Text Table 4. Uganda: Fiscal Operations, FY21/22-FY23/24
(Percent of GDP)

	FY21/22		FY22/23		FY23/24	
	1st review	Current	1st review	Current	1st review	Current
Total revenue and grants	**14.8**	**14.1**	**14.6**	**15.1**	**15.1**	**15.5**
Revenue	13.6	13.4	14.1	13.9	14.8	14.4
Tax	12.9	12.6	13.4	13.0	13.9	13.5
Nontax	0.8	0.9	0.8	0.9	0.9	0.9
o/w: Oil revenues	0.0	0.0	0.0	0.0	0.0	0.0
Grants	1.1	0.7	0.5	1.2	0.4	1.1
Expenditures and net lending	**22.2**	**21.5**	**19.3**	**20.2**	**18.7**	**19.0**
Primary current expenditures	9.6	10.1	8.1	9.2	8.1	8.9
o/w: Parish Development Model	0.0	0.0	0.0	0.5	0.0	0.5
Interest expenditures	3.1	3.1	2.9	3.3	2.8	3.2
Development expenditures	9.0	7.9	8.1	7.1	7.6	6.8
External	3.6	2.9	3.7	3.5	3.0	3.3
Domestic	5.4	5.0	4.4	3.7	4.6	3.5
Net lending and investment	0.1	0.2	0.0	0.2	0.0	0.0
Other spending (arrears clearance)	0.4	0.4	0.2	0.4	0.1	0.1
Overall balance	**-7.5**	**-7.4**	**-4.7**	**-5.1**	**-3.5**	**-3.5**
Overall balance excl. PDM	**-7.5**	**-7.4**	**-4.7**	**-4.6**	**-3.5**	**-3.0**
Primary balance	**-4.4**	**-4.3**	**-1.8**	**-1.8**	**-0.7**	**-0.3**
Primary balance excl. PDM	**-4.4**	**-4.3**	**-1.8**	**-1.3**	**-0.7**	**0.1**
Memorandum items:						
Social spending	4.0	3.7	3.5	3.7	3.6	3.7
Security spending	2.7	2.6	1.4	2.0	1.4	1.4

Source: MoFPED and IMF Staff calculations

19. Over the medium term, revenue-based fiscal consolidation remains essential to return debt to below 50 percent of GDP (MEFP, ¶22-24). While the PDM will widen the deficit over the next three years, the full implementation of the Domestic Revenue Mobilization Strategy (DRMS) — including tax administration measures and tax exemption rationalizations (SB, June 2022) cumulatively leading to an increase of 0.5 percent of GDP per year in tax revenue—expenditure prioritization, and an improvement in spending efficiency will contribute to lowering the deficit below 3 percent of GDP by FY2026/27.

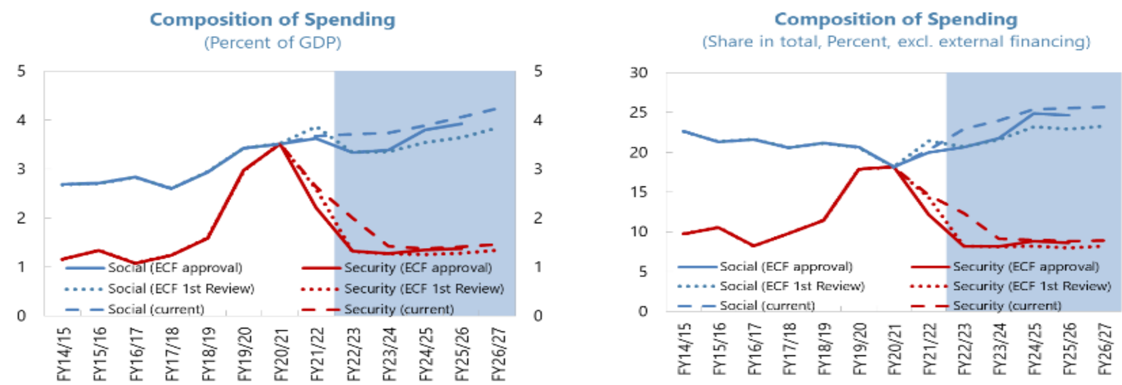
Text Table 5. Uganda: Tax Revenue

	FY2021/22	FY2022/23	FY2023/24
Tax revenue (UGX bn)	**20,425**	**23,965**	**28,153**
Projected increase		**3,540**	**4,188**
Tax administration measures		878	615
of which:			
Electronic fiscal receipt and invoices			
Digital tax stamps		293	222
Automation of tax audit and e-tax 2			
Third party info for taxpayer registration		264	144
Arrears management		34	154
Tax exemption rationalization		162	417
Buoyancy		2,500	3,156
Tax revenue (percent of GDP)	**12.6**	**13.0**	**13.5**
Projected increase		0.5	0.5

Source: MoFPED and IMF Staff calculations

Improvements to domestic revenue mobilization remain essential (Uganda's tax revenue share of GDP at 12 ½ percent in FY 2021/22 is below the average of 13.1 and 14.8 percent for low-income and sub-Saharan African countries, respectively). The revenue-based consolidation will be supported by the recently adopted tax exemption rationalization plan (SB, June 2022) and the design of a medium-term ICT strategy supported by a plan for the procurement of a new Integrated Tax Administration System (proposed new SB, May 2023). Recent IMF technical assistance (July 2022) has identified key areas for repealing tax exemptions that would appreciably widen the revenue base, including under the VAT and excise regimes. The debt-to-GDP ratio, which will peak at 50.9 percent of GDP in FY22/23, will stay below the levels expected at the time of the 1st review thanks to a higher nominal GDP, and will decline below the anchor of 50 percent of GDP set in the new Charter for Fiscal Responsibility (SB, July 2022) by FY23/24. Nonetheless, building on the recently

Text Figure 7. Composition of Spending



Source: MoFPED and IMF Staff calculations

adopted tax exemption rationalization plan (SB, June 2022), further reductions in tax exemptions would widen the revenue base and reinforce the decline of the debt-to-GDP ratio over the medium term. To this end, priority should be given to rationalizing tax expenditures on direct income, including the personal and corporate income taxes and the most costly and inefficient tax expenditures under the VAT and excise taxes (MEFP, ¶23).

20. Reforms to strengthen public financial management will continue in three pillars (MEFP, ¶28):

- **Improving the budget preparation process,** including through ministries' submission for the budget of all foreseeable expenditures, and the avoidance of supplementary budgets, including by ensuring these are limited to unforeseeable unexpected shocks.

- **Reducing the outstanding stock of domestic arrears and preventing accumulation.** The clearance of domestic arrears continues to be prioritized in FY22/23 and over the medium term. The publication of decisions arising from investigations that led to sanctions for the period starting from FY20/21, with clear penalties for officers responsible for unauthorized spending commitments, and actions taken to enforce compliance (proposed new SB, June 2023) will aim to mitigate the new accumulation of arrears. Capacity is being developed to record multiyear commitments for capital expenditure, which will help reduce arrears from