

Telephone: 256 414707000/232095
Fax : 256 41 4233524
Email : finance@finance.go.ug
treasury@finance.go.ug
Website : www.finance.go.ug
Plot No. 2-8 Apollo Kaggwa Road
In any correspondence on
This subject please quote No.



Ministry of Finance, Planning &
Economic Development,
P.O. Box 8147
Kampala, Uganda

BPD/86/427/03

6th October 2023

PRESS BRIEF ON QUARTER TWO EXPENDITURE RELEASES FY 2023/24

1. I wish to welcome the Media and other Stakeholders to this press briefing on the Economic Performance and Quarter Two (Q2) Expenditure Releases for FY 2023/24.
2. The objective of this briefing is to provide an overview of the state of the economy, the releases made to date for the first half of this financial year and highlights of the second Quarter releases which were issued on 28th September 2023.

A. STATE OF THE ECONOMY

Economic Growth

3. The economy remains on a steady recovery path and is estimated to have grown by 5.3% in FY 2022/23. This is higher than the 4.6% growth rate registered in FY 2021/22. This growth was due to private sector investments in the key sectors of the economy including oil and gas and the continued implementation of government programs like the Parish Development Model (PDM), Emyooga, and Small Business Recovery Fund (SBRF) which have supported private sector activity, leading to higher output in agriculture, services and industry sectors.
4. With continued effective implementation of Government programs and private sector recovery, the economy is expected to expand by 6.0% this financial year (FY 2023/24). It is projected that aggregate demand and production will continue to recover mainly due to a continued decline in inflation, and increased activity in

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"

the oil and gas sector, which should boost employment as well as other sectors of the economy.

5. The high-frequency indicators of economic activity show that there has been improvement in economic activity in the first quarter of FY2023/24. The Composite Index of Economic Activity (CIEA), which measures the volume of overall business activities, has been on an upward trajectory since April 2023, increasing to 162.63 in August 2023. This shows that business activity is growing.
6. Similarly, the Purchasing Manager's Index (PMI)¹ prepared by Stanbic Bank also improved to 52.9 in September 2023 up from 51.6 in August 2023, pointing to an eleventh consecutive monthly improvement in the health of the private sector in Uganda.

Inflation

7. Inflation has continued to ease, with headline inflation declining to 2.7% in September 2023 from a peak of 10.7% in October 2022. This is on account of the reduction in fuel and some food prices, easing global supply chain constraints, the coordination of the fiscal and monetary policy undertaken by the government, and a stable exchange rate. Now Uganda has the lowest inflation in the region.

Fiscal Performance

8. The government remains committed to maintaining fiscal sustainability, consistent with the requirements of the Charter for Fiscal Responsibility.
9. This will be realized through the implementation of the Government's fiscal consolidation strategy that is hinged on;
 - i) Increasing domestic revenue by at least 0.5 percentage points of GDP through implementation of the Domestic Revenue Mobilization Strategy,
 - ii) Realigning expenditure from nonpriority to high-priority areas.

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.

- iii) Reducing reliance on domestic and foreign borrowing.
10. At the end of September 2023, the cumulative domestic revenue collections for this financial year were **Ushs 6.327 Trillion** which represented a 16.5% growth compared to the same period of the last financial year. The growth is higher than the average growth in revenue collections of 15% for the last three financial years. We target to grow our domestic revenue collections by at least 0.5 percentage points of GDP for FY2023/24.
 11. Given our fiscal consolidation strategy, public debt as a percentage of GDP has been reducing. Public debt to GDP ratio was projected to be 47.1% as of June 2023 which is a reduction from 48.4% at June 2022.
 12. Additionally, debt service obligations will reduce in the subsequent financial years, implying a reduction in the amount of our revenue used to service debt and thereby creating fiscal space to accommodate expenditure on more productive areas.

Implementation of the Parish Development Model.

13. As at 30th June 2023, all verified 10,585 SACCOs were capitalized with **Ushs 100 million** each. Disbursements from the SACCO accounts to beneficiaries now stand at 63%. All Chief Administrative Officers should ensure that all funds are disbursed 100% by the end of October so that PDM beneficiaries can take advantage of the rainy season.
14. It has been brought to our attention that some beneficiaries have diverted PDM funds to buy household items, engage in sports betting and other ineligible expenditure. The district leadership and all offices responsible for PDM monitoring are urged to ensure that;
 - i. PDM beneficiaries utilise the funds for the intended purpose.
 - ii. All beneficiaries have National IDs and are properly registered on the PDM Information System to eliminate risks of multiple borrowing and ease tracking of all beneficiaries.



15. Issues of extortion and bribe seeking from PDM beneficiaries and change of lists by replacing eligible beneficiaries with ineligible ones are widely reported. All Accounting Officers must ensure that the communities are sensitized that the Parish Revolving Fund and associated processes are free of charge and that perpetrators of these vices are halted and apprehended.
16. Delays in disbursement of funds by commercial banks have also been reported. In this regard government is working on a mobile money solution to address this. New banking arrangements will also be communicated soon to ease access of funds to beneficiaries that are far from banking infrastructure.
17. Allow me to commend the following districts and Urban Authorities that have disbursed more than 90% of the funds and have fully utilised the PDM system; Kisoro DLG, Kiboga DLG, Buyende DLG, Mbarara City, Rwampara DLG, Kwania DLG, Tororo DLG, Pallisa DLG, Nansana MC, Butebo DLG, Kiryandongo DLG, Butaleja DLG, Ngora DLG, Isingiro DLG, Arua City, Kakumiro DLG, Kumi DLG, Kasese DLG and Hoima DLG.

B. APPROVED BUDGET AND RELEASES FOR HALF YEAR FY 2023/2024

18. The Approved Budget for Financial Year 2023/24 amounts to **Ushs 52.736 trillion** summarized in the table below.

Table 1: Half year Budget Performance for FY 2023/24.

Category	Budget	Half Year	%
Wage	7,289.97	3,672.36	50.4%
Non Wage	11,636.07	6,805.37	58.5%
GOU Devt	6,108.15	3,409.09	55.8%
Arrears	215.79	541.89	251.1%
Total GoU	25,249.98	14,428.72	57.1%
Debt	18,951.15	11,749.29	62.0%
Ext. Fin.	8,248.55	4,433.95	53.8%
Local Revenue	287.10	71.78	25.0%
Grand Total	52,736.79	30,683.73	58.2%

4



19. From the table above, the GOU Budget less Debt, External Financing and Local Revenue amounts to **Ushs 25.249 Trillion**, and of this amount, **Ushs 14.428 trillion** has been provided for the first half of this financial year. This amounts to 57.1% of the approved Budget for FY 2023/24.

C. HIGHLIGHTS OF QUARTER TWO EXPENDITURE FY 2023/24

20. In the preparation of the Quarter Two release, the following were taken into consideration:

- i) The current levels of inflation and the economic activity which provide room for a fiscal expansion greater than provision in the first Quarter;
- ii) The need to commence on execution of capital development expenditure, which is the basis for economic growth and ensuring sufficient funds to pay certificates on contracts. This will avoid arrears and impairing private sector contractors;
- iii) Release the Budget balances for domestic arrears;
- iv) Timely release of funds to Local Governments under the World Bank funded projects (UGIFT and USMID).

21. In line with the above considerations, **Ushs 9.195 Trillion** which is GOU funding (excluding debt, external financing and local revenue) has been released for the second quarter of FY 2023/24. Below are the highlights of the second quarter release:

Wage

22. **Ushs 1.842 Trillion** or 25.3% of the wage budget has been provided to cater for Q2, based on the actual payments made by this Ministry during the first quarter. Whereas we have received additional requests for wage, we are awaiting the Audit report from the Auditor General to make an informed decision on any shortfalls that may arise.

Non-Wage recurrent expenditure

23. **Ushs 529.7 billion** has been provided for the Parish Development Model (PDM) i.e., 50% of the Budget to ensure that all parishes are provided with **Ushs 50 million** each, by half year. In addition, **Ushs 100 billion** has been released for the Emyooga program and **Ushs 42.5 billion** for capitalisation of UDB.
24. **Ushs 434.01 billion** has been released for operations of security institutions i.e., Ministry of Defence (**Ushs 217.868 billion**), Police (**Ushs 78.121 billion**), Prisons (**Ushs 91.7 billion**) ISO and ESO (**Ushs 46.313 billion**).
25. **Ushs 420 billion** has been released for statutory votes i.e Parliament (**Ushs 212.708 billion**), Electoral Commission (**Ushs 97.057 billion** of which **Ushs 58 billion** is to enable the conducting merged election for Women Council and election of Administrative Units LC Is & IIs), Judiciary (**Ushs 60.28 billion**) e.t.c
26. **Ushs 289.558 billion** has been released for pension and gratuity for Q2. This includes the requirement for pension and gratuity for Local Governments.
27. **Ushs 221 billion** has been provided to Education Institutions including Ministry of Education and Sports (**Ushs 84.3 billion** to cater to instructional materials, students loan scheme and examination bodies), Public Universities, UMI and LDC (**Ushs 108 billion**), UNEB (**Ushs 23.34 billion**) for supervising, conducting and managing exams, National Curriculum Development Centre (NCDC) -**5 billion**.
28. **Ushs 240.303 billion** has been provided to National Medical Stores to meet the obligations for purchase of essential drugs and medicines, this will ensure that 67.8% of the budget for drugs has been released to date, **Ushs 47.932 billion** to referral hospitals, cancer and heart institute.



29. **Ushs 158.043 billion** has been provided to UBOS to ensure that activities for the National Census are timely funded.
30. **Ushs 156.19 billion** has been provided to Uganda Road Fund for Road maintenance especially to cater for roads which are affected by seasonal rains.
31. **Ushs 57.274 billion** has been provided to agriculture institutions to cater for the planting season under NAADs and UCDA, research under NARO among others.
32. **Ushs 21 billion** for operations of the National Airline and **Ushs 15 billion** for support to Sports federations under the National Council of Sports.

GOU Development expenditure

33. The Q2 development releases are projected to ensure a minimum of 50% of the development budget at end of Half Year with the following highlights:
- i. Local Governments – **Ushs 494 billion**; This release caters for both the approved Budget (**Ushs 315 billion**) and Supplementary for UGIFT and USMID (**Ushs 179.125 billion**). This release ensures a 50% performance on the releases for capital expenditure for Local Governments.
 - ii. Uganda National Roads Authority (UNRA)– **Ushs 421.127 billion**;
 - iii. Ministry of Energy and Mineral Development– **Ushs 253.087 billion**;
 - iv. Ministry of Water and Environment– **Ushs 201.89 billion**;
 - v. MoWT – **Ushs 124.29 billion**; of which Meter Gauge (**41 bn**).
34. The balance on arrears of **Ushs 102.877 billion** is programmed for release within the quarter to facilitate payment of outstanding obligations to the suppliers of Government.



The Quarterly Release Process

35. I wish to remind all stakeholders that the Quarterly Release Timelines are as follows:

- i) MoFPED issues expenditure limits by the 10th day of the first month of the Quarter.
- ii) Accounting Officers are required to submit to MoFPED requests for Accounting Warrants for wage, pension/gratuity, other non-wage and development budget within a week of issuance of the limits;
- iii) Approval/rejection of release warrants and transfers by MoFPED for MDA's within 48 hours of receipt of warrant;
- iv) Regarding Local Governments, based on the approval of the warrant by MoFPED, Accounting Officers enter warrants of the invoices for Direct Transfers to health facilities, sub counties, Town Councils, schools and Tertiary institutions.
- v) Payments can then be effected by Accounting Officers.

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) Accounting Officers must prioritize payment of service providers in time and avoid accumulation of arrears.
- iii) There should be display of the payrolls for salaries and monthly pensions on government institutions notice boards every month.
- 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), failure to adhere to this, the service providers should turn off non-compliant votes.
- vi) Effectively supervise the implementation of Government programs and projects.



37. MoFPED is committed to the timely release of funds to facilitate timely implementation of government programs in a bid to achieve our goals and objectives as a country.

38. 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