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THE REPUBLIC OF UGANDA

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12th July, 2016

QUARTER ONE FY 2016/17 PRESS RELEASE

A. APPROVED BUDGET FY 2016/2017

1. In line with the Public Finance Management Act 2015, the Annual Budget was approved by Parliament on 3rd May 2016. The early approval of the Budget ensures that Implementation of the Budget commences on the 1st July of Financial Year 2016/17.

2. Accordingly, Ministry of Finance, Planning and Economic Development released Quarter one expenditure limits on 5th July 2016, in line with the commitment to release funds by the 10th day of the month.

3. The Total Approved Budget for Financial Year 2016/17 is **UGX 26,360.45 billion** detailed as follows:

   - ***Wage*** - ***Ushs* 3,359.04 *Bn.***
   - ***Total Non Wage*** - ***Ushs 4,914.83 Bn.***
   - ***Total Development*** - ***Ushs 10,916.8 Bn.***
   - ***Debt*** - ***Ushs 7,169.77 Bn.***

4. This Ministry however, only releases the Budget that is classified as GoU Budget which excludes External Financing and is categorised as follows:

   - ***Wage*** - ***Ushs* 3,359.04 *Bn.***
   - ***Non Wage*** - ***Ushs 4,315.77 Bn.***
   - ***GoU Development*** - ***Ushs 4,319.35 Bn.***
   - ***Debt*** - ***Ushs 7,169.77 Bn.***

   Total - **Ushs 19,163.93Bn**

5. Please note that the release process is based on the workplans of Ministries, Departments and Agencies. With regard to the Externally Funded projects, we are in the process of harmonising their release cycle in line with the rest of the Government system.

B. EXPENDITURE LIMITS FOR QUARTER ONE FY 2016/17

6. On **5th July 2016**, Ministry of Finance, Planning and Economic Development issued Expenditure Limits for the first Quarter of FY 2016/17 amounting to UGX **5,747.401** billion including funding for Karuma, Isimba, Debt and BOU Capitalisation.

7. However, excluding Karuma, Isimba, Debt payments and BoU capitalisation, the release amounts to Ushs 3,446.36 billion which is 29.14% of the corresponding budget. This funding is the amount of money that has been released to Government Institutions for spending during Quarter One of FY 2016/17.

Highlights of Quarter One Releases

8. In order to ensure proper implementation of the Budget, critical areas have been provided funding to ensure they are implemented in Quarter One as follows.

    i. **Ushs 844.99 billion** has been released to cater for wages and salaries for Quarter 1, this is 25.16% of the Budget. **Ushs 66.06 billion** has been provided for Pensions and **Ushs 35.99 billion** has been provided to cater for Gratuity, which is 24.7% and 23.37% of the Budget for pensions and Gratuity, respectively.

    ii. Funding of **Ushs 111 billion** for Domestic arrears has been provided for Quarter One. **Ushs 61 billion** is towards Verified Domestic arrears in line with H.E the Presidents Directive to ensure that Government institutions meet their obligations towards private companies, and **Ushs 50 billion** is for pension arrears.

    iii. Under the Education sector, the capitation grants for schools have been provided fully to cater for the Third School term. This is the second year of implementation of this modality and it should enable timely opening of schools.

    iv. Frontloading of the funds under NAADS of **Ushs 103 billion** and Coffee Development Authority of **Ushs 27 billion** to cater for the planting season in the first quarter has been provided.

    v. **Ushs 127.8 billion** has been provided for National Medical Stores. This is 53.71% of the Budget for NMS, and it is for meeting the obligations for purchase of drugs.

    vi. **Ushs 400 billion** has been provided to UNRA for Quarter One to ensure that there is no delay in the implementation of projects.

    vii. Under the Works Sector, **Ushs 72 billion** has been provided as counterpart funding for earth moving equipment and **Ushs 88.375 Bn** under the Standard Gauge Railway project to cater mostly for Resettlement of Affected Persons(RAP).

    viii. In the Energy sector, **Ushs 62 billion** has been provided to meet the thermal energy costs, and an additional provision of **Ushs 24 billion** provided to cater for electricity projects under Ministry of Energy.

ix. Under the Water Sector, **Ushs 105 billion** has been provided to meet the obligations of water projects especially under the Kampala Water and Sanitation Project.

KEY POLICY ISSUES FOR FY 2016/17

Payment of Domestic Arrears

9. As earlier mentioned, institutions have continued to accumulate arrears especially in the areas of rent, electricity, food and other goods and services. Therefore;

   i) All arrears that have been budgeted for in FY 2016/17 and verified by Internal Audit must be paid and details to beneficiaries (Service providers) and amounts submitted to this Ministry;
   ii) All outstanding arrears must be paid before new suppliers are paid against the relevant item; and
   iii) 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

10. In order to create an enabling environment for the private sector to nurture, grow, make them more competitive and create employment opportunities for locals, all Accounting Officers are required 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

11. 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.

12. On loan deductions, Ministry of Public Service should from now onwards provide a list of all deduction codes to accounting officers who will then administer additions and removal of deductions from the payroll in line with the decentralization policy.

13. Pension arrears have also been decentralised, and to date, **Ushs 76.2 billion** has been verified as pension arrears (this excludes pension for ISO **Ushs 16 billion** and former EAC workers, **Ushs 41 billion**). In this regard, all the **Ushs 50 billion** that has been budgeted for arrears in FY 2016/17 has been released. Pensioners who have not been paid are therefore requested to report to their last stations of deployment to ensure they are paid.

In order to maintain a stable pension payroll, all Accounting Officers were required to finalise the pensioners' verification exercise by 30th June 2016, and Accounting Officers are required to delete all unknown pensioners and pensioners with incomplete records from their respective payrolls. In addition, Ministry of Public Service should send PDF files electronically to Accounting Officers as a matter of urgency.

Local Government release process.

14. Releases to local governments will be effected on the 10th day of the first month of the quarter based on annual workplans, quarterly workplans and annual cashflow plans instead of sector release advice to avoid unnecessary delays.

15. Transfers to education institutions, health units and all lower local governments will be transferred directly to their institutional Bank Accounts.

Performance Contracts for Accounting Officers

16. In accordance with the PFMA 2015, all Accounting Officers are required to sign individual Budget Performance Contracts. Effective FY 2016/17 budget, the format of the performance contracts has been reviewed to clearly state the deliverable indicators emphasizing compliance with the amended PFMA 2015. The performance assessments will be carried out at both Half Year and Annual Basis and the evaluation will be based on the intermediary outcomes under the Programme Based Budgeting (PBB) arrangement emphasizing reporting on results.

17. All accounting officers are required to adhere to reporting requirements and timelines and failure to adhere to the reporting requirements will attract sanctions including non-appointment/immediate withdrawal of appointment as Accounting Officers and halting financial transactions of the non-compliant Votes as per Sections 15, 78, 79 and 80 of the PFM Act 2015.

Management of Government Assets.

18. There have been no comprehensive records of Government Assets, and monitoring reports have indicated continued failure by votes to effectively operate and maintain created public assets. Therefore, Accounting Officers must ensure that they maintain records of all Government assets, including land titles and must develop, update and submit to this Ministry, an asset management register as a matter of urgency.

Consolidation of IT services and Integration of IT systems

19. Some ICT services have been consolidated under NITA-U to enable implementation of the National Backbone Transmission Infrastructure/ e-Government Infrastructure (NBI/EGI) initiative. Consolidation of IT services will reduce duplication and costs of IT services.

20. The National Backbone Transmission Infrastructure is the primary vehicle for all Government data, internet and voice services. NITA-U has to date connected 126 MDA sites to the NBI of which 76 are utilising internet bandwidth over the infrastructure while 36 are accessing and utilising IFMS services. In FY 2016/17, additional 203 MDA sites will be connected to the NBI and works have already commenced to connect the first batch of 110 MDA sites

21. Furthermore, effective FY 2016/17, Government will ensure consolidation of IT systems. This initiative will be led by NITA-U and no Government Institution is expected to procure a new IT system without authorisation from NITA-U.

Unspent Balances At The End Of FY 2015/16.

22. In line with Section 17 of the PFMA 2015, every appropriation by Parliament shall expire and cease to have any effect at the close of the financial year for which it is made and a Vote that does not spend the money that was appropriated to the Vote for the financial year shall at the close of the financial year, pay the money to the Consolidated Fund.

23. It has been noted that some votes have been using letters of credit in order to avoid return of unspent funds at the end of the financial year. Where the letters of credit already issued cannot be utilized by close of financial year, details must be submitted which will then provide information to Cabinet and Parliament in light of the new section in the law on unspent balances. This practice of issuing letters of credit across financial years contravenes the section of the law on un-spent balances and must stop.

CONCLUSION

24. Government of Uganda is committed to maintaining macroeconomic stability in implementation of the Budget.

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 Muhakanizi
PERMANENT SECRETARY/SECRETARY TO THE TREASURY