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15<sup>th</sup> February, 2021

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

## **THE SECOND BUDGET CALL CIRCULAR ON FINALISATION OF DETAILED BUDGET ESTIMATES AND MINISTERIAL POLICY STATEMENTS (MPSs) FOR FINANCIAL YEAR 2021/2022**

### **A. INTRODUCTION**

1. The Second Budget Call Circular (2<sup>nd</sup> BCC) for FY 2021/2022 is issued in line with Section 11(b) of the Public Finance Management (PFM) Act, 2015 (Amended).
2. In line with the above and as required under Section 9 (8) of the PFM Act 2015, Cabinet and Parliament respectively approved the National Budget Framework Paper (NBFP) for FY 2021/2022 with recommendations. Accordingly, we have embarked on the process of finalization of the Budget for FY 2021/2022.
3. The Budget for FY 2021/2022 is anchored on the Third National Development Plan (NDP III), the Budget Strategy approved in the National Budget Framework Paper for FY 2021/2022, the NRM Manifesto 2021 – 2026 and the twelve strategic policy intervention areas by H.E. The President.
4. Section 13 (3) of the PFM Act 2015 requires Detailed Budget Estimates to be presented in Parliament by **1<sup>st</sup> April** for review, approval and appropriation by Parliament by **31<sup>st</sup> May**. Similarly, Section 13 (7) of the PFM Act, 2015 requires the Minister of Finance, Planning and Economic Development to present the proposed Budget Estimates in Parliament accompanied by a Certificate of Compliance (CoC) issued by the National Planning Authority. Accordingly, Accounting Officers should submit copies of the following documents, to the National Planning Authority (NPA), by **Thursday, 11<sup>th</sup> March 2021** for review and issuance of the Certificate of Compliance:
  - i. Approved Ministries, Departments and Agencies (MDA) Strategic Plan (2021/2022 – 2025/2026);
  - ii. MDA BFPs for FY 2019/2020 and 2020/2021;
  - iii. Ministerial Policy Statements (MPS) for FY 2019/2020;
  - iv. Annual Performance Report for FY 2019/2020; and
  - v. MDA Project Specific Progress Reports for FY 2019/2020.
5. The purpose of this Circular therefore, is to the following:

- i) The Economic Growth and Budget Strategy as approved by Parliament in the Budget Framework Paper;
- ii) The Recommendations of Parliament on the NBFP for FY 2021/2022 and those of the Local Governments regional consultative workshops for FY 2021/2022;
- iii) The final Resource Envelope for FY 2021/2022 and the Programme MTEF for FY 2021/2022 and the Medium Term;
- iv) The Policy and Administrative Guidelines for the finalization of the Budget for FY 2021/2022;
- v) Guide you on the preparation of Draft Budget Estimates for submission to this Ministry by **Thursday 11<sup>th</sup> March, 2021**.

## **B. THE ECONOMIC GROWTH, BUDGET STRATEGY AND PRIORITIES FOR FY 2021/2022**

### *The Economic Growth and Budget Strategy*

6. As I initially communicated in the first BCC for FY 2021/2022, the NDP III is anchored on the overall vision of transforming the Ugandan society from a peasant to a modern and prosperous country within thirty (30) years. The Budget theme for FY 2021/2022 is *Industrialization for Inclusive growth, Employment and Wealth Creation*.
7. The Economic Growth and Budget Strategy for FY 2021/2022 are thus premised on the NDP III, the NRM Manifesto and the strategic policy guiding intervention areas by H.E. The President.
8. The Budget Strategy for FY 2021/2022 is centered on four broad interlinked agenda which are key to sustaining economic growth and create opportunities for all by:
  - i. Accelerating the pace of industrialization, research and innovation to enhance value addition in agriculture and mineral commodities;
  - ii. Building an integrated and self-sustaining economy by enhancing the capacity to deal with both the demand and supply growth challenges based on export promotion and import substitution;
  - iii. Strengthening the private sector by improving enterprise competitiveness with emphasis on improving business infrastructure like industrial parks and through increased efficiency and effectiveness of public sector investments to reduce the cost of doing business; and
  - iv. Promoting inclusive growth through the various wealth creation funds to enable and transform the 68% of our population still engaged in subsistence agriculture to commercialization and result into an increase of incomes for the rural communities
9. The specific interventions to sustain economic recovery and spur growth will entail the following broad interventions: -
  - i. Expanding the economic base, through:
    - Productivity enhancement in agriculture to promote production and value addition;
    - Development of oil and gas resources; and
    - Diversification of the growth corridors to ensure equitable regional development and economic opportunities, especially for the youth.

- ii. Prudent macroeconomic management, which is critical in lessening the negative impact of domestic and external economic shocks.
  - iii. Enhancing competitiveness by addressing:
    - Productivity,
    - The narrow export base through export promotion and import substitution;
    - High cost of capital and electricity; and
    - Inadequate infrastructure network to regional trading partners, particularly DRC and South Sudan for which we have reached agreements for joint development.
  - iv. Support to the manufacturing sector and Small and Medium-sized Enterprises (SMEs) by providing affordable credit and skills development; and
  - v. Sustaining Peace, Security and Rule of Law.
10. The Economic Growth and Budget Strategy will both focus on interventions required to sustain recovery of the economy from the socio-economic setbacks caused by Covid-19 Pandemic and the priority areas by H.E. The President. These include the following:
- i. Defence and Security;
  - ii. Railways;
  - iii. Electricity;
  - iv. Health;
  - v. Education;
  - vi. Salary Enhancement for Scientists and Judicial Officers;
  - vii. Wealth Creation;
  - viii. Water for Production and Domestic Consumption;
  - ix. Environmental Protection;
  - x. Compensation for Karamoja, Acholi, Lango, Teso, Luwero and Metu;
  - xi. Land Reforms in Buganda, Kibaale etc;
  - xii. Recovery Packages; and Agro-Industrialization.

**11. Accounting Officers should prioritize the Budget for FY 2021/2022 in line with the above strategic interventions.**

***COVID-19 Pandemic***

12. The COVID-19 pandemic adversely affected our economy, causing lower aggregate demand, supply chain disruptions as well as decline in inflows of foreign direct investments and remittances. Consequently, livelihoods have been affected due to lower household incomes, and in some cases loss of jobs. There has also been disruption of economic activity in the Micro, Small and Medium Scale Enterprises (MSMEs). The pandemic remains a high risk both to human life and to the economy if the spread of the virus is not contained.
13. In order to mitigate against the spread of COVID-19, Government will continue to provide funds for emergency health spending, and stimulus packages to businesses in the FY 2021/22 Budget with interest centered on the following key areas:

- i. Purchasing the Covid-19 vaccine, Personal Protective Equipment (PPEs), face masks, Testing kits, etc.
- ii. Re-igniting business activity by allocating funds to the Small and Medium Enterprises (SME) recovery fund, in a bid to boost economic activity and;
- iii. Boosting aggregate demand by promoting labour-based public works.

**14. Accounting Officers must ensure that they plan and budget for Standard Operating Procedures (SOPs) to mitigate the spread of the Pandemic both at work and within communities.**

15. Details of the Budget Strategy are provided in the National Budget Framework Paper for FY 2021/2022 as approved by Parliament. This can be accessed on the Ministry's website <https://www.finance.go.ug> as well as the Budget website, i.e., <https://www.budget.go.ug>

### **C. RECOMMENDATIONS OF PARLIAMENT ON THE NBFP FOR FY 2021/2022 AND THOSE OF THE LOCAL GOVERNMENTS' REGIONAL BUDGET CONSULTATIVE WORKSHOPS FOR FY 2021/2022**

16. Parliament approved the NBFP for FY 2021/2022 on Friday, 29<sup>th</sup> January 2021 with recommendations on the expenditure side of the Budget. Similarly, during the Local Governments' Budget consultative workshops for FY 2021/2022, a number of recommendations were raised on how to improve the planning, budgeting and execution of the Budget for next financial year. These are separately attached as **Annex 1** and **Annex 2** respectively for your guidance and use.

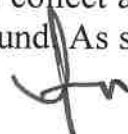
### **D. RESOURCE ENVELOPE FOR FY 2021/2022**

17. The overall Resource Envelope for FY 2021/2022 is projected at **UShs 40.91 Trillion**. Of this, GoU resources amount to **Ushs. 37.26 Trillion** and external resources amount to **Ushs. 3.65 Trillion**.

18. The GOU discretionary resource for FY 2021/2022 has increased by **UShs 766 Billion**, i.e., from **UShs. 22.06 Trillion** in FY2020/2021 to **UShs. 21.39 Trillion** in FY2021/22. Program and respective Vote Allocations are detailed in the MTEF ceilings provided in **Annex 3**.

#### ***Appropriation In Aid (AIA)***

19. Appropriation In Aid and Local Revenue constitute part of the overall resource for appropriation by Parliament. In line with Section 29 [2(a) and 3] of the PFMA 2015, all AIA was adopted for collection and remittance to the Consolidated Fund with Expenditure Limits issued. All MDAs should collect and remit Non-Tax Revenue and Local Revenue to the Uganda Consolidated Fund. As such, for planning and budgeting



purposes, Accounting Officers must submit realistic revenue projections for Non Tax Revenue for appropriation by Parliament.

### *Exchange Rate for FY 2021/2022*

20. For planning and budgeting purposes, the Exchange Rate for FY 2021/2022 will be **1 US\$ to UShs. 3,700**. I particularly wish to draw this to the attention of Accounting Officers for our Missions Abroad in order to guard against losses on poundage. For all Ministries, Agencies and Local Governments, you are also reminded that no contracts should be budgeted for and awarded in foreign currency other than the Ugandan Shilling.

## **E. GUIDELINES FOR PREPARATION OF DETAILED BUDGET ESTIMATES AND MINISTERIAL POLICY STATEMENTS (MPSs)**

### *Resource Rationalization at Program and Vote level*

21. In view of the COVID-19 pandemic, I wish to bring to your attention that the Budget for FY 2021/2022 is highly constrained. In the same vein, we have a limited window to expand our borrowing because we have to keep below 50% of our Debt to GDP ratio. Therefore, as you finalize the detailed Budget estimates and work plans for next financial year, the following guiding principles should be taken into account:
- i. Realigning your work plans and budgets with Program Implementation Action Plans (PIAPs) as guided by National Planning Authority. Since the PIAPs are bulky, they can be accessed in the Budget Website <https://www.budget.go.ug>. **All Accounting Officers are requested to obtain these PIAPs from the Budget Website to ascertain the costs of the related interventions and match with their budget priorities;**
  - ii. Minimize allocations to consumptive/wasteful expenditures and redirect resources to development interventions that have measurable indicators;
  - iii. Avoid lumpsum budgeting and clearly itemize your budgets in line with the work plans;
  - iv. Postpone non-critical activities including but not limited to preparatory interventions such as feasibility studies, project designs, policy and strategy formulation from the budget for FY 2021/2022 to the medium term;
  - v. New interventions, including new projects and programs, constructions and their related project designs should be postponed to the medium term;
  - vi. Allocate adequate resources for all externally financed programs and projects; On-going programs with contractual obligations; Strategic programs including security and the Judiciary; and Critical Economic Growth Interventions

### *Alignment of the Budget for FY 2021/2022 with NDP III*

22. In FY 2017/2018 the country undertook reform meant to strengthen the planning and budgeting process and key among these was the adoption of Program Based Budgeting

System (PBS) which began the linkage between outputs with strategic objectives, budget allocations, and service-delivery outcomes for citizens. This means, the orientation of the Budget became more results based and performance driven.

23. The goal of PBB is to measure performance against the stated goals by linking financial allocations to strategic budget priorities. **This therefore requires all Accounting Officers to realign their budgets to reflect the 18 target Programme areas of the NDP III interventions and Program Implementation Action Plans (PIAPs) as detailed in Para No. 21 (i) above.**
24. For Missions Abroad, it has been noted over the past five financial years that some operated in diversionary targets out of the National Development Plan. **Accounting Officers of Missions are therefore advised to ensure that they realign their Mission Charters, Plans and budgets with the NDP III related Interventions.**

### ***Program Budgeting System (PBS) Reconfiguration***

25. The need to implement the Program Planning Approach with the related program interventions and PIAPs has necessitated the reconfiguration of financial management systems that include the Chart of Accounts (COA), Integrated Financial Management System (IFMS) and Program Budgeting System (PBS) among others. Accordingly, the revised Budget structure, aligning Programme Based Budgeting and the Budget to NDPIII is illustrated for your use under **Annex 4** for Central Government Votes and **Annex 5** for Local Government Votes. The PBS reconfiguration to enable realignment of the Budget to the NDPIII will be handled in two phases:
- i. Phase I (Hybrid/Interim solution): In FY 2021/2022, the Budget and execution structures will remain like in the current year. However, there will be aggregated sections of the reports, based on the program structure, that will be shown using the NDP III Programmes. This is further explained in the next phase.
  - ii. Phase II (full implementation): In FY 2022/2023, the Chart of Accounts (COA) will include new programmatic elements for execution of the Budget. In this phase the financial systems will be reconfigured for the new structure. The systems include PBS, IFMS, Integrated Bank of Projects (IBPS), Integrated Payroll and Personnel System (IPPS), Aid Management Platform (AMP), and other supporting systems.

### ***Preparation of the Detailed Budget Estimates Using the PBS***

26. The Hybrid Solution will be used to prepare detailed estimates for FY 2021/2022 for submission to Parliament. To reiterate this, the current Budget structure will not change, i.e., the Budget uploaded for FY 2021/22 from PBS and executed on IFMS will be based on the CURRENT Chart of Accounts. However, the format of the Ministerial Policy Statements (MPS), Draft and Approved Estimates as well as Quarterly Performance reports will change according to the NDP III Programs.

27. The Hybrid Solution therefore, will not require institutions to change how the Budget for next financial year is entered in the PBS. However, to show reports in the Programmatic approach, this Ministry will create tables within the PBS structure containing the 18 NDPIII Programmes. This table will then be used by this Ministry to link your current Sub-programmes (Departments/Projects) to the appropriate 18 NDP Programmes. ***The only change in the MPS, Budget Estimates and Performance Reports is where your institution is shown under a corresponding NDP III Programme instead of a Sector.*** Please note that the system will still show the current names of the fields, but the final generated reports will include the new terms. In summary, the PBS functionality for FY 2021/2022 remains the same, but the reports will be displayed with the new terms and Programmatic structure.

28. **Annexes 6 and 7** attached are samples of how the MPS and Detailed Budget Estimates, respectively, will be displayed for FY 2021/2022. In addition, these reports will also use some new terms as defined below.

### ***Budget Nomenclature Phase I***

29. Several new terms will be introduced beginning FY 2021/2022 for reporting purposes. This Ministry will map budgets to the new nomenclature for the performance reports **ONLY** (MPS, Draft and Approved Estimates, Quarterly Reports, and Work Plans). These terms will **NOT** be used in the upload or execution of the budget to PBS or IFMS in FY 2021/2022. Accounting Officers are hereby advised to take keen note of the changes as shown in the table below.

**New Fields Included in the Report Formats FY 2021/2022**

No.	Current Field	New Field	Action
1)	N/A	Programme	New
2)	N/A	Sub-Programme	New
3)	Sector	N/A	Delete
4)	Vote	Vote	Same
5)	Programme/Directorate	Sub-Subprogramme/Directorate	Name Change
6)	Subprogramme (Department or Project)	Department	Name & Placement Change
7)	N/A	Project	Placement Change
8)	Output	Budget Output	Name Change
9)	Item	Item	Same
10)	Amount	Amount	Same

30. The new terms that will be used are as follows:

- i. **Programme**: This is a NEW field to be used to reflect one of the 18 NDPIII Programmes and it is above the Vote;
- ii. **Sub-Programme**: This is a NEW field, to reflect a new Sub-Programme which helps achieve the goals of the Programme. This new field will be generated by the

National Planning Authority (NPA) and mapped by MoFPED in PBS. This field is above the Vote;

- iii. **Sub-Sub-Programme:** This is a NAME CHANGE. Sub-Sub-Program will replace the currently used Programme field. This field is sometimes referred to as the directorate in the current structure.
  - iv. **Budget Output:** This is a NAME CHANGE, to replace what is currently known as “Output” in the Budget structure. The change is made because the term “Output” is used by the NDPIII/PIAPs to measure an intended result. The Budget structure currently uses this term to define a unit of service delivery or an organizational unit. To avoid confusion and to conform to how the NDPIII/PIAPs use “Output”, Budget will use the term “Budget Output” instead.
31. During the course of FY 2021/22, this Ministry will work with all Ministries, Agencies and Local Governments to realign your Budgets to be more in line with the NDPIII, PIAPs and NDPIII results chain in preparation for full scale implementation in FY 2022/2023. This will involve a thorough review of how funds are currently spent within your institution and how the expenditures help meet the NDPIII goals. MALGs and respective Desk Officers should review the current nomenclature and realign existing Sub-Programmes (Departments and Projects) to the NDPIII Programmes. Your Budget Outputs should closely reflect the PIAP outputs. The final outcome of the Budget in FY 2022/23 will reflect funds allocated to more descriptive terms that are in line with the NDPIII.

#### *Preparation of Work plans and Cash-flow Plans*

32. As indicated in Paras 26 and 27 above, all your work plans and budgets will be prepared in the hybrid solution. You are required to complete your Detailed Budget Estimates for the FY 2021/2022 with annual work plans, quarterly work plans, recruitment plans, procurement plans and staff lists (with pensioners lists). For the Ministerial Policy Statements to be submitted to Parliament by **11<sup>th</sup> March 2021**, Accounting Officers are required to include, among others, physical and financial half year budget performance for your respective Program Votes for the current financial year, vehicle utilization reports, and the assets register of the respective Votes in the format issued by the Accountant General and in line with Section 13 (15) of the PFMA, 2015.

#### *Budgeting for Multi-Year Expenditure Commitments*

33. The current Public Investment Plan (PIP) is over committed relative to the available fiscal space, stifling the resource envelope for next financial year. Accordingly, you need to undertake a deeper analysis of your annual work plans, planned outputs and budgets to identify non-priorities for FY 2021/2022 taking into account existing commitments and new NDP III priorities and other parameters set in Para 26 above. This is therefore to guide you as follows:
- i. **Adherence to the Public Investment Management Systems (PIMS) framework.** Only ready and bankable projects will be admitted to the Public Investment Plan (PIP) and budget for implementation. **Priority will be accorded to investments**



**with high growth impact to the economy and those geared towards combatting the Covid-19 pandemic.** In this regard, projects that have been approved to commence in FY 2021/22 have been issued new project codes and **attached as Annex 8.**

- ii. **Budgeting for Multiyear Commitments.** In line with Section 23 of the Public Finance Management Act, 2015, this Ministry in consultation with various MDAs has prepared a draft statement of development expenditure requirements whose implementation spans more than one year; consisting of contractual obligations, arrears and counterpart funding obligations **Annex 9. Accounting Officers are therefore requested to validate these numbers to ensure that they are consistent with the existing contracts, financing agreements and verified arrears on project implementation.**
- iii. **Projects Exited from the PIP of FY 2021/22.** Accounting Officers are advised not to allocate any funds to the completed projects attached under **Annex 10** as they finalize their draft budget estimates for FY 2021/2022. They are requested to prepare project completion reports and submit them to the DC for review in line with Section 4.4 of the DC guidelines.
- iv. **Retooling projects.** In line with Section 5.2 of the updated DC guidelines, retooling projects are to enable MDAs acquire fixed assets which exclude construction of office space, land acquisition and acquisition of heavy duty equipment. However, some MDAs have continued to undertake project interventions beyond the scope of retooling projects. **Therefore, as we embark on finalising the Budget for FY 2021/22, Accounting Officers are tasked to ensure that retooling projects submitted on the IBP are within the defined scope as stipulated in the DC guidelines.**
- v. **The Integrated Bank of Projects (IBP).** The IBP is an online central repository of all information relating to public investments throughout the project lifecycle. Accounting Officers are therefore notified that only project submissions received on the IBP by the 7<sup>th</sup> day of every month shall be scheduled for discussion by the Development Committee.

#### ***Budgeting for Salaries, Pension, Gratuity and Acting Allowance***

34. Wage Allocations and Ceilings for FY 2021/2022 are based on this current financial year's (2020/2021) approved wage budgets. **Any recruitments must be cleared by Ministry of Public Service and my Ministry to ascertain the availability of funds for that exercise to be undertaken.**
35. Whereas we have decentralized payments of salaries at both Departmental and Cost Centre levels, it has been realized that some public officers are still paid in Cost Centers and Departments where they are not officially deployed. This is caused by poor budgeting of salaries for staff because Public Officers are not budgeted for in the cost centers where they work. Accounting Officers should therefore ensure that, all public officers are budgeted for under the Departments and Cost Centers of rightful deployment as a matter of urgency.

36. Over the last two financial years, I have guided that for proper payroll management, all Ministries, Agencies and Local Governments must enter all staff details in the IPPS. However, some Accounting Officers have not heeded to this guidance. Therefore, with effect from 1<sup>st</sup> July 2021, Accounting Officers who will not have complied as required will not have salaries processed for the affected staff.
37. In line with Government Policy of Decentralization of the payroll and Pension Management, the ceilings for Pension and Gratuity have been determined based on your submissions in line with your computed retirement benefits for those retiring in FY 2020/21 under the IPPS. You are therefore not expected to report any Pension and Gratuity Shortfalls in Y 2021/2022.
38. In relation to the above, and to improve budgeting and processing of Ex-Gratia, Pension and Gratuity, all Ministries, Agencies and Local Governments are required to rightly budget for the following items under Program Budgeting System (PBS) and the Integrated Financial Management System as follows:
- i. **211107 – Ex-Gratia for other Retired and Serving Public Servants**
  - ii. **212102 – Pension for general Civil Servants**
  - iii. **213004 – Gratuity Expenses**
39. For locally recruited staff (including temporal staff and research assistants), their emoluments must be budgeted for under the item **211103 Allowances** and only Staff appointed by Service Commissions and Appointing Authorities should be budgeted for under items **211101** and **211102**.
40. As requested in the first BCC, Only Votes that submitted verified claim forms for Salary, Pension and Gratuity arrears with details of the claims, by the **15<sup>th</sup> of February, 2021 (today)** have been considered and programmed for clearance in FY 2021/22. Those who did not submit these arrears claims have no allocation.

### *Quality of Budget Documents*

41. I have observed over the past few financial years that most of the Budget documents such as the BFP, detailed budget estimates, quarterly reports submitted to this Ministry and subsequently to Parliament lack adequate information that is required to inform the overall Budget in terms of planning, budgeting, execution and reporting. Consequently, this brings double work to my Ministry through analysis, rejections, corrections of such documents and causes delays in meeting the PFM 2015 legal timelines. **Accounting Officers should therefore ensure that they counter-study these documents before signing and eventually submitting them to this Ministry and other stakeholders.**

### *Budgeting for Titling of Land:*

42. It has come to our attention that a number of Government facilities and institutions are located on untitled land. This could lead to future encumbrances on Government

property. You are therefore, advised to ascertain the total number of such Government facilities and/or Institutions under your Vote and provide adequate budgetary provisions for titling of this land for all completed and new projects that are programmed for FY 2021/22 under Output Code **098310**, under Natural resources management to cater for land management services. As such, you are instructed as follows:

- i. To Submit to this Ministry, the list of Government facilities and institutions under your Vote, specifying those with and without titles in FY 2021/2022;
- ii. That no new projects shall, effective from 1<sup>st</sup> July 2021, be initiated for putting up a Government facility or Institution on untitled land. Therefore, you should budget for titling of Government land.

### ***Reservation Schemes to Promote Local Content in Public Procurement***

43. Public Procurement and Disposal of Public Assets Authority (PPDA) has issued revised guidelines on reservation schemes to promote Local Content in public procurement. As you plan and budget for FY 2021/2022, Accounting Officers are strongly advised to ensure they adhere to these guidelines with regard to the thresholds for exclusive reservation to only national providers; reservations to benefit national and resident providers; sub-contracting of works et. Details are attached in **Annex 11**.

## **F. LOCAL GOVERNMENT SPECIFIC ISSUES**

### ***Final Local Government IPFs for FY 2021/22***

44. The final Indicative Planning Figures (IPFs) for Local Government Votes (**Annex 12**) have been generated from the Online Transfer Information Management System (OTIMS) following the revision of the indicators and LG performance assessment results that inform the Allocation Formulae by respective MDAs. **In order to avoid Budget execution challenges arising from planning and budgeting errors, Accounting Officers should budget as per the ceilings provided for the respective Local Governments as herein communicated by this Ministry.**
45. In addition, My Ministry has continued to receive requests for budget adjustment arising from poor budgeting by most Heads of Department. **You should ensure that you budget correctly using relevant budget lines as no budget adjustments outside the PFM Act 2015 will be accepted during budget execution for FY 2021/2022. Please note that once appropriated by Parliament, this Ministry shall not honor any requests for further adjustments to your Local revenue budgets.**

### ***Locally Raised Revenue.***

46. Many revenue sources have been greatly impacted by the COVID-19 pandemic. As such, you were requested to provide realistic Local Revenue projections for FY 2020/21, clearly indicating the Non-Wage Recurrent and Development components, as well as the proportions to be remitted to the Sub-Counties and Municipal/City Divisions.

### *Budgeting for Transitional Grant*

47. A number of Local Governments submitted various requests for transitional grant to finance various projects including, but not limited to, construction of office premises and staff accommodation under health and education, periodic road maintenance, construction of valley tanks, etc. Due to resource constraints, we have considered some while others have been sequenced for financing in the medium term. I urge all Local Governments that have been allocated funds for transitional grant financing to ensure these funds are put into proper use as requested and ensure value for money.
48. However, a number of submissions did not match the performance outturn in the current FY 2020/21. Therefore, the Local Revenue IPFs for FY 2021/22 have been provided based on the respective Local Government Vote projected performance. **Please ensure that, you budget appropriately by recurrent and development, and these should be approved by the respective Local Councils together with other grants before submission to this Ministry in the Budget for appropriation by Parliament in line with the PFM, Act 2015.**

### *Budgeting for Funds appropriated under Central Government Votes but disbursed to Local Governments.*

49. There are a number of projects whose funds are appropriated under Central Government Votes but these resources are specifically earmarked for support of interventions under Local Government Votes. These include but not limited to Road Fund, National Medical Stores, Wealth Creation Funds, among others. However, some Local Governments are not informed of the expected funding under these Programs in time, to enable them include these funds in their detailed budget estimates, procurement plans and annual work plans. This has been one of the causes of delayed project implementation leading to unspent balances at the end of the financial year. **Accounting Officers of the responsible MDAs should ensure that they provide the IPFs for these grants not later than Friday, 26th February 2021 to enable LGs budget appropriately. In the event that such IPFs are not availed by the stated deadline, the Accounting Officers should use their current respective IPFs for Grants and programmes as per the revised budget for FY2020/21.**

### *Confirmation of Health and Education Institutions, and Sub-Counties and Town Councils in Local Governments*

50. All Local Government Accounting Officers should submit a list of the above institutions under their jurisdictions for finalization of the Draft Budget Estimates for FY 2021/2022. For sub-counties and Town Councils, you should separate those that are operational from those yet to be operationalized including the newly created ones.

### *Operationalization of New Administrative Units*

51. Government created 10 new Cities and one District Local Government of Terego after the Budget for FY 2020/21 had been appropriated. As such, and due to limited resources, these

Administrative Units were operationalized using the budgets of their respective Municipality Votes, while Arua District Local Government continued paying salaries and remitting funds to the various Cost Centers in Terego District in order **NOT TO DELAY SERVICE DELIVERY**.

52. Going forward, and starting FY 2021/22, adequate provisions have been made for the start-up funds for the Cities and all Costs Centers that were annexed to the Cities have been successfully moved together with their budget allocations including those of Terego District Local Government. **Therefore, Accounting Officers of these new Cities and Terego District are requested to ensure that they budget for these facilities/cost centers accordingly in their Budget Estimates for FY 2021/22. The Permanent Secretaries of Ministry of Public Service and that of Local Government are requested to urgently issue the approved structures for the new Cities to enable them Budget appropriately.**
53. Government also created new Sub-counties and Town Councils over the years which have not been operationalized. As advised in my earlier Circulars, operationalization of these newly created Units was halted due to limited resources. **Accordingly, all Local Government Accounting Officers are advised to fund and operationalize the newly created Sub-counties and Town Councils within their ceilings and Local Revenue budgets.**
54. For the next set of Cities to be operationalized over the medium term starting in FY 2022/2023, the respective Accounting Officers of the elevated Municipal Councils should adequately budget for the operationalization of these cities including physical planning among others, in the Budget for FY 2021/2022. These include Moroto Municipality, Entebbe Municipality, Kabale Municipality, Wakiso and Nakasongola.

#### ***Budgeting for Ex-Gratia and Councilors' Allowances***

55. Several Local Governments have continuously reported shortfalls on Ex-gratia and Honoraria for their respective Political Leaders. As such, based on the recently concluded elections, this Ministry has provided the IPF for this category and where these funds are not adequate, each Local Government is expected to use their Unconditional Grant to budget for this requirement. **You should adequately Budget for Political Leaders as this Ministry expects no shortfalls in the Budget for FY 2021/22. In addition, you are further advised to ensure that, the funds are budgeted for on the correct item lines as per the Chart of Accounts to avoid any limitations during budget execution.**

#### ***Deepening Fiscal Decentralization: Uganda Inter-Governmental Fiscal Transfer (UgIFT) Reform for Results***

##### **a) Implementing Ministries, Departments and Agencies:**

56. As you are aware, under the Additional financing for the Inter-Governmental Fiscal Transfer Programme for Results, the World Bank shall only disburse funds based on the achievement of the Disbursement Linked Indicators. If the actions are not achieved, then there shall be no disbursement from the Bank. **Therefore, the Permanent Secretaries of**

**the Ministries of; Education and Sports; Health; Agriculture, Animal Industry and Fisheries; Water and Environment are requested to include the following in their Grant guidelines:**

- i.) Establish the basic service delivery standards in Health, Education, and Water (to trigger the Disbursement of **US\$3m**);
- ii.) Finalize the costed plans for meeting minimum staffing structures in Health and Education, and delivery of small-scale irrigation (to trigger disbursement of **US\$3m**);
- iii.) Provide adequate performance indicators for budgeting of Investments in Health, Education, Water and (Agriculture) irrigation and indicators for Environmental and Social Safeguards in line with the Program Based Approach in Budgeting to trigger the disbursement of which also enables allocation of funds to sub-counties, Schools and Health Centers to meet minimum standards (to trigger **US\$5m**);
- iv.) Provide costed plans for the transition of schools and health facilities to integrate refugee service delivery need to be finalized and agreed upon in advance for incorporation in the IPFs; and
- v.) Ministry of Health to establish a framework for the roll out of Result Based Financing, while Ministry of Education should finalize the plan for piloting of School Performance Assessment (SPA) to trigger the disbursement by May 2021(**US\$4m**).

**b) Local Governments:**

**Operationalization of completed projects:**

**57. As you aware, a number of school and health facilities have been completed and are operational. Therefore, all Local Government Accounting Officers should Budget for adequate wage provisions and operational funds for the operationalization of the UGIFT completed facilities. In addition, you should Budget for regular monitoring and supervision of these projects using the Project Investment Service Costs under budget items 281502 and 281504 to facilitate monitoring and supervision by the Project Management Team (PMT).**

***Budgeting for Environment and Social Compliance Safeguards:***

**58. Following dissemination of Environmental and Social, Safety and Health Safeguard Guidelines by My Ministry in December 2020, all LG Accounting Officers are advised to make deliberate efforts to ensure compliance and adherence to these guidelines in all projects. You should therefore, make adequate budgetary provisions for the Environment and Social Management Plans (ESMPs). This should be under Output Code 098309 under investment service costs to cater for Monitoring and evaluation of environmental Compliance.**

### *Budgeting for Cost Centers*

59. I have received various concerns on the non-alignment of the budgets for Cost Centers/Schools in line with the budget process calendar as guided by the PFM Act, 2015 which greatly affects release of funds, especially for Tertiary Institutions. As I communicated earlier in the first Budget Call Circular, you are once more reminded to follow the Budget Process Calendar to avoid distortions in the release of the Budget during execution. **Any Accounting Officer who fails to align the cost centers will be held personally responsible for non-release of funds to the affected facilities.**

### *Timely Submission of Performance Contracts (Form B)*

60. In line with PFM Act 2015, Accounting Officers are required to submit their Performance Contracts timely for commencement of Budget Execution for the following financial year. Accordingly, Accounting Officers are advised as follows:
- i.) Ensure that the Budget Performance Contract for FY 2021/22, which includes the annual and quarterly work plans, is submitted to this Ministry not later than **15<sup>th</sup> June 2021** using the issued Budgeting Template;
  - ii.) Note that, an extract of the Budget Performance Contract should be submitted to the relevant Programme/MDAs to confirm the consistency between the work plans and the Grant Guidelines issued; and
  - iii.) Note that, no funds for FY 2021/22 shall be released to any MALGs or Votes whose Accounting Officer has not complied with the requirement on submission of the Budget Performance Contract for FY 2021/22.

## **G. CROSS CUTTING ISSUES**

### **Gender and Equity Mainstreaming**

61. In line with Section 13 [11(e)] of the PFM Act, 2015 (Amended), the Minister of Finance along with Equal Opportunities Commission are required to issue a Certificate of Compliance of the Budget for Gender and Equity responsiveness, specifying measures taken to equalize opportunities for men, women, persons with disabilities and other marginalized groups. All Accounting Officers should ensure that they indicate activities and their respective budget lines, demonstrating how they will address gender equality in their work plans in the Budget for next financial year.

### **Malaria**

62. Whereas Uganda has experienced a reduction in malaria prevalence, it is one of the leading killer diseases and largely affects the strength of labor force through sickness and time taken to treat and care for those affected. As part of the budget preparation for FY 2021/2022, Accounting Officers are advised to plan for a malaria free environment by ensuring that resources are earmarked for bush clearing around the offices as well as



sensitization of staff to adopt malaria preventive measures, among other budget cross cutting actions, in their homes.

63. Furthermore, in the development of work plans where the intended intervention(s) have a community focus, the issue of malaria prevention should be incorporated. The Permanent Secretary, Ministry of Health has issued and disseminated the Guidelines on specific details related to malaria. These are expected to guide Accounting Officers in the course of preparing their work plans and detailed budget estimates for FY 2021/22.

### **HIV and AIDS**

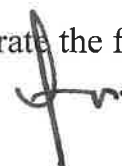
64. Out of the total population of about 45.7 million people, Uganda currently has about 1.5 million people living with HIV/AIDS with a prevalence of 5.8% with new infections expected to rise even further. While there have been increased efforts to scale up treatment initiatives of the disease, there are however still a lot of politico-socio related challenges that we need to address including but not limited to financing and stigma. It is important that we mainstream HIV/AIDS in our activities and at our different places of work.

### **Environment Issues & Climate Change**

65. Growth in human population and corresponding increase in demand for forest products for domestic and industrial use, expansion of agricultural land, illegal settlements and weak forest management capacity have adversely affected the status of forest cover in Uganda, particularly the biodiversity. The recent climatic changes that have had impact on our environment are a result of adverse human actions on the environment. Until recently, little attention had been paid to development of commercial forests which should have provided alternative forest products and services to relieve the pressure on natural forests and conserve biodiversity.
66. As we embark on planning and budgeting of next financial year, I wish to draw your attention to Government's plans of scaling up environmental protection and integration of Climate Change mitigation and adaptation actions by:
- i. Attracting climate change financing in the country;
  - ii. Enhancing efforts to reduce emissions and build resilience to climate change;
  - iii. Strengthening the coping capacity of vulnerable populations to the effects of climate change and disasters; and
  - iv. Leveraging of research, innovation and adoption of appropriate green technologies to incentivize conservation and diversify economic opportunities for communities within the vicinity of natural resources.

### **H. CONCLUSION**

67. As you finalize the Budget for FY 2021/2022, I wish to reiterate the following:





- i. That the Budget for FY 2021/2022 is highly constrained and as such, I urge all Accounting Officers to ensure that they plan and budget within the available resources issued for their respective Votes;
- ii. The main focus of the Budget for next financial year will be on the key Budget priorities as guided by the NDP III, Budget Strategy, NRM Manifesto and the Twelve priority areas by H.E. The President stated in **Para No. 10**;
- iii. Ensure you finalize the key Budget documents for submission to this Ministry, National Planning Authority and Parliament in line with the PFM, Act 2015 timelines and dates issued by my Office.
- iv. The electronic copy of the approved NBFP for FY 2021/2022 can be accessed on both the Ministry's Website [www.finance.go.ug](http://www.finance.go.ug) and the Budget Information Website [www.budget.go.ug](http://www.budget.go.ug)

68. I wish you all the best in preparation and finalization of the Budget for FY 2021/2022.

Patrick Ocailap



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

- cc:
- Rt. Hon. Speaker of Parliament
  - Rt. Hon. Deputy Speaker of Parliament
  - Rt. Hon Prime Minister
  - Hon. Minister of Finance, Planning and Economic Development
  - All Hon. Ministers and Ministers of State
  - The Chairperson/Parliamentary Budget Committee
  - All Hon. Members of Parliament
  - The Chairperson, National Planning Authority
  - The Head of Public Service and Secretary to Cabinet
  - The Principal Private Secretary to H.E the President
  - The Clerk to Parliament
  - Auditor General/Auditor General's Office
  - Internal Auditor General/MoFPED
  - The Director/Parliamentary Budget Office
  - All Resident District Commissioners
  - All Chairpersons LCV and Mayors of Municipalities
  - The Inspectorate of Government