DEVELOPMENT PARTNERS' REMARKS
NATIONAL BUDGET WORKSHOP

11th November 2015

Your Excellency, The President
Right Honourable Prime Minister
Honourable Minister of Finance, Planning and Economic Development
Honourable Ministers
Honourable Members of Parliament
Representatives of Civil Society Organisations and the Private Sector
Members of the Diplomatic Community,
Distinguished Participants,
Ladies and Gentlemen,

On behalf of the Development Partners, I would like to thank the Ministry of Finance, Planning and Economic Development for organising this budget workshop and for the opportunity to provide an initial contribution to the preparation of the FY16/17 national budget.

Your proposed theme for the next national budget is spot on. Uganda needs to continue to focus on <u>increasing productivity</u> and value addition to help to create the jobs that it needs to ensure it becomes a richer, more modern, inclusive and competitive economy. Uganda also needs to further improve the <u>quality of service delivery</u> to maximise opportunities for all its people.

Following agreement on the Sustainable Development Goals in New York in September, Development Partners would like commend Government for taking account of the SDGs in its planning. As recognised in the Budget Strategy, the budget is now an important opportunity for turning plans into action.

Given that we are at the beginning of the budget process, we would like to make five general comments on the government's proposed strategy at this stage:

- Firstly, Development Partners recognise and applaud the Government's economic achievements over the past year, including maintaining moderate growth with low inflation, continued roll out of the Treasury Single Account, and improved tax collection largely through the closure of certain tax exemptions. However, tax collection remains stubbornly low by regional standards, and, as we heard this morning, additional actions are urgently required by Government if it is to modernise and improve the tax collection, reduce broader borrowing and repayment pressures, and meet NDP commitments.

- Secondly, Development Partners recognise that the economic outlook is not as bright as it once was. Reduced trade, particularly with South Sudan, and broader global events have contributed to the recent sharp fall in the Shilling. Development Partners recognise the Government's efforts to maintain macroeconomic stability not least through its sound efforts to keep inflation in check. It is important for the Government to coordinate the use of both monetary and fiscal instruments to manage the economic consequences of the fall in the Shilling. Loosening fiscal policy now will only add to inflationary pressure and crowd out the private sector. Alongside this we would encourage the Government to prioritise those activities set out in NDP2 that would put Uganda onto a higher and sustainable growth path, and one that creates meaningful jobs for the many young people who will enter the labour market over the coming years. In this regard we welcome the efforts by the Government to increasingly build lesson learning into its decision making processes, and to build on what is proven to work.

Thirdly, whilst recognising that space will be tight in the budget for new activities, Development Partners stand ready to support Government efforts to implement its development agenda, to accelerate poverty reduction, promote inclusion and to build resilience for the poorest and most vulnerable members in society. As net Official Development Assistance to Uganda is traditionally over USD1.6 billion per annum we need to work ever more closely together to ensure that these precious resources are used as effectively and wisely as possible. We commend you for the instructions that you gave in the budget call circular to mainstream climate change into sector policies, and for your efforts to improve public spending by strengthening Public Financial Management systems. We would encourage you to address the constraints that are hindering programme delivery especially for infrastructure programmes not least to ensure that additional borrowing is used as effectively as possible. We would encourage you to continue with these endeavours for the improvement of service delivery across the country.

- Fourthly, the National Development Plan describes human capital development as fundamental for harnessing opportunities for economic development, stressing the need to improve human productivity. It will therefore be important to take a critical look at per-capita allocations across the country for the social sectors to ensure that budgeting is linked with anticipated results in the critical areas of governance, water supply and sanitation, improving learning outcomes; and expanding access to quality health services. We note with concern the apparent shortage of essential, life-saving medications such as those needed to treat HIV/AIDs, malaria and TB and we urge the Government to ensure that adequate resources are allocated for the purchase of these vital drugs and that focused attention is given to resolving the bottlenecks in the system so that the drugs reach the patients who need them. We applaud the Government's commitment to progressively increase its funding to the Senior Citizens Grant and urge that this is prioritised to ensure that more elderly people are able to benefit from the programme. More broadly, if Uganda is to "leave no-one behind" a budgeting process that uses a gender and inclusion lens will be critical.

- Lastly, Development Partners recognise that Uganda has a long tradition of improving the transparency and accountability of its budget processes. It is important to continue to build on that tradition. Development Partners remain committed to supporting the Government's efforts to increase levels of accountability in its management of public finances and to stamp out corruption. Uganda's oversight and anti-corruption institutions require the necessary level of support to play their important role in detecting, investigating, sanctioning and preventing corruption. Adequate resourcing of these critical institutions is good value for money as less money is lost to corruption, and increased recovery of stolen assets is achieved. A new institution, the Financial Intelligence Unit, has a particularly important role to play here.

Finally, a word on amendments to the PFM Act. Development Partners understand that these are intended to correct flaws in the law related to the possibility of timely reallocation of budgetary funds and allowing the government to access temporary advances from the central bank for cash management purposes. As initially drafted, however, the amendments do not serve their intended purpose and risk unintended consequences. We are aware that an active Parliamentary debate on these proposed amendments is on-going. While reforming the PFM Act we would like to stress the importance of maintaining three principles: First: in line with international best practice, advances from the Bank of Uganda to the government should be limited in size and repaid before the end of the fiscal year in all cases; Second: the budgetary contingency provision should be maintained to limit increases in spending, and it should only be used for truly unpredictable events; and Third: reallocations between votes should require parliamentary approval before the spending takes place or very shortly thereafter.

? Your Excellency) Right Honourable Prime Minister, Honourable Ministers, the Local Development Partners Group look forward to continue to work with you, on this important agenda.