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THE REPUBLIC OF UGANDA

Ministry of Finance, Planning &
Economic Development
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Kampala
Uganda

In any correspondence on
this subject please quote **BPD 86/107/02**

15th September, 2016

All Accounting Officers

All Chief Executive Officers of Public Corporations and State Enterprises

FIRST BUDGET CALL CIRCULAR ON PREPARATION OF BUDGET FRAMEWORK PAPERS AND PRELIMINARY BUDGET ESTIMATES FOR FY 2017/18

A. INTRODUCTION

1. In line with Section 9(2) of the Public Finance Management (PFM) Act 2015, every Accounting Officer and Head of State Enterprise is required to prepare a Budget Framework Paper for the Vote under his/her mandate and submit to this Ministry by **15th November**.
2. The consultative process for the Budget of FY 2017/18 commenced with the Cabinet Retreat on FY 2015/16 Performance and National Budget Conference on the proposed Budget Strategy and Priorities for FY 2017/18 from 5th – 9th September 2016.
3. Budget implementation challenges and strategic sector interventions/priorities for FY 2017/18 were discussed. The outcome of the Cabinet Retreat and Budget Conference will be further concretised during the ongoing Local Government Regional Workshops from **13th – 30th September 2016**. The detailed Budget Process Calendar for FY 2017/18 is hereto attached as **Annex 1**.
4. The purpose of this circular therefore is to communicate:
 - i) *The Indicative Resource Envelope and Sector Expenditure Ceilings for FY 2017/18 and the Medium Term attached as Annex 2A;*

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- ii) *The Budget Strategy and Priorities for FY 2017/18. Sector Working Groups (SWGs) are required to convene meetings to discuss and agree on the proposed sector strategic interventions discussed at the National Budget Conference; and in line with the Budget Strategy; and*
- iii) *Key Policy and Administrative Issues for the preparation of the Budget Framework Papers (BFPs) and Preliminary Detailed Budget Estimates for the FY 2017/18 which should be prepared and submitted to this Ministry by 15th November 2016.*

B. BUDGET STRATEGY AND PRIORITIES FOR FY 2017/18

Budget Strategy for FY 2017/18

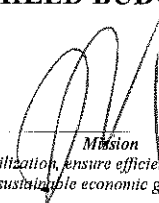
- 5. The Budget for the FY 2017/18 will focus on unlocking the key constraints to allow faster growth in the primary sectors of agriculture, agro-processing and agri-business, trade and other services such as education, health and financial services, tourism and the oil, gas, and mineral sector. The primary growth sectors will be complimented by addressing issues in the supportive sectors which include: Infrastructure, security as well as economic management.
- 6. The Budget Strategy thus seeks to strengthen Uganda's competitiveness for sustainable wealth creation, employment and inclusive growth to accelerate achievement of a lower middle income status by 2020 under the following sub themes:
 - i) Increasing Production and Productivity in the Primary Growth Sectors of the economy including agriculture, tourism, oil, gas and minerals;
 - ii) Supporting Private Sector Development for Sustainable Employment and Economic Growth;
 - iii) Enhancing Infrastructure Development to provide affordable power and lower transportation costs for Value Addition and enhanced Market Access;
 - iv) Enhancing Economic Management and Domestic Resource Mobilisation;
 - v) Improving Public Service Delivery; and
 - vi) Improving Efficiency in Government Operations.
- 7. Achieving the desired levels of commercialisation and productivity in the key primary sectors requires the following interventions:
- 8. **Agriculture:** Strengthening Agricultural Extension system to improve agronomic practices at the farm level; increase access to quality farm inputs backed by research and development in draught resistant crops; promotion of irrigation-including investment in bulk water schemes on major lakes and rivers to supply water for irrigation; addressing climate change issues – increasing coverage of trees and discouraging deforestation; fast-tracking formal land ownership and investment in post-harvest handling Infrastructure.

9. **Tourism:** Skills development for tourist and hotel service providers; renovation and improved access to tourism sites – rehabilitation of roads to tourism sites; promote investment in affordable accommodation at sites; diversification and marketing of products as well as maintaining security through protection of tourism sites.
10. **Oil, Gas and other Minerals:** Expedite the development of the Oil refinery and associated infrastructure such as the Hoima Airport and the Hoima- Butiaba Roads to support commercialisation of oil resources; and support the private sector mineral extraction of minerals - Iron Ore, Limestone, Copper, Phosphate and Dimension Stone.
11. To support attainment of the outcomes under the primary sectors, priority will be given to the following:
 - i) **Infrastructure Development:** Development of power generation infrastructure, particularly the implementation of Karuma and Isimba HPP Projects; Expanding and strengthening power transmission infrastructure by investing in transmission lines and substations; Grid expansion initiatives and support to power loss reduction through a private-public partnership with distributors across Uganda; Expansion of the paved national roads network and bridges for interconnectivity through sustained commitment to ongoing development projects; and Promotion of road asset maintenance for both the paved and unpaved national and local road networks.
 - ii) **Private Sector Development:** Promotion of Private sector through local content; faster licensing; and fully serviced sector demarcated industrial and business parks.
 - iii) **Economic Management and Efficiency in Government Operation:** Review of Tax Policies; Provision of required resources to URA; and procurement of computerized systems for major NTR collecting agencies to mitigate base erosion and weak tax compliance; Improving Public Service by intensifying monitoring and supervisions; and Enforcing adherence to Public Investment Management Guidelines to improve Efficiency in Government.

C. RESOURCE ENVELOPE FOR FY 2017/18 AND THE MTEF

12. The budgetary resource envelope for FY 2017/18 for Government Expenditures is **Ushs 14,219.00BN (excluding arrears)** The detailed breakdown is contained in the MTEF attached as *Annex 2A*. This also excludes the one-off expenditures appropriated in FY 2016/17 for such as Taxes and Gratuity attached as *Annex 2B*.

D. POLICY AND ADMINISTRATIVE GUIDELINES FOR PREPARATION OF THE BFPs AND PRELIMINARY DETAILED BUDGET ESTIMATES FOR FY 2017/18


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Programme Based Budgeting (PBB)

13. Government started the implementation of Output Based Budgeting (OBB) in FY 2008/09. OBB aimed at improving efficiency and effectiveness in public spending by linking Government's policy objectives, expenditure and outputs.
14. OBB however focused more on delivery of outputs as compared to service delivery outcomes/results and was therefore faced with the following challenges:
 - i) The links between allocations and strategic objectives were not strong;
 - ii) It assumed a mechanical link between Outputs and Inputs with MDAs expected to identify "outputs" upon which budget allocations are effected;
 - iii) It provided multiple, often overlapping and unstructured detailed line information; without concise summary for each Vote; and
 - iv) It did not provide for forward estimates in the main budget document.
15. **In order to strengthen the link between Government's strategic objectives, budget allocations and service delivery outcomes/results, Government will therefore, with effect from FY 2017/18, embark on implementation of the Programme Based Budgeting (PBB) in a phased manner starting with the Central Government Votes in FY 2017/18.**
16. PBB will allow Government to change its budgeting focus from an output-based process to a program-based one, centered on aligning resource allocation to policy priorities and improving service delivery implementation.
17. Programme budgeting provides a framework for allocating the budget according to national priorities through the linkage of programmes to specific National Standard Indicators and their programme outcomes. With the collection of programme performance information, budget allocations will be further enhanced by focusing more on results as compared to inputs and outputs.

Implementation of PBB

18. **Under programme budgeting, the budget preparation process should be program based.** That is, Votes should present and justify their budgets in terms of programmes with supporting cost and performance information. This means the "Vote Function" will be replaced by the programme. A **Programme** is a collection of related activities working towards a common purpose within the Vote. The easiest way of defining programmes is as main areas of responsibility of the Vote. Programmes could be defined also as core results a Vote is trying to achieve. A flow chart of the structure of PBB and a hypothetical example, using the Ministry of Finance, Planning and Economic Development is attached as *Annex 3*.
19. PBB will be implemented using a web based IT system – Programme Budgeting System

(PBS) which replaces the OBT as a tool for budget preparation and reporting.

20. My Ministry has already conducted User Acceptance Testing of the PBS with selected MALGs. A number of system issues were identified, rectified and the system is now ready for use. Training of Trainers has been conducted to provide resource pool for training all other Government users.
21. **For FY 2017/18, Budget Preparation in the PBB structure, using the PBS shall cover the Central Government Votes only.**
22. In order to enable smooth transition to this new budgeting system, the following will be done:
 - i) Training of all Government users on PBS shall be conducted in **October 2016** as part of the Budget Preparation Process. A detailed roadmap for PBB implementation is attached as *Annex 4*;
 - ii) User manuals/guidelines for budget preparation and reporting for both Local and Central Government Votes, using the PBS will be disseminated; and
 - iii) A Team from my Ministry will provide technical support and guidance on the use/navigation of the system and other technical issues that may arise. You may contact our toll free number on **0800229229** for any assistance.

Finalisation of Sector Investment Plans (SIPs) and Local Government Development Plans (LGDPs)

23. The absence of Development Plans in some Sectors and Local Governments has led to the implementation of Non-NDP II priorities leading to non-attainment of desired results. In preparation of the BFPs for FY 2017/18, all sectors must ensure proper alignment of Sector Investment Plans to the specific priority interventions spelt out in the NDPII.
24. It is imperative therefore, that all sectors and Government Institutions must have Sector Investment Plans (SIPs) and this will be the basis for budgeting in the forthcoming FY 2017/18, failure of which no resources will be allocated. In the same vein, all Local Governments must submit their Local Government Development Plans (LGDPs) to NPA, with a copy to this Ministry by **30th September 2017**. **It is a requirement that all BFP submissions must be accompanied with SIPs. There must be clear link between the SIPs, NDP II Outcomes and the BFPs.**

Alignment of the Budget to NDP II Outcomes

25. Sectors are further reminded to properly align their Sector BFPs to NDPII sector outcomes and this must also be reflected in Semi-Annual and Annual performance reports. Programmes and projects must clearly demonstrate how their services contribute to the achievement of NDPII sector objectives and the national drive to attain lower-middle income status by 2020. To facilitate this linkage, MDA services and their corresponding indicators have been jointly profiled by UBOS, NPA, OPM and this Ministry as part of the National Standard Indicator framework for use by MALGs in their performance measurement and monitoring. Sectors are

accordingly advised to validate the services and indicators of their MALGs with UBoS as part of the process of finalizing their BFPs.

Public Investment Management

26. In order to enhance Public Investment Management and in line with the PFMA 2015, Government shall in the FY 2017/18 undertake the following:
- i) The Development Committee (DC) will review all new projects and clean-up the Public Investment Plan (PIP) from **26th September to 7th October 2016** for inclusion in the PIP for FY 2017/18.
 - ii) Preparation of new projects for FY 2017/18 must adhere to all stages in the project development cycle irrespective of the source of the project in line with the PIMS framework attached as *Annex 5*.
 - iii) All project concept notes have to be approved by the respective Sector Working Groups (SWGs) and minutes of the meeting submitted to this Ministry, along with the review of new approved project concept notes in your BFP submissions.
 - iv) Performance reviews of on-going projects have been concluded and a summary of findings and recommendations by the Development Committee (DC) is hereto attached as *Annex 6*. Therefore, SWGs should adhere to these recommendations and revised DC guidelines attached as *Annex 7* while finalising their BFPs for FY 2017/18.
 - v) Strict monitoring of the operations and ex-post evaluation will be undertaken this FY 2016/17. Accounting Officers are expected to be ready to provide all necessary information during the exercise.
 - vi) Capacity building for all MDAs will be conducted to ensure compliance with the new Public Investment Management System (PIMS) framework.
 - vii) Arising out of the Government Annual Performance Review (GAPR) for FY 2015/16, a number of externally funded projects experienced low absorption of funds majorly due to absence of designs. Therefore, in FY 2017/18, no funding/loans will be sourced and allocated to projects without viable feasibility studies and designs to avoid delays in project implementation.
27. Various cases of inadequate counterpart funding leading to delays in project implementation were cited in the GAPR for FY 2015/16. Therefore, from FY 2017/18 onwards, provision of counterpart funding for projects must have the first call on resources for FY 2017/18. In addition, the requirements for Resettlement Action Plans (RAPs) or Compensation must be given priority.

28. While budgeting for projects, you must ensure **Tax Inclusive Budgeting**. For projects that receive counterpart funding, the cost of taxes should be on the GoU component.

Contracting in Uganda Shillings

29. In order to streamline the budgeting and safeguard implementation of Government Programmes/Projects against shortfalls arising out of exchange rate instability, Government re-emphasized the policy decision that requires all domestic contracts for works, goods and services to be awarded in Uganda Shillings. **Therefore, all local contracts must continue to be signed in Uganda Shillings.** However, this did not apply to the following category of projects as of 15th January 2016:

- i) Those concluded and signed;
- ii) Those already submitted to Solicitor General for Clearance;
- iii) Those approved by the Solicitor General but not yet signed by the parties;
- iv) Those at a stage of displayed best evaluated bidder notices; and
- v) Those at bid evaluation stages.

Integration of IT Systems in Government

30. Integration of ICT systems is necessary to avoid duplication, benefit from economies of scale and ease sharing of information as well as ensuring data integrity. We have started integration of IT systems with the Programme Based System (PBS) interfaced with IFMS, IPPS, Aid management platform and the E-procurement under PPDA. In the medium term, we shall extend the interface to IFMS Tier One, CEMAS and Navision for Missions abroad.

Budgeting for Salaries, Pensions and Gratuity

Salaries and Wages

31. Whereas decentralised payroll management has enabled timely payment of salaries and monthly pensions to employees and pensioners respectively, there are still cases of supplementaries, arising in part, due to poor budgeting; in-year transfers and promotions as well as unplanned recruitments. For instance, in FY 2015/16 a number of votes were provided supplementary funding for wage and pension while others registered surplus budget.
32. Therefore, while budgeting for wage requirements for FY 2017/18, **you are reminded to ensure that you adhere to the directive issued by H.E. the President hereto attached as Annex 8** and also ensure that:
- i) Detailed staff lists and wage requirements are submitted in the BFPs using the OBT/PBS, failure of which you will be held personally responsible for any shortfalls that will be created during budget execution.

- ii) Staff in-post and those that will access the payroll by December 2016, at the very latest, as guided in the Budget Execution Circular for FY 2016/17 are fully budgeted for, including requirement for annual increments. This must be accompanied by a detailed staff list containing employees' National Identification Numbers (NINs), endorsed by head of cost centres in the window provided in the PBS. This information will be cross-checked against payroll information on the IPPS by the Ministry of Public Service.
 - iii) Ministries of Education and that of Health are requested to communicate intended promotions and transfers of secondary teachers and health workers by **30th September 2016** to ensure that they are budgeted for under the cost centres where they will operate in FY 2017/18; and
 - iv) Uganda Police should, using trends over the past years, estimate budget requirement for any in-year promotions by **30th September 2016**.
33. **Leave without pay:** Government has taken a decision that, leave without pay will be sanctioned by the Service Commissions who will review cases of those currently on leave without pay. You are therefore requested to submit your cases of leave without pay to the Service Commissions as a matter of urgency so that the vacant posts can be filled.
34. **Salary Arrears:** Government cleared all salary arrears in FY 2014/15, however to-date, it has come to my notice that a number of Institutions have accumulated salary arrears. *Effective FY 2017/18, all outstanding salary arrears will be paid from your non-wage recurrent provisions.*

Pension and Gratuity

35. As communicated in the Budget Execution Circular for FY 2016/17, by now you must have completed verification and access on the payroll, of all pension records transferred by the Ministry of Public Service to your respective votes. You are therefore required to:
- i) Budget adequately for all pensioners on your payroll;
 - ii) Make use of staff retirement plans on the IPPS to budget for pension and gratuity requirement for staff due for retirement in FY 2017/18; and
 - iii) Like for wage, budget estimates for pension/gratuity must be accompanied with details of pensioners, that is to say, Title, National Identity Numbers (NINs) and also endorsed by head of cost centres.
 - iv) Please note that in line with Decentralization Policy, My Ministry is working closely with Ministry of Public Service to ensure that Pension files are processed or rejected within one month after submission.
36. **All those with wage and pension related issues should submit them to Ministry of Public Service with a copy to my Ministry by 30th October 2016 to enable us make adequate provisions in FY 2017/18.**

37. **Pension and Gratuity Arrears:** Government provided **Ushs50Bn** for payment of Pension and Gratuity Arrears and more funding will be provided in FY 2017/18 after analysis of returns on the utilisation of funds provided for the same this FY 2016/17 and establishment of the exact level of verified outstanding arrears by vote.

Budgeting for Other Non-Wage

38. **Utilities:** Shortfalls on Electricity, Water, and Rent account for a big stock of Domestic Arrears. Accounting Officers are therefore required to adequately budget for the consumption of these utilities. I have directed the Utility companies to cut off supplies to Institutions who fail to pay on time.
39. **Transport Allowance on Retirement:** Currently, Accounting Officers do not budget for and/or charge different rates for transport allowance for officers retiring under their respective votes. This is to guide that the expenditure should be budgeted for under Travel Inland. Ministry of Public Service is requested to issue a Circular guiding on the computation of this allowance based on distance between workplace and home town of the retiring officers.

Budgeting for Missions Abroad

40. As earlier guided, all Officials of the respective Missions must fully participate in the budget preparation process to ensure full ownership of the budget submitted by Missions.
41. In FY 2017/18, Accounting Officers of Missions Abroad should ensure the following:
- i) Full participation in the preparation of their respective budgets and work plans since budgeting will now be done using the new web-based system - Performance Budgeting System (PBS); and fixed costs must have a first call on resources to avoid creation of arrears.
 - ii) Budgeting for FY 2017/18 must be focused on Outcomes rather than outputs. For, instance, you must clearly indicate your contribution towards promotion of tourism, trade and investment which will be reflected in the number of employment opportunities created in the Tourism industry and foreign direct investment, et cetera;
 - iii) All Non-Tax Revenue (NTR) estimates for the FY 2017/18 are properly reflected in the budget as required under the PFM Act 2015 and once collected, it is remitted timely;
 - iv) Proper prioritisation of resource allocation to critical expenditure areas especially under the Development Budget. These include budgeting for: security enhancement for Missions where this has not been done; and for regular maintenance of properties abroad.
 - v) BPFs and preliminary Budget estimates must be submitted to My Ministry with a copy to the Ministry of Foreign Affairs by **15th November 2016**.

Cross Cutting Issues

42. Over the years, Sectors have been requested to articulate Gender and Equity, HIV/AIDS, as well as Environmental Protection and Management in their Budget Framework Papers (BFPs). Analysis of BFP submissions over the years reveals that most sectors simply put general statements without concrete actions to address the issues.
43. Therefore, in order to address the above issues, in FY 2017/18 sectors will be required to clearly demonstrate in their respective BFPs, specific actions to address Gender and Equity issues, HIV/AIDS as well as Environmental Management issues. The budget statement should spell out what the sector wants to achieve, the issues of concern, and the actual selected interventions with proposed budget allocation.

HIV/AIDS:

44. Globally the end of the year 2015 marked the end of the commitments in the 2011 UN Political Declaration on HIV and AIDS. It was also the beginning of the UN political commitment to end the AIDS epidemic by 2030 as a legacy to present and future generations. The commitments support acceleration and scaling up the fight against HIV to end AIDS. It encourages nations to seize the new opportunities provided by the 2030 Agenda for Sustainable Development. "Political Declaration on HIV and AIDS: On the Fast-Track to Accelerate the Fight against HIV and to End the AIDS Epidemic by 2030"
45. At country level, the HIV/AIDS response is guided by the National Strategic Plan (NSP) 2015/2016-2019/2020 and the adaptation of the various global commitments to end the HIV epidemic by 2030. Overall the country has made further progress towards the national and global targets and commitments to end the Zero infection and ending the HIV epidemic by the year 2030, although the estimated number of persons living with HIV in 2015 was still high at 1.5 million. Positive progress was noted in the further decline in AIDS-related deaths to 28, 000 from 31,000 in 2014, further reduction in the number of New HIV infections among all age groups to 83, 000 in 2015 from 95,000 in 2014 and the much more significant and drastically reduction in the number of new infections among the HIV exposed infants by 86%.
46. All sectors are required to strategically mainstream HIV/AIDS into their programs in order to accelerate the Fight against HIV and to End the AIDS Epidemic by 2030. Sectors should focus on intensifying the combination prevention interventions guided by the Combination Prevention Strategy of 2013.
47. The Uganda Aids Commission is therefore requested to provide further guidance to the Sectors by **30th September 2016** to ensure that the Strategy is complied with.

Mainstreaming Climate Change into the Budget

48. The Government through Ministry of Water and Environment developed Uganda National Climate Change Policy aimed at addressing climate change impacts and their causes through

appropriate measures, while promoting sustainable development and a green economy. There is need to recognize that Climate Change can no longer be treated as only an environment issue but a global issue that must be addressed holistically across the various sectors. There has been a challenge in implementation of Climate Change concerns across various MDAs given that there is lack of a general understanding of sector specific climate change issues.

49. To realise implementation of the above policy and attainment of the NDP II objectives, it is vital that sector programmes integrate climate change issues in all sector plans and budgets by identifying critical interventions geared towards protecting the environment and also mitigation measures against climate change.
50. Additionally, in its effort to build a sustainable green economy, Government has formulated policies and policy regimes to address the rapid depletion of water resources, forests and ecosystems; eradicate encroachment in conservation areas and regulate land use in order to alleviate the impacts on the environment. It has been noted that there is laxity in the effective enforcement of environmental laws especially in the Local Governments. Therefore, there is need to holistically address the rampant environmental degradation through restoration of ecosystems, demarcation of critical wetlands and forest boundaries including massive tree planting and implement the National Biodiversity targets stipulated in the National Biodiversity Strategy and Action Plan (NBSAP).
51. Therefore, in order to guide the planning and budgeting for FY 2017/18, each MDA should subject their proposed activities to a climate change screening and environmental review to identify possible climate change and environment concerns/issues, propose and cost mitigation measures/intervention and provide verifiable indicators.
52. The Ministry of Water and Environment and the National Environment Management Authority should issue the requisite guidelines by **30th September 2016** to the MDAs on mainstreaming Climate Change and Environment into the Sectoral Budget Framework Papers (BFPs) by identifying sector specific climate change and environment concerns which should be translated into implementable activities with sufficient budgetary allocation to undertake the activities.
53. MDAs should work closely with the Ministry of Water and Environment and NEMA to ensure that their sectoral BFPs comply with environmental requirements and are climate change proofed before final submission to this Ministry. **No Sector BFP will be accepted by this Ministry, unless there is evidence of incorporating and costing of sector specific climate change interventions.**

Gender Budgeting and Mainstreaming

54. In line with section 9 (1) of the PFMA (2015), the BFP should be gender and equity responsive. A guideline on Gender and Equity Budgeting is hereto attached as *Annex 9*.
55. It is now mandatory for MDAs and Local Governments to ensure Gender and Equity issues

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are mainstreamed through gender-responsive budgeting and it is a legal for my Minister to certify the budgets for gender and equity responsiveness, before submission are made for Budget Estimates, and Ministerial Policy Statements to Parliament. MDAs and Local Governments, therefore, have to identify gender and equity issues (inequalities in access to opportunities), specify interventions and allocate budgets to address the different needs of men and women, people with disabilities, older persons, youths and other marginalised groups and regions.

56. There is credible evidence to suggest that despite the existence of elaborate Gender and Equity budgeting policies and manuals, MDAs have not undertaken the necessary preparations and planning to implement and monitor gender and equity issues during project and program execution. This has been a key detriment to the success of some key road sector projects.
57. In addition, it is imperative that particular risks related to sex with minors, teenage pregnancies and sexual harassment by project workers and instances of Gender Based Violence (GBV) both in homes and public places are correctly assessed and countered through public sector programs and projects. Therefore, Accounting Officers must ensure that measures to address GBV and child labour in all projects/programmes under your sectors are clearly spelt out in your respective BFPs.

E. LOCAL GOVERNMENT SPECIFIC ISSUE(S)

Reform of Intergovernmental Fiscal Transfers

58. Government has been implementing reforms of inter-governmental fiscal transfers, building on the 2001 Fiscal Decentralization Strategy, with the objective of: strengthening Service Delivery through increasing local government discretion, flexibility, transparency and equity in allocation of resources.
59. In FY 2015/16, Sector conditional grants were consolidated while in 2016/17 grant allocation formulae were reviewed and budgeting requirements introduced for all the grants.
60. During FY 2017/18, Government will deepen the implementation of the reforms by:
 - i) Ensuring equity and transparency in the allocation of resources to LGs;
 - ii) Ensuring that LGs use the discretion provided under the reform to budget for activities that address local needs and that are in line with the national priorities as contained in the National Development Plan; and
 - iii) Designing a system for assessing local government performance as a means of ensuring that LGs are accountable for all the decisions they make.
61. The following therefore need to be noted:

- i) **Finalization of Sector Grant Information and Budgeting Guidelines:** This Ministry supported all Sector Ministries in the review of grant allocation formulae to Local Governments and Sector grant information and budgeting guidelines for FY 2017/18. All Sector Line Ministries with grant transfers to Local Governments are requested to finalize the guidelines incorporating inputs from the LG budget consultative workshops and submit them to this Ministry by **7th October 2016** to guide Local Governments to prepare their Budget Framework Papers for FY 2017/18.
- ii) **The Indicative Planning Figures (IPFs)** for the various sector grants will be arrived at using the Online Grant Transfer Information Management System (OTIMS) based on the grant transfer guidelines submitted by sector line Ministries.
- iii) **Compliance to Sector Grant Budget Requirements:** As part of this reform, Government undertook an assessment on the Local Government Performance Contracts for FY 2016/17 to assess the extent to which Local Governments had complied to the Sector Grant Budgeting Requirements for FY 2016/17. From the assessment, it was noted that a large majority of LGs budgeted for wage, non-wage recurrent and development items in blocks, rather than capturing allocations to individual cost centers and LLGs. This is of particular concern in the Health and Education sectors. In finalizing the Budget for FY 2017/18, all Local Government must adhere to the guidelines. I will not appoint any Accounting Officer who will not have fully adhered to the grant guidelines and the accountability requirements.

Budgeting for Capitation Grant

62. In order to improve budgeting for capitation grant and get rid of 'ghost' pupils/students, effective FY 2017/18, every student and pupil will have to be identified by their parent's/guardian's National Identification Number and where possible telephone number. This should be the basis for estimation of budget requirements for capitation grants to education institutions.

Revised Planning Parameters/Statistics

63. A number of new local government administrative units (districts, municipalities and town councils) were approved by Parliament after the National Census for 2014 had been concluded. In addition, it has been noted that during the National Census, some refugee settlements were erroneously classified as sub-counties; and six Town Councils of Buwangani, Buyinza, Rubuguri, Buheesi, Kyankwanzi and Rubanda were not operationalised in FY 2016/17 due to lack of population statistics caused by uncertainty of boundaries to determine allocation of resources. UBOS is requested to provide the required statistics to ensure that these local governments are operationalised in FY 2017/18.
64. Parliament has approved Six (6) new Districts of **Namisdwa, Pakwach, Butebo, Rukiga, Kyotera and Bunyangabo** which will become operational in FY 2017/18. Accordingly, Ministry of Local Government and UBOS are required to fast-track the demarcations and provide relevant planning statistics. The creation of new Local Governments means the

'Mother Local Government' will have to share its resources with the 'Offspring' especially staff and vehicles.

F. CONCLUSION

65. The effectiveness and efficiency of the Budget is critically hinged on the appropriateness of sector plans, programs and projects and their eventual resourcing and implementation. The Sector Working Groups remain the focal entities for planning and resource prioritization at the sectoral level. The Sector Groups need to recognise and respond to their roles to make viable and well researched spending proposals to my Ministry, including options to reprioritize resources within Votes and Programs across functions under the specified Sectors.
66. In order to ensure a productive and successful consultative process and preparation of the budget for FY 2017/18, you are requested to do the following:
- i) Chairpersons of the various Sector Working Groups (SWGs) should convene meetings to discuss and agree on the proposed sector priority interventions and intra-sector efficiency measures within the MTEF ceilings.
 - ii) Wages, Pension and Gratuity must be fully budgeted for in line with records on the payroll and retirement plans on the IPPS;
 - iii) In addition to (ii), all other fixed costs (Utilities and Rent); Taxes and counterpart funding obligations must take the first call on resources;
 - iv) All BFPs must be submitted with copies of Sector Investment Plans of the respective Votes; as well as Local Government Development Plans.
 - v) In line with the Public Finance Management Regulations 2016, Sector BFPs and Preliminary Budget Estimates must be submitted to this Ministry by **Tuesday 15th November 2016**. You should therefore adhere to guidelines contained in this circular as well as requirements of the PFM Act 2015 – specially the budget preparation timelines and gender/equity responsiveness of your respective BFPs.

I thank you for your continued efforts towards improving service delivery and wish you success in the budget consultation and preparation activities for FY 2017/18.


Keith Muhakanizi

PERMANENT SECRETARY/SECRETARY TO THE TREASURY

copy to: Hon. Speaker of Parliament

Mission

"To formulate sound economic policies, maximize revenue mobilization, ensure efficient allocation and accountability for public resources so as to achieve the most rapid and sustainable economic growth and development"

Hon. Deputy Speaker of Parliament
Rt. Hon Prime Minister
Rt. Hon 1st Deputy Prime Minister & Deputy Leader of Government Business in Parliament
Rt. Hon 2nd Deputy Prime Minister & Minister for East African Affairs
Hon. Minister of Finance, Planning and Economic Development
All Hon. Ministers and Ministers of State
The Government Chief Whip
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 Permanent Secretary/Ministry of Public Service
The Acting 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
All Board Chairpersons of Public Corporations and State Enterprises

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