

Maria Kiwanuka with a briefcase containing the budget speech

Preamble

Your Excellency the President,

Your Excellency the Vice President,

The Right Honourable Speaker of Parliament,

His Lordship the Chief Justice,

The Right Hon. Deputy Speaker of Parliament,

The Right Hon. Prime Minister,

Honourable Ministers,

Honourable Members of Parliament,

Distinguished Guests.

I. Introduction

1. Madam Speaker, in fulfillment of Article 155(1) of the Constitution, I beg to move that Parliament resolves itself into a Committee of Supply for consideration of:

i. The Revised Revenue and Expenditure Estimates for the Financial Year 2011/2012 and

ii. Proposals for the Estimates of Revenue and Expenditure for the Financial Year 2012/2013.

2. Madam Speaker, Article 155(1) of the Constitution provides that the President shall cause to be prepared and laid before Parliament estimates of revenue and expenditure for each financial year. I am accordingly performing this duty on behalf of the President, for which I am thankful.

3. Madam Speaker the Budget Act 2001 requires that the national budget is prepared following a comprehensive consultation with all stakeholders which obligation has been fulfilled.

4. Madam Speaker, in the State of the Nation Address a week ago, His Excellency the President discussed the National Resistance Movement Government's vision for the future of this country and clearly laid out the challenges to development we face today.

In addressing these challenges and in support of His Excellency the President's vision, the theme for the budget for next financial year is "Priorities for Renewed Economic Growth and Development".

5. Madam Speaker, last October, I stood before this august House and asked for your support as we tackled the challenges facing us. I wish to thank you, and the people of Uganda, for the support Government received when we had to implement strict measures to combat a series of economic shocks. These strict measures included both tightening fiscal and monetary policy. I am happy to report that inflation is easing and the exchange rate of the Uganda Shilling has stabilised.

II. Economic Performance and Outlook

Economic Performance

6. Madam Speaker, the key macroeconomic and sector developments over the last year are elaborated in the Background to the Budget 2012/13. I will therefore first highlight the performance of the economy over the last year.

This serves as a backdrop to the key challenges, Budget strategy and priorities for renewed growth and economic development in the forthcoming financial year. Fiscal policy will support monetary policy to maintain macroeconomic stability, while at the same time increase resources available to address the binding constraints to growth.

Economic Growth

7. Madam Speaker, Uganda has faced both global and domestic economic challenges over the past year. Real GDP growth is estimated at 3.2% this financial year.

However, there are signs that the economy is turning around, but requires addressing the challenges on the supply side of the economy.

This involves budget prioritization, improving value for money, and better coordination across sectors. Given Uganda's population growth of 3.5% per annum, it is imperative that we quickly return to faster, more inclusive and sustainable economic growth. This time the growth must be

8. The slowdown in growth this financial year was due to drought, weaker demand of our exports, high international fuel prices, and imported inflation coupled with the weak shilling due to a strong dollar globally.

Growth in the services sector slowed to 3.1%, with trade, financial, education and health services sector registering negative annual growth rates. The growth in industrial production slowed to 1.1% during the year. The hardest hit industrial sub-sector was formal manufacturing sub sector, where growth contracted by 4.4%.

9. Madam Speaker, I am happy to report that the agricultural sector has performed much better, recording annual growth of 3.0%. This shows that agriculture can perform well given our climatic advantage.

The performance of the Agricultural sector has been spurred by cash and food crop production following favourable rains in the first planting season of the last year.

The hotel and restaurant sub sector also rebounded, coupled with positive growth rates in transport and telecommunications, real estate activities and other business activities, as His Excellency the President highlighted in the State of Nation Address.

External Sector Developments

10. Madam Speaker, the Uganda Shilling depreciated against major international currencies earlier in the financial year now ending. The Uganda Shilling has recently been more stable. Depreciation if the shilling was a consequence of the widening balance of trade as imports continued to grow much faster than exports.. Exports of goods and services during the year totaled US$ 4.1 billion, though imports of goods amounted to US$ 5.31 billion and services payments were recorded at US$ 2.23 billion.

The overall balance of payments was however positive on account of increased inflows of remittances amounting to US$ 2 billion, foreign direct investments amounting US$ 834 billion, and portfolio flows amounting to US$ 274 billion.

11. We must therefore concentrate on export growth in order to reduce the gap between imports and exports. This will entail especially staple food exports to the region, and by shifting expenditures

from imports to domestic goods where this is feasible. Staple food exports have a sure market regional given high demand and have lower transport costs in view of our neighbour's proximity.

Inflation and Interest Rates

12. Madam Speaker, the economy has faced high inflation with prices rising over the early part of the financial year now ending.

However, inflation is now on a declining trend. Annual inflation peaked at 30.5% in October 2011 but has declined to 18.6 in May 2012.

Food crop inflation that was 42.2% in May 2011 has declined to 8. In May 2012. In order to achieve this, the Bank of Uganda had to pursue a tight monetary policy using the Central Bank Rate that led to a rise in interest rates.

The Central Bank Rate will be eased as conditions improve. Tight monetary policy has succeeded in bringing down the price level and has restored macroeconomic stability. Supply side (fiscal policy) and demand management policies (monetary policy) are not alternatives; they complement each other and both are necessary for sound economic management. Tackling inflation remains Government's overriding macroeconomic objective in order to protect macroeconomic stability.

Financial Sector Developments

13. Madam Speaker, new technology is driving our efforts to improve financial inclusion, especially in the area of electronic money transfer and agency banking.

The necessary amendment to financial sector legislation to accommodate alternative banking approaches such as mobile banking, bank assurance, and Islamic Banking are being undertaken. The Bank of Uganda has licensed four Mobile Money network operators to offer mobile money services, as a means of bringing about greater financial inclusion with the move towards branchless banking.

By February 2012, the operators had registered 2 million mobile money clients and 13.2 million transactions worth Shs. 551.0 billion had been processed between January and March 2012. In addition, Consumer Protection Guidelines were issued by the Bank of Uganda and are now part of the regulatory regime of all financial institutions.

14. A significant development in financial inclusion in 2011 was the 60% increase in agricultural lending by commercial banks and other financial institutions.

This lending was towards financing post-harvest activity and the purchase of equipment using the Agricultural Credit Facility. Government will continue to implement positive interventions to increase Agriculture lending through the banking system including the Uganda Development Bank.

15. Madam Speaker, Government has undertaken reform of the pensions sector with the view to increase private savings which can be leveraged to finance domestic investment on a sustainable basis. In this regard, legislation to provide oversight and regulation of the pension sector became effective on September 2011.

The Retirement Benefits Regulatory Authority will be established in the forthcoming financial year. Pension reform when completed will be a key element on the development of our domestic debt market.

Fiscal Developments

16. Madam Speaker, as a result of lower economic growth, domestic revenues performed below target over the year, growing by 17.9% compared to the 21.6% growth recorded in the previous year. Total expenditures during the financial year were Shs 945 billion below the target of Shs 6,840 billion, mainly because of delayed start to the construction of Karuma Hydro power station.

Socio-Economic Welfare

17. Madam Speaker, the recent Poverty Status Report, reveals that 23 million Ugandans earn above the poverty line. These Ugandan non-poor are significantly more than the 1.8 million Ugandans who were above the poverty in 1992, when 56 percent of the population lived in absolute poverty.

Despite this progress, 13 million of the non-poor Ugandans today are insecure and are still vulnerable to economic shocks, with the risk of returning into poverty if the gains made in the past are not reinforced. Our vision remains to ensure all Ugandans are free from all forms of, poverty, and have equal opportunities to gain employment and live decently.

Economic Outlook

18. Madam Speaker, the outlook for the Uganda economy must take into account faced the risks for global economy.

The Euro Zone is projected to enter a mild recession, while the United States economy has not yet shown signs of a return to robust economic growth.

We must also be aware of the creeping exposure to global shocks arising from greater integration, i.e through financial linkages, export receipts and workers remittances.

19. Contrary to arguments that the country is disadvantaged by being land-locked, Uganda is actually land-linked with her neighbours who are providing significant demand for our products especially food. For Uganda to succeed in this global and regional economic environment, we must seize the opportunities which these challenges present and implement programs that will spur growth; accelerate social transformation; and ensure prosperity for all, within the context of East African Community integration.

III. Budget Strategy for Financial Year 2012/13

20. Madam Speaker, the Budget strategy underpinning next financial year's proposals will focus Government's scarce resources to unlock the most binding constraints to help restore faster economic growth, while promoting inclusion and sustainability.

The budget proposals presents emerging thinking on our macroeconomic and sector challenges, drawing on ideas, feedback and observations from all walks of society and stakeholder consultations held throughout the past year.

The proposals envisage that Government will focus its resources to improve Uganda's business climate and its comparative advantage of a conducive agricultural climate, land linked location in the middle of East Africa and a young adaptable workforce, so as to truly undergo a structural change for economic transformation. Such a process has many challenges and needs unstinting policy support from across the entire Government and the Uganda people.

Macroeconomic Objectives

21. Madam Speaker, the global, regional and domestic economic slow-down has constrained economic growth this year and affected macro-economic stability. It is urgent that the economy

reverts to more positive growth rate. Achieving this turnaround will require overcoming formidable challenges to share more equitably and sustainably. The budget strategy for Financial Year 2012/13 has been designed to renew economic growth to enable sustained and inclusive development.

22. The macroeconomic objectives of Government over the next year are therefore as follows:-:-

i. the recovery of economic growth to achieve at least 7% per annum in the medium term;

ii. the return to single digit inflation rates;

iii. the return to a stable and more competitive exchange rate.

23. Madam Speaker, Government recognizes that its own resources are limited and that the private sector is the dominant partner in economic growth. Therefore, Government will leverage its resources to support private sector growth and development by lowering the cost of doing business in Uganda. Government will invest in infrastructure that unlocks the growth and development potential of the private sector. It will improve skills for competitiveness and ensure training matches requirements of the job market.

24. Madam Speaker, by virtue of its geographical location and favorable climate, Uganda is capable of becoming the food basket and distribution hub of the region.

This will require the diversification of our markets, in particular to increase inter-regional trade with our neighbours. We will therefore concentrate on producing and exporting staple crops which have a sure market. This approach will benefit from cheaper transport.

The budget strategy will therefore prioritize the removal of weaknesses that obstruct growth in the productive sectors and hinder the implementation of critical infrastructure. This strategy will maximize the economy's growth potential.

25. Madam Speaker, the four main strategies to lower the costs of doing business and marshal private sector investment in Uganda are:-

i. Rehabilitation and expansion of road and electricity infrastructure to reduce transport costs and improve access to affordable energy to support the private sector as an engine of growth

ii. Research and Development to improve productivity, such as developing improved seeds and other inputs, provision of extension services in the field, and skilling our workforce to operate agro-processing industries e.g mechanics, electricians, machine operators, carpenters, plumbers, e.t.c.

iii. Improving business efficiency by streamlining regulatory rules and business licensing reform.

26. Madam Speaker, in implementing the Budget strategy Government will ask the following key benchmark questions when making any investment decisions and prioritizing support activities:-

i. Does the investment increases infrastructure stock?

ii. Does the investment add value to the product or process?

iii. Does the investment lowers the cost of doing business? And if so by how much.

27. I must reiterate that this focus on areas of Government comparative advantage emphasizes selectivity and not neglect of other sectors, that is "the greatest sustainable good for the greatest inclusive number".

28. Before I elaborate the priority interventions reinforcing the budget strategy for the Financial Year 2012/13, I will first outline the financing strategy that underpins the interventions I will propose later on.

Financing Strategy

29. Madam Speaker, the interventions I am proposing today will be financed using the following strategy.

i. Increased Revenue Collections from Domestic Sources

ii. External Financing in form of Loans and Grants from development partners and private creditors

iii. Public Private partnerships that mobilize private sector financing for public projects

iv. Domestic Financing to ensure availability of counterpart funding to speed up implementation of priority infrastructure projects

30. Madam Speaker, tax policy will be used to promote investment in the economy to enable recovery. Domestic revenues are likely to be affected by a number of opportunities and challenges, including development of the oil and gas sector, return to a conducive macroeconomic environment

as Uganda experiences economic recovery, and the integration of the East African Community.Government will maximize Non-Tax Revenues and improve tax administration at the Uganda Revenue Authority (URA) in order to ensure that Uganda is fully prepared to benefit from opportunities, such as development of the oil and gas sector and the integration of the East African Community. I will return to the specific tax proposals after I propose the sector priority interventions to facilitate the renewal of the economy.

31. Madam Speaker, I propose to mobilize Grants and Loans amounting to U Shs. 2.679 trillion, which represents 24% of the National Budget, and consists of project and budget support loans. Most budget support resources will be allocated towards counterpart financing of infrastructure projects and the improvement of service delivery. In addition, Government will borrow non-concessional loans to undertake major infrastructure projects that demonstrate the necessary commercial and economic benefits, for which other financing options are not available.

32. Starting next financial year, Government will speed up project implementation and unsure that undisbursed borrowed funds will be utilized faster. Government will provide counterpart funding to unlock loan disbursements and for critical areas will bring in technical assistance where capacity is lacking.

For future projects, the Ministry of Finance, Planning and Economic Development will undertake rigorous economic analysis and review the Public Investment Plan to ensure alignment with the National Development Plan.

In addition, selected projects will have to be in line with national objectives and have satisfactory cost benefit analysis criteria.

33. Madam Speaker, Government will implement the Public Private Partnership Policy which entails a streamlined framework for project appraisal and contracting with the private sector to achieve efficient and faster development and public infrastructure. The Public-Private Partnerships Bill will be presented to Parliament in the next financial year and I seek your support for its enactment.

Debt Sustainability

34. Madam Speaker, Uganda's public debt is sustainable in both the medium and long term. The bulk of Uganda's external debt portfolio isIs contracted on concessional terms with a repayment period of 40-50 years, a grace period of at least 5 years, and interest rates of not more than 0.75% per annum.

35. Given that our investment programs require more resources that we can raise domestically, it is feasible to borrow externally and prudently on favourable terms.

However, these borrowed resources must be utilised to boost productive capacity of the economy to increase competitiveness.

This will enable our economy to generate the necessary resources to service debt sustainably over the long term. To achieve this objective, Government will focus on improving efficiency in the use of public funds and ensure value-for-money for all Government spending.

Resource Framework for FY 2012/13

36. Madam Speaker, the total amount of resources available in financial year 2012/13 is estimated at Shs 8,135bn, representing an increase of 1.4 per cent on the current financial year's level.

Domestic resources will finance about 87 percent of the budget during 2012/13, whilst 24.5% will be provided by development partners. This represents a rise in domestic financing of our budget. Tax collections for next financial year are projected at Shs 6,956.7 billion. Interest payments and domestic arrears repayments are expected to amount to Shs 817bn in financial year 2012/13. This means that Shs 7,318bn will be available to support economic and social development programmes.

IV. Key Sector Priorities for Financial Year 2012/13

37. Madam Speaker, in line with the objectives of the National Development Plan and the long-term vision of transforming Uganda into nation, the budget priorities in next financial year will seek to achieve the following:

i. Removing infrastructure constraints in transport and energy to facilitate private sector development as the engine of growth;

ii. Promoting the critical productive sectors of the economy including Agriculture, Tourism in order to generate employment and increase production;

iii. Improving the quality of social services focusing of education, health and access to water; and

iv. Strengthening Public Sector Management for efficient service delivery.

A. INFRASTRUCTURE

Road Transport

38. Madam Speaker, road transport accounts for about 97% of the freight cargo in Uganda. Government will lower high vehicle operating costs and reduce time delays by improving the national road transport network. The priorities in the road sector are:-

i. Rehabilitation and expansion of the road network with special emphasis on roads in agricultural areas and export routes; and

ii. developing alternative access routes to the sea through both the southern and northern corridors

39 I am proposing to increase the allocation to the Works and Transport sector to U. shs 1,468.32bn in the next financial year from Ushs 826.38bn in the year ending.

40. Madam Speaker, this allocation will enable construction to continue on the following roads: -

i. Fort-Portal-Bundibugyo (104km);

ii. Busega-Masaka (116km);

iii. Nyakahita-Kazo-Kamwenge (143km);

iv. Kawempe-Kafu (166km);

v. Malaba/Busia-Bugiri (82km);

vi. Tororo-Mbale-Soroti (152km);

vii. Mbarara-Katuna (124km);

viii. Jinja-Kamuli (60km);

ix. Mbarara-Kikagati-Murongo Bridge (75km);

x. Hoima-Kaiso-Tonya (85km);

xi. Vurra-Arua-Koboko-Oraba (92km);

xii. Gulu-Atiak (74km);

xiii. Ishaka-Kagamba (35.4km);

xiv. Kabale-Kisoro-Bunagana/Kyanika (101km);

xv. Masaka-Mbarara (154km).

41. Madam Speaker, construction will be started on the following roads:-

i. Kampala-Entebbe Expressway (51km);

ii. Moroto-Nakapiripirit (93km);

iii. Dualing of Kampala Northern Bypass (17km);

iv. Construction of Mbarara Bypass (40km);

v. Upgrading of Kamwenge-Fort Portal (66km);

vi. Upgrading of Atiak-Nimule (35km);

vii. Kalangala Infrastructure Project.

42. Madam Speaker, Government will also seek funding from available sources to implement the following priority road projects in the medium term:-

i. Olwiyo-Gulu-Kitgum (167 kms)

ii. Moroto-Nakapiripirit (92 kms)

iii. Muyembe-Nakapiripirit/Moroto-Kotido (193 kms)

iv. Soroti-Katakwi-Moroto-Lokitanyala (208 kms)

v. Kapchorwa-Suam (77 kms)

vi. Villa Maria-Sembabule (48 kms)

vii. Mpigi-Maddu-Sembabule (135 kms)

viii. Mukono-Kyetume-Katosi-Nyenga (74 kms)

ix. Ntungamo-Kakitumba/Mirama Hills (37 kms)

x. Rukungiri-Kihihi-Kanungu-Ishasha (74 kms)

xi. Kyenjojo-Kabwoya (102.4 km)

xii. Buwaya-Kasanje-Mpigi-Kibibi-Mityana (90 kms)

xiii. Hoima-Butiaba-Wanseko (111 kms)

xiv. Kayunga-Galiraya-Bbale (88.5 kms)

xv. Kabale (Ikumba)-Kanungu-Buhoma (120.0 kms)

xvi. Ishasha-Katunguru (88.0 kms)

xvii. Kabale-Bunyonyi (6.0 kms)

xviii. Mbale-Lwakhakha (41.0 kms)

xix. Atiak-Adjumani-Moyo-Afoji (104.0 kms)

43. Madam Speaker, in addition, the construction works and repairs of the following bridges will be undertaken:-

i. Commence construction of Second Nile Bridge at Jinja;

ii. Complete Rehabilitation of Nalubaale-Kiira Bridge;

iii. Complete Bulyamusenyu and Muzizi Bridges;

iv. Complete 3 bridges on Atiak-Moyo-Afogi Road;

v. Construct Kanyamateke (Kisoro), Karujumba (Kasese), Alala (Nebbi) and Kasaigi (Kibale) and Semuliki Bridges;

vi. Construct bridges in North and North Eastern Uganda at Olyanai, Abalanga, Alipa, Ajeliek, Ojanai, Opot, Aakol, Airong all in Kumi, Balla, Agali and Engeti all in Lira and Kochi and Nyawa in Moyo.

44. Madam Speaker, in order to enhance road maintenance and rehabilitation at the district level, 142 units of road equipment have been procured for districts and municipalities. We expect that this equipment together with the use of the Force Account will ensure efficiency savings in road maintenance.

Water Transport

45. Madam Speaker, a sizable portion of Uganda's population lives around our rivers and lakes. However,, the utilization of water transport remains low. In the forthcoming financial year, the following projects will be implemented:

i. Complete the upgrade of Port Bell and Jinja Ports;

ii. Commence on construction of a new ferries for for Obong (Moyo)-Sinyanya (Adjumani) and the Laropi-Nebbi routes

iii. Construction of the Lake Bisina and Lwampanga (Nakasongola)-Namasale (Amolatar) landing sites;

iv. Design the Bukungu-Kagwara ferry; and

v. Complete repairs on MV Kaawa.

Rail Transport

46. Madam Speaker, in recognition of railway's potential, Government will undertake the following actions in the forthcoming financial year.

i. Complete the feasibility study to upgrade Kampala – Kasese railway;

ii. Upgrade Jinja pier and Port Bell;

iii. Rehabilitated the MV Pamba;

iv. Complete the preliminary engineering design for the Malaba – Kampala standard gauge railway line.

Electricity

47. Madam Speaker, access to electricity is essential for economic development especially for agricultural and industrial processing and production. Government will prioritize increased generation capacity, and expand the transmission and distribution network to reduce systems' losses. This will result in higher efficiency in the electricity sector and better quality of power. In the forthcoming financial year, Government will undertake the following:-

i. Fully commission the 250MW Bujagali Hydro Power Project;

ii. Start construction of 600MW Karuma Hydro Power Project

iii. Complete preliminary designs for the 600MW Ayago and 140MW Isimba Hydro Power Projects;

iv. Provide financial support in the construction of 125 MW of renewable Mini Hydro Projects

v. Further expand the Rural Electrification Programme to increase access to power; and

vi. Ensure aggressive power loss reduction by rolling out pre-paid meters and investing in the distribution network.

Oil and Gas

48. Madam Speaker, with respect to the Oil and Gas sector, Government has presented legislation to Parliament for establishing a sound legal and regulatory framework, as well as the institutional arrangements for prudent management of the oil resource. This includes legislation for petroleum revenue management. We look forward to Parliaments expeditous enactment of these vital legislations.

B. PRODUCTION SECTORS

Agriculture

49. Madam Speaker, the priorities in the agricultural sector is to ensure food security, provide raw materials and enhance export revenue. Therefore, the sector holds the key to Uganda's economic transformation, job and wealth creation. To complement Government Agricultural Zoning Strategy, , Government has adopted a commodity based approach which will focus on 110 selected commodities for to increased exports to regional and international markets. Apart from traditional commodities of coffee and tea, other crops were selected for both their versatility as food security and export earning potential.

50. Government will implement the following actions in the forthcoming financial year:-

i. the provision of improved seed and farm inputs and implements to increase production and productivity of seven food security commodities of the 11 commodities, namely:- maize, beans, coffee, market fruits and vegetables, and fish;;

ii. supporting the seed industry and provision of improved breeding stock for the seven commodities; and

iii. Completing the ongoing rehabilitation of irrigation schemes and embarking on establishing of new ones to increase the provision of water for irrigation, livestock and for aquaculture by partnering with the private sector.

51. Madam Speaker, the commodity approach implemented with the zoning strategy will concentrate on a particular commodity in a specific zone. In this way, we will be able to produce sufficient quantities that will support domestic and regional trade, as well as agro-industrialization to add value and create non-farm jobs required for the youth. In addition concentrating in a specific

zone will allow the efficient provision of relevant services such as extension services, road and electricity infrastructure and financial services.

52. Madam Speaker the total direct and indirect allocations to the agriculture sectors for the forthcoming financial year will amount to U. Shs 585.3 billion. .

Tourism

53. Madam Speaker, Uganda has emerged as a tourist destination of international acclaim and has been ranked in the last year as one of the top most tourist destinations at the International Tourism Exhibition in Berlin Germany. Several touristic publications have extolled Uganda's combination of wildlife safaris, bird species variety and hospitable people.

54. Government will use its resources, working with the private sector, to undertake the following:-

i. Improve accessibility to tourist sites by upgrading road infrastructure

ii. Support enactment of hospitality standards through grading hotels and hospitality training

iii. Promoting eco-tourism

iv. Implementation of cost effectives tourism promotion using tourist companies and on-line

Private Sector Competitiveness

55. Madam Speaker, Government will focus its efforts on improving Uganda's private sector competitiveness by reducing the cost of doing business and thereby creating a favourable environment for both domestic and foreign private investment and savings. This will be done through

i. Reduction of physical costs (e..g. transport and electricity); and

ii. providing the necessary policy, legal and regulatory framework

56. Madam Speaker, I am pleased to announce that a comprehensive review of business licenses has been completed, and recommendations made to simplify requirements, reduce discretionary powers, and eliminate redundant procedures. As a result of the review, I will eliminate about 27 licenses all of which were found to be either obsolete or redundant, , hence increasing the cost of doing business. An electronic licenses registry that will serve as a repository for all approved business

licensing in Uganda will be established. Implementation of the agreed recommendations is estimated lead to savings in excess of Shs 78.3 billion for the private sector. These measures will be implemented in the next financial year.

57. Government will also establish a One Stop Centre at the Uganda Investment Authority that will provide online registration services for the various licenses required to start a business. This will reduce the number of procedures and ultimately the cost to register a business at the Uganda Registration Services Bureau (URSB), and encourage Small and Medium Enterprises (SMEs) to formally register businesses, In addition, a Small and Medium Enterprises (SMEs) Business Guide has been developed to provide SMEs with information on available financial, business development services (BDSs), and business licensing information.

58. Government will also continue leasing out regional industrial parks; and support product development through the conduct Uganda Industrial Research Institute.

C. SOCIAL SERVICES

59. Madam Speaker, building a healthy, skilled and productive population helps unlock the key binding constraints to economic transformation. Government will accordingly address the impediments to having an economically productive population with interventions in the education, health, water and sanitation and social development sectors.

Education Sector

60. Madam Speaker, Government's objectives in the Education Sector will be to enhance the quality and relevance of education at all levels. This will be achieved by improving the effectiveness and efficiency in the sector by reducing teacher and pupil absenteeism, provision of scholastic materials and enhancing school inspection.

62. Madam Speaker, the education sector has the largest share of our national budget with a total provision increasing from Ushs 1,418.27bn in the financial year ending, to Ushs 1,669.1bn in the forthcoming financial year. This amounts to 17% of the total budget. Ushs… has been provided for the overhaul of education curriculum to incorporate vocational and business

skills development, in order to respond to the needs of job market. Ushs…… has been earmarked for equipping existing vocational and technical training institutions and establishing new ones..

63. The sector provision will also cater for includes salary increases for Primary School Teachers and Science Teachers in Post O-Level institutions. I have allocated Ushs 290 billion in forthcoming financial year financial uefor this purpose.

Creating Employment Opportunities

64. Madam Speaker, Government will work with the private sector to expand skills development to fit labour market requirements as a key requirement under Business Technical and Vocational Training and Education (BTVET). Government recognizes that jobs will be created by the private sector, for which it will continue to support with skills development of the workforce.

65. One such joint venture with the private sector is the Youth Venture Capital Fund for which Shs. 25 billion is being lent out to youth, with the help of participating financial institutions. I am happy to report that remarkable progress has been made in the first few months of the scheme's implementation. In addition, a dedicated desk office has been appointed at the Ministry of Finance to deal with all youth venture capital matters and liaise with stakeholders. The Youth Venture Capital Fund progress report will be tabled when Parliament reconvenes. I am allocation an additional Shs 3.25 billion towards the scheme.

66. Madam Speaker, to address the needs of graduates who have bankable project proposals but lack the requisite funding, I am establishing the Graduate Venture Capital Fund with an allocation Shs. 16 billion to be implemented with participating financial institutions.

Health Sector

67. Madam Speaker, the health sector has achieved progress by increasing availability of basic medicines, achieving immunization rates of children against major killer diseases of 90%. In addition, maternal and infant mortality rates have reduce to [135] per thousand persons and 346 per hundred thousand persons, respectively. However, the health care delivery system still requires major improvements to ensure access to quality basic health care for all.

68. Madam Speaker, Government's objective in the forthcoming financial year is to address poor child and maternal health, weaknesses in the drug management system, inadequate health infrastructure and personnel constraints. The following specific actions will be implemented:-

i. Motivate and retain health workers through gradual salary increases and construction of staff houses. With support from the Italian Government, 88 staff houses will be constructed in the Karamoja Region alone;

ii. Commence rehabilitation of Mulago National Referral Hospital and construction of referral hospitals in Kirudu and Kawempe zones of Kampala, including finalisation of negotiations to construct a modern women's hospital at Mulago.

iii. Commence refurbishment of Kabale, Hoima and Fort Portal Regional Referral Hospitals

iv. Rehabilitate Kawolo Hospital in Lugazi and Itojo Hospital in Ntungamo utilising support from the Spanish Government

v. Provide solar powered fridges, Emergency Obstetric Care (EmONC) lifesaving medicines and kits, Family Planning equipment and commodities to health facilities countrywide

vi. Conduct maternal and pre-natal death audits and undertake community sensitization and mobilization

vii. Protect children from pneumonia and diarrhoea by introducing pneumococcal and Rotavirus vaccines.

viii. Reduce the prevalence of malaria by conducting indoor residue spraying and use of Rapid Diagnostic Tests (RDTs) to improve diagnosis.

ix. Mitigate the effects of HIV/AIDS by undertaking Prevention strategies such as ABC, Circumcision, and Elimination of Mother to Child Transmission, in addition to enrolling an additional 100,000 people infected with HIV/AIDS on Anti-Retroviral Treatment

Water and Environment Sector

69. Madam Speaker, Government's priority in the Water sector will be to provide water for production. The component for bulk water supply previously under the Agricultural Sector has now

been transferred to the water sector. As a result, the total allocation to the water sector in the FY 2012/13 has increased from Ushs…. to Ushs…..

70. Madam Speaker, in the forthcoming financial year, gravity flow schemes supplying Nabweya, Lirima and Kanyampaga and small piped water systems for Luanda, Kabumba and Ongino Rural Growth centers will be constructed, for improved rural water supply. Piped water systems will also be built in Lamwo, Agago and Nwoya, among many others. Piped water systems in Paidha, Patongo, Opit, Omugoand Agweg townships will also be completed and construction of new systems in Moyo, Ibuye, Kalongo, Purongo and Akujo will commence. Further investments in urban water supply will include the following:-

i. Completion of Nakaseke town water supply system and restoration of existing systems in Kakiri, Bukomansimbi and Wakiso towns;

ii. Drilling of boreholes and construction of water supply systems in the towns of Ntwetwe (Kyankwanzi), Kasenje (Wakiso) and Zirobwe (Luwero);

iii. Construction of new, expansion of existing and rehabilitation of water supply systems in Kaabong, Abim, Karenga, Namalu, Bukedea, Busia, Kapchorwa,Katakwi, Matany, Serere, Kachumbala, Namutumba, Kaliro and Bombo Towns.

71. Madam Speaker, Government, through National Water and Sewerage Corporation, will also undertake the following projects:-

i. Construction of Lubigi Water Treatment Plant;

ii. Rehabilitation of Bugolobi Sewage Treatment Plant, and the construction of the Nakivubo and Kinawataka waste water management plant;

iii. Emergency rehabilitation and upgrading of Gaba I and II intake to increase water production capacity to 300 million litres per day;

iv. Construction of a 4 million litres reservoir at Namasuba Hill.

72. In order to address constraints in water for production, the following projects will be undertaken during the year:-

i. Construction of Andibo dam in Nebbi district, Kajodi Valley Dam in Mityana District, Nakabala and Nyamiringa (Kiboga).

ii. Rehabilitation of Windmills in Karamoja Region;

iii. Construction of Kitasi-Sanga-Kanyaryeru bulk water scheme in Kiruhura district;

iv. Design of Rwengaaju irrigation scheme in Kabarole and Kulwodong dam in Abim District.

D. Improving Government Effectiveness

73. Madam Speaker, experiences from the fastest growing world economies point to the important role an efficient public service plays in facilitating growth and development. For example, an efficient and transparent public sector procurement process facilitates rapid private sector growth, and access to credit from financial institutions. An effective public sector facilitates the private sector to create jobs, supports forward and backward industrial linkages and ultimately leads to faster economic transformation.

74. In order to attain our socio-economic transformation objectives faster, public sector efficiency and effectiveness service will therefore be of paramount importance starting next financial year. This is especially critical for six key service delivery sectors, namely – agriculture, roads, energy, health, education, and water. This is because the vast majority of infrastructure and social services provided to the bulk of the population are delivered by these sectors. These sectors also take a substantial share of the National Budget, and form the major focus of the National Development Plan (NDP) strategies. In order to improve service delivery, the following actions will be emphasized;-

i. Further alignment of sector priorities and allocation of resources across the board towards strategic interventions of the National Development Plan (NDP). This means that resources will only be allocated to programmes and projects that have the highest impact on unlocking the binding constraints to socio-economic transformation as identified in the NDP.

ii. Enhance implementation of the first phase of the National Identity Card Project by allowing economically active Ugandans to pay for the Identity Cards on a cost sharing basis

iii. Strengthened Performance and Contract management across the whole of government with emphasis on the six service delivery sectors,

iv. ring fencing of allocations and quarterly progress reporting on budget implementation to Cabinet for closer oversight of performance of the six service delivery sectors to ensure the growth stimulus is attained.

v. Enhancing the Cluster approach to planning, monitoring and evaluation to harness synergies between sectors;

vi. Salary Enhancement for Public Servants with emphasis on Teachers and Scientists; The Ministry of Public Service is finalizing a paper to guide the establishment of a Salary Review Commission to address issues of wage disparities across Government

vii. Continued implementation of measures to eliminate inefficiency and wastage in public expenditure by minimising allocations to consumptive areas such as allowances, printing, workshops and seminars.

viii. Review the entire budget to allocate more resources towards the critical growth sectors of the economy as identified in the National Development Plan (NDP).

V. Constitutional Self Accounting Bodies

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

(i) Courts of Judicature

(ii) Electoral Commission

(iii) Inspectorate of Government

(iv) Parliamentary Commission

(v) Uganda Law Reform Commission

(vi) Uganda Human Rights Commission

(vii) Uganda Aids Commission

(viii) National Planning Authority

(ix) Office of the Auditor General

76. 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 Constitution

77. 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.

78. Madam Speaker, the objectives of the Revenue measures for the Financial Year 2012/13 are for revenue generation, reform of the tax laws, enhancing taxpayer compliance and to support tax administration.

79. Madam Speaker, I will also announce some of the decisions agreed upon by the Sectoral Council on Finance and Economic Affairs held on 18th May 2012 in Kampala.

Value Added Tax (VAT)

Re-instating VAT on the supply of water

80. Madam Speaker, in this financial year, I propose to reinstate VAT on water at 18%. This measure will generate Shs.21.7bn.

Standard rating of biodegradable packaging materials

81. Madam Speaker, Hon Members, I propose to reinstate VAT on the supply of biodegradable packaging materials which is currently exempt. This is to enable suppliers to claim input VAT related to their products produced. This measure will generate shs 2.2 billion. The details are contained in the Value Added Tax (Amendment) Bill 2012.

Re-instating the VAT exemption on gambling and lottery services and Increasing the Gaming and Pool Betting tax

82. Madam Speaker, Hon Members, since the introduction of VAT on the supply of betting, lotteries and games of chance (Gambling), tax administration has encountered challenges in application. I am therefore proposing to reinstate the VAT exemption on gambling but increase the

Gaming and Pool Betting Tax from 15% to 20%. This measure will generate Shs.4.3bn. The details are contained in the VAT (Amendment Bill) 2012.

Excise Duty

Increasing excise Duty on spirits

83. Madam Speaker, Hon Members, I am proposing to increase excise duty on spirits made from locally made raw materials from 45% to 60%. Madam Speaker, I am also proposing to introduce a specific rate and an ad valorem duty rate on undenatured spirits of Shs.2, 000 per litre or 80 per cent, respectively, whichever is higher, as a means to control undervaluation. The measure will generate Shs.10.4 billion. The details are contained in the Excise Tariff (Amendment) Bill 2012.

Imposing Excise Duty on cosmetics and perfumes

84. Madam Speaker, I am proposing to impose excise duty on cosmetics and perfumes at a rate of 10% as a revenue measure. The details are contained in the Excise Tariff (Amendment) Bill 2012. This measure will generate Shs.4.1bn.

Income Tax

Income derived from Treasury Bills and Bonds

85. Madam Speaker, I propose to increase the withholding tax on income derived from Treasury Bills and Bonds from 15% to 20% as a final tax. This measure will generate Shs.16.3bn. The details are contained in the Income Tax (Amendment Bill) 2012.

PAYE Threshold

86. Madam Speaker, Hon. Members, I am proposing to increase the PAYE threshold from Shs.130,000 to Shs.235,000 per month and the tax bands will be adjusted accordingly. The details are contained in Income Tax (Amendment Bill) 2012.

87. Madam Speaker, I am also proposing that an additional 10% be imposed on individuals with chargeable income of Shs.120 million per year. The details are contained in the Income Tax (Amendment Bill) 2012.

Non Tax Revenue

Other Fees and Charges

88. Madam Speaker, Hon Members, I am proposing to vary various fees and charges for the provision of Government services, authorizations and permits so that they are commensurate with the cost of rendering the service. This measure will generate Shs.31.7bn. The details are contained in the Finance Bill 2012.

Review of Tax laws on Excise Duty, Stamp Duty and Lotteries and Gaming.

89. Madam Speaker, I am proposing to reform the Excise Duty Law, the Stamps Act, the Lotteries, Pool Betting and Gaming Act and also introduce a Tax Procedure Code to improve compliance and ease tax administration. These Bills will be introduced to Parliament next Financial Year.

Decisions made at EAC Pre-Budget Consultations by the Ministers of Finance

90. Madam Speaker, Hon. Members, the First Sectoral Council of Finance and Economic Affairs considered Pre- Budget issues and the following decisions, among others, were made and the details will be contained in the East African Community (EAC) Gazette.

Duty Remission, exemption regimes and preferential trade schemes

91. Madam Speaker, the Sectoral Council of Finance and Economic Affairs recognized the need to take stock and an analysis of the existing duty remission schemes within the region to ensure equity and uniform implementation of intra EAC trade regime.

92. Madam Speaker, to facilitate smooth transition from analogue to digital terrestrial transmission by use of Set Top Boxes, import duty on Set Top Boxes was reduced from 25 percent to 0 percent for a period of one year.

Food supplements and mineral premix used in fortification

93. Madam Speaker, given that food supplements and mineral premix are essential in improving nutritional deficiencies, the import duty was reduced from 25 percent to 0 percent for food supplements and mineral premix.

Vacuum packing bags

94. Madam Speaker, import duty was reduced from 25 percent to 10 percent on vacuum packing bags for one year to ease packaging by the manufacturers.

95. Madam Speaker, all these measures will come into effect on 1st July 2012.

VI. REPORT OF TAX EXPENDITURE FOR FY 2011/12 AND MEASURES FOR FY 2012/13

96. Madam Speaker, Article 152 (2) of the Constitution requires me to periodically report to Parliament on the exercise of powers conferred upon me by any law to waive or vary a tax imposed by that law.

This is to report that this fiscal year, I have not exercised powers conferred by the Income Tax Act and Value Added Tax Act to waive any tax.

97. Madam Speaker, Government has however paid shillings eleven billion six hundred one million five hundred forty two thousand four hundred forty three only (11,601,542,443) for some institutions and Non Government Organizations with tax exemptions clauses in their agreement

VII. SCHEDULE OF INDEBTEDNESS

98. Madam Speaker, article 159 (4), section 13 (1), (2) and (3) of the Budget Act 2001 require an account of the total indebtedness of Government.

I therefore lay before the House a report reviewing all loans contracted and Grants extended to the Government. I wish to mention that Government did not extend any guarantees to any Agency, Company or Statutory Corporation in the FY 2011/12.

VIII. CONCLUSION

99. Madam Speaker, this budget statement reflects mutual positions and a collective determination for renewed economic growth and address the key challenges to socio-economic transformation of Uganda.

In conclusion, I commend this budget to all those Ugandans that have tirelessly worked and contributed to the economic transformation of our dear country.

For God and My Country