

Parliament approves 2016/17 draft budget



Parliament yesterday approved the National Budget Framework Paper on Wednesday 6th January 2016

“Parliament yesterday 6th January 2016 approved a Ushs 20 trillion draft national budget for the financial year 2016/17.”

According to the National Budget Framework Paper approved by the MPs yesterday, the total budget is projected to grow by 9.54% in the financial year 2016/17.

However a share of the GDP, expenditure will remain static at 21.5% of the GDP. The highest growth in allocation will be in favor of social development (109.91%) followed by Agriculture (53.7%), Lands Housing And Urban Development, Tourism, Accountability and Interest Payments.

On the other hand, there will be declines in allocation for sectors like the Information Communication Technology, Public Administration, Energy and Mineral Development as well as Legislature.

Presenting a report on the National Budget Framework Paper before Parliament yesterday, Amos Lugoobi, the Chairperson of the Parliament’s Committee on the Budget, observed that the Budget Framework Paper was consistent with the National Development Plan (NDP) II, as it reflects the key strategic objectives. “The commitment to increase the stock and quality of strategic public infrastructure is given priority as reflected by the increasing share of the development expenditure in government budget,” said Lugoobi.

However the Committee observed that the Budget Framework Paper falls short of meeting all the requirements imposed by section 9(4) of the Public Finance Management Amendment Act, 2015. Although the law requires that the National Budget Framework Paper shall indicate the actual, estimates and projections covering the previous two financial years, the current financial year, and the next five financial years by indicating economic variables. The MPs noted that the current Budget Framework Paper doesn’t indicate projections for money supply, exchange rate, rate of unemployment, and interest rates.

The Budget Committee observed that the fiscal deficit is projected to be financed from external sources at an annual average growth of 7%, mainly concessional project loans that will grow at an annual average of 15.4%. The MPs further noted that only 30% of the total expenditure and net lending is expected to be financed by external loans and grants in the financial year 2016/17, compared to 45-50 % a decade ago.

According to the draft budget, the domestic financing sources will grow at 5.4% in the medium term, mainly from commercial banks together with the non-banking institutions. In the draft budget, the MPs observed that despite the laying on table of the Certificate of Gender and Equity Compliance of the Budget Framework Paper, the country still lacks baseline gender compliance indicators upon which compliance can be premised. The Chair of the Budget Committee requested for this to be done. “The government should conduct a baseline study which will guide compliance assessment for future national budget framework paper and budgets,” said Lugoobi.

In the draft budget, the Works and Transport sector and the Security Sector will receive the largest share of the budget in the financial year 2016/17. Its share in the total budget is projected at 7.5% with a share of GDP at 1.6% of GDP.

Despite a slight increase in the Agriculture Sector, the MPs reiterated CSBAG’s concern and demanded that the government honors the 10% budget fund for this sector as recommended by the Malabo declaration. “The 3.7% increase from 3% is not enough; we should increase this budget to 10% as recommended by the Malabo declaration,” said Cecilia Ogwal.

The MPs also recommended another CSO concern that Government re-establishes the co-operative movement and a co-operative bank as an integrated institutional framework to support the sector with affordable financing motivated production and means of access to profitable markets.

According to the Budget Framework Paper, the total resource inflow for 2016/17 will increase by 6.29% owing to the increase in domestic revenues and improved external budget support. However according to the budget report, the growth in resource inflow, will not match growth in the economy. The resource inflow will reduce from 21.8% of GDP in FY 2015/16 to 21.1% of GDP in FY 2016/17. External debt repayments will remain at 0.2% of GDP, while the interest payments on public debt will grow by 21.6%.

CSBAG is glad to see that a number of its concerns were re-echoed by the Members of Parliament and we shall continue to engage this process to ensure that these form part of the final and approved budget for the financial year 2016/17. Parliament today is sitting to debate and consider the Loans Request that Minister Bahati presented to Parliament in December 2015.

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