

## **The Budget Speech 2001/2002**

Your Excellency the President,  
Mr. Speaker Sir,  
Honourable Members of Parliament,

I beg to move that Parliament do resolve itself into a committee of supply for the consideration and approval of: -

- (i) The Revised Revenue and Expenditure Estimates for the year 2000/2001 and;
- (ii) The Budgetary proposals for the Estimates of Revenue and Expenditure for the fiscal year 2001/2002.

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### **INTRODUCTION**

1. Mr. Speaker, Sir, under Article 155 (1) of the Constitution the President shall cause to be prepared and laid before Parliament estimates of Revenue and Expenditure. I am accordingly performing this duty on behalf of the President, based on the authority he gave me on the 10th June, 1998.
2. Please allow me before I present the budget speech to congratulate His Excellency The President for obtaining the mandate of the people for another term of office. This is indeed an endorsement by the people of the policies and programmes of the NRM Government initiated by H.E. The President.
3. The Budget I am going to present will provide resources to implement the President's Manifesto, which was overwhelmingly approved by the people of Uganda. In line with the Manifesto, the theme of this year's budget is Economic Growth and Structural Transformation.

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### **PERFORMANCE OF THE ECONOMY**

4. Mr. Speaker Sir, our economy again demonstrated its strength during the current fiscal year. Real GDP has expanded by 5 percent, enabling per capita output to rise by 2 percent. As in previous years, fiscal discipline and sound monetary policy have kept inflation to about 5 percent this year, even in the face of higher world oil prices and exchange rate depreciation. The economy has remained on track despite the sharp external terms of trade shock that we have suffered over the last two years. This clearly demonstrates the benefits of our sound fiscal and monetary policies and the economic flexibility brought about by policies of economic liberalisation.

5. GDP growth was lower this year than the targeted 7 percent, because our external terms of trade fell for the second successive year, due to the steep fall in the international price of coffee and the sharp increase in world oil prices. Nevertheless, real GDP growth is higher this year than last year's 4.7 percent, because some of our non-coffee export sectors and service sectors performed well, notably electricity, telecommunications and construction. In addition, food crop production rebounded following the poor harvest last year. Coffee production continues to be affected by the coffee wilt disease.

6. We have based next year's budget on a conservative forecast of 6 percent real GDP growth, although our medium term objective is to restore GDP growth to at least 7 percent, through implementing the Poverty Eradication Action Plan (PEAP), Plan for Modernization of Agriculture (PMA) and the Medium Term Competitiveness Strategy, 2000-2005 (MTCS).

7. Total export earnings are projected to decline by US\$ 31 million this year to US \$ 407 million, as a result of a fall in coffee earnings, which is mainly due to the sharp fall in world prices. Non-coffee exports performed much better, increasing by 18 percent this year to US \$ 297 million, indicating the direction our economy must take to reduce its dependence on coffee exports. Exports of hides and skins, fish, flowers, cobalt and electricity increased markedly. Export volumes of hides and skins doubled while the total value more than tripled to US \$ 21 million. Fish exports have increased by 72 percent to US \$ 29 million, benefiting from the lifting of the ban by the European Union. Flowers have earned over US \$ 11 million and this could be raised sixfold with further investment in the industry. Electricity exports have also increased by 23 percent to US \$ 17 million.

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#### **PROJECTED EXPENDITURE OUTTURN FOR FY 2000/01**

8. The outturn for Government domestic expenditure is projected at Shs. 1,467 billion this financial year compared with the approved budget of Shs. 1,508 billion. The 97 percent budget performance was brought about by a shortfall of Shs. 42 billion in URA revenue collection. Performance of the wage component is expected at 92 percent of the approved budget, the non-wage component at 105 percent and the development budget at 90 percent. The over-performance of the non-wage component is due to supplementary expenditures in key areas of the Public Administration Sector, particularly the election processes. This has required budget cuts and reallocations within and across Votes, particularly in the development budget. Nevertheless, Government has remained firmly committed to protecting poverty reduction programmes from cuts. PAF expenditures are expected to perform at about 90 percent of budgeted amounts, but this is mainly due to delays in recruiting primary teachers and absorptive capacity constraints.

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#### **BUDGET OUTPUTS**

*Primary Education*

9. A major output of the Primary Education Sub-sector this year has been the construction of 6,317 classrooms, raising the stock to 53,495 against a total requirement of 102,151, and reducing the pupil:classroom ratio further to 111:1 from 128:1 last year. A second major output has been the recruitment of 15,308 new primary school teachers resulting in the pupil: teacher ratio improving to 58:1 this year from 68:1 last year.

#### *Health Sector*

10. In the Health Sector focus has been on programmes for malaria control, childhood immunisation and Information, Education and Communication activities. National Service Delivery Programmes are being implemented under the Health Sector Strategic Plan, introduced last July in support of district services. The target coverage rate of 55 percent for Diphtheria, Pertusis and Tetanus III (DPT3) vaccination for 2000/01 has almost been achieved, with a coverage rate of 54 percent. I also wish to congratulate the Health Service in so effectively containing the outbreak this year of Ebola fever. However, I wish to express my extreme sadness at the loss of life, including the medical personnel who made the extreme sacrifice in their unswerving devotion to their professional calling.

11. This year, 25 Health Centres IVs have been constructed and a further 68 are ongoing out of a planned target of 109 for completion and upgrading. Bureaucratic problems in awarding tenders have delayed construction leading to cost over-runs. Funding will be provided next financial year to ensure timely completion of projects.

#### *Water and Sanitation*

12. Conditional Grants for rural water and sanitation quadrupled this year to Shs. 22 billion from Shs. 4 billion last year. This has made possible: the drilling of 1,400 new boreholes out of a target of 1,700; the construction of 1,020 shallow wells out of the planned 1,600; the protection of 980 springs out of the planned 1,100, and the completion of 9 gravity flow schemes. Under the small towns water and sanitation sub-sector, 13 new piped water systems have been constructed this year, permitting 2,000 new house connections and 150 new standpipes. For the larger towns covered by the National Water and Sewerage Corporation, 6,680 new water connections have been made this year, 76 kms of pipelines constructed and 75 standpipes erected. In the rural areas, safe water coverage has increased to 53 percent this year from 50 percent last year, with an additional 900,000 people covered. Water coverage in the 78 gazetted urban water centres has increased to 54 percent from 50 percent over the same period.

#### *Roads*

13. Performance under the 10-year main roads programme that started in 1996 has been good this year, with about 90 percent of maintenance targets being met. Planned targets of 17,513 km. of routine maintenance and 2,215 km. of periodic maintenance, under the Districts Roads Programme, are expected to be met this year.

#### *Inland Water Transport*

14. Construction of the Kakyanga and Luku ferry landings is to commence soon. One hundred landing sites have been gazetted for improvement and the negotiations for the purchase of the Kalangala Islands Water Vessel are well advanced. Six ferry crossings on the major Ugandan lakes have already been identified.

#### *Electricity*

15. As a result of a large Government-sponsored project, the electricity sector has commissioned units 11 and 12 of the Kiyira Extension. Consequently, electricity capacity has increased by 80 MW or 40 percent. Uganda now has an installed capacity of 280 MW. Efficiency in the utilisation of power has improved and system loss has reduced from 36 percent to 31 percent.

### *Agriculture*

16. Government programmes in the agricultural sector continued to contribute towards poverty reduction in rural areas, with overall rural poverty declining substantially over the last five years. Major gains in food and cash crop output have been achieved. The percentage of households owning cattle increased from 12 percent in 1996 to 22 percent in 2000.

17. This was the first year of implementation of the Plan for Modernisation of Agriculture. A major achievement was the design and launching of a new client-oriented and demand driven National Agriculture Advisory Service System. This is expected to result in increased technology uptake by farmers and increased specialisation in agricultural production for the market. Another major achievement was the launch of the Non-Sectoral Conditional Grant for sub-counties, which is intended to finance development programmes contributing towards agricultural modernization. We have released Shs. 2 billion this year, about half of the budgeted amount, as guidelines for accessing the grant were not finalized until the middle of the year.

18. Other notable achievements this year have been: the release of 1.7 million kilogrammes of new varieties of seeds by NARO for exportable grains, staples and vegetables; the construction of 10 valley dams out of a planned 16 in drought prone areas; and the significant expansion of the rural roads programme. Through the seed distribution schemes of Uganda Coffee Development Authority, 135,000 households planted 9.5 million improved coffee seedlings. Through the Cotton Development Organization, 8,200 tonnes of cotton seed were planted, contributing towards the harvesting of 100,000 bales of cotton this year.

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## **THE IMPACT OF GOVERNMENT POLICIES ON POVERTY**

19. Mr. Speaker, Sir, the number of Ugandans living in absolute poverty has fallen dramatically from 56 percent in 1992, to 44 percent in 1997 and 35 percent in 2000, according to the most recent National Household Survey. Though many factors influence poverty, Government's economic policies, combined with large increases in spending on infrastructure and services, have undoubtedly contributed to the fall in poverty incidence. The Poverty Eradication Action Plan contains the requisite strategies for further reducing the incidence of poverty to 10 percent by the year 2017.

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## **BUDGET STRATEGY FOR 2001/02**

### **Bringing the Benefits of Growth and Structural Transformation to the poor**

20. Under the Medium Term Expenditure Framework (MTEF), the budget for next year continues to reflect the four pillars of the PEAP and will focus on the implementation of The President's Manifesto. Next year's budget will place more emphasis on two particular areas. One is the implementation of the Plan for Modernisation of Agriculture and the other is improving the quality of public expenditure programmes, aimed at improving service delivery.

21. The PMA is crucial for both improving the incomes of the poor, and for accelerating economic growth and structural transformation. The PMA's main components are: the new Non-Sectoral Conditional Grant that I mentioned earlier; support for agriculture research and extension,

particularly the dissemination of information on modern agricultural technology; expanding the rural roads system; extending the rural finance network; rural electrification; natural resource management and implementing the provisions of the 1998 Land Act.

22. Improving the quality of public spending requires action on a number of fronts. These are: (i) strengthening the MTEF through the extension of the Sector Wide Approaches (SWAs) to more sectors; (ii) strengthening the linkages between spending and desired outcomes, through further orientation of the budget process to outputs and outcomes; (iii) strengthening the decentralization process; (iv) improving the quality of the civil service through pay reform, reform of civil service structures and implementation of Results Oriented Management; (v) reforming Government's procurement system; and (vi) improving fiscal discipline and financial accountability.

23. The MTEF is now largely based on comprehensive sector programmes. These strengthen the MTEF as a planning tool, fully oriented towards long-term PEAP objectives. The sector programmes integrate recurrent and development budgets, including donor-funded projects. This facilitates comprehensive budgeting, in terms of resource needs and availability from all sources, including donors.

#### *Output and Outcome Orientation of the Budget Process*

24. Mr. Speaker, Sir, ensuring that our programmes are consistent with our poverty reduction objectives is critical to improving the quality of our expenditure. Hence, increased emphasis is to be placed next year on strengthening our Output/Outcome-Oriented Budgeting system. Despite the progress achieved in some priority sectors, there is still too much emphasis on budgeting for inputs in the budget preparation process, with insufficient emphasis on budgeting to achieve our objectives.

#### *Decentralisation Issues*

25. Most of our spending programmes are now being implemented at the local government level and it is, therefore, critical that we remove all obstacles to the delivery of effective services by the local governments.

26. First, we need to ensure efficient transfer of funds to local governments. Unfortunately, the growing number of conditional grants has led to system inefficiencies, through proliferation of bank accounts and multiple reporting systems. Second, we need to ensure that local governments, at both the LCV and LC III levels, have the capacity to plan, budget and manage their resources according to policy objectives and that they can fully account, to central government, for the spending of transferred funds. Third, we need to ensure that local governments strengthen their tax administrations to mobilise as much revenue as possible and become less reliant on transfers from the central government.

27. Mr. Speaker, Sir, I am happy to report that Government is resolving these issues. During this year, we commissioned a study on fiscal decentralization. This has recommended streamlining the modalities for fiscal transfers to local governments and providing local governments with greater autonomy and flexibility in the use of conditional grants. This will be achieved through simplifying both the conditional grant use guidelines and the accounting system, making it easier for local governments to submit monthly accounts to the centre.

28. In the coming financial year, we shall continue to assist local governments to strengthen their financial, managerial and planning capacities, at both the district and sub-county levels. Local governments will receive capital assistance grants from the centre, if they produce coherent development plans that meet both central and local government objectives and raise a minimum of 10 percent of their own funds. Those that fail to meet these access criteria will receive

assistance from the Ministry of Local Government to improve their planning capacities. To date, Shs. 36 billion has been mobilised for these development programmes and we expect the access rate to improve next year. The Non-Sectoral Conditional Grant, that I referred to earlier, uses similar access criteria.

29. Problems have been experienced with some local governments accumulating wage arrears due to expanding structures. To help resolve this issue, we have decided to streamline the payroll for health workers, bringing them all onto a single payroll. This will initially be financed through conditional grants as in the case of the teachers, who are already funded entirely by conditional grants. To address the problem of uncontrolled expenditure at Local Government levels, the Ministry of Public Service is determining the appropriate size and structure of local government establishments.

#### *Public Service Reform, Pay and Pensions*

30. To enhance the quality of public services, retain managers and professionals and reward frontline workers in the Public Service, Government has this year prepared a Pay Reform Strategy, consistent with existing policy on pay. The strategy aims to restore and preserve the purchasing power of public officers' salaries and eliminate distortions arising from selective pay awards and allowances and, over a period of 5 years, to achieve market benchmarked salary targets for critical positions. Implementation of the Pay Reform Strategy will begin next financial year with increased pay awards for critical managerial and professional positions. However, increased pay must be matched by improved performance and productivity and the Results-Oriented Management System, which we are implementing, will help to achieve this.

31. Several years ago we monetized most allowances into a single monthly salary. This is still our policy, but I have observed that allowances have been creeping back into the system. This year, we intend to enforce our policy on the monetization of benefits. Allowances, such as cash ration for police and prison officers, will be consolidated into salary.

32. Pensions are directly linked to pay and are an important means of motivating public officers in active service. However, pension costs have grown rapidly due to a faulty formula embedded in the interpretation of the present pension law, and the downsizing of the public service in recent years. These costs are unaffordable and unsustainable. Given the absolute urgency to institute pension reform, a Contributory Pension Scheme is being studied for introduction on the basis of affordability, fairness and portability.

#### *Procurement*

33. Government is incurring large financial losses as a result of inefficient or corrupt procurement and is therefore reforming its procurement system. The reformed Central Tender Board has been established as a supervisory body to guide procurement units in Government. These units, staffed by procurement professionals, will support the Contract Committees, which are now responsible for procurement. I have provided Shs. 4 billion to support procurement reform in the coming fiscal year. A new Procurement Bill will be tabled before Parliament during the next financial year.

#### *Commitment Control*

34. Mr. Speaker, Sir, during this fiscal year, the Commitment Control System (CCS) has been extended to the Development Budget. There are already signs that this system is becoming effective. Moreover, most Ministries and Departments, and their Accounting Officers, have continued to meet their responsibilities, to control non-wage recurrent commitments and to

eliminate arrears. However, some Accounting Officers have failed, not only to control commitments but, in some cases, to report over commitments correctly.

35. This situation, where some Accounting Officers consistently undermine the budget strategy, is unacceptable. I intend to take strong action against Accounting Officers and their staff who breach the requirements of the Commitment Control System. As I have frequently indicated during numerous recent media broadcasts, suppliers who accept terms outside this system do so at their own risk.

#### *Arrears*

36. The accumulation of arrears regrettably continues to divert our scarce resources away from Government budget priorities, even though we have cleared arrears totalling Shs. 127 billion. this fiscal year. The stock of verified domestic arrears is estimated at Shs. 260 billion on 30 June, 2001, and is mainly composed of pension arrears arising from revalidation, compensation payments and court cases.

#### *Strengthening Financial Management and Accountability*

37. To improve accountability and to bring all relevant laws, including the Constitution and the Local Governments' Act into harmony, the 1964 Public Finance Act has been under review for more than a year. It is planned that the revised Public Finance Act will be enacted next Financial Year. Likewise the Treasury Accounting Instructions and Regulations will be revised as part of the same process, to ensure that the Act, Instructions and Regulations are consistent with the Constitution and other related Laws. The planned design and implementation of an Integrated Financial Management System, particularly through computerization, will go a long way towards strengthening financial management and accountability.

#### *Fiscal Discipline*

38. Mr. Speaker, Sir, beyond the Commitment Control System, the drive to enforce fiscal discipline begins at the budget preparation stage. Ministries and local governments must ensure that their spending plans are cost-effective, in terms of being fully consistent with PEAP objectives and reflecting the most economical use of resources. They must, therefore, fully embrace the concept of Output and Outcome Oriented Budgeting. The Vote allocations, once finalised and approved by Parliament, must be viewed as binding budget constraints.

#### *Corruption*

39. Mr. Speaker, Sir, we are tackling corruption in Government through five main strategies: First, by strengthening the major anti-corruption agencies, including the enactment, by Parliament next financial year, of the Leadership Code and the Inspectorate General of Government Bills. Second, through our pay and procurement reforms, financial management strengthening and fiscal decentralisation measures. Third, through increased transparency of Government operations and strengthening of monitoring and evaluation mechanisms. Fourth, through encouraging partnership between Government and civil society so as to ensure that funds reach the intended targets and are spent effectively. Fifth, through market liberalisation and privatisation policies, which have removed the major opportunities for rent seeking.

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## **POLICY AND EXPENDITURE PROPOSALS FOR 2001/02**

### *Overall Funds for the MTEF*

40. In the next fiscal year, URA revenues are projected to increase by 18 percent to Shs 1,259 billion, while non-URA revenues from all sources, will amount to Shs 41 billion. Total domestic resources will, therefore, amount to Shs. 1,300 billion, or 48 percent of the resources we require to finance our budget. Donor budget support will comprise grants, which include debt relief, of Shs 495 billion, and Shs. 673 billion of long term soft loans, on highly concessional terms.

41. Non-tax revenue collections continue to underperform. Consequently, from 2001/02 onwards, rates and charges will be reviewed and updated systematically. Substantial changes aimed at tightening the assessment, collection and accountability processes for non-tax revenue will be implemented. Further, Appropriation-in-Aid (AiA), which has been a major cause of non-tax revenue leakages, will be withdrawn from ministries, and instead receivers of revenue will, from now on, have to remit all revenues directly to the Consolidated Fund. Consequently, funds that would have previously been appropriated as AiA will be incorporated into those ministries' normal budgets. Detailed guidelines will be issued by my Ministry to ensure maximum collections, starting from the beginning of the next financial year.

#### *Expenditure Proposals*

42. Mr. Speaker Sir, allow me to turn to next year's expenditure proposals, which are based on the funds available for the MTEF, and the objectives set out in the President's Manifesto and the Poverty Eradication Action Plan. Total Government expenditures next year will amount to Shs. 2,691 billion., consisting of Shs. 1,413 billion for recurrent expenditures, Shs. 1,146 billion for development expenditures, including Shs. 494 billion for domestically funded development expenditure, and Shs. 132 billion for clearing domestic arrears. The arrears provision includes the balance due to former EAC workers of about Sh 20 billion. The increase in spending reflects Government's strategy to spend more resources on strengthening public service delivery and in particular, for expanding basic social services, which directly contribute to poverty reduction.

43. Government is committed to maintaining expenditure on PAF programmes as a proportion of the total GoU Budget. In 2001/02 the share of PAF in the GOU budget (excluding interest) will amount to 35 percent or Shs 609 billion, compared to 18 percent or Shs 134 billion in 1997/8. The share will rise to 38 percent over the medium term.

44. The overall deficit, excluding grants, is projected at Shs.1,225 billion, which is equivalent to 11.7 percent of GDP. The deficit will be financed with grants and highly concessional loans

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### **PEAP PILLAR 1: THE FRAMEWORK FOR RAPID ECONOMIC GROWTH AND STRUCTURAL TRANSFORMATION**

45. Mr. Speaker, Sir, as I mentioned earlier, the theme of this budget is Economic Growth and Structural Transformation. Therefore, I want to focus on the key policy proposals and budget measures which I intend to take in order to accelerate economic growth and the structural transformation of the economy, based on specialised production for the market.

#### *Measures to Promote Private Investment*

46. Sustained growth of the economy requires an increase in private sector investment. Although this has tripled in real terms over the last ten years, serious impediments to private investment remain. These include deficiencies in infrastructure, the shallow nature of financial markets, weaknesses in the commercial justice system and burdensome regulation. I will now outline the policy measures that I am proposing to address these impediments to private sector investment.

47. While Government is rectifying problems of unnecessary licensing and regulatory procedures through the deregulation programme, it is important that we promote and market Uganda more actively as an attractive location for business. To this end, we are merging the Uganda Investment Authority, the Uganda Export Promotion and the Uganda Tourist Board, in order to increase the overall effectiveness of our promotion efforts. The new agency will facilitate joint ventures between local and international investors and will work with the international development agencies to explore ways in which local investors can access sources of finance, technical assistance and management expertise. As a special initiative to stimulate tourism, I am providing Shs. 500 million next year for increased security in the national parks.

#### *Strategic Interventions to Support Exports*

48. Mr. Speaker, Sir, export development is central to the long-term growth and transformation of the economy. Uganda has tremendous potential to boost agricultural exports, but first our exporters must become more competitive. Government will continue to provide supportive infrastructure and services, such as transport infrastructure and inspection facilities. Government will also maintain open trade policies, because protectionist policies inevitably damage incentives for investment in export production. The fastest export growth in the world has depended on open trade policies, with low tariff barriers to imports. In this regard, we fully support more open markets in Africa. I also encourage exporters to take full advantage of the opportunities created through the improved market that the American Government and the European Union have recently provided for African exporting countries.

49. During this financial year, I have consulted widely with major stakeholders to identify actions necessary to boost exports. I convened an Open Forum on the Economy that was jointly organised with Parliament. This forum appreciated that Government has an important role to play in supporting investment in strategic sectors of the economy.

50. As an initial step, Government has identified a number of strategic export areas; coffee, cotton, textiles, tea, fish, beef, hides & skins, and horticulture products, to determine their potential for further processing and value added. Work is on-going to build on the Medium Term Competitiveness Strategy for the Private Sector, in terms of a competitiveness strategy for Uganda revolving around the above areas. The identification of the above strategic areas has been largely based on their potential competitiveness in world markets, and the capacity to achieve the best possible value from production in Uganda, resulting in higher per capita income growth.

51. In support of the above areas, a total of Shs. 6.9 billion has been provided next financial year in support of agricultural exports, consisting of: Shs. 1.5 billion for coffee planting materials; Shs. 1.0 billion for coffee wilt disease control; Shs. 2.5 billion for cotton seed; Shs. 1 billion for tea planting materials; and Shs. 900 million in support of other exports. This is additional to the funding already provided for fish landing sites and for a feasibility study for an abattoir to support the beef industry.

52. We are also exploring the potential for growth of exports of Information and Communications Technology (ICT) services using inexpensive, but highly skilled local labour. A draft national ICT policy has been formulated by Government, and will soon be finalised through a working group I have set up.

53. The availability of working capital and medium and long-term finance is a critical requirement for the growth of export industries. To boost the supply of long-term finance in Uganda, Uganda Development Bank has been restructured, and its bad debts transferred to NPART. A strategic investor is being sought to strengthen UDB and to enable it to attract long-term financing from funding agencies and capital markets. In the meantime, UDB on 1 August, 2001 will resume

lending to strategic export industries and, to this end, Government has provided Shs. 2 billion to support enterprises, which manufacture or process for export the products that I mentioned above. To boost the supply of working capital for exporters, a new Export Credit Guarantee Facility has been set up by Bank of Uganda. This initiative will complement the Short Term Export Refinancing Facility, which is also implemented by the Bank of Uganda, and which is being reformed to enhance its effectiveness.

#### *Financial Sector Strengthening*

54. Mr. Speaker, Sir, the new Financial Institutions Bill will be tabled before Parliament in the next parliamentary session. The Bill strengthens prudential regulations to give greater protection to depositors from imprudent, reckless and fraudulent bank management. The Bill will also improve and standardise the disclosure requirements of financial institutions, so that depositors and customers have access to better information. This will improve market discipline and enable depositors to make better informed decisions as to where to deposit their money.

55. To improve access to financial services by small borrowers and savers, Government is encouraging the growth of the micro-finance industry. A Micro Finance Law has been drafted and will be tabled before Parliament by September this year. The law will facilitate soundly managed and adequately capitalised microfinance institutions to mobilise domestic savings for onlending to small-scale borrowers.

56. Government recognizes the important role that micro credit plays in the PMA in supporting income-generating activities, particularly in rural areas. The medium term objective of Government is for micro-credit to reach approximately 5000 parishes country-wide, with a minimum amount of about Shs.10 million for a revolving fund at each parish level. The Rural Micro Finance Support Programme (RMSP) has been designed to address this challenge. RMSP has been made operational with funding from the African Development Bank. RMSP funds will be channelled through independent microfinance institutions operating at the grassroots level, which will be responsible for delivering and recovering the credit.

57. Uganda Commercial Bank Ltd. is currently under the statutory management of the Bank of Uganda. In line with the policy that I announced in the budget last year, UCB will be re-privatised to a strategic investor with reputable banking credentials. The Bank of Uganda, in its role as the statutory manager of UCB, is discussing the matter with potential investors who have the financial resources, managerial expertise and international banking reputation necessary for owning and managing a large bank. The Bank of Uganda wants to ensure that UCB is well-managed, so that deposits are fully safeguarded and that UCB maintains a nationwide branch network in areas of the country not served by other banks. Once UCB has been re-privatised, it will be able to resume its rightful role as a major player in the Ugandan financial sector. We envisage that a minority stake will be made available to the Ugandan public through the Stock Exchange, subsequent to re-privatisation.

58. Also in the 2000/01 budget, I announced that Government would introduce long dated Treasury Bills, purely as a monetary policy instrument. It has not been possible to do so because of the high and volatile interest rates on Treasury Bills, and the danger of crowding out private issuers from the very narrow domestic capital market. In addition, the legal framework for issuing Treasury Bills does not permit issuance with maturities of greater than one year. Next fiscal year, I will table before Parliament amendments to the Treasury Bill Act, to allow for the issuance of Treasury Bills of longer maturities, and I will review conditions in the domestic capital market to assess the appropriateness of issuing longer dated Treasury Bills.

#### *Privatization and Utility Reform*

59. Mr Speaker, Sir, we will continue our privatisation process next fiscal year, by focussing on medium to large scale commercial enterprises and utilities. The objective is not only to increase efficiency in the economy and stimulate the private sector, but also to deepen our domestic capital market. I envisage divestiture of Government interest in the Dairy Corporation and the National Insurance Corporation, and transfer of residual interest in Coffee Marketing Board Ltd and Transocean. Kinyara Sugar Works will be offered to the public through flotation on the stock exchange. In addition, in line with signed divestiture agreements, Stanbic Bank, Barclays Bank, Bank of Baroda, Kakira Sugar Works and Apollo Hotel Corporation will offer minority shareholding to the general public.

60. Our reforms in the utilities sector are already bearing fruit, as is evident from the phenomenal growth in the telecommunications sector over the last two years. We are now focusing on reforms in the electricity industry, because private sector firms repeatedly cite the unreliability of power supply as a major cost of doing business in Uganda. In March this year, the Uganda Electricity Board was unbundled into three power companies for generation, transmission and distribution. During next fiscal year, the assets of these companies will be leased to private sector concessionaires for management and investment. One benefit will be improved commercial and technical efficiency in the electricity sector itself, particularly through reduced line losses. Another benefit will be that at least US\$70 million of investment is expected over the next five years to reinforce the existing distribution system, which constitutes the main capacity constraint at present, and to extend the network.

#### *Main Roads Improvement*

61. Transport infrastructure is vital to a modern economy, which is why the Ten Year Roads Programme plays such a prominent role in Government's development budget. Shs. 101 billion is provided next year for this programme. Construction of about six main roads will commence, and compensation for the Kampala By-Pass will also start.

#### *Commercial Justice Reform*

62. Private sector operations in Uganda have been curtailed by weaknesses in the Commercial Justice System, in particular, the difficulties in enforcing contracts and recovering debts. This has been due to large backlogs of court cases, corruption and lack of commercial awareness among the public. Government is committed to reforming the Commercial Justice System through the Commercial Justice Reform Programme. This includes reforms to the commercial court system, reforms of land and company registries, amendments to commercial laws, upgrading legal professionals, and amending the Advocates Act in order to improve transparency of commercial legal services.

#### *Higher and Tertiary Education (providing skills to ensure employment for the youth).*

63. Skill development and the adoption of appropriate technology are critical for Uganda's investment drive. In this regard, community polytechnics at the post-primary level are expected to play a big role, and the medium-term aim is to establish one polytechnic in each sub-county. The skills to be taught range from the traditional technical skills, such as carpentry, plumbing and electrical, to computing, information and communications technology, which are very marketable here and abroad. A long-term development plan is being prepared.

64. Government will introduce a Two Window Scheme for selection to Higher Learning and Tertiary institutions. Window One will provide government scholarships/bursaries to poor but qualifying students. Window Two will be open to all eligible candidates, who can enrol as privately sponsored students and who will be required to pay the same fees as government sponsored students.

65. Government is committed to fully funding sponsored students at Makerere University. To this end, a budgetary provision of Shs 6.4 billion has been made next fiscal year to cater for the additional 2000 students to be sponsored by Government at the University, bringing the total annual intake of Government-sponsored students to 4,000. This brings Government's financial support to Makerere University to Shs. 30 billion. The Ministry of Education and Sports will issue guidelines regarding the selection criteria for all these institutions, to ensure that the poor but able students benefit fully. In addition, recognising the contribution of Private Universities to higher education, Government is providing Shs.200 million, to licensed private universities, as a research grant, which will be accessed on a competitive basis.

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## **PEAP PILLAR 2: ENSURING SECURITY AND GOOD GOVERNANCE**

### *Security*

66. Security is fundamental to poverty eradication efforts. Government over the years has provided peace and security in large parts of the country, and has transformed the relationship between civilians and the security organs. Security in the region is paramount to our own stability and development. Government is also committed to modernising the Armed Forces and improving their efficiency. It has therefore adopted the Defence Reform Programme and is reviewing procurement procedures.

### *Justice Law and Order*

67. The Justice/Law and Order Sector has successfully brought ten institutions together, to develop a strategic framework, and individual Institutional Strategic Plans, which form the basis for the overall Strategic Plan to be finalised next financial year. The project to reduce the backlog of criminal cases in the High Court and the magistrate courts will receive Shs. 2 billion in the next financial year, which is double the current provision. The prison farms project is realizing financial savings for the prisons system. Next fiscal year, four farms are expected to produce 460 tonnes of food, yielding Shs.1.8 billion of savings, which Uganda Prisons will reallocate to critical areas.

### *Pay Reform and Pensions*

68. Mr. Speaker, Sir, good governance depends in part on the quality of our civil service. The budget next year provides Shs. 15.6 billion to kick start the Pay Reform Strategy through a range of salary increases for critical managers and professionals. The budget also provides a 10 percent wage increase for most civil servants in the lower cadres. The wage bill next year will therefore rise to Shs. 549 billion. I am also providing Shs. 44 billion for pension liabilities falling due next financial year. This is in addition to the provisions made for the clearance of pension arrears.

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## **PEAP PILLAR 3: MEASURES TO INCREASE THE INCOMES OF THE POOR**

### *Agriculture*

69. Mr. Speaker, Sir, next year will see acceleration of PMA implementation. Progress is expected on several fronts. Under the Coffee Development Authority, PAF funds are being used to procure seedlings for distribution to farmers. As a result it is expected that 8,400 hectares of both arabica and robusta coffee will be planted, producing an additional 16,800 tonnes of coffee beans over the next three years. Coffee wilt disease still poses a threat. Research will be intensified to deal with this through the National Agricultural Research Organisation (NARO), with

a provision in the budget of Shs. 1 billion in conjunction with a related donor- funded project. I am also providing Shs. 5.5 billion for animal and fish restocking.

70. The National Agricultural Advisory Services (NAADS) will become fully operational next year. NAADS will gradually replace the traditional, supply driven agricultural extension service, through the provision of client-driven advice, based on the dissemination of new technology. I have allocated Shs. 2.2 billion to NAADS next year. NARO will establish 12 Agricultural Research and Development Centres across the country to accelerate its outreach programme, as well as augment its research into different ecological zones. Preparation of a Water for Production Strategy and Investment Plan is underway.

71. As I mentioned above, the PMA enhances a multisectoral approach to agricultural modernization. The rural feeder roads programme will expand significantly next fiscal year, with conditional grants for maintenance and development increasing to Shs. 36 billion, from Shs. 30 billion this year. The rural electrification project that has just started will move forward rapidly next year. Using the Rural Electrification Fund, which is due to be set up next fiscal year, Government will support private sector and local governments through capacity building and the provision of small subsidies. Finally, I am allocating Shs. 5 billion to the PMA Nonsectoral Conditional Grant for subcounties.

#### *Natural Resource Management*

72. The sustainable and equitable use of our degradable natural resources is an important component of the PMA. Among the initiatives currently in progress are the consolidation of environmental legislation and the creation of the National Forestry Authority to implement the recently approved Forestry Policy. The policy provides a framework for planning and management of forest ecosystems and reserves, at central and local levels. A Forestry Bill is expected to be tabled before Parliament next fiscal year.

#### *Land Issues*

73. Efficient and equitable use of Uganda's land resources is an important component of the PMA. In support of the 1998 Land Act, the Land Sector Strategic Plan (LSSP) is being developed to provide a policy framework for managing land resources, for the benefit of all stakeholders. District Land Boards which are already in place but not operational will receive funds next year. Further amendments to the Land Act, which aim at a more cost-effective institutional framework for implementation, will soon be implemented. Modernisation of the Land Registry will also start, accompanied by the creation of a Land Information System, to aid planning and development. The total budget allocation to the Land Sector for next financial year is Shs 9.9 billion, up from Sh. 3 billion provided in the current year and is expected to double by the third year of the MTEF.

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### **PEAP PILLAR 4: MEASURES TO IMPROVE THE QUALITY OF LIFE OF THE POOR**

#### *Primary and Secondary Education*

74. Education provides a fundamental opportunity for improving the quality of life of the poor. The Education Sector Strategic Plan continues to evolve, with the priority continuing to be on developing quality primary education, although increasing emphasis is being given to creating post primary opportunities for primary school leavers.

75. Classroom construction continues to be a priority activity for primary education. I am providing Shs. 60 billion to the districts for classroom construction. This represents an increase of 23 percent over this year's budget. A new programme of classroom construction funded by the

African Development Bank will add a further Shs. 13 billion. Putting these together, we plan to construct an additional 7,090 classrooms, increasing the overall stock to 60,580 and consequently reducing the pupil:classroom ratio from 111:1 this year to 98:1 by June 2002.

76. The recruitment of additional primary school teachers is key to ensuring improved quality in primary education. We anticipate increasing the number of teachers in government schools next year to 117,000, (an increase of 13,600), which will result in a fall in the pupil: teacher ratio from the current 58:1 to 51:1. I am also happy to announce that, in order to accelerate access to the payroll, the entire teacher's payroll will be decentralised during next fiscal year. This represents an important move forward in the decentralization process.

77. Teacher training continues to be a key strategy for ensuring quality education. To cater for the abolition of cost sharing, an additional Shs. 4.7 billion has been allocated to Primary Teachers' Colleges (PTCs) to fully cover the non-wage costs. From next fiscal year, all students enrolled in PTCs will be fully sponsored by government, covering 16,425 pre-service students and 8,000 in-service trainees.

78. Supporting good practice in schools is a necessary component of improving quality. To this end a sub county level schools performance award was approved this year. This scheme rewards improvement in accountability, transparency and record keeping, promotion of girls education and Special Needs Education. Guidelines for the Primary Schools Performance Awards Scheme have been developed and I am providing Shs. 800 million to cover the costs of the scheme next year.

79. To absorb the growing numbers of P7 leavers, new programmes have been established in the post primary sub sector. Work on operationalising the bursary awards to deserving secondary students at sub county level is ongoing. It is anticipated that the scheme will be fully operational by the end of next fiscal year and will be launched in time for the beginning of academic year 2002.

80. I am providing funds for rehabilitation and construction of secondary schools, and expansion of facilities, including vocational education facilities. I am also providing funds for expanding secondary education opportunities in the 15 Most Educationally Disadvantaged Districts. Altogether I am allocating Shs. 5.2 billion for these activities.

81. Specific provisions have been made to incorporate HIV/AIDS interventions and to promote the secondary education of girls. With a view to reducing rural urban disparities, provision will be made for laboratories and libraries in selected rural schools. I am allocating Shs. 1.4 billion for these activities next year.

### *Health*

82. Implementing the Health Sector Strategic Plan will be accelerated to improve the quality of health services and increase access and utilisation of all health facilities in the country. To that end, 66 Health Sub-Districts will be equipped, 100 Health Centre IIs will be constructed and 3,000 Nursing Assistants will complete their training. Spending on Primary Health Care will increase to Shs. 97 billion next year, which is more than a 50 percent increase over this year's spending of Shs. 63 billion. Our fight against HIV/AIDs will strengthen through a provision of Shs. 1.5 billion alongside donor funding of US \$ 5 million next year.

83. For the coming financial year, the major policy development to impact on the budget is the abolition of cost sharing for the poor. As a result, Government is channelling additional resources into health sub-districts and hospitals. For the next fiscal year, an additional Shs. 6.5 billion has been earmarked for the purchase of supplementary drugs and for logistics at the Health Sub-District level. In addition, a further Shs. 4.2 billion will go to NGO health units and Shs. 4 billion to

general and referral hospitals. Extra emphasis will be placed on preventing and treating malaria and on tackling sleeping sickness across the country. Cost sharing facilities, however, will remain available for wealthier patients.

84. To improve the incentives for health workers, higher level cadres will maintain the salary increases implemented this financial year and lower level cadres will receive a 10 percent increase in salaries. In addition, Government health workers located at district level will be placed on the conditional grant payroll, as a temporary measure to improve the management of the payroll in the long run.

#### *Water and Sanitation*

85. The importance of Water and Sanitation in improving the life of the poor cannot be over emphasised. In this regard, Government has decided to increase substantially funding to the sector to Shs. 52 billion next financial year, up from Shs. 36 billion. Part of these funds (Shs. 24 billion) are to be disbursed directly to the districts through the District Rural Water and Sanitation Development Conditional Grant, which was established this financial year. The increased funding is in line with Government's intention of increasing rural water coverage from the current 53 percent to 58 percent by May 2003. In pursuit of this objective, Government is strengthening the district capacity by setting up District Water and Sanitation Teams, which will be fully integrated into the district establishments by the end of the programme period. About 50 percent of the districts have been fully staffed and full establishment and training in all districts will be achieved by May 2003.

86. In urban water supply, Government's objective is to increase coverage in 78 urban centres from the current 54 percent to 65 percent by May 2003. Asset management and investment planning will be transferred to professionally constituted Public Urban Water and Sanitation Authorities in small towns and a dedicated Asset Holding Authority for the larger towns. All technical, commercial and financial operations in both regimes will be sub-contracted to professional private operators.

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### **CONSTITUTIONAL AUTONOMOUS BODIES**

87. Mr. Speaker Sir, the budgetary proposals of the accounting bodies have been submitted in compliance with Article 155 (2) of the Constitution. In compliance with Article 155 (3) of the Constitution, the Government has made recommendations on them. I hereby lay both the budgetary proposals and the recommendations of the Government before the House, as required by the Constitution.

88. In order to enable me to submit a complete National Budget for your consideration in accordance with Article 155 (1) of the Constitution, the budget provisions of these Self Accounting Bodies incorporated into the Medium Term Expenditure Framework are in accordance with the resource envelope conveyed to the Self Accounting Bodies during the course of our discussions.

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### **TAXATION**

89. Mr Speaker Sir, I now wish to turn to taxation.

#### ***Revenue Outturn for 2000/01***

90. Regrettably, tax revenues have performed poorly for the second successive year. The revised URA revenue projection for this financial year shows a shortfall in collections of Shs. 42 billion. URA revenue, net of taxes on procurement by Government and refunds, is projected at Shs 1,069 billion, compared to the budgeted target of Shs 1,111 billion. This means that the revenue/GDP ratio for this financial year is only around 11.5 percent, taking into account all non-tax revenue as well as tax revenue. The revenue/GDP ratio has actually fallen in the last two years from 11.9 percent in 1998/99.

91. The only major tax heads to perform well during the fiscal year were Pay-As-You-Earn, which yielded an outturn which was eight percent above the budgeted level, and customs duties on imports, which overperformed by 17 percent. In contrast, corporate income tax was down on the budgeted outturn by a projected 13 percent. Duties on petroleum products underperformed by five percent and VAT underperformed by a projected three percent. Excise taxes performed very poorly, with a projected shortfall of 10 percent on the budgeted level.

92. Several factors explain the poor revenue performance in the current fiscal year. They include the slower than projected economic growth, the terms of trade shock and the depreciation of the exchange rate, which together reduced corporate profitability and consumption demand. The increase in petroleum prices caused reduced sales of petroleum products, which comprise a major part of our tax base. In addition, there appears to have been a shift in consumer demand away from traditional excisable products to other consumer goods and services.

### ***Enhancing Revenue Performance***

93. It has been said that there are two certainties in life: death and taxes! While not wishing to sound dramatic, it is a fact of life that, without tax revenues, Government cannot make a budget. Taxation is the only practical means of raising the revenue required to finance government spending on the goods and services that citizens demand.

94. Because of the poor revenue performance, we have been unable to achieve our objective of reducing the overall fiscal deficit and reducing our reliance on donor funds to finance the budget. It is imperative that we improve revenue mobilisation. To achieve this, the onus must be placed on strengthening tax administration, to improve efficiency and curb tax evasion, but I will also announce some modest adjustments to tax policy in this budget, which will assist us to improve revenue mobilisation.

95. Mr Speaker, Sir, I would also like to emphasise that, while I have received many demands for tax concessions from taxpayers, Government simply cannot afford to offer any concessions in terms of lower tax rates or tax exemptions. This would only further narrow our tax base, reduce tax collections and in most cases, raise the cost of tax administration.

96. Fortunately, I believe there is enormous potential for substantial revenue gains from improved tax administration, particularly by enforcing better compliance with our tax laws. URA will implement internal reforms to strengthen its management and build capacity, and will receive the full support of Government in these efforts.

### ***UCBL Monopoly of Handling URA Revenues***

97. Following the completion of the International Arbitration proceedings between Government and Westmont, with regard to Uganda Commercial Bank Ltd, I have removed the UCBL monopoly over tax collections through the banking system. This will allow other banks to participate in collecting taxes on behalf of URA, on a competitive basis. The aim of this measure is to enhance efficiency in revenue collections and reduce the cost to URA of this service. It will

also assist taxpayers to settle their tax obligations faster. URA will shortly announce which banks will participate in collecting taxes.

### ***Tax Policy Proposals for 2001/2002***

98. Mr. Speaker Sir, I now wish to turn to the tax proposals for the year 2001/02. I will highlight the most important tax issues, while the full details are contained in the Finance Bill, which is in the process of being published.

#### **Income Tax**

99. The current income tax system is modelled on international best practise and I believe that it is fair to taxpayers. Therefore, I propose to maintain the status quo, but I am putting forward technical corrections to the Income Tax Act, 1997, which are necessary to correct typographical errors and to set out more clearly the intended operation of the Act. These technical amendments have been identified since the enactment of the Income Tax Act in 1997.

#### *Initial Public Offerings*

100. I am proposing to amend Section 31 of the Income Tax Act to allow the expenses incurred by companies, in respect of Initial Public Offerings on the Stock Exchange, to be deductible for purposes of assessing income tax. The aim of this measure is to encourage companies to offer primary securities on the stock exchange and it is fully consistent with the principles of the Income Tax Act.

#### *Withholding Tax on Professional Fees*

101. I am also proposing to introduce a withholding tax of four percent on the income of resident professionals. This is meant to curb tax evasion by people who do not file income tax returns. I would like to stress that it will not penalize honest taxpayers, because the withholding tax will be fully credited against their income tax liabilities.

#### *Tax Exemption of Treasury Bill Interest*

102. To ensure the equitable treatment of all financial securities, the current tax exempt status of interest earned on Treasury Bills and Bank of Uganda Bills is hereby removed.

#### *Housing Allowances*

103. Section 23 of the Income Tax Act will be amended to remove the double taxation of housing allowances paid to employees. This amendment will allow an employer to deduct from income tax liabilities expenses incurred in respect of any housing allowance or housing provided to employees.

#### *Double Taxation Agreements*

104. Mr. Speaker Sir, I wish to report that we have successfully negotiated double taxation agreements with South Africa, Norway and Denmark, and that Cabinet has ratified these Agreements. We are also negotiating double taxation treaties with other countries. The objective of these Tax Treaties is to protect tax payers against double taxation and to ensure that the tax system does not discourage direct foreign investment. I now lay copies of the ratified Double Taxation Agreements before Parliament as required by the Law.

## **Customs Duties**

105. This year, Mr Speaker, I have continued to be bombarded with requests for tax exemptions. I wish to reiterate that as a matter of policy, Government abolished negotiated tax exemptions from July 1996 onwards and that no more tax exemptions have been negotiated since then. As exemptions have now been abolished, I am proposing to delete these redundant discretionary powers under Customs and Excise Law.

106. Section 4 of the Tariff Management Act, 1970, gives discretionary powers to the Minister of Finance to remit import duty. In the interest of transparency and to avoid any perception of unequal treatment of taxpayers, I am proposing to delete this section of the Act.

### *Life Jackets and Fishing Gear*

107. Mr Speaker, Sir, I am pleased to announce that, during their pre-budget consultations meeting in Arusha, EAC Ministers of Finance decided to remove customs duties on life jackets, fishing gear and other equipment. This is intended to make life jackets and other life-saving devices more affordable and, therefore, to enhance safety on lakes and rivers.

### *Preshipment Inspection Services*

108. With the introduction of GATT Valuation the role of pre-shipment inspection (PSI) is no longer necessary. During their pre-budget consultations in Arusha, the EAC Ministers of Finance concluded that the benefits of PSI have been very limited, compared to the high cost of these services. Consequently pre-shipment inspection services will be terminated with effect from 1st July 2001. Instead URA is developing the internal capacity to assess the value of imports based on documentation provided by the importer. URA is also being facilitated to access the price data banks on goods and commodities, which are readily available around the world at a far cheaper cost than what is paid to PSI companies.

## **Excise Duties**

109. Mr Speaker, Sir, as I have emphasised above, it is vital that we raise tax revenues. Consequently, I am proposing a modest upward adjustment in the excise duties levied on tobacco and alcoholic beverages. This is necessary to help raise the revenues needed to fund our budget.

110. I propose to raise the excise duty rate on cigarettes from the current rate of 122 percent to 130 percent. I also propose to raise the excise duty rate on beer from 60 percent to 70 percent and I will apply similar increases to the excise duty rates on other alcoholic beverages.

111. While I appreciate that any increases in tax rates will not be popular, I must point out that the proposed tax increases are not very large and should not have more than a limited impact on the consumer price of alcohol and cigarettes.

### *Tax Stamps*

112. The smuggling of cigarettes remains a serious problem with an estimated 20 percent of local consumption being smuggled into the country. This smuggling undermines both the local industry and tax collection. To combat cigarette smuggling, tax stamps on both locally produced and imported cigarettes will be introduced with effect from July 2001. The introduction of tax stamps will facilitate the identification of smuggled cigarettes and locally produced cigarettes on which taxes have not been paid.

### *Mobile Phone Airtime*

113. As a revenue enhancing measure I am proposing to introduce a 10 percent excise duty on cellular airtime, sales of which have been growing very rapidly.

114. Mr. Speaker, Sir, the excise tax measures I have outlined above will take effect from 1 July, 2001.

### **Revenue Projections For 2001/02**

115. Based on the tax policy proposals that I have announced in this budget, combined with the projected growth in the tax base and other relevant economic variables, URA collections, net of Government taxes and tax refunds, are projected at Shs. 1,259 billion next fiscal year. This represents an increase of 18 percent or Shs. 190 billion on the projected outturn for the current fiscal year. Of this projected increase, Shs. 40 billion is attributable to the tax policy changes that I have announced, while Shs 150 billion is attributable to the growth in the tax base, the natural buoyancy of taxes such as VAT and Income Tax, plus the efficiency improvements in tax administration, which I expect to be realised in the coming fiscal year. I believe that this represents an achievable revenue collection target for URA. I am confident that, with the professionalism and determination of URA and with the goodwill of the public, we can achieve the improvement in tax revenue mobilisation that is essential for the long term sustainability of public finances in Uganda.

116. Mr. Speaker, Sir, taking into account all projected tax and non-tax revenue collection, we are projecting an increase in the domestic revenue to GDP ratio to 12.4 percent next year.

### **Back to Top** **CONCLUSION**

117. Mr Speaker, Sir, I would like to conclude by summarizing the major issues of economic and budgetary policy which I have announced in this budget.

118. First, I have outlined key policy measures needed to accelerate economic growth and the structural transformation of our economy. These include policies to promote private investment, to boost and diversify exports, to modernise agriculture, to deepen the financial system, to reform the utilities and to strengthen transport infrastructure.

119. Second, the budget continues to emphasise poverty eradication, in line with the priorities identified in the Poverty Eradication Action Plan. Government spending on programmes in the Poverty Action Fund, which directly contribute to poverty reduction, such as primary education, primary health care and water and sanitation, will rise by 24 percent in the coming fiscal year, and will account for over one third of the Government budget.

120. Third, Government will implement a range of cross cutting reforms in the public service, including reforms to financial management, pay reform and procurement reform. These reforms will improve the efficiency and quality of the public services delivered to the Ugandan people.

121. Fourth, I have emphasised the urgent need to boost domestic revenue mobilisation. This will mainly be achieved by strengthening tax administration, but I have also announced tax policy changes, which will enhance tax revenues in the coming fiscal year.

122. With the mandate of a further five years in office given to H.E. The President by the people, Government is determined to press ahead and implement the reforms, which are necessary to

remove the major bottlenecks to faster economic growth and structural transformation. This will make it possible to eradicate poverty, modernise the economy, improve the quality of life and reduce regional imbalances in this country.

123. Finally, Mr Speaker Sir, I want to take this opportunity to express my appreciation to the 6th Parliament, for the support that they have given me, as Minister of Finance, in implementing economic reforms and in ensuring economic growth and macroeconomic stability. The challenges ahead are to accelerate growth and structural transformation and to achieve the ultimate goal of poverty eradication. I know that this can be achieved. I also know that the 7th Parliament will rise to this challenge.

124. I commend this budget to you. Mr Speaker, Sir, and Honourable Members, I beg to move.

**FOR GOD AND MY COUNTRY**