

# CITIZEN'S GUIDE TO THE BUDGET FY 2021/22



Produced By:  
Ministry of Finance, Planning and Economic Development



Civil Society Budget Advocacy Group

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# FOREWORD

The Financial Year (FY) 2021/22 marks the second year of implementation of the third National Development Plan (NDP III). Government's policies and resource allocations for the fiscal year 2021/22 have principally been informed by the third National Development Plan. The theme for the financial year 2021/22 budget is 'Economic Recovery through Industrialization and Inclusive Growth.

The total approved budget for financial year 2021/22 is **Ushs. 44,778.8 bn**, Of which **Ushs. 29,999 bn** was appropriated by Parliament and **Ushs. 15,495 bn** is Statutory Expenditure. This will be financed using both domestic revenue and external financing.

The budget is premised on three (3) interlinked growth and development agenda: -

- i) Uplifting the wellbeing of the poor, the vulnerable, those in the subsistence households and the informal economy ;
- ii) Investing in social services and economic infrastructure; and
- iii) Ensuring peace, security, and good governance as a pre-requisite for national development.

In order to further strengthen the relationship between Government and the Public, consultations with the general public have and are being carried out through activities of the National Budget Month (NBM) FY 2021/22 which is part of the Budget Transparency Initiatives (BTI) implemented by Government.

I hope that this publication of the Citizen's Guide to the Budget will be useful to deepen your knowledge and understanding of the National Budget, to contribute towards improving the quality of public services delivered, through increased vigilance and monitoring of the implementation of the National Budget.

I would like to thank the Budget Transparency Initiative (BTI) and National Budget Month (NBM) partners for their support towards increasing citizens' knowledge and understanding of the National Budget. I encourage all of you, fellow citizens' to access all information on the Budget online by visiting the Budget Website **[www.budget.go.ug](http://www.budget.go.ug)** or by calling the Budget toll free hotline **0800229229**.

I thank you.

For God and my Country

  
Matia Kasaija (MP)

**MINISTER OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT**

**JULY 2021**

# GLOSSARY OF SELECTED TERMS

**Appropriation Act:** authorizes Government Ministries and Agencies to allocate and spend funds on selected programmes and projects.

**Approved Budget:** this is the appropriated budget and statutory budget by the Parliament of the Republic of Uganda, for a financial year. (1st July to 30th June).

**Budget:** This is an estimation of revenue and expenditure for specified future period of time usually a year.

**Budget surplus:** this refers to the period when government income exceeds the expenditures.

**Budget Deficit:** This occurs when Government expenditures exceed the revenue.

**Chart of Accounts:** is a financial organizational tool that provides a complete listing of every account in an accounting system.

**Concessional loans:** Loans extended on terms substantially more generous than market loans. The concessionality can be achieved either through interest rates below those on the market or by grace periods, or a combination of these. Concessional loans usually have long grace periods. These are usually provided by Multilateral Agencies e.g World Bank.

**Contingencies Fund:** This is a fund created to meet some urgent or unforeseen expenditure of Government.

**Development Partner:** a country/ Institution that offers assistance in form of funds, machinery, experts and several others to another country.

**Domestic Financing:** is the amount of money raised by Government, in local currency and from its own residents mostly through the commercial banks and issuing Government securities( Treasury bills, Bonds etc)

**Domestic Product (GDP):** Is the monetary value of all finished goods and services produced within a country's borders in a specific time period.

**Economic Growth:** increase in the amount of goods and services produced in a country over a period of time, usually one year.

**External Financing:** resources in form of loans and grants that was previously

# GLOSSARY OF SELECTED TERMS

referred to as donor funding in the budget documents. The change in the name was made to ensure conformity in the international nomenclature.

**Grants:** are non-payable funds or products disbursed by one party often a Government Department, Corporation, Foundation or Trust. These are provided for mostly by bi-lateral Development Partners.

**Integrated Financial Management System:** this is an IT based budgeting and accounting system that manages spending, payment processing, budgeting and reporting for Governments and other entities.

**Inflation:** is a sustained increase in the general price level of goods and services in an economy over a given period of time.

**Investment (capital purchases):** these relate to purchase of capital assets.

**Item:** these are the lowest operational level of the budget and represent the resources necessary to carry out activities e.g staff salaries, travel inland, printing and stationery etc.

**MTEF:** is a plan that shows the amount of money that Government intends to spend in the next five years.

**Programme:** This forms a group of institutions (votes) or parts of institutions which contribute towards a common function for example, Agro-Industrialisation.

**Release:** Central Government transfer of funds to Ministries Departments and Agencies (including supplementary schedule) from the Consolidated Fund.

**Statutory Expenditure:** Expenditure charged directly on the Consolidated Fund by the constitution or an act of Parliament.

**Trade Deficit:** is an economic measure of a negative balance of trade in which a country's imports exceeds the export of goods and services.

**Taxes:** these are financial charges or other levies imposed upon a tax payer (an individual or legal entity) by a state or the functional equivalent of the state to fund various public expenditures. In Uganda, tax revenues are collected by URA these include income tax, VAT, excise duty, custom duties among others.

**Votes:** these are Institutions (Ministries, Departments, Agencies and the Local Governments) which form the basis for budget allocations and accountability e.g Ministry of Education, Ministry of Public Service etc.

# ACRONYMS

|          |  |
|----------|--|
| COVID-19 | Corona Virus Disease 2019              |
| DTS      | Digital Tax Stamps                     |
| EFD      | Electoral Fiscal Device                |
| FY       | Financial Year                         |
| GDP      | Gross Domestic Product                 |
| GIS      | Geographical Information System        |
| GoU      | Government of Uganda                   |
| IFMS     | Integrated Financial Management System |
| MTEF     | Medium Term Expenditure Framework      |
| NCD      | Non-communicable Diseases              |
| NDP III  | Third National Development Plan        |
| NIN      | National Identification Number         |
| PBB      | Programme Based Budgeting              |
| PBS      | Programme Budgeting System             |
| PDM      | Parish Development Model               |
| TAT      | Tax Appeals Tribunal                   |
| TIN      | Taxpayer Identification Number         |
| UNOC     | Uganda National Oil Company            |
| UPE      | Universal Primary Education            |
| URA      | Uganda Revenue Authority               |
| VAT      | Value Added Tax                        |

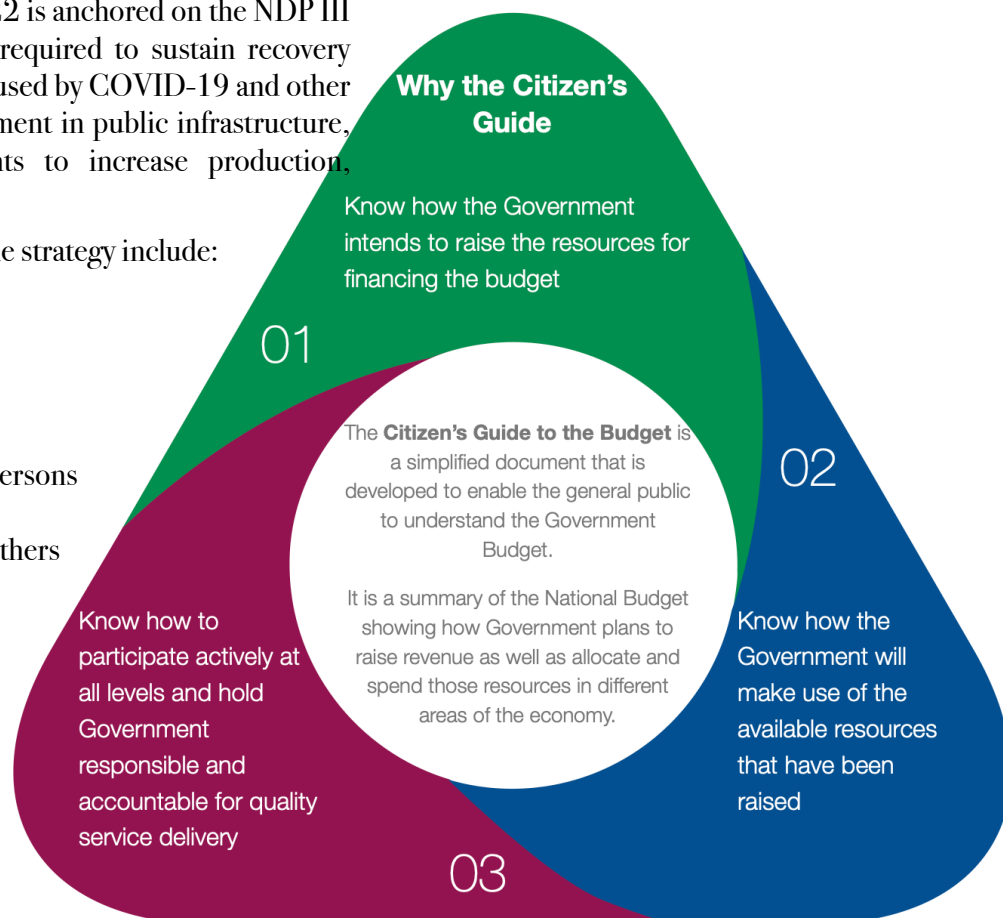
# Introduction

## Focus in FY 2021/22

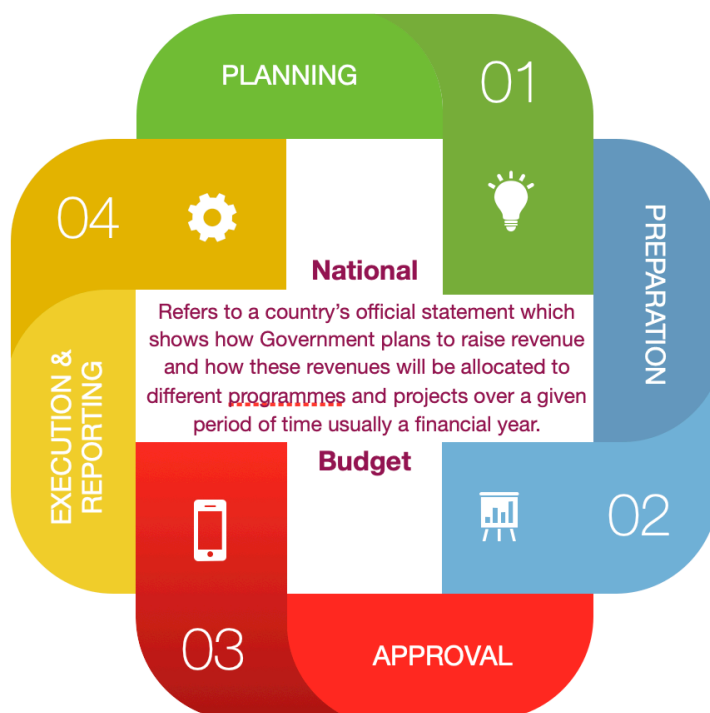
The Budget Strategy for FY 2021/22 is anchored on the NDP III and it is focused on interventions required to sustain recovery from the socioeconomic setbacks caused by COVID-19 and other internal and external shocks, investment in public infrastructure, and supporting private investments to increase production, productivity and jobs.

The priority interventions guiding the strategy include:

- Defense and security
- Railways and harbors
- Electricity
- Wealth creation
- Roads
- Compensation for war affected persons
- Health
- Water for consumption among others



## The Budget Process



### Planning

Preparation of strategic documents that will guide spending in the next financial year.



### Preparation

Preparation of the draft budget for the next financial year.



### Approval

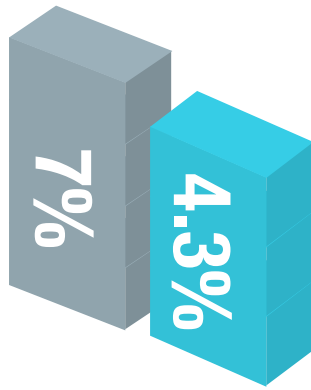
Discussion review and approval of the draft by Cabinet and Parliament.



### Execution and Reporting

Implementing of the activities set out in the approved Budget and reporting on the progress of implementation of these activities.

# ECONOMIC & GROWTH STRATEGY



Economic Strategy for the FY 2021/22, and the medium term aims to achieve faster and inclusive growth and socio-economic development by raising growth rates from 4.3% to at least 7% in the medium term.

These growth targets will be achieved through:

## 1. Restoring the economy back to the medium term growth path for socio-economic transformation through implementing the following:

- Boosting business of the private sector that is Micro, Small and Medium Enterprises by extending COVID relief, expanding the regional and continental market access as well as increasing access to long term affordable capital
- Supporting regionally balanced growth to create a centre for development along the north to the west i.e. create better linkage between production at the local level and processing facilities
- Commercialize minerals, Oil and Gas resources to obtain the greatest benefits from adding value to the Country's resources



- ## 2. Improving the well being of the population to ensure a healthy and skilled workforce
- ## 3. Providing peace, security and good governance as a pre-requisite for national development.

# Uganda's Economic Performance and Outlook

## Economic Growth

refers to the increase in the capacity of an economy to produce goods and services compared from one period of time to another. Economic growth is measured using the Gross Domestic Product (GDP). GDP is projected to grow by 3.3% in FY 2021/22 compared to the 3.0% growth in FY 2020/21

## Exchange Rates

refers to the value of Ugandan shillings against other currencies. The Uganda shilling faced appreciation pressures against the major global currencies during the month of March but remained relatively stable. The shilling has since the start of the financial year been appreciating by 0.2% against the US Dollar every month.

## Inflation Rate

refers to the increase in the general price of goods and services. The annual headline inflation was recorded at 2.1% in April 2021 up from 2.7% in the month of March.

## Interest Rates

In March 2021, The Central Bank Rate (CBR) was 7.0% and this has been the same since June 2020. The lending rates in December edged downwards to 17.5% from 19.60% in November 2020.

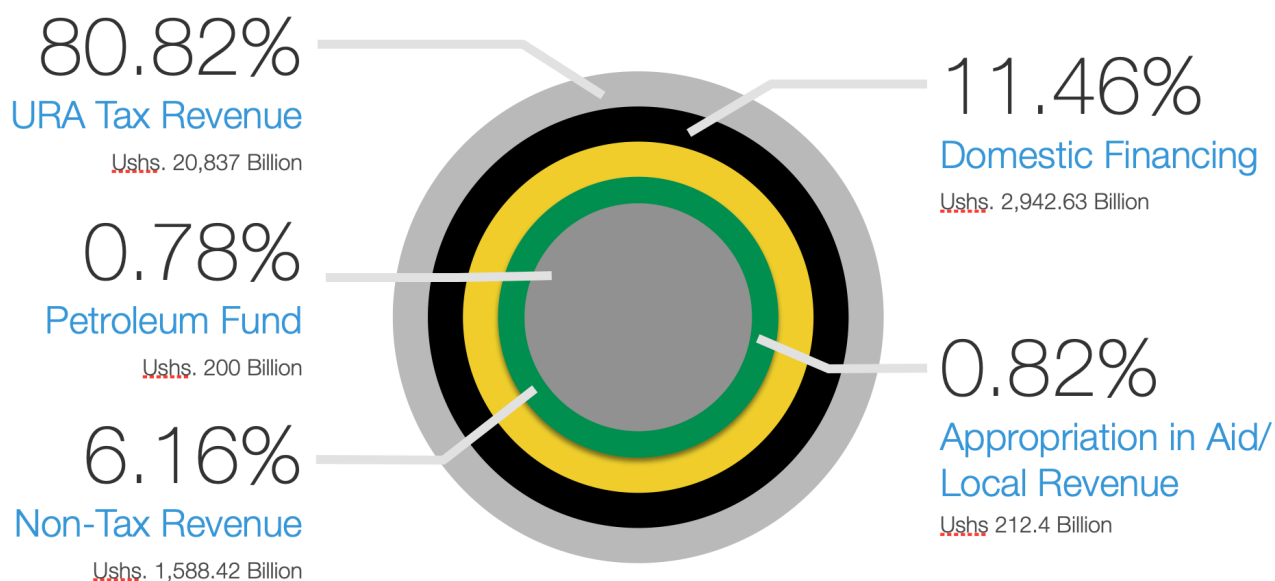
## Private sector Credit

refers to the money that is available to the private sector from financial institutions for example banks. It is accessed through borrowing, buying goods on credit, among others. The stock of private sector credit stood at Ushs. 17,981.9 billion at the end of March 2021 which marks an annual growth of 12.8%.

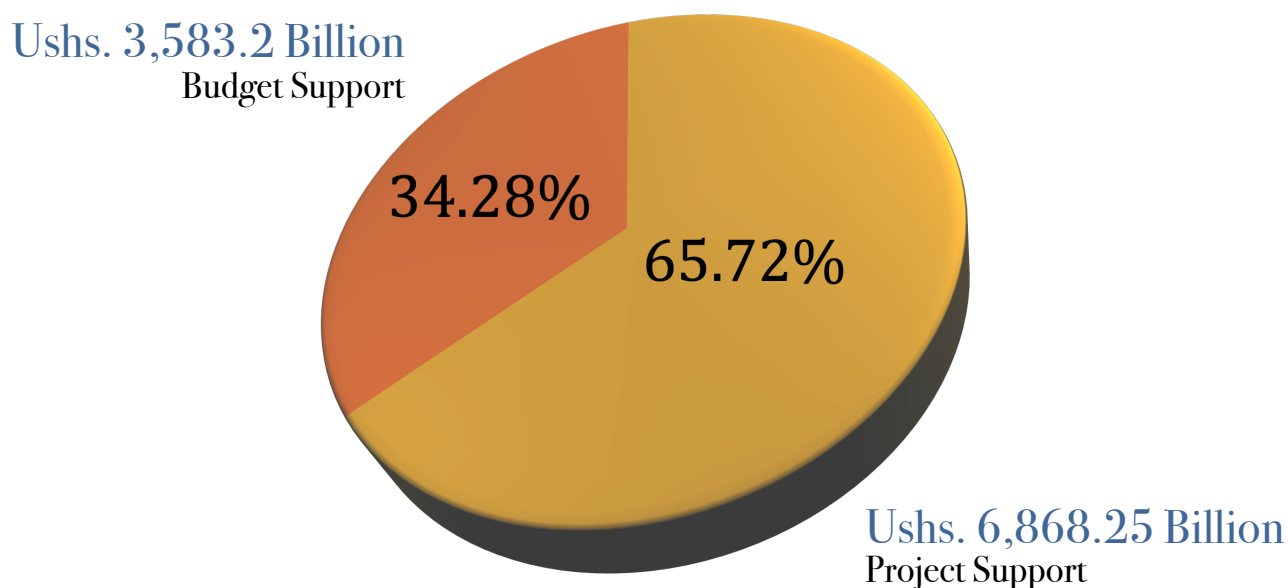
# OVERVIEW OF FY 2021/22 BUDGET

The budget for FY 2021/22 amounts to **Ushs. 44,778.8 Billion** comprised of Domestic Revenue amounting to **Ushs. 25,780.38 Billion** and External Financing amounting to **Ushs. 10,451.45 Billion**

## Domestic Revenue funding sources for FY 2021/22 Budget (Ushs. 25,780 Bn)



## External Funding Sources for the FY 2021/22 Budget (Ushs. 10,451 Bn)



## Tax Measures FY 2021/22

Administrative measures to be implemented by Government in the FY 2021/22;

- ☼ Strengthen arrears management and recovery by following up the established tax payer ledger balances for recovery. **50 bn**
- ☼ Enhance data analysis to determine tax payer compliance behavior. **20 bn**
- ☼ Review the withholding tax agents by revising the withholding tax list and effectively monitor their compliance throughout the year. **55 bn**
- ☼ Leverage technology by enhancing e- Tax functionalities and using drones to enhance compliance management. **10 bn**
- ☼ Improve and strengthen tax compliance enforcement with sister agencies that continually regulate and update respective registers for new parties. **35 bn**
- ☼ Enhance cargo management and accountability in bonded warehouses. **10 bn**

| S/N | Tax Measures   | Expected Revenue Gain (Ushs. Bns) |
|-----|--|-----------------------------------|
|     | <b>Income Tax</b>  |                                   |
| 1   | Reduce depreciation rates for all assets in class two to class four at a depreciation rate of 20%  | 30                                |
| 2   | Discontinue concurrent deduction on initial allowances in the first year of use of the qualifying asset  | 20                                |
| 3   | Reform taxation on rental income to harmonize the tax regime for rental income derived by individuals and non-individuals with that of individuals     | 45                                |
| 4   | Reform taxation on rental income Individuals without proper records will take a 50% deduction in lieu of business expenses                             | 20                                |
|     | <b>Excise Duty</b>   |                                   |
| 1   | Introduce excise duty of 60% or UGX 950 per litre whichever is higher on all other fermented beverages including cider, perry, mead, spears, near beer | 10                                |
| 2   | Introduce an excise duty of 30% or UShs. 230 per litre whichever is higher on any other value alcoholic beverages e.g Mukamanayamba, Kombucha etc      | 2.5                               |
| 3   | Used Motor Vehicle and motor cycle Spare Parts Increase the Environmental Levy from 20% to 35%.  | 0.5                               |
| 4   | Introduce a harmonized excise duty rate of 12.0% on airtime, value added services and internet data  | 60                                |
|     | <b>Value Added Tax</b>   |                                   |
| 1   | Remove the exemption on the supply of all production inputs into limestone mining and processing into clinker in Uganda                                | 10                                |

| S/N | Tax Measures   | Expected Revenue Gain (Ushs. Bns) |
|-----|--|-----------------------------------|
| 2   | Remove the exemption on the supply of all production inputs into iron ore smelting into billets and the supply of billets for further value addition in Uganda | 20                                |
|     | <b>Customs Duty</b>  |                                   |
| 1   | Introduce an export levy of Ushs. 70,000 per kg of fish maw  | 10                                |
| 2   | Introduce an excise duty of shs 100/kg on imported Wheat Grain   | 50                                |
| 3   | Impose an import duty at a rate of 10% on imported Crude palm oil  | 40                                |

# KEY PROGRAMME INTERVENTIONS FOR FY 2021/22

## AGRO-INDUSTRIALIZATION



Develop Commodity Value Chains that link national, regional, district and sub-county level commodity off-takers to private nucleus farmers engaged in the production of the 18 key commodities namely maize, cassava, banana, beans, Irish potato, sweet potato, millet, sugar cane, cattle (beef), dairy, coffee, tea, cocoa, and fish.



Build parish and sub-county centers and district and regional warehouse storage capacity with adequate equipment to address post-harvest losses and ensure standards are maintained.



Provide affordable long-term agricultural financing and insurance to reduce the risk from entrepreneurs at all levels of the Commodity Value Chain.

Develop market infrastructure to enable the private sector to take advantage of the export market opportunities including the African Continental Free Trade Area.

Other interventions under agro-industrialization for implementation in FY 2021/22;

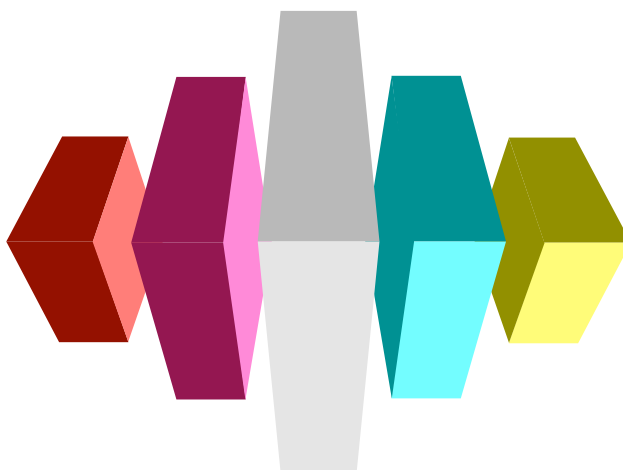
- ❖ Development of Luwero Fruit Factory and the masterplan for Zombo Fruit Factory;
- ❖ Construction of storage facilities of 42,000 Metric Tonnes capacity in Iganga, Isingiro, Amuru, Kalungu, and Nebbi as well as construction of 2 storage facilities, 6 milk collecting centres, 12 food processing plants and 18 Value addition facilities
- ❖ Operationalization of 20 Zonal Industrial hubs for skilling, wealth creation and value addition
- ❖ Improving the quality of agricultural inputs through the implementation of the digital stamp for agro-inputs to protect against counterfeit products;
- ❖ Increasing capacity for Water for Production by constructing Achomai, Igogero and Atari large scale irrigation schemes.
- ❖ Creation of enabling environment through further recapitalization of the UDB and UDC to finance the development of agro-industries.
- ❖ Under the AgriLED strategy, establish the Kabarole Agro-Industrial Park, two (2) Regional Value Addition Incubation Centres (RVAICs) in Kasese and Gulu; and two (2) Regional Farm Service Centres (RFSCs) in Gulu and Kabarole .

Budget Allocation for the Agro-Industrialization Programme is **Ushs. 1.67 Trillion**

# Mineral Development

Explore all the geothermal resources targets to quantify the geothermal potential of the country and promote the development of Kibiro IV, Katwe, Buranga and Panyimur geothermal prospects

Establishment of mineral reserves identified earlier in 80% of the country



Finalization of the mining law and enhancing PPP arrangements to develop

Budget Allocation for the Mineral Development Programme is **Ushs. 49 Billion.**

## Tourism Development

- Promotion and Marketing of Uganda's Tourism to keep a presence in the international market while at the same time intensifying efforts on domestic tourism. Ushs. 13 Billion has been allocated towards tourism marketing;
- Tourism Product Development to sustain competitiveness during and post COVID-19;
- The upgrade of Uganda Hotel and Tourism Training Institute in Jinja and the Uganda Wildlife Research and Training Institute to enroll 350 new students ;
- Consolidating and enhancing mitigation of human-wildlife conflicts through expansion of electric fencing, trenches, buffer crops and other barriers

Budget Allocation for Tourism Development Programme **Ushs. 181 Billion**



# Innovation, Technology Development and Transfers

In FY 2021/22, the following interventions will be implemented under the Programme;

- Finalization of the detailed designs and commencement of the construction of the National Automotive Park;
- Government will continue to support scientists, engineers, researchers, and technologists involved in the research and manufacture of Personal Protective Equipment (PPE).

Budget Allocation for the Innovation, technology development and transfers Programme is **Ushs. 358.5 Billion**

## Integrated Transport Infrastructure and Development

With a Budget Allocation of **Ushs. 5.1 Trillion**, the following priorities under the Programme will be implemented in FY 2021/22:



*Rehabilitation and procurement of ferries as well as construction of selected landing sites*



*Acquire right of way for the SGR and rehabilitation of Tororo - Gulu Railway, Kampala-Malaba Railway line and Gulu-Pakwach Railway*

*Upgrade 400km of national road from gravel to tarmac and rehabilitation of 200km equivalent of national roads*



*Construction of 37 new bridges of National Road and 400km of rehabilitation of Community Access Roads*

*Expansion and Upgrade of Entebbe International Airport and Development of Kabaale Airport*



*Support the National Airline and maintenance of upcountry aerodromes to support tourism*

# Energy Infrastructure and Services

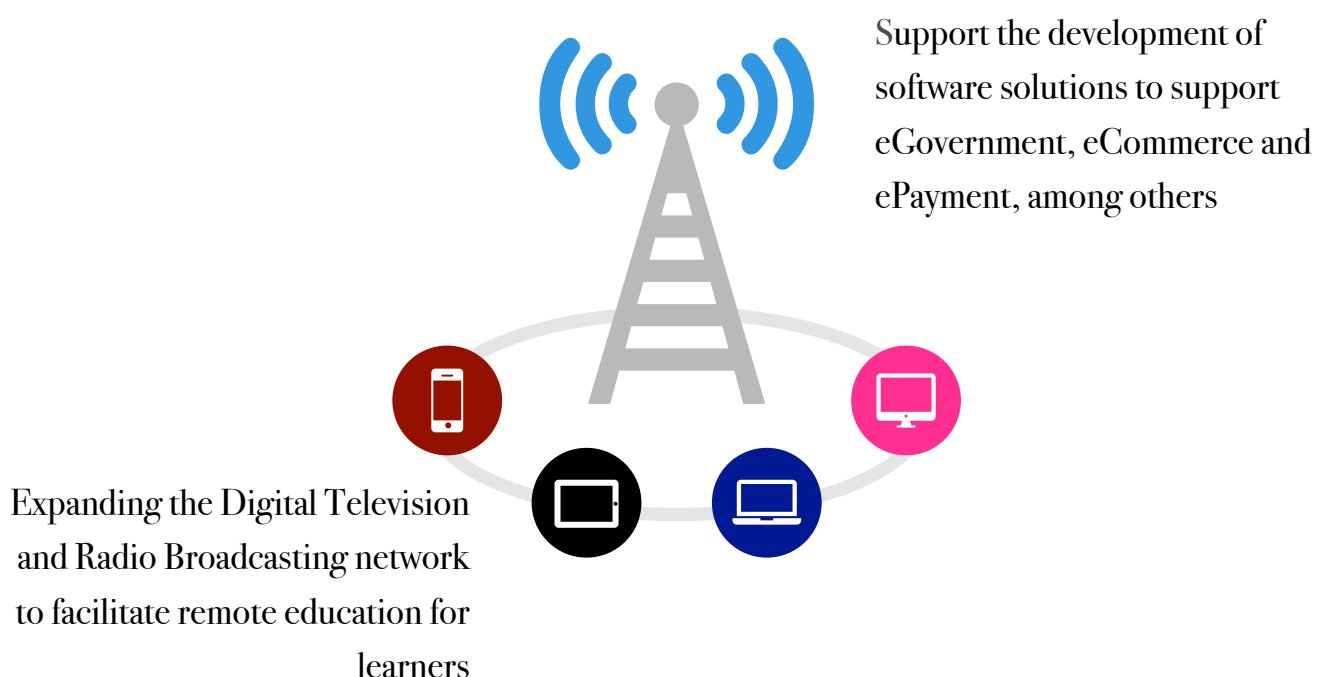
In FY 2021/22, the following interventions will be undertaken:

- ✓ Development of power generation, transmission, and distribution infrastructure to ensure the provision of reliable and affordable energy;
- ✓ Implementation of the Electricity Connections Policy and other projects geared towards increasing electricity Access;
- ✓ Implement measures for, the continued reduction of energy losses and curbing vandalism of electricity infrastructure;
- ✓ Implement measures to achieve affordable Electricity Tariffs; and
- ✓ Promote Renewable Energy, Energy Efficiency and Conservation .

*Budget Allocation for the Development of Energy Infrastructure and services is Ushs. 1.1 Trillion*

## Digital Transformation

Budget Allocation for the Digital Transformation is **Ushs. 134.9 Billion**



# Human Capital Development

**The Health Services Priorities for FY 2021/22 include;**

## COVID-19

Procure CoVID-19 vaccines, Personal Protective Equipment and speeding up clinical trials of the locally development treatment solution



## SUPPLY OF MEDICINES

Ensuring adequate and timely supply of essential medicines and health supplies to all health facilities countrywide

## CONSTRUCTION AND UPGRADE

Construct and equip the Uganda Heart Institute as well as upgrading Forty three (43) health facilities across the country



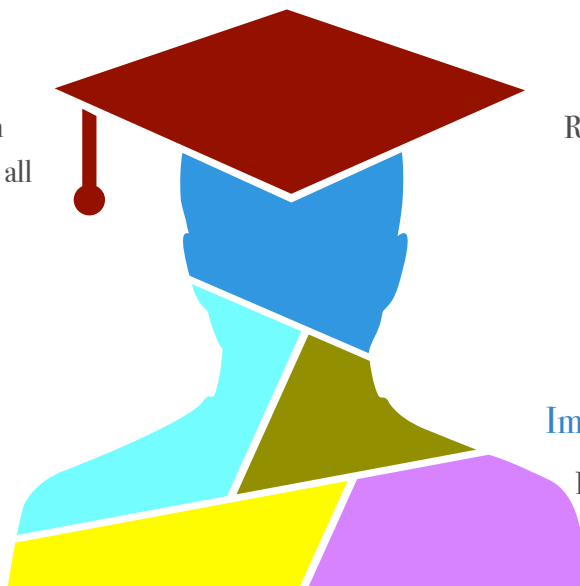
**The Education Services Priorities for FY 2021/22 include;**

### ● Improve Efficiency and Effectiveness

Rollout the Integrated Inspection System (electronic inspection) to all districts

### ● Raise the National Staffing Levels

Recruit 4,198 primary primary school teachers as well as recruit 1,055 secondary school teachers respectively



### ● Improvement of Inspection Function

Rehabilitation of schools and civil works in skills development institutions

Recruit 440 inspectors across Local Governments

### ● Improve Learning Conditions

Rehabilitation of several primary and secondary schools

**Budget Allocation for the Programme in FY 2021/22 is Ushs. 7.7 Trillion**

# Water and Sanitation

## Rural Areas

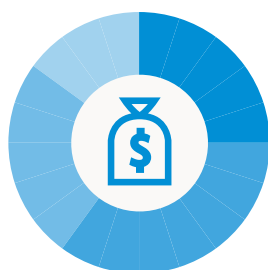


**Increase household  
access to base safe and  
affordable water**

## Urban Areas



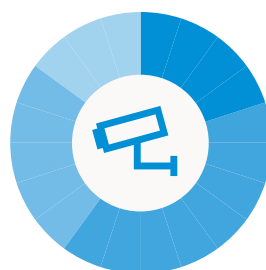
## Governance and Security



**PROGRAMME BUDGET**  
Ushs. 6.9 Trillion has been  
allocated



**ENHANCE NATIONAL PEACE  
AND SECURITY**  
Implementation of several  
projects under the  
Programme

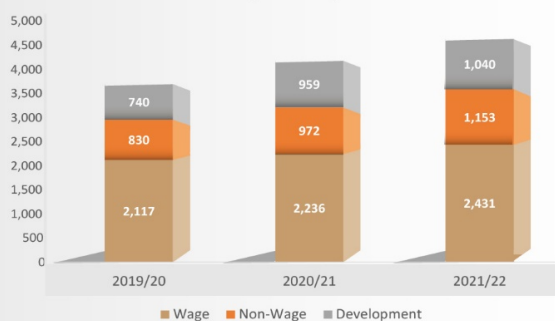


**IMPROVE SAFETY OF URBAN  
AREAS**  
Implementation of Phase III of  
the safe city CCTV project

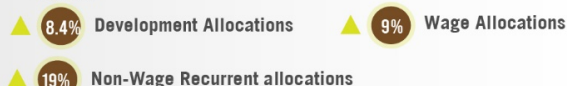
# LOCAL GOVERNMENT GRANTS FY 2021/22

This represents a nominal increase of 11% from 2020/21 - a Shs 456 bn increase.

Total Grants 2019/20-2021/22 (Ushs Bn)



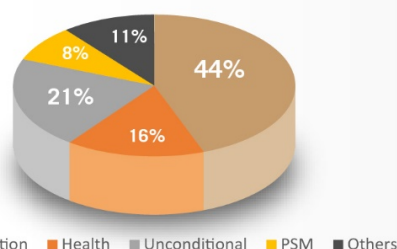
## GROWTH



## 81% of Grant Transfers are for Education, Health and Unconditional Grants

Unconditional grants can be spent at the discretion of Local Governments on Local priorities

Total Grants FY 2021/22 by Sector



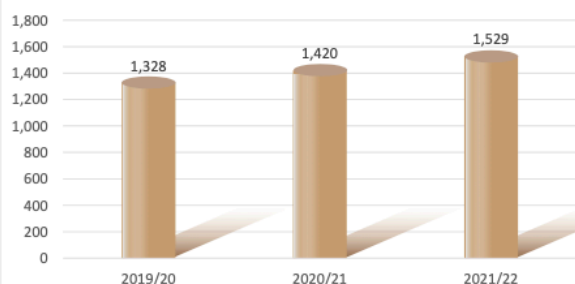
## PERCENTAGE SHARE OF LOCAL GOVERNMENT TRANSFERS



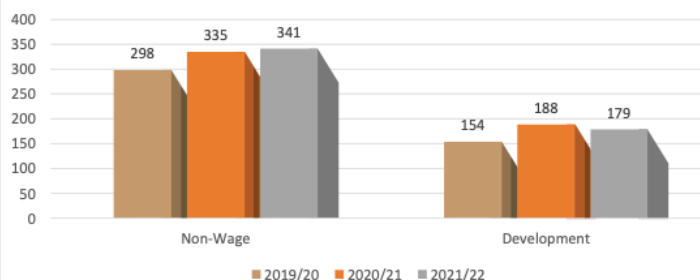
Despite the fiscal impact of the ongoing COVID-19 pandemic, spending on key social sectors was protected in the FY 2021/22 budget. Nominal grant allocations increased by 5.4% in the education sector, and 17.5% in the health sector. In addition, nominal allocations to the Water & Environment sector were maintained at FY 2020/21 levels.

## Education Sector

Education Wage Grant (Ushs Bn)



Education Non-Wage & Development Grants (Ushs Bn)

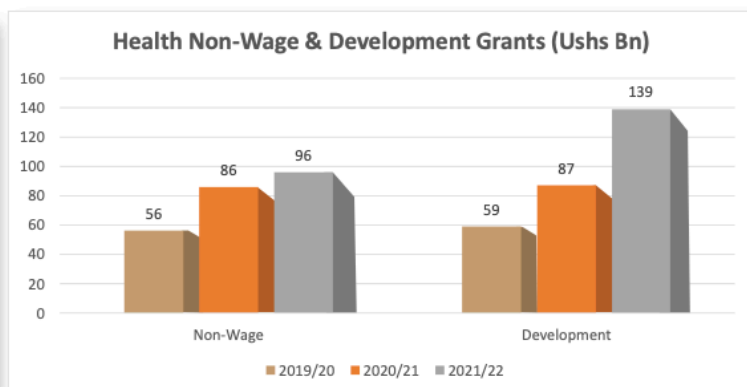
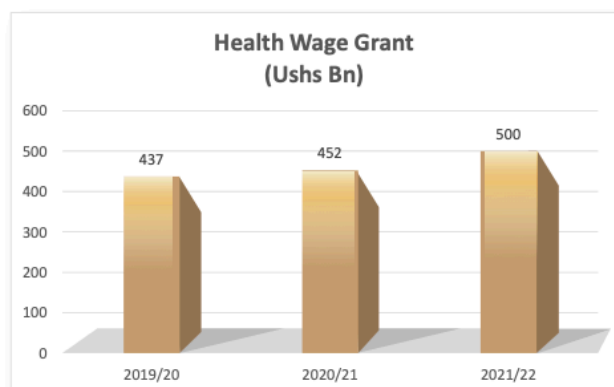


## How are these funds being spent? Highlights:



- Construction & operationalisation of 117 seed schools is finalised out of the planned 232 in subcounties without government secondary schools;
- Rehabilitation of 21 Technical Schools;
- Funding maintenance and repairs of existing primary/secondary schools (30% of Development grant);
- Funding operational needs of primary and secondary schools and the District Education Offices (DEOs) inspection and monitoring activities;
- Recruitment of approximately 5,000 primary education teachers and 2,000 secondary education teachers for the least-staffed schools across the country.

# Health Sector

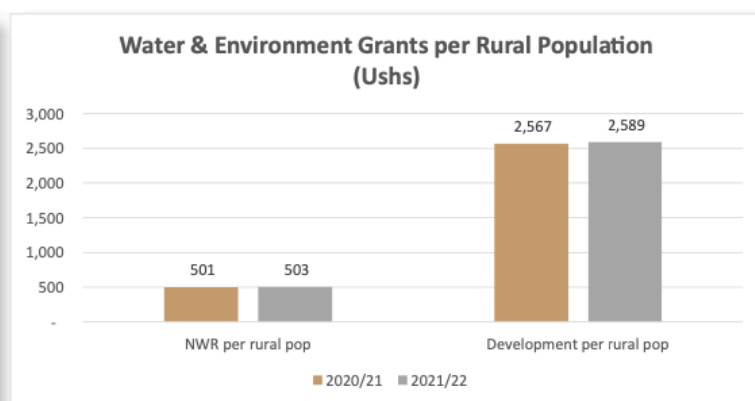
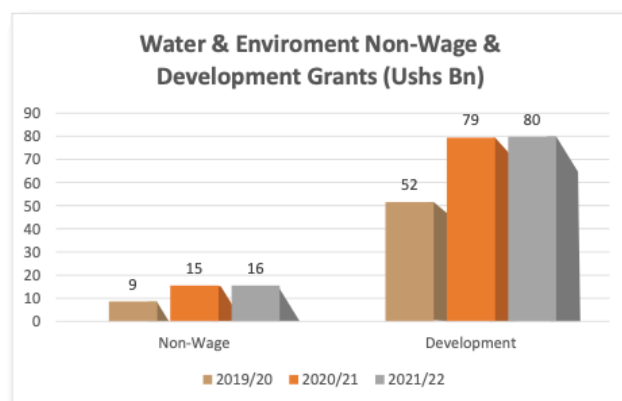


## How are these funds being spent? Highlights:



- Upgrade & operationalisation of 186 centres IIs to IIIs is being finalised out of planned 285 in subcounties with health centre III;
- Funding maintenance and repairs of Existing Primary Care Facilities (32% of Development grant);
- Funding operational needs of health centres and hospitals and oversight activities by District/Municipal Health Offices (DHOs);
- Recruitment of approximately 2,500 health workers for the least-staffed primary health care facilities across the country.

# Water and Environment Sector



## How are these funds being spent? Highlights:

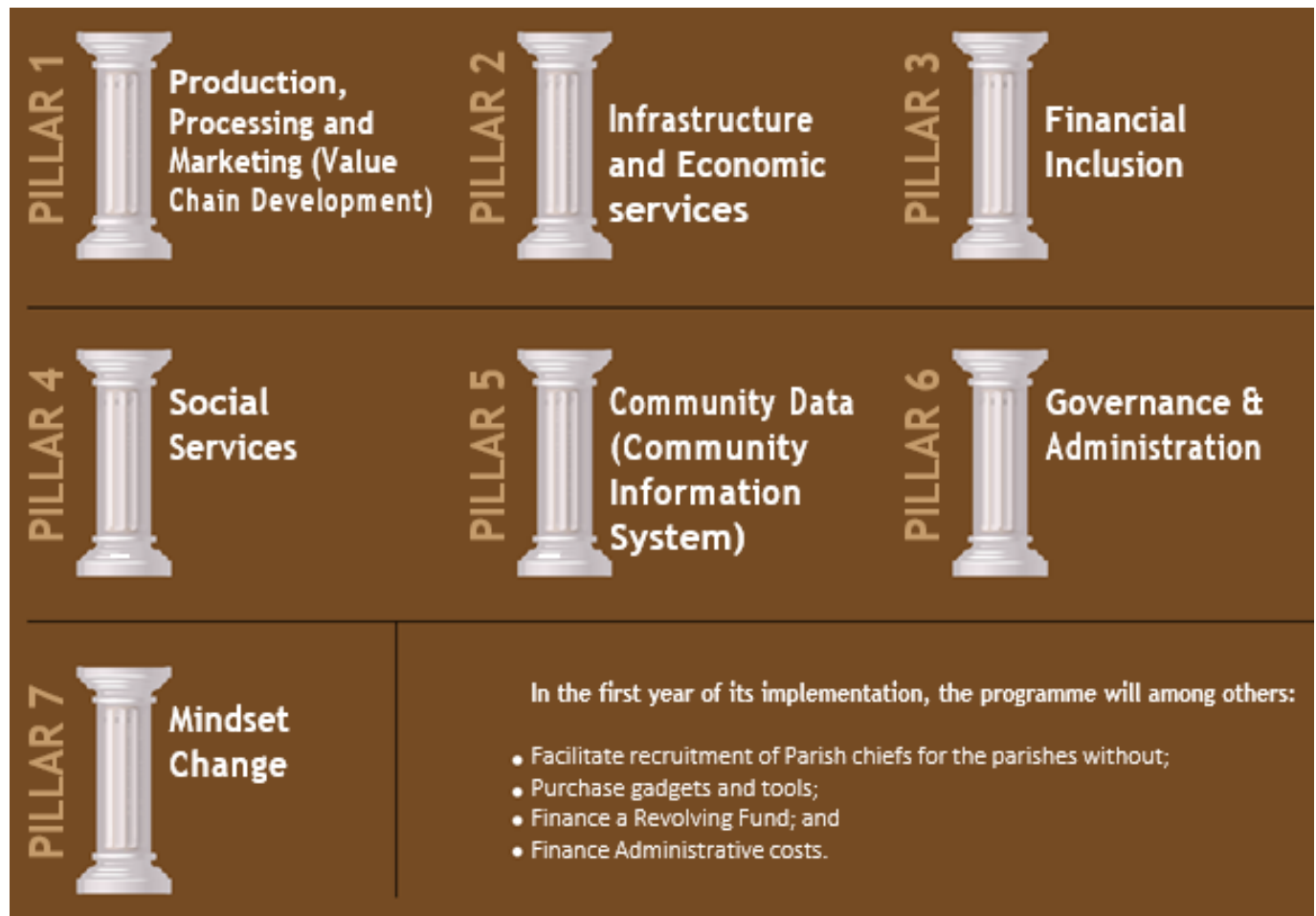


- Funding the construction of new water sources in rural areas and the maintenance and repair of existing ones (i.e. Development grant);
- Operational needs of the Local Government Water & Sanitation departments (80% of Non-Wage grant);
- Operational needs of Natural Resources & Environment local government departments (20% of Non-Wage grant).

# PARISH DEVELOPMENT MODEL

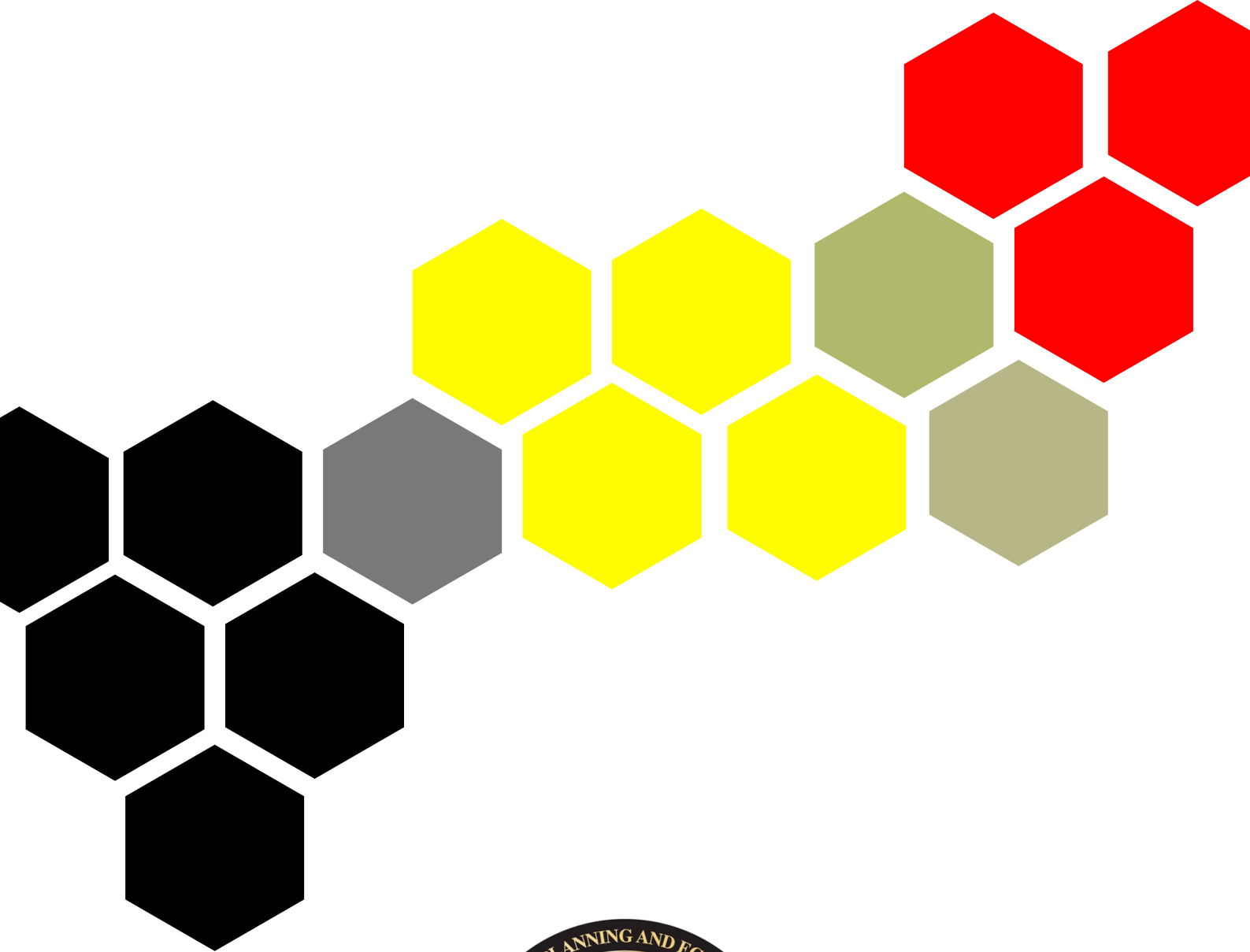
This is the main delivery mechanism for graduating 39% of households from subsistence to monetized economy to attain rapid socioeconomic transformation.

The PDM is premised on seven pillars



In FY 2021/22, **Ushs 200 billion** was approved by Parliament as the funds allocated to the implementation of the PDM.

Of this, **Ushs 73.44 billion** is for preparatory activities, while **Ushs 126.56 billion** is for the Parish Revolving Fund (PRF). This translates into an allocation of **Ushs 11,946,385** for each of the 10,594 Parishes.



Ministry of Finance, Planning and Economic Development

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