



CSBAG BUDGET NEWS BRIEF



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Advocating for a People Centered Budget that Dignifies Humanity



Overshooting government expenditure will distort planning- Economists warn

“...government borrowed Shs1.148 trillion from the domestic market, of which Shs594.14b was raised from Treasury Bills and Shs554.23b from T-bonds.”

Economists have warned against over running government budgets saying the move will distort government’s planning processes.

Recently, the Ministry of Finance, Planning, and Economic Development (MoFPED) released the Economic Performance report for January 2019. The report revealed that government spent Shs1.286 trillion instead of the planned Shs1.215 trillion thereby exceeding its spending by at least Shs71 billion.

Report findings

According to the report, the expenditure overshoot in January was mainly caused by an increase in pressure on recurrent expenditures such as debt refinancing.

The report also shows that during the same period, government borrowed Shs1.148 trillion from the domestic market, of which Shs594.14b was raised from Treasury Bills and Shs554.23b from T-bonds. Securities worth Shs412.64b were issued to refinance maturing debt.

“Expenditure exceeded programmed amounts by 6 per cent, despite wages, salaries and interest payments being lower than programmed. Development expenditure [on things such as roads, energy and other infrastructures] was 20 per cent lower than programmed,” the report released last week indicates.

During the month, according to the report, government spending on wages and salaries stood at Shs356b lower than Shs370 billion. The report indicates that there was a huge underspend on external development, which stood at



Finance Minister, Matia Kasaija at a past event. The Ministry’s Economic Performance report for January 2019 revealed that Government had exceeded its spending by at least Shs71 billion.

Shs326b compared to a huge overspend on domestic development of Shs148b. Net repayments on loans and other credit facilities, according to the report, was also lower than planned standing at 26 per cent, much of which went to financing hydro power plants in the month under review.

However, local tax collections registered marked improvements with direct taxes such as PAYE, among others, collecting 104 per cent out of planned targets while indirect taxes such as VAT mobilized 96 per cent. Trade taxes recorded over and above targets, pooling 103 per cent.

The report also indicates that overall revenue mobilization and grants were 10 per cent below expected, causing a deficit of Shs615b.

Domestic borrowing

Hon. Matia Kasaija said that in FY2019/20, domestic borrowing will only be executed mainly through issuance of longer term securities with fixed interest rates to reduce refinancing risks while external financing will continue to be sourced from concessional financing sources. He also said that economic growth is projected to raise from 5.8% in FY2017/18 to 6.2% in the FY2019/20.

Distorted planning

Siragi Magara, a Budget Policy Specialist at CSBAG warns that government’s move to overrun its budget not only affects service delivery in key sectors but also distorts national planning.

UPCOMING EVENTS

JOIN US @ CSBAG POLICY SESSION @ 2019 IMF/WORLDBANK SPRING MEETINGS

Date: 10th April 2019 |
Time: 9:00AM-10: 30AM
Venue: IMF HQ2-3B-838B,
Washington DC

Theme: Public Finance Management reforms as a driver for inequality reduction and inclusiveness

#WBGMEETINGS #IMFMEETINGS

SPEAKERS



Kathleen Baer
Chief of Revenue Administration Division II, Fiscal Affairs Department, International Monetary Fund (IMF)



Steve Rozner
Senior Fiscal Advisor, Bureau for Economic Growth, Education and the Environment, USAID



Moses Kaggwa
Ag. Director Economic Affairs-Ministry of Finance, Planning and Economic Development-Uganda



Julius Mukunda
Executive Director, Civil Society Budget Advocacy Group – (CSBAG) Uganda

ABSTRACT

To achieve sustainable development, developing countries have pursued Public Finance Management reforms like development of Medium-Term Revenue Strategies, improving efficiency in Public Investment Management and budget implementation. CSBAG session will examine how PFM reforms in domestic revenue mobilization and public investment management can contribute to inequality reduction and inclusive growth.

MODERATOR



Saviour Mwambwa
Program Officer- Fiscal Justice Program, Open Society Foundation (OSF)

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On 10th April 2019, CSBAG will hold a policy session under the theme, ‘PFM Reforms as a Driver for Inequality Reduction and Inclusiveness’ during the World Bank/ International Monetary Fund annual Spring Meetings.



State Minister of Finance, Hon. David Bahati (Left) has a chat with CSBAG’s Executive Director while visiting CSBAG’s exhibition stall during a Social Accountability Learning Symposium at Hotel Africana last week. | @CSBAG2019