**NATIONAL BUDGET CONFERENCE**

September 9, 2016 | Speke Resort Munyonyo

**Remarks by the Local Development Partners’ Group**

Your Excellency, The President

Right Honourable Prime Minister

Honourable Minister of Finance, Planning and Economic Development

Honourable Ministers

Honourable Members of Parliament

Representatives of Civil Society Organisations and the Private Sector

Members of the Diplomatic Community,

Distinguished Participants,

Ladies and Gentlemen,

***(edit as necessary)***

On behalf of the Local Development Partners’ Group, I would like to thank the Ministry of Finance, Planning and Economic Development for organising this budget workshop and for the opportunity to provide an initial contribution to the preparation of the FY17/18 national budget.

Thank you for the great presentations this morning. We welcome the continued focus on improving productivity to create a strong base for new job creation for Uganda’s growing population. We also welcome your focus on improving public investment management within a sound macroeconomic environment (***update as necessary on the day***).

Given that we are at the beginning of the budget process, we would like to make five general comments:

* **Firstly, Development Partners once again recognise and applaud the Government’s macroeconomic achievements.** Despite the challenging global and regional environment, and uncertainties in the domestic market, moderate growth has been achieved. This has occurred in part through Uganda’s close integration with the East African market, the fastest growing region of Africa. We also recognise that the Government’s prompt efforts to manage macroeconomic volatility, and to keep inflation under control, has allowed for the easing of monetary policy to stimulate private sector activity. The most important issue – for the MTEF period – remains keeping debt levels and contingent liabilities within prudent limits. Within this framework, continued efforts are required towards enhancing revenue mobilisation and conducting a prudent policy on current expenditure, whilst strengthening the focus on the quality of service delivery, and Public Investment Management.
* **Secondly, on debt, we commend government for putting in place a debt strategy.** That notwithstanding, the fast increase in debt over the recent years in the face of huge implementation challenges raises the question as to whether the borrowed money will generate sufficient returns to service the debt.
* **Thirdly, on service delivery, Development Partners welcome the increase in allocations to the decentralised social services in FY16/17**, to support the delivery of key NDP2 commitments. Development Partners also welcome the emphasis placed on implementation of the intergovernmental fiscal transfers’ reform, in particular on new formulae for the transfers, to enable additional poverty reducing resources to be allocated more equitably to local governments whilst also enhancing their incentives to perform. We look forward to its effective implementation in the course of the fiscal year. Development Partners recognise that implementation of this reform is at an early stage but that a measure of momentum has been achieved. We wish to continue to work with you to maintain and strengthen this momentum.
* **Fourthly, Development Partners recognise that 3% can be added to GDP if core public investments are well designed and effectively implemented as planned.** However, planned spending targets over NDP1 were not met, with the bulk of under-spending occurring in the priority sectors of energy and transport. Critically many investments are not generating the necessary returns due to cost and time overruns. If such practices persist each new investment will lead to increasing cost of investments rather than additional economic growth. Development Partners welcome the increased recognition across Government to improve the quality of Public Investment Management through the whole public investment cycle (including planning, budgeting, project appraisal and selection through sound feasibility studies, and managing and monitoring of project implementation). We stand ready to support the Government to address this critical issue both at a central government level and with key delivery partners such as UNRA and KCCA.
* **Fifthly, to support better service delivery and Public Investment Management, Development Partners welcome improvements in Public Financial Management systems,** to improve budget execution and to stamp out corruption. Such improvements include the verification of the payroll and pensions, and the move to a single Treasury Single Account with more efficient cash management. We welcome that this has led to substantial improvements in the number of unqualified audits at national and local levels. However, it is important for government to continue to focus ever more fully on key execution issues such as reducing the stock of arrears, ensuring that no new arrears are accumulated, introducing sanctions to enforce PFM and procurement regulations, strengthening decentralization through capacity building of local government staff, and improving the overall integrity of the MTEF process. We are also concerned that there has been a drop in the value of procurements that went through open competition, and a decline in implementation of procurement audit recommendations. Development Partners believe more could be done to strengthen these systems, and we look forward to a set of PMF Instructions that complements the PFM Act and its Regulations.

Your Excellency, Right Honourable Prime Minister, Honourable Ministers **(*edit as necessary*)**, in just a few weeks from now, we will have the third National Partnership Forum between the Government and local development partners, where we will discuss options for improving delivery of public services and public investment management within a prudent debt management framework, and the delivery of results that meets the expectations of all Ugandans. We look forward to discuss this important agenda further with you at the National Partnership Forum on September 22 and beyond.

Thank you.