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## PRESS BRIEF ON QUARTER TWO EXPENDITURE RELEASES FY 2019/20

1. I wish to welcome you all to this media briefing on the Quarter Two release of funds. The objective of this briefing is to provide information to the Public on the Quarter Two and cumulative releases for the first half of the Financial Year, and to highlight priorities for effective delivery of public services and the achievement of the projected GDP growth of 6.3% for FY 2019/20.

### A. APPROVED BUDGET FY 2019/20

2. The Total Approved Budget for Financial Year 2019/20 is **Forty Trillion, Four Hundred Eighty-Seven Billion, Nine Hundred Three Million, Three Hundred Thirty-Five Thousand, Two Hundred Eighty-Five Uganda Shillings (Ushs 40,487,903,335,285)**, broken down as follows:

i. Wage	–	Ushs 4,664.54 billion
ii. Non-Wage	–	Ushs 7,099.53 billion
iii. GoU Development	–	Ushs 7,870.56 billion
iv. External Financing – Development	–	Ushs 9,433.57 billion
v. Debt and Treasury Operations	–	Ushs 10,583.15 billion
vi. Domestic Arrears	–	Ushs 449.53 billion
vii. Local Revenue and AIA	–	Ushs 387.01 billion
<b>Total Budget</b>	<b>–</b>	<b>Ushs 40,487.90 billion</b>

### B. HALF YEAR REVENUE PERFORMANCE 2019/20

3. The overall net revenue target for FY 2019/20 is **Ushs 20,448.73 billion**. This is broken down into Tax revenue of **Ushs 18,877.30 billion** and NTR of **Ushs 1,571.43 billion**.
4. However, the overall revenue collections for the period July to October, 2019 amounted to **Ushs. 5,467.78 billion** against a target of **Ushs. 6,071.47 billion** registering a deficit of **Ushs. 603.69 billion** (10% below the target). This translates into a growth of 5.6% compared to the same period FY 2018/19. This performance is partially attributed to delays in implementation of some administrative measures.

5. Income taxes collections were **Ushs. 1,542.61 billion** against the target of **Ushs 1,620.78 billion** registering a deficit of **Ushs. 78.17 billion**. Rental Income Tax (**Ushs. 32.38 billion**) and Corporate Income Tax (**Ushs. 32.67 billion**).
6. The performance of income taxes is attributed mainly to;
  - i. PAYE which registered a deficit of **Ushs. 40.81 billion** on account of lower than expected collections from Public sector PAYE by **Ushs 40.33 billion**.
  - ii. The surplus of **Ushs 29.30 billion** on WHT on Treasury Bills is attributed to increase in the interest rate on TBs; and
  - iii. The deficit of **Ushs 32.38 billion** in rental income tax is attributed to the delay in the awarding of a contract to RippleNami Inc. The rental register is currently 22,189 rental taxpayers compared to 21,747 for the period 2018/2019, a growth in register of 442 newly registered taxpayers. The returns for the new taxpayers however are expected by end December 2019.

### **Taxes on consumption**

7. These are VAT and excise duties and the collections for the period amounted to **Ushs 1,297.80 billion** against the target of **Ushs 1,559.70 billion**, registering a shortfall of **Ushs 261.90 billion**. The poor performance of consumption taxes during the period July to October, 2019 FY 2019/20 can be attributed mainly to:
  - i. A deficit of **Ushs 22.96 billion** on excise duty on spirits occasioned by Government's policy to ban sachets and the minimum limit of packaging to 200ml. This has made spirits more expensive especially for value consumers hence negatively impacting the volume of sales;
  - ii. Production of beer reduced by **6.49 million litres** while sales reduced by **4.51 million litres** in the first four months of FY 2019/20 compared to the same period last year.
  - iii. There has also been a reduction in the price charged to make calls of about 40% from Shs 5 per second to Shs 3 per second. This has led to decline in the value of sales and revenue hence the shortfalls in Excise Duty and VAT on phone talk time.
  - iv. The deficits of **Ushs 20.52 billion** and **Ushs 5.79 billion** on 0.5% duty on the value of mobile money transactions and 15% excise duty on mobile money charges is on account of drop in the number and value of high value mobile money transactions.

### **Customs**

- i. Collections for the period amounted to **Ushs. 2,318.82 billion** against the target of **Ushs 2,497.17 billion** registering a deficit of **Ushs. 178.35 billion**. This represents a growth of 2% compared to the same period last Financial Year.

- ii. Major deficits were registered in Petroleum Duty (**Ushs 28.56 billion**), VAT on imports (**Ushs 75.46 billion**), Import Duty (**Ushs 48.34 billion**) and Excise Duty (**Ushs 20.21 billion**)

### C. HALF YEAR EXPENDITURE RELEASE PERFORMANCE FY 2019/20

8. In line with the Ministry's commitment to release funds before the 10<sup>th</sup> day of the first month of the quarter, Expenditure limits for Quarter Two were issued on **2<sup>nd</sup> October 2019** both for Central and Local Governments to ensure timely execution of Government programs.
9. The Expenditure Limits were based on the Government Annual Cash Plan adjusted to take into account revenue performance in the first quarter (Q1) and projected revenue collections for Q2 FY2019/20.
10. Whereas we do communicate expenditure limits by the 10<sup>th</sup> day of the first month in the quarter, we have noted that some MDAs that transfer funds to Local Governments (Other Government Transfers) at times delay the transfers. Accordingly, effective next financial year, all funds meant for implementation of decentralised functions will be sent directly to Local Governments to avoid delays in service delivery.
11. Cumulatively, a total of **Ushs 11,226.26 Bn** out of the GOU Budget of **Ushs 20,084.17 Bn** (excluding External Financing, Appropriation in Aid (AIA), Debt) has been released for quarter one and two expenditure, an equivalent of **55.9%** of the Annual Approved Budget for FY 2019/20 as summarised in the table below;

**Half Year GoU Budget Releases FY 2019/20 (Ushs)**

	Budget	Quarter One	Quarter Two	Half Year Rel.	Perf.
Wage	4,664.54	1,184.76	1,217.13	2,401.89	51.5%
Non Wage	7,099.53	2,163.30	1,831.00	3,994.30	56.3%
GOU Devt	7,870.56	2,610.37	1,831.17	4,441.54	56.4%
Domestic Arrears	449.53	265.00	123.53	388.53	86.4%
<b>Total GoU</b>	<b>20,084.17</b>	<b>6,223.43</b>	<b>5,002.83</b>	<b>11,226.26</b>	<b>55.9%</b>
Debt	10,583.15	3,324.12	2,574.20	5,898.32	55.7%
External Financing	9,433.57	2,852.98	2,427.25	5,280.23	56.0%
AIA & Local Rev.	387.01	98.33	96.75	195.08	50.4%
<b>Grand Total</b>	<b>40,487.90</b>	<b>12,498.86</b>	<b>10,101.03</b>	<b>22,599.89</b>	<b>55.8%</b>

12. A total of **Ushs 5,002 billion** has been released for Quarter Two Expenditure highlighted below:
  - i. Wage – **Ushs 1.18 Trillion**,
  - ii. UNRA - **Ushs 436 billion**;

- iii. Local Governments Grants – **Ushs 309 billion** including Education Capitation Grants and Development Grants;
- iv. National Medical Stores- **Ushs 131 billion** for essential medicines and Drugs;
- v. Road Fund – **Ushs 109 billion for road maintenance**
- vi. Additional 33 billion for salary enhancements for teachers has also been programmed for Quarter Two;

13. The following is a summary of the Cumulative releases for the First Half of FY2019/20 for Central Government Votes:

- i. Wage – **Ushs 2,402 billion**;
- ii. UNRA - **Ushs 1,023 billion** which is **59%** of the Budget;
- iii. Ministry of Defense – **Ushs 831 billion** for classified equipment, and **Ushs 340 billion** for Operations;
- iv. Local Governments Grants – **Ushs 740.5 billion** including Education Capitation Grants and Development Grants;
- v. Ministry of Works and Transport - **Ushs 660 billion are including Ushs 445 billion** for the airline.
- vi. Parliamentary Commission – **Ushs 294 billion**;
- vii. Uganda Police – **Ushs 286 billion** for Operations and capital expenditure
- viii. National Medical Stores- **Ushs 259 billion** for essential medicines and Drugs;
- ix. Ministry of Water and Environment – **Ushs 244 billion** for capital expenditure
- x. Ministry of energy and Mineral Devt– **Ushs 243 billion** for capital expenditure; and
- xi. Road Fund – **Ushs 218 billion for road maintenance**

14. For Missions Abroad, funds are released twice in the course of the financial year: i.e. In July (First Quarter) and in January (Third Quarter) purposely to guard against loss of poundage and to enable Missions to meet obligations which require one-off payment such as rent. Release of recurrent funds for Public Universities is done in line with the semester system, i.e., in July 50% (Q1-Q2) and 50% in January (Q3-Q4) to enable the smooth running of University programmes.

15. In line with policy, Capitation Grants for Local Governments under the education sector were provided in the first quarter to enable timely access to funds for the 3<sup>rd</sup> term. Cumulatively, 66.7% of the Local Government Development Grants have been released to date. Local Government Development Grants shall continue to be released 100% by Quarter Three (Q3) to avoid having unspent balances at the end of the Financial Year.

16.External Financing for MALGs during the First Half has been based on the work plans as submitted by the institutions.

17.Funds for the Electoral Commission **Ushs 229,301,699,772 Bn** have been provided to ensure timely execution of the electoral roadmap.

### **Local Government Releases**

18.This financial year, Parliament approved Budgets for Local Governments including their respective local revenue projections. All Local Governments therefore must remit their Local Revenue collections to the Consolidated Fund for release in the subsequent quarter. However, an advance was provided in Quarter one as they collect and remit fees to the Consolidated Fund. For First Half, Expenditure Limits issued are 50.8% of the approved Budget.

19.Overall, Q2 Releases to Local Governments have also been effected based on annual work plans, quarterly work plans and annual cash flow plans. A total of **Ushs 841 billion** has been released to Local Governments in Quarter Two for FY2019/20 as follows:

• Wage	-	<b>Ushs 532 billion</b>
• Non-Wage	-	<b>Ushs 158 billion</b>
• Development	-	<b>Ushs 191.2 billion</b>
• Pension	-	<b>Ushs 33.5 billion</b>
• Gratuity	-	<b>Ushs 25.2 billion</b>
• Pension and Gratuity Arrears	-	<b>Ushs 54.5 billion</b>
• Salary Arrears	-	<b>Ushs 7.4 billion</b>

20.You will note that the Q2 **Development release for Local Governments is 33% of the approved budget**. This is in line with Government commitment to release funds for Local Governments timely in order to minimise procurement delays and by giving them enough time for implementation of Government programmes so as to avoid unspent balances at the end of the Financial Year.

21.Transfers to educational institutions, health units and all lower Local Governments will continue to be made directly to their institutional Bank Accounts to avoid delays in Budget Execution and service delivery.

### **Salary Enhancement for Teachers**

22.To avert industrial action, Government committed to provide **UShs 150 bn (of which UShs 100.5 billion** is Supplementary expenditure) to cater for salary enhancement for

teaching staff in Primary and Secondary schools as well as both teaching and non-teaching staff at Public Universities.

### **Payment of Service Providers and Settlement of Domestic Arrears**

23. It has been noted that Accounting Officers are accumulating arrears through cancellation of LPOs and issuance of new ones for other activities. This leads to non-payment of service providers, thereby crowding them out of business. Starting from FY 2018/19, it was agreed that it is only the Accountant General and the Hon. MoFPED that can grant the authority to approve or cancel Low Purchasing Orders (LPOs). This will continue in FY2019/20. Accordingly, any Accounting Officer who wishes to have any LPO cancelled will first seek approval from the Accountant General or myself with justifiable reasons.
24. As guided in the Budget Execution Circular for FY2019/20, Accounting Officers have been advised to ensure that they prioritize the clearance of domestic arrears to avoid accumulation of future arrears. In the same vein, the Ministry contracted Ernst and Young consultants to verify all arrears. In this regard therefore, 86.4% of the budget for Domestic Arrears has been released in the first half of FY2019/20. To rectify all outstanding domestic arrears to guide our strategy to clear all the domestic arrears within a period of three years, accordingly, in this financial year, **Ushs 400Bn** has been provided to clear part of the arrears that were found valid by the consultants.

### **Audit Issues during execution of the Budget.**

25. In line with Section 47 and 48 of the Public Finance Management (PFM) Act 2015, the Internal Auditor General issued the Annual Consolidated Internal Audit Report for the FY 2018/2019. A number of issues have been raised by the Internal Auditor General, to enhance compliance, all Accounting Officers are requested to:
- i. Ensure timely remittance of statutory deductions to URA (PAYE, VAT, WHT) and NSSF
  - ii. Ensure timely Accountability of Funds
  - iii. Timely payments of Pensions and Gratuity
  - iv. Ensure effective contract management to enhance value for money in projects and public investment management
  - v. Enhance monitoring and supervision of service delivery areas of Health, Education and Infrastructure to mitigate, low absorption, cost overruns and quality issues
  - vi. Prioritize the disclosure and settlement of domestic areas
  - vii. Optimize the use of the Integrated Financial Management System to ensure accurate reporting and disclosure

- viii. Enhance revenue management activities to optimize collection and remittance

### **Enhancing Public Financial Management**

26. In order to strengthen Public Financial Management, the following has been instituted:

- i. Payments in pilot Ministries have been decentralized to departmental level to ensure that Heads of Departments are directly in charge of executing their Budget.
- ii. Mischarges are no longer acceptable; Accountant Generals Office is under instruction to reject any such payments. In the next Financial Year, MDA's must therefore Budget on the correct items.
- iii. Government is set to roll out the e-Govt Procurement system starting with 10 entities. This will commence in September 2020.

### **D. ENHANCING BUDGET TRANSPARENCY**

27. Section 11 (2) (C) of the PFMA 2015 provides for the Secretary to the Treasury to "promote and enforce transparent, efficient, and effective management of the revenue and expenditure and the assets and liabilities of votes".

28. In order to fulfil the above mandate, over the years, Government has come together with Partners to strengthen Budget Transparency with the aim of improving accountability for public resources and service delivery. These Partners include Civil Society Budget Advocacy Group (CSBAG), Advocates Coalition for Development and Environment (ACODE) and Overseas Development Initiative (ODI).

29. The above partnership had led to the following:

- i. Simplification of the budget and disseminating of all budget related information to enforce monitoring of the budget and generating feedback on the implementation of the budget.
- ii. Enhanced public awareness and understanding of the National Budget which has led to increased buy-in for Government programmes; and
- iii. Increased accountability as citizens are able to monitor and to provide feedback on implementation of Government programmes.

30. This year, therefore, in order to further strengthen our partnership, we are signing the Memorandum of Understanding with our partners Civil Society Budget Advocacy Group (CSBAG), Advocates Coalition for Development and Environment (ACODE) and Overseas Development Initiative (ODI). This will be done today at the end of this press release for Q2 FY2019/20. It is expected that the MoU will further strengthen our commitment and drive for increased budget transparency towards achievement of increased accountability and better service delivery.

31. We are also re-launching the Budget Transparency platforms that is the call center **(0800229229)** and the budget website (**[www.budget.go.ug](http://www.budget.go.ug)**). The budget website has been re-designed to ease access of the public to budget related information.

32. I therefore encourage all Government Ministries, Agencies and Local Governments to further promote budget transparency by availing and enabling easy access by the public to information on the use of public resources.

#### **E. CONCLUSION**

33. In conclusion, I would like to emphasize the following:

- i. Government is committed to the timely release of funds;
- ii. Cumulatively, Government has released 55.9% of the approved GoU Budget for FY2019/20 for half year;
- iii. Accounting Officers must prioritize timely payment of service providers and avoid accumulation of arrears;

34. All Government agencies are encouraged to promote budget transparency, and all stakeholders are requested to take note of information printed in the media in order to bring about improved outcomes for all Ugandans.

35. I wish to thank the Press and Civil Society organisations listed above for supporting our Budget Transparency Initiatives and I urge you to make use of our website [www.budget.go.ug](http://www.budget.go.ug) where we post more detailed information on the Budget. I also encourage you to call our Budget Call Centre on 0800 229 229 for any information on the Budget.

  
Keith Muhakanizi  
**PERMANENT SECRETARY/SECRETARY TO THE TREASURY**