Additional support to Agricultural exports inspection and certification services at border posts.	12.5	7.0	5.5
Restocking of NAGRC & DB farms and securing their land to avert the problem of encroachment	14.5	1.0	13.5
Acquisition of additional two sets of heavy earth moving equipment to make on-farm water for Agriculture Production Infrastructure (Valley dams, Valley tanks, Fish ponds and General Bush Clearance)	8.0	2.8	5.2
The need to increase the Production and Marketing conditional Grant to districts	50	14.4	35.6
Expansion of hatching facilities at NAGRC & DB to build and facilitate 13 mother units all of the country	2.0	0.50	1.5
Unfunded presidential pledges			
Rehabilitation, mechanization and stocking of Rubona Stock Farm	2.0	0.0	2.0
Control the new breed of water weed	4.0	0.0	4.0
Strategic Intervention for Animal Genetic Improvement under NAGRIC & DB	43.7	0.0	43.7
TOTALS	**207.2**	**38.1**	**169.1**

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MEMBERS OF THE BUDGET COMMIITTEE (NBFP REPORT)

No	NAME	SIGNATURE
1.	**Amos Lugoloobi- Chairperson**	
2.	**Hon. WamakuyuMudimi – Deputy Chairperson**	
3.	Hon. Acayo Christine	
4.	Hon. AmonginJacqeline	
5.	Hon. Nyirabashitsi Sarah Mateke	
6.	Hon. NebandaAndiru Florence	
7.	Hon. Col Mwesigye Fred	
8.	Hon. Nankabirwa Ann Maria	
9.	Hon. Bigirwa Julius Junjura	
10	Hon. Okot Amos	
11	Hon. Komuhangi Margret	
12	Hon. Ruhunda Alex	
13	Hon. AchiaRemégio	
14	Hon. ByamukamaNulu	
15	Hon. Drito Martin Andi	
16	Hon. Ssali Baker	
17	Hon. AyeperMicheal	
18	Hon. Akol Rose	
19	Hon. Akello Judith Franca	
20	Hon. EkanyaGeofrey	
21	Hon. Sabiiti Jack	
22	Hon. AtimOgwal Cecilia	
23	Hon. OboiAmuriat Patrick	
24	Hon. Ebil Fred	
25	Hon. Matte Joseph Sibalinghana	
26	Hon. Mujungu Jennifer	

27	Hon. Odoi Fox Oywelowo	odoi oywelowo
28	Hon. Bagoole John	
29	Hon. Ssebagala Abdu Latif	
30	Hon. Katirima Phinehas	(Brig)

PARLIAMENT OF THE REPUBLIC OF UGANDA

PARLIAMENT OF UGANDA

A MINORITY REPORT ON THE NATIONAL BUDGET FRAMEWORK PAPER FY 2015/16 - 2019/2020

OFFICE OF THE CLERK TO PARLIAMENT

PARLIAMENT BUILDING

KAMPALA, UGANDA

MAY 2015

1.0 Introduction

Rt. Hon Speaker and Colleagues, In accordance with Rule No.194 of our Rules of Procedure of the Parliament of Uganda and as a member of the Committee on Budget, I thereby present a different view from that of the majority of the members of the committee in regards to the National Budget Framework Paper for the FY 2015/2016.

Under rule no. 194(1), it states that a member dissenting from the opinion of a majority of a Committee may state in writing the reasons for his or her or their dissent, and the statement of reasons shall be appended to the report of the Committee.

Rule No. 194(2) provides that the Member dissenting from the opinion of the majority of the Committee shall be given time to present the minority report at the time of the consideration of the Committee report.

The minority report fundamentally disagrees on the following:

2.0 The New Budget Process Calendar

The Budget process according to the new calendar should have been in very advanced stages by now. For example, by the time of presentation of the National Budget Framework Paper on the 1st April, 2015 Parliament should have scrutinized and approved the Budget Framework Paper and received the Ministerial Policy Statements. These stages have not been undertaken by Parliament thus a total violation of the provisions of the law section 9(5) of the Public Finance Management Act, 2015.

Though the new law was assented to by the President on 23rd February 2015 and published in the Gazette on 6/03/2015, there was no cause for stampeding Parliament because the Budget Act, 2001, which had an elaborate calendar previously used should have continued to guide the process other than overloading Parliament with all budget related documents and at the same time seeking approval as if there was a legal vacuum.

We consider this a deliberate attempt to weaken the power of budget scrutiny by Parliament.

Now if we could ask, what will happen to the Budget Act, 2001 budget calendar which has not yet been repealed? Why should the same government run two parallel laws regarding the Budget process? This is a very serious matter which needs urgent redress. Some Ministries, Departments and Agencies presented their Ministerial Policy Statements basing on the old law while others used the new law and others just acted outside the law? How can Parliament accept this? The Executive should come clear on this anomaly.

3.0 The National Development Plan and Charter of Fiscal Responsibility

Besides the above, Section 9(3) of the Public Finance Management Act 2015 provides that the Budget Framework shall be consistent with the National Development Plan and with the Charter of Fiscal Responsibility. Therefore, this particular provision was not fulfilled because the Charter of Fiscal Responsibility is not yet in place and the National Development Plan 1 ended last Financial Year and the new National Development Plan has not yet been approved. There is no legal instrument that guides the extension of the National Development Plan I so what was the basis-planning policy framework that guided this year's Budget Framework Paper? Why doesn't the Executive provide for transitional provisions like any other law so that implementation is started when all institutions and frameworks are ready? Though the National Planning Authority did provide a Certificate of Compliance as required in Section 13(7) of the Public Finance Management Act 2015, we wonder how the Budget could be compliant to a nonexistent Plan or should we assume that it was based on a Draft? Otherwise the last National Development Plan I has expired and even if it was extended for one year as reported in the National

Budget Framework Paper FY 2015/16 , we can't take this as being compliant since the Public Finance Management Act 2015 FM law does not recognize extended plans.

4.0 Non Compliance with the Public Finance Management Act, 2015(Specific Provisions)

The Minister of Finance, Planning and Economic Development chose to follow the new law, we are concerned that at the time of presenting to Parliament the proposed Annual Budget for FY 2015/16, a number of provisions in the law were not complied with.

As a matter of emphasis, at least Section 13 of the new Public Finance Management Act 2015, should have been adhere to. However, the basis on which the Minister did present the National Budget Paper Framework 2015/16 was in total violations of the provisions of the law. Parliament should not approve the Budget until the Executive - Ministry of Finance Planning and Economic Development fulfills all the requirements as provided for in the law they chose to implement in earnest.

At the time of presenting the Annual Budget in accordance with the law on 1st April 2015, the following requirements under Section 13 of the Public Finance and Management Act, 2015, were not adhered to.

4.1 Section 13(9-10) provides that the Annual Budget shall be presented and accompanied by;

I. Recent trends and developments on the indicators of the economy and provide forecasts of the indicators for a period of five years;

II. Period considered by the Minister to be appropriate for the Planning of the fiscal policy of government

III. Recent fiscal developments and forecasts in respect to:

i) Revenues

ii) Recurrent and capital expenditures

iii) Borrowing and debt servicing

iv) Contingent Liabilities

v) Other information in respect of assets and liabilities

4.1.2 Section (10) of the law also provides that the annual Budget shall indicate

i) domestic financing of the annual budget including borrowing by Government and drawing down of government deposits;

ii) external financing of the budget in the form of borrowing and grants;

iii) Government debt and any other financial liabilities for the financial year to which the annual budget relates;

iv) Monies recovered as result of the recommendations of the Auditor General

v) A Plan for divestment for the government assets Guarantees to be issued;

vi) Monies to be recovered as a result of the recommendation of the report of the Auditor General;

vii) Multi-year commitments to be made by Government in the financial year;

viii) Grants to Local Government and any subventions for the financial year;

ix) The Appropriation Bill;

x) Treasury memorandum specifying the measures taken by the Ministry of Finance, Planning and Economic Development to implement the recommendation of Parliament in respect to the report of the Auditor General on the management of the Treasury

5.0 Macroeconomic Indicators

5.1 Inflation

According to the report of the Committee on Budget on the National Budget Framework Paper for the FY 2015/16, macroeconomic policies should aim at curbing inflation to lower rates as this will instigate private sector investment in the economy contrary to inflation rising to a rate of 7-9%.

However, there have been no exact clear tax measures indicated to achieve the 15.5% revenue target to finance the budget.

5.1.2 Fiscal Deficit

The Fiscal Deficit which is projected to continue worsening at an annual average of 29.1% till the Financial Year 2017/18 implies huge amounts of funds through borrowing thus rendering the country highly indebted and a challenge to the future generations who will have to pay heavily for these huge debts.

5.1.3 Commercial Borrowing

Commercial borrowing which is projected to grow by 34% as compared to the average growth rate of domestic revenue projected at 15.5% will create high interest rates and inflation which will affect private sector investments and the drive to achieve economic growth will definitely slow down.

6.0 Government Debt

The outstanding Government Debt as at February 2015 was at USD 3.10 billion compared to USD1.4 billion as at June 2014 indicating an increase in the debt by USD 1.7 billion. This implies that huge amounts of money will be required to pay interest which is a great pinch to the Ugandan economy.

7.0 Non Performing Loans

Various loans which were acquired 4 to 5 years ago were performing at low rates. These include but are not limited to the Vegetable Oil Development Project phase II under the International Fund for Agricultural Development approved in April 2010, the Higher Education, Science and Technology project under the African Development Bank approved in May 2013, the rural electrification project by the Saudi Fund under the Ministry of Energy and mineral development which was approved in April 2011 as well as financing the 5 (BTVET) Business,Technical,Vocational and Educational Training institutions under the Ministry of Education and Sports which was approved in May 2010.

The outstanding debt on loans is at about 4.038.8 billion USD excluding others that have not yet been captured as at the end of February 2015. USD1.586Billion was disbursed representing 39% of its performance. Out of 61% of the undisbursed, 30 % is payment of interest on money that is not utilized.

Accounting officers have not played their roles in the effective utilization of loans thus creating a huge hinge on the National Budget as out of the 15 trillion shillings of the FY 2014/15 National Budget, 1.5 trillion shillings was for paying interest on loans only. Such accounting officers should be sanctioned.

Furthermore there has been no detailed report on Counter Funding before loans are acquired.

The table below shows the loan distribution amongst various sectors.

LOAN DISTRIBUTIONS PER SECTOR

SECTOR	*COMMITMENT*	*DISBURSED*	*% PERFORMANCE OF THE LOAN*
Accountability	**139.2**	**30.4**	**22%**
Agriculture	**251**	**106.3**	**41%**
Education	**434.2**	**214.4**	**49%**
Energy	**533.9**	**191.3**	**35%**
Health	**256.5**	**102.5**	**40%**
Lands	**150**	**26.5**	**18%**
Public Sector Management	**500**	**352.6**	**70%**
Water& Environment	**505.3**	**91.5**	**15%**
Works& Transport	**1268.7**	**474.4**	**37%**
Total	**4.038.8**	**1589.9**	**327%**

Source: Loan Status by Sector, Ministry of Finance, Planning and Economic Development

The justifications given by the State Minister of Finance for Planning on poor loan performance include the following:

- Poor contract management
- Poor project preparation and design i.e. "shoot first and target later".
- Changes in project designs
- Over commitment to multiple projects
- Lack of capacity in government
- Delays at different stages i.e. Cabinet, Institution Boards and rarely at Parliament
- The challenges in land acquisition and compensation strategies
- Lack of coordination before loans are acquired

8.0 Lack of Master plans

Various Ministries lack master plans to carry out their activities. For instance, the Ministry of Works and Transport does not have a transport and infrastructure master plan; the Defence Ministry's work plan has long expired and it has never been laid on table before Parliament; the Ministry of Education and Sports' master plan needs to be reviewed such that it complies with quality and completion rates; the Plan for Modernization of Agriculture expired long time ago but is continuously being referred to.

The lack of master plans shows that there is no well coordinated approach in planning by the Cabinet, technical persons and this has led to issues such as poor sector prioritization, accumulated domestic arrears, unfunded priorities and funding unproductive sectors like State-House, Defence and Security; hence deeming the Legislative institution to be irrelevant and as a non performer.

Concurrently, the Ministry of Foreign Affairs lacks resources for overseas mission to make itself a centre of attraction to lobby for investments for the Country.

10.0 Conclusion

Hon. Members, we pray that the National Budget Framework Paper FY 2015/16 be reviewed because it has issues that lack clarity, consistency and deviates from the facts of the relevant binding legal documents like the Public Finance Management Act 2015 and the Budget Act, 2001.

Otherwise, there will be favorable ground for fraud, "rent seeking behavior" allocation of funds to unproductive sectors and generational poverty.

I Beg to Move

NAME	SIGNATURE
ATIM OGWAL CECILIA B	