



CSBAG BUDGET NEWS BRIEF



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Advocating for a People Centered Budget that Dignifies Humanity



Economists views on the FY 2016/17 budget!

On the 8th of June 2016, the Minister for Finance Hon. Matia Kasaija read the budget speech for the FY 2016/17 on behalf of the President to the Ugandans. The budget speech raised a number of reactions from different stakeholders. As such, there were a number of institutions and associations holding post budget dialogue and these included, KPGM, URA and the UEA.

This week we bring you the highlights of the dialogue of the UEA to get insights of what the countries economists perceive of the FY 2016/17 budget.

On Tuesday 14th June, the Uganda Economics Association (UEA) held a discussion of the 2016/17 budget, under the theme: "Budgeting for Future Generations - Debt Sustainability, Agriculture, and Human Development".

The panelists for the discussion were: Dr. Joseph Muvawala – ED NPA, Dr. Adam Mugume – ED Research, Bank of Uganda, Professor Julius Kiiza – Lecturer Political Economy, Makerere University, Mr. Andrew Rugasira – Chair Good African Coffee, Dr. Ibrahim Kasirye – Principle Research Fellow, EPRC, Sheila Adipio – Researcher EPRC, Dr. Patrick Birungi – Director Planning, NPA and Dr. Fred Muhumuza.

Highlights of the debate:

Is the Shs 26.3 trillion budget too big or too small? – Executive Director National Planning Authority.

•As planners interest is to see whether the budget will deliver the NDP. Overall objectives and budget allocations are well aligned to the NDP; but the devil is in the details. Whereas the overall budget is about 70% aligned to the NDP, sector budgets are on average less than 40% aligned to the NDP. This is a problem.

•Growth figures presented in the budget are not enough to deliver the NDP objective of lower middle income status by 2020. To do so requires growth of 7% per year, and above.

•Private sector credit, one key driver of growth, is low. Though domestic borrowing has been cut by 1/3 in 2016/17, the cabinet has been expanded, which could result in increased need to borrow domestically!

•Agriculture budget has been increased by Shs 343 billion; but all this increase is for supply of inputs. Is this the key problem in agriculture? How efficient is the agriculture delivery mechanism?

•Profile of debt – non concessional debt is increasing, grants/concessional debt are reducing. For generational equity, efficiency of utilization of debt is going to be an issue.

•Human development – increases in the health budget is for building new health centres/hospitals. There is need to go for impact – build few hospitals, but which have drugs and health workers. In education, increments are for salaries and funding to new universities, but quality remains a challenge.

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Non tax revenue (NTR – budgeted at Shs 220 billion) – other than KCCA (NTR budget of 96 billion), the 6 institutions collecting and spending NTR at source have no strategic plans. Should government continue funding MDAs without strategic plans?



Hon. Matia Kasaija before reading the Budget Speech. Credit to Daily Monitor

If they don't have strategic plans, what is the basis for their budgets? Of the 16 sectors, only 8 have strategic plans; of these only 3 are aligned to the NDP.

Is the 2016/17 Budget Financeable? – Dr. Adam from Bank of Uganda.

•From 2011 to 2015, GDP growth has averaged 4.3%; from 1993 – 2010, it averaged 7%. The budget attributes slowdown in growth mainly to weaknesses in the global economy; but even labor productivity has been declining.

•Budget deficit in 2016/17 is programmed at Shs 5.8 trillion; of which external financing will be Shs 4.9 trillion and domestic borrowing will be Shs 0.6 trillion. For the next 5 years, the deficit will be 6% - 7% of GDP.

•For the last 3 years, Shs 1.7 trillion has been borrowed domestically per year. As a result, the yield (interest rate) on Treasury bonds reached 24% for 2 year bonds and 25% for 1 year bonds. The result was the high commercial bank lending rates and lower private sector credit growth.

•The substitution from domestic to external financing eases this pressure. The total external is about US\$ 10 billion; of this, total disbursed and outstanding debt (DOD) is US\$ 5.7 billion.

•If borrowing generates growth no problem with debt sustainability. Debt sustainability analysis (DSA) assumed growth will be about 6%-7%; if growth does not match this assumption (as has been the case from 2011), then this has a potential to present debt sustainability challenges.

•If investments on which borrowed funds are spent do increase earning capacity of the economy, then servicing debt can become a problem. Uganda's export earnings have stagnated for long.

How will 2016/17 Budget Affect Farmers and Agriculture in General? – Professor Julius Kiiza.

•The emphasis on farming without linking it to value addition is a waste of time. You can't have transformative agriculture without linking it to value added manufacturing.

•The priorities for agriculture in the budget are agrarian and. Page 9, para 28 is rhetorical; priorities enumerated, but when you look into sector budget, they are not funded!

•Farming takes places on land, but budget does not address issue of land reform. No country has transitioned from agrarian to industrial economy without addressing land reform.

•Institutional credentials of what is outlined in the agriculture sector budget are wanting. Operational wealth creation is an institutional orphan; neither owned by NAADS, nor by MAAIF! Orphan; neither owned by NAADS, nor by MAAIF!

Does the Budget Address Issues of Children? – Dr. Ibrahim Kasirye

•In spite of amendments to the children protection act, safe child protection homes haven't been established, and have not been budgeted for.

•Early childhood development issues are not addressed. The largest proportion of children do not attend pre-primary. This partly explains high dropout rates between P1 and P3.

•Nutrition is not addressed. Uganda is one of the countries with the worst child nutrition statistics. This is underfunded except for treatment of nutrition related sicknesses.

•School infrastructure – SFG (School Facilities Grant – for construction of classes, toilets, etc.) has declined overtime. Thus inequalities remain, especially in the case of northern Uganda which was war torn at the time the grant was popular.

•Special needs education – 7%-8% of children in Uganda have special needs. Most have dropped out of school because schools are not designed for them and there are very few teachers trained in handling children with special needs.

•Of the 8.8 million pupils enrolled in primary, only 1.8 million transit to secondary. Increased allocation to education in 2016/17 focuses on university education, yet 7 million children drop off the system in primary. There is no mention of early childhood integrated development policy and refresher training for teachers in line with global trends.

•In health emphasis is on curative healthcare; no clear approach on prevention. Most funding is by DPs not GoU.

•Budget proposes investments to increase access to clean water, both in rural and urban areas, but does not target behavior change. Utilization of safe water is more a behavior issue.

CSBAG POST BUDGET DIALOGUE IN PICTURES



Citizens of Uganda on Thursday 16th June 2016 attending a CSO Post Budget Dialogue held at UMA Conference hall.



Mr. Kenneth Mugambe Director Budget, Ministry of Finance Planning and Economic Development making a presentation during the CSO Post Budget Dialogue.

FOR MORE DETAILS ABOUT WHAT TRANSPIRED IN THE CSO POST BUDGET DIALOGUE AT UMA HALL ON 16TH JUNE. PLEASE [DOWNLOAD HERE](#)