

UGANDA MULTI-YEAR COMMITMENT STATEMENT FY2022-2023



Government of Uganda
MINISTRY OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

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GLOSSARY

Arrears	Approved payments (certificates) for goods or services delivered from past years that have not been paid to date.
Contractual Commitments	Commitments entered into as a result of contracts / purchase orders signed for goods, services or works under each projects.
Counterpart Requirements	Specific explicit GOU obligations that have to be undertaken in order for externally financed funding to be disbursed (e.g. Land acquisition, RAP). Counterpart requirements are often spelt out in the Financing agreement and represent conditions to be met often prior to project execution
Multi-year commitments	These are development expenditure requirements on projects or undertakings whose implementation spans more than one year and which have been approved by the Development Committee
Non-contractual commitments	Project expenditures / commitments which are not contractual but resulting from (i) incidental expenses related to projects, (ii) project recurrent commitments, (iii) statutory commitments and (iv) social contracts

EXECUTIVE SUMMARY

The Public Investment Plan (PIP) for FY 2022/23 – FY 2025/26 has **351 projects** with a total life value of **Ushs 98.9 Trillion**. Of this amount, **Ushs 51.5 Trillion** shall be funded by the Government of Uganda, while **Ushs 47.5 Trillion** shall be funded through external financing.

The Country's total budget estimate for FY2022/23 stands at **Ushs 45.33 Trillion** of which **Ushs 13.36 Trillion** is development expenditure, **Ushs 20.44 Trillion** is recurrent expenditure and **Ushs 11.53 Trillion** is domestic refinancing. This implies that out of the total budget, 29 percent of the resources will be allocated to capital and social investments.

In FY 2022/23, a total estimate of **Ushs 13.361 Trillion** allocated to the development budget is to finance new and ongoing projects; with **Ushs 6.683 Trillion** to be funded by Government of Uganda resources and **Ush 6.677 Trillion** to be provided through External Financing. This represents a 14.8 percent increase compared to **Ushs 11.64 Trillion** that was allocated in FY 2021/22. This is majorly on account of an increase in external financing allocation.

Rt. Hon. Speaker and Hon. Members, the budget process for FY 2022/23 follows the Programme-based budgeting approach, which aims to enhance better coordination and budget alignment with development results. As such, out of the 20 Programmes in the National Development Plan III, the largest share of the development budget has been allocated to the following programmes: **Integrated Transport Infrastructure and Services (25.1%)**, **Governance and Security (22.1%)**, **Human Capital Development (18.4%)**,

Sustainable Energy Development (9.7%); and Natural Resources, Environment, Climate Change, Land and Water Management programmes (8.3%).

In aggregate terms, the Government of Uganda Multi-year project commitments for the period FY2022/23 – 2025/2026 far exceed the Medium-Term Expenditure Framework (MTEF) ceiling with an estimate of **Ushs 1.82 Trillion** in FY 2022/23 alone. This means that Government is over committed thus leading to postponement of slow or non-performing projects and/or stopping uptake of new project commitments.

Rt. Hon. Speaker, the above notwithstanding, several challenges were identified during execution of projects in the previous Financial Years and these have continued to impede performance of projects. The key challenges include; inadequate technical capacity in the Public Investment Management System (PIMS) process, implementation of unready projects, continued poor absorption of funds, more especially for externally financed projects, Covid-19 induced development budget suppressions, among others.

In order to ensure efficiency and effectiveness in public investment in FY 2022/23 and the medium term, some recommendations have been proposed including; promote proper sequencing and prioritisation of projects through the project selection criteria, ensure monitoring of projects during implementation and ex post evaluation, fast track completion of the National Public Investment Management policy, support and provide adequate resources to the PIMS Centre of Excellence at Makerere University that was established with support from our Development Partners.

A. INTRODUCTION

1. Rt. Hon. Speaker and Hon. Members, Section 13 (3) of the Public Finance Management Act (PFMA), 2015 (as amended) requires the Hon. Minister of Finance, Planning and Economic Development to present the proposed annual budget for the next Financial Year to Parliament by 1st April.
2. The financial estimates for the Financial Year to which the annual budget relates under Section 13 (10) c of the PFM Act (as amended), should include a statement of the multi-year expenditure commitments to be made by Government in the next Financial Year.
3. In addition, under section 23 (4), the Minister responsible for Finance is also required for every Financial Year to submit to Parliament, a report on the performance of the Multi-Year Expenditure commitments made.
4. This Multi-Year Commitment Statement (MYCS) for FY 2022/23 is key in informing the planning, prioritisation and budgeting processes of Government development initiatives in the medium term thereby supporting decision-making by different stakeholders when approving new capital initiatives and allocating resources for the annual budget.
5. Rt. Hon. Speaker and Hon. Members, the rest of the statement is structured in five sections as follows.

Section B covers the legal requirement supporting the statement

Section C explains the purpose of the Multiyear Commitment Statement.

Section D indicates the methodology that was used to compile and analyse the Multiyear commitment data across Government.

Section E provides for the aggregate analysis of multi-year commitments compared to the MTEF FY 2022/23 – FY 2025/26. It also provides the performance of Multiyear commitments made by Government in FY 2020/21 and the challenges that impede project performance, and

Section F provides recommendations to improve Public Investment Management.

B. LEGAL REQUIREMENTS

6. **Section 23 (1)** of the **PFM Act 2015 (as amended)** requires that no Vote shall enter into a contract, transaction or agreement that binds the Government to a financial commitment for more than one year or which results in a contingent liability, except where the financial commitment or contingent liability is authorized by Parliament.
7. **Section 4.22.3** of the Treasury Instructions, 2016 further require that the multi-year commitments shall consist of such expenditure requirements on projects or undertakings whose implementation spans more than one year.
8. Rt. Hon. Speaker, this statement has been prepared taking into account the above legal requirements.

C. PURPOSE OF THE MULTI YEAR COMMITMENT STATEMENT

9. Rt. Hon. Speaker, the purpose of this statement is to present the multiyear expenditure commitment obligations to be made by Government during FY 2022/23 and the medium term. The statement also reports on the performance of commitments made during FY 2021/22.
10. Furthermore, this statement seeks to request Parliament to authorize Government Ministries, Departments and Agencies responsible for implementing development projects that span more than one year, to enter into multi-year obligations in order to properly implement projects within the available fiscal space.
11. The fiscal space analysis presented as part of this statement is intended to,
 - i. Inform decision making in the subsequent budget cycles.
 - ii. Quantify the magnitude of Government commitments to ensure that resources are efficiently prioritized and allocated to projects that have ongoing multi-year commitments, and
 - iii. Enforce fiscal discipline within the available fiscal space.
12. Rt. Hon. Speaker and Colleagues, this consolidated statement of multi-year expenditure Commitments also seeks to demonstrate the overall financial obligation and variance of both new and on-going projects compared to the indicative resource allocations for FY 2022/23 and the medium term.

D. METHODOLOGY

13. Rt. Hon. Speaker, the data presented in this statement was obtained from Votes using a Multi-Year Commitment Template.

The main components of the template include; magnitude of outstanding arrears, counterpart funding requirements, contractual and non-contractual commitments but which are incidental to project execution.

14. The submitted data was jointly validated by the Ministry of Finance, Planning and Economic Development and the respective Planning Units in MDA's using project documents submitted to the Development Committee, signed contracts, financing agreements, certificates and data from the Integrated Financial Management System (IFMS), the Programme Budgeting System (PBS) and the Integrated Bank of Projects (IBP).

E. AGGREGATE ANALYSIS OF MULTI YEAR COMMITMENTS

a) Performance of Multiyear Expenditure Commitments made by Government in FY 2020/21

15. Rt. Hon. Speaker, this section presents the cumulative financial performance of all ongoing projects in the Public Investment Plan (PIP) for FY 2021/22. The current PIP has a total of 395 projects, of which 153 are retooling projects, while 242 projects are either social or infrastructure projects.
16. Rt. Hon. Speaker, in the Budget for the current FY 2021/22, a total of **Ushs 13.2045 Trillion** was appropriated under the Development Budget compared to **Ushs 18.004 Trillion** which was appropriated in FY 2020/21. This decline was largely on account of a reduction in commitments for external funding from **Ushs 9.515 Trillion** in FY 2020/21 to **Ushs 5.962 Trillion** in FY 2021/22. This decline is a deliberate Government decision to ensure Government avoids over-commitment, reduce the fiscal

deficit and the public debt, while spreading out the fiscal burden of implementing public investments.

17. Rt. Hon. Speaker, the Development Committee reviewed the Public Investment Plan (PIP) for FY 2021/22. The aim of the review was to assess performance of projects and Multi-Year Contracts, clean the Public Investment Plan (PIP) of ineligible interventions, ensure projects that reach end of their implementation phase exit the PIP and guide on change in project scope and phase due to any changing project implementation circumstances.

18. Following the review, a total of 44 projects will be exited from the PIP by 30th June, 2022 on account of reaching their completion dates, completion of works, chronic under performance, execution of recurrent activities among others. The Government of Uganda budgetary allocation to these projects during FY 2021/22 is valued at **Ushs 1,104.3 billion** of which **Ushs 105.6 billion** was retained in the Development Budget of respective Votes to implement successor interventions, while **Ushs 998.7 billion** was re-allocated mainly to cater for critical areas of Government including funding of the Parish Development Model and other critical Government priorities.

19. Rt. Hon. Speaker, due to a number of challenges ranging from pending contractual obligations, delayed disbursements, inability to execute physical works due to movement restrictions occasioned by the Covid-19 pandemic, inadequate financing for counterpart obligations, slow disbursements from Development Partners, administrative reviews in procurement among others, a

number of projects could not be completed in time. Therefore a total of 94 projects accounting for **Ushs 6,929.76 billion** comprising of **Ushs 3,435.6 billion** and **Ushs 3,494.2 billion** for Government of Uganda and External Financing respectively that were scheduled for exit at the end of FY 2021/22 will be retained in the PIP. This was on account of Accounting Officers that requested for retention of the same in the PIP. These extensions are to enable these projects execute pending works, outstanding contractual obligations and utilize outstanding disbursements from external financiers in FY 2022/23.

20. Rt. Hon. Speaker, during the FY 2020/21, the COVID-19 pandemic was a key catastrophe that largely impacted project budget performance. The average project budget performance for FY 2020/21 was 71% for both GoU and Externally funded projects. This was mainly due to the rationalization of the budget to respond to the Covid-19 challenges in the critical sectors of the economy.

21. Rt. Hon. Speaker, externally funded projects were noted to have low budget performance at 35.6% compared to GoU budget performance which stood at 113%. This was largely due to failure by MDAs to meet the requisite disbursement conditionalities.

22. Rt. Hon. Speaker, budgeting for counterpart funding has persistently been a challenge which is affecting performance of externally funded projects. The total requirement for counterpart funding for the period FY 2015/16 to FY 2020/21 was estimated at Ushs. 11,200.64 bn. However, Government provided

Counterpart funding worth Ushs. 4,627 billion over the same period, representing 41 percent hence leaving a funding gap of Ushs. 7,130.0 bn. This is on account of funding constraints faced by Government.

23. Furthermore, Programmes and Ministries, Departments and Agencies (MDAs) have continued to prioritize new projects at the expense of ongoing projects. This has led to the over stay of projects in the PIP. Whereas my Ministry has continued to emphasize the need for the Programmes and MDAs to sequence projects and prioritize completion of ongoing projects, this has not been achieved so far which continues to affect the fiscal space and therefore increased the debt burden on the country.

b) Multi-Year Expenditure Commitments Analysis for FY 2022/23 – FY2025/26

24. Rt. Hon. Speaker, the Public Investment Plan for the period from FY 2022/23-FY2025/26 has **351** projects with a total value of **Ushs 98.9 Trillion**, of which **Ushs 51.5 Trillion** shall be funded by the Government of Uganda, while **Ushs 47.5 Trillion** shall be funded through external financing (**Annex I**). In the coming FY 2022/23, the project requirements to be funded by GoU amount to **Ushs. 8.493 Trillion**, while **Ushs 5.218 Trillion** will be provided through external financing.

25. The Country's total budget for FY2022/23 stands at **Ushs 45.33 Trillion** of which Ushs **13.36 Trillion** is development expenditure, Ushs **20.44 Trillion** is recurrent expenditure and **Ushs 11.53 Trillion** is domestic refinancing. This implies that out of the total

budget, 29 percent of the resources will be allocated to capital and social investments.

26. Over the MTEF period, the total value of project commitments is **Ushs 33.623 Trillion**, with **Ushs 22.994 Trillion** funded by Government of Uganda and **Ushs 10.630 Trillion** provided through external financing. The annual projects commitments over the MTEF period are summarized in Table 1 below.

Table 1: Annual budget requirements for ongoing projects (Ushs Billion)

Project Requirements by funding Source	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
Government of Uganda	8,504	7,059	4,289	3,143
External Financing	5,220	3,060	1,937	412

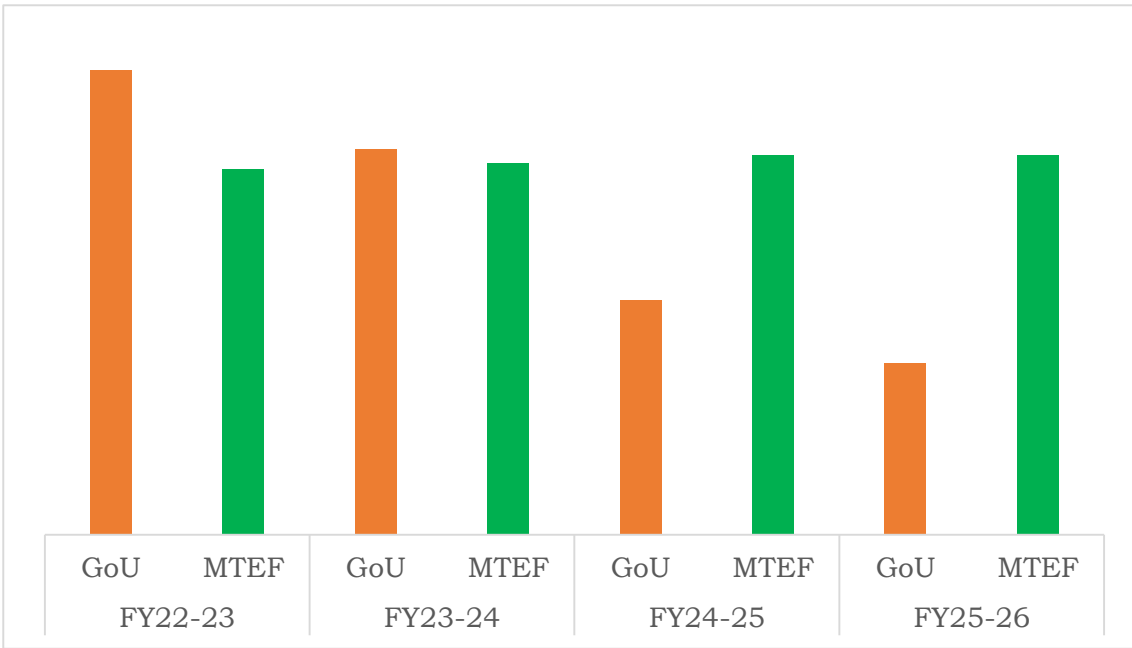
Source: MFPED, March, 2022

27. Colleagues, it should be noted that on account of resource constraints, the Ministry of Finance, Planning and Economic Development has provided **Ushs 6.683 Trillion** in the MTEF to finance ongoing projects in FY 2022/23 under Government of Uganda resources of which **Ushs 2.841 Trillion** has been allocated to 53 projects that were granted an extension in the PIP. The above GoU MTEF provision is less than the total project requirement of **Ushs 8,504 Trillion** that translates into a funding gap of **Ushs 1,820 Trillion** for FY 2022/23.

28. To address the above, all Votes across Government were advised in the second Budget Call Circular to prioritize project commitments within the available fiscal space through proper sequencing, by either postponing slow or non performing projects and/ or stopping uptake of new project commitments.

29. Furthermore, Government has developed the project selection criteria which will ensure that only ready to go projects are selected from a pipeline of new projects for inclusion in the PIP and budget respectively after confirmation of sufficient resources to finance their respective interventions. The total project commitments in comparison to the MTEF provisions over the medium term are indicated in Figure 2 below.

Figure 1: GoU project commitments and the MTEF GoU Development Ceilings



Source: MFPED, March, 2022

30. The biggest over commitments in FY 2022/23 are under **Sustainable Energy Development** followed by **Integrated Transport Infrastructure and Services** and **Natural Resources, Environment, Climate Change, Land and Water Management Programme** as shown in Table 2 below.

Table 2: Variance between MTEF Development Ceiling and Project Commitments (Ushs Bn)

Programme	FY2022/23	FY2023/24	FY2024/25	FY2025/26
Agro-Industrialization	24.73	136.07	94.50	70.83
Development Plan Implementation	-74.36	84.01	123.78	158.29
Digital Transformation	-11.57	-14.32	-20.70	-22.70
Governance and security	-3.44	-2,156.51	349.85	1,157.55
Human Capital Development	579.88	814.99	912.30	957.99
Innovation, Technology Development and Transfer	-8.80	-9.96	-12.51	-15.57
Integrated Transport Infrastructure and Services	-663.69	1,352.07	1,691.73	1,848.48
Mineral Development	-5.03	-5.03	-5.03	-5.03
Natural Resources, Environment, Climate Change, Land and Water Management	-272.89	-342.99	-393.02	-495.75
Private Sector Development	-9.43	-58.99	-60.77	-60.58
Public Sector Transformation	-31.94	-34.96	-41.60	-49.57
Regional Development	17.43	81.15	83.81	86.70
Sustainable Development of Petroleum Resources	-9.17	1.68	20.33	33.37
Sustainable Energy Development	-1,240.50	19.23	-46.13	119.41
Sustainable Urbanization and Housing	-72.15	-47.36	-51.74	-59.57
Tourism Development	-32.30	-50.61	-43.19	-15.79
Administration of Justice	0.46	29.87	33.94	58.47
Legislation, oversight & representation	3.11	23.02	45.07	65.69
Manufacturing	-6.16	-7.64	-10.59	-13.79
Community Mobilization and Mindset Change	-4.44	-5.33	-7.27	-9.61

Source: MFPED, March, 2022

31. Rt. Hon. Speaker, over commitment of expenditures in Uganda's Public Investment Plan (PIP) relative to the available medium-term fiscal space remains a challenge. This means that the commitments cannot be adequately accommodated within the available fiscal space. This over-commitment contributes to underfunding of projects and these cannot be executed on schedule. This situation tends to drive up costs and reduces the expected impact on the county's development agenda.

KEY CHALLENGES AFFECTING PROJECT EXECUTION

32. Rt. Hon. Speaker, the above notwithstanding, several challenges were identified during execution of projects in the previous Financial Years and these have continued to impede performance of projects. The key challenges include;

33. **Covid-19 induced development budget suppressions.** This led to extension of many projects that should have ended in FY 2021/22 which have continued to occupy the fiscal space.

34. **Inadequate technical capacity in the Public Investment Management System (PIMS) process.** Government has a limited pool of PIMS experts required to undertake the critical processes of PIMS especially project preparation and appraisal, project implementation, Monitoring and Evaluation which delays commencement, stagnation of strategic projects and frequent adjustments in project cost and scope. My Ministry will continue spearheading capacity building across Government in the medium and long term.

35. **Implementation of unready projects:** A number of Votes have continued to take up new projects without prioritizing preparatory activities such as procurement, acquisition of right way,

instituting project teams among others precedent to civil works. This often times has resulted into project delays and cost overruns.

36. **Continued poor absorption of funds**, more especially for externally financed projects. This is usually on account of failure to meet disbursement conditions such as provision of sufficient counterpart funding for acquisition of right of way, compliance to the environment and social safeguards and unfavourable terms of financing among others.
37. **High cost of implementing infrastructure projects**. The unit cost of implementing infrastructure projects most especially in Sustainable Energy Development and Integrated Transport Infrastructure and Services programmes have gradually increased. This is mainly attributed to over dependence on foreign expatriates to supervise and undertake the civil works for the respective projects.
38. **Lack of an appropriate policy to anchor all the public investment reforms that are being undertaken across government**. This has continued to impact project appraisal, implementation, Monitoring and Evaluation projects, and maintenance of the created assets. My Ministry will fast track this policy to ensure that public investment reforms are fully anchored on policy framework.
39. **Acquisition of external financing for unready projects**. MDAs have often fast-tracked acquisition of external financing before completing the requisite appraisal processes and studies for the

respective projects. This has often led to nonperforming projects with government paying commitment fees. My Ministry has started providing funding for studies to ensure projects are studied before approval and implementation.

F. RECOMMENDATIONS TO IMPROVE PUBLIC INVESTMENTS

40. Rt. Hon. Speaker, in order to ensure efficiency and effectiveness in public investment in FY 2022/23 and the medium term, I recommend the following and further request Parliament for support in this regard;
41. **There is need to promote proper sequencing and prioritisation of projects.** Parliament should ensure that during the review of the respective policy statements, MDAs have prioritised completion of ongoing projects before embarking on new projects to avoid constraining the fiscal space for the country. My Ministry has developed the project selection criteria which will ensure that only ready to go projects are selected from a pipeline of new projects for inclusion in the PIP and budget respectively.
42. **There is also need for Parliament through their oversight role to ensure monitoring of projects during implementation and ex post evaluation.** This will enable realisation of value for money and better service delivery after project completion.
43. **Fast track completion of the National Public Investment Management policy.** My Ministry will fast tract this policy which will provide proper anchorage for all the Public Investment Management System reforms that are being established across government to guide public investment management.

44. **Government will support the Public Investment Management System (PIMS) Centre of Excellence at Makerere University that was established with support from our Development Partners.** Building a critical mass of PIMS experts across Government will be paramount and the Centre will be critical in this capacity building to ensure that project studies are well studied and executed.

G. CONCLUSION

45. Rt. Hon. Speaker, Government is committed and focused on ensuring that the resources required for the achievement of Uganda's public investment aspirations as enshrined in the NDPIII and Vision 2040 are obtained in the short, medium and long term. Government is also well aware that the resource requirements needed to achieve the above aspirations are enormous amidst national, regional and international challenges.
46. In that regard, we shall continue to accord priority towards accomplishing ongoing commitments within the Programs, Ministries, Agencies and Departments to enable timely completion of projects, and strengthen mechanisms to reduce wastage of the limited resources, reduction of arrears, enhancement of absorption of funds, more especially for externally financed projects, and most of all attain the project objectives and outcomes. In the same vein, any projects that were granted extension in the budget (beyond the original project life span) will be fast-tracked for completion during FY 2022/23 so as to create fiscal space for new projects in the subsequent years.

47. Rt. Hon. Speaker and Hon. Members, I beg to submit.

Matia Kasaija (MP)

**MINISTER OF FINANCE, PLANNING AND ECONOMIC
DEVELOPMENT
MARCH, 2022**