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THE REPUBLIC OF UGANDA

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30th November 2011

To All Accounting Officers (Central and Local Governments)

BUDGET CALL CIRCULAR ON PREPARATION OF THE BUDGET FRAMEWORK PAPERS AND PRELIMINARY DETAILED BUDGET ESTIMATES FOR THE FY 2012/13

A. INTRODUCTION

1. In accordance with Article 155 of the Constitution of the Republic of Uganda and Section 5 of the Budget Act 2001, you are required to prepare and submit your preliminary detailed Estimates of Revenue and Expenditure for the next financial year, **by the 15th February of each year.**

2. The objectives of this circular are therefore to:

    (i) *Communicate the indicative Resource Envelope and sector expenditure ceilings (MTEF) for FY 2012/13 and the Medium Term* ***(Annex 1).***

    (ii) *Communicate key Policy and administrative guidelines related to preparation of the Budget Framework Papers for the FY 2012/13 and the medium term.*

    (iii) *Request all Chairpersons of the Sector Working Groups to convene sector meetings and embark on the preparation of the Sector Budget Framework Papers for the FY 2012/13 and the Medium Term.*

    (iv) *Request you to submit your Sector Budget Framework Papers and Preliminary Detailed Budget Estimates for the FY 2012/13 and the medium term by* ***15th February 2012.***

B. BUDGET STRATEGY AND PRIORITIES FOR FY 2012/13

3. The overall objective of the budget for the FY 2012/13 will be to accelerate structural transformation of the economy while ensuring a stable macroeconomic framework aimed at achieving an average economic growth rate of 7 per cent per annum in the medium-term. This objective will be pursued in accordance with the country's long-term development

vision as stipulated in the NDP. Considering that the jobs and incomes associated with structural transformation will mostly be generated by NDP primary growth sectors, the FY 2012/13 budget will focus on providing a supportive role to the growth and development of NDP primary growth sectors.

4. The budget for the FY 2012/13 will accordingly focus on accelerating the implementation of the National Development Plan (NDP) with particular emphasis on reducing infrastructure deficits in the transport and energy sectors; raising agricultural production and productivity; expanding employment opportunities; and improving efficiency in public service delivery

5. In recognition of the fact that supply-side constraints have played a part in the recent rise in inflation and that the most important factor for the depreciation of the shilling is the large and long-term current account deficit - imports outnumber exports by 2:1, Government's fiscal policy for the FY 2012/13 will aim at addressing this structural weakness while at the same time aim at restoring the desired level of macroeconomic stability. This will entail tightening public expenditure to dampen aggregate demand and directing the greater part of public spending towards only those Government interventions that will stimulate growth. This explains why most of the sector ceilings for the FY 2012/13 have been maintained at the level of the FY 2011/12.

Budget Priorities for the FY 2012/13

6. In line with the above budget strategy, the priorities for FY2012/13 budget and the medium term are:

   i) **Restoring Macroeconomic stability**

   ii) **Public Investments** –Focus will be on a phased implementation of Core (Flagship) projects taking into account available resources. Key energy (including oil and gas) and transport projects will in particular receive support given that energy and transport infrastructure deficits are currently posing a major supply-side constraint to the economy.

   iii) **Increasing Agricultural Production, Productivity and value addition**; In addition to sustaining the provision of farming inputs and implements, attention will be given to the development of agriculture markets, especially internal markets;

   iv) **Employment and Job Creation**: Budget outputs that are critical to accelerating production and productivity within primary growth sectors should therefore be accorded high priority. Likewise, budget outputs that impact on business competiveness will be prioritized in line with the trade and export promotion strategy of the Government.

   v) **Human Resource Development**: Facilitating the development and growth of entrepreneurial and vocational skills to service increased production of tradable goods and services is a high priority. Similarly, improving healthcare delivery and the effectiveness of the education system will remain a priority to ensure continued improvement in the stock, quality and competitiveness of Uganda's labour force.

vi) **Improving Service Delivery**: Improving efficiency and effectiveness of public service delivery with special focus on contract management, addressing corruption, salary enhancement, addressing inefficiency and wastage in public expenditure.

7. In preparing the budget framework papers for the FY 2012/13, all sector activities and expenditure plans must be properly aligned to the above priorities.

Resource Envelope for FY 2012/13 and MTEF Projections

8. The budgetary resource envelope for FY 2012/13 is **Ushs 10,649.4bn** (including Donor projects, arrears and interest payments), for expenditure at Sector and Vote levels as indicated in **Annex 1.** The official exchange rate of Uganda Shillings against One US Dollar, to be used for FY 2012/13 and over the medium term are as follows:

   i) FY 2012/13- Ushs 3,061.7
   ii) FY 2013/14- Ushs 2,933.3
   iii) FY 2014/15- Ushs 2,875.3
   iv) FY 2015/16- Ushs 2,808.9
   v) FY 2016/17- Ushs 2,744.0

9. The MTEF allocations for the FY 2012/13 have been maintained at the level of FY 2011/12 except for the energy sector (Ushs 396.1bn for Karuma Hydro Power Project) and salaries and wages (Ushs 290bn for salary enhancement, of which Shs. 250bn is for general salary enhancement including teachers and shs. 40bn is for scientists) but adjusted for the one-off expenditures in the FY 2011/12.

10. This Ministry has received requests for additional funding amounting to **Ushs 3,686.13bn** as attached in **Annex 2.** Given the projected minimal increase in the resource envelope for the FY 2012/13, these requests can definitely not be accommodated. **As a way forward, sectors which consider these to be top priorities, should then be able to prioritise them within the available resources.**

11. Any resources required to implement the additional sector priorities should be realized through allocative efficiency by reducing expenditure on non-core activities and redirecting the resources to the core and frontline service delivery activities under the respective sectors. **Annex 3** attached shows areas where efficiency savings can be achieved.

C. KEY ADMINISTRATIVE ISSUES

Efficiency of Budget Allocations

12. Analysis of the current budget allocations reveals that most spending agencies have continued to allocate a sizeable proportion of their budgets to administrative and consumptive activities, reducing the amount of funds available for critical service delivery. This results in few tangible outputs and do not contribute meaningfully to service delivery.

Addressing the current economic challenges facing the country and effective implementation of the National Development Plan (NDP) will require all Government spending agencies to exercise a high degree of allocative efficiency of the available resources.

13. In order to strengthen efficiency and effectiveness in budgeting and delivery of public services, Government will maintain the following efficiency measures:

    i. **Budget allocations to the items for advertisement, workshops and seminars, travel inland, allowances, fuel and vehicle maintenance, printing, welfare and entertainment and special meals among others should be maintained at the level of the FY 2011/12 across the board.**

    ii. **The freeze on purchase of motor vehicles shall be maintained in the FY 2012/13.**

    iii. **Any budget allocation to item 224002 (General supply of Goods and Services), should be backed by a strong justification as to why the activities could not be budgeted for under the relevant budget items. You should also provide an annex demonstrating a clear relationship between the funds budgeted for under this item and the outputs to be delivered otherwise this Ministry will reallocate the funds to other sectors.**

Sector Working Groups

14. It has been noted that most of the Sector Working Groups (SWGs) have become either inactive or ceased operations, contrary to the Government policy of Sector Wide Approach (SWAP) to planning and budgeting. SWG Chairpersons are urged to revitalize their respective sectors and ensure that Budget Framework Papers are done within the SWAP framework. **Institutions within the same sector should jointly identify the key priority areas of service delivery and agree on a mechanism for harnessing synergies, addressing the crosscutting issues and avoid duplication of activities.** This principle should guide resource allocation within the sector.

Work Plans, Performance Indicators, Procurement Plans and the Budget

15. Analysis of Sector Plans reveals that a number of Key Performance Indicators (KPI) used in performance reporting and their definitions are limiting the effectiveness of performance analysis. Not only are some KPIs often not well defined, and in some cases not measurable, but they are also too numerous in many cases. They are not considered "SMART" (Specific, Measurable, Achievable, Relevant and Time-bound) indicators and result in non-reporting and a constraint to the quality of performance information. Analysis of budgeting trends also reveals a pattern of focusing on inputs, which often comes at the expense of outputs.

16. Accounting Officers should also note that workplans provide the basis for formulation of the Performance Contracts for both Central and Local Governments. This is the basis of accountability of how public resources are being linked to intended results and form the

structure for quarterly progress reporting, which is used for triggering releases and for physical monitoring. The work plans reflected in both sector and local government BFPs for the FY 2012/13 should therefore be very clear and comprehensive specifying planned expenditures, quantities and geographical location of outputs where applicable.

17. According to the Government performance report for the FY 2010/11, the Ministries, Departments and Agencies who received all of their approved budgets registered an average performance of sixty nine percent (69%). In addition, those Ministries, Departments and Agencies that received more than the approved budget through supplementary releases and spending, the overall average performance level was only sixty four percent (64%). This clearly demonstrates failure by the Accounting Officers to deliver the agreed outputs as reflected in their Performance Contracts despite receiving all the budgeted resources. The deviations from planned outputs, whether positive or negative, have continued to impact negatively on performance and service delivery.

18. **Your BFPs for the FY 2012/13, should therefore include the semi-annual (up to December 2011) performance report for the FY 2011/12 clearly indicating the progress on the delivery of the agreed outputs for the FY 2011/12 and provide reasons for any deviations from the agreed targets. You should also ensure that the selection of Key Performance Indicators (KPIs), Outputs and actions to measure progress towards attaining development results (both at outcome and output level) are fully consistent with those agreed at the Government level (through Office of the Prime Minister) and with Development Partners (Joint Budget Support Framework).**

19. The procurement plans for the FY 2012/13 should be prepared concurrently with the BFPs and properly linked with the detailed budget estimates. A standard format for preparation of the Procurement Plans is clearly indicated in the Output Budgeting Tool (OBT) used to generate the BFPs and detailed budget estimates. **The Public Procurement and Disposal of Public Assets Authority (PPDA) should provide the necessary technical guidance to the sectors and institutions to ensure that procurement plans are consistent with the PPDA Amendment Act 2011.**

Budgeting for Salaries and Wages

20. Government has earmarked an additional **Ushs 290bn** to enhance salaries for all public servants in the FY 2012/13. **The Ministry of Public Service is requested to submit the preliminary detailed wage estimates for the FY 2012/13 by 15th February 2012, clearly indicating the underlying assumptions.**

21. According to the findings of the recent monitoring exercise by this Ministry, the Government payroll is still characterized by existence of "ghost" staff especially under local governments. To address this problem, the Office of the Auditor General has embarked on a comprehensive Forensic Audit of the Government payroll. The findings of this audit will determine the exact extent of the payroll. **As part of budgeting for salaries for the FY 2012/13, Accounting Officers should ensure accuracy of all the payroll records for staff under their supervision.**

22. In order to facilitate proper and adequate budgeting for salaries for the FY 2012/13, specific measures have been put in place to ensure more accurate allocation of wage estimates as follows:

   i) **All Sector Budget Framework Papers for the FY 2012/13 MUST be supported with details of the salary requirement for all the institutions under each sector in a format indicated below in addition to providing details of staff lists indicating the Department/workstation, name of the employee, salary scale and the annual salary.**

Department/Programme) (A)	Staff in-post as of End of December 2011 (B)	Staff deleted but have not been reactivated on the payroll (C)	Staff Already Recruited but not on the payroll (D)	Approved On-going Recruitment (E)	Total (F)

   ii) **The responsible sector Ministries must submit the planned recruitment in FY 2012/13 by local government for each conditional wage grant, e.g. Primary School Teachers and Primary Health Care, etc, not later than 13th January 2012 to Ministry of Public Service. It should, however, be noted that given the need to enhance staff salaries, there is very limited scope for additional recruitment in the FY 2012/13.**

   iii) **The Accounting Officers of the Local Government Votes should also submit the detailed estimated wage requirements for all categories of staff (e.g. Primary, Secondary, PHC etc) as summarized in the table above and details by salary, salary scale and workplace/workstation/school to Ministry of Public Service by 13th January 2012.**

Staff Deployment

23. It has been observed that some Local Government staff have continued to appear on wrong grant payrolls. **In particular, some staff are on the Primary Health Care payroll but are not working in district health office, health units and district hospitals. For schools a number of teachers appear on payrolls of schools where they are not based but teaching in other schools. This has made it difficult for heads of department and Head teachers to monitor their payrolls and is a recipe for creation of "ghosts". Accounting Officers should correct these anomalies from the payrolls immediately. In addition, effective FY 2012/13, the Ministry of Education and Sports will be required to issue staff ceilings by school. The Ministry of Public Service should follow-up on this issue.**

Budgeting for Hard-to-Reach Allowance

24. Following the failure by some local governments to attract and retain critical staff, Government developed the Hard-to-Reach Framework under the leadership of the Ministry of Public Service. Due to resource constraints, Government decided to phase the

implementation of the framework starting with the payment of hardship allowance to all staff working in the Hard-to-Reach areas. Owing to lack of adequate data on the staff working in the Hard-to-Reach areas, funds for hardship allowance were appropriated under the Ministry of Public Service as an interim arrangement.

25. However, implementation of the framework has been characterized by challenges ranging from budget shortfalls leading to supplementary expenditures, payment of non entitled staff and continued agitation by most local governments to be categorized as hard-to-reach areas. As a way forward, in the FY 2012/13, the following will be undertaken:

   i. **The budget for hardship allowance will be decentralized and funds allocated to the individual beneficiary local governments. Accordingly, Ministry of Public Service should submit the detailed allocation of funds for hardship allowance by local government clearly indicating the allocation criteria.**

   ii. **Ministry of Public Service should conduct a comprehensive review on the implementation of the hard-to-reach framework to establish whether payment of the hardship allowance has resulted in attraction and retention of staff in the respective local governments.**

Rollout of the Integrated Personnel and Payroll System (IPPS)

26. In line with the Government commitment under the Public Service Reform Programme (PRSP), the Integrated Personnel and Payroll System (IPPS) will be rolled out to cover other institutions including local governments under the leadership of the Ministry of Public Service. **Accordingly, the Ministry of Public Service is requested to submit the IPPS rollout plan for the FY 2012/13 and guidance on the list of the necessary requirements for the Accounting Officers to ensure that the relevant infrastructure and any operational expenses are properly budgeted in FY 2012/13 for smooth implementation of the IPPS.**

Budgeting for Government Pensions and Gratuities

27. To facilitate adequate budgeting for Pension and Gratuity, the Ministry of Public Service is required to submit details of all Pension and Gratuity requirements for the FY 2012/13 by category (Traditional, Teachers and Defence) indicating the underlying assumptions for the estimated pension and gratuity. The Local Government Accounting Officers should also prepare and submit details of their pension and gratuity obligations for the FY 2012/13, to the Ministry of Public Service, not later than **13th January 2012** clearly indicating the underlying assumptions for the estimated pension and gratuity.

28. All Accounting Officers must ensure that outstanding salary/pension arrears are submitted to the Ministry of Public Service for audit verification not later than **13th January 2012. This will enable the Ministry of Public Service to, in turn submit all outstanding audited arrears, to this Ministry, by 15th February 2012.**

Budgeting for Accountants/Financial Attachés under Foreign Missions

29. **Following the establishment of the post of 'Accountant' (*financial Attaché*) at twenty eight (28) Foreign missions, Accounting Officers of the Missions concerned are required to appropriately budget for the Foreign Service Allowance for these officers at salary scale U4 in line with established guidelines.**

Budgeting for Domestic Arrears

30. Arrears accumulated during the previous financial year should be given the first call on resources of the 2012/13 budget. Reference should be made to Section 14 of the Budget Act 2001.

Budgeting for Development Expenditure

31. In a bid to improve the budgeting and allocation of funds for development expenditure, the following measures will be undertaken in the FY 2012/13:

    i. All Sector Budget Framework Papers for the FY 2012/13 should be accompanied with details of all estimated donor funding and copies of the Project Financing Agreements (as an annex) for all development projects under each Central Government Vote;

    ii. All incoming/new projects for the FY 2012/13 must be in line with the NDP priority interventions and should be submitted to this Ministry by **31st December 2011** for consideration and approval by the Development Committee. Only projects with identified sources of funding will be approved. New projects submitted after this deadline will not be considered in the budget for the FY 2012/13;

    iii. Both new and old project profiles under each vote must clearly indicate the start and end dates. Any project due to end in the current FY 2011/12 and those without a definite end date should exit the budget and the Public Investment Plan for the FY 2012/13;

    iv. The required counterpart funding **MUST** be consistent with the financing agreements and should be properly estimated and budgeted for within the available resources for the FY 2012/13. The counterpart funding that will not be justified by any Project Financing Agreement (PFA) will be re-allocated to priority areas in other sectors or votes within the sector;

    v. **Detailed allocation of resources within individual development projects should be in line with the funding agreements and confirmed financing from donors during the Sector Working Group discussion process. Secondly, the recurrent expenditure must not exceed 20% of the total project budget, unless it is explicitly stated in the Project Financing Agreement;**

    vi. It has also been noted that some projects use higher rates for duty and night allowances than the Government approved rates. While budgeting for the FY 2012/13, Accounting Officers should ensure that all projects apply the rates of machinery, feasibility studies, engineering designs, consultancy services and civil works related to hydro-electric power, roads and bridges construction, public water works, agriculture, education and health sectors. The objective of this amendment was to stop the increasing tax arrears arising from Government commitments to counter-part funding of donor supported projects.

38. Therefore, in line with the VAT Act after the amendment, suppliers of the specified items to the specified sectors are not supposed to charge VAT on these items and at the same time cannot claim a refund or credit of the input VAT on their purchases.

39. **Accounting Officers are therefore urged to take note of the implications of this amendment in the execution of contracts that were committed prior to this change and to evaluate the need to compensate contractors for the non-claimable input VAT if the contracts so provide.**

Tax clauses in Government Contracts

40. **No Accounting Officer should commit Government in any agreement, to extend any tax exemptions to any person without obtaining prior clearance from the Permanent Secretary/Secretary to Treasury. Note that this Ministry will not grant any tax waivers in respect of contracts with clauses of unauthorized tax exemption.**

Non Resource taxes

41. All Government Ministries, Departments and Agencies must ensure that detailed estimates of non-resource taxes such as import duties where government is obliged to pay taxes through agreements are in the budget estimates.

42. **In the past, we have observed the failure by some sectors to properly budget for tax expenditure under local governments. Local government Accounting Officers should therefore channel all their Tax obligations for the FY 2012/13 through the responsible Sector Ministries.**

Budgeting for Non-Tax Revenue

43. In the FY 2011/12, good progress was registered by some ministries by providing NTR information to this Ministry and this culminated into publication of NTR rates, estimates and charges booklet. There is therefore urgent need for you to come up with realistic Non Tax Revenue Estimates for the FY 2012/13. The NTR estimates will provide us with a clear picture of the total resource envelope envisaged in the FY 2012/13. You are therefore required to provide to this Ministry the NTR estimates showing a detailed breakdown of the NTR items, the rates charged, and total NTR for your Vote for FY 2012/13.

Budgeting for Semi-Autonomous Institutions

44. Accounting Officers of all Semi-autonomous institutions currently receiving Government subventions should note that:

i. Effective FY 2012/13, they are required to prepare and submit their detailed budget estimates to this Ministry, **by 15th February 2012.**

ii. The estimates should clearly indicate how both the estimated Non-tax Revenue collections and the Government subventions for the FY 2012/13 will be expended.

iii. Failure to comply with this new policy requirement will lead to scrapping of the Government subventions hitherto allocated to these institutions.

45. **In addition, salaries of all staff under semi-autonomous agencies that receive a subvention from Government should be paid through the Government computerized payroll. The responsible Accounting Officers should liaise with the Ministry of Public Service and integrate their payrolls into the overall Government payroll.**

Budgeting for Presidential Pledges

46. H.E the President has made a number of pledges most of which are sector specific. The sectors have in the past ignored these pledges while allocating the funds for both center Votes and local government Conditional Grants. However, during budget implementation, Ministries/Local Governments request for supplementary funding to cater for these pledges. In addition, sector Ministries issue letters for local governments to substitute ongoing planned activities with Presidential pledges which are not in work plans.

47. **As a measure to minimize future requests for supplementary funding and avoid disrupting the approved work plans, Accounting Officers should ensure that the Presidential Pledges are integrated in budget as well as the Performance Contract (forms A and B) for FY 2012/13. Accounting Officers should also submit a list of these pledges as an Annex to your Sector Budget Framework Paper (SBFP) by Vote.**

Rollout of the Integrated Financial Management System (IFMS)

48. In the FY 2012/13, Government will roll out the Integrated Financial Management System (IFMS) to the remaining Central Government Votes and 6 (six) Local Governments in two batches starting 1st July 2012 as follows:-

Batch 1			
	Central Governments		**Local Governments**
1.	National Agricultural Research Organisation (NARO)	1.	Wakiso District
2.	National Agricultural Advisory Services (NAADS)	2.	Kabale District
3.	Butabika Referral Hospital	3.	Gulu District
4.	Lira Referral Hospital	4.	Arua District
5.	Uganda Aids Commission	5.	Rakai District
6.	Human Rights Commission	6.	Tororo District
7.	Mbale Referral Hospital		
8.	Uganda Land Commission		
9.	Uganda Road Fund		

Batch 1			
10.	National Forestry Authority		
11.	Uganda Registration Services Bureau		

Batch II			
1.	Uganda National Bureau of Standards		
2.	Uganda Cancer Institute		
3.	Uganda Heart Institute		
4.	National Citizenship and Immigration Control		
5.	Uganda Tourism Board		
6.	Uganda Cotton Development Organisation		
7.	External Security Organisation (ESO)		
8.	Diary Development Authority		
9.	Ministry of Tourism, Wild Life and Heritage		

49. The Accounting Officers of the above listed Votes should properly budget for the IFMS Recurrent costs for the FY 2012/13 against item 221016, to cover the incremental costs of maintaining the peripheral equipment used to support availability of the system. Accordingly, the Office of Accountant General is required to guide the affected Accounting Officers on the appropriate level of recurrent costs to be provided for under the Central and Local Government Votes, not later than 31st January 2012.

50. This FY 2011/12, Government started implementing the Integrated Financial Management System [IFMS] in six donor funded projects. Next FY 2012/13, the system will be rolled-out to other projects as indicated in the table below.

Donor Financed Projects that are already on the DFP IFMS.		
1	Support to Post Primary Education	Ministry of Education and Sports
2	ADB Education III and IV	Ministry of Education and Sports
3	Community Agriculture and Infrastructure Improvement Project.	Ministry of Local Government
4	Local Government Management Services Delivery Programme	Ministry of Local Government
5	Financial Management and Accountability Programme	Ministry of Finance, Planning and Econ Development.
6	Rural Financial Services	Ministry of Finance, Planning and Econ Development.
Donor Financed Projects that are planned for the rollout in 2012/13		
1	Markets and Trade Improvement Project	Ministry of Local Government
2	Public Service Performance Enhancement Project	Ministry of Public Service
3	Uganda Eastern Africa Agricultural Productivity Project	Ministry of Agriculture, Animal Industry and Fisheries
4	Mbarara-Nkenda-Tororo Transmission Lines	Ministry of Energy and Mineral Devt
5	Uganda Health Systems Strengthening Project	Ministry of Health
6	Road Sector Support II, Fortportal- Bundibugyo	UNRA
7	2nd L.Victoria Environment Management Project	Ministry of Water and Environment

8	East Africa Trade and Transport Facilitation	Ministry of Works and Transport
9	East Africa Public Health Laboratory Networking Project	Ministry of Health

51. **It is therefore crucial that the budget estimates for the donor funded projects, are properly matched to the projected donor disbursements to avoid complications in budget execution for the donor component through the IFMS. Outputs arising out of donor funded activities should also be exhaustively defined and coded on the MTEF segment of the Chart of Accounts to allow for proper analysis of data especially for the Donor Funded Projects that have been put on the IFMS or are programmed to be put on the IFMS in 2012/13.**

52. You should also note that after covering each sector, the rollout of Donor Financed Projects will be on a needs basis initiated by respective Accounting Officers. This is because projects have limited lifetime and also it is envisaged that infrastructure readiness for the projects will be undertaken by the respective MALGs.

Promotion of E-Government

53. As part of the Government policy to strengthen efficiency in the delivery of public services, the National Information Technology Authority (NITA-U) was established in 2009. The key objective of the Authority is to coordinate and rationalize the use of IT equipment and services in Government in order to avoid duplication and ensure optimal utilization of scarce resources. It has however, been noted that several Government agencies have continued to procure inappropriate and fragmented IT systems. As such, NITA-U is urged to expedite the rollout of implementation of the National Data Transmission Backbone and e-Government Infrastructure and provide the necessary technical assistance to Government MDAs in order to ensure full harmonization of IT operations in institutions. The Authority is also required to advise on the rational utilization of IT services in Government. **For effective finalization of Sector Budget Framework Papers in general and budget estimates at vote level in particular, NITA-U should ensure that the above information is availed to all spending agencies not later than 13th January 2012.**

Mainstreaming of Gender and Equity, HIV/AIDS and Environmental Concerns in the Budget

54. In line with the Millennium Development Goals (MDGs), all Government institutions are required to address issues of gender and equity, HIV/AIDS and environment through their respective sector investment plans and annual budgets. However, analysis of the previous budget framework papers shows that most MDAs have not fully mainstreamed these policy commitments in their respective plans. Where applicable, your Budget Framework Papers for the FY 2012/13 should address issues of vulnerability, regional balance, counseling, prevention activities, social support, care and treatment, awareness campaigns and workplace policies for HIV/AIDS as well as environment protection in line with global commitments.

55. A new format has thus been introduced to guide the planning for gender and equity issues. The new format is more closely aligned with the Output Oriented Budgeting approach as described in **Annex 4. A separate table should therefore be completed for each activity that contributes to gender and equity, HIV/AIDS and Environment issues and submitted as an annex to the sector Budget Framework Paper.**

D. LOCAL GOVERNMENTS

Issuance of Indicative Planning Figures (IPFs)

56. The IPFs on central government transfers to local governments for FY 2012/13 have been maintained at the levels of the approved estimates for the FY 2011/12. **Sector Ministries responsible for the various local government grants should accordingly submit the local government IPFs for the FY 2012/13, clearly taking into account the LG observations during the LG Budget Consultative workshops, to MoFPED not later than 13th December 2011. The IPFs should also** include all the funds appropriated under central government votes such as ***CAIIP, NUSAF, Luwero-Rwenzori Development Programme (LRDP), Road Fund, National Medical Stores but transferred to local governments.*** *This information is critical for effective planning and budgeting at the local governments' level. Secondly,* **the IPFs should also be supported by the allocation criteria/formulae and parameters for each grant.**

57. Further to paragraph 56 above, in FY 2011/12, Sector Ministries allocated resources to Kampala Capital City Authority (KCCA) within the overall conditional grant ceiling in line with Section 53 of the KCCA Act 2010 and accordingly a line for KCCA was created under each sector in the MTEF for this purpose. **Annex 5 (attached)** shows the conditional grant allocation between the local governments and KCCA. This formed the basis for the resource projections in the outer years of MTEF for KCCA. However, the statistics used in the formulae to allocate conditional grants may have changed. There is, therefore, a need for the Accounting Officers to re-confirm the conditional grant allocations to local governments and KCCA based on the allocation formulae and the current level of statistics for each parameter in the allocation formulae and submit the revised IPFs for both the local governments and KCCA, within the overall MTEF ceiling, to MoFPED **not later than 13th December 2011**

58. In order to address the persistent concerns by local governments regarding the lack of uniformity in statistics used by sectors in the allocation of funds under the various conditional grants, Uganda Bureau of Statistics (UBOS) has provided latest data on the key parameters such as Population and land area as attached in ***Annex 6.*** All Sector Ministries are advised to only use this data in allocation of resources to local government for FY 2012/13.

59. As a measure to address the delay in issuance of IPFs to local governments, each sector Ministry should provide an excel sheet on allocation formulae for each grant clearly indicating the total IPF allocation, the allocation parameters and the value of each parameter by local government. In case of any change in the total resource (Total IPF) to local governments in the FY 2012/13, the MoFPED will distribute the additional resources

among local governments, using the submitted criteria and parameters without reverting to the sector Ministries. However, any changes in the earlier submitted parameters or the value of the parameters should be submitted to this Ministry prior to finalization of the budget estimates for the FY 2012/13.

Decentralisation of all Local Government Funds currently under Central Government Sector Ministries

60. During the budget preparation process for the FY 2011/12, efforts were made to **appropriate all the funds captured under the 500 – 850 line in the MTEF directly under the beneficiary local government votes.** Therefore, in the spirit of decentralization policy, all the resources clearly earmarked under 500 – 850 line in the MTEF will be fully appropriated under Local Government Votes in FY 2012/13. **Sector Ministries with such transfers must ensure that the IPFs to the beneficiary local governments are provided not later than 13th December 2011. The Permanent Secretary, Ministry of Local Government is requested to follow-up this issue.**

Budgeting under Peace, Recovery and Development Plan (PRDP) for Northern Uganda

61. The Government will extend the implementation of the Peace, Recovery and Development Plan (PRDP) for the period FY 2012/13 -2014/15. Accordingly, the Ushs 120bn for the PRDP programmes will be maintained in the budget for the FY 2012/13. The Permanent Secretary, Office of the Prime Minister is requested to work closely with the respective Sector Ministries and PRDP local governments to ensure that PRDP resources are allocated to priority interventions which address the most pressing local government needs without contradicting the overall sector guidelines. Secondly, there should be clear allocation formulae used to distribute the resources among the beneficiary PRDP local governments. The measures to address changes in IPF indicated under para 59 above will also apply.

Issuing of Sector Operational Guidelines

62. Implementation of the budget at the local government level continues to be affected by either delays or total failure by some sector Ministries to issue operational guidelines for the respective conditional grants. **Sector Ministries responsible for these grants should ensure that operational guidelines are prepared concurrently with the sector BFPs and issued before the beginning of the new Financial Year to enable local governments to prepare their work plans for proper utilization of the funds.**

Salary and Gratuity for Elected Political Leaders and District Councilors' Allowance

63. In this FY 2011/12, we have experienced difficulties in the payment of salary and gratuity for the above categories of political leaders due to lack of adequate information to guide the allocation of resources at the time of finalizing the budget for the FY 2011/12. **As a measure to ensure that adequate provisions are made in the budget, the Ministry of Local Government should provide detailed information on the number of LCIs, LCIIs and LCIIIs in each district; LCIs and LCIIs in each Municipal Council; the number of all LCV (District) councilors and the corresponding budget allocation for Ex-gratia for**

LCI and LCII chairpersons, the monthly allowances for District councilors; and salary and gratuity for all the eligible elected political leaders at the district and sub-county level.

64. Local Government Accounting Officers are further reminded that there should not be any creation of Sub-Counties, Town Councils, Villages/Zone, Parishes/Wards unless there is a written approval, in writing, by the Hon. Minister responsible for local governments as per Section 7(6, 8, and 9) of the Local Governments (Amendment) Act, 2010. In turn, the approval by the Hon. Minister of Local Government should be based on the financial clearance by the Hon. Minister of Finance, Planning and Economic Development in line with the Budget Act, 2001.

Budget Allocations for Transfers to Lower Local Governments

65. Local Governments have been expressing concern regarding inability to report on the utilization and outputs for the funds transferred to lower local governments like sub-counties. Accordingly, effective FY 2012/13, the local government Output Budgeting Tool (LGOBT) will be modified to provide for details of resource allocation and reporting on these transfers. **Accounting Officers of Higher Level Local governments should therefore adequately consult with the lower local governments to ensure that the LGBFPs for the FY 2012/13 provide detailed allocations and work plans for the funds transferred to the lower local governments.**

Transfers to NGO Hospitals

66. **Local Government Accounting Officers must ensure that each NGO Hospital provides a detailed budget of the funds extended to them under the PHC- NGO Hospitals Grant (Item 321418) and such information should be captured as an Annex to the LGBFP and will be the basis for the LG Accounting Officers to monitor the utilization of these funds under the NGO Hospitals.**

E. THE STRUCTURE OF THE BUDGET FRAMEWORK PAPERS

67. The Sector and Local Government Budget Framework Papers (BFPs) will continue to be done within the context of the Sector Wide Approach (SWAP) and based on the identified Sector priorities, outputs and planned activities for FY 2012/13 and the Medium term.

68. The format of both sector and local government BFPs has not been changed from that used for the last two financial years and will continue to use Vote Functions that serve to link financial resources to sector level physical performance and Sector objectives as provided for in the Output Budgeting Tool. **The updated OBT database for preparation of the Sector Budget Framework Papers and detailed budget estimates for the FY 2012/13 has already been deployed in all Votes.**

F. PREPARATION OF THE PRELIMINARY DETAILED BUDGET ESTIMATES

69. **Both Central and Local Government Votes' detailed budget estimates should be entered directly into the OBT database and prepared concurrently with the Sector BFPs for the FY 2012/13. Any other information relevant to budgeting for the FY 2012/13 but cannot be entered directly in the OBT should be submitted separately as an annex to the BFPs.**

70. **Central Votes preliminary detailed budget estimates for the FY 2012/13 should be submitted alongside the sector BFPs. This will give this Ministry adequate time to analyse the detailed budget estimates to assess adherence to the guidelines communicated in this circular.**

G. SUBMISSION OF BFPs AND PRELIMINARY BUDGET ESTIMATES

71. Local government BFPs and preliminary detailed budget estimates should be submitted by **13th January 2012**. This will give sectors adequate time to consider and incorporate the local government issues in the Sector Budget Framework Papers.

72. Sectors BFPs and preliminary detailed budget estimates (for Central Government Votes) must be submitted in both hard and soft (OBT database) copies to the **Permanent Secretary/Secretary to the Treasury, Ministry of Finance, Planning and Economic Development, for the attention of the Director Budget not later than 15th February 2012.**

73. **Accounting Officers for both central and local government Votes should note that all information related to salaries and wages for the FY 2012/13 should be submitted to the Ministry of Public Service by 13th January 2012.**

Thanks for your usual co-operation.

Keith Muhakanizi
For: 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 Chairperson, National Planning Authority
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 The Clerk to Parliament
c.c. Auditor General/Auditor General's Office
c.c. All Resident District Commissioners (RDCs)

c.c. All L.C V Chairpersons
c.c. The Director/Parliamentary Budget Office
The Executive Director, National Planning Authority