

1st Budget Call Circular FY 2022/2022

Brief to DEG¹
October, 2021

The theme for FY 2022/23 national budget is “**Industrialisation for Inclusive Growth, Employment and Wealth Creation.**”

1. Introduction

Section 9 (3) of PFM Act 2015 requires MoFPED to prepare a National Budget Framework Paper (NBFP) that is consistent with the National Development Plan (NDP) and Charter for Fiscal Responsibility.

The Budget Framework Papers (BFPs) for FY 2022/23 will be prepared in the context of programmatic planning approach and fully alignment of the Budget to NDP III, taking into consideration the NRM Manifesto 2021 -26, and prevailing challenges of Covid-19 pandemic . The PBS and IFMS have been re-configured to accommodate the new budget structure and the revised Charts of Accounts in line with the revised NDP III programmes and PIAPs.

The MoFPED will submit the NBFPs FY 22/23 to Parliament for Approval on not later than 17th Dec, 2021.

Vote BFPs, Programme BFPs and Preliminary Budget Estimates to be submitted to MoFPED before 12th Nov, 2021.

The circular kick-starts the budget preparation process and preparation of BFPs and preliminary budget estimates for FY 22/23 and medium term.

2. Policy and Administrative Reforms

- a. Compliance of the annual budget FY 2020/21 to NDP III was unsatisfactory (54.8%). Caused by the transition of the planning and budgeting process from the sector to programmatic approach and Covid-19 pandemic.
 - MoFPED together with NPA trained all MDAs and LGS on alignment of the budget to NDP III
 - Will review programme budgets for all MDAs to match them with NDP III; will be done between 11th Oct – 12th Nov, 2021.
- b. Rationalisation of government will continue through a phased approach. MoFPED is waiting for guidance from MoPS on which MDAs that will be merged, abolished or retained to finalise the budget. At the moment the resources were provided according to the respective votes as per FY 21/22.

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- c. For FY 22/23, the rationalisation of the budget will be done in line with the Charter for Fiscal Responsibility (CFR):
- Reducing public debt to below 50% of the nominal values of GDP.
 - Reducing Government's fiscal balance including grants to less than 3.0% of non-oil GDP by 2025/26.
 - Transferring a maximum of 0.8% of oil revenue of the preceding FY's estimated non-oil GDP to the consolidated fund for the budget operations and the remainder of the oil revenues to the Petroleum Revenue Investment Reserve.
- d. New PIAPs: The NPA reviewed and updated the programme priorities and their respective PIAPs in light of the impact of Covid-19 and change policy priorities.
- e. The Chart of Accounts has been revised to include segments that accommodate NDP III requirements and the new budget structure. The MoFPED will communicate the new Chart of Accounts at a later date.
- f. The Ministry of ICT and National Guidance should issue communication guidelines to all MDAs to boost visibility of government interventions.
- g. Specific measures to minimise the accumulation of arrears: The Domestic Arrears Management Strategy 2021 is being implemented in two ways:
- Phased clearance of the existing stock of domestic arrears in the medium term;
 - Management control measures to stop the accumulation of new domestic arrears
 - Specific measures going forward include: Review and compile the existing stock of arrears, for a baseline of valid arrears to be established; Set up a payment plan; Establishment of oversight team; Enforce transparency and accountability; Restoration of fiscal discipline to ensure budget realism and credibility; Improve financial system controls, and Improve organisational budget planning.
 - Accounting Officers should capture utility bills, wages and all existing contractual obligations to stop accumulation of further arrears.
 - Accounting Officers who continue to accumulate domestic arrears will be personally held accountable. Meanwhile, MoFPED will deduct at source any such arrears unless otherwise justified.
- h. Public Investment Management (PIM): Accounting Officers should ensure that all projects are fully appraised (go through all the phases; concept, profile, pre-feasibility and feasibility study) for admission into the PIP and overall budget.
- Any new projects for implementation should be appraised in line with the Parish Development Model (PDM).
 - Projects for inclusion in the BFP for next FY should have met the deadness conditions by November 2021. No new projects will be admitted in the PIP after the BFP has been submitted to Parliament.
 - All projects submitted to the Development Committee for consideration of admission to the PIP should be endorsed by the Programme Working Groups.

- i. Parish Development Model (PDM).
 - FY 21/22 Gov't provided US\$ 200 Bn to facilitate recruitment of 5,192 Parish Chiefs; collection of data to guide proper planning; creation of the PDCs and orienting them; finalisation of the implementation guidelines and orientation of stakeholders; and setting up an implementation unit under the MoLG.
 - FY 22/23 Gov't will provide additional resources to cater for full scale implementation of the model specifically for: training of LG officials and Parish Chiefs; establishment and strengthening of community based financial institutions; and strengthening the legal and policy framework of the model.

- j. Operationalisation of new administrative units
 - In FY 22/23, 5 new cities will be operationalised: Moroto, Nakasongola, Entebbe, Kabale, and Wakiso.
 - Operationalisation of newly created sub-counties and Town Councils remains halted until funds are available.

- k. Off-budget financing:
 - MDAs should ensure they budget for all funds including off-budget support. These will be captured both on the PBS and the AMP for credibility, reporting and accounting purposes.
 - All projects and programmes (both loans and grants) funded by DPs depending on the levels of threshold (to be determined by the Minister of Finance), will require prior approval by Cabinet before signature of the Financing Agreements by the Minister of Finance.

- l. Implementing the directive of the President that all construction contracts in health and education sectors be awarded to the Army Construction Brigade. All new projects under design whether GoU or DP financed should take into perspective the directive of the President. Implications on DP funded projects!

- m. In FY 22/23, the e-gov't procurement (e-GP) system will be rolled out in a phased approach to additional 50 Procuring and Disposing entities.

- n. MDAs are advised to allocate 0.1% of their total budgets (excluding pension, gratuity and transfers) towards various HIV and AIDS interventions.

3. Preliminary Resource Envelope FY 22/23

- Preliminary Resource Envelope is **UShs 42,980.30 billion** as summarised below:

Table 1: Preliminary Resource Envelope FY 22/23

Item	2022/23 Preliminary*	2021/22 Budget*	Change
Domestic Revenues	25,515.7	25,568	-0.2%
Budget Support	1,291.7	3,583	-177.4%
Project Support (External Financing)	5,473.0	6,868	-25.5%
Domestic Financing (Domestic Borrowing)	2,836.0		100.0%
Domestic Refinancing (Roll-over)	7,651.5	8,547	-11.7%
Local Revenue for LGs	212.4	212	0.0%
Total	42,980.3	44,779	-4.2%

* USh Billion

- GoU Discretionary Resource Envelope (excluding external financing, debt payments, and Local Revenue) for FY 22/23 is **USh 21,692.8 Bn** compared to **USh 22,266.5 Bn** in FY21/22; a reduction of **USh 573.7 Bn**.
 - To cover the gap, budget cuts on Travel Abroad and Workshops and Seminars across all MDAs to raise **USh 203.4 Bn** and one-off expenditures removed from the budget to raise **USh 370.23 Bn**.

4. Preliminary MTEF allocations for FY 22/23

Table 2: MTEF allocations

Programme	2021/22 Budget	2022/23 (1st BCC)	Change
Agro-Industrialization	1,465.7	1,666.9	201.2
Mineral Development	49.0	34.9	(14.1)
Development of Petroleum Resources	102.4	100.9	(1.5)
Tourism Development	178.9	176.9	(2.0)
Natural Resources, Environment, Climate Change, Land & Water Management	577.2	1,442.7	865.6
Private Sector Development	588.59	698.24	109.7
Manufacturing	83.00	82.55	(0.5)
Integrated Transport Infrastructure and Services	4,960.7	4,776.0	(184.6)
Sustainable Energy Development	1,103.3	1,107.8	4.5
Sustainable Urbanisation and Housing	124.9	345.8	220.9
Human Capital Development	8,062.1	6,461.7	(1,600.3)
Innovation, Technology Development and Transfer	285.9	228.1	(57.7)
Community Mobilization and Mindset Change	81.84	81.02	(0.8)
Governance and Security	6,983.9	6,221.1	(762.8)
Public Sector Transformation	427.34	294.70	(132.6)
Regional Development	1,562.1	1,248.0	(314.1)
Development Plan Implementation	1,093.42	1,041.06	(52.4)

Judiciary	373.40	371.37	(2.0)
Legislature	834.9	686.6	(148.4)
Interest Payments Due	4,697.84	5,088.14	390.3
Total	33,636.3	32,154.6	(1,665.3)

N.B: The MTEF allocations are preliminary and will be reviewed as the budget process progresses.

5. Key Activities in the Budget Process Callendar FY 22/23

No.	Activity	Due Dates
1	The National Budget Conference	Sept, 2021
2	1 st Budget Call Circular FY 2022/23	Sept, 2021
3	LG Regional Consultations	Oct, 2021
4	Consultations with DPs on Budget Strategy	Sep, 2021
5	Development of Programme Budget Framework Papers	Nov, 2021
6	Submission of Programme Budget Framework Papers to MoFPED	12 th Nov, 2021
7	National Budget Framework Paper FY 2022/23 to Parliament	17 th Dec, 2021
8	Debt Sustainability Analysis	14 th Jan, 2021
9	Approval of the NBFP Paper by Parliament	26 th Jan, 2022
10	2 nd Budget Call Circular FY 2022/23	11 th Feb, 2022
11	Ministerial Policy Statements to Parliament	10 th March 2022
12	Presentation of the Annual Budget in Parliament	24 th March 2022
13	Approval of Annual Budget	26 th May 2022
14	Budget Speech for FY FY2022/23	9 th June 2022