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THE REPUBLIC OF UGANDA

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**In any correspondence on
this subject please quote
No. BPD 86/107/02**

15th February 2019

*All Accounting Officers (Central and Local Government Votes) and
All Chief Executive Officers of State Enterprises and Public Corporations*

THE SECOND BUDGET CALL CIRCULAR ON FINALISATION OF DETAILED BUDGET ESTIMATES AND MINISTERIAL POLICY STATEMENTS (MPSs) FOR FINANCIAL YEAR 2019/2020

A. INTRODUCTION

- 1.** In line with Section 9 (8) of the Public Finance Management (PFM) Act 2015 (Amended), Parliament approved the National Budget Framework (NBFP) for the FY 2019/2020 on **1st February 2019** with recommendations attached as **Annex 1**. You can access the electronic copy of the approved NBFP for FY 2019/20 on both the Ministry's Website www.finance.go.ug and the Budget Information Website www.budget.go.ug.
- 2.** Section 13 (3) of the PFM Act 2015 requires Detailed Budget Estimates to be presented in Parliament by 1st April to facilitate review, approval and appropriation by Parliament by 31st May.
- 3.** Section 13 (7) of the PFM Act, 2015 requires that before the Minister of Finance, Planning and Economic Development lays the Budget Estimates in Parliament, it shall be accompanied by a Certificate of Compliance (CoC) issued by the National Planning Authority. Accordingly, Accounting Officers are required to submit copies of the following documents to National Planning Authority (NPA) by **28th February 2019** for that purpose:
 - i. Approved MDA Strategic Plan (2015/16 – 2019/2020);
 - ii. MDA BFPs for FY 2017/18 and 2018/19;
 - iii. Ministerial Policy Statements for FY 2017/18;
 - iv. Cumulative Progress Reports up to Q4 for FY 2017/18; and
 - v. MDA Project Specific Progress Reports.

4. Furthermore, Section 15 (g) of the PFM Act 2015, requires the Ministerial Policy Statements to be submitted with a Certificate issued by the Minister responsible for Finance in consultation with the Equal Opportunities Commission. You must therefore **submit a draft copy of your Ministerial Policy Statement to Equal Opportunities Commission by Thursday 7th March, 2019 to enable the Commission make a timely assessment of your MPSs and issue your respective Votes with Certificates of Gender and Equity Compliance before your Minister submits it to Parliament by Friday 15th March, 2019.**
5. The purpose of this Circular therefore, is to:
- i) Reiterate the Government Budget Strategy and Sector Priorities for FY 2019/20 as approved by Cabinet and Parliament;
 - ii) Communicate the final Resource Envelope as detailed in the MTEF for FY 2019/20 and the Medium Term, and attached as **Annex 2**; and, the allocation of additional resources to some spending Agencies (**Annex 3**);
 - iii) Guide you on the preparation of Draft Budget Estimates **for submission to this Ministry not later than Thursday 7th March, 2019**; and
 - iv) Remind you to submit your Ministerial Policy Statements for the FY 2019/20 to Parliament by **Friday, 15th March 2019** as required under Section 13 (13) of the PFMA 2015.

B. BUDGET STRATEGY AND KEY PRIORITIES FOR FY 2019/20

6. I wish to draw your attention to the Budget Strategy for FY 2019/20 as approved by Cabinet and Parliament in the NBP for FY 2019/2020, which must form the basis for the detailed allocation of resources for Ministries, Agencies and Local Governments (MALGs) under the various Sectors.
7. The Budget Strategy for FY 2019/20 is a continuation of the Multi-Year Commitments undertaken under NDP II. You should note that whereas the Strategy highlights some Sectors and Votes for emphasis, all Sectors and Votes at the same time play a very critical role in the implementation of the Budget Strategy.
8. The FY 2019/20 Budget Strategy strategically focuses on achieving Industrialization based on agriculture and mineral potential for inclusive growth and the creation of jobs, while promoting development of other key primary growth sectors such as tourism. An important aspect to this focus is addressing constraints that the private sector faces. This strategy reflects our medium term budget theme – **‘Industrialization for Job Creation and Shared Prosperity’**.
9. The strategy is structured along the following six major thematic areas:-

- i. Harnessing Key Growth Sectors of Agriculture and Agro-industry, Tourism, Oil, Gas and Minerals;
- ii. Enhancing Private Sector Growth and Development;
- iii. Promoting Human Capital Development;
- iv. Strengthening Public Sector Investments;
- v. Improving Governance & Sustaining Security; and
- vi. Developing a Financing Framework anchored on both an effective Domestic Revenue Strategy and a responsive Debt Management Strategy.

Harnessing Key Growth Sectors

Agriculture & Agro-Industrialization

9.1 Given the dominance of agriculture as a source of livelihood, agro-industrialization offers an opportunity for inclusive and equitable growth. Therefore, the following constitute the specific strategic actions in FY 2019/2020, which should be prioritized in the Budget:

- i) Improve coordination and implementation of provision of Water for Production (WfP), under a single institution i.e. Ministry of Water and Environment as pronounced by Cabinet;
- ii) Improving Extension Services, Regulatory and Financing Reforms in the Agriculture Sector through extension service management to create impact; filling policy gaps in the sector e.g. passing the necessary laws and regulations, for instance the coffee bill, counterfeit bill etc.; and re-prioritization of funding in the sector, specifically availing adequate operational funds for extension workers to ensure they have the right kits and facilitation to provide extension services;
- iii) Enhancing standards and quality of agricultural products through enforcement of regulations, certification of products and widening the coverage of UNBS to regional level;
- iv) Increasing uptake of irrigation technologies, including solar powered pumps by farmers and continued provision of Water for Production, complemented by continued and up-scale of current interventions under afforestation, wetland restoration and conservation;
- v) Prioritization of funding for agricultural research under NARO for vaccines, NACORI for coffee research and NAGRC&DB for improved animal breeds;
- vi) Supporting agricultural production and productivity through organizing farmers into cooperatives/farmer groups based on the Agricultural Zoning Strategy. This will facilitate provision and distribution of quality inputs, including increased use of fertilizers,

- enabling farmers to benefit from research in improved varieties and breeds, agricultural extension services, animal and crop disease and pest control, and, competitive marketing; and
- vii) Promotion of rural based agro-industries through linking farmers to agro-processing facilities by setting up SMEs, enhancing capacity for post-harvest handling facilities and buffer stock, and continued extension of investment incentives to agro-processors. These actions will facilitate value-addition to priority commodities i.e. coffee, tea and fish for export; cotton, vegetable oil and beef by-products for import substitution; maize, cassava and dairy products for nutrition and food security.

Petroleum (Oil & Gas) and Minerals

9.2 The country has moved from Exploration into the Development phase of its Oil and Gas sector. This development phase provides an opportunity for local enterprises to take advantage of the market for local goods/services and Ugandans with requisite skills to be employed. To realize this Government needs to prepare for its participation in line with the various contracts/agreements signed with the oil companies; ensure adequate arrangements for meaningful implementation of the local content policy and regulations as local content peaks during development stage and declines at start of production. The most immediate priorities for the petroleum sector will require the following interventions in FY2019/20 to prepare for oil production:-

- i) Continued prioritization of the Supportive Infrastructure for early Oil Production. This will include implementation of Resettlement Action Plan (RAP) for Oil and Gas to support infrastructures such as the Kampala-Hoima Infrastructure/Utility Corridor Project, and continued development of the Hoima International Airport and other facilities;
- ii) Working with investors to finalize the fiscal regime and the Final Investment Decision (FID) for the Oil and Gas Commercial Investments; and, financing of Uganda National Oil Company (UNOC) equity contribution to the development of the infrastructure i.e. the Oil Refinery, East African Crude Oil Pipeline (EACOP) and the Buloba Petroleum Storage Terminal;
- iii) Dissemination and implementation of the detailed Physical Development Plan for the entire oil region and sensitization of the population to provide awareness to land owners of the investment opportunities that will come along with petroleum sector development;

- iv) Ensuring readiness for implementation of local content:- Provision of affordable financing; dialogue with the oil companies; design and implement training to address technical and business skills gaps; setup local content steering committee; monitoring to ensure compliance; and, setup tribunal for addressing likely contract and procurement issues that may arise.

9.3 In addition to Petroleum, Uganda is blessed with abundance of other minerals such as iron ore, gold, wolframite, copper, cobalt, aluminum clay and limestone. The value of these minerals can only be fully maximised if they are processed within the country using local processing plants that present opportunities for more jobs and positive spillover effects on other sectors of the economy. Therefore, illegal mining should be tackled and capacity for value addition enhanced for these minerals with the ultimate goal of creating a strong linkage between the mining sub-sector and industrial development.

9.4 Next FY 2019/20, we shall place emphasis on continued registration of artisan miners, enforcing regulations in the minerals sector, establishment of a fully functional mineral laboratory to support certification and quality assurance of minerals, strengthening the regulatory framework and reviewing the fiscal regime of minerals, and increasing capacity for processing raw minerals for example the African Gold Refinery, supported by linking individual miners to the refinery plant to enhance value addition.

Tourism

9.5 Tourism is one of Uganda's major Foreign Exchange Earners but still performs below potential. The number of tourists visiting the country has increased over the years, but still below target both in terms of the number of visitors and expected earnings.

9.6 Uganda's tourism earnings is estimated at US\$ 1.4 billion annually. Our overall goal is to increase tourism earning to US\$ 2.7 billion by 2020. This will require increase in the number of visitors from the current 1.4million to 4 million by the same time. The following strategic actions will be undertaken by the Tourism Sector next Financial Year:-

- i) Improve tourism marketing and promotion in order to increase the visibility of Uganda as a tourist destination. This will require a review of the branding strategy to create a stronger and an appealing Ugandan brand, centered on the already existing Pearl of Africa Brand. Other measures will include image building through proper management of political activities to boost tourist confidence in security and safety,

- enhancing the Public Relations (PR) efforts, supported by stronger coordination of marketing;
- ii) Enhance development of skills in the Tourism industry by increasing the capacity of the Crested Crane Hotel and Tourism Training Institute and collaborating with international tourism institutions such as the Swiss School of Tourism and Hospitality (SSTH) to learn best practices. This will be complemented with quality assurance along the tourism value chain;
 - iii) Continued provision of investment incentives to developers of hospitality infrastructure such as affordable hotels in underserved tourism destinations such as Kidepo and other conservation areas;
 - iv) Conservation of Wildlife:- Prioritization of development of barriers in human-wildlife conflict prone communities and intensification of fight against poaching;
 - v) Diversification of Tourism Products range such as development of waterways, cultural, religious and historical sites, including supporting Local Governments in identification and development of tourism products in line with Local Economic Development Strategy;
 - vi) Upgrade and renovation of key tourism infrastructure to improve access and reliability – Airfields and priority roads, electricity and internet infrastructure, stopovers, water and sanitation facilities along the routes and sites; and
 - vii) Set up tourism observatory center to support data collection to provide reliable planning and investment statistics for the sector.

Enhancing Private Sector Growth and Development

- 9.7** For over three decades, Government has pursued a private sector-led growth strategy by consistently addressing constraints facing the private sector such as the costs of doing business in Uganda, like: high production costs, access to credit, cross border trade, registration of businesses, high taxes etc. However, Government has enhanced her efforts in the areas of introducing supportive policies that promote growth and development of the Private Sector such as continuous policy/regulatory reforms and increasing the stock and quality of manufacturing, trade and export facilitating infrastructure.
- 9.8** Given the significance of the private sector, Government has developed a National Strategy for Private Sector Development whose main goal is to increase private sector competitiveness, centered on industrialization because of its critical role in promoting development of other sectors through backward and forward linkages.

- 9.9** The strategy for FY 2019/20 will therefore aim at consolidating and building on the progress made in supporting growth of the private sector through:-
- a) Increasing the stock, access to reliable and affordable production, trade and export facilitating infrastructure to enable the private sector produce and market at competitive cost:-
 - i) Completion of on-going Hydro Power Projects. Government has made substantial investment towards generation of electricity. Investment in Transmission and Distribution infrastructure will not only increase the quality and reliability of electricity supply to reduce losses, but also satisfy the currently high level of suppressed demand for electricity. As the quality of electricity improves and electricity demand increases, electricity tariffs will be lowered as consumption of electricity increases;
 - ii) Improving the transport mix through:- Completion of ongoing road contracts; development of a water transport master plan; rehabilitation of meter gauge railway; revival of the National Airline; and, To support this, land acquisition and counterpart funding will be prioritized in the budget; and
 - iii) Prioritize National Backbone Infrastructure Phase 5 implementation to ensure that all districts have reliable internet connectivity to internet.
 - b) Developing skills to meet private sector skills demand through apprenticeship, targeted and specialized trainings;
 - c) Increase access to affordable and long term financing, especially for agro-enterprises through:- Continued capitalization of UDB and mobilization of lines of Credit to UDB; lowering cost of doing business for commercial banks and addressing causes of credit risks as well as improving the diversity and usage of financial instruments as alternative financing;
 - d) Implement and strengthen the BUBU policy through (i) prioritizing consumption of locally produced goods and supporting capacity of local firms to produce goods that can compete with foreign goods in quality, quantity and ensuring consistence in supply, and (ii) establishment of a local content unit to address information gaps between large firms and small firms;
 - e) Speed up enactment of the bills that are pending in Parliament such as the NSSF Bill, Pensions Bill, National Health Insurance Bill, Land Lord

Tenants Bill, Animal Feeds Bill, Fisheries Bill, Data Protection Bill, Counterfeit Bill etc; and

- f) Support private sector to meaningfully participate in the trade blocs we subscribe to such as EAC, COMESA, AGOA and other bilateral agreements for market access through:-
- i) Addressing Quality/Standards to enable market access through support to the private sector in certification of their products to internally recognized standards. This will be complemented by extending services of UNBS to regional level, support to the Ministry of East African Community Affairs to enhance sensitization of traders on Trade and Investment Opportunities e.g. Forum on China-Africa Cooperation (FOCAC), Standards, Quality and Trade Procedures within the EAC borders;
 - ii) Identifying and eliminating Non-Tariff Barriers e.g. through continuous engagement/negotiations with trading partners, especially within the EAC;
 - iii) Establishment of a database of suppliers of exports. This will improve linkage between exporters and local industries and deepen domestic supply chain for export competitiveness.
 - iv) Promoting of Business Outsourcing Centers to facilitate services exports.

Boosting Human Capital Development and Increasing Efficiency in Service Delivery

9.10 In order to support the implementation of the National Strategy for Private Sector Development (NSPSD) 2017, effective and efficient service delivery is required. Alongside the physical capital (energy, transport and ICT infrastructure), human capital is a key enabler for growth and livelihood improvements.

9.11 With a predominantly young population, Uganda holds the opportunity to reap from the Demographic Dividend, if the population remains healthy and equipped with requisite skills. While there has been considerable improvement in provision of human capital development services, we still need to do more to support Uganda's demographic transition to unlock the productivity gains. This requires closing social infrastructure gaps, addressing quality concerns and the overall improvement in coordination and efficiency in social service delivery.

9.12 In order to improve the health and skills of the population, we shall address social services constraints through the following measures:-

Education and Skills Development

9.13 Government has a major focus on enhancing support to quality education in respect of the Sustainable Development Goal No. 4 and its role in developing a literate population. In FY 2019/2020, we shall center our efforts on the following strategic areas:

- i) Prioritize Vocational training by enforcing standards in the institutions to make them attractive, providing vocational and technical institutions with adequate instructors and instructional materials, guided by skills demand in the market, to enable them attract potential students.
- ii) Operationalization of the seed secondary schools being constructed in sub-counties without government secondary schools, with adequate staffing and operational costs before embarking on new ones;
- iii) Harmonize the Government merit Scholarship with the Student Loan Scheme; and
- iv) Enhancing quality of education service delivery, especially at primary level, through teacher training, supervision and inspection. This will be complemented by use of Information Technology Innovations to education facilities and automation of monitoring and inspection mechanism to address knowledge gaps and absenteeism that affects quality of learning.

Health Services

9.14 Government has stepped up programs to promote the health and wellbeing of everyone to ensure sustained containment of maternal and child mortality, disease outbreaks, fight against HIV/AIDS and other complexities of health and development. For FY 2019/2020, the following program areas will be central in the Budget:

- i) Operationalization of the health facilities which are currently being upgraded from Health Centre IIs to Health Centre IIIs, by provision of adequate staffing and operational funds;
- ii) Speed-up approval of National Health Insurance Bill to enable implementation of the scheme;
- iii) Prioritisation of the preventive measures in health service delivery, including scaling up campaigns on health lifestyles beyond the National Fitness Day;
- iv) Strengthen referral systems to prioritize diagnosis and treatment of non-communicable diseases;
- v) Streamline systems for drug ordering and distribution, that is to say, balancing push and pull systems to address issues of drug stock-out and mismatch of drug with regional specific needs; and

- vi) Improving health service delivery, through health worker training, supervision and inspection, including training and supervision of Intern Doctors. This will be complemented by enhanced monitoring and inspection mechanism to address absenteeism as well as putting in place an effective system to monitor the use and maintenance of hospital equipment.

Improving Water Quality & Sanitation

9.15 Many areas of the country still remain water stressed for both clean and safe human consumption and, for production. Ensuring sustainable and affordable access to safe and clean water for everyone is the main target of Government, besides providing adequate water infrastructure, environmental management and restoring water-related eco-systems. In FY 2019/2020, Government aims at undertaking the following:

- i) Improving functionality of water and sanitation infrastructure through timely maintenance of water points/sources;
- ii) Setting-up regional water treatment facilities to enable timely response to water contamination issues;
- iii) Improving waste management in the Capital City through construction of a new landfill at Dundu in order for organic waste to be converted into manure and renewable energy; and
- iv) The Ministry of water and environment will develop a clear policy and financing stance on sanitation, which should underline proper coordination across water, health and education sectors.

Improving Social Development Services

9.16 Social welfare, gender and equity are important for everyone in the fight against poverty. In FY 2019/2020, we will:

- i. Prioritize adequate training and provision of operational support for Community Development Workers (CDWs), especially with regard to social welfare. This way, the CDWs will be able to play a pivotal role in community mobilization efforts to support service delivery.
- ii. Continue with the implementation of Social Assistance Grant for the Elderly for persons 80 years old and above, and rolling out the scheme countrywide. Those already on the scheme irrespective of the eligibility age shall be maintained on the scheme.
- iii. Focus on enhancing support to collaborative efforts with the Private Sector to help and identify skills and technological gaps for Government to come up with specialized courses and/or trainings. This will boost

job creation, self-employment, innovation and creativity in the Private Sector.

Strengthening Public Sector Investment

9.17 To realize desired returns from public investment and support private sector investments in the growth opportunities, we need to ensure efficiency in execution and enforce quality in public infrastructure development. The existing stock of public assets, especially roads also need timely and adequate maintenance if they are to last the duration for which they have been built. Findings of UNHS 2017 indicated deteriorating quality of existing stock of public assets, most especially paved roads. Therefore, in the coming FY2019/20, emphasis should be placed on the following interventions:-

- i) Addressing issues of project delays arising from delayed acquisition of right of way for projects, especially for electricity transmission lines, through expeditious resolution of land disputes;
- ii) Ensuring optimal utilisation and maintenance of public assets through capacity building in assets management, financial asset monitoring and reporting; and
- iii) Enhancing value for money in public procurement for large projects through; capacity building, transparency and automation of the procurement systems to the extent possible.

Improving Governance & Sustaining Security

9.18 Sustaining peace and security is paramount for our growth and development initiatives. We therefore need to continue placing emphasis on equipping the security forces, prioritizing their welfare, scaling up Regional Cooperation with EAC member states on regional peace, strengthening cooperation among our security agencies and improving community policing to combat urban crime.

9.19 Furthermore, you are advised to strengthen and streamline fiscal management and public administration in all your institutions to improve efficiency and ensure value for money through the following interventions: -

- i) Continued phased enhancement of pay to public servants to improve work morale;
- ii) Rationalization of administrative units and agencies to eliminate duplication and reduction of administrative costs; and, putting a moratorium on creation of new administrative units - public

- universities, authorities, districts, municipalities, sub-counties, town councils and parishes;
- iii) Strict enforcement of PFM Act 2015;
 - iv) Timely commencement and sequencing of the electoral activities; and
 - v) Automation of court procedures to improve turnaround time for disposal of cases. In addition, alternative dispute resolution should be explored e.g. Plea bargaining, small claims procedures and Prioritize community service programs especially for small cases.
 - vi) Implementation of the One Stop Center (OSC) for investor registration and licensing. This will reduce on costs of doing business, human interfaces, increase predictability, increase the flow of foreign direct investments and formalization of enterprises and, improve Uganda's ranking in respect of the Doing Business Report by World Bank. This will be undertaken through institutional reforms, administrative reforms, leveraging IT and undertaking other Legal Reforms.

Harmonization of Budget Estimates with the Budget Strategy, the NDPII and the SWG Priorities

- 9.20** Ensure that the Detailed Budget Estimates and Ministerial Policy Statements submitted are in line with the Second National Development Plan and the Budget Strategy FY2019/20 as approved by Cabinet and Parliament, and what was agreed upon within your respective Sector Working Groups.
- 9.21** In light of the above, all sectors should ensure their outcomes and output indicators match with the NDP II targets as agreed upon with this Ministry, the Office of the Prime Minister (OPM), National Planning Authority (NPA) and Uganda Bureau of Statistics (UBOS).
- 10.** Therefore, in respect of the Budget Strategy, you should budget for the priority intervention areas indicated in **Annex 4** as you finalize your detailed Budget Estimates as attached.
- 11.** I wish to remind you that during consideration of the National Budget Framework Paper for the FY 2019/20, Parliament made various policy recommendations, which you should address during the finalization of the budget estimates as summarized in **Annex 1** attached. Given the resource constraint, the recommendations by Parliament should be given a first call and accommodated within your respective Vote MTEF ceilings. All Accounting Officers should indicate how they have complied or what action they have taken with regard to these recommendations.

C. REVISED RESOURCE ENVELOPE AND SECTOR MTEF CEILINGS

Resource Envelope

- 12.** The final Resource Envelope for FY 2019/20 is **Ushs. 37,624.6 Billion (including Debt, Redemptions and Non Tax Revenue)** of which **GoU is Ushs 19,704.0 and External Financing is Ushs 9,305.6 Bn** as detailed in the MTEF attached as **Annex 2**.

Budgeting for Appropriation In Aid (AIA)

- 13.** In line with Section 29 2(a), (3) of the PFMA 2015, all AIA was adopted for collection and remittance to the Consolidated Fund with Cash Limits issued for spending. However, some Institutions like Uganda Wildlife Authority, National Water and Sewerage Corporation and Civil Aviation Authority were exempted based on the nature of their daily operations. **Effective FY 2019/2020, all AIA will be integrated in the MTEF and budgeted for, like any other resource. It will be collected by Uganda Revenue Authority and incorporated in the Budget for appropriation by Parliament in the overall GoU Budget.** For that matter, your Budget for FY 2019/2020 has been increased by the annual AIA budget projection. **Therefore, no separate budget for AIA will be issued.**

Exchange Rate for FY 2019/20

- 14.** For planning and budgeting purposes, you should use the prevailing exchange rate as issued by Bank of Uganda. This information is available on the Bank of Uganda Website www.bou.go.ug.

D. GUIDELINES FOR PREPARATION OF DETAILED BUDGET ESTIMATES AND MINISTERIAL POLICY STATEMENTS (MPSs)

Preparation of Detailed Budget Estimates, Work plans and Procurement Plans

Sector Working Groups

- 15.** Sector Working Groups are the central point of planning, budgeting and evaluation of progress against set targets and indicators for all votes in a Sector. Sector Working Groups facilitate the rationalization of resources, create interlinkages and avoid duplication of activities across Votes hence, minimizing resource wastage. However, it has been observed that several sectors do not utilize their Sector Working Groups. In that line, all Accounting Officers must present their budgets for review at the Sector Working Group level before submitting to this Ministry.

Ministerial Policy Statements (MPSs)

- 16.** While Section 13 (13) of the PFM Act 2015 requires submission of Ministerial Policy Statements to Parliament by **15th March**, you must submit a copy of your Policy Statements for the FY 2019/20 to this Ministry by **7th March 2019** for review. This is to ensure that there is consistency between Ministerial Policy Statements and the Draft Budget Estimates and the overall Budget Strategy.
- 17.** We have reviewed the structure of the MPS to accommodate your input and make it much more user-friendly as attached in **Annex 5**. In addition, the MPSs for FY 2019/2020 should be accompanied by the following documents as required under **Sections 13 and 15 (a – I) of the PFM Act, 2015**:
- i. Annual Work Plan for the Vote,
 - ii. Annual Procurement Plan,
 - iii. The Recruitment Plan,
 - iv. Statement of Actions taken by the Vote to implement the recommendations of Parliament in respect to the report of the Auditor General for the preceding Financial Year (FY 2018/2019 for this matter),
 - v. Cash Flow Projections of the Vote,
 - vi. A Certificate of Equal Opportunities Commission,
 - vii. Vehicle Utilization Report for the previous year, and
 - viii. The Assets Register.

Implementation of Program Based Budgeting (PBB)

- 18.** Effective FY 2015/16, we successfully rolled out Program Based Budgeting (PBB) to all Government MDAs, making planning and budgeting much more user friendly. PBS is used to implement Program Based Budgeting (PBB). However, I have observed that outcomes and outputs for some Sectors, do not match with their corresponding indicators as guided by the National Development Plan II and as uploaded in the PBS. This Ministry, along with National Planning Authority, Office of the Prime Minister and Uganda Bureau of Statistics will continue to jointly review the indicators in order to eliminate those inconsistencies. You should therefore ensure that all your work plans are linked with outcomes, outputs, their indicators and budgets.
- 19.** For Health and Education institutions, we have further modified the PBS to include a drop-down tag that separates Government institutions from private institutions for wage, capitation grant and operational costs for purposes of reporting on these funds.

Alignment of Entity Budgets for Better Budget Execution

20. There has been a practice of placing budgets under a Vote yet the execution of the related activities will be by another Vote, e.g., the Road Maintenance Grant is budgeted for Under Uganda Road Fund Vote yet the Local Governments, UNRA and KCCA. The same applies to the Youth Livelihood Program, Women Empowerment Program etc. This frustrates the operation of the Treasury Single Account framework and complicates the preparation of final accounts. Therefore, all Sectors that have such budgets should simply advise implementing entities on the sizes of the budget, allow them to budget directly while they undertake periodic monitoring and advise of quarterly allocations.

Budgeting for Missions Abroad

21. I have noted over time that Missions' commitment to deliver against Work Plans in promotion of trade, tourism and attraction of foreign direct investments has remained unsatisfactory. Additionally, some of the Missions allocated resources particularly for commercial diplomacy have either diverted those resources to other activities or implemented their activities for which funds were not allocated. Therefore, effective FY 2019/2020, Accounting Officers of Missions Abroad are urged to commit time and resources for commercial diplomacy given that any additional allocations for this activity will be based on performance against targets.
22. I have also noted that a large number of Missions are not fully implementing laws, regulations and guidelines that are communicated from time to time. Please, note that these are part and parcel of the working tools meant to foster accountability and value for money as well as effective service delivery. Therefore, I remind effective the coming Financial Year, you should embrace all these laws, guidelines and regulations in respect to planning, budgeting, implementation and reporting as well as in-house administrative systems within your respective Missions.

Budgeting for Decentralized Salaries, Acting Allowance, Pension, and Gratuity

Wages/Salaries

23. Wage Allocations and Ceilings for FY 2019/20 are based on this financial year's approved wage budget for staff in-post and within the structures cleared by Ministry of Public Service and the available funds including Universities that co-finance from their collections. **In the Program Budgeting System, each Accounting Officer is required to submit a list of the staff in-post and the corresponding National Identity Numbers (NINs) to MOPS as an input for**

wage estimation in FY 2019/20 which should also be provided as an annex to the MPS. The NINs will be forwarded to NIRA for confirmation.

- 24.** I have also noted that Accounting Officers in some Local Government do not budget sufficiently for staff under their appropriate wage categories, which leads to shortfalls on some wage expenditure items, while creating surpluses on other wage items, leading to mischarges. **To facilitate proper payroll management and processing of Wage Warrants by the MoPS and MoFPED, Accounting Officers should ensure that budgeting is accurately done, by proposing re-allocations within the Vote's wage ceilings and ensuring that the adjustments are made before finalization of the estimates.**

Acting Allowances

- 25.** Furthermore, it has come to my notice that several Ministries, Agencies and Local Governments (MALGs) still keep staff in acting positions earning duty acting allowance in disregard of the aforementioned provisions for example, the Ministry of Education and Sports has noted this in Secondary and Tertiary Schools. This has led to failure to recruit qualified staff to fill these positions substantively and administrative challenges of monitoring and supervision of Senior Officers by Junior Officers in the acting positions. This has in a number of instances led to requests for supplementary funding to cater for wage shortfalls.

- 26.** In accordance with Section 1 (E – C) of the Public Service Standing Orders, which states that ***“An Acting Allowance shall be paid to an officer when he or she has been appointed to act in an office higher than his or her substantive office by the Appointing Authority, in accordance with the Constitution.”*** and Section 5e (E – C) that emphasizes that Acting allowance shall ***“not be paid indefinitely but lapses after six months unless specifically renewed or extended by the Appointing Authority,”*** Accounting Officers are instructed to stop all payments of acting allowance for anyone who has acted beyond six months provided for and withdraw appointment letters of the same henceforth.

Transfers & Promotions

- 27.** This Ministry has noted with concern some cases of unauthorized recruitments, promotions and transfers leading to wage shortfalls. Some transfers have often been effected without moving the corresponding records to the new stations. Accounting Officers are therefore advised to refrain from making transfers and promotions once the detailed budget estimates have been finalized and submitted to Parliament for appropriation.

Salary Enhancement

28. According to the approved pay policy of Government, the first phase of Salary Enhancement, is under implementation. The Ministry of Public Service will send out a circular on the salary enhancement under the second phase for all public service officers after Cabinet approval.

Pensions and Gratuities

29. In line with Government Policy of Decentralization of the payroll and Pension Management as communicated under the Establishment Notice No.2 of 2018, I wish to emphasize that Accounting Officers are responsible for budgeting, reviewing and approval of their Pension and Gratuity payments before they are effected. As such, Ministry of Public Service in collaboration with MDAs and LGs are requested to ensure that accurate records and computed retirement benefits of those retiring in FY 2019/20 are generated and submitted to this Ministry to facilitate adequate and timely budgeting for Pension and Gratuity.
30. For staff who are scheduled to retire in the course of FY 2019/20, their details should be submitted to this Ministry by Department, Salary Scale, Title and Pay Roll Category for the Local Governments which is already provided for in the PBB. **Accounting Officers must make submissions on Pension and Gratuity basing on the Integrated Personnel and Payroll System (IPPS) generated reports for FY 2019/20.**

Public Universities:

31. Before decentralization of Pension and Gratuity management and payments, Public Universities and some other Government Institutions used to budget for their retirement benefits. However, most of them have negated to budget for retirement benefits, reverting this responsibility to MoFPED and MoPS. **I therefore wish to clarify that all Public Universities and Government Institutions that do not recruit their staff through the Service Commissions should budget for their gratuity and retirement benefits within their ceilings as it has always been.**

Processing of Pension Files:

32. It has been reported that Pension Files spend more than two (2) months on a single stage in the process. These delays are mainly due sluggishness or sheer negligence of some responsible Officers at various stages in the business process. **This is NOT ACCEPTABLE.** These delays have led to Votes remaining with unspent balances of Pension and Gratuity at the end of the Financial Year and submit supplementary request of the same immediately at the start of the new financial year, arising out of aforementioned. **It is therefore expected that by**

30th June 2019, all Pension and Gratuity files budgeted for in FY 2018/19 should have been processed and paid and, where these files remain unpaid, Accounting Officers are instructed to indicate as such and ensure that the Pension and Gratuity requirements are incorporated in the Budget Estimates for FY 2019/20.

Budgeting for Off-Budget Financing

- 33.** Parliament has observed that some Accounting Officers do not capture financing details of Off-Budget support including activities and work plans. To ensure full disclosure of all resources, all Accounting Officers should declare Off-Budget funded activities for FY 2019/2020 to allow this Ministry track both On-Budget and Off-Budget funding to facilitate reporting. **For that purpose, the Ministerial Policy Statement structure has been modified to cater for both On-Budget and Off-Budget financing. The Off-Budget Financing line is indicated in Table 4.1 (Over View) in the line where AIA was originally captured from, i.e., between the Total and Grand Total Lines.**

Budgeting for Rent and Utilities

- 34.** It has also been observed that some Accounting Officers do not budget appropriately for rent and utilities. Therefore, as you finalize your detailed budgets for next financial year, you should adequately provide for rent and utilities to avoid creation of arrears and reallocation requests during budget implementation. **For that matter, I have instructed NWSC and Umeme to directly disconnect any MDA which does not comply and pay its rent and utility bills as required.**

Budgeting for Domestic Arrears

- 35.** As you are aware, Government developed a Domestic Arrears Management Strategy which is meant to guide all Accounting Officers on the management of arrears. Furthermore, Government contracted an independent audit firm to verify all Domestic Arrears for the year ending 30th June 2017 which exercise has been extended to end 30th June, 2018 as per my letter of Ref. FINMAP/MSU dated 25th January 2019.
- 36.** Furthermore, out of the total stock of Domestic Arrears of **Ushs. 2,821,791,242,560** it was verified and found that **Ushs 1,299,569,506,880** is valid arrears; **Ushs 373,765,925,164** was contested while **Ushs 426,136,355,461** was rejected. The allocation of domestic arrears to the affected Votes for FY 2019/2020 has been made on account of the

independent audit report. The Domestic Arrears Allocations is attached as **Annex 6**.

Budgeting for Multi-Year Expenditure Commitments

- 37.** In November 2018, Cabinet approved the Public Investment Management System (PIMS) Framework for the review and approval of projects. The framework requires that prior to inclusion in the PIP and annual budget, all projects be appraised and approved by the Development Committee in line with the PIMS guidelines i.e. at the four stages of preparation (Concept, Profile, Pre-feasibility and Feasibility stages). It is however, noted that many MDA's often delay to address issues and or incorporate recommendations of the Development Committee, which causes significant delays in the approval timelines for projects. You must therefore ensure timely submission of new and revised projects at the various stages for appraisal and approval by the Development Committee. You must also ensure that you attend the Development Committee Meetings which happen monthly and quarterly meetings for the Sub Committee and the main Development respectively as per the DC Calendar, (**Annex 7**).
- 38.** In line with the Development Committee guidelines, the Ministry undertook a comprehensive review of all projects in the PIP against which projects were flagged for exit on account of either expiry of project period, over stay in the PIP and / or unsatisfactory performance. Following appeals and reapplications from various MDA's, the DC Sub Committee review meetings were held in November and December, 2018 and a number of recommendations were made. Accordingly, Projects valued at **Ushs 2,817.7 Bn** shall be exited from the PIP for FY 2019/20 as indicated in **Annex 8**. The funds accruing from projects exiting the PIP shall be retained within the sectors to cater for counterpart funding obligations for externally funded projects and project shortfalls. Please ensure to submit completion reports for the projects that are exiting the PIP.
- 39.** Similarly, this Ministry jointly working with MDA's, undertook a stock take exercise on all projects in PIP. The report reveals enormous funding requirements during FY 2019/20 to FY 2020/21 and a decline from FY 2021/22 onwards. Therefore, given the resource constraints, you are urged to confirm the attached multiyear requirements for all your projects to enable prioritization in FY 2019/20 and the medium term attached as **Annex 9**. In addition, you must ensure that all externally funded projects are duly submitted to DC for appraisal and confirmation of their multiyear commitments for counterpart funding and operation and maintenance requirements.

Sequencing of projects

- 40.** The Debt Sustainability Analysis (DSA) exercise undertaken by the Ministry of Finance, Planning and Economic Development undertaken in December, 2018 showed that for the first time since debt forgiveness, Uganda's debt to GDP ratio would exceed 50% in the medium term. In that regard, the Ministry reviewed all externally funded projects within the Medium Term Expenditure Framework (MTEF) FY 2019/20- FY 22/23 to with a view to ensure that the Country Debt is sustainable.
- 41.** Accordingly, a number of projects have been postponed (Annex ...refers) to ensure the Country fits within the sustainable DSA threshold. The projects, which have been considered are on account of; complete appraisal and as such ready to commence implementation, strategic reasons, economic viability of the project, approval of the project, approval of the project by Cabinet, Parliament, and the Development Committee, availability of financier, and advanced level of negotiations. Going forward, MDAs are urged to adhere to the PIMS framework, complete compensation of the Project Affected Persons/acquire right of way for all their projects prior to their commencement, and fast track completion of the ongoing projects to create fiscal space for the new projects.

Budgeting for Presidential Pledges

- 42.** It has been noted that most of you defy to budget for presidential pledges during budgeting. In addition, some sector Ministries issue letters for Local Governments to substitute on-going planned activities with Presidential pledges, which are not in the work plans. **You are advised to budget appropriately, and ensure these pledges take priority in your plans and budgets for next financial year.**

E. LOCAL GOVERNMENT ISSUES

LG Indicative Planning Figures for FY 2019/2020

- 43.** The Local Governments' Indicative Planning Figures for all Sectors are provided and attached as **Annex 10**. You must plan and budget as per the Budget ceilings provided for your respective Local Governments to guarantee harmony during Budget Execution.

Budgeting on Item Level

- 44.** The current financial year 2018/19 is the second FY of preparing estimates at item level and automation of the planning and budgeting process. However, it has been observed this Financial Year that most of you allocated budgets wrongly

to different budget items, making implementation difficult. **Therefore, you should capture and allocate your budgets to the right item codes to avoid constant requests for virements, reallocations and supplementaries.**

Inter-Governmental Fiscal Transfer Reforms

- 45.** You are all advised to budget for Seed Secondary schools and selected Health facilities as guided by Cabinet and submitted by Health and Education Sectors to the Parliamentary Committee on the National Economy. Local Governments should use guidelines issued by both Ministries of Health and Education in preparation of the final Estimates.

New Local Governments

- 46.** Parliament approved the creation of 23 Districts to come into effect in a phased manner starting FY 2015/16. Effective 1st July FY 2019/2020, the last batch of seven new Districts namely: ***Rwampara District, Karenga District, Obongi District, Kazo District, Kitagwenda District, Madi-Okollo District, and Kalaki District*** will take effect, with their corresponding host Town Councils. The seven new Districts with their respective Town Councils where the Headquarters will be based have been issued with Indicative Planning Figures accordingly. **All the other Town Councils and Sub-counties created from FY 2016/17 and thereafter, will be operationalized in phased manner as and when resources are available for recruitment and their operation costs.**

Geographical Location of Public Institutions at LG Level

- 47.** It has come to my attention that some Town Councils, Schools and Health Units appear in different Local Governments and Sub-Counties where they do not geographically belong. This encourages 'ghost' facilities, as Accounting Officer may at times not be aware that the facility has already been planned for in the other Local Government. In addition, it makes transfer of funds to such institutions difficult. **Therefore, All Accounting Officers are advised to ensure their administrative units are rightly located where they officially belong. Any Accounting Officer who does not take this observation serious will be penalized.**

District Commercial Services Departments

- 48.** A new Department of **Commercial Services** has been created from the **Production and Commercial Department** as per the recommendations of the last Local Government Regional Budget Consultations. As such, the IPFs of the Commercial Services Department have been separated from the Production and Commercial Services and you should budget accordingly.

Locally Raised Revenues

49. As the case is in FY in FY 2018/19, Local Revenue will form part of the Budget that will be appropriated by Parliament under your respective Votes. Consequently, all LGs were requested to indicate any additional Local Revenue to the BFP for FY 2019/20 projection by 29th December, 2018 and no LG has done so. Therefore, the Local Revenue projections indicated in the respective BFPs for FY 2019/20 have been maintained. You should therefore prepare clear Local Revenue Work plans with detailed items in the budget estimates for appropriation by the respective District/Municipal Councils. They must be categorized according to Recurrent and Development budgets, indicating the entire provision of 100% of which 65% will be transferred to the Sub-counties (for Districts) and 50% for the Municipal divisions (in the case of Municipalities) as you prepare your budgets for FY 2019/20.

Phasing Out Support to Private Schools

50. The year 2020 will be the last year to support Senior Four (S.4) students of private schools. As such funds saved out of the 3rd Year students should be used for funding recruitment and operational costs for the newly constructed Seed Secondary Schools, under the Inter-Governmental Fiscal Transfers Program. **In addition, some LG Accounting Officers continue to budget for private schools in disregard to this Policy for the years phased out already. This must stop.**

Grant aiding of Schools

51. It has come to our notice that some of the newly grant-aided schools have very few pupils or students. In future, for a school to be grant-aided, it should have at least 350 pupils (in the case of a primary school) or 200 students (for the case of secondary schools). **The Accounting Officers of Ministry of Education and Sports and Ministry of Public Service should follow up on this matter seriously.**

Funds appropriated under Central Government Votes but transferred to Local Governments

52. As communicated in the First Budget Call Circular FY 2019/2020, all funds transferred to Local Governments through MDAs should have been included as part of the IPFs of Local Governments for next Financial Year for appropriation by Parliament. As such, the MTEF of the respective MDAs with grant transfers to Local Governments have been reduced by the corresponding amounts. For avoidance of doubt, these funds include: **The Third Northern Uganda Social Action Fund (NUSAF3), Sanitation Funds, Uganda Women's**

Entrepreneurship Programme. However, the respective MDAs will remain with the responsibility of advising on transfers and oversight roles of these funds.

F. CROSS CUTTING ISSUES

Gender and Equity Mainstreaming

53. In line with Section 13 [11(e)] of the PFM Act, it is mandatory for all Accounting Officers to Mainstream Gender and Equity in their Workplans, Budgets and Programs. Furthermore, the Minister of Finance, Planning and Economic Development issued a Certificate of Gender and Equity responsive for the Budget for FY 2019/20 specifying the measures taken to equalize the opportunities for men, women, persons with disabilities and other marginalized groups.

54. As part of finalizing the budget estimates for FY 2019/20, all Ministries, Departments, Agencies and Local Governments have to illustrate inclusiveness in access, participation, and benefits to/from public goods and services by all men and women of all ages; and persons with disability; across the country. To support this effort, Government has designed a Capacity Building plan; curriculum and training materials. A team of National Trainers is in a place and all MDAs/LGs should use their training funds to seek technical assistance.

HIV and AIDS

55. The Guidelines for Multi-Sectoral HIV and AIDS Mainstreaming are as attached in **Annex 12**. All Sectors are instructed to clearly outline and cost their HIV/AIDS related activities for FY 2019/20, e.g., Psychosocial support, Counselling, Care, Treatment, Work Place Policies, Awareness Campaigns etc. **You are therefore advised to allocate 0.1% of your total budget (excluding pension, gratuity and transfers) for HIV/AIDS Mainstreaming as per the guidelines.**

Environment Issues & Climate Change

56. The total forest cover in Uganda was estimated at 8% in FY 2016/17, far less than the 11% of FY 2015/16. This decline is attributed to heavy deforestation, which is a lead driving factor of Climate Change characterized by prolonged droughts and untimely rain patterns. It is against this background that Sectors must mainstream Environmental Issues in their Sector Plans, Programs and Budgets as you finalize your detailed estimates for FY 2019/20. Please, outline the major issues and the strategies to address these issues.

Population and Urbanization

- 57.** Uganda's rapid growing population is a big threat to economic growth and development given the current economic challenges. Uganda today is experiencing a sharp rural-urban population drift, mainly due to unemployment by the youths. It is important that we mainstream population and urbanization issues in our budgets as we finalize the budget estimates for FY 2019/2020 and be able to design better strategies to manage such challenges.
- 58. Guidelines for mainstreaming of Gender and Equity, HIV/AIDS, Environment & Climate Change and, Population and Urbanization will be communicated to you in a separate Circular to help you finalize your work plans and budgets for next financial year. Respective Sectors are urged to submit these Guidelines to MoFPED by Friday 22nd February, 2019 for communication to all Votes.**

G. CONCLUSION

- 59.** All Ministries are requested to submit their Ministerial Policy Statements and Draft Estimates for the FY 2019/20 to this Ministry by **Thursday, 7th March 2019** for consistency checks and thereafter to Parliament by **Friday, 15th March, 2019**. **Also on 7th March 2019, Sectors are required to submit Ministerial Policy Statements to Equal Opportunity Commission.**
- 60.** The Detailed Budget Estimates and project profiles for FY 2019/20 must be submitted online, using the PBS (for Central Government Votes); and, in hard and soft copies generated from the LGBOT (for Local Governments) to the **Permanent Secretary/Secretary to the Treasury for the attention of the Director Budget not later than Thursday, 7th March 2019.**
- 61.** All Accounting Officers are required to adhere to the guidelines stipulated in this circular as well as the requirements of the Public Finance Management Act 2015 (Amended).
- 62.** In case of any queries regarding the PBS, please contact out Technical Support Team on **0414707151** from Monday to Friday **08:00Hrs – 17:00Hrs**, **email: pbssuppo@gmail.com** or contact respective desk officers for immediate assistance. Budget related information is available on the **Budget Website www.budget.go.ug** or through the **Toll Free Line: 0800229229.**

63. I wish you all successful deliberations in the finalization of your Ministerial Policy Statements and corresponding Detailed Budget Estimates for FY 2019/20.

Keith Muhakanizi

PERMANENT SECRETARY/SECRETARY TO THE TREASURY

Copy to:

Hon. Speaker of Parliament
Hon. Deputy Speaker of Parliament
The Rt. Hon Prime Minister
Rt. Hon. 1st Deputy Prime Minister and Minister of East Africa
The Rt. Hon 2nd Deputy Prime Minister & Deputy Leader of Government Business
Hon. Minister of Finance, Planning and Economic Development
All Hon. Ministers and Ministers of State
The Chairperson/Parliamentary Budget Committee
The Chairperson, National Planning Authority
The Head of Public Service and Secretary to Cabinet
The Principal Private Secretary to H.E the President
The Clerk to Parliament
All Hon. Members of Parliament
Auditor General/Auditor General's Office
The Director/Parliamentary Budget Office
All Resident District Commissioners
All Chairpersons LCV and Mayors of Municipalities
The Head of Parastatal Monitoring Unit
The Managing Director, National Water and Sewerage Corporation
The Managing Director, Umeme
The Inspector General of Government