

mnv
Telephone : 256 414707000
: 256414232 095
Fax : 256 414230 163
: 256 41 4343 023
: 256 41 4341 286
Email : finance@finance.go.ug
Website : www.finance.go.ug
In any correspondence on
this subject please quote No. BPD86/150/01



THE REPUBLIC OF UGANDA

Ministry of Finance, Planning &
Economic Development
Plot 2-12, Apollo Kaggwa Road
P.O.Box8147
Kampala
Uganda

7th January 2019

PRESS BRIEFING ON QUARTER THREE EXPENDITURE RELEASES FY 2018/19, PERFORMANCE OF THE ECONOMY FY2018/19 AND NATIONAL BUDGET FRAMEWORK PAPER FY2019/20

1. I wish to welcome the media and other stakeholders to this media briefing on the Quarter three release of funds for FY 2018/19, Half year Economic Performance for FY2018/19 and Highlight of the National Budget Framework Paper for FY2019/20.

A. APPROVED BUDGET FY 2018/2019

2. The Total Approved Budget for Financial Year 2018/19 is **Ushs 32,702.82 billion** detailed as follows:

• Wage	–	<i>Ushs 4,244.43 billion</i>
• Non-Wage	–	<i>Ushs 5,309.09 billion</i>
• GoU Development	–	<i>Ushs 5,229.00 billion</i>
• Arrears	–	<i>Ushs 380.50 billion</i>
• External Financing	–	<i>Ushs 7,734.54 billion</i>
• Debt and Treasury Operations	–	<i>Ushs 8,741.72 billion</i>
• Appropriation in Aid (AIA)	–	<i>Ushs 1,063.54 billion</i>
Total Budget	-	Ushs 32,702.82 billion

B. HIGHLIGHTS OF QUARTER THREE RELEASES FOR FY2018/19

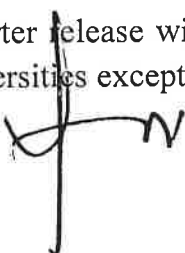
3. In line with the Ministry's commitment to release funds before the 10th day of the first month of the quarter, our Ministry communicated the Expenditure limits for Quarter three on **17th December, 2018** for both Central and Local Governments to ensure timely execution of Government programs.

4. A total of **Ushs 3, 560.76 billion** has been released for Quarter three expenditure. This represents 23.4% of the approved GOU Budget (excluding External Financing, Appropriation in Aid (AIA), Debt, Karuma and Isimba)
5. Cumulatively, a total of **Ushs 19,081.33 billion** has been released (Q1-Q3) to finance Government Programmes representing 79.8% of the approved GoU budget.

Table 1: Cumulative releases for FY2018/19

Category	Budget	Q3 Release	Cumulative release (Q1-Q3)	Cumulative Performance
Wage	4,244.43	1,085.30	3,222.00	75.9%
Non wage	5,309.09	1,311.20	4,309.42	81.2%
GOU Devt	5,229.00	1,175.70	4,574.49	87.48%
Arrears	380.50	-	385.50	101.31%
Debt	8,741.72	2,188.40	6,589.92	75.38%
Total GoU	23,904.74	5,760.60	19,081.33	79.8%
External Financing	7,734.54	1,453.40	5,825.37	75.3%
AIA	1,063.54	327.00	737.53	69.3%
Grand Total	32,702.82	7,541.00	25,644.23	78.4%
Isimba	19.937	4.757	15.180	76.1%
Karuma	27.142	6.683	20.459	75.4%
GoU**Less debt,EF,AIA, Karuma and Isimba	15,115.94	3,560.76	12,455.77	82.4%

6. For Missions Abroad, the remaining balance of 50% of the budgeted funds has been released following a decision to releases funds to Missions Abroad twice in a financial year i.e 50% in July (First Quarter) and 50% in January 2019 (Third Quarter) purposely to guard against loss of poundage and to enable Missions to meet obligations which require one-off payment such as rent.
7. As you are aware, funding for Public Universities is done in line with the semester system. Therefore, third quarter release will take care of Quarters 3 and 4 recurrent expenditures for Public Universities except wage.



8. External Financing for MALGs during the third Quarter was based on the projected disbursement profiles by the Development Partners at the beginning of the financial year.
9. For AIA, Expenditure Limits were based on remittances to the consolidated fund as at the end of quarter 2 .As such votes that have not remitted over 50% of the budgeted amounts have not been issued expenditure limits.
10. The following is a summary of the Third Quarter FY2018/19 releases for Central Government votes:
 - i. **UShs. 1,070.8 billion** has been released to cater for wages and salaries;
 - ii. **UShs 270 billion** has been provided to cater for Decentralised Pension and Gratuity and other statutory obligations;
 - iii. **UShs 281 billion** has been provided to Uganda National Roads Authority (UNRA) to clear outstanding certificates;
 - iv. **UShs 142 billion** has been provided to Uganda Road Fund (URF) for critical road maintenance;
 - v. **UShs 51 billion** has been provided to National Medical Stores to meet the obligations for purchase of essential drugs;
 - vi. **UShs.1.5 billion** has been provided to Office of the President to facilitate the Commission of Land Inquiry;
 - vii. **UShs.95 billion** has been provided to the Ministry of Energy and Mineral Development and **UShs 30 billion** to Cater for transmission lines and Power evacuation from Achwa II Hydro Power plant;
 - viii. **UShs 75 billion** has been released to cater for Kalangala Infrastructure Services under Ministry of Works and Transport ; and
11. Following approval of the Ministry of Public Service and upon confirmation of allocations from the Ministry of Education and Sports, **UShs 29 billion** will be released to Cater for Salary enhancement across all Public Universities.

The balance of **UShs 1,501 billion** is expenditure for other Recurrent and Development Obligations

C. LOCAL GOVERNMENT RELEASES

12. Q3 releases to Local Governments have also been effected based on annual workplans, quarterly workplans and annual cashflow plans. A total of **UShs 844 billion** has been released to Local Governments for Quarter Three FY2018/19 as follows:

- Wage
- Non-Wage



UShs 507.378 billion

UShs 138.056 billion

• Development	-	Ushs 149.140 billion
• Pension	-	Ushs 28.555 billion
• Gratuity	-	Ushs 21.145 billion

13. You will note that the Development Budget for Local Governments amounting to **Ushs 149.140 billion** representing **33%** of the approved budget has been released. This brings the cumulative release of LG Development funds to **Ushs 447.420 billion** (100% release as at 3rd Quarter). 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.

14. It is the responsibility of Accounting Officers to ensure timely transfer of funds to the respective Bank accounts of Education Institutions, Health Units and all Lower Local Governments.

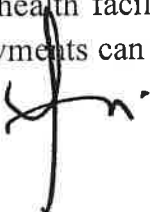
D. THE QUARTERLY RELEASE PROCESS

15. PFMA 2015 requires this Ministry to issue the Annual Cash plan at the beginning of the Financial Year. The Annual Cash plan contains projections of expenditure for Ministries, Departments and Agencies (MDA's) and Local Governments and is derived from Work plans and procurement plans submitted by the MDAs and LGs.

16. As a principle, this Ministry issues expenditure limits by the 10th day of the first month of the Quarter based on the above Quarterly workplans and revenue performance.

17. Following the issuance of Quarterly expenditure limits, 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 after issuance of the limits;

18. Approval/rejection of release warrants and transfers by MoFPED for MDA's will be done within 12 hours of receipt of the warrants. Regarding Local Governments, based on the approval of the warrant by MoFPED, Accounting Officers then enter invoices for Direct Transfers to health facilities, Sub Counties, Town Councils, Schools and Tertiary institutions. Payments can then be effected by Accounting Officers.

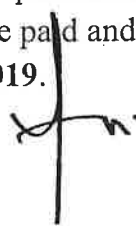


E. STATUS OF REVENUE COLLECTION FY2018/19

19. The Domestic revenue projections for the budget of FY 2018/19 amount to **Shs. 16,358.80 billion** of which **Ush 15,938.8 billion** will be collected by URA as tax revenue and **Ushs 420 billion** as Non Tax Revenue.
20. The actual Domestic Revenue collections by URA up to November 2018 amounted to **Ushs 6,367.72 billion** against a target of **Ushs 6,152.23 billion** reflecting a surplus of **Ushs 215.49 billion**. This is attributed to good performance of income tax and increase in import volumes. URA revenue collections are expected to be on target for the FY.
21. Domestic borrowing for the first half of FY 2018/19 was projected at **Ushs 1,053 billion** against a target of **Ushs 1,182 billion** which reflects a shortfall of **Ushs 130 billion**. It should be noted that Government is cautiously borrowing domestically to avoid crowding out private sector.
22. For Local Governments, locally raised revenue will be collected and remitted to the Consolidated Fund and releases will be based on actual collections per Local Government and provision of evidence of remittance to the Consolidated Fund.

F. PAYMENT OF SERVICE PROVIDERS AND SETTLEMENT OF DOMESTIC ARREARS

23. As guided in the Budget Execution Circular, Accounting officers should ensure that they prioritise the clearance of domestic arrears. Therefore;
- i) Quarter three expenditures should prioritise rent and utilities payments as well as ensuring connectivity to prepayment system;
 - 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.
24. Accounting Officers should ensure that payment of Salary, pension and gratuity arrears earlier released in Quarter two amounting to **Ushs 166.86 billion** is effected in line with the Payment schedules that were provided. Only verified claimants and amounts indicated on the schedules should be paid and accountability returns made to this Ministry **not later than 31st January 2019**.



G. ECONOMIC GROWTH FOR THE FIRST HALF OF FY2018/19

25. **Economic Activity:** Economic Activity grew by 1.16% at end of October 2018. This implies that the economic growth target for the Financial year of 6% will be met.
26. **Inflation:** As at November 2018, the Annual Headline Inflation rate stood at 3.0% compared to the projection of 5.1% for the financial year.
27. **Exchange rate:** The Ugandan Shilling appreciated against the US Dollar by 1%; recording an average midrate of **UGX 3,739.7/USD** compared to an average midrate of **UGX 3,777.98/USD** in October 2018. The appreciation of the Shilling is partly explained by higher supply of the US Dollar due to inflows to NGO's, remittances coffee export receipts and offshore players in the Government securities market.
28. **Private Sector Credit:** The outstanding stock of Private Sector Credit (PSC) as at October amounted to **Shs 13.199 billion**. As at November, the Central Bank maintained its policy rate at 10.0% while interest rates charged by Commercial Banks stood at 20.37% as at end of October 2018.

H. HIGHLIGHTS OF THE NATIONAL BUDGET FRAMEWORK PAPER (NBFP) FY2019/20-2023/24

The National Budget Framework Paper for FY2019/20-2023/24 was finalized and submitted to Parliament to facilitate discussions in line with the PFMA 2015 requirements. Discussions on the same are currently on going.

Budget Strategy for FY2019/20

29. In order to accelerate economic growth as stipulated in the NDP2, the growth strategy will focus on policies and interventions that will promote inclusive growth and private sector investment , growth and development.
30. The average targeted growth in the medium term, is projected at 6.0 - 7.0 percent and will be driven by the following key interventions:
- i. Focusing Government efforts to increasing production and productivity in the key growth sectors of Agriculture, Agro-industrialisation, Oil and Gas, Minerals and Tourism;
 - ii. Increasing returns and productivity to both private and public investments through investment in infrastructure e.g ;
 - Continued construction of industrial parks starting with Namanve Industrial Park; and

- Provision of required energy (electricity) at competitive prices to lower costs of producing manufactured goods.
- iii. Reviewing the tax system to support domestic production and promote competitiveness of local manufacturing;
- iv. Continue to close the gap in the availability of long-term capital through continued capitalization of the Uganda Development Bank until it is adequately capitalized; and
- v. Supporting regional initiatives such as removal of non-tariff barriers, regional peace and security to facilitate trade within the region.

I. CONCLUSION

31. In conclusion, I would like to emphasize 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 should prioritize payment of service providers on time to avoid accumulation of arrears;
- iii) Accounting Officers should ensure that payrolls for salaries and monthly pension are displayed on Government institutions' notice boards every month ; and
- iv) Accounting Officers must ensure timely submission of performance reports and accountability.

32. Over the last three years, MoFPED has been committed to the timely release of funds and all stakeholders are requested to make use of information printed in the media to facilitate Accountability and Monitoring.

33. I call upon the media to closely follow the National Budget Framework paper discussions in Parliament.

34. 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.

Patrick Ocaïlap


For: PERMANENT SECRETARY/SECRETARY TO THE TREASURY