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THE REPUBLIC OF UGANDA

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PRESS RELEASE

A. BUDGET CATEGORISATION FY 2014/2015

1. The Total Approved Budget for Financial Year 2014/15 is *Ushs 15.829 trillion* as shown below:

i) Revenue:

Domestic Financing	-	Ushs 12,517.9 billion
External Financing	-	Ushs 2,743.3 billion
<u>Appropriation in Aid</u>	-	<u>Ushs 568.8 billion</u>
Total	-	Ushs 15,829.9billion

ii) Expenditure:

Wage	-	Ushs 2,904.3 billion
Non Wage	-	Ushs 5,263.4 billion
Domestic Development	-	Ushs 4,419.0 billion
Donor Development	-	Ushs 2,674.3 billion
<u>Appropriation in Aid</u>	-	<u>Ushs 568.8 billion</u>
Total	-	Ushs 15,829.9billion

Revenue Performance

2. Cumulative URA tax revenue collections amounted to Ushs 6.921 trillion against a target of Ush 6.884 trillion thereby exceeding the target by Ush 36.5 billion during the period from July 2014 to March 2015. This gives growth of 22.77% compared to the same period last financial year and well above the average annual growth of about 17%.
3. Income Tax-exceeded the target by Ushs 45.87 billion, however PAYE, tax on bank interest and Excise Duty-Performed below target. In addition, Value Added Tax (VAT) was below target by Ushs 42.33 billion whereas International trade taxes and Non tax revenue registered surpluses of Ushs 5.64 billion and Ushs 6.14 billion respectively over the period.

4. Basing on this performance, the tax revenue target of Shs.9.577 trillion and NTR target of Shs.205.6 billion for FY 2014/15 are expected to be realized by end of June 2015. This will raise the tax GDP ratio by 1 percentage point from 11.7% to 12.7%.

B. MACRO ECONOMIC PERFORMANCE

5. **Economic Growth:** Following the improvement in growth performance in FY 2013/14 at 4.5% in real terms, the Economy is expected to grow at a rate of 5.8% per annum over the medium term. As expected Private Sector growth will be augmented by Government Investments in Public Infrastructure (especially Energy and Roads) once completed.
6. **Inflation:** As of end March 2015, inflation was at 1.9% (headline inflation). The average headline inflation for the three quarters of the FY 2014/15 averaged at 2.1%. Inflationary pressures are projected to remain relatively stable over the medium term, with annual inflation projected to remain within single digits in line with government macroeconomic objectives.
7. **Foreign Exchange:** As of end March 2015 the average exchange rate was at \$/Shs 2,951.7 which represented a 16.5% depreciation from \$/Shs 2,534.2 in March 2014. Apart from the fact that the dollar has remained strong globally, the other reason for the depreciation is that demand for dollars has increased strongly, mainly from the corporate sector, to fund imports and dividend payments to foreign shareholders following improved corporate profits in 2015. The average \$/Shs exchange rate is projected to depreciate 9.2% in nominal terms this financial year compared to appreciation of 2.2% in the previous year.

C. BUDGET RELEASES FOR FY 2014/15

QUARTER FOUR RELEASE FY 2014/15

8. In April 2015, MoFPED issued expenditure limits for the fourth Quarter (April–June 2015) for GOU of ***Ushs 2.227 Trillion*** as summarised below.
- Wages/Salaries : ***Ushs 566.081 billion***
 - Non Wage Recurrent Expenditure: ***Ushs 1.161 trillion***
 - Development Expenditure: ***Ushs 500.118 Billion***
9. Highlights of the Quarter 4 releases include:
- i) School term requirements to cover the entire second School Term of 2015. Under the School Capitation Grant, all funds were released in line with Governments commitment to ensure that Schools access funding 2 weeks before the term begins
 - ii) Funding to cater for the agricultural first planting season of 2015,
 - iii) 100% of total Local Government Capital development expenditure has been released.

D. CUMULATIVE RELEASE FOR QUARTER ONE TO QUARTER FOUR

10. Cumulatively, from Q1 to Q4 a total of **Ushs 9.680 trillion** has been released to Central and Local Government Institutions. This excludes releases to Karuma, Debt Obligations, Appropriation in Aid and External Financing and translates to 99% of the approved GOU Budget; (However, including Karuma and debt repayments, a total of **Ushs 11.362 trillion** has been released).

Table 3: Summary of Cumulative Expenditure Limits for FY 2014/15 (July 2014 – June 2015) excluding External Financing and AIA

	RECURRENT		GoU Dev	TOTAL
	Wage	Non Wage		
Ministries and Agencies	1,283,942,377,453	4,754,756,507,580	3,085,111,353,592	9,123,810,238,625
Referral Hospitals	35,268,960,609	15,683,397,711	13,318,000,116	64,270,358,436
Missions Abroad	16,182,289,485	70,223,904,317	16,522,129,943	102,928,323,745
Total Centre Votes	1,335,393,627,546	4,840,663,809,609	3,114,951,483,651	9,291,008,920,806
Local Governments	1,333,243,606,414	462,433,452,234	275,918,602,545	2,071,595,661,193
GRAND TOTAL	2,668,637,233,960	5,303,097,261,842	3,390,870,086,196	11,362,604,581,999

E. PAYMENT OF PENSION AND GRATUITY

11. Funds amounting to **Ushs 98.497 billion** have been released for payments of Pension and Gratuity in the Fourth Quarter of FY 2014/15. Of this amount, **Ushs 61.697 billion** has been released under the Ministry of Public Service for payment of Pensioners who retired prior to this FY 2014/15 as we await full migration of the pension payroll from the Ministry of Public Service to the respective institutions in July 2015. The balance (**Ushs 36.8 billion**) has been released to facilitate decentralised payment of Pension and Gratuity for staff who retired within FY 2014/15 in various Ministries, Agencies and Local Governments.
12. Regarding Pension and Gratuity arrears, I have reminded Accounting Officers on several occasions to conclude the verification exercise of arrears claims from the Ministry of Public Service amounting to Ushs 110bn and submit verified arrears for payment. To-date, I have received, in two lots, verified Pension and Gratuity arrears amounting to Ushs **80.522 billion** which have been forwarded to the Ministry of Public Service for payments. The Ministry of Public Service is finalising payment of the first lot of verified Pension and Gratuity arrears (**Ushs 37.5bn**) for which I requested the Ministry to avail me with a report before they request for additional money for payment of verified arrears.
13. I have received additional arrears claims from the Ministry of Public Service amounting to **Ushs 23.5bn**. We shall forward this to the Accounting Officers for verification. Accounting Officers are reminded that Government is committed to clearing Pension and Gratuity arrears and are therefore requested to urgently verify and submit these

arrears to enable this Ministry plan and programme for their payments.

F. HIGHLIGHTS OF SERVICE DELIVERY

14. Agriculture

In FY 2014/15 the following has been accomplished;

- Agricultural advisory services and input distribution through National Agricultural Advisory Services (NAADS); Kabale Tea Factory Project; Support to Tea Cocoa Seedlings Project; Uganda Coffee Development Authority (UCDA); Vegetable Oil Development Project (VODP); Export Goat Breeding and Production project; Uganda Cotton Development Organization; Rice Development Project; National Animal Genetic Resource Centre and Data Bank.
- Support to 365,785 food security farmers and 30,408 market oriented farmers (MoFs) and 2,696 commercial model farmers supported countrywide with various technology inputs.
- Implementation of the Agricultural Credit Facility (ACF) which has been ongoing since FY 2009/10 .
- Improving on Labour saving and mechanization by providing heavy earth moving equipment to farmers' fields to establish water for production and other farm infrastructure.
- Irrigation schemes: Mubuku, Doho and Agoro – were fully rehabilitated and commissioned.

15. Education

Pre-Primary and Primary Education

The Government has constructed and rehabilitated schools, procured text books, and trained teachers. The pupil to book ratio has remained constant at 4:1 from 2010-2013(English 3, Mathematics 3, Science 5 and Social Studies 5) on average. The pupil to teacher ratio has remained constant 49:1 from 2010 to 2013 at the national level. The national pupil classroom ratio improved from 68:1 in 2009 to 57:1 in 2013. Grade III Primary School Teachers' pay has risen to Ushs.270,000 per month from Ushs.120,000 per month.

16. Secondary education

As of 2013, government owned schools were 1,019 (36%) while 1,819 (64%) were private secondary schools. New schools have been constructed in 65 out of 103 sub counties without any form of secondary schools. 2,449 teachers have been recruited many of whom in hard to reach areas and over-enrolled schools.

17. Business, Technical, Vocational Education and Training (BT/VET)

Uganda's BT/VET system comprises of 103 public training institutions, 15 private training institutions and over 600 firm-based institutions. There has been training of 34 BT/VET instructors at Nakawa Vocational training Institute, supply and installation of 60 computers to each of the 4 Uganda Technical Colleges. There has been recruitment of 276 instructors and teachers for farm and technical schools, 275 were recruited for specialized institutions

and a further 712 instructors were recruited to fill vacant posts in other BTVET institutions

18. Health

Health facilities around the country are being reconstructed and renovated using a US\$ 130 million Uganda Health System Strengthening Project (UHSSP) loan from the World Bank. Under the first phase, nine hospitals are undergoing expansion and renovation including the general hospitals of Mityana, Nakaseke, Kiryandongo, Nebbi, Anaka, Moyo, Entebbe and Iganga; and one regional health hospital in Moroto.

To decongest Mulago National Referral Hospital, new health facilities are under construction in Kampala City. For example, construction works to upgrade Kawempe and Kiruddu HC-IVs to referral hospitals have started. The MOH has procured general and specialized medical equipment, furniture and emergency obstetric and neonatal care equipment worth US\$ 8.9 million. The medical equipment and furniture was distributed to 46 facilities while the Obstetric equipment was given to 230 public health facilities.

19. Energy

Power transmission and distribution

It was planned that the transmission grid would be expanded from the 1,300kms in 2010 to 2,750 kms in 2015 and increase transmission voltage from 132KV to cover 220KV and 400KV. By end of FY 2012/13, the Government had expanded the transmission lines under the rural electrification schemes by 2,322 , meeting 84% of the NDPI 2015 target.

20. Roads

Upgrading national roads

Between July 2010 and May 2014 the Government paved 699kms of national roads, achieving 66% of the NDPI Target. In addition, upgrading works are at different stages of completion for 491kms. Of these, 150kms are expected to be completed by June 2015. The estimated overall achievement of the NDPI by June 2015 is 748kms tarmacked out of the targeted 1,100kms representing 68% achievement.

Highlights of some Implementation challenges

- Poor Absorption of funds despite the improved releases from Treasury.
- Poor value for money is still an issue.
- Poor service delivery despite the massive Government investments..
- Weak monitoring of public programmes at district level despite the funding of the monitoring functions.

G. PUBLIC FINANCIAL MANAGEMENT REFORMS

- Rollout of the Integrated Financial Management System to more Local Governments
- Implementation of the Treasury Single Account: In order to improve overall financial

management in Government

- Limiting Cash Withdrawals and Advances to the maximum of UGX 40M per month.
- Decentralisation of the Budgeting and Payment of Salaries and Pensions: To further address the challenges of “ghost” staff, delayed and non-payment of salaries as well as accumulation of salary arrears.
- Performance Orientation of the Budgeting: In order to strengthen the linkage between Government expenditure and service delivery and improve the link between budgetary resources, outputs and outcomes. To this effect there will be strict enforcement of performance contracts, reporting and sanctions.
- Quarterly release of funds to Ministries, Departments and agencies to improve budget predictability and foster better planning and implementation.
- Emphasis of project readiness before implementation. This will reduce the poor absorption of funds especially for large capital investments.
- Strengthening procurement and contract management.

H. CONCLUSION

21. As indicated in this press statement, the Budget for FY 2014/15 is being implemented/executed as approved by Parliament.
22. To ensure efficient and effective Service Delivery, this Ministry will remain committed to timely release of funds, and timely payment of service providers.
23. I wish to thank the Press for supporting our budget transparency initiative and I urge you to make use of our websites www.finance.go.ug and www.budget.go.ug where we post more detailed information. You may also call our Budget Call Centre on 0800 229 229 for any information on the Budget.

Keith Muhakanizi

PERMANENT SECRETARY/SECRETARY TO THE TREASURY