STATEMENT ON THE BUDGET STRATEGY AND PRIORITIES FOR THE FY 2014/15

By the Chairperson, Budget Committee

Your Excellency the Vice President of Uganda,
Honorable Prime Minister,
Honorable Ministers
Fellow Honorable Members of Parliament,
Your Excellence's representing various countries present,
Members of the Development Partners Group,
Members of the Local Governments Administration,
Members from the Civil Society Organizations,
Distinguished participants,
Ladies and Gentlemen,

Introduction

1. Your Excellency, and all distinguished participants, as you are aware, the Budget in essence is the single most important mechanism used by government to influence the social, economic and political life of the people of any nation. It is my great pleasure to make the following remarks as we begin the budget process for FY2014/15.

Budget Strategy

2. The country in the current Financial Year (F/Y) has experienced relative stability when compared to the economic turbulence that characterized the economy in the last FY2012/13.

   The Budget Committee recognizes the continued efforts for maintaining macroeconomic stability and accelerating economic growth as fundamental in achieving the countries development objectives. It also takes note of the interventions proposed by government in achieving this as outlined in the National Development Plan and Vision 2040. However like other strategies before, the implementation of the current National Development Plan and the Vision 2040 require focused scrutiny as most of the NDP targets have not been realized and the remaining time may not be enough to achieve the targets as set. The vision 2040 therefore, should be casted and the various resultant plans be integrated in the Budget Framework paper for effective implementation.

Budget Priorities for FY 2014/15 and Implementation Issues

3. The Committee notes that the Budget Priorities for FY 2014/15 will focus on the following areas: Maintaining Macroeconomic Stability and stimulation of economic growth, increasing stock of physical infrastructure with emphasis on transport, energy, information and community technology. It also focus on the Agricultural Sector through increased production and productivity; Human Resource and skills development with the aim of creating employment thus improve on the quality of population. Strengthening accountability for public resources as included among the priorities should boost service delivery to the population.

4. The committee also notes that there appears to be a decrease of 12% in the overall resource ceiling compared to FY 2013/14, and given an expected annual inflation rate of 5% by Bank of Uganda, the reduction is projected to be about 17**%.** The vulnerable groups are usually prone to bear the burden of such a significant reduction in the overall resource envelop in terms of the quantity and quality of services they receive. Efforts should be made to prevent this from happening.

Budget Implementation Challenges

5. The Committee appreciates the Budget Priorities as proposed by Government; however there is need to pay close attention to the following implementation challenges when budgeting for FY 2014/15. The Budget Committee recognizes that the Budget Strategy for the FY 2014/15 is as it was in F/Y 2013/14 giving priority to key infrastructure development and maintenance, production and improving the quality of public service delivery. The committee is however concerned that some deserving sectors have had little or in some no increment in their budgetary allocations and yet they are also crucial in supporting growth in the country. These include Agriculture and Tourism as the main ones.

6. The committee welcomes measures intended to strengthen governance and accountability for public resources for better service delivery. However it implores government to tackle the key challenges in service delivery such as; poor remuneration, staff absenteeism, weaknesses in planning, resource allocation and utilization, inadequate monitoring, supervision and reporting. The weaknesses in procurement management MUST be handled if the plans as laid out in the budget are to be achieved on time.

7. While Government intends to mobilize resources from both external (borrowing and grants etc) and internal (domestic tax revenue and non tax revenue) to finance her expenditures, the Committee observes that unless the mobilized resources are efficiently (in real terms) invested in productive and wealth creating sectors of the economy, resources alone will not result into sustainable growth of the economy in the long run. An increase in borrowing raises the cost of macroeconomic management and also reduces resources available to finance the budget in the future. The Committee retaliates its earlier recommendation that Government fast tracks a review of its debt strategy,(which expired in 2010), to take into account the oil sector developments. Government should come up with better measures that ensure timely and efficient utilization of externally mobilized resources.

8. The committee welcomes measures to strengthen public finance management and control systems in order to fight corruption and theft of public resources at all levels. More specifically linking resource allocation to development results, alignment of work plans, procurement plans and budget and most significantly, the implementation of the Treasury Single Account (TSA) to improve the overall management of public resources in line with international best practice. The efficient Public Finance Management System (PFMS) together with a robust legal framework will restore confidence of the development partners and normalize their relationship with our Government. The Public Finance Management Bill before Parliament will further address the existing gaps in the legal framework related to the management of public funds.

9. The Committee further welcomes Government's efforts to ensure expenditure efficiency gains by encouraging prepayment systems for all utilities such as Water, Electricity and Telephone services in Government institutions. Domestic arrears will be charged against the MFET provision for the respective Votes. This if adhered to will improve budget implementation and curtail on errant Accounting Officers who had made it a habit to unnecessarily commit government aware that domestic arrears are centrally managed by the MFPED.

10. The committee notes with concern the increasing rate at which Ministries, Department and Agencies (MDA's) are entering into PPP arrangements before Parliament has finalized the legal and regulatory framework for PPP so that MDAs can engage the private sector in large infrastructural projects. Examples include, Uganda Police Force, Uganda Prison Services and

Makerere University. While there are advantages of involving the private sector into public sector projects, the Public Private Partnership (PPP) arrangements can pose fiscal risks resulting into unexpected contingent public liabilities to Government, more so before an enabling law is put in place.

11. The committee is also concerned about the poor performance (Absorption) of the development budget in the first half which has been largely attributed to lengthy procurement processes. This has been a recurring problem to many MDAs despite the reforms in the procurement system. It is therefore important that procurement regulations should be reviewed to ensure timely procurement to overcome the low absorption of the development expenditure. This affects budget implementation significantly and as a result budget outputs and outcomes are not achieved as planned. This slows economic development.
12. Despite agriculture being the backbone of the economy, the committee takes note of the high cost of investment in agricultural projects, the weak research and development initiatives, absence of reliable weather statistics from the metrological department, lack of marketing information, inadequate production and post-harvest technologies, limited access to soil management and extension services, inadequate pests, disease and epidemic control and limited access to quality farm inputs in the Agricultural sector must be addressed
13. The high human resource gaps in all sectors are a key challenge to the realization of growth targets. Uganda last had a manpower survey in 1987-89 and since then, there has been no effort to harmonize the manpower demand and supply. Most of the education institutions are now focusing on commercially attractive degree programs without guidance on the critical manpower gaps needed in the country.
14. Although human resources and skills development are highlighted as one of the priority areas for intervention in the budget call circular, the recent trend does not seem to reflect this commitment. For example, the health sector budget ceiling is reduced to 7.6% from 8.6% of the total budget in FY 2013/14.The education budget decreases to 13.5% from 14.5% of the total budget in FY 2013/14, but still below the level in the neighboring countries, Kenya at 17.1 % and Tanzania at 18.33.

15. The quality and appropriateness of education system to be able to deliver job makers and not job seekers; the high dropout rates especially for the girl child, teacher absenteeism and budget leakage through paying ghost teachers in ghost schools is and will continue to be one of the very serious challenges when implementing the budget. These need serious handling by Government.

16. There is inadequate supply/recruitment of medical workers; doctors, midwives and anesthetists across all levels affects health service delivery especially in the hard-to reach areas. The declining health performance indicators and the reducing budget share (in real terms) of the health sector pose a risk to the fast (Speedy) growing population.

17. Finally, the committee notes that Investment in certain areas in the social sectors has proven to be highly effective and efficient that should be prioritized in the budget, including nutrition and early childhood development. For example, while one out of three children in Uganda is suffering from malnutrition, it is costing the country 1.8 trillion Shillings or 5.6% of the GDP annually, apart from serious life-long developmental consequences to the population concerned.
    In comparison, the cost of implementing the Uganda Nutrition Action Plan is only a small fraction of the economic costs of malnutrition. Another example is Early Childhood Development (ECD). It helps the educational outcomes in the later stages of studies and therefore helps address the quality concern for UPE and USE at a low cost compared to the current investment in UPE. In addition, it is also an economically viable investment according to a recent UNICEF/Plan International study.

18. In conclusion, the Committee commends the Budget Strategy and Priorities for FY 2014/15 although good, it is not sufficient, in restoring macroeconomic stability and growth in the economy and consequently help the country to achieve the Vision 2040 targets. The Budget Strategy should be accompanied by budget implementation reforms and unlocking the biding constraints to effective service delivery including governance reforms to address problems that have eroded the quality of spending and damaged the credibility of Government policies. The Committee will continue to support Government in ensuring that service delivery to the people of Uganda is not only increased but realized and meets the expectations of our people.

Thank You for Listening to Me
For God and My Country

Timothy LWANGA Muttekanga, MP
Chairperson Budget Committee