



THE REPUBLIC OF UGANDA

**BUDGET SPEECH**

**Financial Year 2013/14**

**Theme: The Journey Continues: Towards Socio-Economic Transformation for  
Uganda**

DELIVERED AT THE MEETING OF THE THIRD SESSION OF THE 9<sup>TH</sup>  
PARLIAMENT OF UGANDA

ON  
THURSDAY, 13<sup>TH</sup> JUNE, 2013

BY

HONOURABLE MARIA KIWANUKA  
MINISTER OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

## **I. PREAMBLE**

Your Excellency the President,  
Your Excellency the Vice President,  
The Right Honourable Speaker of Parliament,  
His Lordship the Chief Justice,  
The Right Hon. Deputy Speaker of Parliament,  
The Right Hon. Prime Minister,  
The Right Hon. Leader of the Opposition  
Honourable Ministers,  
Honourable Members of Parliament,  
Distinguished Guests,  
Ladies and Gentlemen.

## **II. INTRODUCTION**

1. Madam Speaker, in fulfillment of Article 155(1) of the Constitution and in exercise of the powers delegated to me by H.E the President, I beg to move that Parliament resolves itself into a Committee of Supply to consider:
  - i. The Revised Revenue and Expenditure Estimates for the Financial Year 2012/2013; and
  - ii. Proposals for the Estimates of Revenue and Expenditure for the Financial Year 2013/2014.
2. Madam Speaker, in April this year, Uganda's long-term collective development aspirations as embodied in the Vision 2040, was launched by His Excellency the President. Vision 2040 provides a roadmap to transform Uganda from a low income to a modern middle income country within 30 years. Vision 2040 requires a fundamental change in the way of

doing things by Government and the Private Sector, to unlock the binding constraints to Uganda's progress.

3. Madam Speaker, there are no quick answers to the challenges that face us today. The economic and social challenges we are working to address have happened over several years and will take time to resolve. This requires patience and coordination. The Financial Year 2013/14 Budget seeks to continue towards socio-economic transformation, one step at a time.
4. Madam Speaker, consistent with our National Development Plan, the ruling Movement Party Manifesto and in pursuit of the Vision 2040, the theme for next financial year's budget is ***"The Journey Continues: Towards Socio-Economic Transformation for Uganda"***. The Financial Year 2013/14 Budget, like the one last year, will continue to focus on translating the Government's strategic priorities into practice over the next twelve months. Scarce resources have must allocated to reflect key Government strategic priorities within existing resource constraints. Because the definition of budget means the allocation for use of scare resources to meet many priorities.

#### FINANCIAL YEAR 2012-13 KEY ACHIEVEMENTS

5. Madam Speaker, the interventions that I pronounced last year sought to restore macro-economic stability, accelerate infrastructure development, increase agricultural production and productivity, improve the business climate, and achieve better service delivery, particularly in education and health. A detailed report of sector performance during the last year is provided in the Background to the Budget for Financial Year 2013/14. I, however, wish to highlight the progress achieved in key areas.
6. Madam Speaker, the economy rebounded significantly growing at 5.1% last year. Inflation subsided and was recorded at 3.6% as at end-May

2013, a marked reduction from double digits at the start of the financial year. The volatility of the Uganda exchange rate subsided and the US Dollar currently averages around U. Shs. 2575.

7. Government registered significant progress in the implementation of budget for financial year now ending. In the Works and Transport sector, **845 kms** of several national roads were fully or substantially completed; or have their construction on schedule. Construction of a further 88 km of national roads will commence shortly having had their contracts signed. In addition, the designs for **723 kms** of several national roads has been completed, and procurement for contractors will commence. The rehabilitation of the Marine Vessel Kaawa was completed during the year, and now operates regularly between Port Bell and Mwanza.
8. Madam Speaker, in the Energy Sector, the **250 MW** Bujagali Hydropower project was fully commissioned. In addition a number of small renewable hydropower projects delivering a total of **68.5 MW** to the national grid have been commissioned. This is a total addition of over **300 MW** to the national grid. A total of total of 2,322 km of transmission lines were laid under several Rural Electrification schemes.
9. Madam Speaker, in the Agriculture this year, over 35,000 farmers directly benefited from provision of improved maize seed, in addition to other inputs such as fertilizers, under the commodity approach. Furthermore, a total of 13,486 kg of foundation seed for Arabica coffee, beans, maize and rice, were distributed to seed companies and farmer groups. To enhance irrigation for water for production, the rehabilitation of all the three irrigation scheme of Mubuku, Doho and Agoro is substantially complete.

10. Madam Speaker, the Tourism Sector saw improved accessibility to tourist sites. I will say more about this later. In order to enhance hospitality standards, 20 East-African Community - accredited hotel assessors were trained and the inspection of hotels accommodation was completed, to enable hotel grading and classification to be undertaken next financial year. The Hotel Training Institute at Jinja also had 390 students who graduated in May 2013.
11. Madam Speaker, in Human Resource Development, an additional **6,172** Health Workers were recruited to work at Health Centers and the remuneration of Medical Officers at Health Centre IVs was enhanced. Government also increased salaries for Primary School Teachers by **15%**, and Science Teachers in Post Primary Education and Training Institutions received an increase in wages as well.
12. Madam Speaker I will detail some of these achievements when I return to the sector priorities for next financial year.

### **III. FINANCIAL YEAR 2012/13 ECONOMIC PERFORMANCE AND OUTLOOK**

#### **ECONOMIC PERFORMANCE**

13. Madam Speaker, over the last year the Uganda economy has proved resilient and demonstrated strong signs of growth. At a global level, Uganda recently regained her credit rating of B+ with a stable outlook, by Standard and Poor's, the international credit rating agency. Uganda's higher credit rating is important because it lowers our cost of borrowing on international markets. This achievement is remarkable because it happens at a time when major economies like the United States and United Kingdom, are being downgraded. Uganda is one of the few countries that received HIPC debt relief in the 1990s, but has since not gone back to seek any.

### *GDP Growth*

14. Madam Speaker, economic growth has rebounded strongly during the year. The economy expanded by about **5.1%**. This performance is significantly higher than the **3.4%** recorded in the previous year. The construction sector grew by **8.2%** and electricity supply by 10%. The manufacturing sector recovered strongly growing by **4.2%**, compared to a decline of **0.3%** the previous year. During the last year, the agricultural sector output grew by **1.4%**, improving from a modest **0.8%** the previous year. The recovery in agricultural production was driven by a bumper crop and favorable prices, which signaled the potential of food for household security and incomes for most rural Ugandans.

### *Inflation and Interest Rate Developments*

15. Madam Speaker, inflation has declined substantially and reached **3.6%** in May 2013, compared to **18.0%** at the start of the financial year. The drop in inflation is a result of increased production, in addition to the improvements in the global economic prospects. To this end Government will accelerate supply-side measures to remove production bottlenecks.
16. Overall interbank interest rates declined to **8.6%** in March 2013 from **26.2%** in January 2012. This was a result of a drop in the Bank of Uganda Central Bank Rate, which has translated into lower commercial bank lending rates during the financial year. Commercial bank lending rates have also reduced, albeit slowly, from nearly **30%** in August 2011 to an average of about **24%** by end March 2013. These rates are still high because of the non-performing loans which have increased slightly from **3.4 %** in March 2012 to **4.7%** in March 2013.

### *External Sector*

17. Madam Speaker, the stock of our foreign exchange reserves amount to **US\$ 3.3 bn**. This is equivalent to 4.5 months of future import demand of goods and services. This reflects an improvement in our reserve position of about **US\$ 2.6bn** one year ago which was equivalent to about 4 months of imports. The balance of payments recorded a surplus of **US\$ 417 mn** on account of strong performance of foreign direct investment and other investment inflows which increased to **US\$ 1.76 bn** and US\$723.4 million, respectively; and remittances from Uganda working abroad amounting to **US\$ 767 mn**.

*Private sector credit*

18. Madam Speaker, private sector credit expanded by about **15%** during the year, compared to **11%** in the previous year. Domestic currency lending stagnated as a result of high lending rates and other factors, including the temporary closure of the land registry, in preparation for its computerisation; and as the private sector works through its debt accumulated in previous years. With the resolution of these issues, domestic currency lending is now showing signs of recovery.

*Financial Sector Development*

19. Madam Speaker, access to financial services is key to encouraging savings and providing credit for investment purposes. The financial sector in Uganda has experienced rapid growth. Commercial Banks now number 22 with combined outlets of 360 branches across the country. Four (4) Microfinance Deposit-taking Institutions (MDIs) have been registered with Bank of Uganda and two (2) MDIs have upgraded to Commercial banks status. In addition Rabobank's investment in DFCU Bank is testimony of the confidence the international financial community has in Uganda's financial sector. Rabobank is internationally recognized for its focus on agricultural financing.

20. In order to increase access to micro finance, Government has implemented the Rural Financial Services Programme since 2008. Financial cooperative membership to financial cooperatives has grown from **650,000** in 2008 to about **1,150,000** as at end December 2012. There has also been increased implementation of the Village Savings and Loan Associations (VSLA) and Savings and Credit Cooperatives (SACCOs) programs by both Non-Governmental Organizations (NGOs) and Government, and increase in use of mobile money services. Centenary Bank is leading the way in working with micro-finance institutions to expand the financial sector.
21. Madam Speaker, access to financial services is key. The financial sector will be deepened by proposing amendments to the Financial Institutions Act to allow new innovations in financing. These innovations include agent banking, Islamic banking, micro insurance, and mobile money regulations. I am happy to report that Uganda Re has started operations this year. The monitoring and supervision of micro-finance institutions will be enhanced to improve management and governance, and ultimately build trust and confidence. Government will also formulate a Microfinance Regulatory and Supervisory Framework to regulate and provide guidelines on the provision and accessing of financial services by all microfinance institutions.

### *Investment*

22. Madam Speaker, driven largely by private sector, the investment rate rose to 25.2% of GDP compared to 24.5% in the previous year. While the trend in investment is encouraging, key findings from the Investor Survey Report (2012) estimates survival rates of investments in Uganda at 46%. This is on account of projects being negatively affected by high cost of borrowing, limited access to credit, and energy and transport infrastructure bottlenecks.

23. The Survey reveals that the most binding constraints to investors are poor infrastructure such as inadequate all-weather roads, reliable power, and piped water; and a skilled human resource. The Financial Year 2013/14 Budget continues the Government of Uganda focus on unlocking these four constraints so that the private sector can accelerate.
24. Madam Speaker, during the year, Government tabled the Public-Private Partnerships (PPP) Bill before Parliament. The proposed law aims to efficiently mobilize Private Sector investment in the development of key infrastructure projects that boost competitiveness. Preparatory work for some PPP projects was started, including the relocation of Kigo Prison; and the Uganda Police housing project

## ECONOMIC OUTLOOK

### *Macroeconomic Objectives*

25. Madam Speaker, ultimately, the maintenance of macroeconomic stability enabled Uganda's rapid growth in recent years and is vital for our long-term economic growth and structural transformation prospects. Our overall national goals are to facilitate job creation, increase household incomes nationwide and diversify our productive base. The macroeconomic objectives underlying the budget strategy next year and over the medium term, are the following:
  - i. achievement of real economic growth of at least 7% per annum;
  - ii. Keep annual consumer price inflation to within single digit;
  - iii. The maintenance of a prudent level of foreign exchange reserves of about five months import cover, to mitigate external shocks and;
  - iv. The maintenance of a competitive real exchange rate to support the growth of exports, but take care not to destabilize local investors.

26. Madam Speaker, the economy is expected to accelerate its recovery to an estimated growth rate of 6.0 percent per annum next financial year. This continued recovery in growth is premised on maintaining macroeconomic stability, and improving resource mobilization and utilization. In addition, investment in priority sectors including the commencement of major infrastructure projects will spur economic growth.
27. Inflation is projected to average about 6% p.a next financial year and around 5% over the medium term. The exchange rate, which is a key determinant of economic competitiveness and has a major effect on the resource envelope, is expected to remain stable owing to the improvement in the trade balance.

#### *Financing Infrastructure*

28. Increased investment needs will require non-traditional approaches to supplement our domestic revenues and external finance. In addition to traditional grants and concessional loans, other non-traditional financing sources such as (a) partly concessional borrowing, (b) suppliers' credit, and (c) cautious use of the external and domestic debt markets to finance key infrastructure investments.
29. Government will increase external borrowing to accelerate essential infrastructure projects, particularly in roads, energy and water for production. Preference will be given to contracting debt on concessional terms in order to maintaining debt sustainability. I wish to reiterate that non-concessional borrowing for consumption expenditures is an option, as it does not generate the necessary returns required to enhance growth and development. Any future borrowing therefore, both from external or domestic sources, will only be secured for financing the productive sector,

specifically to address our infrastructure needs, where we are sure net costs of the project to the country are outweighed by the net benefits.

### *Business Climate*

30. Madam Speaker, the computerization of the land registry was completed during the year. The digitization of land titles has improved the security, retrieval and time for carrying out transactions requiring land titles. Six zonal land offices have been operationalized to improve access and reduce cost of processing land titles across the country.
31. Government commenced implementation of business licensing reforms, following a review of licensing laws and regulations in various sectors. The total estimated saving from the reforms carried out this Financial Year is UGX 54.56 billion, representing 7.5% reduction from the total cost of 725.73 billion from the previous Fiscal Years.
32. In addition several Commercial Laws enacted by Parliament had their regulations operationalized. Other key enabling legislation such as the PPP Bill, the Bio-technology and Bio-safety Bill, the Free Zones Bill, Anti-Counterfeits Bill, Insurance Amendment Bill; Anti-Money Laundering Bill and the Investment Code (Amendments) Bill, are before Parliament. Madam Speaker, I am appealing that these laws be enacted expeditiously to further enhance competitiveness.
33. Madam Speaker, in order to simplify business licensing, I am pleased to announce that an e-licensing registry was launched on June 11th, 2013. Uganda Registration Services Bureau (URSB) will host all stake holders as they transition their processes to URSB's online service. The total saving anticipated from the implementation of this portal is **Shs. 32.1 bn**. At the same time KCCA has reduced Trade License processing time from 60 days

to 4 days by decentralizing issuing authority. These reforms translate into annual cost savings of **Shs. 23.4 bn.**

#### *Employment*

34. In order to partly address the challenge of unemployment, Government has implemented the Youth Venture Capital Fund to enable youth start up enterprises. Over **5,200** small businesses have been supported through this scheme and **Shs. 21 bn** had been disbursed to eligible youth by the end of May 2013. A detailed report is before Parliament. The Graduate Venture Capital Scheme is now operational with start-up capital of Shs. 3.5 bn. Both funds are targeted for further capitalisation this coming year.

#### **IV. FINANCIAL YEAR 2013/14 BUDGET STRATEGY**

35. Madam Speaker, in the next year, Government will accelerate implementation of interventions aimed at improving competitiveness and reducing the cost of Doing Business. Key aspects to this strategy will be the acceleration of investment in infrastructure.

#### *Infrastructure Development Strategy*

36. Madam Speaker, Infrastructure Development will address gaps to reduce the cost of doing business, promote private sector growth and create jobs. Improved infrastructure will stimulate increased output in the productive sectors through Value Addition, particularly in Agriculture, Manufacturing and the Services. Accelerating road infrastructure development will enable connectivity between centers of production, processing and national and regional markets, that increases Uganda's export earnings. Increased electricity generation, transmission and distribution infrastructure will increase productivity.

### *Business Environment*

37. Government will continue improving the business climate for better private sector competitiveness. Further efforts in reforming the licensing regime by eliminating unnecessary laws and regulations will be undertaken in order to streamline and simplify the business registration and licensing processes. Government will eventually fully automate these two processes. In order to increase the security to land ownership rights and enhance the role of land markets country-wide a further 21 zonal land offices, especially in northern Uganda, will be rolled out.

### *Tackling Unemployment and Job Creation*

38. Madam Speaker, creating work opportunities for young people remains one of our most pressing development challenges. In the words of former British Prime Minister Margaret Thatcher, "...young people ought not to be idle because it is very bad for them and for the country. There are few worse things that society can do to its young than to leave them in limbo...". The skills gaps that exist between the education system and the job market must be addressed through re-aligning the curriculum and establishing partnerships between the private sector and educational institutions.

39. While regulation of the labour market through promulgation of legislation for a minimum wage seeks to protect workers' rights, this should not detract from the importance of creating employment for the vast majority of the unemployed. The first step to ensuring strong protection of workers' rights is the creation of as many job opportunities as possible, while ensuring security and safety at work. The rest will ultimately follow.

40. Youth unemployment in Uganda is widespread due to a number of different causes:-

- i. A demographic "Youth Bulge"

- ii. A mismatch between the mostly academic focused curriculum being taught under UPE and USE on one hand and the more technically based skills demand from the market place,
- iii. A prevailing mindset that “it is government’s job to provide jobs” as well as free basic education and healthcare;
- iv. An overall global economic context where governments (including Uganda) are rationalizing their operations i.e. moving away from state-subsidized enterprises and shifting to market-based economy i.e much fewer public sector jobs available.

41. All these factors are happening against global economic crisis which has impacted foreign investment and the capacity of the domestic private sector to quickly expand job opportunities. Fortunately Uganda has a comparative advantage for agriculture production which is relative labour intensive and includes opportunities for all workers: Urban and rural; educated and less educated.

42. Our overseas Uganda diaspora is also another solution of how to fight unemployment. The diaspora send home foreign exchange and are often highly skilled. They can be engaged not only to provide financial inflows, but also in efforts to collect and adapt the best international lessons in employment generation e.g. upgrading skills levels, exchange of knowledge and technical employment initiatives especially higher-knowledge industrial start-ups.

43. The employment question is complex and cannot be solved by Government alone. Therefore, government (including the ministries responsible for Economic Development, Labour and Foreign Affairs) will collaborate with the private sector, the Uganda overseas diaspora and international development partners. This collaboration will develop a well-designed

employment market programme to address the various identified causes of unemployment and formulate multi-faceted packages including basic education curriculum shifts, relevant technical education and quality assurance measures and modalities to include skills, knowledge and experience of the Uganda diaspora.

44. Madam Speaker, the Budget Priorities for Financial Year 2012/13 continue to prioritise the following objectives of last Budget:-
- i. Productive Infrastructure
  - ii. Agriculture Production and Productivity
  - iii. Value Added Export enhancement
  - iv. Human Resources Development especially in technical skills
45. The strategy will entail the following:-
- v. Creation of Jobs opportunities in agriculture and light industry
  - vi. Provision of rural electrification to agro-industries upcountry
  - vii. Empowering agricultural productivity expansion
  - viii. Ensuring food security, enhanced household incomes and creating market surplus for agro-processing and exports
  - ix. Facilitating growth of the service sector
  - x. Increase business competitiveness at national and regional level.

#### **V. FINANCIAL YEAR 2013/14 REVENUE AND EXPENDITURE FRAMEWORK**

46. Madam Speaker, before I elaborate the sector priorities for the next year, I would like to present the revenue and expenditure framework for the Financial Year 2013/14 Budget. The framework has been developed in line with the recent trends in the domestic, regional and international economy. In particular, the framework has been impacted by GDP sluggish recovery of the global economy, the performance of domestic

revenues and expected level of external support from development partners.

47. Next financial year, total resource inflows are projected to amount to **Shs 13,169bn**. Domestic sources will contribute **Shs 10,509bn** representing 81.1% of the total budget resource for the year. The Uganda Revenue Authority will collect taxes amounting to **Shs 8,486bn**; and Non-Tax Revenues of **U. Shs 275 bn** will be collected. The Budget will also be financed by issuing Government securities worth **Shs 1,040bn** on domestic markets; and net Government drawdown from our savings of **Shs 708bn**.
48. Total external financing of the Budget will amount to **Ushs 2,660bn**, equivalent to **20 per cent** of the total while project aid amount to resources. Budget support comprises of **Shs 213 bn** while Project aid amounts to **Shs 2,447bn**, an increase of **Shs.234bn** over the financial year now ending. There is need to examine non-traditional sources of financing in light of declining budget support.
49. The resources available to finance discretionary Government expenditure next year, therefore amount to **Ushs 9,498bn**, excluding project aid and statutory external and domestic debt repayments which amount to **Shs 2,695bn**. The total resources available for discretionary Government expenditure next financial year represent an additional **Shs 1,427bn** above the level in the year now ending.

## **VI. FINANCIAL YEAR 2013/14 SECTOR PERFORMANCE AND PRIORITIES**

50. Madam Speaker, the sector performance over this year serves as a basis for priorities for next year. There has been significant progress with implementation of the priority interventions that I announced in last year's budget statement. This progress has contributed to economic recovery significantly, following the challenges of increasing prices and volatile

exchange rates that Uganda and the East African region has faced. I now wish to elaborate the sector priorities for next year.

51. Madam Speaker, the Financial Year 2013/14 Budget will continue prioritising the creation of an enabling environment for growth, development and socio-economic transformation. Sector priorities to achieving these goals are as follows:-

- i. Aggressively continue to invest in infrastructure development particularly in Transport and Energy;
- ii. Support Increased Agricultural production and enhancing productivity;
- iii. Enhance Scientific Innovation and Science-Business Linkages for Industrialisation and Private Sector Competitiveness;
- iv. Improve the Quality and Access in Social Service Provision in Health Water and Education; and
- v. Enhance Transparency and Accountability to improve Value for Public Money spent and fight Corruption vigorously in Public Service Delivery.

#### **A. INFRASTRUCTURE DEVELOPMENT**

52. Madam Speaker, Government will continue to build Uganda's stock of infrastructure to serve as the springboard for economic growth and development. Interventions in this area will include improvement of agricultural and tourist roads, continued roll-out of electricity, the development of the oil and gas sector and more irrigation initiatives.

#### *Transport Infrastructure*

53. Madam Speaker, in accordance with Government's priority accorded to transport infrastructure, I have allocated **Shs 2,395 bn** to the roads and

works sector next financial year, an increase from **Shs. 1,650.8 bn** this year. The additional allocation to Roads and Works budget totals **Shs 744.7 bn** over the last year's provision.

54. During the forthcoming financial year, we have prioritized clearing of outstanding contractual obligations for completed roads, completion of ongoing projects and commencing construction of new ones. IN this financial year, regardless of the challenges, Government ring-fenced money for payment of contractors certificates. Government will also accelerate efforts to rehabilitate the country's railway network, and improve the quality of water transport on the major water bodies. The key interventions to be undertaken next year include the construction and rehabilitation of selected major strategic national roads, new bridges, equipping local government road units, and the maintenance of district and community roads. This is aimed at improved access and exit from agricultural areas to stimulate agricultural production, improving connectivity to Tourist sites and facilitating national and regional trade along major highways.

### *Roads*

#### **Road Construction**

55. Madam Speaker, the construction of various national roads has progressed satisfactorily:
- a. A total of 518 kms of national roads were fully or substantially completed. These are:-
    - i. Kabale - Kisoro – Bunagana/Kyanika (101 km)
    - ii. Masaka – Mbarara (154 km)
    - iii. Busega – Masaka (120 km)
    - iv. Nyakahita – Kazo (143km)

b. A total of 327 km of national roads have their construction on schedule.

These are:-

- i. Fort Portal – Bundibugyo-Lamia (104km) with the Fortportal – Sempaya section being fully completed.
- ii. Overlay of Kawempe – Kafu (166 km)
- iii. Jinja – Kamuli (57km).

c. A total of 88 km of the following national road project have had contracts signed and land compensation is underway. These are:-

- i. Mbarara – Kikagati – Murongo Bridge (74km).
- ii. Mbarara Bypass (14 km).

56. Madam Speaker, a total of **626 km** of national roads have completed designs for upgrade from gravel to tarmac. These are:-

- i. Muyembe– Nakapiripirit, and Moroto – Kotido road (200km);
- ii. Rwenkunyeye – Apac – Lira – Kitgum – Musingo road (230km);
- iii. Hoima – Butiaba – Wanseko road (111km); and
- iv. Kayunga – Galiraya road (85km).

57. In addition, the design for dualling of Kibuye-Busega - Mpigi (30km) and Kampala Northern Bypass (17km) has been completed. The design of Kampala - Jinja Expressway (80km) is being finalised.

58. Madam Speaker, in the next year, the construction of **1,363 Kms** of the following ongoing roads projects will be accelerated:-

- |                                     |                                  |
|-------------------------------------|----------------------------------|
| i. Atiak-Afogi (104km);             | vii. Tororo–Mbale (49km);        |
| ii. Fort-Portal–Bundibugyo (103km); | viii. Mbale–Soroti (103km);      |
| iii. Nyakahita–Kazo (68k);          | ix. Jinja-Kamuli (58km);         |
| iv. Kazo–Kamwenge (75km);           | x. Moroto-Nakapiripiriti (95km); |
| v. Mbarara–Kikagati (74km);         | xi. Gulu–Atiak (74km);           |
| vi. Malaba–Bugiri (82km);           |                                  |

- xii. Vurra-Arua-Koboko – Oraba (95km);
- xiii. Hoima-Kaiso-Tonya (85km);
- xiv. Ishaka-Kagamba (35.4km);
- xv. Kampala-Masaka Intermediate Sections (51km);
- xvi. Rehabilitation of Mukono-Jinja (52km);
- xvii. Mbarara-Ntungamo (59km);
- xviii. Ntungamo-Kabale-Katuna (65km);
- xix. Kayunga-Galiraya (88.5km); and
- xx. Kampala-Entebbe Expressway (51km).

59. Madam Speaker, Government will also commence the construction of 837 km of the following new road projects:-

- i. Atiak-Nimule (35km);
- ii. Kyenjojo-Fort Portal (74km);
- iii. Mbarara-Bypass (14km);
- iv. Dualing of Kampala Northern Bypass (17.5km);
- v. Masaka-Bukakata (41km);
- vi. Kamwenge-Fort Portal (66km);
- vii. Ntungamo-Mirama Hills (37km);
- viii. Kigumba-Bulima-Kabwoya road (135km);
- ix. Rehabilitation of Mukono-Kayunga-Njeru road (94km);
- x. Rehabilitation of Kafu-Karuma road (88.5km);
- xi. Rehabilitation of Kamudini-Gulu road (65km);
- xii. Ishaka-Katunguru Road (56km);
- xiii. Designing of Ziobwe-Wobulenzi road (23km); and
- xiv. Design of Seeta-Kiira - Matugga - Wakiso / Najanankumbi - Busabala (64km).

60. Madam Speaker, I have also allocated funds for the clearance of outstanding payments for the following completed roads:-

- i. Kabale – Kisoro – Bunagana/Kyanika (101km);
- ii. Matugga-Semuto (41km);
- iii. Kampala-Gayaza-Zirobwe (44km);
- iv. Jinja-Bugiri (72km);
- v. Masaka-Mbarara (149.2km);
- vi. Busega-Muduuma-Mityana (57km);
- vii. Kawempe – Kafu (166km); and
- viii. Kampala-Masaka, Package A (63km).

61. Madam Speaker. Government is also negotiating financing from the World Bank, African Development Bank and Islamic Development Bank to commence the upgrade of the following roads next year:-

- i. Kapchorwa-Suam;
- ii. Rukungiri-Ishasha;
- iii. Kamuli-Bukungu;
- iv. Soroti-Katakwi-Moroto;
- v. Mbale-Igale-Lwakhaha;
- vi. Tirinyi-Paliisa-Kumi-Ngora;
- vii. Atiak-Adjuman-Moyo;
- viii. Nabumali-Butaleja-Namutumba

62. Government has allocated its own resources to finance the following roads commencing next financial year:

- i. Mpigi-Kabulasoke-Maddu-Sembabule
- ii. Nyendo-Sembabule
- iii. Olwiyo-Anaka-Gulu-Kitgum;
- iv. Musita-Nankoma-Majanji;
- v. Mukono-Kyetume-Katosi;

63. Madam Speaker, the construction of some roads is behind schedule, as a result of delays by the contractors to mobilise machinery, land compensation, delayed environmental approval by NEMA and delayed completion of design reviews. This underscores the need to improve procurement, contracting and implementation of Government projects. The affected projects include:

- |   |   |
|---|---|
| i. Mbarara – Katuna<br>(124km);         | vii. Ntungamo–Mirama Hill<br>(37kms);     |
| ii. Tororo – Mbale (49km);              | viii. Moroto–Nakapiripiriti<br>(93.3kms); |
| iii. Mbale – Soroti (102km);            |   |
| iv. Vurra-Arua-Koboko-<br>Oraba (92km); | ix. Kampala-Entebbe<br>Expressway (51km); |
| v. Gulu- Atiak (74km);                  | x. Atiaka-Nimule (33Km).                  |
| vi. Ishaka–Kagamba<br>(35.4km);         | xi. Jinja - Mukono (52Kms).               |

### **Road Maintenance**

64. Madam Speaker, I propose to allocate an additional **Shs 72.7bn** to the Uganda Road Fund to enhance funding for national road maintenance. The total allocation in the Road Fund now amounts to **Shs 352.98bn**. The Uganda Road Fund will fund routine maintenance of 22,500km of District and Town Council roads and **4,500km** of Kampala Capital City Authority (KCCA) and Municipal Roads as well as removal of bottlenecks on **30,000km** of Community Access roads.

65. A further **1,670 km** of paved roads and **9,000 km** of unpaved roads will undergo routine maintenance by the Uganda National Roads Authority. An additional 750 km of unpaved roads will be re-graveled and the periodic maintenance of various bridges undertaken. District roads will also be

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maintained using recently acquired road equipment at district road units. Furthermore, Independent Parallel Bid Evaluation that has contributed to the reduction in national road costs will be extended to national road maintenance to enhance value for money. Independent Bid evaluation of road bids has seen the unit cost of roads reduce from **US\$ 1 million** per kilometer to **US\$ 700,000**.

66. Proposals to amend Road Fund Act will be tabled in Parliament next year to ensure adequate and timely provision of funds for road maintenance and rehabilitation, as this will increasingly require support given the large investments in road development.
67. Madam Speaker, with support from the World Bank, Government will next financial year commence the rehabilitation and reconstruction of the road network in 14 Municipalities across the country. These include Arua, Gulu, Lira, Moroto, Soroti, Mbale, Tororo, Jinja, Entebbe, Masaka, Mbarara, Kabale, Fort Portal and Hoima. In addition, Kampala Capital City Authority will continue to be supported to improve the road network within the city and accelerate the programme for introduction of the Rapid Bus Transit System in order to decongest the city

### **Bridges**

68. Madam Speaker, over the last year the following progress was recorded in respect of bridge construction:
  - a. *Bridges Completed*
    - i. Daca, Ore, Eventre and Uzungo on Wandu-Yumber road
    - ii. Apak bridge in Lira; and
    - iii. Bulyamusenyu Bridge;
    - iv. Construction of the Atiak – Moyo – Afoji (Bridges) bridges is at advanced stages and will be completed by July 2013;

69. Madam Speaker, during the forthcoming year, the following works on bridges will be undertaken:

- i. Rehabilitation of the existing Nalubale Bridge and the construction of Second Nile Bridge is scheduled to commence;
- ii. Construction of the Apak and Birara Bridges.
- iii. Construction works of the Ntungwe and Mitaano Bridges (Kanungu).
- iv. Complete construction of the Muzizi and Awoja bridges
- v. Complete construction of seventeen (17) bridges in North and North Eastern Uganda including Olyanai, Obalanga, Alipa, Ajeliek, Ojanai, Opot, Akol, Airogo ( all in Kumi); Balla, Abalang, Agali and Enget (Lira); Kochi and Nyawa (Moyo), using funding from the Islamic Development Bank.
- vi. Commence construction of Nyacyara, Goli, Nyagak, Enyau, Pakwara, Anyao and Alla bridges in West Nile.

70. Madam Speaker, I have also provided resources to re-construct the bridges destroyed by the recent floods in various parts of the country, such as the Mubuku and Kilembe bridges in Kasese district.

#### *Railway Transport*

71. Madam Speaker, in the rail sub-sector, the implementation of the following interventions to revitalize railway transport will be accelerated next year:

- i. Fast-tracking the rehabilitation of Tororo- Packwach and Kampala Kasese railway lines;
- ii. Commence design of Gulu – Atiak – Nimule – Juba railway, to be constructed jointly by the governments of Uganda and South Sudan;
- iii. Complete design of the Standard-Gauge Kampala–Malaba railway line (251km).

*Lake Victoria Water Transport*

72. Madam Speaker, Lake Victoria is central to Uganda's overall economic objectives. The Lake is an essential factor in our regional integration strategy. Bordered by Uganda, Kenya and Tanzania with river access to Rwanda and Burundi, it is home to over 30 million people living around its shores. It is a pivotal part of Uganda's alternative (Southern route) for export and imports to and from the Indian Ocean. Connecting us via Mwanza and then road or rail to Dar-es-salaam; or even to Kisumu Kenya and then to Nairobi and Mombasa by road or rail.
73. The development of water transport on Lake Victoria will enable the following objectives to be met:-
- i. Ensure a strategic alternative route to the sea
  - ii. Facilitate transportation of agricultural around the Lake and to Ocean ports
  - iii. Support Uganda's geographic location to be inland distribution hub to Rwanda, Burundi, South Sudan and DRC
74. Revitalization of Lake Victoria by rebuilding port infrastructural and carrying out a definite navigational survey as well as environmental measures will enable the Lake to become a major waterway by facilitating and lowering the cost of transport to both domestic and regional destinations. Together with my four Colleagues from other EAC countries, we are seeking multilateral assistance for a regional integration development project with Lake Victoria at its centre. As a positive sign in support of the revitalization of the Southern route to the Indian Ocean through Dar es Salaam, the rehabilitation of the Marine Vessel Kaawa was

completed during the year, and is operating between Port Bell and Mwanza.

*Other In-land Water*

75. Madam Speaker, during the year the Lwampanga – Namasale ferry was commissioned and the rehabilitation of the Laropi ferry is underway. The Kayunga (Kasana) and Mbulamuti (Bugobero) ferry is undergoing trials and the construction of landing sites is being completed. One of the two new Kalangala Infrastructure Services (KIS) ferries was launched; and the ferry previously used in this area will be refurbished and deployed to the Kiyindi – Buvuma crossing.
76. Madam Speaker, in the next year Government will continue to improve the inland water facilities by providing ferry services and constructing landing sites. The Obongi-Sinyanya and Kayunga-Mbulamuti ferries will be commissioned and construction of the New Kampala Port at Bukasa will commence. These interventions will improve connectivity of various parts of the country and the entire East African region, and ultimately reduce transportation costs.

*Electricity*

77. Madam Speaker, the **250 MW** Bujagali Hydropower project was fully commissioned during the last financial year. In addition a number of small renewable hydropower projects delivering a total of **68.5 MW** to the national grid have been commissioned. These include Buseruka (**9MW**), Nyagak I (**3.5MW**), Kisizi (**0.26MW**), Bugoye (**13MW**), Mpanga (**18MW**), and Ishasha (**6.5MW**).

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78. The detailed feasibility study and engineering designs for the 188 MW Isimba Hydropower Project was completed, and arrangements for its financing are underway. With support from the Government of Japan, the pre-feasibility study for the **600MW** Ayago Hydropower Project was completed and the detailed engineering designs are being prepared. The construction of the Karuma Hydropower Project (**600MW**) has faced procurement challenges, but will commence in next financial year. In addition, the Global Energy Transfer Feed-in-Tariff (GETFiT) East Africa Pilot Project was launched, and will support construction of a further 15 mini-hydropower projects that will deliver a total of **125MW** over the next three years.
79. Madam Speaker, under the Rural Electrification schemes a total of 2,322 km were under construction. These include:
- |   |  |
|---|--|
| i. Mubende-Kyenjojo<br>(156Km)  | viii. Soroti-Katakwi (96km)  |
| ii. Rakai-Isingiro;<br>Lyantonde-Lumbugu;<br>Kaliro-Lwebitakuli; and<br>Sembabule-Lwemiyaga<br>(283 km) | ix. Ayer-Kamdini-Bobi<br>(90km)                                      |
| iii. Kabale-Kisoro (166 km)   | x. Ntenjeru and Environs<br>(75km)                                   |
| iv. Rwachikoko-Awere-Laloi(<br>58km)  | xi. Ruhiira Millenium Project<br>(106 km)                            |
| v. Gulu-Adjumani-Moyo(<br>238km)  | xii. Nkonge-Kashozi (177 km)   |
| vi. Apala-Adwari-Kiru-<br>Morulem (109km)   | xiii. Masindi-Waki-Buliisa<br>(178km)                                |
| vii. Ibanda-Kazo (137 km)   | xiv. Gulu-Acholibur with<br>Paicho-Patiko-Palaro tee-<br>off (118km) |
|   | xv. Opeta-Achokora (58 km)   |

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- xvi. Wakiso/Mpigi/Mityana/B  
usuunju (43km)
- xvii. Lwengo/Mbarara/Isingiro  
/Ibanda/Kiruhura  
(58km)
- xviii. Bushenyi/Buhweju/Kase  
se/Kyenjojo (48 km)
- xix. Rukungiri/Kanungu/Ntu  
ngamo/Kabale (78 km)
- xx. Kasese District Rural  
electrification (28 km)
80. Consequently, a number of district headquarters were connected to the main grid. These include: Nakapiripit, Amudat, Kaberamaido, Dokolo, Amolatar, Ntoroko, Alebtong, Moroto, and Napak, Kiruhura, Kyegegwa and Katakwi.
81. Furthermore, the following community schemes have been under implementation:-
- xxi. Kikubamitwe Village, in  
Luwero (3 km)
- xxii. Rusekere Secondary  
School in Fortportal (0.6  
km)
- xxiii. Namazige-Kasenge in  
Mukono (1 km)
- xxiv. Simba Farms in Ibanda  
(0.2km)
- xxv. Cougar Industries Ltd in  
Mukono (0.6 km)
- xxvi. Nine resettlement villages  
in Bujagali, Jinja (15.9  
km)
- xxvii. Omagoro Village in Kumi  
( 1 km)
82. Commencing next financial year, the electricity utility distributor Umeme has been required to install at least **15,000** pre-paid meters per year over the next five years, in order to ensure increased efficiency in electricity use, and also reduce distribution system losses through further

investment in the distribution network. This will mean consumers will pay only what they consume.

83. Madam Speaker, I have allocated an additional **Shs 25.73bn** to the Rural Electrification Programme to facilitate the extension of electricity to the under-served areas of the country including the district headquarters. We thank development partners for their support in this area.

#### *Oil and Gas*

84. Madam Speaker, during the last year the following legislation for prudent management of Uganda's oil resources framework was passed by Parliament. This legislation includes the following:-

- i. The Petroleum (Exploration and Production) Bill 2012
- ii. The Petroleum (Refining, Gas Processing and Conversion, Transportation and Storage) Bill 2012

85. Madam Speaker, there is need to expedite the consideration of the Public Finance Bill 2012, still pending before Parliament, which contains the framework for transparent and prudent management of petroleum revenues, among other reforms.

86. Madam Speaker, next year, the construction of the Kenya – Uganda and Uganda - Rwanda Oil pipelines using the Public Private Partnership arrangement will be fast tracked. I have also allocated an additional Ushs 3.0 billion to National Environment Management Authority to conduct the Environmental Impact Assessment for the Gas and Oil exploration and development in the Albertine region.

#### *Minerals*

87. In order to promote mineral investment, a Geological and Mineral Information System (GMIS) to host geological and mineral data has been

established. This will provide a one Stop Centre for all geological and mineral information country wide, which is now accessible to potential investors. In addition, a computerized mining registry will expedite mineral licensing, the timely generation of revenues and provide transparency and accountability in the management of mineral rights.

88. In the forthcoming year and the medium term, Government will undertake the following interventions to enhance mineral development:-
- i. Review the status of mineral rights licensing and recall and reallocate where needed so as to accelerate least-cost exploration and development of the mineral sector.
  - ii. Provide technical services in the field of geosciences to guide national planning and development.
  - iii. Ensure best mining practices and accountability.
  - iv. Promote mineral value addition and trade to increase revenues.
  - v. Gazette geo-sites and geo-parks; and
  - vi. Complete preparation of an earthquake administration policy, and an earthquake disaster management plan

*ICT, Science and Technology*

89. Madam Speaker, during the year, Government completed the readiness for commercialization of the first two phases of the National Backbone Infrastructure (NBI) that enables access to the information superhighway by telecommunication companies and public institutions connected to the Infrastructure. The Business Process Outsourcing (BPO) Centre has continued operations, providing 100 jobs during the year, and an additional 150 jobs will be added next financial year.
90. The e-Government Master Plan was developed in collaboration with Government of Korea. The plan provides priority Information Technology projects for implementation, so as to improve service delivery. Cabinet also

approved the strategy for the rationalization of IT initiatives and services in government so that IT programmes in Government in across government can reduce implementation costs. During the year, regulations for Cyber Laws have been approved and their enforcement will commence next financial year.

91. Madam Speaker, in the next year, Government will continue to support Scientific and Technological innovation to drive value addition, increase our competitiveness in the global market and create employment among other benefits. The National Backbone Infrastructure will deliver bulk Internet bandwidth to connected Government at a cheaper cost and Information Technology (IT) service use will be mainstreamed across Government to avoid duplication and minimize cost. This will also improve Information Security, and reduce incidences of electronic fraud. The **700 km** third phase of the re-designed National Backbone Infrastructure will be implemented. This will provide connectivity to the Rwanda-backbone through Katuna; and the Tanzania-backbone through Mutukula, hence allowing alternative access to the coastal internet submarine cable.
92. Digital Television transmission will be implemented and Cyber laws operationalized. Government shall also develop and disseminate Business Process Outsourcing (BPO) operations standards; and setting up Information Technology Parks to host BPOs and related ICT service companies Government will establish fully serviced Industrial and Information Technology (IT) parks in various regions of the country over the medium term.

## **B. AGRICULTURAL PRODUCTION AND PRODUCTIVITY**

### *Agriculture*

93. Madam Speaker, agriculture continues to play a critical part of our economy. The sector employs about 66 per cent of Uganda's total labour force, and the vast majority of our population and directly and indirectly depend on it. It not only generates incomes and a livelihood for the majority of Ugandans, but has a great potential to transform the economy.
94. Agriculture is a private sector activity, for which Government will continue to provide targeted support towards its further development in research, seed multiplication and certification, extension services and disease control. Other key interventions relate to provision of extension services and support for agro-processing to agricultural produce. This will be done with an emphasis on rolling out the Commodity Based Approach that focuses on Ten (10) key food security and household income commodities. The commodities are maize, beans, coffee, market fruits and vegetables, rice, bananas, fish, dairy and beef cattle. This approach is selective, but not exclusive.
95. Next year, Government will reform the National Agricultural Advisory Service (NAADS) to create a single spine Extension system at the Ministry of Agriculture. NAADS will also develop a rural agri-business initiative to disseminate knowledge on how to promote profitable agriculture enterprises across the country. A seed certification Centre is also to be established to ensure quality of seeds.
96. In an effort to increase the availability of improved seed for farmers, Government has adopted a concerted approach to ensuring the availability of improved seed varieties and animal breeds. Building on successes in improved seed varieties and breeds by the research organisations, improved seed and breeds will be multiplied and distributed extensively

across the country. The multiplication of improved and certified seed will be implemented with the coordination between the ministries of Agriculture, Local Government and Finance, together with the Uganda Prisons Service and private sector operators.

97. Furthermore, on-going efforts to rehabilitate large scale irrigation schemes and promotion of small scale and affordable irrigation technology will be accelerated. The rehabilitation of the Olweny, scheme will commence next year, together with 33 schemes in other districts. Feasibility studies are planned for the rehabilitation of Atera, Labori, Odina and Kiige irrigation schemes. This will reduce excessive reliance on natural weather for agricultural production. Our approach is to invest where the private sector cannot do well.
98. Madam Speaker, I have allocated **Shs 394.4bn** to the Agricultural Sector next year. I have also provided an additional **Shs 9.2bn** to strengthen Fisheries Department in enforcing fishing regulations and standards.

### **C. TOURISM DEVELOPMENT**

99. Madam Speaker, in order to improve accessibility to tourist sites, road access to Kidepo Valley National Park is under maintenance and works on the Ishasha – Katunguru road have commenced. Contractors for the Kisoro-Mgahinga, Kyenjojo-Hoima-Masindi and Kabwoya – Kyenjojo roads are being procured.
100. In order to enhance hospitality standards, 20 East African Community accredited hotel assessors were trained and the inspection of hotels accommodation was completed and their Grading and Classification will be undertaken next financial year. 182 students were enrolled at the Hotel

Training Institute at Jinja, and a further 390 students graduated in May 2013.

101. In support of domestic tourism, two multi-stakeholder platforms in the Kigezi and Busoga regions were launched to spearhead the identification of local tourist products and their development. Government will continue to support tourist platforms as vehicles for promoting domestic cultural and other product development in related.

102. Madam Speaker, the key constraints to Uganda's tourism include poor road connectivity to wildlife parks, inadequate tourist information, inadequate international accreditation for the hospitality industry and lack of a least cost comprehensive tourism promotion strategy for Uganda.

103. Next financial year, Government will continue to establish a conducive investment climate for tourism development through the following interventions:

- i. Develop a comprehensive Tourism Sector Development and Promotion Action Plan;
- ii. Continue supporting the hotel, tour and guide businesses to get International accreditation;
- iii. Rehabilitate road access to tourist sites;
- iv. Support skills training of critical tourism sector human resources including the re-construction of the Uganda Hotel and Tourism Training Institute at Jinja;

#### **D. INCREASING SOCIAL SERVICE DELIVERY**

104. Madam Speaker, social welfare indicators such as literacy, safe water coverage, and the reduction in infant and maternal mortality rates, depict progress of society's well-being and human development. I am happy to

report that Government efforts in UPE and USE and promotion of free basic healthcare, are already bearing fruit.

### *Education*

105. Madam Speaker, during the year, Government enhanced salaries for Primary School Teachers by **15%**, and **30%** for Science Teachers in Post Primary Education and Training Institutions. In an effort to reduce teacher absenteeism, the percentage of teachers at task improved from **60%** in 2011 to **77%** in 2012. In addition, head teachers at task improved from **63%** in 2011 to **70%** in 2012. We will continue to monitor these performance indicators.

106. Madam Speaker I have allocated over **Shs 1,801 bn**, representing **13.3%** of the total budget to the education sector to impart the necessary skills and knowledge required to tap the creative abilities of individuals, in order for them to lead a better life and enhance society's wellbeing. The following major interventions will be undertaken in the Education Sector to increase access to quality and appropriate education:-

- i. Accelerate Government investment in vocational and business training including supporting the Private sector to provide the youth with the requisite skills for job creation.
- ii. Forge a strong relationship between education institutions and private companies to design and provide appropriate training programmes in line with the needs of the labour market.
- iii. Provide in-service teacher training and strengthened supervision of teaching performance indicators, through a diversified mix of training and professional development and a clear career structure at all levels to improve the quality of teaching and learning;
- iv. Promote science and technical education through provision of incentives for science, mathematics, technical and vocational

education, supporting science and research development, encourage the private sector to support science education and equipping schools with science laboratories;

- v. Bridge the gender gap in access to education by creating girl friendly school environment such as separate sanitary facilities, and non-tolerance to sexual harassment among others;

107. Madam Speaker, Government will also implement key interventions in the education sector to enhance efficiency and effectiveness, and address the quality. These are the following:-

- a. *Students Loan Scheme:* Government will implement the Student Loan Scheme initially for Science, Medical and Engineering students in higher institutions of learning. The Student Loan Scheme will also be complemented by the Bonding of students to Government employment after their respective courses, which will serve towards the repayment of the Student Loan. I have allocated an additional **Shs 5.0 bn** towards operationalization of the Student Loan Scheme.
- b. *Teachers SACCOs:* In line with the Government policy of encouraging savings, improve access to credit and uplift the welfare of Teachers, I have allocated a total of **Shs 5.0 bn** to support Teacher SACCOs across the country.

#### *Health*

108. Madam Speaker, an additional **6,172** Health Workers were recruited for Health Centers and the remuneration of Medical Officers at HC IVs was enhanced to **Shs. 2.5m** per month inclusive of consolidated allowance. The construction and equipping of the Government of Japan-funded Kabale and Hoima Regional Referral Hospitals was completed.

Procurement is underway for contractors for Mulago National Referral Hospital rehabilitation and the construction of the Kirudu and Kawempe hospitals.

109. In addition to the seven immunizable disease vaccines, the Pneumococcal Conjugate Vaccine (PCV) against pneumonia was launched in April, 2013 with support of the Global Alliance for Vaccines Initiative (GAVI), and immunization campaigns were conducted in 49 districts.

110. Madam Speaker, continued reduction in morbidity and mortality from the major causes of ill health and premature death and reduction of disparities in the provision of health services is a major focus next year. The following major interventions will be implemented:-

- i. Develop and Implement a comprehensive Strategy for Malaria Eradication to build on current efforts of prevention, diagnosis and treatment
- ii. Continue improvement in health infrastructure by rehabilitating and equipping National and Referral Referral Hospitals and Health Centres;
- iii. Provide staff housing for health workers with initial attention on under-served areas;
- iv. Formulate an appropriate legal and regulatory framework for the establishment of the national health insurance scheme;
- v. Accelerate the ongoing campaign to prevent and control communicable and non-communicable diseases through immunization, awareness campaigns and provision of equipment.
- vi. Progress the equipping of key health facilities such as Uganda Heart Institute, Uganda Cancer Institute and Uganda Blood Transfusion Services among others, and partnering with the

private sector to establish facilities for highly specialized treatment.

- vii. Improve the governance and efficiency in health service delivery through increased joint supervision and monitoring of service indicators in collaboration with non-Governmental health institutions.

### *Safe Water Coverage and Sanitation*

111. Madam Speaker, to increase the benefits of access to safe, water and sanitation facilities, Government has undertaken the following key activities, over the last year:

- i. Construction of piped water supply works in Kiruhura (**95%**), Kazo (**92%**), Kakuto(**70%**), Kakyanga (**80%**), Lyantonde (**80%**);
- ii. Completion of Phase One of the Tororo-Manafa Gravity Flow Scheme; and continuation of construction of the Kanyampanga Gravity Flow Scheme.
- iii. Bore holes drilling in several districts including Namayingo, Lira, Mubende, Apac, Oyam, Kaliro, Butaleja, Luwero, Namutumba, Kumi, Ngora, Kaberamaido, Lwengo, Kaliro and Tororo among others.
- iv. Implementation of Piped water schemes in the towns of Nakasongola, Kalungu, Wobulenzi, Rakai, Kinoni, and Mbirizi
- v. Rehabilitation of water works is at various stages in the districts Wakiso Luwero, Masindi, Mityana, Buikwe, Kagadi, Kakumiro, Kiboga, Mubende, and Butambala among others.
- vi. Progress with Construction of the Lubigi Sewage System;

112. Madam Speaker, in order to increase access to quality water and sanitation, Government will focus on the following interventions next year:

- i. Upgrade Ggaba Water Works treatment facilities and construct Namasuba Hill reservoir
- ii. Construct motorised boreholes (deep wells) and large Gravity Flow Schemes and provide rainwater harvesting technologies;
- iii. Complete construction of the Lubigi Waste Water Treatment Plant, and rehabilitate Bugolobi sewage treatment plant;
- iv. Commence construction of Nakivubo and Kinawataka Waste Water Treatment Plants, and
- v. Continue provision of sanitary Ecosan toilets in schools, and mobilize communities for better hygienic practices, such as hand washing.

#### **E. STRENGTHENING ACCOUNTABILITY IN PUBLIC SERVICE DELIVERY**

113. Madam Speaker, the main challenge of service delivery in Uganda is not lack of sufficient financial resources, but the achievement of maximum efficiency and effectiveness in the utilization of limited resources. Challenges to service delivery include delayed implementation of Government projects, lack of adherence to financial management procedures, as well as corruption and misappropriation of public resources. The Government's is committed to improving transparency and accountability in order to achieve enhanced service delivery, for which several reforms have already been undertaken.

114. Madam Speaker, I am happy to report progress has been made, even as we continue to fully reform the system. It will take time but Uganda will get there. In order to tackle the weaknesses in institutional governance and improve service delivery, Government will undertake the following measures next financial year:-

- i. Strengthen the accountability and anti-corruption institutions such as the Inspectorate of Government, Auditor General's Office, Uganda Police, the Judiciary and Public Accounts Committees, among others;
- ii. Institute an elaborate system of sanctions for delayed accountability. The Ministry of Finance will enhance its emphasis on quarterly performance reporting to monitor programme implementation;
- iii. Rollout the Integrated Financial Management System (IFMS) in all Government Ministries, Departments and Agencies;
- iv. Fully implementation of all modules of the Integrated Personnel and Payroll System (IPPS) to link staff recruitment, payroll and salary processing, retirement and pension management and link the IPPS to the IFMS, to eliminate "ghost" workers;
- v. shall improve coordination, monitoring, inspection and evaluation of Government programmes at all levels;
- vi. Coordinate Implementation of the National Identity (ID) Card Project with the National Census and the Electoral process; and
- vii. Review the Public Investment Plan (PIP) projects to include only those for which cost-benefit analysis and feasibility studies have been conducted and for which sources of financing have been secured.
- viii. Government will also rationalize the current use of office space by Ministries and Government Agencies and implement its policy to move away from renting office space to construction of new Government office buildings.

115. Madam Speaker, the Ministry of Finance has fully supported a Private Members Bill to seek further advancement to fight against Corruption.

Other relevant Bills include the following:-

- i. Anti-Money Laundering Bill which is aimed tracking funds gained from illicit activities and for enhancing global security;

- ii. the Public Finance Bill which explicitly seeks to ensure timely and accurate reporting of Government funds spent and to place individual responsibility on accounting officers for proper management of funds under their control.

116. I have accordingly allocated additional funds to the various anti-corruption institutions such as Office of the Auditor General, Criminal Investigation and Intelligence Directorate, Directorate of Public Prosecution, Inspectorate of Government, Ethics and Integrity to enforce accountability and Accountant General's Office to facilitate the rollout of the Integrated Financial Management System (IFMS).

#### *Local Governments*

117. Madam Speaker, experience from the successful developing countries shows the importance of fiscally sustainable and well-functioning local governments for delivery of public services. Local governments have an advantage of being closer to the recipients of such services, but they may not use this advantage if they lack effective administrative structures and resources. During the last two decades the number of district governments in Uganda has more than doubled. It is now time to implement reforms aimed at improving their performance, in particular increasing value-for-money in the services they provide. This would involve bringing greater stability in the districts and intergovernmental system, modifying their institutional design, and redesigning funding of the district governments towards optimal use of the limited funds available.

118. The following actions will be emphasized in this regard:

- i. Review the staffing models of district governments.

- ii. Enhancement of the district governments' own-sources of revenues, especially for recurrent expenditure needs. This will strengthen bottom-up accountability of district governments, to help alleviate fiscal pressures by Local Governments on Central Government.

#### **VII. CONSTITUTIONAL SELF ACCOUNTING BODIES**

119. Madam Speaker, the budgetary proposals of the following Self Accounting Bodies have been submitted in compliance with Article 155(2) of the Constitution.

- i). Courts of Judicature
- ii). Electoral Commission
- iii). Inspectorate of Government
- iv). Parliamentary Commission
- v). Uganda Law Reform Commission
- vi). Uganda Human Rights Commission
- vii). Uganda Aids Commission
- viii). National Planning Authority
- ix). Office of the Auditor General

120. In accordance with Article 155(3) of the Constitution, Government has made recommendations on these proposals. I hereby lay both the budgetary proposals and the recommendations of Government before this august House, as required by the Constitution.

121. In order for me to submit a fully financed National Budget for your consideration in accordance with Article 155(1) of the Constitution, the budget provisions of these Self Accounting bodies are in accordance with the resource envelope conveyed to them in the course of budget preparation, including the presentation of the National Budget Framework Paper to Parliament, in accordance with the Budget Act 2001.

## **VIII. FINANCIAL YEAR 2013/14 TAX AND REVENUE MEASURES**

122. Madam Speaker the objectives of the various measures for the Financial Year 2013/14 are to raise revenues, enhance transparency in collection and enforcement, improve compliance and encourage investment. I will propose amendments to the tax laws to improve tax administration and enhance compliance. I will also highlight decisions reached at the East African Community (EAC) pre-budget consultative meeting.

### **Income Tax**

#### *Expansion of withholding tax agents*

123. Madam Speaker, I propose widening the scope of withholding agents to capture non-compliant tax persons engaged in economic activities and not registered for income tax purposes. This measure is expected to generate Shs 5 billion. The details are contained in the Income Tax (Amendment Bill) 2013.

#### *Provide collaboration between URA, KCCA and Local Governments in tax collection*

124. Madam speaker, I propose to provide a legal framework through which URA will collaborate with Uganda Registration Services Bureau, Local governments and KCCA to identify taxpayers and collect taxes on small businesses which are hard to reach by URA. This is aimed at easing tax administration and enforcing compliance by bringing more taxpayers into the tax net.

### **Value Added tax (VAT)**

#### *Eliminate VAT exemption on Hotel accommodation*

125. Madam Speaker, I propose to eliminate the VAT exemption on Hotel accommodation to improve tax administration and generate revenues. This measure will raise Shs.6 billion and details are contained in the VAT (Amendment Bill) 2013.

*Eliminate VAT exemption on Supply of water for domestic use*

126. Madam Speaker, I propose to apply VAT on the supply of water to improve tax administration and generate revenues. This measure will raise Shs.8 billion and details are contained in the VAT (Amendment Bill) 2013. This should not affect the prices paid by the majority of low-income consumers, as the price of a jerrycan from National Water and Sewerage Corporation (NWSC) will amount to about Shs.40 at communal taps.

*Eliminate VAT exemption on Wheat and flour*

127. Madam Speaker, I propose to introduce VAT on Wheat and wheat flour to improve tax administration and generate revenue. This measure will raise Shs.30 billion and details are contained in the VAT (Amendment Bill) 2013.

*Rationalizing of exemptions*

128. In a bid to improve compliance and administration, I have rationalized the VAT exemptions in line with sector definitions and best practice.

**Excise Duty**

*Increase of excise duty of 50 shilling on petrol and diesel*

129. Madam Speaker, I propose to increase excise duty on petrol and diesel by 50 shillings to increase revenue collections. This measure is expected to

raise about Shs.72 billion and details are contained in the Excise (Amendment Bill) 2013.

*Restore excise duty of 200 shillings on kerosene*

130. Madam Speaker, I propose to restore excise duty on kerosene at 200 shillings per litre to discourage the practice of adulterating diesel by mixing it with kerosene. This measure is expected to raise about Shs.15 billion and details are contained in the Excise (Amendment Bill) 2013.

*Increase excise duty on cigarettes*

131. Madam Speaker, I propose to increase excise duty on cigarettes from Shs. 22,000, 25,000 and 55,000 for Soft cup (whose local content is more than 70% of its constituents), other soft cup and Hinge lid respectively to Shs. 32,000, Shs. 35,000 and Shs. 69,000 to collect more revenues. This measure is expected to raise about Shs.3.2 billion and details are contained in the Excise (Amendment Bill) 2013.

*Increase excise duty on undenatured spirits*

132. In a bid to curb the excise duty evasion by some unscrupulous distillers of spirits, I propose to increase the excise duty from 80% to 140% at importation or an advalorem duty rate of Shs. 4,000 per litre, whichever is higher.

**Excise duty on Promotional Activities**

*Impose excise duty at 20% on revenue from promotion activities*

133. Madam Speaker, I propose to impose excise duty at the rate of 20% on revenue from activities akin to gambling to expand the tax base. This

measure will generate about Shs.8 billion. The details are contained in the Excise Tax (Amendment Bill) 2013.

*Introduce an excise duty on money transfers*

134. Madam Speaker, I propose to impose an excise tax of 10% on fees charged on transfer of money by mobile network operators and other money transfer operators and widen the tax base. Details are contained in the Excise Bill 2013.

**Stamp Duty**

*Stamp duty on Third Party Insurance Policies for motor vehicles*

135. Madam Speaker, I propose to impose an extra 30,000 shillings on stamp duty on Third Party insurance Policies for motor vehicles to raise more revenues. This measure will generate about Shs. 12 billion. Details are found in the Stamps Duty (Amendments Bill) 2013.

**Fees and Licenses**

*Increase Motorcycle registration fees by Shs. Shs.120,000 to Shs.250,000.*

136. Madam Speaker, I propose to increase motorcycle registration fees by 120,000 Shillings to raise more revenues. This measure will generate about Shs. 8.64 billion. Details are found in the Finance Bill) 2013

*Increase Motor Vehicle registration fee by Shs.200,000=*

137. Madam Speaker, I propose to increase motor vehicle registration fees by 200,000 Shillings to raise more revenues. This measure will generate about Shs. 8 billion. Details are found in the Finance Bill) 2013

**Non Tax Revenue**

*Introduce the International Calls Levy*

138. Madam Speaker, I propose to impose an International Calls Levy on international incoming calls and generate about Shs.43 billion. Details are contained in the Finance Bill 2013.

*Implementation of the revised NTR rates by MDAS*

139. Madam Speaker, this FY I propose to revise some NTR rates through the Finance Bill 2013 to raise about Shs.32 billion. Details will be found in the Finance Bill 2013.

140. In order to improve service delivery and expedite the process of payment, the public will be allowed to pay fees and other charges for services performed by MDAs using their mobile phones and internet for those who have access. This will reduce on congestion and time it takes to go the banks and wait for confirmation before getting the service.

*Collection of Non-Tax Revenues*

141. Following the good performance of Uganda Revenue Authority in the collection of Non-Tax Revenues, I am extending the mandate of the Uganda Revenue Authority to collect all fees and other charges under the Uganda Registration Services Bureau, The Directorate of Citizenship and Immigration and the Ministry of Energy and Mineral Development collection. However, the assessment will remain under the MDAs.

142. As part of encouraging Ministries, Agencies and Departments which collect Non-Tax Revenue, some will be allowed to retain the NTR and use it at source. However, this will be part of the funds appropriated by Parliament

to them and their budgets will be reduced by the shortfall in case they fail to meet the targets.

### **Lotteries and Gaming**

143. There has been unprecedented development in the lotteries and Gaming industry in the country. This has necessitated a strong regulatory framework to ensure that investments in the sector flourish but at the same time the public, especially minors and those not keen to participate, are protected from unscrupulous dealers. The Ministry of Finance will present necessary amendments to Parliament.

### **Taxation of the Petroleum value chain**

*Review the taxation of the value chain for petroleum and minerals sector*

144. Madam Speaker, during the coming financial year the value chain for petroleum and minerals sector will be reviewed with the aim of ensuring that Government gets maximum benefit from the sector.

### **New Tax laws and other reforms**

145. Madam Speaker, as part of its efforts to promote investments, welfare of Ugandans, equity and enhance compliance and tax administration, Government has proposed new excise, stamps duty, Lotteries, Gaming and Pool Betting laws and a Tax Procedures Code.

146. In Financial Year 2013/14, Government will comprehensively review the exemptions in the VAT Act and the Income Tax Act with the aim of eliminating them to increase revenue and improve administration.

147. Madam Speaker, Government will also undertake a study on VAT being collected currently in comparison to its potential (VAT Gap). In addition a

similar study will be undertaken on income tax which will form a basis of improving the law to enhance performance and offer better services to taxpayers.

### ***Tax Administration***

148. Uganda Revenue Authority has built a strong foundation for obtaining significant improvements in taxpayer compliance and tax revenue performance. Government has invested in Tax administration through building human capacity, modernization of systems and equipment. As a result, tax revenue performance has increased year on year by about 17%.

149. In the coming financial year and over the next three years, Uganda Revenue Authority (URA) will build on this progress to obtain significant increase in tax compliance. The Authority will;

- i. Intensify its efforts to enforce compliance on the different types of taxpayers i.e. large medium and small.
- ii. Continue expansion of the audit coverage to include the bulk of the largest traders and conduct joint audits in the domestic tax and customs departments to detect and sanction non-compliance and fraud in a number of taxes.
- iii. Enforce the use of the Tax Identification Number for all traders who receive trading and other licenses and permits from KCCA and Local Governments.
- iv. Clean up the VAT register to ensure that only those capable of filing monthly and paying remain on the register.

150. In addition to the revenue targets that the Ministry sets for URA, the Ministry will put in place a wider suite of performance indicators in tax and customs to help URA Management monitor the results of the modernization program on a regular basis.

151.URA needs to have direct access to considerable information to determine a taxpayer's liability. In this regard, Government is to propose an amendment to the Financial Institutions Act to allow URA to access a taxpayer's financial records, as an exception to the confidentiality provisions, where a bona fide tax audit or investigation has been initiated.

### **Decisions made at EAC Pre-Budget Consultations by Ministers of Finance**

152.The Sectoral Council of Finance and Economic Affairs considered Pre-Budget issues. One of the key issues discussed was the granting of 0% import duty on Uganda's raw materials and industrial inputs which under the EAC Customs Union Protocol was to last for a period of five years until 2009. The East African Community has d terminated this facility. However, we did secure reduced rates for most of our industrial inputs.

153.Details of the positions agreed to by the Council will be contained in a gazette to be issued by the EAC Secretariat.

### **IX. REPORT OF TAX EXPENDITURE FOR FINANCIAL YEAR 2012/13**

154.Madam Speaker, Article 152 (2) of the Constitution requires me to periodically report to Parliament on the exercise of powers conferred upon me by any law to waive or vary a tax imposed by that law. This is to report that this fiscal year, I did not exercise powers conferred by the Income Tax Act and Value Added Tax Act to waive any tax. However, I exempted Pride Microfinance Limited, a wholly owned Government financial institution, from stamp duty of **Shs.48m/-** on transfer of property.

155. Madam Speaker, Government has also paid Shillings **Seven billion, Nine Hundred Fifty One Million, One Hundred Seventy Eight Thousand, One Hundred Ninety Two Shillings** only (Shs 7,951,178,192/=) in respect of Hotels, Hospitals and Tertiary Institutions, and Non-Government Organizations with tax exemption clauses in their agreement.

#### **X. SCHEDULE OF INDEBTEDNESS**

156. Madam Speaker, in accordance with the provision of Article 159 (4), Section 13 (1) and (2) of the Budget Act 2001, I hereby lay before the House a report on Government's total external indebtedness as at 31st March, 2013; and all the loans contracted the grants that Government received during financial year 2012/13. I wish to call upon Colleagues to spare some time read and discuss the report and provide insights, comments and guidance.

157. With respect to Section 13 (3) of the same Act, I wish to report that Government did not extend any guarantee to any Agency, Company or Statutory Corporation during financial year 2012/13.

158. On the utilization of loans and grants, I have highlighted key issues in each respective case. Details of the utilization and the performance of each loan and grant, including the extent of the achievement of the objectives and targets, will be provided in the Ministerial Policy Statements for agencies that received loans and grants, as well as in our poverty monitoring and assessment reports.

159. Madam Speaker, Members of this House are aware that Government has met a number of challenges in the utilization of loans and grants which have been mobilized. The main challenge is low absorption arising from

lack of readiness of sectors to utilize resources. To address the challenges, I propose the following measures:-

- i. Streamline budgeting for counterpart funding in Sectors/Ministries to ensure that projects are fully funded.
- ii. Prepare projects that have been fully analysed and had cost benefit assessment carried out.
- iii. prioritize project selection by Accounting officers to ensure that sufficient funds are availed to match loan disbursement.
- iv. The Accounting Officer are required to provide detailed information on implementation of all programmes under their purview before Parliament approves a new funding to a given sector.
- v. Expedite a loan approval process by Parliament to ensure the conditions existing at the project appraisal have not been overtaken by events and costs have escalated.
- vi. With regard to large infrastructure projects, undertake studies and designs in advance of the loan approval to enable project execution to commence immediately; and if necessary Government finances the studies and designs, for which agencies Ministries must budget appropriately for.
- vii. There is need for accounting officers and political Heads of Government Departments to ensure the project develop implementation and procurement plans well in advance of loan approval. In this regard, project Management unit should be staffed with persons who are proactive in decision making and consultation.
- viii. There should also be a continuous capacity building of our nationals in project and contract management, a capacity that is both visible and effective.

## **XI. CONCLUSION**

160. Madam Speaker, this year's budget is historical as over 80% of the resources are internally generated. I wish to thank tax payers of Uganda private sector for the tremendous support for their contribution. This will enable more resources to be allocated to infrastructure investment which will reduce the cost of doing business to the Private Sector. I wish to pledge that these resources will be utilized efficiently on investment, rather than consumption.
161. Before I conclude my speech, Madam Speaker, I would like to thank very sincerely His Excellency The President for his guidance and wise advice in the preparation of this Budget. I also wish to thank the Rt. Hon. Prime Minister, my Colleague Ministers, Development Partners, Private Sector and the Civil Society for your invaluable all for their views and suggestions. I also wish to thank my Ministry's long serving Permanent Secretary and Secretary to Treasury, Mr Chris Kassami, who has served this country for 43 years; and all the officers of my Ministry for their dedication during the entire Budget process.
162. Our future growth will be largely dependent on a favorable development climate for private-sector investment in the economy and attraction of foreign direct capital flows and reduced reliance on external development aid. We shall continue to align all sector budgets to the National Development Plan by priority investment in heavily in key productive and infrastructure sectors. Madam Speaker, the expenditure priorities, revenue measures and policies announced in this Budget demonstrate the Government's commitment and determination to rise to the challenges ahead and pursuit of the long term development agenda as envisioned in

Vision 2040. This year has been the year of transparency. Next year will be the year of transparency and accountability.

163. Madam Speaker, I cannot move without paying tribute to our sportsmen and women, and especially the gallant national team the Cranes, in their tireless quest to take Uganda to the 2014 World Cup. We all need to inspire with the valour of Stephen Kiprotich when he won Uganda's first Gold in 40 Years, by supporting them as they seek to further Uganda's glory at their next match on Saturday! Uganda Cranes We go, No matter what, We go!

164. Madam Speaker, I thank you for your attention and I commend this Budget Motion to the House.

I beg to move.

## **XII. ANNEXES**