



THE REPUBLIC OF UGANDA

MINISTRY OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

UGANDA PFM REFORM STRATEGY

(July 2014 – June 2018)

February 2014

This document is intended to provide an overall framework for public financial management (PFM) reforms in Uganda. It is for the exclusive use of the Government of Uganda and its Development Partners and is not otherwise to be quoted, reproduced or circulated.

ACKNOWLEDGMENT

Government is delighted to share the Public Financial Management (PFM) Reform strategy (FY 2014/15 – FY 2017/18). The design of the strategy was informed by various studies including among others, the Public Expenditure and Financial Accountability (PEFA) assessments of Central and Local Governments (2012); and the Mid Term review of the Second Financial Management and Accountability Programme – Government's prime framework for implementing PFM reforms. In addition, extensive and participatory stakeholder consultation was undertaken.

The design process of the strategy critically analyzed the issues affecting PFM, including the achievements to-date, the challenges faced and the proposed remedial actions to serve as a catalyst for improving the management of public resources.

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In conclusion, I would like to re-iterate Government's commitment to continuous improvement in Public Financial Management as a key driver for ensuring improved service delivery.



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ACRONYMS & ABBREVIATIONS

AGO	Accountant General's Office
ASSIP	Accountability Sector Strategic Investment Plan
BMAU	Budget Monitoring and Accountability Unit
CCS	Commitment Control System
CG	Central Government
CSO	Civil Society Organization
COSASE	Committee on Commissions, Statutory Authorities and State Enterprises
DST	Deputy Secretary to the Treasury
EAC	East African Community
EFT	Electronic Funds Transfer
FINMAP	The Financial Management and Accountability Programme
GOU	Government of Uganda
ICT	Information and Communications Technology
IGG	Inspector General of Government
IFMS	Integrated Financial Management System
IPPS	Integrated Personnel and Payroll System
JAF	Joint Assessment Framework
JBSF	Joint Budget Support Framework
LG	Local Government
LGAC	Committee on Local Government Accounts (of Parliament)
LGPAC	Local Government Public Accounts Committee
LOGSIP	Local Government Sector Investment Plan
MDA	Ministry Departments and Agencies
MDALG	Ministry, Department, Agency and Local Government
MOFPED	Ministry of Finance, Planning and Economic Development
MOLG	Ministry of Local Government
MOPS	Ministry of Public Service
NDP	National Development Programme
NPA	National Planning Authority
OAG	Office of the Auditor General
OBT	Output Budgeting Tool
OOB	Output Oriented Budgeting
OPM	Office of the Prime Minister
PAC	Public Accounts Committee
PDU	Procurement and Disposal Unit
PEFA	Public Expenditure and Financial Accountability
PEMCOM	Public Expenditure Management Committee
PFAA	Public Finance and Accountability Act
PFM	Public Financial Management
PPDA	Public Procurement and Disposal of Public Assets Act
PSM	Public Sector Management
PSRP	Public Service Reform Programme
PS	Permanent Secretary
PS/ST	Permanent Secretary/Secretary to the Treasury
PTC	Program Technical Committee
ROM	Results Oriented Management
STP	Straight Through Processing
ToRs	Terms of Reference
URA	Uganda Revenue Authority

EXECUTIVE SUMMARY

Introduction

The Government has, since the early 1990s, been pursuing strategic reforms in public financial management (PFM) aimed at supporting Government's goal of poverty eradication through the achievement of good governance, sustainable growth targets and a stable macroeconomic environment.

The implementation of PFM reforms commenced in January 2007, mainly through under Government's Financial Management and Accountability Programme (FINMAP). Key interventions have been in the areas of economic planning and management, budgeting systems, budget execution (including procurement) and reporting at Central and Local Government levels and oversight. Implementation of the second phase of FINMAP commenced in July 2011 and is due to end in June 2014. A new phase has been designed to cover the period July 2014 to June 2018.

Progress with Reforms

The Public Expenditure and Financial Accountability (PEFA) review of 2012 and the mid-term review of 2013 highlight significant progress in the reform process. However, a number of challenges continue to require attention, particularly in the areas of budget credibility, enforcement of compliance with regulations, and capacity for the design and implementation of credible projects or programmes. The challenge of poor accountability, as reported in recent forensic audit reports issued by the Auditor General, points to the need for renewed efforts to consolidate the gains in reform interventions to date. To this end, the PFM reform strategy has been updated to ensure that subsequent reform efforts are ultimately more responsive to improved service delivery by Government.

Review of the Strategy

The process of reviewing the strategy was led by a Government team supported by in-house consultants. A team of the wider Government stakeholder group and representatives of Development Partners provided the necessary oversight to ensure relevance and comprehensiveness of the updated reform strategy.

During the review, specific attention was accorded to both the technical and institutional aspects of the reform to ensure that they were harmonized. Attention was also given to the interplay between technology and other organizational sub systems. The strategy supports a holistic government-wide approach to PFM reforms, encompassing both the institutional and technical aspects and therefore addresses the various incentives and disincentives to reform.

The strategy has maintained a sequencing approach to the reforms but reduced the number stages from three to two, recognizing the current state of the reforms as well as what can be reasonably pursued over the next four years. The change in the number of stages however does not affect the envisaged results in the previous strategy.

The strategy provides direction in terms of clearly articulated PFM outcomes, improvement departure from the earlier focus on the completion of individual short-term measures or activities. This approach will help stakeholders better understand why the reforms are required, ensure ownership and thus increase the likelihood of successful implementation of the reforms.

Reform Objective and Goal

The goal of the reform is *“to strengthen PFM reforms at all levels of Government and ensure efficient, effective and accountable use of public resources as a basis for improved service delivery”*.

Planned Outcomes and Technical Areas of Reform

Three key reform outcomes identified include: Budget Credibility, Improved Budget Control and Improved Compliance to Rules and Regulations. Each of the outcomes has identified technical areas of reform:

Outcome 1: Budget Credibility

- a) Macroeconomic stability
- b) Enhanced Resource Mobilization
- c) Improved Resource Allocation

Outcome 2: Improved Budget Control

- a) Financial discipline and control
- b) Improved Asset Management
- c) Efficient and Transparent Public procurement system
- d) Strengthened Payroll and Pension Management

Outcome 3: Improved Compliance to rules and regulations

- a) Institutional Strengthening of Oversight functions
- b) Enhanced and harmonized Legal and regulatory framework
- c) Collaborative and complimentary approach to oversight
- d) Mainstream follow up mechanism of recommendations

It is envisaged that the Ministry of Finance, Planning and Economic Development (MoFPED) will continue taking the lead in the implementation of the strategy with FINMAP as the prime implementation framework. The Deputy Secretary to the Treasury (DST) will provide leadership to the reform programme as its Task Manager. The PEMCOM, chaired by the Permanent Secretary/Secretary to the Treasury, will provide a high-level policy forum for the coordination and monitoring of progress in the implementation of PFM reforms.

Monitoring and Evaluation

To the extent possible, monitoring and evaluation (M&E) of the strategy will be integrated into and use existing GoU monitoring and evaluation systems for purposes of mainstreaming and strengthening the reforms and ensuring their sustainability. This approach is consistent with the principles laid out in the national monitoring and evaluation policy. Monitoring and evaluation of the reform activities will be carried out at four different levels: final outcomes; intermediate outcomes; outputs; and activities/process and inputs.

Financing

Financing of the PFM reforms has been a joint responsibility of the Government of Uganda and Development Partners. Development Partners have made efforts to harmonize their support, through dialogue and review in the PFM Accountability Working Group. It is envisaged that this arrangement will be maintained.

1.1 Background

1. Uganda has made significant progress since the mid 1980s, with the economy moving from a stage of recovery to growth. To accelerate the country's development, a number of PFM reforms have been carried out since the 1990s. Some of the notable achievements in the PFM reforms include: maintaining generally robust and stable fiscal and macroeconomic policies and fundamentals; improved planning and budgeting; enhanced control and management of public funds; improved quality of financial reporting at Ministries, Departments and Agencies (MDAs) and Local Governments (LGs); and revival of scrutiny and oversight of collection and utilization of public funds. A number of challenges nonetheless prevail including in the areas of: budget credibility, enforcement of regulations and capacity for the design and implementation of relevant projects or programmes.
2. The strategy takes stock of these achievements, identifies and addresses the gaps that have hindered the realization of the full benefits of implementing the reforms.
3. The National Development Plan (NDP) provides the overarching strategy for all GoU development efforts. The PFM strategy is well aligned with the national priorities enshrined within the NDP and is complemented by a number of other public sector reforms including in the: public service, local government (decentralization) and the Justice, Law and Order sector (JLOS). The public service reforms aim to improve service delivery by instilling modern management practices into Uganda's public service and properly motivating and re-tooling the public servants. On the other hand, decentralization aims to improve service delivery at local government level by bringing services closer to the people. The reforms in the JLOS help with the enforcement of compliance with PFM rules and regulations among others.
4. The Office of the Prime Minister coordinates all GoU programmes and carries out periodic GoU wide performance assessments of progress towards agreed objectives detailed in the various ministerial policy statements.
5. The public financial management reforms support and benefit all the other GoU reforms as they provide the means of ensuring that the resources allocated to the various sectors are applied effectively and efficiently to achieve the intended purposes and attain value for money. The prime implementation framework for the PFM reforms is FINMAP, jointly financed by the Government of Uganda (GoU) and seven development partners¹ (DPs) through a basket fund. Up until the end of 2012, the World Bank through a separate funding mechanism supported specific activities under the programme. FINMAP started in January 2007 and is currently in its second phase being implemented over the period July 2011 to June 2014. Other PFM reform activities are supported directly by GoU and other, bilateral and multi-lateral Development Partners.

¹ The DPs include Denmark, DFID, EU, KFW, Irish Aid, Norway and Sweden

6. The reforms cover the entire PFM continuum including: fiscal planning, revenue collection and management, budget preparation and execution, accounting and reporting and oversight and scrutiny.

1.2 Situational Analysis

7. The purpose of this section is to take stock of the reform efforts and results achieved to date, recognizing the important foundation(s) that have been laid while identifying the challenges that continue to undermine the realization of the full benefits of the PFM reform. The analysis covers the full scope of the PFM functions including: macro-economic management, Budget Preparation, Budget Execution, External Scrutiny and Oversight. Recognizing the importance of the sustainability of the reforms, the section also provides an analysis of the key issues related to overall Governance and PFM External Environment for the reforms.
8. The analysis has been informed by recent diagnostic reviews including the PEFA (2012) for the Central and Local Governments, Internal Audit and Auditor General's reports, the mid-term review of FINMAP II (2013), various fiduciary risk assessments, the LG financing study and Budget Monitoring and Accountability studies.

1.2.1 Macroeconomic Management

The core objective of macroeconomic management is to have realistic forecasting of economic aggregates, resources and expenditure. Key elements of this function include:

- Macroeconomic management with a medium term outlook;
- Multi-year macro-fiscal planning framework, aligned with strategic objectives;
- Debt management and monitoring of arrears; and
- Resource mobilization (External, tax/non-tax, and Local Government)
- Fiscal sustainability

Achievements

9. Uganda has established a Medium-Term Fiscal Framework (MTFF) and has achieved a satisfactory level of macroeconomic stability, particularly through monetary policy reforms aided by better liquidity management and modeling capacity under the new inflation targeting light (ITL) framework. The Medium Term Expenditure Framework (MTEF) although not fully developed reflects the economic sector classification and enables evidence-based sector strategies to inform budget preparation. The MTEF allocation is aligned with the MTFF and macro-fiscal policy objectives.
10. A Debt Sustainability Analysis (DSA) is undertaken annually and has confirmed a low risk of debt distress, with both public and external debt positions being sustainable in the medium term. This has been supported by improvements in the

management of cash balances; debt and Central government loans and guarantees are contracted within respective ceilings and are approved by MoFPED.

11. **Revenue administration has undergone significant organizational and technological modernization of systems and management structures that promote efficiency.** Adopted good international practice in use of modern IT systems such as the Integrated Tax Administration System (ITAS)/(e-Tax) for online registration, filing, payments and account balances; Asycuda, Revenue Authority Digital Data Exchange (RADDEx) for customs regional border coordination and faster clearance of goods for trade facilitation as well as a new cargo tracking system. Customer service, awareness and training sessions are organized efficiently according to taxpayers classification (large, medium and small), including a high level of transparency and user-friendly information (achieving a PEFA rating 'A' for transparency of liabilities). A Tax Appeals Tribunal is also well established.
12. **Tax laws are regularly reviewed to ensure that they are up to date and harmonized to facilitate efficient administration and ensure that the tax regime is commensurate with economic activity.** Discretionary exemptions have been tightened and existing expenditures made more transparent via publishing a list of recipients. In addition, NTR fees and rates are published annually.

Challenges: Barriers to Reform

13. **Revenue mobilization remains inadequate to finance the National Budget.** Uganda's tax revenue collections are the lowest in the region, relative to GDP². Some tax exemptions undermine budget credibility even in the long term and require review to ensure economic benefits are commensurate with costs. In addition, policies on Non-Tax Revenue are provided for in disparate legislation that makes regular updates of rates difficult to coordinate.
14. **Local Governments' own revenues are significantly constrained and this is coupled with lack of capacity for collection.** This is in part due to a narrowing of the revenue base coupled with an increase in the cost of public administration of LGs through the creation of more districts. While the policy of decentralization has been hailed as a means towards improving accountability and service delivery, the implementing entities have not been provided with adequate resources to deliver the required social services³.
15. **Unpredictability of resources causes inefficiencies in resource allocation.** Lack of predictable resources is partly attributed to inaccurate forecasting of macro aggregates (revenue estimates and expenditure costing) as well as unpredictability of external funding sources. Revenue forecasts only achieved a 'D' rating in the PEFA

² Over the last three years total revenue and grants in Kenya and Tanzania averaged 25 and 20 percent of GDP respectively, compared to the Ugandan average of 14.5 per cent of GDP

³ Only UGX 2.7 trillion of the FY 13/14 budget of UGX 12 trillion was allocated to LGs.

2012, due to their variability between 92 percent and 116 percent of the budgeted amount.

16. **The MTEF is not well aligned to the strategic objectives in the National Development Plan (NDP).** The MTEF is revised annually, based on changing aggregate forecasts and expenditure outturns, and the revisions are not always clearly explained. Some development priorities in the NDP have been underfunded or not funded at all.
17. **The efficiency of tax and non-tax revenue collection could be improved.** The PEFA 2012 indicated that URA does not have a strong record of debt collection and arrears management, with penalties also being ineffective. The poor tax to GDP ratio record is also indicative of wider inefficiency and evasion in the system which will need to be examined further. Non-tax revenue collections lack adequate controls, particularly where they are not yet received through the URA e-Tax system. Some NTRs are used at source without authority and the lack of performance tracking, use of separate commercial bank accounts for receiving NTRs and poor accounting for NTRs contributes to the inefficiency.

Ongoing Reforms

18. **Most basic steps in this function (fiscal planning) have been achieved and some more advanced reforms have been initiated, such as the MTFF, Debt Sustainability Analysis and other macroeconomic policy initiatives, such as inflation targeting and liquidity management.** The integrated macroeconomic model (IMEM), which aims at improving fiscal forecasting and strengthening of government's capacity to develop a stable, medium and long term fiscal and budgetary policy environment is under development and nearing finalization.
19. **The Public Finance Bill requires the Minister of Finance to prepare a Charter of Fiscal Responsibility.** It proposes the issuance of Treasury development bonds to assist in funding infrastructural development, and to use short-term Treasury bills to fund short-term in-year cash deficits. Fiscal documentation and strategic fiscal planning is expected to improve with the introduction of the Fiscal Charter, which will support consensus building and political commitment for fiscal rules surrounding the management of Government revenues.

1.2.2 Budget Preparation and Monitoring

The core objective of this function is to establish a realistic and credible budget aligned with the overall national priorities and the strategic objective of allocative efficiency that ensure efficient service delivery. Key elements of this function include:

- Clear and transparent budget process for allocation of public funds to national and sector priorities ;
- Realistic budgeting and costing, with integrated capital and recurrent allocation;
- Public Investment Management
- Performance monitoring and evaluation to ascertain efficiency in utilization of resources to inform allocation decisions and targets; and
- Alignment of work plans and integration with operational management.

Achievements

20. The National and Sector Budgets and work plans are largely aligned with Government policies as a result of implementing the Output Based Budgeting Tool (OBT). The OBT enables clear allocation within sector ceilings according to institutions, programmes and projects and makes measurable links for establishing value for money by recording information on resource inputs and data on associated physical outputs. High level performance indicators and targets are also programmed into OBT for reporting annually by the Office of the Prime Minister through the Government Annual Performance Report (GAPR).
21. A clear budget calendar is issued to MDAs with initial ceilings communicated. The timetable is adhered to in respect of the presentation to Parliament. The Budget Circular is comprehensive and clear (PEFA 2012 PI-11(ii) scores an 'A' on this aspect).
22. The classification system for the formulation and execution of the budget in Uganda meets international standards (Government Financial Statistics (GFS)/Classification of the Functions of Government (COFOG)), which achieved a PEFA 'A' rating in 2012.
23. Budget documentation overall was also rated 'A' in the PEFA 2012 for meeting all benchmark standards for transparency and comprehensiveness, including documents such as the background to the budget, audit reports, financial reports and approved budget estimates on administrative, economic and sub-functional areas. Annual reports on the net fiscal position are consolidated and monitored regularly and analysis of the economic situation and macro framework are aligned to fiscal policy objectives.
24. The budget process is participatory and a mechanism is in place to facilitate intra-sectoral coordination in support of the realization of sector targets and goals through Sector Working Groups. The budget process includes consultative workshops and opportunities for civil society to present their views.
25. The introduction of the Treasury Single Account and move from monthly to quarterly releases has improved greatly the predictability of funds to MALGs for

budget execution. However this requires improvements in alignment of budget preparation with procurement planning and accounting systems.

26. **There have been efforts to improve Monitoring and Evaluation of budget performance.** The Budget Monitoring and Accountability Unit (BMAU) in the Ministry of Finance, Planning and Economic Development has facilitated the monitoring and tracking implementation of selected government programs and projects to assess whether the resources are being utilized to deliver the planned outputs and achieve the intended objectives of the budget. However, the monitoring is currently focusing on the five major sectors of Agriculture, Infrastructure (Energy and Roads), Industrialization, Social Services (Health and Education) and Micro finance.

Challenges: Barriers to Reform

27. **The National Budget lacks credibility, which is partly due to inadequate expenditure planning and costing for critical commitments** leading to a dependence on supplementary budgets and excess expenditure. This is indicated by the wide variations between approved budgets and actual expenditure as well as late release of funds and budget cuts to some votes during the year, as indicated in the PEFA (2012) report. Some known commitments are under-budgeted for, including utilities, rents, court awards and international contributions, active or committed contracts and salaries, all of which contribute to the accumulation of arrears. On the other hand, there are cases of over-budgeting for items that are either not achievable or relevant, leading to inefficient allocations.
28. **Inadequate planning and insufficient provision for complimentary recurrent costs of capital projects increases the occurrence of under-utilized capital projects.** The FINMAP II Mid-Term Review highlighted the wrong perception that capital is inherently more developmental than recurrent spending and recommended the integration of recurrent and capital budgets into a single budget.
29. **A significant proportion of budgeted local revenue is not realized due to unrealistic revenue estimates,** failure to develop databases for eligible taxpayers, large untaxed informal sector, incomplete revenue records and insufficient tracking and enforcement.
30. **The Local Government grants allocation formulae are numerous, complex and difficult for LGs to understand and predict reliably for planning and budget execution.** The PEFA 2012 (PI-8) scored poorly (D+) on the basis that allocation formulae were not transparent and information was released too late to change LG budgets effectively.
31. **Information on in-year budget adjustments is not communicated in time for spending institutions to respond appropriately** and there is a weak communication flow between the Sector MDAs and LGs. Information flow from the centre to the beneficiaries on the scope of works, attendant costs and duration is often flawed, late or non-existent. Due to this lack of information, the beneficiaries cannot make the necessary follow up.

32. **There are weaknesses in capacity for Public Investment Management particularly in project identification, appraisal, negotiation and monitoring as well as lack of evidence-based prioritization of investments for delivery of economic objectives.** Investments are often undertaken without investment plans and project appraisals⁴. The Development Committee undertakes an annual review of investment projects, but is not always effective in filtering out unviable projects. Uganda scores below the EAC and SSA averages in the Index of Public Investment Efficiency, particularly on appraisal⁵.
33. **Lack of feedback from performance data into decision making on budget allocations weakens policy-based budgeting and operational efficiency.**
34. **OBT is not fully integrated with IFMS and other IT-based PFM systems.** In addition, capacity is lacking within MDALGs for the preparation in OBT of quality costed work plans aligned with procurement plans. The functionality and capability of the OBT is also no longer adequate to meet the increasing data and information management requirements.
35. **Monitoring and Evaluation of the budget has not yet been extended to cover all sectors.** There is need to strengthen the capacity of the Budget Monitoring and Accountability Unit (BMAU) to cover other key areas of the budget so as to provide more comprehensive budget performance data for decision making. In addition, the concepts and benefits of budget monitoring and evaluation concepts are not well understood or appreciated by implementing agencies which makes data collection difficult due to lack of both capacity and commitment.

Ongoing Reforms

36. The PFM Bill is expected to revise the budget calendar to ensure that the budget is approved at the start of the financial year.
37. Improvements are being made to OBT functionality and automation, which should lead to more data integrity and timely and reliable budget information for both Central and Local Government institutions.
38. A recent study on Local Government Financing was undertaken, which made recommendations on the LG grant allocation formulae and tax base enhancements which will be implemented under the strategy.

⁴ The Auditor General's report covering FY2011/12 highlighted Shs33billion foreign investments undertaken without investment plans or appraisal.

⁵ IMF Fifth PSI Review, November 2012.

1.2.3 Budget Execution

The core objective of the budget execution function is achieving efficient administration of the budget and effective internal controls. Key elements of this function include:

- Commitment control
- Efficient Cash Management
- Payroll management
- Efficient procurement
- Revenue management
- Inspection/Observance of standards and rules
- Accounting and reporting standards

Achievements

39. Some improvements to cash management have been achieved through quarterly cash flow forecasts, issuance of quarterly ceilings to MDAs and operation of the Treasury Single Account modality under which Government bank accounts on IFMS have been aggregated under a single account for better cash management. **Domestic and external debt records are substantially complete and reconciled quarterly** using the upgraded Debt Management and Financial Accountability System (DMFAS). Comprehensive reports on debt stocks and service are also produced regularly.
40. Since 2006/07, the quality of the internal audit function has improved with the transition to a risk-based audit methodology, achieving international standards. A financial audit manual that reflects the transition to systems audit has been issued, and a Charter for the Internal Audit function was published in November 2008. Internal audit function has been strengthened with the establishment of sectoral Audit committees. Capacity of the Internal Audit cadre has also been improved through professional certification and provision of computerized audit tools.
41. Procurement is decentralized to 147 central government entities and 132 LG entities with a regulatory body, clear regulations, guidelines, and standard bidding documents in place. The Public Procurement and Disposal of Public Assets Authority (PPDA) is the central regulatory body, set up by the PPDA Act of 2003. In addition, MoFPED has strengthened its policy role by putting in place a Procurement Policy Unit under the AGO and created a joint steering committee between that unit and the PPDA. Monitoring of procurement performance (covering 131 PDEs as at 30th June 2013) is undertaken through a Procurement Performance Measurement System (PPMS). A PPDA Appeals Tribunal has also been established.
42. Payroll and pension control has improved through the introduction of a computerized Integrated Personnel and Payroll System (IPPS) for central and local government. The IPPS is part of the ongoing Public Service Reform Programme. IPPS has further improved the time within which staff changes are being reflected in both the personnel records and payroll. Delays in processing changes to the personnel records and payroll have been reduced to less than three months.

43. **Internal controls are documented in Financial and Accounting Manual and Regulations and generally well understood.** The regulations outline all internal controls and procedures for revenues and expenditures as well as functions and responsibilities of officers.
44. **The IFMS produces financial information for statutory reporting requirements and generates timely and accurate information for decision-making.** The consolidated statements are regularly submitted to the Auditor General within four months of the end of the year. The Oracle based IFMIS is currently running at 88 sites (64 CG, 4 Referral hospitals, 6 Donor Funded Projects and 14 LG). 31 foreign missions have also been computerized using the Microsoft Navision. Additionally, a tier II solution has been implemented at 26 LG sites coupled with improvements in financial accounting practices at Tier III sites in LGs.
45. **The use of the commitment control system has improved with IFMS.** IFMS does not allow any commitments by an MDALG on the system for goods and services that are not supported by available funds. The bank reconciliations are done automatically once the transactions data from BoU is uploaded onto the IFMS. OBT has also led to improved reporting on receipt and usage of funds, and reliable information on resources received by MDALGs.
46. **The basis for accounting has met the basic standard recommended by PEFA (a score of C+),** by producing an annual consolidated statement submitted in a consistent format for audit within 4 months. The PFAA 2003 provides for consolidated financial statements and accounts are prepared on a modified cash basis i.e. cash basis for all items except pension liabilities, domestic arrears and revenue received by URA not yet transferred.

Challenges: Barriers to Reform

47. **Use of cash rationing rather than prudent cash management is inefficient, increasing fiduciary risk and causes a major constraint in service delivery.** There is limited reliance on quarterly work plans and cash needs projections by MDALGs, largely due to their lack of credibility. This results in insufficient cash to meet irregular demands, the buildup of arrears, and large unutilized cash balances at the end of the year.
48. **The basis of accounting does not have provisions for contingent liabilities and debt accounting on an accrual basis** (as required by IPSAS standards) and accounting for commitments. Some development expenditure classification, such as for donor funded projects lacks clarity in distinguishing between capital and recurrent expenditure. There is currently no tax expenditure reporting or monitoring and analysis of the impact of tax exemptions. In addition, the forward cost of investment projects is not well estimated.
49. **There are still major gaps in expenditure coverage on donor funded projects, arrears stock and other government expenditure,** which in turn weakens aggregate fiscal control. Weak management of asset registers and the lack of accounting for contingent liabilities and monitoring of consolidated fiscal risk across Government also

weakens control of fiscal and fiduciary risk. The PEFA indicator (PI-9) on the monitoring of the net fiscal position achieved only a 'C' rating, below the basic target recommended.

50. **There is a risk of committing Government to new obligations which may not necessarily be consented to by Parliament.** The FY 2011/12 audit report noted that 13 new loans equivalent to shs.1.3 trillion had their agreements signed prior to parliamentary approval.
51. **Fiduciary compliance and value for money from procurements is seriously constrained by several capacity gaps and deliberate circumvention of procedures.** Anomalies in procurement procedures and delays in contracting and delivery have been attributed to poor reporting and documentation, low capacity in Procuring and Disposing Entities (PDEs)s, leakage of information and deliberate circumvention of procurement procedures⁶. Poor contract management and performance evaluation remains a major constraint. Furthermore, there is a lack of alignment of action planning with procurement planning, recruitment plans and budget releases. The latest PEFA assessment found that reporting by MDAs to the PPDA is in arrears and many contracts over the threshold for competitive bidding are given out on a non-competitive basis, usually on grounds of emergency, though most of these circumstances cannot be justified or corroborated. In addition, the Public Procurement Appeals Tribunal as provided in the amendments to the PPDA regulations has not yet been operationalized to provide for an independent review of procurement complaints.
52. **The Procurement Performance Measurement System (PPMS) is cumbersome for practitioners to update and requires a comprehensive review.** This is exacerbated by the fact that the PPDA does not have online access to transactions carried out by the rest of the MDALGs on the IFMS. If availed, this access would facilitate risk profiling, timely monitoring of the procurement processes and the suppliers database as well as the applicable market prices.
53. **The internal controls required for a robust payroll and pension system remain weak.** Specifically, there are inconsistencies between personnel records and the personnel database, and lack of regular reconciliations between teacher and civil servant records and the respective payrolls. In addition, complete payroll audits are not regularly carried out and significant control weaknesses exist resulting in the emergence of "ghost employees"⁷. This is an indication that gains realized through IPPS have been undermined by laxity of controls at some of the MDALGs.
54. **The lack of full integration between the accounting and budgeting systems leads to weaknesses in controls over the release of funds** due to numerous manual interventions and lack of proper reconciliation between the Accountant General's

⁶ The FY 2011/12 audit report highlighted a number of procurement anomalies relating to non-availability of procurement files, breach of procurement procedures, unauthorized variations and inadequate contract management. These could have contributed to the instances of incomplete works and shoddy works noted.

⁷ According to the FY 2011/12 audit report, a sample of five local governments made irregular salary payments totaling to Shs.1,514,173,791 arising out of double payments, ghost employees, overpayments and payments to dead and absconded staff.

Office and Directorate of Budget. This creates disparities in treasury requisitions, Auditor General's grants of credit, Minister's warrants and funds released.

- 55. Internal controls over budget execution processes are widely violated or ignored.** Systemic controls in the IFMS prevent any commitment that would take cumulative expenditure above the cumulative quarterly limits, but the IFMS is sometimes bypassed, i.e. commitments are made outside the IFMS. Excess expenditures are regularly reported in audit reports, attributed to weaknesses in controls over budgetary expenditures or utilization of revenues at source without authority. There is widespread mischarging of expenditure using wrong budget codes without following set procedures. As a consequence the funds are diverted and not utilized in accordance with the Appropriation Act.
- 56. The practice of advancing cash directly to staff is contrary to the regulations, highly risky and exposes government funds to losses over which Accounting Officers have little control.** Staff advances are expensed when granted to staff so outstanding advances are not always validated and reconciled at the end of the year⁸.
- 57. Bank reconciliations are not carried out on a regular basis, particularly for holding accounts,** as noted in the Auditor General's special investigation report on the OPM fraud.
- 58. Management often does not take keen interest in reviewing of internal audit reports and implementation of the recommendations.** In addition, some internal audit units for autonomous bodies have no approved formal internal audit charter that spells out the goals, objectives and core responsibilities of internal audit functions. Some internal audit units also have not adopted the risk based methodology to management of risk, contrary to the charter for internal Audit Function, (November 2008) developed by Treasury and contemporary internal audit practice.
- 59. Weaknesses in the Local Government Financial and Accounting Regulations (LGFAR) and manuals risk creating gaps in accountability and performance monitoring.** LGFAR 2007 do not require local governments to prepare and submit for audit, a statement of performance as part of their financial reporting requirements. There is a need therefore to update the Local Government Accounting Manual to enable compliance with International Accounting Standards and best practice. Secondary schools, primary schools and health centres also lack clear guidance on the nature of books of accounts and specific financial statements that need to be prepared. In addition, there is lack of necessary manpower and basic book keeping skills.
- 60. Poor Asset Management poses fiduciary risk and wastage.** There is apparent lack of ownership of properties as evidenced by the absence of title deeds for several Government properties. Fixed assets registers are non-existent, incomplete or

⁸ The Auditor General's Report for 2011/12 mentions that a number of Accounting Officers advanced funds to officers through their personal accounts to carry out official activities. Examination of a total of Shs.67,085,008,004 revealed that Shs.25,934,774,910 remained not adequately accounted for.

outdated. For a long period of time there has also neither been any re-valuation of assets nor testing for impairment not as required by the accounting standards.

Ongoing Reforms

61. **The URA is establishing an interface for its e-tax system with other Government automated systems including the IFMS and the Government Payroll on IPPS.**
62. **A contingency fund is to be established under the new PFM Bill to cater for supplementary expenditures and emergencies, including a resource equivalent to 3.5 percent of the total budget.**
63. **A revised debt strategy was finalized and is currently under review by key stakeholders including Bank of Uganda, World Bank and IMF. The strategy is expected to be finalized before the end of the first half of FY 13/14.**
64. **To improve cash and debt management, a Treasury Single Account (TSA) framework has been established effective October 2013, which will gradually capture all government accounts, donor-funded projects and some extra-budgetary funds. It will be spearheaded by a newly established cash and debt management directorate to ensure improvement in cash flow forecasting and monetary policy implementation.**
65. **The Public Finance Management Bill proposes to elevate the profile of the internal audit function to a directorate and provide it with more legal powers to enforce implementation of its recommendations.** Under the bill, the internal audit function will be made independent of the AGO and the Commissioner IA will report directly to the PS/ST. The Audit Committee Charter will be revised accordingly.
66. **The professionalization of the accounting cadre in Government provides a critical mass for widening the coverage of implementation of more up to date methods of accounting, such as accrual accounting in line with International Public Sector Accounting Standards (IPSAS).** This will require a valuation of physical assets and improvements in inventory management. A fixed assets accounting module in IFMS, is under development to facilitate this process.
67. **Government is developing a National Public Sector Procurement Policy (NPSPP) to provide strategic direction to the function focused on attainment of value for money in public procurement.** Transparency in procurement and efficient tendering will be further improved through the introduction of e-procurement and further review and roll out of the PPMS.
68. **Ministry of Public Service is continuing the implementation of the IPPS which will further improve the management of the GoU payroll and pension records.** Management of IPPS implementation has been particularly weak, leaving a number of non-configured modules and questionable data integrity, raising concerns over the reliability of the system. A functional review of the interface between the Integrated Personnel and Payroll System (IPPS) and IFMS was conducted. An interface was subsequently developed and awaits IPPS system customization.

69. The coverage of the IFMS is being extended to remaining central government entities and higher local governments, which will utilize a mid-range version of the system. A new Computerized Education Management and Accounting System (CEMAS) is to be introduced for Public Universities and Self Accounting Tertiary Institutions (PUSATIs). The earlier challenge faced by the IFMS relating to internal control weaknesses pertaining to business process flow integrity has been addressed in part by the Oracle software upgrade exercise and the ongoing IT security audit. Further review of the IFMS functionality and business process needs to be undertaken to enable use of a prepayment module with budgetary controls to track advances. In some lower tier authorities, there is a need for further basic account training before IFMS benefits can be fully realized.
70. Plans are underway to integrate the IFMS with other standalone systems including the OBT, Integrated Payroll and Pensions System (IPPS) and URA's e-tax system. The procurement process for a consultancy to enhance the functionality of OBT is ongoing.

1.2.4 Oversight and Scrutiny

The core objective of oversight and scrutiny is to provide an independent verification and scrutiny of financial and operational performance and provide feedback to enable decision-making. Key elements of this function include:

- Public procurement regulation and compliance review
- Internal and External Financial and Performance audit
- Parliamentary oversight and scrutiny

Achievements

71. PPDA undertakes regular compliance checks and audits as part of the efforts aimed at strengthening compliance and value for money in public procurement. For example, out of the 293 recommendations that were made for the 31 PDEs audited in FY 11/12, 227 of them were implemented, representing a 77 percent compliance rate.
72. **The scope, quality and coverage of external audit has expanded.** The independence of the Office of the Auditor General (OAG) has been strengthened, since the enactment of the Audit Act (2008). All entities of central government, including non-commercial parastatals, are audited every year, using international standards of auditing, and the reports are submitted to Parliament by March according to the statutory deadline. Audits include financial and performance audits. In addition the OAG routinely reviews implementation of the agreed actions for the previous financial year. The Office of the Auditor General has its own staffing and remuneration structure and this has helped it attract, retain and develop a professionally qualified staff cadre.
73. **Parliament undertakes an annual review of fiscal policies, the medium term fiscal framework and the proposed annual budget.** Parliamentary procedures are specified in the Budget Act and in Parliamentary Orders. The executive generally complies with these procedures. The executive has on occasions responded in writing and on the

floor of Parliament to the issues raised by Parliament. The Parliamentary Public Accounts Committee (PAC) also holds in-depth hearings with accounting officers of all MDAs on the findings in the OAG reports.

Challenges: Barriers to Reform

74. **There is limited and delayed follow up on audit and inspection findings and recommendations, which undermines accountability.** This applies to all reports from PPDA, internal and external audit reports and Public Accounts Committee reports. In turn, there are also delays in the issuance of treasury memoranda by MoFPED. **There is a lack of coordination between agencies undertaking audit, inspection and investigations in terms of both coverage and scope.** In some cases, entities are subjected to multiple audits and investigations leading to inefficiency in resource utilization and implementation of the various recommendations.
75. **Parliament frequently approves supplementary budgets. These in turn undermine the credibility of the budget.**
76. **The accountability cycle remains incomplete due to delays in the finalization of PAC reports, their subsequent dissemination and the issuance of corresponding treasury memorandum.** The delays in scrutiny are particularly prevalent with LG external audit reports owing to the large number of LGs. It is noteworthy that the last set of treasury memoranda, relating to the period up to FY 2004/05, was issued in 2012.

Ongoing Reforms

77. **The PFM Bill is expected to shorten the period within which the Auditor General is expected to audit the accounts to six months from the end of the financial year.** If this is achieved, the Auditor General's report will serve as a useful tool in informing subsequent annual national budgets.
78. **Strengthening of the OAG includes establishing a new Directorate of Forensic Audits and Investigations, investment in specialist skills and construction of new Headquarters and regional offices.** The Forensic Audit Directorate shall be charged with the responsibility of undertaking continuous forensic investigations in government entities and will support compliance through improved detection. OAG is also moving towards providing more value for money audits and acquiring specialist skills for audit of specific sectors.
79. **Parliament has received support for capacity building, including interpreting Audit reports and to design a database/system for monitoring Parliamentary decisions.** In the last phase of FINMAP, however, the capacity development efforts have not had a catalytic effect in clearing the backlog of reports. Going forward, a new approach to influencing and strengthening the Parliamentary oversight function may be required.

1.2.5 Governance and External Environment

The core objective of governance of PFM is to ensure that there is active political engagement, downward accountability and a conducive environment for PFM including sound legal and institutional framework and appropriate human resource for reform. Key elements of this function include:

- Legal & regulatory Framework
- Governance, structures and institutional framework
- Civil society, community, private sector accountability
- Transparency & HRM & processes

Achievements

80. **A number of improvements have been made to the legal framework to strengthen PFM and accountability.** The present legal framework for budget formulation, execution and audit is provided by the Constitution 1995, as amended in 2005, Local Governments Act, CAP 243 Leadership Code Act 2002, Inspectorate of Government Act 2002, Public Finance and Accountability Act (PFAA) 2003, Budget Act 2001, Local Government Finance Commission Act 2003, Public Procurement and Disposal of Public Assets Act 2003 and Amendment Act 2011, Access to Information Act 2005, the Anti-Corruption Act 2009, Public Service Standing Orders, Local Government Financial and Accounting Regulations 2007 and the National Audit Act 2008. There is an ongoing process to amend the Public Finance and Accountability Act 2003 to further improve financial management.
81. **The above legal framework has been successful in the establishment of strong Governance and institutional framework for public financial management.** Under the Sector wide approach, public financial management is embedded under the Accountability Sector which comprises of institutions mandated with resource mobilization, allocation, budget execution and monitoring, oversight and investigatory functions together with instilling ethical conduct within PFM.
82. **A number of PFM staff have achieved professional certification in accountancy, audit, procurement and IT.** In addition, several staff have acquired specialized skills in various PFM areas including Value for Money, budgeting, economics, financial reporting and Information management systems among others, which has expanded the knowledge base.
83. **There is good fiscal transparency with increased public access to fiscal information.** The publication of releases in the media, availability of key fiscal information including budget performance reports on government websites for instance the Ministry of Finance, Planning and Economic Development (MoFPED), PPDA, URA and OAG websites and establishment of a well-stocked resource centre at MoFPED have helped improve public access to fiscal information. There is good public access to budget documentation and some analyses and strategies. In-year budget execution reports, year-end financial statements and audit reports are all produced regularly.

84. **The Office of the Prime Minister (OPM) undertakes annual Public Expenditure Reviews.** This is done through the collection and analysis of performance data gathered from all MDAs in all 16 sectors through the Sector Working Groups. Half-yearly performance reports are issued and a Government Annual Performance Report (GAPR) is produced within 4-5 months of the end of year and presented to a Cabinet Retreat for discussion and adoption of recommendations.
85. **Performance contracts are negotiated annually between MoPS and Accounting Officers/Heads of Departments, in consultation with MoFPED, MoPS and MoLG.** The contracts are synchronized with the work plans of the relevant MDAs.
86. **Internal audit and external audit are increasingly undertaking performance/value-for-money audits.**
87. **Civil society organizations and beneficiaries of services at the local level meet with CG and LG officers and discuss local services (Barazas).**

Challenges: Barriers to Reform

88. **According to the Vision 2040, institutional challenges of Uganda's development include weak public sector management and administration,** characterized by lack of enforcement of policy, legal and regulatory frameworks; weak institutional structures and systems; oversized public administration; weak civil society and civil society participation; inadequate data and information; inadequate standards and weak quality infrastructure; overlapping mandates; limited social protection and support systems; and weak management of environment and climate change. This is exacerbated by a weak decentralization system, slow implementation characterized by long procurement cycles, poor enforcement of standards and regulations, and ineffective monitoring and evaluation.
89. **The enactment and revision of the legislative framework is relatively slow as evidenced by the ongoing revision of the PFAA 2003⁹, coupled with limited awareness of the PFM framework**
90. **The existing PFM legal and regulatory framework needs to be harmonized with a clear sanctions regime. In addition the governance and institutional framework lacks coordination and collaboration** focused on achieving a common goal. This challenge needs to be addressed right from planning and supported by a strong and visible secretariat to the Accountability Sector.
91. **The coordination mechanism for PFM reforms is not comprehensive. Wider reform efforts outside FINMAP and progress against critical priorities are often not discussed at PEMCOM in favour of implementation issues for the reform programme. Corruption remains one of Uganda's major challenges as it increases the cost of doing business and negatively affects service delivery.** This is in large part due to limited compliance with laws and regulations, compounded with inadequate supervision and monitoring in MDAs and LGs which negatively affect both the

⁹ The Public Finance Bill 2012 was presented to Parliament in March 2012 but has not been enacted to date

quality and quantity of outputs in service delivery. In some cases officers divert allocated funds without authority and no sanctions are carried out.

92. **There is minimal downward accountability for the allocation and utilization of resources as the participation of the Civil society is hindered by inadequate literacy levels resulting in little engagement and appreciation of their role in PFM.** There is little involvement of community based organizations in determining how the funds should be utilized and in monitoring of service delivery particularly at sub-county or parish level. The publication of resource transfers, plans and targets needs to be easily accessible and in a manner that is comprehended at community level. The publication of resource transfers, plans and targets needs to be easily accessible and in a manner that is comprehended at community level. Participation in development of strategies could be improved e.g. CSOs. Demand for accountability is weak, which contributes to lack of compliance. Measures to support and encourage participation of CSOs and community should help address this.
93. **Despite efforts in professional certification by various PFM staff, there is lack of evidenced in improved performance.** With the introduction of various PFM reforms such as IFMS, TSA, macro-economic modeling, OBT, IPPS among others, there is need to identify the appropriate skills set to man these reforms in a sustainable manner. Furthermore, the learning and development initiatives need to be geared towards better knowledge management so as to promote career development within the civil service. The differential pay scales for staff within the sector creates disharmony within the accountability sector which is geared towards a collaborative approach. As more staff acquire better skills and knowledge, it is critical to rethink the strategy towards a pay reform.

Ongoing Reforms

94. The Public Finance Bill proposes to merge the Budget Act 2001 and the Public Finance and Accountability Act 2003 in order to ensure consistency in PFM laws and strengthen provisions on a range of PFM rules and reporting requirements.
95. A draft Accountability Sector Strategic Plan needs to be approved and implemented to provide strategic guidance to the Accountability sector institutions as well as progress work on preparation of institutional strategic plans.

1.3 Conclusion

96. Despite the achievements noted above, budget credibility and control, as outcomes of the reform strategy, remain to be fully achieved. In addition, enforcing compliance with regulations has been identified as a key missing link that continues to undermine all development efforts.
97. It is against this background that it was deemed necessary to re-assess and re-align the PFM reform strategy as the guiding framework for further PFM reforms

Table 1: Summary of Key Enabling Factors and Barriers to Achieving an Effective PFM System in Uganda

Dimension	Objectives	Achievements (Enabling factors)	Major Challenges (Barriers)	Lessons & Implications for reform
Aggregate Fiscal Planning	<ul style="list-style-type: none"> • Macroeconomic stability • Resource mobilisation • Multi-year planning, in line with strategic objectives 	<ul style="list-style-type: none"> • Stable economic management • Sustainable debt • Medium-Term planning horizon 	<ul style="list-style-type: none"> • Insufficient domestic revenue • Misaligned MTEF • Unreported expenditures 	<p>Future possibility to raise finance through bonds but not enough being done to raise CG and LG tax revenue. Need effective planning for delivery of strategic objectives.</p>
Budget Preparation	<ul style="list-style-type: none"> • Clear budget cycle, ceilings • Realistic forecasting of estimates of revenue and costs - • Delivery plans linked to performance and accountability 	<ul style="list-style-type: none"> • Output-based planning and budgeting • Participatory budget preparation process - Improved sector strategy coordination 	<ul style="list-style-type: none"> • Unrealistic cost and revenue estimates • Misaligned budget cycle • Insufficient Public investment management capacity • Weak accountability mechanisms – poor feedback from implementation to inform decision making 	<ul style="list-style-type: none"> • Enactment of PFM Bill to address budget cycle. • Capacity strengthened for project design, appraisal and monitoring – • Improved forecasting and costing of commitments and contingent liabilities
Budget Execution	<ul style="list-style-type: none"> • Commitment control • Predictable funding • Payroll management • Efficient procurement • Revenue control • Internal audit 	<ul style="list-style-type: none"> • Modern revenue administration • Commitment Controls and financial information through IFMS • Clear procedures for procurement • Documented internal controls 	<ul style="list-style-type: none"> • Under achievement with Revenue potential not achieved • Non-compliance with Internal controls - Inefficient and unpredictable cash rationing • Poor integration of GoU IT systems, which are also susceptible to high risk. 	<ul style="list-style-type: none"> • Improved cash management through the Treasury Single Account (TSA) framework. • Adoption of accrual-based accounting. • Re-designed and integrated IT –based PFM systems to improve efficiency of execution.
Accounting & Reporting	<ul style="list-style-type: none"> • Consistent classification • Efficient accounting basis • Comprehensive reporting • Documentation of budget process & assumptions 	<ul style="list-style-type: none"> • International standard classification • Professional cadre of accountants • 'A' rated budget documentation 	<ul style="list-style-type: none"> • Poor asset management • Low capacity in LGs in financial accounting 	
Scrutiny & oversight	<ul style="list-style-type: none"> • External audit • Parliamentary oversight 	<ul style="list-style-type: none"> • Professional cadre of auditors • Independence of external audit • Regular Parliamentary review of budget 	<ul style="list-style-type: none"> • Limited follow up of audit findings • Frequent approval of supplementary budget • Poor coordination of oversight institutions 	<ul style="list-style-type: none"> • Continued institutional strengthening of oversight institutions. • Strengthening of coordination mechanism for oversight institutions.
Accountability & Governance	<ul style="list-style-type: none"> • Legal Framework & structures • Civil society, community, private sector accountability • Transparency 	<ul style="list-style-type: none"> • Strong legal framework • Good fiscal transparency • Expanding active civil society 	<ul style="list-style-type: none"> • Weak enforcement of laws/regulations • Limited downward accountability • Poor linkages with institutions complementing the PFM reforms 	<ul style="list-style-type: none"> • PFM Bill to strengthen framework, but faces delays in progress through Parliament. Need for more collaborative approach with complementary sector reforms.

2 THE UPDATED PFM REFORM STRATEGY 2014/15 - 2017/18

2.1 Introduction

1. The updated strategy will provide guidance for PFM reforms over the next four years up to June 2018. Despite the achievements realized under the previous PFM Reform strategy (initially from July 2011 to June 2017), reform efforts were adversely affected by two key factors: the delayed start of key activities under the strategy's prime implementation framework (FINMAP II) and the suspension of most external funding to the programme in the latter half of 2012. However, with the resumption of external funding, complemented by a significant increase in GoU funding, there is a renewed impetus on consolidating the gains so far achieved and addressing the identified emerging barriers to reform. An additional year has also been added to the duration of the strategy to cover the time lost.
2. The updated strategy is informed by the findings of various PFM studies, including the PEFA Assessments (2012) and Mid Term Review of FINMAP II. The latter review noted that while the previous PFM strategy was aligned with the National Development Plan (FY 10/11-14/15) and remained relevant on the whole, weaknesses still existed particularly with regard to the **credibility and control of the budget and compliance with set rules and regulations**. A number of recommendations were proposed for addressing the gaps, and have been adopted in this updated strategy.

2.2 Vision of PFM Reform

3. *"To have excellent and sustainable public financial management that enables social economic transformation."*

2.3 Goal of PFM Reform

4. *"To strengthen Public Financial Management at all levels of government to ensure efficient, effective, and accountable use of public resources as a basis for improved service delivery."*

2.4 Purpose of PFM Reform

5. *"To improve effectiveness, efficiency and attain value for money in the control and management of public resources"*

2.5 Strategic Results Framework

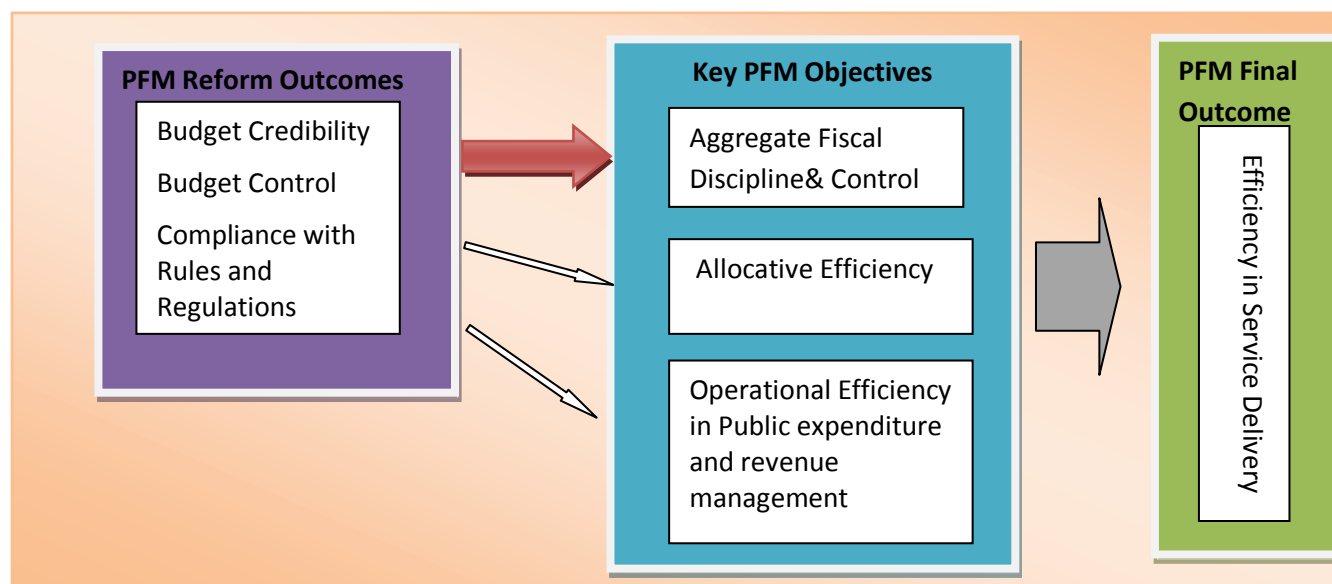


Figure 1: PFM Strategic Result framework

6. As noted above, the updated PFM reform strategy seeks to fully achieve the following three outcomes: **Budget Credibility, Control and Compliance with set rules and regulations**. The attainment of these outcomes in turn will contribute to the achievement of the key PFM objectives of: **Aggregate Fiscal Discipline and Control; Efficiency in Resource Allocation; and Operational Efficiency**. Achievement of these key PFM objectives subsequently will provide an enabling environment for efficiency in service delivery. In practice, the strategy will address some aspects of the second and third PFM objectives, but the main focus will remain on the first objective of aggregate fiscal discipline and control.
7. For the national budget to be credible, the following imperatives have got to be in place: adequate resources to finance the budget; resources allocated in line with GoU policy thrusts; and control mechanisms in place during budget execution. Additionally, all these conditions have to be implemented in compliance with the law (rules and regulations).

2.6 Principles of PFM Reform

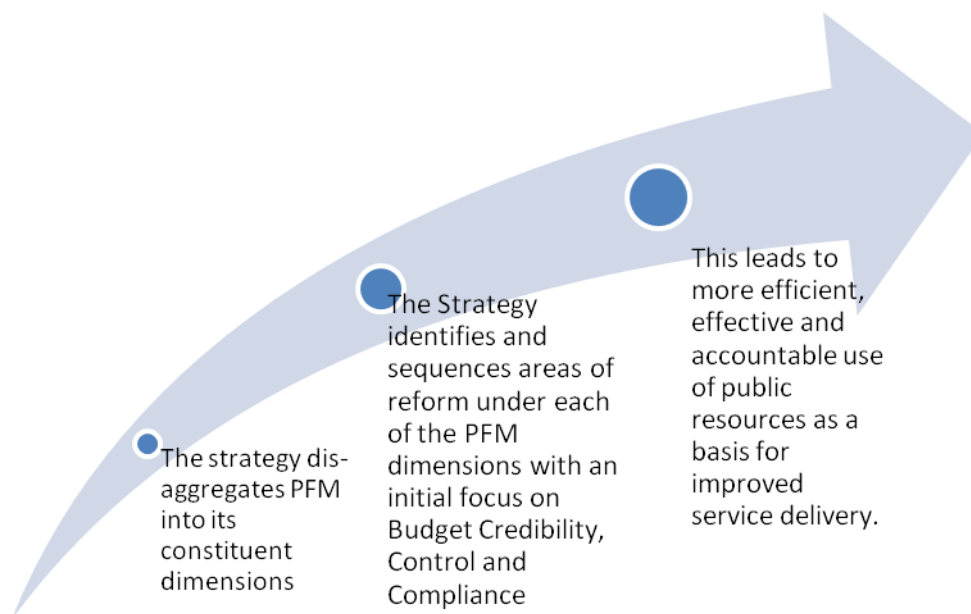
8. The principles that must guide PFM reform have been gleaned from the lessons learnt so far including the successes and challenges that have been encountered by Government of Uganda (GoU) in the implementation of reforms. The principles are:
 - (i) Political and management commitment which are critical for the successful implementation of the PFM reforms.
 - (ii) Full involvement and participation by key stakeholders to ensure ownership and successful implementation. The key stakeholders include political leaders, public officers, parliament, private sector, civil society and the development partners.
 - (iii) Compliance and conformity with legislation and procedures to ensure adherence to laws, regulations and set procedures.
 - (iv) Complementarity, continuity and sustainability of PFM reform investments.

- (v) Commitment to continuous improvement in PFM reforms through monitoring, evaluation and learning at all levels.
- (vi) Effective communication and institutional coordination between and within CG and LGs.

2.7 Theory of Change

9. The Theory of Change for the PFM reform strategy, which relates to both stages 1 and 2 of the reform strategy, broadly describes the logic underlying the reforms.

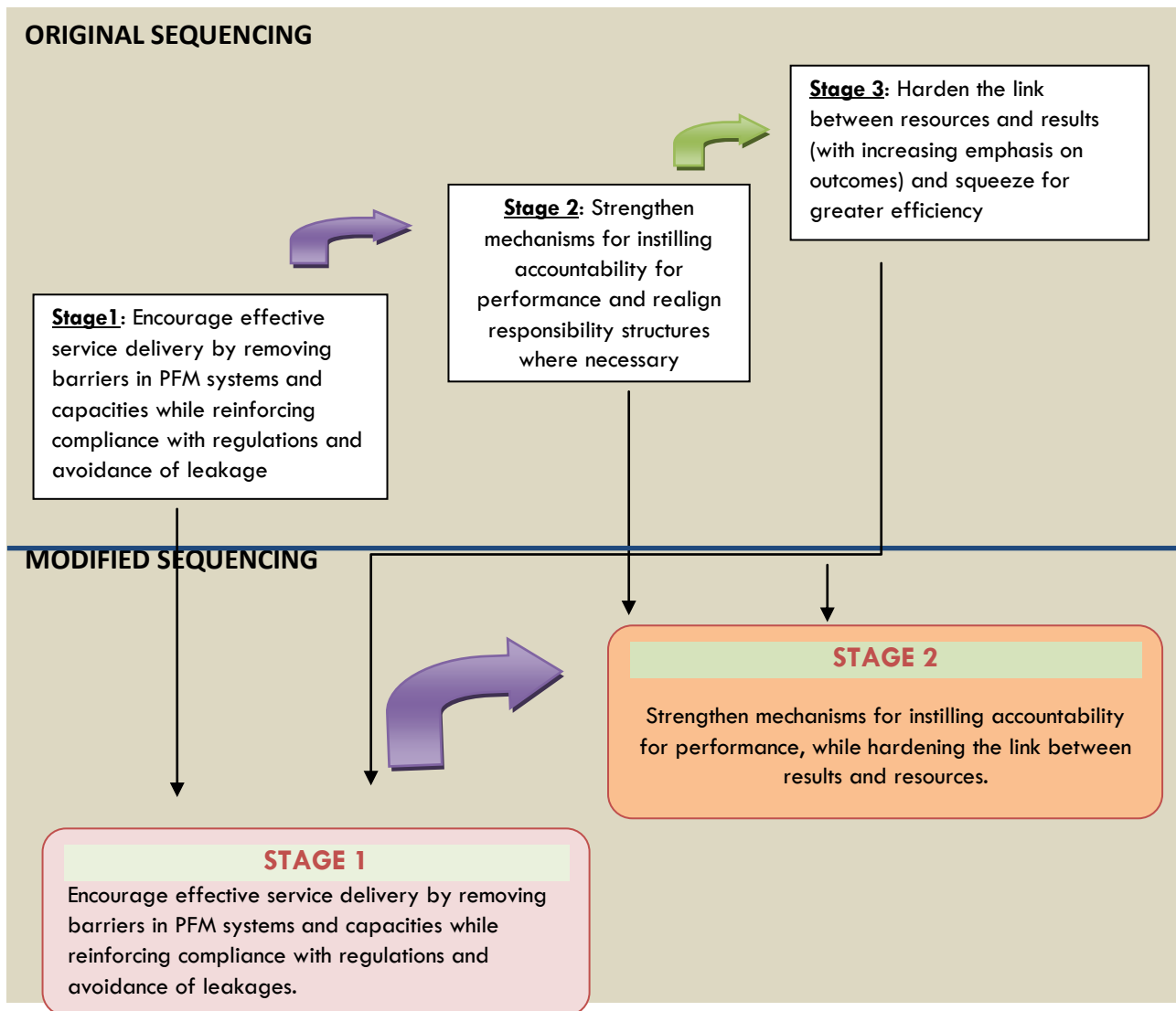
Figure 2: Theory of Change of the PFM Reform Strategy



2.8 Sequencing of PFM Reforms

10. The updated PFM reform strategy will maintain a sequenced approach to reforms, albeit with a shift from three to two staged phasing (see figure 1 below). It is evident that Uganda's PFM reforms are at different levels of development and therefore flexibility will be required in their sequencing. For instance over the years, national budgeting has gradually progressed from a traditional input-based approach which places a premium on accountability for inputs, to performance-based budgeting that focuses on accountability for results (outputs) – the prescribed objective of stage 3.
11. In an ideal PFM system, this “maturity” in budget preparation would imply lesser financial control – allowing vote holders more flexibility in budget execution. However in Uganda, this approach is not realistic due to inadequate fiscal discipline and control. Therefore the sequencing of reforms will incorporate a mix of interventions under the various stages of development in PFM to ensure that the “basics” are first and foremost in place while consolidating gains from other ongoing reforms (see figure 1 below). Collectively, this approach will encourage effective service delivery by removing barriers in PFM systems and capacities.

Figure 3: Sequencing of PFM Reforms



12. **Stage 1:** The key outcome of Stage 1 is achieving budget credibility and control. A credible budget should provide sufficient funding for the delivery of planned outputs, and be executed as budgeted, as the first step towards eliminating the barriers to service delivery. It is also necessary that the budget is well executed to eliminate wastage, arrears and supplementary expenditures. As part of the focus of this stage, budget control will be strengthened to help eliminate leakages and waste in budget execution.
13. Stage 1 will also focus on enforcement of compliance with rules and regulations by ensuring that an enabling PFM legal framework is in place. To this end, a sanctions regime for non-compliance will be incorporated within the PFM legal framework as part of this stage. In addition collaboration and communication among oversight institutions in the areas of planning, execution and reporting as well as follow up of recommendations of oversight entities by MALGs will be strengthened.
14. Whereas it has been noted by various reviews that PFM systems are in place and that the only problem is with enforcement of compliance, non-alignment of systems remains a challenge, and integration of key existing systems including the IFMS, OBT, IPPS and PPMS will be a priority under the strategy.

15. **Stage 2**, which follows on from stage 1, aims to achieve accountability for results and therefore encompasses not only budget credibility and control, as well as compliance with rules and regulations, but also those measures that enhance accountability in the control and management of public funds and resources. This stage will focus on ensuring production of accurate information about results achieved and the resources required or used to achieve them and robust follow up and action on any areas of non-compliance with financial regulations.
16. By the end of stage 2, service managers will not only observe laws and regulations but will also be responsible for and focus on achieving the service targets set for them. This will be as a result of plugging of leakage of resources due to more effective controls, and errant officers being held accountable while rewarding good performance.
17. As the prime framework for implementing the reforms, a four year costed action Plan (July 2014 – June 2018) for FINMAP III will be developed with activities aimed at addressing the identified technical areas of reform under stage 1 of the strategy.
18. The strategy nonetheless recognizes that other PFM reform activities will be implemented alongside FINMAP III. The coordination and monitoring of progress of these various reform programmes will be undertaken by the PEMCOM.

Figure 4: PFM Sequencing: Main Areas of Focus

PFM Reform Goal: <i>To strengthen Public Financial Management at Central Government and Local Government levels and ensure the efficient, effective, and accountable use of public resources as a basis for improved service delivery to create wealth and enhance economic growth.</i>		
Purpose: <i>To improve effectiveness, efficiency and attain value for money in the control and management of public resources</i>		
	STAGE 1	STAGE 2
Objective	Encourage effective service delivery by removing barriers in PFM systems and capacities while reinforcing control and compliance with regulations and avoidance of leakage	Strengthen mechanisms for instilling accountability for performance while hardening the link between results and resources
Outcome	Improved Budget Credibility, Control and Compliance	Effective financial accountability and compliance

2.9 Technical Areas of the PFM Reform:

N°	PFM FUNCTION	PURPOSE OF THE REFORM	UNDERLYING CHALLENGES	Stage 1 Priorities	Stage 2 Priorities
1	Macro – economic Management Intermediate Outcomes: •Macroeconomic Stability •Improved Resource Mobilisation and allocation •Collaborative and Complimentary Approach policy formulation, implementation & regulation	To enhance revenue mobilisation, improve capacity for realistic forecasting of macroeconomic aggregates to inform budget preparation and strengthen capability to analyse effects of fiscal policies (PEFA Ref.: PI-12, PI-13, PI-14, PI-15,D-1, D-2, D-3)	Narrow revenue base	Develop a Tax policy design and collaborative strategy that facilitates the widening of the revenue base and improved efficiency in tax administration	Assess Impact of policies on revenue mobilisation, Tax policy commensurate with economic activity & growth
				Improved efficiency in tax administration	Enforcement of revenue policies
				Improved NTR revenue policies and administration	Performance Monitoring of NTR revenue collection and Enforcement of compliance with set policy
			Inadequate LG Revenue Forecasting, mobilisation and administration	Collaborative LG revenue policy and harmonised collection mechanism strengthened with URA and LGFC.	
				Institutional strengthening of the revenue management function particularly for revenue forecasting at LGs	Institutional Strengthening for Revenue mobilisation and administration
			Inaccurate forecasting of macro aggregates (revenue estimates and expenditure costing) as well as unpredictability of external funding sources	Participatory and realistic revenue forecasting and revenue performance monitoring	Assess the effectiveness of the revenue forecasting framework.
				Improved accuracy of fiscal information	Comprehensive fiscal management
				Develop policy and regulation for external resource management (debt and aid)	improved predictability of external revenue sources
	Revenue Collection Intermediate Outcomes:	To enhance efficiency in tax & non-tax administration and regulation for improved revenue	Lack of a strong record of debt collection and arrears management, with penalties also being ineffective.	Improve Tax payers' registration and integration of databases within URA and Govt supported by enabling legislation to access data.	Enforcement and a regulatory framework for tax laws. Improved monitoring, reporting and accessibility of revenue

	<ul style="list-style-type: none"> Improved revenue collections Financial discipline and control Collaborative and coordinated approach to revenue collection 	collections	Tax evasion		performance.
			Non-tax revenue collections lack adequate controls, particularly where they are not yet received through the URA e-Tax system.	Extend coverage of computerised system for revenue collection Enhance capacity for revenue audit (tax & non-tax)	
			Some NTRs are used at source without authority and the lack of performance tracking,	Institute mechanism for regular NTR reporting	NTR performance tracking and monitoring
			Participating institutions: DEA, URA, LGFC, NPA, MALGs (Planning Units), OAG, IA, Parliament		
2	<p>Budget Formulation, Preparation and Monitoring</p> <p>Intermediate Outcomes: Improved efficiency in Resources Allocation</p> <p>Alignment of the budget to National priorities/policy objectives</p>	<p>To establish a credible budgeting process that supports development of a comprehensive budget document reflective of national policy objectives and achieves efficient resource allocation in a clear and transparent manner</p> <p>(PEFA ref.: PI-3, PI-5, PI-6, PI-10 to 12)</p>	Inadequate expenditure planning for critical commitments leading to a dependence on supplementary budgets and excess expenditure.	Operationalise the Contingency fund as provided under the PFM Bill.	
			Underdeveloped costing framework and monitoring for inputs and outputs.	Enhance capacity of planning units for MDAs and LGs. Develop a costing framework for inputs and outputs	More realistic and comprehensive budgeting.
			Insufficient complementary recurrent resource allocation for capital projects.	Strengthen the budget monitoring and evaluation function across budget MDAs & LGs	
			Weaknesses in project cycle management of public sector investments.	Develop an integrated framework for planning and resource allocation for recurrent and development expenditure.	
			The Local Government grants allocation formulae are numerous, complex and inappropriate for the needs of LGs and undermine predictability of resources.	Institutional strengthening for public investment management.	Streamline and strengthen loan approval and monitoring process between legislature and executive.
			The MTEF is not well aligned to the strategic objectives in the National Development Plan (NDP).	Simplify and communicate a realistic formula to stakeholders in a timely manner	
				Alignment of the annual budget and sector priorities to NDP objectives.	Alignment of Medium term fiscal framework (MTFF) to medium term budgeting framework (MTBF) and NDP objectives.

			Inadequate utilisation of performance data in budget preparation.	Operationalization of the proposed budget calendar in the PFM bill which seeks to integrate performance data (OAG reports) with the budget process. Strengthen capacity for budget analysis and evaluation to inform budget preparation.	Strengthen feedback mechanisms for performance data into decision making.
			Low absorption of funding or spending on non priority areas	Enhance alignment of work planning to procurement planning and resource allocation. Integrate Budgeting systems, ensure they are comprehensive and consistently applied across MDAs and LGs	
			Lack of comprehensive documentation on Revenue Estimates in Central Government	Develop a system for generating comprehensive Revenue estimates	Monitor revenue outturn to estimates
	Lead Institution	Ministry of Finance/Budget Directorate	Other Participants: D/B, Revenue & Planning Units in MALGs, LGFC		
3	Budget Execution Intermediate Outcomes: •Improved efficiency in Resource Allocation •Financial discipline and control •Improved Asset Management •Collaborative and Complimentary Approach to Oversight function	To improve efficiency of budget execution by obtaining better predictability for spending units and reducing the discretionary element in the allocation and utilisation of budget releases. (to ensure budget is implemented as intended) (PEFA Ref.: PI-1, PI-2, PI-4, PI-16, PI-17)	Weak communication flow between the Sector Institutions, Treasury and LGs.	Improve communication mechanism between Sectors, Treasury and Local Governments	
			Inefficient Cash Management leading to the build-up of arrears, and large unutilized cash balances at the end of the year	Develop an integrated institutional framework for Cash and Debt Management functions for efficient cash management where releases are based on cash forecasting informed by procurement plans & work plans	Improve predictability of cash flows Linkage of cash management with monetary policy implementation
			Commitments made outside the IFMS system and circumvention of system processes and internal controls	Penalise commitments made outside IFMS by First Charge to the Consolidated Fund	
				Widening and deepening of computerised system with enhanced security	
				Strengthening the inspection function in MDAs and LG's to monitor commitment control system across government institutions	
				Strengthen follow up mechanism for oversight (IA, PPDA and OAG) recommendations	
			Weak controls over releases due to lack of full integration between accounting and budgeting systems	Integrate budgeting (OBT) and accounting systems (IFMS) and undertake regular reconciliation	
	Lead Institution	Ministry of Finance	Participating Entities: DB, AGO, BoU, Accounts, Planning & Procurement units of MDAs & LGs, IA, PPDA, OAG		

4	Payroll and Pensions Intermediate Outcomes: •Financial discipline and control, •Strengthened Payroll and Pension Management •Collaborative and Complimentary Approach to Oversight	To maintain and manage databases that support payroll and pension controls and payments within budgetary constraints Develop and implement the integration of establishment, personnel and payroll databases, internal controls and exception reports (PEFA Ref.: PI-18)	Weak internal controls within the payroll and pension system	Finalize and roll out IPPS	Address systems weaknesses
				Regular review and audit of the payroll and pension system	
			Limited ownership of payrolls in MDAs & LGs and insufficient budget provision to fund the payroll and pension system	Decentralize payroll management in MDAs & LGs.	Regularise (establishment) all staff in post on the govt payroll.
				System integration of personnel, payroll, pension and payment.	
	Lead Institution	Ministry of Public Service	Other Participants: Accountant General's Office, Budget Directorate, MDAs, Internal Audit, OAG		
5	Procurement Intermediate Outcomes: •Improve resource allocation •Financial discipline and control, •Efficient and Transparent Procurement system •Collaborative and Complimentary Approach to Oversight	To improve efficiency and transparency in public procurement that facilitates the attainment of value for money in public expenditure and cost efficient translation of the Government's policies into budget performance (PEFA Ref.: PI-16, PI-19, PI-20)	Cumbersome procurement processes that are not responsive to user needs and market values.	Finalize development of the National public procurement policy & its implementation	
				Enhance efficiency and transparency of public procurements through e-procurements	
				Complete development of the regulatory framework for the amended PPDA law.	
				Ensure that PDEs use framework contract and standardised guidance on common user items.	
			Inadequate procurement performance measurement	Comprehensive review the PPMS	Implement appropriate measurement mechanisms for public procurement system
			Weak contract management and performance evaluation.	Improved procurement record management. Enhance capacity development on contract management.	
			Lack of independence of the complaints review mechanism	Institute and operationalize the PPDA tribunal	
	Lead Institution	Ministry of Finance	Other Participants: PPDA, Accounts, Planning and Procurement units of MDAs and LGs, B/D, OAG, Parliament		
6	Accounting and Reporting Intermediate Outcomes :	To enhance capacity to provide accurate and timely financial	Policy guidance to transition from Cash basis to Accrual accounting.	Develop Regulation to implement policy guidance on Accrual accounting for government entities	Implementation of Accrual Accounting

	<ul style="list-style-type: none"> •Improve Resource Allocation •Financial discipline and control, Improved Asset Management, •Collaborative and Complimentary Approach to Oversight 	information on the budget implementation (PEFA Ref.: PI-22, PI-23, PI-24, PI-25)	Inadequate Expenditure coverage in accounting and reporting especially for fiscal risk arising from contingent liabilities	Deepen automation of financial management systems to cover donor funded projects.	Institute consolidated fiscal risk management for all government expenditures including CG, LG and state enterprises
			Weak management of asset registers.	Regulate and enhance the automation of accounting and reporting for assets.	
			Inadequate capacity and knowledge of basic accounting principles	Extend capacity development in basic accounting concepts and continued professional development	Enhance supervision and performance monitoring
			Lack of integration between accounting reporting and budgeting systems and information	Enforcement of NITA-U policies on system integration.	Create an integrated web portal for all MDAs & LGs
	Lead Institution	Accountant General's Department	Other Participants: Accounts Units in MDAs & LG, MoLG, B/D, Professional bodies and training institutions, MoICT & NITA-U		
7	Internal Audit Intermediate Outcomes: <ul style="list-style-type: none"> •Financial discipline and control, •Improved Asset Management, •Efficient and Transparent Procurement system, •Strengthened Payroll and Pension Management •Collaborative and Complimentary Approach to Oversight 	To enhance role of Internal audit in provision of assurance services to spending entities and improved monitoring of compliance to PFM rules and regulations for better public expenditure management and financial accountability (PEFA Ref.: PI-7, PI-9, PI-18, PI-19, PI-20, PI-21)	Lack of consideration of Internal audit recommendations. (Non-strategic positioning of the Internal audit function.)	Improved communication and focus in reporting.	Develop an independent guide to align the internal audit function to international standards.
				Follow up mechanism established and enforced e.g. compliance indicators part of performance contracts for accounting officers (OAG)	Move internal audit function to advisory and management support.
				Establish bench mark timelines for reporting and an integrated M&E system for all oversight institutions.	Impact analysis of the findings on efficiency of service delivery (incl. trend analysis on thematic areas)
				Institutional strengthening of oversight functions to enhance standards. (Staffing, re-tooling and training)	
			Lack of coordination between agencies undertaking audit, inspection, and investigation. (National level)	Collaboration, coordination and complementary approach to oversight (Audit, Inspection, Investigation)	
				Develop a collaborative framework for sharing information between Parliamentary Committees	
			Capacity gaps in specialized audits (emerging audit areas)	Re-tooling the internal audit function.	
	Lead Institution	Internal Audit	Other Participants: AGO/MoFPED, IA Units in MDAs & LGs, MoLG		

8	<p>External Audit</p> <p>Intermediate Outcomes :</p> <ul style="list-style-type: none"> •Financial discipline and control, •Improved Asset Management, •Efficient and Transparent Procurement system, •Strengthened Payroll and Pension Management •Collaborative and Complementary Approach to Oversight 	<p>To enhance capacity of Office of the Auditor General in provision of timely independent information on the quality of public expenditure, the budget execution and performance</p> <p>(PEFA Ref.: PI-26)</p>	Limited and delayed follow up of OAG recommendations	<p>Implement new accountability calendar as provided in the PFM Bill that seeks to link the budget approval process with reports on performance(OAG)</p> <p>Organise training with PAC on specific compliance topics</p>	Develop impact analysis of audit findings on delivery of services
			Lack of coordination and collaboration amongst oversight institutions	<p>Institute planning, monitoring and reporting mechanism for oversight institutions under the Sector</p> <p>Agree on institutional communication arrangements for improved oversight collaboration</p>	
			Lack of comprehensive coverage of the audit	Institutional strengthening of the OAG and capacity development in specialist skills (forensic audit, VFM, etc)	
	Lead Institution	Office of the Auditor General	Other Participants: Parliament, IA, PPDA, MDAs & LGs		
10	<p>Parliamentary Oversight</p> <p>Intermediate Outcome :</p> <ul style="list-style-type: none"> •Improve Resource Allocation •Financial discipline and control, •Improved Asset Management •Collaborative and Complimentary Approach to Oversight 	<p>Purpose: To develop the capacity of the Parliament to play its oversight role in public resources management in order to promote the culture of democratic governance, transparency and accountability.</p> <p>(PEFA Ref.: PI-27, PI-28)</p>	Backlog of PAC reports awaiting discussion.	<p>Build capacity of PAC in scrutiny of audit reports</p> <p>Enhance capacity of parliamentary technical support units</p> <p>Support the institute of Parliamentary studies on PFM modules</p>	
			Lack of integration of performance data in resource allocation	Establish integrated information sharing mechanism amongst accountability committees	Develop clear roles and linkages between Parliamentary committee on PFM
			Limited and delayed scrutiny of LG external audit reports owing to a large number of LGs	Strengthen District PACs	National PACs should focus on outstanding issues not settled by district PACs
	Lead Institution	Parliament	Other Participants: MoICT, MoFPED, MoLG, District PACs, MDAs & LGs		
15	<p>GOVERNANCE</p> <p>Intermediate Outcomes :</p> <ul style="list-style-type: none"> •Enhanced and Harmonised Legal and Regulatory Framework •Effective Communication and collaboration amongst PFM institutions •Improved human resource 	<p>To support establishment and operation of a conducive environment that supports the PFM reform process</p>	Underdeveloped regulatory framework for existing laws	Develop LG regulations for PPDA Amendments	Enforcement and compliance
			Harmonisation of PFM laws	Finalise the PFM Bill and its related regulatory framework developed and disseminated	Enforcement and compliance
			Inadequate skills capacity to match the reform areas coupled with inadequate knowledge management and disparities in pay	HR capacity needs assessment and training needs assessment (TNA).	
				Develop a harmonised capacity development plan for PFM	
				Re-initiate the pay reform	

	capacity development pre and post entry to service •Active DPs engagement •Improved Downward accountability •PFM System integration and utilisation to inform decision making			Continuous Professional Development (CPD) and better knowledge management.	
				Interface curricular development on public sector accounting, PFM and ethics in the Civil Service College, institutions of higher learning, training institutions and certified bodies.	develop training curriculum for public sector, develop and promote public finance specialisation, promote international standards
			Inadequate institutional coordination mechanisms for PFM	Strengthen the Secretariat for the Accountability Sector Finalise and disseminate the strategic plan for the sector Develop sector communication and change management strategy Develop PFM systems ICT policy for better system integration and utilisation Develop a common information sharing mechanism for PFM related matters within government institutions and general public	Organise joint training for Sector institution on PFM and compliance matters Link institutional strategic plans to sector plan Define system integration requirements and follow up on implementation Design and develop an Integrated information sharing tool for PFM
	Lead Institutions	Ministry of Finance	Other Participants: Accountability Sector, MDAs & LGs		

2.10 Policy Linkages to the PFM Reform Strategy

19. The PFM strategy will be implemented as a constituent component of the Accountability Sector Strategic investment Plan (ASSIP) so as to take advantage of the synergies that accrue from engagement with other actors within the sector.

2.10.1 The PFM Strategy and the National Development Plan 2010/11 - 2014/15 (NDP)

20. The National Development Plan (NDP) is the anchor for the government's overall development strategy and sectoral plans and it therefore provides the policy key linkage for the PFM Strategy. The proposed PFM reforms feed into the NDP objectives of the Accountability Sector shown below.

Box 2: NDP Objectives of the Accountability Sector

- Objective 1 - Enhance the principle of value for money in management of public funds to ensure efficient use of Government resources for better service delivery.
- Objective 2 - Promote public demand for accountability.
- Objective 3 - Foster compliance with accountability policies, service delivery standards and regulations for better governance.
- Objective 4 - Promote research and usage of sector information to improve public awareness.
- Objective 5 – Enhance the contribution of the Accountability Sector to economic growth and development.

21. The NDP also provides lower level focus of the accountability sector as shown in Box 3. The PFM strategy is aligned to these initiatives. Some of these initiatives have been under implementation and will continue to be supported.

Box 3 Key Elements in the NDP on Accountability Sector that are in PFM Strategy

- **Commitment Control System (CCS) to minimize excessive expenditure:** Support to widening and deepening of Integrated Financial Management systems at Central and Local Government levels, strengthen compliance monitoring of CCS by Inspection and Internal Audit functions
- **Improve effectiveness and coverage of IFMS:** Enhance security of systems and integration of accounting (IFMS) and budgeting systems (OBT)
- **Fiscal Decentralization Strategy (FDS):** LGs to get more discretion in use of CG transfers.
- **Non Tax Revenue Management (NTR):** Update of NTR policy and Improved efficiency in collection
- **Electronic Funds Transfer (EFT):** Continue implementing and modified in line with the Treasury Single Account concept.
- **Effective Payroll Management;** Support further implementation of the IPPS and capacity to conduct regular audits
- **Audit and Oversight:** Support to institutional strengthening and enhancement of capacity in specialized skills for Internal and External Audit, PPDA and Parliament
- **Review accountability legislation** Develop regulatory framework for the Public Financial Management Bill and related dissemination. Develop LG regulations for the PPDA Amended Act and its dissemination.

2.10.2 The PFM Strategy and the Accountability Sector Strategic Investment Plan 2013/14 – 2017/18 (ASSIP)

22. The Accountability Sector Strategic Investment Plan (ASSIP) provides a guiding framework for improvements in the Accountability Sector. The PFM strategy is fully aligned to the priorities identified under the ASSIP particularly objectives 2, 3 & 4 with a number of the strategic interventions already under implementation by sector institutions.

23. The linkage between the sector objectives and the PFM reform strategy is illustrated below:

Box 3: Objectives under the Accountability Sector Strategic Investment Plan (2013 -2017)

- 1. To strengthen coordination and collaboration amongst sector institutions**
 - 1.1 Institutional strengthening of the Secretariat for the Accountability Sector (SAS) in coordinating the planning, monitoring and evaluation of PFM reforms across the various related programmes in the sector.
 - 1.2 Develop a change management and communication strategy for the sector.
- 2. To enhance planning, mobilization, and allocation of government resources**
 - 2.1 Enhance the capacity for macroeconomic forecasting within the Directorate of Economic Affairs and enhanced capacity for planning at MALGs
 - 2.2 Review of tax policies to enable efficient tax administration
 - 2.3 Capacity enhancement for revenue mobilization at Local Governments
 - 2.4 Improved capacity for budget preparation, analysis and monitoring across government entities
 - 2.5 Strengthening capacity for project cycle management for public investments.
- 3. To improve compliance with accountability rules and regulations**
 - 3.1 Automation of various fiduciary systems across both central; and local governments.
 - 3.2 Support to the Professionalization of Accounting, Audit, IT and Procurement cadre across Government and partnerships with regulatory bodies and training institutions
 - 3.3 Institutional strengthening of entities responsible for fiduciary management and oversight.
 - 3.4 Development of an enabling regulatory framework for implementation of the PFM reforms.

2.10.3 The PFM Strategy and Regional Integration

24. Uganda is a member of the East African Community (EAC) and the Common Market for East and Central African Countries (COMESA). Countries in a regional integration often pursue similar macroeconomic and fiscal policies and therefore to the extent possible, the PFM reforms strategy will align itself to the policies of both the EAC and COMESA as and when they are put in place. Policies like revising the Ugandan Excise Law which commenced in 2008 were from an agreement of the EAC Ministers of Finance. The electronic funds transfer (EFT) system which has greatly improved disbursement of funds to the end users was also agreed among member states of the EAC. The PFM strategy also recognizes that regional integration may deter some reforms from taking place such as the reform of approving the budget before the beginning of the Financial Year. This may be deterred since the EAC governments read their budgets on the same day around mid-June, which does not provide the legislature ample time to scrutinize the budget and approve before the 1st of July. Other regional and international treaties that Uganda's PFM strategy ascribes to include the African Union, NEPAD, and the United Nations Agencies that focus on accountability.

2.10.4 The PFM Strategy and Decentralization

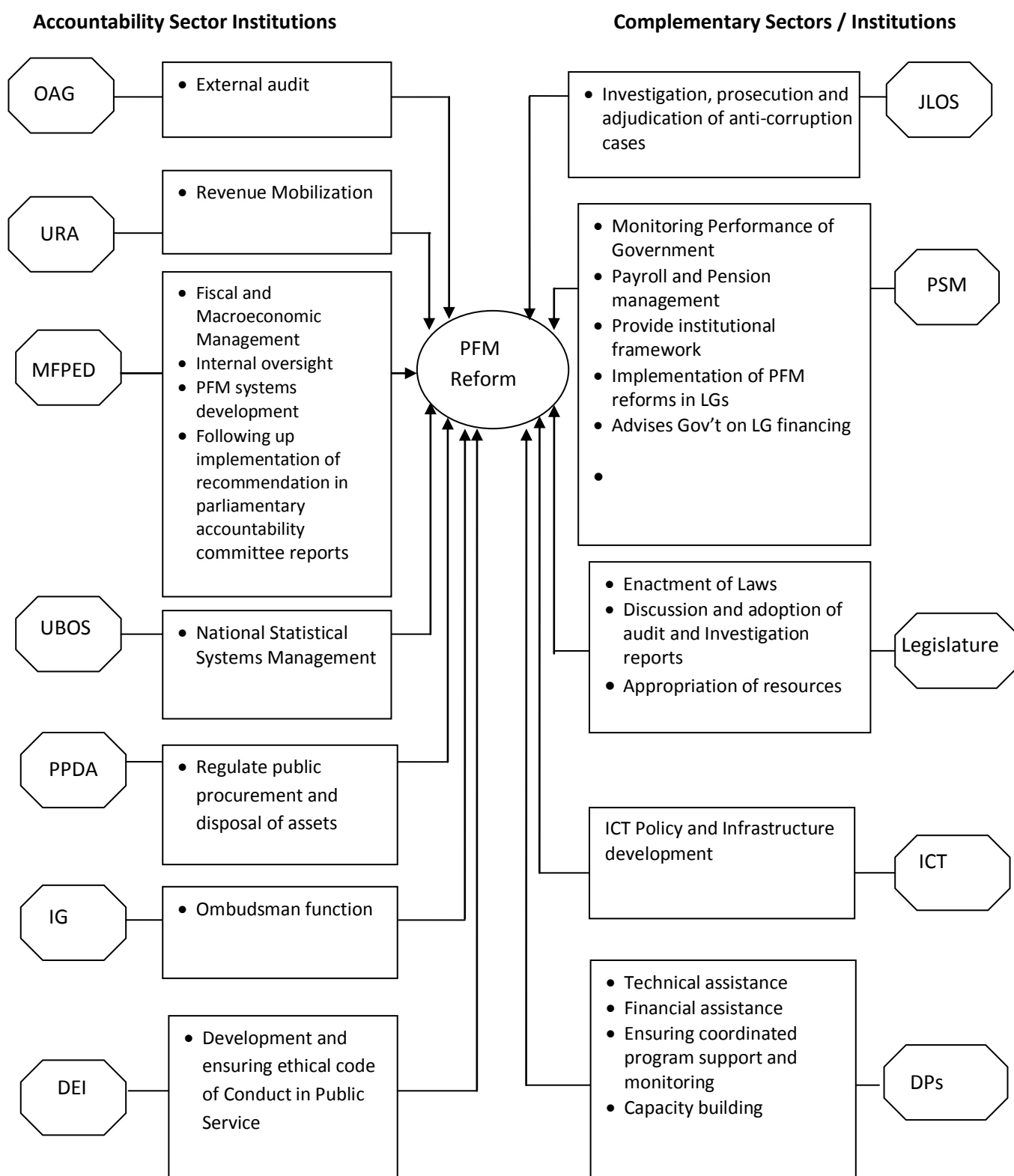
25. The decentralization policy is one of the major policy reforms adopted by the Government to ensure good governance and improved service delivery by local governments, which in the end leads to a reduction in poverty. Local Governments play a key role in implementation of the governments policies, including supporting efforts to achieve the Millennium Development Goals and other Regional and International Protocols.
26. The reform strategy therefore links into the Local government Sector Investments Plan (LOGSIP) and will support the framework for guiding local Government sector investments towards areas that are critical for enhancing democratization, good governance, service delivery and poverty eradication.
27. The reform strategy will also underpin the existing decentralization efforts by contributing towards improved resource allocation, faster decision making, improved transparency and accountability leading to improved service delivery.

2.10.5 Complementary Reforms

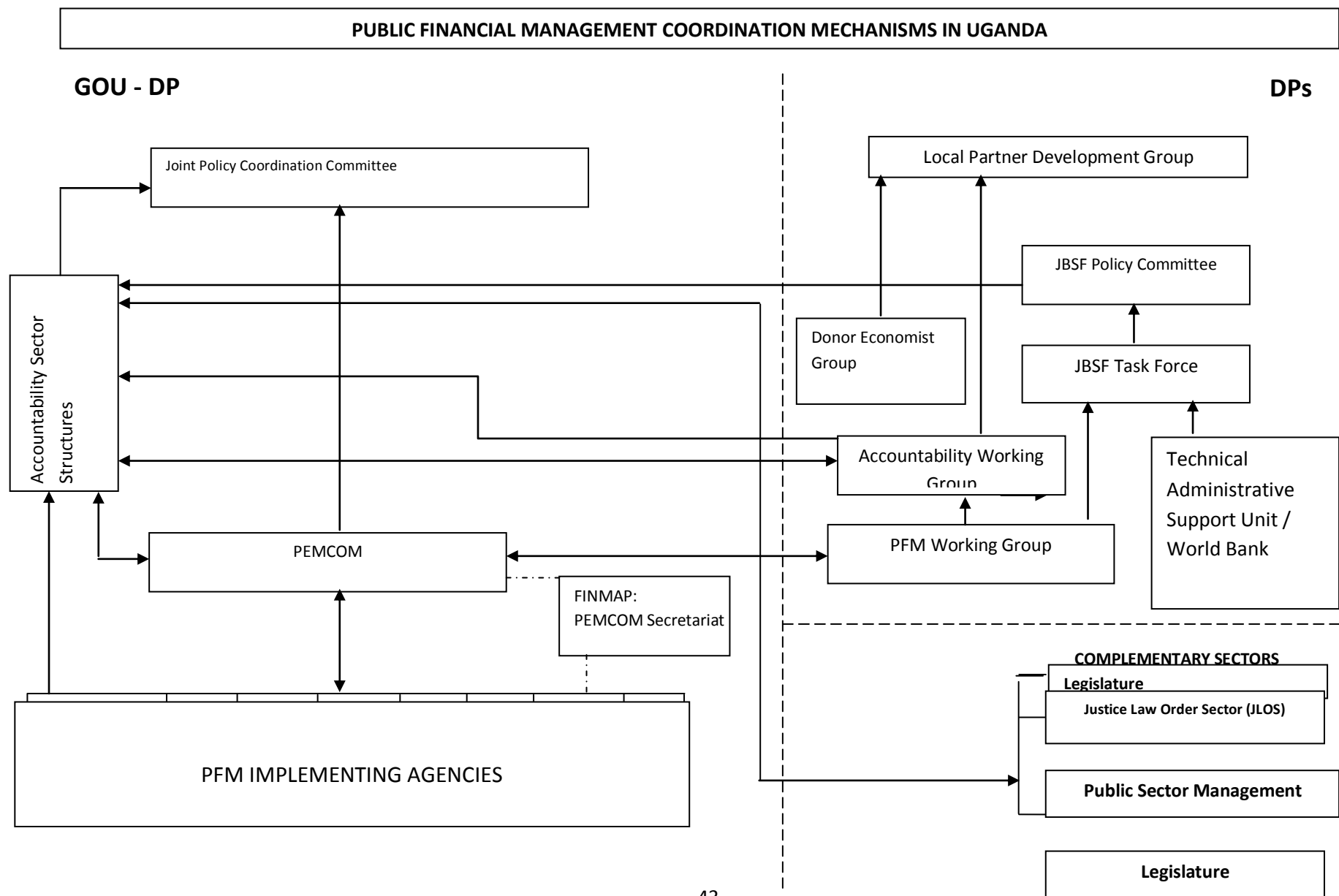
28. For the PFM reform strategy to achieve its intended objectives, it is important that partnerships are strengthened with other complementary reform efforts. These include: Public Service reforms that not only focus on pay reform but also on holding wrong doers to account while at the same time rewarding good performance. Others include Public-Private Partnerships (PPP) which help mobilize additional resources for economic development as well as Judicial Service reforms which impact on the effectiveness of the strategy through successful prosecution for the abuse of public office but also as a deterrent.

2.10.6 Institutional Linkages of the PFM Reform Strategy

Figure 5: Institutional PFM linkages



3 PUBLIC FINANCIAL MANAGEMENT REFORMS IMPLEMENTATION ARRANGEMENTS



3.1 PFM Implementation Arrangements

1. The PFM coordination mechanism above takes into consideration the multiple stakeholders engaged in the implementation of Public Financial Management, including representation from Government (at all levels) and Development Partners. The coordination mechanism also aims to leverage the benefits that accrue from the reforms being aligned with the Sector Wide Approach. The mechanism further recognizes the critical need for effective coordination with other complementary sectors, including the JLOS, PSM and Legislature if the full benefits of the Public Financial Management reforms are to be realized, i.e. improved service delivery.
2. The Ministry of Finance, Planning and Economic Development will take lead in coordinating the implementation of the strategy under the stewardship of the Permanent Secretary/Secretary to the Treasury (PS/ST). The PS/ST is also the chair of the Public Expenditure Management Committee (PEMCOM)

3.1.1 Joint Policy Coordination Committee (JPCC)

3. The Joint Policy Coordination Committee, chaired by the Prime Minister provides national level policy oversight of GoU programmes, including the Public Financial Management reforms. The multi-sectoral representation of the committee will ensure the alignment of the reforms with policies of other complimentary sectors implementing the National Development Plan (NDP).

3.1.2 The Public Expenditure Management Committee (PEMCOM)

4. The PEMCOM will continue to provide a high-level forum for strategic guidance and control specifically for Public Financial Management Reforms. It will be chaired by the PS/ST and will constitute a broad spectrum of stakeholders engaged in PFM, including Heads of MDAs and programmes/projects in the Accountability Sector and the Development Partners.

3.1.3 PFM Reform Secretariat

5. FINMAP III will in the interim perform the role of secretariat to PEMCOM while capacity is built within the Accountability Sector secretariat to gradually take on this role. The secretariat in time, will serve as the liaison for all PFM reform efforts in the country.

3.1.4 Key PFM Reform Implementing Institutions

6. Ministries, Agencies and Local Governments (MALGs) will be responsible for identification of reform actions and their implementation guided by the PFM reform Secretariat and an adhoc committee representing the key institutions. Any emerging reforms will be forwarded to the PEMCOM for consideration under this strategy.

4 CHANGE MANAGEMENT AND COMMUNICATION

4.1 Rationale for Change Management and Communication Strategy

1. As the situation analysis highlights, weakness exist in both the downward accountability for the allocation and utilization of resources and in the culture of compliance within the public sector. In addition, there is poor information flow between the centre, sector institutions and local governments. Despite efforts by government to improve the generation of PFM information through the automation of systems, the quality and utilization of the information both within and to the outside of Government needs to be further strengthened so as to impact governance while also generating demand for accountability at all levels.
2. In a similar vein, good behavior needs to be encouraged through continuous reinforcement and recognition of compliance with rules and regulations this will require a concerted effort to engage all levels of Government.
3. Lessons from the PFM reforms to date have shown that it is not sufficient to simply change the rules, which operate through formal mechanisms, as these do not necessarily translate into real and sustainable change. Success will therefore necessitate engagement through the informal structures as well.
4. It is therefore imperative that a clear and holistic change management and communication strategy is developed by the Accountability Sector to cover strategic interventions detailing how the PFM reforms will be communicated to key stakeholders and the actions necessary actions for them to embrace the changes arising from this strategy. These actions will have to be costed and incorporated within the FINMAP III action plan.

4.2 Change Management Strategy

5. Change management is also necessary to ensure compliance, as it entails changing norms and practices beyond the regulatory aspects of compliance. It is also necessary to ensure that new rules get translated and adapted into the local context. Champions of the change management will be identified at all levels and be responsible for leading the transformation process within their areas of influence. Ideally, they will have a good understanding of PFM and should be able to develop and maintain an effective culture that encourages change. They will be and supported by change agents based at the implementing institutions, all working towards conveying the message of the reform.
6. There may be specific expertise that will be required by implementers for the effective integration of reforms. This will require proper planning for training, sensitization and at the same time developing generic capacities in leadership and management competencies as well as professional PFM disciplines.

4.3 Internal Communication: Supportive learning, problem-solving and culture of compliance

7. Good governance and effective internal change management requires effective communication to ensure that the right information is available to guide decision making and encourage learning between peers in Government. Internal communication will focus on reinforcing the reform messages and the expected support from individuals towards the reforms. In this regard, it will be important to ensure that individuals at all levels are engaged as early as possible in the design and implementation of the reform actions.
8. The Ministry of Finance, as the lead entity for the reforms will be responsible for putting in place a clear communication strategy for the PFM reforms. These will form an integral part of the reform activities and should be planned along with all major reform activities in the implementation of the PFM strategy. These will support peer-to-peer learning, sharing of challenges and inculcating an attitude of joint responsibility for finding solutions to challenges in an open and transparent manner.
9. In particular, while addressing issues of compliance, a key aspect of the communication strategy will be to identify how practices and structures of government entities affect compliance and their ability to comply.
10. A common internal communication mechanism will in turn be developed to facilitate sharing of information amongst PFM institutions for purposes of easier follow up and access to key information.

4.4 External Communication: engaging civil society, private sector and other institutions

11. The external communication strategy will cover specific initiatives aimed at improving communication with external stakeholders including the civil society, private sector and other public institutions among others. The reform effort should be understood and should generate demand for accountability and transparency, led by civil society.
12. The private sector has an obligation to ensure that their practices are in compliance with PFM rules and regulations and will be reminded of this responsibility. This will be achieved through communication and sensitization on relevant regulatory frameworks including for taxes and public procurement.
13. The external communication strategy will also ensure that there is engagement with other institutions including local, regional and international networks through the provision of sufficient, accurate and timely information on the reforms. This will require development of an integrated information sharing portal linking key government websites concerned with PFM issues and the implementation of the PFM reform strategy. The PFM coordination and management arrangements together with wider stakeholder sessions will serve as fora for stakeholders to review progress with the reforms, identify challenges and propose remedial actions.

5 RISK MANAGEMENT

1. Risk management is critical to ensuring that the implementation of the PFM reforms is exposed to a level of risk which is acceptable and manageable. It will not be feasible to eliminate all elements of risk associated with achieving the intended outcomes under the strategy. As such a risk management plan will be developed to ensure that mechanisms are in place to review and monitor progress in implementation of the strategy. Risk management will therefore be an integral part of the monitoring and evaluation strategy of PFM reform strategy over the next four years (July 2014 – June 2018).
2. As a first step in the risk management process, the envisaged risks have been identified. Consistent with the implementation arrangements for the reform strategy, the majority of the risks relate to realization of the results (intermediate and final outcomes) under the strategy's prime implementation framework, FINMAP III. Nonetheless, other risks relating to implementation of reforms outside of FINMAP III but coordinated by PEMCOM have been analyzed as part of a comprehensive risk matrix.
3. Below are key risks associated with the implementation of the strategy, including sustainability of the activities funded under FINMAP III. The implementation strategy for the PFM reforms seeks to ensure sustainability of the efforts by: (i) designating PS/ST as the overall champion of the reform; (ii) re-focusing the PEMCOM as a vibrant and effective system for PFM reform coordination; (iii) assigning the DST as the task manager for FINMAP III to ensure a high level commitment by MoFPED and the other stakeholders represented through the programme's components.

Table 2: Risk Assessment and Mitigation Measures

Key Risks	Risk Rating	Probability Rating	Risk Mitigation Measure(s)	Risk Owner
Overall				
Stakeholders declaring support for reforms while simultaneously undermining them through lukewarm commitment.	Medium	Low	Obtain high-level commitment and leadership from the outset. Close monitoring of the reforms by PEMCOM. Formally assign GoU staff to understudy the PFM reforms.	PS/ST and PFM focal points
Elements of corruption identified and not dealt with comprehensively and decisively.	Medium	Medium	Strengthen transparency and accountability mechanisms through sanctions regime in PFM bill, complemented with regular review and reporting on fiduciary concerns.	PS/ST
Through the programme, staff skills are rebuilt, equipment purchased, and new statistical standards adopted, but improvements are not sustained, and future budgets fail to provide adequate resource, key data collection and analysis requirements.	Medium	Medium	Costs of maintaining a well functioning government information system will be calculated and adequate provision made within MTEF. Counterpart funding improved	PS/ST and DPs
Procurement slowed by challenges over procurement procedures and lengthy procurement processing cycles for goods and services.	High	Medium	Encourage innovative ways of managing procurement e.g. framework contracts;	PPDA
High staff attrition from the FINMAP III programme and other reform programmes	Medium	Medium	Aim to involve as many staff as possible, and train GoU staff who can train others	Task Manager/Component Managers
PEMCOM does not comprehensively and effectively steer the PFM reform agenda	Medium	Medium	Re-align the agenda and membership of PEMCOM to reflect the full scope of its mandate in steering the PFM reform agenda. In addition, strengthen the committee's secretariat to coordinate the forum effectively.	PS/ST
Inadequate funding for the reforms	Medium	Medium	Obtaining firm commitment to the funding of the reforms by all relevant stakeholders, including GoU and DPs as detailed in the MoU.	PS/ST and DPs

6 SUSTAINABILITY

1. Sustainability is the ultimate goal of the PFM reform strategy and is the ability of Government to continue to apply new and evolving capacities while sustaining achievements through provision of reliable resources generated domestically.
2. The Government of Uganda has progressively increased its share of the overall PFM reform strategy costs through progressively more funding to FINMAP. In FY 2012/13, it trebled its previous year funding to the programme. Key activity budgets that have been mainstreamed include: the running costs for existing computerized financial management systems; establishment and filling of posts in the public service for various fiduciary cadre; capacity development in utilization of the OBT; and publication of the quarterly budget releases.
3. Despite these gains, more than 50 percent of the current PFM reform budget remains externally financed and led by consultants and other contract staff. In addition, entities, particularly at local government level, lack the funds for the maintenance and/or replacement of IFMS computer equipment. To this end, a sustainability plan will be developed to progressively raise the proportion of Government's contribution to PFM reforms¹⁰ in line with the overall national budget ratio (80 percent) by June 2018. This will require increased domestic revenue mobilization while plugging the leakages through budget control. In addition, consultants retained under FINMAP will be gradually phased out as capacity for GoU staff assigned to under study them is built.
4. Components will prepare exit strategies for investments financed through FINMAP III and their readiness will be monitored and evaluated during the course of implementation of the reform program and any emergent issues addressed.

¹⁰ The PFM reforms will include activities not necessarily implemented under FINMAP, but responsive to the Technical Areas of Reform identified under the Strategy.

7 MONITORING AND EVALUATION

1. As far as possible, monitoring and evaluation (M&E) of the PFM Strategy will be integrated into and use existing GOU monitoring and evaluation systems for purpose of mainstreaming and strengthening the reforms and ensuring their sustainability. This approach is consistent with the M&E principles laid out in the National Monitoring and Evaluation policy.
2. Monitoring and Evaluation of the strategy will be carried out at two levels:
 - **Level 1:** At the highest level, progress in the indicators of service delivery will be monitored (see annex 5). While changes in the indicators of service delivery may not be empirically attributed to the PFM reforms, it can be logically presumed that the efforts under the strategy contributed to realized improvements in service delivery, through the elimination of identified barriers. The NDP service delivery indicators and targets will be used and will be sourced from various sector performance reports.
 - **Level 2:** The final PFM outcome indicators will be monitored at this level (see annex 4 for details). The indicators will be closely associated with among others the PEFA indicators. They will serve as the gold standard for assessing the effectiveness of the reforms under the strategy. Progress data on these indicators will be obtained from various annual performance reports generated by the Ministry of Finance and other stakeholders in the Accountability Sector.
3. At a less strategic level, the reforms will be monitored at individual programme level:
 - **Level 3:** Intermediate Outcomes, which are more closely attributed to the various reform programmes or projects, will be monitored at this level. Data on the indicators (read silver indicators) will be obtained from reports generated by the reform programmes (including FINMAP III) and will be monitored on a bi-annual basis. The JAF indicators will also be monitored at this level. Progress data on these indicators will be obtained from various periodic performance reports generated by the Ministry of Finance and other stakeholders in the Accountability Sector.
 - **Level 4:** The programme/project deliverables (or outputs) will be monitored at this level. This will entail primary data collection by the core programme / project implementers.
 - **Level 5:** At this level, the focus will be on monitoring the efficiency of the various reform programmes in converting inputs into outputs through a series of activities. This will entail both input (or budget) monitoring and process monitoring to assess timeliness and relevance of the programme/project's activities, including the support ones such as finance and administration, procurement and human resources management.

4. The PFM reform strategy's monitoring and evaluation approach is illustrated by the results chain in in Figure 3 below.

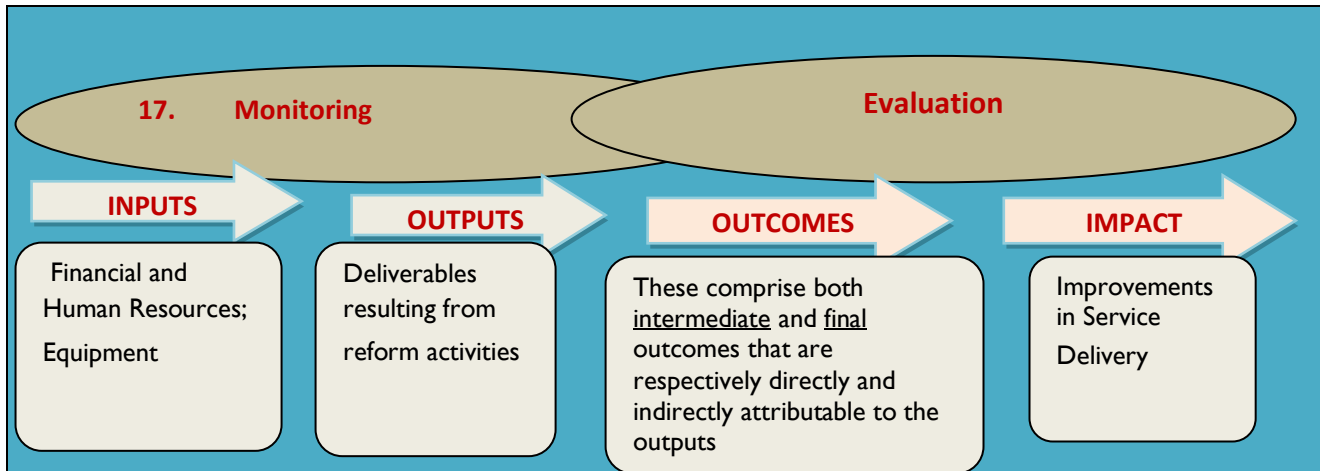


Figure 6: Results Chain

5. Monitoring will focus on inputs, outputs and to the extent possible intermediate outcomes. It will involve the regular gathering of information and feedback (to key PFM stakeholders) on the implementation of the various reform efforts and to the extent possible, the intermediate results achieved. In addition, monitoring will aim at identifying the challenges faced with a view to providing corrective measures to ensure that the planned results are achieved.
6. Midterm and end of term evaluations will be carried out and will focus on assessing the outcomes (intermediate and final) and contribution to service delivery (impact). The mid-term evaluations in particular will assess the programmes¹¹ contribution towards planned outcomes. It will also capture the underlying reasons for success or failure, paying key attention to the design and implementation processes. The end of programme evaluation will assess the contribution of the programme(s) evaluation towards the final outcomes and its overall impact of the programme on service delivery. It will also assess the sustainability of the programmes' interventions and provide recommendations on improvements in the structure, implementation, expansion, elimination or redesigning of public financial management reform efforts in the future.

¹¹ The programmes refer to all the efforts aimed at implementing the PFM reform strategy, including the prime implementation framework, FINMAP III.

Annexes

Annex 1: List of Documents Reviewed

1.	Appraisal Mission report on Strengthening Transparency and Accountability in Uganda, 8-17 July 2013, GIZ
2.	BMAU – Other reports
3.	BMAU Core Spending Review Report
4.	Budget Circular by PS/ST on Emerging Issues on Implementation of the Budget for FY 13/14, 13 September 2013
5.	Central Government Public Expenditure and Financial Accountability (PEFA) Assessment Report 2012
6.	Consolidated Internal Audit Reports 2012/13 (to be shared)
7.	Draft Evaluation Report of PPDA, JBSF, 25 April 2013
8.	FINMAP II Annual Review 2012
9.	FINMAP II Mid- term Review Report, 2013
10.	Good Practice note on Sequencing PFM Reforms, PEFA & IMF, Jack Diamond, Jan 2013
11.	Governance, Accountability, Participation, Performance (GAPP) Program, RTI, 2013
12.	Government Annual Performance Report 2010/11, OPM, Jan 2012
13.	Government Annual Performance Report 2011/12, OPM, Nov 2012
14.	High level Matrix on Fiduciary Assurance of PFM systems 2013
15.	Institutional Reforms: ODI London, Per Molander, May 2013
16.	Joint Budget Support Framework, Assessment of JAF 4 (FY11/12), July 2013
17.	Key Resolutions of the 6 th East African Procurement Forum held in Kampala from 20 th -22 nd November 2013
18.	LGMSD Completion Report
19.	Local Government Inspection Reports, MoLG
20.	Local Government Public Expenditure and Financial Accountability (PEFA) Assessment Report 2012
21.	Local Government Strategic Investment Plan, June 2013
22.	MoFPED Top Technical Meeting Minutes
23.	National Development Plan, FY 2010/11 – 2014/15, April 2010, Review Action plan Oct 2013
24.	National Policy on Public Sector Monitoring and Evaluation, OPM, May 2011
25.	PFM Legal & regularly Framework- PF Bill, PFAA, Budget Act, National Audit Act, PPDA, LG Act
26.	Policy Statements – Budget Speech
27.	PPDA Compliance report & Report on the PPMS for FY2012/13
28.	Pre-appraisal Mission report of German Financial Co-operation for further support(KFW) to FINMAP II, July 2013
29.	Protocol on Establishment of the East African Community Monetary Union (EACMU)
30.	Report on FINMAP II – Implementation Structures and Procedures, 29 Aug 2013
31.	Review of Local Government Financing Report, Oct 2012
32.	Report of Task Team on the automation of OBT, Nov 2013
33.	Service Delivery standards – MoPS
34.	Strengthening Public Expenditure management in Developing Countries, Daniel Tomaasi, 2009
35.	The Accountability Sector Strategic Investment Plan (Draft) 2013
36.	The Auditor General's reports for the financial year ended 20 th June 2012
37.	The Core PFM functions and PEFA Performance Indicators, Daniel Tomassi, Jan 2013
38.	The Limits of Institutional Reform in Development, Matt Andrews , Harvard University
39.	Uganda Debt Strategy (draft)
40.	Uganda PFM Reform Strategy 2011/12- 2016/17, 8Nov 2010
41.	Uganda Vision 2040,
42.	World Bank Review of Public Expenditure

Annex 2: Comparative Summary of GoU CG PEFA Indicator Scores

Assessment Indicators		2005	2008	2012	Change
A. Credibility of the Budget					
PI-1	Aggregate expenditure out-turn compared to original approved budget	B	B	C	Worse
PI-2	Composition of expenditure out-turn compared to original approved budget	C	C	D+	Worse
PI-3	Aggregate revenue out-turn compared to original approved budget	A	A	D	Worse ¹²
PI-4	Stock and monitoring of expenditure payment arrears	D	D+	C+	Better
B. Comprehensiveness and Transparency					
PI-5	Classification of the budget	B	A	A	Same
PI-6	Comprehensiveness of information included in budget documentation	B	A	A	Same
PI-7	Extent of unreported government operations	C	D+	D+	Same
PI-8	Transparency of Inter-Governmental Fiscal Relations	C	D+	D+	Same
PI-9	Oversight of aggregate fiscal risk from other public sector entities	D	C	C	Same
PI-10	Public Access to key fiscal information	B	B	B	Same
C(i) Policy-Based Budgeting					
PI-11	Orderliness and participation in the annual budget process	C+	C+	C+	Same
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	B	C+	C+	Same
C (ii) Predictability and Control in Budget Execution					
PI-13	Transparency of taxpayer obligations and liabilities	B	B+	A	Better
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	D	B	B	Same
PI-15	Effectiveness in collection of tax payment	D+	D+	C+	Better
PI-16	Predictability in the availability of funds for commitment of expenditures	C+	C+	C+	Same
PI-17	Recording and management of cash balances, debt and guarantees	C	C+	B	Better
PI-18	Effectiveness of payroll controls	D+	D+	D+	Same
PI-19	Competition, value for money and controls in procurement	C	D+	D+	Same
PI-20	Effectiveness of internal audit controls for non-salary expenditure	D+	C	C	Same
PI-21	Effectiveness of internal audit	D	C+	C+	Same
C (iii) Accounting, Recording and Reporting					
PI-22	Timeliness and regularity of accounts reconciliation	C+	B	B	Same
PI-23	Availability of information on resources received by service delivery units	B	B	B	Same
PI-24	Quality and timeliness of in-year budget reports	D	C+	C+	Same
PI-25	Quality and timeliness of annual financial statements	B+	C+	C+	Same
C (iv) External Scrutiny and Audit					
PI-26	Scope, nature and follow-up of external audit	C+	C+	B+	Better
PI-27	Legislative scrutiny of the annual budget law	C+	C+	C+	Same
PI-28	Legislative scrutiny of external audit reports	D+	D+	D+	Same
D. Donor Practices					
D-1	Predictability of Direct Budget Support	C+	D	D	Same
D-2	Financial information provided by donors for budget, reporting on project, program aid	D+	C	C	Same
D-3	Proportion of aid that is managed by use of national procedures	C	D	D	Same

¹² Basis for calculation of PEFA indicator changed in 2012 and therefore not fully comparable in terms of performance

Annex 3: Comparative Summary of GoU LG PEFA Indicator Scores¹³

Assessment Indicators		2005	2012		Change
A. Credibility of the Budget					
PI-1	Aggregate expenditure out-turn compared to original approved budget	B	D		Worse
PI-2	Composition of expenditure out-turn compared to original approved budget	D	D+		Better
PI-3	Aggregate revenue out-turn compared to original approved budget	D	D		Same
PI-4	Stock and monitoring of expenditure payment arrears	D	C+		Better
B. Comprehensiveness and Transparency					
PI-5	Classification of the budget	B	A		Better
PI-6	Comprehensiveness of information included in budget documentation	C	B		Better
PI-7	Extent of unreported government operations	C	A		Better
PI-8	Transparency of Inter-Governmental Fiscal Relations	C	C		Same
PI-9	Oversight of aggregate fiscal risk from other public sector entities	C	D		Worse
PI-10	Public Access to key fiscal information	B	C		Worse
C(i) Policy-Based Budgeting					
PI-11	Orderliness and participation in the annual budget process	C+	C		Worse
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	C	C		Same
C (ii) Predictability and Control in Budget Execution					
PI-13	Transparency of taxpayer obligations and liabilities	D+	C		Better
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	D	D		Same
PI-15	Effectiveness in collection of tax payment	D	D		Same
PI-16	Predictability in the availability of funds for commitment of expenditures	D	D+		Better
PI-17	Recording and management of cash balances, debt and guarantees	D+	C+		Better
PI-18	Effectiveness of payroll controls	C	C+		Better
PI-19	Competition, value for money and controls in procurement	C	C+		Better
PI-20	Effectiveness of internal audit controls for non-salary expenditure	C	C+		Better
PI-21	Effectiveness of internal audit	D	C+		Better
C (iii) Accounting, Recording and Reporting					
PI-22	Timeliness and regularity of accounts reconciliation	B+	C+		Worse
PI-23	Availability of information on resources received by service delivery units	D	D		Same
PI-24	Quality and timeliness of in-year budget reports	C	C+		Better
PI-25	Quality and timeliness of annual financial statements	C	C+		Better
C (iv) External Scrutiny and Audit					
PI-26	Scope, nature and follow-up of external audit	C	C+		Better
PI-27	Legislative scrutiny of the annual budget law	C	C+		Better
PI-28	Legislative scrutiny of external audit reports	D	D+		Better
D. Donor Practices					
D-1	Predictability of Direct Budget Support	NA	NA		Na
D-2	Financial information provided by donors for budget, reporting on project, program aid	D	D		Same
D-3	Proportion of aid that is managed by use of national procedures	D	D+		Better

¹³ Source: Local Government Public Financial Management Performance Report 2012

Annex 4: PFM Outcome Performance Indicators - Stage 1

Final PFM Outcomes	Performance Indicator	Data Source	Monitoring Frequency
Budget Credibility and Control	Domestic revenue as a % of GDP (excluding domestic Oil and Gas revenues)	Government Financial Statistics	Annual
	% of National Budget funded from domestic revenue		
	% of local Government Revenue as % of GDP		
	Ratio of national budget allocations to front line service delivery sectors		
	% of funds released against the original approved budget		
	Composition of expenditure out-turn compared to original approved budget		
	% of funds utilized against releases		
	National Debt as % of Domestic Revenue		
	Stock of Arrears as a % of total expenditures		
	Supplementary expenditure as a % of approved budget		
Improved compliance	% of clean audit reports (CG, LG and statutory bodies)	Annual Report of the Auditor General	
	% of External audit recommendations implemented by MDAs, LGs and Statutory Authorities		
	% of Procurement audit recommendations implemented by MDAs, LGs and Statutory Authorities	PPDA Reports	
	% of internal audit recommendations in MDAs implemented	Internal Audit Annual Reports	
	% of contracts audited (by value) that are rated satisfactory	PPDA Reports	

Annex 5: Service Delivery Performance Indicators which the PFM Reforms Contributes

Service Sector	Key Performance Indicator	Data Source	Monitoring Frequency
Education	Net Enrolment Ratio	Annual Sector Performance Report	Annual
	Net Intake Ratio		
	Pupil Teacher Ratio		
	Pupil Classroom ratio		
Health	Infant Mortality Rate (/1,000 live births)	Annual Sector Performance Report	Annual
	Under 5 Mortality Rate (/1,000 live births)		
	Maternal Mortality Ratio (/100,000 live births)		
Energy	Available Energy (GwH)	Annual Sector Performance Report	Annual
Water	% of Rural Population with Access to Improved Rural Water Supply	Annual Sector Performance Report	Annual

Annex 6: List of Person Consulted

ID	Name of Officer	Position	Institution /Project
1.	Keith Muhakanizi	Permanent Secretary/Secretary to the Treasury	MFPEP
2.	Patrick Ocailap	Deputy Secretary to the Treasury	MFPEP
3.	Gustavio Bwoch	Former Accountant General	MFPEP
4.	Kenneth Mugambe	Director Budget	MFPEP
5.	Lawrence Kiiza	Director Economic Affairs	MFPEP
6.	Lawrence Semakula	Acting Accountant General	MFPEP
7.	Betty Kasimbazi	Under Secretary / Accounting Officer	MFPEP
8.	Robert Okudi	Acting Commissioner Macro	MFPEP
9.	Maris Wanyera	Commissioner Aid Liaison	MFPEP
10.	Dr Albert Musisi	Acting Commissioner Economic Policy and Research	MFPEP
11.	Moses Kaggwa	Commissioner Tax Policy	MFPEP
12.	Moses Bekabye	Economic Affairs Advisor	MFPEP
13.	Laban Mbulamuko	Acting Commissioner Budget Policy and Evaluation	MFPEP
14.	Ismael M. Magona	Commissioner Infrastructure and Social Service	MFPEP
15.	Margaret Kakande	Head Budget Monitoring and Accounting Unit	MFPEP
16.	Charles Byaruhanga	Budget Advisor	MFPEP
17.	Fixon Okonye	Commissioner Inspectorate and Internal Audit	MFPEP
18.	Godfrey Ssemugooma	Commissioner Technical and Advisory Service	MFPEP
19.	Isaac Mpoza	Commissioner Financial Management Services	MFPEP
20.	Godwin Kakama	Assistant Commissioner Budget Policy and Evaluation	MFPEP
21.	Moses Zziwa	Acting Commissioner Public Administration	MFPEP
22.	Jennifer Muhuru	Acting Commissioner Treasury Services	MFPEP
23.	Aiden Rujumba	Assistant Commissioner Financial Management Services	MFPEP
24.	Stephen Ojambo	Assistant Commissioner Technical and Advisory Services	MFPEP
25.	Samuel Baguma	Assistant Commissioner Management and Information System	MFPEP
26.	Stephen Enabu	Assistant Commissioner Internal Audit	MFPEP
27.	Samuel Wandera	Senior Economist	MFPEP
28.	Paulo Kyama	PM/IFMS	MFPEP
29.	Elijah Tugume	Program Finance Manager FINMAP II	MFPEP
30.	Yusuf Mawanda	Senior Administration Officer FINMAP II	MFPEP
31.	Patrick Kagaba	Head of Procurement FINMAP II	MFPEP
32.	Doreen Muheru	Monitoring and Evaluation Officer FINMAP II	MFPEP
33.	Robert Mukobi	Coordinator	Secretariat Accountability Sector
34.	Mark Amany	Analyst	Secretariat Accountability Sector
35.	Wilson Asiimwe	Economist	MFPEP
36.	James Tibenkana	Principal Economist	MFPEP
37.	Nelson Kahandi	Senior Human Resource Officer	MFPEP
38.	Wahab Ssesimba	Finance Officer	MFPEP
39.	Susan Nakagolo	Senior Economist	MFPEP
40.	Betty Nannyondo	Principal Internal Auditor	MFPEP
41.	Tom Nyombi	Economist	MFPEP
42.	Jacqueline Rwabajungu	Senior Procurement Officer	MFPEP

ID	Name of Officer	Position	Institution /Project
43.	Godfrey Byamukama	Acting Senior Economist	MPED
44.	John Walala	Director District Inspection	MoLG
45.	Samuel Amule	Commissioner District Inspection	MoLG
46.	Adam Babale	Acting Commissioner DR&PPA	LGFC
47.	Ismail Ahmad	Senior District Inspection	MoLG
48.	Ruth P Gyayo	Senior urban Inspection	MoLG
49.	Onesmus Mulondo	Financial Management Specialist	MoLG
50.	Yerusa Nyangoma	PPO	MoLG
51.	Hon. Anthony Okello	Chairperson/LGPAC	Parliament
52.	Hon. Robert Kasule Ssebunya	Chairperson/Finance and Planning	Parliament
53.	Hon. Stephen Birahwa	Chairperson/National Economy	Parliament
54.	Hon. Paul Mwiru	Vice Chairperson/PAC	Parliament
55.	Dison Okumu	Director, Planning	Parliament
56.	Josephine Watera	Principal Monitoring and Evaluation Officer	Parliament
57.	Justine Namubiru	Senior Research Officer	Parliament
58.	Cornelia Sabiiti	Executive Director	PPDA
59.	Milton Tumutegyerize	Director Capacity Building	PPDA
60.	Benson Turamye	Director Audit & Investigation	PPDA
61.	Julius Mwesigye	Director F&A	PPDA
62.	Patricia Asiimwe	Director/Legal	PPDA
63.	Sophia Masagazi	MLAS	PPDA
64.	Bradford Ochieng	Manager Corporate	PPDA
65.	Kato Kayemba	Assistant Auditor General	OAG
66.	Constant Mayende	Chief of Operating Officer	OAG
67.	Edward Akol	Director/Audit	OAG
68.	James Bantu	Director/Audit	OAG
69.	Francis Masuba	Director/Audit	OAG
70.	Joseph Hirya	Director/Audit	OAG
71.	Maxwell Ogenth	Director/Corporate Support	OAG
72.	Liz Nambuya	Assistant Director/Audit	OAG
73.	Florence Businge	Manager Finance and Administration	OAG
74.	Josephine Kiggundu	AG MHRMD	OAG
75.	Daniel Omara	Manager Strategy	URA
76.	Joseph Pinywa V	PPA	IGG
77.	Stephen Mugenyi	PE	MoPS
78.	CK Muhumuza	Assistant Commissioner Procurement	MoES
79.	Anja Kramer	Director	KFW
80.	Gloria Mugambe	Governance Advisor	DFID
81.	Alex Stevens	Advisor	DFID
82.	Stephen Smolders	Attache	EU
83.	Hazel Granger	Governance Sector Expert	KFW
84.	Enock Nyorekwa	S/Economist	Norwegian Embassy
85.	Cate Najjuma	Snr Advisor	DANIDA
86.	Ann Labeja	Economist	SWEDEN
87.	Grace Munanura	Procurement Specialist	World Bank
88.	Gert Van der Linde	Senior Financial Management Specialist	World Bank
89.	Robert Mpagi	DPs PFM Consultant	DPs PFM WG
90.	Jerome Dendura	PFM Consultant	
91.	AFRITAC East	Consultant	IMF