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In any correspondence on  
this subject please quote No. **BPD 86/107/02**

THE REPUBLIC OF UGANDA

28<sup>th</sup> May 2010

To All Accounting Officers (Central and Local Governments)

**Re: FINALISATION OF BUDGET ESTIMATES FOR RECURRENT AND DEVELOPMENT REVENUES AND EXPENDITURE FOR FINANCIAL YEAR 2010/11**

**A. Introduction**

1. Reference is made to the Budget Call Circular of 6<sup>th</sup> April 2010 requesting you to prepare and submit preliminary detailed budget estimates for FY 2010/11.
2. Following consultations with both Cabinet and Parliament, the resource envelope for the FY 2010/11 has been adjusted.
3. The purpose of this Circular is therefore is to:
  - i.) communicate the final resource envelope and sector ceilings for the FY 2010/11;
  - ii.) request you to prepare and submit your final detailed budget estimates for FY 2010/11 based on the revised MTEF ceilings as indicated in **Annex I** herewith attached **not later than Wednesday 2<sup>nd</sup> June 2010**.

**B. Resource Envelope for FY 2010/11 and MTEF Projection**

4. The projected budgetary Resource Envelope for FY 2010/11 is **UShs 7,360.2bn** as indicated in **Annex 1**.
5. The exchange rates to be used against One **US\$** are **Ushs 2,143** for FY 2010/11, **Ushs 2,176** for FY 2011/12, **Ushs 2,218** for FY 2012/13, **Ushs 2,306** for FY 2013/2014 and **Ushs 2,406** for FY 2014/15.

**C. KEY POLICY ISSUES**

**6. Budget Strategy and Priorities**

- 6.1 The Budget for the FY2010/11 will focus on the following priorities:
  - i) Infrastructure Development in Roads and Energy;
  - ii) Promotion of Science, Technology and Innovation to facilitate Value Addition and Employment;

- iii) Enhancing Agricultural Production and Productivity;
- iv) Private Sector Development; and
- v) Improving Public Services Delivery.

6.2 The MTEF ceilings communicated in the second Budget Call Circular of 6<sup>th</sup> April 2010 have therefore been adjusted in line with the above Government priorities. As a result, the additional resources for FY 2010/11 have been allocated **as indicated in Annex 2**. The sector Ministries/Departments that have been allocated additional resources should only allocate the funds to those stated Government priorities under paragraph 6.1 above.

## **7. Agreed Actions by Cabinet during the Retreat on Budget Performance**

7.1 During the Cabinet Retreat held in February 2010, a number of policy actions and measures to improve the delivery of public services under various sectors as indicated in **Annex 3 attached were agreed**. You must, therefore, ensure that these are prioritized and addressed in your Budget Estimates and Ministerial Policy Statements for the FY 2010/11.

## **8. The Public Investment Plan (PIP) and the Development Budget Estimates**

8.1 The Public Investment Plan for the FY 2010/11 will be generated directly from the Output Budget Tool (OBT) database. You must, therefore, input all the relevant information required for preparation of the PIP in the OBT database. In addition, it has been noted that Ministries have a number of on-going projects which are not captured in the Budget Estimates and the MTEF. **The list of projects and their corresponding start, and end dates and project costs should be attached as an annex to your detailed Budget Estimates for the FY 2010/11.**

## **9. Preparation of the Ministerial Policy Statements (MPS)**

9.1 The format and guidelines for preparation of the Ministerial Policy Statements were integrated into the Output Budgeting Tool (OBT) used in the preparation of the detailed Budget Estimates and the Public Investment Plan (PIP) for the FY 2010/11. **Your Ministerial Policy Statements should be generated directly from the OBT database and submitted to Parliament by 30<sup>th</sup> June 2010 with a copy to this Ministry in line with the Budget Act 2001.**

## **10. Work Plans, Procurement Plans and Performance Contracts**

10.1 The OBT provides a format for preparation of the annual and quarterly workplans and procurement plans (Central Government Only). The annual work plans will provide the basis for formulation of the Performance Contracts (Form-A and B) against which the performance of all Accounting Officers will be assessed. In addition, the release of development funds will be based on submission of clear procurement plans. As you finalise your detailed budget estimates for the FY 2010/11, you must, therefore, ensure that your annual and quarterly work and procurement plans are appropriately completed. **In order to facilitate timely release of funds for the First Quarter of the FY 2010/11 and on the basis of Vote on Account as will be advised, you are requested to**

formally submit your first quarter workplans and projections to this Ministry for the attention of the Director Budget by Wednesday 30<sup>th</sup> June 2010.

## 11. Budgeting for Salaries and Wages

11.1 Implementation of the budget has continued to experience wage bill overruns in form of salary shortfalls leading to perpetual wage supplementaries on one hand and unspent balances on the other hand. The wage bill overruns are mainly due to lack of clear recruitment plans at Vote level. In my letter dated 27<sup>th</sup> April 2010, I instructed all Accounting Officers to submit the current staff lists and the recruitment plans for the FY 2010/11 to the Ministry of Public Service with a copy to this Ministry. **The Ministry of Public Service is urged to:**

- i.) **verify the staff lists submitted by the Accounting Officers and use them to prepare the wage estimates for the FY 2010/11;**
- ii.) **submit an overall recruitment an overall plan for the entire Service for the FY 2010/11, for all categories of staff indicating the number of staff to be recruited and the amount of funds allocated by Vote and Program (for Centre Votes) and by Vote and Grant (for Local Government Votes); and**
- iii.) **ensure that any additional recruitment in the FY 2010/11 is within the wage bill provision for the FY 2010/11 and after approval by your Ministry before a Local Government advertises for recruitment.**

11.2 Government has earmarked an additional **Ushs 245.48bn** for enhancement of salaries and wages in the FY 2010/11 as summarized below. The Ministry of Public Service should urgently finalise the allocation of these additional funds to enable the individual Votes finalise their detailed estimates for the FY 2010/11.

Category	Amount (UShs Billion)
Enhancement of Salaries for Scientists	18.00
Enhancement of Salaries for other Civil Servants	30.00
Human Rights Commission (Wage Shortfall in FY 2009/10)	0.083
Internal Security Organization (ISO)	0.224
External Security Organization (ESO)	0.323
Salary Enhancement for:	
i.) Primary School Teachers	189.034
ii.) Lower Cadre Primary Health Care Workers	
iii.) Lower Cadres in Security Forces	
Salaries for New Hon. Members of Parliament (for the months of May and June 2011)	0.166
Pension and Gratuity for Scientists	4.65
Salary Enhancement for Commissioners in Constitutional Commissions	3.0
<b>Total</b>	<b>245.48</b>

11.3 Government has earmarked **Ushs 10.8bn** in the FY 2010/11, for emoluments of Local Government Political Leaders at the LC 2 and LC 1 levels. **The Ministry of**

**Local Government should submit a detailed allocation of the funds in line with number of LC 2s and LC 1s by Local Government.**

- 11.4 **The new Local Governments which are scheduled to start operations in the FY 2010/11 should carry out the separation of the payrolls between the old and the new districts in consultations with the Ministry of Public Service, not later than 30<sup>th</sup> June 2010.**
- 11.5 **A total of US\$ 21.3bn has been provided for salaries and wages for the new Districts/Municipalities/Town Councils and funding of the new District Service Commissions. The Ministry of Local Government and the Local Government Finance Commission should submit the detailed allocation of these funds by Local Government.**
- 11.6 The budget for the FY 2009/10 has experienced numerous requests for reallocations from wage to non-wage budgets to facilitate the payment of Gratuity and Employer's contribution to the NSSF. **While finalizing the budget estimates for the FY 2010/11, you should adequately budget for under item 213004 for Gratuity and 212101 for NSSF contributions.**

## **12. Budgeting for Non Tax Revenue (NTR)**

- 12.1 In the previous Budget Call Circulars, all Accounting Officers (AOs) were directed to submit details of NTR items collected, rates charged and projections for FY 2010/11 while submitting their BFPs. Whereas some Accounting Officers submitted the information, others did not comply with this directive.
- 12.2 In that regard, therefore, this Ministry has compiled a detailed list of Non- tax Revenue items with current rates charged at Vote level (**Annex 4**). We have also compiled the projected NTR collections for FY 2010/11 based on responses from the previous Budget Call Circular (**Annex 5**).
- 12.3 **You should, therefore, critically review the above two Annexes (4 and 5) and confirm the items, rates and use them to prepare your Non-Tax Revenue estimates for the FY 2010/11.** The detailed list of NTR items, rates charged and projections will be published in the estimates of revenue and expenditure for FY 2010/11, and you will be responsible for collection of the NTR for FY 2010/11.

## **13. Budgeting for Utilities**

- 13.1 Despite the implementation of the Commitment Control System (CCS) over years, several Government institutions have continued to accumulate utility arrears due to under-budgeting for utilities by the Accounting Officers. While finalizing your budget estimates for the FY 2010/11, you **MUST** make adequate provisions for utilities within your Vote ceilings for the FY 2010/11 and in any case not less than the budget allocations for this FY 2009/10 as indicated in **Annex 6 attached**.

**13.2 Effective July 2010, Government will also introduce the Straight Through Processing (STP) of all utility payments. The STP will involve direct payment of utility bills to the Utility Companies under the Electronic Transfer of Funds (EFT).**

#### **14. Budgeting for Taxes**

14.1 Implementation of the budget has continued to experience persistent requests for supplementary funding or corrigenda for tax payments. Effective the FY 2010/11, no request for either supplementary or corrigenda will be accepted. While finalizing the budget estimates for the FY 2010/11, you should ensure that all tax expenditures for all the following categories are adequately budgeted for;

- i.) **Resource Taxes:** such as VAT have the first call on the counterpart funding resources and should be adequately budgeted for within the MTEF provisions by all spending agencies;
- ii.) **Non Resource Taxes such as** import duties where government is obliged to pay taxes through agreements should be properly estimated and will continue to be provided under the Gross Tax Payment System.
- iii.) **Non Resource and Resource** tax obligations for the Local Governments to be channeled through the responsible Sector Ministries where agreements exist clearly indicating the contractual obligations between the Donor and Government of Uganda (GoU); and
- iv.) Tax expenditure obligations for donors including NGO's who are providing support through off budget interventions, should be budgeted for under resource or non-resource as the case may be, depending on the agreements.

#### **15. Budgeting for Domestic Arrears**

15.1 Details of the budget allocation for domestic arrears are as indicated in **Annex 7** attached. Your detailed allocation for domestic arrears should be attached to the **Ministerial Policy Statements for Central Government spending agencies and Budget Estimates for Local Governments, indicating the category of the arrears, name of the supplier, date when the arrears were incurred, the reason for the arrears and the amount to be paid in FY 2010/11.**

#### **16. Creation of New Votes**

16 The number of Semi-Autonomous Institutions requesting for Vote status has increased. You should note that for any institution to be accorded Vote status, it must demonstrate existence of the appropriate staffing and accountability structures. Accordingly, Votes have only been created for those institutions that have fulfilled this requirement.

## **17. Peace, Recovery and Development Plan (PRDP) for Northern Uganda**

17.1 A total provision of **UShs 123.615bn** has been made under the PRDP including funding from Budget Support Donors (**UShs 23.615bn**). The Permanent Secretary, Office of the Prime Minister is requested to urgently allocate these resources to the PRDP programs and Local Governments. **Sectors are requested to ensure that the rest of the Local Government grants are adjusted for PRDP allocations before allocating the rest of the grants to Local Governments.**

## **18. Local Government Planning Figures (PFs)**

**18.1 Sector Ministries with transfers to Local Governments should urgently submit the detailed allocation for:**

a) **each Grant under your Sector taking into account the newly created Local Governments; I have attached a schedule of the new Local Government Votes and the list of Grants in Annex 8.**

b) **funds budgeted for under the Central Government Ministries for onward transfer to the Local Governments, indicating the amount allocated to each Local Government in the FY 2010/11.**

18.2 The above information should be urgently submitted to enable the Local Governments finalise their Budget Estimates and workplans for presentation to the Council as required by the Local Government Act Chapter 243.

18.3 In my Budget Call Circular of 6<sup>th</sup> April 2010, Local Government Accounting Officers were instructed to submit a summary of locally collected revenue and other sources (NGOs, CBOs and Donors) for integration in the national budget estimates and appropriation by Parliament not later than **30<sup>th</sup> April 2010**. However, to date, only three (3) Local Governments have submitted this information. The Local Government Accounting Officers must submit the aforementioned information by Monday 7<sup>th</sup> June 2010 in the format summarized below:

**Summary of LG revenues by Source (in UShs. Billion)**

<b>Vote</b>	<b>Local Government Name</b>	<b>Locally Generated Revenue</b>	<b>NGOs, CBOs and Donors (not captured in the MTEF)</b>	<b>Central Government Transfers</b>	<b>Total</b>
Eg 508	Gulu District				

## **19. Unspent Balances**

**19.1 All Accounting Officers should note that effective 30<sup>th</sup> June 2010, all unspent balances at the closure of every Financial Year must be returned to the Consolidated Fund as required by the Public Finance and Accountability Act 2003. Therefore, while submitting your detailed estimates for the FY 2010/11, you should submit a schedule indicating the projected funds that are likely to remain unspent by 30<sup>th</sup> June 2010.**

**D. CONCLUSION AND SUBMISSION OF ESTIMATES**

20. In the past, we have experienced delays in finalizing the budget due to last minute changes in the budget estimates by the Accounting Officers. This disrupts the process of finalising the budget and leads to errors and omissions in the detailed budget estimates. You should, therefore, note that once you have submitted your detailed budget estimates for the FY 2010/11, no further changes will be accepted.
21. It should be noted that the detailed budget estimates, project profiles, workplans and procurement plans for the FY 2010/11 for all Central Government Votes must be entered directly into the OBT database. You should also formally designate a liaison Officer who should work closely with the technical officers in this Ministry to properly finalise you Budget Estimates on the OBT. In addition, all Local Government workplans should be entered directly into the Local Government OBT database.
22. Central Government Accounting Officers must ensure that their final detailed budget estimates including the allocation for the Local Government transfers are submitted to the Permanent Secretary/Secretary to the Treasury, Ministry of Finance, Planning and Economic Development, in both hard and soft copies for the attention of the Director Budget not later than Wednesday 2<sup>nd</sup> June 2010.

Thanks for your usual co-operation.



C.M. Kassami

**PERMANENT SECRETARY/SECRETARY TO THE TREASURY**

- c.c. Hon. Minister of Finance, Planning and Economic Development
- c.c. The Chairperson/Parliamentary Budget Committee
- c.c. The Head of Public Service and Secretary to Cabinet
- c.c. The Deputy Head of Public Service and Secretary for Administrative Reform
- c.c. The Permanent Secretary/Ministry of Public Service
- c.c. The Permanent Secretary/Office of the Prime Minister
- c.c. The Permanent Secretary/Ministry of Local Government
- c.c. Auditor General/Auditor General's Office
- c.c. The Director/Parliamentary Budget Office