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18th October 2017

PRESS RELEASE ON QUARTER TWO EXPENDITURE RELEASES FY 2017/18

1. I wish to welcome the media and other stakeholders to this media briefing on the performance of the economy. The objective of this media briefing is to disseminate information to the general public on the implementation of the Budget for the FY 2017/18.

A. APPROVED BUDGET FY 2017/2018

2. The Total Approved Budget for Financial Year 2017/18 is **Ushs 29,008.54 billion** as per Annex 1.
3. However, the GoU Budget (Excluding Debt, External Financing & AIA) is **Shs 12,591,944,334,597 (Shillings Twelve Trillion, Five Hundred Ninety One Billion, Nine Hundred Forty Four Million, Three Hundred Thirty Four Thousand, Five Hundred Ninety Seven Only)**. This is the amount released by MoFPED to institutions for expenditure
4. Ministry of Finance Planning and Economic Development releases funds quarterly and in Quarter One, the releases were made on 7th July 2017, whereas in Quarter Two, the releases were made on 21st September 2017.
5. This is in line with MoFPED's commitment to release funds before the 10th day of the first month of the quarter to ensure speedy execution of Government programs.

B. EXPENDITURE LIMITS FOR QUARTER ONE AND QUARTER TWO FY 2017/18

6. To date , MoFPED has released **Ushs 6,698.17 billion**, (this is about 53.2% of the Approved GoU Budget excluding Debt, External Financing & AIA) to meet the following expenditures:
 - i) Comprehensive provision for wages and salaries, Pensions and Gratuity.

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- ii) **Ushs 300.12 billion** to cater for **Verified Domestic arrears** to ensure that Government institutions meet their obligations towards private companies of which **Ushs. 19 billion** was released in Quarter One for Salary arrears and **Ushs. 100 billion** has been released in Quarter Two to cater for Pension and Gratuity Arrears.
- iii) Under the Education sector, the capitation grants for schools were fully provided to cater for the Third term of the academic calendar which started in September. In Quarter Two funding has been provided to cater for instruction materials, Examination bodies and capitation grants to institutions.
- iv) The planting season has been considered and NAADS was provided **Ushs 151.77 billion** and Coffee Development Authority with **Ushs 35.74 billion**.
- v) **Ushs 227.92 billion** was provided to National Medical Stores to meet the obligations for purchase of drugs.
- vi) **Ushs 680.71 billion** was provided to UNRA for Quarter One to ensure that there is no delay in the implementation of projects.
- vii) In the Energy sector, **Ushs 72 billion** was provided to meet thermal energy costs.
- viii) Under the Water Sector, **Ushs 141.7 billion** was provided to meet the obligations of water projects especially under the Kampala Water and Sanitation Project.
- ix) **Ushs 22 billion** for rehabilitation works for Mulago to be completed in December 2017.
- x) **Ushs 8.6 billion** has been provided to Uganda Cancer Institute for payment of outstanding certificate for the Bunker and specialized medical supplies as well as **Ushs 3.7 billion** to the Uganda Heart Institute for procurement of specialized equipment.

Local Government releases.

7. Releases to local governments have been effected and are based on annual workplans, quarterly workplans and annual cashflow plans. A total of **Ushs 638.35 billion** has been released to local governments as follows:
 - Wage - **Ushs 851.99 billion**
 - Non-Wage - **Ushs 163.33 billion**
 - Development - **Ushs 169.1 billion.**
8. 58.3% of the local government development grants have been released in the first half of this FY to enable Local Governments implement projects timely, the balance will be released in Quarter Three. This is in line with GoU's commitment to release funds for Local Governments timely in order to minimise procurement delays and unspent balances at the end of the FY.
9. Transfers to educational institutions, health units and all lower local governments are transmitted directly to their institutional Bank Accounts.

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The Quarterly Release Process

10. MoFPED issues the Annual Cash plan at the beginning of the Financial Year. Accordingly, in Quarter One FY 2017/18, the Annual Cash Plan was issued on the 30th June 2017.
11. The Annual Cash plan contains projections of expenditure for Ministries, Departments and Agencies (MDA's) and Local Governments derived from Work plans and forms the basis for the issuance of the Quarterly Expenditure Limits for FY 2017/18 for all Government institutions.
12. For Local Governments, the Capitation grants are released in three tranches in line with the School calendar; that is in the first, third and fourth quarter and the development budget is released in the first three quarters in order to expedite implementation of their development plans.
13. The Quarterly Release Timelines are as follows:
 - i) MoFPED issues expenditure limits by the 10th day of the first month of the Quarter.
 - ii) Accounting Officers are required to submit to MoFPED requests for Accounting Warrants for wage, pension/gratuity, other non-wage and development budget within a week of issuance of the limits;
 - iii) Approval/rejection of release warrants and transfers by MoFPED for MDA's within 48 hours of receipt of warrant;
 - iv) Regarding Local Governments, based on the approval of the warrant by MoFPED, Accounting Officers enter warrants of the invoices for Direct Transfers to health facilities, sub counties, Town Councils, schools and Tertiary institutions.
 - v) Payments can then be effected by Accounting Officers.

Challenges in the release process

- i.) Change of the transfer system to the HEMS in FY 2016/17 has caused delays in releases given that Local Governments were previously not required do this.
- ii.) Delays in submission of warrants by MDA's
- iii.) Timeliness of release advice from sector line ministries;
- iv.) Accuracy of information in terms of Bank accounts of Education institutions, health centres, town councils, etc.
- v.) Delays in submission of quarterly performance reports by the Local Governments.
- vi.) Delays in payments by Accounting Officers even when funds are available and works have been executed.

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Measures to address challenges

- i.) By transferring all Local Governments to the IFMS, the release process for the rest of the year will be more efficient.
- ii.) All accounting officers have been trained on the release process.
- iii.) Most of the required information has been compiled for effective release in subsequent quarters.
- iv.) Review of delayed payments in projects where disbursements have been made.
- v.) Conduct surveys on payments by Accounting Officers and disciplinary action taken.

KEY POLICY ISSUES FOR FY 2017/18

Settlement of Domestic Arrears

14. As directed by H.E the President and re-iterated by Hon. MoP/PIED in his budget speech, MDA's should ensure that they prioritise the clearance of domestic arrears. Therefore;

- i) All outstanding arrears must be paid before new suppliers are paid against the relevant item; and
- ii) Monthly reports must be provided to this Ministry with a copy to Office of the Prime Minister, on the status of clearing domestic arrears.

Promotion of Local Content

15. In line with the government policy on local content, Accounting Officers are reminded to ensure that priority is given to procurement of locally produced goods provided they are certified by the Uganda National Bureau of Standards (UNBS).

Decentralised Payroll Management

16. Government decentralised salary and pension payroll management to the respective institutions so that Accounting Officers are accountable for any changes on the payroll and payments to public officers and pensioners. This policy has enabled timely payment of employees and verified pensioners.

C. REVENUE AND MACRO ECONOMIC PERFORMANCE TO DATE FY 2017/18

17. **Inflation:** Annual Headline Inflation receded to an average of 5.4⁰% during the first quarter of FY 2017/18 from an average of 6.8⁰% in the previous quarter ended June 2017. The decrease in annual headline inflation during Quarter 1 of FY 2017/18 was driven by a decline in Food Crop inflation to an average of 11.4⁰% during the first quarter of FY2017/18 from an average of 21.0⁰% in the previous quarter and

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also a decline in the Core Inflation which constitutes over 80% of the Consumer Price Index basket to an average of 4.3% in the first quarter of FY 2017/18 from an average of 5.0% in the previous quarter. For the remainder of FY 2017/18, risks to the projected inflation trajectory have remained low and on that basis, annual headline inflation is expected to average at 5.8% in FY 2017/18.

18. **The Business Tendency Index (BTI)** stood at 59.1 in September 2017, above the threshold of 50. This indicates that we are on course to achieve our target of 5.5% growth for FY 2017/18
19. **Exchange rate:** The shilling was relatively stable appreciating marginally by 0.2% to an average of Shs. 3,602.6 per US dollar in the first quarter of FY 2017/18 from an average of Shs. 3,611.0 per US dollar in the previous quarter ended June 2017. This was largely on account of higher inflows from offshore investors, the export sector as well as NGOs that outweighed the demand from manufacturing, telecom and oil sectors.
20. **Private Sector Credit (PSC):** Private Sector credit continued to recover during the first quarter of FY 2017/18. The stock of outstanding Private Sector Credit (PSC) increased by 0.9% in August 2017 to Shs. 12,224.3 billion from Shs. 12,118.1 billion in June 2017. This is attributed to the increase in flows of credit to trade, manufacturing, personal loans and household loans and agriculture sectors following the easing of monetary policy.
21. **Government Securities:** The primary market was characterized by a decline in yields across all tenors in the month of September 2017. The average weighted yields to maturity for September were 9.8%, 9.8% and 10.6% for the 91, 182 and 364 day tenors, respectively. This compares with 9.9%, 10.2% and 11.1% in August 2017. The yields edged downwards due to excess liquidity in the money market and high demand for government paper.
22. **Trade deficit:** Comparison between August 2017 and July 2017 shows that the merchandise trade deficit widened by 44.4% to US\$ 137.2 million in August 2017. The higher deficit is attributed to a drop in the value of merchandise exports and growth in the value of import by 7.7%.

However in comparison with the same period last year, the trade deficit decreased by 21.1% due to an increase in exports and a fall in the import bill.

CONCLUSION

23. In conclusion, I would like to empathise the following:
 - i) All Accounting Officers must ensure that they pay wages, salaries, pensions and gratuity by the 28th of every month.
 - ii) Accounting Officers must prioritize payment of service providers on time and avoid accumulation of arrears.

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- iii) There should be display of the payrolls for salaries and monthly pensions on government institutions notice boards every month.
- iv) Accounting officers must ensure timely submission of performance reports and accountability.
- v) The national identification numbers will be used in the confirmation of payment of wages, pensions and gratuity.
- vi) All government institutions should ensure pre-payment of utilities(water and electricity), failure to adhere to this, the service providers should turn off non-compliant vote
- vii) Clearance of domestic arrears must be prioritized in quarter two.

24. Over the last three years, MoFPED has been committed to the timely release of funds and all stakeholders are requested to take note of information printed in the media.

25. Once again, I wish to thank the Press and Civil Society for supporting our budget transparency initiative and I urge you to make use of our website www.budget.go.ug where we post more detailed information. You may also call our Budget Call Centre on 0800 229 229 for any information on the Budget.


Keith Muhakami

PERMANENT SECRETARY/SECRETARY TO THE TREASURY

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