



**BPD/86/427/03**

7<sup>th</sup> October 2022

## **PRESS BRIEF ON QUARTER TWO EXPENDITURE RELEASES FY 2022/23**

1. I wish to welcome the Media and other Stakeholders to this press briefing on the Economic Performance and Quarter Two (Q2) Expenditure Releases for FY 2022/23.
2. The objective of this briefing is to provide an overview of the economy, the releases made to date for the first half of this financial year and highlights of the second Quarter releases which were issued on 30<sup>th</sup> September 2022.

### **A. ECONOMIC PERFORMANCE**

#### **Economic Activity**

3. In Financial Year 2021/2022, revised estimates from UBOS show that the economy grew by 4.7% exceeding the initial expectation of 3.8% as the economy continues to recover from the effects of COVID-19 pandemic, the emerging shocks notwithstanding.
4. Performance so far, this financial year indicates that the economy has continued on its recovery path as shown by high frequency indicators of economic activity. The Purchasing Managers' Index (PMI) improved to 51.6 in September from 48.2 in July mainly on account of recovery in aggregate demand and the associated increase in output by businesses. The Composite Index of Economic Activity (CIEA) also increased to 151.63 in August 2022 from 150.54 in July 2022.
5. For Financial Year 2022/23, the growth projection has been revised with the most recent projection estimated at 5.3% down from 6.0% due to lower projected global growth, higher inflation

*Mission*

*"To formulate sound economic policies, maximize revenue mobilization, ensure efficient allocation and accountability for public resources so as to achieve the most rapid and sustainable economic growth and development"*

and dry weather conditions that affected food crop production. However, there is a positive outlook on growth supported by Government interventions like the Parish Development Model and public & private investments especially in the oil and gas sector.

### **Inflation and Exchange rates**

6. Domestic prices continue to rise with Annual Headline Inflation increasing to 10% in September 2022 from 9% recorded in August 2022. This was mainly driven by;
  - i. The depreciation of the shilling due to strengthening of the US dollar which has affected prices of imports (imported inflation). The Uganda Shilling depreciated against the US Dollar to Shs 3,832.4 per USD in August from Shs 3,791.6 per USD recorded the previous month.
  - ii. Increase in price of food items (beans, matooke, tomatoes, Irish potatoes etc) whose harvest was affected by the dry weather conditions experienced at the beginning of this financial year. However, with the onset of rains, the prices of food items are projected to come down in the second half of the financial year. Fuel prices have also peaked and show signs of lessening.
7. Government's policy response in curbing inflation therefore requires coordination between both monetary and fiscal policy. On the monetary side, Bank of Uganda increased the Central Bank Rate (CBR) to 9% in August and 10% in October 2022, and the Ministry of Finance, Planning and Economic Development implemented supportive fiscal policies in the first Quarter of this Financial Year, which has helped to slow down inflation without compromising continued economic recovery.

### **Fiscal Sector Performance**

8. As I mentioned earlier, the quarter one releases were constrained due to the need to support monetary policy in curbing inflation. However, there was much better revenue performance than had been projected.



9. On the revenue side, the months of July to September 2022 registered a surplus of **Ushs 177.9 billion**, thereby improving Government's financial position.
10. The Quarter 2 expenditure releases have been set, taking into account the improved performance in revenue and need to support continued economic recovery and growth while balancing this objective with ensuring macroeconomic stability, particularly by controlling inflation.

**B. APPROVED BUDGET AND RELEASES FOR HALF YEAR FY 2022/2023**

11. The Approved Budget for Financial Year 2022/23 amounts to **Ushs 48.130 trillion** summarized in the table below.

**Table 1: Half year Budget Performance for FY 2022/23.**

Category	Budget	Half Year	%
Wage	6,375.58	3,605.80	56.6%
Non Wage	11,113.89	5,808.85	52.3%
GOU Devt	7,849.81	3,019.75	38.5%
Arrears	661.95	701.15	105.9%
<b>Total GoU</b>	<b>26,001.22</b>	<b>13,135.55</b>	<b>50.5%</b>
Debt	15,174.17	7,880.06	51.9%
Ext. Fin.	6,716.17	3,947.99	58.8%
Local Revenue	239.11	-	-
<b>Grand Total</b>	<b>48,130.68</b>	<b>24,963.60</b>	<b>51.9%</b>

12. From the table above, the GOU Budget less Debt, External Financing and Local Revenue amounts to **Ushs 26.0 Trillion**, and of this amount, **Ushs 13.13 trillion** has been provided for the first half of this financial year. This amounts to 50.5% of the approved Budget for FY 2022/23.

**C. HIGHLIGHTS OF QUARTER TWO EXPENDITURE FY 2022/23**

13. In the preparation of the Quarter Two release, the following were taken into consideration:

- i) The need to support continued economic recovery and growth, and therefore focus on key growth areas;
- ii) The need to pay certificates already issued on contracts to avoid accumulation of arrears and impairing private sector performance; This has been prioritized given that we did not make a release for development expenditure in the first quarter for almost all MDAs;
- iii) Governments commitment to maintain an optimum balance between economic growth and macro economic objectives; and
- iv) Enabling operational funds under non wage recurrent without undermining the objective to control inflation that has risen to 10% in September.

14. In line with the above considerations, **Ushs 7,307 billion** which is GOU funding (excluding debt, external financing and local revenue) has been released for the second quarter of FY 2022/23. Below are the highlights of the second quarter release:

#### **Wage**

15. **Ushs 1,780 billion** has been released to ensure comprehensive provision for salaries, this includes enhancements for scientists, health professionals, Science Teachers/Tutors and Scientists in Public Universities.

#### **Non-Wage recurrent expenditure**

16. **Ushs 397.275 billion** has been provided for the Parish Development Model (PDM) – This therefore means that we have released 50% of the Budget for the PDM (**Ushs 529.7 billion**), all parishes should now be able to access **Ushs 50 million** each, by half year.
17. **Ushs 337.3 billion** for UNOC – This results in a 100% release of the Budget for UNOC for this Financial Year (**Ushs 672.3 billion**), this has been done to meet Government of Uganda's equity participating interests in the EACOP Company.
18. **Ushs 305.1 billion** has been released for operations of security institutions i.e Ministry of Defence (**Ushs 180.36 billion**), Police (**Ushs 64.5 billion**), Prisons (**Ushs 36.9 billion**) ISO and ESO (**Ushs 23.28 billion**).

19. **Ushs 265.95 billion** has been released for pension and gratuity for Q2. This also caters for the increment in pension due to salary enhancement for scientists and UPDF.
20. **Ushs 137.9 billion** has been provided to Uganda Road Fund for Road maintenance especially to cater for roads which are affected by the seasonal rains.
21. **Ushs 122.41 billion** has been provided to National Medical Stores to meet the obligations for purchase of drugs, this will ensure that 50% of the budget for drugs has been released to date.
22. **Ushs 30.273 billion** has been provided to agriculture institutions to cater for the planting season.

#### **GOU Development expenditure**

23. Under Capital expenditure, we have provided 33% of the Budget for MDAs with the following major releases:
- **Ushs 503 billion** has been provided to UNRA in Quarter Two for implementation of projects;
  - **Ushs 205 billion** for contractual obligations under Ministry of Energy and Mineral Development;
  - **Ushs 142 billion** for certificates and contractual obligations under Ministry of Works and Transport, and **Ushs 45 billion** for the requirements of the National Airline;
  - **Ushs 111 billion** for certificates under Ministry of Water and Environment;

#### **Local Government Releases**

24. A total of **Ushs 1,429 billion** has been released to Local Governments as follows:

• Wage	-	<b>Ushs 796.73 billion</b>
• Non-Wage	-	<b>Ushs 265.72 billion</b>
• Development	-	<b>Ushs 221.79 billion</b>
• USMID	-	<b>Ushs 144.28 billion</b>

25. Under the Education Sub-Programme, the balance on capitation grants for schools has been fully released to cater for

the Third term of the academic calendar which started in September.

26. In addition, the release caters for 33% of the Local Government development grants to enable them implement projects timely, the balance will be released in the subsequent quarters.
27. The budget balance for USMID has also been released to cater for payment certificates already issued on contracts to avoid accumulation of arrears.

### **The Quarterly Release Process**

28. I wish to remind all stakeholders that the Quarterly Release Timelines are as follows:
- i) MoFPED issues expenditure limits by the 10<sup>th</sup> day of the first month of the Quarter.
  - ii) Accounting Officers are required to submit to MoFPED requests for Accounting Warrants for wage, pension/gratuity, other non-wage and development budget within a week of issuance of the limits;
  - iii) Approval/rejection of release warrants and transfers by MoFPED for MDA's within 48 hours of receipt of warrant;
  - iv) Regarding Local Governments, based on the approval of the warrant by MoFPED, Accounting Officers enter warrants of the invoices for Direct Transfers to health facilities, sub counties, Town Councils, schools and Tertiary institutions.
  - v) Payments can then be effected by Accounting Officers.

## **KEY POLICY ISSUES FOR FY 2022/23**

### **Promotion of Local Content**

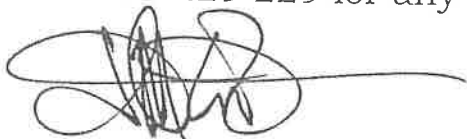
29. In line with the government policy on local content, Accounting Officers are reminded to ensure that priority is given to procurement of locally produced goods provided they are certified by the Uganda National Bureau of Standards (UNBS).

## **Decentralised Payroll Management**

30. Government decentralised salary and pension payroll management to the respective institutions so that Accounting Officers are accountable for any changes on the payroll and payments to public officers and pensioners. This policy has enabled timely payment of employees and verified pensioners.

## **CONCLUSION**

31. In conclusion, I would like to emphasize the following:
- i) All Accounting Officers must ensure that they pay wages, salaries, pensions and gratuity by the 28<sup>th</sup> of every month.
  - ii) Accounting Officers must prioritize payment of service providers in time and avoid accumulation of arrears.
  - iii) There should be display of the payrolls for salaries and monthly pensions on government institutions notice boards every month.
  - iv) Accounting officers must ensure timely submission of performance reports and accountability.
  - v) All government institutions should ensure pre-payment of utilities(water and electricity), failure to adhere to this, the service providers should turn off non-compliant votes.
32. MoFPED is committed to the timely release of funds to facilitate timely implementation of government programs in a bid to achieve our goals and objectives as a country.
33. Once again, I wish to thank the Press and Civil Society for supporting our budget transparency initiative and I urge you to make use of our website [www.budget.go.ug](http://www.budget.go.ug) where we post more detailed information. You may also call our Budget Call Centre on 0800 229 229 for any information on the Budget.



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**PERMANENT SECRETARY/SECRETARY TO THE TREASURY**