CSO PRESS STATEMENT ON THE MINISTERIAL POLICY STATEMENT FY 2022/23

Theme: Key Priorities for Economic Recovery and Safeguarding Livelihoods

Date: 13TH April 2022 | **Venue:** Namirembe Kampala |**Time:** 10:00AM

FOR IMMEDIATE RELEASE

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1. We the members of the Civil Society Budget Advocacy Group (CSBAG) are gathered here today to share our perspectives on the Ministerial Policy Statements (MPS) for the FY 2022/23, which were tabled in Parliament in accordance with Section 13(13) of the Public Finance Management Act, 2015 (Amended)[1]

2. The FY2022/23 MPS comes at a time when the economy is fully opened after the lockdowns to curb the spread of COVID-19 pandemic.

3. It comes at a time when the economy is affected by the rising high prices of essential commodities like cooking oil, laundry bar soap, fuel and other services like transport fare.

As CSOs, we commend Government for:

4. Taking measures to address rising prices of essential commodities as reflected in the Statement issued by the Minister of finance on 22nd March 2022.

5. Adhering to the specified timelines of this budget process as contained in the PFMA, 2015 (as amended). It is our hope that also the Budget FY2022/23 will also be approved within the specified timelines, despite the current situation in Parliament.

6. Adopting the CSOs Policy alternatives during our engagement with Parliamentary Committees at the National Budget Framework Paper FY2022/23. From this process, Parliament adopted 44 out of the 120 proposals submitted. However, we are challenged by the delays in accessing the relevant budget documents which has affected our timely response to these budget proposals.

Macroeconomic Outlook

[1] The Minister responsible for a vote, Ministry or the head responsible for a vote, shall by the 15th of March submit to Parliament, the policy statements for the proceeding financial year, for the Ministries or the other votes, as the case may be

7. According to the FY 2021/22 half year Macroeconomic and Fiscal Performance Report, the economy is expected to grow at 3.8 percent in FY 2021/22 and is projected to grow at about 6 percent in FY 2022/23. This growth is expected to be generated by private sector activity due to increased aggregate demand post COVID-19; increased returns from public infrastructure investments; and increased activities in the oil and gas sector. Relatedly, annual headline inflation increased to 3.2% in February from 2.7% the previous month majorly driven by a surge in the components of core and Energy, Fuel and Utilities (EFU) inflation. Particularly prices significantly went up for soap, sugar, rice, cooking oil, education services, petrol and diesel in February 2022.[2]

Resource Envelope

8. The total resource envelope for FY 2022/23 is projected to increase by 6 percent (UGX 2,472.1 billion) i.e. from UGX 44,778.80 billion in FY 2021/22 to UGX 47,250.9 billion in FY2022/23. 39.3 percent (UGX 18,582.6 billion) of the overall budget will be for statutory expenditures while 60.7 percent i.e. UGX 28,668.3 billion will be appropriated for service delivery.

CSO Concerns on the Ministerial Policy Statement FY 2022/23

9. **Rising Prices of Essential Commodities:** We note that since the re-opening of the economy in January 2022, we have since experienced an increment in commodity prices of up to 100% for some commodities for example laundry bar soap prices increased by 47.8%, cooking oil by 77.6% and fuel by 34% in the last one year. This is partly attributed to the increased demand against the supply/production channels. Much as we have no control on some of these drivers, **it is crucial for government to consider strengthening and enforcing current regulations on essential commodities to guard Ugandans against anti-competitive practices. Secondly, parliament needs to expedite the enactment of the Competitive and Consumer Protection Bills.**

10. **Increasing Public Debt:** We note that large public debt stock constrains Government's ability and effectiveness to finance the implementation and management of policy initiatives. The Monetary Policy Bank of Uganda Report (Feb 2022) revealed that public debt increased from UGX 69,722.4 billion in June 2021 to UGX 73,656.0 billion in December 2021 indicating a 5.6 percent increase. The public debt-to-GDP ratio stood at 49.1 percent slightly lower than 50% threshold recognized by the Public Debt and Other Financial Liabilities Management Framework FY2018/19-FY2022/23. The increasing public debt exerts pressure on the country's revenue obligations. For instance, high debt repayment reduces debt sustainability, fiscal space and perpetuates poor distribution of public resources. This impedes government from public spending which affects service delivery. **Therefore, Government should scale up domestic revenue mobilization. Focus**

[2] Ministry of Finance Planning and Economic Development; Performance of the Economy Report Monthly Report February 2022.

should be on reducing government expenditures to help increase the fiscal space which is shrinking due to high debt repayments.

11. **Poor Public Investments Management:** Uganda's public infrastructure projects are largely funded by external donors which necessitates the need to have an effective and efficient Public Investments Management System (PIMS). A 2016/17 Public Investment Index by the International Monetary Fund shows that Uganda ranked 46th at an index of 1.44, characterized by weaknesses in all stages of the public investment management process, weak project appraisal and evaluation. For example, 342 projects worth UGX 39 trillion out of a sample of 371 projects reviewed had gone past their planned exit periods from the Public Investment Plan (PIP). **Therefore, we call upon the Ministry of Finance to expedite the establishment of the Project Preparation Fund to support project readiness in preparation to financing. While Parliament needs to fast track the enactment of the PIMS Policy and law to address some of the PIMS challenges.**

12. **Delayed Disbursement of Funds to Local Governments:** Despite Government's commitment to release funds by the 10th day of the first month of the quarter, we note that disbursement of funds to local governments has sometimes delayed. For example, according to the Auditor General Report 2020/21, the Ministry of Local Government disbursed UGX 22.1Bn to various Local Governments in the last two weeks of June 2021 and, in some cases, as late as 29th June 2021. **We call upon Government to enforce strict adherence of the PFM regulations section 14(3) 2016.**

13. **Weak adherence to Food Fortification Regulations** We note that the Government of Uganda in 2011 made food fortification mandatory for wheat flour, maize flour and edible vegetable oil as per the Food and Drugs (food fortification) (Amendment) Regulations, 2011 SI. No.53. Food fortification increases availability of micronutrients such as Vitamin A and Zinc which are critical in the fight against deficiencies among children right from birth. However, it is worth nothing that only vegetable oil and wheat flour manufacturers have adhered to the regulations. Challenges such as lack of information on fortification by producers, limited technical or financial capacity to fortify by small-scale producers, small-scale producers' unit cost of premix is higher than large-scale producers' unit cost continue to manifest. **Therefore, Uganda National Bureau of Standards needs to enforce adherence and compliance of manufacturers to the food fortification regulations. Secondly Government needs to support small scale millers with appropriate technologies for fortifications, while Parliament should expedite the enactment of Food and Nutrition Bill to regulate food fortifications.**

14. **Low Absorption of the Wage Budget by Health Facilities;** With the high level of vacant positions, many health facilities are failing to absorb the wage budget and funds are instead returned to the Consolidated Fund. In the FY 2020/21, UGX 11 billion was returned by the Ministry of Health while Mulago Hospital returned over

UGX 1 billion and on average RRHs returned over UGX 0.5 bn each. Up to UGX 149.4 million meant for payment of salaries for newly recruited staff in the health department in Kanungu for FY 2020/21and the last 3 years was retuned. **Government should speed up target recruitment to fill health facilities that are performing below 50% staffing. This will improve overall district absorption of wage in the health department, which currently accounts for the biggest component of unspent funds in districts.**

15. **Inadequate domestic financing for family planning services and commodities:** Uganda is committed to scale up the use of modern family planning methods to ensure that every Ugandan woman can choose when and how many children to have. The young people had no access to sexual related information due to limited access to youth friendly centres. By improving the number of health structures in hard-to-reach places, the Government of Uganda strives to expand its reach and provision of services and method mix, including long acting, reversible, and permanent methods. In spite of this, financing for reproductive health services is highly donor dependent, with some development partners withdrawing funding, while others like USAID also threatening to leave, making it difficult for the sustainability of such services. **Government needs to design, adoption and implement sustainable health financing policy reforms.**

16. **Limited Investment towards Water for Agricultural Production:** We commend Government for increasing the area under formal irrigation in FY2020/21 to 22,504 hectares which was higher than the set target of 19,776. However, we are concern about the delay in completing the irrigation master plan this coupled with low budget allocation for small scale irrigation at UGX 3.5 bn available out of the required UGX 23.5 bn (MAAIF, 2022/23) undermines the realization of Pillar 1 of the PDM. We are further concerned that of the 146 districts in Uganda only 49 have Senior Agricultural Engineers required for providing technical support in the implementation of all interventions under water for agricultural production and mechanization. It's our call that **Government through the Directorate of Extension Services expedites the completion of the irrigation master plan to guide irrigation planning and investment. While Government should consider phased recruitment of more 97 Senior Agricultural Engineers to guide the implementation of water for production interventions.**

17. **Inadequate Financing for Induction of Local Governments Councils and Transport Equipment:** We commend Government's efforts towards deepening Political Devolution. The last political elections brought in new political leaders and the majority are new with little experience due high turnover of close to 75%. Strengthening implementation, monitoring and reporting by Local Governments requires adequate capacities and means of transport. An analysis of the MoLG Ministerial Policy Statement FY2022/23 shows that the ministry requires UGX 15Bn to carry out Induction of Local Government Leaders. While UGX 35.2bn is required to procure Vehicles for the 135 District Chairpersons, 10 City Mayors and 31

Municipal Council Mayors (Total 176 LGs) and UGX 53.42Bn be provided for mid-range Motorcycles for Parish chiefs. The transport equipment are critical in support service delivery monitoring and supervision**. Therefore, Government needs to prioritize and avail MoLG funding of UGX15bn for induction of local Government Leaders. Secondly, Government needs to reconsider and avail resources in a phase manner towards procuring vehicles for the Local Government Leadership to aide their supervision and monitoring service delivery.**

18. **Shortfall in Social Assistance Grant for Empowerment (SAGE) Budget:** Uganda is implementing the SAGE programme aimed at enabling the elderly to access basic services and to start income generating activities for sustenance. According to the MoGLSD, MPS FY 2022/23, the total budget required to fund the SAGE programme is UGX 182.775bn but only UGX 120.7bn is projected to be available leaving a funding gap of UGX 63.75Bn. This will grossly affect beneficiary verification, registration, enrolment and payments leading to accumulation of beneficiary payment arrears. In addition to this, the arrears for 270,203 beneficiaries were not paid in FY 2020/21 due to inadequate resources and have not been budgeted for by the MoFPED as committed in FY 2022/23. **Therefore, we call upon government to rationalize the budget allocation within the Ministry and earmark resources to close the funding gap of UGX 63.5Bn, with priority given to paying arrears of SAGE beneficiaries.**

19. **Underfunding of Urban Water and Sewerage Services**: Improved water and sanitation services in urban areas is a priority component of the Human Capital Development Program of the National Development Plan III. Government has put in effort to improve access to safe urban water supply from 70.5% in FY 2019/20 to 71.6% FY2020/21. It is however silent on plans to increase the coverage of sewered sanitation, although 23km of new mains were laid and the total sewer network as of June 2021 was 715Km. We appreciate these efforts, but we also realize that if the country is to reach the target of 80% safely managed sanitation by 2040, there should be deliberate effort to increase sewered sanitation across the country. Therefore, w**e call upon government to review the existing policy framework for all Urban authorities (City Councils, Municipal councils, Town Councils) to inform the relevant local level development plans adequately catering for both sewered and unsewered sewerage treatment facilities (whether conventional sewerage treatment, stabilization ponds).**

20. **Increased demands for Unpaid Care and Domestic Work:** The adversities caused by climate change greatly impact women and girls due to their over-reliance on natural resources for subsistence and commercial livelihoods. Women and girls must shoulder heavier burdens to find safe water, forest fuels, and food for their families. With the increasing effects of climate change, **we call upon the Minister of Water and Environment to table the Certificate of Climate Change in Parliament as required in Section 30(b) of Uganda's National Climate Change (2021), in consultation with the Chairperson of the National Planning Authority**. This is

critical for much-needed climate change financing of interventions on mitigation, adaptation, and eco-friendly technologies that reduce the human burden on the environment.

21. **Lack of a Disaster Preparedness and Management Law**: According to the latest update of the INFORM Risk Index 2021, Uganda ranks 21 out of a total of 190 countries analyzed worldwide in terms of risk driven by the increasing frequency, intensity and scale of disasters affecting Uganda. Disaster induced problems require a comprehensive and coordinated disaster management policy and legislation. The National Disaster Preparedness and Management Policy provides a basis for the formulation of a Comprehensive Disaster Management legal framework that will aid implementation of the policy. In 2019, OPM started the process of development of the legal framework with the formulation of the bill. As of today, OPM has developed a roadmap with a budget for the development and approval of the National Disaster Preparedness management Bill which is yet tabled to Parliament. **Therefore, we call upon OPM to expedite on the process of development of the National Disaster Preparedness and Management Bill to enable the responsible MDAs to have legal mandate on disaster preparedness, response and management.**

Conclusion

As CSOs, we call upon Government to ensure that the Budget FY2022/23 is geared towards prioritizing economic recovery and safeguarding livelihoods of Ugandans.

…….**because every shilling counts!!**

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