



Citizen's Guide to the Budget

FY - 2016/17

Foreword

The Budget for FY 2016/17 marks the third year of implementation of our Second Five Year National Development Plan (NDP2) with the primary objective of transforming our economy into a lower middle income country by the year 2020 and later into a first world economy as envisioned in the Vision 2040.

This budget also comes at a time when the NRM Government has just concluded its five year term of office. Therefore, the agreed priority interventions set out in the NRM Manifesto 2011-2016 themed '*better service delivery and job creation*' can be properly scrutinized and any left unfulfilled will be prioritized during the next five years in this Government.

This financial year's Budget will as always seek to adequately allocate and prioritize the country's resources to key sectors in a bid to promote economic growth and development. This publication seeks to show and highlight key measures the Government has put in place to expand on the resource envelope as a means to further implement Governments objectives.

As you might recall, the first half of this FY 2015/16 was marred with external shocks which resulted into exchange rate volatility, inflationary pressures and unfavourable terms of trade as a result of which the economy is still experiencing some structural and macroeconomic challenges. This calls for urgent and deliberate interventions to increase the volume and value of our exports and frugal public expenditure management.

The Citizens Guide to the Budget FY 2016/17 aims to highlight the strategic objectives of the Financial Year 2016/17 budget by providing an understanding of any new tax measures and the purpose behind the allocations to the various sectors. A summary of the key budget features will also be highlighted therein. The total Government budget for the FY 2016/17 will amount to Shs 26,360.45 billion of which Ushs... is domestic revenue, Ushs ... is domestic financing, Ushs... is project support while Ushs... is general budget support.

Fellow citizens, I wish to reiterate that there is need to emphasize better accountability of all public resources, transparency and ease of access of all relevant Budget information. This Country has improved in these areas as observed by its ranking by the Open Budget Index. I continue to encourage you all to take keen interest in the Budget and understand the allocations to areas of your interest by visiting our dedicated budget website www.budget.co.ug or calling the free hotline 0800 229229.

For God and My Country

Matia Kasaija (MP)

Minister of Finance, Planning and Economic Development

Table of Contents

Acronyms

| | |
|--------|--|
| ADB | Africa Development Bank |
| AIA | Appropriations in Aid |
| AU | African Union |
| BFP | Budget Framework Paper |
| BoU | Bank of Uganda |
| BTVET | Business Technical and Vocational Education and Training |
| CAIIP | Community Infrastructure Improvement Project |
| CFR | Charter of Fiscal Responsibility |
| COMESA | Common Market for eastern and Southern Africa |
| FY | Financial Year |
| GDP | Gross Domestic Product |
| GoU | Government of Uganda |
| ICT | Information and Communications Technology |
| IDA | International Development Association |
| IDP | Internally Displaced Person |
| IFMS | Integrated Financial Management System |
| LG | Local Government |
| MDA | Ministries Departments and Agencies |
| MFI | Micro-Finance Institution |
| MoFPED | Ministry of Finance, Planning and Economic Development |
| MSCL | Micro Finance Support Centre Limited |
| MTEF | Medium Term Expenditure Framework |
| NAADS | National Agricultural Advisory Services |
| NARO | National Agricultural Research Organization |
| NDP | National Development Plan |
| NEMA | National Environmental management Agency |
| NGO | Non-Governmental Organizations |
| PAF | Poverty Action Fund |
| PAYE | Pay As You Earn |
| PER | Public Expenditure Review |
| PFMA | Public Finance Management Act |
| PMA | Plan for Modernization of Agriculture |
| PPP | Public-Private Partnership |
| PRDP | Peace Recovery and Development Plan |
| SACCO | Savings and Credit Cooperative Organization |
| SWG | Sector Working Group |
| UIA | Uganda Investment Authority |
| UNRA | Uganda National Roads Authority |
| URA | Uganda Revenue Authority |
| Ushs | Uganda Shillings |
| VAT | Value Added Tax |
| YLP | Youth Livelihood Programme |

Glossary (Terminology)

Sector: These are groups of institutions (Votes) or parts of institutions which contribute towards a common function, e.g. Education, Health, Agriculture.

Vote: These are institutions (Ministries, Departments, Agencies and Local Governments) which are the basis of the annual budget and appropriations made by Parliament, and the basis for accountability, e.g. Ministry of Education and Sports, Ministry of Health, Ministry of Agriculture

Vote Function: These are groups of related services and capital investments delivered by a Vote or delivered on behalf of that Vote by another institution e.g. secondary education services

Vote Function Key Output: These are strategically important services delivered by the Vote Function which contribute directly to the Vote's and indirectly to the sector's objectives, e.g. purchase of instructional material which contributes to increasing access to education and to the wider sector objective of increasing literacy and numeracy rates.

Programme: These represent the results or sets of activities implemented by the Vote which contribute to the achievement of the Vote Function objectives. These are recurrent in nature, e.g. inspection of primary schools.

Project: These represent the results or set of activities implemented by the Vote which contribute to the achievement of Vote Function objectives. They primarily involve capital purchases and may be financed by the Government of Uganda and/or Development Partners, e.g. Emergency construction of primary school classrooms.

Item: These are lowest operational level of the budget, and represent the resources necessary to carry out activities, e.g. staff salaries, travel inland, printing and stationery.

Chart of Accounts: This is the complete list of items against which budget allocations are made and appropriated through the Integrated Financial Management System. This forms the basis of the detailed budget estimates.

Approved Budget: This is the appropriated budget by the Parliament of the Republic of Uganda, which is undertaken in May of the proceeding financial year.

Release: Central Government transfer of funds to MDA's (including supplementary funds) from the consolidated fund.

Investment (Capital Purchases): These relate to purchases of capital assets in the chart of accounts.

Grants are non-repayable funds received by government from development partners.

Grants and Subsidies (Outputs Funded): These are services funded by the Vote but delivered by another institution. They relate to expenditures on grants and transfers in the chart of accounts.

Poverty Alleviation Fund (PAF): These are ring-fenced expenditures for front line services that are crucial for alleviating poverty.

GoU: This refers to the category of expenditure on domestic development.

External Financing (External Fin.): This refers to the category of expenditure that was previously referred to as donor in the budget documents. The change in the name is to ensure conformity with international nomenclature.

Appropriations in Aid: This refers to the category of expenditure that is a Non-tax and collected by institutions that spend it at source.

Appropriation Act authorizes Government Ministries and Agencies to allocate and spend funds on selected programmes and projects.

Budget Deficit is defined as the difference between what the government spends and the revenue that the government collects.

Concessional loans are loans that are extended on terms substantially more generous than market loans. The concessionality is achieved either through interest rates below those available on the market or by grace periods, or a combination of these. Concessional loans typically have long grace periods. These are usually provided by multilateral agencies such as The World Bank and African Development Bank.

Contingencies fund is a fund established by the PFM act to finance supplementary expenditure and to respond to natural disasters.

Domestic Financing is the amount of money raised by the Government, from its own residents mostly through issuing government securities like treasury bills and bonds.

Economic growth refers to the increase in the amount of goods and services produced in a country over a period of time.

Gross Domestic Product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis.

Inflation is a sustained increase in the general price level of goods and services in an economy over a period of time.

Non Tax revenue is revenue from other sources apart from tax. These include fees and licenses.

Public Debt is the debt owed by a central government.

Real Gross Domestic Product (real GDP) is GDP which is adjusted for price changes (i.e., inflation or deflation). This adjustment transforms the money-value measure, nominal GDP, into an index for quantity of total output.

Trade deficit is where a country's imports exceeds its exports.

Taxes are financial charges or other levies imposed upon a taxpayer (an individual or legal entity) by a state or the functional equivalent of a state to fund various public expenditures. These include: Income Tax, Value Added Tax (VAT), excise duty, custom duties among others.

Introduction

What is and Why the Citizen's Budget?

The Citizen's Budget FY 2016/17 is a non-technical presentation of the government's Budget which is intended to enable the general public, especially those who are not familiar with public finance to understand Government plans.

It shows the National Revenue & funding sources as well as Expenditure plans for this FY 2016/17. This guide shows where and how this Financial Year's public resources will be utilized and distributed to meet the public and collective needs of Uganda.

This is a summary of the National Budget clearly illustrating how government plans to raise revenue to pay for its activities and how it plans to allocate these resources to achieve the national development goals.

The objective of this document is to ensure that the reader/citizen:-

- ✓ Knows how government will make efficient and effective use of the available resources entrusted to it.
- ✓ Is enabled to participate actively at all levels to hold government responsible.
- ✓ Knows the estimate of funds received by the government, as well as the Budget allocations to government Ministries, Departments, Agencies (MDALGs) & Local Governments.

What is the National Budget?

The National Budget is a country's official statement which illustrates how the government plans to raise revenue and how these revenues will be allocated to its programmes and projects over a particular period, usually a Financial Year.

Ministry of Finance, Planning & Economic Development prepares and presents the National Budget Estimates to Parliament for discussion and approval.

Section 14 of the Public Finance Management (PFM) Act; 2015 requires that the Budget is approved prior to the beginning of the Financial Year, the Financial Year 2016/17 budget was approved by Parliament on 3rd May 2016

Theme for this FY's National Budget

The theme for the Financial Year 2016/17 Budget is "**Enhanced Productivity and Job Creation**".

Uganda's policy direction, Budget priorities and programmes as well as resource allocations are all aligned towards achieving the commitments in the 2016 NRM Manifesto, the Second National Development Plan (NDP 2) and the SDGs.

Uganda's Economic Performance & Outlook

Economic growth

Economic growth is a representation of an increase in the amount of all goods and services produced by the population of a country over a period of time this is expressed in terms of GDP. Gross Domestic Product (GDP) is a measure of total value of goods produced and services provided within a country during a given period of time usually one year.

Uganda's economy grew by 5% over the last year. Economic activity in sub-Saharan Africa, including Uganda has

been lower than anticipated, largely as a result of weak global demand for commodities. This caused a sharp decline in commodity prices, which negatively affected our export earnings.

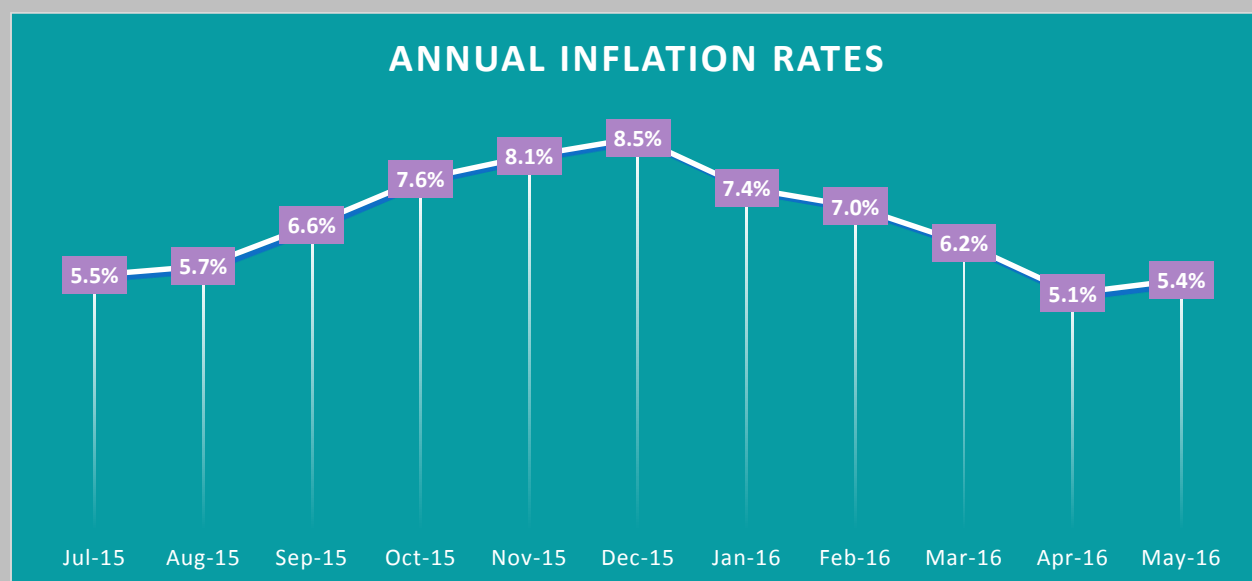
Uganda's economic growth is projected to recover to 5.5% next year and increase to an average of 6.3 percent per annum over the medium term as a result of Wealth Creation initiatives, which we also expect will to increase household incomes.

Inflation

Inflation refers to a sustained increase in the general level of prices for goods and services. It is measured as an annual percentage increase. As inflation rises, every shilling you own buys a smaller percentage of a good or service. For FY 2015/16 inflation reached a high of 8.5%

in December 2015, it has since fallen to 5.1% in April 2016.

The inflationary pressures were as a result of the depreciating Uganda Shilling. This also led to upward adjustments in electricity tariffs which affected both manufacturers and domestic consumers.



Exchange rates

Exchange rate refers to the value of one currency such the Uganda shilling (Ug.Shs) in relation to another currency, say the United States Dollar (USD). Exchange rates are for the main purpose of conversion between the different currencies.

In FY 2015/16 the Ugandan currency experienced sharp depreciation and volatility against the United States Dollar between early 2014 up to September 2015. This depreciation was as a result of the Global financial markets as well as a result of speculative tendencies in the run up to the 2016 General Elections, casing overshooting of the exchange rate. The Shilling is recovering its strength and stands at Ug.Shs 3,326 per US Dollar, a

10% improvement compared to the position in September 2015.

Interest rates and Private Sector Credit

An interest rate is the proportion of a loan (borrowed money) that is charged as interest to the borrower, usually expressed as an annual percentage of the loan.

Commercial Bank lending rates (*the rate of interest which the central bank charges on the loans and advances to commercial banks*) have remained high largely due to the limited availability of long term capital, resulting in the mismatch between the commercial bank financing products and the nature of the investments being undertaken.

Key Sector interventions in the National Budget Strategy

Next year's budget has been formulated to achieve the overall goal of enhancing productivity in key growth sectors, and ultimately enable the creation of jobs, especially for the youth and women countrywide.

sectors access long term development credit for investment

- ✓ Build industrial parks and work spaces and operationalize Free Trade Zones to expand production

Productivity Enhancement Strategy

- ✓ Agricultural mechanization
- ✓ Efficient provision & access to inputs and appropriate technologies
- ✓ Promotion of research, extension services
- ✓ Improved post-harvest handling and storage, agro-processing, quality control and marketing
- ✓ Increasing access to affordable long-term capital financing to enable entrepreneurs in primary growth

Employment and Job Creation Strategy

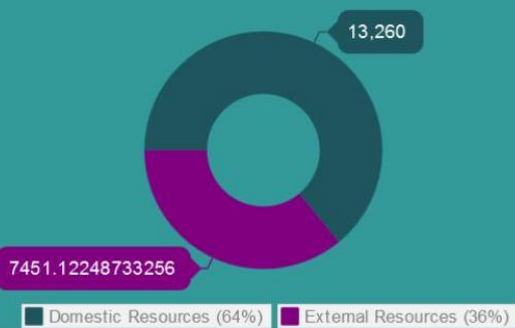
Government will aim at creating jobs by promoting self-employment. This will be done by economically empowering the Labour Force, especially the Youth and Women by building their capacity to innovate, invest, and develop into entrepreneurs.

Government has initiated Uganda Women Enterprise Programme (UWEP) and the Youth Livelihood Programme which has developed skills of 83,000 youth and provided financial support to implement almost 6,500 projects worth U Shs 45.5 billion.

FY 2016/17 Revenues & tax measures

The strategy for Domestic Revenue Mobilization in the FY 2016/17 is to expand the tax base by gradually formalizing the large informal sector, improving efficiency in tax collection and compliance

Revenue Sources



Domestic & External Revenues

Domestic and External Sources will contribute;

1. Domestic Resources - UGX 13,260 Bn.
2. External Resources - UGX 7,451 Bn

to the total Budget Financing

Domestic Revenue

In FY 2016/17, the following domestic revenues have been projected;

1. URA Tax Revenue - UGX 12,536.03 Bn.
2. Non Tax Revenue - UGX 302.31 Bn.
3. Domestic Financing - UGX 345.59 Bn.
4. Oil Revenues - UGX 75.94 Bn.



Domestic Revenue Sources



External Revenue

In FY 2016/17, the following external revenues have been projected;

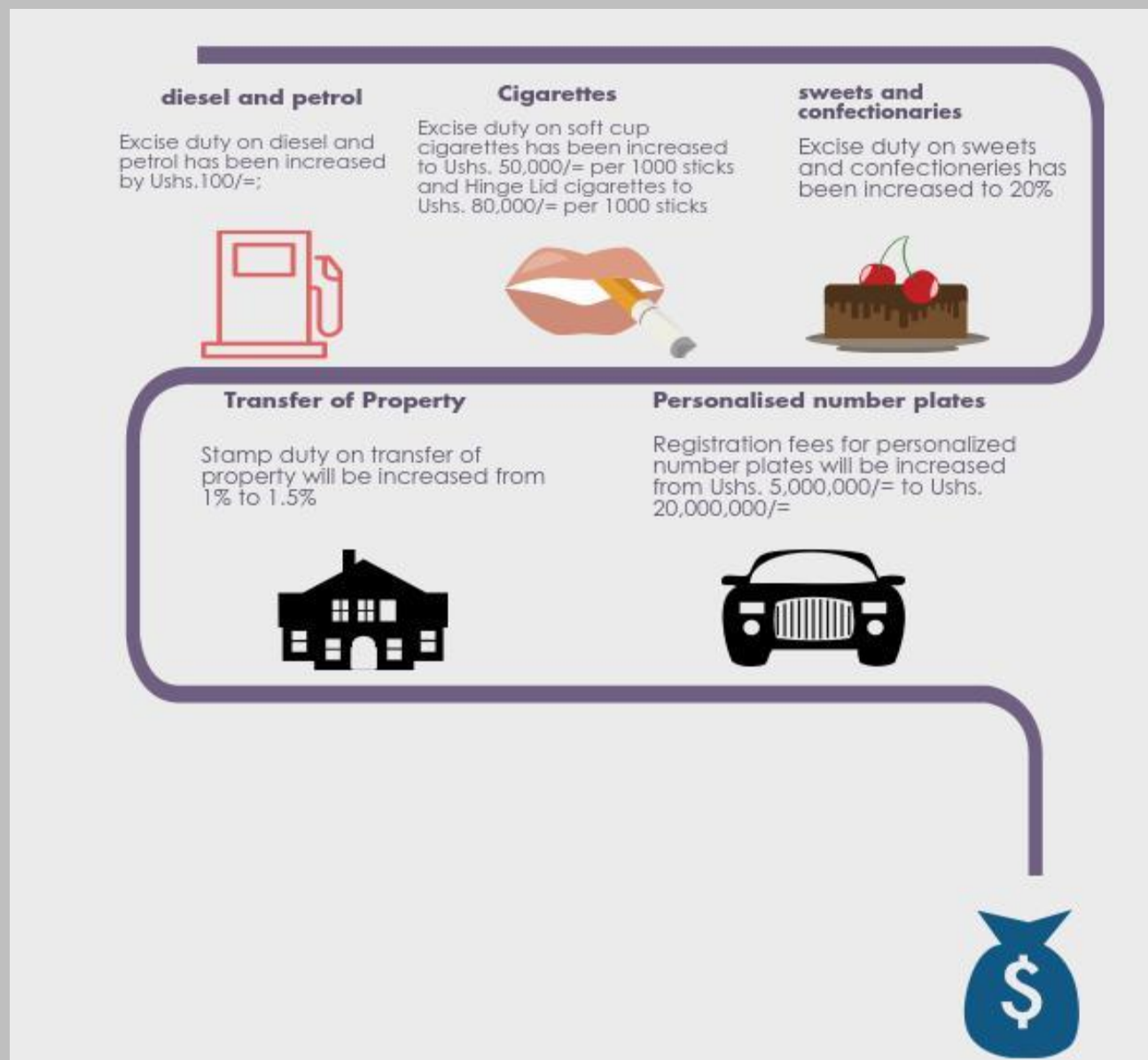
1. Project Support Loans - UGX 5,034 Bn
2. Project Support Grants - UGX 1,490 Bn
3. Budget Support Loans - UGX 871 Bn
4. Budget Support Grants - UGX 54 Bn

Tax Measures

The Financial Year 2016/17 tax proposals approved by the 9th Parliament tax regime aimed at facilitating supporting investments, including emerging industries particularly in the petroleum sector, mining and infrastructure development. The measures include the following:-

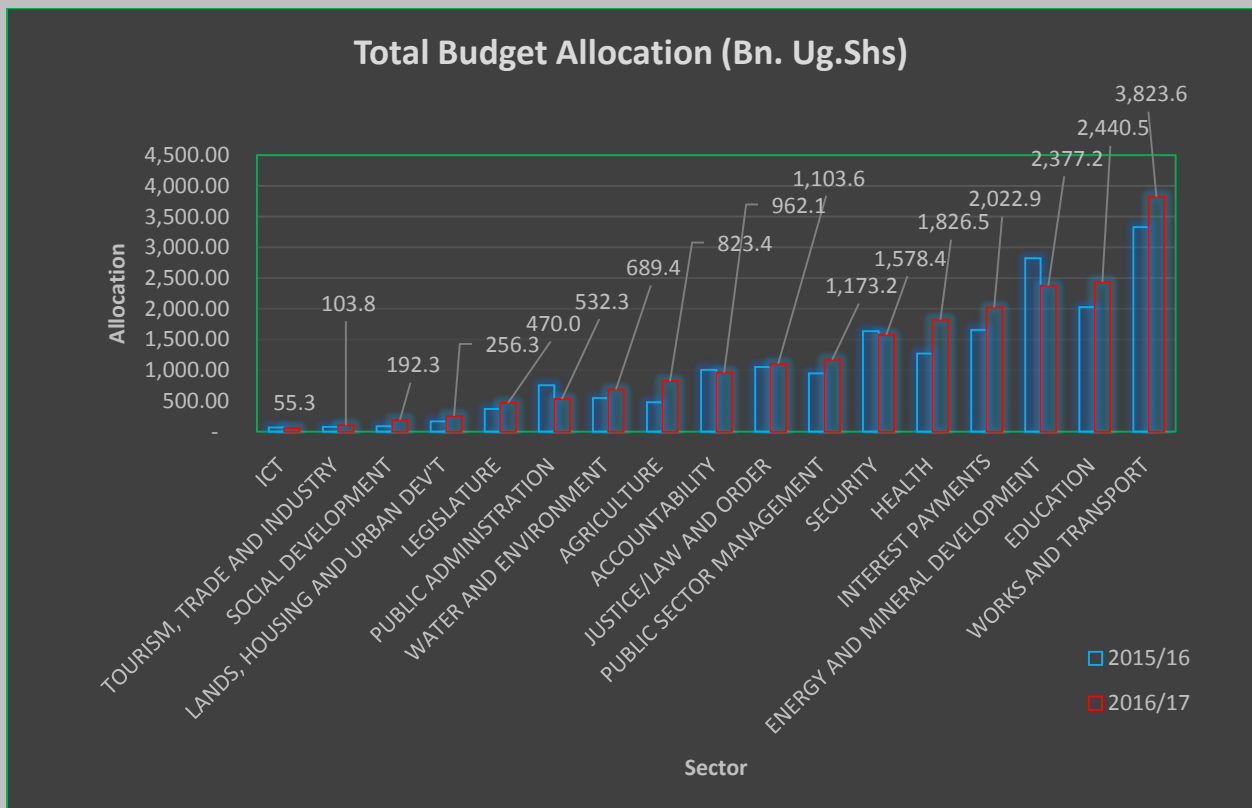
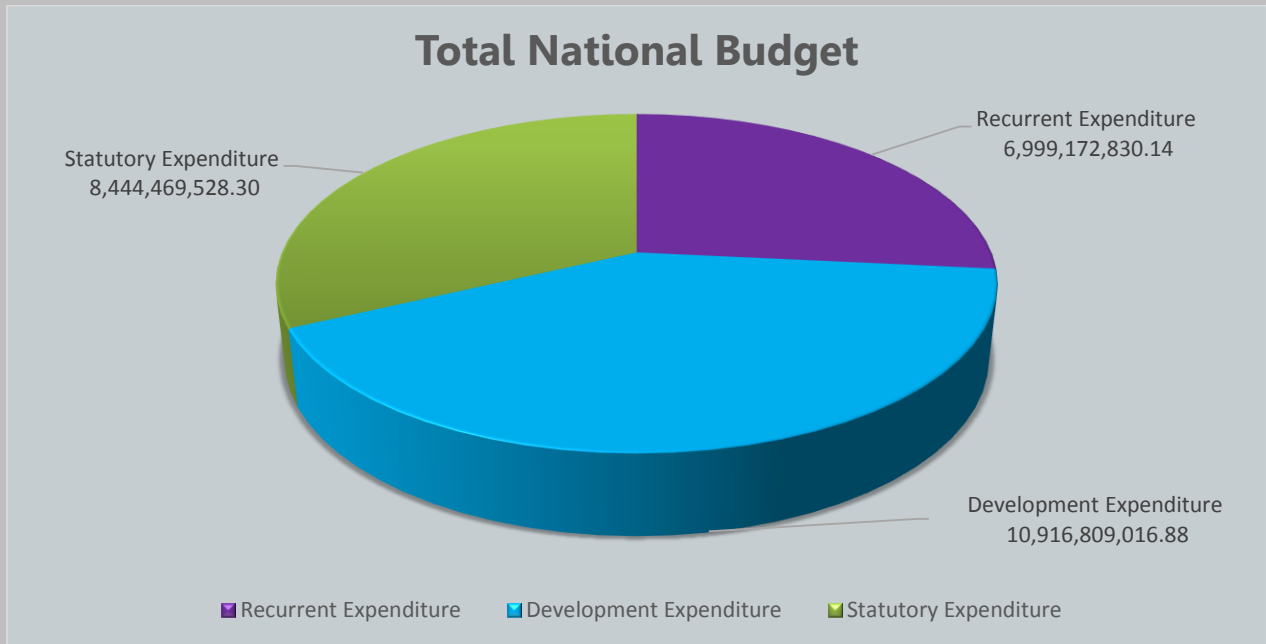
i. In order to promote Uganda's investment climate and facilitate mergers and acquisitions, taxpayers who merge or acquire loss-making businesses and continue to operate this same business after this transaction, will be allowed tax relief for such losses;

- ii. VAT relief will be granted in respect of supplies procured from the domestic market for aid-funded projects, in order to cure the imbalance suffered by domestic suppliers and producers.
- iii. Producers of solar, wind and geothermal energy will be allowed relief on VAT incurred on their business inputs, in order to reduce the cost of production of alternative sources of energy.
- iv. VAT imposed on imported services used by Business Process Outsourcing (BPO) companies will be refunded at the time of export or offset if the services are consumed in Uganda.



FY 2016/17 Expenditure

The total Budget for this Financial Year amounts to **Ug.Shs 26,360,451,230,528**.



Agriculture

The agriculture sector achieved the following progress through Government's concerted interventions during the financial year now ending;

- a) Under Operation Wealth Creation, planting materials distributed include 65 million coffee seedlings, 48 million tea seedlings in 16 districts, 4.4 million citrus seedlings in 76 districts, 2.7 million cocoa seedlings in 13 districts, and 12 tons of rice seed to establish 480 acres in four local governments of Koboko, Maracha, Nebbi and Yumbe and 1,316 metric tons of de-linted and graded cotton planting seedlings in 59 districts in Eastern, Western, West Nile, Mid-West, Central and Western regions
- b) The Animal Genetics Resource Centre and Data Bank (NAGRC&DB) has installed a new hatchery with capacity of 13,000 chicks per week to support rearing the poultry including the resilient Kuroiler Chicken.
- c) There has been a significant reduction in the Banana Bacterial Wilt, now estimated at less than 5%. Surveillance also reveals reduced incidence of Coffee pests and diseases with the Black Coffee Twig Borer now standing at less than 7% in most parts of affected areas.
- d) In the livestock sub-sector, the outbreak of Foot and Mouth Disease was contained in Apac, Kiryandongo, Nakasongola, Luwero, Nakaseke, Kyankwanzi, Wakiso, Mpigi, Mukono, Sembabule, Isingiro, Rakai, Kapchorwa, Kween, Bukwo, Kampala and Masaka.
- e) In order to increase the provision of water for production, 6 valley dams were constructed in Karamoja sub-region; and 46 Valley Tanks in Rakai, Isingiro, Lyantonde, Mubende, Kiboga, Kamuli, Kumi, Apac and Kitgum.

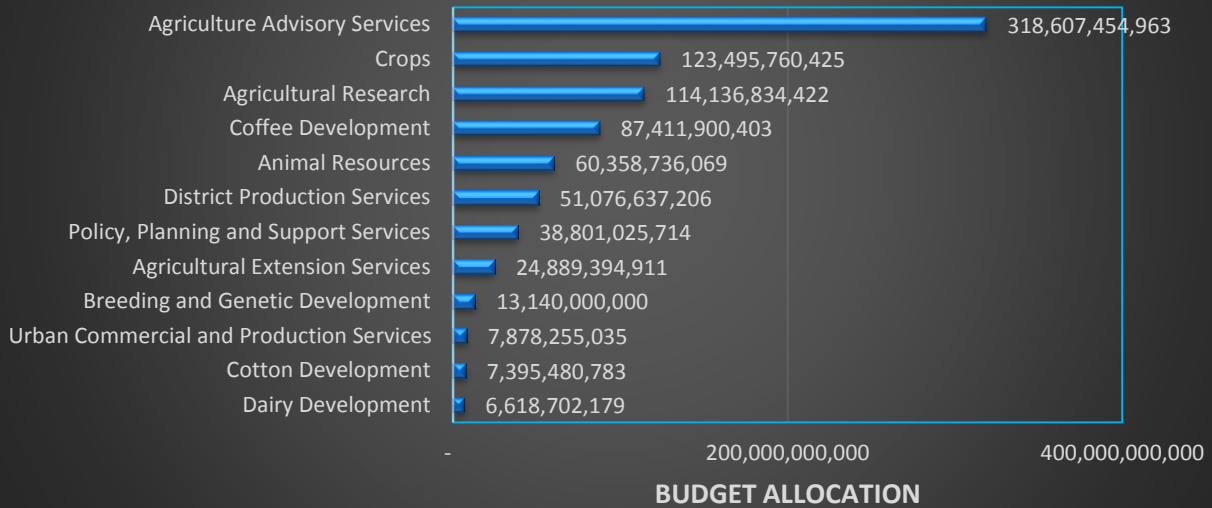
In the next year Key sector priorities and measures that will continue to be implemented include the following:-

- a) Provision of improved agricultural technologies and inputs including breeding materials, planting materials and pesticides;
- b) Intensification of regulation through increased disease surveillance, improved disease diagnostics and enforcement of animal laws and regulations at both central and local government levels;
- c) Support towards agricultural research and development; In order to further improve motivation for agricultural research scientists;
- d) Building irrigation infrastructure by constructing on-farm valley tanks, valley dams and medium to large scale irrigation schemes for communities. The cumulative water storage will be increased from the current 29.1 million cubic metres to 55 million cubic meters.
- e) Support post-harvest handling by financing commodity storage through the Agricultural Credit Facility.
- f) Adopt a comprehensive approach to Agricultural financing by developing and implementing a National Agriculture Finance Policy and Strategy to support private sector investment in agriculture; and

g) Reduce farm risks and attract investment in agriculture by

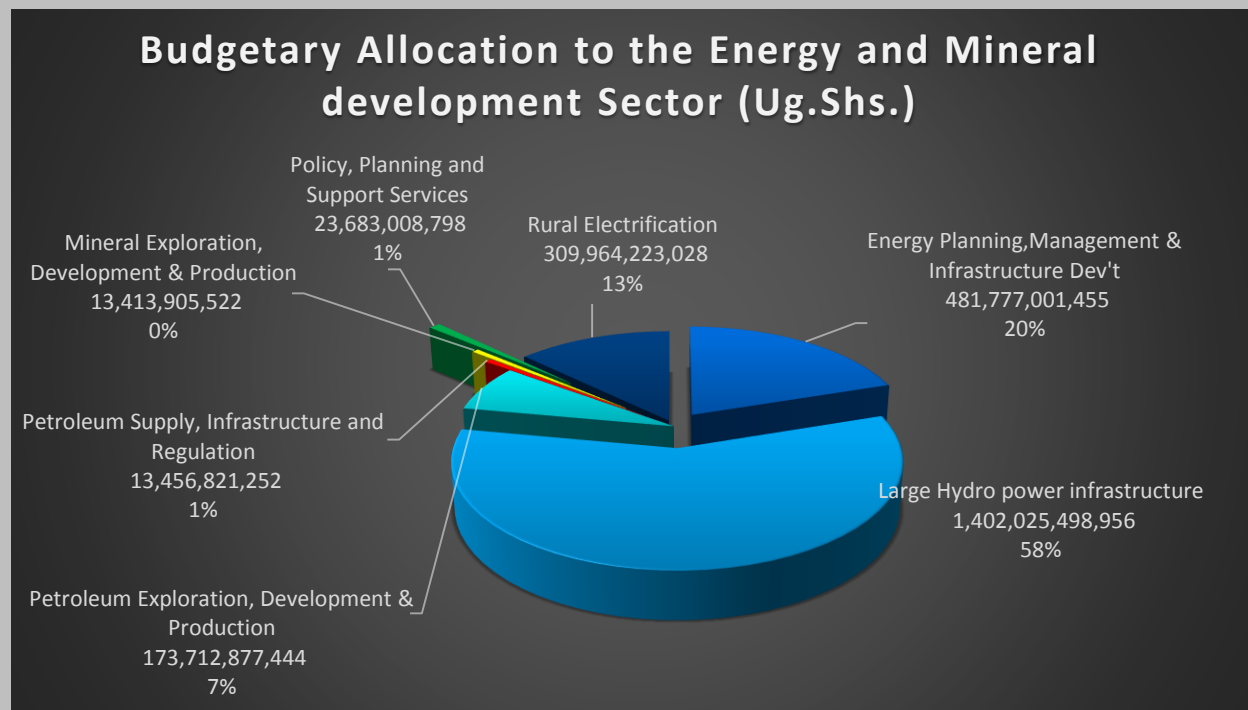
establishing an Agriculture Insurance Scheme.

Budgetary Allocation to the Agriculture sector (Ug.Shs)



Energy and Mineral development

The Government's objective is to increase the availability of reliable and affordable electricity for both domestic and industrial consumption. Under the large power stations, construction works for Karuma HEP have progressed with excavation works on the various tunnels almost complete and excavation works on the underground power station is about 40% complete. Overall, 27% of the works have been completed and project completion is still targeted during the FY 2018/19.



The initial development phase and the engineering designs for Isimba hydro power project (183MW) were completed. This included construction of camps, quality control laboratories, diesel generators (6MW), sewage treatment system, water supply system, site clinic, material workshops, access roads, provision of electricity to the construction area during the year. The Resettlement Action Plan for both the dam area and the transmission line is on-going with progress at 83%. The overall construction works stands at 25% and the project is expected to be commissioned by August 2018.

Implementation of the Rural Electrification Program is progressing well. During the FY 2015/16, construction

of 1,938kms of Medium Voltage lines and 1,633 kms of Low Voltage distribution lines have been completed in line with the targets set at the beginning of the financial year.

A total of 108 of the 112 of district headquarters have been connected to electricity and in FY2016/17 works will commence to connect the districts of Nwoya, Kaboong and Kotido. With support from the Islamic Development Bank (IDB), we are undertaking a feasibility study to connect Buvuma district to the national grid. This will bring to 100% coverage of district headquarters.

The Engineering and Financing Aspects for the development of the Oil Refinery Development have been finalized.

Negotiations of the Project Agreements for the Refinery Project between GOU and the RT Global Resources led Consortium are in final stages and are expected to be concluded by end of this financial year.

Acquisition of land for the Refinery Development has progressed with so far 97% of the Project Affected Persons (PAPs) who opted for cash compensation paid fully. For the affected persons who

opted for physical resettlement, 533 acres of land was purchased in Kyakaboga parish, Buseruka sub-county, Hoima district for construction of resettlement houses and other social infrastructure. The physical development plan for the resettlement land was completed and construction of the resettlement houses and other social infrastructure such as schools, health centers is on-going

Works and Transport - Development and Maintenance of Strategic Infrastructure

Infrastructure gaps have been among the major constraints to Uganda's Socio-economic transformation, Government has and will continue to prioritize funding of strategic infrastructure projects with emphasis on transport, energy and Information Communications Technology (ICT).

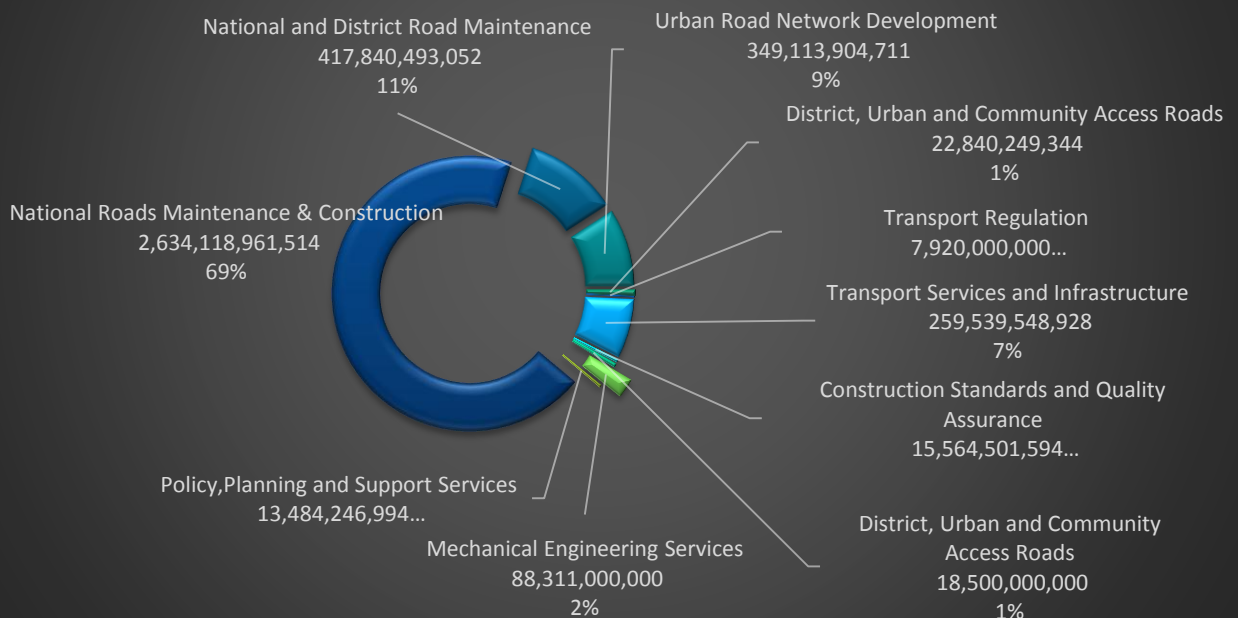
This FY 2015/16, several road projects have been substantially completed. These are listed below;

1. Atiak-Nimule (35km);
2. Maracha and Koboko town roads (6.9km);
3. Kamwenge-Fortportal (65km);
4. Kafu-Kiryandongo(43km);
5. Bundibugyo Town roads(6km);
6. Rwentobo-Kabala-Katuna road(65km);
7. Ishaka-Kagamba (35km);
8. Seeta-Namugongo (7.2km);
9. Kyaliwajala-Kira(3.5km);
10. Naalya-Kyaliwajala(2.5km);
11. Namugongo ring road(1.8km) and Shrine Access(1.8km)

Under bridge construction, the following bridges have been completed;

1. Goli, Nyagak-3 (Nebbi);
2. Apak bridge on Lira-Moroto road;
3. Ntungwe Bridge on Ishasha-Katunguru road (Kanungu);
4. Mitano Bridge Rukungiri-Kanungu road.

Budgetary Allocation to the works and transport sector (Ug.Shs)



The process for construction of the Standard Gauge Railway is in collaboration with other partner states within the EAC. The preliminary engineering designs of the Eastern (Kampala-Malaba) line were completed while the preliminary engineering design of the Western (Kampala-Mirama Hills-Kigali/Bihanga-Kasese-Mpondwe/ Muko) and the Northern (Tororo-Gulu-Nimule/Gulu-Pakwach-Arua-Vurra) lines has commenced.

New ferries for Wanseko-Panyamur, Namasale-Lwampanga and Sigulu Islands (Bugiri district) were commissioned and assembly of Wanseko-Panyimur Ferry (MV Albert Nile-1) has been completed while procurement of Sigulu islands ferry is in advanced stages.

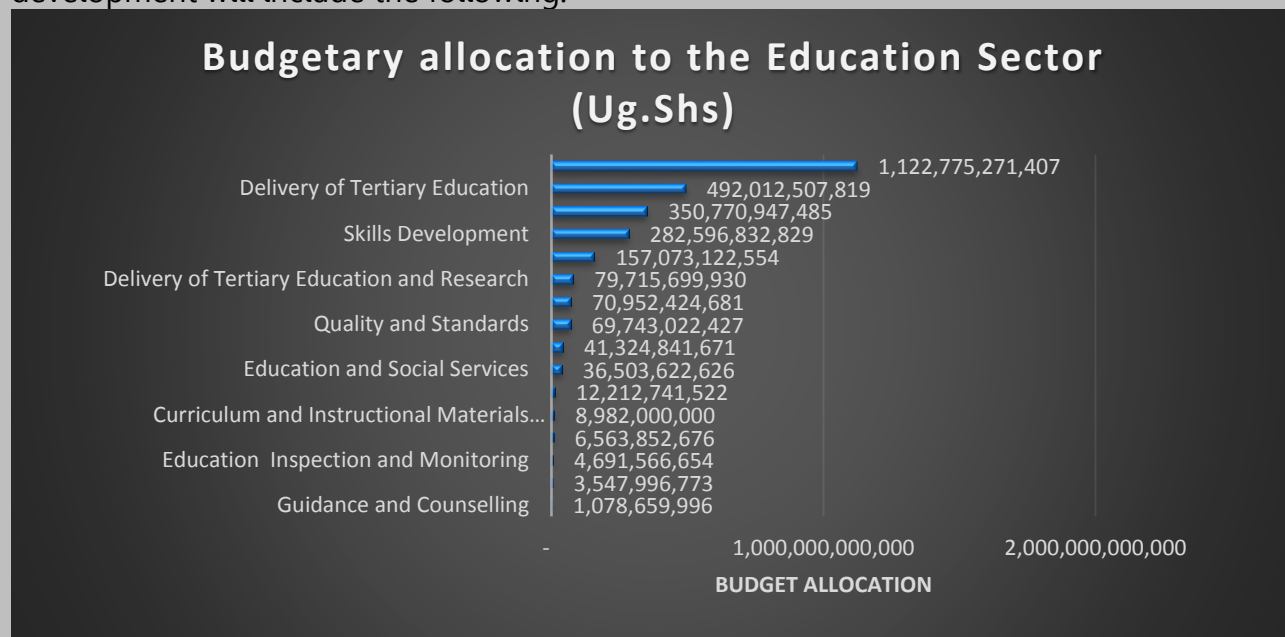
In the FY 2016/17, emphasis will continue to be on upgrade and improve the quality of operation and maintenance of Entebbe International Airport. The scope of works upgrade includes, among others, rehabilitation (Phase 1) of the cargo center complex, Runway 12/13 and associated taxiways, strengthening and expansion of Apron 1 and rehabilitation of Apron 2 as well as the remodeling of the existing passenger terminal building. The budget for the FY 2016/17 has maintained financing of the ongoing construction of major infrastructure projects with special focus on those that will directly benefit the urgent need to boost value addition and export. The objective is to complete these projects in time while providing the necessary resources for proper maintenance of completed ones.

Education

During the year now ending, access to basic and secondary education increased with enrolment rising from 8.5 million to 8.8 million pupils at primary school; and from 1.36 million to 1.39 million students at secondary school. Primary school level pass rates were recorded at 88.3%, and pass rates at secondary pass rates at 91% in the 2015 school years. From a gender equity perspective, the ratio of girls to boys at the primary school level reached 100 per cent. However, at the secondary and tertiary levels, there is still some work to be done, as the ratio of girls to boys stands at 88.3% and 79.1% respectively.

For FY 2016/17, the Government priorities under the Education and skills development will include the following:

- Recruitment of tutors for the Technical Institutes operationalised this year will be undertaken.
- Operationalise three Public Universities in Soroti, Kabale and Lira and these are set to offer Science related programmes which are critical to the Economic Development of the Country.
- Expand the Student Loan Scheme to cater for the Second Cohort of 1,000 University students and 200 students of Diploma courses to improve access to higher education.



- Increase of salaries of Primary teachers by 15% which will be the last instalment in Government's commitment to increase teachers' salaries by 50% in a phased manner.

- Finalize the update of national curriculum for Business, Technical Vocational and Education and Training courses;
- Complete six technical and vocational national certificate assessment guides;

g) Complete orientation manuals for 6 technical and vocational programmes;

h) Train 237 instructors on the 6 technical and Vocational national Certificate programmes

Health

During the year, Government has sought to improve quality access to health by constructing and equipping hospitals and health centres.

- ✓ Reported cases of Malaria have reduced from 460 per 1,000 persons in 2013 to 367 per 1,000 persons in 2015.
- ✓ Facility-based Maternal Mortality has reduced from 168 per 100,000 live births in 2013 to 146 per 100,000 live births in 2015.
- ✓ Infant mortality declined from 87 deaths per 1,000 live births in 2002 to 53 deaths per 1,000 live births in 2014.
- ✓ The proportion of deliveries in health facilities stood at 44.4 per cent in 2014 and is expected to reach 56 per cent in 2017.
- ✓ New HIV infections have also reduced from 137,000 in 2014 to 87,000 in 2015.

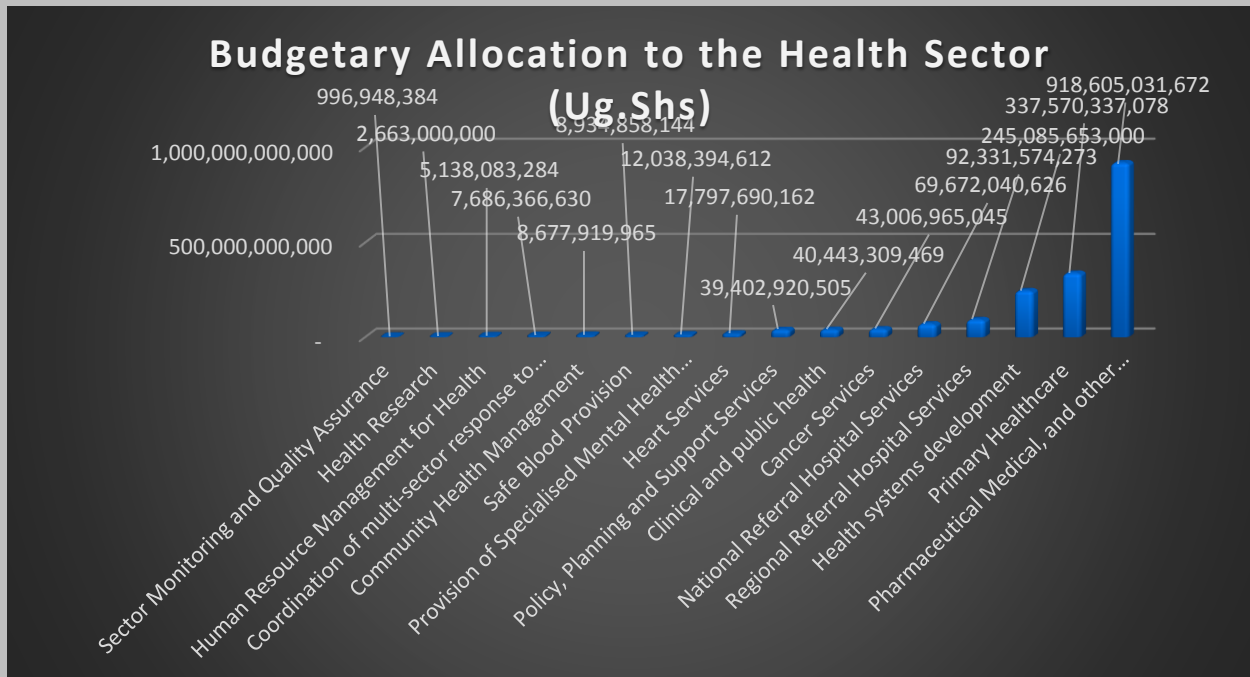
In the FY 2016/17 Government will continue implementing a sharpened plan

to accelerate investments in Maternal, Newborn and Child health by targeting areas with highest number of deaths, increasing access for high burden populations.

Immunization against life threatening diseases including Human Papilloma Virus (HPV), polio and diarrhoea will continue.

Government will implement the existing four strategies for the control of malaria and enhance TB case detection, management and infection control by increasing the MDR TB treatment centers and equipping more health facilities with GeneXpert machines.

In order to increase access to health care, expansion, rehabilitation and equipping of Mulago Hospital estimated at US\$ 47 million is expected to be completed by December 2016. This is being done alongside the construction of specialized Maternal and Neonatal-(Women's Hospital) Hospital at a cost of US \$ 34.14 million scheduled for completion in June 2017.



Government has also completed the construction of eight hospitals at a cost of US\$52 Million. These are; Moroto, Mityana, Nakaseke, Kiryandongo, Nebbi, Anaka, Entebbe and Iganga. Moyo will be completed by June 2017.

Expansion of Hoima and Kabale Hospitals was completed.

The Uganda Heart Institute [UHI] installed cardiac catheterization facility and a theatre that can handle at least 1000 operations / procedures per year when fully operational.

Government has strengthened the capacity of Uganda Virus Research Institute (UVRI) to enable it detect new viruses that have been causing outbreaks such as Ebola and Marburg.

Government shall continue to focus on the priorities in the National Prevention Strategy of HIV/AIDS including;- rapid

scale up of annual HCT Coverage of 50% of 15-49 years population (with target of HCT of 90% by 2020), behaviour change communication programs coverage to achieve reduction in multiple sexual partnerships by 25%, condoms program coverage of 80%, safe male circumcision coverage of 80% and expand ART coverage to 80%, with test and treatment of most at risk populations, and elimination of Mother to Child Transmission coverage of 95%.

Government shall continue and complete the constructions/rehabilitation of the nine hospitals expansion, and equipping of Mulago Hospital, specialized Maternal and Neonatal Hospital in Mulago, expansion and rehabilitation of maternity wards and theatres in 26 health Centre IVs country wide and rehabilitation of the 14 hospitals and in addition rehabilitate, Kagadi, Kambuga, Gombe, Bududa and Tororo.

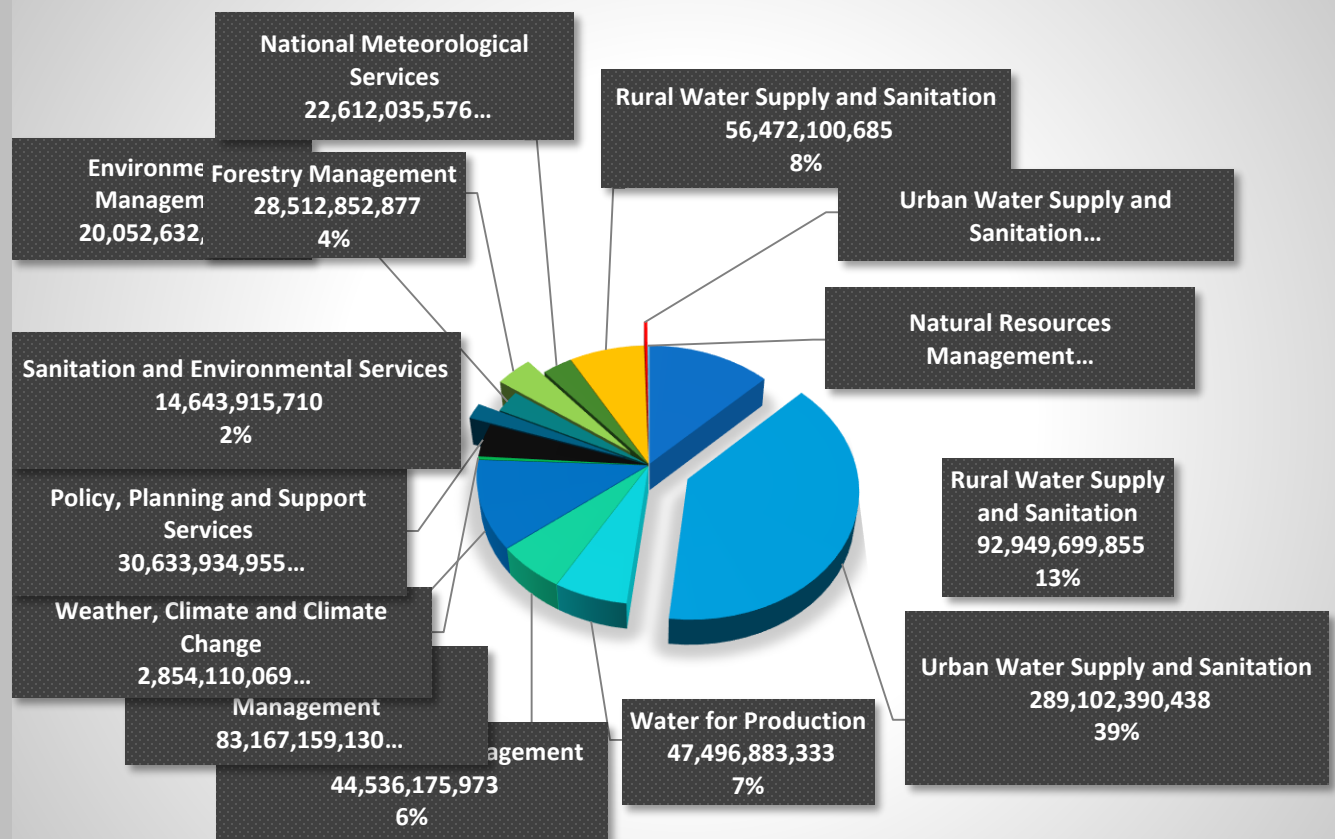
Water and Environment

During the year, 6 solar mini powered piped water supply Systems and 6 toilet facilities were constructed in 6 Rural Growth Centers (RGCs). Piped water systems in 19 towns were also constructed to improve urban water supply.

In the FY 2016/17, the target is to increase access to safe water to 79% in rural areas and 100% in urban areas by ensuring that each village has a safe

water source and increasing functionality of water supply systems, sanitation and hygiene levels in rural and sewerage in urban areas to 30%, planting of 100-200 million trees annually country wide and increase the national forest cover to 18% and national wetland coverage 12 % as well as increasing automation of climate monitoring network to 40% to increase country's resilience to the impacts of climate change effects.

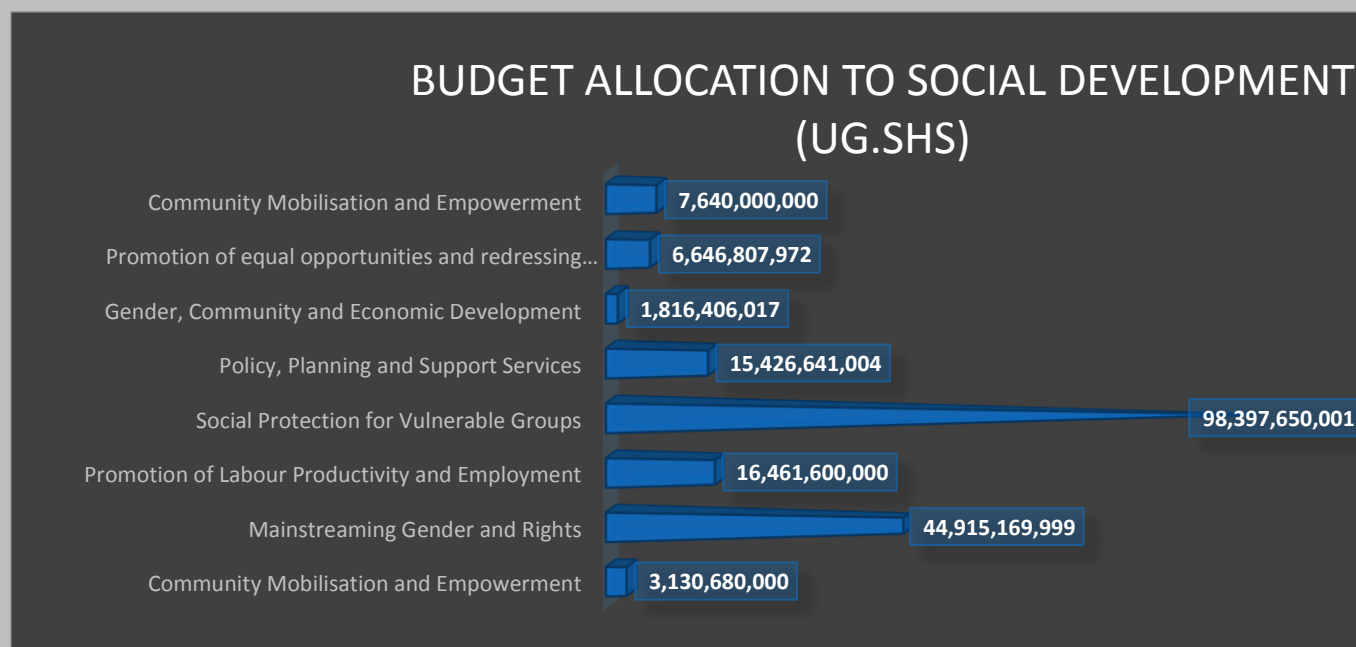
Budgetary Allocation to the Water & Environment Sector (Ug.Shs)



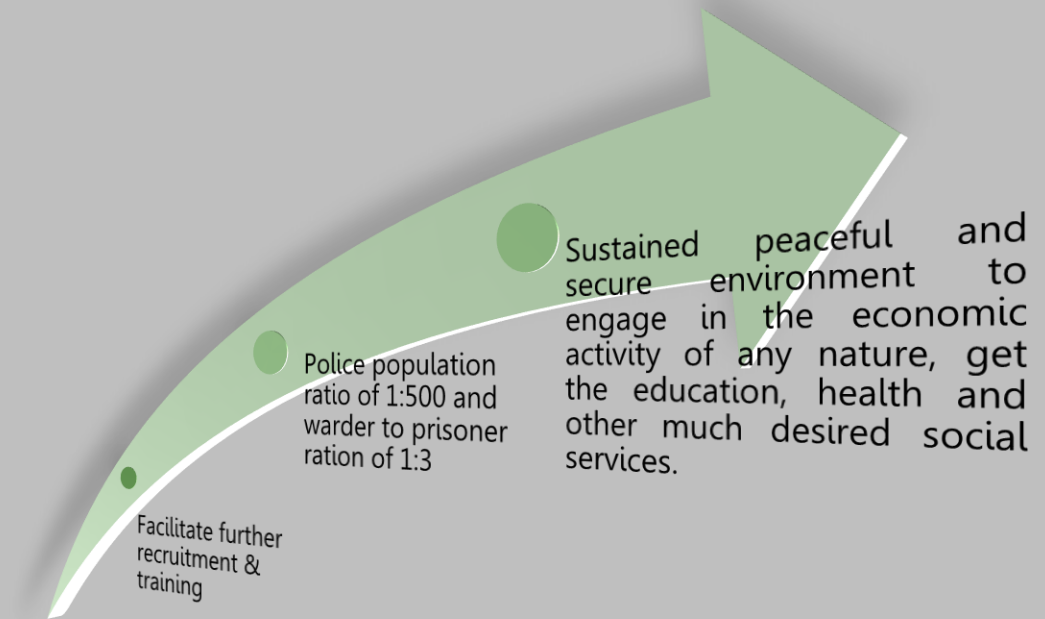
Employment and Socio-Economic Empowerment

The Government programme for employment creation, Socio-economic Empowerment and inclusive growth is largely focusing on improving the capacity of the population especially the youth to harness their potential by promoting self-employment, productivity and competitiveness while providing social and economic protection to the vulnerable sections of the population.

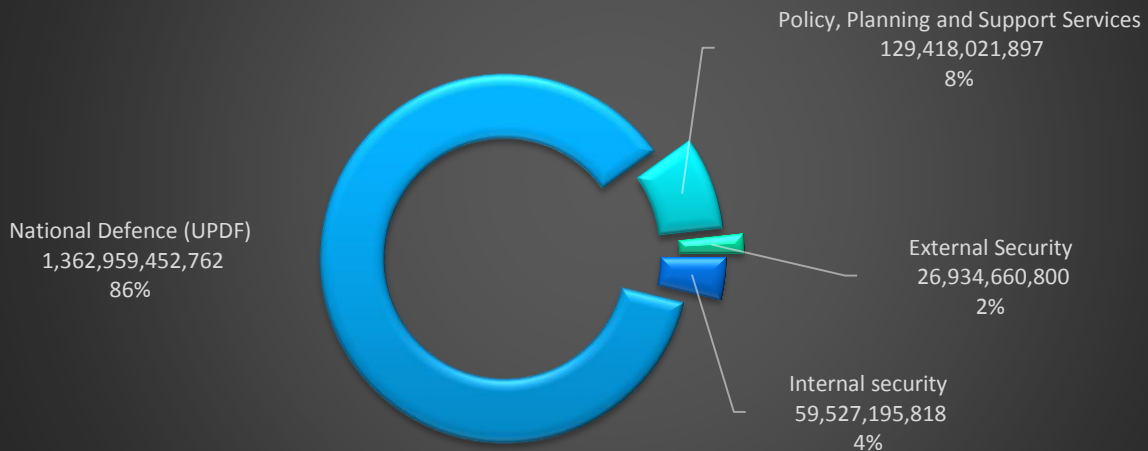
This will be done through programmes for supporting and promoting economic empowerment of various interest groups. These include the Youth Livelihood Programme, Women Entrepreneurship Fund and Social Assistance Grant for Empowerment (SAGE) with specific emphasis on capacity building for innovation, investment, entrepreneurship and social protection. The strategy for employment creation will involve the development and prioritization of the following interventions:



Security - National Security and Defense



Budgetary Allocation to the Security Sector(Ug.Shs)



Policy Initiatives

Decentralization of Payments for Salary, Wages and Pension

Effective FY 2013/14, Government took a decision to decentralise the budgeting for and payment of salaries to the respective Accounting Officers of Votes where employees are engaged from. The responsibility of budgeting and payment of salaries was hitherto under the Ministry of Public Service and Ministry of Finance, Planning and Economic Development. This decision was taken because there were numerous challenges under the centralised

system. Among them was delayed salary payment to employees, persistent wage shortfalls, existence of 'ghosts' on the payroll and accumulation of salary arrears.

Relatedly, decentralisation of the budgeting and payment of Pension and Gratuity was piloted in FY 2014/15 with those retiring within the same period and the old records under Ministry of Public Service were finally transferred to the respective votes in FY 2015/16. Therefore, the responsibility of budgeting and payment of Pension and Gratuity was shifted from the Ministry of Public Service and Ministry of Finance, Planning and Economic Development to the respective Accounting Officers of Votes where employees retire from. Similarly, this decision was taken because there were numerous challenges under the centralised system. Among them were delayed monthly pension payments, delayed payments of retirees' Gratuity, persistent Pension and Gratuity shortfalls, existence of 'ghosts' on the Pension and Gratuity payroll and accumulation of arrears.

Consolidation of Inter-Governmental Transfers

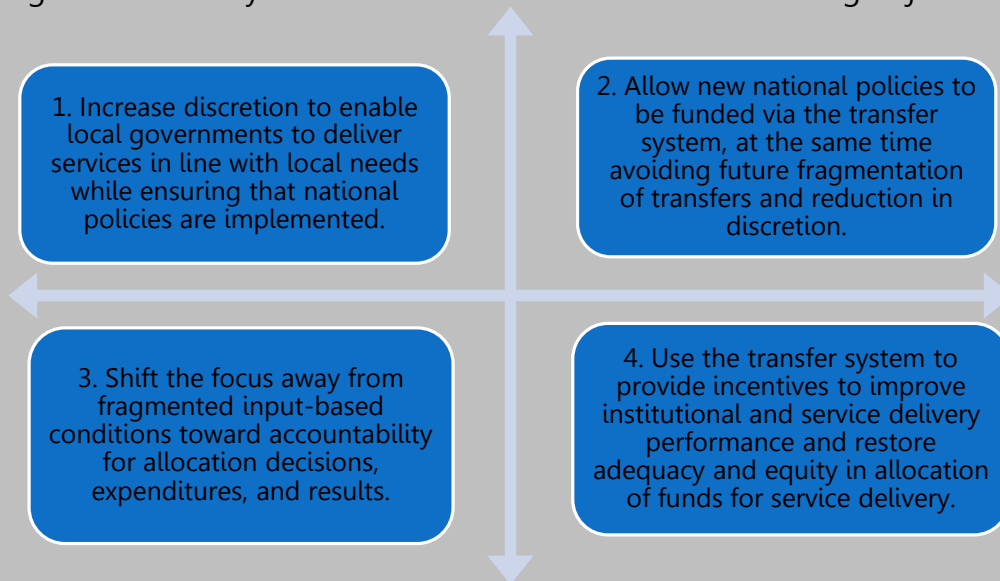
The government has initiated reform to intergovernmental fiscal transfers and budgeting.

This reform was propelled by two key studies: one done in 2012 by the Local Government Finance Commission (LGFC) on the "review of Local Government financing" and another jointly done in 2013 by this Ministry and the World Bank on "Service Delivery with more Districts in Uganda- Fiscal challenges and opportunities for reforms". Both these studies recommended a review in Local Government financing in Uganda which were embraced by the Government of Uganda.

The following objectives were identified and agreed for reforming fiscal transfers:

- ✓ To allow existing and new national policies to be financed via the transfer system, at the same time avoiding future fragmentation of transfers and increasing discretion to ensure services are delivered in line with local needs;
- ✓ To shift the focus away fragmented input-based conditions towards accountability for allocation decisions, expenditures and results;
- ✓ To use the transfer system to provide incentives to improve institutional and service delivery performance; and
- ✓ To restore adequacy and equity in allocation of funds for infrastructure and service delivery;

Design of the new system of transfers is based on the following objectives:



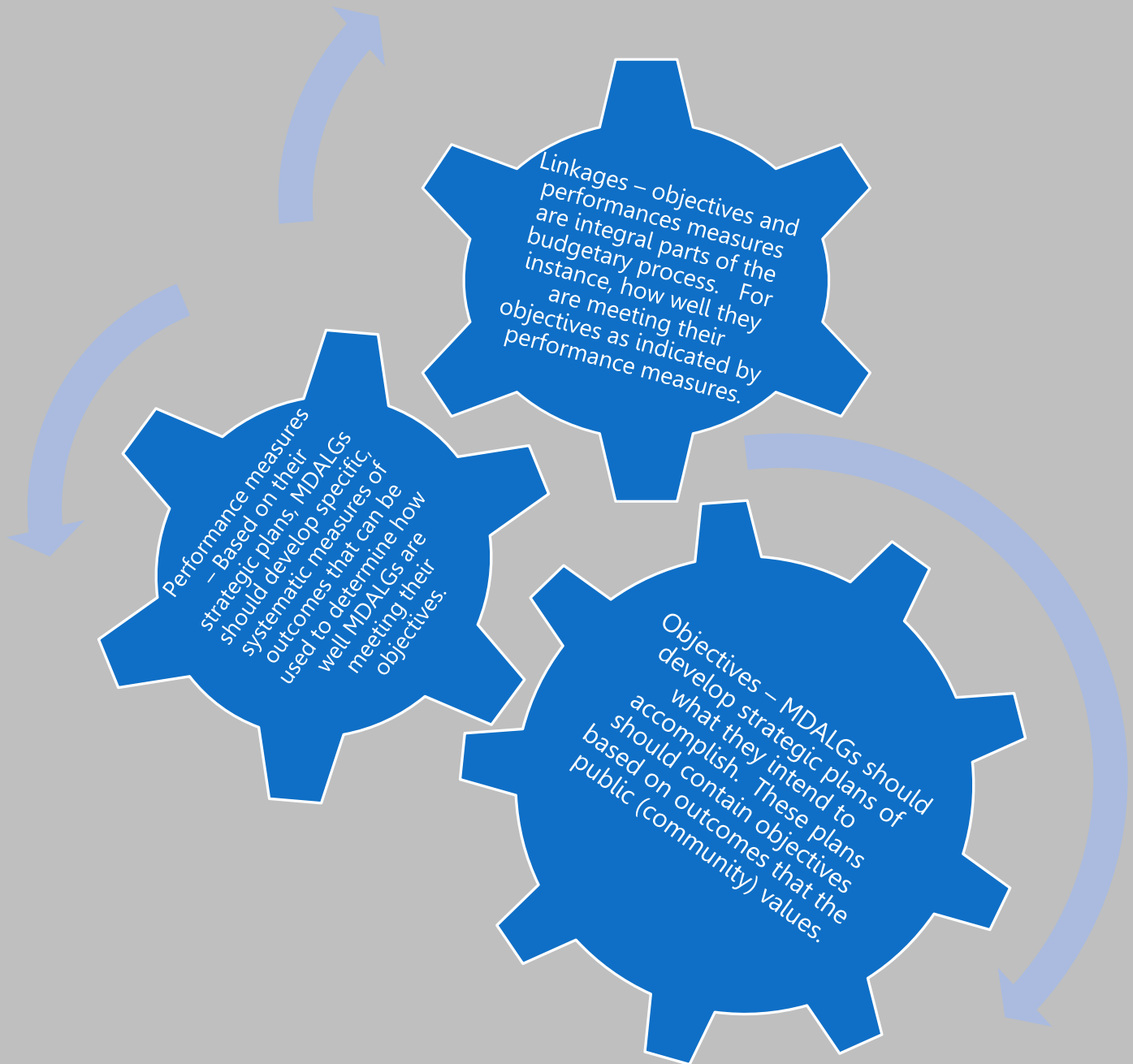
The reforms are being implemented in four main phases, which began in FY 2015/16 and projected to be in full implementation by FY 2017/18. The phases include:

- i). Phase 1: Interim Consolidation of Local Government Transfers and the production of interim Grant Conditions for Sectoral Transfers implemented in FY 2015/16; *involved Development of super grant structure of having each sector having a maximum of one wage, Non-Wage and Development grants. (Reduced number of grants from 58 to 13);*
- ii). Phase 2: Consolidating and redesigning discretionary transfers and reviewing the principles for grants to Local Governments and establishing budgeting requirements implemented in Budget process of FY 2016/17; *New grant and budget guidelines were developed and issued by Sector MDAs for LGs to use for Budgeting for FY 2016/17 to replace the conditional grant guidelines;*
- iii). Phase 3: Reforming frameworks for accountability and strengthening incentives for FY 2017/18, strengthening mechanisms for transparent and accountable grant management by Introducing performance conditionality to lever institutional and service delivery improvements from FY 2017/18 onwards: *Involving the development of a system for using local government grants to provide incentives for local governments to improve institutional and service delivery performance.*

As part of phase 3, an independent assessment is being carried out by an independent audit firm, reviewing the Performance Contracts for FY 2016/17, assessing the compliance of each Local Government with the new Grant and Budget Guidelines. This will inform sector monitoring of the execution of the Budget of FY 2016/17.

- iv). **Phase 4:** Fiscal Decentralisation Architecture & Share of Transfers Reviewing LG mandates and estimating the cost of adequately financing those mandates relative to the overall budget.

Performance Based Budgeting



Sustainable Development Goals

Sustainable Development Goals

- End poverty in all its forms everywhere.
- End hunger, achieve food security and improved nutrition and promote sustainable agriculture.
- Ensure healthy lives and promote well-being for all at all ages.
- Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.
- Achieve gender equality and empower all women and girls.
- Ensure availability and sustainable management of water and sanitation for all.
- Ensure access to affordable, reliable, sustainable and modern energy for all.
- Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
- Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.
- Reduce inequality within and among countries.
- Make cities and human settlements inclusive, safe, resilient and sustainable.
- Ensure sustainable consumption and production patterns.
- Take urgent action to combat climate change and its impacts.
- Conserve and sustainably use the oceans, seas and marine resources for sustainable development.
- Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.
- Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.
- Strengthen the means of implementation and revitalize the global partnership for sustainable development.

Final Remarks – Going forward and challenges

- ❖ For the wider public, the budget has prioritised interventions that will lead to better social services in health, education, water, sanitation, security, transport, agriculture, among others.
- ❖ To the business community and tax payers, this budget aims at providing a conducive environment for investment through macroeconomic stability, better infrastructure, business licencing and registration and access to finance to mention but a few.
- ❖ For the farmers, Ugandans acknowledge that you hold one of the most important keys to Uganda's journey for wealth creation, employment, food security.
- ❖ For the youth, Government is aware that you are the foundation for Uganda's future progress and transformation. The measures outlined in this budget will gradually but surely create opportunities for employment.
- ❖ For the elderly and senior citizens, Government greatly acknowledges your eternal contribution to both the foundation but also the future of our dear country. This budget aims at creating a decent and secure environment.

