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PRESS RELEASE

A. HALF YEAR FISCAL PERFORMANCE

1. The Total Approved Budget for Financial Year 2014/15 is *Ushs 15.829 trillion* as shown below:

i) Revenue:

Domestic Financing	-	Ushs 12,517.9 billion
External Financing	-	Ushs 2,743.3 billion
<u>Appropriation in Aid</u>	-	<u>Ushs 568.8 billion</u>
Total	-	Ushs 15,829.9billion

ii) Expenditure:

Wage	-	Ushs 2,904.3 billion
Non Wage	-	Ushs 5,263.4 billion
Domestic Development	-	Ushs 4,419.0 billion
Donor Development	-	Ushs 2,674.3 billion
<u>Appropriation in Aid</u>	-	<u>Ushs 568.8 billion</u>
Total	-	Ushs 15,829.9billion

Half Year Revenue Performance

2. Cumulative URA tax revenue collections amounted to Ushs 4.568 trillion against a target of Ush 4.544 trillion thereby exceeding the target by Ush 24.3 billion during the first half of FY 2014/15. The categories of domestic tax performance is as follows:

- Income Tax-Performed above target by Ushs 51.2 billion on account of strong performance of corporation tax in December 2014, however PAYE, withholding tax and tax on bank interest had deficit performance
- Excise Duty-Performed above target by Ushs 4.7 billion on account of excise duty on mobile money, sugar and international incoming calls. However, excise duty on phone talk time, spirits and beer was below target.
- Value Added Tax; this was below target by Ushs 42.4 billion resulting from unanticipated investments in electricity and water that led to refund claims.

- In addition, International trade taxes and Non tax revenue registered surpluses of Ushs 0.1 billion and Ushs 1.2 billion respectively over the period.

Half Year Expenditure Performance

3. By the end of the first Half of FY 2014/15 (December 2014), 49.8% of the Approved GOU Budget was released. This amounts to **Ushs 6.29 trillion** released to Government Institutions including Karuma and Debt Obligations but excluding releases from Development Partners and Appropriation in Aid.
4. Out of the total funds released, 88.94% was spent, amounting to **Ushs 5.594 trillion** (Refer to Table 1 below). Non Wage recurrent expenditure reflects the highest absorption rate of 93.6%, whereas Wage performance is the lowest at 84.8% and therefore unspent funds of Ushs 224 billion. Performance of Development (Capital) Expenditure was 85.79% resulting in Ushs 298 billion unspent.

TABLE 1: HALF YEAR EXPENDITURE PERFORMANCE FY 2014/15

	Approved Budget (A)	Total Releases (B)	Total Expenditure (C)	Release Perf. (B)/(A)	Absorption (C)/(B)
Wage	2,904,381,310,613	1,484,882,222,018	1,260,399,559,295	51.13%	84.88%
Non Wage	5,263,402,066,541	2,703,339,676,269	2,530,889,874,819	51.36%	93.62%
Devt.	4,419,028,181,889	2,102,173,145,815	1,803,465,532,565	47.57%	85.79%
TOTAL	12,586,811,559,043	6,290,395,044,102	5,594,754,966,679	49.98%	88.94%

B. MACRO ECONOMIC PERFORMANCE

5. **Economic Growth:** Following the improvement in growth performance in FY 2013/14 at 4.5% in real terms, the economy is expected to grow at a rate of 6% per annum over the medium term as investments in public infrastructure (esp. energy and roads) are completed.
6. **Inflation:** as of December 2014, inflation was at 1.8% (headline inflation). The average headline inflation for the first half of the FY 14/15 averaged at 2.4%. Inflationary pressures are projected to remain relatively stable over the medium term, with annual inflation projected to remain within single digits.
7. **Foreign Exchange:** As of December 2014 the exchange rate was at \$/Shs 2,768 which represented a 10% depreciation from \$/Shs 2,512 in December 2013. Currently the exchange rate is hovering at a weekly average midrate of \$/Shs 2,812.9 due to increased corporate demand mainly from oil, manufacturing and offshore sectors. In addition the global strengthening of the US dollar has also contributed to the depreciation. The average \$/Shs exchange rate is projected to depreciate by 4.8% in nominal terms this financial year compared to appreciation of 2.2% in the previous year. The economy

needs to intensify on the export drive in order to enhance forex inflows.

8. **Balance of Payments:** The current account balance recorded a deficit at US\$ -1,779 million (-6.6% of GDP). However, the overall balance of payments, posted a surplus balance equivalent of 1.4% of GDP. The total value of exports of goods and services increased by about US\$ 300 million to US\$ 5.3 billion during the year, whilst the total value for the imports of goods and services amounted to US\$ 7.8 billion

C. PROJECT IMPLEMENTATION

9. Infrastructure Development and Maintenance is one of the Key Priorities for the Budget. In order not to disrupt macroeconomic stability, implementation of Government projects will be guided by the National Development Plan (NDP II). This will be necessary to ensure debt sustainability and will also ensure that the Budget is not disrupted.
10. In this regard, the Karuma and Isimba Hydro Electric Projects are key for providing energy to drive the manufacturing sector. Financial closure has been reached between GoU and Exim Bank for both Karuma and Isimba Hydro Electric Projects, and the next stage is presentation of the loans before Parliament, for approval before full scale implementation.
11. Construction of both the Karuma Hydro Power Project (600MW) and the Isimba Hydro Power Project (183MW) is ongoing and has progressed with about 10% of works done, for each project.
12. In addition, Resettlement of Affected Persons is under way for the Implementation for Karuma and Isimba HPP and the associated Transmission Lines. To date, a total of 1,836 out of 2,615 property owners who opted for cash compensation, which is about 70.21%, have been compensated. Physical planning of the land and construction of the houses and social infrastructure is to commence. A total of 533.59 acres of land has been purchased for relocation of the 93 property owners that opted for resettlement.

D. THIRD QUARTER RELEASES FOR FY 2014/15

13. On 29th December 2014, MoFPED issued expenditure limits for the third Quarter (January – March 2015) for GOU of **Usbs 2.803 trillion** as summarised below.
 - Wages/Salaries : **Usbs 645.203 billion**
 - Non Wage Recurrent Expenditure: **Usbs 1.075 trillion**
 - Development Expenditure: **Usbs 711.435 Billion**
 - Debt Obligations: **Usbs 371.237 billion**
14. Some highlights of the Quarter 3 releases include;
 - i) School term requirements to cover the entire first School Term of 2015, under the School Capitation Grant all funds have been released. This is in line with Governments commitment to ensure that Schools access funding 2 weeks before the term begins

- ii) Funding to cater for the agricultural planting season in March 2015,
- iii) 85% of total Local government capital development expenditure programmed.

The Institutions started accessing funds on 29th December 2014, and details by Institution are as per the schedule attached.

CUMULATIVE RELEASE FOR QUARTER ONE TO QUARTER THREE

15. Cumulatively, from Q1 to Q3 a total of **UShs 7.665 Trillion** has been released. This excludes releases to Karuma, Debt Obligations, Appropriation in Aid and External Financing and translates to 78% of the approved GOU Budget; including Karuma and debt repayments, the releases total **Usbs 9.238 Trillion**.

TABLE 2: Summary of cumulative Expenditure Limits for FY 2014/15 (July 2014 – March 2015) excluding External Financing and Appropriation in Aid

	RECURRENT		GoU Dev	TOTAL
	Wage	Non Wage		
Ministries & Agencies	924,292,234,619	3,873,690,042,123	2,550,558,592,410	7,348,540,869,152
Referral Hospitals	29,940,992,166	11,714,852,682	12,630,844,889	54,286,689,737
Missions Abroad	10,854,219,664	60,896,170,008	16,522,129,943	88,272,519,615
Total Centre Votes	965,087,446,449	3,946,301,064,813	2,579,711,567,242	7,491,100,078,504
Local Governments	1,134,139,154,258	374,654,417,870	238,744,935,965	1,747,538,508,093
GRAND TOTAL	2,099,226,600,707	4,320,955,482,683	2,818,456,503,207	9,238,638,586,597

E. PAYMENT OF SALARIES AND SALARY ARREARS

16. As you are aware, with effect from last Financial Year, we decentralised payment of salaries. As a result of this reform, we have been able to pay salaries timely and also realised a lot of savings currently estimated at over **Usbs 200 billion** by the end of December 2014. This is as a result of prudent management of the payroll and elimination of ghost workers.

17. To eliminate the problem of accumulation of salary arrears, I asked the Accounting Officers to submit all claims for salary arrears to my Ministry for verification and payment. To date, we have paid a total of Usbs 40.5 billion verified salary arrears. All public servants with salary arrears claims should therefore follow-up with their respective Accounting Officers for payment.

18. I am however concerned that despite the numerous reminders and deadlines, some Accounting Officers are up to now still submitting claims for salary arrears while others

have not submitted at all. As a final reminder, I want to give all Accounting Officers up to the end of the month of January 2015 to compile and submit any other outstanding salary arrears for verification and payment.

19. Any arrears submitted after January 2015 will be charged directly against the Non-wage budget provisions of the respective Votes. Effective FY 2015/16, I will also institute administrative measures including non-renewal of appointment of those Accounting Officers responsible for non-payment of salary arrears.

F. PAYMENT OF PENSION AND GRATUITY

20. To address the persistent challenges in payment of Government Pension and Gratuity such as delayed and non-payment, accumulation of arrears and existence of “ghost” Pensioners on the Government payroll, we decided to extend the decentralized payment system to Pension and Gratuity with effect from the month of January 2015, starting with staff who are scheduled to retire in the FY 2014/15.
21. To facilitate the decentralized payment system, additional *Usbs 131 billion* has been provided to all Votes to pay Pension and Gratuity for the FY 2014/15. Accordingly, effective January 2015, payment of Pension and Gratuity for staff retiring this FY will be the responsibility of the Accounting Officers but through the Integrated Personnel and Payroll System (IPPS) just like salaries. The Ministry of Public Service has already issued the relevant guidelines to facilitate this process.
22. However, payment of old Pensioners who were already on the Government payroll prior to the FY 2014/15 will continue to be paid under the Ministry of Public Service until June 2015, but will also be decentralized starting July 2015.
23. Therefore, with effect from next FY 2015/16, the responsibility for budgeting and payment of Pension and Gratuity will be fully transferred to the Ministries, Departments, Agencies and Local Governments where the staff retired from. Pensioners will therefore no longer be required to trek to the Ministry of Public Service following up payment of their Pension and Gratuity since this will be the responsibility of the Accounting Officers.

G. PAYMENT OF PENSION AND GRATUITY ARREARS

24. Recently, my Ministry received claims for Pension and Gratuity arrears from the Ministry of Public Service, amounting to approximately *Usbs 96 billion*. To ensure further verification, the detailed schedules were forwarded to the Accounting Officers for verification by 31st December 2014. To ensure transparency and accountability, the schedules have also been uploaded on the Budget Information Website and can be accessed by the entire public.
25. Once the verification process is completed, funds will be provided to facilitate payment of the claimants. However, as of today, only three (3) Central Government and fourteen (14) Local Government Accounting Officers have submitted the information. I call upon

all Accounting Officers to urgently verify the schedules to enable payment of the affected pensioners.

H. KEY ISSUES FOR REST OF THE FINANCIAL YEAR

26. As you are aware, the Public Finance Management Bill 2015, was passed by Parliament, and this has had implications on the Budget Process. In this regard, accounting officers are reminded that deadline to submit their BFP's expired. All Votes that have not yet submitted will not access their Q3 expenditure limits. In addition, MDAs and Local Governments are required to submit Quarter Two Budget Performance Reports by end of this Month.
27. Accumulation of Arrears by any institution will not be tolerated any longer, and all Accounting Officers are hereby informed to ensure clearance of arrears. In this regard, all accounting officers are reminded to ensure payment of Certificates within 15 days of receiving invoices, in line with my earlier directive.
28. I would like to commend the Ministry of Internal Affairs for their progress on provision of National ID cards, and take this opportunity to inform all civil servants that inclusion on the payroll and thus payment of salaries from next Financial Year will be conditional on being registered and having a National Identity Card. Likewise, funding payment of capitation grant under Universal Primary and Secondary Education will be linked to National ID's by ensuring that the pupils are synchronised with the ID numbers of their parents.

I. CONCLUSION

29. To ensure efficient and effective Service Delivery, this Ministry will remain committed to timely release of funds, and timely payment of service providers.
30. I would like to acknowledge the work done by Accounting Officers in cleaning up the payroll and ensuring decentralisation of pensions and gratuity
31. I therefore call upon all Accounting Officers to ensure proper service delivery, and call upon Civil Society Organisations, the Media and the general public to take advantage of Government efforts to increase accountability and transparency by enhancing their efforts in monitoring public service delivery. In this regard, a Budget Call Centre was launched by the Rt. Hon Prime Minister in November 2014, simply dial 0800 229 229 for any information on the Budget and for more detailed information, one can log onto the Budget Website at www.budget.go.ug and access information up to local government level.

I urge you to utilise these innovations and I thank you for your attention.

Maria Kiwanuka

MINISTER OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT