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PRESS BRIEF ON QUARTER THREE EXPENDITURE RELEASES FY 2023/24

A. INTRODUCTION

1. I wish to open this press release by wishing all of you a happy new year. This press briefing is in line with our commitment to budget transparency and effective communication to the people of Uganda and all our partners in development.
2. The purpose is to give to the highlights for the current State of the Economy and Quarter Three Expenditure Releases for FY 2023/24.
3. This press briefing comes at an important time, midway through the Financial Year, and enables us to take stock of the performance in the First Half of the Financial Year and the Government's strategy for the Second Half of the Financial Year.
4. I want to start by reminding the country of the Government commitment to fiscal consolidation. This entails three key objectives:
 - a) Boosting revenue collection by closing the gaps in tax administration, widening the tax base, and rationalising tax exemptions/expenditures to ensure they meet the intended objectives.
 - b) Rationalizing Government expenditure particularly that which doesn't contribute significantly on growth of the economy and export performance.

A handwritten signature in black ink, appearing to be 'J. Muhesi'.

Mission

"To formulate sound economic policies, maximize revenue mobilization, ensure efficient allocation and accountability for public resources so as to achieve the most rapid and sustainable economic growth and development"

c) Controlling Government borrowing by limiting it to critical needs.

5. This agenda has mainly informed the resources released for Quarter Three of this FY 2023/24. I will also highlight the facts behind the supplementary budget that Parliament approved in December last year.

B. MACROECONOMIC PERFORMANCE

6. In his speech at the NRM Liberation Day broadcast live by the press on 25th January 2024, H.E the President gave a comprehensive report of the State of the Economy. My Minister of Finance, Planning and Economic Development also provided a report on the same while presenting the National Budget Framework to Parliament for approval. In this brief, therefore, I will summarize the highlights as follows:

Economic Growth

7. The economy is recovering well from the external and internal shocks that started in FY 2019/20. The size of the economy has expanded to Shs 184.89 trillion (US\$49.5 billion) by end of June 2023, growing at a rate of 5.2 percent in real terms.
8. The drivers of this expansion were: services growing at 6.2 percent (especially in trade, tourism, education, ICT, and arts and entertainment), agriculture at 4.8 percent (particularly fisheries activities at 8.6 percent, livestock at 8.8 percent, and food crops growing at 4.7 percent).
9. In the real sector, there has been a general improvement in the level of economic activity. Sentiments about economic and business conditions in the country over the past quarter have improved. This is shown by the high frequency indicators of economic activity.



10. The Composite Index of Economic Activity (CIEA), which measures the level of economic activity, increased by 0.2 percent to 162.64 in November of 2023 compared to October 2023.
11. The Purchasing Manager's Index (PMI)¹ increased to 54.8 in December 2023, up from 53.4 in November 2023, signaling an improvement in business conditions. This increase was mainly driven by the growth of output and new orders supported by improved customer demand. We shouldn't forget that this index was 51.6 in August 2023. So it has improved by 3.2 percentage points.
12. The Business Tendency Index (*which measures the level of optimism that business executives have about current and expected outlook for production, order levels, employment, prices and access to credit*) also increased to 59.41 in December 2023 from 58.73 in November 2023. Remember, when the index is above 50 indicates an improving outlook.

Inflation

13. December 2023 was characterized by relative price stability as shown by the annual headline inflation which remained unchanged from the previous month at 2.6%. Food crops inflation continued to decline during the period while core inflation and Energy Fuel and Utilities (EFU) inflation increased.

Financial Sector

14. The Ugandan Shilling has remained relatively stable as demand for the US Dollar has stayed matched by supply. The Shilling traded at an average mid-rate of Shs 3,780.74/US\$ in December as opposed to Shs 3,782.03/US\$ in November 2023.
15. Yields in December 2023 remained unchanged for the 364-day Treasury Bill at 12.8%
16. There was a reduction in the lending rates for the shilling denominated credit from 18.9% in October 2023 to 16.79% in

¹ A PMI reading above 50 shows improvements in business conditions for the private sector while a reading less than 50 implies a deterioration in business conditions.

November 2023. This was partly due to declining inflation. However, the lending rates for foreign currency denominated credit slightly increased from a weighted average of 8.7% in October 2023 to 8.96% in November 2023.

Revenue Performance

17. The cumulative revenue collections for the period July to December amounted to **Shs 13.301 trillion** against a target of Shs 14.169 trillion. This implies a revenue shortfall of **Shs 867.91 billion**. The shortfall was mainly on account of lower than expected collection on customs duties (on account of less imports and disruptions in supply of petroleum products) and VAT. We shall step up efforts to cover the gap.

C. FACTS ON THE SUPPLEMENTARY EXPENDITURE FOR FY 2023/24

18. Parliament approved a Supplementary Budget amounting to **Shs 3.492 Trillion** for FY 2023/24. The supplementary was critical in order to meet expenditures four key categories:

- i. Revoting money for World Bank funded projects of Uganda Inter-Governmental Fiscal Transfer (UGIFT) and Uganda support to Municipal Infrastructure development (USMID). During FY 2022/23, some entities were not able to absorb funds by end of the financial year and the appropriation expired. There was therefore a need to revoke this money to implement the planned activities. This is money for building seed secondary schools, health facilities and water sources as well as regional city infrastructure.
- ii. Critical Government Policy commitments that could not be postponed such as the National Census, Mass enrollment and renewal of National Identity Cards, money needed to organize the recently concluded NAM and G-77 Summits, and urgent need to support Research and Development among others.



- iii. During the appropriation process for this FY 2023/24, Parliament moved money in a way that affected our ability to meet some existing Government obligations as well as critical needs such as rural electrification, money for food for remand homes, special grants for PWDs, money for oil roads, research and tuition money for universities etc. These corrections were made through the Supplementary.
 - iv. Meeting statutory and security-related expenditures such as the International Court of Justice award to the Democratic Republic of Congo, reimbursement of Bank of Uganda (Shs 2 trillion) for the money it lent Government during Covid-19 lockdown. Addressing security threats (classified budget under MoDVA and State House) etc.
19. With all the above in mind, the third quarter expenditure limits have been issued to ensure fiscal discipline by all MDAs. We call upon all Accounting Officers to ensure:
- i) Prioritization of existing obligations before committing Government to new expenditures;
 - ii) Strict provision for all fixed costs such as utilities and rent in available funds;
 - iii) Scale down on expenditures that can be postponed such as workshops, buying new vehicles (including statutory votes), travels etc.;
 - iv) Ensure value for money especially with private contractors who are partnering with Government.

D. BUDGET RELEASES FOR Q1-Q3 FY 2023/2024

20. Recall that the Approved Budget for FY 2023/24 amounted to **Shs 52.736 trillion** summarized in the table below.



Table 1: Q1-Q3 Budget Performance for FY 2023/24.

Category	Budget	Supplementary	Revised (app. Plus supp)	Q3	%	Q1-Q3	%
Wage	7,289.97	94.16	7,384.12	1,912.50	26.2%	5,587.56	76.6%
Non Wage	11,636.07	2,179.66	13,815.73	2,302.73	19.8%	9,571.87	82.3%
GOU Devt	6,108.15	1,245.10	7,353.24	759.12	12.4%	4,231.85	69.3%
Arrears	215.79	314.00	529.79	-	0.0%	529.79	245.5%
Total GoU	25,249.98	3,832.91	29,082.89	4,974.36	19.7%	19,921.07	78.9%
Debt	18,951.15	3,453.71	22,404.86	7,717.27	40.7%	19,466.55	102.7%
Ext. Fin.	8,248.55	371.80	8,620.35	1,925.98	23.3%	6,359.93	77.1%
Local Revenue	287.10	-	287.10	-	0.0%	-	0.0%
Grand Total	52,736.79	7,658.42	60,395.21	14,617.60	27.7%	45,747.55	86.7%

21. From the table above, the GOU Budget *minus* Debt, External Financing and Local Revenue amounts to **Shs 25.249 Trillion**. Of this amount, **Shs 19.921 trillion** has been provided to date. This amounts to 77.8 percent of the approved Budget for FY 2023/24.

E. HIGHLIGHTS OF QUARTER THREE EXPENDITURE

22. As I indicated in the introduction, the fiscal consolidation agenda guided the determination and issuance of Quarter Three expenditure limits. The release has therefore prioritized salary, pension and gratuity, security related expenditure, social sectors of health and education and critical capital expenditures.

23. In line with the above considerations, GOU funding amounting to **Shs 4.974 Trillion** (*excluding debt, external financing and local revenue*) has been released for the Third Quarter of FY 2023/24. Below are the highlights of the Third Quarter release:

Wage

24. **Shs 1.912 Trillion** or 26.2% of the wage budget has been provided, based on payments made in the first half of the Financial Year. I wish to inform all stakeholders that this Ministry has received the Audit report on Wage payroll. Going forward this shall be our basis of providing funds for wage, as a first step in Government's implementation of the OAG's recommendations.

Non-Wage recurrent expenditure

25. **Ushs 550.859 billion** has been released for operations of security institutions i.e., Ministry of Defence (**Ushs 403.082 billion**), Police (**Ushs 71.374 billion**), Prisons (**Ushs 41.427 billion**) ISO and ESO (**Ushs 34.975 billion**).
26. **Shs 230 billion** has been released for statutory votes i.e. Parliament (**Shs 150.962 billion**), Electoral Commission (**Shs 9.459 billion**), Judiciary (**Shs 44.88 billion**) among others.
27. **Shs 296.578 billion** has been released for pension and gratuity for Q3. This includes the requirement for pension and gratuity for Local Governments.
28. **Shs 249.294 billion** has been released for Local Government Grants including capitation Grant of **Shs 136.5 billion** to ensure timely opening of the first school term.
29. **Shs 117.567 billion** has been provided to Education Institutions including Ministry of Education and Sports (**Ushs 28.076 billion** to cater to instructional materials, students loan scheme and examination bodies), Public Universities, UMI and LDC (**Shs 84.537 billion**), UBTEB (**Shs 4.594 billion**) for supervising, conducting and managing exams.
30. **Shs 90.211 billion** has been provided to National Medical Stores to meet the obligations for purchase of essential drugs and medicines, **Shs 57.955 billion** to referral hospitals, cancer and heart institute.

Development Expenditure

31. **Shs 336.3 billion** has been provided to kickstart the process of ensuring renewal of National IDs project (**Shs 192 billion**) and for purchase of tablets that will be used in the National Population Census (**Shs 144.3 billion**).
32. **Shs 305.716 billion** has been released to meet GoU's commitment on the UGIFT program that caters for schools and

health centres construction, in line with our joint agreement with the World Bank. I urge all Local Government accounting Officers to ensure that these funds are spent timely before the close of the Financial Year.

33. **Shs 20 billion** has been provided to KCCA for road rehabilitation and payment of compensation for land (RAP) for the ADB project;

Implementation of the Parish Development Model.

34. I have issued a circular on the PDM to all stakeholders, and wish to emphasize that we adopted a phased implementation approach. The 30th June, 2023 marked the end of the Establishment Phase of the PDM (FY 2021/22 – 2022/23), and the beginning of the Stabilization Phase (FY 2023/24 - 2024/25) which broadly involves the following activities:

- a) Capitalization of PDM SACCOs with an additional Shs 100 million every FY;
- b) Enhancing provision of Business Development Services (BDS) and other extension services including agricultural insurance, irrigation to PDM enterprise groups and SACCOs for sustainability;
- c) Strengthening governance of PDM enterprise groups and SACCOs;
- d) Ensuring complete and accurate data on Parish Development Management Information System (PDMIS);
- e) Ensuring effective use of digital systems to identify and effectively monitor beneficiaries;
- f) Promoting community savings;
- g) Strengthening collaboration between Pillars to ensure availability of quality inputs, provision of appropriate extension services as well as availing processing, storage, and marketing opportunities for the funded enterprises;

35. Since issuance of the PDM Pillar 3 Operational Guidelines, H.E. the President and Cabinet have issued additional directives to guide implementation of the PDM. These include: -



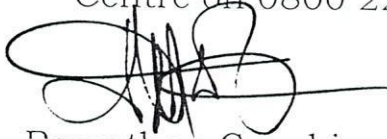
- a) The loan amount for each borrower should be Shs 1 million;
- b) The grace period for the PRF loan shall be 24 months. The loan shall be repaid within the subsequent 12 months after the grace period, either in installments or lumpsum;
- c) Disbursement of all PRF funds shall be through the Wendi mobile wallet;
- d) The interest payable on PRF loans shall be 6% per annum;
- e) Effective utilization of all existing agro-processing facilities such as industrial hubs, markets and storage facilities for the implementation of the PDM should be enforced;
- f) District Agricultural Officers, District Veterinary Officers to sensitize the population on modern farming practices through television and radio programmes;
- g) Beneficiaries must be recommended through community meetings;
- h) Payment of UGX 100,000 per month, per Parish Chief as an allowance for rent and bicycle repair; and
- i) The Ministry of Local Government to ensure that PDM funds for Karenga District (and other single planting season districts) are retained on the PDM SACCO accounts until the next crop planting season and that in case Government releases additional funds for PDM before disbursement of existing money, each Parish should receive double instalments.

CONCLUSION

36. In conclusion, I would like to emphasize the following:
- i) All Accounting Officers must ensure that they pay wages, salaries, pensions and gratuity by the 28th of every month.
 - ii) There should be display of the payrolls for salaries and monthly pensions on government institutions notice boards every month.
 - iii) Accounting Officers must prioritize payment of service providers in time and avoid accumulation of arrears.
 - iv) Accounting officers must ensure timely submission of performance reports and accountability.
 - v) All government institutions should ensure pre-payment of utilities (water and electricity).
 - vi) Effectively supervise the implementation of Government programs and projects.



37. Once again, I wish to thank the Press and Civil Society for supporting our budget transparency initiative, and I urge you to make use of our website www.budget.finance.go.ug where we post more detailed information. You may also call our Budget Call Centre on 0800 229 229 for any information on the Budget.



Ramathan Ggoobi

PERMANENT SECRETARY/SECRETARY TO THE TREASURY