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THE REPUBLIC OF UGANDA

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Uganda

20<sup>th</sup> March 2015

**To All Accounting Officers (Central and Local Governments)**

## **BUDGET CALL CIRCULAR ON FINALISATION OF BUDGET ESTIMATES FOR FINANCIAL YEAR 2015/16**

### **A. INTRODUCTION**

1. H.E. the President assented to the Public Finance Management (PFM) Act 2015 on 23<sup>rd</sup> February 2015 and the Act came into force on 6<sup>th</sup> March 2015 upon publication in the Uganda Gazette. This marks a major transition from the Budget Act 2001 with significant adjustments in budget preparation timelines. You are therefore urged to acquaint yourselves with the new law which can be accessed on the budget information website: [www.budget.go.ug/budget/content/laws-and-regulations](http://www.budget.go.ug/budget/content/laws-and-regulations) and the Ministry's website: [www.finance.go.ug](http://www.finance.go.ug)
2. The key timelines in the PFM Act 2015 and the adjusted budget process calendar for FY 2015/16 are attached as *Annex 1(A) & 1(B)* for Central and Local Governments respectively.
3. This circular is therefore intended to:
  - (i) Communicate the final resource envelop and Sector ceilings for FY 2015/16;
  - (ii) Request you to finalise and submit the detailed budget estimates, Ministerial Policy Statements (MPSs); quarterly work and procurement plans for FY 2015/16 consistent with the National Budget Framework Paper (NBFP) and key guidelines contained in this Circular, to this Ministry by **Wednesday, 25th March 2015**; and
  - (iii) Request you to finalise and submit your Ministerial Policy Statements to Parliament by **Wednesday, 1<sup>st</sup> April 2015**.

## **B. BUDGET STRATEGY AND PRIORITIES FOR FY 2015/16**

4. The Budget for the FY 2015/16 seeks to address the challenges experienced during NDP I implementation with an increased focus on infrastructure development and improving Social Service Delivery in line with Vision 2040 and the National Development Plan. The national priority areas for FY 2015/16 budget are as follows:
  - (i) Maintenance of National Security and Defence;
  - (ii) Facilitating Private Sector Enterprise for increased Investment, Employment and Economic Growth;
  - (iii) Commercializing Production and Productivity in Primary Growth Sectors;
  - (iv) Enhancing Capacity for Increased Domestic Revenue Mobilization;
  - (v) Effective delivery of Infrastructure Development and Maintenance;
  - (vi) Increasing Social Service Delivery; and
  - (vii) Enhancing Efficiency in Government Management.
  
5. Accounting Officers are accordingly requested to ensure that National Priorities are well integrated within their sector priorities specified in the NBFP for FY 2015/16 (*an electronic copy of the NBFP can be accessed from the budget website: [www.budget.go.ug](http://www.budget.go.ug)*).

## **C. REVISED RESOURCE ENVELOPE FOR FY 2015/16 AND MTEF PROJECTIONS**

6. The revised resource envelope for FY 2015/16 is **Ushs14,472.05 billion** (Excluding Arrears and Appropriation in Aid). Sector and Vote level expenditure ceilings are as indicated in *Annex 2*.
  
7. The allocation of additional resources for FY 2015/16 has been prepared after consultations with relevant stakeholders, and the provisions are detailed in *Annex 2B*. All institutions are advised to strictly adhere to the specific areas for which the funds have been allocated, during the preparations of their MPS and detailed estimates.

## D. PREPARATION OF DETAILED BUDGET ESTIMATES AND MINISTERIAL POLICY STATEMENTS

### Budgeting for Salaries and Wages

8. Effective FY 2014/15 Government made a policy decision to decentralize budgeting and payment of salaries and wages to the respective individual votes. This policy has enabled us to clean up the payroll and facilitated timely payment of salaries. As a result, Government registered unprecedented savings on the wage bill for FY 2014/15 that has been committed to clear accumulated Salary, Pension and Gratuity arrears, among others.
9. A total of **Ushs. 2,878 billion** has been provided for the wage bill for FY 2015/16. Resources amounting to **Ushs. 100bn**, realized from savings on the wage bill budget for FY 2014/15 have been earmarked for salaries and wages for the next FY 2015/16; Out of which, Ushs 10bn is for recruitment of Agricultural Extension Workers under the Single Spine System, Ushs 50bn is for enhancement of salaries for staff of Public Universities; Ushs 2.5bn for Soroti Flying School; Ushs 1.4bn is for National Planning Authority and Ushs 36.1bn is for any other wage related requirement for other Government Departments. In our first budget call circular for FY 2015/16, we requested MDAs to submit details of their wage requirements to the Ministry of Public Service to facilitate finalization of the wage bill. **Accordingly, Ministry of Public Service is required to submit, without fail, the detailed allocation of the wage bill for FY 2015/16 by Vote for Central Government and category for Local Governments by Wednesday 25<sup>th</sup> March 2015.**
10. Accounting Officers are requested to ensure that additional recruitment, cleared by the Ministry of Public Service, are strictly within their respective wage budget ceilings for FY 2015/16. In this regard, a template for capturing the recruitment plan has been embedded in the OBT to ensure proper wage budget estimation.
11. We have noted that currently, Accounting Officers simply divide their annual wage budget estimates into four equal amounts thereby generating uniform quarterly wage requirements across the four quarters of a financial year. You are however requested to plan your quarterly wage requirements that are consistent with your recruitment plans. For instance, if you have new employees accessing the payroll in quarter two, your wage requirement in quarter 2 cannot be the same as that of quarter one. Going forward, you should bear in mind that quarterly wage expenditure limits for FY 2015/16 shall be based on analysis of your expenditure for the previous quarter(s) and the quarterly breakdown of annual wage budget submitted in the OBT.
12. In FY 2014/15 we prioritized payment of salary arrears from the overall wage bill savings. However, despite several reminders, a number of Accounting Officers

have not submitted the said arrears for payment. All Accounting Officers who will not have submitted their salary arrears by 31<sup>st</sup> March 2015 will be held responsible for non-submission. No new salary arrears shall be accepted with effect from 1<sup>st</sup> July 2015.

### **Budgeting for Pensions and Gratuities**

13. Government decentralized budgeting and payments of Pension and Gratuity for staff retiring within FY 2014/15. Pensioners who retired prior to FY 2014/15 are still currently being paid by the Ministry of Public Service. However, effective July 2015, payment of Pension and Gratuity for both old and new pensioners will be fully decentralized to the respective institutions where staff have retired from.
14. Accounting Officers were requested to estimate the Pension and Gratuity obligations under their respective MALGs for submission to Ministry of Public Service to ensure correctness of the computations. Consequently, a template has been created within the OBT for Accounting Officers to provide budget estimates for Pension and Gratuity. The format for capturing Pension and Gratuity information is attached as *Annex 3*.

### **Budgeting for Utilities**

15. It has come to my attention that, some Government Institutions are still on post-paid metering systems for utilities especially for Water, Electricity and Telephone Services, contrary to the pronouncement in the Budget Speech for FY 2014/15 to install pre-paid meters. This arrangement is riddled with loopholes and has been one of the major factors contributing to accumulation of domestic arrears which distort normal operation of the budget process. All concerned Accounting Officers are advised to engage utility/service providers and install pre-paid meters at their institutions. Please find attached a schedule showing budget estimates for electricity and water by vote in **Annex 4** for your use.

### **Budgeting for Property Rates and Ground Rent Arrears**

16. It has been established that a number of Government Institutions have accumulated property rate arrears owed to KCCA. This is therefore to request all Accounting Officers of Government Institutions (see *Annex 5*) that have property rate arrears owed to KCCA to include them as part of their budget estimates for the next FY 2015/16. Similarly, all MALGs that have property rate and ground rent other than those owed to KCCA should also ensure that the arrears are properly budgeted for within the expenditure ceilings for FY 2015/16.

### **Linking resource allocation to Results**

17. All activities should be properly linked to the intended results and within the work plans. You are also informed that quarterly cash flow plans and release of funds will be based on your procurement plans, work plans and recruitment plans approved by Parliament as specified under Section 15(1-3) of the PFM Act 2015. As such, procurement, annual and quarterly work plans should be clearly formulated indicating the resource allocation, the outputs to be delivered, key performance indicators and clear timelines for implementation of various activities, to avoid persistent requests for frontloading and additional expenditure limits.
18. In order to avoid delays in project commencements, you are also requested to ensure that procurement plans are prepared at the time of finalizing detailed budget estimates. **The Education and Agriculture sectors are reminded to ensure that their work and procurement plans are in conformity with the school calendar and agricultural seasonal requirements respectively.**

### **Projects included in the PIP for FY 2015/16 and the Medium Term**

19. The Development Committee (DC) under this Ministry reviewed a total of 458 projects (373 existing and 85 new projects). A total of 307 projects were recommended for inclusion in the PIP for FY 2015/16.
20. A number of projects have been recommended for exit from the PIP and UShs. 22.81 billion was realized out of efficiency savings from these projects. Under Roads, Energy, Water, Education and Health sectors, the savings shall be retained in the respective sectors to cater for counterpart funding for ongoing projects.
21. Twenty Seven (27) projects have been recommended by the DC as pipeline projects. Pipeline projects are priority projects identified by the DC but cannot be accommodated within the budget for FY 2015/16 because of resource constraints. However, if resources are identified, institutions with such projects can be cleared to implement them. Decisions of the DC on review of projects for FY 2015/16 are contained in *Annex 6 (A-D)*.

### **Tax-Inclusive Budgeting**

22. As was the case in FY 2014/15, all budget estimates for FY 2015/16 will be Tax-Inclusive. You are therefore requested to ensure that all procurements are VAT inclusive and accommodated within your ceilings. For import duties, additional resources (see attached *Annex 7*) have been provided and should be budgeted for under the relevant items. You are reminded that Donor funded Projects, Hydro

Electricity Power Projects, Security Equipment and all contracts signed before 1<sup>st</sup> July 2014 are exempted from Taxes.

23. Please note that whereas taxes should be applied on the overall project value, for projects that receive counterpart funding, the donor component cannot be used to pay taxes. For this reason, you are requested to ensure that taxes for such projects are accommodated within the GoU component.
24. Computation of tax requirements in a given financial year should be based on proper knowledge of spread of activities over the project life time and the specific items that actually attract taxes. To estimate tax requirements for FY 2015/16, you are therefore requested to only capture tax requirements for project activities that will attract taxes in FY 2015/16.

### **Management of Non-Tax Revenue (NTR)**

25. In order to increase transparency and accountability in the utilisation of Non-Tax Revenue, all the revenue collected or generated and spent at source by institutions must be appropriated by Parliament in line with the PFM Act 2015. Accounting Officers of Institutions that collect and spend NTR at source should adequately include the NTR estimates in their detailed budget estimates for FY 2015/16 as AIA.

### **Mainstreaming of Gender and Equity, HIV/AIDS and Climate Change**

26. The PFM Act requires the Minister of Finance, Planning and Economic Development to issue a Certificate certifying that the National BFP is Gender and Equity responsive in consultation with Equal Opportunities Commission.
27. Therefore, in order to ensure consistence of the MPSs with the new Act, you are requested to ensure that Gender, Equity, HIV and Climate Change issues are provided for in the budget for FY 2015/16.

### **Budgeting for Parastatals**

28. Section 13 (e) of the PFMA 2015 requires that budgets of self-accounting departments, commissions and organizations set up under the Constitution should be part of the annual budget estimates. All Accounting Officers of parastatals (see list attached as **Annex 8**) are therefore requested to adhere to the law and submit their budget estimates to this Ministry through the Accounting Officers of the respective parent Ministries.
29. The budget estimates mentioned in paragraph 28 above must have detailed allocation at item level, annual and quarterly workplans, procurement and

recruitment plans. **Budget estimates for Parastatals shall constitute Volume III of the detailed budget estimates to be submitted to Parliament.**

30. In addition to the above, semi-autonomous institutions that spend all or part of their revenues at source should capture their revenue projections as part of the detailed budget estimates for FY 2015/16.

### **Budgeting for Missions Abroad**

31. **In finalization of detailed budget estimates, I wish to draw the attention of all Accounting Officers of Missions Abroad to my Circular PAD 113/150/01 dated 3<sup>rd</sup> November 2014 which emphasizes, among others, the need for Missions to ensure participatory budgeting. A schedule showing allocation of recurrent budget (except for Financial Attaches and education allowances which will be distributed later) by Mission is attached as Annex 9.**
32. In relation to paragraph 30 above, the Permanent Secretary/Ministry of Foreign Affairs is once again requested to provide a schedule showing the distribution of Capital Development (Ushs 15.93bn) by Mission by **Wednesday, 25<sup>th</sup> March 2015 without fail.**
33. All Accounting Officers for Missions Abroad must ensure that fixed costs are fully catered for within their ceilings. These include Mission Staff Salaries, Allowances, Medical expenses to Employees, Rent, Electricity, Water, Social Security Contributions and Other Utilities (Fuel and Gas for instance).

### **Promotion of E-Government**

34. As communicated in my first Budget Call Circular, in accordance with Cabinet extract 216 (CT2012), Government approved the Strategy for rationalization and harmonization of Information and Communications Technology (ICT) services across Government Institutions. National Information and Technology Authority-Uganda (NITA-U) has issued standards and guidelines for acquisition of IT hardware and software across Government and is currently negotiating with various providers for bulk purchase of IT services in order to benefit from economies of scale.
35. Currently NITA-U is negotiating a Framework Contract with Oracle. All MDAs are therefore requested to stay any contract or renewals of contracts for Oracle Software Licenses until negotiations for the said framework contract are finalized. In addition, all procurement requests for clearance by the Solicitor General **MUST** be accompanied by proof of compliance to standards and guidelines on acquisition of IT hardware and software issued by NITA-U.

## **UBOS Statistics for Planning**

36. The Uganda Bureau of Statistics (UBOS) conducted a National Housing and Population Census in 2014 and released preliminary results which should be used for planning and allocation of Local Government Grants. This is provided in *Annex 10 (a copy can be downloaded from the Budget website)*.

## **LOCAL GOVERNMENT SPECIFIC ISSUES**

### **Consolidation of Intergovernmental Transfers**

37. During the National Budget Conference for FY 2015/16, Government presented a proposal to consolidate the various grants transferred to Local Governments with the aim of reducing their number, cutting down the associated transaction costs and improving their manageability. Following this, further technical work and consultations have been carried out.
38. As a first step, consolidation of LG transfers will be effected beginning FY 2015/16. However, the allocation and conditionality associated with existing grants will be maintained. In the new arrangement, allocations to existing grants will be presented as 'of which'. Sectors with grants/transfers to Local Governments are therefore requested to submit final IPFs to this Ministry by **Wednesday 25<sup>th</sup> March 2015**. The submission should be in the current format but this Ministry will adjust them as per the new proposed consolidated format. Local Governments will receive final IPFs for FY 2015/16 for consolidated transfers for inclusion in their revenue budgets in their OBTs. As part of this reform, the Chart of Accounts for transfers will be updated accordingly to reflect these changes.
39. **In order to comply with submission timelines in the PFM Act 2015, you are requested to adhere to the timelines indicated in the Local Government Budget Process Calendar for FY 2015/16 which is hereto attached as Annex 1(B) mentioned above.**

### **Collecting Enrollment Data on UPE and USE Schools**

40. Following consultations between this Ministry and Ministry of Education and Sports, an agreement has been reached to have all LGs provide enrollment information by pupil/student Name, Age and Class for both UPE and USE Schools. You are further required to provide the Education Information Management System (EMIS) code of the schools under your jurisdiction as well as the school Bank Account details. Format for capturing enrollment data is attached as *Annex 11 (A-B)*.



41. To enable you comply with this requirement, the Local Government OBT (LGOBT) has been updated and sent to your e-mail addresses with clear instructions on how to capture the required enrollment data. Accounting Officers are urged to compile this information with utmost accuracy bearing in mind that all capitation grants will be released based on information submitted. You are further reminded that you will bear personal responsibility for submitting schools that are not on UPE/USE and under/over stating their enrollment.

### **Preparation and Format of Ministerial Policy Statements (MPSs)**

42. Section 13 (13) of the PFM Act 2015 required the Ministerial Policy Statements to be submitted to Parliament by 15<sup>th</sup> March 2015 and accompanied with a Certificate of equity and gender responsiveness issued by the Minister. You are therefore required to submit your MPS to this Ministry to facilitate issuance of the Certificate before you submit it eventually to Parliament. Accordingly, you are required to submit your MPS to this Ministry by **Wednesday, 25<sup>th</sup> March 2015** and to Parliament by **Wednesday, 1<sup>st</sup> April 2015**. *Annex 12* (attached) provides the new format in line with Section 13 (15) of the PFM Act.

### **E. KEY POLICY DECISIONS FOR FINALIZATION OF THE BUDGET**

43. In finalization of the budget for FY 2015/16, you must take into account the following Cabinet policy decisions:
- (i) Approval of loans at both Cabinet and Parliamentary levels should be expedited in order to improve project implementation and absorption of funds;
  - (ii) It is a mandatory requirement for all MDAs to prepare feasibility studies for all projects and PPPs, before a project is approved and sanctioned for funding;
  - (iii) Where contract variation results into increase in the contract price, such a contract must be analysed and approved by the Ministry of Finance, Planning and Economic Development before the contract is signed;
  - (iv) MDAs should address the causes of Court Awards in order to minimize costs to Government;
  - (v) The Performance Contracts signed at various level should clearly define objectives and link them to Outputs and Outcomes in order to improve Service Delivery;

- (vi) Effective July 2015, Government shall vigorously enforce implementation of the Sanctions stipulated under Section 78 & 79 of the PFM Act 2015; and
- (vii) Government will prioritise clearance of domestic arrears in order not to undermine the development of the private sector.

## F. CONCLUSION

- 44. All Accounting Officers are requested to adhere to the policy and administrative guidelines stipulated in this circular as well as the requirements of the Public Finance Management Act 2015.
- 45. The detailed budget estimates and Ministerial Policy Statements must be submitted in hard and soft copies to the **Permanent Secretary/Secretary to the Treasury for the attention of the Director Budget not later than Wednesday, 25<sup>th</sup> March 2015.**

Patrick Ocailap

**For: PERMANENT SECRETARY/SECRETARY TO THE TREASURY**

Cc: Hon. Speaker of Parliament

Hon. Deputy Speaker of Parliament

The Rt. Hon Prime Minister

The Rt. Hon 1st Deputy Prime Minister and Minister of Public Service

The Rt. Hon 2nd Deputy Prime Minister & Deputy Leader of Government Business

Hon. Minister of Finance, Planning and Economic Development

All Hon. Ministers and Ministers of State

The Chairperson/Parliamentary Budget Committee

The Chairperson, National Planning Authority

The Head of Public Service and Secretary to Cabinet

The Permanent Secretary/Office of the Prime Minister

The Ag. Permanent Secretary/Ministry of Public Service  
The Ag. Permanent Secretary/Ministry of Local Government  
Auditor General/Auditor General's Office  
The Director/Parliamentary Budget Office  
All Resident District Commissioners  
All Chairpersons LCV and Mayors of Municipalities

