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30th September 2016

PRESS RELEASE ON QUARTER TWO EXPENDITURE RELEASES FY 2016/17

1. I wish to welcome the media and other stakeholders to this media briefing on Q2 release of funds. The objective of this media briefing is to disseminate information to the general public on effective service delivery.

A. APPROVED BUDGET FY 2016/2017

2. The Total Approved Budget for Financial Year 2016/17 is **Ushs 26,360.45 billion** detailed as follows:

• <i>Wage</i>	-	<i>Ushs 3,359.04 Bn.</i>
• <i>Non Wage</i>	-	<i>Ushs 11,485.5 Bn.</i>
• <i>GoU Development</i>	-	<i>Ushs 4,319.35 Bn.</i>
• <i>External Financing</i>	-	<i>Ushs 6,524.54Bn.</i>
• <i>AIA</i>	-	<i>Ushs 671.975 bn</i>
Total	-	Ushs 26,360.45 bn

3. Ministry of Finance Planning and Economic Development releases funds Quarterly and in Quarter One, the releases were made on 5th July 2016, whereas in Quarter Two, the releases were made on 26th September 2016.
4. This is in line with MoFPED's commitment to release funds before the 10th day of the first month of the quarter to ensure speedy execution of Government programs.

B. EXPENDITURE LIMITS FOR QUARTER ONE AND QUARTER TWO FY 2016/17

5. In Quarter one , MoPFED released **Ushs 5,833 billion**, (this is about 30% of the Approved GoU Budget) to meet the following expenditures:
 - i) **Ushs 861 billion** to cater for wages and salaries, **Ushs 67 billion** for Pensions and **Ushs 35 billion** for Gratuity.

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- ii) **Ushs 111 billion** to cater for **Verified Domestic arrears** to ensure that Government institutions meet their obligations towards private companies.
- iii) Under the Education sector, the capitation grants for schools were fully provided to cater for the Third term of the academic calendar which started in September; this funding is already with the schools.
- iv) NAADS was provided **Ushs 103 billion** and Coffee Development Authority with **Ushs 27 billion** to cater for the planting season.
- v) **Ushs 127.8 billion** was provided to National Medical Stores to meet the obligations for purchase of drugs.
- vi) **Ushs 400 billion** was provided to UNRA for Quarter One to ensure that there is no delay in the implementation of projects.
- vii) Under the Works Sector, **Ushs 96 billion** was provided as counterpart funding for earth moving equipment from the Japanese and **Ushs 88.4 Bn** under the Standard Gauge Railway project to cater mostly for Resettlement of Affected Persons(RAP).
- viii) In the Energy sector, **Ushs 62 billion** was provided to meet thermal energy costs, and an additional provision of **Ushs 24 billion** provided to cater for electricity projects under Ministry of Energy.
- ix) Under the Water Sector, **Ushs 105 billion** was provided to meet the obligations of water projects especially under the Kampala Water and Sanitation Project.

Highlights of Quarter Two Releases

6. A total of **Ushs 4,314 billion** has been released for Quarter two expenditure. Therefore, the total releases for Quarter One and Quarter Two are 10,148 billion, which is 53% of the approved GOU budget. The following are the highlights in quarter two:
 - i. **Ushs 852.62 billion** has been released to cater for wages and salaries for Quarter 2 and it includes **Ushs 10 billion** for part payment of arrears for non-teaching staff in universities.
 - ii. **Ushs 66.96 billion** has been provided for Pensions and **Ushs 43.42 billion** has been provided to cater for Gratuity payments for the second quarter of FY 2016/17
 - iii. **Ushs 291 billion** has been provided to UNRA for Quarter two to cater for counterpart funding obligations.
 - iv. **Ushs 53 billion** has been provided for National Medical Stores to meet the obligations for purchase of drugs.
 - v. **Ushs 53.6 billion** has been provided to cater for counterpart funding obligations under the energy sector
 - vi. Adequate provision for Education sector to carry out examinations and to provide instruction materials for Schools. In addition, Universities recurrent obligations have been fully met.
 - vii. Funding for Kabale/Kisoro tea factory and Soroti fruit factories have been adequately provided.

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- viii. Funding towards land acquisition in Buvuma has been provided for the palm oil project.
- ix. All referral hospitals have been adequately provided for with their requirement for the quarter.
- x. NAADS and UCDA have been provided in line with their workplans.

Local Government releases.

7. Releases to local governments have been effected and are based on annual workplans, quarterly workplans and annual cashflow plans. A total of **Ushs 616 billion** has been released to local governments as follows:
 - Wage - **Ushs 416.5 billion**
 - Non Wage **Ushs 78.3 billion**
 - Development **Ushs 121.3 billion.**
8. 66% of the local government development grants have been released for in the first half of this FY and to enable local governments implement projects timely, the balance will be released in Quarter Three. This is in line with GoU's commitment to release funds for Local Governments timely in order to minimise procurement delays and unspent balances at the end of the FY.
9. Transfers to educational institutions, health units and all lower local governments are transmitted directly to their institutional Bank Accounts.

The Quarterly Release Process

10. MoFPED issues the Annual Cash plan at the beginning of the Financial Year. Accordingly, in Quarter One FY 2016/17, the Annual Cash Plan was issued on the 29th June 2016.
11. The Annual Cash plan contains projections of expenditure for Ministries, Departments and Agencies (MDA's) and Local Governments derived from Work plans and forms the basis for the issuance of the Quarterly Expenditure Limits for FY 2016/16 for all Government institutions.
12. For Local Governments, the Capitation grants are released in three tranches in line with the School calendar; that is in the first, third and fourth quarter and the development budget is released in the first three quarters in order to expedite implementation of their development plans.
13. The Quarterly Release Timelines are as follows:
 - i) MoFPED issues expenditure limits by the 10th day of the first month of the Quarter.
 - ii) Accounting Officers are required to submit to MoFPED requests for Accounting Warrants for wage, pension/gratuity, other non-wage and development budget within a week of issuance of the limits;

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- iii) Approval/rejection of release warrants and transfers by MoPFED for MDA's within 48 hours of receipt of warrant;
- iv) Regarding Local Governments, based on the approval of the warrant by MoFPED, Accounting Officers enter warrants of the invoices for Direct Transfers to health facilities, sub counties, Town Councils, schools and Tertiary institutions.
- v) Payments can then be effected by Accounting Officers.

Challenges in the release process

- i.) Change of the transfer system to the IFMS in FY 2016/17 has caused delays in releases given that Local Governments were previously not required do this.
- ii.) Delays in submission of warrants by MDA's
- iii.) Timeliness of release advice from sector line ministries;
- iv.) Accuracy of information in terms of Bank accounts of Education institutions, health centres, town councils, e.t.c
- v.) Delays in submission of quarterly performance reports by the Local Governments.
- vi.) Delays in payments by Accounting Officers even when funds are available and works have been executed.

Measures to address challenges

- i.) By transferring all Local Governments to the IFMS, the release process for the rest of the year will be more efficient.
- ii.) All accounting officers have been trained on the release process.
- iii.) Most of the required information has ben compiled for effective release in subsequent quarters.
- iv.) Review of delayed payments in projects where disbursements have been made.
- v.) Conduct surveys on payments by Accounting Officers and disciplinary action taken.

KEY POLICY ISSUES FOR FY 2016/17

Settlement of Domestic Arrears

14. As directed by H.E the President and re-iterated by Hon. MoFPED in his budget speech, MDA;s should ensure that they prioritise the clearance of domestic arrears. Therefore;

- i) Quarter two expenditures should prioritise rent and utilities;

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- ii) All outstanding arrears must be paid before new suppliers are paid against the relevant item; and
- iii) Monthly reports must be provided to this Ministry with a copy to Office of the Prime Minister, on the status of clearing domestic arrears.

Promotion of Local Content

15. In line with the government policy on local content, Accounting Officers are reminded to ensure that priority is given to procurement of locally produced goods provided they are certified by the Uganda National Bureau of Standards (UNBS).

Decentralised Payroll Management

16. Government decentralised salary and pension payroll management to the respective institutions so that Accounting Officers are accountable for any changes on the payroll and payments to public officers and pensioners. This policy has enabled timely payment of employees and verified pensioners.

C. REVENUE AND MACRO ECONOMIC PERFORMANCE TO DATE FY 2016/17

17. **Inflation:** The annual headline inflation rate for August 2016 declined to 4.8% from 5.1% recorded in July 2016. This was largely due to a decline in annual core inflation, which fell 0.7 percentage points to 4.9% in August 2016, going below the BOU's policy target of 5% for the first time since May 2015.

18. **The Business Tendency Index (BTI)** improved to 57.73 in August 2016 from 57.36 in July 2016, indicating increased optimism amongst investors.

19. **Exchange rate:** The Uganda Shilling generally remained stable against the US Dollar between July and August, slightly appreciating by 0.2% to an average rate of Shs 3,373.5/US\$ in August from Shs 3,379.3/US\$ in July 2016.

20. **Private Sector Credit (PSC):** The outstanding stock of private sector credit (PSC) grew by 0.5% in July compared to the 1.3% growth rate in June 2016. This compares unfavourably with the 4.4% and 3.3% growth realised in June and July 2015, respectively.

21. **Government Securities:** The primary market was characterized by a decline in yields across all tenors. This decline was largely on account of monetary policy loosening in recent months; and the expectation that the BOU will continue to reduce the CBR.

22. **Trade deficit:** The merchandise trade deficit narrowed by 15% from US\$ 119.3

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million in June 2016 to US\$ 101.4 million in July 2016 owing to a higher reduction in the import bill that offset the decrease in the exports.

CONCLUSION

23. In conclusion, I would like to empathise the following:

- i) All Accounting Officers must ensure that they pay wages, salaries, pensions and gratuity by the 28th of every month.
- ii) Accounting Officers must prioritize payment of service providers on time and avoid accumulation of arrears.
- iii) There should be display of the payrolls for salaries and monthly pensions on government institutions notice boards every month.
- iv) Accounting officers must ensure timely submission of performance reports and accountability.
- v) The national identification numbers will be used in the confirmation of payment of wages, pensions and gratuity.
- vi) All government institutions should ensure pre-payment of utilities(water and electricity), failure to adhere to this, the service providers should turn off non-compliant vote
- vii) Clearance of domestic arrears must be prioritized in quarter two.

24. Over the last three years, MoFPED has been committed to the timely release of funds and all stakeholders are requested to take note of information printed in the media.

25. Once again, I wish to thank the Press and Civil Society for supporting our budget transparency initiative and I urge you to make use of our website www.budget.go.ug where we post more detailed information. You may also call our Budget Call Centre on 0800 229 229 for any information on the Budget.

Keith Muhakanizi

PERMANENT SECRETARY/SECRETARY TO THE TREASURY

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