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Uganda's Budget 2011/12!



Uganda's budget 2011/2012

HE REPUBLIC OF UGANDA

Financial Year 2011/12

Theme: Promoting Economic Growth, Job Creation and Improving Service Delivery

DELIVERED AT THE MEETING OF THE FIRST SESSION OF THE 9TH PARLIAMENT OF UGANDA

ON

WEDNESDAY, 8TH JUNE, 2011

BY
HONOURABLE MARIA KIWANUKA
MINISTER OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT
PREAMBLE

Your Excellency the President of the Republic of Uganda,
Your Excellency the Vice President
The Right Honourable Speaker of Parliament,
Your Lordship the Chief Justice,
The Right Hon. Deputy Speaker of Parliament,
The Right Hon. Prime Minister;
Honourable Ministers
Honourable Members of Parliament,
Distinguished Guests

Introduction

1. Madam Speaker, 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 2010/2011; and
ii) Proposals for the Estimates of Revenue and Expenditure for the Financial Year 2011/2012.

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.

3. Madam Speaker, with the overwhelming renewal of the mandate of the NRM Government, I wish to congratulate His Excellency the President for the victory achieved at the recent General Elections. I also extend congratulations to you Madam Speaker for your historic election to the high office of Speaker of Parliament, and to Honourable Members who have been elected and re-elected to the 9th Parliament; and to all Ugandans for successfully marking yet another milestone in democratic governance.

4. Madam Speaker, during His Excellency the President's swearing in ceremony on 12th May 2011 and in the State of the Nation Address, he clearly outlined the key interventions crucial for the transformation agenda of our country. His Excellency the President placed emphasis on interventions in transport and energy infrastructure, skills development and the stimulation of employment, the need to enhance an

enabling environment for business and improving the effectiveness of Government.
5. Madam Speaker, peace, security and political stability are an important pre-requisite for socio-economic progress. Stability, both within the country and in the region has been an important factor in increasing economic activity and promoting trade activities within the region from which our traders and the country as a whole have benefitted.
6. The Budget I am presenting today therefore reflects the Government's continued determination to strategically prioritize those core programmes which form the main foundation for the transformation of our economy on a sound and sustainable basis.
7. Accordingly, Madam Speaker, the theme for the budget for the Financial Year 2011/12 is "Promoting Economic Growth, Job Creation and Improving Service Delivery"

Economic and Sectoral Performance of the FY 2010/11
and the Medium Term Economic Outlook

8.Madam Speaker, the Background to the Budget 2011/12, which has been made available to Honourable Members, contains an extensive review of the performance of the economy and different sectors during Financial Year 2010/11. It also provides an assessment of the medium term economic outlook. I will therefore only highlight key developments and future prospects in my statement.

Economic Performance

National Output,

9. Madam Speaker, despite the slow recovery in the global economy and increasing domestic prices, economic activity remained robust during the past year. The total National Output of goods and services, commonly referred to as Gross Domestic Product (GDP) rebounded, growing at 6.3 per cent during the year, compared to 5.5 percent in Financial Year 2009/10. Consequently, National Output is projected to total Shs 38,800 billion, an increase from Shs 34,810 billion in the Financial Year 2009/10. The rebound in economic activity is largely attributed to the recovery in construction and increased trade activities. In addition, there has been a strong performance in the telecommunications, financial services, mining and quarrying sub-sectors.

Agriculture

10.Madam Speaker, the livestock sub sector grew by 3.0 percent, while the food crop sub sector registered 2.7 percent growth. However, poor rainfall and drought have severely affected the agricultural sector, with output of cash crops declining by nearly 16 percent during the current financial year. This reduced the overall growth in agricultural output to 0.9 per annum, compared to 2.4 percent recorded in the previous year.

Industry

11.Industrial production improved during the year, with growth estimated at 7.5 percent as compared to 6.5 percent the previous year. The robust growth was driven largely by construction, mining and quarrying activities. Construction activities recorded growth of 7.7 percent in real terms, following a 5.9 percent increase the year before. Growth in mining and quarrying activities is estimated at 15.8 percent during the same period.

Services

12.Madam Speaker, the services sector, which is currently estimated to contribute over 50 percent of total annual national output, continues to be a major driver for economic growth. This sector includes trade activity, education, telecommunications and financial services. During the year, the services sector grew by 8.0 percent, an increase from 7.4 percent in the previous year. This buoyancy in the services sector is due to stronger performance of the telecommunications, financial and trade activities.
13. Telecommunication services continued to be the fastest growing sector in the country and are estimated to have increased by 21.2 percent during the past financial year, while the financial services sector recorded strong growth at 10.3 percent in real terms. The growth in telecommunication and financial services has been driven by increased competition among service providers, which has resulted into significant price reductions and increased innovation leading to new products being offered on the market.

Prices

14. Madam Speaker, the country has been experiencing price increases, about which Government is concerned, and will address with measures I will detail later. The general price level of all items increased by 16.1 percent per annum in May 2011. Food crop prices have registered the greatest increase recorded at 44.1 percent over the same period while prices for Electricity, Fuel and Utilities (EFU) items increased by 9.1 percent over the same period. Annual non-Food Inflation in May 2011 was 7.4 percent, confirming the fact that the major drivers of the current surge in inflation are constraints to food supply.
15. Madam Speaker, the causes of the increased food prices have been primarily poor rainfall and drought which affected food production during the last two seasons of this financial year. Increased regional demand for food has also contributed to the surge in food prices. At a regional level, countries in the East African Community have all suffered high food inflation as a result of drought and the high global food prices. It is important to note that the monthly inflation rate for food crops decelerated in May 2011 to negative 0.6 percent, compared to a monthly increase of 17.4 percent recorded in March 2011. This means that food inflationary pressures are abating and prices are expected to come down soon following the forthcoming harvesting.
16. Madam Speaker, inflationary pressures have also been driven by both increased global commodity prices and the depreciation of the Uganda Shilling, which has affected domestic prices. Inflation in China, India and Kenya, the main sources of Uganda's imports, has risen persistently, leading to higher imported inflation. For example the average price of crude oil in April 2011 reached US $ 128 per barrel, an increase from US Dollars 66 in December 2009. This increase in international fuel prices passes through to the domestic market because of a depreciated Uganda Shilling. As a consequence, domestic pump fuel prices are now at an average level of Shs. 3,500/= per litre for petrol and Shs. 3,200/= per litre for diesel.
17. Madam Speaker, it is also important to note that the pump prices of petroleum products in Uganda are comparable to those within neighbouring countries, distance from the sea notwithstanding. In Rwanda, Kenya and Tanzania, fuel prices for petrol are equivalent to Shs 3,860, Shs 3,190, and Shs 3,300, respectively.
18. As I have noted, the primary driver of the current inflation is the shock to food prices. Non food inflation remains at relatively moderate levels. Annual services price inflation was only 2.6 percent in May 2011. Inflation pressures are therefore expected to recede when supplies of food to domestic markets improve during the course of next financial year both headline and core inflation.

External Sector

19. Madam Speaker, Uganda's balance of payments continued to be constrained as a result of slower growth of exports, tourism receipts and remittances on one hand, while imports continue to increase. Total exports of goods amounted to US Dollars 2.43 billion in the past year, compared to US Dollars 2.32 billion in the previous year. This translates into an annual growth of 4.7 percent compared to 4.5 percent in the last period. The slow growth in exports is a result of the on-going recovery from the global economic crisis in some of Uganda's major trading partners. Imports of goods, on the other hand, have continued to rise as they are structurally dependant on domestic needs.
20. Total imports of goods and services amounted to US Dollars 4.54 billion, compared to US Dollars 4.0 billion in the previous year. This translates into an annual growth of 13.2 percent, compared to a decline of 1.1 percent in the previous year. The growth in imports has been much faster than that of exports, meaning that the gap between exports and imports, commonly referred to as the trade deficit, has widened. Most of the imports have been for production related activities to support a fast growing economy, including increased activity in the oil sector.
21. Madam Speaker, an increase in the world price for coffee has generated higher incomes for Ugandan farmers. Coffee export earnings this year increased by 13.1 percent as a result of higher global prices. Cotton export earnings have also registered a marked increase of 296 percent over the past year, from just US Dollars 17 million last year to US Dollars 67 million this year. At a regional level, the high demand for Uganda's farm produce has been and continues to be an opportunity for farmers to increase their incomes by producing more for the market. Other formal non-Coffee export receipts amounted to US Dollars 1.34 billion. Exports that performed most strongly in this category include sim-sim which registered 83 percent growth, maize, recording a 17 percent growth and fish recording a 16 percent growth.

22. Madam Speaker, Foreign Exchange Reserves are projected at US Dollars 2.2 billion by end June 2011, equivalent to 4 months of import cover, compared to US Dollars 2.498 Billion in June 2010. The Inter-Bank Foreign Exchange mid- Rate in May 2011 was Shs. 2,388 per US Dollar compared to Shs. 2,259 per US Dollar in June 2010. The continued depreciation of the Uganda shilling reflects increased import demand in the face of weak export performance that has not fully recovered.

Monetary Sector

23. Madam Speaker, the monetary sector in Uganda has been resilient, reflecting good management. Interest rates have remained stable over the past year. The lending rates in April 2011 were at 19.2 percent compared to about the same level in June 2010. The deposit savings rate remains low, at only 2.4 percent during April.

24. Treasury Bill rates increased during 2010/11 as the Bank of Uganda tightened monetary policy to prevent the shocks to food and fuel prices from spilling over into higher inflation throughout the economy. The interest rate on the 364 day Treasury Bill rose from 6.2 percent in June 2010 to 11.3 percent at the most recent auction in May 2011.

25. Private sector credit demand was buoyant during the fiscal year, in part because of borrowing by the private sector to finance capital investment. Private sector credit grew by 34 percent in the 12 months to May 2011.

Fiscal Performance

26. Madam Speaker, fiscal performance was in line with the fiscal targets on overall resources and expenditures.

Budget Resources

27. Madam Speaker, total resources available for the budget amounted to Shs 8,374.3 billion during the financial year 2010/11. Oil revenue amounting to Shs. 1,008 billion was earned during the year, and Shs. 828 billion of this has been allocated to the Karuma Hydropower Project in the next financial year.

28. Domestic revenue collections by the Uganda Revenue Authority (URA) during the year are projected to amount to Shs 5,024 Billion, representing performance of 99. 8 percent against the target of Shs 5,034 Billion. Domestic income tax collections are expected to be above target by Shs 38.1 billion.. Taxes on international trade are estimated to have grown by 22.5 percent, reflecting a surplus of Shs 163.4 billion, driven by strong growth in import volumes, coupled with the depreciation of the exchange rate.

29. External financing, comprising loans and grants from development partners, are projected to total Shs 2,681.2 billion during the year compared to a target of Shs. 2056.1 billion. This represents a performance of 30 percent above target.

30. Non-tax revenue collections contributed Shs 86.3 billion, which is equivalent to about 1.7 percent of the total domestic revenue. This represents a 94 percent performance against the target of Shs. 91.5 billion. There is scope to increase non-tax revenue collections through reforms to improve transparency and accountability in non-tax revenue collection within Government institutions.

31. Several reforms in tax administration have been undertaken during the year to enhance the efficiency of tax administration and reduce costs of compliance. These reforms include rolling out online tax services in the Jinja. Gulu, Kampala, Mbale, and Mbarara stations. These developments allow taxpayers to register, file returns and pay taxes on-line, once they access the internet. Other improvements include quicker customs processes and improvements in the management of bonded warehouses. All these measures have contributed towards improved tax revenue performance. I call upon the business community and individuals to embrace the changes in revenue administration for the development of the country. An important reform that will be undertaken in the medium term is the introduction of the electronic Tax Register to enhance service delivery to the tax payers. I am directing URA to start sensitizing and preparing the tax payers for this reform.

Expenditure Performance

32. Madam Speaker, total approved Government expenditure for the financial year 2010/11 is projected at Shs. 9,325.7 billion. Development expenditure increased by 40 percent this year over the previous year, amounting to Shs 3,470.1 Billion. The increase in development expenditure is attributed to the depreciation of the Uganda shilling against major donor currencies which increased the donor disbursements in shilling terms, and the increased absorption on donor projects. This expenditure has

financed projects in road works, energy, agriculture and water.
33. Salaries and Wages are projected to amount to Shs.1,620 billion this year, compared to Shs.1,300 billion spent in FY 2009/10. This represents less than 20 percent of the total budget.
34. Total interest payments are projected at Shs 419 billion, largely due to increased issuance of Government securities. This is meant to reduce money in circulation in the economy in order to dampen inflationary pressures which emerged in the second half of the financial year.

Social benefits

35. Madam Speaker, pension payments are projected at Shs 244 billion for this year, representing Shs 56 billion above the approved budget estimate of Shs 188 billion. This was because during budget preparation, there was insufficient information on benefits to be paid to ex-service men and local government retirees that were due to be transferred to the central government payroll.

Central Government transfers to Local Government

36. Transfers to Local Governments for purposes of meeting the local government wage bill and recurrent and development expenditures have continued to increase over the years. During the year, total local government transfers are projected to amount Shs 1,525 billion compared to Shs 1,461 billion in the previous year. Of the total local government transfers this year, Shs 360 billion is for development expenditure, Shs 248 billion for non-wage recurrent expenditures and Shs 960 billion for salaries and wages.
37. Implementation of the current budget has experienced extra budgetary pressures arising from the needs to finance the recent general elections and security related expenditures. In order to accommodate expenditure in these areas, cuts were effected on the Non-Wage Recurrent budget during the year, while protecting the priority areas of the budget. Although some areas did not receive full funding, the strategic priority objectives of the budget were not compromised.

Sectoral Performance

38.Madam Speaker, in the budget speech for the FY 2010/11, Government pronounced several programmes to be undertaken. I am glad to report that despite the challenges facing the economy, significant progress has been registered for most of the programmes.
39. I will therefore just summarise some of the key achievements in the key priority areas outlined in last year's Budget Speech. These achievement are in the following areas:-
i. Infrastructure Development in Roads and Energy,
ii. Promotion of Science, Technology and Innovation for Value Addition, Private Sector Development and Employment Creation,
iii. Enhancing Agricultural Production and Productivity, and
iv. Human Development.

Infrastructure Development in Roads and Energy

Road Infrastructure

40. Madam Speaker, I am happy to report that during the year, Government continued to consolidate the work undertaken in previous financial years to improve and further develop Uganda's road network and to reduce the backlog of outstanding works. A number of key projects have been completed this financial year and strides have been taken to improve the condition of the national road network. Some of the projects which are close to completion include:
i. Kampala -Gayaza-Zirobwe road;
ii. Soroti-Dokolo-Lira road; and
iii. Matugga-Semuto-Kapeeka road;
41. Substantial progress has been made towards the completion of Kabale-Kisoro-Bunagana Road, where 30km was completed in line with the target. A total of 44 km were completed against a plan of 34km in the reconstruction of Busega – Mityana Road. In addition, 30km of work was completed out of 47km planned on the Masaka-Mbarara Road.
42. Uganda Road Fund continues to finance road maintenance and has disbursed Shs. 468.2 billion since January 2010 to maintain 20,800 kilometers of national roads and 22,500 kilometers of districts roads. The funds were also for the maintenance of 4,800 km of urban roads, 30,000 kilometers of community access roads and 4,500 kilometers of municipal council roads. 4,850 kilometers out of the targeted 10,500

kilometers of unpaved national roads underwent mechanized routine maintenance. 850 kilometers out of the planned target of 1,610 kilometers of national roads were re-graveled.

Energy Infrastructure

43. Madam Speaker, at the commencement of this year's budget, some units of the 250 MW Bujagali Hydropower Project were expected to be available. While substantial progress was made, unforeseen geological complications have delayed the Project. Consequently, the first 50 MW should be available by October 2011.

44. In addition, generation capacity has been installed with the commissioning of renewable power projects at the 18 MW Mpanga Power Project, while the 6.5 MW Ishasha Power Project is expected to be commissioned later this month. The 3.3 MW Nyagak Hydropower project is expected to be commissioned in the course of the next year. Other mini-hydro projects under development include 10 MW at Buseruka and 1 MW at Maziba.

45. The feasibility study for the 600 MW Karuma Hydro power project was completed during the year, and the Government is ready to commence its construction. The feasibility study for the 140 MW Isimba Hydropower Project will be completed in the next financial year.

46. Madam Speaker, the Rural Electrification Programme made substantial progress with the completion of the following Low Voltage Network lines:-

i. Nabitende – Itanda and Bugeso – Iwemba power lines;
ii. Mutolere – Matinza – Nyakabaya;
iii. Kyanika – Mulora;
iv. Kitgum – Padibe – Lokung;
v. Budusu – Bunawale; Japdong village; and
vi. Mpanga-Kamwenge-Kahunge

Science, Technology and Innovation for Value Addition

47. Madam Speaker, in order to improve Uganda's competitiveness and business climate, as well as promote economic growth and create employment, Government prioritized a number of interventions during the financial year. The following achievements have been realized:

Information and Communications Technology

48. A total of 1430 km of optical fibre cable was completed under the second phase of the National Backbone and e-Government Infrastructure project. This compliments private sector efforts to develop high speed interconnectivity between the country and global internet and telecommunication networks.

49. In support of value addition, the Uganda Industrial Research Institute (UIRI) has commissioned several commercial production plants. These include:

i. Potato processing facility in Kabale;
ii. Peanut processing in Lira District;
iii. Fruit juice processing in Mpigi District;
iv. Meat processing facility in Busia District; and
v. Mushroom processing center in Kabale District.

50. Other developments at the Uganda Industrial Research Institute (UIRI) include the completion of a facility for the production of a vaccine against the Newcastle disease in poultry and a foundry for the fabrication of a variety of implements, equipment and machinery for use by Small and Medium Enterprises. This will facilitate the fabrication, by the private sector, of machinery for producing feeds, silk processing, soap production, paper production and a variety of looms for weaving.

51. Under the Presidential Initiative on Innovations in Food Science Engineering, Technology and Skills for production, Employment and Development in Animal Industry (SPEDA), over 500 jobs have been created in production marketing; research and development; and in food technology.

Agricultural Production and Productivity

52. Madam Speaker, last year's budget prioritized increased agro-industrial production and productivity, improvement in employment opportunities and increasing access to markets.

53. The National Agricultural Advisory Services (NAADS) supported approximately 487,500 farmers with inputs and advice to enhance food security. A further 22,000 out of a targeted 26,000 farmers received inputs and advice to enable them to become commercially oriented. These farmers were in the following enterprises: local and exotic poultry, improved cattle and goats; banana suckers & tissue culture; citrus, mango, coffee and tea seedlings.
54. The National Agricultural Research Organisation (NARO) developed 10 planned new crop varieties, and another 11 were submitted for approval before being released for multiplication.
55. The Agricultural sector continued to modernize livestock and livestock product marketing infrastructure in various districts. Construction of 9 modern livestock markets was completed in Masindi, Kamwenge, Mubende, Mbarara, Isingiro, Nakasongola, Luwero, Nakeseke, and Pallisa. In addition, 6 slaughter houses were constructed in Sironko, Pallisa, Isingiro, Kamwenge, Nakasongola and Nakaseke.

Human Resource Development
Education

56. Madam Speaker, in the Budget Speech of FY 2010/11, Government placed emphasis on the provision of education and skills development. In pursuit of these priorities, the Education sub-sector has achieved the following:
57. Government completed the construction of the following 5 Seed Secondary Schools and handed them over for use: Bagezza SSS in Mubende district, Namugongo SSS in Kamuli, Mbarara SSS in Mbarara, Mateete SSS in Sembabule and Pakada SSS in Zombo district. Government also completed the rehabilitation, expansion and re-equipping of Rukungiri Technical Institute. Furthermore, the rehabilitation and expansion of the following 5 existing traditional secondary schools were also completed:- Kabalega SS in Masindi, Mpanga SS in Kabarole, Kigezi College Butobere in Kabale, Lango College in Lira and Kololo SS in Kampala.
58. In order to promote science and technology in schools, 9 traditional secondary schools received fully equipped ICT laboratories. The beneficiary schools were: Rock High School – Tororo; Bishops School in Mukono; Kinyansano Girls in Rukungiri; St Mary's College Rushoroza in Kabale; Sacred Heart SS in Gulu; Nyarilo SS in Koboko; Kibibi SS in Butambala; Wanyange Girls in Jinja and Mwereerwe SS in Wakiso.
59. Under the interventions to enhance skills development for employment generation, the Government has provided funds to complete and equip the following technical institutions: Abim, Katonga in Mpigi, Moroto, Kaboong, Nakapiripirit, Nkoko in Mayuge, Kasese Youth Polytechnic, Bumbeire in Bushenyi, Rutunku Community Polytechnic in Sembabule, Nakaseke Community Polytechnic in Nakaseke, Ssese Farm School and Mbale Community Polytechnic. In addition, ten thousand (10,000) youth country-wide were trained in various non-formal modularised courses for self employment.
Health

60. Madam Speaker, a key priority for next year in the Health sector was the improvement of health infrastructure. I am pleased therefore to report that during the year, equipment worth Shs. 1.68 billion was procured and distributed to 4 hospitals and 12 Level 4 Health Centers (HCIVs). A further 11 Level 4 Health Centers (HCIVs) had theatre equipment installed. With financial assistance from the Chinese Government, a modern Hospital has been constructed at Naguru in Kampala. In addition, six mental health units were completed and commissioned under support from African Development Bank (ADB) in Masaka, Lira, Mbale, Moroto, Mubende and Jinja Regional Referral Hospitals.
61. In order to control the spread of malaria, the Ministry of Health procured 7.3 million Long Lasting Treated Mosquito Nets (LLITNs) which were distributed throughout the country. In addition, medicine worth Shs. 201 billion was procured and distributed to Local Government health units, general hospitals and regional referral hospitals. These included Anti-Retrovirals (ARVs) for treating HIV/AIDs and Artemisinin Combination Therapy (ACTs) for malaria. Utilising financial assistance from DANIDA, medicine worth Shs. 3.5 Billion were procured and delivered to Private Not For Profit (PNFP) Hospitals and Health centers.
Water and Environment

62. Madam Speaker, progress was registered in the rural water and sanitation sub-sector as follows:- 380 water facilities were rehabilitated and 17 valley tanks were constructed. In addition, 54 rainwater harvesting tanks were provided.
63. In the urban water and sanitation sub-sector, construction was completed on four piped water systems in Bwera, Mpondwe, Kiyenje and Rwene towns. With respect to water for production, Construction was also completed on Kagano dam and dams in Napak, Otuke and Moroto Districts, as well as valley tanks in Isingiro, Apac, Sembabule and Gomba Districts. In order to improve environmental management, over 4.5 million tree seedlings were distributed to agro-forestry farmers and 24 community watershed management groups were formed in the Karamoja region.

Economic Outlook

Macro Economic Objectives

64.Madam Speaker, Government's primary macroeconomic objective in the medium term is to promote rapid, broad based and sustainable growth, consistent with transforming the country to middle income status. This is possible given opportunities available including the recovery in the world demand for exports, the high demand for food in the region and globally, favourable conditions for private sector investment, continued peace and stability, and prudent management of newly discovered oil resources.
65. The macroeconomic objectives in the medium term therefore seek to attain the following:-
i. the recovery in economic growth to at least 7 per cent per annum on average;
ii. reverting to an inflation target of 5 per cent;
iii. a stable, competitive exchange rate; and
iv. prioritizing investments which enhance the productive capacity in the economy and employment creation.

Oil Sector Management

66.Madam Speaker, with proven oil reserves estimated at 2.5 billion barrels, Government is finalizing the appropriate legal and institutional framework for resource and revenue management, which proposed legislation will be presented to Parliament. The Resource Law is intended to ensure efficient licensing, development, production and the utilization of the oil resource.
67. Madam Speaker, the legal framework will also provide for the design of an appropriate fiscal regime including revenue assessment and collection, treasury management, macroeconomic implications, petroleum fund management and intergovernmental fiscal relations. Aspects that prescribe adequate transparency and accountability will also be incorporated in the legislation.
68. The proposed legislation will also allow ease in the monitoring of oil revenues and establish an Oil Revenue Fund which will be used both to finance the budget and save and invest for future generations. To ensure prudent utilization of the Oil revenues, all investments and other expenses from the Fund will be budgeted for normally, and will be charged on the Consolidated Fund, with the necessary authorization by Parliament. Oil revenue will also be utilized to generate further growth and employment throughout all sectors of the economy.

Private Sector Development

69. Madam Speaker, in light of Uganda's low ranking with respect to business licensing and registration, I will be addressing these issues squarely. A comprehensive review of business related licenses will be undertaken with a view to simplifying requirements, reducing discretionary powers, and eliminating redundant procedures. This is aimed at reducing the time and cost to both the public and private sector.
70. In addition, lengthy business registration processes that impose an unnecessary regulatory burden keep a large number of businesses in the informal sector. These businesses consequently face limitations in accessing formal credit and contracts which constrains their ability to grow, create employment and contribute to the economy through taxes. In the medium term starting next financial year, efforts will commence to merge procedures, as well as introduce online registration processes.

Access to Affordable Financial Services

71.Madam Speaker, to address the problem of limited access to financial services, Government is undertaking reforms that will enhance increased leasing, and also undertake pension sector reforms to help increase the savings rate and provide long term investment funds, as well as the development of the mortgage industry.

72. To reduce the cost of capital to the business community, Government will fully implement the National Identification Card over the medium term, which will aid in the easy identification of borrowers. This is in addition to efforts to improve efficiency in the land registry to secure the land assets to prevent fraud which increases risk of borrowers.

KEY CHALLENGES

73.Madam Speaker, before I spell out the Budget strategy and priorities for the Financial Year 2011/12, I wish to highlight fundamental challenges which significantly affect the development of the economy. Furthermore, I will reflect on the challenges that have been the focus of attention in the recent past – notably inflation and unemployment.

Development Challenges

74. Madam Speaker, the NRM Government has continually stressed the importance of addressing the critical development challenges that constrain rapid transformation of the economy and its people to middle income status. The critical development challenges that Uganda faces have been clearly articulated in the National Development Plan, which therefore necessitates their prominence in implementation over the next five years. These challenges to social economic transformation include the following:-

Inadequate Physical Infrastructure

75. Madam Speaker, inadequate physical infrastructure leads to high transport and communication costs and inadequate support for private sector growth. These impediments are characterised by

i. Low access to affordable electricity leading to low consumption of only 70 kilowatt hours per capita;
ii. Limited paved roads at 4 percent of the entire road network;
iii. Low capacity utilisation of the rail network of which only 26 percent is operational and carries only 3.5 percent of freight cargo;
iv. Moribund marine transport on Lake Victoria with only one major exit point in addition to no operational wagon ferries;
v. Inadequate and consequently high cost band-width for internet connectivity; and
vi. Low annual water consumption at only 22 cubic meters per capita compared to a world average of 600 cubic metres.

Limited Supply to Critical Production Inputs

76. In addition to the low application of science, technology and innovation, Uganda faces an inadequate supply of critical production inputs characterised by:-

i. Inadequate availability and use of improved seeds, planting materials, and animal breeds, leading to low agricultural productivity;
ii. Limited application of irrigation and fertilizer use in agricultural production that could potentially increase yields; and
iii. Limited availability and consequently high cost of critical input such as cement, iron and steel.

Inadequate Skills Base and Social Infrastructure

77. While tremendous progress has been made in education and health, for which additional efforts will continue, Uganda's human resource base is still characterised by the following:-

a. Qualitative and quantitative deficits in skilled human resources especially in technical areas;
b. Low school completion rates and limited capacities in vocational and technical education which ultimately is reflected in low productivity of Uganda's labour force;
c. Inadequate qualified persons in some sectors. For instance Uganda has low health personnel to population ratio with only one doctor for 25,000 patients; and one nurse for 1,630 patients; and
d. Inadequate social infrastructure and associated low service delivery with low health facility to population and high student classroom ratios.

Inappropriate Mindsets, Attitudes and Culture

78. Madam Speaker, the Uganda economy is still faced with poor ethical values in commercial and business practice, in addition to continued backward cultural practices such as marginalisation of the girl child in access to education and early marriages, and discrimination of women in land ownership and inheritance. The following aspects continue to constrain development:-

i. Poor business and entrepreneurial attitudes, the lack of good work ethic, integrity and patriotism in both the public and private sectors;

ii. Negative perceptions in use and appreciation of natural resources;
iii. Limited adoption of science technology and Information and Communication Technology in business and social spheres; and
iv. Negative attitude towards work and entrepreneurship in favour of paid employment, and poor time management.

Limited Access to Financial Services

79. Madam Speaker, access to financial services and affordable long term finance, remains a major constraint especially for Small and Medium Enterprises in Uganda. The key challenges in the financial sector include:
i. Insufficient financial services infrastructure across the country, limited number of bank branches and poor access to rural financial services;
ii. Limited availability of long term funds for development finance, coupled with a low savings culture; and
iii. High costs of financing with the nominal lending interest rates of banks ranging from 17 to 23 per cent, and even higher rates in the microfinance sector.

Limited Employment Opportunities

80. Madam Speaker, another challenge facing the economy is rising unemployment. It is estimated that the current job market can only absorb 20 percent of the youth. Fortunately, the youth are highly adaptable and only require attitudinal transformation, together with technical and business management skills to fit into the existing job market and create avenues for generating their own small scale enterprises.
81. Madam Speaker, what I have just highlighted above, are key challenges facing the economy. The Budget strategy and the priority interventions which I am going to elaborate will therefore focus on addressing these challenges, commencing next financial year.

The Budget Strategy and Priorities for FY 2011/12

82. Madam Speaker, the focus during the next year will be to implement interventions that address the challenges I have highlighted, especially rising inflation, unemployment as well as physical and social infrastructure and improved social service delivery. These challenges require new bold ideas and renewed efforts from all stakeholders.
83. Madam Speaker, in finalising the budget proposal for this year, extensive consultations have been made with the private sector, including the Uganda Small Scale Industries Association (USSIA), the Uganda Manufacturers Association, the Uganda Bankers Association (UBA) and the Kampala City Traders Association (KACITA). In addition, we have also consulted our development partners, other ministries and agencies in Government and the Private Sector Foundation of Uganda (PSFU).

Resource Framework

84. Madam Speaker, the Resource Envelope for the next financial year amounts to Shs. 9,840 billion. This comprises of Shs. 6,330 billion financed from domestic revenues of which Shs 6,170 billion is from tax revenues, Shs 121 billion from Non Tax Revenues and Shs 39 billion from domestic loan repayments. Resources from both Tax and Non-Tax Revenues will contribute Shs. 6,290 billion. Domestic Revenues are projected to finance about 71 per cent of the budget in the coming financial year. External financing from development partners will amount to Shs 2,900 billion, contributing 29 per cent of the budget.
85. Madam Speaker, in light of the constrained Resource Envelope, I have only been able to allocate additional resources amounting to Shs. 1,586 billion to priority areas that will accelerate implementation of the National Development Plan (NDP) and the NRM Manifesto, as well as tackling the key challenges currently facing the country. Therefore, expenditures on other areas will be constrained.
86. Madam Speaker, the priorities for next financial year will aim at implementing the strategy that I have spelt out. Next year's budget priorities are the following :-
i. Infrastructure Development in Roads, Railways and Energy;
ii. Enhancing agricultural production and productivity;
iii. Employment Creation, especially for the Youth, Women and in Small and Medium Enterprises; and
iv. Human Resource Development, and

v. Improving Public Service Delivery.

87. Madam Speaker, I now wish to turn to the details of the budget priorities for the Financial Year 2011/12.

Infrastructure Development

88. Madam Speaker, priority allocations are being made to power generation, road networks, irrigation schemes, schools and improvement of health infrastructure. This builds on our steady progress made in these areas over the past years..

Transport Infrastructure

89. Madam Speaker, in the transport sector I have allocated a total of Shs. 1,219.41 billion towards implementation of the following key projects, among other activities:-

i. Commencement of upgrading to bitumen of the following roads:- Moroto – Nakapiripirit (93km), Hoima- Kaiso- Tonya (73km), Mukono – Katosi (74km) and Mbarara – Kikagati (66km), and Ntungamo-Kakitumba (37km)Ishaka – Kagamba (35 km).

ii. Commence upgrading to bitumen of the following roads to improve road connectivity to Southern Sudan:- Gulu-Atiak-Bibia/Nimule and Vurra-Arua-Koboko-Oraba;

iii. Reconstruct Tororo-Mbale-Soroti, Lira-Kamudini-Gulu, Atiak, Moyo-Afoji and Mbarara-Ntungamo-Katuna roads;

iv. Continued improvement of the road network including Kabale-Kisor-Bunagana, Soroti-Dokolo-Lira; Fort Portal- Bundibugyo Lamia;Matugga-Semuto-Kapeeka and Nyakahita-Ibanda-Fort Portal – Kitagwenda roads;

v. Fast tracking of the rehabilitation and continuous maintenance of national, district and community access roads; and.

vi. Continue the construction of key bridges across the country and accelerate the planning for construction of the second bridge on the River Nile at Jinja estimated to cost US$ 102 million.

90. Madam Speaker, Government has also embarked on a long-term plan for improving the transport network and ease traffic congestion in metropolitan Kampala. With effect from next financial year, we will embark on the programme for expansion of key highways leading to and from the city. Government will support the newly created Kampala Capital City Authority, to speed up the improvement of the city's infrastructure. I have allocated a total of Shs 43 billion for the construction and maintenance of Kampala City Roads.

91. In addition to the resources to the road sector, the development of the Kampala – Entebbe highway will be undertaken utilizing a US Dollar 350 million loan facility from the Peoples Republic of China. Furthermore, in order to improve access to the Kalangala Islands, the construction and operation of a ferry from the Mainland will be undertaken in a Public Private Partnership arrangement during the year. In addition the main island road will be improved.

92. Madam Speaker, in addition to the activities I have detailed, Government will maintain funding to the on-going road construction projects as provided for in this financial year. In the next year, we will fast-track the completion of the various roads and embark on new ones as resources are freed from the completed projects.

Rail Transport

93. Madam Speaker, there is no doubt that continued reliance on road transport as almost a sole means of transport is partly responsible for the high transport costs and high depreciation of our roads due to the heavy road traffic.

94. In the FY 2011/12, the rehabilitation of the Kampala – Malaba railway will be undertaken and the operational efficiency along the Kampala – Mombasa will be improved. The rehabilitation of the Tororo – Pakwach railway will also be undertaken. In addition, the rehabilitation of the Marine Vessel (MV) Pamba will be undertaken to restore wagon ferry transportation on Lake Victoria, and also operationalise the Southern Route through Mwanza.

Energy

95. Madam Speaker, to address increasing demand for electricity and also develop oil and gas reserves in the Albertine Graben (Mwitanzigye). I have allocated an additional 850 billion for the following interventions:-

i. Completion of the 250 MW Bujagali Hydropower Project
ii. Commencement of the construction of the 600MW Karuma Hydropower project, for which I have allocated Shs. 828.6 billion;
iii. Completion of preliminary work on 140MW Isimba hydropower plant, which will be developed with private sector financing, and also complete the feasibility of the first phase of the 600MW Ayago hydropower plant;
iv. Commencement of preliminary work on the construction of the Oil Refinery near Hoima , for which I have allocated Shs 14.7 billion for preliminary work; ;
v. Construction of a Petroleum Resources Database at the Ministry of Energy and Mineral Development, for which an allocation of Shs. 7 billion is being made.
96. Madam Speaker, most of the above projects will be funded through a multi-pronged approach, that includes; utilization of our own domestic revenues and implementation of Public-Private Partnerships (PPPs), in addition to traditional sources of financing from bi-lateral and multilateral institutions and non-concessional financing.
97. Madam Speaker, in addition to the above major interventions, Government will continue to finance the implementation of various key projects under the energy sector particularly those under the Rural Electrification Programme.

Agricultural Production and Productivity

98. The National Development Plan identifies agriculture as a vital contributory growth sector capable of reducing poverty and stimulating economic growth. Accordingly, in FY2011/12 priority interventions will focus on increasing production and productivity, agro-processing and increase enterprise efficiency through commodity value chains. The current increase in food prices is a clarion call for us to scale up efforts for increasing agricultural productivity.
99. Madam Speaker, Government will also continue with the ongoing efforts to provide affordable finance to enable farmers acquire necessary infrastructure to promote transformation to commercial agricultural production. The Agricultural Credit Facility which was introduced in 2009 was successful, achieving a disbursement of Shs 29.9 billion, representing a 99.7 percent performance. Eligible projects that received financing included the following:-
i. Wheat, Cotton, Coffee and Tea Processing Plant and Machinery
ii. Farm Machinery and Equipment
iii. Milk Processing Equipment
iv. Warehouse construction and Storage
100. However, performance of the scheme declined significantly in 2010 with a utilization of only Shs. 3.7 billion or a performance of 12.3 percent. This follows the increased risk that was supposed to be carried by participating commercial banks, as they were required to contribute twice as much as Government. In addition, the increase in interest rate to 12 percent was equally not favourable for several eligible projects.

101. Madam Speaker, I am therefore maintaining the Agricultural Credit Facility for a third year running with Government contributing Shs. 30 billion, which will be matched equally by participating Commercial Banks. Eligible projects in the agricultural sector, including the construction of warehouses and silos to improve storage, will therefore be financed at a preferential interest rate of 10 percent per annum for a maximum period of eight years, following the depressed performance in the last year.

102. In order to increase sustained production, Shs. 133 billion has been allocated will to the National Agricultural Advisory Services (NAADs) to increase the commercialization of improved seeds and other planting materials. Seed and agro-genetic propagation companies will be contracted within a long term framework to multiply improved seeds and planting materials, which will be delivered in time for planting during successive seasons over the forthcoming five years. The Ministry of Agriculture, Animal Industry and Fisheries will also enter into long term framework contracts with certified animal breeders for the multiplication of improved breeds of livestock. NAADs will also continue to provide extension services across the country.

103. In light of the prevalence of animal diseases and crop pests that reduce production and productivity, I have allocated a total of Shs. 9.5 billion to strengthen disease and pest control.
104. Madam Speaker, I have allocated Shs 200 million to commence preparatory work for the restocking programme in Northern and North Eastern Uganda. I will provide the fund for restocking in the following financial year.
105. Madam Speaker, a major constraint to agricultural production is the availability of water. I have allocated Shs. 5 billion to the Ministry of Water and Environment to provide irrigation and water harvesting technologies in collaboration with the private sector.
106. Madam Speaker, the availability of storage for crops has been a major constraint leading to the destabilization of food and other commodity supplies to the market. This constraint also denies farmers from getting reasonable prices for their produce, especially when there has been a bumper harvest. I am allocating Shs. 2 billion for the rehabilitation of small-scale warehouses across the country at sub-country level. Furthermore, the private sector will be encouraged to access funding from the Agricultural Credit Facility to construct warehouses and silos to improve storage. In future, large warehouses and silos will be constructed by Government at regional level across the country.

Job Creation and Employment Strategy
107. Madam Speaker, as a first step to address employment challenges, I have allocated Shs. 44.5 billion towards creating jobs in the next financial year. The following interventions shall be implemented:-

i. A Youth Entrepreneurship Venture Capital Fund will be established together with the DFCU Bank, for which I am proposing an allocation of Shs. 25 billion. This will be used to support youth starting or expanding their business enterprises. The loan sizes will range between Shs 100,000 to Shs 5 million or 20% of injected equity for youth group investments.
ii. Enterprise Uganda, shall undertake Youth Entrepreneurial Training Programme to instill business management skills among the youth, to enable them join the job market or create their own enterprises. I have allocated a total of Shs 3.5 billion for this purpose.
iii. Enterprise Uganda shall also undertake Business Development Skills clinics in collaboration with the private sector and Uganda Small Scale Industries Association (USSIA), with special focus on imparting technical skills to youth, using non-formal vocational training programmes. I have allocated an additional Shs. 1 billion specifically for this purpose.
iv. Dedicated work spaces will be established in markets starting in Kampala, in which youth and other small scale manufacturers under the Job Stimulus programme will undertake manufacturing and other processing activity. I am proposing to allocate Shs 16.5 billion for this purpose.
108. Madam Speaker, the implementation of these measures will be closely monitored and fine tuned to achieve the required outcome of increased employment.

Human Resource Development
Education
109. Madam Speaker, I am allocating an additional Shs. 115.9 billion to the Education sector. Emphasis will be placed on building on the successes of Universal Primary and Secondary Education by giving priority to the following interventions in the next financial year:-
i. Extension of free Universal education to A-level and Business, Technical, Vocational and Education Training (BTVET) beginning in January 2012, for which I have allocated an additional Shs. 58.8 billion. In addition, there will be scaling up of Universal Secondary Education with an additional allocation of Shs. 20.3 billion for the capitation grant;
ii. Provision of Shs. 9.2 billion for the necessary physical infrastructure and Shs. 12.9 billion for personnel cost to address quality constraints at all levels of the education sector as well as Shs. 1.8 billion for enhanced inspection of schools ;
iii. Support private sector vocational institutions with equipment, key staff and salaries as well as enhanced inspection of schools; and
iv. Development and retention of a pool of national expertise in the emerging mining, oil and gas industries. This will be done through undertaking quick skills mapping and supporting the existing

vocational and tertiary institutions to start or expand programmes for the required skills.

110. Madam Speaker, the legal and institutional framework for the proposed Student Loan Scheme for University Education will be completed in the course of next financial year and will be implemented in the future.

Health

111. Madam Speaker, whereas we have registered substantial progress, our health care delivery system still face many challenges ranging from inadequate infrastructure, staff shortages and low remuneration and general mismanagement of facilities. To consolidate the progress towards the achievement of the Millennium Development Goals in the health sector, Government will prioritise the following interventions in the next financial year:

i. Increased funding for drugs worth Shs. 96 Billion;

ii. Increased attention to Maternal and Reproductive Health for which I am proposing to allocate a total of Shs. 24 billion

iii. The rehabilitation of Mulago National Referral Hospital together with the construction of Maternal and Child Health centre; and the iv Construction of new District Hospitals in Kawempe and Makindye divisions of Kampala.

Water

112. Madam Speaker, in the water sector, emphasis will be put on provision of new water point sources in rural areas, rehabilitation of existing sources, and provision of small piped schemes for Rural Growth Centres. In particular, 750 shallow wells, 910 deep wells, 36 piped water systems and 45 valley tanks will be constructed at the Local Government level during the year. This is in addition to ongoing work on gravity flow systems and piped water systems in Kaabong, Namalu, Abim, Bukedea and Kapchorwa which have already begun.

113. Further emphasis will be placed on improving efficiency in the Water sector. This will involve increased monitoring of performance to ensure the delivery of agreed targets.

Improving Government Effectiveness in Service Delivery

114.Madam Speaker, I am proposing several measures to improve the effectiveness of Government in order to deliver quality services. In order to re-focus public service efforts for delivery of quality outputs there is need to reduce wastage, laxity, and limited responsiveness. I am proposing the following actions:-

i. Effect cuts of 50 percent on advertising budgets for all Ministries and Agencies;

ii. Effect cuts of 30% on the budget for allowances, workshops and seminars, travel inland and abroad, fuel and vehicle maintenance, printing and stationary, welfare and entertainment, books, periodicals and newspapers, special meals and the purchase of furniture for selected Ministries and Agencies; and

iii. Freeze the purchase of Government vehicles, except for critical areas such as hospitals, police and the security services.

iv. Conduct an immediate forensic audit of Government salaries, wages and pensions to establish credibility

115. Madam Speaker, an estimated Shs. 40 billion has been raised from the above measures and will be allocated to service delivery infrastructure.

116. In addition, the following measures will be implemented, in collaboration with the ministries of Public Service, Works and Transport and the Public Procurement and Disposal of Assets (PPDA) Authority to improve service delivery:-

i. Hold Accounting Officers, including Chief Administrative Officers personally responsible for the delivery of performance targets, once funding has been made available to them.

ii. Implement performance contracts for top civil servants up to the level of Heads of Departments to strengthen performance management and enhance transparency and accountability;

iii. Enforce use of unit costing for all government procurement, against which mis-procurement will occur if reserve prices are not met; and

iv.Enforce use of government-procured equipment in the maintenance of national district and community access roads, with operational financing from the Uganda Road Fund and Uganda National Road Authority. Any waivers to use private sector contractors will first have to be approved by the Treasury.

. Constitutional Self Accounting Bodies

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

. Courts of Judicature
. Electoral Commission
. Inspectorate of Government
. Parliamentary Commission
. Uganda Law Reform Commission
. Uganda Human Rights Commission
. Uganda Aids Commission
. National Planning Authority
. Office of the Auditor General

118.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.

119. 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.

Taxation and Revenue Measures

120.Madam Speaker, the objective for our tax system is twofold:

I. Stability and predictability: and

ii. Efficiency of the tax system

121.The technical amendments I will be proposing are accordingly meant to meet the objective of the tax system.

122. I will also announce decisions agreed upon at the East African Community Pre- Budget Meeting of Ministers of Finance held on 7th May 2011 in Kampala.

Income Tax Application of royalty

123.Madam Speaker, payments made as consideration for internet broadcasting. This has been necessitated by innovations in technology I am proposing to amend the definition of royalty to include The details are contained in the Income Tax (Amendment) Bill, 2011 Transfer Pricing Regulations.

124. Madam Speaker, as the Ugandan economy gets integrated in global economy including set up of multinationals, the issue of transfer pricing demands urgent attention. I have therefore finalized transfer pricing regulations to ensure that prices charged between associated entities for the transfer of goods, services and intangible property are in line with the arm's length principle. The Regulations will be gazetted and will be effective 1st July 2011.

Value Added Tax

Treatment of Imported Services

125. Madam Speaker, Hon Members, I propose to make clear the VAT treatment on imported services VAT will apply to imported services where the recipient of the services is a taxable person. The details are contained in the Value Added Tax (Amendment) Bill.

Supply of Solar Energy:

126. Madam Speaker, to promote clean and alternative energy, I propose to make the supply of solar energy VAT exempt. This policy is to encourage supply of solar power to consumers in rural areas by commercial solar producers. The details are contained in the Value Added Tax (Amendment) Bill, 2011

Supply of Ambulances:

127. I propose to remove VAT on ambulances to facilitate the transportation of patients to hospitals and

other health facilities. The details are contained in the Value Added Tax (Amendment) Bill, 2011

Stamps Act

128. Madam Speaker, I propose to remove the stamp duty applicable on securities given in procuring small loans in order to lessen the burden of borrowing to small income earners whose threshold shall not exceed 2 million shillings. Details will be contained in the stamp duty (Amendment) Bill, 2011

Excise Tariff Act

Excise Duty on sugar:

129. Madam Speaker, I propose to reduce the excise duty on sugar by 50 percent given that sugar is a key welfare item in many households in Uganda. This will lead to revenue loss of about Shs 8.5 billion. The details are contained in the Excise Tariff (Amendment) Bill 2011

Excise Duty on Kerosene:

130. Madam Speaker, to provide relief to households from the burden of increased kerosene prices, I propose to repeal the excise duty on kerosene. This will lead to a revenue loss of about Shs 12 billion. The details are contained in the Excise Duty (amendment) Bill 2011

Levy on Hides and Skins

131. Madam Speaker, Government introduced a levy on the export of raw hides and skins. The levy was intended to support and encourage value addition in Uganda. To achieve Government's objective the levy is being revised from US Dollars 0.4 per kilo to US Dollars 0.8 per kilo On exports and outward processing of raw hides and skins

Investment Trader Regulations

132. As part of the effort to streamline and improve tax administration I am terminating the Investment trader facility.

Reform of Tax laws

133. Madam Speaker, Government plans to reform the tax laws to ensure consistence with the current economic reality, best practice, regional integration and provide a taxpayer friendly regime. According Government has drafted a Tax Procedure code which will be introduced into Parliament next financial year. Government is also in advanced stages of reviewing the Excise Law, stamp duty law Lotteries and Gaming and Pool Betting Laws.

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

134. Madam Speaker, I now turn to the decisions agreed upon during the pre-Budget meeting of the East African Community Ministers of Finance, details of which will be contained in the East African Community (EAC) Gazette:

Remission of Duty on Uganda's Inputs and Raw Materials:

135. In recognition of the regional economic situation, the Ministers for Finance decided to grant the extension of duty remission to Uganda's list of raw materials and industrial inputs for another one year.

Road Trucks and Semi-Trailers

136. The Ministers for Finance extended remission of import duty for a period of one year for road tractors for semi-trailers and trucks of carrying capacity of over 20 tonnes. Details are in the East African gazette.

Inputs for Assemblers of Refrigerators and Freezers:

137. In order to encourage value addition and assembling by local entrepreneurs, import taxes on components parts and inputs for assembly of refrigerators and freezers were remitted from 25 percent to 10 percent.

Hoes used in Agriculture

138. To augment local production and encourage food security, import duty on hoes was remitted from 10 percent to 0 percent.

Food Supplements:

139. In order to reduce nutritional deficiencies through use of food supplements, the Ministers reduced the import duty on food supplements from 25 percent to 10 percent.

Premixes

140. To support the Agricultural Sector through reduction of the price of feeds the Ministers decided to remove import duty on premixes used in the manufacture of animal and poultry feeds.

Motor-Cycle Ambulances

141. To encourage use of appropriate and affordable technology in rural areas the Ministers agreed to waive taxes on motor-cycle ambulances.

Double Tax Treaty

142. The Double Taxation Agreement among the East African Community (EAC) Partner States was concluded. In accordance with the Ratification of Treaties Act I am laying before Parliament, the East African Community (EAC) Double Taxation Agreement to conclude the ratification process. The Double Taxation Agreement will promote cross-border investments among East African Community (EAC) Partner States..

Ratification of the Revised Cotonou Agreement

143. Madam Speaker, the Cotonou Agreement which sets out the development, trade and political cooperation framework between the European Union and the African, Caribbean and Pacific States was concluded on 23rd June, 2000 in Cotonou, Benin. The Agreement first revised in 2005, was again revised in 2010.

It provides the framework for the European Union's development funding to Uganda. The Government of Uganda is required under the Ratification of Treaties Act, to table before Cabinet for approval and lay the Revised Agreement before Parliament. I am therefore laying before you, the Revised Agreement for ratification in accordance with the Act.

Report of Tax Expenditure for Financial Year 2010/11

144. 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 exercised powers conferred by the Income Tax Act and Value Added Tax Act and waived shillings Three Billion One Hundred Ninety Five Million Nine Hundred Seventy Three Thousand and Five Hundred Forty Seven Only (Shs. 3,195,973,547/=).

145. Madam Speaker, Government has also paid shillings fifteen billion four hundred ninety five million nine hundred forty seven thousand one hundred and twenty five only (Shs 15,495,947,125/=) for Hotel, some Hospitals and Tertiary Institutions inputs and materials and procurement of Non Government Organizations with tax exemption clauses in their agreement.

Schedule Of Indebtedness

146. Madam Speaker, in accordance with the provision of Section 13 (1) and (2) of the Budget Act 2001, I hereby lay before the House the Statement on:

i. Government's total external indebtedness as at 31st March, 2011; and

ii. The grants that Government received during financial year 2010/11.

147. With respect to Section 13 (3) of the same Act, Government did not guarantee any new loan during financial year 2010/11.

Conclusion

148. The Budget strategy and priorities I have presented today seek to stimulate enhanced economic growth by creating an environment for increased economic activity for more Ugandans. A specific focus in the forthcoming year has been placed on the creation of the necessary environment for employment generation. The proposed interventions aim at building lifetime skills for the youth making them not only employable but also entrepreneurs and job creators themselves.

149. Addressing constraints in transport, energy and health and education and improving service delivery, will accord Ugandans a better quality of life. I commend this budget to the people of Uganda and especially the youth, who are our beacon of hope for the future

150. Madam Speaker, I beg to move.

FOR GOD AND MY COUNTRY

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