



THE REPUBLIC OF UGANDA

**STATEMENT**

By

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Minister of Finance, Planning and Economic Development

**Ministry of Finance, Planning & Economic Development**

at

**THE LAUNCH OF THE NATIONAL BUDGET MONTH FY 2021/22**

MAY 2021

Heads of Institutions,  
Technical Officers,  
Members of the media fraternity,  
Ladies and Gentlemen

### **Introduction**

1. I would like to welcome you all to this year's launch of the National Budget Month activities for FY 2021/22. The National Budget Month aims at creating awareness about priorities of the Budget and opportunities it presents to all Ugandans in all spheres of life and gives more information and clarification on key issues and concerns raised by the Public in the Budget Process.
2. The National Budget Month is part of the Budget Transparency Initiatives that enable Government to interact with citizens on budget-related matters. It is through these initiatives that Government has:
  - i. Improved public awareness and access to Budget information, which has increased budget transparency and accountability;
  - ii. Improved collaboration between Government, Civil Society, the Private Sector and the general Public towards improving service delivery and achieving results; and,
  - iii. Enhanced participation of citizens in the Budget Process.

### **Economic Performance**

3. Despite the impact of COVID-19, the Ugandan economy realized a positive growth of **2.9 percent** in FY2019/20. In nominal terms, the economy expanded to **Ushs. 138,841 Billion (USD 37.4 Billion)**, up from **Ushs. 131,406 Billion (USD. 35.2 Billion)** in FY2018/19. Although this level of growth was lower than the projected growth of **6.3 percent**, it was good performance when compared to many countries globally especially, the Sub-Saharan Africa where real GDP growth was negative **2.6 percent** in the calendar year 2020. In FY2020/21, we project growth to be **3.1 percent**.

### **Economic Growth Strategy**

4. The Budget for FY 2021/22 will focus on interventions which will sustain recovery from the socioeconomic setbacks caused by Covid-19 and other domestic shocks such as the locusts invasion and floods and external shocks such as supply disruptions caused by

lockdowns world over, and trade barriers that affected export of some commodities. In order for the economy to pick up, the Budget strategy prioritizes investment in Public Infrastructure and supporting the private sector to increase production and productivity plus interventions to address the health impact of COVID-19.

5. The strategy focuses on six broad and interlinked agenda:
  - i. Maintenance of Security, Peace and Good Governance through modernization of the security infrastructure, improving the welfare of security personnel, enforcing law and order, compensation for war-affected persons and overall improvement in the efficiency of the Government machinery;
  - ii. Accelerating the pace of industrialization, research and innovation thus enhancing value addition to our agricultural and mineral commodities.
  - iii. Enhancing the capacity to deal with both the demand and supply side challenges anchored on import substitution and export promotion;
  - iv. Human Capital Development by investing in community health, education and water;
  - v. Strengthening the private sector by improving enterprise competitiveness with emphasis on improved physical infrastructure like roads, energy, ICT and industrial parks. We also target to reduce the cost of doing business through increased efficiency and effectiveness of public sector investments; and finally,
  - vi. Championing inclusive growth through implementation of the Parish Development Model, which will enable Households still in subsistence agriculture to join the money economy.
6. Arising out of this Budget Strategy for FY 2021/22, we are projecting a growth rate of **4.3%**, up from the projection of **3.1%** for this Financial Year 2020/2021. This is based on the assumption that the negative consequences of the pandemic will subside with COVID-19 vaccinations and other clinical trials.
7. Over the medium term, growth is projected to reach potential levels of between 6.0% to 9.0%, supported mainly by enhanced private sector activity due to increased aggregate demand post Covid-19; accelerated returns from public infrastructure investments; continued improvement in the Agriculture Sector and increased activities in the oil and gas sector.

### **Budget Priorities and Allocations**

8. In light of the growth strategy above, the Budget will prioritize the following areas: Infrastructure development; skilling; Security and wealth creation.

9. The priority allocations in the Budget for FY2021/22 (excluding debt) for major service delivery sectors are therefore as follows:

- i. Human Capital Development (Health, Education, etc)- **US\$ 7,766 Billion;**
- ii. Governance and Security - **US\$ 6,968 Billion;**
- iii. Integrated Transport Infrastructure and Services - **US\$ 5,070 Billion;**
- iv. Agro-Industrialisation - **US\$ 1,688 Billion.**

### **Economic and Social Opportunities in the Budget for FY2021/22**

10. The coming Financial Year presents opportunities that we expect to spur growth in FY 2021/22. Some of the key opportunities include the following:

- i. **Oil and Gas investments.** Three key agreements signed between Government of Uganda, Government of Tanzania as well as the Oil Companies Total and CNOOC on 11<sup>th</sup> April 2021 (Tariff & Transportation Agreement; Host Government Agreement; Shareholders' Agreement). These present the following opportunities:
  - Pave way for key projects (EACOP, Oil Refinery, Tilenga Project) worth **US\$ 15 Billion** over the next four years;
  - Employment opportunities (14,000 directly employed and 45,000 indirectly employed in the Sector; 105,000 to benefit from induced employment;
  - Expansion of Uganda's GDP with expected revenues of **US\$ 40 Billion;** and,
  - Uganda has generated more than **US\$ 1 Billion** even before actual production starts.
- ii. **The wider Export Market opportunity in line with the African Continental Free Trade Area.** This aims at accelerating intra-African trade and boosting Africa's trading position in the global market by strengthening Africa's common voice and policy space in global trade negotiations.
- iii. **Implementation of the Parish Development Model (PDM):** The PDM is an approach aimed at organizing and delivering public and private sector interventions for wealth creation at the parish level as the lowest economic planning unit. It accelerates implementation of Area-Based Commodity Development (ABCD) planning and it will be financed by Government of Uganda to a tune of **US\$ 200 Billion**, in the first year of implementation.

The Parish Model provides a rare opportunity for sustainably transforming the predominantly substance households both in urban and rural areas to money economy through:

- Implementation of the financial inclusion at parish level. This creates opportunities for over 5000 direct jobs, Parish Chiefs;
- Creation of opportunities for enhanced production at parish level with coordination done through Parish SACCOs and guided by the Parish Development Committee. It should be noted that 30% of resources to the parish are earmarked for women. Opportunity for Direct Empowerment of women, enterprises contrary to Headquarters Based Current Organizations.
- Better coordination of whole of Government Development programmes at Parish level;
- Better linkages of agriculture and enterprises with industrialization through value chain marketing of increased parish level production, and with small scale industry at sub-county and county levels, where electricity will be delivered;
- Better coordination of extension services at parish level for enhanced agricultural output, and post-harvest management practices including storage.

### **Public Debt**

11. Public debt is projected to rise to 51.9 percent of GDP in FY2021/22 on account of borrowing to finance key infrastructure projects, especially in the transport and oil & gas sectors. In the next few years, public debt is projected to increase mainly on account of:
- i. The need to implement the NDP III and programs in the NRM manifesto;
  - ii. The necessity to finance key infrastructure projects such as the Standard and Meter Gauge Railway, The East African Crude Oil Pipeline, the Oil refinery, among others especially in the transport and oil & gas sectors. The rationale for these investments is their projected impact on other sectors of the economy and the expected returns; and,
  - iii. Relatively low revenue outturns arising from subdued economic activity due to the slow down effects of Covid-19, assuming that we will not have fully controlled the spread of the disease.

**Table 1: Projected Debt to GDP FY 2021/22 - FY2025/26**

<b>% Debt to GDP</b>	<b>FY 2020/ 21</b>	<b>FY 2021/22</b>	<b>FY 2022/23</b>	<b>FY 2023/24</b>	<b>FY 2024/25</b>	<b>FY 2025/26</b>
<b>Total Debt</b>	49.1	51.9	51.2	49.9	48.7	47.4
<b>Ow-External</b>	32.0	34.4	34.2	33.5	32.8	32.2
<b>Ow-Domestic</b>	17.1	17.5	17.0	16.4	15.9	15.2

12. As indicated in table 1 above, although Public debt is projected to rise in the short to medium term, it is projected to decline thereafter on account of increased Domestic Revenue as Government implements the Domestic Revenue Mobilization Strategy (DRMS), which targets to increase domestic revenue to GDP by 1 percentage point per annum.
13. To enhance debt sustainability, Government will continue to work towards accelerating economic growth, implement projects that will support exports; and also slow down the pace of contracting commercial loans and domestic debt.
14. We shall also continue to address the issue of low absorptive capacity among Government institutions.
15. I would like to assure the country that our debt remains sustainable and much of the borrowed money is being used to invest in projects that will grow our economy. Furthermore, in order to improve Budget efficiency, Government will:
- i. Undertake rationalization of institutions to streamline management functions, structures and budgets;
  - ii. Strengthen public investment management by ensuring alignment of projects to NDPIII goals, proper sequencing and timely implementation of projects;
  - iii. Institutionalize a culture of performance management for results;
  - iv. Leverage e-Government to ensure efficiency and continuity of Government business; and,
  - v. Scale up the use of renewable energy to save expenditure on utilities.
16. As part of this year's National Budget Month starting today, we shall do the following: carry out continuous media engagements on local TVs and radios to discuss topical issues on the Budget and the Economy; Public Sector Budget Awards to recognize institutions that excel at implementation of their budgets; the Pre-Budget Dialogue with Civil Society Organizations on Tuesday, 18<sup>th</sup> May 2021; the Budget Speech on Thursday,

10<sup>th</sup> June 2021; the Post Budget Speech E-Conference to further dialogue on the Budget on Tuesday, 15<sup>th</sup> and Wednesday, 16<sup>th</sup> June 2021 (live on NBS, NTV and UBC and on our social media handles); the Post Budget EAC Tax and Budget Dialogue to discuss tax issues that cut across the region, on 22<sup>nd</sup> June 2021 (live on UBC); and, promotion of Budget Transparency Initiatives.

17. My fellow Ugandans, your active participation is key for the successful implementation of the above interventions in the Budget for FY2021/22. I therefore call upon all of you to participate in the activities of the National Budget Month, as we further strengthen this collaboration between you the Citizens and the Government towards improved accountability for public resources and better service delivery.

18. I would like to thank our National Budget Month Partners: The Bank of Uganda, Uganda Revenue Authority, Civil Society Budget Advocacy Group, Advocates Coalition for Development and Environment, Southern and Eastern Africa Trade Information and Negotiations Institute, Public Sector Foundation Uganda and Overseas Development Institute (ODI) for working with us to increase citizens' understanding and participating in the budget process.

19. Additional information on the Budget can be obtained from the Budget website **[www.budget.go.ug](http://www.budget.go.ug)** or the Budget Call Center **0800229229**.

20. It is now my pleasure to launch the National Budget Month activities for FY 2021/22.

I thank you all.

For God and my Country.

Matia Kasaija (MP)

**MINISTER OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT**