THE REPUBLIC OF UGANDA

RESPONSES TO THE ISSUES RAISED BY PARLIAMENT ON THE NATIONAL BUDGET FRAMEWORK PAPER FOR FY 2015/16

MINISTRY OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

MAY 2015

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PART 1: INTRODUCTION

1.1 Rt. Hon. Speaker, I wish to acknowledge receipt of the Report of the Budget Committee of Parliament on the National Budget Framework for FY 2015/16 and the recommendations therein. Through you, Madam Speaker, I wish to sincerely thank Hon. Members of Parliament for their considerable efforts in providing comprehensive comments on the National Budget Framework Paper FY 2015/16 in such a time constrained period.

1.2 Madam speaker, as you are aware, the Public Finance Management (PFM) Act 2015, was gazetted in March 2015, and the entire Government has been working hard to ensure that the timelines are adhered to, and that the Budget is timely considered on 11th June 2015.

1.3 Madam Speaker, while I have endeavored to respond to the issues and recommendations that have been raised, I am however constrained to meet the financial implications of the additional resources, over and above the resource envelope that I have presented to you.

1.4 Overall, the recommendations require approximately **Ushs900 billion** over the resource envelope and this is compounded by other unfunded priority areas as noted in the various sector Budget Framework Papers.

1.5 Madam Speaker, linked to the theme of the Budget for FY 2015/16 of ***"maintaining infrastructure investment and promoting excellence in public service delivery",*** the thrust of the FY 2015/16 Budget gives first priority to infrastructure development because of its strategic importance in addressing bottlenecks to economic growth and development.

1.6 Accordingly, as you will notice Madam Speaker, 33% of the Budgetary resources have been allocated to the infrastructure sectors, and 20% to the critical Social Services which benefit the majority of the population. In view of the above, it is not feasible to provide any additional resources to the unfunded areas. Relatedly, it is not possible to reallocate resources across sectors and activities given that this will distort the agreed priorities and undermine the budget strategy as well as other growth prospects.

1.7 While the report noted that there was inadequate provision for key sectors such as Trade Industry and Tourism, ICT, Lands, Rural electrification, and Water and Environment, I would like to inform the House that out of the Ushs 450 billion additional resources in FY 2015/16, Ushs 57.5 billion has been provided for the above mentioned areas. Specifically;

- Additional Ushs 30 billion was provided as counterpart funding for Rural Electrification;
- Additional Ushs 6 billion was provided under Ministry of Trade for Value addition in Tea;
- Additional Ushs 10 billion was provided under Tourism sector;
- Additional Ushs 9 billion was provided to the Water and Environment Sector; and
- An Additional Ushs 1.1 billion and Ushs 1.5 billion was provided to the ICT and Lands Sectors, respectively.

1.8 Whereas this funding may not be entirely adequate to fully meet the requirements under these sectors, Sectors need to prioritize within their current budget to meet their mandates. Given our limited revenue, and in order to ensure that we do not contract debt beyond our sustainable levels, it is critical that sectors exercise high levels of operational efficiency and frugality in Budget Execution.

1.9 The committee noted that there was a discrepancy between the detailed draft estimates and the National BFP. This was due to the fact that the BFP did not comprehensively cover all the External Financing for FY 2015/16. In this regard, the updated External Financing which has been presented through corrigenda fully covers the total resource envelope for FY 2015/16.

1.10 This report is structured as follows:

- Part One : Introduction;

- Part Two: Government Medium Term Macroeconomic Plan, Fiscal Framework and Indicative Revenue Framework;

- Part Three: Proposed Sector Plans and Expenditure Key Observations and Recommendations.

PART 2: GOVERNMENT MEDIUM TERM MACROECONOMIC PLAN, FISCAL FRAMEWORK AND INDICATIVE REVENUE FRAMEWORK

1.0 **Issue:(Para 9 & 10)** According to Section 9(3) of the PFM Act 2015, the NBFP must be consistent with the National Development Plan (NDP) and with the Charter of Fiscal Responsibility. The Budget Committee observes that the current NDP 1, which was due to expire by June 2015, was extended for one additional year to allow for the capture of rebased national data; the alignment and updating of the macroeconomic framework; demographic changes and confirm public investment for NDP II.

The extension raises a question for the planning framework and a strategic anchor for the FY 2015/16 budget, given that the Macroeconomic projections for NDP I are expiring. On the other hand, the delayed NDP II, has created a vacuum in the planning framework and a challenge for the alignment and implementation of the FY 2015/16 budget.

2.0 ***Response: The current National Development Plan (NDP I) will not be extended by an additional year The successor Plan (NDP II) was finalized through a consultative process and was cleared by Cabinet in March 2015 and has already been submitted to Parliament for approval. The***

FY2015/16 budget and the Medium Term Expenditure Framework are therefore consistent with the NDP II. Given the change in the Budget Cycle on account of the new PFMA which came into effect on 6th March 2015, Government in consultation with Parliament thought it prudent to handle the two plans, i.e. the Budget and the NDP II concurrently in order to meet the legal deadline.

3.0 **Issue:(Para 11)**The Committee observes that Government is yet to finalize the Charter of Fiscal Responsibility (CFR) and according to the IMF country report 14/354 of December 2014; the CFR is expected to be finalized by May 2015.

4.0 ***Response: A draft Charter of Fiscal Responsibility has been prepared and shall be finalized and ready for Parliamentary approval in line with the timelines in the PFM Act 2015, which requires the Charter to be tabled for approval within 3 months after the first sitting of Parliament following a general election. This means that the Charter of Fiscal Responsibility will be ready in 2016, and will cover the period FY2016/17 to FY2020/21***

5.0 **Issue:(Para 15)** The Committee notes that a lot of information is missing in the NBFP and because of this problem; credibility assessment of the key macroeconomic assumptions is not possible. Specifically,

a) Information about GDP and Money Supply does not have the absolute values for average and year end,
b) Information on year-end inflation rates is missing,
c) Information on rates for employment and unemployment is missing,
d) Information on Exchange rates and Interest rates is missing.

The committee recommended that the missing information should be availed in the final document for proper assessment.

6.0 ***Response: The observation is noted and this information has now been submitted attached as Annex 1 to this report. However, the information on medium term exchange rate and interest projections could not be provided. This would undermine the proper functioning of the financial markets, mainly through speculation, as both the exchange and interest rate are market determined. The international best practice is for countries to show outturns and also indicate present year projections.***

7.0 **Issue:(Para 21)**The foreign exchange rate is projected to depreciate further in the medium term, despite projected rise in Foreign Direct Investments (FDI) in the energy and oil sectors. The Committee recommends that the long term solution to foreign exchange stability is for Government to deliberately support the export sector.

8.0 ***Response:* *The projected depreciation of the exchange rate over the medium term in part reflects the projected increase in Government imports – on account of the scale-up in infrastructure investment requirements. And this will be partially offset by the increase in foreign direct investments.***

The recent instability in the foreign exchange market was to a large extent attributed to market speculation and sentiments relating to the perceived state of Government finances in the run up to the general elections next year. The instability was countered by Central Bank interventions to stem disruptive movements of the exchange rate. However, as indicated in the report, we concur with Parliament that increasing our export capacity is the long term solution to the stability of the exchange rate and Government is focused on doing so.

9.0 **Issue:(Para 24)**The Committee recommends that Government gives a more realistic inflation projection figure, harmonized with the Central Bank and consistent with the GDP growth projection.

10.0 ***Response: The reported annual inflation projections take into account both domestic and external outlook. The domestic factors include; the pass through of the exchange rate depreciation and increase in food prices while external current account is projected to remain weak over the medium term, on account of increased imports. The 7% – 9% range in core inflation referred to would happen in the case where the Central Bank takes no action to curtail inflationary pressures. However, the current projections are in line with Bank of Uganda's monetary policy stance that will be aimed at curtailing the rise in core inflation beyond the 5 percent per annum target.***

11.0 **Issue: (Para 28)** The Committee recommends more human resource for URA to ensure improved surveillance and compliance to the approved Tax revenues measures.

12.0 ***Response: The recommendation is noted. The recruitment of additional staff for URA is an integral part of their ongoing plans of strengthening tax administration and additional resources amounting to Ushs 25 billion have been provided during this FY 2014/15 to support recruitment. And as has been demonstrated in this year's revenue collections, the efforts to strengthen tax administration are beginning to bear fruit. By the end of***

March, URA revenue performance was above target by Ushs 38 billion.

13.0 **Issue:(Para 31)**Observation of the Committee on commercial borrowing in the fiscal framework

14.0 ***Response: Our public debt strategy requires that any new borrowings must take into consideration issues of debt sustainability, macroeconomic stability and absorption capacity of sectors. Therefore, the borrowing as indicated in the fiscal framework over the medium term has factored in these issues, without risking our debt sustainability objective. And with consideration that much of this borrowing is on account of infrastructure investments, it will boost the economy's production and productivity capacity.***

15.0 **Issue:(Para 36)**The Committee recommends that Government avails projection for commercial borrowing in the final NBFP document.

16.0 ***Response: The projections for Commercial Borrowing are provided in the Medium Term Fiscal Framework (Table 2) on page 12 of the BFP FY 2015/16, in billions of Ushs.***

17.0 **Issue:(Para 37)** The Committee noted that since FY 2012/13, Parliament has not been approving domestic borrowing to finance the budget as required by the Constitution. The Committee recommends that Government addresses the anomaly.

18.0 ***Response: The sources and levels of financing of the budget (which include; domestic revenues, external financing and domestic borrowing) have always been presented to Parliament with the budget estimates. Therefore the approval of the Budget by Parliament has been construed to indicate approval for the Government to raise financing from domestic sources.***

19.0 **Issue:(Para 40)** The Committee recommends that the Ministry of Finance, Planning and Economic Development should provide detailed and measurable costs and benefits to Government as a result of the tax exemptions in the final NBFP document.

20.0 ***Response: No tax exemptions have been issued this FY. Any tax expenditures on behalf of the private sector have been with the approval of Parliament and a report is to be provided with the details.***

21.0 **Issue:(Para 48)** While the main sources of the fiscal risks have been identified to include the Macroeconomic risks due to accuracy and sensitivity of the assumptions and fiscal aggregates; public debt level, debt servicing and limited fiscal space to respond to unexpected shocks; contingent liabilities arising from PPPs; Geo-political risks due to likely instability from country neighbors and trading partners; the poor weather conditions and the supplementary expenditures. However, the quantified estimation of the fiscal impact of the risks on the economy; and the generation of an alternative fiscal framework based on more realistic assumptions have NOT been provided in the NBFP, as required by the PFM Act 2015. The Committee recommends that Ministry of Finance, Planning and Economic Development addresses this omission.

22.0 **Issue :(Para 49)** The Committee observes that one of the important and recurrent fiscal risks has been omitted, and that is the internal governance issues in Uganda, especially around the general elections period. The other fiscal risk is the institutional capacity of sectors to absorb and effectively implement the flagship projects. The Committee recommends that these two risks be part of the risk portfolio.

23.0 ***Response: Projections for macroeconomic assumptions and fiscal framework provided, as much as possible, took into account the risks identified. The risks were***

classified into; more likely, likely and less likely, with all the risks in the more likely and likely categories factored into the assumptions. We note the recommendation to include internal governance issues as part of the risks.

Public Debt Developments 2015

24.0 **Issue: (Para 53).**Information from the Ministry of finance indicates that some of the loans contracted have exhibited poor absorptive capacity of loanable funds. This is illustrated where during the FY 2014/15, a total of US$ 992.28 million of external support was budgeted and a total of US$ 433.87 million (44% performance) has so far been disbursed as at February 2015. This is an indicator of inefficiency in the implementation of projects. Poor absorption of loanable funds has resulted from capacity challenges and the lack of preparedness on behalf of implementing agencies. This is coupled with inadequate provision for counterpart funds in the budget. The Committee recommends that more stringent action be taken on accounting officers who have failed to demonstrate justifiable cause for the low performance of the loans under their portfolio.

25.0 ***Response: Government is undertaking the following measures to improve project performance and implementation:***

i. ***Expediting the approval process of loans by engaging Parliament early enough from the project design stage.***
ii. ***Improving project selection, design, appraisal and analysis before the project is approved and sanctioned for funding. A dedicated Department for Project Appraisal and PPPs has been created in the Ministry.***
iii. ***Undertaking studies in advance of loan/grant agreement signature to ensure that project execution commences immediately on project effectiveness,***
iv. ***strengthening procurement units and contract committees to avoid procurement related delays,***
v. ***Strengthening supervisory capacity within sector ministries, and monitoring and evaluation across Government,***
vi. ***Sanctioning slow performing agencies that may include rejecting new requests for project financing and not renewing contracts for accounting officers who have projects performing below 50%,***
vii. ***Outsourcing contract management and monitoring.***

PART 3: PROPOSED SECTOR PLANS AND EXPENDITURE KEY OBSERVATIONS AND RECOMMENDATIONS

Lands, Housing and Urban Development

26.0 **Issue: (Para 70)**The sector plans to rollout to 21 more zonal offices under the phrase II of the Land Information System project which has been replaced with Competiveness Enterprise Development project, this will require the recruitment of additional staff for operationalizing the offices. The Committee strongly supports the project to ease and create harmonious co-existence in the community by enabling quick response to land related conflicts which are rampant in the society at present. The Committee accordingly upholds the request for increased allocation to the sector in the medium term for staff wage.

27.0 ***Response: The Ministry of Lands, Housing and Urban Development has been allocating Ushs 4bn annually for the operations of the current 7 zonal Offices. In the FY 2015/16 additional UShs 1.41bn was requested to facilitate further roll out of additional 7 zonal Offices. Whereas MoFPED appreciates the need for additional funding, it was considered prudent for the Ministry to first accomplish the ongoing restructuring exercise to recruit appropriate staff for smooth operations and maintenance of the National Land Information Centre,***

zonal offices and Ministry as a whole; and resources for operationalizing the zonal offices be provided in the medium term.

28.0 **Issue:(Para 71)**The Committee noted the increased budget pressures on the Uganda Land Commission Budget of Ushs.70 billion required to acquire land for the resettlement of persons living on the lands of absentee landlord. This is intended to correct the historical imbalance that was created at the time of independence. The Committee urged Government to increase on the allocation made for fast-tracking of the program.

29.0 ***Response: Ministry of Lands, Housing and Urban Development, through the "Support to Uganda Land Commission project" has been receiving an allocation of UShs 12 bn annually to the ULC for the compensation of absentee land lords. For instance, in the FY 2014/15 ULC acquired 67,591.78 hectares of land from 313 land lords. In FY 2015/16, additional Ushs 2.01bn has been provided in the Commission's budget making a total of Ushs 14 billion to facilitate compensations of the land lords. Government has maintained this allocation in the medium term as a stop gap measure by Government to reduce land conflicts and stop evictions of Bonafide occupants. We believe that these obligations will be fully extinguished within the medium term.***

Presidential Affairs

30.0 Issue: (Para 76)The Committee observed that despite the colossal sums of money passed by Parliament to settle the arrears for ESO/ISO in a number of financials years, non-payment of the same arrears in the security organizations still persist. The Committee recommends that Ministry of Finance, Planning and Economic Development and Office of the President treat the matter with urgency and ensure appropriate allocation of budget resources for what is demanded so that the arrears are settled once and for all.

31.0 ***Response: The MFPED is committed to settling all outstanding arrears for the two Institutions. In this regard,***

i. **ISO: In current FY 2014/15, shs 7.24bn was provided in the ISO Budget for settlement of Pension arrears and other arrears (shs 0.6bn), and also provided supplementary funding of shs 6.3bn for settlement of other long outstanding arrears. Regarding FY 2015/16, Shs 7.1bn has been provided, of which shs 5bn is Arrears on Employee costs and shs2.1 is Arrears on other recurrent costs.**

ii. **ESO: In current FY 2014/15, ESO received shs 2.7bn as Arrears, to cater for Pension arrears and other**

recurrent arrears, in FY 2015/16, ESO was allocated shs 2.17bn (Shs 2bn as Pension arrears and shs0.17bn as other recurrent arrears.

Health Sector

32.0 **Issue:(Para 81)**The Committee observed that the MTEF allocation excludes votes that are included in the national health accounts such as the Uganda Police services, Ministry of Education, Ministry of Defence, Uganda Prison services and other Ministries. The Committee recommends that votes that are included in the National Health Accounts should specify how much is allocated to the health sector to facilitate the summation of the total share of the health budget during consideration of the draft budget.

33.0 ***Response: Whereas the allocation for the Health Sector as a share of the National Budget is decreasing, the nominal or absolute GOU allocation for the sector has increased to UShs 782.5bn for the FY 2015/16 from UShs 762.8bn FY 2014/15 (UShs 19.7bn increment). The total budget allocation for the FY 2015/16 of UShs 1.221 trillion shows a reduction of UShs 78bn from UShs 1.299 in the FY 2014/15. This is mainly due to a reduction in Donor financing to projects which are coming to an end such as the World Bank funded Health Systems Strengthening Project and Public Health Lab***

Strengthening Project. Regarding the National Health Accounts (NHA), the Ministry concurs with the Committee observation for inclusion of the budget allocation to health under the votes considered in the NHA in the Sector MTEF. However, this will be considered carefully to ensure that the MTEF classification remain in harmony with Governments administrative arrangements.

34.0 **Issue:(Para 82)**Government allocation for health as percentage of the total Government budget for FY 2015/16is short of the HSSIP target of 9.8%. Committee recommended additional funding be provided to the sector in the medium term not only to meet her Commitments but also cater for various unfunded requests.

35.0 ***Response: Due to resource constraints arising from various factors, the HSSIP target of US$ 17 per capita government spending has not been met. This Ministry is, however, committed to providing additional financing to the Sector over the medium term on the basis of improved resource mobilization.***

36.0 **Issue:(Para 83)**The indicators of Health infrastructure in the health sector Strategic and Investment plan2010/11 - 2014/15 is a functional referral system. However, functionalizing the ambulance system remains one of the key unfunded priorities yet maternal death review audits indicate that some mothers die due to lack of transport from their homes to health facilities or lack of transport between health facilities. Committee recommended that Government should consider a cost effective ambulance system that can easily be achieved within the constrained sector budget in the medium term as compared to the proposed UGX 40 billion that may take a long time to be achieved.

37.0 ***Response: The Ministry concurs with the Committee's observations and a total of Ushs 500m has been provided in the budget for FY 2015/16 for National ambulances services.***

38.0 Issue:(Para 84)In the National Budget Framework Paper, the outcome of protecting children under one year against life threatening diseases excludes the vote function of pharmaceutical and medical supplies under National Medical Stores yet this vote function procures vaccines supplies that contributes to this outcome. Recommended Ministry of Health should ensure that this vote function is included among those that contribute to the above outcome to give the public a correct picture.

39.0 ***Response: This Ministry concurs with the Committee's recommendation and will follow-up with Ministry of Health to operationalize this decision.***

40.0 **Issue:(Para 85)**There is need to undertake baseline survey on the magnitude of the prevalence of marginalization and discrimination in the country, develop specific indicators for measuring gender and equity compliance and sensitizing all MDAs and Local Governments. The Committee recommends that Sh.12Bn be given to Equal Opportunities Commission to execute its mandate.

41.0 ***Response: My Ministry recognises the importance of investments targeted at identifying and reversing gender and equity disparities, which are multi-sectoral and require a broader integrated approach to address. In view of this, my Ministry is agreeable to the phased allocation of resources over the medium term, on the basis of a comprehensive response plan, to Equal Opportunities Commission and other agencies. However, it is not possible to allocate the above proposed resources in the FY 2015/16 owing to resource limitations.***

42.0 ***As an immediate measure, in line with the legal requirements of the new Public Finance Management Act, a Gender and Equity taskforce has been set up under my***

Ministry with representation from Equal Opportunities Commission, Ministry of Gender, Labour and Social Development, Ministry of Finance, Parliament, Civil Society Budget Advocacy Group and other line Ministries to collectively undertake the above proposed tasks.

43.0 **Issue:(Para 86)**In the first financial year, shs. 19.25 billion was provided while in FY 2014/15, only shs.35.25 billion was provided leaving a deficit of shs. 17.75 billion. The Committee Recommended Shs. 17.750 billion be given to the Ministry of Gender, Labour and Social Development to enable it extend the program to all sub counties in the country.

44.0 ***Response: My Ministry recognises the challenges of youth unemployment and the longer term effects associated with this phenomenon. To this end, targeted investments have been sustained under the Youth Livelihood Program championed by the Ministry of Gender, Labour and Social Development, as well as the Youth Venture Capital Fund, operated by the commercial banks for the period ending February 2017. Hon Members are called to note that the Youth Livelihood Program is still in its infancy and as such it has not been possible to obtain concrete performance results to confirm its viability. While it is not possible to provide the sums required under the Committee's recommendation, it would be prudent to premise medium term investments in the Youth Livelihood***

Program on performance results generated from the initial years of implementing the program.

45.0 Issue :(Para 87) The committee recommended Shs 26.730 billion be given to the Ministry of Gender, Labour and Social Development to kick start the roll-out of SAGE program. The Committee further recommends that government should make a concrete commitment to roll out the senior citizens grants to cover all districts of Uganda in the FY 2016/2017.

46.0 ***Response: Hon Members are called to note that my Ministry recognises the contribution of the SAGE Elderly Grant towards social protection and the income needs of the elderly and their dependents. It should also be noted that my Ministry has put on record our commitment to support the National Roll Out Plan for SAGE subject to availability of additional resources in the medium term.***

47.0 ***In addition to the above, my Ministry remains cognisant of the fact that, being a recurrent requirement, implementing the grant requires a sustained longer term investment which is projected at UShs 425 billion in the fifth year. These resource requirements would call for alterations to the existing sectoral allocations, and potentially require for scaling back the medium term investment provisions for infrastructure in roads,***

railway, energy and other social services. I wish to inform the house that additional Ushs 5 billion has been provided for this purpose.

48.0 **Issue:(Para 88)**The Treaty for the establishment of the East African Community Article 137 provides that Kiswahili shall be the Lingua Franca of the Community, a directive made by the 10th Council required that all Member States should establish National Kiswahili Council under the Ministries responsible for Culture. Recommended Government should expedite the establishment of Kiswahili Council by providing shs. 57.88 billion to the ministry of Gender, labour and Social Development for the initial establishment of Kiswahili Council.

49.0 ***Response: My Ministry is committed to providing additional financing to this Sectoral priority over the medium term on the basis of improved resource mobilisation.***

50.0 **Issue:(Para 89)**That Government through the Ministry of Gender, Labour and Social Development has started a promotion of green jobs and fair labour market program, 2015-2021 with a budget of shs. 863 billion. Recommended Government commits shs. 5 billion to the Ministry to kick start the implementation of the Programme in the FY 2015/2016.

51.0 ***Response: The Program was approved for funding in the FY 2015/16. It is imperative that additional funding to the program be defrayed from the resource provisions under the Social Development Sector based on the quality, merits and priority that the Sector Working Group (SWG) associates with the program over the medium term.***

52.0 **Issue:(Para 90)**What is currently being provided to the Ministry is inadequate to cater for the increasing numbers of children in institutions under Ministry of Gender; and Ministry Finance was able to allocate Shs 547, 000,000 against the required Shs 2,722,500,000 representing (20.09%) in its Budget for FY2015/16. The Committee recommends that sh. 2.175Bn be given to the Ministry to make the institutions operational and provide care and protection of children in the institutions.

53.0 ***Response: My Ministry is committed to providing additional financing to this Sectoral priority over the medium term on the basis of improved resource mobilisation.***

Legal and Parliamentary Affairs

54.0 Issue:(Para 91)Whereas JLOS has registered substantial achievements on addressing issues affecting the sector, it will not be receiving funding from the development partners over the medium term due to the passing of the anti-homosexuality law. The Committee notes that this will affect the activities that were previously being financed by the donors. The Committee recommends that Government secures funds for JLOS in order to enable the sector to continue with the Sector Wide Approach in addressing critical issues in the judicial system.

55.0 ***Response: Government is committed to supporting the JLOS in delivering Justice for all in Uganda. Allocations to JLOs institutions has been increasing over the medium term. Given that the Anti-homosexuality Act was declared redundant by Court, we advise the sector to re-engage the donors for additional funding.***

56.0 Issue:(Para 92). The JLOS House project which is meant to house all institutions and JLOS is being implemented through a Public Private Partnership. As a requirement under PPP, Government is required to execute guarantees/capital contribution equivalent to 10% of construction costs equivalent to USD 10 million. The Committee was informed that JLOS institutions spend over USD 7 million in rent annually. The Committee recommends that JLOS needs be supported to implement this Project since it will be a net saving on Government on rent. It recommends that Ministry of Finance provides the US$ 10 million over the medium term starting FY2015/16

57.0 ***Response: Procurement of the contractor/financier is still ongoing; therefore there is no clear basis for the USD.10m guarantee without evaluation of competitive bids and award of the contract. Article 159 of the Constitution grants Parliament authority to grant the Guarantee. In addition, there is no enabling law for the PPPs particularly, provision of the Project Development Fund.***

58.0 Issue:(Para 93)The Committee notes that the State attorneys for the Ministry of Justice and DPP are the lowest paid legal officers in Government compared to their counterparts in the Inspectorate of Government, Uganda Registration Services Bureau and Uganda Law Reform Commission. The salaries were last reviewed in 2008; this has led to high staff turnover and therefore costing Government in terms of recruitment costs and training. The Committee recommends that the salaries for state attorneys in the respective institutions be enhanced over the medium term commencing in FY 2015/16 so that it is competitive across government institutions to minimize staff turnover. The Committee recommends that Ushs 47 billion be provided.

59.0 ***Response: As you are aware, under the Constitutional amendments 2015, Government has proposed to set up of the Salaries and Remuneration Board. Therefore in the medium term, this Board will address the discrepancies.***

60.0 Issue:(Para 94)Provides for the entitlement of the officers was last reviewed in 1998 when the exchange rate was low at US$ 1-Ushs 1000 as compared to the current rate of US$1- ushs 3000. The Committee strongly recommends that Government expedites the amendment of the law on specified officers entitlements and ushs 5 billion be provided in the FY 2015/16 for the enhancement of Judge's allowances to cater for the foreign exchange rate depreciation and inflation

61.0 Response There is need to get a copy of the presidential directive and agree on how this shall be financed. Judiciary should provide this letter or Minutes for the Meeting in State House.

62.0 Issue :(Para 95) The Judiciary intends to increase magisterial areas in FY 2015/16 from 39 to 59 to increase access to Justice across the country. This will require an additional Ushs 8 billion annually. The Committee notes that access to Justice is a key element of good governance. Recommended

Ushs 8 billion is provided annually to enable access to Justice especially for the vulnerable groups.

63.0 Response: The Judiciary should engage the Ministry of Public Service to address the revised structure and any efficiency measures before expansion of the magisterial areas

Parliamentary Commission

64.0 Issue:(Para 96) The development budget of the Commission was drastically reduced by 77% in FY2015/16 compared to the FY 2014/15 from Ushs 39.208 billion to Ushs 8.966 billion. The Commission intends to start the construction of a new chamber over the medium term in order to address the critical issue of office space. Recommended the development budget of the Commission be reinstated to its current level of Ushs 39.208 billion.

65.0 ***Response: The development budget for Parliament reduced from Ushs. 39.208bn to Ushs. 8.3966bn because it was a one-off expenditure earmarked to procure security equipment. In FY 2015/16, Government has prioritized funding the General Elections 2016 as a key activity under the 1995 Constitution. Therefore, the resources were channeled to fund the 2016 General Elections; Government will ensure that adequate resources are provided to the Commission to address critical office space and construction of a new chamber***

in the medium term. In addition, the Commission is yet to submit the project proposal for construction of the chamber in phased manner.

66.0 **Issue :(Para 97)** there is a shortfall of Ushs.11.112 billion to cater for the salary shortfall for the recruited staff and salary enhancement. Recommended Shs. 11.112 billion should be provided in FY 2015/16 to cater for the wage shortfall.

67.0 ***Response The wage shortfall has been addressed through the Corrigenda.***

Agriculture, Animal Industry and Fisheries

68.0 **Issue:(Para 99)**The Committee noted that there are no scanners at the different border points to scan the agricultural exports and as such EU is threatening to ban some agricultural produce like the fruits that are said to contain pests. There is also a shortage of agricultural inspection officers at the various border points. The Ministry requires UShs. 12.5 billion and the available funding for FY2015/16 is UShs. 7 billion, additional support to agricultural exports inspection and certification services at border posts requires an additional UShs. 5.5 billion. There are 20 border posts, of which only 9 are manned with a crop inspector (Mutukula, Katuna, Busia, Malaba, UCDA, Nakawa Bus terminal, Railway bus Shade, Lwakhakha and Entebbe airport). This leaves a staffing gap at the border posts of Mpondwe, Oraba, Nimule, Cyanika, Kamwezi, Suam, Post Office Kampala, Ishasha river, Mirama Hills, Jinja Pier and Port Bell. Additional funding to the tune of UShs 5.5 billion should be availed to procure scanners so as to boost the regulatory function of inspection and certification of agricultural exports and imports. This will improve the value of exports and reduce the number of interceptions.

69.0 ***Response: A provision of Ushs 943,750,000/= has been made in the MAAIF budget for FY 2015/16 to cater for the purchase of a Heavy Duty X-ray and Hand Scanner for inspection of Uganda's Exports as part of the interventions to forestall the impending ban on Uganda's exports in the EU. It is only this year when it was brought to the attention of my Ministry that MAAIF needed to purchase a Heavy Duty X-ray and Hand Scanner for inspection of Uganda's Exports as part of the interventions to forestall the impending ban on Uganda's exports in the EU yet this is activity that the Ministry should have prioritised and adequately provided for within its MTEF.***

70.0 Issue :(Para 100) During FY 2014/15, MAAIF undertook the reform to restructure the National Agricultural Advisory Services (NAADS) and created a Single Spine Extension

System. The main focus was to recruit and fill vacant posts in the extension, production departments of local governments and lower local governments. The Committee noted that the implementation of the Agriculture Single Spine Extension system is very important in achieving agricultural production/export targets in the medium term. It is through the extension system that farmers will get access to the inputs procured by the NAADS Secretariat and training through demonstrations, on how to utilize the inputs distributed. MAAIF requires a total of UShs 55.9 billion per year to fill and pay salaries for the vacant extension staff in all the districts and sub counties in accordance with the new staff structure. However only UShs 16.9 billion has been allocated leaving a funding gap of UShs 39 billion. Recommended Provision of more funds to the tune of UShs 39 billion to achieve the staff structure at the local government in FY 2015/16. This will ensure that the agricultural inputs given to the farmers are well utilized and hence increase in agricultural output.

71.0 ***Response: MAAIF had earlier intimated that they required Ushs 49.334bn to fully fill and pay salaries for the vacant extension staff posts in all districts and sub counties in accordance with the new staff structure and UShs 55.9 billion.***

72.0 ***Due to resource constraints we propose that the recruitment exercise for the agricultural extension staff should be phased over three Financial Years starting in FY 2015/16. In the coming year (2015/2016), we have provided Ushs 10bn and will progressively increase funding towards the activity.***

Modernization of Agriculture

73.0 Issue:(Para 102)During Uganda's agriculture has remained significantly rain fed despite recent changes in weather the country has not invested strategically in Irrigation despite the availability of water sources all over the country. Access to appropriate technologies for irrigation among smallholder has remained a challenge as major focus is given to large scale irrigation schemes that can only serve farmers within proximity.

74.0 Two sets of earth moving equipment were got as a donation from the government of Japan in FY2014/15 to dig on farm valley tanks and communal valley dams. There is need to acquire additional three sets of heavy earth moving equipment, funds have been availed for only one set to the tune of UShs 2.8 billion in FY2015/16 leaving a funding gap of UShs 5.2 billion.

75.0 Recommended Focus should be put to investing in the promotion and availability of appropriate irrigation technologies that can widely be adopted by smallholder farmers. Government should also avail the balance of UShs 5.2 billion to procure the two additional sets of equipment FY 2015/16.

76.0 ***Response: Owing to resource constraints, we provided Ushs 2.8bn for mechanization of agriculture.***

Funding of Research in Agriculture Sector

77.0 Issue:(Para 103)During Funding for National Agricultural Research Organization (NARO) has been falling drastically (about UShs 80 billion, in External Financing due to the decline in ATAAS funding and closure of EAAPP project Phase I). This will adversely affect the performance of the Organization and it puts the future of funding agriculture research in a balance. Over the last three years, NARO has run only three projects funded through Government of Uganda (GoU),(reflected in the MTEF i.e. Support to NARO, the Eastern African Agricultural Productivity Project (EAAPP) and the Agricultural Technological Agribusiness and Advisory Services (ATAAS) project.) EAAPP is concluding this financial year whilst ATAAS is facing challenges arising from the rearrangement of the Government Extension system. The Committee was informed that MAAIF is in the process of negotiating for phase 2 of the East African Agricultural productivity Project under NARO. The Committee recommends that Government should come up with a new funding modality for research in Agriculture/NARO in FY 2015/16 and the process of negotiating for phase 2 of EAAPP project be fast tracked.

78.0 ***Response: Following the change in policy to establish a single spine under the Ministry of Agriculture, Animal Industry and Fisheries, Donors are no longer supporting NAADS. However, Government of Uganda negotiated with the World Bank to transfer US$ 62 million formerly for agricultural extension, technology promotion and food security under NAADS to NARO and MAAIF.***

79.0 Furthermore, Government has prioritized agricultural research and will over the medium term mobilise resources to ensure that funding for research activities is sustainable.

Education, Science, Technology and Sports Sector

Restructure of the Ministry of Education and Sports

80.0 **Issue:(Para 105)**During The Committee noted that His Excellency the President restructured the Ministry of Education and Sports to the Ministry of Education, Sports, Science and Technology but no guidance has been received from the Ministry of Public Service on the new structure and the financial implications. The Committee notes that there is no direct financial resources accompanying the presidential pronouncement. Recommended the Ministry should urgently come up with the new structure and government allocates the required financial resources to implement the Ministry's expanded mandate.

81.0 ***Response: My Ministry concurs with the observation of the Committee and has, under separate correspondence, requested the Ministry of Public Service to expediently advise Government on the appropriate requirements for the re-structured Ministry.***

82.0 Issue :(Para 106) During A number of institutions under the sector are heavily understaffed. Most of the Universities operate below 40% of the staff ceiling. This greatly affects the performance and achievement of their mandate. Recommended Government through Ministry of Public Service should review the staff structure of all the institutions in the education sector

83.0 ***Response: My Ministry concurs with the observation of the Committee and calls on the Ministry of Public Service to expedite the requisite actions taking into account the resource constraints.***

84.0 Issue :(Para107) During the Committee noted that most institutions are on the lands they do not legally own. This complicates the matter when the owners claim their land. The Committee therefore recommends that Government acquires through negotiations the land on which schools/government institution are located for purposes of legal possession.

85.0 **Response: Whereas my Ministry concurs with the observation of the Committee, there would be need to review the constitutionality of this requirement, and to harmonise land ownership by institutions with Article 239 of the Constitution of the Republic of Uganda and Section 49 of the Land Act, 1998 (as amended)**

86.0 Issue :(Para 108) The Committee noted that the poor hygiene and sanitation in most rural schools is responsible for high dropout rates especially of girl child. This is occasioned by shortage of critical infrastructure especially Classrooms, laboratories and sanitation facilities as a result increased enrolment that outstrips carrying capacity the facility. The national Pupil to latrine stance ratio stands at 71:1 against the recommended education standard average of 45:1. Despite the high ratio of pupil to latrine stance Government has cut the capital development budget for schools facilities grant from Ushs 62.219 billion (FY 2011/12) to Ushs 48 billion (FY 2014/15) and now Ushs 16.4 billion for the coming FY. Recommended Government should prioritize the hygiene and Sanitation in schools since its failure contributes greatly to the school dropout rates. Government should maintain the budget provision for the FY 2014/15 in respect of schools facilities grant.

87.0 ***Response: The gravity of the concern regarding hygiene and sanitation in schools is noted; and my Ministry reassures the Committee that this is being tackled through a multi sectoral investment strategy through the Education & Sports, Water & Environment and Health Sectors. The details of allocation are provided in the respective Sectoral Ministerial Policy Statements.***

88.0 ***With regard to the provisions for the Schools Facilities Grant (SFG), I wish to correct the impression by Hon Members that the annual grant allocations are set to reduce. On the contrary, the SFG allocation for FY 2015/16 is UShs 54.2 billion, which represents an increase of UShs 6.2 billion over and above the base of UShs 48 billion quoted in the Committee Report***

Taxation of Education Materials

89.0 Issue :(Para 110) During Government introduced VAT on printing services for education materials. This has impacted on the operational funds for the institutions of higher learning, especially Universities. Recommendation Government should reconsider the tax policy on Education materials with a view to make the VAT zero rated supplies.

90.0 ***Response: While the concern of the Committee is acknowledged, the Hon. Members are urged to recall the objective in restoring taxation on Government procurements across all categories was aimed at removing any distortions and loopholes that arise by not treating Government transactions in the same way as those of private sector.***

91.0 ***To this end, Government allocated, and continues to allocate, funds over the medium term for tax expenditure for all Institutions undertaking procurement of taxable supplies. It should be noted, therefore, that the re-imposition of VAT on education materials is budget neutral to the extent of the additional provisions made by Government.***

Information and Communications Technology

92.0 Implementation of the National Computer Emergence Response Team (National CERT)

93.0 Issue:(Para 115)The Committee noted that for Uganda to have a fully-fledged National CERT, the Country requires US $18 million. However, the process can be done in phases and in initial stages, NITA-U requires about Ushs 12.billion. 116. The Committee observed that activities in form of National CERT infrastructure that involves Establishing Incident Response, Digital Forensics, and Malware Analysis capabilities at the CERT (Ushs 0.70billion), Staff induction and training in form of Capacity development for the CERT team (Ushs 0.784 billion) and Human resource as Specialist resources to implement and support CERT operations (Ushs0.551 billion) are among those that constitute a funding gap of Ushs 3.268 billion. The Committee further observes that having a dedicated IT security team helps to mitigate and prevent major incidents and helps to protect valuable assets, centralized coordination for cyber security issues as a point of contact, Centralized and specialized handling of and response to cyber incidents, having the expertise at hand to support and assist the users to quickly recover from security incidents and keeping track of developments in the security field. Recommended Ush 3.267 billion be identified to support CERT establishment.

94.0 ***Response: We note the observation of the committee in regard to the establishment of the Computer Emergency Response Team (CERT), this was actually considered among the priority unfunded activities, however given the limited resources and the range of unfunded priorities, the available resources could not allow allocation of***

funds to this activity in FY2015/16. Considering the importance of this activity towards curbing cyber-crimes, I recommend that this be considered in FY 2016/17

Business Processing Outsourcing(BPO)

95.0 Issue:(Para 118)The Committee noted that Government stimulated the growth of BPO services by providing Shs 5 billion. Based on that, there are youth who are being employed at Statistics House in Kampala. The BPO industry has potential to employ the youth, not only in the capital city but also upcountry. Recommended that Government allocates more resources for BPOs, especially upcountry to provide employment to graduates from the universities.

96.0 ***Response: It was thought that government would establish the centre and once the centre is handed over to the private operator, government withdraws all it's funding. This has not happened with the pilot BPO at statistics house. To date government has continuously supported the BPO at statistics house with 210 million for day today running though the BPO was handed over to the private operator. Therefore government is still critically studying why the BPO is not functioning the way it was thought out at the beginning before extending and establishing other BPOs.***

Roll Out of Last Mile Connectivity

97.0 Issue:(Para 119)The Roll-out of the Last Mile Connectivity to under-served areas is a planned activity with a funding gap of Ushs 9.2 billion. The Committee was informed that NITA-U has connected 18 new sites in addition to 27 MDAs that were connected under NBI Phase I & II bringing the total to 45 sites. The extension of the NBI for sites within Kampala has been expedited and an additional 50 sites are to be connected by the end FY 2014/15. The Committee learnt that the plan to connect towns in the underserved areas onto the NBI is planned for under the Regional Communications Infrastructure Project (RCIP) and Phase IV of the NBI Project which will connect towns in the northwest and north east that include: Gulu, Pakwach, Arua, Adjumani, Kotido, Moroto, Nakapiripirit and Mbale. Recommended Ministry of Finance remits part of the MDAs' ICT budget that are related to data connectivity and internet bandwidth directly to NITA-U to enable them implement this activity in a phased manner over the medium term.

98.0 ***Response: We note the concern of the committee in regard to directly remitting part of the MDAs ICT budget to NITA-U. I would like to inform you that NITA-U has already communicated to my Ministry that a number of MDAs are defaulting on payments to the services NITA-U provides. To that effect my ministry has already directed all the***

MDAs with outstanding payments to NITA-U to immediately clear their bills before the end of this FY 2014/15. On the issue of directly transferring MDAs ICT funds from my Ministry to NITA-U, we advise that NITA-U should sign Memorandum of Understanding with MDAs it connects to enable smooth transactions.

Ministry of Water and Environment

99.0 Issue :(Para 121). The Committee observed that the current budget allocation of UShs 42.17 billion is inadequate to effectively increase the creation of water storage capacity countrywide through construction of valley dams and tanks to support all-year-round agricultural production through irrigation and industrial processes and rehabilitation of old dams in phases countrywide especially in water stressed areas. Recommended in the medium term Government provides UShs 55 billion towards the construction and expansion of valley dams and tanks.

100.0 ***Response: The MoFPED notes the need for construction of valley dams and tanks to support all year round agricultural production and to this end has provided Ushs 36. 42 billion in the budget for FY 2015/16 for the construction of water surface reservoirs. The funds will specifically be used for the completion of***

Andibo dam in Nebbi district and Kyabal and Kabingo valley tanks in Bushenyi district. Other dams and valley tanks whose construction will be fast trucked during the implementation of the budget for next FY 2015/16 will include, Ongole dam in Katakwi district, Mabira dam in Mbarara district, Longoritopoj dam in Kaboong district, Namatata/namalu dam in Nakapiripirit district, Iwemba and Nabweya valley tanks in Bugiri district, Katigondo Water for Production facility in Kalungu district and additional 8 valley tanks under the Kisozi Livelihoods improvement project.

Point Water Source Infrastructure

101.0 Issue :(Para 122) The approach to supply water to the people in the rural communities has mainly been through point water sources (spring, shallow wells, and hand-pumped deep boreholes). However due to the current population pressures the current point water source infrastructure consistently breaks down or are non-functional. Recommended Government provides adequate resources in the medium term to implement the new paradigm shift to motorized piped water systems to rural areas to replace the simple borehole/hand pump technology.

102.0 ***Response: Through the newly approved Project proposal on 'Piped Water in Rural Areas', Ushs 14.15***

billion has been allocated to increase access to piped safe water through powered motorization of high yield production wells.

Forest Encroachment

103.0 Issue :(Para 125). The Committee observed that Central Forest Reserves (CFRs) have been heavily encroached over the years. For instance, 18 Forest Reserves in the Lakeshore Range, 3 in Budongo Range, 3 in Katugo Plantations and 1 in West Nile Range with a total of 69,396 hectares had been completely taken over by encroachers by 2012. The process of removing the encroachers requires re-survey and demarcation of the boundaries, stakeholder engagement and dialogue to ensure forest vacation without causing serious conflict. In order to enhance Forest boundary opening, resurveying and marking with pillars NFA would require additional finances of at least UShs 2.0 billion annually over the medium term. Recommended Funds be provided to the tune of UShs 2.0 billion annually for the increased resurveying and boundary opening of CFRs.

104.0 ***Response: Given the importance of forestry to national development through its contribution to ecological balance, energy and industries activities, the Ministry of Finance, Planning and Economic Development has allocated additional funding of Ushs 1.0 billion to***

the 'Support of the National Forestry Authority' in budget for next FY 2015/16. This will be used specifically for the effective and efficient management of 1.2 million hectares of forestland in the 506 Central Forest Reserves through improvement in forest protection, boundary opening and supply of seedlings to encourage community tree planting. This is in addition to the funding under the Farm income enhancement project under Ministry of Water and Environment.

Funding for transmission Infrastructure

105.0 Issue :(Para 126) The Committee observed that the current budget resources of UShs 85.155 billion (FY2015/16) are inadequate to fund transmission and distribution infrastructure to evacuate power from the various power plants being developed. The Committee recommends that in the medium term UShs 163.17 billion is provided to expand the rate of transmission line infrastructure.

106.0 ***Response: The Ministry of Finance, Planning and Economic Development would like to clarify that the resources available for development of transmission and distribution infrastructure in the FY 2015/16 budget is Shs. 424,928,373,000/= inclusive of Donor Financing.***

Nuclear Power Policy and Legal Framework

107.0 Issue:(Para 127)The Committee observed that the existing Energy Policy of 2002 and Atomic Energy Act 2008 did not address critical nuclear power issues, such as; safety, security, safeguards, nuclear fuel cycle, radioactive waste and spent fuel management, decommissioning of nuclear power plant, compensation for nuclear damage, and research and development. The Committee recommends that the Ministry reviews the existing policy and legal framework in order to effectively guide nuclear power generation in the Country.

108.0 ***Response: The Ministry of Finance, Planning and Economic Development concurs with the recommendation of the Committee of Parliament.***

Review of the Electricity Act

109.0 Issue :(Para 128) The Committee observed that the review of the Electricity Act 1999 has been long overdue. The review of the Act is critical to strengthen opportunities to increase the energy mix and enhance access through new concessions. The Committee was informed that a Cabinet Memorandum containing the principles to be embodied in the Electricity Act 1999, Amendment Bill, 2015 has been prepared and submitted to the Cabinet Secretariat for approval. Recommended the Government expedites the Electricity Act review process and tables an Amendment Bill to Parliament.

110.0 ***Response: The Ministry of Finance, Planning and Economic Development concurs with the recommendation of the Committee of Parliament.***

National Oil Company

111.0 Issue :(Para 129) The Committee observed that the National Oil Company is not yet operational. The Board for the National Oil Company is fully constituted and awaits appointment by H.E. the President upon the incorporation of the Company. Registration of the company is ongoing and the company is expected to be in place during the FY2015/16.The Committee recommends that the operationalization of the National Oil Company is long overdue and therefore needs to be expedited.

112.0 ***Response: Finances for the operations of the Petroleum Authority and the National Oil Company are to be provided for in the Energy Sector MTEF once the institutions are fully set up and fully operational. For now Shs. 5.5 billion has been provided in the budget for setting up of the institutions are available in the MEMD Budget.***

National Content Policy and Strategic Plan

113.0 Issue :(Para 130) The Committee observed that National Content Policy and Strategic Plan for Oil and Gas Sector have not yet been developed. The Committee was informed that stakeholder consultations were undertaken and these draft policy documents are to be presented to Cabinet Committee on Oil and Gas. The Committee recommends that Government fast tracks the approval of the National Content Policy and Strategic Plan for Oil and Gas Sector.

114.0 ***Response: The Ministry of Finance, Planning and Economic Development concurs with the recommendation of the Committee of Parliament. The MEMD in due course will be presenting the draft Policy and Plan to the Cabinet Committee on Oil and Gas, subsequent to which a Cabinet Memorandum will be presented to the entire Cabinet seeking adoption and approval of the Policy and Plan***

Construction of Medium and Low Voltage Power Lines

115.0 Issue:(Para 131)The Committee observed that in the FY2014/15 REA planned to construct and commission 3,652Kms of medium voltage (33kV or 11kV) and 2,590Kms of low voltage (240v) power lines. However by March 2015, 519 Kms of MV power lines and 357kms of LV power were constructed. At this rate, REA will not attain its planned outputs by the end of the FY2014/15. The Committee was informed that delays were as a result of delays in the procurement of a consultant to undertake engineering designs (this process took 1 year), delays in acquiring no objection from funders and delayed loan approvals by the EU due to gay rights concerns. The Committee recommends that as Government resources increase, rural infrastructure projects should take a first call on the budget as the domestic procurement process are not as lengthy as procurement processes of external financers. The Committee recommends that in order to mitigate delays in project implementation, REA currently seeks approval from prospective financiers to undertake advance procurements before the Financing Agreement is signed.

116.0 ***Response: The Ministry of Finance, Planning and Economic Development concurs with the recommendation of the Committee of Parliament for as long as the Agency conducts the procurements within the set procurement laws and regulations.***

Tourism, Trade and Industry

117.0 Issue:(Para 133)The Committee notes that Cooperatives revival is one of the core components in the National Development plan but the budget allocated for it in vote function 0602 Cooperatives Development in the past two financial years and in the medium term does not reflect government's commitment to revive this sector of the economy. The Committee reiterates its earlier recommendation that

Government prioritizes and provides funds for the revival of the cooperatives than putting more emphasis on the SACCO's which is sub component of the Cooperatives.

118.0 ***Response: The Ministry of Finance, Planning and Economic Development concurs with the recommendation of the Committee of Parliament and the proposal will be considered when resources are available to Government.***

119.0 Issue:(Para 134)The Committee notes that the construction of the Border Market at Bibia in Amuru District cannot take off due to the flooding of the area during rainy season. Although the Committee had recommended that an alternative land be identified by the District Local Government, it was informed that it's not easy to get land of about 5 square miles at the border area. Therefore, the Ministry of Trade, Industry and Cooperatives is working with the Ministry of Works and Transport to address the issue of flooding using their technical expertise since they faced the same challenge when constructing the road to South Sudan in the same area was allocated. The committee recommended the Ministry of Trade, Industry and Cooperatives expedites the process of construction of border markets in collaboration with the Ministry of Works and Transport

120.0 ***Response: The Ministry of Finance, Planning and Economic Development concurs with the recommendation of the Committee of Parliament.***

121.0 Issue:(Para 123)The Committee notes that Uganda Development Corporation (UDC)as the development arm of government does not have a Strategic and Master plans for the projects under its jurisdiction. Recommended the Ministry of Trade, Industry and Cooperatives develops Strategic plans and a Master plan for all the projects it intends to implement in line with National Development Plan and NRM manifesto.

122.0 ***Response: The Ministry of Finance, Planning and Economic Development concurs with the recommendation of the Committee of Parliament.***

123.0 Issue:(Para 136)The Committee observes that there are about 650 tourism sites whose land titles need to be secured by the department of Museums and monuments. However, the Ministry has managed to secure only ten land titles and thus risk encroachment on the tourism sites. The Committee recommends that the Ministry of Tourism, Wildlife and Antiquities should work with the Ministry of Lands and expedite the acquisition of land titles and protect them from land grabbers.

124.0 ***Response: The Ministry of Finance, Planning and Economic Development concurs with the recommendation of the Committee of Parliament.***

125.0 Issue :(Para 137) The Committee notes that Uganda Wildlife Education Centre plans to construct four regional Wildlife Education Centres in the country. The Kingdom of Tooro has already provided land in Kyegegwa District and negotiations are ongoing with other regions to provide land for these activity. The project is to cost shs. 2.4 billion. The Committee recommends that government supports this initiative to decentralize the Wildlife Education Conservation to equip the young generation about the need for conservation of the wildlife.

126.0 ***Response: The Ministry of Finance, Planning and Economic Development concurs with the recommendation of the Committee of Parliament.***

National Citizen Registration Authority

127.0 Issue:(Para 141)The Committee was informed that the Ministry was in advanced stages of establishing the National Registration Authority following the enactment of the Registration of Persons Act, 2015. The Committee was informed that the structures are already in place and that the process of identifying persons for the Board is under way. The

Committee was concerned that despite the reported allocation of Ushs. 28.899 billion, there was a huge funding gap to the tune of Ushs. 80.657 billion. In addition, there is no Vote created for the Authority next FY 2015/16. Recommendation. The Committee recommends that resources be sourced to kick start the authority as envisaged in the law.

128.0 ***Response: Rt. Hon, Speaker, the MoFPED provided a Certificate of Financial Implications in respect of the Registration of Person Bill, 2014. The Ministry committed itself to provide Shs. 29bn to kick start the activities of the Authority once it is created. This has been fully provided by the Ministry of Finance in the budget for FY 2015/16.***

129.0 ***In addition, it is the responsibility of the Ministry of Internal Affairs to request for creation of a Vote for the Authority. Therefore, the Ministry of Internal Affairs should prepare all the necessary requirements and formally apply to the Permanent Secretary/Secretary to the Treasury for the creation of the new Vote. This will then be assessed based on the criteria for creation of votes and once the requirements have been fulfilled, the new Vote will be created. Thereafter the funds for the Authority will be transferred from Vote 120 – National Citizenship and Immigration Control to the new Vote of the Authority.***

130.0 Issue (Para 113)The Committee was informed that allocation of Development funds to Missions is based on:

(i) Technical assessment of the status of the existing structures done jointly with the Ministry of works and Transport. This informs the allocation for renovation;

(ii) The strategic need for fresh construction of chanceries and residences in line with the Ministry's Property Management Plan;

(iii) The state of the existing equipment/furniture;

(iv) Security requirements.

Accordingly, the following have been prioritized in the FY 2015/16: renovation of; Uganda House Nairobi, chanceries in Dar-es Salaam, Copenhagen, Brussels, Kinshasa and Paris. In addition, construction of new chanceries in Juba and Ottawa, completing the renovation of the Official Residence in Pretoria and purchase of Land in Addis Ababa, Guangzhou and Beijing have been planned. Transport equipment (motor vehicles) will also be procured for the missions of New York, Ottawa, Bujumbura, Geneva, Khartoum, Abu Dhabi and Juba. The Committee recommends that the MOFA explores possibilities of using PPP framework once the law has been passed to develop some of the properties of the missions or negotiate for retention of NTR for targeted projects with MFPED.

131.0 ***Response***

On the poor rented premises, for FY 2015/16, the MFPED provided an additional shs 20bn in the Recurrent Budget of missions abroad to cover shortfalls on fixed cost items. Of that amount shs 4.224bn was earmarked for rent shortfalls. The Mission in Rome got an additional shs 228m for rent to facilitate the relocation of the Chancery to new premises;

On acquisition of permanent properties, the MFPED will consider the proposals once the MOFA finalises relevant consultations with cabinet and other stakeholders

132.0 Funding of National day celebrations

Response: The MFPED will consider funding for the national day as resources become available over the medium term.

133.0 Issue (Para 143) Despite the huge land owned by Uganda Prison Service to the tune of 53,000 Acres, less than 5000 Acres is currently being under crop cultivation. As a result only 50% of the total maize requirements by Prison can be supplied by prison farms. In FY 2014/15 a total of Ushs. 8.5 billion was provided as supplementary expenditure for food under Prisons. In addition, there is funding gap of Ushs. 10.776 billion. The Committee appreciated Government for providing an additional Ushs. 10 billion as development budget allocation to increase on Prison Farm production next

FY 2015/16. The Committee recommends that for sustained production and savings, adequate budgetary provisions should be availed to enable Prisons produce enough food both for consumption and for export.

134.0 ***Response: The Ministry of Finance is committed to support Uganda Prisons Service to produce enough food for its own consumption. It is in this spirit that the Ministry provided Shs. 10bn in the budget for FY 2015/16 to enhance Prisons farm production. We therefore expect Uganda Prisons to produce more food with these additional resources.***

135.0 ***In the medium term, Uganda Prisons Service has come up with Business Plans for mechanized and commercialized maize seed production and cotton production in prison farms. These plans are being studied and analyzed.***

Dilapidated structures.

136.0 Issue (para 145) The Committee was concerned about the dilapidated infrastructure across the Country. While a total of Ushs. 120 billion is required to have a complete overhaul of the Infrastructure under Prisons, only Ushs. 6 billion is available in the budget. At this rate of financing, it will take 24 years to have this dream realized. The Committee recommends that Government makes deliberate efforts to adequately finance renovation of Prison structures across the country.

137.0 ***Response: On the dilapidated infrastructure under Uganda Prisons. The challenge we are facing is the limited resource envelope to address all these challenges. We hope that in the medium term, when the resources improve, Government will provide funds to address these challenges. I addition, once we have the PPP law in place, this will go along way in financing some of these critical funding requirements which may not be adequately funded from the Consolidated Fund.***

138.0 ISSUE (Para 73) Public Awareness and Consultations on EAC Integration: EAC integration is a key driver of economic prosperity for Uganda, as envisioned in the NDP and Vision 2040, therefore there is need for the citizens to be aware of the opportunities EAC integration provides so that they are able to participate and take advantage of them. The Committee recommends that an additional UGX 500 million be provided for this purpose.

139.0 ***Response: The MFPED provided shs.540m for implementation of the National Policy on EAC Integration (NPEACI)***

FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

Financial Intelligence Authority (FIA)

140.0 Issue :(Para 148) The Committee noted that the FIA Free Zones Act cannot be effectively establishment because of the funding gap of Shs. 4.0 billion. The Committee made reference to Section 10 of the Budget Act, 2001 that requires "Every Bill introduced in Parliament shall be accompanied by its indicative financial implication" The Committee observes that when the Anti-Money Laundering Bill was read for the first time in Parliament, it was accompanied with a Certificate of Financial Implication. The importance of this provision is the assurance to Parliament that funds to operationalize the proposed legislation are available. The Committee recommends that Shs. 4.00 billion be identified to enable the Authority undertake its mandate.

141.0 ***Response: FIA was allocated Shs. 4.545bn for FY 2015/16 on the understanding that this funding would finance start up activities in the Next Financial Year. FIA was also advised to implement activities in a phased manner including filling only critical staff positions in initial year. Due to resource constraints, no additional funding can be allocated to FIA***

142.0 Issue:(Para 150)The Committee was informed that Ushs 143.5 billion is required for the capitalization of the Bank. The Committee noted with great concern about the Bank; a Government owned bank with several branches Country wide. The Committee noted with concern the continued capitalisation of this bank yet all other financial institutions are making profits. This matter need to be investigated and Auditor General should take keen interest in this institution. The Committee recommends that capitalizing Post Bank be reviewed given the previous capitalisation without recovery despite being in prime business area.

143.0 ***Response: Post Bank is a Government owned institution and it is the duty to government to provide a service to the population. Government capitalization of Post Bank is aimed at boosting its operations and increasing its profitability. For FY 2015/16 Government has for the first time earmarked Shs. 14bn for Capitalization of the Bank and there are no expected recoveries given that Government is only providing its contribution.***

Clearing of Audit Backlog and Expansion of Audit Coverage

144.0 Issue:(Para 154)The Committee made reference to Section 13 of the National Audit Act 2008, which requires the Auditor General to audit and report on all public accounts of

Uganda and of all public offices. However, due to inadequate funding the office is unable to cover its entire audit population especially Local authorities and schools resulting into accumulation of audit backlog. The Committee recommends that Ushs 13.886 billion be identified to enable the OAG treats this activity as a priority in FY 2015/16.

145.0 ***Response: Government has been progressively increasing the budget for Office of Auditor General over the years. This is aimed at enhancing performance of the Audit function through improved pay structure, increased staff capacity and provision of adequate office space. For FY2015/16, OAG has not been allocate additional funding due to overall resource constraints amidst competing priorities. Any additional funding requirements shall therefore be considered over medium term.***

146.0 **Issue:(Para 155)**The Committee was informed that the Construction of the Audit House was completed and commissioned in November 2014 by His Excellence the President of the Republic of Uganda. The building accommodates all staff of OAG in Kampala. The Committee appreciated the goal of the Supreme Audit Institution to achieve operational independence both at Head Office and branch Offices. However, the Committee was concerned about the high variation costs of constructing the Audit House beyond the acceptable allowance by the PPDA. Regulation 55(4) of The Public Procurement and Disposal of Public Assets Regulations, 2014 states that "A single contract amendment shall not increase the total contract price by more than 15% of the original contract price". The Committee noted that the huge variations, from the original contract price, were approved by PPDA and the Solicitor General. By the FY 2014/15, the contract value stood at Ushs 68.00 billion giving rise to a deviation of Ushs 28.00 billion which represents a 63.6% contract variation. The Committee recommends that the concerned officials be investigated with a purpose of recovering the extra funds.