BUDGET SPEECH
Financial Year 2014/15

Theme: Maintaining the Momentum: Infrastructure Investment for Growth and
Social Economic Transformation

DELIVERED AT THE MEETING OF THE 4th SESSION OF THE 9th PARLIAMENT
OF UGANDA

ON
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BY

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MINISTER OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT
PREAMBLE

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

I. INTRODUCTION

1. In accordance with Article 155(1) of our Constitution and in exercise of the powers delegated to me by H.E the President, I have the honour to present the Government Revenue and Expenditure Proposals for the FY 2014/15.

2. 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 2013/2014; and

3. Madam Speaker, the budget for the FY 2014/15 is quite special in a number of ways. This year is
   i. The 5\textsuperscript{th} and final year of implementation of the first phase of our National Development Plan (FY 2010/11-2014/15) and therefore gives us the opportunity to review progress, identify the emerging challenges and draw strategies for the next NDP;
   ii. The 4\textsuperscript{th} year of implementation of the NRM Election Manifesto 2011-2016;
   iii. Within two months, we shall embark on conducting a nationwide Population and Housing Census to collect and update our demographic and social-economic statistics critical for national planning;
   iv. The budget year falls within the target year (2015) for achievement of the Millennium Development Goals (MDGs); and
   v. It builds the foundation for the general elections scheduled for the year 2016 to enable Ugandans exercise their fundamental freedom of the right to vote their leaders;
   vi. It's the year that Uganda ascended to the Presidency of the United Nations General Assembly. We all congratulate H.E The President, Hon Kutesa and all Ugandans for this achievement.

4. Madam Speaker, despite challenges including the aftermath of the global economic crisis, the Government has achieved significant milestones in the socio-economic transformation journey over recent years. These include the following:-
   i. I am pleased to announce that Uganda's fast economic expansion has simultaneously translated into a significant reduction in poverty. The proportion of people living below the poverty line declined from 56.4 percent in 1992/3 to 24\% in 2009, and further to 19.7 percent in 2012/13. This indicates that our country has already surpassed the first and most important Millennium Development Goal (MDG) target of halving the
proportion of its population living in extreme poverty by 2015. I say this is the most important MDG because you alleviate poverty, you cannot tackle ignorance and disease on a sustainable basis.

ii. It is also an improvement in the quality and stock of physical infrastructure with 830 km of new roads constructed; 1,630 kilometers of transmission lines laid; and over 42,000 new users were connected to the national grid, predominantly in rural areas; and

iii. As further interrogation of our Millennium Development Goals shows, there is increased quality and access to social services like education, water and health;

iv. It is also the year Madam Speaker in which Uganda has been a permanent destination for foreign direct investment in East Africa and it is also the year Uganda became the signatory to the EA Monetary Union Protocol.

5. However, Madam Speaker, we must not rest with this success. The challenge going forward is to ensure that we sustain this inclusive growth trajectory towards true socio-economic transformation. This year’s Budget is a continuation of our long journey towards creating a better Uganda for people today and future generations. Therefore, the theme for the FY 2014/15 is “Maintaining the Momentum: Infrastructure for Growth and Socio-Economic Transformation.” It will focus on implementing key development priorities over the next year within existing resource constraints, continue to narrow the infrastructure gap, while promoting economic productivity and diversification for better job creation to satisfy Ugandans.

6. Madam Speaker, this is the third budget that I am reading but it does not get easier. I wish to extend thanks to H.E. the President, who entrusted this responsibility to me, and for his continued guidance.
in the entire budget process. I thank my Cabinet Colleagues, Members of Parliament, our Development Partners, Civil Society and the Uganda people for the time dedicated to scrutinize the budget proposals and the valuable input towards finalizing the forthcoming year’s budget. This was a truly consultative budget process.

II. ECONOMIC PERFORMANCE AND OUTLOOK FOR FY 2014/15

A. MACRO-ECONOMIC PERFORMANCE AND OUTLOOK

Real GDP growth

7. Madam Speaker, Uganda’s economy continued to grow throughout the Financial Year 2013/14 but more modestly than the 6.2% that was projected year ago. This was a result of a slow-down in performance by the manufacturing, construction, and financial services. At the same time, telecommunications and electricity went through a consolidation phase. The continuing unrest in the region reduced our export and remittance proceeds, and the last stages of the global crisis were played out on the world stage towards a new world economic equilibrium. But although the estimated growth has been less than expected it is still a very credible performance by our economy. Throughout all this, Uganda has maintained her macro-economic stability and was the top destination for Foreign Direct Investment (FDI) in East Africa Community (EAC).

8. During next fiscal year, real GDP growth is projected at 6.1 per cent, depending on agribusiness, that is, agricultural productivity, agro-processing and exports; manufacturing, mining and quarrying, are projected to be the major drivers of growth. Government’s medium term objective is to restore real GDP growth to 7 percent per annum. This will require continued implementation of sound macro-economic policies, implementation of financial sector reforms and continued acceleration in removing bottlenecks to private sector development and competitiveness.
Annual Inflation
9. Madam Speaker, inflation has remained low this year and dropped to 5.4% by May 2014. Annual core inflation declined to 3.3% as of end-May 2014. The slowdown in price increases followed a reduction in food prices, after an increase in prices earlier in the year that arose from drought. The price increases were contained by coordinated prudent fiscal and monetary policy management. Maintaining low inflation continues to be a key objective of our macroeconomic policy in order to ensure a stable investment climate and preserve the purchasing welfare of Ugandans.

Private Investment
10. Madam Speaker, as far as private investment is concerned, Government long term objective is to boost domestic savings to provide long term development finance. This will help to match domestic project finance requirements to project implementation profiles, as well as lower lending interest rates to long term borrowers. Government will continue prioritizing infrastructure development, facilitation of regional trade, and affordable financing for viable bankable projects and completion of business licensing reform that are ongoing.

Exchange Rate
11. Madam Speaker, over the year, our exchange rate has remained relatively stable, with marginal appreciation of the Shilling by about 2 percent against the US dollar. The strengthening of the Shilling has been largely on account of strong foreign inflows from investment portfolio holders and foreign direct investment. This is due to the attractive investment climate in Uganda.

Balance of Payments
12. During the year now ending, our balance of payments (BOP) continued to be affected by the persistent current account deficit,
which has been largely financed by surpluses on the capital and financial account. The current account remained weak due to the trade deficit which is projected to widen from US$ 2 billion to US$ 2.46 billion by the close of the year. This is mainly due to the continued strong demand for imports, especially investment imports and weaker than expected global demand for our exports, at the sametime we are re-calibrating our exports destinations to focus on destinations other than South Sudan. Madam Speaker, I am glad to inform you that even then our exports were improved over this year ending. We have projected to have goods and services of US$5.4 billion, however, our demand for imports and services remains robust with imports expected to increase to US$ 7.9 billion during this fiscal year.

Exports
14. Our export strategy, Madam Speaker, will maximize demand for our products and services above and beyond local effective demand. This will spur productivity and jobs creation within here in Uganda by making sure we make products which have infinite effective demand. In the medium term, our competitive advantage lies in agro-processing using locally-sourced inputs and the lower skilled labour that we have now, even as we train for higher value added industries. This budget will focus on enhancing the business environment for already existing firms and SMEs in rural and urban areas, and encourage productivity for key existing crops. Government contribution to medium term export strategy includes maintaining a stable and competitive exchange rate, ensuring political stability and undertaking investments in infrastructure to facilitate trade while promoting manufacturing especially agro-processing.

Foreign Exchange Reserves
15. For our foreign exchange reserves, the level has slightly improved from US$ 2.9 billion in June 2013 to US$ 3.1 billion, expected at the
end of June 2014. This is equivalent to 4.2 months of our future import cover. Government's medium term objective is to maintain a level of foreign exchange reserves of at least five months import cover, which will be a very adequate buffer against external shocks.

B. FISCAL SECTOR PERFORMANCE FY 2013/14

16. Madam Speaker, I will now turn to fiscal performance for the financial year 2013/14.

Domestic Revenues

17. Net domestic URA revenues for FY2013/14 were projected at Shs. 8,578 billion, but collections are estimated at Shs. 8,104 billion or 94% of the projected revenue, with a shortfall of Shs.475 billion for this year. The underperformance of revenue collections was mainly due to the lower than projected growth in the economy, which affected particularly Value Added Tax and Corporate Income Tax. I will also point out Madam Speaker that as more people turn to investment from consumption, the tax regime on investment activity is more favourable than on consumption activities, and in comparison to last financial year, URA revenue collections in absolute terms have increased by 13.4%.

18. Madam Speaker, during next year, Government will take corrective measures to improve revenue performance by a combination of strengthening URA tax collection administration, vigorous identification of and collection of taxes already due from entities, and some new tax revenue enhancement measures. I will spell out these measures later when I come to the tax proposals.

Domestic Financing

19. Financing from the domestic financial markets for the FY2013/14 budget amounted to Shs.1,747.8 billion, on a net basis to supplement domestic revenues for the infrastructure investment especially roads.
In the coming financial year, net domestic financing will amount to Shs.2,529.1 billion, which includes a drawdown of the energy fund to finance the Karuma and Isimba hydropower projects. It reflects an additional Shs.781.3 billion over and above the approved levels in Financial Year 2013/14. Madam Speaker, we found that this cost is more bearable than the cost of cutting budget allocations to various Ministries, Departments and Agencies that are already implementing investment projects and which result in arrears and legal costs.

**External Financing**

19. Madam Speaker, we acknowledge the vital assistance role played by our development partners in speeding up our rate of development and freeing up Government resources for other priority activities. We also thank our Development Partners for directing their development financing towards areas that we have prioritized in the implementation of our development objectives. We have been able to accelerate progress especially in infrastructure and social sectors. However, we also do acknowledge that although our development needs remain substantial, overseas development assistance (ODA) is declining. Together with our development partners, we will work to make sure there is maximum value for money for ODA that comes.

22. Madam Speaker, during the year, external assistance to finance the Budget was projected at US$ 1,028 million. It is projected that by the end of the financial year, Government will realize just above half of this assistance. The slow disbursement is largely attributed to low absorption by sector ministries arising from slow implementation of projects. My ministry will work vigorously with various Ministries, Departments and Agencies to improve execution, financial and operational management of our development projects. Government agencies will be required to implement projects as programmed in order for the country to fully accrue the benefits from external assistance.
23. Next financial year, US$ 1,017 million in external support is expected. Project support will be US$991 million, and in addition general budget support amounting to US$ 25.7 million, excluding debt relief, has been committed by our bilateral Development Partners.

Expenditure Performance
25. Madam Speaker on expenditure performance, total expenditure during the year is projected to amount to 19.7 percent of GDP, compared to 18.8 percent in the previous financial year. Government expenditure, excluding Karuma during the year is projected to be Shs. 11.93 Trillion, 99.7 percent of the planned expenditure.

Public Debt
26. The stock of public debt is projected to rise to US$ 7 billion by the end of FY 2013/14, from US$ 6.4 billion in financial year 2012/13. US$ 4.2 billion of the debt is external and US$ 2.8 billion is domestic. Notwithstanding the increase, our public debt remains sustainable and Uganda is not under debt distress. Over the medium term, the debt-to-GDP ratio is projected to peak at about 39.8 percent of GDP, which is a comfortable projection Madam Speaker.

27. As Government diversifies its sources of debt financing, we will ensure our borrowing strategy remains sustainable in line with our Public Debt Management Framework 2013. The underlying principle will be to confine any commercial (or near-commercial financing to only infrastructure projects with an income stream to ensure guaranteed repayments. Meanwhile, grants and concessional financing will continue to finance social projects with long term indirect benefits, and has no direct income streams.
C. FINANCIAL SECTOR DEVELOPMENTS

Banking Sector
29. In the banking sector under financial sector developments, during the year now ending, the banking sector remained stable and registered rapid asset growth, arising from increased deposits and lending activity. However, interest rates have remained high, primarily because of high perceived borrower risk. The good news is that the Central Bank reference interest rate was reduced to 11% in June 2014, and average commercial bank lending rates have also declined from 24.2% to 20% during the year. In the coming year, completion of the national identification project will help to increase what the banks call KYC (Know Your Customer), and will reduce the perceived risk of borrowing default. We are happy to note that Standard Chartered Bank has agreed to benchmark its lending rates now at 17.9% to the CBR.

30. The emergence of new mobile telephone technology and agency banking have been key drivers of improving financial inclusion over the year. A study for 2013 shows that people who have access to banking services rose from 70 percent to 85 percent, and that was primarily due to penetration of mobile money banking into the rural areas, and with low cost of implementation.

31. In the next financial year, Government will further deepen the financial sector by accommodating alternative banking approaches including regulations to govern mobile banking, moving to put other products onto banking platforms other than just depositing and withdrawing money, introducing regulations for agency banking, bank assurance which is insurance for agricultural projects which will reduce the cost to agricultural lending, and also introduce banking according to Islamic principles which means that instead of the bank charging interest they take an equity stake in the project or business and will work hand in hand with the borrower to ensure a
successful conclusion... To this end, Government will present to Parliament amendments to Financial Institutions Act 2004 (FIA) and Bank of Uganda Act 2001, in line with international best practices.

Non-bank Financial Institutions
32. For non-bank financial institutions, access to non-bank financial services increased from 49 percent in 2009 to 65 percent in 2013. The effect of this was a significant reduction in the financially excluded population from 4.3 million (i.e 30 percent of adults in 2009) to 2.6 million (i.e 15 percent of adults in 2013).

33. In order to promote savings and enhance consumer financial protection for majority Ugandans, Cabinet has approved the policy principles for the Tier 4 Microfinance Law to regulate and supervise the Microfinance institutions including SACCOs and money lenders. This Bill is at the First Parliamentary council and will be presented to Parliament in the coming financial year.

Deepening Financial Markets
a. Retirement Benefits Sector
34. In the Retirement Benefits Sector, Madam Speaker, Government is making progress in reforming the sector to improve savings in the economy, protect savings of individuals, and restore trust in the retirement benefits system. The framework for regulating and providing oversight is now operational. The aim is that the pension sector allows workers to have a choice in the pension schemes they contribute to, the form of benefit payments that they request and in terms of annuity or lump-sum; while ensuring maximum safety of these savings.

b. Capital Markets
35. In the Capital Markets, the stock market registered a record turnover of Shs. 198 billion up from Ushs 31 billion recorded in 2012. Capital assets under professional management grew to over Shs 800 billion
by the end of 2013, mainly been driven by the recent reforms in the pensions sector.

36. Madam Speaker, capital markets development is critical to attaining long term sustainable economic growth, because it plays a major role in the mobilization of domestic resources for long term investment. There are currently only 40,000 registered shareholders in Uganda. Public awareness will be stepped up in order to draw many more Ugandans into the formal savings sector, and to interest many more Ugandans and entrepreneurs in equity capital to finance their businesses rather than just bank loans. This will increase domestic savings, which is currently estimated at only 10% of GDP. During the next financial year, we intend to reach an additional 20,000 potential investors in the securities market, through a focused capital markets development campaign.

37. Government will amend the Capital Markets Authority (CMA) Act in order to provide for a greater diversity of financing opportunities, and to facilitate capital movements across the East African region in line with the EAC Common Market protocol.

c. Insurance Sector
38. In the insurance sector, Madam Speaker, gross insurance premiums rose throughout the year to Shs 457 billion, representing a 30% annual growth. Agricultural insurance products were offered for the first time and currently 8 insurance providers are already underwriting agricultural related loans to reduce the perceived risk of agricultural sector lending and thereby reduce interest rates to this sector. In addition, the first ever re-insurance company, Uganda Reinsurance Company Ltd, was licensed to underwrite risks locally and reduce on the amount of premiums issued outside Uganda.
Anti-Money Laundering

39. During the FY 2013/14 the Anti-Money Laundering Act was passed and I commend Parliament. It demonstrates our clear commitment to fight money laundering and the financing of terrorism. During coming financial year, the Financial Intelligence Authority will be operationalized and begin to conduct financial sector surveillance in order to secure all international financial transactions and insure that they occur in compliance with the Anti-money laundering Act.

Public Private Partnerships

40. Madam Speaker, Government will use Public Private Partnerships as an important option for delivering public infrastructure projects and services. The Public Private Partnership Bill 2012 that supports PPP regulation is before Parliament, and we appeal for its expeditious enactment. It will provide the regulatory framework for the institutional arrangements and monitoring the implementation of PPP projects throughout the country.

41. Madam Speaker, PPPs must be well regulated to make sure they do not increase contingent liabilities on the Treasury and fiscal obligations on the Ugandans public. Contingent liabilities create a possibility that Government may be required at some future date to make unexpected or substantial payments. The current PPP principles are three. First of all the economic benefits to the country must outweigh the financial costs or the revenue foregone by Government on their behalf. The PPP partners must demonstrate their operational and financial capacity of having operated at schemes of that complexity and financial magnitude in the past, and will also ensure that any SOEs operating commercial ventures on behalf of Government will not expose the treasury to contingent risk.
III. Budget Strategy for FY 2014/15

42. Madam Speaker, in the next financial year, Government’s budget strategy is built on four key inter-linked interventions, which are :-
   i. Improving the Business Climate by undertaking key economic infrastructure investments, while maintaining peace, security, and macro-economic stability;
   ii. Leveraging Government limited resources to support Agriculture, Agribusiness, Agro-processing, Tourism, Industry and Services such as ICT;
   iii. Improving the Productivity of Uganda’s Human Resource by enhancing provision of quality education, health and water services with appropriate performance indicators and monitoring systems; and
   iv. Strengthening Institutional Governance, Accountability and Transparency in Government operations or government related operations.

43. Madam Speaker, this budget strategy will be another link in the chain to faster economic growth and higher employment levels; acceleration in growth of per capita incomes and sustained poverty reduction. It also ensures that Government facilitates the private sector by implementing measures that improve efficiency and lower the cost of doing business.

A. Improving Uganda’s Business Climate

44. Madam Speaker, the budget strategy to improve Uganda's business climate will focus on inter-linked actions that reduce the cost of doing business. I will later elaborate on each of the sectoral actions to improve the business environment as part of next year’s sector priorities.
Business Environment

45. Uganda ranks among the top 10 recipients of foreign direct investment (FDI) in sub-Saharan Africa, Madam Speaker. Investment opportunities in infrastructure development, oil and gas, agriculture, mining of non-oil minerals and telecommunication are supported by sustained political stability and the macro-economic environment.

46. In the next financial year 37 license requirements will be abolished and amendments to laws affecting 307 licensing requirements will be completed. I wish to also appeal to Parliament to expedite consideration and enactment of the Investment Code (Amendment) Bill, the Counterfeit Bill and the Public Private Partnerships Bill to further facilitate the business climate and encourage investment.

47. The Uganda Investment Authority and the Uganda Registration Services Bureau are transforming one-stop centers to efficiently facilitate investors and quicken business registration. Company registration online will also be launched to speed-up registration, and Government will reduce the burden of multiple data requirements for business start-ups, by use of information collected at business registration for taxation and licensing. Already the UIA is working with the KCCA and Municipal Councils to streamline their databases.

48. Madam Speaker, in the next year, Government will roll-out the National Land Information System from 6 zones to 21 land offices, thereby significantly reducing the time and cost of undertaking land transactions, and enhancing the security of land registration. This will reduce fraud and corruption related to transfer and titling of land, and will allow land to be used as a financing mechanism for rural development.
49. Madam Speaker, Uganda is fully committed to regional integration and key interventions that have been implemented in this year under the East African Community include the signing by our five Presidents of the EAC Monetary Union Protocol, in addition, to the implementation of the Customs Union and the Common market. EAC partner states are now undertaking common infrastructure projects and are working to reduce non-tariff barriers. Madam Speaker, I am also happy to report that by the joint action by the Presidents of Uganda, Kenya and Rwanda, freight movement on the Northern Corridor is much improved. By removing road blocks, weigh bridges, and multiple bonds, the number of days it takes a container to come from Mombasa to Kampala has been reduced from 18 to a maximum of 4, and to Kigali reduced from 22 to a maximum of 7. Madam Speaker, this was implemented without a single procurement activity; no bricks, no cement, no steel was bought. It was purely a Presidential initiative to remove non-tariff barriers. My colleagues in EAC, the Ministers responsible for finance and economic affairs, are carrying on this directive and we will make sure that this year, working together with the EAC Ministers responsible for trade, to remove all non-tariff barriers.

50. Madam Speaker, a Single Entry East African Tourist Visa has also been introduced for visitors to Uganda, Rwanda and Kenya. A Common Payment system has also been introduced, and a common EAC Monetary Union Protocol which was signed in November 2013 is undergoing ratification in all partner states. Uganda is particularly interested in East Africa. We are land-linked Madam Speaker, we have borders with Kenya, Rwanda, Tanzania, South Sudan, and Eastern DRC. They are all net importers of our food stuffs and we intend to have them as our pillars in our export diversification drive.
Science, Innovation and Industrialization
49. For Science, Innovation, and industrialization, Government has continued to build infrastructure to ensure serviced industrial and business parks. Specific focus this coming financial year, Madam Speaker, will be the operationalization of the Kampala Industrial Business Park at Namanve as our flagship industrial estate to attract investors of all types.

50. In the next financial year, Government will enhance support to industrial research institutions to develop and commercialise technology innovations. We are already signing contracts with Development Partners to introduce business incubation units this coming financial year.

Financial Inclusion
51. For financial inclusion, Madam Speaker, the budget strategy will deepen the financial sector to facilitate availability of affordable credit for bankable projects in the private sector, including agriculture and SMEs. Government has prioritized the promotion of financial literacy to sensitize potential beneficiaries about new products such as crop insurance, and stimulate domestic capital mobilisation through investment clubs.

52. But there are complementary factors Madam Speaker, when it comes to accessing financial affordable credit. We must also address the knowledge transfer gap whereby the entrepreneurs must get the business skills and the operational skills for their particular areas of operation. We must also have behavioral training and the savings mentality, so that people do not expect to regain all their money back within 6 months. Bankable projects Madam Speaker is what is lacking. We will work together all the Ministries and Departments to ensure that all these services are available to our entrepreneurs.
B. ENHANCING PRODUCTIVE EMPLOYMENT

Employment

53. On the wider question of employment, Madam Speaker, enhancing productive employment, as Uganda celebrates progress with the MDG’s our work force is growing due to better life expectancy and social service delivery. Their pathway to stable value-added employment is our economy’s opportunity and also our challenge. SMEs are critical in creating jobs and mobilizing the informal and rural economic activity. It is important to note that SMEs span the whole economy including artisans, small industrialists, health services, schools, entertainment, tourism, ICT and agriculture to name but a few. The two main constraints to job creation from increased SME activity are the lack of knowledge skills transfer; and inadequate availability of affordable credit for viable and ‘bankable’ projects on a sustainable basis. I am repeating these things Madam Speaker because they are all inter-linked. Stable value added employment will be achieved in the medium term, within the following framework:

i. enhanced life expectancy, as depicted by progress on the MDG’s;

ii. significant opportunity presented by agriculture and agribusiness; and

iii. emphasis on a holistic approach encompassing increased formal employment as a long term goal but via higher worker productivity, contract farming and support to SMEs, both formal and informal.

54. The experience of countries like Mauritius that have unemployment rate of less than 2 percent suggest that productivity and competitiveness of the local private sector are critical for generating decent and adequate jobs. This does not happen only through good infrastructure or private microeconomic agenda much as these are invaluable and provided by Government, a productive domestic private sector is where the citizens make the most of macroeconomic
environment and take the lead in translating the dividends of good infrastructure into personal financial gains. To achieve this, Government’s role is catalytic, it is facilitative. The other actors in this quest are civil society, development partners, religious agencies, politicians, households and the unemployed youth and other workers themselves. We must all pull together on this task.

55. Government’s task remains how to facilitate productivity and encourage the private sector to create jobs. Government agencies will carry out an integrated strategy focusing on the commodity chain, to continue undertaking the following interventions:-

i. Curriculum reform to enhance market demand and private sector entrepreneurship;

ii. Implementation of the Skilling Uganda initiative in the Business, Technical and Vocational Education Training with emphasis on provision of hands on technical skills training, and business skills development in line with the market demands. We are re-orienting the mind-set of potential entrepreneurs towards long term savings culture.

iii. Enhancing financial literacy and inclusion, and implementation of the PPDA Act provisions which ensure the local content to be set aside in government contracts.

IV. REVENUE AND EXPENDITURE FRAMEWORK FOR FINANCIAL YEAR 2014/15

54. Madam Speaker, the revenue and expenditure framework for the Financial Year 2014/15 has been developed in line with recent trends in the domestic, regional and international economy. Next financial year, total resource inflows are projected to amount to **Shs 15,054 billion**. Domestic sources will contribute **Shs 12,321 billion** representing 81.8% of the total budget resource of the year. The Uganda Revenue Authority will collect taxes amounting to **Shs 9,577 billion**; and Non-Tax Revenues of **U. Shs 206 billion** will be collected.
The Budget will also be financed by issuing Government securities worth **Shs 1,437 billion** on domestic markets; and net Government drawdown from our savings of **Shs 1,102 billion**.

55. Total external financing of the Budget will amount to **Ushs 2,733 billion**, equivalent to **18.2 per cent** of the total budget resources. Budget support comprises of **Shs 69 billion** while Project aid amounts to **Shs. 2,664 billion**, an increase of **Shs. 116.3 billion** over the financial year now ending.

56. The resources available to finance discretionary Government expenditure next year, therefore amount to **Shs 11,088 billion**, excluding project aid, public debt and other statutory obligations, which amount to **Shs 3,966 billion**. The total resources available for discretionary Government expenditure next financial year represent an additional **Shs 1,546 billion** above the approved level for the year now ending.

**V. SECTOR PERFORMANCE FOR FY 2013/14 AND PRIORITIES FOR FY 2014/15**

57. Madam Speaker, in order for a detailed report on sector performance over the last year, the Background to the Budget for Financial Year 2014/15 has endeavored to cover the performance of all sectors comprehensively. I will therefore only highlight the key achievements of some of the major sectors; while emphasizing the priorities for the forthcoming year and the medium term.

58. The FY 2014/15 budget strategy is based on the following objectives Madam Speaker.

   i. To achieve real economic growth rate of at-least 7% per annum in the medium term;

   ii. Keep annual consumer price inflation within single digits;
iii. Position Uganda in the context of EAC integration to ensure our competitiveness;
iv. Maintain a prudent level of foreign exchange reserves of at least five (5) months import cover;
v. Maintain a competitive exchange rate, market determined which can support export growth.

59. In order to achieve these objectives, the following priorities underlie allocations of resources in the FY 2014/15 Budget:

i. Maintenance of National Security and Defence;
ii. Infrastructure Development in Transport and Energy;
iii. Enhancement of Scientific Research, Technology and Innovation for Industrialization, Competitiveness and Employment creation;
iv. Enhance production and productivity in Agriculture, agribusiness, Tourism, Trade and Industrial Development;
v. Continued Human Capital and Skills Development; and
vi. Continue to strengthen Institutional Governance and Public Service Delivery.

A. NATIONAL DEFENCE AND SECURITY

60. Madam Speaker, national peace and stability remain the cornerstone for socio-economic transformation of our country. Under the strong leadership of H.E. the President, we have built a strong, professional, well equipped and pro-people army and other security forces. This has provided a peaceful, secure and politically stable environment that gives confidence and assurance to both foreign and local investors to consider Uganda a viable investment destination. We salute the members of our armed forces.

61. Over the financial year now ending, Government continued to strengthen the capabilities of our armed forces by the acquisition of
modern security and defence equipment and other logistical facilities, as well as the improvement of staff welfare and training.

62. In order to facilitate the Government programme of professionalization Shs 1,155.8 billion has been allocated to the security sector in the Financial Year 2014/15 representing 7.1% of the total budget. The key priorities will be in professional development of our forces, consolidation of peace, promotion of defence diplomacy, resolution of conflicts, internally, regionally and internationally and support the country’s foreign policy of peaceful co-existence and good neighbourliness.

**B. INFRASTRUCTURE DEVELOPMENT**

**Transport Infrastructure**

**Roads and Bridges**

63. Under infrastructure development Madam Speaker, in the financial year 2013/14, the Transport and Works sector was allocated Shs 2,510.66bn. These resources have been used to upgrade to gravel 264 km, rehabilitated 178km, completed construction of six (6) new bridges, and undertaken the routine maintenance of 10,500 km of unpaved roads. A further 1,720 km of paved roads underwent routine maintenance. The rehabilitation of the existing Nalubale Bridge and construction of the New Nile Bridge at Jinja are highlights that have commenced.

64. Madam Speaker, during the year, 830km of the following roads was completed:- Nyakahita-Kazo; Kazo-Kamwenge; Fort Portal-Bundibugyo; Mbarara-Kikagati; Malaba-Bugiri; Tororo-Mbale; Jinja-Kamuli; Kawempe- Kafu; Mbale-Soroti; and Kampala-Masaka. With support from the World Bank, rehabilitation and reconstruction of the road networks in the following Municipalities commenced during the year:- Mbale, Jinja, Masaka, Gulu, Lira, Arua, Mbarara, Entebbe, Soroti, Masaka, Fort Portal, Kabale, Moroto, Tororo and Hoima. In
addition, routine and periodic maintenance for approximately 17,650 kilometres of national, district, urban and community access roads, including an estimated 265 kilometres of roads under Kampala Capital City Authority was carried out. Government has commenced the rehabilitation and constructed numerous smaller bridges across the country. These bridges are mainly in Northern, Karamoja, Rwenzori and other areas of North Eastern Uganda.

65. Madam Speaker, with these interventions, the proportion of the national unpaved road network in fair to good condition is currently at 66% while that of National Paved Road network is at 77%. Our target is to improve the condition of these roads further to 75% and 85% respectively over the medium term.

66. In the forthcoming financial year 2014/15 Madam Speaker, I am increasing the allocation to the Works and Transport sector to Shs 2,389.2 billion. Government has targeted the upgrading from gravel to bitumen of 200km of roads, the reconstruction of 178 km of roads, the construction of 10 new bridges, and the rehabilitation of 7 bridges. In addition, 12,875 km of unpaved roads are scheduled for re-grading,

67. Madam Speaker, during the forthcoming year, Government will continue the construction on at least 1,700 km of the following ongoing Road projects:- Vura-Arua-Oraba upgrade; Buteraniro - Ntungamo - Rwentobo; Ntungamo-Kabale - Katuna; Hoima - Kaiso - Tonya; Kampala - Mukono - Jinja; Gulu-Atiak-Nimule upgrade; Ishaka-Kagamba; Kampala-Entebbe Expressway; Moroto-Nakapiripirit; Kafu - Kiryandongo; Luuku - Kalangala upgrade; Fort Portal Kamwenge; Mbarara Bypass; Mukono-Kyetume-Katosi/Kisoga - Nyenga; Mpigi-Maddu-Ssembabule; Kiryandongo - Kamdini; Kamdini - Gulu; Pakwach - Nebbi; Ntungamo-Mirama Hills; Kampala Northern Bypass upgrade; Masaka - Bukakata; Kigumba - Bulima- Kabwoya; Olwiyo-Gulu-Kitgum - Musingo Road; Villa Maria - Sembabule; Musita-
Lumino-Busia/Majanji; Mubende - Kakumiro – Kagadi; and Mukono - Kayunga – Njeru.

68. Madam Speaker, construction of 650 km on the following new road projects will also commence in Financial Year 2014/15: Kabwoya – Kyenjojo; Tirinyi - Pallisa - Kumi/Kamonkoli; Kapchorwa-Suam; Rukungiri-Kihihi-Ishasha-Kamburga; Kihihi - Kanungu – Kamburga; Mbale-Bubulo-Lwakhakha; Kyenjojo - Fort Portal; Gulu -Atiak; Ishaka - Rugazi -Katunguru; Sironko - Namunsi - Muyembe; Nansana - Busunju; and Mbale – Nkokonjeru.

69. Madam Speaker, I have allocated an additional Shs 75bn to the Uganda Road Fund to facilitate maintenance and rehabilitation of approximately 10,000 km of national, district, urban (including Kampala City) roads and community access roads across the country. Government will also continue construction and several strategic bridges including the Mitaano Bridge in Kanungu district as well as the bridges destroyed by the recent floods in Kasece and other parts of the country. Madam Speaker, Accountability is key; and will ensure that accountability is forthcoming. This also applies to road maintenance as well as road construction.

Rail

70. Madam Speaker, in the railway sub-sector, Government, in collaboration with other Partner States within East Africa, is scaling up efforts to revitalize the railway transport system as a viable means of long distance transport. The upgrade to Standard Gauge Rail of the Tororo - Kasese and Mirama Hills to link with Kigali in Rwanda is a continuation of the link from Mombasa to Nairobi to Malaba and to Kampala. During FY 2014/15, the construction of an Inland Container Depot at Mukono, and the redevelopment and upgrading of facilities at Port Bell and Jinja piers will commence.
71. Madam Speaker, also under the Northern Uganda Corridor, we have developed a standard gauge railways proposal for a holistic approach going from Mombasa in Kenya to Nairobi to Malaba down to Mirama Hills to Kigali running through the three countries. We developed this as one project for all the three countries and this will help us to bring down the cost of doing business by lowering the cost of transport. It is not a transport project Madam Speaker, it is a development project. Madam Speaker, in addition the spur from Tororo to Nimule will continue to Juba, as South Sudan has indicated interest.

**Energy Infrastructure**

**Electricity**

72. In the energy infrastructure, Madam Speaker, during the financial year, the total national power generation capacity increased to 852 MW. Feasibility studies have been completed for the several small hydropower sites totalling to 130 MW, at Kikagati, Mitano, Lubilia, Nyagak III, Siti, Waki, Rwimi, Ndugutu, Nkusi, Nyamwamba, Nengo Bridge, Esia and Muzizi. Construction for these projects will begin in this coming Financial Year, with support from development partners including the World Bank, Norway, the United Kingdom, the European Union, and Germany; together with the Private Sector.

73. Madam Speaker, 1,630 kilometers of transmission lines were added to the national grid during the year now ending. 16 substations were also constructed to improve transmission, distribution efficiency and reduce transmission losses. There are ongoing procurements for 6,250 kilometers of transmission and distribution lines for which construction will begin during Financial Year 2014/15. The terms of the distribution concession will also be further enforced to reduce systems losses and increase efficiency from 23% to 20%. This will include continued rolling out of the prepaid system to all government offices.
74. Madam Speaker, during the year now ending, Government has extended electricity to under-served areas of the country as part of its Rural Electrification Programme which continues to be on-going. An additional 15 districts have now been connected to the national grid. These include the Kyegegwa, Katakwi, Amuria, Kiruhura, Lamwo, Nakapiripit, Amudat, Kaberamaido, Dokolo, Amolatar, Ntoroko, Alebtong, Moroto, Buhweju and Napak. This brings the total number of district with electricity connections to 98 out of 112 districts. I also include Kyegwegwa.

75. Work has also commenced on the connection an additional eleven (11) districts. These are Buliisa, Adjumani, Moyo, Amuru, Otuke Zombo, Koboko, Maracha, Yumbe, Nwoya and Namayingo. The remaining three (3) districts of Kotido, Kaabong and Kalangala will be supplied by the end of 2016, thus completing the long but steady journey of supplying electricity to all district of the country.

76. In the forthcoming year, special attention will be placed on accelerating implementation of the construction of the major Hydropower plants at Karuma and Isimba.

Oil, Gas and Petroleum Development

77. In the Oil, Gas and Petroleum Development Sector, Madam Speaker, during the year now ending, Government has made significant progress in Oil, Gas and Petroleum development. A total of one hundred and sixteen (116) wells have been drilled, with successful results from one hundred one (101) wells where oil has been found. Of the wells with positive exploration results, Twenty nine (29) wells have been flow tested.

78. With respect to the development of an Oil Refinery, land acquisition has progressed with the compensation for 50% of Project Affected People in the area. The Environmental baseline study for the Oil
refinery has been concluded. The process for selection of the Lead Investor for the Oil Refinery has also reached advanced stages following submission of proposals by four (4) of the six (6) shortlisted international firms.

79. The Oil Refinery will be developed as a Public-Private Partnership (PPP) with the selected Lead Investor holding a 60% shareholding; and Government and participating East African Community partners states holding up to 40% of the Oil Refinery shares. Over the next year, the engineering design of the Oil Refinery will be completed to pave way for construction to begin.

Mineral Development

80. Madam Speaker, oil development is a major achievement in the quest for local content in our country, and we thank the President for his guidance in this matter. The reason why an inland refinery can work in Uganda is because Uganda is 1000kms from Mombasa, and even further from the major refineries of the Middle East. In addition, the refinery area has 13 million people living within the market area where already people are using refined products so the market is there and production costs are favourable. That is why that is a big achievement for us, and we also will ensure that the byproducts of the refinery goes into the fertilizer plant to be set up alongside the refinery to produce Ammonia fertilizer. This will be the first Ammonia fertilizer plant in Eastern Africa to supply our market and the region demand.

81. In the area of mineral exploration, Madam Speaker, iron ore discoveries at Buhara, Nangara, Kisoro, Rugendo, and Butogota estimate total reserves at 116 million tonnes, with a gross value of US$ 15.6 billion. In addition, reserves of 7.8 million ounces of gold have been proven at Tiira in Busia, Kamalenge in Mubende, Mashonga in Bushenyi, Kampano in Ibanda and Alupe in Busia. These gold reserves have a total gross value of US$ 10.9 billion. Vermiculite which is an
industrial metal in Manafwa has been valued at US$ 11.5 billion while Limestone/Marble reserves in Hima, Dura, Muhokya and Tororo have increased to over US $ 300 million. Government will support the development of these strategic mineral reserves to ensure the benefits accrue to Uganda, and the localities where the reserves have been discovered. These minerals belong to the people of Uganda and are held in trust by Government.

82. Madam Speaker, I have allocated Shs 1,829.4 billion to the Energy and Minerals Sector to undertake mineral development.

Information and Communication Technology (ICT)

83. Madam Speaker, this sector is increasingly providing support to other sectors and is no longer a sector on its own, but an input to health, to education, to businesses, and to trade, agriculture and to weather forecast. During the year now ending, we have completed construction of two phases of the National Transmission Backbone Infrastructure (NBI). This has improved Internet connectivity at a more affordable cost. This has reduced the cost of bandwidth to USD 300 per Mbps (Megabit per second) per month, down from USD 600 per Mbps prevailing on the market. Bulk Internet bandwidth agreements have to date been signed to Government Institutions with 18 Ministries so far being supplied with cheaper bandwidth. I encourage the private sector to utilize this infrastructure in order to reduce their ICT costs of doing business and enhance their efficiency and profitability.

84. Madam Speaker, in order to increase the economic benefits the country receives from connectivity improvements, a Business Process Outsourcing (BPO) incubation center at the Statistics House has been officially launched. It employs 250 employees directly, with an additional 4,000 employees employed by other BPO operators in the sub-sector. This represents an opportunity for Uganda to become a business process outsourcing (BPO) hub on the global market. Madam
Speaker, I bring to your attention a report for East and Southern Africa which ranked Uganda only second behind South Africa for ICT potential, with Madagascar in third place.

85. Madam Speaker, in the Financial Year 2014/15, Government will accelerate the commercialization of the second phase of the National Backbone Infrastructure and commence construction of the National ICT Park and Innovation Center at Namamve.

C. KEY GROWTH SECTOR PRODUCTIVITY AND PRODUCTION

Agriculture Production and Productivity

86. Madam Speaker, in the key growth sectors, productivity and production is key. The agricultural sector is key for employment, for productivity, and for exports. It employs 70 percent of the Uganda’s labour force, and contributes about 21 percent to the GDP, and less than 1 percent in taxes.

87. But during the next year, Government will support interventions in the agriculture sector on the following key actions:-

   i. Focus on provision of inputs, while minimizing expenditure on administrative costs, seminars and workshops;

   ii. Place resources available for inputs provision under a single umbrella and leverage them to focus on the needy of agriculture and business people. Currently Madam Speaker, almost Shs 400 billion are available in various silos, we will put them under one umbrella where accountability would be enforced.

   iii. Government will also encourage small holders to produce surplus, however small, to focus on enterprises that provide high returns to small holder farmers;

   iv. For medium and commercial scale farmers, to encourage commercial ranching, large scale crop production and value addition, and to live in peace and harmony with small holders
who can be contracts farmers or land lords if they lease their land. The Government role will be to leverage and facilitate agriculture using the value chain approach. To provide agribusiness with solutions for jobs creation, export diversification and increase household incomes.

88. The above strategy will be implemented holistically by Government agencies working in concert, including the Ministry of Finance, Planning and Economic Development; the Ministry of Agriculture, Animal Industry and Fisheries; the Ministry for Works and Transport; the Ministry for Energy and Mineral Development; the Ministry of Trade, Industry and Cooperatives; the Ministry of Local Government; the Ministry for Water and Environment; and the Ministry for Lands. 8 agencies to come together, Madam Speaker, to make sure that agricultural productivity and agribusiness become the cornerstone of employment creation module.

Tourism Development
89. Madam Speaker, turning to tourism, sustainability and enhancement of our tourism sector is dependent on environmental protection and conservation of our unique and diverse wildlife and flora. Madam Speaker, I pay tribute to the gallant rangers of Uganda Wildlife Authority who risk their lives to discourage wildlife poaching. The tourism sector will significantly contribute to national output if its full potential is realized.

90. Government contribution will be to support private sector operations by (i) developing financing and implementing a sustainable conservation strategy including appropriate penalties with the oil companies and local communities involved, (ii) to finance and implement a holistic Tourism Promotion Strategy leveraging on our comparative tourism advantages, (iii) to reduce the cost of revisiting Uganda by promoting the Single Tourism Visa and easing cross border
transits within East Africa, and (iv) making sure our diversity of bio attractions, geographical, historical, religious, are all taken care of in our promotional strategy. And will leverage on a cross-sectoral approach to ensure tourism roads and power availability to the private sector installations in the tourism sites. I have accordingly allocated an additional Shs 5.0 billion to the Uganda Tourism Board (UTB) for formulation of the tourism promotion strategy, and conservation strategy.

D. HUMAN CAPITAL AND SKILLS DEVELOPMENT

91. For human capital and skills development Madam Speaker, Government strategy entails amongst others, increasing access to quality education with emphasis on skilled development, quality health care as well as safe water and sanitation facilities. Government spending on the three sectors of Health, Education and Clean Water in the forthcoming year will amount to over Shs 3,640 billion, which is approximately 25% of the total budget.

Education

92. For education, Government has continued to increase the availability of school facilities infrastructure to enhance access, improve the quality of learning through provision of teaching materials, recruitment of additional teachers and enhanced monitoring and supervision.

93. Madam Speaker, as UPE and USE continue, enrollment in Business and Vocation Education and Training (BTVET) has also increased to about 24,000 while enrollment in higher education institutions is now close to 200,000 students. 2.4 million copies of core textbooks and teachers' guides have been procured and distributed, to improve the quality and relevance of primary education.
94. Madam Speaker, 486 secondary schools have been rehabilitated and constructed, with Development Partners’ support. Construction works are on-going at an additional 639 schools.

95. Madam Speaker, I have allocated Shs 1,943.05 billion to the education sector in the next financial year to enhance the quality of education. Priorities include enhancement of Teachers’ salaries, with emphasis on Primary School Teachers. I have also provided Shs. 5 billion towards supporting Teachers’ SACCOs, in addition to the Shs. 2.5 billion provided during this year.

96. Madam Speaker, I have also specifically allocated 68.7 billion for the implementation of the Skilling Uganda programme. Workshops will be constructed at technical schools at Kihanda in Kanuug; Namasale in Amolator; Namisindwa in Manafwa, Bukoli in Bugiri, and St. Joseph Kyalubingo in Kamwenge.

97. Government will also operationalise and expand the Student Loan Scheme with emphasis on science and vocational training. It will be rolled out starting with undergraduate students in both Public and Chartered Private Universities.

98. Madam Speaker, in addition to the primary and secondary schools construction programme already underway, Government will commence construction of 8 Primary Teachers Colleges (PTCs). These are at Buhungiro, Paidha, Bundibugyo, Bukedea, Kapchorwa, Arua, Ibanda and Canon Lawrence. Construction of the National High Altitude Training Centre (NHATC) will also commence in Kapchorwa, in addition to the rehabilitation of 6 regional stadiums.

99. Madam Speaker, Government will also provide instructional materials to support the roll out of the new curriculum for 45 Primary Teacher Colleges Educational institutions, and also for Special Needs Education (SNE).
Health

100. Under Health Madam Speaker, Government in the Health Sector procured and distributed medicines and drugs worth Shs 124 billion. These include essential drugs including Anti-Retrovirals, Tuberculosis Medicines and Reproductive Health Supplies. Enrolment for Anti-Retroviral (ARVs) Treatment increased from 376,000 in 2012 to 570,000 in 2013. In order to reduce the incidence and impact of malaria, Long-lasting insecticide treated Nets were also distributed in all districts and Indoor Residual Spraying (IRS) has also been ongoing in the high prevalence districts of northern Uganda, Kumi and Ngora. Vaccines for the nine (9) vaccine-preventable diseases were also procured and distributed to eliminate stock-outs completely.

101. In order to decongest the Mulago National Referral Hospital, the construction of new hospitals in Kawempe and Kiruddu in Kampala is ongoing. In addition, Regional Referral Hospitals at Moroto, Mityana, Nakaseke, Kiryandongo, Nebbi, Anaka, Moyo, Entebbe and Iganga General Hospitals, are being rehabilitated.

102. In the next financial year Madam Speaker, Government will enhance Health workers remuneration and improve their skills through capacity building. Health facility infrastructure at both local government and referral levels, will also be expanded, in addition to the construction of additional staff houses to minimize on absenteeism.

103. Government will also implement the Malaria Strategy for effective prevention and control through the mass distribution of Long-lasting Insecticide-Treated Nets (LLINs), and mass Indoor Residual Spraying (IRS), commencing in the high malaria-prone areas of Lake Kyoga and Northern Uganda. This is a 6-year programme Madam Speaker split into 2 phases of three year each and was developed and implemented by Government, Development partners, the Private sector and local
communities all working together. Malaria is not a health hazard, it is an economic hazard, Madam Speaker. It is responsible for child mortality, maternal complications and work productivity more than all other diseases in Uganda and that is why we have single it out for special attention.

104. Madam Speaker, in the health sector I have allocated Shs 1,276.8 billion to enable implementation of the Government priority programmes in the health sector.

**Water and Sanitation**

105. In water and sanitation, Government has made considerable progress in access to clean safe water and sanitation. 65% of Ugandans now have access to safe water within a distance of half a kilometer. The expansion of the Ggaba Water Works and construction of Namasuba Hill Reservoir commenced during the year. Piped water systems and Gravity Flows schemes in Kahama in Ntungamo district, Wadelai and Singila in Alwi dry corridor, the expansion of the Tororo-Manafwa Water supply and Kanyampanga were completed. Cumulative storage for water for production is estimated at 28.3 million cubic meters. The functionality of water sources at rural water supply points ranges between 83%-85%.

106. The construction of the Lubigi Waste water Treatment Plant and rehabilitation of Bugolobi sewerage treatment Plant was completed. The construction of the Nakivubo and Kinawataka Waste water management Plants was also started. Sanitation coverage is estimated at 71% for rural areas and 83% for urban households. Our target is to improve access to safe water and sanitation to 100% for all Ugandans by 2018.

107. Madam Speaker, in the next financial year, Gaba Water works will be expanded increasing water production in Kampala from 180,000
cubic meters per day to 230,000 cubic meters per day. Government will also implement the Kampala Sanitation Master Plan to increase sewerage coverage in Kampala, construct works for the Nakivubo Treatment Plant facility and rehabilitate and expand the water supply systems in the towns of Arua, Gulu, Mbale and Bushenyi.

108. Madam Speaker, I have allocated an additional Ushs 30bn for the purpose of enhancing safe water provision and sanitation. I also take a minute Madam Speaker to inform that construction of the three big irrigation schemes at Mobuku, Doho and Agoro, altogether with a total farm area coverage of 7500 acres, was completed in the year just ending, and this has meant that the rice farmers have now experienced increasing productivity from 20 bags an acre to 25 bags an acre.

E. STRENGTHENING INSTITUTIONAL GOVERNANCE AND PUBLIC SERVICE DELIVERY

109. Madam Speaker, during the year now ending, Government has vigorously instituted accountability measures to effectively and efficiently utilize public resources. As you know Madam Speaker, this was started two years ago, it continued in the budget of last year, and is continuing even now.

Cash Management

107. The Treasury Single Account was implemented to strengthen day to day cash and debt management. All redundant Bank Accounts at the Bank of Uganda have been closed, and the number of Bank Accounts operated by any Government Agency have now been restricted. We have also enforced limits on cash withdrawals to a maximum of Shs 20 million per day to reduce the amount of public funds exposed to potential abuse. What this also means, Madam Speaker is that at the end of every day, any unutilized funds will be returned to the Treasury, scrutinized and distributed again the next day. In the next financial year, Government will strictly enforce the
Commitment Control System which bars any Accounting Officer from over-committing Government beyond the available resources. Accounting Officers will be required to honour payments to contractors and service providers within 14 days from receipt of invoices.

Payroll Management

108. Madam Speaker, we have fully decentralized payroll management in the public sector from the Ministry of Public Service and the Ministry of Finance, Planning and Economic Development, to Accounting Officers who hold responsibilities for the various votes. This has addressed the perennial problem of delayed salary payments and existence of "Ghosts" staff on the Government payroll. With this arrangement, Accounting Officers are personally and financially responsible for all salary transactions. Madam Speaker, we appreciate the support received from yourself and Parliament while carrying out this exercise.

109. In order to improve payroll management, the biometric information of all Public Servants across the country has been taken and a comprehensive audit of the payroll by The Auditor General will be completed by the end of August. The Integrated Personnel and Payroll System (IPPS) is being rolled out and will interface with the Integrated Financial Management System (IFMS) under my Ministry to ensure payment of all staff salaries through the IFMS, as Government's payment system.

110. In order to improve the management of Government Pension and Gratuity, with effect from 1st July 2014, the budgeting and payment of Gratuity will be decentralized from the Ministry of Public Service to the individual institutions where the retiring Public Officers reside. This decentralization will also be extended to the payment of monthly Pensions in the medium term.
**Budget Transparency and Accountability**

111. Madam Speaker, the Ministry of Finance, Planning and Economic Development continues to publish the quarterly releases to all Government Departments and Agencies in the print media. I call upon Hon. Members of Parliament and the general public to take keen interest in this information and use it to monitor implementation of Government programmes and utilization of tax payers’ money within their respective areas.

112. During the year, the Ministry of Finance, Planning and Economic Development launched the Budget Information Website which provides all budget related data. The budget information on the website provides the performance of Government programmes by locality, and serves as a platform for the public to provide feedback and report any information related to implementation of the national budget.

113. Madam Speaker, in the next year, budget transparency will be enhanced by closely working with the Civil Society. I call upon civil society to work together with my Ministry to enhance budget transparency. CSOs are literate, numerate, and have a presence in the field. We call upon them to use those strength to help us monitor, evaluate, and ensure maximum value for money for Government monies used not for workshops but in the field. Ministry of Finance is also establishing an SMS system and Hotline for the public to air their views, seek responses from Government agencies on implementation of public programmes, and whistle-blow irregularities in public financial management.

**Additional Key Interventions**

114. Madam Speaker, in the next year, other key priorities for improving institutional governance, accountability and efficiency measures will include the following:
i. Conduct the National Population and Housing Census to gather demography and economic data critical for proper planning. I have allocated an additional of Shs. 40 billion to the Uganda Bureau of Statistics for the census.

ii. To ensure timely preparation for the 2016 General Elections, an additional Shs. 105.6 billion has been allocated to the Electoral Commission to carry out preparatory activities. I have also allocated an additional Shs. 80 billion to the Uganda Police Force, to cater for recruitment of required personnel and other activities in preparation for the elections. An additional Shs 74 billion has been allocated to the implementation of the National Security Information Systems Project, commonly known as the National ID Project.

iii. Madam Speaker, I have allocated Shs 450 billion to enhance the salary of all Public Servants. This includes provisions for the teachers’ pay increase in line with Government’s agreement with the Uganda National Teachers’ Union (UNATU). The salary of the lowest paid Teacher will therefore increase by between 15% to 25%. Other Public Servants’ salaries will also be adjusted within the available resources. Along with this Madam Speaker, we will work together with sector ministries to implement performance indicator benchmarks to make sure that the quality of health and education services is ensured.

iv. Government will also institute tax inclusive budgeting for all goods and services procured by Government, including those of development partners supporting public projects, with effect from Financial Year 2014/15. This measure will remove distortions and loopholes that arise by not treating Government transactions in the same way as those of the private sector, and also eliminate the accumulation of Government tax arrears.

v. Madam Speaker, in accordance with the PPDA (Amendment) Act Section 59A, it is now mandatory for all Government agencies,
when using the open bidding, to grant a 15% margin of preference to goods which are domestically manufactured, mined, extracted or grown in Uganda; and 7% margin of preference for works by Ugandan contractors or services provided by Ugandan consultants. This is meant to promote local content.

vi. Government will also work with the Utility Companies to rollout the prepayment system for electricity and water starting with Government institutions to address the problem of accumulation of utility bills and to eliminate domestic arrears. Madam Speaker, a final word on the question ghosts, the ghosts reside amongst us all; they are our parents, our children, our relatives, our friends, they are in Government and private sector alike. So we must combine our joint forces. Kick out the ghosts, bring the money back by way of improving service delivery. It is not a blame game, it’s a game of redress. Let’s make sure that the money going to ghosts comes back to support real activities, real health, real education.

VI. CONSTITUTIONAL SELF ACCOUNTING BODIES

115. 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
116. 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.

117. 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.

VII. FINANCIAL YEAR 2014/15 TAX AND REVENUE MEASURES

118. Madam Speaker for the financial year 2014/15 tax and revenue measures, the objectives of the various tax measures are to raise revenues, enhance transparency in collection and enforcement, improve compliance and encourage investment while promoting value addition.

119. I will propose amendments to the tax laws to achieve the above objectives and introduce some amendments to simplify the laws, clarify ambiguous provisions and enhance compliance in the various tax laws. I will also highlight the decisions reached at the East African Community (EAC) Pre-Budget consultative meeting of May 2014.

A. INCOME TAX

Elimination of Initial Allowances on Eligible Property

120. Madam Speaker, a person who places an item of eligible property into service for the first time during a year of income is allowed a double tax deduction for that year of income of accelerated depreciation and ordinary depreciation. I, therefore, propose to
terminate initial allowance on eligible property in order to widen the tax base. This measure is expected to generate Shs.53.2 billion.

_Increase the Presumptive Tax Threshold from 1% to 3%
_121. Madam Speaker, a lot of businesses in Uganda are operating informally making it difficult to apply the normal income tax regime on them. A presumptive tax system was developed for them but the rates of tax on their income have not been revised since 1997. I propose to increase the presumptive tax threshold from 1% to 3% to raise revenue of Shs.8 billion._

_Imposition of 15% tax on Sports and Pool Betting winnings and Designation of Gambling Houses to withhold the tax
_122. Madam Speaker, I propose to introduce a 15% tax on winnings on sports and pool betting and to designate gambling houses as agents to withhold the tax. This measure is expected to generate Shs. 8.0 billion._

_Termination of exemption on Interest Income on Agricultural Loans
_123. Madam Speaker, I propose to terminate the exemption on interest income on agricultural loans to raise revenue. This measure is expected to generate Shs.25.1 billion when the banks will now be paying this interest to the Government._

_Capital Gains Tax on sale of Commercial Property
_124. Madam speaker, I propose to introduce capital gains tax on the sale of commercial property to raise revenue of Shs.52 billion._

_Income Tax Act Thin Capitalization Rules
_125. Madam Speaker, I propose to limit deductions for interest paid to non-associated persons not to exceed 50 percent of earnings before interest and depreciation. This will ensure that it is effective in limiting the avoidance of tax abuse through low taxed interest payments._

_Termination of exemption on Income derived from Educational Institutions
_126. Madam speaker, I propose to terminate the exemption on income derived by a person from managing or running an educational
inclusion for commercial gain. This is consistent with the principle of
equity and transparency in tax regimes, and broadening the tax base
by bringing more taxpayers into the tax net. This measure is expected
to generate Shs.15 billion. Madam Speaker, you will note that Income
Tax is levied after all costs have been met.

**Definition of Start-up Costs**
127. Madam Speaker, currently, there is no definition of start-up of costs
in the Income Tax Act and this causes a risk of mixing start-up costs
with capital expenditure, thus getting a double benefit. I propose to
restrict start-up costs to only non-recurring preliminary costs, which
are associated with starting up a business.

**Other Technical Amendments**
128. I propose to other technical amendments Madam Speaker, the
details of the above proposals are contained in the Income Tax
(Amendment) Bill 2014.

**B. VALUE ADDED TAX (VAT)**
129. Madam Speaker, Value Added Tax (VAT) is a well-designed tax and
follows best international best practice. It is a tax designed to generate
revenue and is borne by the final consumer. However since its
introduction, changes have been introduced to address perceived
problems that have created complexity both in the underlying tax
structure and its administration. These include VAT exemptions for
intermediate inputs to various sectors. To restore its credibility and
enhance revenue mobilization, I propose to restructure the VAT Act to
remove these distortions, with the objective of promoting transparency,
formalizing of businesses, and compliance in the management of VAT
making sure the VAT burden is on the final consumer.

**Termination of Exemptions under the Second Schedule of the VAT Act**
130. Madam Speaker, I propose to terminate the exemptions on the
following supply with effect from 1st July 2014:-
i. Supply of New Computers, Desktop Printers, Computer Parts & Accessories and Computer Software Licenses;
ii. Supply of hotel accommodation in tourist lodges and hotels outside Kampala District;
iii. Supply of Liquefied Petroleum Cooking Gas;
iv. Supply of Feeds for Poultry and Livestock
v. Supply of Agriculture and Diary Machinery
vi. Supply of Packaging Materials to the Diary and Milling Industries
vii. Supply of Salt
viii. Supply of Insurance Services except medical and life
ix. Supply of Specialized Government Vehicles, Plant and Machinery services and civil works related to roads and bridges construction, Agriculture, Water, Education and Health.

131. Madam Speaker, the above measures are projected to generate Shs.215 billion and the details are contained in the VAT (Amendment Bill) 2014.

*Termination of Zero-rated Supplies under the Third Schedule of VAT Act*

132. I propose that the following VAT zero-rated supplies be terminated with effect from 1st July 2014:-

i. Supply of Printing Services for Educational Materials
ii. Supply of cereals, grown, milled or produced in Uganda
iii. Supply of processed milk and milk products
iv. Supply of Machinery and Tools for Agriculture
v. Supply of Seeds, Fertilizers, Pesticides and Hoes

133. The above measures are projected to yield Shs.30.4 billion and the details are contained in the VAT (Amendment Bill) 2014.
C. EXCISE DUTY

Increase of Excise Duty of 50 shilling on Petrol and Diesel

134. 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 Shs.60 billion, much needed for road maintenance and other infrastructure needs.

Reinstate Excise Duty of 200 shillings on Kerosene

135. Madam Speaker, I propose to reinstate excise duty on kerosene at 200 shillings per litre to raise revenue. The removal of the duty in 2010 did not lead to reduction of the price as expected and the oil dealers rather than the final consumers were the beneficiaries, not the final consumer. Findings from the industry suggest that the reason the price of paraffin or Kerosene did not reduce was because unscrupulous dealers use it to adulterate diesel which causes damage to car engines and industrial motors. This is very hazardous to all users in industry, transport and households. This measure is expected to generate about Shs.15 billion and will go towards increasing solar energy in rural areas.

Increase Excise Duty on Sugar from 25 shillings to 50 shillings

136. This measure is expected to generate about Shs.7 billion. Madam Speaker, as we speak, the price of sugar is at least 20 percent below the prices that were prevailing in the year 2000.

Introduction of 10% Excise Duty on Mobile Money Withdraw Fees

137. Madam Speaker, in Financial Year 2013/14, I introduced a 10% excise duty on mobile money transfer services but the revenues were not realized as the charges were transferred to withdrawals and the revenues remained within the mobile industry. To correct this anomaly, I am proposing a 10% excise duty on fees charged at withdrawals. This measure is expected to generate about Shs.16 billion.
Excise Duty on Bank Charges and money transfer fees
138. Madam Speaker, I propose to introduce excise duty of 10 percent on bank charges and money transfer fees to generate revenue of Shs.22 billion.

139. Details of the above measures are contained in the Excise Duty (Amendment) Bill 2014.

D. OTHER TAX MEASURES

Treatment of Government Taxes
140. Madam Speaker, the Ministry has embarked on the process of integrating Government in the tax system and removing any distortions and loopholes that arise by not treating Government transactions in the same way as those of private sector.

141. Madam Speaker, I am proposing that commencing next Financial Year, all goods and services procured by Government, directly or with Development Partner support will be tax inclusive. Funds have been allocated in the budget to the relevant sectors. Accordingly the gross tax payment system managed under my Ministry will cease.

142. In this respect, and to provide for a smooth transition for the new policy framework, I have decided to write off all outstanding taxes owed to Uganda Revenue Authority by both the Central Government and Local Governments. However, this excludes PAYE, Withholding Tax and any other taxes withheld at source which must be accounted for by the responsible persons in accordance with the law.

E. NON TAX REVENUE, NEW TAX LAWS AND OTHER REFORMS

Implementation of the Revised Non Tax Revenue rates by Government
143. Madam Speaker, last Financial Year I revised some Non Tax Revenue rates through the Finance Bill 2014 to raise revenue. The exercise will continue in Financial Year 2014/15 raising further
revenue of about Shs. 40 billion. Details will be contained in the Finance Bill 2014.

New Tax Laws and Other Reforms
144. Madam Speaker, Last Financial Year, my Ministry proposed new Excise Duty, Stamps Duty, Lotteries and Gaming laws as well as the Tax Procedures Code. I am happy to report that the Bills are now before Parliament and I am hopeful that they will be considered, enacted and implemented as part of the tax reforms and budget for the Financial Year 2014/15. It is of necessity to expedite the enactment of these laws as they are critical for enhancing compliance and the overall objective of increasing revenue collection.

Tax Administration
145. Madam Speaker, modernization of the tax administration remain a priority to enhance revenue collection. The e-tax system and other information management systems to augment the capacity of tax administration will be stepped up to improve taxpayer compliance. The e-tax is to be linked with the IFMS system of my Ministry, and accessibility of electronic services for small taxpayers will be enhanced to make it easier for them to comply with the new tax requirements.

146. In order to improve tax administration, a list of key performance indictors has been developed between the Ministry and URA, to monitor efficiency gains by tax administration and ensure that URA can deliver the set targets.

East African Community and Regional Initiatives
147. Under EAC Northern Corridor, initiatives have been implemented to improve efficiency in the clearance of goods at Mombasa port and along the Corridor. The focus has been on addressing the perennial bottlenecks that increase the cost of doing business.
148. As I said before Madam Speaker, I wish to report the transit time taken from Mombasa to Kampala has been reduced from 18 to 4 days while the time taken to load and transport fuel from Kisumu and Eldoret to Uganda has been reduced from 3 days to less than one day. In fact some business people are now complaining that they have nowhere to store their cargo as it is rising so fast.

149. Transit bonds which have been a major complaint by the business community have been eliminated and multiple customs documentation substantially reduced. These improvements are resulting into reducing in costs of transport for Uganda’s import and export cargo and also deepening the EAC integration process.

EAC Pre-Budget Consultations
150. Madam Speaker, the East African Community Ministers responsible for finance and economic affairs agreed on a number of decisions during the Pre-Budget meetings in Nairobi on the 3rd of May. These included introduction of a 1.5% infrastructure levy on selected imports into EAC to finance railway infrastructure development in the respective countries. So Uganda’s levy will go for the railway infrastructure within Uganda.

151. Details of the decisions will be contained in the East African Community (EAC) Gazette.

F. REPORT OF TAX EXPENDITURES FOR FY 2013/14
152. 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 Financial Year, I waived Stamp duty of Shs 200 million payable by Pride Micro Finance Limited and Shs 2 billion payable by Uganda Development Bank Limited on increase in share capital. I also waived PAYE liability of shs 332,252,158/=for Gulu
Independent Hospital for the period July 2002 to October 2005. This is in line with the tax waiver granted to the Northern Uganda business community in 2006 due to hardship in the aftermath of that war.

153. Madam Speaker, Government has, as of 26th May 2014, also paid Shillings Eleven billion, Five Hundred Three Million, Two Hundred Fifteen Thousand, One Seven Hundred Fifty Shillings only (Shs.11,503,215,750/=) in respect of Hotels, Textile Manufacturers, Hospitals and Tertiary Institutions, and Non-Government Organizations with tax exemption clauses in their agreement.

VIII. SCHEDULE OF INDEBTEDNESS

154. Madam Speaker, in accordance with the provision of Article 159 (4), Section 13 (1) and (2) of the Budget Act 2001, I hereby lay on Table Government’s total indebtedness as at 31st March 2014 and all the loans contracted the grants that Government received during financial year 2013/14. I wish to call upon Colleagues to spare some time read and discuss the report and provide insights, comments and guidance.

IX. CONCLUSION

155. Madam Speaker, this budget has been prepared to create a better Uganda. It is all about coordination, cooperation, accountability from all of us. Having a shared vision requires working for the common good as a team. With this common understanding, we shall transform Uganda. We shall build modern and lasting infrastructure, we shall deliver services, create jobs, eliminate poverty, increase incomes and ultimately improve the overall quality of life of people in Uganda on a sustainable basis.

156. The budget has prioritised implementation of actions that have impact on livelihoods of a majority of Uganda such as education, health, water and agriculture, among others. For rural farmers and the business community, the budget aims at enhancing the availability of
electricity and transport infrastructure to enable in order to reduce the cost of doing business. Again for agriculture, the budget helps you to transform from just farmers but agriculture business people. For potential entrepreneurs and job seekers, especially the youth, the budget provides opportunity for appropriate skills development for the market, for opening into the larger agricultural productivity and agro-processing and affordable access to investment finance for bankable projects. For the Uganda workers, pension sector reforms will be aimed at securing incomes in retirement, and to ensure efficient savings mobilization for sustainable and long term development, without compromising social security protection.

157. Therefore, Madam Speaker, the budget proposals I have presented today are not as a contract among a selected few. The budget proposals reflect a shared vision and common agenda for all citizens of Uganda.

158. We congratulate the Cranes on their win against Madagascar, we wish them good luck in Equatorial Guinea, on the inevitable path to Nations Cup this time. And as I draw to a close, I know it is soon kick off time across in Brazil, it is Africa’s time, it is time for Africa to win the World Cup.

159. Madam Speaker, as I commend this budget to the people of Uganda, I wish to urge my colleagues, Members of Parliament, Government technocrats, private sector actors, and the civil society, to play their respective roles and implement the proposals for a better Uganda.

I beg to move.