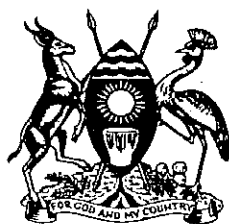


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THE REPUBLIC OF UGANDA

Ministry of Finance, Planning &
Economic Development
Plot 2-12, Apollo Kaggwa Road
P.O. Box 8147
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Uganda

30th June, 2017

All Accounting Officers (Central Government and Local Governments)
All Chief Executive Officers of Public Corporations and State Enterprises

BUDGET EXECUTION CIRCULAR (BEC) FOR FINANCIAL YEAR 2017/18

A. INTRODUCTION

1. In accordance with Article 156 of the Constitution of the Republic of Uganda and Section 14 of the Public Finance Management Act (2015) amended, the Budget Estimates for the FY 2017/18 were finalized and approved by Parliament on 31st May 2017.
2. In line with Section 13 (12) of the Public Finance Management (PFM) Act 2015 as amended, you can now access the electronic copies of the Approved Budget Estimates for FY 2017/18 Volume I (Central Government), Volume II (Local Government) and Volume III (State Enterprises and Public Corporations) on both the Ministry's website: www.finance.go.ug and the Budget Information Website: www.budget.go.ug.
3. As required by Section 13 (5) of the Public Finance Management (PFM) Act 2015 amended, the Budget for FY 2017/18 shall be effective on 1st July, 2017.
4. The purpose of this circular, is therefore to:
 - i) *Communicate the Annual Cash Plan of Government for the FY 2017/18 by quarter, based on the approved procurement plans, work plans and recruitment plans approved by Parliament in line with section 15(1) of the PFM Act 2015 amended. The Cash Plan is hereto attached as annex 1;*
 - ii) *Provide Operational and Administrative Guidelines for implementation of the Budget for FY 2017/18; and*
 - iii) *Request you to embark on implementation of Government programmes and projects for the budget for FY 2017/18 in line with the Budget Strategy and priorities, approved work plans, procurement plans and recruitment plans, and budget implementation guidelines contained in this Circular.*

B. WORKPLANS, PROCUREMENT PLANS, AND RECRUITMENT PLANS FOR FY 2017/18

5. Consistent with Section 14 (1) of the PFM Act (2015) as amended, Parliament approved the work plans, Procurement and Recruitment Plans for the FY 2017/18 on 31st May 2017. ***The implementation of the budget for the FY 2017/18 should strictly follow the approved Work plans, Procurement Plans and Recruitment Plans and these will form the basis for quarterly Expenditure Limits, Progress Reporting and Physical Monitoring.***
6. To avoid delays in implementing projects/programmes, increase absorption of resources and minimize cost overruns and delayed recruitment, among others for FY 2017/18, you should immediately embark on the procurement activities, but only sign the contracts after receipt of funds in accordance with the work plan and procurement plan.
7. Any revision in the work plan during budget execution should only be done after the first (Q1) and second (Q2) quarter of the Financial Year in line with Section 14 (4&5) of the Public Finance Management Regulations (2016).

C. RELEASE OF FUNDS, IN-YEAR VIREMENTS AND REALLOCATIONS

a) Quarterly Expenditure Limits

8. Release of funds still experience some challenges because some Accounting Officers do not adhere to the agreed implementation guidelines. For example, some Votes delay to submit warrants on the IFMS and piece meal warrants as opposed to single warranting of funds and sometimes unnecessary delays from this Ministry.
9. To facilitate timely release of funds in the FY 2017/18, you should take note of the following:
 - i) This Ministry will issue quarterly expenditure limits by the **10th day of the first month of the quarter** based on the annual work plans, quarterly work plans and cash flow projections;
 - ii) Expenditure limits will be issued and loaded onto the IFMS by budget category (Wage, Pension and Gratuity, Non-Wage Recurrent, GoU and External financing) against which you will request for Accounting Warrants. Therefore, you are required to warrant 100% of all your funds available under each category as communicated in the expenditure limits circular (single warranting practice) in a given quarter. **Please note that any partial warrants submitted on the IFMS will be rejected;**
 - iii) You are required to submit requests for Accounting Warrants for Wage, Pension/Gratuity, other Non-Wage and Development Budget not later than the **15th day of the first month of the quarter or as specified in the Release Circular;**
 - iv) The single warranting process should be adhered to upon receipt of the expenditure limits to avoid piece meal release of funds;

- v) Local Government Accounting Officers should ensure that invoicing of funds to the lower level facilities (sub counties, schools and health facilities) are done timely, and in any case not later than **20th of the first month of the quarter or as specified in the Release Circular**. It has come to my attention that some LG Accounting Officers transfer less funds against what is in the expenditure limit to the lower level facilities and this **MUST** stop. Likewise, all funds budgeted for the centre to be transferred to other Agencies or Projects or subventions should be transferred by the same date.
10. **In order not to delay service delivery, Accounting Warrants should be submitted within five working days after expenditure limits have been issued and once submitted, rejection/approval by this Ministry will be done within 48 hours.**
11. A request for an Accounting Warrant by an Accounting Officer should break down the expenditure limits by various budget lines where expenditures will be incurred in the period. Accounting Warrant requests are processed every quarter based on expenditure limits and cannot exceed the expenditure limits provided. **You are therefore required to ensure that funds are warranted and invoices created for timely transfer of funds including direct transfers.**
12. In the FY 2017/18, Local Government Development Grants shall continue to be released 100% by Quarter Three (Q3) to eliminate unspent balances at the end of the Financial Year.

b) Warranting and invoicing of Funds

13. In order to avoid these unnecessary delays in release of funds, I would like to reiterate that all Accounting Officers must ensure that a maximum of only **Five (6)** and **Seven (7)** warrants are submitted on the IFMS for the Central Government and Local Government respectively in a given Quarter using the source codes provided below;

Central Government Votes

- i) Gratuity, Pension and Gratuity Arrears;01-000-XXX999998-00-00-0000-0000-000000-
999994
- ii) Current Pension;01-000-XXX999998-00-00-0000-0000-000000-**999995**
- iii) Appropriation in Aid (AIA);01-000-XXX999998-00-00-0000-0000-000000-**999996**
- iv) Salaries and salary arrears;01-000-XXX999998-00-00-0000-0000-000000-**999997**
- v) Development;01-000-XXX999998-00-00-0000-0000-000000-**999998**
- vi) Non-wage recurrent;01-000-XXX999998-00-00-0000-0000-000000-**999999**

Local Government Votes

- i) Gratuity, Pension & Gratuity Arrears;09-002-XXX999998-00-00-0000-0000-000000-
999994
- ii) Current Pension;09-002-XXX999998-00-00-0000-0000-000000-**999995**
- iii) Local Revenue;09-003-XXX999998-00-00-0000-0000-000000-**999999**
- iv) Salaries and salary arrears;09-002-XXX999998-00-00-0000-0000-000000-**999997**
- v) Development;09-002-XXX999998-00-00-0000-0000-000000-**999998**

- vi) Non-wage recurrent;09-002-XXX999998-00-00-0000-0000-000000-999999
- vii) Donor Funds;09-420-XXX999998-00-00-0000-0000-000000-999999

14. Please note that the XXX code above represents the respective Vote code when initiating warrants such as **014** for Ministry of Health.
15. Local revenue collection, external financing and NTR will only be released after issuance of expenditure limits based on your budget and cash flow projections submitted at the time of submitting the estimates. **These funds will have to be warranted as well.**
16. In cases where there are capacity gaps on the IFMS on how to warrant/invoice for funds, you are urged to make use of the support structures available through the Accountant General's Office and the Budget Directorate in this Ministry using the contacts provided in **paragraph 17** below.
17. Finally, during warranting in FY 2016/17, it was noted that a number of Accounting Officers especially in Local Governments forget their IFMS passwords causing delays in warranting and invoicing of funds. **For information on whom to contact for direct support, please make use of the Service Desk on; 0414707440 or 0414707305 and email; servicedesk@ifms.go.ug in case you forget your passwords or any other assistance to avoid delays.**

c) Finance Committee Meetings

18. It has been noted that due to the absence of Finance Committees in some votes, the Departments and project coordinators under a vote do not participate in discussing progress of implementation of the priority programmes in the previous quarter and to rationalize expenditure requirements before submitting a request for warranting of funds for the quarter for which expenditure limits have been issued. As a result, this Ministry continues to receive requests for additional expenditure limits.

19. To ensure transparency and systematic implementation of priority programmes within a Vote and in line with Government Commitment Control Policy, all Ministries, Agencies and Local Governments must convene Finance Committee Meetings before requests for warranting of funds is submitted on the IFMS. **You should have proper records of these minutes which will be requested for from time to time in line with Section 11 (2c & 3b) of the PFM Act (2015) as amended.**

d) Virement of funds

20. Expenditure reports have revealed the continued practice of mischarge and spending of funds on activities outside the approved work plans by some Accounting Officers without seeking authority to reallocate and sometimes requests are sent after funds have been released, this practice should stop.

21. Section 16 (3) of the PFM Regulations (2016) stipulates that virement shall be authorized before the release of funds to the Vote that requests for virement. However, some Accounting Officers have continued to request for virements have the expenditure limits have been issued. Any virement after the expenditure limits have been issued and warranted tantamount to a mischarge. Therefore, **all requests for virement must be submitted for approval by the Hon. Minister, in line with Section 22 (2) of the PFMA Act, before expenditure limits are issued.**
22. In addition, in line with the PFMA 2015 (as amended), once virement has been approved, you will be informed in writing for your necessary action on the IFMS. And as a matter of emphasis, When seeking virement, **you should ensure that:**
- i) **Funds are spent against the items for which they are released and in line with the approved Work plans.**
 - ii) No virement is done from statutory items (Wage, Pensions and Gratuity in particular) to non-statutory items/activities. **Sanctions will be imposed against Accounting Officers who indulge in mischarge of expenditures against wrong item codes.**

D. SUPPLEMENTARY FUNDING

23. This Ministry continues to receive overwhelming requests for supplementary budgets especially under Wage, Pension and Gratuity and other recurrent categories, this undermines Budget credibility.
24. Therefore in line with Section 25 of the PFM Act (2015) as amended, supplementary funding will only be provided where the supplementary expenditure is unabsorbable, unavoidable, and unforeseeable, in order to promote Budget Credibility.

E. SALARY, PENSION AND GRATUITY MANAGEMENT

Recruitment of Staff and Salary Enhancement in FY 2017/18

25. As you are aware, following H.E The President's guidance, recruitment in any financial year should only be within the approved wage budget and should be concluded and staff accessed to the payroll by **30th September, 2017**. The Wage allocation ceilings for Votes that were cleared to recruit but were unable to do so in FY 2016/17 have been maintained at the same level of FY 2016/17, the vacant posts should be advertised and filled by the 1st Quarter of the Financial Year. **Please note that:**
- i) We have budgeted for all staff in-posts and any shortfalls arising out of failure to follow these guidelines and poor estimation of wage requirements by your institutions will not be entertained;
 - ii) For new Local Governments, some resources were approved to enable you recruit critical staff (Heads of Departments) to improve supervision for improved service

delivery. **You should therefore, not go beyond your wage ceilings failure of which you will be held personally liable;**

- iii) Relatedly, to enable the New Local Governments to effectively manage and monitor their payrolls, Ministry of Public Service and the Mother Local Governments (Old Districts) should ensure that staff transferred to the newly established Local Governments is done by **10th July, 2017 to avoid supplementary and wage bill overruns during budget execution.**
- iv) Ministry of Public Service (MoPS) should reject any changes to the payroll that involve new recruitments for votes that cannot demonstrate that they will not experience shortfalls in the course of the FY; and
- v) Likewise, recruitments over the years have become a problem in monitoring of the payroll. Therefore, all recruitments must be cleared by MoPS by the **30th of September, 2017** to enable you conclude the recruitment and access to the payroll by **31st December, 2017. Ministry of Public Service as such is here by directed to issue guidance on recruitment by 14th July, 2017.**

Decentralized Payroll Management

26. You are further informed that, during the implementation of the budget for FY2017/18, salary, pensions and gratuity payments shall be based on staff in-post and the corresponding National Identification Numbers (NINs) as submitted by Accounting Officers at the time of finalizing the Budget. **Staff and Pensioners without NINs shall be treated as non-existent in the service and therefore should not be paid. The responsible Accounting Officer will be held personally accountable for failure to comply with this guideline.**
27. It is a requirement that Accounting Officers share the information on the payments made on IFMS with Ministry of Public Service within five working days after the payments have been effected. Secondly, the payments should not exceed the details on the IPPS of the previous month and must be within the staff establishment ceilings. This therefore means that the management of pension and salary has been fully decentralized and Accounting Officers are accountable. **Accounting Officers will be held responsible for paying outside the staff ceilings and beyond IPPS details of the previous month.**

Payroll deductions

28. Salaries are supposed to be paid gross that is, net payment plus deductions at once in a given month. However, we have noted that some Accounting Officers have been paying Net salary and deductions on different days. As a result, arrears in form of deductions have been accumulating over the financial years and it's also difficult to estimate performance. **You should ensure that net payments are effected together with the deductions. Any**

submissions without deductions will be automatically rejected on the system. This applies to all categories including votes that are neither on IFMS nor IPPS.

F. PAYMENT OF RENT, UTILITIES AND SUPPLIERS

29. For a number of years, Service providers have registered complaints regarding late payments by Accounting Officers, thus creating a negative impact on the economy by undermining Private Sector performance due to delayed payment. **Therefore, in FY 2017/18, once an invoice or certificate has been submitted, it must be paid within 14 working days (as indicated in para 31(i) of the Budget Speech).**
30. **To avoid the accumulation of utility arrears, Accounting Officers should ensure that pre-paid meters are installed in all Government institutions and payment of utility bills should be prioritized on a quarterly basis and accordingly effected; and any shortfall should have a first call on the released funds.**
31. It has been noted that some spending agencies have continued to commit Government to pay exorbitant office rent, which could be avoided. In addition, MDAs have been signing agreements with escalation clauses. As such, the practice must stop at the expiry of the agreements entered into with Service Providers for all goods and services.
32. **Any new agreement or revision should not have escalation clauses and for all rent agreements, it must be cleared by Office of the President.**
33. In addition, you are reminded that procurement of new service providers or any increases in rates especially rent must be through a new contract. And the contract must be authorized by Office of the President, contracted in Local Currency.

G. PAYMENT OF DOMESTIC ARREARS

34. A total provision of **Ushs 300Billion** has been earmarked in the budget for FY 2017/18 for retirement of outstanding domestic arrears, of which; **Ushs120Billion** is for Wage, Pension, and Gratuity arrears which is the balance for verified arrears under the two categories. While **Ushs180billion** is for other Domestic Arrears prioritized for utilities, rent, court awards and classified arrears under security agencies. **Please note that these funds will all be released in the 1st quarter of the financial year to ensure that service providers are paid promptly.**
35. In addition, Accounting Officers should continue to prioritize other arrears within the resources allocated to the Vote.
36. Relatedly, a total of **Ushs.160billion** was submitted in July 2016 as pension and gratuity arrears requirements accrued before pension payroll decentralization and accordingly, **Ushs.50billion** was provided in the budget for FY 2016/17 to settle part of these arrears. The

balance has been provided in the Budget for FY 2017/18 for settlement of all salary, pension and gratuity arrears that you verified and submitted to this Ministry. **Take note that payments should only be for those claimants whose verified forms were submitted to this Ministry.**

37. Furthermore, Section 21 (2) of the PFM Act (2015) as amended, an Accounting officer should not take any credit unless it has no outstanding domestic arrears. Accordingly, payment of verified outstanding arrears should take the first call on released funds. Accordingly in FY 2017/18, in order to avoid the negative impact on the economy arising out of crowding out the Private Sector, by ensuring that the aforementioned requirement is adhered to.

38. **You are therefore instructed to display these schedules of Pension and Salary arrears on the Notice Boards for transparency and accountability as we strive to extinguish all Domestic Arrears.**

H. MANAGEMENT OF GOVERNMENT ASSETS

39. In accordance with section 34 of the PFM Act (2015) as amended, you were requested to submit a comprehensive record of Government Assets by **30th March, 2017** at the time of finalizing the budget. However, it has come to our attention that some Accounting Officers have still failed to secure land titles for their premises. **Therefore, any Accounting Officer who will not have secured land titles for Government land under their custody will be held accountable.**

I. MANAGEMENT OF BANK ACCOUNTS

40. You will recall, all Local Governments were requested to submit their bank account details at the time of finalizing the Budget for all direct transfers by **30th March, 2017**. **Please note that these bank account details will be used throughout the FY 2017/18 and we do not expect any new accounts to be created.**

41. It has been noted that some Local Government Accounting Officers have the tendency to open new bank accounts in the middle of the financial year. This practice is discouraged. Should there be a real need to open a new General Fund bank account; this should strictly be done with the approval of the Accountant General as provided for in Section 33 of The PFMA (2015). The new Bank Account details **MUST** be forwarded to Accountant General for setup on the IFMS by **14th July, 2017**.

J. UNSPENT BALANCES AT THE END OF FY 2017/18

42. In line with Section 17 of the PFM Act (2015) as amended, every appropriation by Parliament shall expire and cease to have any effect at the close of the financial year for which it is made. A Vote that does not spend the money that was appropriated for the financial year shall at the close of the financial year, pay the money to the Consolidated

Fund.

43. In addition, as required by the PFM Act (2015) amended, any unspent balances on project accounts that are not on Treasury Single Account (TSA) by the end of the financial year **MUST** be returned to the Consolidated Fund for Government of Uganda fully funded projects. **It has come to my notice that some of you have been using letters of credit to avoid return of unspent funds at the end of the financial year to the Consolidated Fund. This MUST Stop.**

K. NON TAX REVENUE (NTR)

44. Section 29 of the PFM Act (2015) as amended requires that all NTR collected should be remitted to the Consolidated Fund. However, it has been noted that a number of Accounting Officers, including for Missions Abroad, have continued to retain NTR during the FY without approval, thus causing a mismatch between appropriated funds and the actual expenditure. **You are therefore reminded to remit all NTR to the Consolidated Fund in line with the provisions of the Law.**

L. APPROPRIATION IN AID (AIA)

45. For Central Government Votes, Appropriation in Aid (AIA) Expenditure limits will continue to be issued on a quarterly basis. However, entities must not spend beyond collections remitted to Uganda Consolidated Fund (UCF). **Any expenditure over and above actual appropriation contravenes Section 29 (3a) of the PFM Act 2015 amended and shall attract sanctions. In addition, you should ensure that IFMS receipts are generated on a real-time basis and remittances made to UCF regularly.**
46. Local revenues collected by Local Governments and donor funds received by Local Governments on IFMS, these shall also be remitted to the Local Government collection account at Bank of Uganda. for these funds to be utilized, they must first be appropriated by Parliament. **Accounting Officers must submit to this Ministry a request for utilization against which these requests will be forwarded to Parliament for appropriation before they are accessed by the respective entity.**

M. PUBLIC INVESTMENT MANAGEMENT

47. In line with the NDP II, Government is committed to prioritizing investment in the development of public infrastructure and other developments projects. However, the pace of implementation of public projects remains slow leading to delays in completion of key projects, unreasonable cost and time overruns and higher commitment fees on foreign debt on account of low absorption.
48. It has come to my attention that a number of factors have continued to jeopardize the effectiveness of public investment projects spilling over to poor service delivery in the long

term. The most binding challenges identified include:

- i. Submission of projects for funding before they are ready to implement
- ii. Limited capacity within Government to prepare and appraise projects
- iii. Failure by MDAs to adequately budget for Government obligations in donor funded projects
- iv. Inadequate Capacity to Implement, Supervise, Monitor and Evaluate Projects
- v. Weak Coordination among MDAs in implementing projects that cut across sectors.
- vi. Non provision of funds for operation and maintenance of projects

49. Therefore, in order to enhance Public Investment Management, Government has issued new Development Committee (DC) Guidelines (**annex 2**) which will be strictly enforced in FY2017/18. In line with the DC Guidelines and Cabinet resolutions on strengthening Public Investment Management (Cabinet Min. 301 -CT 2012, Cabinet Min. 118-CT 2017), **MDAs are required to note the following:**

- i) It is now mandatory for MDAs to prepare concept notes, project profiles, pre-feasibility studies, proposals and implementation work plans for all projects including PPPs.
- ii) In preparation for the Development Committee (DC) annual review of the Public Investment Plan (PIP) which is due in August, MDAs are compelled to submit progress reports on all on-going projects by **31st July 2017**;
- iii) In order to fulfill the requirements of the PFMA(2015) in regard to reports to Parliament on the performance of multi-year commitments, MDAs are required to update and submit the multi-year commitment templates by **30th October, 2017**
- iv) Review and consideration for approval of new projects shall be undertaken in line with the DC Calendar (**annex 3**). In order to ensure completeness of the BFP the cutoff date for approval of new projects eligible for the FY2018/19 budget shall be **31st November 2017**.
- v) In order to enhance capacity to manage public projects during budget execution by MDAs, the training plans for officers in the planning units of your respective MDAs should prioritize courses in the areas of project preparation, appraisal implementation, monitoring and evaluation

50. In order to address the challenge of low absorption of donor funding, you are required to ensure that;

- i) Of the released funds during budget execution, counterpart funding needs should be fully catered for; and
- ii) The relevant project managers under your respective Vote should participate

in portfolio reviews undertaken by this Ministry and Development Partners, and that prompt remedial actions are implemented to address the bottlenecks identified by the reviews.

N. PAYMENT OF TAXES

51. As you aware, all goods and services were budgeted for tax inclusive within the financial allocations under each Vote. Therefore, the expenditures are tax inclusive and accordingly, gross expenditures should be made when clearing certificates concurrently. **Any Accounting Officer who fails to comply on remittance of tax deductions to Uganda Revenue Authority (URA), will have their Non wage recurrent budget deducted to clear the taxes.**
52. However, for externally funded projects, VAT payable on a taxable supply made to a Government MDA by a contractor is deemed to have been paid by that MDA if the supply is for use solely and exclusively for the externally funded project in accordance with Section 24 (7) of the VAT Act.
53. In addition, according to Section 24 (6) of the VAT Act ,the VAT payable on a taxable supply made by a supplier to a contractor executing an externally funded project is deemed to have been paid by the contractor provided the supply is for use by the contractor solely and exclusively for the externally funded project.

O. ADHERENCE TO PUBLIC SERVICE STANDING ORDERS

54. It has come to my attention that some Government institutions, specifically Public Corporations and State Enterprises pay duty facilitating allowances at rates higher than the levels specified in the approved Circular Standing Instructions. Relatedly, others purchase air tickets for travel class that contradict the same instruction, and purchase Cars of Engine Capacities that contradict the Public Service Standing Orders and/or purchase cars for non-entitled officers. **You are therefore reminded to ensure strict adherence to both the Public Service Circular Standing Instructions and the Public Service Standing Orders which applies to the entire Public Sector including Public Corporations and State Enterprises.**

P. LOCAL CONTENT

Buy Uganda Build Uganda (BUBU)

55. Government introduced a policy on “**Buy Uganda Build Uganda**” (BUBU) in October 2014 after extensive consultations with various stakeholders. The policy is aimed at promotion of consumption and use of Local Goods and Services, increase local content in Government Procurement of locally produced goods and services. This will ensure expansion in Local Businesses which is very vital in supporting Government efforts to increase job opportunities and incomes of the population.

56. Therefore, in a bid to kick start the implementation of 'Buy Uganda Build Uganda' Policy and in line with H.E the President's directive in promoting BUBU Policy, in FY 2017/18, you are required to ensure that at least 30% of your procurement should target locally produced goods **such as furniture, textile, steel and pharmaceutical products, skills, to mention but a few** (See Annex 4). As pronounced in para 32 of the Budget Speech, please ensure that the **locally produced goods/services targeted must be those that have been certified by UNBS.**

57. **In order to further strengthen BUBU policy, all Accounting Officers are reminded to ensure that contracting is done in local currency.**

Q. CONSOLIDATION OF FUNDS FOR ICT SERVICES UNDER NITA-U

58. The National Backbone Infrastructure (NBI) coverage has been expanded and shall remain the primary vehicle for all Government Data, Internet and voice servers. Therefore, You should observe the following:

- (i) All ICT services including internet bandwidth and licensing of applications, among others shall be sourced with approval of NITA-U;
- (ii) All IT systems and infrastructure procurements including ICT procurements under donor funded projects and grants shall require prior approval by NITA-U to avoid any further development of isolated IT systems in MDAs and LGs. A form N7 is attached as **Annex 5** for your use and can also be downloaded from the NITA-U Website (<http://www.nita.go.ug/publication/ict-approval-form-n7>);
- (iii) Providers of IT Services and Products to Government shall be required to be certified by NITA-U and Providers shall provide proof of Certification by NITA-U as per the PPDA Circular No. 1 of 2017 attached as **annex 6**;
- (iv) In order to integrate all ICT systems, all MDAs/LGs should open up their systems to interface with other Government systems through centralized interface for information sharing to minimize citizens moving from one institution to another for a service; and
- (v) Starting FY 2017/18, PPDA with the support of NITA-U shall commence the implementation of a Government wide e-procurement system to speed up the procurement cycle, and improve transparency and service efficiency.

R. IMPLEMENTATION OF PROGRAM BASED BUDGETING (PBB)

59. Effective FY 2017/18 budget cycle, Government embarked on implementation of the Programme Based Budgeting (PBB) to strengthen the link between spending and 'programs' outcomes allowing for proper measurement of service delivery results focusing on outcomes rather than outputs.

60. Accordingly, MDAs were required to identify their programme structures for FY 2017/18 including; identification of programmes, outcomes, outcome indicators, sub-programmes, outputs, and output indicators for inclusion into the PBS for monitoring service delivery and the performance management process. Please note that all budget performance reports will be done using the Program Based System (PBS) for both Central and Local Government Votes. **Therefore, you and your respective Heads of Departments are reminded to prepare your budget performance of all programs and sub-programs using the online system.**

61. For emphasis, as part of the reform to enhance service delivery, Local Government Votes will prepare their Budgets for FY 2018/19 using the Program Budgeting System (PBS). You are further informed that your budgets for FY 2017/18 will be loaded onto the new system (PBS) to enable timely reporting. **Please note that budget performance reporting during FY 2017/18 effective with Q1 will be done online using the Program Based System (PBS).**

S. FUNDS APPROPRIATED UNDER MDAs FOR TRANSFER TO LOCAL GOVERNMENTS

62. Further to our Budget Call Circular, all Central Government Votes with funds such as; Youth Livelihood Fund, Women Fund and others appropriated under their centre Votes and projects for transfers to Local Governments and other units should provide a breakdown of the allocation of these funds with the attendant guidelines to this Ministry with a copy to Local Governments (LGs) by the **14th July, 2017. This will enable the LGs to properly plan for the utilization of these funds.**

T. BUDGET PERFORMANCE REPORTING

Performance Contracts

63. Section 45 (3) of the PFMA (2015) as amended, requires all Accounting Officers to enter into a Performance Contract with the Secretary to the Treasury, which shall bind the Accounting Officer to deliver on the activities in the work plan of the Vote for a financial year. Accordingly, a format of the performance contracts has been reviewed and incorporated in the PBS to clearly state the deliverable indicators emphasizing compliance of the PFMA 2015 for your use. **All Accounting Officers are therefore required to sign individual Budget Performance Contracts by 14th July, 2017.**

64. Please note that effective FY 2017/18, performance assessments will be carried out at both Half Year and Annual basis, and the evaluation will be based on the intermediate outcomes under the Programme Based Budgeting (PBB) arrangement emphasizing reporting on results. **For LGs, the assessment will determine the allocation for development grant under Health and Education sectors for FY 2018/19.**

Quarterly Performance Reports

65. In order to facilitate proper monitoring of the budget and in fulfillment of Section 16 of the PFMA 2015, you are required to submit quarterly budget performance reports clearly indicating the actual performance against the planned outputs and performance for each quarter showing the quantity/quality and physical location of the reported outputs against expenditure using the format in the PBS.
66. It has been noted that some Accounting Officers especially those from Missions Abroad and Local Governments have not adhered to the release and reporting timelines. Accordingly, Accounting Officers are informed that the reporting timelines should strictly be adhered to as reflected in the guidelines attached as **annex 7**.
- 67. Failure to adhere to the reporting requirements will attract sanctions including non-appointment/immediate withdrawal of appointment as Accounting Officers and halting financial transactions of the non-compliant Votes as per Sections 15, 78, 79 and 80 of the PFM Act 2015.**

Local Government Performance Assessment

68. Government is committed to improving the delivery of services to all citizens. On this basis, since FY 2015/16 Government started to implement reforms to improve the way LGs are financed to implement their mandates as enshrined in the law(s) governing them. Therefore, in FY 2017/18, Local Governments will be assessed on three dimensions of: (i) Budget and accountability requirements; (ii) crosscutting and sector functional processes and systems; and (iii) service delivery results. The results of the assessment will be used in determining allocation of 50% of the development grant for decentralized Education and Health services for FY 2018/19.

Coordination of Monitoring of Budget Performance

69. It has been noted that there are still gaps in enforcement and coordination of monitoring by both the Center and Local Governments. Therefore, in FY 2017/18, all Ministries, Departments, Agencies and Local governments are required to submit:
- i) Annual monitoring plan for Government programmes and/or projects under your vote to Office of the Prime Minister with a copy to my Ministry and Ministry of Local Government by **14th July, 2017** for harmonization to ensure proper coordination to avoid duplication and fatigue; and
 - ii) Quarterly monitoring reports to Office of the Prime Minister with a copy to this ministry for the attention of Director Budget.

U. CONCLUSION

70. You are required to observe the guidelines stipulated in this Circular and strictly adhere to legal and regulatory framework for Public Expenditure Management as stipulated in the various Laws and the Regulations. Most importantly, you should desist from mischarge, and misappropriation of funds, and strictly adhere to the reporting requirements and timelines stipulated in the PFM Act 2015.
71. You are required to sign your individual performance contracts by **14th July, 2017**.
- 72. Performance Contracts shall be vigorously enforced and strong sanctions administered to non-compliant Accounting Officers. As already stated, performance assessments will be carried out at both Half Year and Annual Basis. Renewal of appointment for all Accounting Officers will take into account a proven track record of sound implementation of Government programmes/projects and after a stringent vetting process.**
73. The approved Detailed Budget Estimates, Annual Cash Plan and First Quarter (Q1) Expenditure Limits can be accessed on both the Ministry's Website: www.finance.go.ug and the Budget Information website: www.budget.go.ug.
74. I thank you for your continued efforts towards service delivery and wish you success in the implementation of the Budget for FY 2017/18.



Keith Muhakanizi

PERMANENT SECRETARY/SECRETARY TO THE TREASURY

Copy to:

- Rt. Hon. Speaker of Parliament
- Rt. Hon. Deputy Speaker of Parliament
- Rt. Hon. Prime Minister
- Rt. Hon. 1st Deputy Prime Minister & Deputy Leader of Government Business
- Rt. Hon. 2nd Deputy Prime Minister & Minister for East African Community Affairs
- Hon. Minister of Finance, Planning and Economic Development
- All Hon. Ministers and Ministers of State
- All Hon. Members of Parliament
- The Chairperson/Parliamentary Budget Committee
- The Chairperson, National Planning Authority
- The Head of Public Service and Secretary to Cabinet
- Auditor General, Office of the Auditor General
- The Inspector General of Government
- Heads of Uganda's Missions Abroad
- All Chairpersons LCV and Mayors of Municipalities
- All Resident District Commissioners
- All Chairpersons of Service Commissions
- The Director/Parliamentary Budget Office