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THE REPUBLIC OF UGANDA

18th November 2010

To All Accounting Officers (Central and Local Governments)

BUDGET CALL CIRCULAR: PREPARATION OF THE BUDGET FRAMEWORK PAPERS AND BUDGET ESTIMATES FOR THE FY 2011/12

A. INTRODUCTION

1. Article 155 of the Constitution of the Republic of Uganda and Sections 3 and 4 of the Budget Act 2001 require the President to lay before Parliament, **by the 15th June of every year:**
 - (i) Final Estimates of Revenue and Expenditure of Government for the next Financial Year; and
 - (ii) Multi-year Fiscal and Monetary programmes and plans for economic and social development.
2. In addition, Section 4 of the Budget Act 2001 requires H.E. the President, to cause the preparation and laying before Parliament, **by the 1st of April every year:**
 - (i) A multi-year macroeconomic plan and programmes for economic and social development;
 - (ii) Indicative preliminary revenue and expenditure framework of Government for the next financial year.
3. Section 5 of the Budget Act 2001 requires any Head of Government Department, Self Accounting Bodies, Institution, Organization or Commission to submit to the President preliminary estimates of revenue and expenditure for the following financial year, **by the 15th February of each year** to facilitate analysis, consolidation and submission of the afore mentioned documents by H.E the President to Parliament as required by Article 155 of the Constitution of the Republic of Uganda.

4. This circular is therefore prepared in compliance with the provisions of Article 155 of the Constitution of the Republic of Uganda and Sections 3, 4 and 5 of the Budget Act 2001.
5. The objectives of the circular are two:
 - (i) *Communicate the indicative expenditure ceilings for FY 2011/12 and the Medium Term (Annex 1).*
 - (ii) *Communicate key Policy and administrative guidelines related to preparation of the Budget Framework Papers for the FY 2011/12 and the medium term.*
6. In order to fulfill the requirements of the Constitution and the Budget Act 2001 within the stipulated deadlines, the Chairpersons of the Sector Working Groups should immediately convene sector meetings to embark on the preparation of the Sector Budget Framework Papers for the FY 2011/12 and the Medium Term based on the guidelines attached in **Annex 2**.

B. BUDGET STRATEGY AND PRIORITIES FOR FY 2011/12

7. Resource Envelope for FY 2011/12 and MTEF Projections.

- 7.1 The preliminary budgetary resource envelope for FY 2011/12 is **Ushs 8,004.1bn** (including Donor project, interest payments and arrears), for expenditure at Sector and Vote levels as indicated in **Annex 1**. The exchange rate to be used for FY 2011/12 is **UShs 2,337** against One US\$.

8. Alignment of the Budget to the National Development Plan (NDP)

- 8.1 Beginning with this FY 2010/11, Government embarked on the implementation of the National Development Plan (NDP) for the period FY 2010/11-2013/14. Alignment of the budget to the NDP was not fully done due to delayed finalisation of the National Development Plan.
- 8.2 The FY 2011/12 budget will be fully aligned to the National Development Plan (NDP) which is the Government planning framework. The focus will be to implement strategic core National Programmes/projects identified in the NDP. Focus will also be on implementation of priority sector strategies that will stimulate growth and employment creation.
- 8.3 The budget for the FY 2011/12 and the medium term will also emphasise unlocking the binding constraints to economic growth as identified in the National Development Plan (NDP). These include; weak public sector management and administration, inadequate financing and financial services, inadequate quantity and quality of human resources, inadequate physical infrastructure, gender and equity issues, negative mindset, cultural practices and perceptions, low application of science, technology and innovation and inadequate supply and limited access to critical production inputs.

- 8.4 Consequently, the budget for FY2011/12 and the medium term will intensify the ongoing interventions in the following priority areas identified in the NDP:
- Energy infrastructure;
 - Transport infrastructure;
 - Oil & Gas Exploration and Development;
 - Water for production and water resource management;
 - Promotion of science, technology and ICTs;
 - Improved access to quality social services; and
 - Manpower planning and capacity development.
- 8.5 The above will inform sectoral priorities for the FY 2011/12 and all spending agencies are urged to identify priority action plans geared towards their realisation.
- 8.6 In order to ensure full alignment of sector priorities and expenditure plans to the priorities of the National Development Plan, preparation of the sector BFPs for the FY 2011/12 will be done in two phases:
- (i) **Stage 1: Mapping of the current budget structure at Vote Function level to the various NDP strategic interventions***
- (ii) **Stage 2: Alignment of the sector priorities to selected NDP interventions to form the basis of the Sector Budget Framework Papers for the FY 2011/12 and the medium term.***
- 8.7 This Ministry, in consultation with the National Planning Authority (NPA) and Office of the Prime Minister have established a task force that has been working with Sector Working Groups (SWGs) to develop technical guidelines and templates for undertaking this process. These guidelines and templates have been availed to SWGs for **official submission by November 24th 2010 to the PS/ST, PS OPM and Executive Director NPA. They include:-**
- 1. Submission 1:** complete results chain for the sector generated from OBT
 - 2. Submission 2:** matrix that highlights priority NDP Interventions linked to Vote Functions and corresponding Vote Function Outputs
 - 3. Submission 3:** matrix of sector performance issues and actions to be addressed in FY2011/12 to attain selected interventions
- 8.8 On agreement of the selection process by the task force, the interventions selected will be mapped into the Output Budgeting Tool (OBT) for budgeting and reporting purposes in the budget strategy paper, quarterly progress reports, National BFP and Ministerial Policy Statements. Full details of this process are attached in the MTEF - NDP linkage concept note **attached as Annex 3.**
- 8.9 **You should note that the MTEF allocations for the FY 2011/12 attached in Annex 1 have been maintained at the level of FY 2010/11 but save for the one-off expenditures in the FY 2010/11.**

- 8.10 Any additional resources for the FY 2011/12 will only be allocated to those Government programmes with the greatest impact for realization of the NDP strategic objectives. Accordingly, additional resources resources will be allocated on a competitive basis and communicated after the process of aligning sector priorities to the NDP has been completed. Sectors bidding for additional resources will have to demonstrate how their priorities are linked to the National Development Plan (NDP), and the resource gap that merit any additions.

C. EFFICIENCY OF THE BUDGET

10 Allocative Efficiency of Budget Allocations

- 10.1 The alignment of the budget to the National Development Plan (NDP) will require all Government spending agencies to exercise a high degree of allocative efficiency in light of limited available resources. The cost of NDP implementation for FY2011/12 exceeds the current MTEF allocation by UGX 1.47 trillion (inclusive of donor project support) and by UGX 7.82 trillion over the five year period. Based on the expansion of the resource envelope in recent years (approximately UGX 400 – 800 Bn), it is critical that revenue efforts are fully enhanced in FY2011/12 and the medium term. **At the sectoral and institutional level, you should therefore identify and implement efficiency measures by reallocating resources to those sectoral interventions which will accelerate the implementation of the NDP.**

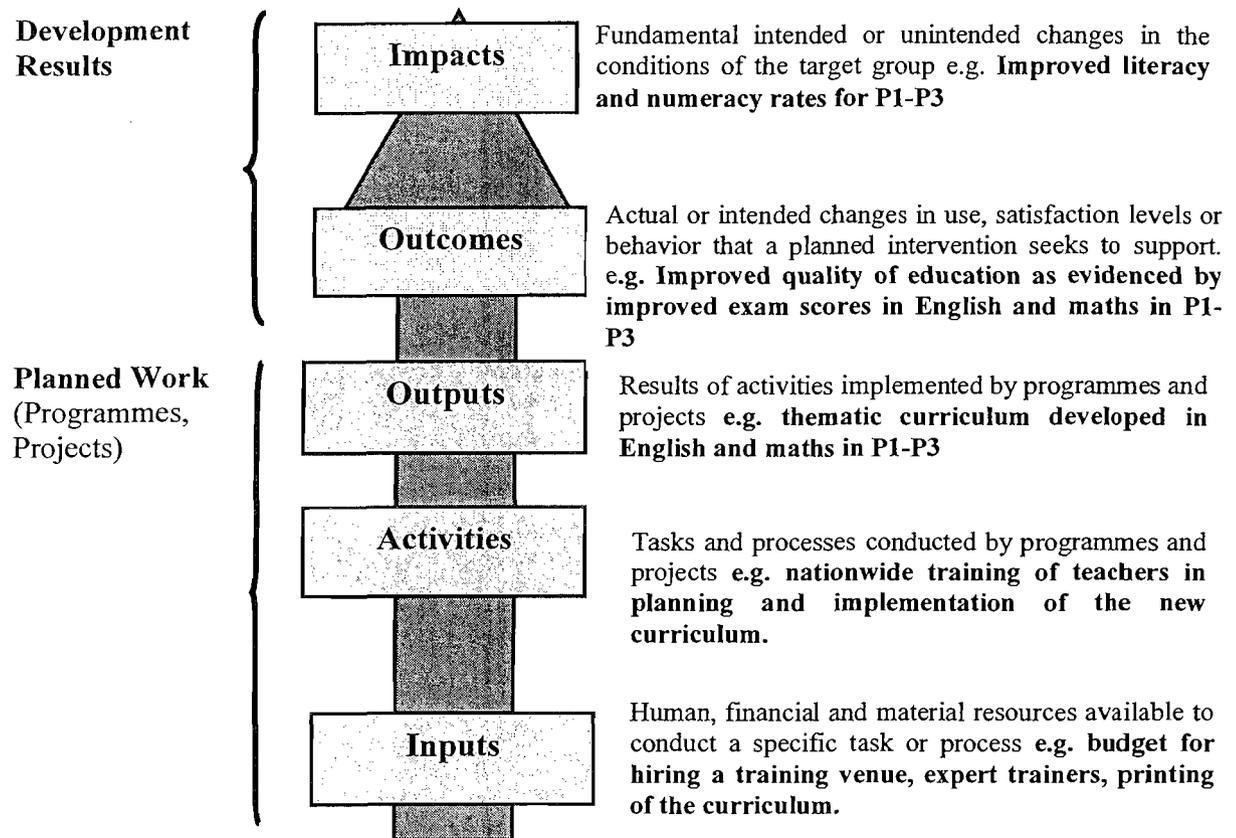
- 10.2 This Ministry is in the process of compiling three efficiency studies to determine areas, where possible re-allocations can be made to address NDP alignment. The first is trend analysis to reflect the levels and composition of consumptive spending at MDA level which can lead to crowding out of investment and service delivery spending. Secondly, detailed public expenditure reviews will be undertaken for selected service delivery sectors. Finally, a Public Expenditure Tracking study will review spending constraints at every level from this Ministry to service delivery points in order to highlight potential bottlenecks in cash flow requirements. The findings of these studies have been programmed to feed into the mid-term budget workshop (February 2011) and will form the basis for potential re-allocations to be communicated through the second Budget Call Circular (BCC) for the FY 2011/12.

10.3 Linking Resources to Development Results (Result Chain Approach)

- 10.3.1 This Ministry, in consultation with the Office of the Prime Minister and other stakeholders, have worked closely to strengthen the linkage between resources to development results for purposes of improving performance and monitoring of all Government programmes. These findings are presented in the Budget Performance Reports and play a key role in targeting priority resource allocation in future years.
- 10.3.2 The framework underpinning priority setting in a resource constrained environment is the logical framework or results chain. This essentially maps out how an initiative, programme or policy in the public sector leads to the desired result (s) based on a theoretical sequence of contribution. This approach is used for prioritising resources

based on the greatest possible impact it has for achieving development results as Figure 1 (below) illustrates for the Education sector.

Figure 1: The Results Chain



10.3.3 The selection of priority key outputs at a sector level should be based on the methodology described in section 8 and the concept note attached in **Annex 2** which are likely to have the greatest impact on achieving the sector outcome and subsequent development results. The selection of Key Performance Indicators (KPIs) and actions to measure progress towards attaining development results (both at outcome and output level) should be fully consistent with those agreed at Government level (through Office of the Prime Minister) and with Development Partners (Joint Budget Support Framework). Following official submission on November 24th 2010, the joint task force will review sector submissions to ensure this has been adequately done.

11 Operational Efficiency in Budget Allocations

11.1 Alignment of Work Plans, Procurement Plans and the Budget

11.2 Failure to link the work plans, procurement plans and the budget has continued to affect the implementation of the budget leading to delayed absorption of resources and poor service delivery at both Central and Local Government levels. A recent study commissioned by MoFPED and PPDA revealed a limited linkage between most of the Ministries, Departments and Agencies (MDAs) work plans, budgets and procurement plans. Whereas all MDAs finalise their work plans and budgets around June every year, preparation of the procurement plans is not done until around August.

11.3 **This Ministry and the Public Procurement and Disposal of Assets Authority (PPDA) will work closely with the sectors and institutions to ensure that the procurement plans are prepared concurrently with the sector BFPs and properly linked to the work plans and the budget estimates for the FY 2011/12.**

11.4 Analysis has also revealed that most of the annual work plans are simply broken down into four equal quarterly work plans without any consideration of the quarterly activities and resource requirements. This has implications for budget implementation because the resource allocation in the work plans does not reflect actual quarterly requirements. Part of the reason provided by the study was that planning units and PDUs would work in isolation outside of the OBT provision. The procurement plan format in OBT has been subsequently re-structured to incorporate feedback of MDAs and PPDA and training will be provided at the Vote level for planning departments and PDU's to undertake this process simultaneously for FY2011/12. **Your work plans for the FY 2011/12 should therefore be realistic and in line with the timing for delivery of the outputs in every quarter.**

11.5 **Performance Contracts;**

Starting in FY2011/12 all MDALGs will be required to begin the item budget and work planning process in December 2010. The work plans formulated will form the basis of Performance Contracts that will form the annexes to Sector Budget Framework Papers and Ministerial Policy Statements with two main purposes:

(i) To state the achievements of planned outputs to be realised with the expenditures appropriated to your Vote

(ii) Propose cash flow requirements over the financial year based on the planned activities and procurement requirements stipulated above in section 16.

11.6 Accounting Officers should note that formulation of the Performance Contracts for both Central and Local Governments is the basis of accountability of how public resources are being linked to intended results and form the structure for quarterly progress reporting, which is used for triggering releases and for physical monitoring by the Budget Monitoring and Accountability Unit (BMAU). The work plans reflected in both sector and local government BFPs for the FY 2011/12 should therefore be very clear and comprehensive specifying planned expenditures, quantities and locations of outputs.

11.7 **Release and Reporting under the Output Oriented Budgeting (OOB) Framework**

11.7.1 In line with the ongoing budget reforms to strengthen the strategic linkages between planning and budgeting, prioritising development and policy objectives through the adoption of Output Based Budgeting (OOB), the link between performance reporting on the budget and the release of funds has also been strengthened. **Accordingly, after adequate consultation and feedback from Central Government and local government institutions involved in preparation of the budgets, reporting guidelines in Annexes 4a (for Central Government Votes) and 4b (for Local Government Votes) have been produced for the following five main purposes;**

- i. To outline the principles of Output Oriented Budgeting and Performance Reporting;
- ii. To present the rationale behind the production of budget and reporting documents in the budget cycle and the sequencing involved in their preparation;
- iii. Provide guidance in the costing of outputs and the use of performance indicators in the preparation of the budget;
- iv. Explain the composition and use of performance reports, and their link to budget documentation and the release cycle; and
- v. Provide step by step guidelines for the completion of budget and reporting documents using the Output Budgeting Tool (OBT).

11.7.2 **While preparing your budgets and workplans for the FY 2011/12, you should take into account the reporting requirements stipulated in the above mentioned guidelines as these form the basis for preparation of the performance reports for the FY 2011/12.**

D. OTHER OPERATIONAL ISSUES

12 Salaries and Pensions.

12.1 The budget has continued to experience wage bill overruns in form of salary shortfalls leading to perpetual wage supplementaries on one hand and unspent balances on the other hand. The wage overruns are mainly due to the failure by the Accounting Officers and sector Ministries responsible for conditional grants to provide the relevant information.

12.2 Accounting Officers should note that Budgeting for salaries and wages is supposed to follow the following three principles:

- i. ***The approved staff structures:*** these are organisational structures for Ministries/Departments and Agencies approved by the Ministry of Public Service, indicating the approved number of posts by directorate/department/section and by salary scale. Budgeting for salaries under this category should cover approved structures. This principle is currently mainly used under the referral hospitals and central Government Ministries/Departments. The budget provision should cover salaries for the staff in post as well as the planned recruitment within the approved structures and any agreed salary increments during the financial year.
- ii. **The number limited category:** is where the quality and quantity of service delivery is primarily dependant on the number of staff recruited. It is mainly applied where service delivery is constrained by the insufficient number of staff such as under the Primary Health Care and Primary School Teachers. Under this category, the wage budgets are based on the ***staffing norms/staff ceilings*** issued by the responsible Sector Ministry in liaison with the Ministry of Public Service and the Ministry of Finance, Planning and Economic Development. The budget provisions must cover the staff in-post as well as planned recruitment within the staff ceilings and any approved salary increments. **Recruitment must remain**

within the staff ceilings/quota allocated to each individual Vote, each fiscal year.

- iii. **The cash limited;** applies where the recruitment of staff to fill the approved posts is constrained by the available resources in the budget. Under this category, the budget allocations should cover salaries for the staff in-post and any agreed salary enhancement in a given financial year. Any additional recruitment **MUST** be done as and when additional resources are provided in the budget.

12.3 In order to properly budget for salaries for the FY 2011/12, specific measures have been put in place to ensure more accurate allocation of wage estimates as follows:

- i) **All Sector Budget Framework Papers for the FY 2011/12 MUST be supported with details of the salary requirement for all the institutions under each sector covering salaries for the staff in-post, by salary scale, , vacant posts within the approved structures and the planned recruitment within the available resources.**
- ii) **The responsible sector Ministries must submit the planned recruitment in FY 2011/12 under the various conditional wage grants, e.g. Primary School Teachers and Primary Health Care, by local government by 15th February 2011. This will guide on the distribution of wage estimates among local government votes;**
- iii) **The Accounting Officers of the Local Government Votes should support their BFPs for the FY 2011/12 with the following:**
 - **Estimated wage requirements for all the staff in post and category (eg. Primary, Secondary, PHC etc), salary scale and workplace/workstation/school;**
 - **Estimates for staff who are off the payroll either due to the Unapplied EFTs under STP and/or newly recruited but not yet accessed to the payroll; and**
 - **The planned recruitment based on the clearance by the Ministry of Public Service.**

13 Implementation of the Integrated Personnel and Payroll System (IPPS)

13.1 One of the Government commitments under the Public Service Reform Programme (PRSP) is to strengthen accountability and controls by improving the management of the public sector workforce and enhancing payroll and pension management. **In this regard, a modern and Integrated Personnel and Payroll System (IPPS) will be implemented with effect from December 2010, under the leadership of the Ministry of Public Service, starting with the following pilot sites:**

- | | |
|-------------------------------------------------------------|---------------------------------|
| i. Ministry of Public Service. | iii. Public Service Commission; |
| ii. Ministry of Finance, Planning and Economic Development. | iv. Ministry of Health. |
| | v. Health Service Commission. |

- | | |
|---------------------------------------|-------------------------------------|
| vi. Ministry of Education and Sports; | ix. Judicial Service Commission |
| vii. Education Service Commission | x. Lira District Local Government |
| viii. Judiciary | xi. Jinja District Local Government |

13.2 **The Ministry of Public Service will provide the necessary technical assistance and guidance to the Accounting Officers of the above pilot Votes to ensure that the relevant infrastructure is in place and any operational expenses are properly budgeted for smooth implementation of the IPPS.**

14 Government Pensions and Gratuities

14.1 For proper budgeting for pension and gratuity expenditures, the Ministry of Public Service should prepare and submit the estimated pension and gratuity requirements for the FY 2011/12 indicating the underlying assumptions for the estimated pension and gratuity.

14.2 Most Local Governments have also continued to express concerns over lack of funds for the pension and gratuity obligations for the decentralized staff. **The Accounting Officers of Local Government Votes should therefore prepare and submit details of their pension obligations as an annex to their BFPs for the FY 2011/12 and copied to the Ministry of Public Service. The Ministry of Public Service should also issue policy guidelines regarding the budgeting for local government Pensions and Gratuities in consultation with the Ministry of Local Government.**

15 Budgeting for Utilities

15.1 Most of the MDAs have consistently failed to properly budget for utilities leading to continued accumulation of utility arrears. As a result, Government failed to deliver on this key benchmark under the Public Financial Management Strategy. For FY 2011/12, all sectors should support their BFPs with the estimated expenditures for utilities and audited/verified utility arrears (Water, Telephone and Electricity). This information will be reconciled with the Utility firms and later verified by the Internal Audit Department. **The verified information will form the basis for allocation of resources for utilities in the FY 2011/12.**

15.2 Effective next FY 2011/12, Government will also extend the Straight Through Processing (STP) to the payment of all utility bills after verification by the Internal Audit. The STP will involve direct transfer of all utility payments from the Consolidated Fund directly to the utility company bank account. **This is on condition that, with effect from 1st July 2011, all Utility firms will be required to introduce and install the prepayment systems in all Government MDAs. Failure by the utility firms to install the prepaid meters will only delay this proposal.**

16 Domestic Arrears

16.1 In accordance to the Debt Strategy 2007, arrears accrued after June 2005 should be given the first call on the resources provided in the respective MTEF ceilings. Exceptional allocations for audited/verified utilities, rent, pensions/gratuity and court awards arrears will be made in the budget for the FY 2011/12 but after thorough verification. The audited and verified arrears must be reflected in the final accounts indicating the type,

amount, when the arrears were accumulated and reasons for incurring the arrears. The Accounting Officers must also produce evidence that the commitments were approved by the Permanent Secretary/Secretary to the Treasury.

17 Budgeting for Taxes.

17.1 You should note that the Value Added tax (VAT) Act 2008 has been amended. According to second Schedule, paragraph (aa) of the VAT Act 2009 (Amended), the supply of specialized vehicles, plant and machinery, feasibility studies, engineering designs, consultancy services and civil works related to hydro-electric power, roads and bridges' construction and public water works, agriculture, education and health sectors were exempted from VAT. The Accounting Officers of these sectors should therefore not budget for VAT payments.

17.2 **Resource Taxes:** such as VAT on any other projects must be budgeted for and should have the first call on the counterpart funding resources and should be adequately budgeted for within the MTEF provisions by all spending agencies, where applicable.

17.3 **Non resource taxes:** All Government Ministries, Departments and Agencies must ensure that detailed estimates of non-resource taxes such as import duties where government is obliged to pay taxes through agreements are in the budget estimates. Tax obligations for the Local Governments should be channeled through the responsible Sector Ministries.

18 Budgeting under General Supply of Goods and Services.

18.1 Analysis of line item expenditures last financial year has raised serious concerns about incorrect line item allocations for expenditures that are used to fill a 'top up' function under the Item 224002 (General supply of Goods and Services), which can be used to fund unplanned activities. This not only has adverse impact for absorption, but also crowds out spending that could be utilised better elsewhere. **Annex 5 illustrates MDAs who budgeted abnormally high against this item, and this should be reduced and where it cannot be reduced, further explanation should be provided.**

19 Non Tax Revenue (NTR) Estimates

19.1 As part of the Government policy on improving the collection and management of the Non Tax Revenue, this Ministry has published the rates and estimates of NTR collections for the FY 2010/11 **Annex 6**. Accounting Officers should therefore confirm these estimates and the rates and also submit the projected NTR estimates for the FY 2011/12.

20 Gender and Equity Budgeting

20.1 Mainstreaming of Gender and Equity issues is one of the Government Commitments under the Millennium Development Goals (MGDs). All sectors Budget Framework Papers are required to address issues of gender, vulnerability and regional balance in line with the detailed gender and equity guidelines. Through the sector BFPs you must indicate the outputs in line with the Chart of Accounts that have the biggest impact on addressing gender and equity concerns.

21 HIV/AIDS Mainstreaming

- 21.1 In line with the National Strategic Framework (NSF) on HIV/AIDS, sectors are required to establish programmes to address the HIV/AIDS issues within their respective mandates. While preparing your BFPs and allocation of resources, you should demonstrate how HIV/AIDS is being addressed.
- 21.2 Among the key activities to consider are; counseling, prevention activities, social support, care and treatment, awareness campaigns and workplace policies for HIV/AIDS. The Uganda Aids Commission (UAC) should provide the necessary support to ensure to all sectors to ensure that issues of HIV/AIDS are mainstreamed in the budget. Through the sector BFPs you must indicate the outputs in line with the Chart of Accounts that have the biggest impact on addressing HIV/Aids mainstreaming.

22 Mainstreaming Environmental Concerns

- 22.1 Ensuring that sector budgets fully reflect environmental concerns is imperative for meeting global commitments on environment protection and has a profound impact Uganda's growth prospects, given the influence of agriculture on economic activity. Through the sector BFPs you must indicate the outputs in line with the Chart of Accounts that have the biggest impact on addressing environmental concerns.

E. LOCAL GOVERNMENTS

23 Budgeting under Peace, Recovery and Development Plan (PRDP) for Northern Uganda

- 20.1 The Accounting Officers of PRDP Local Governments should note that PRDP funds will remain part of the sectoral Conditional Grants. A separate output is provided under the Local Government Output Tool (LG-OBT) to enable the Local governments to earmark and reflect in the work plans for the FY 2011/12, the outputs and resource allocations for PRDP. On execution, all the funds will be under one account. There is no need of operating separate Bank Accounts for PRDP funds.

24 Salary and Gratuity for Elected Political Leaders and District Councilors' Allowance

- 24.1 In FY 2011/12, Government will continue to budget for salary and gratuity for the above categories of political leaders. As a measure to ensure that adequate provisions are made in the budget, local governments should provide the information on the number of political leaders by category and the list of names for Counties and Sub-counties, as an annex to the letter forwarding the LGBFP for the FY 2011/12, as per the format below:

Table Showing the Elected Political Leaders and the Lower Local Government in ----- district/Municipality

Vote	Local Gov't	No of District Councilors'	No. of Sub-counties	No. of TCs	No. of Municipal Divisions	No of LCIs (Village/Zone)	No of LCIs (Parish/Ward)
508	e.g Gulu	7	10	0	4	34	20
		Counties		Sub-Counties/Town Councils			
	1	Omara		1.	Roosoo		
				2.	Rtststs		

24.2 For any additional creation of the Sub-Counties, Town Councils, Villages/Zone, Parishes/Wards Local government Accounting Officers are advised to adhere to provisions of Section 7(6, 8, and 9) of the Local Governments (Amendment) Act, 2010.

25 Issuance of Indicative Planning Figures (IPFs)

25.1 Budget preparation process at the local governments' level has always been constrained by the delays in communicating the IPFs for the central governments transfers to local governments. The budget for this FY 2010/11 also experienced substantial allocations errors in the local government draft budget estimates which had to be corrected through the corrigenda. **For purposes of preparing the Local Government BFPs, the IPFs for the FY 2011/12 have been maintained at the levels of the approved estimates for the FY 2010/11.**

25.2 We have noted that transfers to local governments are explicitly captured as local government transfers in the MTEF under the 500 - 850 line. However, in the estimates some of the funds are budgeted for under the Central Government votes. This is against the spirit of decentralization policy. In FY 2011/12, Central Government Accounting Officers should note that:

- i) **All the funds captured under the 500 – 850 line in the MTEF will be budgeted for and transferred directly to the local governments;**
- ii) Some funds are appropriated by Parliament under Central Government votes such as CAIP, NUSAF, Luwero-Rwenzori Development Programme (LRDP), Road Fund, National Medical Stores etc) and disbursed to Local Governments. Sector Ministries with such transfers should reflect the estimated allocations by local governments as an Annex to their BFPs for FY 2011/12. This will enable the local governments to properly plan and budget effectively. **The Permanent Secretary, Ministry of Local Government is requested to follow-up this issue.**

26 Application of Flexibility under the FDS Modality

26.1 In the budget preparation for FY 2011/12, Local governments are advised not to apply the 10% and 50% flexibility between the sector conditional grants. The flexibility will be applied after the Local Government Finance Commission (LGFC) has finalized the on-going review on the holistic financing of local governments.

27 Statement of Local Revenues collected by Local Governments under MTEF

27.1 One of the initiatives under the Budget Performance Contract at the centre and local governments is to capture all the sources of funding and outputs attained. Local revenue is one of the sources of funding for Government programmes in addition to the Central Government transfers to local governments. **Each local Government vote should submit, as an attachment to the Local Government Budget Framework Paper, a summary of the locally generated revenue (100% before sharing with lower local**

governments) and other sources (NGOs, CBOs and Donors). The revenue should be submitted as per the format below:

Summary of Local Government Revenue by Source (Ushs. Bn)													
Vote	Local Gov't	Local revenue Outturn - FY 2009/10						Estimated Local revenue collection for FY 2011/12					
		Property tax	Local Service & Hotel Tax	User charges (mkt dues, parking)	Other LR's	NGOs, CBOs & Donors	Total	Property tax	Local Service & Hotel Tax	User charges (mkt dues, parking)	Other Local Revenue	NGOs, CBOs & Donors	Total
508	Gulu												

27.2 However, the respective Councils will continue to approve the detailed estimates of revenues and expenditure for their respective Local Governments as required under the Local Governments Act, cap 243.

F. THE STRUCTURE OF THE BUDGET FRAMEWORK PAPERS

28 The Sector Budget Framework Papers (BFPs) will continue to be done within the context of the Sector Wide Approach (SWAP) and based on the identified Sector priorities, outputs and planned activities for FY 2011/12 and the Medium term.

29 The format of both sector and local government BFPs has not been changed from that used for the FY 2010/11 and will continue to use Vote Functions that serve to link financial resources to sector level physical performance to Sector objectives as provided for in the Output Budgeting Tool. **Sector Working Groups should therefore prepare their BFPs based on the guidelines attached in Annex 2.**

G. PREPARATION OF THE PRELIMINARY DETAILED BUDGET ESTIMATES

30 **Accounting Officers of Central Government Votes should note that effective FY 2011/12, preliminary budget estimates will be prepared and submitted with the Sector BFPs. This is a shift from the previous practice where the detailed budget estimates have always been prepared between April and June after submission of the sector BFPs. However, this implied that this Ministry did not have adequate time to analyse the detailed budget estimates to assess the efficiency in resource allocation and the linkages to the NDP, Sector BFPs and the Ministerial Policy Statements.**

31 **MDA's will be required to collect the OBT to undertake this process in December 2010, but before then, complete the alignment process with the NDP at the SWG level using the OBT currently provided.**

H. SUBMISSION OF BFPs AND PRELIMINARY BUDGET ESTIMATES

32 Sectors, Local Government BFPs and preliminary detailed budget estimates (for Central Government Votes) must be submitted in both hard and soft (OBT database) copies to

the Permanent Secretary/Secretary to the Treasury, Ministry of Finance, Planning and Economic Development, for the attention of the Director Budget not later than 15th February 2011.

Thanks for your usual co-operation.



Keith Muhakanizi

For: **PERMANENT SECRETARY/SECRETARY TO THE TREASURY**

- c.c. Hon. Minister of Finance, Planning and Economic Development
- c.c. The Chairperson/Parliamentary Budget Committee
- c.c. The Chairperson, National Planning Authority
- c.c. The Head of Public Service and Secretary to Cabinet
- c.c. The Deputy Head of Public Service and Secretary for Administrative Reform
- c.c. The Permanent Secretary/Ministry of Public Service
- c.c. The Permanent Secretary/Office of the Prime Minister
- c.c. The Permanent Secretary/Ministry of Local Government
- c.c. Auditor General/Auditor General's Office
- c.c. The Director/Parliamentary Budget Office