



THE REPUBLIC OF UGANDA

BUDGET SPEECH

Financial Year 2009/10

***Theme: Enhancing Strategic Interventions to improve
Business Climate and Revitalize Production to achieve
Prosperity for All***

DELIVERED AT THE MEETING OF THE FOURTH SESSION OF
THE 8TH PARLIAMENT OF UGANDA

ON

THURSDAY, 11TH JUNE, 2009

BY

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DEVELOPMENT

I. PREAMBLE

The Right Hon. Speaker of Parliament,
Honourable Members of Parliament,

1. I beg to move that Parliament resolves itself into a Committee of Supply for consideration and approval of:
 - a. The Revised Revenue and Expenditure Estimates for the Financial Year 2008/2009; and
 - b. Proposals for the Estimates of Revenue and Expenditure for Financial Year 2009/2010.

2. Mr. Speaker Sir, in accordance with Article 155(1) of the Constitution, the President is required to lay before Parliament, estimates of revenue and expenditure for the ensuing financial year. I am accordingly performing this duty, with pleasure, on behalf of His Excellency, the President, to whom I am grateful for giving me the opportunity to do so.

II. INTRODUCTION

3. Mr. Speaker Sir, the overall performance I am reporting today shows the robustness of our economy, and proof that NRM Government's policy and priority interventions have continued to be sound. Uganda's economy in the Financial Year 2008/09 registered a robust real growth of 7.0 percent, compared to the average sub-Saharan growth rate of 2.4 percent. This is a remarkable performance in spite of the global financial and economic crises that have adversely affected several economies

both in the developed and developing world. The performance shows that Uganda's economy remains resilient, and confirms the benefits of sound economic management.

4. Mr. Speaker Sir, therefore the theme for this year's budget is **'Enhancing Strategic Interventions to Improve Business Climate and Revitalize Production to Achieve Prosperity for All'**. Accordingly, Government will scale up investments in physical infrastructure including transport and communications, and will enhance access and availability of reliable and affordable energy. This will provide the private sector with enabling climate to increase production and seize opportunities in the domestic and regional markets.
5. Uganda has a comparative advantage in food production and has the potential of becoming the food basket of the region. It is also well placed as a trading hub. While demand for Ugandan exports might reduce among industrialized countries, this will be compensated for by high demand from the region. Government will address constraints to accessing regional markets and supply constraints in the domestic economy. Increasing production and promoting regional trade will therefore be our focus both in the short and long term.
6. Mr. Speaker Sir, the thrust of the Financial Year 2009/10 Budget is therefore based on the following policy initiatives:
 - i. increasing agricultural productivity and production,
 - ii. increasing agro-processing and value addition,

- iii. increasing investment in infrastructure and human resource development to facilitate regional trade and economic growth.
7. This is the essence of Government's stimulus that will lead to increased production, and stimulate regional trade while making the private sector more competitive to take advantage of regional demand. These measures will consequently result in the creation of jobs to address the high unemployment in the country.

III. STRUCTURE OF THE BUDGET STATEMENT

8. Mr. Speaker Sir, allow me to briefly outline the structure of the budget statement I am presenting today. I will:
- i. First, highlight the Economic and Fiscal Performance in Financial Year 2008/09 and present the economic outlook for Financial Year 2009/10;
 - ii. Second, outline some of the emerging trends in the domestic, regional and international economy.
 - iii. Third, focus on the Budget Strategy and Priorities that underpin the Financial Year 2009/10; and
 - iv. Finally, announce the Proposed Taxation Measures and the Way Forward.

V. ECONOMIC PERFORMANCE AND FORECAST

9. Mr. Speaker Sir, domestic and regional demand for our goods and services remain buoyant following the relative peace and security countrywide and in the region.

Agricultural Sector Performance

10. Mr. Speaker Sir, in the agricultural sector, national output from cash and food crops, livestock, forestry and fishing activities grew by 2.6 percent in the Financial Year 2008/09 compared to an increase of 1.3 percent in the previous year. This was mainly due to the improved performance of food crops which grew by 2.9 percent. Agricultural sector output though positive, was affected by floods, and continued prevalence of pests and disease, in various parts of the country.
11. Improved performance of the food crop sub-sector during the year is attributed largely to adequate rainfall in the country, and the return of peace to Northern Uganda. The high market prices of food crops and increased demand also influenced increased production of food crops during the first crop season of 2009. The share contribution of agriculture, forestry and fishing to the total real GDP was 15.1 percent in Financial Year 2008/09. This represents a structural transformation of the economy as the relative share of agriculture to GDP has reduced as GDP has continued to increase.

Industrial Sector Performance

12. Mr. Speaker Sir, the industrial sector comprises of the Manufacturing and the Construction sub-sectors. The sector is estimated to have grown by 3.8 percent in the Financial Year 2008/09, as compared to 9.1 percent growth registered in the previous year. The reduction in the growth rate arose mainly due to slower growth of the construction sub-sector.

Services Sector Performance

13. Mr. Speaker Sir, the share of the services sector in real GDP increased to 51.2 percent in Financial Year 2008/09 from 50.0 percent in the previous year. The sector registered real growth of 9.4 percent in Financial Year 2008/09 compared to 10.2 percent growth in the previous financial year. Growth was recorded in the wholesale and retail trade sub-sector at 7.6 percent compared to 14.7 percent last financial; transport and communications, which, grew at 20.0 percent compared 21.3 percent last financial year and real estate development grew by 7.0 percent. Details can be found in the Background to the Budget.

Economic Growth Outlook

14. Mr. Speaker Sir, the economy is projected to grow by about 6.0 percent in the coming financial year. Although this growth is lower than the average growth in the last five years, it remains impressive when compared to other economies in the region and beyond.
15. This is a clear indication of the strength of the NRM Government's economic management and the confidence it has created among local and foreign investors. Uganda's economy was consequently rated B+ by the Standard and Poor's rating agency, which represents an improvement from the B rating in 2007 recorded by the Fitch rating agency.

Developments in the Monetary and External Sectors

Inflation

16. Mr. Speaker Sir, with respect to inflation, recent global economic developments, events in the region and increased regional demand for food, have led to high inflation. Some inflation is

imported from our major trading partners in the region and beyond. Consequently we have experienced prolonged increases in domestic prices since mid-2008. However, inflationary pressures have begun to subside and we expect this trend to continue in the medium term. Domestic prices have declined from 14.8 percent in February 2009 to 12.4 percent in May 2009. It is expected that falling global commodity prices will contribute to a decline in import prices, which will consequently lead to decrease in inflation. In the medium term, domestic prices are expected to decline as Government's interventions to address supply-side constraints in agriculture and infrastructure take root.

Exchange Rate

17. The Uganda shilling vis-a-vis the US Dollar has depreciated from a monthly average of Shs. 1,645 per US dollar in September 2008 to Shs. 2,216 per U.S. dollar as at May 2009, representing a 34.7 percent decline in the shillings value. This is because our terms of trade which reflect the relative price of our imports with respect to our exports, have deteriorated. At the same time foreign investors in Government securities have withdrawn from the economy. There has also been marked decline in remittances from Ugandans working abroad and transfers to Non-Governmental Organisations. The depreciation of the exchange rate has not been restricted to the Uganda shilling alone, as the United States dollar has strengthened vis-à-vis other currencies, including major ones, as well.
18. Despite depreciation of the Uganda Shilling, the NRM Government remains committed to market determined exchange rate policy and liberalized current account and capital account. Government

will maintain prudent monetary and fiscal policies to ensure overall macroeconomic stability.

Balance of Payments

19. Mr. Speaker Sir, the overall balance of payments position at the end of December 2008 deteriorated due to reasons I have already mentioned. The decline would have been worse if it had not been for the increase in both international and regional exports. I am happy to report that 70 percent of the exports recorded from Uganda to the region are manufactured goods. Details of this can be found in the Background to the Budget. Government will continue to encourage regional exports as a way of improving the balance of payments.

Financial Sector Developments

Interest Rate Developments

20. Mr. Speaker Sir, in the financial year ending, there was an increase in nominal average lending interest rates which peaked at 23.2 percent in August 2008, but declined subsequently to 18.9 percent in January 2009. Nominal average lending rates have since increased to 20.9 percent during March 2009, as corporate demand for locally available loanable funds increased following a switch by companies which were previously borrowing from abroad to the domestic banking system. This is due to difficulties in accessing credit in the developed countries. This switch to the domestic banking system is further evidence that the Uganda Banking system is sound and robust.

Banking Sector Developments

21. Mr. Speaker Sir, while the high cost of capital as a result of high interest rates remains a challenge, we have held discussions with the banks and we will continue with this dialogue to see how best interest rates can be brought down. In spite of the ongoing global financial crisis, we have observed continued improvement in deposit mobilisation of the banking system. Over the first three quarters of the Financial Year 2008/09, time and savings deposits grew by 24.6 percent and demand deposits grew by 17.5 percent.
22. The expansion of the banking sector is expected to create competition in the market and result in lower interest rates. To address some of the risks which contribute to the cost of borrowing, Government put in place the Credit Reference Bureau to enable the banks identify their customers for tracking and easy credit rating.
23. Mr. Speaker Sir, to further strengthen the integrity of the financial sector, I wish to report that the Anti-money Laundering draft Bill has been finalized and will soon be presented to Parliament for consideration.

Development in Capital Markets and Retirement Benefits

24. Capital markets have expanded since the Capital Markets Authority (CMA) was put in place. There are currently five firms licensed to carry out the functions of broker/dealer and investment advisor and eight firms or individuals licensed as investment advisors. Six (6) local equities are currently listed on the Uganda Securities Exchange (USE) and four (4) are cross-

border listings. In addition there are two listed and approved corporate bonds.

25. Mr. Speaker Sir, in February 2008 the Pensions' regulatory framework was approved by Cabinet. The Retirement Benefit Regulatory Authority Bill was finalized recently and will be presented to Parliament for consideration in the next fiscal year.
26. A diversified institutional investor base will be partly realized through the liberalization of the pension sector which will come in the next phase of the pension reform. The introduction of the central depository system will help fortify Uganda's capital markets.

Fiscal Performance and Domestic Revenue Outlook

27. Mr. Speaker Sir, the financial year 2008/09 Budget was Shs. 6.16 trillion, which was financed by domestic revenue amounting to Shs. 4.29 trillion and external support of Shs. 1.87 trillion. The budget expenditures performed at 99.8 percent.
28. The performance of resources that financed the budget was attributed to higher than programmed donor inflows. Domestic Revenue performed well, even though at a lower level than targeted recording a shortfall of Shs. 151 billion against a target of Shs. 3.85 trillion. This is attributed mainly to the underperformance of indirect taxes and VAT on local goods and services. Non-tax revenues showed significant improvement compared to the previous year by 42 percent.
29. This year, Government held its first mid-term budget review with the objective of assessing the linkage between resources availed to spending agencies and the targeted outputs. This review established some of the problems related to the implementation of

Government programmes. To address this challenge, in preparation for the Financial Year 2009/10 Budget, emphasis has been put on having in place work plans, including procurement and recruitment plans, which will now form the basis for the disbursement of funds.

The Medium Term Development Framework

30. Mr. Speaker Sir, the Five Year National Development Plan (NDP) is being prepared within the framework of the National Vision which was endorsed by Cabinet in July 2007. It sets out the priority policies and investments for Government for the next five years for achieving growth, employment and prosperity. This plan identifies key linkages between sectors and points out key areas where synergies between sectors can be maximized to support social and economic development. The plan will be ready by end September 2009, in time to feed into the Financial Year 2010/11 Budget preparation process, which starts in October 2009.

VI. THE BUDGET STRATEGY AND PRIORITIES FOR FINANCIAL YEAR 2009/10.

31. Mr. Speaker Sir, the strategic objective of the Financial Year 2009/10 Budget is enhancing growth, development and social transformation, in an environment of macro-economic stability. This strategy also consolidates the NRM Government's socio-economic development goals envisioned in the NRM Manifesto of 2006 elections.
32. The NRM Government views the current global economic challenges as an opportunity for Uganda. This will require clarity of where Uganda's competitive advantage lies, developing

innovative ways of harnessing these opportunities by applying the most effective interventions to achieve those aspirations. This will involve concerted effort at removing the constraints to growth and socio-economic development at all levels.

33. Mr. Speaker Sir, it is clear that Uganda's immediate comparative advantage lies in developing agriculture into a modern, efficient and highly productive sector. Modernising agriculture is crucial for structural transformation of the economy due to its contribution to employment, food security, foreign exchange earnings, agro-processing and tax revenue.. In the medium to long term, the development of efficient industrial capacity that meets both domestic regional and international needs will be promoted. The development of a highly productive agricultural sector will require efficient infrastructure including all-weather feeder roads, national trunk roads, rail- and water-ways, together with the provision of reliable and affordable energy, and a skilled and healthy workforce.
34. Mr. Speaker Sir, arising from the development vision I have alluded to, an important facet of the budget strategy pertains to the respective roles of the private and public sectors in the Uganda economy. While it is an agreed principle that Government will continue to allow prices to be market determined, the main focus of the public sector will be the provision of high quality public goods that facilitate the private sector.
35. Given the limited resources, Government must allocate its resources to those priorities that will enable it to produce public

goods that will stimulate economic growth and development. In accordance with the 2006 Manifesto, the NRM Government will therefore increase investment in infrastructure, scale up interventions in agriculture and ensure that quality public services which are responsive to the needs of the business community, including good governance and the development of the human resource, are delivered.

VII. BUDGET PRIORITIES FOR FINANCIAL YEAR 2009/10.

36. Mr. Speaker Sir, let me reiterate that the Financial Year 2009/10 Budget strategy places emphasis on aligning our expenditures to the priorities which best support the Vision of the NRM Government. I would now like to highlight the major priorities of the Financial Year 2009/10 Budget. This year's Background to the Budget, which has already been distributed to Hon. Members, contains extensive review of the performance of different sectors during Financial Year 2008/09. I will therefore restrict my statement to the major priorities for the forthcoming financial year.
37. The priority areas in Financial Year 2009/10 Budget are therefore the following:
- i. Agricultural Production and Value Addition;
 - ii. Transport Infrastructure;
 - iii. Energy Infrastructure;
 - iv. Human Development; and
 - v. Peace, Security and Good Governance

Agricultural Production and Value Addition

38. Mr. Speaker Sir, according to the recent National Service Delivery Survey, approximately four out of every five households in Uganda are involved in agricultural activities.
39. The majority of the subsistence farmers lack the requisite skills and knowledge, including suitable inputs, and consequently realize low yields. The development of the agricultural sector is therefore key for poverty reduction, economic growth and social transformation. The biggest constraints to agricultural production include crop pests and livestock diseases, lack of suitable inputs, appropriate technologies to increase productivity, the vagaries of weather and limited access to financial and extension services.
40. The sector priorities for next Financial Year will consist of
 - i. measures to improve agricultural production and productivity
 - ii. focus on addressing crop pests and livestock diseases,
 - iii. the provision of high yielding seeds and drought resistant planting materials and improved breeding stock
 - iv. support to agricultural mechanization, irrigation, and agro-processing; and
 - v. enforcement of quarantines and other regulatory measure to curb the spread of disease.
41. To this effect, over 600,000 heads of cattle will be vaccinated against Foot and Mouth Disease, and over 500,000 against Lumpy Skin Disease. 20 million doses for vaccination against Newcastle disease in poultry will also be procured. In addition, 25 new disease resistant crop varieties that increase agricultural productivity, value addition, food and environmental safety, will

be generated through the National Agricultural Research System. Multiplication of 20 million disease resistant coffee seedlings for distribution to farmers will be undertaken and cotton farmers in 46 districts will be provided with 4,000 metric tonnes of high quality cotton planting seed.

42. In order to increase the availability of water for production, the construction of the following bulk water facilities will be provided:-
 - i. Kawomeri dam in Abim; Leye, Olelpec and Olamia dams in Apac; Kagango dam in Isingiro; Mayikalo dam in Sembabule; and Obwongyerero and Kagamba Valley Tanks in Isingiro;
 - ii. extension of a piped water supply system in Sembabule district and construction of 10,000 m³ Valley Tank in Sembabule district will be completed.
43. The above interventions will create an additional 4.4 Million Cubic Metres (MCM) storage capacity of water for production bringing the national storage capacity to total of 35 Million Cubic Metres (MCM) representing 55 percent of the projected national demand for Water for Production.
44. In addition, emphasis will be placed on consolidation of the agricultural extension service through the restructured National Agricultural Advisory Services (NAADS), integrating it with the provision of inputs to farmers. Government will provide integrated support to six farmers per parish, a total of 30,000 farmers annually, whose farms will serve as demonstration sites to others and support them to graduate into commercial farmers. In addition Government will continue to provide improved technologies and inputs to farmers who are organized into farmer groups currently engaged in subsistence or semi-commercial

agriculture. I am providing an additional Shs. 36 billion to NAADS to undertake this initiative.

45. Mr. Speaker Sir, Government will also make deliberate efforts to support medium to large scale commercial farmers, as well as institute measures to enhance the capacity for value addition of agro-processors. A critical constraint to this category of farmers and agro-processors is the low level of mechanization, which consequently limits their productivity. I am therefore, proposing to establish an agricultural credit facility to be accessed by eligible farmers and agro-processors through commercial banks and the Uganda Development Bank, for financing the acquisition of agricultural and agro-processing machinery and equipment.
46. The agricultural credit facility, amounting to Shs. 30 billion in Financial Year 2009/10, will be matched by an equivalent amount by participating financial and credit institutions, and will be lent to borrowers at interest rates not exceeding 10 percent per annum for a maximum period of eight years. This will create a revolving pool of loanable funds amounting to Shs. 60 billion in the first year, to support agricultural mechanization and machinery and equipment for agro-processing. At this juncture, I would like to thank the commercial banks for their positive response to the proposal.
47. A further US Dollar 7 million has been mobilized through the Uganda Development Bank to support agricultural lending. I will be also be seeking for a further US Dollar 100 million loan from the Islamic Development Bank to finance provision of Water for Production.
48. Mr. Speaker Sir, increased agricultural production is essential for economic transformation and prosperity for all and has strong

multiplier effects because of its linkage with other sectors. It also has a number of positive effects. First, an increase in production addresses high food prices by increasing supply. Secondly, increased production would result in increased exports mainly to the region, where Uganda has a niche. Third, increased production addresses food security. Uganda therefore has an opportunity to be the bread basket of East Africa and take a share of world food export. Its geographical location, lower cost of labour, favourable soils and weather conditions all equate to massive opportunity for increased revenues and job creation. I commend this programme to the Honourable Members for your unfledging support.

Communications Infrastructure

Road Transport

49. Mr. Speaker Sir, in the Financial Year 2008/09, Government embarked on an ambitious programme to scale up interventions in the road sector. An additional US Dollars 600 million was earmarked over three financial years to develop the Northern Transport Corridor from the Malaba/Busia border post to Katuna. This programme will be maintained in the medium term in order to remove the constraints to transportation, thereby lowering the costs of doing business and generating higher economic growth.
50. As stated by His Excellency the President in the State of Nation Address, Government will continue its emphasis on development and maintenance of the transport infrastructure. I wish to highlight the road projects that will be undertaken which include the following:-

- i. continuation of the upgrading to tarmac of a total of 322 kilometres of the national road network. These include Soroti-Dokolo-Lira, Kabale-Kisoro-Kyanika and Kampala-Gayaza-Ziobwe highways.
- ii. the rehabilitation of a total of 395 kilometres of national roads network has also commenced. These include Mbarara-Ntungamo-Kabale-Katuna; Kampala –Mukono and Lira Kamdini highways.
- iii. upgrading to tarmac of a further 1,061 kilometres of the national road network in Financial Year 2009/10. These include Fort-Portal – Bundibugyo-Lamia, Kapchorwa-Suam, Muyembe-Namalu-Moroto Kafu-Karuma-Gulu, Jinja-Kamuli, Tororo-Mbale-Soroti and Gulu-Atiak-Bibia highways.
- iv. the design for upgrading to tarmac, of a further 2,050 kilometres of the national road network will also be undertaken in Financial Year 2009/10. These roads include Mbale-Mwagale-Lwakhakha, Olwiyo-Gulu-Kitgum, Hoima-Kaiso-Tonya, Musita-Lumino-Busia, and Moroto-Kotido roads.

51. Mr. Speaker Sir, this ambitious road development programme will ease communication and promote economic growth and development in the short to medium term. I am allocating an additional Shs. 80 billion next financial year to undertake this programme, on top of the Shs. 1.1 trillion allocated in this financial year.

52. Mr. Speaker Sir, substantial resources will also be committed to road maintenance through the operationalisation of the Road Fund, whose Board has recently been inaugurated. A total of U.

Shs. 268 billion will be allocated to the Fund from which districts, urban authorities and the Uganda National Road Authority (UNRA) will seek funding, to undertake road maintenance, upon presentation of acceptable work plans to the Secretariat.

Rail and Water Transport

53. Mr. Speaker Sir, Uganda being a land-locked country requires the development of an efficient railway system. This will not only ensure cheaper access to the sea but also relieve the pressure on the existing road network. During Financial Year 2009/10, Government will prioritize investment in this critical sub-sector. Government will work together with the Private Sector to develop the Southern Route. In addition ferries will be procured for Bukungu-Agwara; Kumi-Katakwi, Lwampanga- Namasale; and Obongi- Maji-Larok.

Information and Communication Technology

54. The main priority, in the financial year 2009/10, will be the completion of the inter-connectivity of the entire country. This project involves laying of over 1500 km of optical fibre to link most major towns in the country including Luwero, Nakasongola, Masindi, Hoima, Kyenjojo, Fort Portal, Mbale, Tororo, Busia, Kumi, Soroti, Kaberamaido, Lira, Apac and Gulu. It will also provide connectivity to the national backbone of Kenya for linkage to the East African sub-marine cable. This will enhance the efficiency in transfer of information, and consequently lower the cost of doing business.

Energy Infrastructure

55. In the Energy sector, emphasis will be placed on the completion of the Bujagali Power Project with the first generation unit of 50MegaWatt planned by December 2010 and embark on the construction of the 700 Megawatt Karuma Power Project as soon as the design is completed. Using the Energy Fund, Government will fund the Karuma Power Project through a Public-Private Partnership arrangement. I am providing an additional Shs. 85 billion to the Energy Fund, which was first established in Financial Year 2006/07.
56. In the intervening period before Bujagali Hydropower project is on-stream, Government will continue to mitigate the power shortfall through support to thermal power generation. Construction of Ishasha (6 MegaWatts) and Buseruka (10MegaWatts) mini-hydropower projects will continue, while Bugoye (13MegaWatts), Mpanga (8 MegaWatts) and Nyagak (3.3MegaWatts) will be completed.
57. With respect to electricity transmission infrastructure, in Financial Year 2008/09 Government embarked on construction of the 100 kilometer 220 Kv Bujagali-Kawanda Interconnection project; the Mbarara – Nkenda 132 Kv line; Kaiso Tonya – Fortportal – Nkenda 132 KV line; Opuyo – Moroto 132 KV line; Karuma – Kawanda 400 KV line; Karuma – Oluiyo 132 KV line; Tororo –Opuyo – Lira 132 KV line; and Mutundwe – Entebbe 132 KV line. A 33 KV distribution line will be constructed from Mbale – Nakapiripirit - Moroto.
58. Other interconnection projects to be undertaken in Financial Year 2009/10 include the Bujagali – Tororo – Lessos (Kenya) 220 KV line; Mbarara – Mirama – Birembo (in Rwanda) 220 KV line;

Masaka – Mwanza (Tanzania) 220 KV line; Nkenda – Beni – Rutshuru and Beni – Bunia 220 KV (DRC). These projects will have a lasting impact in addressing the energy supply needs in the country, while at the same time addressing energy pricing issues.

Rural Electrification

59. Mr. Speaker Sir, Government will also intensify the implementation of the Rural electrification programme by implementing the second phase of Energy for Rural Transformation (ERT). An additional Shs. 5 billion is being allocated to augment the Shs. 2bn for this project to complete the on going grid extensions. Construction of additional power lines will be completed in the districts of Kasese (Bwera area), Bushenyi (Kyambura – Katerera), Pader, Abim, Kaberamaido, Kyenjojo, Bundibugyo, Isingiro, Ntungamo, Rakai, Masaka, Rukungiri, Hoima, Kibaale, Iganga, Bugiri, Kamuli, Tororo, Gulu, Oyam and the important rural industries like, Muzizi, and Buhweju Tea Factories, Bukakata and Kasensero Fish Factories. Furthermore, new projects covering the districts of Ibanda, Kiruhura, Soroti, Katakwi, Amuria, Oyam, Isingiro, Gulu, Mukono, Kitgum, Masindi, Buliisa, Sembabule, Nebbi, Zombo, Koboko, Terego – Maracha, and Yumbe, will be implemented in Financial Year 2009/10.

Petroleum Development

60. Mr. Speaker Sir, estimates of the country's petroleum reserves have grown from 300 million barrels of oil in 2006 when the first discovery was made, to 2 billion barrels of oil at the end of

2008/09. Additional wells are expected to be drilled during 2009/2010 in the entire Albertine Graben and exploration drilling is planned to commence in Arua, Nebbi and Kanungu districts.

Other Measures to Improve the Business Climate

61. Mr. Speaker Sir, in June 2008, Government started the first phase of infrastructure development of the Kampala Industrial and Business Park at Namanve. To date, a portion of the Business Park road network has been opened and this phase will be completed by August 2009. The next phase of the major works, including construction of the power sub-station and, the flyover across Jinja Road, is expected to be completed by 2011.
62. In FY 2009/10, Government will continue to improve the business environment by enacting the following critical commercial laws:-
- a. the Counterfeit law,
 - b. the Mortgage law,
 - c. the Free Zones law,
 - d. the Company law,
 - e. the Insolvency law,
 - f. the Capital Markets Amendments law and
 - g. Amendment of the Investment Code.
63. In next financial year, Government will enhance support to the Uganda Industrial Research Institute (UIRI) to become a centre of excellence in value addition, business incubation, innovation,

product and process design, and technology transfer. The focus on the industrial development strategy continues to call for the creation of agro-processing facilities which will form foundation for the industrialization of Uganda.

64. Government has continued the reform of the Land Registry by enhancing computerization of its operation. The preparation for computerization of the Mailo Land Registry for Kampala, Mpigi and Wakiso district totaling to almost 160,000 titles has been completed. Further computerization in the Kampala Mailo Office which has led to improvements in service delivery that have been observed so far, will be speeded up and rolled out to more districts in Financial Year 2009/10.
65. Nationwide Land Registry rehabilitation and computerization will be implemented under the Land Information System (LIS) commencing in the first quarter of Financial Year 2009/10. This will follow the completion of the renovation and construction of 13 District Land Offices in July 2009, with another 8 District land Offices being completed in the course of financial year. The comprehensive review and revision of all land related laws to support efficient and effective delivery of land services, to be completed by October, 2009.
66. Mr. Speaker, Tourism is one of the fastest growing service sectors of the economy and one of the main foreign exchange earners for the country. A five year national strategic plan for positioning Uganda as a competitive tourist destination is under preparation to take advantage of Uganda's diverse rich flora and fauna. I have provided an additional Shs. 2 billion for Tourism promotion and development.

Human Resource Development

Education

67. Mr. Speaker Sir, in the education sector, the Financial Year 2009/10 Budget will consolidate the achievements so far gained under Universal Primary and Secondary Education programmes.
68. The major focus under the education sector next financial year will be to improve the quality of schooling through the construction, provision of instructional materials and improving inspection. Sanitation in primary schools has been identified as one of the most urgent needs that requires replacement of latrines. Over 90percent of the Shs. 21.7 billion School Facilities Grant allocation will be spent on latrine construction next financial year in needy primary schools and the balance on teachers' houses. Government will also intensify school inspection to check on teacher absenteeism and school fires, and continue monitoring the number of children in schools, among others. To consolidate the gains of UPE, the Education Act 2008 which makes primary education compulsory, will be vigorously enforced. As part of monitoring the implementation of these programmes, a census of children under these programmes will be undertaken.
69. With respect to secondary education, the USE programme will roll-out to cover senior four and complete the cycle for lower secondary education. Government will provide sufficient resources to cover the anticipated increase in USE enrollment. In addition construction of seed secondary schools and construction of additional classrooms in over enrolled schools will be undertaken. To increase access and enhance the quality of secondary education, Government has secured US Dollars 80 million and US Dollars 150 million from the Africa Development Bank and the World Bank respectively, for continuation of the school

construction programme and the provision of instructional materials, over the medium term.

70. The above funding will support the construction of 6,200 new classrooms in over 500 schools which are over- enrolled; 2,300 five stance latrines; 405 multi-purpose science rooms and 144 libraries. The projects will also support completion of 1,900 half-built classrooms in another 400 schools, and purchase 1.7 million textbooks and 6,300 science kits for both Government and private schools. The funding from the African Development Bank will also be used for the expansion of 12 schools, construction of 15 new ones and rehabilitation of 42 traditional secondary schools and two Business Technical Vocational Education Training (BTJET) institutions, turning them into centers of excellence.
71. Mr. Speaker Sir, to address the problems of youth unemployment in addition to other efforts, the Financial Year 2009/10 Budget will commence a medium term programme to provide skills that will make Ugandan youth more employable. This will be done through provision of vocational skills to the youth who are trainable. For a start, I am allocating an additional Shs. 3 billion to the Directorate of Industrial Training to implement the programme.

Health

72. Mr. Speaker Sir, malaria is still responsible for more illness and death than any other single disease. The focus for Financial Year 2009/10 Budget will therefore be on improving the health infrastructure and provision of drugs especially for HIV/AIDS and malaria. The targets of malaria control will be:

- i. to increase in the proportion of households having at least one insecticide treated mosquito nets from the current 15 to 85 percent by 2010;
 - ii. To achieve 100 percent coverage of Indoor Residual spraying in districts which are prone to malaria.
 - iii. Improve the proportion of children under 5 years receiving correct treatment for malaria from 71percent to 80 percent; and
 - iv. increase the proportion of expectant mothers receiving the second dose of Intermittent Preventive treatment to 85 percent, for those attending ante-natal care services.
73. Other areas of focus will include the improvement of human resource management and preventive measures for non-communicable diseases. To improve the management of the Mulago National Referral Hospital we are proposing to develop a public-private partnership.

Water

74. Mr. Speaker Sir, with respect to safe water supply, Government will provide new safe water, including deep wells (boreholes), rainwater harvesting units, protected springs, piped water and gravity flow schemes, to an additional 880,000 people in rural areas. This will raise coverage to 65 percent by the end of Financial Year 2009/10.
75. Rural Water Supply targets to be achieved in Financial Year 2009/10 include:-
- i. Construction of nine water supply schemes in Rural Growth Centres namely: Kikandwa, Bugade, Ziobwe, Ntwetwe, Ongino, Bukholi, Iki-Iki, Karenga and Kanyampanga.

- ii. Construction of Bukwo Large Gravity Flow Scheme
 - iii. Design of five rural piped water supply schemes in Rakai, Ntoroko, Isingiro, Bwambara and Bugangari.
76. Mr. Speaker Sir, using the Conditional Grant mechanism a further 325 springs will be protected; 1,054 shallow wells and 654 deep wells will be fitted with hand pumps; 883 Rain water harvesting tanks will be provided; 312 tap stands will be installed; 18 Valley Tanks will be constructed and 580 water facilities will be rehabilitated.
77. Mr. Speaker Sir, with respect to urban water supply, an additional 600,000 people in the urban areas (including small towns) will be provided with new facilities by the end of Financial Year 2009/10 through the following actions:
- i. Completing construction works in the fourteen (14) towns namely: Kibiito, Rwimi, Nyakigumba, Kasunganyanja, Rubona, Hima, Omungyenye, Rweinamura/Kakukuru, Rugendabara, Kabale/Kicuucu, Ibanda, Bugoye, Kabira and Mutara.
 - ii. Preparing and embarking on construction of 22 small towns water supply schemes namely: Kinuuka, Kasagama, Buyamba, Lwebitakuli, Kikagati, Nyarubungo, Kabula, Kaija, Kyabi, Kahunge, Lwemiyaga, Rwere, Kyempene, Nyeihanga, Nyakashaka, Rwenkobwa, Butare/Mashonga, Mabona, Gaziga, Kashenyi/Nyanama, Kyeirumba and Kinoni.
 - iii. Completing the construction of water supply schemes in Magale, Masafu, Sipi, Namutumba, Nakaseke, Kagadi, Butaleja, Tirinyi and Kisoko.

- iv. Installing 20,000 new water connections and construction of 143 kilometers of water mains in Gulu Municipality by the National Waters and Sewerage Corporation (NWSC).
- v. Completing the water supply systems in Koboko, Oyam, Amolatar, Amuria and expansion of Moroto Municipality and Bukedea water supply systems.
- vi. Expanding piped water supply schemes in Kachumbala, Wakiso, Luwero, Wobulenzi, Kalisizo and Rukungiri.

Peace, Security and Good Governance

Reconstruction of Conflict Ravaged Areas

78. Mr. Speaker Sir, with the return to peace nationwide, I am proposing to institute special programmes for the Rwenzori Region and Luwero Triangle, in addition to the Peace, Recovery and Development Programme (PRDP) for Northern Uganda.

Northern Uganda Reconstruction

79. The Government designed the Northern Uganda Peace, Recovery and Development Plan (PRDP) as an affirmative action for consolidation of peace and the reconstruction of Northern Uganda at an estimated cost of Ushs. 1.1 trillion over three years. The plan is to be financed by both Government and donors and its full-scale implementation is programmed to start next financial year. The priority activities under the Peace, Recovery and Development Plan (PRDP) such as roads, schools, health, water, Police and local administration facilities will receive additional resources next financial year. I have directly allocated Ushs. 100bn for the PRDP. In addition, we are providing funds

for establishing a fruit processing plant in Soroti and for new universities and roads in the North.

Luwero Triangle and Rwenzori Rehabilitation

80. In order to ensure that all war torn areas throughout the country are assisted in the process of economic and social development, preparatory support for reconstruction and development of war ravaged areas will be provided to the Luwero Triangle and Rwenzori areas. I have allocated Shs.10 billion for commencement of the reconstruction and rehabilitation of these two regions.

Security

81. Mr. Speaker Sir, Uganda's peace and security has been upheld with the security sector providing the necessary defence of the sovereignty and territorial integrity of Uganda. This has been done through building adequate and credible defence capability to address both internal and external threats. Government has also ensured the furtherance of our African and International obligations. The Uganda Peoples Defence Force (UPDF) has continued its pursuit to build a modern and professional force particularly in the area of defence management. In the financial year 2009/10, the Uganda Peoples Defence Force (UPDF), as a People's army, will continue to balance its core mission of delivering national security and contributing to national development. For instance the Engineering Brigade, will effectively engage in construction work.

Justice, Law and Order

82. Mr. Speaker Sir, the Government continues to emphasise the rule of law, and the maintenance of law and order. Government has now established the Anti-Corruption and War Crime Courts in the Judiciary, and is working on the transitional justice system to cater for the post conflict, including a law to match the International Criminal Court. I have provided an additional 10.7 billion for recruitment of judges.

General Elections

83. Mr. Speaker Sir, Government has formulated a Roadmap for the 2010/11 General Elections commencing in the financial year ending. This will minimize the burden of financing the elections in one year and allow the Electoral Commission adequate time to effectively and efficiently implement all planned activities in time. There is now need to finalise the appropriate legislation to enable the smooth running of the elections. I have provided an additional Shs. 31 billion to the Electoral Commission to embark on implementation of the Roadmap for successful conduct of the 2011 General Elections.

Public Sector Management

84. Mr. Speaker Sir, as a measure to enhance the performance of the Public Sector, the following measure are critical to achieve value for money in the public sector:-

- i. *Work Plans and Reporting:* With effect from Financial Year 2009/10, each Government Department will have to prepare comprehensive work plans specifying the location of activities and outputs by sub-county. In addition, Accounting Officers, particularly those in the health and

education sectors and service commissions, will have to ensure that all recruitment of staff is concluded during the 1st Quarter of the financial year. This is to ensure that staff are in position to implement Government programmes in time and utilize resources that have been allocated to the Agencies.

- ii. *Accountability:* Next financial year we will hold quarterly Presidential Public Sector Round Table Meetings to review progress in implementation of departmental activities, including the verification of outputs by geographical location by the various stakeholders.
- iii. *Integrated Financial Management System:* In furtherance of the objective to have an improved public financial management, Government will continue the roll-out of the computerized Integrated Financial Management System (IFMS) to an additional 50 sites. In addition, Government has implemented the Straight Through Processing (STP) of salaries, ensuring the direct transfer of salaries to bank accounts of public servants, thereby reducing delays previously experienced. This system will be extended to all payments Government institutions by July 2010. This system will eliminate fraudulent behaviour that has been cited in the payment of pensions; and also improve liquidity management, eliminate unpaid cheques, fraud and reduce business transaction costs.
- iv. *Pay and Pension Reform:* I have provided a modest pay increase amounting to 5 percent, for public servants to mitigate against the increase in the cost of living.

Public – Private Sector Partnerships

85. Mr. Speaker Sir, the Government in its pursuit to achieve high and sustainable rates of economic growth and prosperity for all Ugandans, has the responsibility to create conducive environment for investment and growth. In recognition of the importance of providing infrastructure and other public services through public private partnerships (PPPs), in the 2007/08 Budget Speech, Government committed itself to implementing several projects using the PPP modality.
86. Accordingly, next financial year we will finalise the PPP framework and transform the Privatisation Unit into a PPP Unit to coordinate the implementation of the PPP framework. Thereafter, I will present the relevant bill to Parliament.

VIII. RESOURCE ENVELOPE FOR FINANCIAL YEAR 2009/10

87. Mr. Speaker Sir, the Resource Envelope for Financial Year 2009/10 amounts to Shs 7,333.7 billion. This is composed of the following components: Shs. 4,800.2 billion is financing from domestic revenues comprising tax revenues of Shs. 4,474 billion, non-tax revenues of Shs. 72.4 billion and loan repayments from Government parastatals of Shs. 39 billion. Financing from the domestic banking system amounts to Shs. 213.9 billion.
88. The difference of Shs. 2,533.5 billion is support from external sources including both budget support and project aid.
89. In Financial Year 2009/10 domestic resources including financing from the banking system constitute approximately 67 percent of the financing needs of the budget while donor support comprises 32.6 percent.

Constitutional Self - Accounting Bodies

90. Mr. Speaker Sir, the budgetary proposals of the following Self Accounting Bodies have been submitted in compliance with Article 155(2) of the Constitution.

- I. Courts of Judicature
- II. Electoral Commission
- III. Inspectorate of Government
- IV. Parliamentary Commission
- V. Uganda Law Reform Commission
- VI. Uganda Human Rights Commission
- VII. Uganda Aids Commission
- VIII. National Planning Authority
- IX. Office of the Auditor General

91. In accordance with Article 155(3) of the Constitution, Government has made recommendations on these proposals. I hereby lay both the budgetary proposals and the recommendations of Government before this august House, as required by the Constitution.

92. In order for me to submit a fully financed National Budget for your consideration in accordance with Article 155(1) of the Constitution, the budget provisions of these Self Accounting bodies are in accordance with the resource envelope conveyed to them in the course of budget preparation, including the presentation of the National Budget Framework Paper to Parliament, in accordance with the Budget Act 2001.

X. REVENUE AND TAX MEASURES FOR FINANCIAL YEAR 2009/10

93. Mr. Speaker Sir, taxation is a critical element in the financing of fundamental economic and social programmes necessary for economic transformation of the country. Much of the growth in revenues in the past has been on account of increases in duty and tax rates. However, in Financial Year 2009/10 there will be no increases in duty and tax rates, as a measure to stimulate the economy. Therefore, raising revenue/GDP ratio in FY 2009/10 will require big improvements in URA administration. Reforms at the Uganda Revenue Authority (URA) are continuing with emphasis on strengthening management, developing better internal controls and introducing more integrated information systems. The fiscal year 2009/10 Budget includes substantial additional funding to cater for systems development. Compliance remains a challenge, as we undertake reforms in tax administration. I urge all Ugandans to comply with their tax obligations. I commend those taxpayers who have regularly complied with their tax obligations.

94. Mr. Speaker Sir, I shall however, make adjustments in the tax system to stimulate the economy and to address environmental concerns. In addition, I will be making amendments to realign the Production Sharing Agreements in the Petroleum industry with the Income Tax Act. I will also highlight decisions reached with my Colleagues, the East African Community Finance Ministers in the context of the Customs Union.

VAT Act Amendments

95. Mr. Speaker, I am proposing that donor-funded projects in agriculture, education and health sectors be VAT exempt and arrears written off. This is to ease the challenges associated with counterpart funding.
96. Mr. Speaker Sir, I am proposing to abolish the 5percent rate applied on sale of houses and make house sales VAT exempt. I am also proposing to extend the policy of import duty and VAT exemption on construction materials for Hotels, health and educational institutions for another one year. Mr Speaker Sir, I am proposing that all lease transactions be VAT exempt for items that are VAT exempt. The details are contained in the VAT (amendment) Bill.

Excise Duties

97. Mr. Speaker, currently Uganda imports malted barley equivalent to 25,000 metric tonnes at a cost of about US Dollars 50 Million. Government has promoted growing of sorghum for beer production in Eastern Uganda through excise duty scheme and we see benefits out of this scheme. To further encourage value addition and barley growing in Kapchorwa, Kabale Kabarole and other parts of Uganda, I am proposing to reduce excise duty on beer produced, grown and malted in Uganda from 60 per cent to 40 per cent. There is no revenue loss out of this measure. The details are contained in the Excise Duty Tariff (amendment) Bill.

Income Taxes

Agro Processing

98. Mr. Speaker Sir, in the fiscal year now ending, Government announced that to encourage production and processing of our agricultural products and to attract investments in this sector

especially in rural areas incentives for persons engaged in agro processing were provided.

99. In a bid to encourage value addition of our agricultural products I am proposing to extend this exemption to income arising out of new agro processing investments which commenced on 1st July 2008, from income tax. This incentive will be open to new investments throughout the Country engaged in the processing of Uganda grown produce. The estimated cost of this stimulus is about Shs 15 billion. **The details will be contained in the Income Tax (Amendment) Bill.**

Amendment of the Income Tax Act to cater for Petroleum Transactions

100. The amendments are of a technical nature intended to align the Income Tax Act and the Petroleum Production Sharing Agreements. The income Tax Act was enacted in 1997 when no petroleum discoveries had been made. Subsequently a number of Production Sharing Agreements have been concluded. Last fiscal year we amended the Income Tax Act to provide for oil taxation and is being expanded to further provide for taxation of this sector. There is no revenue loss out of these amendments. **The details are contained in the Income Tax (Amendment) Bill.**

East Africa Community Pre-Budget Ministers of Finance Decisions

101. Mr. Speaker Sir, I wish to bring to your attention the decisions I reached with my Colleagues during the EAC Pre-Budget Finance Ministers Meeting. These decisions touch on the full implementation of the Customs Union, entry of Burundi and Rwanda into the Customs Union and environment protection and measures to support the economy.

Customs Union

102. Mr. Speaker Sir, Given that the fully fledged Customs Union will come into force in 2010, we decided to undertake comprehensive review on all key aspects of Customs Union, inter alia, administrative and legal framework of the Customs Union, the Common External Tariff (CET) and customs collection and elimination of tariff on intra-EAC trade. This review will be completed before December 2009.

Business Climate

103. Mr. Speaker, In order to promote tourism in the region, import duty on specially designed tourist vehicles imported by licensed Tour operators will be remitted. The details will be contained in the EAC Gazette.

Industrial Spare Parts

104. Mr Speaker Sir, import duty on essential Industrial spare parts imported as replacement parts for use exclusively on industrial machinery classified in Chapters 84 and 85 of the EAC CET imported by registered manufacturers and not for resale or any other commercial purpose other than for replacement of worn out and obsolete parts of industrial machines will be remitted. The details will be contained in the EAC Gazette.

Machinery, Spares & Inputs for direct use in Oil, gas and geothermal exploration

105. Mr. Speaker, duty on equipment and inputs excluding motor vehicles imported by a licensed company for direct and exclusive use in oil, gas or geothermal exploration and development upon

recommendation by a competent authority of a Partner State is being remitted. The details are contained in the EAC Gazette.

Dairy Sub-sector

106. Mr. Speaker Sir, In order to promote the dairy industry in the region, heat insulated milk tanks for dairy industry will be duty exempt under the 5th Schedule of the EAC Customs Act.

Television cameras, digital cameras and video camera recorders

107. Mr. Speaker to support the development of film industry I have decided that the import duty on film equipment be remitted to 0 percent. This will give incentives to the filming industry and also create employment for the youth in the region.

Transport of Goods

108. Mr. Speaker Sir, because of the importance transport plays in the value chain for business and in the current times of economic downturn the EAC Ministers further decided to grant remission of import duty from 25 percent and apply 10 percent for trucks of carrying capacity of 5 tonnes and above, for one year for Uganda, Tanzania and Rwanda.

109. EAC Minister also agreed to grant remission of import duty on trucks of carrying capacity of over 20 tonnes from 25 percent and apply 0 percent for Uganda, Tanzania and Rwanda for one year.

110. These interventions will be reviewed at the next pre-budget meeting. Mr. Speaker Sir. I pray that the Business Community will take advantage of this relief to restock their fleet.

Tax Harmonisation Programme

111. As the EAC integration deepens through establishment of the common market, tax harmonisation becomes critical. In this regard, we decided that a study on tax harmonisation be undertaken. The study will include: inter alia harmonisation of indirect taxes and incentives; finalisation of a code of conduct to avoid harmful tax competition; and development of convergence criteria.

Double Tax Agreement for EAC

112. Mr. Speaker Sir, the hitherto stalled EAC Double Taxation will be renegotiated and finalized taking into account withholding tax rates as an incentive to promote cross-border investments and entry of Burundi and Rwanda before December 2009.

Rwanda and Burundi Entry into Customs Union.

113. Mr. Speaker Sir, Burundi and Rwanda are to join the Customs Union from 1st July 2009. In addition Rwanda has aligned her fiscal year to the EAC fiscal year with effect from 1st July 2009. Colleagues, I would like you to note that Uganda's goods will enter Rwanda and Burundi duty free with effect from 1st of July 2009 and vice versa.

Environmental protection

Plastic bags

114. Mr Speaker Sir, Hon. Members a total ban on plastic bags for conveyance of goods and liquid is being imposed in order to protect our environment. In addition excise duty of 120percent will apply on other plastics. A moratorium of six months will be given to the general public as transition period during which

persons will make arrange to find alternative packing materials that are environmental friendly.

115. Mr Speaker a ban is being imposed on old computers, freezers and refrigerators. However I am extending a three month moratorium to enable goods in transit and in bonded warehouses be cleared. We owe protection of our environment a duty and we cannot relax on this front. I seek your understanding that together, we safeguard our environment or else we shall pay an immense price in the future. The details are contained in the Finance Amendment Bill.

Report of Tax Expenditure for Financial Year 2007/08

116. Mr. Speaker Sir, Article 152 (2) of the Constitution requires me to periodically report to Parliament on the exercise of powers conferred upon me by any law to waive or vary a tax imposed by that law. This is to report that this fiscal year, I have exercised powers conferred by the Income Tax Act and Value Added Tax Act and waived Shs. Two Billion Three Hundred Thirty Nine Million, Three Hundred and Fifty Seven Thousand and One Hundred and Seventy Five. (Shs. 2,339,357,175).

117. Mr. Speaker Sir, Government has also paid Shs. Twelve Billion, Eight Hundred Forty Two Million, Thirty Three Thousand Seven Hundred Ninety Three (Shs. 12,842,033,793) fir Non-Governmental Organisations with tax exemption clauses in their agreement and Private Enterprises involved in the Hotel sub-sector.

The East African Development Bank Amendment Bill

118. Mr. Speaker I am proposing to amend the East African Development Bank Act to create immunity from judicial proceedings in Partner States. The details are contained in the EABD (amendment) Bill.

Ratification of Africa Exim Bank

119. Uganda is a founder member of Exim Bank originally Headquartered in Cairo Egypt but currently in Nigeria. Member States are required by the Charter to have it ratified. In accordance with the Ratification Treaties Act, Mr. Speaker Sir, I am laying on the table, the Africa Exim Bank Charter to conclude the ratification process.

XI. SCHEDULE OF INDEBTEDNESS

120. Mr. Speaker Sir, in accordance with the provision of Section 13 (1) and (2) of the Budget Act 2001, I hereby lay before the House the Provisional Information on:

- i. Government's total external indebtedness as at 1st March 2009; and
- ii. Grants that Government has received during Financial Year 2008/09.
- iii. Guarantees of Loans to individual companies and Statutory Bodies.

121. Mr. Speaker Sir, I wish to report that Government has not provided any guarantees in accordance with Article 159 of the Constitution of the Republic of Uganda.

122. The details for the utilization of each loan and grant will be provided in the respective ministerial and government agencies policy statements. The institutions that received and utilized the funds should be able to provide the financial utilization, the actual

implementation on the ground, and progress on the respective projects. Our poverty monitoring and assessment reports will provide additional information on the benefits of the funds which were disbursed directly through the Consolidated Fund.

External Debt

123. As at end May 2009, Uganda's total debt stock stood at US Dollars 4 billion. This includes US Dollars 1.9 billion as loans disbursed, US Dollar 1.6 billion in loans currently contracted but yet to be disbursed, and approximately half a billion dollars is in loan guarantees.

124. Mr. Speaker, because of the increase in the debt stock, Government is to uphold the recommendations in the December 2007 Debt Strategy so that external debt is sustainable in both the medium and the long term. External borrowing, therefore, shall be strictly limited to the following priority sectors: Roads, Energy, Water, Agriculture, Education and Health Infrastructure. In addition, government will provide guarantees to private sector investments in infrastructure, and in particular for the power sector and transport investment projects. Government will limit borrowing as the first option to concessional sources.

125. External debt financing will continue to constitute an important part of budget financing as long as domestic revenues fall significantly short of expenditures and donor grants alone cannot meet the shortfall.

Domestic Arrears

126. Over the last three years Government has prioritized the clearance of domestic arrears. The arrears were constraining private sector services to Government and budget provisions of up

to Shs 729 billion for the three financial years ending 2008/09 have been provided. These efforts will continue until the problem is fully resolved. For next Fiscal Year Shs. 76.1 billion has been provided for arrears payments.

XII.CONCLUSION

127. Mr. Speaker Sir, I appeal to you Honourable Members for support in order to ensure that strategic interventions proposed in this budget improve the Business Climate, harness regional trade and Revitalize production for us to achieve prosperity for all Ugandans.

128. Mr. Speaker Sir, I wish to remind Ugandans that we celebrated Heroes Day two days ago, in which we remembered and recognized our heroes. Unfortunately, many more heroes perished in the course of the struggle to liberate this country and I am sure their wish was for the people of Uganda to live peaceful and prosperous lives. The benefits all of us enjoy today are a result of their noble sacrifice. Mr. Speaker Sir and Honourable Members, I dedicate this budget to the gallant martyrs of the Luwero Triangle who selflessly contributed to the struggle to liberate this country.

129. Mr. Speaker Sir, I beg to move.

FOR GOD AND MY COUNTRY

Annexes

- The Medium Term Fiscal Framework Financial Year 2009/10 – 2013/14
- Summary of Estimates of Revenue for Financial Year 2008/09 and 2009/10
- Medium Term Expenditure Framework Financial Year 2008/09 – 2013/14
- Summary of Statutory Charges on the Consolidated Fund, Financial Year 2009/10 – 2013/14