

BPD/103/155/01

4th January 2023

**PRESS RELEASE ON QUARTER THREE EXPENDITURE RELEASES
FY 2022/23**

1. I wish to welcome the media and other stakeholders to this meeting whose objective is to brief the media on the Third Quarter releases and the State of the Economy.

A. APPROVED BUDGET FY 2022/23

2. The total Approved Budget for Financial Year 2022/23 is **Ushs 48,130 billion**.
3. However, the Discretionary Budget (i.e. Approved Budget by Parliament Net of Debt Payments, External Financing & Local Revenue) is **Ushs 26,001,223,858,293 (Shillings Twenty-Six Trillion, One Billion, Two Hundred Twenty-Three Million, Eight Hundred Fifty-Eight Thousand, Two Hundred Ninety-Three)**.
4. Ministry of Finance Planning and Economic Development releases funds quarterly and in the First Quarter, the releases were made on 8th July 2022, whereas in the Second Quarter, the releases were made on 30th September 2022.
5. This Third Quarter, we issued a circular communicating release of funds on the 29th December, 2022. This is in line with MoFPED's commitment to release funds before the 10th day of the first month of the quarter to ensure timely execution of Government programs.

B. BUDGET PERFORMANCE AS AT END OF SECOND QUARTER FY 2022/23

6. As at end of Second Quarter, this Ministry had released **Ushs 13,693.85 billion**, representing 52.7% of the Approved Discretionary Budget as disaggregated below:

Budget Category	Approved Budget (Ushs Bn.)	Released as end Q2 (Ushs Bn.)	%
Wage	6,375.58	3,607.14	56.6%
Non Wage	11,113.89	6,318.49	56.9%
GOU Devt	7,849.81	3,024.69	38.5%
Arrears	661.95	743.54	112.3%
Total GoU	26,001.22	13,693.85	52.7%

Local Government releases

7. Releases to Local Governments were effected based on annual workplans, quarterly workplans and annual cashflow plans. A total of **Ushs 2,354.799 billion** has been released to Local Governments as follows:

i) Wage	-	Ushs 1,594.372 billion
ii) Non-Wage	-	Ushs 530.751 billion
iii) Development	-	Ushs 229.675 billion

8. For Development, 35.0% of the Local Government Development Grants were released in the first half of this FY to enable Local Governments implement projects timely.
9. Transfers to educational institutions, health units and all lower local governments are transmitted directly to their institutional Bank Accounts.

C. EXPENDITURE LIMITS FOR THE THIRD QUARTER OF FY 2022/23

10. This Quarter (January-March), **Ushs 6,369.829 billion** has been released representing 24.5% of the Discretionary Budget as follows:

Budget Category	Approved Budget (Ushs Bn.)	Q3 Release (Ushs Bn.)	%
Wage	6,375.58	1,792.28	28.11%
Non-Wage	11,113.89	2,5546.49	22.91%
GOU Devt	7,849.81	1,999.25	25.47%
Arrears	661.95	31.80	4.80%
Total GoU	26,001.22	6,369.83	24.50%

The breakdown is as follows:

- i) **Ushs 1,792 billion** or **28.1%** of the wage budget has been released. This includes the wage enhancements for scientists and the UPDF;
- ii) **Ushs 128.993 billion** has been released to cater for payment of Pension for the retired civil servants and **Ushs 132.417 billion** provided to cater for Gratuity payments in the quarter;
- iii) Under the Education sector, the capitation grants for schools have been fully provided to cater for Term One of the school year;
- iv) **Ushs 122.410 billion** has been provided to National Medical Stores for the purchase of essential medicines and drugs;
- v) **Ushs 385.949 billion** has been provided to UNRA to pay for certificates for the ongoing projects;
- vi) **Ushs 264 billion** has been released for the Parish Development Model bringing the total release to 75% of the Approved Budget for PDM;
- vii) **Ushs 121 billion** has been provided to support the strategic interventions to boost food and animal feeds security;
- viii) Missions abroad have been provided with **Ushs 76.267 billion** being the balance of the budget in order to hedge them against the exchange rate loss;
- ix) **Ushs 143.647 billion** has been provided to Universities in line with the semester requirements of which **Makerere – Ushs 58.990 billion, Kyambogo – Ushs 22.599 billion, MUBS – Ushs 17.520 billion, UMI – Ushs 7.310 billion, Mbarara – Ushs 6.003 billion, Gulu – Ushs 2.930 billion** etc.

11. The above releases will translate into a cumulative release of 77.16% of the Approved Discretionary Budget.

Local Government releases.

12. **Ushs 1,558.301 billion** (41.65% of the approved Local Government budget) has been released to local governments as follows:

i) Wage (27.9%)	-	Ushs 796.732 billion
ii) Non-Wage (30.1%)	-	Ushs 316.642 billion
iii) Development (65.2%)	-	Ushs 444.927 billion

13. Please note that, 65.21% of the Local Government Development Grants have been released this Quarter to enable Local Governments implement projects timely. This brings the total Local Government Development Grant release to 100% of the approved budget in line with GoU's commitment to minimise procurement delays and avoid unspent balances at the end of the Financial Year.

14. This translates into a cumulative release of 85.76% of the Approved Budget for Local Governments. The remaining balance is mainly for Salaries, Pension and Gratuity to be released in the Fourth Quarter.

D. MACRO ECONOMIC PERFORMANCE TO DATE FY 2022/23

15. **Inflation:** Annual headline inflation had been on an upward trend since the start of FY2022/23 peaking at 10.7% in October 2022. Following the coordinated monetary and fiscal policy interventions of the Central Bank and this Ministry respectively, inflation has started declining, being recorded at 10.6% in November 2022 and 10.2% for December 2022.

16. **Economic Activity:** The high frequency indicators of economic activity show improvements in the level of economic activity in Q2 compared to Q1. The Composite Index of Economic Activity (CIEA) averaged 150.73 in Q2, which is 1.6% higher than the average of 148.42 registered in Q1.

Similarly, the Purchasing Managers Index showed continuous improvement throughout Q2, being recorded at 52.0 in December 2022. This was the highest since the start of the financial year and was mainly due to growth in demand, output, and employment.

To this end, perceptions about doing business within the economy remain positive as shown by the Business Tendency Index (BTI) which remains above the threshold of 50.

17. **Exchange rate:** The Shilling has been strengthening against the US Dollar since September 2022. In December 2022, the shilling appreciated by 1.8% mainly driven by Dollar inflows from NGOs, exports, investments (FDI) in the oil sector and remittances which outweighed demand for the Dollar during the month.
18. **Interest rates:** Interest rates have been going up since the start of the financial year as the Central Bank adopted monetary policy tightening to bring down inflation. On average, lending rates were 15.53% in July 2022 but have since increased to 18.98% in November 2022.
Similarly, yields on Government Securities had been going up though this trajectory reversed in November 2022. For instance, the average yield for 364 Treasury bill was 12.3% in July 2022 and had increased to 15.4% in November 2022 before declining to 13.8% in December 2022.
19. **Private Sector Credit (PSC):** In spite of the monetary policy tightening, the stock of Private Sector Credit has continued to grow. As of November 2022, the stock was **Ushs 19,886.36 billion** which implies a growth of 0.4% from the **Ushs 19,808.71 billion** at the end of FY 2021/22.
20. **Trade deficit:** Uganda's trade deficit was recorded at US\$ 299.88 million in November 2022. This implies an improvement in our trade position with the rest of the world since the start of the financial year when the deficit was US\$ 318.26 million.

This was mainly driven by a reduction in imports whose value declined from US\$ 661.56 million in July 2022 to US\$ 635.66 million in November 2022.
21. **Fiscal Sector Performance:** Government has so far (as at end of Half Year) released 52.7% of the Approved GoU Budget excluding Debt, External Financing & AIA.

On the revenue front, Government collected **Ushs 9,058.20 billion** between July and November 2022 which translates into a surplus of **Ushs 37.43 billion** against the target for that period.

22. While setting cash limits for Q3, we took account of the releases made so far, performance of domestic revenues, the general economic outlook and the need to balance the objective of supporting economic recovery and service delivery with maintenance of macroeconomic stability and fiscal sustainability.

CONCLUSION

23. 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 on time and avoid accumulation of arrears.
 - iii) There should be display of the payrolls for salaries and monthly pensions on government institutions and cost centre (schools, health centres, departments etc.) notice boards every month.
 - iv) Accounting officers must ensure timely submission of performance reports and accountability.
 - v) The national identification numbers will be used in the confirmation of payment of wages, pensions and gratuity.
 - vi) All Government institutions should ensure pre-payment of utilities (water and electricity). Failure to adhere to this, the service providers should turn off services to thenon-compliant votes.
 - vii) Clearance of domestic arrears must be prioritized.
24. Over the last three years, this Ministry has been committed to the timely release of funds and all stakeholders are requested to utilize the information printed in the media.
25. Once again, I wish to thank the Press and Civil Society for supporting our budget transparency initiative. I urge you to make use of our website www.budget.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.

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PERMANENT SECRETARY/ SECRETARY TO TREASURY