THE REPUBLIC OF UGANDA

FINANCIAL YEAR 2014/15

BUDGET STRATEGY

DELIVERED

AT

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BY

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I. INTRODUCTION

Your Excellency the Vice President,
The Right Honourable Prime Minister,
Colleagues Ministers,
Members of Parliament,
Representative of Development Partners,
Honourable Members of Parliament,
Ladies and Gentlemen

1. I welcome you all to the National Consultative Workshop for the Financial Year 2014/15. This Conference is a key element in the preparation of next financial year's budget as we seek agreement on the Budget Strategy and Policy Framework. The Budget Strategy is meant to facilitate broader consultation and participation and debate on the national fiscal and macro-economic policy, as we conclude preparations the FY2014/15 Budget. My presentation will focus on the rationale for the strategy, as well as the imperatives for improving the efficiency and effectiveness of public service delivery.

2. The theme for the financial Year 2013/14 Budget is '***Creating Wealth through Infrastructure and Productivity Enhancement***'. Government will therefore continue to focus expenditures on areas that remove the binding constraints that impede socio-economic transformation and prosperity as identified in the National Development Plan and the NRM Manifesto.

II. GOVERNMENT BUDGET AND NDP ALIGNMENT

3. Government financing of the NDP during the four years of its five year-period (FY 2010/11 to 2013/14) has exceed the NDP financing estimate for the

same period (40.2 trillion). Based on current expenditure projections for Financial Year 2014/15, it is also clear that Government is on course to meeting the estimated total financing requirement for the NDP of Shs 54 Trillion. The above financing performance has been achieved within a debt-to GDP ratio of less than 30% as required under the Government's current debt strategy.

4. The above performance is a significant achievement considering that the main assumption underpinning the financing of the NDP (average growth of 7.2%) was not met because of the global financial and economic downturn that set in right after the NDP launch. The knock-on effect of this global development saw Uganda's annual GDP growth slowing down to 3.2% in Financial Year 2011/12. This slow-down was as a result of falling global demand for exports and reduced investor confidence and not due to under public investment as some have argued. It is further evident that Uganda's GDP growth over the NDP period has also been inclusive. GDP growth over the reference period has been accompanied by both falling average poverty rates and rising per-capita incomes.

5. Besides NDP funding, Government has also undertaken a range of complementary institutional, policy and legal reforms that have significantly enhanced the pace of transformation envisaged under the NDP. Key among them is the reform progress under the auspices of the EAC integration process and the multiple Public Financial Management reforms that have increased efficiency in service delivery. These reforms have already reduced the cost is doing business and enhanced property rights.

III. STRATEGIC IMPERATIVES FOR THE FY 2014/15 BUDGET

6. Achieving the major goals of the National Development Plan 2010-2014 and the 2011 NRM Manifesto provides the strategic framework for sector ministries, agencies' and local governments' programme implementation schedules. Both

these guiding documents stress the need to unlock key constraints to socio-economic transformation:-

a. Limited Availability and Access to Key Production Inputs
b. Inadequate Energy, Road and Rail Infrastructure
c. Inefficient Social Service Delivery; and
d. Weak Public Sector Management and Administration
e. Insufficient Job creation due to misalignment with market demand

7. The NRM Manifesto thus addresses critical infrastructure gaps the economy faces and the provision of increased social services, while maintaining the macro-economic stability necessary for overall sustainable development. The annual budgets over the last five years have therefore been aligned to achieving these key imperatives, while maintaining macro-economic stability.

8. In Financial Year 2014/15, the Budget will emulate Budget Financial Year 2013/14 to draw on the strategic imperatives of the NDP and NRM Manifesto by focusing on the following macro objectives:-

a. maintain macroeconomic stability by keeping single-digit inflation, a stable exchange rate and implementing a prudent fiscal and monetary policy
b. increase sustainable Economic Growth to between 6-7% per annum through targeted measures to increase production and productivity in agriculture, agri-business, manufacturing and services sectors;
c. improve revenue collection, to a medium term target of 15 percent of GDP, through increased collection of taxes already due, expanding the documented tax base and rolling back tax-exempt categories;
d. facilitating the private sector as the engine of growth of the national economy, though improving SME and individual access to affordable credit and promoting financial literacy for effective credit demand;

e. judiciously acquire cost-effective foreign financing for efficient project implementation while keeping debt sustainability;
f. Public resources will be spent according to budget.

9. Therefore, sector ministries, departments, agencies and local government will align their programmes for socio-economic transformation within the realities of government priorities and efficiency measures as well as global events that impact on the domestic economy.

IV. BUDGET STRATEGY FOR FY 2014/15

10. In line with the country's long-term development vision to improve household income by ensuring more jobs at higher vale-addedd for more workers across the country, Government recognizes that the private sector is the ultimate job-provider. Therefore, the Budget Strategy for FY 2014/15 follows in the footsteps of FY 2013/14 and will be driven by the following priorities:

i. Maintenance of Macroeconomic Stability;
ii. Continue and accelerate existing programs of in energy and road and rail infrastructure projects;
iii. Improve Productivity in Agricultural Production for food security, Agri-business for value-added, Manufacturing and Tourism;
iv. Re-orient Human Resource and Skills Development, to maximize job creation in those skills demanded by the market;
v. Increase efficiency in social service delivery in education, and health; and
vi. Strengthening Government Governance, Efficiency and Accountability to focus on value **for** money spent and not value **of** money spent. This is a crucial differentiation which MDAs have been accustoming themselves to during the first half of Financial Year 2013/14.

Macro-Economic Strategy

11. Government aims to deliver these public priorities within a realistic Medium Term Revenue and Expenditure Framework. The FY 2014/15 Budget is a one-year window of the Medium Term Revenue and Expenditure Framework and the NDP. It will therefore aim at the following macro-economic goals:-

i. Raise tax revenues towards a medium tax-to-GDP ratio of 15% without reducing effective demand for goods and services;
ii. Keeping annual consumer price inflation to within single digit;
iii. Ensure efficient and effective delivery of Government expenditures; and
iv. Continue downward pressure on interest rates by financial regulatory reforms and financial literacy programmes
v. Maximize value-add of foreign and domestic financing for Government projects through timely and cost-effective project design and implementation
vi. EAC integration to further develop export markets
vii. Maintain competitive exchange rate regime to support growth of exports without destabilizing imports of production inputs.

Economic Growth

12. Challenges still loom. They include yet unresolved financial stress and economic slowdown in the West, rapid population growth and unplanned urbanization as well as volatile competition for natural resources. Within this global framework, Uganda treads a cautious middle path. We will remain vigilant recovering stability which must be safe guarded against further external shocks and/or regional upheaval.

13. Following volatile growth rates over the last three years, the economy is on the path of recovery. Projections indicate that in the FY 2014/15, the economy will grow at about 6% per annum. It must be noted that growth projections are based on maintaining macroeconomic stability, nurturing regional market demand, improving mobilization and utilization of both domestic and foreign resources, timely implementation projects of major infrastructure and efficient reforms in social service delivery. In the medium term economic growth prospects are anticipated to average 7% percent per annum, assuming that implementation of key infrastructure projects accelerates; agricultural productivity improves and social service delivery is enhanced.

Economic Diversification

14. According to the recent Uganda Economic Update[1], accelerated economic growth can be achieved through a more rapid diversification of the economic base to provide new sources of employment for Uganda's rapidly growing and urbanized labor force, even as the agricultural sector remains the predominant employer for the foreseeable future. The diversification would enhance agri-business, tourism and distribution sectors of the economy. This would enable the creation of value-added jobs with production of higher value-added products and the well-planned exploitation of the country's resources, including its human resources and its natural resources, particularly petroleum resources.

Fiscal Framework

15. The Fiscal Framework for the Financial Year 2014/15 Budget aims to achieve the following:-

i. Enhance Tax Revenue Collections towards 15% of GDP without suppressing effective demand;

[1] Uganda's Economic Update, World Bank, August 2013.

ii. Increase efficiency and effectiveness of Government spending on social services and infrastructure, i.e transport, energy, health and education;
iii. Enhance Government capacity to design and implement priority projects without major cost overruns and time delays

Revenue Performance and Outlook

16. Revenue performance for next financial year will largely depend on the outcome for the current year and the expected economic growth next year. As the economy continues to recover and with Government commitment towards streamlining tax exemption/incentives, automatically more revenues will be expected. This means that any available scope for in terms of tax administration an tax policy must be identified and exploited by ensuring that administrative strategies and robust policy measures are put in place.

17. Uganda's tax GDP ratio has stagnated at about 12.5% over the past decade. This is low compared to the Sub-Saharan average of about 16%. This can be explained by:

i. tax evasion by a many taxpayers engaged in lucrative enterprises, but operating in the informal sector, a factor aggravated by lack of national identification;
ii. the depression effect of the current income tax and VAT exempt-categories in our tax code;
iii. inadequate capacity of tax administration to effectively collect tax due from all taxpayers
iv. the reduction effect on trade taxes through the ongoing implementation of the single Customs territory and Common Market;
v. exclusion of tax on Government imports from the tax GDP ratio computation. In the VAT segment, public infrastructure projects are

exempt especially roads and energy yet these contribute a lot to GDP; and

vi. a large subsistence agriculture sector.

18. To elaborate, some sectors contribute much to GDP but much less to the overall tax effort. For example; agriculture contributes 24% to GDP but only pays 0.3% in taxes; construction contributes 13% to GDP but only pays 2% in taxes; real estate contributes 6% to GDP but only pays 2% in taxes; education contributes 5% to GDP but pays 1% in taxes; and hotels (hotels) contributes 5% to GDP but pays only 0.9% in taxes. The majority of taxes are paid by importers and taxes on salary earners such as Pay as You Earn and Corporate Tax. As can be seen, sectors that contribute a lot to GDP are not paying their fair share of tax. Our efforts are now geared at enhancing the productive sectors and provision of infrastructure. These sectors certainly must contribute to the tax base that funds the sustainability and inclusion of economic growth.

19. Since 1991, Government has initiated measures to reform the tax system. These measures included institutional reforms with establishment of the Uganda Revenue Authority; the introduction of VAT in 1996 to replace sales tax and commercial transactions levy, and the enactment of a modern Income Tax Act with no discretionary powers, fewer exemptions and taxing all income as part of the efforts to widen the tax base. In addition, Uganda joined the EAC Customs Union in 2005 under which we were subject to pre-determined tariff rates of 0%, 10% and 25% on imports.

20. Despite these reforms, tax to GDP ratio has stagnated at about 12.5% over the last decade, regardless of our policy to grow tax GDP ratio by about 0.5 percentage points per year. Tax reforms are not easily implementable as any attempt to impose tax on a sector or a commodity meets a lot of resistance. I will cite a recent example of paraffin. Despite overwhelming and glaring evidence that

an excise duty of Shs. 200 on a litre of paraffin would not affect an average pump price of about Shs.2,300/-, the excise duty was vigorously opposed as anti-poor! Since the removal of the excise duty, the price has not reduced but Government lost Shs.15 billion in tax revenues that could have been invested in rural electrification.

21. However, tax reform cannot be for the faint-hearted. Investors and the general public demand all-weather roads, electricity access across the country, piped water supply, quality medical care and well-skilled workforce. We must all be willing to provide the necessary public investment finances through improved tax collection. Government on its part, must ensure transparency and accountability in spending the tax revenues. My Permanent Secretary/Secretary to the Treasury will speak more to this point later on.

22. Government therefore intends to introduce measures to enhance tax payer compliance, expand the tax bases and reform the scope for exemptions under various tax laws. Specifically attention will focus on the following:-

i. Reducing the list of zero-rated and tax exempt goods and services for the major taxes;

ii. Ensuring Government meets her tax obligation. Taxes and arrears of taxes will have the first call on budgets of MDAs. While this will be a book-entry, it will reveal the full cost of activities of MDA's;

iii. Taxpayer registration and expansion where URA will in collaboration with local authorities register and bring into the tax net individuals and enterprises in the informal sector earning a lot of income but hitherto not paying tax, e.g. trade licenses;

iv. Adoption by URA of a risk management strategy focusing on the major taxpayers segment and prioritizing penalties for non-compliance by taxpayer segments;

v. Collection of taxes like excise duty on raw materials but allocating a credit on the finished product. This was done in the case of spirits where excise duty is collected at importation of raw spirits but is off-set against the excise duty on the refined spirits. This will also mean that the mater

vi. Adopting more robust indicators of the impact of URA's actions and implementing an expanded formal monthly reporting process;

vii. Significantly strengthening URA's audit and enforcement capacities; and

viii. Engaging the private sector associations in a more structured and spontaneous manner in efforts to identify and address poor compliance.

23. In addition, Non-Tax Revenue (NTR) is a significant source of revenue for Government programmes. Non-Tax Revenue (NTR) rates have been revised to ensure they are commensurate with services provided. The system of collection has been reviewed to promote efficiency, by using the URA e-payment system. Government will now focus on enforcement across all MDAs to ensure that all NTR is paid and accounted for. In addition, no MDA will be allowed to spend NTR at source without its due scrutiny appropriation by Parliament. This requires that all NTR must be collected through the Consolidated Fund. You will all recall that all Petroleum revenues will also be collected through the Consolidated Fund for scrutiny and appropriation by Parliament.

S*trategic Priorities for the Financial Year 2014/15 Budget*

24. The following sector priorities underpin allocations in the FY 2014/15 Budget:

i. Accelerated Infrastructure Development in Transportation, Energy and ICT;
ii. Enhancing Production and Productivity in Agricultural and Tourism sectors;
iii. Human Skills Development to relevant market labour demand; and

iv. Public Sector Reform for accountability and Effectiveness.

A. Infrastructure Development:

25. Government has substantially increased infrastructure investment to reduce the cost of transport, increase access to mains electricity and water for production across the country. These sectors account for 35% of the total Financial Year 2013/14 Budget.

Transport Infrastructure

26. Government has over the last few years scaled up financing and implementation of key infrastructure projects with focus on the core projects. For instance, in the last 2 financial years alone, Government has more than doubled resource allocation to the works and transport sector from Ushs 1,290.79bn in FY 2011/12 to Ushs 2,510.66bn in FY 2013/14. In FY 2013/14, an additional Ushs 744.7bn was allocated to the sector to facilitate the clearance of outstanding certificates for the completed roads, accelerate the construction of ongoing roads and embark on new projects.

27. As the road transport network expands, key aspects of the Financial Year 2014/15 Budget Strategy for improving Transportation infrastructure will include the following:-

i. Realigning transport infrastructure expenditure towards sustainable maintenance by ensuring all new construction contracts have maintenance clauses;
ii. Ensuring technical competence in procurement, contracting and implementation;
iii. Finalize financing arrangements for the planned dualisation of the Kampala-Mpigi, Kampala-Bombo and Kampala-Jinja Expressways under Public Private Partnerships;

iv. accelerating the ongoing construction and/or upgrading of various national roads;
v. Accelerate the revival of the rail network, by rehabilitation of existing track; and cost-effective preparation of the new Standard Gauge Rail (SGR) on the Northern Corridor linking Mombasa-Nairobi-Kampala – Kigali
vi. Strengthen institutional capacity and accountability.

Energy Infrastructure

28. Government's key consideration in Energy Infrastructure Development is on improving generation capacity, while increasing efficiency in the transmission and distribution segments. Implementation of upcoming hydro-electricity projects. The upcoming Karuma (600MW) and Isimba (183MW) will almost double and greatly improve power generation. The mini-hydro program under PPPs is continuing implementation. Government is also determined on Transmission and Distribution loss reduction as key to improving overall efficiency in the sector. In the distribution segment, the terms of the distribution concession are being enforced to bring about enhanced efficiency i.e. Umeme has reduced its systems losses from 23% to 20%. In the Transmission segment, while losses are comparatively lower, Government will make substantial investments in transmission infrastructure so as to synchronize with the projects to increase generation capacity.

Information and Communications Technology (ICT)

29. In the ICT sector, Government's objective in FY 2014/15 will be the completion of the National Backbone Infrastructure. This will facilitate building of a robust ultra-high speed, reliable ICT infrastructure all over the country in line with the changing technologies. For evacuation of international bandwidth, the

private sector is encouraged to develop alternate routes and networks to connect to submarine fibre optic cable networks around Africa.

30. Government will also support putting as many as feasible public services online as possible, automating work functions and reducing paperwork for greater internal operational efficiencies and open dialogue between Government and the Uganda public.

B. Enhancing Agriculture and Tourism;

AGRICULTURE

31. Agriculture is still the under-exploited mainstay of this economy, employs about 70 percent of the total labour force and contributes about 21 percent to the GDP. In addition, by 2007 the sector accounted for 47 percent of total export earnings. It remains a major concern that production and productivity in most of the crop sub-sectors remains low, leading to poor returns to our farmers. Low productivity in the sector has also exacerbated the problem of food insecurity and malnutrition.

32. It is well-known that the agriculture sector is private sector. Therefore. Government's role in the Agricultural sector must, while encouraging food security, aim at helping more farmers transform aim from subsistence farming to commercial agriculture. By continuing the value chain approach for the selected ten agro-outputs Government will help create productive employment opportunities along the entire commodity value chain of input provision, production, storage, and processing and marketing.

33. In order to increase productivity and reduce reliance on rain-fed agriculture, Government has completed rehabilitation of three large irrigation projects. Government will continue investing in the development of large and small scale

irrigation schemes across the country, dissemination of improved technology and improved inputs such as seeds, breeds and stocking materials through rejuvenated extension worker system. In addition, Government will establish a nitrogen-fertilizer factory as an offshoot of oil production and the upcoming development of a phosphates industry. These local factories will reduce the cost of fertilizers.

34. The issues in the Agricultural Sector are in three broad categories: extension services and credit financing for smallholders and large scale land availability for commercial farmers. In Financial Year 2014/15, further effort will be placed on reforming the extension system in the country to improve information access, agronomic knowledge, technologies and practice to the farmers; collect adequate agricultural statistics; improve weather information and its dissemination and intensify environmental control measures to halt the decline in soil fertility. All this assistance will take place in the field. The ultimate objective is to increase productivity so that Uganda's growing population can obtain more output per agricultural input thus freeing more workers to be based off-farm in higher value occupations. NAADS is in the process of restructuring to this purpose.

35. While land reform measures take hold and rural landowners receive finaical literacy education, commercial farmers seeking farming land could consider "renting" the needed farm land from the smallholders just like businesses rent offices or factory space and families rent housing. Already maize growers in West are renting land on a yearly or three-yearly basis. The landowners then stay on either as a residents or as outgrowers under the commercial farming practices introduced. The commercial farmer would then also avoid tying up his or her working capital in land acquisition and avoid any possible land wrangles.

Agricultural (and Other SME) Access to Credit

36. Technological low-cost innovations such as online banking, mobile money transfer and other products for SMEs have expanded financial services especially

in rural areas. Uganda adults accessing formal bank and non-bank institutions increased from 28% in 2009 to 54% in 2011 largely due to mobile money transfers. The Bank of Uganda estimates registered mobile money users at 12.1 million as of June 2013. The upcoming National Identification project will also lower the cost of credit by enabling financial providers to better Know Your Customer (KYC) or risk-assess potential borrowers.

FINANCIAL INCLUSION

37. However, supply of affordable credit (for agriculture and other SMEs) must be counter-balanced by effective demand i.e loan applications that are "bankable' presented by farmers or sponsors who are financially literate and have a banking track record. The challenge is to harness the technology of mobile money transfers to lower the physical cost of supplying credit but also to promote financial literacy, sensitize about available products e.g. crop insurance and to mobilize a savings culture. My Ministry and the bank of Uganda together with the financial providers have launched a Financial Literacy Campaign to this effect. Further, we have drafted legislation to formalize several innovative financial products to increase access to credit and improve regulation of the financial sector.

a) Banking according to Islamic principles where a bank does not charge interest but takes a partnership (equity) role in the proposed venture;
b) Mobile money regulations to potential users and providers of this already existing practice;
c) Bank assurance to encourage insurers to insure agricultural lending and lower cost of borrowing;
d) Provision for Bank of Uganda to regulate and formalize agency banking which includes money lenders;
e) Legislation for micro-finance institutions.

38. A well-documented SME finds it easier to obtain credit. Government will continue working to encourage online business registration using the Uganda Registration Services Bureau portal, and reduce the cost of doing business through business license reform already started. While our Ministry will focus on the SMEs need for access to affordable credit, we will work with the various parent sectors ministries to assist SMEs to gain the necessary technical and operational skills needed to develop economically viable projects for loan applications.

TOURISM

39. The tourism sector is projected to be one of the mainstays of the economy with the potential to significantly contribute to increased foreign exchange earnings, tax and non-tax revenue, employment and to GDP as a whole. In FY 2011/12, the sector contributed about USD 660 million in FY2011/12 or 11 percent of foreign exchange earnings.

40. However, tourism is a private sector-dominated industry where Government will concentrate on a few critical constraints so as to enable its full development.

a) To improve all-weather road assets
b) Develop hospitality sector training
c) Conserve wildlife and flora that attract visitors
d) A holistic and cost-effective promotion strategy.

41. During the FY 2013/14 Budget, priority was accorded to the promotion of domestic tourism through initiatives such as re-development of the source of the Nile and Kalagala Itanda Falls as world class tourist sites; and the training in hospitality skills by upgrading of the National Hotel and Tourism Training

Institute (HTTI). The tourism roads such as Bwindi access are top priority on the roads construction list

42. In order to exploit the full potential of Uganda's tourism industry, the FY 2014/15 Budget will continue the emphasis on ongoing interventions. Specific focus will be placed on accelerated completion of strategic tourism infrastructure, search for twinning efforts in human resources, research and development, strategic marketing in traditional and community tourism; and improvement and diversification of products. High importance is placed on developing and funding a conservation strategy to protect our precious wildlife and unique vegetation.

C. Human Resource Development

43. The key priorities for human resource development need to be focused on improving the quality of education, health, and water provision. Even though the sector group accounts for about 30% of Budget, resources will remain inadequate in the medium term. Therefore Government will focus on increased delivery efficiency in order to maximize the value of the money spent within respective social sectors. This is especially important given that teachers and health workers are the majority of the public payroll.

Education and Skills Development

44. Government interventions under the education sectors have focused on provision of adequate facilities like classrooms, staff houses, teaching materials, sanitary facilities, monitoring and supervision, recruitment of additional staff and gradual enhancement of staff salaries. Among the constraints still facing the education sector include inadequate educational facilities and weak alignment with the requirements of the labour market. There is also need to address skill gaps through curriculum review, science education and vocational training. Ensuring access to quality and relevant education and in addition to other emerging

challenges will require implementation of the following strategic actions. Most of all, ensure that

i. Enhance efficiency in use of public expenditure by ensuring effective learning takes place, through introduction of performance benchmarks to eliminate "ghosts" and absenteeism, even as Government moves to enhance salaries;
ii. Increased emphasis on science and technical education through various initiatives such as expansion of the Student Loan Scheme, and rolling out of the Skills Uganda Programme,
iii. Collaboration with the private sector interested in investing in Vocational training;
iv. Ramping up education facilities like classrooms, staff houses and sanitary facilities among others;

Health

45. Uganda's current health service delivery system is extensive, but inefficient and not sufficiently responsive to the health needs of the population. Addressing these challenges calls for a policy shift in the health delivery system from mainly public delivery, to incorporate aspects of public-private-partnerships. This shift will be anchored on preventive over curative health service delivery approaches. For instance, there is no reason why malaria remains the single biggest killer disease, when preventative measures such as Insecticide Treated Nets (ITNs), among others, can be availed at the household level. To this end, together with the private sector, Government is developing a Malaria Strategy to significantly reduce the incidence of malaria.

46. Consistent with the above long-term development vision in the Health Sector, the FY 2014/15 Budget will prioritize the following:

i. Launch the Malaria Strategy;
ii. Continue the drugs tracking mechanisms;
iii. Align the skills mix closer towards the general health needs;
iv. Introduce performance-based contracts with monitoring provisions where applicable;
v. Apply performance indicators for salary review criteria;
vi. improve the nutrition status of the population especially for young children and women of reproductive age.

Employment

47. Uganda has a big challenge of a labor force that is largely unemployed. Despite this huge unemployed labor force, the Ugandan economy still has a shortage of appropriately skilled workers. The failure to match the skills needed in the economy creates a gap in the human capital which is critical for economic and social transformation. The education system must be tuned to tailor its outputs to the needs of the economy. Improved coordination with the private sector which provides most of the employment.

48. To effectively harness this opportunity and further develop the human resource, relevant fundamentals should be strengthened and efforts devoted on developing human resources and skills of this country. Centres of excellence in Health and Education should be developed including training institutions and schools with the necessary facilities such as science laboratories, metal and wood workshops, ICT laboratories among others.

49. Government will also continue to focus efforts geared towards ensuring that this population is healthy to unlock its potential. Programmes such as BTVET and Skills development programme to equip student and pupils with life and hands on skills which are not only globally competitive, but are also appropriate to local

requirements. Government will continue to facilitate investment in small, medium and large businesses. In addition, the education curriculum will be reviewed to align it with the global and national socio-economic needs.

D. Improving Public Sector Management and Service Delivery

50. Government's limited resources must be effectively and efficiently utilized for the common good on behalf of the tax payer. The effectiveness is observed in the quality of policy formulation, project implementation, and ultimately the quality of public services. However, various reports like the Auditor General's reports point out numerous cases of inefficient and ineffective public service delivery. These include poor implementation and monitoring of Government programmes across various sectors.

51. In order to ensure the effectiveness and efficiency in public service delivery, over the past two budgets Government has developed and introduced innovative measures that entail not only changes in structure and processes, but also institute fundamental changes in public officials' attitudes and behavioural changes that are precepts of socio economic transformation. Government will need to implement enhanced performance management measures, in tandem with affordable incentive and sanctions systems for the public sector.

52. In line with this resolve, Government has enhanced or introduced accountability measure including:-

a) A comprehensive Government payroll audit which will include biometric registration of all public servants by the Auditor General
b) A treasury Single Account (TSA) whereby all multiple accounts by MDAs have been closed
c) Decentralization of Government wage bill verification function back to the various accounting officers who will bear responsibility for

their respective payroll claims to the Ministry of Finance, Planning and Economic Development

d) Strict accountability requirements before each quarterly release
e) Maintenance based road construction contracts containing a ten-year maintenance requirement of the contractors
f) Passage of accountability-focused legislation e.g. Anti-Money Laundering Bill and Accountants Bill.

53. In order to ensure good governance and development, Government will introduce reforms to consolidate the gains made in financial management in order to improve efficiency and effectiveness of public expenditure management during the Financial Year 2014/15. Specific actions will entail the following:-

i. Enhancement of E-government applications which will improve responsiveness and reduce corruption,
ii. Completion of the IFMS roll-out;
iii. Enhance Government Project Appraisal and Implementation Capacity;
iv. Continue Return to Government-owned office accommodation as rental contracts expire;
v. Development of a consolidated Government office building approach;
vi. promoting result-based management within the public service by going beyond output based budgeting and focus on improving the key outcomes for service delivery;
vii. strengthening the oversight role of parliament as provided for under the new Public Finance Bill; and
viii. encouraging public access to information and data.

54. We appeal to all stakeholders to help fast-track consideration and passage of the other similar bills aimed at incorporating a) accountability; b) financial literacy and financial inclusion; and c) production and productivity i.e:-

a) Public Finance Bill

b) Amendments to the Financial Institutions Bills

c) Private Public Partnerships Bill

d) Biotechnology Bill

55. In order to ensure an independent assessment of the public sector' effectiveness, Government will actively partners with civil society in the objectives monitoring and evaluation of its activities, especially as a means of enforcing efficiency and value for money.

56. The Ministry of Finance, Planning and Economic Development will continue to monitor and evaluate economic and financial developments, both global and local, for their impact on Uganda's overall economic growth and development. We promise a quick reaction where and when needed.

I thank you for listening to me.