



# A guide to the Budget process

Ensuring that Uganda's national budget reflects the views and priorities of citizens



Ministry of Finance, Planning and Economic Development  
2009



REPUBLIC OF UGANDA

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# List of Acronyms

<b>BOU</b>	Bank of Uganda
<b>BFP</b>	Budget Framework Paper
<b>BTTB</b>	Background to the Budget
<b>CSO</b>	Civil Society Organisations
<b>EAC</b>	East African Community
<b>FY</b>	Financial Year
<b>IGG</b>	Inspector General of Government
<b>IFMS</b>	Integrated Financial Management System
<b>LG</b>	Local Government
<b>LGBFP</b>	Local Government Budget Framework Paper
<b>MFPEd</b>	Ministry of Finance, Planning and Economic Development
<b>MTEF</b>	Medium Term Expenditure Framework
<b>NAADS</b>	National Agricultural Advisory Services
<b>NARO</b>	National Agricultural Research Organisation
<b>NBFP</b>	National Budget Framework Paper
<b>NDP</b>	National Development plan
<b>NGO</b>	Non Governmental Organisation
<b>PAC</b>	Public Accounts Committee
<b>PEAP</b>	Poverty Eradication Action Plan
<b>PER</b>	Public Expenditure Review
<b>SWG</b>	Sector Working Group
<b>UCS</b>	Uganda Computer Services
<b>UPPAP</b>	Uganda Participatory Poverty Assessment Programme
<b>URA</b>	Uganda Revenue Authority
<b>VAT</b>	Value Added Tax
<b>VOA</b>	Vote on Account

## Key Definitions

<b>Appropriated expenditures</b>	Expenditures debated and voted by Parliament.
<b>Conditional Grant</b>	Consists of monies given to local governments to finance programmes agreed upon between the Government and the local governments and shall be expended only for the purposes for which it was made and in accordance with the conditions agreed upon.
<b>Equalisation Grant</b>	The money to be paid to local governments for giving subsidies or making special provisions for the least developed districts and shall be based on the degree to which a local government unit is lagging behind the national average standard for a particular service.
<b>IFMS</b>	A computer based budgeting and financial management system designed to assist Government to prepare budgets, plan budget requests, spend their budgets, manage and report on their financial activities.
<b>MTEF</b>	A 5 year expenditure framework which shows resources available for expenditures anticipated to be incurred within particular financial years. It excludes Arrears, Non-resource Taxes and Debt Repayments but includes interest payments.
<b>Statutory Expenditures</b>	Are directly charged on the consolidated fund by the constitution and only tabled in Parliament for noting. Statutory expenditures include: administrative recurrent expenses (including salaries, allowances, pensions, gratuities) of agencies and emoluments of Officers specified in the constitution, government pensions and public debt payments.
<b>Unconditional Grant</b>	The minimum grant that shall be paid to local governments to run decentralised services.
<b>Vote</b>	A group of estimates of expenditure, including statutory expenditure, for which an appropriation has been made by an Appropriation Act or a Supplementary Appropriation Act. The group of estimates of expenditure relate to Ministries, Agencies and Local Governments.
<b>Vote Function</b>	A set of programmes, projects, and local government grants defining the roles and responsibilities of a Vote / Institution, and contributing towards the attainment of overall sector objectives.



# What is this booklet about?

The booklet describes the process of preparing and executing the National Budget.

Specifically, it describes the budget policy decision making process to determine national priorities, prepare the budget, implement, monitor and evaluate its performance.

It is intended to increase knowledge and awareness of the budget process and appreciation of the roles of different institutions and stakeholders that are critical to the process at the central and local government levels.

## The booklet spells out the following:

- The legal framework that defines the budget process
- The steps and procedures taken to prepare, implement, account for and monitor national and local government budgets
- The documentation required at every stage of the budget process
- The role of the different institutions in the budget process
- The rights and responsibilities of leaders and citizens in the budget process

# What is a budget?



*Mr Chris Kassami  
Permanent Secretary/  
Secretary to the  
Treasury*

The budget of Government is a statement of the revenues the Government expects to collect over the next 12 months, and how it plans to spend those revenues.

The main purpose of the budget is to:

- i. Help in increasing the production of goods and services so that the average standard of living improves rapidly and poverty is correspondingly reduced (**economic growth**).
- ii. Macroeconomic Management – promote economic order and stability by encouraging competitive efficiency and controlling inflation (**macroeconomic management**).
- iii. Provide services which are vital to our country and which only Government can do best, namely; security, law and order, infrastructure and disease control (**service delivery**).

## Planning Framework

The national budget is guided by the Poverty Eradication Action Plan (PEAP) Uganda's national development framework and medium-term planning tool since 1997.

The PEAP was revised and independently evaluated in June 2008 and will be replaced by the NDP in 2009. The NDP is a comprehensive plan that articulates clearly the planned strategic interventions of all sectors of the economy.

## Sources of Financing the National Budget

The budget is made for a financial year which begins on 1st July, each year and ends on 30th June. The budget is financed from three main sources:

- **Taxes:** Tax revenues collected by URA e.g. income tax, customs duties, consumption taxes,
- **Non Tax revenue:** Fees (e.g. Passport and Immigration fees) and Licenses,
- **Loans :** Concessional credits provided by multilateral agencies
- **Grants:** Mostly from bilateral development partners



## The Legal Framework for the Budget Process

The legal framework for the budget process is enshrined in the Uganda Constitution 1995, the Local Government Act 1997, the Budget Act 2001 and the Public Finance and Accountability Act 2003.

Articles 155-158, Chapter 9 of the **Constitution of the Republic of Uganda, 1995** provide the legal basis for the preparation and approval of the national budget. Articles 190-197 on the other hand provide for the finances of the Local Governments.

The **Local Governments Act, Cap 243** provides the legal basis for local government budget process. This is supported by the Local Government Financial and Accounting Regulations 2007.

The **Budget Act, 2001** on the other hand provides for and regulates the budget procedure. It explicitly spells out the roles of Parliament, Executive as well as other stakeholders and stipulates the budget calendar and the requisite documentation.

The **Public Finance and Accountability Act 2003** provides for the development of fiscal policy framework, regulation of public financial management, prescribes the responsibilities of persons entrusted with financial management and provides for public borrowing, audit of government accounts, state enterprises and other authorities of state.

## The Budget Process

The budget is prepared through an open and transparent and widely participatory process. The objective of the consultative process is to solicit the views of all stakeholders in the preparation of the Budget and consequently ensure that the national budget reflects the views, aspirations and priorities of all stakeholders.

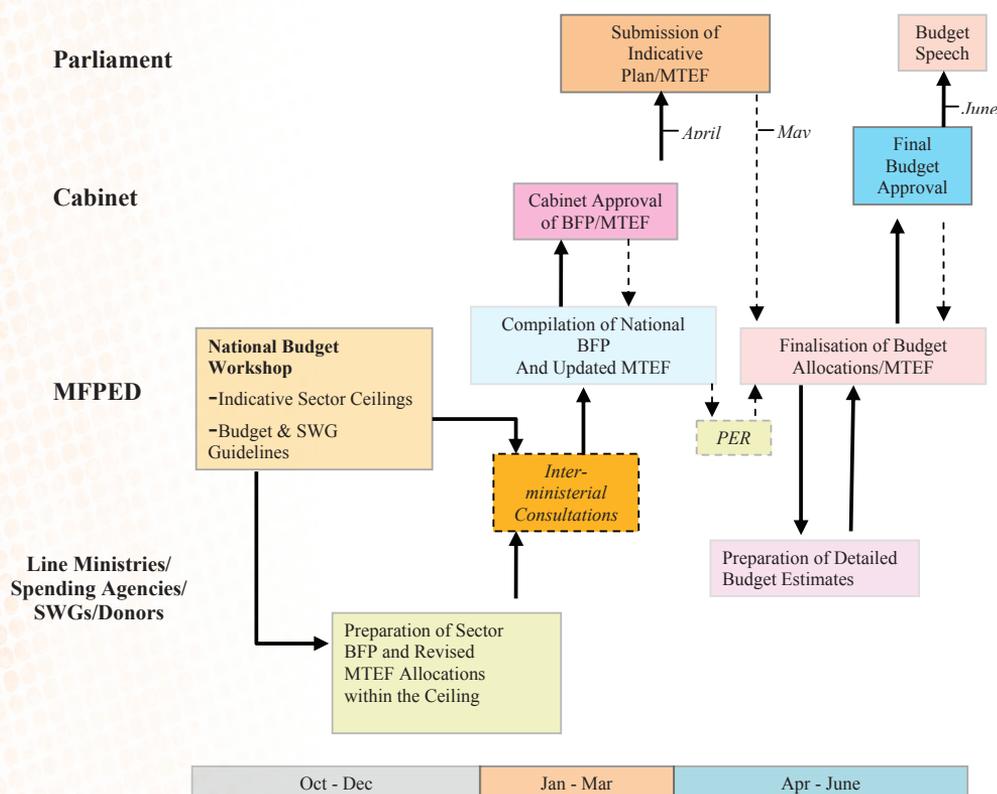
The budget process is undertaken at the following four key levels:

- i) The Ministry of Finance, Planning and Economic Development (MFPED),
- ii) Sector Working Groups , Line Ministries and Local Governments,
- iii) Cabinet, and
- iv) Parliament.

According to the Budget Cycle, the budget process starts in September each year and has six key stages, namely:

- i) Setting the Macro-economic Framework
- i) Setting National Priorities and Sector Ceilings
- ii) Budget Consultations (Political and Technical)
- iii) Preparation of the Budget Estimates
- iv) Presentation and Approval of the Budget
- v) Budget Implementation
- vi) Budget Monitoring and Evaluation.

# The Budget Consultative Process



## Good Governance in the Budget Process

Our budget process may be judged on the four pillars of good governance in public sector management:

- Accountability – capacity to call public officers to task for their actions
- Transparency – low cost access to relevant information
- Predictability – laws and regulations that are clear, known in advance, and uniformly and effectively enforced, and;
- Participation – generate consensus, supply reliable information and provide a reality check for Government actions.

# The Budget Preparation Process

Budget preparation is a very participatory process involving many stages and, many stakeholders within and outside Government. This section describes the stages, spells out the key actors and major activities undertaken at each stage of the process, the expected outputs and key timelines in accordance with the Constitution, the Budget Act 2001 and the Public Finance and Accountability Act 2003.

## 1. Determining the Resource Envelop

The Directorate of Economic Affairs within the Ministry is responsible for determining the resources envelop in consultation with other government institutions such as the URA and Bank of Uganda.

The budget resource envelope for the medium term is derived from projected domestic revenues (tax and non tax), plus external financing (grant and loans), plus non-bank savings, minus monies required for debt servicing and domestic arrears repayment and plus or minus non bank borrowings/savings. Fiscal policy must be consistent with monetary policy projections/target on money supply growth, private sector credit and foreign reserves determine government borrowing or saving.

Domestic tax revenue is projected based on:

- Past trends,
- Efficiency gains,
- Growth in volumes of imports,
- Profits of corporations,
- Elasticity of tax heads,
- Growth in real monetary GDP, and,
- Changes in prices.

## 2. Setting National Priorities and Sector Ceilings

Once the resource envelop has been determined, the broad allocation of Government resources between sectors is then determined based on:

- Priorities which have a direct bearing on poverty and growth;
- The party manifesto, and;
- Constraints faced during implementation.

The Sector ceilings for GOU resources are set as follows:

- The current financial year is used as a base;
- All one-off expenditures undertaken in the previous year are deducted from the sector ceiling and made available for reallocation to identified priorities;
- The projected additional resources over and above the current year's resource envelope are then allocated among the policy priorities with the higher priority areas and commitments receiving the first call on these resources.

This then becomes the basis for the preparation of the indicative MTEF which details the respective sector ceilings. These indicative ceilings are given to the sectors in October under a Budget Call Circular. These are revised in March after the submission of Sector BFP, in May after receiving comments from Parliament on the National BFP and finally in June just before reading the budget.

## 3. Budget Consultations

### a) Cabinet Retreat (October)

The Budget process commences with a Cabinet Retreat held during the month of October. The retreat provides an opportunity for the Minister to present the Budget Strategy Paper that spells out the major economic developments and re-casts Government priorities that need to be addressed in the following year.

The retreat is meant to guide on the following:

- the Budget Strategy and Priorities for the next financial year;
- the Indicative Medium Term Fiscal Framework (MTFF) and Medium Term Expenditure Framework (MTEF); and
- Budget implementation issues for the current financial year.

## **b) First Budget Call Circular (October)**

Once Cabinet has approved the Budget Strategy and Priorities, the agreed MTEF is communicated to sectors in October through the First Budget Call Circular. The main objective of the Circular is to communicate the budget strategy for the following financial year and request Sectors to prepare and submit their Budget Framework Papers (BFP).

The specific objectives of the Circular are to:

- i) Communicate the Budget Strategy, Priorities and Indicative five year Medium Term Expenditure ceilings, the first year of which is the basis for allocations of the expenditure estimates for the next financial year;
- ii) Emphasize the policy and administrative guidelines for the development of the budget for the coming financial year; and
- iii) Request the Sectors to prepare their Budget Framework Papers, clearly linking sector ceilings to sector priorities and their vote functions.

## **c) Local Government Workshops (October/November)**

The Local Governments' Budgets and Plans form an integral part of the National Budget. A series of local government consultative workshops are held to launch the preparation of the Local Government Budget Framework Papers (LGBFPs). The workshops which are facilitated by the Ministry together with representatives from relevant sectors are attended by political leaders and heads of departments from the local governments. The purpose of these workshops is to:

- i) Disseminate Government priorities for the next financial year
- ii) Disseminate the Indicative Planning figures for Central Government transfers to local governments;
- iii) Identify and discuss policy issues which affect the operations of local governments.

Each District and Municipal Local Government prepares a Local Government Budget Framework Paper (LGBFP). The LGBFPs are guided by the long term Local Government Development Plans as well as any emerging issues and priorities of the communities within the Local Government. Different departments in each Local Government contribute to the LGBFP, just as they do contribute to the preparation of their budget estimates. The consultations

enable the development of a report which summarises the key issues that affect service delivery in the local governments. The consultations also are the basis for preparation of LGBFPs, which all Local Governments submit to the Ministry of Finance and inform the national Budget Framework Paper. Each District and Municipal Local Government prepares a Local Government Budget Framework Paper (LGBFP).

### **d) First Budget Consultative Workshop (October / November)**

The first Budget Consultative Workshop is held to officially launch the beginning of the budget preparation process. The key participants at this workshop include Cabinet Ministers, Members of Parliament, technical officials from the Central Agencies, Local Government Officials, Development Partners and Civil Society and Private Sector Organisations.

The specific objectives of the Workshop are to:

- i) Communicate the economic outlook for the country and the challenges encountered in budget execution.
- ii) Discuss the Budget Strategy and Priorities in light of the poverty eradication targets
- iii) Discuss the Medium Term Expenditure Framework; and
- iv) Disseminate the Budget Guidelines for the preparation of the Budget for the next Financial Year.

### **e) Sector Working Group Consultations (December)**

Government introduced the Sector-wide approach (SWAp) to planning in 1999/2000. Each sector is required to set-up a Sector Working Group composed of key stakeholders to coordinate the planning process. After the national budget consultative meeting, each Sector Working Group organizes discussions with spending agencies within the sector and agree on sector priorities and the financing required. Each Sector Working Group is made up of representatives from all Ministries within the sector, the Ministry of Finance, Planning and Economic Development, Departments and Agencies within the sector, representatives from civil society and the private sector, Local Government representatives and representatives of development partners.

## Sectors in 2008/9 Financial Year:

- 1) Accountability
- 2) Agriculture
- 3) Education
- 4) Energy and Mineral Development
- 5) Health
- 6) Information and Technology
- 7) Justice Law and Order
- 8) Lands, Housing and Urban Development
- 9) Legislature
- 10) Public Administration
- 11) Public Sector Management
- 12) Social Development
- 13) Tourism Trade and Industry
- 14) Water and Environment
- 15) Works and Transport
- 16) Security

An example of the membership of a SWG is the Agriculture Sector. The SWG is composed of representatives from, among others;

- i) Ministry of Agriculture, Animal Industry and Fisheries
- ii) Ministry of Finance, Planning and Economic Development
- iii) Ministry of Water and Environment
- iv) National Agricultural Research Organization (NARO)
- v) National Agricultural Advisory Services (NAADS)
- vi) Cotton Development Organisation (CDO)
- vii) Uganda Coffee Development Authority (UCDA)
- viii) Uganda National Farmers Federation (UNFF)
- ix) CARE Uganda (NGO)
- x) Action Aid Uganda(NGO)
- xi) Environmental Alert (CSO)
- xii) Agriculture Funding Donors
- xiii) Faculty of Agriculture, Makerere University

Each sector Budget Framework Paper spells out the following for the financial year and the medium term:

- Sector objectives
- Past performance and future plans, including the outputs each Government institution intends to achieve with its resources
- Proposed expenditure allocations setting out major expenditure areas, and highlighting major changes to resource allocations and key funding priorities

### **Key challenges**

As part of budget reforms, in 2008/2009, output-oriented budgeting (OOB) was introduced as a means of relating budget allocations to outputs. Sectors identified their core vote functions and budgeted for them accordingly. Vote functions also enable Government to show what spending institutions have done with past expenditures, and what they intend to achieve with future budgetary allocations. This is intended to enhance both transparency in the allocation of funds, and accountability in the use of scarce budgetary resources.

### **f) Inter-Ministerial Consultative Meetings (February)**

Inter-ministerial consultative meetings take place between Sector Ministers and the Minister. These meetings are held to discuss sector budget priorities and allocations at the political level and to resolve any outstanding policy issues.

### **g) Mid-term Expenditure Review (March)**

The main objective of the review is to assess the half year budget performance with a review of identifying areas that need corrective actions to enhance the efficiency and effectiveness of delivery of public services. A workshop of key stakeholders is held to discuss the half year budget performance report and agree on the way forward.

## **h) Consultation within East African Community (May)**

In line with the programme for achieving deeper economic and political integration in EAC, the National Budgets of the Partner States are read on the same day by 15th June. The Ministers of Finance hold annual pre-budget and post budget consultations with the view to harmonising tax policies, monetary and relevant fiscal affairs.

## **4. Preparation of the Budget Estimates**

### **a) National Budget Framework Paper**

According to Section 4 (1) & (2) of the Budget Act 2001, the President shall cause to be prepared and laid before Parliament, by 1st of April, a three years macroeconomic plan and programmes for the economic and social development, and; indicative preliminary revenue and expenditure framework of Government for the next financial year. To fulfill this requirement the Ministry prepares the National Budget Framework Paper. This is consolidated from the Sectors' and Local Governments' BFPs.

Specifically the BFP highlights:

- Government's macroeconomic policies, recent macroeconomic performance and future plans, and;
- Government's priorities and how resources have been allocated to achieve the national objectives.

## **b) Background to the Budget**

Each year and prior to the Budget Speech, the Ministry of Finance, Planning and Economic Development publishes the Background to the Budget (BTTB), which presents both a retrospective and prospective context for the budget of the coming Fiscal Year. The BTTB provides background information on the factors that influence key budgetary decisions during a current financial year, together with a comprehensive report on the effects of such decisions on the Ugandan economy and the Government's quest to eradicate poverty.

## **c) Budget Estimates (End of May)**

The procedure for preparation and consolidation of the Budget Estimates is as follows:

- Votes receive ceilings from the Sector Working Group
- Votes set priorities derived from the Sector Investment Plan
- Accounting Officers set programme ceilings
- Heads of Programmes (departments) cost their activities based on the chart of accounts
- The programme budgets are consolidated into the Vote budget

According to Section 5 (1) of the Budget Act 2001, all spending agencies must submit their Budget estimates for the following year by 15th February each year.

## **5. Presentation and Approval of the Budget**

### **a) Cabinet Approval of National BFP (By March 30th)**

The National BFP is the document in which Government specifies its the policy stance for the coming financial year. The Minister submits the draft Budget Framework Paper to Cabinet on the Government strategy for the next financial year.

The BFP spells out the major national priorities and how the resources have been allocated to achieve the national objectives. It incorporates the inputs of the consultative process and covers, among others, sector inputs specifying sector priorities for the year, and in view of the resource constraints, proposes the necessary trade-offs which Cabinet endorses before the National Budget Framework Paper is submitted to Parliament.

### **b) Parliamentary Approval of National BFP (By 15th May)**

In line with Section 4 (i) of the Budget Act 2001, The National BFP is submitted to Parliament by 1st of April. This is followed by discussions of the BFP by Sessional Committees of Parliament which submit their reports to the Parliamentary Budget Committee by the 25th of April. Between 1st April and 25th April, there is a lot of consultation between the different Committees of Parliament, spending agencies and the Ministry. When these consultations are complete, Parliament consolidates their recommendations and submits them to H.E. the President by the 1st of May for consideration.

### **c) Budgets of Statutory Bodies (By April 30)**

In line with section 5 of the Budget Act 2001, Heads of self accounting bodies are required to submit their budget estimates of revenue and expenditure to the Ministry on behalf of the President, during the budget preparation stage. These estimates are laid before Parliament by the Minister during the presentation of the budget without any amendments.

### **d) Cabinet Approval of the Budget (Early June)**

The Minister holds consultations with H.E. the President in the process of finalising the Budget Speech. During the consultations, the recommendations of the Parliament on the budget are discussed and the President gives his input in the budget.

This is followed by a final Cabinet meeting at which the Minister presents the budget proposals for the next Fiscal Year, the revenue measures and the draft Budget Speech. Once discussed and endorsed by Cabinet, the Budget Speech is ready for Presentation to Parliament.

### **f) Presentation of the Budget Speech (By June 15)**

The Minister presents the Budget Speech at a seating of Parliament by the 15th day of June in accordance with Article 155 (1) of the Constitution and the Budget Act 2001. It is an agreed practice that the Budgets of the five East African Community (EAC) countries are read on the same day.

The Budget Speech is presented to Parliament by the Minister of Finance on behalf of H.E. the President. The Budget Speech articulates:

- Highlights of Economic and Fiscal Performance in and the Outlook for Financial year
- Emerging Trends in the domestic, regional and international economy.
- Strategy for expanding Employment and Growth Opportunities
- Proposed Taxation Measures and the way forward

The presentation of the Budget Speech in Uganda is covered live by the electronic media, signifying the fact that the budget belongs to all Ugandans. The Budget Speech is made available to the print media who reproduce it in different languages and different newspapers across the country.

### **g) Report of Loans and Grants (By June 15)**

In line with the Budget Act 2001 (13), the Minister on behalf of the President presents to Parliament a report of the total indebtedness of the State in the financial year showing the following:

- i) The total principle and the sources of the loans

- ii) The accumulated interest on each loan
- iii) The status of servicing and repayment of each loan and debt
- iv) The utilization and performance of each loan including the extent to which the objectives of the loan or debt have been met.

### **h) Ministerial Policy Statements (By June 30)**

In line with Section 6 (1) of the Budget Act 2001 every ministry is expected to prepare and submit a Ministerial Policy Statement each financial year with detailed information on the planned expenditure and outputs for the following financial year to Parliament. The Ministerial Policy Statement forms the basis for Parliament's scrutiny and debate of the budget of each Ministry and provides a link between the Ministry's' strategic priorities and the proposed Budget allocations.

### **i) Vote on Account (By June 30)**

In line with Article 154 (4) of the Constitution, once the Budget Speech has been read, the Ministry of Finance prepares the Vote on Account for Parliamentary approval that allows public spending of up to one third of the budget before the budget is approved by Parliament.

### **j) Parliamentary Sessional Committee Discussions (August 31)**

The Parliamentary Sessional Committees scrutinise the Ministerial Policy Statements Vis a vis the proposed budget allocations and the national BFP. The Chairperson of each Committee presents a report to the Plenary of Parliament.

### **k) Approval of Budget Estimates (By September 30)**

Once Parliament has concluded debate on the budget and their concerns incorporated, the Minister thereafter seeks the appropriation and approval of the Budget Estimates through the Appropriation Bill. The Parliamentary Budget Committee scrutinises the Bill and presents a report to the Plenary of Parliament for discussion. The Bill must be passed into law by 30th September as per the Budget Act.

## 6. The Local Government Budget Process

A Local Government budget is the detailed costed plan of how a local government plans to allocate and utilize available resources in line with its objectives, needs and priorities. Local Governments have discretionary planning and budgeting powers, but their plans and budgets need to national priorities and policies. Consequently the local government budget cycle has to fit into the national budgeting cycle, and starts in October and ends in June.

- 1) Local Governments Budget Committee agrees the rules, conditions, and flexibility of the coming planning and budgetary process.
- 2) Participation in the National Budget Conference (October). This activity is spearheaded by MFPED and LGs participate.
- 3) Regional LGBFP Workshops (October) MFPED communicates grants ceilings to LGs. Sector changes to sector policies and guidelines and flexibility for inter and intra sectoral allocations are also communicated.
- 4) Executive Committee determines sectoral allocations (Early November).
- 5) Sector departments prepare write ups for LGBFP (November)
- 6) Lower Local Governments prepare Development Budgets and Plans (November)
- 7) Sector priorities and draft work plans and budget estimates submitted to LG Budget Desk (December)
- 8) Compilation of LGBFP (December)
- 9) Executive Committee and Persons of Sector Committees meeting to review draft BFP(December)
- 10) Budget Conference (December)
- 11) Finalization of the LGBFP (December)
- 12) Scrutiny of LGBFPS by MFPED and Sector Ministries and communication of new sector ceilings (Jan-May)
- 13) MFPED gives LGs feedback, LGs draft work plan and budget(May)
- 14) LG Sector Committees review work plans and budgets (Beginning of June)
- 15) Executive Committee examines final budget (Beginning of June)
- 16) The Executive Committee lays budget and work plan before the LG Council ( By 15th June)
- 17) Budget reviews by Standing Committees of the Council ( June to August)
- 18) Budget Approval by the Council (before 31st August).

# Budget Implementation

The budget is implemented to deliver various public services, such as education, health, good roads security, salaries, pensions etc, that improve the lives of the citizens for poverty eradication, such as those shown blow:



**Education**



**Health**



**Good roads**



**Security**

## 1. Release of Funds

The approval of the annual budget by Parliament or VOA provides the legal authority for spending agencies to spend and for the MFPED to make releases to spending agencies (votes).

For FY 2008/9 we have 197 Votes of which:

1. 65 Central Government (of which 21 Ministries, including State House)
2. 11 Regional Referral Hospitals (excluding Mulago & Butabika which are National Referral Hospitals)
3. 28 Missions Abroad
4. 93 Local Governments (80 Districts, 13 Municipalities)

### a) Grant of Credit by Auditor General

Once Parliamentary authority to spend has been obtained, the Auditor General is requested (by letter) by the Minister of Finance, Planning and Economic Development, with advice from the Accountant General, to issue grants of credit on the Consolidated Fund to the Minister of Finance, Planning and Economic Development so that releases from the consolidated fund could be effected. The current practice is that the Auditor General issues a block grant of credit to cover expenditure for the whole budget. The Auditor General also issues a grant of credit on any supplementary estimates and special requisitions.

### b) Minister's Warrant

The Minister of Finance, Planning and Economic Development will, upon receipt of the grant of credit from the Auditor General, issue a warrant to the Accountant General as authority to withdraw money from the consolidated fund. This warrant, by letter/memo, must be signed by the Minister. The Minister issues a warrant to the Accountant General for the purpose of meeting expenditure only when a grant of credit sufficient to cover the respective sum has been issued by the Auditor General.

### c) Quarterly cash limits

Releases of funds to spending agencies are on a quarterly cash flow planning horizon. The system for the release of funds to central government ministries starts when the ministries receive communication from the Director of Budget

indicating the quarterly cash limits allocated to each ministry for spending in the coming quarter. Each ministry will then prepare expenditure projections based on the cash limit ceiling and submit it to the Director of Budget. The Ministry reviews the projections and programmes the releases.

### **d) Accounting Warrant by Accountant General**

On the basis the ministerial warrant and the quarterly cash limit set for each Accounting Officer by the Director of Budget, the Accountant General issues quarterly accounting warrants to Accounting Officers authorizing them to incur expenditure up to the limits specified in the accounting warrant and for the purpose and subject to the conditions contained in the warrant. The accounting warrants trigger the process of entering into commitments by the Accounting Officer since they indicate to accounting officers that funds will be availed.

The accounting officers will then prepare quarterly cash requisitions indicating how the quarterly cash limit will be utilized for each of the three months involved. These requisitions, which must be based on the approved estimates and work plans, are then submitted to the Director of Budget for scrutiny.

### **e) Release of Funds by Director, Budget**

The Director, Budget releases the funds by issuing a letter to the Accountant General copied to the Accounting Officers advising how much money has been charged to each item, programme and vote. Budget release letters are the basis for the Accountant General to advise BOU to transfer funds to the ministry, agency or Local Government (MALG) bank account at BOU or Commercial banks. To do this, the Accountant General writes a letter/cheque authorizing BOU to transfer funds to the ministry account at BOU.

**When funds are transferred the Accountant General issues a cash release (TF 1111) to inform the MALG about the funds credited on its bank account.**

When the funds are released by the MFPED and credited to the individual MALG accounts, the mandated staff, including the accounting officer will approve invoices or payment requisitions (the requisitions are normally initiated by the respective heads of department on the IFMS).

Where an expenditure need arises, which is not included in the current quarter's cash requisition but is budgeted for, a special requisition is made by the accounting officer and submitted to the Director, Budget for consideration and

approval. If approved, the Director will issue a special release letter for such a requisition.

## **f) Processing of Electronic Funds Transfer (EFT) payments by UCS**

On the strength of the cash release, Accounting Officers of Non-IFMS ministries and government spending agencies prepare batches from duly authorized payment vouchers. Accounting Officers make payments for only those expenses authorized in the accounting warrant. The batches are then sent to the Accountant General's Office (Financial Management Services Department) for approval. The approved batches are then forwarded to Uganda Computer Services (UCS) as input data for processing of EFT payment instructions. The EFT payment instructions are in the standard EFT file format which is transmitted to Bank of Uganda electronically for final processing.

## **g) Local Government Releases**

Every month the Director, Budget advises the Accountant General of the releases to the Local Governments (LGs) and issues release letters to the LG Accounting Officers detailing the amounts released. The Acc. Gen. then advises Bank of Uganda to transfer the funds to the LG account. After Bank of Uganda has been advised to transfer the funds, the LG will be informed of how much has been actually transferred to its bank account for each grant using a cash release. For example, a separate cash release will be made for salaries, automatic, PAF and development.

The release letters and cash release forms are collected by the Chief Finance Officer (CFO) or a representative physically from Directorate of Budget and Acc. Gen. Office in Kampala respectively.

Since 2003, however, Stanbic bank interconnected most of its branches to the headquarters. All releases made have since been credited on the LGs' account by the headquarters directly. The local Stanbic bank branches no longer issue credit advice notes to the LGs. It takes the LGs trouble to check with the Stanbic bank branch to get a mini statement in order to ascertain whether funds have been credited to the account.

## 2. Reallocations/Virements

Spending Agencies may re-allocate or vire funds within the budget lines within the same expenditure category or across expenditure categories. Reallocations within the same category of expenditure such as non-wage recurrent can be done administratively with the approval of the accounting officer. However, reallocations within different expenditure categories such as recurrent and development need the authority of the Secretary to the Treasury. Furthermore, re-allocation from wage requires endorsement from Ministry of Public Service.

## 3. Supplementary Budgets

The Public Finance and Accountability Act 2003 (16) allows that if it is found that the amount of funds appropriated by the Appropriations Act is insufficient, or that a need has arisen for expenditure for a purpose for which no funds were appropriated by Parliament, a supplementary estimate, showing the amount required shall be laid before Parliament and that the expenditure votes shall be included in a Supplementary Appropriations Bill for Parliament to provide for their appropriation.

Section 12 of the Budget Act 2001 stipulates that the total supplementary expenditure that requires additional resources over and above what is appropriated by Parliament shall not exceed 3% of the total approved budget, for that FY without prior approval by Parliament. And that where funds are expended, supplementary estimates must be laid before Parliament within four months after the money is spent.

Sources of supplementary funding include suppression of the expenditure on other votes or provision of additional resources.

## 4. Budget Monitoring and Evaluation

### a) Budget Performance

The Ministry of Finance has the responsibility to monitor budget performance at the national level. At the spending agency level, the responsibility lies with the Accounting Officer, who should then consolidate information on budget performance and submit it to the Ministry.

In December each year, the Ministry prepares the Semi-annual Budget Performance Report that provides information and data on actual budget outturn vis a vis what was disbursed. At the end of each Financial year, Accounting officers are also required to submit accountability not only in terms of budget outturns but also what was achieved with the funds disbursed to them, in line with set targets and budget objectives.

It is this information that the Ministry uses to prepare the Annual Budget Performance Report that provides information and data (actual outturn) on the budget performance for the entire financial year. It must be noted that these two reports are not a legal requirement but they promote budget transparency, accountability and reflect best practice.

At the spending agency level, the responsibility lies with the Accounting Officer, who should then consolidate information on budget performance and submit it to the Ministry of Finance PED.

## Field Monitoring

In July 2008, government established the Budget Monitoring and Accountability Unit (BMAU) to enhance monitoring efforts geared towards effective implementation of government programmes. Budget monitoring is concerned with tracking implementation of selected government programs or projects observing how values of different indicators against stated goals and targets change over time.

The monitoring is initially focused on programmes under; Agriculture, Education, Energy, Health, Industrial parks, Roads, and Water and sanitation.

Monitoring focuses on the sector indicators that are listed in the budget framework papers, categorized into short term, medium term and long term indicators as well as performance contracts and work plans from sectors.

### b) Public Expenditure Tracking Studies (PETs)

A few Sector Ministries have undertaken Public Expenditure Tracking Studies (PETs). The Public Expenditure Tracking System (PETS) is a system of presenting financial information that allows stakeholders to see more clearly where money is coming from and where it is being spent, as well as allowing the service users to reconcile incoming funds with expenditures. It is sometimes referred to as “following the money”. PETS are increasingly used at district level to make budget flows transparent from sector ministries to local government and to beneficiaries.

## 5. Accountability and Reporting of funds

Reporting and Accountability on the use of funds (to replace what is on current page 28). Accountability and reporting includes budget preparation, budget execution, audit, monitoring and evaluation. Public accountability goes beyond mere provision of financial evidence but also includes to what extent the planned activity fully achieved its objective and with what efficiency and effectiveness the activity served the need of the public.

Reporting takes many forms at different phases of the budget process e.g. Budget drafts, appropriation act, sectoral allocations, release variance etc and different stakeholders require different reporting formats. The Statutory Financial reports have greatly been enhanced to enable various stakeholders understand and interpret the statements. It is also important that these are produced on time if they are to be meaningful and used for prompt decision making.

Ministries submit monthly accountability reports to the MFPED. For non wage recurrent and development releases, monthly expenditure returns must be submitted showing funds released; committed; utilized and the balance. Late submission means the release for the next month is withheld until the accountability is submitted. For salaries, a salary expenditure return is submitted showing the funds received, spent and unutilized balances. However, non - submission of this report does not affect the next release.

### Accounting Officer

At the end of each financial year an accounting officer is required by law to submit statutory financial statements by 30th September (i.e. Three months after the end of the financial year) following the end of the Financial Year, to the Accountant General and Auditor General.

### Accountant General

The Accountant General is then required within four months after the end of the Financial year (i.e. by 30th Oct) to produce and forward a consolidated report to the Auditor General.

## Auditor General

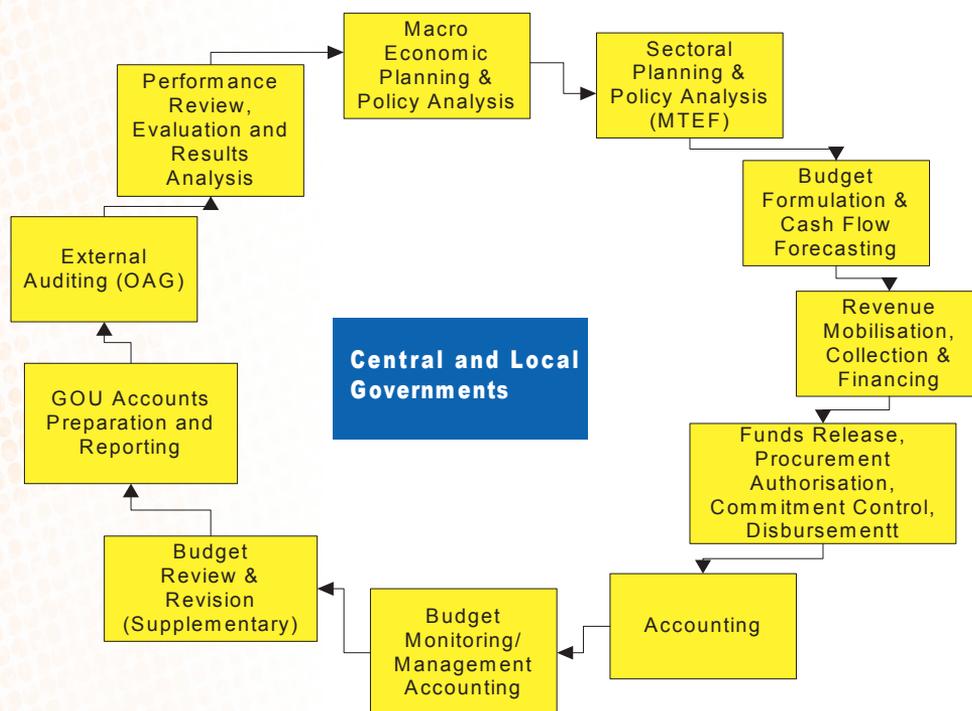
The Auditor General audits and expresses an opinion on the consolidated statutory statements. This is then forwarded to Parliament.

## Parliament

Discussions are then held between Public Accounts (PAC) Committee and various accounting officers. PAC makes a recommendation on the accounts and issues raised by the Auditor General and makes a report to the plenary.

When the report is adopted, the Executive through the Minister responsible for Finance prepares what is known as the Treasury Memoranda. This details to what extent the executive has implemented Parliament's recommendation. This is in most cases taken to be the last activity for the budget and accounting cycle.

# Linking Planning, Budgeting Implementation Reporting and Evaluation



# Does the Citizen have a role in the Budget Process?

Every Ugandan has a role to play in the budget process because everyone contributes to the public purse by Pay As You Earn) those with businesses pay income tax, and everyone pays VAT. Business people pay VAT on incomes, while everyone pays VAT whenever they purchase something from shops, or receives certain services like in hotels or salons.

Citizens also pay fines and fees for various services such as passports, licenses, etc. For the Financial Year 2008/2009, the domestic revenue alone is estimated more than 70% of the total national budget. Since citizens contribute to the revenue of the country, they have a legitimate role to play in the budget process.

## Citizens therefore should

- Make sure they pay their taxes
- Make sure they understand the national budget as well as their Local Government budget
- Vote into positions of leadership people of integrity and make sure they get accountability from them
- Request your leaders to tell you and the community how the money is being used.
- Participate in citizens groups that monitor implementation of government programmes

## For the citizens to do this, the leaders must

- Give citizens opportunity to participate in the processes to identify priority activities for their communities, parishes, sub counties and even districts, so that they communicate their needs
- Keep the budget process participatory and transparent
- Avail information on the budget to citizens
- Support citizens' monitoring groups.

FOR MORE INFORMATION ON THE BUDGET  
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