OFFICE OF THE LEADER OF THE OPPOSITION

OPPOSITION RESPONSE TO THE ANNUAL BUDGET ESTIMATES FOR FY2022/23

Moved under Rule 53(1) of the Rules of Procedure

APRIL 2022

1.0 INTRODUCTION

The proposed budget for FY2022/23 has been prepared in an environment characterized by high unemployment especially amongst the youth, environmental degradation, influx of refugees, insecurity particularly in Karamoja, rampant land conflicts and ongoing war in the Democratic Republic of Congo among others. These affect and influence the performance of the economy.

The outlook of the country seems to indicate there are two countries in one i.e. the greater north and south. They reflect a widening inequality gap. It is evident in the quality of life and service delivery. The disenfranchisement amongst the population if not addressed possess a threat to security and posterity of the country.

The situation has been worsened by how the Government is managing the economy. It has committed the country to non-productive public debt and wasteful expenditures amidst poor prioritization of development strategies. This undermines the credibility of the budgeting process for weak safe guards deter allocation of public resources to interventions that address the plight of citizens.

Suffice to note is the fact that the challenge to economic development of the country is not resources rather it is governance pitfalls, opulence lifestyle of the Government and regime survival. Government has abdicated substantial ground in service delivery to private sector where survival is guaranteed only for the powerful and privileged associates. Consequently, majority of the citizen are wailing in poverty amidst sky rocketing commodity prices and collapsing businesses.

It is against this background that the Opposition has prepared a response to the Statement on the Budget for FY2022/23 presented by the Minister for Finance on 20th April 2022. The response was informed by analysis of the Annual Budget Estimates laid on 29th March 2022.

It highlights critical prevailing public finance management concerns which when addressed will contribute to optimization of the scarce public resources and enhance service delivery. They include the following:

1) Unrealistic resource envelope
2) Public Debt Burden
3) Escalating Contingent Liabilities
4) Irregularities in the Operations of Microfinance Support Centre Ltd
5) Inadequate Scrutiny of Multiyear Commitments
6) Obscurity in Management of Unspent Balances
7) Nuisance of Supplementary Budgets
8) Hyped Parish Development Model
9) Abuse of Retooling Projects
10) Non - verification of Recoverable Costs

11) Rising Rent costs
12) Escalating costs of Unconsumed Electricity
13) Inefficient Infrastructure Development Costs

The Response is presented in accordance with Section 6E(2) and (4) of the Administration of Parliament (Amendment) Act, 2006 as well as Rule 53(1) of the Rules of Procedure.

2.0 PREVAILING CONCERNS AND PROPOSED ACTIONS

2.1 Unrealistic Resource Envelope

The proposed budget for FY2022/23 has increased to UGX 47.25 trillion from the approved budget of UGX 44.77 trillion in FY2021/22. In the proposed budget, recurrent expenditures amount to UGX 33.54 trillion (71%) while development expenditures amount to UGX 13.70 trillion (29%). Worryingly, the projected revenue collections of UGX 25.54 trillion cannot fund the country's entire recurrent expenditures.

The projected growth in the budget is driven by increase of domestic revenue (URA collections) of UGX 3.12 trillion. However, this is not realistic given the fact that there have been persistent revenue shortfalls. For instance, the past two financial years revenue shortfalls were registered amounting to UGX 3.59 trillion (FY2019/20)[1] and UGX 2.37 trillion (FY2020/21)[2].

The second driver is a projected increase of UGX1.22 trillion in domestic borrowing. Besides being an indication of Government finding it difficult to attract concessional debt, the failure to clear domestic debt has become a stump of our economy reflected as debt rollover also known as refinancing. It is projected at UGX 8 trillion in FY2022/23 rising from UGX 5.4 trillion in FY2017/18. An astronomical increment of 48%. Failure to clear debt obligations but rather resort to recycling is a recipe for a failing economy.

It is critical to note that debt management costs have risen from UGX 8.58 trillion in FY2017/18 and are projected to be UGX 15.94 trillion in FY2022/23. This translates to an increment of 86%. The costs take first call on the budget to cater for interest payments, commitment charges, debt management fees and amortisation. Therefore, from the onset 33% of the proposed budget will not be available for service delivery. Instead, it will be utilised for payment of partial debt commitments.

After offsetting debt management costs and public servants related costs, only UGX 15.58 trillion will be available as discretional resources.

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[1] Uganda Revenue Authority, 2020. Annual Revenue Performance Report FY2019/2020
[2] Uganda Revenue Authority, 2021. Annual Revenue Performance Report FY2020/2021

Table 1: Resource Envelope for FY2022/23

No.	SOURCE	FY 2021/22 (UGX Billion)	FY2022/23 (UGX Billion)	VARIANCE (UGX Billion)
1	Domestic Revenues	22,425.4	25,546.7	3,121.3
2	Petroleum Fund	200.0	-	(200.0)
3	Budget Support	3,583.2	2,609.2	(974.0)
4	Domestic Financing (Domestic Borrowing)	2,942.6	4,172.3	1,229.7
5	Project Support (External Financing)	6,868.3	6,677.1	(191.1)
6	Domestic Refinancing (Roll-over)	8,547.0	8,008.0	(539.0)
7	Local Revenue for Local Governments	212.4	237.6	25.2
	Total Resource Inflows (1+2+3+4+5+6+7)	**44,778.8**	**47,251.0**	**2,472.1**
8	Less External Debt Repayments (Amortization)	(1,786.9)	(2,412.2)	(625.3)
9	Less Project Support (External Financing)	(6,868.3)	(6,677.1)	191.1
10	Less Domestic Refinancing	(8,387.0)	(8,008.0)	379.0
11	Less Domestic Arrears	(555.5)	(495.5)	60.0
12	Less Appropriation in Aid (AIA) - Local Revenue	(212.4)	(237.6)	(25.2)
13	Less Interest payments	(4,697.8)	(5,924.7)	(1,226.9)
14	Less Wages	(5,533.0)	(6,162.3)	(629.27)
15	Less Allowances	(1,094.2)	(1,013.3)	80.9
16	Less Pension	(267.6)	(277.5)	(9.9)
17	Less Gratuity	(242.7)	(246.4)	(3.7)
18	Less Social Security Contributions	(201.6)	(211.1)	(9.5)
	Actual Discretional Resources	**(14,931.9)**	**(15,585.2)**	**(653.3)**

Source: MoFPED

Proposed Action

A public debt repayment schedule should be developed and laid in the House to guide phased appropriation for debt clearance.

Non-concessional borrowing should be reserved for value-addition projects with a high social or growth impact return.

Effort should now be placed on the maintenance and rehabilitation of developed infrastructure.

2.2 Public Debt Burden

External and domestic debt stood at UGX 73.78 trillion as at end of October 2021[3]. Contingent liabilities amounted UGX 160 trillion and domestic arrears amounted to UGX 4.65 trillion[4]. Outstanding advances from Bank of Uganda

[3] Bank of Uganda, 2021. State of the Economy Report
[4] Office of the Auditor General, 2021. Report of the Auditor General to Parliament for the Financial Year ended 30th June 2021

amounted to UGX 3.033 trillion[5]. With nominal GDP projected at UGX 173.96 trillion[6], the total public debt burden of UGX 241.46 trillion translates to debt to GDP ratio of 139%. This far exceeds the Charter of Fiscal Responsibility target of 53.1%[7].

This is a wider departure from the total public debt stock of UGX 73.49 trillion reported by Government as at December 2021[8]. This excludes all publicly guaranteed debt save for a minute portion that has become a liability to government upon default by the responsible debtor[9]. It also excludes domestic arrears and unpaid Bank of Uganda advances extended to Government. This is terrifying given the fact that on 18th February 2022, Government signed a Service Level Agreement (SLA) with Bank of Uganda that redefines advances to include debt provision. This is illegal and tantamount to back door borrowing without approval of Parliament[10].

The advance effect of this astronomical level of borrowing is felt through interest payments of over UGX 5.5 trillion in FY2022/23 rising from UGX 2.4 trillion in FY2017/18. An increment of 130%. This is coupled by external debt repayments that are projected at UGX 2.4 trillion in FY2022/23 rising from UGX 589 billion in FY2017/18. An increment of 307%. These take first call on the revenue collection and reduces funds available for service delivery.

The pushers of the debt burden low tax to GDP ratio of 12.5% which is lowest COMESA whose average is 16% and huge tax expenditures that have resulted into foregone revenue of UGX 21.5 trillion in only 5 years from FY2016/17 – 2020/21. This is worsened by weak appraisal and approval systems of Government and Parliament respectively.

While Article 159 of the Constitution and Rule 155 of the Rules of Procedure empower Parliament to approve all forms of borrowing and guarantees, its scrutinizing mechanisms are so weak and damaging to the economy. For instance, many a times Parliament focuses on the intention of the borrowing and fails to undertake adequate scrutiny of the terms and conditions of the

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[5] International Monetary Fund, 2022. 2021 Article IV Consultation and First Review under the Extended Credit Facility Arrangement and Requests for Modifications of Performance Criteria – Press Release; Staff Report; and Statement by the Executive Director for Uganda. IMF Country Report No. 22/77

[6] Ministry of Finance, Planning and Economic Development, 2022. Draft Estimates of Revenue and Expenditure (Recurrent and Development) FY2022/23 – Volume I: Central Government Votes for the year ending on the 30th June 2023

[7] Ministry of Finance, Planning and Economic Development, 2022. Charter for Fiscal Responsibility *(for)* Uganda FY2021/22 – FY2025/26

[8] Ministry of Finance, Planning and Economic Development, 2022. Report on Public Debt, Grants, Guarantees and other Financial Liabilities for Financial Year 2021/22

[9] Ministry of Finance, Planning and Economic Development, 2022. Debt Sustainability Analysis Report FY2020/21

[10] International Monetary Fund, 2022. Letter of Intent (Dated 23 February 2022)

borrowing. Consequently, it approves unfavorable borrowing conditions especially for Chinese loans.

Furthermore, before Parliament considers approval of a loan, it should be ascertained that it has been approved by Development committee and has affirmation from the Secretary to Treasury that feasibility studies and appraisals have been undertaken. Unfortunately, many loans have been approved without satisfying these conditions particularly for contract financing. Also, loans for ongoing projects seeking additional financing are approved without scrutinizing their midterm or end of project evaluation reports. These factors among others are contributing to the unsustainable public debt trajectory.

Proposed Action

As indicated in the revised National Budget Framework Paper, Parliament should constitute a Select Committee to enquire into the processes of committing debt and its utilization. It should target the entire cycle of identification, appraisal, negotiation, approval, implementation, monitoring and evaluation. This intervention has been effective in other debt ladened countries particularly Greece.

2.3 Escalating Contingent Liabilities

Contingent liabilities have astronomically risen to UGX 160 trillion in 2021 from UGX 11.5 trillion in 2020. This is an increment of 1,290%[11]. This is more than double the reported stock of public debt of UGX 73.78 trillion. This raises the country's debt exposure to liabilities of entities that were not well assessed and have great risk of default.

As a result, the country incurs expenses for failed undertakings as is the case with the proposed International Hospital of Uganda, Lubowa. So far in FY2021/22, UGX 348 billion has already been spent while UGX 319 billion is earmarked in FY2022/23 for the non-progressive project. This is equivalent to 22 foregone hospitals each estimated at UGX 30 billion or 606 foregone Health Centre IVs each estimated at 1.1 billion.

[11] Office of the Auditor General, 2021. Report of the Auditor General to Parliament for the Financial Year ended 30th June 2021

Table 2: Some of the Private Enterprises that have on-lent Loans[12]

Debtor Name	Directors	Balance in UGX as at 30.06.2020
Akamba Uganda Limited	Mohamood Noordin Thobani, Zulfikar Noordin Thobani, Niaz Hassanali Nathoo, Nazir Nathoo	329,045,798
Baggrey Trading Company Limited	Godfrey Kirumira, Moses Kalungi, Kalungi Kirumira	358,326,024
BTS (U) Limited	Caroline Agaba, Oringa Julius, Akajorait Barbra, Anyiko Flavia	173,730,610
Central Purchasing Company Limited	Anthony Okwenye, Ulrike Wilson, Steven Rwabwera, Jennifer Bitalabeho, Grace Musoke Lwanga	5,326,322,326
Dick Kizito		169,378,642
G M Combine	William Senteza-Kajubi, Erisa Christopher N. Kironde, George K. Kityo	368,008,078
G M Turnpeco Limited		55,576,260
HighWay Motors Limited	Ali N. Karia, S. A. Karia, K. A. Karia	101,965,214
Jasaba Pharmacueticals Limited	James Sali Babumba, Anne Babumba, Edith Mary Babumba	209,906,779
Kibuguma Coffee Growers Limited	Johnson Saimon Kiwanuka, Sowedi Nsibambi, Haji Ahamed Munafu	58,300,476
Makyo Enterprises Limited		36,624,535
Marks Pharmaceuticals Ltd	Musiitwa Robert, Namutebi Harriet, Kavuma Barbara	72,487,473
Mpiima Trading Company Limited	Dick Musisi Mpiima, Elizabeth Nakungu	58,673,804
Oscar Industries Limited		2,703,785
Seki Trading Company Limited	Gordfrey Sekiwunga, Angel Peace Rwanjagarara, Daphine Ann Nabatanzi	145,683,024
Sembule Steel Mills Limited	Christopher C., Tonny Edward, Francis Sembuya	385,862,329
Tank Hill Quarry Limited	George Kyaligonza, Joshua Kwezi, Jackson Doleera, Lalji Premji	37,343,399
Uganda Motors Ltd	Managing Director, Director of Operations, Marketing Manager, Director of Finance, Purchasing Manager	118,469,894
UPET		2,424,794,521

Source: MoFPED

Proposed Action

Government should lay on table before approval of the annual budget a list of all beneficiaries of contingent liabilities and amount of funds guaranteed.

[12] Ministry of Finance, Planning and Economic Development, 2021. Contingent Liabilities Annual Fieldwork Report FY2019/2020

The criteria for accessing and benefiting from government guarantees should be presented to Parliament before the start of FY2022/23 to ensure transparency and fairness in their access.

2.4 Irregularities in the Operations of Microfinance Support Centre Ltd

The Microfinance Support Centre Ltd lacks adequate supervision, has veered off its operational guidelines and benefits the wealthy other than the targeted economically active poor. Continued budget allocation to the entity exposes the scarce public resources to the risk of abuse.

For instance, while auditing UGX 337.2 billion appropriated for FY2020/21, the Auditor General in his report[13] published in January 2022 established the following litany of concerns:

a) Over 6,326 Emyooga SACCOs that were financed through the Microfinance Support Centre lacked operation licence from the Uganda Microfinance Regulatory Authority. This violated the Tier 4 Microfinance Institutions and Money Lenders Act (2016) and SACCO Regulations (2020);
b) Seed capital was disbursed to the 6,326 SACCOs without entering a Memoranda of Understanding with the Microfinance Support Centre;
c) UGX 34.71 billion was disbursed as grants to various constituency SACCOs but remained un-accessed by the beneficiary SACCOs;
d) Physical inspections in only one district of Kayunga revealed that UGX 500 million was disbursed by various SACCOs to non-traceable beneficiaries without entering into loan agreements and ascertaining evidence of existence of borrowing associations;
e) 140 SACCOs that were sampled had received a total of UGX 3.52 billion and had defaulted to a tune of UGX 2.49 billion translating to a default rate of 70.74%;
f) Microfinance Support Centre had not undertaken any monitoring and evaluation of the performance of beneficiary SACCOs;
g) Some Emyooga SACCOs were charging interest rates as high as 60% contrary to the target of at least 8% per annum but not exceeding 12% per annum;
h) Regarding conventional lending, UGX 56.89 billion had been disbursed by the close of the financial year against a full release of UGX 77.72 billion. This translated to a disbursement rate of 44% rate;
i) Loans were extended to beneficiaries beyond the maximum threshold of UGX 400 million contrary to the Microfinance Support Centre Credit and Operations Manual (2017);

[13] Office of the Auditor General, 2022. Special Audit Report on Expenditure relating to COVID-19 for the Financial Year 2020/2021

j) Loans amounting to UGX 5.3 billion bypassed the Management Loans Committee and were illegally waived from presenting requirements such as Tax clearance certificates and licenses;
k) Loans amounting to UGX 13.10 billion were disbursed without perfection of securities by the legal department;
l) Different loans amounting to UGX 2.2 billion were disbursed to related parties contrary to the Policy on Credit Concentration;
m) UGX 1.4 billion was advanced to clients who already had outstanding non-performing loans; and
n) A Loan worth UGX 2.5 billion was extended to individuals contrary to the Microfinance Support Centre Policy.

Table 3: MSC Disbursements above UGX 400 million in the period July 2021 – March 2022

BENEFICIARY	AMOUNT DISBURSED (UGX)
URA Staff SACCO	3,000,000,000
Target Impex (U) Limited	3,000,000,000
Katebe Farm Ltd	3,000,000,000
Out Media International Limited	2,500,000,000
Bugisu Cooperative Union Limited	2,400,000,000
Jactor Enterprises Limited	2,000,000,000
Yudima Miners Ltd	1,700,000,000
Johpro Green Acres Ltd	1,539,150,000
Great Lakes Contractors Limited	1,500,000,000
Inspire Africa Establishments Limited	1,020,000,000
Inspire Africa Establishment Limited	1,000,000,000
Universal Apostles Fellowship Church of Righteous	1,000,000,000
Rise Shine Investments Limited	800,000,000
Patrina Enterprises Ltd	800,000,000
Enterprise Support and Community Development	750,000,000
Swazi Highland Tea Company Limited	741,123,952
Markburridge Guest Farms Limited	500,000,000

Source: MSC

Proposed Action

Save for wage allocations, funds should not be allocated to the Microfinance Support pending addressing concerns raised in the Auditor General's Report.

In the interim the entity should focus on improving recovery and revolving of disbursed funds.

2.5 Inadequate Scrutiny of Multiyear Commitments

Section 23(1) of the Public Finance Management Act requires that Parliament to approve multiyear commitments. Over the years, Parliament has been receiving the Multiyear Commitment statements but does not pronounce itself on the entities that are seeking approval.

Nevertheless, it has been noted that 94 projects worth UGX 5.66 trillion were expected to exist the Public Investment Plan on 30th June 2022. However, they were granted extension by the Ministry without parliamentary approval. The extension was attributed to pending contractual obligations, delayed disbursement and inadequate counterpart funding among others.

In current FY2021/22, there is a deficit of UGX 7.13 trillion for counterpart funding. Unfortunately, the multiyear statement does not enlist projects with counterpart funding gaps. Failure to provide counterpart funding hampers disbursement of externally funded projects and delays project implementation. Nevertheless, there instances where Parliament has appropriated counterpart funding but agencies fail to absorb it. For instance, in FY2019/20, the Uganda National Roads Authority (UNRA) failed to absorb UGX 200 billion due to failure of government to sign agreements with lenders. The funds were idle and later subjected to mischarge through illegal virements[14].

It has also been noted that there are multiyear projects that overlap their gestation period. For instance, the Defence Equipment Project under the Ministry of Defence with a project cost of UGX 13.10 trillion is expected to end in FY2022/23. It was indicated that the project started on 1st July 2014 and expected to end on 30th June 2023. However, it has been established that the project has been receiving funds even before 2014.

Table 4: Budget Releases for the Defence Equipment Project for FY2010/11 – FY2020/21

Financial Year	Allocations (UGX Billion)
2010/11	1,418.88
2011/12	301.13
2012/13	103.39
2013/14	77.55
2014/15	103.39
2015/16	138.99
2016/17	145.53
2017/18	162.12
2018/19	846.12
2019/20	2,788.12
2020/21	3,719.35

Source: MoFPED

[14] Parliament of Uganda, 2019. A Minority Report on the Annual Budget Estimates for FY2019/20

While the multi year commitment statement indicates that the project will end in FY2022/23, it has been observed that its allocations are projected to spread through to FY2025/26. It would be critical to establish how funds will be allocated to a closed project.

Table 5: Allocation Projections for the Defence Equipment Project beyond its Life Span

Financial Year	Allocations (UGX Billion)
2023/24	711.126
2024/25	853.93
2025/26	1,025.13

Source: MoFPED

Proposed Action

Parliament should review its scrutiny mechanism, ensure that interrogates into each of the multiyear projects and authorize them as per Section 23(2) of the Public Finance Management Act. The provisions provide a sequence of outputs expected from Parliament. First an authorization then approval in the annual budget. It would be prudent that an authorization resolution is passed through a Motion before approval of the funds required in the annual budget.

2.6 Obscurity in Management of Unspent Balances

Section 17(2) of the Public Finance Management Act stipulates that a vote that does not expend money in a financial year remit back to the Consolidated Fund. In last FY2020/21, the votes here below had unspent balances totaling to UGX 1.49 trillion[15].

Table 6: Votes with highest unspent balances in FY2020/21

Vote	Unspent Balance (UGX Billion)
Treasury Operations	442.565
Ministry of Defence	425.257
Uganda Coffee Development Authority	168.065
Ministry of Trade, Industry and Cooperatives	107.982
Uganda Police Force	99.588
Uganda National Roads Authority	79.298
Uganda Prisons	53.002
NAADS Secretariat	41.660
Uganda Land Commission	38.378
Uganda Revenue Authority	36.253

Source: MoFPED

[15] Ministry of Finance, Planning and Economic Development, 2021. Annual Budget Performance Report FY2020/21

It is uncertain how the unspent balances are reintegrated into resources that are to be expended in a new financial year. A concern has been raised on the risk of underestimating the available resource envelope[16]. While appropriating new budget, the unspent balances are not reflected in the resource envelope. It disappears in a vacuum.

Proposed Action

Due to the continued uncertainty, it would be prudent that a special audit is undertaken for the last 5 financial years to ascertain how the unspent balances are utilised in course of a new financial year.

The Ministry of Finance, Planning and Economic Development should develop a mechanism of appropriating unspent balances in a new financial year. This should be supported with standalone regulations for unspent balances under Section 81(2)(i) of the Public Finance Management Act.

2.7 Nuisance of Supplementary Budgets

Supplementary budgets have become a persistent risk of financial indiscipline. Most of the supplementary requests are inadequately scrutinized by the Minister responsible before authorizing and forwarding them for approval by Parliament. They are neither unforeseeable or unavoidable. Apart from approving or rejecting a supplementary request, there is no mechanism of holding the Minister accountable for the discretional authority exercised under the Act.

Consequently, the scrutiny inefficiencies by both the Minister and Parliament distort execution of approved budgets[17]. Items rejected by Parliament during budget approval are usually funded under the supplementary approval of 3% of annual budget that do not require prior Parliamentary approval. As a result, the Minister usurps the appropriation powers of Parliament through subsidiary appropriation. Consequently, the discretionary powers are misused to benefit a few privileged votes. No wonder for the last 5 financial years, the Ministry that ought to ensure stringent consideration of supplementary requests is second major beneficiary.

[16] National Planning Authority, 2019. Certificate of Compliance for the Annual Budget for FY2018/19

[17] Office of the Auditor General. Report of the Auditor General to Parliament for the Financial Year ended 30th June 2020

Table 7: Supplementary Budgets based on Resolutions of Parliament for FY2016/17 – FY2020/21

Vote	Vote Name	FY2016/17 (UGX '000)	FY2017/18 (UGX '000)	FY2018/19 (UGX '000)	FY2019/20 (UGX '000)	FY2020/21 (UGX '000)	Total (UGX '000)
004	Min. of Defence	31,534,000	418,352,569	385,454,000	515,860,402	1,151,617,740	2,502,818,711
008	Min. of Finance, Planning & Economic Dev.	34,746,175	32,431,253	30,190,124	509,672,232	1,237,451,952	1,844,491,736
002	State House	-	78,972,697	198,132,958	91,465	481,713,465	758,910,584
016	Min. of Works and Transport	55,448,249	26,000,000	288,026,777	-	233,320,000	602,795,026
014	Min. of Health	2,000,000	36,257,023	33,497,639	220,274,808	236,272,140	528,301,610
113	Uganda National Roads Authority	399,011,145	15,000,000	-	400,182	102,399,424	516,810,751
144	Uganda Police Force	8,155,978	111,742,143	99,704,615	105,834,403	56,659,741	382,096,880
015	Min. of Trade, Industry and Cooperatives	-	33,170,000	-	136,077,871	151,171,128	320,419,000
017	Min. of Energy and Mineral Development	14,776,160	125,213,217	123,415,110	-	-	263,404,487
019	Min. of Water and Environment	39,066,026	193,827,503	5,427,000	2,049,743	2,049,743	242,420,015

Source: Parliament of Uganda

Proposed Action

Given the fact that there is no longer lag time in execution of new budget, the provision under Public Finance Management Amendment Act granting Minister to authorise supplementary budget of 3% of annual budget without prior approval of Parliament should be dealt away with. The provision was effective in old financial regime before the enactment of the Public Finance Management Act when the budget was approved after commencement of financial year. Besides the deletion of the provision does not impede government from presenting supplementary requests whenever need arises.

2.8 Hyped Parish Development Model

In FY2022/23, UGX 1 trillion has been allocated for Parish Development Model to transform 39% subsistence or 3.5 million poor households in Uganda into money economy. Unfortunately, the cost implications for the life span of the model are unknown though piecemeal allocations are being made since FY2021/22.

If the funds are evenly distributed, each of the targeted 3.5 million subsistence households would be entitled to only UGX 285,714 annually. Suffice to note is the fact that according to latest Uganda National Household Survey, majority of households consist of 6 or more household members. Hence each member would be allocated UGX 47,619 annually.

This is so negligible to transform a household from poverty. For illustration, UGX 47,619 can only purchase 23 coffee seedlings annually each estimated at UGX 2,000. If a household is to plant maize, it can only purchase 2 kilograms of seeds annually at estimated cost of UGX 20,000.

It has also been indicated that model is targeting all the 10,594 parishes in Uganda. Using the approach of one size fits all irrespective of varying characteristics such as population size, location and localised level of development, challenges and demands of targeted beneficiaries, each parish is to be allocated UGX 100 million.

Suffice to note is the fact that poverty begins with an individual before it is aggregated to a community or a group or parish. Therefore, until the approach is changed to targeting an individual poor citizen, the aggregative approach in targeting Parish SACCOs is bound to fail. This is already evident in the Emyooga programme.

It has been indicated that disbursements will be made directly to the beneficiary SACCO and not through Local Governments. However, the disbursement and accountability criteria are unknown. This is an indictment of a failed decentralisation policy. Besides the local government structures and their elected leaders had already been undermined by appointments from the centre particularly Resident District Commissioners (RDCs) and Chief Administrative Officers (CAOs) as well as decimal budgetary allocations. Hence, the need for redundant structures to be discontinued for they no longer serve the intended purpose.

Proposed Action

Government should review the decentralisation policy and a report to Parliament the findings within FY2022/23.

Restructure targeting of interventions of the Parish Model to be based on population size and location preferences.

Regulations should be gazetted prescribing criteria and requirements for disbursement and accountability of funds released under the Parish Development Model.

It is prudent that the government tables the medium-term financial implications and expected revenue that will be generated from the parish development model. This will address the huge structural deficit for focus is currently placed on expenditures only.

Redundant structures and offices such as sub county should be discontinued since they are no longer deemed as the lowest planning unit.

2.9 Abuse of Retooling Projects

It has been established that several Votes have a budget line on retooling projects. Ideally these are meant to enhance skills, knowledge and working environments as one off not routine interventions.

A total of UGX 1.05 trillion has been allocated in FY2022/23 across votes for different retooling projects. There are only 2 votes that are allocated funds beyond UGX 100 billion. The highest beneficiary is State House with an allocation of UGX 218.60 billion of which UGX 174.351 is GoU financing while UGX 44.25 billion is external financing. It is the only vote that receives external financing for its retooling expenditures. Uganda Police Force was allocated UGX 135.26 billion.

Worryingly, agencies are using the funds to finance routine activities that are not in any way related to retooling. Such expenditures raise the risk of abuse given the fact there is no criteria for access and allocation of funds towards retooling projects. For instance, it was established that:

a) State House was allocated UGX 218.60 billion to undertake annual maintenance of the Presidential Jet and Helicopter; maintenance of Entebbe State House Complex and Nakasero State Lodge; as well as regular maintenance works for 6 office buildings;
b) Uganda Bureau of Statistics (UBOS) was allocated UGX 19.84 billion to undertake Uganda Demographic Household Survey (UDHS), panel studies and production of reports among others;
c) Uganda Freezones Authority was allocated UGX 20.89 billion for construction of Entebbe International Airport Free zones; and
d) Kampala Capital City Authority (KCCA) was allocated UGX 15.52 billion for construction of bridges and UGX 1.4 billion for building maintenance among others.

Proposed Action

Given the risks of abuse and inadequate scrutiny of retooling projects, it is prudent that the Auditor General undertakes special audit into the retooling projects to ascertain their level of effectiveness and efficiency.

In the immediate term, all wasteful expenditures under the several retooling projects should be reallocated to other priority areas.

2.10 Non-Verification of Recoverable Costs

Since 2012, recoverable costs from oil development not been verified. They were last verified for only the period 2001 – 2011 amounting to USD 935.69 million (equivalent to about UGX 3.47 trillion)[18].

The recently signed the Final Investment Decision (FID) will escalate the rate at which recoverable costs are generated. Hence the investment of UGX 665.83 billion earmarked in FY2022/23 to unlock investments into oil production requires robust and timely verification of costs by the Auditor General.

Proposed Action

The Auditor General should be instructed to lay in the House within FY2022/23 audits of all recoverable costs from the year 2012 to date.

2.11 Rising Rent costs

Offices of several institutions are situated in rented premises. Gone are the days when each government institution owned its own home. To the contrary many are dubiously sold off or given out. This has been envisaged in institutions such as Uganda Railway Corporation, Mulago Hospital and Uganda Broadcasting Corporation among others.

Noted with concern is the fact that in the last 5 financial years rent costs have been escalating with largest leap in FY2021/22. In this period, the greatest portion is paid to private entities that amounted to UGX 647 billion. It has also been noted that most of the premises belong to same network of individuals or companies. For instance, Kingdom Hall (owned by Sudhir Ruparelia) accommodates Presidential Advisors (UGX1.2 billion), Parliament, Ministry of East African Community Affairs (UGX 1.86 billion) and Uganda Warehouse Receipt System Authority.

The rent costs are incurred amidst failed commitments by Government to construct office campus for all ministries on 48.5 acres of land at Bwebajja, off the Kampala-Entebbe Highway. The campus was proposed to comprise of an area of 200,000 square meters and a net lettable area of 150,000 square metres[19].

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[18] Ministry of Finance, Planning and Economic Development, 2020. Petroleum Fund Annual Audited Financial Statements for the year ended 30 June 2020.

[19] National Social Security Fund, 2021. Expression of Interest for Provision of Consultancy Services for Feasibility Study, Design and Construction Supervision of the Proposed One-Stop Government Office Campus at Bwebajja, Kampala-Entebbe Road, Wakiso District. NSSF/CONS/2019-2020/00019

Table 8: Approved Rent Expenses for FY2017/18 – FY2021/22

Financial Year	Rent - (Produced Assets) to Private Entities (UGX 000)	Rent - (Produced Assets) to other Government Units (UGX 000)	Total (UGX 000)	Percentage Change
2017/18	105,355,403	5,815,663	**111,171,066**	
2018/19	124,009,122	6,056,869	**130,065,991**	**17%**
2019/20	128,437,934	6,690,833	**135,128,767**	**4%**
2020/21	130,168,660	6,912,241	**137,080,901**	**1%**
2021/22	159,054,741	5,484,997	**164,539,738**	**20%**
Total	**647,025,860**	**30,960,603**	**677,986,463**	

Source: MoFPED

Proposed Action

Before approving the budget for FY2022/23, Government should brief Parliament on the progress made in the development of One-Stop Government Office Campus at Bwebajja.

Government should within 6 months present to Parliament roadmap for ceasing renting of private properties and development of domiciles for all its institutions.

2.12 Escalating Costs of Unconsumed Electricity

The Auditor General has established that in 2021, the country incurred costs of UGX 87.7 billion for deemed energy i.e. costs for unconsumed power and UGX 15.29 billion for power evacuation losses[20]. These arise from execution of power purchase agreements that committed the country to take or pay for all the electricity generated.

It is commendable that government has undertaken a policy shift to remove deemed energy clauses in new power production agreements[21]. Unfortunately, in the medium term this intervention does not solve the costs accruing from running agreements for the country is characterised with inadequate evacuation networks that constrain demand for the power generated. There are also transmission losses that have been gradually rising from UGX 36.06 billion in 2016 to UGX 47.02 billion in 2021. This translates to an increase of 30% in 6 years.

[20] Office of the Auditor General, 2021. Report of the Auditor General to Parliament for the Financial Year ended 30th June 2021

[21] Office of the Auditor General, 2020. Report of the Auditor General to Parliament for the Financial Year ended 30th June 2020

Table 9: Transmission Energy Purchases and Sales for years 2016 – 2021

ASPECT	2016	2017	2018	2019	2020	2021
Energy Purchased (GWh)	3,549	3,867	4,079	4,384	4,391	5,024
Energy Sold (GWh)	3,400	3,716	3,925	4,228	4,228	4,818
Transmission Losses (GWh)	149	151	153	156	163	206
VALUE OF LOSSES						
Price per GWh (UGX millions)	242	237	244	233	259	228
Value of Transmission Losses (UGX billions)	36.06	35.72	37.29	36.33	42.23	47.02

Source: ERA

The deemed energy is largely paid through the electricity tariff that is paid by electricity consumer making power more costly[22]. Nevertheless, the Treasury meets the costs of deemed energy for Achwa dam. In FY2022/23, UGX 80 billion is required as expense for deemed energy[23] against a funding gap of UGX 193.31 billion for only Achwa dam[24].

Proposed Action

Parliament should fast-track appropriating funds towards development of evacuation or transmission networks. On average UGX 783.08 billion is required annually for the development of transmission and distribution network[25].

2.13 Inefficient Infrastructure Development Costs

In FY2017/18, concern was raised on the inflated costs of developing roads and ferries in Uganda. It was highlighted that average unit costs of road construction in Uganda are highest in Sub Saharan Africa. For instance, it was established that Hoima-Butiaba- Wanseko road (83 km) would cost UGX 444.12 billion translating to UGX 5.3 billion per kilometre as compared to sub-Saharan average cost of UGX 1.4 billion[26]. This prompted Parliament to appropriate funds for a study to determine unit costs that would inform costing and budgeting of roads construction, maintenance, rehabilitation and regraveling. A consultant was procured and report was expected in June 2020[27]. However,

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[22] Office of the Auditor General, 2021. Report of the Auditor General to Parliament for the Financial Year ended 30th June 2021

[23] Ministry of Finance, Planning and Economic Development, 2022. Circular on Finalisation of the Budget for FY2022/23

[24] Ministry of Energy and Mineral Development, 2022. FY2022/23 Ministerial Policy Statement

[25] National Planning Authority, 2020. NDPIII Sustainable Energy Development Programme Implementation Action Plan

[26] World Bank, 2008. Africa Infrastructure Country Diagnostic. Unit cost of infrastructure projects in Sub-Saharan Africa

[27] Ministry of Works and Transport, 2019. Annual Sector Performance Report FY2018/19

to date no report has been published or laid in Parliament. Hence the wide and inexplainable variations in costs of road constructions are bound to escalate[28].

Secondly, purchase of a new ferry is estimated at around UGX14 – 18 billion[29]. The Auditor General established in FY2015/16 that Uganda National Roads Authority (UNRA) was spending UGX14 billion for only 2 ferries operated by Kalangala Infrastructural Services (KIS) operating in Luuka and Bukakata in Kalangala islands. Therefore, in the long run it would be cheaper to purchase and operate ferries than contracting a service provider.

Proposed Action

The Ministry of Works and Transport should be instructed to table the report on unit costs of road construction in Uganda before the commencement of FY2022/23. The findings of the study will be critical in scrutinizing and informing the budgeting for roads construction in the country.

Given the prevailing need for ferries in the country, UGX 36 billion should be provided annually to purchase at least 2 ferries that would be managed by UNRA other than seeking out for contractors such as Kalangala Infrastructural Services.

I beg to submit.

[28] Ministry of Works and Transport, 2022. Integrated Transport Infrastructure and Services Program Performance Report FY2020/21

[29] Extracts of the Summary of Key Findings of the Annual Report of the Auditor General for the year ended 31st December 2016