INITIATIVE FOR SOCIAL AND ECONOMIC RIGHTS

UNPACKING UGANDA'S 2024–25 BUDGET: ISER'S INSIGHTS ON PUBLIC SERVICES FUNDING

JUNE 2024




1.0 Introduction

The 2024–25 UShs 72 trillion[1] budget arrives as Uganda concludes its three-year IMF program, marked by significant spending cuts across various sectors, including health, education, and public infrastructure. This fiscal austerity is evident throughout Kampala, where infrastructure deterioration, such as potholed roads, is rampant. Additionally, public hospitals face frequent drug shortages and inadequate medical supplies, compromising healthcare quality for Ugandans.

Public education has also suffered, with rising costs due to insufficient government investment in public schools, driving up demand for private options. Recent social media campaigns like the Uganda Health Exhibition, Education Exhibition, and #UgandaPotholeExhibition have highlighted these deficiencies, showcasing widespread public frustration and dissatisfaction. These campaigns have sparked debates on the urgent need for increased funding and accountability in critical sectors like healthcare and education.

Ongoing public protests against new tax administrative measures, especially #EFRIS, further emphasize the public's demand for transparency and efficiency in public spending and revenue mobilization. These demonstrations reflect a growing urgency among Ugandan citizens for meaningful reform in government spending.

In the subsequent budget analysis, we examine the allocation of the proposed UShs 72 trillion budget across various sectors and its potential impact on the economy and society. This analysis aims to provide insights into government priorities and highlight areas needing additional scrutiny and attention from Parliament, civil society, the media, and other stakeholders.

2.1 Critical flaws with the Budget Process

The 2024-25 budget process in Uganda was marred by several legal flaws, chief among them being the introduction of an addendum to the budget mere hours before its approval. This addendum caused a dramatic shift in the budget, increasing it by over UShs 14 trillion (25 percent) from the earlier estimates of UShs 58 trillion. Such a substantial change in a short time frame did not provide legislators adequate time to thoroughly scrutinize the new amendments, posing significant risks to the economy and social well-being.

On May 15, 2024, the Ministry of Finance, Planning, and Economic Development, through its Minister of State, Hon. Henry Musasizi, submitted the addendum and corrigenda to the draft budget estimates for the fiscal year 2024-2025 in a letter to the Speaker of Parliament. The very next day, on May 16, 2024, Parliament approved the national budget for 2024-25 after incorporating the Finance Ministry's addendum and corrigenda. This rapid approval process

[1] Retrieved from: Corrigenda to the draft budget estimates for the draft budget estimates for the FY 2024/25

left little room for evaluating the potential impacts of the budget modifications on the economy.

It remains unclear why Parliament chose to expedite the review and approval of the budget, especially considering that the Public Finance Management Act (2015) allowed until May 31st for such approval, including any revisions. This premature approval raises questions about the due diligence exercised by Parliament in the budget process.

2.2 Resource Envelope for Financial Year 2024-25 (UShs Billion)

Source	**FY 2024/25**
Total Domestic Resources	32,384.76
Domestic Revenues (Tax & Non Tax)	31,975.49
Local Government Revenue (AIA)	293.90
Oil Revenue	115.37
Domestic Financing	28,768.19
Domestic Borrowing (Including from BOU)	8,967.96
Domestic Debt Refinancing (Roll-over)	19,800.23
External Financing	10,977.12
Budget Support (Loans and Grants)	1,393.66
Project Support (Loans and Grants)	9,583.46
Total Resource Envelope	72,130.06
Less project support (loans and grants)	9,583.46
Less Domestic Debt Refinancing	19,800.23
Less External Debt Repayments (Amortization)	3,149.24
Less Interest payments	9,064.37
Less Appropriation in Aid (AIA) - Local Revnue	293.90
Less Domestic Arrears	200.00
Less Domestic Debt Payment (BoU)	9,100.00
Less BoU recapitalization	603.00
GOU Discretional Resources	20,335.86

Source of figures: Budget Committee Report on the Annual Budget Estimates for FY 2024/25 along with author's own calculations.

Debt Repayment and Financing: Debt repayment and financing account for the largest portion of the budget, comprising over half (57 percent), totaling a staggering UShs 41.7 trillion. Debt repayment exceeds anticipated domestic revenue, which is expected to be UShs 32.3 trillion, by 1.3 times. This indicates that the entire revenue collection will be allocated to debt payments. The government plans to spend UShs 114 billion daily on debt repayment, an amount surpassing the combined budget for health, education, and social protection. This trend is concerning as it prioritizes debt repayment over investments in social sectors. The heavy reliance on external borrowing to finance the budget has strained the country's finances.

The budget breakdown for debt repayment includes:

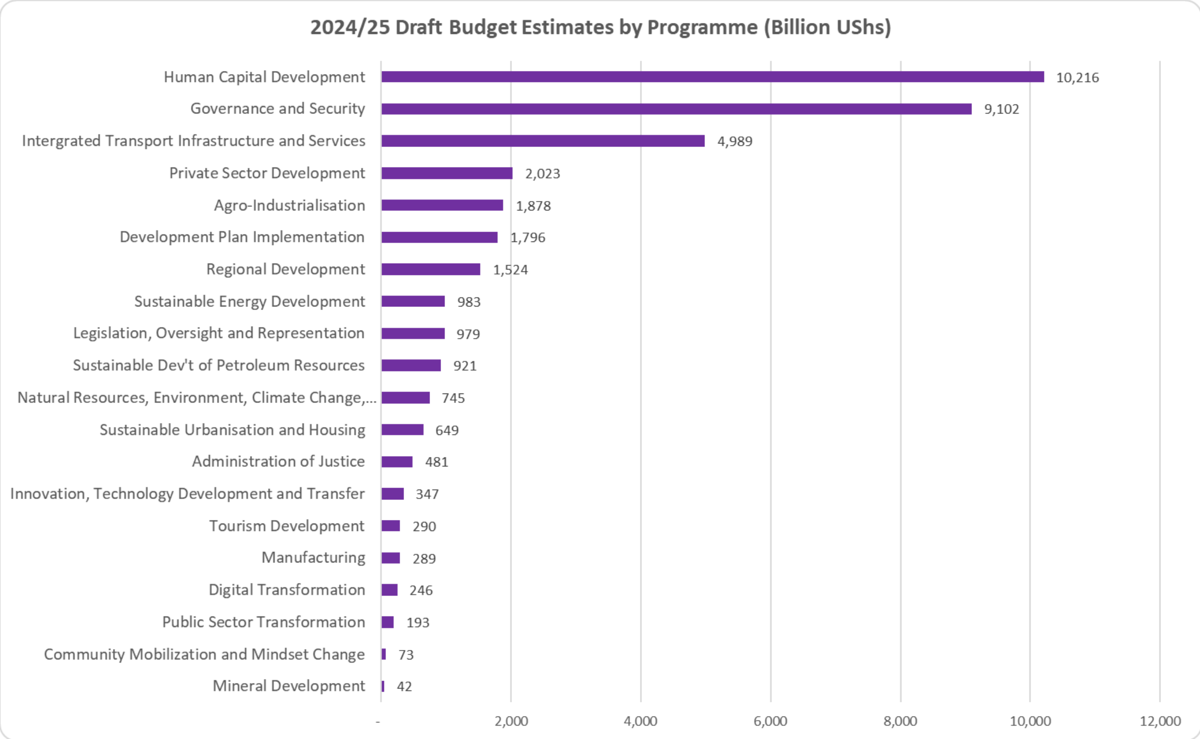
- UShs 3.1 trillion for external debt repayment
- UShs 9.5 trillion for interest payments
- UShs 19.8 trillion for domestic debt refinancing
- UShs 9.1 trillion for domestic debt payments to the Bank of Uganda
- UShs 200 billion for the payment of domestic arrears

Budget Surplus or Deficit: The government expects to collect UShs 32.3 trillion in domestic resources to finance the UShs 72 trillion budget, an increase of UShs 2.3 trillion (7.7%) from 2023/24. This leaves a deficit of UShs 39.7 trillion, representing 55% of the proposed budget, implying that only 45% will be financed through domestic resources.

To cover this deficit, the government will:

- Borrow UShs 8.9 trillion domestically, including from the Bank of Uganda
- Borrow UShs 19.8 trillion to pay off maturing domestic debt
- Receive UShs 10.9 trillion from external sources in the form of loans and grants

2.3 An overview of Program Allocations.



Source: Uganda National Budget Speech Financial 2024/25

The Human Capital Development program receives the largest share of the budget at UShs 10.2 trillion, representing 14% of the entire budget. In contrast, the mineral sector is the least funded, with UShs 42 billion (0.05% of the total budget).

Other notable allocations include:

- Legislation, Oversight, and Representation: UShs 979 billion, an increase from UShs 945 billion in the previous fiscal year, with a significant portion allocated to salaries and allowances for legislators.

- Integrated Transport Infrastructure and Services: UShs 4.98 trillion, despite the quality of roads, especially around the city center, not reflecting the high level of funding.

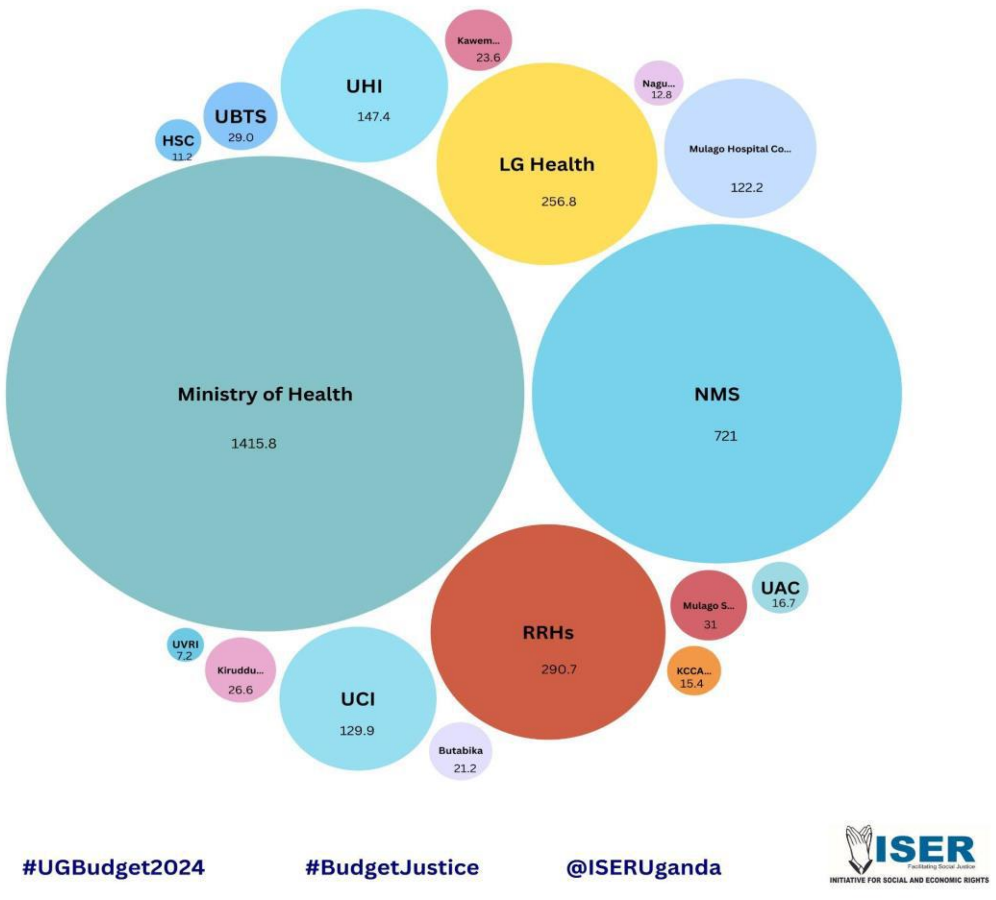
Fully aware that human capital development is at the heart of the welfare of any nation, the rest of our paper will delve into funding allocations for the specific components that lie under this program. This includes an analysis of the impact of budget allocations on education, health, gender, and social protection. By examining these specific components, we hope to provide a comprehensive overview of how resources are being utilized to enhance the general welfare of citizens amidst these challenging times.

2.4 Dissecting the 2024–25 Health Budget.

Uganda continues to face significant challenges in reaching Goal 3 of the Sustainable Development Goals, particularly target 3.8, which aims to achieve universal health coverage. Universal health coverage implies that all people, regardless of their socio-economic status, have equitable access to quality healthcare services when and where they need them, without financial hardship.

In Uganda’s 2024–25 national budget, the government is allocating Ushs 2.946 trillion[2], making up 4.1% of the total budget. The Ministry of Health receives the largest share of this budget, amounting to Ushs 1.4 trillion—ten times the allocation for cancer services (Ushs 129.9 billion) under the Uganda Cancer Institute.

Health Sub-program vote-specific allocations - FY 2024-25 (UShs Billions)



Data Source: Uganda National Budget Speech Financial 2024/25

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2 https://budget.finance.go.ug/sites/default/files/National%20Budget%20docs/Budget%20Speech%20FY%202024-25.pdf

In terms of priorities for the coming financial year, the government will focus on high-impact interventions for the prevention, control, and elimination of communicable and non-communicable diseases; the provision of high-quality sexual and reproductive health rights and services; the strengthening of the national ambulance system; the provision of strong primary healthcare and community health services; the construction and rehabilitation of health infrastructure and the provision of medical equipment; and increasing the availability of a skilled health workforce.

However, significant challenges remain within the sector. Key issues include:

Health Workforce Shortages: Although the government has allocated an additional 25.5 billion UGX to enhance the wage bill under regional referral hospitals to facilitate the recruitment of critical human resources, significant gaps persist. These include the recruitment and retention of senior consultants and specialists. For instance, the anesthetic staffing gap stands at 44%, translating into a shortage of 171 theater staff, 43% for dispensers (195 dispensing staff), and 31% for doctors (1387 doctors).

Recommendations: The government should ensure adequate financing to fill vacant positions in all health facilities in a phased manner, beginning with those with less than 50 percent staffing levels and increasing progressively to at least 70 percent based on the old staff norms.

Drug Stock-Outs in Public Health Facilities: Persistent drug stock-outs and inadequate medical supplies in public health facilities have been reported, significantly affecting the quality of healthcare services available to Ugandans.

Recommendations: Government should allocate more funds to the National Medical Stores to address the funding gap.

Stalled National Health Insurance Scheme: The implementation of the National Health Insurance Scheme has been stalled, hindering progress towards universal health coverage.

Recommendations: The government should prioritize the operationalization of the National Health Insurance Scheme to ensure that all Ugandans can access healthcare without financial hardship.

Inadequate Emergency Care and Ambulances: The national ambulance system requires significant investment to meet the needs of the population. The government should allocate 12.8 billion UGX to the Ministry of Health to establish the National Ambulance System in a phased manner. Additionally, an extra 17 billion UGX should be provided to maintain and functionalize the current fleet of ambulances under the emergency services department.

2.5 Education in the 2024–25 national budget

The education sector is crucial for Uganda's long-term economic development. Quality education empowers individuals and communities and lays the foundation for a skilled workforce that contributes to the nation's growth and prosperity. By investing in education, Uganda can create a more equitable society where all individuals can reach their full potential and contribute to the country's development.

In the 2024/25 financial year, the Education, Sports, and Skills Development Sub-programme has been allocated UGX 5,851.34 billion[3], an increase of UGX 290 billion from the previous year, representing a 5.2 percent increase. Despite this increase, several challenges related to both implementation and funding adequacy remain. Below are some of these challenges:

Low capitation grants for Universal Primary (UPE) and Secondary Education (USE) Programs[4]

In 2018, the National Planning Authority (NPA) evaluated the public financing for UPE and established that the UGX 10, 000 that was being allocated per pupil per year as capitation grant (operational) expenditure was insufficient. It accordingly recommended that government makes capitation grant allocation of UShs 59, 503 and UShs 63,546 per pupil per year in rural and urban schools respectively to enable schools to meet the operational costs[5]. However, the allocation was only increased to UShs 20, 000 despite the increase in inflation over the years.

As a result of the insufficient funding, parents are required to contribute 57% of the total cost for public primary education despite the high levels of poverty. At the secondary level, NPA estimates for schools to be able to effectively implement the new lower secondary curriculum, they need a capitation grant allocation of UShs 177,500 per student per term compared to the current capitation grant allocation of UShs 51,000. The limited funding of public primary and secondary education has led to schools charging non tuition fees and consequently contributing to school drop out for those who fail to meet the non – tuition. The Uganda National Bureau of Statistics has reported that 67.7% of boys and 62.1% of girls drop out due to unaffordability of education in its Uganda National Household Survey 2019/ 20.

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[3] https://parliamentwatch.ug/wp-content/uploads/2024/04/EDS2-24-Report-on-the-Ministerail-Policy-Statement-and-Budget-Estimates-for-the-Education-Sports-and-Skills-Sub-Program-for-FY-202425-202829-.pdf

[4] https://iser-uganda.org/publication/cso-position-paper-on-the-education-sub-programme-in-response-to-the-fy-2024-25-education-ministerial-policy-statement/

[5] National Planning Authority, Comprehensive Evaluation of the Universal Primary Education (UPE) Policy, Thematic Report 5: Financing and Costing of UPE, 2018, p. xv at http://www.npa.go.ug/wp-content/uploads/2019/02/Thematic- Report-5- Financing-and-Costing-of-UPE-080119.pdf accessed on February 2, 2024.

Recommendation

The Ministry of Finance, Planning and Economic Development, Parliament of Uganda and the Ministry of Education and Sports should ensure that the capitation grants for UPE and USE schools are enhanced as per the unit thresholds recommended by the National Planning Authority.

Curbing the rising cost of education

Currently Uganda is implementing a hybrid system of delivery of education which include public schools, government grant-aided schools, and the purely private schools - both for profit and not for profit. Although the hybrid system has been credited for expanding access to education, it has also been equally criticised for the growing commercialization of education thus increasing the cost of education. This was evidenced in January 2024 when several schools raised their school fees and other non-tuition fees including development fee, registration fee, examination fee among others. While we commend the Government on the progress made towards promoting universal primary and secondary education, we are concerned that the high cost of education threatens completion rates and rolling back significant achievements in the education sector.

Recommendation

Parliament together with the Ministry of Education needs to look into having this issue resolved given that failure to address the rising cost of education poses a significant danger to a learner's future and hinders the country's sustainable economic growth and development.

2.6 Safety Nets and Spending: Weighing in on Uganda's Social Protection Allocations for 2024–25.

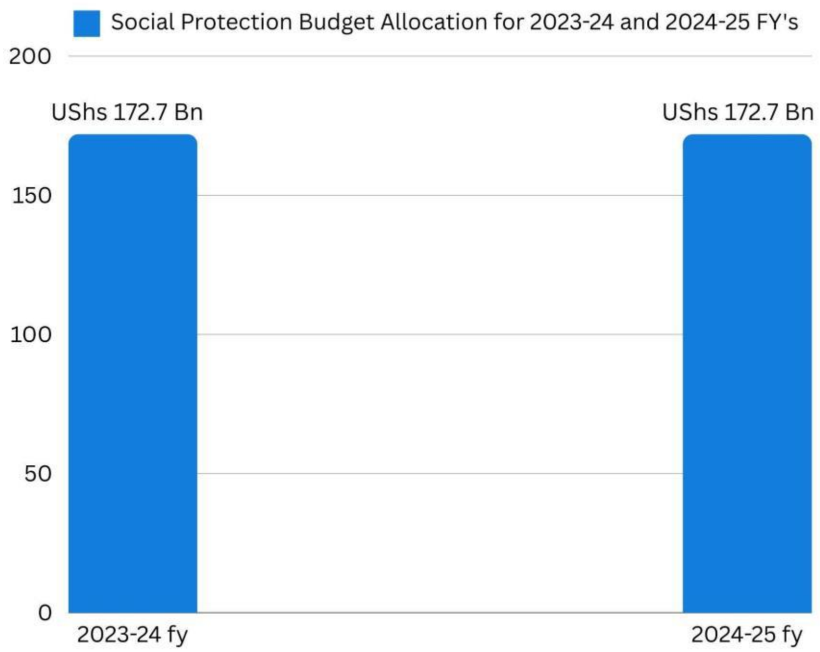
Social protection is one of those sub-programs that is at the heart of ensuring the well-being of vulnerable populations, such as the elderly, children, and persons with disabilities. Adequate funding and efficient implementation of safety nets are crucial for addressing poverty and inequality in the country.

For the coming 2024–25 financial year budget, the government has maintained the allocation for the social protection sub-program at UShs 172.7 billion[6]. To us, this is concerning given

[6] https://budget.finance.go.ug/sites/default/files/Sector%20Spending%20Agency%20Budgets%20and%20Performance/Ministry%20of%20Gender%2C%20Labour%20and%20Social%20Development_11.pdf

that the existing social protection system is very weak and needs a much larger investment of resources.

Worse Still the effects of climate change continue to bite. Climate change has significantly impacted food production, leading to increased food insecurity in the country, among other effects.[7] We note that social protection benefits are crucial in enabling the vulnerable persons to mitigate the effects of climate change on their livelihoods. It is now important to consider climate change in social protection financing. A stagnant allocation could therefore exacerbate the already challenging circumstances faced by many individuals and families in need of social protection assistance.



A few other issues for consideration:

Social Protection for the Elderly: In the 2024/24 budget, the allocation towards social assistance grants (SAGE) for the elderly aged above has remained unchanged at UShs 121.2 billion[8]. An additional UShs 5 billion has been allocated to enterprise grants supporting those between 60 and 79 years of age. With 1.52 million people aged 60 and above in the total

[7] Uganda Human Rights Commission, *The 25th Annual Report on the State of Human Rights and Freedoms in Uganda in 2022,* 2023, accessed at,

https://uhrc.ug/download/25th-uhrc-annual-report/?wpdmdl=1946&refresh=664fd353732bd1716507475

[8] https://budget.finance.go.ug/sites/default/files/Sector%20Spending%20Agency%20Budgets%20and%20Performance/Ministry%20of%20Gender%2C%20Labour%20and%20Social%20Development_11.pdf

population, the allocation for elderly support amounts to a per-person spending of UShs 6,907 each month.

Zooming in on the SAGE grants, with the budgeted allocation, eligible older persons will only receive UShs 25,000 a month, an amount that falls short of getting them above the $2.15 dollar poverty line. The failure by the government to step up funding for SAGE grants has left many older persons living in a state of deprivation and indignity. Moreover, many continue to struggle with eligible access to these grants as the condition for possession of a national ID possesses an artificial barrier for them.

Recommendations.

Government should step up funding towards the SAGE grants to allow for a more sufficient per person allocation.

Parliament should obligate the government to accommodate other forms of identification for access to SAGE funds.

Response to Gender Based Violence (GBV): Only UShs 100 million[9] has been allocated for response to gender based violence in the 2024/25 national budget. Of most concern is the fact that the budget activities appear misaligned from the actual needs of survivors, as the entire allocation has been earmarked for operational expenses rather than direct support services. When broken down, the UShs 100 million budget for this item will go to workshops, meetings and seminars (UShs 50 million), with the remaining UShs 50 million allocated to travel inland. In previous years i.e. 2023/24 the allocation included other things like welfare & entertainment, and printing & stationery which show no link to the direct needs of survivors. Such misallocations could severely limit the effectiveness of GBV interventions.

It should be noted that gender based violence remains highly prevalent in Uganda with over 251 GBV cases reported everyday in 2020. Failure to allocate sufficient resources and to the direct needs of survivors such as rehabilitation and justice risks putting many womens' in jeopardy.

Recommendation

Increase the funding towards GBV interventions

Repurpose allocated resources towards addressing the direct needs of survivors

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https://budget.finance.go.ug/sites/default/files/Sector%20Spending%20Agency%20Budgets%20and%20Performance/Ministry%20of%20Gender%2C%20Labour%20and%20Social%20Development_11.pdf

2.7 Areas from Which Resources Could Be Repurposed

From the 2024/25 budget, we've identified UShs 2.7 trillion as wasteful expenditure items representing 3.1 % of the budget. Resources from these items could be rather redirected to funding critical gaps in health, education and social protection many of which we've highlighted in the preceding sections.

Some of the identified wasteful expenditure items include special meals and drinks (300 Bn); welfare and entertainment (137 Bn); travel abroad (114 Bn); official ceremonies and state functions (36 Bn); Beddings, Clothing, Footwear and related Services (134 Bn). We present these in the table below.

Billion Uganda Shillings	**2024/25 Draft Estimates**
Official Ceremonies and State functions	36.4
Welfare and Entertainment	137.9
Special Meals and drinks	300.2
Beddings, Clothing, Footwear and related services	134.6
Travel abroad	114.2
Subsidies to private enterprises	5.4
Workshops, meetings and seminars	171.4
Light vehicles acquisition	105.9
Advertising and Public Relations	91.0
Classified Assets - acquisition	1,656.0
Total	**2,753.0**

Source of figures: Draft Estimates of Revenue and Expenditure (Recurrent and Development) FY 2024/25

2.8 Overall Conclusions and Recommendations.

The analysis of Uganda's 2024–25 budget reveals several critical issues and opportunities for enhancing public service funding. The key conclusions and recommendations are as follows:

Enhanced Allocation for Public Services: The budget demonstrates a significant shortfall in funding critical sectors such as health, education, and social protection. It is recommended that the government reallocate resources from identified wasteful expenditures, totaling UShs 2.7 trillion, to these essential services. This includes reducing expenditures on items such as special meals and drinks (UShs 300.2 billion), welfare and entertainment (UShs 137.9 billion), and travel abroad (UShs 114.2 billion).

Strengthening Budget Transparency and Accountability: The budget process needs to be more transparent and inclusive. The recent hurried approval of the budget without adequate scrutiny highlights a critical flaw in the legislative process. Parliament should be given ample time to review budget revisions to ensure that all changes are thoroughly evaluated for their potential economic impact.

In conclusion, the 2024–25 budget presents both challenges and opportunities for Uganda. By implementing these recommendations, the government can ensure more equitable and efficient use of public funds, thereby improving the quality of public services and enhancing livelihoods.

ACKNOWLEDGEMENT

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About the Initiative for Social and Economic Rights (ISER)

ISER is a registered Non-Governmental Organization (NGO) in Uganda founded in 2012 to ensure full recognition, accountability and realization of social and economic rights primarily in Uganda but also within the East African Region.

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