



CSO PRESS STATEMENT

CSO PERSPECTIVES ON THE APPROVED FY 2024/25 NATIONAL BUDGET

Theme: Making Sense of the Approved Uganda Budget for 2024/25. Do we care anymore?

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FOR IMMEDIATE RELEASE



Left- Fatia Kiyange Executive Director-CEHURD, Sophie Nampewo Njuba Finance for Development Coordinator-OXFAM Uganda, Agnes Kirabo Executive Director -FRA Uganda, Angella Nabwowe Kasule- Executive Director-ISER, Julius Mukunda Executive Director -CSBAG and Jane Nalunga Executive Director SEATINI Uganda at the CSO press conference, 9th June 2024 at SEATINI Offices. Photo ©CSBAG2024

A. INTRODUCTION

1. Civil Society Organizations under their umbrella, Civil Society Budget Advocacy Group (CSBAG) have gathered here today to share our perspectives on the **UGX. 72.130 trillion** National Budget for the upcoming FY 2024/25, which was approved by the Parliament of Uganda on the 16th of May 2024. We highly commend the Government for adhering to the budget process timelines as specified in the PFMA, 2015.
2. We congratulate the government on the just-concluded national population census, 2024. The timing of this census was crucial as it will provide accurate data for planning, policy formulation, and budgeting for the people of Uganda to prepare for NDP IV. However, we decry UBOS's unpreparedness exhibited at the start of this exercise, which takes 10 years to prepare for.

3. We commend the Government of Uganda for its commitment to upholding transparency in the budget process. This recognition is evident in the Open Budget Survey Report 2023, which ranked Uganda as No. 1 in East Africa regarding budget transparency¹. Uganda is, however, required to improve on public participation in the budget process, where it scored only 15 out of 100.
4. Despite these achievements, as CSOs, we were concerned about the budget process for the FY2024/25 budget, particularly at the budget approval stage. Particularly, the limited time given to the legislators to scrutinise and debate the additional **UGX.14 trillion** presented through the corrigenda increasing the FY2024/24 budget from **UGX 52.736 trillion** to **UGX 72.130 trillion**. Ugandans need to be wary of the rising abuse patterns of the budget-making process witnessed this year, particularly through the FY2024/25 corrigenda. To us, some items in this corrigendum do not meet the criteria of 'error' and 'omission'. First, corrigenda correct errors during the finalization of the draft budget estimates for a financial year. Second, changes in the draft budget should not create additional pressure on items or result in arrears. Third, proposed changes must be supported by relevant documents and fourth, corrigenda should not be used to request extra resources for a vote apart from MDAs transferring funds to Local Governments.

Furthermore, some of the proposed expenditures in the corrigenda were unproductive amounting to **UGX 12.5 trillion**.

5. **We are concerned about the** sharp rise in the national budget figures from **UGX. 52.7 trillion** in FY2023/24 to **UGX. 72 trillion** FY2024/25, despite the present challenges Uganda is facing including but not limited to Moody's downgrading of Uganda from B2 to B3, reducing external financing, narrowing fiscal space, and a soaring public debt. These factors will negatively impact the implementation of this budget.

B. CSO OBSERVATION ON FY 2024/25 BUDGET

6. Macroeconomic outlook FY2024/25

The government has made significant macroeconomic progress in this uncertain post-pandemic era. Specifically, containing the annual headline inflation below 5% despite a rise to 3.6% in May 2024 as well as stabilising the depreciating nominal exchange rates, now trading at **UGX 3,822** per US\$ as of May 2024. This performance is largely attributed to the tight monetary policy being pursued by the Bank of Uganda, inflows of forex from exports and offshore government investments, among other factors. To note is that Uganda's growth trajectory is still on track to achieve 6% growth by the end of FY 2023/24, as real GDP grew from 5.3% in quarter one to 5.5% in quarter two.

7. Resource envelope FY2024/25

The resource envelope for FY2024/25, amounts to **UGX 72.130 trillion**. Of this amount, domestic revenue will contribute **UGX 32.3 trillion** (44.9%), Budget support will contribute **UGX 1.3 trillion** (2%), domestic borrowing will contribute **UGX 8.9 trillion** (12.4%), Domestic debt refinancing will amount to **UGX 19.8 trillion** (27.5%), and project support will contribute **UGX 9.5 trillion** (13%). This implies debt will finance 55.1% of the FY 2024/25 budget, while domestic revenue will finance 44.9% of the total FY2024/25 budget. **(Refer to Annex 2)**

8. Debt situation in Uganda

The cost of servicing debt has placed Uganda in a situation of debt distress and heightened vulnerability to a debt crisis. Uganda's public debt stock peaked at **UGX 97.4 trillion**, as

¹Uganda received a score of 59 out of 100%,

per the Auditor General Report, December 2023. The IMF forecasts that Uganda's public debt will increase to approximately **UGX 110.6 trillion** by the end of FY2024/25. This raises concerns about the sustainability of Uganda's debt. The country's current nominal Debt to GDP ratio is 53%, exceeding the World Bank's benchmark of 50%. Additionally, the domestic interest payment to revenue ratio is at 16.3%, surpassing the benchmark of 12.5%. However, the external Debt to GDP stands at 19.1%, well below the threshold of 40%.

Despite this status, in FY2024/25 government plans to borrow an additional **UGX 8.9 trillion** domestically from commercial banks. High-interest payments on loans now consume a substantial portion of the budget and domestic revenues. Interest payments is set to increase to UGX 9.5 trillion in FY2024/25 from **UGX 8.2 trillion** in FY2023/24. Additionally, commitment fees from projects under review surged by 44% from **UGX 77.5 billion** in FY2021/22 to **UGX 112.018 billion** in FY2022/23. These developments will compromise service delivery as a significant portion of the collected revenue goes to service debt.

9. Expenditure of FY2024/25 Budget.

In the next financial year 2024/25, the top five discretionary expenditures for the government are Human Capital Development with a total allocation of UGX 9.6 trillion (26.3%) followed by Governance and Security at UGX 9.1 trillion (24.2%); Integrated Transport Infrastructure and services at UGX 5.1 trillion (13.7); Development Plan Implementation at UGX 2.3 trillion (6.2%) and Private Sector Development with UGX 2 trillion (5.5).

The bottom five discretionary expenditures for the government include Mineral Development, with UGX 41.6 billion (0.1%); Community Mobilization and Mindset Change with UGX 70.4 billion (0.2%). Public Sector Transformation allocation is UGX 200.5 billion (0.5%) o; Manufacturing is UGX 207.3 billion (0.51%); and Digital Transformation with UGX 230.9 billion (0.6%) **(Refer to Annex 1 for details).**

10. Opportunities in FY2024/25 Budget.

On the expenditure side, the government has allocated a significant amount of funds that Ugandans can access to stimulate economic growth and development. These funds are aimed at boosting household incomes, private sector development, commercialization of agriculture, and human capital development. For example, the government is investing in programs such as PDM, Emyooga, UDB, Women and Youth Enterprises, Agriculture Credit Facility, social security for the elderly, and inclusiveness of disabled people, among others **(Refer to Annex 4 for details).**

C. CSO CONCERNS ON FY 2024/25 BUDGET

11. Poor revenue performance and limited absorption capacity.

A preliminary performance review of the FY2023/24 budget reveals that Uganda's tax revenue collections fell short of the half-year target by UGX.876.98 billion. Additional shortfalls from grants and non-tax revenues blew up the shortfall to about UGX. 2.1 trillion, which was financed by domestic borrowing of UGX 1.3 trillion, higher than the planned target of UGX. 1.3 trillion by UGX 1.8 trillion. The UGX 2.1 **trillion** shortfall in revenue as of December 2023, coupled with the UGX 1.8 **trillion** overspend in domestic borrowing, paints a bleak picture of the government's financial management. The failure to collect sufficient revenue to meet targets not only puts a strain on the budget but also raises concerns about the government's ability to fund essential services and projects.

Furthermore, the low absorption rate of only 84% indicates inefficiencies in the government's spending processes. With UGX 2.3 trillion left unspent, it is clear that there are significant obstacles hindering the timely implementation of projects and utilization of

allocated funds. This not only delays progress on critical infrastructure and development initiatives but also leads to a waste of taxpayers' money.

12. Fiscal Indiscipline.

We CSOs working on budget advocacy decry the persistently increasing corruption in Uganda's public sector. This is largely attributed to to impunity and informal syndicates between and within the public sector and private sector. Recent incidents, such as ghost personnel in local governments, mismanagement of relief items in the Office of the Prime Minister (the Iron Sheet saga), and misuse of supplementary budgets, underscore the critical need for transparency and accountability in the budgeting process. Corruption continues to deprive ordinary citizens of the services that are due to them, and it is worsened by the inaction of those with authority.

13. Dwindling donor support.

Uganda's persistent financial indiscipline has led to a decline in donor support, jeopardizing critical development aid. For example, the World Bank in 2022 withheld a US\$1.5 billion loan to Uganda because of concerns over corruption and mismanagement of public funds and for passing the Anti-Homosexuality Act (AHA). The EU reduced its development aid to Uganda by 20% because of concerns over financial mismanagement and lack of transparency. The US government withheld funding for various development projects in Uganda, such as AGOA citing concerns over corruption and fiscal irresponsibility.

14. Increased domestic arrears.

Domestic arrears increased by 62% i.e from **UGX 4.65 trillion** in FY2021/22 to **UGX 7.55 trillion** in 2022/23. Of concern is the meagre allocation of only **UGX 200 billion** to clear outstanding arrears in FY 2024/25 which as noted above stand at **UGX 7.55 trillion**. Delay in paying outstanding arrears affects the operations of many private sector businesses that supply the government, hindering their cash flows and limiting their growth, resulting in fewer job opportunities and lower tax revenue from both VAT and PAYE. This move contradicts the government's strategy of promoting a private sector-led economy.

15. Agro-industrialization program.

The Agro-industrialization budget is to reduce to **UGX 1.6 trillion** from **UGX 1.8 trillion in FY2023/24**, implying a **budget reduction of UGX 115.20 billion**. We also notice that the programme is still heavily dependent on external financing. We implore the government to consider adequate domestic financing of the Agro-industrialisation programme, especially the component of extension services and post-harvest handling through supporting farmers to improve food security, value addition, and marketing of their agricultural produce.

16. Health

The allocation to Human Capital Development, where the health sub-programme falls, increased by UGX 422.80 billion from **UGX 9,541.70 billion** in FY 2023/24 to **UGX 9,964.50**, which is 26% of the total budget. Commendable priorities for Health in FY2024/25 include the construction **and equipping of the Uganda Heart Institute with UGX 57.4 billion**, the infrastructure **development of the Uganda Cancer Institute with UGX 38.56 billion** and **UGX 20.05 for rehabilitation**, and the **construction of general hospitals**. Also, the **apportionment of UGX 569 billion for essential medicines and health supplies for all centres, general hospitals, and regional and national referral hospitals**.

We further appreciate the increase in budget allocation for **Vote 151 Uganda Blood Transfusion Services (UBTS) from UGX 22.311 billion in FY2023/24 to UGX 33.959 billion (52.21% increase)**, which aims to boost human resources and operationalise the new blood banks in Soroti, Hoima, and Arua RRHs. This will go a long way towards improving emergency and maternal health care. We equally appreciate the budget increase of **Vote 418 Kawempe NRH from UGX 22.737 billion in FY2023/24 to UGX 24.393 billion (a 7.28% increase)**. This will further improve maternal health services in the country.

Of concern, however, is the need to balance infrastructure development and Human Resources for Health. We also decry the decline in budget allocation for Vote 402 Butabika Hospital from UGX 22.791 billion in FY2023/24 to UGX 22.269 billion (a reduction of 1.98%) given the increasing burden of mental health conditions and overwhelming numbers of patients, coupled with weaknesses in mental health management by lower-level health centres. Wage allocation to this Vote has also remained the same as FY2023/24. We also note that wage allocation to vote 114: Uganda Cancer Institute (UCI) has remained the same as FY2023/24, despite the completion of the Northern Uganda Cancer Center.

The inability of the government to recruit and retain medical workers and specialists in our health care facilities impacts on the quality of health care services provided. Other sub-programme priorities not strongly reflected in FY2024/25 budget allocations, include the provision of high-quality sexual and reproductive health and rights services in order to achieve optimal health for adolescents, mothers, new-borns, and infants; the establishment of strong primary health care and community health services; an increase in the availability of the skilled health workforce through training; implementing the new structure; the development of a mixed community health workforce; strengthening regulation and performance management; and the expansion of health insurance coverage and social health protection. We agree with the Budget Committee Report's recommendation that investments in social sectors, especially health and social protection, have a direct impact on poverty and income inequality.

17. Education

We welcome the **UGX 4 billion** budget allocation for supporting 38 primary schools and **UGX 11.28 billion** for secondary schools to implement Universal Primary and Secondary Education Programs. We also welcome the **UGX 14.3 billion** for renovating and expanding facilities in 36 secondary schools. We are, however, concerned that these allocations fall short of the Education Sub-Program's planned targets. The sub-program aimed to grant aid to 100 secondary and 100 primary schools with UGX 30.2 billion and UGX 6.4 billion, respectively, but the funding provided is insufficient. Similarly, the sub-program planned to allocate UGX 100 billion for the rehabilitation of 200 primary schools, but this item has no allocation, despite 40% of existing primary schools being in a dilapidated state. The failure to provide funds for granting aid to primary and secondary schools for UPE and USE programs hinders efforts to improve access to primary and secondary education. Additionally, the limited budget for school rehabilitation and renovation raises concerns for the safety of students and staff.

Furthermore, we are troubled by the non-availability of an additional UGX 309.162 billion in FY 2023/24, as directed by the Cabinet under Minute Extract 109 (CT) 2023 for the implementation of free primary and secondary education. The Government of Uganda is committed to providing free, quality public primary and secondary education, but due to limited public financing, schools are levying non-tuition fees, contributing to school dropouts. According to the Uganda Bureau of Statistics (2021) and the Uganda National Survey Report 2019/2020, 62.1% of school dropouts are due to the unaffordability of education costs. The increase in financing for UPE and USE is intended to alleviate the

financial burden on parents and guardians and reduce school dropouts. Sadly, these commitments are hindered by the non-availability of the much-needed funding.

18. Natural resources and disaster risk management

We commend the government for increasing the budget for the Natural resources, Environment, Climate Change, Land and Water Programme from **UGX 417 billion** in FY 2023/24 to *UGX 682.6 billion* for FY 2024/25. However, we are still concerned that the budget for the Contingency Fund for FY 2024/25 is only UGX 169 billion against the required UGX 263.7 billion, which is 0.5% of the previous financial year (PFMA, 2015, as amended). We are particularly concerned that this deficit will affect the government's ability to address the adverse effects of climate change, such as flooding, heat waves, and landslides, which lead to loss of life and destruction of property.

D. CONCLUSION

As CSOs, we urge the government to exercise restraint in abusing public finance management laws, leading to leakage and waste of public resources. We call for fiscal discipline, transparency, and accountability to ensure sustainable economic growth and development. We also call upon all citizens of Uganda to take an interest in holding the government accountable as stipulated in Art. 17 of the 1995 Uganda Constitution, with a call to combat corruption and misuse or wastage of public resources, to protect and preserve public property, and to pay taxes to enable the government to provide public goods and services.

Every Shilling Counts!!!!

For God and Our Country



ANNEX 1: PROPOSED PROGRAMME ALLOCATIONS FY2024/25 (UGX BILLION)

Programme	Approved Budget FY 2022/23	Annual Budget Estimates FY 2023/24	Approved Budget 2024/25	% of Budget	Varianc e	% Varianc e
Human Capital Development	9,089.54	9,541.70	9,964.50	26.3	422.80	10.1
Governance and Security	7,167.32	7,597.90	9,138.50	24.2	1,540.60	36.8
Integrated transport infrastructure and services	4,300.65	4,486.90	5,194.40	13.7	707.50	16.9
Development Plan Implementation	1,186.55	1,821.30	2,342.00	6.2	520.70	12.4
Private sector development	1,653.91	1,864.10	2,075.70	5.5	211.60	5.1
Agro-industrialization	1,449.81	1,787.70	1,672.50	4.4	-115.20	-2.8
Regional balanced development	1,157.48	1,061.70	1,575.30	4.2	513.60	12.3
Sustainable Energy Development	1,577.11	1,491.20	1,053.30	2.8	-437.90	-10.5
Legislation, oversight, and Representation	915.059	945.8	978.6	2.6	32.80	0.8
Sustainable Petroleum Development	869.32	485.9	920.9	2.4	435.00	10.4
Natural resources, Environment, Climate Change, Land and Water	635.14	417.6	682.6	1.8	265.00	6.3
Administration of Justice	400.019	429.6	481.4	1.3	51.80	1.2
Tourism Development	194.68	242.7	404.9	1.1	162.20	3.9
Innovation, Technology Development and Transfer	274.42	256.7	346.9	0.9	90.20	2.2
Sustainable urbanization and Housing	374.628	523.7	237	0.6	-286.70	-6.8
Digital Transformation	124.226	191.8	230.9	0.6	39.10	0.9
Manufacturing	418.92	183.6	207.3	0.5	23.70	0.6
Public Sector Transformation	222.692	216.2	200.5	0.5	-15.70	-0.4
Community Mobilization and mindset change	74.984	30.6	70.4	0.2	39.80	1.0
Mineral Development	31.79	54.3	41.6	0.1	-12.70	-0.3
Sub total	32,118.25	33,631.10	37,819.20	100.00	4,188.20	100.00

ANNEX 2: RESOURCE ENVELOPE FY 2024/25 (UGX BILLIONS)

Domestic Revenues (Tax/ Non-Tax Revenue):	UGX 32,384.76 billion
Budget Support (Grants and loans)	UGX 1,393.66 billion
Domestic Financing (Domestic Borrowing):	UGX 8,967.96 billion
Domestic Debt Refinancing (Rollover):	UGX 19,800.23 billion
Project Support (Grants and Loans):	UGX 9,583.46 billion
GRAND TOTAL	UGX 72, 130.06 billion

ANNEX 3: Commitments taking a first Expenditure call:

External Debt Repayments	UGX 3.149 trillion
Budget Support (Grants and loans)	UGX 9.583 trillion
Domestic Refinancing	UGX 12.021trillion
Interest payments	UGX 9.064 trillion
Appropriation in Aid (LGs)	UGX 293.9 billion
TOTAL	UGX 34.109 trillion

ANNEX 4 Opportunities in the FY2024/25 Budget

A. Boosting Household Incomes:	
i.	Parish Development Model - UGX 1.077 trillion (financial inclusion pillar).
ii.	Emyooga SACCOs - UGX 100 billion of which UGX 20bn are for teachers SACCOs.
iii.	UGX 13.2bn for Special grants for Persons with Disability.
iv.	UGX 8.7bn towards the Youth Livelihood Programme (YLP).
v.	UGX 3bn to Jua-kali Enterprises to transition into Formal Economy.
vi.	UGX 5bn as Enterprise Funds for Older Persons.
vii.	UGX 121.218bn towards Social Assistance Grants for Empowerment (SAGE).
viii.	Support to Microfinance Support Center Limited - UGX 50.07bn of which UGX 30bn is for onward lending.
ix.	UGX 13.056 bn has been allocated to the Uganda Women Entrepreneurship Programme (UWEP) as a revolving fund.
x.	UGX 342.23bn has been earmarked for enhancing growth and productivity opportunities for women enterprises (GROW).
B. Industrial and Private Sector Development:	
i.	UGX 155.6bn for infrastructure development of industrial Parks.
ii.	UGX 50bn for capitalization of the Agriculture Credit facility to support farmers but mainly Agro-Processors that focus on value addition.
iii.	UGX 85.92bn for capitalization of Uganda Development Bank.
C. Commercialization of Agriculture:	
i.	UGX 24.43bn for breeding, production, multiplication, and availing Animal feed (NAGRC&DB).
ii.	UGX 13.11bn; for Animal feed production on Government ranches and farms (NAGRC&DB).
iii.	UGX 30bn Support the certification and production of seeds, breeds, and (MAAIF).
iv.	UGX 60bn Roll-out of anti-vaccine (NARO).
v.	UGX 23.04bn; Procurement of tractors, matching implements (MAAIF).
D. Transport and Infrastructure Development:	
i.	UGX 1.27tn Start construction of SGR and continue implementing preparatory activities for
ii.	UGX 3bn Construction and upgrade of national roads and bridges.
iii.	UGX 1.27tn Maintenance of 13 Aerodromes.

- iv. UGX 142.3bn; Rehabilitation of District, Urban, and Community access roads (DUCAR).
- v. UGX 11.29bn for the Mt. Rwenzori Tourism Infrastructure.
- vi. UGX 8.24bn for the development of Museums and Heritage Sites for Cultural.
- vii. UGX 12.77bn for the development of Source of the Nile tourism.

E. Health Services:

- i. UGX 57.4bn for construction and equipping of the Uganda Heart Institute (UHI).
- ii. UGX 38.56bn towards infrastructure development at Uganda Cancer Institute (UCI).
- iii. UGX 20.0bn towards rehabilitation and construction of General Hospitals.
- iv. UGX 12.7bn for the establishment of Regional Oncology and Diagnostic Centers in Arua, Mbale and Mbarara.
- v. UGX 569bn for essential medicines and health supplies.
- vi. UGX 26.35bn for local Government Primary Health Care services

F. Education Services:

- i. UGX 4bn towards grant aiding of 38 primary schools.
- ii. UGX. 11.28bn for grant aiding 46 Secondary Schools.
- iii. UGX 14.3bn towards renovation and expansion of facilities in 36 Secondary schools.
- iv. UGX 27.52bn towards the Higher Education Students Financing Board for a new cohort of about 1,200 students for FY2024 /25 and to support the about 3,500 continuing students.
- v. UGX 4.9bn for procurement of instructional materials for Lower Secondary Curriculum for 8 core subjects of S.1 and 2.
- vi. UGX 362bn for the construction of 60 seed schools in sub-counties without secondary schools and the expansion of 61 existing government secondary schools
- vii. UGX 28.43bn towards TVET Trainers' Research and Innovation for Training
- viii. UGX 48bn for the National Council of Sports to support federations international competitions.

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