

# **Integrating EGF Policy Proposals in the Budget FY2021/22**

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# Outline

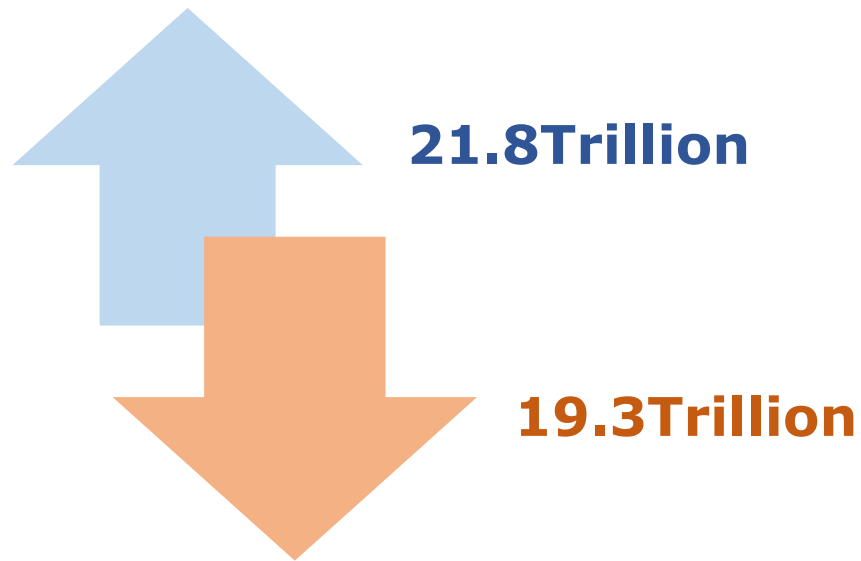
- ❑ **Introduction**
  - Linking Policies to the Budget
- ❑ **Options for creating fiscal space to accommodate the Policy Proposals**
  - Immediate & Medium-term strategy
  - Long-term strategy
- ❑ **Conclusion**

# Linking Policies to the Budget

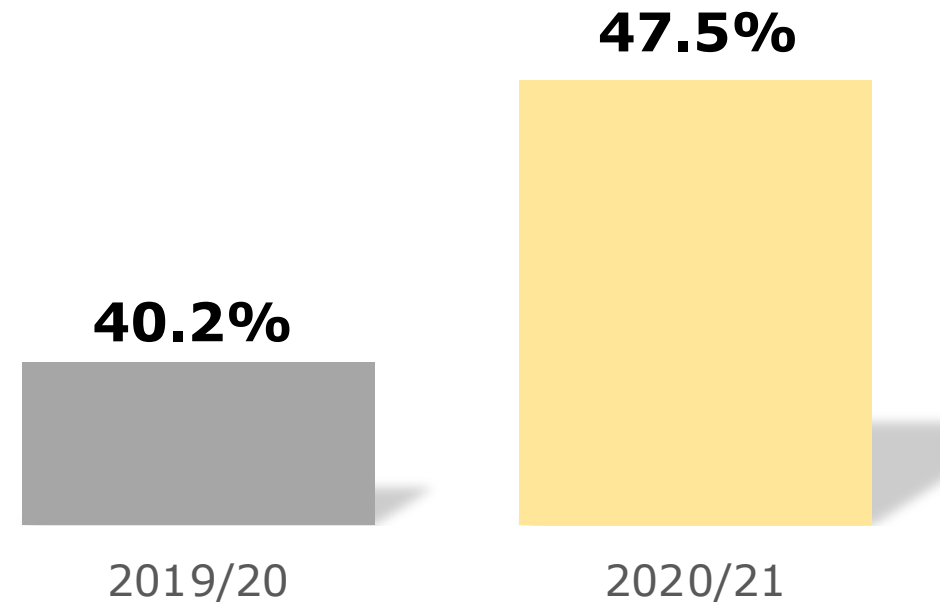
- The National Development Plan forms the basis for formulation of the national budget.
- Government is implementing Vision 2040 through:-
  - i. NDPI (2010/11 -2014/15);
  - ii. NDPII (2015/16 -2019/20); and,
  - iii. Now on NDPIII (2020/21 – 2024/25)...focuses on programme budgeting approach to strengthen the link between policy outcomes and budget formulation.
- Covid-19, coupled with other emergencies and natural disasters will negatively impact on the Government plans to align the budget to policy priorities.
- Therefore, the integration of new policy proposals in the budget will be hinged on the ability to create more fiscal space.

# ...Covid-19 & recent disasters have narrowed discretionary fiscal space

**Domestic Revenue for FY2020/21 is projected to decline from initial estimate**



**Debt to GDP ratio is estimated to rise (Nominal)**



# Expenditure Priorities 2020/21 and the Medium-Term

73% of the **Ushs.31.58TN** discretionary resource FY2020/21 was allocated to stimulate growth and support livelihoods. E.g. increased funding to UDB, ACF, Microfinance, etc.)

Real Economy	Ushs. Billion
Physical Infrastructure	8,439.10
Defense	4,464.30
Education	3,646.10
Health and Medicines	2,785.60
Shelter	209.8
Food Production	3,135.70
ICT, Science, Technology and Innovation	438.8
<b>Total</b>	<b>23,119.40</b>

Others	Ushs. Billion
Accountability	1,594.70
Justice/Law and Order	1,955.90
Local Government Sector	1,692.50
Public Administration	1,330.90
Legislature	672.8
Public Sector Management	668.8
Tourism	197.4
Social Development	187.1
Trade and Industry	162.4
<b>Total</b>	<b>8,462.50</b>

**The medium-term budget strategy will continue to focus on these areas, with enhanced measures for Allocative and Operations Efficiency at programme/sectoral level.**

**...several measures were undertaken to lessen the socioeconomic impact of Covid-19 & maintain momentum on poverty reduction, within the overall NDPIII goal of Increasing Household Incomes & Improving the Quality of Lives.**

- **Ushs.1,363.58BN** supplementary funding has been provided to address the following, among others: -
  - i. Medical supplies to deal with Covid-19.
  - ii. Financing UDB to support the manufacturing sector.
  - iii. Financing UDC to support businesses adversely affected.
  - iv. Social protection interventions.
  - v. Enhancing household capacity for food security.
  - vi. Supporting social services infrastructure – health units, water points, etc.
  - vii. Funding to Microfinance Support Center for small scale enterprises.
  - viii. Support to scientists engaged in Covid-19 interventions.
  - ix. Clearance of domestic arrears.

# Options to Create Fiscal Space

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#	Option(s)	Observation(s)
1.	Increase borrowing	<p><u>Unlikely</u> because substantial borrowing may pose several challenges:-</p> <ul style="list-style-type: none"><li>i. Public debt sustainability i.e. higher debt service which would further limit fiscal space.</li><li>ii. Further domestic borrowing would crowd out the private sector &amp; lower investments.</li><li>iii. Counterproductive effects to the economic stimulus programmes.</li></ul>
2.	Increase Domestic Revenue	<p>Could provide additional fiscal space, mainly from tax administration</p> <ul style="list-style-type: none"><li>- Slowdown in economic activities</li></ul>

# Options to create Fiscal Space

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#	Option(s)	Observation(s)
3.	Grants	Possible, but may not increase significantly given the uncertainties surrounding global economic prospects
4.	Rationalization/Restructuring of Government to improve efficiency	Covid-19 presents an opportunity to speed up the rationalization and eliminate redundancies in the medium-term
5.	<b>Improve prioritization within MTEF i.e. allocative efficiency</b>	<b>Most feasible and can be done, effective FY2021/22</b>



## ...Immediate/Short-Term Measures

1. Savings from obsolete expenditure lines e.g. Travel Abroad. **Ushs. 440Billion** was realized from non-essential expenditure items in the current budget.
2. Deferring implementation of non-core projects, including reallocation of resources from non-performing projects to critical/ready interventions
3. Grants, where possible
4. Compel sectors/programme heads to reprioritize along the NDP3 programme areas
5. Enhancing domestic resource, majorly through improving tax administration

## **...Long-Term Measures**

1. Restructuring of Government Institutions to eliminate duplication, wastage and associated over-expenditures
2. Broadening the tax base, within the overall Domestic Revenue Mobilization Strategy

## **...without additional fiscal space, it is extremely difficult to accommodate new policy proposals**

- Sectors can be engaged to realign budget to NDP3 programmes. This will:-
  - Eliminate duplication,
  - Improve prioritization,
  - Lead to efficiency savings that provide headroom for new policies, and
  - Improve budget alignment to overall NDPIII priorities.
- These proposals will be discussed further in the subsequent budget discussions for consensus.

# Conclusion

- The Budget for FY2021/22 will continue to prioritise expenditures on areas that will address: -
  - i. Immediate impact of Covid-19,
  - ii. Social protection,
  - iii. Poverty vulnerabilities,
  - iv. Job Creation,
  - v. Agro-Industrialisation, and,
  - vi. Skills Development.
- These will be prioritized without losing/compromising focus on long-term growth and development agenda.

**Thank you**