15th February, 2018

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

SECOND BUDGET CALL CIRCULAR ON FINALIZATION OF DETAILED BUDGET ESTIMATES AND MINISTERIAL POLICY STATEMENTS FOR FINANCIAL YEAR 2018/2019

A. INTRODUCTION

1. In fulfillment of Section 9 (5 & 6) of the Public Finance Management (PFM) Act 2015, Cabinet and Parliament approved the National Budget Framework Paper (NBFP) for FY 2018/19 on 11th December 2017 and 31st January 2018 respectively. The recommendations by Parliament on the NBFP are attached in Annex 1 and the electronic copy can be accessed on the Ministry’s website www.finance.go.ug and the budget information website www.budget.go.ug. You are required to prioritize these recommendations as you finalize your Budgets.

2. Section 13 (3) of the PFM Act 2015 requires that Detailed Budget Estimates should be presented in Parliament by 1st April to facilitate review, approval and appropriation by Parliament by 31st May. Accordingly, all Accounting Officers are required to prepare and submit their Detailed Budget Estimates for FY 2018/19 to this Ministry by 5th March, 2018 using the Program Budgeting System (PBS) for consistency checks, consolidation and submission to Parliament.

3. Relatedly, MDAs are required to prepare their respective Ministerial Policy Statements (MPSs) for FY 2018/19 for submission to Parliament by 15th March 2018, as required under Section 13 (13) of the PFM Act 2015. To ensure consistency between the Detailed Budget Estimates and the Ministerial Policy Statements as well as the Medium Term Expenditure Framework (MTEF) allocations and Government priorities, you should submit a copy (hard and soft) of your Policy Statements for the FY 2018/19 to this Ministry by 5th March 2018.

4. Section 13(7) of the PFM Act, 2015 requires that before the Minister of Finance, Planning and Economic Development lays the Budget Estimates before 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 2018:
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 2016/17;
v. Cumulative Progress Reports up to Q2 for FY 2017/18; and 
vi. MDA Project Specific Reports.

5. Section 15(g) of the PFMA 2015 requires that the Ministerial Policy Statement should be submitted with a Certificate issued by the Minister responsible for Finance in consultation with the Equal Opportunities Commission. In order to fulfill this requirement of the law, you are further advised to submit a copy of your Ministerial Policy Statement to Equal Opportunities Commission by 5th March, 2018 to enable the Commission make 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 15th March, 2018.

6. This Circular is therefore intended to communicate to you:

i) The Budget Strategy for FY 2018/19;
ii) The Final Resource Envelope and resource allocation for FY 2018/19 as per the attached MTEF (Annex 2A) including Ceilings for Ministries, Departments and Agencies (MDAs) and Final Local Government Planning Figures (Annex 2B); and

B. BUDGET STRATEGY AND KEY PRIORITIES FOR FY 2018/19

7. The Budget Strategy for FY 2018/19 is derived from Government’s commitment to attain a low middle income status by the year 2020 which requires an average income per Ugandan to increase from the current USS 773 per capita to at least USS 1,039. This requires unlocking the strategic bottlenecks by strengthening the country’s competitiveness for sustainable wealth creation, employment and inclusive growth.

8. Thus, the Budget Strategy for FY 2018/19 outlines how to unlock the key bottlenecks to allow the primary growth sectors to facilitate development of the Private sector. This forms the basis for allocation of resources for Ministries, Agencies, Missions and Local Governments (MALGs) under the various sectors.

C. REVISED RESOURCE ENVELOPE AND SECTOR MTEF CEILINGS

9. Resource Envelope: The revised total Resource Envelope for FY 2018/19 is projected at Ushs 29,763.92Bn (Annex 3) of which Domestic Revenues amount to
Ushs 15,737.30 Bn, Budget Support Ushs 252.94 Bn, Domestic Financing
Ushs 939.86 Bn, Project Support (External Financing) Ushs 6,974.30 Bn, Domestic
Refinancing Ushs 4,986.60 Bn and Appropriation in Aid (AIA) Ushs 872.93 Bn.
The Revised GOU Resource Envelope excluding external and domestic debt, and
domestic arrears amounts to Ushs 15,445.55 Bn. All Sector and Vote ceilings have
been provided in the MTEF as attached in Annex 2A and Annex 2B respectively.

10. The Sector Allocations have been adjusted compared to the National Budget
Framework Paper following a review of the Public Investment Plan (PIP) and
externally funded projects as well as identification of efficiency savings.

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

Preparation of Ministerial Policy Statements and Work Plans

11. All Government MALGs shall prepare and submit to this Ministry their Ministerial
Policy Statements and Detailed Budget Estimates in line with Program Based
Budgeting (PBB) principles using the Program Budgeting System (PBS). This has
a clear linkage of programs and sub-programs with budget resources, results and
outputs, the National Targets and Indicators.

12. Preparation of Work plans: You are required to complete your Detailed Budget
Estimates for the FY 2018/19 with annual work plans, quarterly work plans,
recruitment plans, procurement plans and staff lists (with pensioners lists). For the
Ministerial Policy Statements, Accounting Officers are required to include, among
others, physical and financial half year budget performance for your respective
Sectors/Votes for the current financial year, vehicle utilization reports, and the assets
register of the respective Votes in the format issued by the Accountant General and
in line with Section 13 (15) of the PFMA, 2015.

13. In-Year-Reallocations: Poor budgeting leads to continuous requests for re-
allocations and mischarges by various MALGs. Accounting Officers must note that,
Section 22 (2-a) of the PFMA Act 2015 requires that each in-year re-allocation should
not exceed 10% of the total approved budget at an item level. You are therefore
advised to take keen interest in preparation of the budget and ensure that the critical
budget items such as utilities, salaries, expenditures which recur and are
unavoidable, etc. are properly budgeted for in a bid to avoid supplementaries, re-
allocations and mischarges during budget execution.

14. In addition, Institutions which have been budgeting on one line item are now
required to provide details on appropriate items where the funds will be approved
and expended from.
15. Implementation of Program Based Budgeting/Program Based System: Program Based Budgeting (PBB) and Program Budgeting System (PBS) have been successfully rolled out in all MDAs, Local Governments and Missions Abroad. All Accounting Officers are therefore required to submit their work plans, procurement plans, staff lists, projected cash flows and quarterly reports to this Ministry using the PBS.

16. Performance Indicators: The National Output and Outcome Indicators for FY 2018/19 have been reviewed and harmonized by a joint committee comprising representatives from the OPM, MoFPED, NPA and UBOS and we now have a robust National Standard Indicators Framework. You are therefore urged to align your work plans according to the revised performance indicators with the NDP II Results and Reporting Framework and, Implementation Strategy as well as your respective Sector Strategic Development Plans, Programs and Sector Strategic Objectives.

17. Multi-Year Statement of God: In regard to budgeting for projects; MoFPED undertook a stock-take exercise to review all on-going projects in the Public Investment Plan (PIP) for FY 2017/18 and recommendations for exit, retention, and inclusion in the FY 2018/19 PIP were made. The decisions are summarized in the attached Matrix (Annex 5). All MDAs should ensure that the decisions of the Development Committee (DC) for FY 2017/18 are implemented in FY 2018/19. Annex 6 gives details of exited projects and where the funds have been transferred to by Vote and Project.

18. Budgeting for Missions Abroad: Whereas funding to Missions Abroad had been stabilized, it has been observed that the Ministry of Foreign Affairs still deploys staff over and above the approved Mission Structures. THIS SHOULD STOP. The Ministry of Foreign Affairs is advised to post staff to Missions Abroad depending on the availability of funds in a given Mission and within the Mission Structure.

19. In FY 2018/19, Accounting Officers of Missions Abroad should ensure the following:
   i) Budgeting for the FY 2018/19 must be in line with the Mission Charter and Strategic Plan, with a focus on outputs linked to outcomes.
   ii) Program for 100% release of Development Budget and Rent by Q2. This should be clearly reflected in your Work plans and Cash flow plans
   iii) Allocate adequate resources for Utilities; and
   iv) All Non-Tax Revenue projections should be properly reflected in the budget and remitted to the Consolidated Fund as required under the PFM Act, 2015.

21. Acquisition of Office Premises: This Ministry has also observed that in spite of our Circular on Rent of Office Premises, some Government MDAs still sign tenancy agreements that commit Government to a 10% increase in rental fee every beginning of a Financial Year without reference to the Contracts Committees and Office of the President. **You are therefore reminded that acquisition of new premises and any increases in rental rates should be authorized by Office of the President. You should refrain from renting unaffordable office premises to avoid accumulation of arrears.**

**WAGES, SALARIES, PENSION AND GRATUITY**

22. Wage Estimates: As you recall, in line with the decentralization policy, this Ministry asked all Accounting Officers to submit estimates for Wages, Pension and Gratuity for FY 2018/19. To date, some MDAs and LGs have not submitted this information to my office as indicated in Annex 8. I therefore wish to reiterate that these Accounting Officers will be held responsible for any errors, omissions and shortfalls during budget execution next Financial Year.

23. Allocations: In the FY 2018/19, Wage allocations shall be based on staff in-post as submitted by Accounting Officers within the structures cleared by Ministry of Public Service and the available funds including Universities which co-finance from their collections. **In the Program Based 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 2018/19 which should also be provided as an annex to the MPS. The NINs will be forwarded to NIRA for confirmation.**

24. Furthermore, I have noted that some MDAs and Local Government staff are not budgeted for under the wage categories under which they fall, leading to mischarges. They are often paid from programs and items where they don’t belong. **Accounting Officers should ensure that budgeting is accurately done so that all wage categories are properly provided for to facilitate proper payroll management and processing of Wage Warrants by the MOPS and MoFPED respectively.** The Ministry of Public Service should have payrolls segregated by Department and Institution, and for the case of Local Governments by Wage category. In the meantime, all Accounting Officers are advised to maintain their Wage allocations for FY 2017/18.

25. Transfers & Promotions: This Ministry has noted with concern some cases of unauthorized recruitments 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.
26. **Salary Enhancement**: The Ministry of Public Service will send out a Circular on salary enhancement for all public service officers including those under public universities after Cabinet approval of the Salary Enhancement Report.

**Pensions and Gratuities**

27. In line with Government Policy of Decentralization of the Payroll Management and Payment of Salaries, I wish to emphasize that Accounting Officers are responsible for budgeting, reviewing and approval of their Wages, Pension and Gratuity payments before they are effected. This Ministry and the Ministry of Public Service are responsible for provision of support, oversight role and monitoring activities.

28. For staff who are scheduled to retire in the course of FY 2018/19, their details should be submitted to this Ministry by Department, Salary Scale, Title and Pay Roll Category for Local Governments which is already provided for in the PBB. In the event that this is not properly managed, the Hon. MoFPED will be compelled to authorize a reallocation from Non-wage to meet this statutory obligation. Accounting Officers must make submissions on Pension and Gratuity basing on the Integrated Personnel and Payroll System (IPPS) generated reports for FY 2018/19.

29. **Public Universities**: 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 used to be before decentralization of pension payments from the Ministry of Public Service.

30. **Unspent Pension and Gratuity Provisions**: It has been noted that many Votes remain with unspent balances of Pension and Gratuity at the end of the Financial Year arising out of delays in processing pensioners’ files coupled with Accounting Officers not prioritizing pension issues. Besides, delays are attributed to referring some decentralized services, e.g., Primary Education, Primary Health Care to the parent Ministries and yet their recruitment and management is under Local Governments. Therefore the only Pension cases to be referred to Parent Ministries are those where they have day-to-day management of staff like under Referral Hospitals and Post-Primary education to avoid unnecessary delays. It is therefore expected that by 30th June 2018, all Pension and Gratuity files should have been processed.

**Administrative Reforms**

**Cross-Cutting Budget Issues**

31. **Domestic Arrears**: In FY 2018/19, Government has committed UShs. 300Bn to reduce on the stock of domestic arrears in FY 2018/19. Details of Domestic Arrears allocations
will be issued under a separate Circular. For the balance of arrears not catered for, you are advised to pay them under the relevant line items within your budgets.

32. **Budgeting for Rent and Utilities**: Effective next FY 2018/19, the Policy of Pre-Payment will come into force. Accounting Officers are therefore required to adequately provide for all rent and utilities (*especially water and electricity*) as they finalize their detailed budget estimates. With effect from FY 2018/19, Government will not finance any utility arrears. Any outstanding arrears in FY 2018/19 will be deducted for the corresponding Votes’ MTEF allocations and charged at source. Please note that Government will not make any provisions for arrears effective next Financial Year.

33. **Duty Facilitating Allowances**: All spending agencies are advised to pay special attention on the estimation of duty facilitating allowances. All Accounting Officers of Government Agencies, including Public Corporations and State Enterprises, must ensure that duty facilitating allowances are budgeted for in accordance with the circulars by Ministry of Public Service and paid to the respective officers as per the rates prescribed in their Scales.

34. **Tax Inclusive Budgeting**: Over the past years, Government developed a Policy on Tax Inclusive Budgeting for both recurrent and development expenditures. However, it has been noted that some Accounting Officers do not remit taxes to Uganda Revenue Authority (URA). Therefore, any good or service to be procured should have their contract sum inclusive of taxes. Any Government Institution which doesn’t budget and pay taxes to Uganda Revenue Authority will be treated as any other tax defaulter and URA is hereby authorized to follow up with all such defaulters. **You are all reminded that if such happens, the Accounting Officer is personally held responsible.**

35. **Borrowing by Government Institutions**: It has been noted that a number of Government Institutions do not reflect borrowed funds from Commercial banks and other money lending institutions in their budgets. Others borrow funds in contravention of Section 36 and 79 (f) the PFM Act, 2015. All Government Institutions should therefore reflect the borrowed funds in their work plans and budgets and follow the law in securing the borrowed funds.

36. **Travel Abroad**: In reference to the communication by the Rt. Hon. Prime Minister (Ref: ADM/44/01 dated 16th January 2018) on the restriction on clearance of Public Officers to travel abroad and authority to purchase foreign exchange, I do reiterate that Accounting Officers should take this restriction with immediate effect and to use our Embassies and Missions abroad to represent the country’s interests in the various meetings and conferences as and when it will be deemed necessary.

37. **Air Tickets**: Effective FY 2018/19, all air tickets shall be purchased directly from the Air Lines Companies as directed by Cabinet. You should therefore put in place a mechanism to implement this directive.
LOCAL GOVERNMENT ISSUES

38. **Sector Guidelines:** All MDAs with grant transfers to Local Governments should submit their grant guidelines to this Ministry by **28th February, 2018**; for onward transmission to LGs. The Grant Guidelines should provide the allocation formula up to facility level in the respective Local Governments to enable finalization of the Budget for FY 2018/19.

39. **Indicative Planning Figures (IPFs):** These are generated off the Online Transfer Information Management System (OTIMS) on the basis of Statistics from UBOS and Sector Ministries. These IPFs were circulated to all Local Government Accounting Officers in December, 2017. However, I wish to remind you that some Sectors have since revised these parameters and the allocation formulae, hence affecting the IPFs earlier communicated. All LGs are advised to take note of the changes seriously. The revised parameters are in **Annex 9** attached.

**Budgeting for Funds appropriated to MDAs for Local Governments**

40. We have continued to receive cases of supplementary requests from Local Governments for funds appropriated under Line Ministries. For FY 2018/19, the following Institutions are expected to provide detailed Indicative Planning Figures by **28th February, 2018** so that LGs can include such funds in their respective budgets for next FY: Ministries of Education, Health, Gender, Labor and Social Development, National Medical Stores and Uganda Road Fund.

41. In FY 2017/18, **UShs. 39.6Bn** for Agricultural Extension workers and **UShs. 11Bn** for Local Council III Councilors’ allowances were budgeted for under the Ministry of Agriculture, Animal Industry and Fisheries and, Ministry of Local Government respectively. These funds will be budgeted for under their respective Local Governments directly next FY 2018/19. The two Ministries are therefore required to forward the details of the Indicative Planning Figures to the Ministry of Finance, Planning and Economic Development for inclusion in the IPFs to LGs by **28th February, 2018**.

42. **Budgeting for Locally Generated Revenue by Local Governments:** We have observed that locally generated revenue by Local Governments is not appropriated by Parliament and therefore the Auditor General cannot issue a Grant of Credit, making it difficult to Warrant for these funds under the Integrated Financial Management System (IFMS). You are therefore required to confirm the attached revenue estimates by **5th March, 2018** for approval and appropriation by Parliament. If no confirmation is received, then your estimates will be captured as actual for the first half year for FY 2017/18 projected for the whole Financial Year as in Annex 10 attached. This will form part of your budget estimates submitted to Parliament for appropriation in FY2018/19.

43. This Ministry is also in receipt of several complaints from Local Government Councils that budgets passed by Councils are not the ones being executed. Effective FY 2018/19, all budgets will be appropriated at Program, Sub-Program and Line Item levels.
Therefore, LG Councils should appropriate their budgets as such which should be submitted to this Ministry without alteration.

44. **New Local Governments:** Parliament approved six new districts namely; *Nabilatuk District, Bugweri District, Kasanda District, Kwania District, Kapelebyong District and Kikuube District, to be effective 1st July 2018/19.* As such the six new Districts with their respective Town Councils where the Headquarters are based have been issued with Indicative Planning Figures. Mother districts should therefore prepare and submit their respective Detailed Budget Estimates and separate Payrolls as a matter of urgency.

**Cross Cutting Issues**

**Mainstreaming of Gender and Equity.**

45. You are all advised to mainstream gender and equity activities in your work plans. Besides, you can visit the website for Equal Opportunities Commission ([www.eoc.go.ug](http://www.eoc.go.ug)) to access the Assessment Report on Compliance of your Sector Budget Framework Paper with gender and equity requirements for FY 2018/19 to enable you incorporate the recommendations in your Ministerial Policy Statement 2018/19.

**Mainstreaming HIV/AIDS**

46. The Guidelines for Multi-Sectoral HIV and AIDS Mainstreaming are attached in **Annex 11** All Sectors are instructed to clearly outline and cost their HIV/AIDS related activities for FY 2018/19, e.g., Psychosocial support, Counselling, Care, Treatment, Work Place Policies, Awareness Campaigns etc. You are advised to allocate 0.1% of your total budget (excluding pension, gratuity and transfers) for HIV/AIDS Mainstreaming as per the guidelines.

**Mainstreaming Environment, Climate Change and Sanitation Issues**

47. 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 has been a lead driving factor of Climate Change characterized by prolonged droughts and untimely rain patterns.

48. 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 2018/19. Please, outline the major issues and the strategies to address these issues.

**Mainstreaming Sustainable Development Goals (SDGs) in the Budget**

49. Uganda is among the rest of the world that subscribed to the implementation of the Sustainable Development Goals (SDGs) in September 2015. All Government MDAs and DLGs are urged to streamline their work plans and budgets in line with the SDGs in order to achieve global aspirations.

**Performance Contracts and Forms A & B**
50. **Submission of Draft Performance Contract Forms A & B:** Central Government Votes and Local Governments are required to submit their Performance Contract Forms A and B respectively within two weeks after issuance of the Final IPFs. The LG performance contract (including annual and quarterly work plans) should be submitted to this Ministry, with extracts to the relevant MDAs for them to confirm to us that the submitted work plans are in line with sector guidelines. These work plans will be used to generate the annual cash flow plan of Government and shall be the basis for quarterly release of funds for FY 2018/19.

**CONCLUSION**

51. In conclusion, while preparing your detailed budget estimates for the FY 2018/19, 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 (as amended).

52. All Ministries are also requested to submit their Ministerial Policy Statements for the FY 2018/19 to this Ministry by 5th March 2018 and to Parliament by 15th March, 2018.

53. The detailed budget estimates for FY 2018/19 must be finalized and submitted to this ministry by 5th March 2018, **electronically using the Program Budgeting System (PBS)**.

54. In case of any queries regarding the system, please contact our Budget Team on +256414707151 or on the **Toll Free line: 0800229229** from **Monday to Friday 08:00Hrs – 17:00Hrs**, **e-mail:** budget@finance.go.ug or contact respective Desk Officers for immediate assistance.

I thank you all for your continued commitment and support to improving service delivery.

Keith Muhakanzi
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/Deputy Leader of Government Business
The Rt. Hon 2nd Deputy Prime Minister/Minister for East African Affairs
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
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