THE REPUBLIC of UGANDA

Public Financial Management Performance Report 2008

FINAL REPORT

June 14, 2009

CONTENTS

Tables

ACRONYMS AND ABBREVIATIONS

AfDB	African Development Bank
ASYCUDA	Automated System for Customs Data
AGO	Accountant General's Office
BFP	Budget Framework Paper
BoU	Bank of Uganda
CCS	Commitment Control System
CFAA	Country Financial Accountability Assessment
CIFA	Country Integrated Fiduciary Assessment
COFOG	Classification of the Functions of Government
COSASE	Committee on Commissions, Statutory Authorities and State Enterprises
CPAR	Country Procurement Assessment Report
DFID	Department for International Development
EFMP	Economic and Financial Management Project (World Bank)
EFT	Electronic funds transfer
FINMAP	Financial Management and Accountability Program
FY	Financial Year (July – June)
GDP	Gross Domestic Product
GFS	Government Financial Statistics
GoU	Government of Uganda
HIPC	Highly Indebted Poor Countries
IDEA	Interactive Data Extraction & Analysis (audit software)
IFMS	Integrated Financial Management System
IMF	International Monetary Fund
IPPS	Integrated Payroll and Pensions System
IPSAS	International Public Sector Accounting Standards
LGAC	Local Government Accounts Committee
LGFC	Local Government Finance Commission
MDA	Ministry, Department and Agency
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
MTEF	Medium Term Expenditure Framework
NGO	Nongovernmental organization
NTR	Non-tax revenue
OAG	Office of the Auditor General
OECD-DAC	Organization for Economic Cooperation and Development – Development Assistance Committee
PAC	Public Accounts Committee
PEAP	Poverty Eradication Action Plan
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 Authority
PRSC	Poverty reduction support credit
STP	Straight through processing
UNCTAD	United Nations Conference on Trade and Development
URA	Uganda Revenue Authority
USAID	United States Agency for International Development
UShs	Uganda Shillings
VAT	Value added tax

Exchange rate: Uganda Shillings (UShs)1,887 = US$1 (November 15, 2008). The exchange rate used in the 2008/09 Budget was UShs 1,601 to US$1.

Fiscal year in Uganda runs from July 1 to June 30.

SUMMARY: INTEGRATED ASSESSMENT OF PFM PERFORMANCE

This assessment of public financial management (PFM) in Uganda is based on the Public Expenditure and Financial Accountability (PEFA) partners' Performance Measurement Framework.[1] The Framework was developed by the PEFA partners as a tool to provide reliable information on the performance of PFM systems, processes, and institutions at a point of time and, by comparing ratings at two points of time, assess the progress over the intervening period. This assessment was made in November/December 2008. A prior assessment was made in November 2005, with progress assessed over the intervening three years. Table A1 gives a summary of indicators scores, comparing those in 2005 with the most recent. The same standard 31 indicators have been used for both assessments.

The assessment focuses on PFM systems and how well they work, compared with accepted international standards. In accordance with the philosophy of the Strengthened Approach to PFM Reform, it does not evaluate past reforms or the individuals responsible for implementing them, nor does it assess or make recommendations on the future reform program. It is intended only to provide a pool of objective information to assist all stakeholders in decisions on future reforms.

Summary of Assessment Indicator Scores

In Table A1, 7 indicators appear to have deteriorated since 2005. In fact, some of the ratings in 2005 now appear overrated, as explained in the comparison tables throughout the report. Only one indicator, D-1, appears to have really deteriorated. This is surprising, given the templates developed by the Financial Management and Accountability Program (FINMAP), and needs to be followed up in the context of the FINMAP review. Twelve indicators appear to have remained unchanged, though in some (PI-10, 15, 18, 26, and 27) there have been significant reforms, though not sufficient to change their ratings.

Another12 indicators appear to have improved, though a re-rating of PI-5 in 2005 reduces this to 11 (PI-4, 6, 9, 13, 14, 17, 20, 21, 22, 24, and D-2). Some of these reflect the rollout and increasing use of the Integrated Financial Management System (IFMS) and other reforms under FINMAP. Several weaknesses, however, remain to be addressed more effectively, as shown in the summary

Table A1. Summary of Indicator Scores, 2005 and 2008

Assessment Indicators		***2005***	***2008***
A. Credibility of the Budget			
PI-1	Aggregate expenditure out-turn compared to original approved budget	B	B
PI-2	Composition of expenditure out-turn compared to original approved budget	C	C
PI-3	Aggregate revenue out-turn compared to original approved budget	A	A
PI-4	Stock and monitoring of expenditure payment arrears	D	D+
B. Comprehensiveness and Transparency			
PI-5	Classification of the budget	B	A
PI-6	Comprehensiveness of information included in budget documentation	B	A
PI-7	Extent of unreported government operations	C	D+

[1] Public Expenditure and Financial Accountability: Public Financial Management Performance Measurement Framework Performance Report. The methodology is available at the PEFA website: www.pefa.org

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

Credibility of the budget

The budget for a year is a fairly credible indicator of the actual out-turns of that year (rated B), but this relates to the past three years. In 2007/08 there was a significant deterioration of overall budget credibility. If this continues, the rating will fall.

The measurement of variance has improved with the use of actual expenditure data in place of Treasury releases to ministry, departments, and agencies (MDAs). The B rating in 2005 may have been overrated. Supplementary budgets are still used to revise budgets in line with actual expenditures, but widespread underspending of budgets outweighs these. This reduces confidence in the budget as a statement of intent by Government of Uganda (GoU).

At the MDA level, variance is relatively high (rated C) and shows no improvement since 2005. In 2007/08, all of the 20 largest MDAs underspent by percentages ranging from near nil to 57 percent.

Revenue collections regularly meet and exceed budget targets (rated A), especially non-tax revenues being brought under management of the Uganda Revenue Authority (URA). This may well be due to increasingly effective administration of tax laws; but a pattern of continuing under-estimation of future collections may also reflect poor budgeting.

Expenditure arrears are still significant despite closer surveillance, with budget provision for clearing old arrears and tighter controls against new arrears. The audited figures for June 2008 show that the stock of arrears has rose steeply during the year from 10.5 percent of total expenditure to 13.9 percent. Pension arrears are still uncertain.

Comprehensiveness and transparency

There has been no real change in the coverage of fiscal reports (rated D+), but some improvement in the central oversight of fiscal risk (rated C) due to some major autonomous government agencies, public enterprises, and higher-level local governments submitting more timely financial statements. Better reporting of non-tax revenues has also made the revenue and expenditure accounts more comprehensive. However, the biggest omission in the fiscal picture is still donor-funded project expenditure, which the Accountant General is trying to track (about 25 percent of total expenditure in 2007/08). This omission prevents full sectoral analysis or, for that matter, any complete analysis of budget execution.

Transparency is also improved. The budget classification meets international Government Financial Statistics' Classification of the Functions of Government (GFS/COFOG) standards (rated A) and budget documentation is comprehensive (also rated A). There is greater readiness to put key fiscal data onto official websites, such as those of the Ministry of Finance Planning and Economic Development (MoFPED), the Public Procurement and Disposal of Public Assets Authority (PPDA), and the Auditor General. Some documents are available only in hard copy. Public access is rated B.

There is little transparency with regard to the formula for transfers of conditional grants to higher-level local governments. Though there is an underlying set of formula since 2003, unpredictable vertical allocations make the subsequent horizontal allocations also variable. In-year inter-sectoral shifts and political interventions add to the unpredictability of receipts by local governments (rated D+).

Policy-based budgeting

The budget process is orderly and transparent, but is not geared to parliamentary approval before the start of the year in accordance with international standards. There is a constitutional provision by which the President can authorize issues from the Consolidated Fund for the first four months of the year, subject to a simple resolution of Parliament. This is regularly done. It appears that this does not delay budget execution as MDAs are allowed to spend in accordance with their draft estimates, even on new projects, in advance of Parliamentary approval. However, this conflicts with the principle of Parliamentary supremacy over finance and could cause problems if Parliament fails to approve past expenditures (rated C+).

The GoU has developed an elaborate multi-year sectoral planning and budgeting system within a fiscal forecasting framework, referenced to the Poverty Eradication Action Plan (PEAP). In practice, there are frequent unexplained changes in the Medium-term Expenditure Framework (MTEF) estimates from year to year and within the year, even in poverty-related expenditures. Between the MTEF and budget preparation, sectoral ceilings can change, thus weakening the link to the PEAP. Sector working groups effectively plan only one year ahead.

It is difficult to reconcile the MTEF with the Public Investment Plan (rating C+, no real change).

Predictability and control in budget execution

There has been real improvement in the transparency of taxpayer obligations and liabilities (rated B+) and in taxpayer registration and assessment, though penalties for noncompliance are ineffective (rated B). Effectiveness in tax collections was rated D+ partly because collections are not attributed to past arrears or current assessments. Collections are not reconciled with assessments and changes in arrears. These weaknesses are planned to be corrected in the coming Integrated Tax Administration System.

Cash flow forecasts are updated quarterly, and MDAs get ceilings for quarterly planning of commitments, but in-year adjustments are frequent (rated C+) and delays in releases interfere with action plans.

There have been improvements in cash and debt management, in particular the progress in consolidating all government cash balances in the Bank of Uganda and the formulation of a debt strategy (rating C+), including the strategy for reducing overhang of expenditure arrears.

In the government payrolls, there are inconsistencies between personnel records and the personnel database, and a lack of regular reconciliations of teacher records and civil servant records with the respective payrolls. In addition there are long delays between assumption of duty and first pay, and between retirement and first receipt of pension. Special audits and payroll cleaning exercises have taken place, but follow up is not transparent (rated D+).

Procurement is decentralized to over 200 procuring entities in central and local government, but reporting to the central regulatory body is seriously in arrears and some entities fail to report altogether. Field audit is insufficient. Lack of procurement plans results in emergency procurements, procurements of unrequired items, and procurement at higher prices than necessary. It is not possible at present to calculate how many contracts above the threshold for competitive bidding are actually competitively bid (rated D+). Personnel and procurement are together responsible for the greater part of public spending. Poor ratings on these systems is indicative of waste.

Internal controls exist but audit reports show that they 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). There is little visible enforcement of regulations, especially at higher levels, which builds a culture of disrespect for the law and personal immunity (rated C). Internal audit is the first line of defense and is being decentralized and strengthened under guidance from the center, but its effectiveness ultimately depends on the Accounting Officer of each MDA taking action on reports (rating C+).

Accounting, recording and reporting

The IFMS rollout to the majority of MDAs has enabled automated bank reconciliations (rated B) and contributed to the timeliness and accuracy of in-year MDA financial statements (rated C+). Timely annual consolidated financial statements cover revenue, expenditure, assets, and liabilities with few exceptions. The financial statements do not fully comply with International Public Sector Accounting Standards (IPSAS) (rated C+).

At the service delivery level (sub-county) for primary education, data on the reception and use of resources by districts and schools is compiled regularly and reported on a quarterly basis. For primary health clinics, however, little information is being collected on the reception and use of resources, and no tracking survey has been conducted in the past three years (rated B).[2]

External scrutiny and audit

All entities of Central Government, now including parastatals, are audited every year using international standards of audit, but there has been some delay in submission of reports to Parliament (rated C+).

Parliament undertakes a review of fiscal policies, the medium-term fiscal framework and annual proposed revenue and expenditure. Administrative re-allocation is allowed and up to 3 percent increase in budgeted expenditure (rated C+).

The Public Accounts Committee has been active in bringing its reports almost up to date (to 2004/05), but they are yet to be presented to the plenary for adoption and release to the Executive for implementation. This has held up the Executive response (the Treasury Memorandum) and follow up in the respective MDAs (rating D+).

Donor practices

Though the data on donor inflows, both budget support and project support, are suspect, it appears that there has been deterioration in the predictability of budget support (rated D), and some improvement in the provision of information on project support (rated C). The use of GoU procedures in aid management is still below 50 percent (rated D), but the trend is toward greater use of government procedures.

Assessment of the Impact of PFM Weaknesses

Aggregate fiscal discipline

The lack of credibility of the budget increases the risk of fiscal targets not being achieved. Arrears are again increasing. It is still possible for Accounting Officers in IFMS-enabled MDAs to place orders outside the IFMS controls. In MDAs that are not IFMS-enabled, manual systems lack strict inbuilt commitment controls. The budget process and budget documentation are transparent and lay a firm base for budget discipline, but internal controls in execution are often ignored and internal audit is still weak. IFMS provides monthly tracking of budget execution. External audit coverage is almost complete and standards of audit have been raised, but particular areas of expenditure, such as payroll and procurement, are insufficiently controlled.

Fiscal outcomes are at risk from non-reporting parastatals and local governments. Though local governments do not contract formal loans without central approval, they obtain credit

[2] The Value for Money (VfM) report on the health sector paints an alarming picture of resource wastage at the health clinic level. It should be noted that this indicator does not rate efficiency, only the availability of information on resources received (as a step toward the measurement of efficiency), and the B rating is given solely on availability of information on resources going to primary schools in accordance with the PEFA Framework.

from suppliers (domestic arrears) and also incur salary and pension arrears. The amounts are unknown and apparently uncontrolled.

Strategic allocation of resources

Planning and budget preparation is managed within a three-year horizon, but is only weakly linked to the PEAP. Constant changes to the budget ceilings and frequent supplementary budgets undermine allocative decisions. The process is relatively transparent, with public access to budget documentation using standard classifications of expenditure, annual financial statements, audit reports, and information on contract awards; but in-year reporting of budget execution is confined to the GoU. Weaknesses in internal control, particularly in procurement and payroll, may allow diversion of resources away from planned uses to lower priority uses and private uses. Basic systems are in place, but noncompliance and violation are common, which combined with high levels of corruption weakens accountability. If public resources are regarded as spoils of office rather than a sacred trust, they will be misused. Further controls then have the effect of widening areas of collusion and adding to transaction costs and delays rather than focusing more resources on the eradication of poverty.

Efficient service delivery

The short time horizon (three months) for program planners reduces the scope for long-term planning to maximize benefits to service users at minimum cost. Late releases to MDAs delay the execution of action plans and provide MDAs with justification for emergency procurement procedures without open competitive bidding.

The ongoing development of output data, in conjunction with expense reported on an accrual basis, should facilitate the derivation of unit costs, which is the first step to their control. At service delivery level, regular transparent data on the resources received by primary schools has reduced diversion from 20 percent in 2006 to 5 percent in 2007/08, with a corresponding increase in resource efficiency. In the health sector, on the other hand, there is no such monitoring machinery.

Transparency and accountability

Uganda has been a pioneer of many PFM features that are now considered commonplace, such as PEAP, MTEF, and IFMS, and has worked hard over the last decade to achieve a high level of development of PFM systems. It is remarkable, therefore, at the end of the accountability line, when Parliament reviews the usage of public funds for which it has voted to the Executive, that the process is not completed. Four reports by the Public Accounts Committee (PAC) await Parliamentary debate and Executive follow up. By June 2009, the PAC plans to deliver another three reports for 2005/06, 2006/07, and 2007/08, but the benefits of this achievement will depend on Parliamentary action, followed by MoFPED and MDA action.

Prospects for Reform Planning and Implementation

The GoU and 5 development partners finance the FINMAP, the major PFM reform program, through a basket fund. The World Bank supports specific activities under the program. It started in January 2007 and is being implemented over the period to June 2011. FINMAP has had problems in delivery and is going through major restructuring. FINMAP components are implemented by MoFPED Directorates, Ministry of Local Government (MoLG), the Office of the Auditor General (OAG), Parliament, Ministries, Departments and Agencies and Local Governments (MDALGs).

The program covers the entire financial management process from planning and budgeting through budget execution, accounting and reporting, audit, and oversight by Parliament. Overall coordination is a responsibility of the MoFPED, with the Deputy Secretary to the Treasury as Task Manager. The Permanent Secretary/Secretary to the Treasury chairs a Public Expenditure Management Committee that oversees FINMAP and is responsible for policy guidance and monitoring of all PFM reforms in GoU. The Public Expenditure Management Committee (PEMCOM) includes representatives of development partners and is characterized by open discussion.

FINMAP includes a sustainable human resource strategy, which plans the knowledge transfer and capacity building for government staff as well as plans for merging project staff into the mainstream civil service.

There is a PFM Donor Group, chaired at present from the UK Department for International Development (DFID) and including representatives from World Bank, European Union, Sweden, KfW, and about 10 other development partners. The core group meets monthly and reviews FINMAP workplans and progress. It is represented on PEMCOM and liaises actively with the FNMAP Secretariat.

with the FINMAP Secretariat..

I. INTRODUCTION

Uganda has had many public financial management (PFM) diagnoses over the past few years. These include the 2001 Country Financial Accountability Assessment (CFAA), the 2001 and 2004 Heavily Indebted Poor Countries (HIPC) assessment, the 2004 Country Integrated Fiduciary Assessment (CIFA), the 2005 Public Expenditure and Financial Accountability (PEFA) assessments of local and central government, a 2005 IMF assessment of expenditure arrears, regular Fiduciary Risk Assessments conducted by the Department for International Development (DFID) of the United Kingdom, the 2008 PEFA self-assessment (PEFA Lite) conducted by the Office of the Auditor General (OAG) of Uganda, annual PFM assessments conducted for purposes of poverty reduction support credits (PRSCs) and the recent Joint Budget Support Operation mission reports.

These reports record the tremendous progress that Uganda has made in improving its PFM systems. In recent years, Uganda has been rated consistently above average for Sub-Saharan Africa. Major improvements have been made in budget classification, formulation, and credibility; and minimizing overall deviations, bringing the budget more in line with agreed strategies and policies, and successfully implementing the Oracle-based IFMS. The IFMS has been implemented in 19 (out of 21) ministries, Treasury, Parliament, Judiciary, Office of the Auditor General, and 14 local governments (8 districts, and Kampala City Council and its Divisions).

Diagnostic reports have provided useful inputs for designing PFM reform programs. The 2001 CFAA, 2004 CIFA, and 2006 PEFA recommendations directly impacted the direction of PFM reforms. The Government of Uganda (GoU) prepared a comprehensive program of PFM reforms, the Financial Management and Accountability Program (FINMAP). For FINMAP the GoU signed a memorandum of understanding with development partners as a unified approach to PFM reforms. FINMAP has adopted assessments according to the PEFA Performance Measurement Framework to measure progress in PFM reforms.

Institutional arrangements for regular and ongoing dialogue on PFM reforms have been established and are functioning well. A Public Expenditure Management Committee (PEMCOM) was set up as the forum for dialogue on PFM issues between the GoU and development partners on all PFM reforms including FINMAP and discussions on PRSC. On the donor side, a PFM Donor Group has been set up, comprising about 15 donors. The PFM Donor Group is chaired on a rotational basis, currently by DFID since November 2008 and previously by Norway, Ireland, and Sweden.

Despite the progress made, significant challenges remain. These challenges are consistent with the findings in annual audit reports published by the Auditor General. This assessment details and summarizes the strengths as well as the weaknesses of Uganda PFM.

PURPOSE AND SCOPE

The PFM Performance Measurement Framework is an integrated monitoring framework that allows measurement of a country’s PFM performance at any point of time and, by comparing successive assessments, progress over time. The PEFA partners developed the Framework, in collaboration with the OECD/DAC Joint Venture on PFM, as a tool that can provide reliable information on the performance of PFM systems, processes, and institutions. The information is also intended to contribute to the government reform process by determining the extent to which reforms are yielding improved performance and by increasing the ability to identify and learn from reform success. The intention is also that it will facilitate harmonization of the dialogue between the Government and donors around an agreed pool of information and thereby reduce transaction costs, particularly for the Government.

The purpose of the assessment is twofold:

1. To provide an independent assessment of the performance of the PFM system in Uganda, and its current challenges and key risks. The assessment specifically measure the progress made since the last assessment in November 2005 (final report May 2006).
2. To provide the basis for dialogue with government on PFM reforms. The report of this assessment will feed into the Annual Review of PFM performance that is scheduled for April 2009.

Generally, the focus of the performance indicator set is PFM at central government level, including the related oversight institutions. Public enterprises, financial and nonfinancial, are outside the boundary of government and outside the scope of this assessment, except as they affect overall fiduciary risk [refer to performance indicator (PI)-9].

Operations of other levels of government are considered in the PFM performance indicator set only to the extent they impact on the performance of the national PFM system and national fiscal policy (refer to PI-8, PI-9, and PI-23). However in Uganda, decentralization of activities to the local government level over the last 10 years means that 33 percent of the total budgeted expenditure for spending agencies is now incurred at the LG level. In fact, 75 percent of Poverty Action Fund monies are channeled through local governments. Therefore, local government will also be assessed in a follow-up exercise.

In accordance with the Joint Assistance Strategy for Uganda, development partners are endeavoring to shift a larger share of their health sector assistance to pooled funds and ultimately to general budget support. The GoU has stated its preference to avoid projectized financing, and there is an effort to encourage global initiatives to disburse through a Memorandum of Understanding and a Joint Performance Assessment Framework. Therefore, following the Central Government PEFA assessment, there will be assessments of funding flows to local governments and to the health sector service delivery units.

It is expected that the PEFA Performance Report will inform not only the review of FINMAP but also the dialogue on joint budget support and the World Bank assessment of use of country systems.

METHODOLOGY

This report follows the PEFA methodology (www.pefa.org). A half-day workshop was held on November 18, 2008, to provide high-level decisionmakers — Cabinet Members, Permanent Secretaries, Chairs of Accountability Committees of Parliament, and senior staff of the Office of the Auditor General — with a managerial overview of the PEFA Framework. A two-day technical workshop was held on November 19-20, 2008, for 43 government staff and 4 development partner staff to familiarize them with the PEFA Framework, its objectives, and implementation, and to build capacity for future self-assessments. The Donor Working Group was kept briefed on progress during the review.

The draft report was submitted to GoU through the PFM Donor Group to the Program Coordinator of FINMAP. The draft report was made available to share with all GoU stakeholders and receive their comments through the PFM Donor Group to the assessment team. This feedback, and comments from peer reviewers, donor group, and the PEFA Secretariat was incorporated in this final report.

The overall team leader for this assessment was Parminder Brar (World Bank Lead FM Specialist). The assessment was carried out on behalf of development partners and the Government of Uganda by a team of independent consultants, Tony Bennett (Lead), Elena Morachiello, and Michael Bitz, between November 11 and December 18, 2008. Sanjay Vani (World Bank Lead FM Specialist) conducted PEFA training for the Government team and some of the development partner staff to prepare them to participate effectively in the assessment as well as champion future assessments. The PFM Donor Group under its current Chair, Jens-Peter Dyrbak, participated actively.

The exercise was funded by KfW, DFID, and the World Bank. It followed PEFA guidelines, using documentary sources and interviews with key officers in GoU, Parliament, the private sector and civil society. Questionnaires were distributed in advance to prepare officers for interviews. The team worked through the FINMAP Secretariat, which arranged interviews, provided transport and generally facilitated the assessment. Annex A provides a series of matrices showing PFM outcomes, policy actions, expected outputs, and achievements. Annex B provides assessments of the government budgets compared with actual expenditures for 3 consecutive fiscal years. Annexes C and D list the people visited in the course of the assessment and the documents reviewed and consulted, respectively.

The assessment was made independently of GoU and the PFM Donor Group, but with their full support. The Office of the Auditor General provided full support to the assessment; and an earlier assessment by this office contributed to the assessment, as well.

The FINMAP Secretariat organized a two day seminar of key stakeholders on the draft report in February 2009. Following this seminar detailed comments from the side of the Government were prepared and submitted to the PEFA team. These have been taken on board on preparing the final report. Any differences in opinion, which remained after discussions, is stated explicitly in the final report.

The team is grateful for the cooperation and support of the Government of Uganda, particularly the senior officers of the Ministry of Finance, Planning, and Economic Development (MoFPED) and the FINMAP Secretariat; for the logistical support from the World Bank Kampala office; and for all those who contributed with their information and views.

2. UGANDA BACKGROUND

A land-locked country, Uganda straddles the Equator with a total area of 236,000 square kilometers, of which 37,000 square kilometers is open water. Its population is 31.4 million and growing rapidly at 3.6 percent per annum. Thirty-one percent live below the poverty line, mostly in rural areas and in Northern Uganda.[3] There is high incidence of HIV/AIDS, though much lower than the regional average; and life expectancy is just 52 years. There is 67 percent literacy. Uganda is 154 out of 177 on the Human Development Index (2005), just above the average of Sub-Saharan countries. Average annual income (2007 est.) is US$1,000 (purchasing power parity).

During the 1990s, Uganda was a pioneer in several developmental innovations. It was the first country to qualify for HIPC debt relief. Its own poverty strategy, PEAP, pre-dated the now-standard Poverty Reduction Strategy Papers. And it was the first recipient of a World Bank PRSC. In 2000, Uganda qualified for the enhanced HIPC debt relief initiative worth US$1.3 billion and Paris Club debt relief worth US$145 million. These amounts, combined with the original HIPC debt relief, added up to about US$2 billion. More recently, Uganda has been the recipient of technical assistance under the Millennium Challenge Corporation's Threshold Program targeted at anti-corruption with the expectation of significant monies to follow should it meet certain pre-determined targets.

2.1 COUNTRY ECONOMIC SITUATION

Uganda registered high rates of economic growth during the 1990s, reducing poverty from 56 percent in 1992 to 34 percent in 2000. Household survey data for 2003 indicates a reversal of this progress, however, with headcount poverty rising to 38 percent before decreasing to 31 percent in 2005/6 and inequality increasing to 0.43 from the 2000 level of 0.40. Real gross domestic product (GDP) growth has averaged 7.9 percent over the last five years, and growth in 2007/08 is estimated to be 8.9 percent. As population growth is high, GDP per capita has risen only by an average 4.3 percent over the last 5 years.

The budget deficit has for the last 3 years averaged 7.3 percent, excluding grants. And large external aid inflows have presented the GoU with a number of management challenges as it seeks to ensure macroeconomic stability and to sustain an environment that is conducive to private sector investment. In particular, the Government has had to mop up excess liquidity through a combination of Treasury bill sales and foreign exchange sales. These actions have had adverse effects on interest rates and exchange rates, respectively. Higher interest payments have also had an adverse effect on the availability of resources for service provision and have crowded out the private sector.

A critical challenge of the reforms is to ensure a more even distribution of the benefits of growth. Agriculture employs more than 80 percent of the workforce, so agricultural growth and greater productivity are key components of a pro-poor growth strategy. Fluctuating commodity prices have exposed the vulnerability of the Ugandan economy to exogenous price shocks and have underscored the need for diversification of exports.

[3] Uganda National Household Survey 2005/06, Uganda Bureau of Statistics.

2.2 OVERALL GOVERNMENT REFORM PROGRAM

The Government has revised its PEAP to reinforce policies for reducing poverty and meeting the Millennium Development Goals. The 4 core challenges of the PEAP are to:

(a) Restore security,

(b) Restore sustainable growth in the incomes of the poor,

(c) Promote human development, and

(d) Use public resources transparently and efficiently to eradicate poverty.

The policies of the PEAP are grouped under 5 pillars:

(a) Economic management with the focus on maintaining macroeconomic stability and domestic resource mobilization, including by reducing the fiscal deficit, and promoting private sector growth;

(b) Production, competitiveness, and income with the focus on modernizing agriculture and implementing the Medium-Term Competitiveness Strategy;

(c) Security, conflict resolution, and disaster management with the focus on defense and security reforms, disarmament, and rehabilitation and reconstruction of conflict areas;

(d) Governance with the focus on human rights, judicial reforms, public service reform, PFM reform, and decentralization; and

(e) Human development with the focus on health, education and social protection.

The PEAP has been extended to June 2009 when it will be replaced by a National Development Plan.

2.3 BUDGETARY OUTCOMES

The Government's fiscal performance is set out in Table 2.1.

Table 2.1. Fiscal Performance (Central Government) 2005/6 – 2007/8

	Percent of GDP		
	Out-turn	*Out-turn*	*Out-turn*
	2005/06	*2006/07*	*2007/08*
Revenue	**17.7**	**18.2**	**15.8**
Domestic Revenue	12.8	13.0	13.1
Tax Revenue	12.3	12.5	12.8
Non Tax Revenue	0.5	0.5	0.3
Grants	4.9	5.2	2.6
Budget support grants[3]	2.7	3.5	1.9
Project Grants	2.3	1.7	0.7
Expenses	**16.4**	**16.6**	**15.2**
Employee costs	2.0	2.0	1.9
o/w Wages & Salaries	1.8	1.8	1.7
Purchase of Goods and Services	4.9	4.7	4.2
Interest Payments	1.4	1.1	1.3
o/w External	0.4	0.2	0.2
o/w Domestic	1.0	0.9	1.1

	Percent of GDP		
	Out-turn	***Out-turn***	***Out-turn***
	2005/06	***2006/07***	***2007/08***
Subsidies	**-**	1.0	0.4
Grants	7.6	7.3	7.1
o/w Local Governments	4.9	4.6	4.2
Social Benefits	0.5	0.4	0.3
Other Expenses	0.1	0.1	0.1
Gross Operating Balance	**1.2**	**1.5**	**0.7**
Investment In Non-Financial Assets	**3.1**	**2.2**	**2.1**
Total Outlays	**19.5**	**18.9**	**17.3**
Net Borrowing	**(1.8)**	**(0.7)**	**(1.5)**
Less: Net Lending for Policy Purposes	(0.2)	0.5	(0.7)
Less: Accounts Payable (Domestic Arrears)	0.5	0.7	1.2
Overall Balance excluding grants	**(7.1)**	**(7.1)**	**(4.6)**
Overall Balance including grants	**(2.2)**	**(1.9)**	**(2.0)**
Change in Net Financial Worth (Financing)	**2.2**	**1.9**	**2.0**
Domestic Financing	(0.4)	1.2	1.0
o/w Bank Financing (net)	(0.3)	3.0	0.9
o/w Non-bank Financing (net)	(0.1)	(1.7)	0.1
Foreign Financing (net)	(1.5)	(3.3)	(2.5)
o/w Financial Assets	-	1.1	(0.8)
o/w Liabilities	1.5	4.3	1.7
o/w Budget Support Loans	0.4	2.2	-
o/w Project Support Loans	2.1	2.8	2.1
o/w Amortization	(0.8)	(0.5)	(0.4)
o/w Exceptional Financing	(0.2)	(0.2)	(0.1)
Memo: GDP (UShs billions)	***18,172***	***20,953***	***24,648***

Source: Annual Budget Performance Report FY2007/08, Table 2.1, and Annual Report: Uganda's Economic and Financial Overview, 2007/08, MoFPED.

Expenditures over the past 3 years are summarized in Table 2.2.

Table 2.2. Sectoral Expenditure 2005/06 to 2007/08

	Percentage of total expenditure		
	2005/06 Actual	***2006/07 Prov. Actual***	***2007/08 Budget***
General public administration	25.5	30.4	23.8
Defense	14.0	12.4	9.7
Public order and safety	8.2	8.3	5.0
Education	7.1	10.5	7.1
Health	12.6	7.7	7.8
Community and social services	6.2	1.3	4.9
Economic services	6.5	10.5	19.6
Agriculture	4.0	4.3	4.9
Roads	11.7	12.8	15.0
Water	4.0	1.6	1.8
Total	**100.0**	**100.0**	**100.0**

Source: Background to the Budget, 2008/09, Tables 16a and 18a, MoFPED. Data do not include transfers to local government. They do include interest and donor-funded project expenditure.

2.4 Legal and Institutional PFM Framework

The legal framework for PFM in Uganda is highly developed. The present legal framework for budget formulation, execution, and audit is provided by the Constitution 1995, the Public Finance and Accountability Act (PFAA) 2003, the Budget Act 2001, Judicature Act 1996, Local Governments Act 1997, Leadership Code Act 2002, Inspectorate of Government Act 2002, Local Government Finance Commission Act 2003, Public Procurement and Disposal of Public Assets Act 2003, Prevention of Corruption Act 1970, Access to Information Act 2005, Public Service Standing Orders, Statistics Act 1998, Local Government Financial and Accounting Regulations 2007, and the National Audit Act 2008. Legislation is in process for an Anti-Money Laundering Bill 2005, Public Service Bill 2007, Anti-Corruption Bill 2008, Public Procurement and Disposal of Public Assets (Amendment) Bill 2008, a Pensions Bill 2008, and a Whistleblower Bill 2008.

The Budget Act prescribes the budget information that Government is required to present to Parliament. In addition to prescribing when Government presents budgets to Parliament, the Act also regulates budget procedures within Parliament. The Constitution and the PFAA give the MoFPED the mandate to plan and manage public finances. The structure and function of MoFPED is described in Box 2.1.

The PFAA provides the legal framework for enhancing the control and management of public resources and strengthening fiscal transparency and accountability. In particular the Act:

(a) Requires that supplementary appropriations obtain parliamentary approval before any commitment is made;

(b) Provides an improved definition of the respective roles and accountabilities of the Minister, the Permanent Secretary, Finance and the Accountant General, who is allocated specific authority over executive heads (Accounting Officers) of ministries, departments, and agencies (MDAs), with respect to determination of accounting bases, principles, standards, and systems;

(c) Specifies that Accounting Officers of MDAs are accountable to Parliament for outputs of their programs and not just regularity and propriety of expenditures, but also to ensure control over commitments and establish and maintain audit committees;

(d) Sets out specific offenses, penalties, and procedures for recovery of losses;

(e) Requires that final accounts must include funds flow statements and complete coverage of government expenditure.

The power to raise external financial resources is vested in the Minister of Finance. Both the Cabinet and Parliament should approve all external borrowings.

The legal framework for records management is contained in the Records and Archives Act 2001. The framework provides for the transformation of the Records Management Department of the Ministry of Public Service (MoPS) into a Records Management & Information Technology Agency. The legislation also provides for regulations for elaboration of policies, definition of records management activities, instructions, monitoring, and compliance. Forthcoming legislation will enact formation of a separate National Information Technology Agency.

Box 2.1. Structure and Functions of MoFPED

The Ministry of Finance, Planning, and Economic Development is headed by the Minister of Finance, assisted by 5 Ministers of State for General Duties, Planning, Investment, Privatization, and Microfinance and Enterprise Development. The Permanent Secretary/Secretary to the Treasury is Chief Executive of MoFPED and is assisted by the Deputy Secretary to the Treasury. The Department of Finance and Administration provides managerial and administrative support to the MoFPED. An Under Secretary heads this Department and is the MoFPED Accounting Officer.

The MoFPED has three Directorates: Budget, Economic Affairs, and the Accountant General's Office

Directorate of Budget

The Budget Directorate is responsible for developing and monitoring appropriate policies and strategies that guide annual and medium-term expenditure; preparing the annual National Budget and medium-term expenditure allocations; formulating, reviewing, and appraising projects and programs in liaison with line MDAs; reviewing and updating the Public Investment Plan; executing and monitoring the budget; and coordinating releases of funds for both recurrent and development activities in Central and local governments.

It has 3 departments — Budget Policy and Evaluation, Infrastructure and Social Services, and Public Administration.

Directorate of Economic Affairs

The objectives of the Directorate of Economic Affairs are effective management of resource inflows, stable macroeconomic framework, and economic development planning. Its functions include formulation of tax policies aimed at generating domestic revenue; development of appropriate fiscal and monetary policies; preparation of medium- and long-term development plans in association with the National Planning Authority; coordination of policies that promote institutional capacity and development of the public and private sector; mobilization of domestic and external resources; formulation of strategies for appropriate external and internal public debt management; facilitation of trade and regional integration initiatives within the East African Community and the Common Market for Eastern Southern Africa region; harmonization and monitoring of National Public Procurement Policy with international and regional organizations' procurement and trade policy agreements.

It has 4 departments — Macroeconomic Policy; Tax Policy; Economic Development Policy & Research; and Microfinance, Investments, and Aid Liaison.

Accountant General's Office

The objectives of the Accountant General's Office include effective management of resource inflows, stable macroeconomic framework, and economic development planning. The Accountant General is responsible for initiating, formulating, and coordinating of policy for management of public funds, assets, and debt. It provides guidelines and procedures for management of public funds. The functions include: production of timely, accurate and reliable financial management information that meets professional standards and conforms to internationally accepted best practices; overseeing and implementing the IFMS; ensuring the appropriateness of internal control systems and internal audit functions throughout government; providing the overall framework for control of public resources and expenditure; ensuring that Accounting Officers observe the PFAA 2003 and associated Financial Regulations; setting professional standards for accounts cadres; ensuring that provision is made for the security of government's financial and non-financial assets; maintaining a register of public debt; managing fiscal data for MDAs; providing information technology-related support services to MDAs; and processing and reporting financial transactions.

The Accountant General's office comprises 5 departments — Technical and Advisory Services; Treasury Services; Financial Management Services; Inspectorate and Internal Audit; and Uganda Computer Services.

Principles for the prevention and detection of corruption have finally been agreed and prepared and are awaiting Parliamentary sanction. Public consultations on whistleblower and Qui tam legislation[4] were completed in October 2005. The Inspectorate of Government Act 2002 is the enabling legislation for the Inspector General to carry out functions that include supervision of enforcement of the Leadership Code Act 2002, promotion and fostering of strict adherence to the rule of law, public awareness programs, and investigations.

The Central Government comprises 84 budgetary bodies. These budgetary bodies include 22 ministries; 22 agencies (various commissions, universities and research institutions); 12 referral hospitals; and 28 foreign embassies/missions. There are another 77 statutory corporations, comprising 52 autonomous government agencies, 21 nonfinancial public enterprises, and 4 public financial institutions. The autonomous government agencies constitute a part of Central Government for Government Financial Statistics (GFS) reporting to IMF, but are included in PEFA assessments only in indicators 7 (i), 9 (i), 18, 19, 26, and 28. There are also over 200 tertiary educational institutions, which are governed by the Universities and Other Tertiary Institutions Act.[5]

One of the budgetary commissions is the Local Government Finance Commission (LGFC). The LGFC advises the President and Parliamentary Committees on all revenue matters of local governments, in particular Central Government grants to local governments; advises on financial disputes among local governments; analyzes annual budgets of local governments with regard to their compliance with the law; supports PFM capacity building in higher-level local governments; and collects data on local government revenue, expenditure, and arrears.

Local government is structured in four levels. The higher-level (Level I) local governments, to which transfers are made by the sectoral ministries through MoFPED, comprise 80 district councils, 13 municipal councils, and Kampala City Council. Level II comprises 91 town councils, 897 sub-counties (of districts) and divisions of the municipalities, and Kampala City Council. These receive allocations from the higher-level local governments. Level III comprises over 5,000 Parish Councils (rural) and Wards (urban). Level IV consists of over 44,000 village councils and urban cells/zones. Councilors are elected at all levels, but expenditure at levels III and IV are very small and are supervised by level II local governments. In accordance with the PEFA Framework at Central Government (PI-8), this assessment is concerned with the transparency of relationships with Level I local governments only.

The judiciary mainly comprises 29 magistrate courts. These courts can hear criminal offenses and civil claims within certain financial limits within their respective jurisdictions. Appeals lie to the High Court, which includes a Commercial Division (or Commercial Court) for commercial disputes, and a Circuit Division that hears cases in 7 regional

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[4] Qui tam legislation would allow citizens to file suits against corrupt persons on behalf of Government and keep a percentage of the award.

[5] Few of these produce the required annual financial statements (Auditor General Report on 2006/07, p. 8).

centers. In the districts there are also Local Council Courts and Land Tribunals that hear simple cases and land disputes. Above the High Court, there is a Court of Appeals and a Supreme Court. A Corruption Court is to be set up as a division of the High Court.

Article 163 of the 1995 Constitution sets out provisions for the mandate, scope of work, appointment, and removal of the Auditor General. A recent Constitutional amendment removed the requirement that the OAG be a public office, and the National Audit Act 2008 made the Auditor General financially and operationally independent of the Executive. The OAG estimates are now examined and approved by the Parliamentary Finance Committee and become a statutory charge on the Consolidated Fund (instead of only the Auditor General's salary as was the situation prior to the National Audit Act).

Under the Public Enterprise Reform and Divestiture Act, Cap 98, the Auditor General is responsible for auditing the accounts of Class I and II public enterprises. The National Audit Act details the scope of the Auditor General's work to include any public body that has received more than half its income from public funds. The Public Finance and Accountability (Classified Expenditure) Regulations 2003 require the OAG to examine and enquire into all classified expenditure and for the OAG to have full access to all relevant records. These regulations were applied for the first time to the audit of the 2003/04 accounts. Under the Constitution, the PFAA and other enabling legislation, the Auditor General has a statutory responsibility to report to Parliament on the propriety and regularity of the spending of government/taxpayers' monies. In particular the Constitution requires the Auditor General to "audit and report on the public accounts of Uganda and all public offices and any public corporation or other bodies or organizations established by an Act of Parliament".

At the Parliamentary level, there are 12 Standing Committees of which 5 are directly concerned with financial matters: (a) Committee on Budget; (b) Public Accounts Committee (PAC); (c) the Committee on Commissions, Statutory Authorities and State Enterprises (COSASE); (d) the Local Government Accounts Committee (LGAC); and (e) Committee on the National Economy, which deals with issues relating to the national economy including scrutiny of loan agreements. Each Standing Committee with the exception of the Budget Committee has 15 members, who are nominated and subsequently elected by members of Parliament (MPs). In addition to the elected members, all chairpersons of the other Committees are ex officio members of the Committee on Budget. There is also a Sessional Committee for finance, planning, and economic development and for each other sector/ministry that examines policy, budgets, and proposed legislation coming from each ministry.

The chief of state and head of government is President Yoweri Museveni, leader of the National Resistance Movement, which has been in power since 1986. In 1995, the Constitution was amended removing presidential term limits and legalizing a multiparty system. In February 2006, the National Resistance Movement was re-elected for a further five years. The President appoints members of the Cabinet from among members of Parliament and the general population. The Prime Minister assists the President in supervision of the Cabinet. There are 332 seats in the National Assembly, of which the National Resistance Movement holds 191. The main opposition party, the Forum for Democratic Change, holds 37.

3. ASSESSMENT OF PFM SYSTEMS, PROCESSES, AND INSTITUTIONS

This chapter details the assessment of the 31 PFM indicators contained in the PEFA Framework. The highest rating (score of A) implies compliance with accepted international standards. The lowest score is D. An indicator is not scored if there is insufficient information available for rating.

Where an indicator has more than one dimension, each dimension is scored separately, then dimension scores are combined by one of two methods:

- ***Method M1***. Where poor performance on a dimension is likely to undermine the impact of good performance on other dimensions, the overall score is determined by that 'weakest link'. If any other dimension is scored more highly, a + is added to the score. Thus, an indicator having 3 dimensions with B, B, and C scores would be rated C+.

- ***Method M2***. Where dimensions are independent of each other, the overall score is found by averaging the dimension scores. The Framework document prescribes the method of combining dimension scores for each indicator and includes a table for averaging alphabetical scores.

3.1 BUDGET CREDIBILITY

	Scores November 2005		**Scores November 2008**		**Analysis of change**
PI 1 Aggregate expenditure out-turn compared to original approved budget	**B**		**B**		No change.*
PI 2 Composition of expenditure out-turn compared to original approved budget.	**C**		**C**		No change.
PI 3 Aggregate revenue out-turn compared to original approved budget.	**A**		**A**		No change
PI 4 Stock and monitoring of expenditure payment arrears	**D**	(i) D (ii) D	**D+**	(i) D (ii) B	Despite MoFPED efforts, MDAs are still incurring arrears, but there has been improvement in the database

* The 2005 score was based on variance from revised budget, not the original approved budget, so variance would have been greater.

PI-1 Aggregate expenditure out-turn compared to original approved budget

The matrix for the assessment of both PI-1 and PI-2 is shown in Table 3.1. Complete tables for the budget assessment are shown in Annex B.

PI-1 compares actual expenditure, in total, with the original approved budget. It is a measure of how well a government can make a budget and stick to it, at aggregate level. The 2005 assessment was made against the revised budget instead of the original budget, so the true variance would have been greater and the 2008 assessment shows an improvement. Against this, it can be seen that variance has increased in each of the last two years.

Table 3.1. Results Matrix

FY	***PI-1 Aggregate expenditure deviation***	***Total expenditure variance***	***PI-2 Variance in excess of total deviation***
2005/06	1.8	12.3	10.5
2006/07	9.4	10.5	1.1
2007/08	13.6	13.6	NIL

Dimension to be assessed: The difference between actual primary expenditure and the originally budgeted primary expenditure (i.e., excluding debt service charges, but also excluding externally financed project expenditure).

B. Actual varied from budget by more than 10 percent in one year.

PI-2 Composition of expenditure out-turn compared to original approved budget

PI-2 is a tighter measure of budget discipline. It measures how well a government can make budgets at the ministry (head) level and stick to them (i.e., whether the budget is a useful statement of policy intent). As shown in Table 3.1, the composition of expenditure at the head level in 2005/06 varied highly from the original approved budgets (10.5 percent) — see calculation at Annex B. In 2006/07 it was reduced to 1.1 percent, and in 2007/08 all heads underspent, resulting in nil variance in that year.[6]

Dimension to be assessed: Extent to which variance in primary expenditure composition exceeded overall deviation in primary expenditure (as defined in PI-1) during the last three years.

C. Excess of composition variance over aggregate variance was more than 10 percentage points in no more than one of the last three years.

PI-3 Aggregate revenue out-turn compared to original approved budget

[6] It is a limitation of this indicator that composition variance measures only the amount of variance between heads that overspend and heads that underspend. If all heads underspend, as in 2007/08, even if some underspend much more than others, composition variance is nil. Similarly if all heads overspend.

This indicator focuses on any shortfall of domestic revenue (tax and non-tax revenue). In all the last three years, revenue collections have exceeded budget (see Annex C). It is not possible to say whether positive revenue variance is due to good assessment and collection effort or under-estimation. If revenue is under-estimated, this may be due to errors in the forecasting model or a deliberately conservative policy.

Dimension to be assessed: Actual domestic revenue collection compared to domestic revenue estimates in the original approved budget.

3. Actual domestic revenue collection has not gone below 97 percent of budget in the last 3 years.

PI-4 Stock and monitoring of expenditure payment arrears

Dimensions to be assessed (Scoring by method M1):

(i) Stock of expenditure payment arrears (as a percentage of actual total expenditure for the corresponding fiscal year) and any recent change in the stock.

D. The stock of arrears exceeds 10% of total expenditure

(ii) Availability of data for monitoring the stock of expenditure payment arrears.

3. Data on the stock of arrears is generated annually, but is not complete for a few identified expenditure categories.

The stock of expenditure payment arrears for Central Government is shown in Table 3.2. Arrears incurred by local governments are brought into the assessment of indicator 9 (ii) and are excluded here.

Table 3.2 Expenditure Arrears

	30 June 2008 ***Ushs bn***	***30 June 2007*** ***Ushs bn***	***30 June 2006*** ***Ushs bn***
Payables to domestic suppliers and utilities, recurrent and development (verified), court awards and compensation claims	423.0	210.0	279.1
Pension and gratuity liabilities	161.3	210.8	238.0
Unpaid salaries	5.1	N/A	N/A
Dues to international organizations (note 1)	50.2	*	*
Interest payable on treasury bills/bonds	51.8	44.9	115.8
Interest on external debt (note 2)	negligible	negligible	negligible
Total arrears	**691.4**	**465.7**	**633.0**
Total expenditure	4,975.9	4,433.5	3,764.8

	30 June 2008 ***Ushs bn***	***30 June 2007*** ***Ushs bn***	***30 June 2006*** ***Ushs bn***
% of total expenditure	13.9	10.5	16.8

Source: Auditor General's Report on 2007/08, and Accountant General. Total expenditure from Consolidated Financial Statements (Statement of Financial Performance) for each year. This comprises recurrent expenditure including interest, development expenditure including donor-funded expenditure, and statutory charges, for central government, as reported (excluding the arrears).

Note 1: The arrears at June 2007 and June 2006 are included in Payables category above.

Note 2: The Report on Loans, Guarantees and Grants for 2007/08 shows there were arrears of interest and principal at March 2008 on loans from Iraq, Nigeria and Pakistan, amounting to US$18.0 million (UShs 28.8 billion). These were not necessarily outstanding at 30 June 2008 and have not been included above.

In Uganda, the Financial Reporting Guide defines arrears as *all* liabilities to domestic suppliers, irrespective of their age.[7] Salaries and pensions are in arrears if they are not paid in the month they are due. Interest on public debt is in arrears from the date it becomes due by the Government. Transfers to local governments and autonomous government agencies are not legal obligations, and are not normally in arrears in any case.

In principle, arrears on goods and services cannot happen as the commitment control system (part of the IFMS) rejects any attempted commitment by an MDA, such as a Local Purchase Order, if cumulative expenditure and outstanding commitments exceed the cumulative warrants (quarterly commitment authority) to that MDA. As warrants are within projections of available cash, all commitments can be met unless cash inflows fail to materialize as projected over the quarter and releases are less than warrants.

In practice, there are loopholes:

- Several expenditure items are not subject to the IFMS control – salaries, pensions, rent, utilities, court awards, compensation claims, and subscriptions to international organizations. An MDA can underbudget for these items or “forget” them in order to get higher allocations for other items within its financial envelope. Telephone bills are now prepaid, thus avoiding arrears, but other utility bills are still outstanding.

- MDAs violate the system by placing orders directly with suppliers without entering them in the IFMS. These side commitments are often omitted from the monthly returns to MoFPED. [8]

- Arrears are not necessarily settled in the order in which they are incurred (first-in, first-out). Even where the budget includes an amount for settlement of past arrears, it may be used for other expenditures, or recent creditors may be preferred over old

[7] The PEFA Framework allows country-specific definitions of arrears. In the absence of a definition, the default for arrears on payments for goods and services would be non-payment within 30 days of receipt of invoice.

[8] Auditor Generals report on 2007/08.

claims, or unverified arrears over verified arrears. There is no age analysis of arrears.

The GoU is committed to paying off past arrears and minimizing the creation of new arrears but admits that new arrears continue to emerge due to budget constraints.[9] The above causes of arrears are comprehensively addressed in a domestic arrears strategy set out in the MoFPED Debt Strategy document and in the Background to the Budget 2008/09. Domestic arrears and pension arrears are being paid off, and the pension system is to be converted to a contributory scheme to prevent further accumulation. However arrears to domestic suppliers are still increasing – the strategy is not working as planned.

The reliability of arrears data during the year is low because some MDAs (such as State House and Defense) do not disclose all outstanding amounts. However, the end-of-year arrears are comprehensively verified and reported. The Internal Audit Department verifies end-of-year arrears as reported by MDAs and passes them to the Accountant General's Office (AGO), Financial Management Services, which enters them in a database. Internal Audit does not have authority to verify arrears of certain classified expenditures: these are verified after the Accounts are closed at the end of September. The Auditor General checks all arrears independently, including classified expenditures, and lists the MDAs for which verification is not complete. The Accountant General completes the reconciliations. All differences between the Treasury database and the Accounts were reconciled for 2006/07, and accounting adjustments made where necessary. Where reconciliation is not complete until after the Accounts are closed, adjustments are made as prior-year adjustments in the following year's Accounts. Unauthorized arrears are rejected and are not included as liabilities or contingent liabilities: they are the personal responsibility of the respective Accounting Officers.

There are accounting misclassifications that complicate the reconciliation of arrears data between MDAs, AGO, and the Consolidated Accounts. Some unverified arrears are guarantees by MDAs, which should be noted in the Accounts as contingent liabilities unless and until they crystallize. Security bond and bail deposits (deposits from third parties) have also been treated as arrears. Arrears of withholding tax — 6 percent deducted from payments to contractors and not yet paid over to the Uganda Revenue Authority (URA) — were included in the arrears of the Ministry of Health.

Audited annual data are fairly reliable for arrears on purchases of goods and services. Arrears in payment of court awards and compensation claims as of June 2008 were audited by Internal Audit. UShs 22.1 billion (30 percent) of these arrears could not be verified because of poor records management, lack of clarity on the calculation of interest, and omission of payments since December 2007 (the Ministry of Justice database working on a calendar year basis rather than the GoU financial year).

Pension arrears are also still uncertain. UShs 107 billion unverified pension liabilities for Ministry of Defense have been unresolved for 4 years, apparently due to poor records management, and there is a pending liability of over UShs 1 trillion arising from a court judgment in favor of former soldiers of the Uganda Defense Force. These are not fully verified and are not included above.

[9] Accountant General Report on the Accounts for 2007/08.

3.2 COMPREHENSIVENESS AND TRANSPARENCY

	Scores November 2005		***Scores November 2008***		***Analysis of change***
PI 5 Classification of budget	**B**		A		No real change.
PI 6 Comprehensiveness of information included in budget	**B**		**A**		Improvements in budget documentation include details on the budget implications of major policy changes.
PI 7 Extent of unreported government operations.	**C**	(i) C (ii) C	**D+**	(i) B (ii) D	Some improvement in reporting from major autonomous government agencies, and reduced retention of non-tax revenues by MDAs. Reporting from donor-funded projects not really changed.
PI 8 Transparency of inter-governmental fiscal relations	**C**	(i) B (ii) C (ii) D	**D+**	(i) D (ii) C (iii) D	No real change. Formulae existed equally in 2005, but were not applied in a manner by which local governments could predict their transfers. Transfers are not reliable until Central Government budgets are approved (September)
PI 9 Oversight of aggregate fiscal risk from other public sector entities	**D**	(i) D (ii) D	**C**	(i) C (ii) C	The three largest parastatals are now submitting audited accounts, and the backlog of audits is being addressed. Some improvement in local government reporting. A consolidated overview of fiscal risk is still lacking.
PI 10 Public access to key fiscal information	**B**		**B**		Since 2005, contract awards have been published, in addition to annual budget documentation, external audit reports and annual financial statements, but this is not sufficient to raise the rating.

PI-5 Classification of the budget

The GoU has introduced a new classification system encompassing administrative and economic classifications. The new chart of accounts was used for the first time for the 2004/05 budget. The new classifications include fund and funding source; administrative organization (vote and cost centers); project; medium-term budget framework (sector); medium-term expenditure framework (MTEF) (objective, output, and activity); and account (class, item, and sub-item) codes. Spare segments within the chart of accounts provide flexibility for future requirements. From 2008/09, budgets are also classified by 'vote function,' i.e., a set of programs and projects contributing to a vote objective. This is intended to complement the output-oriented budgeting and results-oriented management initiatives that were started in 1997. At present, however, many 'outputs' are activities or services with no measurable targets.

The functional analysis set out in the Classification of the Functions of Government (COFOG) is not seen as fully applicable in Uganda. The GoU has therefore adjusted the functional classification to match the structure of the PEAP. Matching to the COFOG is provided through the IFMS chart of accounts, which is used by all MDAs, and a bridging table. Classification of statutory authorities and state enterprises does not follow Government Financial Statistics guidelines, but this indicator covers only budgetary Central Government.

Dimension to be assessed The classification system used for formulation, execution, and reporting of the Central Government's budget. A. Budget formulation and execution is based on administrative, economic and sub-functional classification, using a standard that can produce consistent documentation according to Government Financial Statistics and COFOG standards.

PI-6 Comprehensiveness of information included in budget documentation

Dimension to be assessed Share of the information listed below in the budget documentation most recently issued by the central government (in order to count in the assessment, the full specification of the information benchmark must be met). Recent budget documentation meets all nine information benchmarks.

The assessment of this indicator is based on the documentation for the 2008/09 budget, which was presented to Parliament June 12, 2008.

Budget documentation is provided in various GoU publications, which are not available in one comprehensive piece. Nonetheless, the Budget Speech, the background to the budget, individual ministry submissions, and information required under the Budget Act 2001 on total external indebtedness and grants received, as well as guarantees provided, provide a fairly comprehensive pack of information for review by Parliament. Full information on debt stock and financial assets at the beginning of July 1, 2007, is provided in the Audit Report and Consolidated Accounts for 2006/07, which were presented to Parliament on April 30, 2008, and were thus available at the time of the 2008/09 budget review. Information on the budgetary implications of new policy initiatives has improved since the last PEFA assessment.

Table 3.3. Budget Documentation

Element	***Disclosure***
1. Macro-economic assumptions, including at least estimates of aggregate growth, inflation and exchange rate.	Yes Budget Speech, Background to the Budget

Element	***Disclosure***
2. Fiscal deficit, defined according to Government Financial Statistics or other internationally recognized standard.	Yes Background to the Budget
3. Deficit financing, describing anticipated composition.	Yes Background to the Budget
4. Debt stock, including details at least for the beginning of the current year.	Yes Audited Consolidated Financial statements
5. Financial Assets, including details at least for the beginning of the current year.	Yes Audited Consolidated Financial statements
6. Prior year's budget out-turn, presented in the same format as the budget proposal.	Yes Approved Budget Estimates
7. Current year's budget (either the revised budget or the estimated out-turn), presented in the same format as the budget proposal.	Yes Approved Budget Estimates
8. Summarized budget data for both revenue and expenditure according to the main heads of the classifications used (ref. PI-5), including data for the current and previous year.	Yes Approved Budget Estimates
9. Explanation of budget implications of new policy initiatives, with estimates of the budgetary impact of all major revenue policy changes and/or some major changes to expenditure programs.	Yes Budget Speech

PI-7 Extent of unreported government operations

Dimensions to be assessed (Scoring Method M1):

(i) The level of extra-budgetary expenditure (other than donor-funded projects) that is unreported, i.e., not included in fiscal reports.

A. The level of unreported extra-budgetary expenditure is in the range 1-5 percent of total expenditure.

(ii) Income/expenditure information on donor-funded projects, which is included in fiscal reports.

D. Income information is complete, but expenditure information on all projects is only approximated by donor disbursements.

Extra-budgetary expenditure. There are 72 statutory corporations listed in the Auditor General's report on the Accounts for 2006/07. On a preliminary analysis,[10] 23 of these were classified as public enterprises and 49 as autonomous government agencies (as defined by the PEFA Framework, based on IMF-GFS classification). Of the 49 autonomous government agencies, as of June 30, 2007, 20 had submitted up-to-date accounts for audit,

[10] The Auditor General made this preliminary analysis. The FINMAP work program includes a more rigorous institutional mapping in accordance with the IMF-GFS.

10 were a year in arrears, and 19 were 2 or more years in arrears. Their expenditure has not been determined but is not believed to be significant (below 1 percent of total expenditure) except for the National Social Security Fund. The National Social Security Fund expenditure on a cash basis in the year up to June 2006 was UShs 52.7 billion. This was 1.5 percent of total expenditure. It is not expected that these percentages would change significantly in 2007/08.

Significant non-tax revenue used to be collected and retained by MDAs, especially where releases were cut below allocations or approved budgets. This situation should be distinguished from the normal delay between collection and banking of revenue to the Consolidated Fund. The team was informed that the URA has extended its control over non-tax revenues and that unreported revenues are insignificant, except perhaps in some embassies that are outside the URA control and misapply passport and visa fees to their own expenditure.[11]

Donor project expenditure. MoFPED maintains a database of donor budget allocations and releases to individual projects, which is based on data supplied by donors themselves. On the revenue side, project grants and loans are estimated from disbursements to project accounts in the Bank of Uganda (BoU), but this fails to capture projects that do not hold BoU accounts. Given the importance of donor funding in Uganda, systematic collection of donor releases and expenditure is important for planning and budgeting purposes. Direct payments by donors to suppliers, contractors, and consultants are captured centrally, but expenditure by project implementation units out of donor disbursements to special accounts is tracked only by these units and not by the Accountant General. Despite GoU efforts to collect and consolidate this information systematically, complete information on project expenditure is still unavailable, whether funded by grants or loans, and fiscal deficit calculations are slightly distorted. The Government has information on loan-financed projects from its verifications of donor statements of liability, but this is not taken into the IFMS reports. The Joint Assessment Framework includes this reform. The Accountant General is planning to include donor project funds in the IFMS, and do a pilot exercise on selected projects in 2009/10.

PI-8 Transparency of inter-governmental fiscal relations (high level only)

Dimensions to be assessed (Scoring by M2 method)

(i) Transparent and rules based systems in the horizontal allocation among sub-national governments of unconditional and conditional transfers from central government (both budgeted and actual allocations)

D. Less than 10 percent of transfers from the Central Government are determined by transparent and rules-based systems.

(ii) Timeliness of reliable information to sub-national governments on their allocations from central government for the coming year

C. Local governments are provided reliable information before the start of the fiscal year but too late for significant budget changes.

[11] Non-tax revenue in 2007/08 was UShs 86 billion, about 2 percent of total expenditure. Of this the URA collected Shs 31 billion.

(iii) Extent to which consolidated fiscal data (at least on revenue and expenditure) is collected and reported for general government according to sectoral categories.

D. Fiscal information that is consistent with Central Government fiscal reporting is collected for most local governments within 24 months but not consolidated.

In each sector that has devolved services to the local governments (education, roads, gender, health, rural water and agriculture), there are 3 grants from Central Government to local government. The largest (90 percent of the total) is a conditional grant, earmarked for recurrent and development expenditure on particular programs. There is an unconditional grant (9 percent of the total) and an equalization grant (1 percent) intended to equalize the level of service delivery across all local governments. Poverty Action Funds from HIPC debt relief are included in the conditional grant. These grants account for about 95 percent of total local government revenue considering local revenues are small. The main local revenues are from market dues, licenses and permit fees, and vehicle parking fees.[12] Donor grants (e.g., from UNICEF) are also brought to revenue.

In 2003, the Local Government Finance Commission developed formulae for the horizontal allocation of each grant. These formulae are oriented to the eradication of poverty, while at the same time being based on available and reliable data, and transparent with not more than 5 factors in a formula for each sector. The formulae have been largely adopted by the respective sectoral ministries but not by the Ministry of Education or by the Cabinet because of disputes on the formulae. The LGFC has no power to enforce its formulae, and their application is in the hands of individual MDAs.[13]

Except for the unconditional grant, the local governments cannot calculate the grants they will receive because of several intervening variables: the vertical allocation by each sectoral ministry is not predictable; there is political interference in the allocations; uneven adjustment for donor interventions in particular local governments; intersectoral shifts due to policy changes during the year; shortfalls in resources causing cutbacks (except on Poverty Action Funds); and changes in the underlying factors determining the grants (such as poverty indices, illiteracy data) and the weights assigned to them. The Budget Circular for 2008/09 refers to concerns that actual allocations to local governments are not in line with the formulae for each conditional grant. In addition, local governments are not provided information on grants from central MDAs for essential medicines, instructional materials, and district roads.

The unconditional grant is based on the standard administrative needs of each local government, its population, and area; so it is relatively simple to check. However it accounts for less than 10 percent of the total.

Local governments work on the same financial year as Central Government. For the year beginning in July, they are given indicative planning figures the previous October. Each local government then drafts its Budget Framework Paper. Allocations are revised in consultative meetings in December, again in May, and possibly again on the presentation of

[12] Graduated tax was abolished in 2005/06.

[13] LGFC is in consultations to prepare a Cabinet Memo on new allocation formulae. From 2009/10, MoFPED will not make transfers without Cabinet approval of the allocation formulae.

the Central Government budget mid-June.[14] The latter appear to be fairly reliable: actual releases are normally over 90 percent of approved estimates.

Transfers are made monthly. As the Central Government budget is not approved until September (three months into the year), a vote on account allows first quarter transfers of up to 20 percent of the draft budget. There is a pattern of backloading transfers to the last quarter, which are sometimes too late to be used. Unused conditional grants should be returned to the Consolidated Fund, but the Auditor General notes that most local governments do not do so. Local governments argue that they have made commitments and must retain funds to meet them.

Local governments are required to submit monthly summary reports and quarterly detailed reports to the Accountant General within 15 days of the end of period. To strengthen accountability from the second quarter of a year, the Treasury will not make transfers without receipt of accounts for the previous quarter.

Annual accounts are due to the Accountant General, with copy to the Auditor General, within 4 months (end October), following the IFMS classification and using an accrual basis. The LGFC enters audited annual accounts in its fiscal databank, but accounts and their audit are in substantial arrears. For 2006/07 only 119 local governments out of 184 (65 percent) had submitted their accounts for audit within the four-month deadline. There has been some improvement in reporting, but no summary data for all higher-level local governments could be obtained.

PI-9 Oversight of aggregate fiscal risk from other public sector entities

Dimensions to be assessed (Scoring Method M1)
(i) Extent of central government monitoring of autonomous government agencies and public entities.
C. Not all major autonomous government agencies and public entities have submitted audited accounts every year, and a consolidated overview is still lacking.
(ii) Extent of Central Government monitoring of sub-national governments' fiscal position.
C. The net fiscal position is monitored at least annually for the most important level of local government, but a consolidated overview is significantly incomplete.

Autonomous government agencies and public enterprise monitoring is improving. In 2006, information on public sector entities and autonomous government agencies was seriously deficient. Most public entities were not submitting their accounts to the body in charge of their monitoring, the Parastatal Monitoring Unit, and the largest ones had not even been identified. Today, the situation has improved. The 3 major entities, which on the basis of available accounts amount to 40 percent of the total, are now submitting their

[14] Despite the central commitment, actual transfers from the center (and from donors) are unreliable in timing and amount. Local governments should not make any commitments until they have the Accountant General's certificate or, more often, cash in hand. In fact, they make commitments on expected budgets, and there are serious arrears of expenditure.

accounts for audit every year. The accounts for the Bank of Uganda, the largest entity, have been audited all three years. The next two in size, the National Water & Sewerage Corporation and the Civil Aviation Authority, have submitted accounts every year. Accounts for FY2005/06 and FY2006/07 have been audited, and the audit for the 2007/08 accounts is ongoing.

Of the next four largest entities, each around 5 percent of the total according to available data, only Uganda Electricity Transmission Co. has submitted accounts every year. Two have been audited, and the audit of the last year is in progress. National Social Security Fund is one year behind, with audited accounts for FY 2005/06 and an audit in progress for FY 2006/07. The East African Community and the Uganda National Examinations Board have submitted their accounts only once in the past three years, and their audit is still in progress. Some minor parastatals have never submitted their accounts for audit.[15]

Overall, the OAG is catching up with the existing backlog in the audit of parastatals. As of November 2008, it had completed the audits of the FY2006/07 accounts for around 70 percent of parastatals, in terms of size. Though the results of the audit are now reported yearly (see PI-26) and should facilitate a consolidated overview, an analysis of fiscal risk is not part of the audit function. The body responsible for the analysis of fiscal risk, the MoFPED's Directorate of Economic Affairs does request information from Parastatal Monitoring Unit on statutory corporations and takes such information into account when formulating the overall fiscal analysis (see PI-12). Nonetheless, a consolidated overview is not formulated and reported.

In November 2008, the Parastatal Monitoring Unit together with the Directorate of Economic Affairs and the MoFPED's Directorate of Budget were undertaking a diagnostic review of public sector organizations in Uganda, including statutory corporations. This, together with the ongoing effort to address the backlog in audits, should help improve both monitoring and fiscal risk analysis.

Local government monitoring is also improving slowly A local government may borrow up to 25 percent of its approved budget with the approval of the Ministry of Local Government. Only one case is known: a local government that needed funds to complete a project obtained a bank loan on the security of its assets and a Central Government guarantee.

Arrears of expenditure are a form of concealed borrowing, and are far more serious. These include supplier arrears and retention of taxes (value added and withholding taxes) due to Central Government. There is annual monitoring of the fiscal position of higher-level local governments but 35 percent of local government Accounts are delayed [refer back to PI-8 (iii)]. Arrears are incompletely known. In 2006/07, the wage component of the unconditional grant was only 40 percent of the total requirement and there was a shortfall of local revenues, leading to salary arrears. There were also pension arrears estimated at UShs 37 billion, and arrears of taxes owing to Central Government of UShs 9 billion.[16]

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[15] Nagric, Nambole Stadium, National Council for Children, and Uganda Pharmacy Council.

[16] Tax arrears are not counted in this assessment as they are internal to general government and do not form part of the fiduciary risk to GoU.

These figures compare with total transfers to local governments of UShs 998 billion in that year. Arrears through June 30, 2008, were unknown as of December 18, 2008.

PI-10 Public access to key fiscal information

Dimension to be assessed Number of listed elements of public access to information that are fulfilled (in order to count in the assessment, the full specification of the information benchmark must be met). B. The government makes available to the public 4 of the 6 listed types of information.

Key fiscal information is available in a variety of documents. The GoU does make some documents available through their websites and through their national printers. Unfortunately, there is no one comprehensive budget document that provides all the required information elements.

On the finance website, the public can obtain copies of the Budget Speech and Background to the Budget. Several past year versions are available, and these documents appear to be posted in a timely manner.[17] Ministerial Policy Statements, Estimates of Revenues and Expenditures, and Audited Financial Statements are only available in hard copy, and in practice only distributed to Parliament, sub-national governments, and some stakeholders such as development partners and NGO representatives. They are, however, available to the general public upon request and at no cost.

In-year budget execution reports are not produced for distribution to the general public, but are available to MDAs using IFMS but not including data for agencies, local governments, and the two ministries that are not yet on line. Year-end financial statements are available to the general public on request and at no cost. Audit reports are available in hard copy and on the OAG website up to 2006/07. Audit reports include the audited consolidated financial statements.

Up-to-date awarded contracts in excess of US$100,000 are posted on the PPDA website.[18] Contracts in excess of US$60,000 are posted on ministerial bulletin boards located at the various ministries. Procurement and Disposal Audit Reports are available, but the most recent Audit Report (March 2008) is for the fiscal period of 2006/07.

Reports of resources received by schools and primary health clinics should be posted on their public notice boards in accordance with guidelines. It is believed that this is partly complied with.

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[17] www.finance.go.ug. However, browsing the website did reveal mislabeling of some documents. For instance, under the Funding Releases tab, Non-Wage Releases section, all documents in the 2008 section are actually April 2004 releases. Nonetheless, these elements are not required for the GoU to meet the indicator requirement.

[18] www.ppda.go.ug.

Table 3.4. Public Access to Key Fiscal Information

Element		***If available. Where and when***
(i) **Annual budget documentation**. A complete set of documents can be obtained by the public through appropriate means when it is submitted to the legislature.	✓	**Yes**. Available from the Government printers and through the GoU website. Not distributed to the general public, but available upon request at no cost.
(ii) **In-year budget execution reports**. The reports routinely made available to the public through appropriate means within one month of their completion.		**No**. In-Year Budget Execution Reports are NOT produced for public dissemination. Although the GoU have indicated they could be made available upon request, data from agencies, local government and 2 ministries who are not yet connected to IFMS would not be included.
(iii) **Year-end financial statements**. The statements are made available to the public through appropriate means within six months of completed audit.	✓	**Yes**. Annual financial statements are included in the Auditor General's Report, which is distributed to members of Parliament and other key stakeholders within 6 months of completed audit.
(iv) **External audit reports**. All reports on Central Government consolidated operations are made available to the public through appropriate means within six months of completed audit.	✓	**Yes**. Auditor General Reports are produced in a timely manner and are available on request to the general public at no cost, and on the OAG website up to 2006/07.
(v) **Contract awards**. Award of all contracts with value above approximately US$100,000 equivalent is published at least quarterly through appropriate means.	✓	**Yes**. Up to date awarded contracts in excess of US$100,000 are posted on the PPDA (www.ppda.go.ug) website. Some doubt about its completeness.
(vi) **Resources available to primary service units**. Information is publicized through appropriate means at least annually, or available upon request, for primary service units with national coverage in at least two sectors (such as elementary schools or primary health clinics).	**?**	**Possibly.** The level of compliance is not known.

3.3 POLICY-BASED BUDGETING

	Scores November 2005		**Scores November 2008**		**Analysis of change**
PI-11 Orderliness and participation in the	**C+**	(i) B	**C+**	(i) B	No change

	Scores November 2005		Scores November 2008		Analysis of change
annual budget process		(ii) B (iii) D		(ii) B (iii) D	
PI-12 Multi-year perspective in fiscal planning, expenditure policy, and budgeting	**B**	(i) B (ii) B (iii) B (iv) C	**C+**	(i) C (ii) A (iii) C (iv) C	Dimension (ii). The debt sustainability analysis is now owned by GoU and conducted annually For dimensions (i), (iii), and (iv), no real change.

PI-11 Orderliness and participation in the annual budget process

Dimensions to be assessed (Scoring method M2):

(i) Existence of and adherence to a fixed budget calendar

B. Although a budget calendar exists, the timing is not yet strictly adhered to.

(ii) Clarity/comprehensiveness of and political involvement in the guidance on the preparation of budget submissions (budget circular or equivalent)

B. A comprehensive and clear budget circular is issued to MDAs, which reflects ceilings approved by the Cabinet. This approval takes place after the circular distribution to MDAs but before MDAs have completed their submission.

(iii) Timely budget approval by the legislature or similarly mandated body (within the last three years)

D. The budget has been approved with more than two months delay in all the last three years.

Existence of and adherence to a fixed budget calendar

There is a fixed annual budget calendar. The first Budget Circular is normally issued in October, though for 2008/09 and 2009/10 it has been delayed. This includes indicative ceilings for each vote and requires preparation of Budget Framework Papers (BFPs) for each MTEF sector, and preliminary budget estimates for the next three years. For 2008/09, a second Budget Circular was issued April 4, 2008, then a third Budget Circular on May 29. The last Circular included final MTEF ceilings, which took into account comments in Parliament on the National Budget Framework Paper.

The Minister of Finance presents the Budget to Parliament on behalf of the President by the statutory date of June 15. There are frequent modifications to the ceilings during the budgeting process, both during the BFP preparation stage and during the discussions at the National Budget workshop.

In December 2008, the GoU published "A Guide to the Budget Process" which outlines the existing budget process along with the calendar, requirements, and approvals for both MDAs and local governments. Despite the existence of a budget calendar, there are ongoing and fluctuating delays in its implementation as evidenced by previous years' schedules. With regard to the 2009/10 budget, the Budget Call Circular had yet to be distributed to MDAs by end November 2008. This was due to delays in getting resource availability estimates from the development partners in the current global economic crisis. This could impact the budget preparation timetable.

Table 3.5. Budget Calendar

Element/Activity	***Dates***
Budget Call Circular distributed to all MDAs and local governments	September
National Budget Conference at which indicative ceilings are provided to MDAs and local governments	October
Regional workshops are held to assess current situation	November/December
All MDAs and local governments must submit their MTEF (Budget Framework) -1+ 3 years	Jan 15
Consolidation of Budget Frameworks	Jan-Mar
Budget submitted to Parliament for debate	April 1
Receive feedback from Parliament	May 15
MDAs' review of MTEF based on comments from Parliament	May 15-30
Budget Speech	June 15
Start of the financial year	July 1
MoF release 25 percent of commitments pending the approval of the Budget by Parliament	July 1
Budget approved by Parliament	August/September
MoF releases the remainder of the commitments	October 1
Final Accounts closure for all MDAs and local governments	June 30
MDAs and local governments must submit Final Accounts for audit	September 30

Clarity/comprehensiveness of and political involvement in the preparation of budget

As in previous years, ceilings indicated in the budget circular are not approved by the Cabinet prior to its distribution, but Cabinet approval is obtained with sufficient time to allow the MDAs to make any required changes. Participation in the annual budget process is a two-stage process. Prior to the submission of the Budget Framework Paper to the Cabinet, sector working groups and cross-sector working groups discuss their requirements and there are national and regional workshops. The Access to Information Act has made budget preparation more participatory and transparent.

After Cabinet resolution on the detailed Budget Framework Papers, there is an external review process including development partners and Budget Committee prior to the presentation of the detailed budget to Parliament in June. Parliament debates the budget with a view to approving it.

Timely budget approval by the legislature within the last three years

The Parliament debates the draft estimates between July and September and approves the budget within 4 months of the start of the fiscal year. The Constitution Article 154 (4) provides for the President to authorize issues from the Consolidated Fund for meeting expenses up to 4 months into the fiscal year. This 'vote on account' is normally approved within a few days of the start of the year, but approval of the budget itself is normally in September. Budgets are always approved before the vote on account expires (October 31). From the vote on account, MDAs are allowed to spend up to one-third of their draft budgets, including starting new projects, in advance of budget approval.

Parliamentary regulations allow the Parliament to make recommendations for change within the proposed total or to reject the budget; few changes are requested.

PI-12 Multi-year perspective in fiscal planning, expenditure policy, and budgeting

Dimensions to be assessed (Scoring method M2)
(i) Preparation of multi -year fiscal forecasts and functional allocations
C. Though the MTEF is prepared for five years, revenue, overall expenditure, and sectoral allocations are revised at least yearly, and a satisfactory explanation is often lacking.
(ii) Scope and frequency of debt sustainability analysis
A. The debt sustainability analysis includes both external and domestic debt and has been undertaken annually in the past two years.
(iii) Existence of sector strategies with multi-year costing of recurrent and investment expenditure
C. As part of the MTEF preparation process, budget sector working groups plan their activities but on a one-year basis and mostly ignore future fiscal targets. Costed projects by sector exist, yet a consolidated analysis that links projects with MTEF and budget expenditure categories and fiscal targets is missing.
(iv) Linkages between investment budgets and forward expenditure estimates
C. Linkages between investment budgets, sector strategies, and recurrent budgets are weak.

The MTEF, presented in the National Budget Framework Paper, was prepared on a rolling annual basis for three years in 2007/2008, and for five in 2008/2009. The first part of the MTEF is formulated by the Directorate of Economic Affairs, which determines a fiscal monitoring framework and multiyear estimate of expected revenue. Domestic revenue, expected mandatory payments such as external debt and domestic obligations, are considered in the estimation of the resource envelope. A debt sustainability analysis, including both external and domestic debt, is thus an integral part of the fiscal forecasting framework. It is carried out together with the IMF and the World Bank as a tripartite exercise. Though it is officially undertaken every two years, it has been conducted yearly for the past two years.

Once the resource envelope is determined, the draft budget expenditure for the current year and ceilings for future expenditure are set. Then, the Planning Division in the MoFPED's Budget Directorate determines the functional allocation in line with PEAP priorities, and in consultation with the sectors through the budget circular.

Budget ceilings for overall expenditure and sectoral allocations often do not match (earlier) MTEF forecasts. The explanations of revisions usually refer to changes between MTEF estimates and not between previous MTEF estimates and the actual budget.

The MTEF provides medium-term estimates for sectoral expenditure. For the current and projected expenditure in each sector, it provides the breakdown for a few main activities. It also gives the breakdown for wages, non-wage recurrent expenditure, domestic development expenditure, and donor-funded development expenditure. Budget Sector Working Groups meet every two months to discuss their respective strategies, objectives, and activities within the targets they have been given. Their work should include medium-term estimates; but given the instability of resource projections, they plan only one year ahead. Some sectors, such as health and education, have undertaken ten-year costed strategies, and these are being updated on a five-year basis, with the intention of including them in a new the National Development Plan. The plan for education is a fully costed strategy.

The Public Investment Plan is prepared with the same time horizon as the MTEF. It provides recurrent and investment expenditure needs for all sectors combined. Nonetheless, the Public Investment Plan classifies recurrent and investment needs by project, making the reconciliation with MTEF revenue and expenditure ceilings difficult. The link between the projects and the main activities detailed under each sector in the MTEF is not made. Moreover, the Public Investment Plan only lists the expenditure needs specific to individual projects and does not estimate overall expenditure or the recurrent cost implications of future investments. It does not provide a consolidated view by sector.

The recurrent and development budgets are linked in as much as they are reported together in the same budget document, they are both prepared by the planning and budget departments at MoFPED, and they are covered jointly by the same budget circulars and workshops. The budget circular for recurrent and development expenditure has increased its requirements in terms of the level of detail and precision for sector reporting in this area. There is no formal analytical framework in place to assess the overall recurrent cost implications of investments, and recent efforts to improve the link between investment levels and future expenditure ceilings are undermined by the absence of a consolidated view at the sector level.

3.4 PREDICTABILITY AND CONTROL IN BUDGET EXECUTION

	Scores November 2005		***Scores November 2008***		***Analysis of Change***
PI-13 Transparency of taxpayer	**B**	(i) B	**B+**	(i) B	Improvement in the coverage, user-

	Scores November 2005		***Scores November 2008***		***Analysis of Change***
obligations and liabilities		(ii) C (iii) B		(ii) A (iii) B	friendliness and comprehensiveness of information to taxpayers
PI-14 Effectiveness of measures for taxpayers registration and tax assessment	**D**	(i) D (ii) D (iii) D	**B**	(i) C (ii) C (iii) A	Major improvement in registration and enforcement procedures through URA modernization program
PI-15 Effectiveness in collection of tax payments	**D+**	(i) not scored (ii) C (iii) D	**D+**	(i) N/R (ii) B (iii) D	Improvement only in the timing of deposit of collections
PI-16 Predictability in the availability of funds for the commitment of expenditures	**C+**	(i) B (ii) B (iii) C	**C+**	(i) B (ii) B (iii) C	No change
PI-17 Recording and management of cash balances, debt and guarantees	**C**	(i) C (ii) C (iii) C	**C+**	(i) C (ii) C (iii) B	Improvement in (iii) debt management
PI-18 Effectiveness of payroll controls	**D+**	(i) D (ii) C (iii) D (iv) D	**D+**	(i) D (ii) C (iii) C (iv) C	Payroll audits have taken place and controls are tighter, but these are insufficient to improve the overall indicator rating
PI-19 Competition, value for money and controls in procurement	**C**	(i)D (ii) C (iii) B	**D+**	(i) NR (ii) D (iii) C	No change.
PI-20 Effectiveness of internal controls for non salary expenditure	**D+**	(i) D (ii) C (iii) C	**C**	(i) C (ii) C (iii) C	Some improvement in commitment control through the increased use of IFMS
PI-21 Effectiveness of internal audit	**D**	(i) D (ii) D (iii) D	**C+**	(i) B (ii) B (iii) C	Significant improvement has been achieved, with FINMAP assistance. Audit is now system-based, and undertaken on the basis of professional standards. Audit reports are being issued and distributed to all relevant bodies. Management implementation is

	Scores November 2005		Scores November 2008		Analysis of Change
					improved, but still weak, undermining the effectiveness of audit.

PI-13 Transparency of taxpayer obligations and liabilities

Dimensions to be assessed (*Scoring method M2*)

(i) Clarity and comprehensiveness of tax liabilities.

B. Legislation and procedures for most major taxes are comprehensive and clear, with fairly limited discretionary powers of the government entities involved.

(ii) Taxpayer access to information on tax liabilities and administrative procedures.

A. Taxpayers have easy access to comprehensive, user-friendly, and up-to-date information on tax liabilities and administrative procedures for all major taxes, and the URA supplements this with active taxpayer education campaigns.

(iii). Existence and functioning of a tax appeals mechanism.

B. A tax appeals system of transparent administrative procedures is completely set up and functional, but it is too early to assess its effectiveness.

The major taxes are income tax (including corporation tax, pay as you earn, and withholding tax); value added tax; and customs and excise duties. The legal framework is fully provided by the Customs and Excise Act 1977, Uganda Revenue Authority Act 1991, Value Added Tax Act 1996 and amendments, Income Tax Act 1997 and amendments, Excise Duty Act 2000 and tariff amendments, East Africa Customs Management Act (EAC Cap. 27) as amended,[19] East Africa Excise Management Act (EAC Cap.26) as amended, Traffic and Road Safety Act 1994, and annual Finance Acts. The legislation and procedures are comprehensive and mostly clear, and are reviewed annually. Any changes are explained by guideline sheets (e.g., on the exemption of educational institutions) and a URA website cartoon magazine.[20] There is little administrative discretion in the application of the law; but in determining Customs duty, the rules on valuation of goods may be abused. For instance, Customs officers have some discretion in deciding the adequacy of documentation. Only the Minister of Finance on the recommendation of the URA Commissioner can give waivers of taxes, but there are cases of waivers given to illegitimate NGOs, such as non-existent churches

The URA is developing an Integrated Tax Administration System, which will allow online access for registration, annual returns, payments, and account balances.

[19] Uganda is in a Customs Union with Kenya, Tanzania, Rwanda, and Burundi, with whom they share a common external tariff. Internal tariffs are being progressively eliminated by end 2009. Rules on valuation are based on the World Trade Organization, Article VII of GATT 1994, part 1.
[20] Acul-Ocolo, on www.ugrevenue.com.

The URA has a range of user-friendly brochures on domestic taxes. Some are translated into local languages. The URA staff in all districts of the country implement a taxpayer education program and sensitization program. Each district has a Taxpayer Service Desk, and there is a national toll-free information hotline telephone number. In addition, there is a weekly radio program on CBS that reaches a wide audience, and a Quarterly Taxpayer Forum for participatory discussions on selected topics. Customs clearance is less well documented, but the law is transparent and clearing agents are familiar with procedures.

For each tax, there is a statutory appeals procedure. The taxpayer has 30-45 days to launch an objection to the URA. The URA Commissioner has 30 days to give a decision. If the taxpayer is not satisfied, they have 45 days to appeal to a Tax Appeals Tribunal, which is chaired by a High Court judge and is independent of the URA. Further appeal can be made to the High Court[21] and Supreme Court. Since it started in 1999, the Tax Appeals Tribunal has received 223 applications, of which 163 were resolved, 53 in favor of the URA, 52 by mutual agreement, and 58 for the taxpayer.[22] The Tax Appeals Tribunal was perceived to be bias toward the taxpayers and URA stopped cooperating. The Tribunal was reconstituted in October 2008 and now works well with the URA. All case decisions are published.

PI-14 Effectiveness of measures for taxpayer registration and tax assessment

Dimensions to be assessed (Scoring method M2):

(i) Controls in the taxpayer registration system.

C. Taxpayers are registered in a database for all individual taxes.

(ii) Effectiveness of penalties for noncompliance with registration and declaration obligations

A. Penalties exist but substantial changes are needed to their levels and administration to make a real impact on compliance.

(iii) Planning and monitoring of tax audit and fraud investigation programs.

A. Tax audits and fraud investigations are managed and reported on according to a comprehensive written audit plan, with clear risk criteria for all self-assessed taxes.

A Taxpayer Identification Number system has been introduced, and now contains 1.2 million names; 58,000 importers are registered; 14,000 commercial taxpayers; and 0.9 million employees although in only pay-as-you-earn status. There is some duplication of names within the database. The system links all individual taxes, but there are no links to other databases, such as for company registration, business licensing, or land registration. The URA undertakes occasional surveys of potential taxpayers, based on intelligence from Customs, and door-to-door visits.

There are penalties (fines and/or prison) laid down by law for not complying with registration and declaration requirements (e.g., for not registering as a value added tax

[21] The anomaly of appeal to the High Court when the Tax Appeals Tribunal is headed by a High Court judge is under consideration.
[22] These were about evenly divided among income tax, Customs, and value added. Out of 31 appeals to the High Court, 23 were by URA after Tribunal decisions in favor of the taxpayers.

(VAT) trader when turnover exceeds the threshold). In practice, fines of UShs 500,000 are collected without prosecution since court procedures are lengthy and uncertain. No one has ever been jailed. Fines are subject to 2 percent interest per month, compounded. Taxpayers pay fines promptly. The fines are insufficient and not fully implemented. More effort is needed with enforcement. A 'name and shame' list is given to the media and posted on the web portal.

Tax audits and fraud investigations are undertaken (120 in 2007/08 for domestic taxes and 80 planned in Customs in 2008/09) for all major taxes using self-assessment on a planned basis using risk assessment criteria. Income tax (corporate and individual), VAT, and Customs duty are self-assessed. Audits include checking tax returns, desk audit focusing on changes from the previous year, and field visits. Taxpayers complain that audits take a long time, use their office space, and are not always fair.

PI-15 Effectiveness in collection of tax payments

Dimensions to be assessed (Scoring method M1):

(i) Collection ratio for gross tax arrears, being the percentage of tax arrears at the beginning of a fiscal year, which was collected during that fiscal year (average of the last two fiscal years).

Not rated, owing to absence of data.

(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration.

A. Revenue collections are transferred to the Treasury at least weekly

(iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury.

A. Reconciliation of collections and Treasury receipts made monthly, but none between collections, assessments and changes in arrears

As of June 30, 2008, there were UShs 58.9 billion arrears owed to GoU on domestic taxes, and UShs 28 billion on Customs duty. This is net of agreed objections. There is no attribution of collections whether to past arrears or to current assessments, so the collection ratio (arrears collected during the year/arrears outstanding at the start of the year) cannot be calculated. It is expected that this will be available from the Integrated Tax Administration System when it is operational.

All private taxpayers pay their taxes into commercial banks, which are electronically linked to their head offices in Kampala. Twice a week, each bank head office transfers its collections to the URA account in the BoU. Each Friday, URA makes a consolidated transfer to the Consolidated Fund account. On imports, clearing agents can file and pay on line using the ASYCUDA system. A new system called ASYBANK will enable the importer to pay duty without the funds going through the clearing agent. The ASYBANK should be integrated into the Integrated Tax Administration System under development.

The URA reconciles collections with transfers to the Treasury monthly by the 15th of the following month. There is no reconciliation of collections with assessments and changes in arrears.

PI-16 Predictability in the availability of funds for commitment of expenditures

Dimensions to be assessed (Scoring method M1):

(i) Extent to which cash flows are forecast and monitored.

B. A cash flow forecast is prepared for the fiscal year and updated at least quarterly, on the basis of actual cash inflows and outflows.

(ii) Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment

B. MDAs are provided with reliable information on commitment ceilings at least quarterly in advance.

(iii) Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs.

C. Significant in-year adjustments to budget are frequent but undertaken with some transparency

Forecasting and monitoring of cash flows

The MoFPED's Macroeconomic Policy Department prepares annual and quarterly revenue forecasts, which are based on domestic revenue estimates and development partner estimated contributions. These forecasts are updated and adjusted based on inflows, and provided to the Budget Directorate in support of their budget allocations to MDAs. The Budget Directorate is responsible for the consolidation of MDA cash flow forecasts. The MDAs are required to submit quarterly action plans and monthly commitment monitoring reports, as a basis for MoFPED quarterly commitment allocations and monthly cash releases (based on actual inflows). The MDAs do not prepare and follow procurement plans and admit to being deficient with regard to timely submission of action plans. The MDAs are provided with the quarterly budget allocations five days into the quarter and in some cases as late as 20 days into the quarter. The Poverty Action Fund MDAs indicated that these delays had not so far impeded their ability to execute their budget. However, late release of funds to implementing agencies delays operations and leads to use of emergency procurements without competitive bidding (e.g., UShs 21 billion roadworks for the Commonwealth Heads of Government Meeting in 2007). Substantial releases are made too late in the year for MDAs to use, eg. Shs 53 bn was released on the last day of 2007/08. This contributes to the anomaly of excess expenditure (Shs 56 bn in 2007/08) co-existing with unspent cash balances (Shs 11 bn at June 30, 2008).

For Poverty Action Fund ministries, quarterly allocations are between 90 and 95 percent of the approved budget. However, according to MoFPED, non-Poverty Action Fund MDAs have been subjected to significant fluctuations in actual allocations in comparison to approved budgets. The MDAs are seldom notified in advance of cuts to allocations.

Reliability and horizon of information to MDAs on ceilings for expenditure commitment

For MDAs using Poverty Action Funds, there is a high degree of reliability on the in-year information since for the most part ceilings remain relatively stable. The Poverty Action Fund, which is 35-40 percent of the total budget, is normally over 95 percent disbursed. Even for non-Poverty Action Fund MDAs, if there is a shortfall of planned inflows, ceilings are set conservatively and the Treasury maintains cash reserves so that allocations can be honored. However, major exogenous factors such as the Commonwealth Heads of Government Meeting, conflict in the Congo, or elections can upset planned allocations. Non-Poverty Action Fund MDAs can be subjected to more significant in-year adjustments, as much as 35 percent decreases, with little advance notification.

Nonetheless, even if cash flows are forecast and monitored, quarterly cash allocations tend to be much less than approved quarterly estimates (although a little better for Poverty Action Fund MDAs), which impacts the performance budget execution and could be a contributing factor for ongoing accumulation of arrears. In 2007/08, all the 20 largest MDAs underspent against their original budgets (see Annex B). It appears that budget analysis is not working well and that MoFPED approves proposals for supplementary expenditure without identifying savings on other items within the head of account (i.e., that supplementary votes are administratively easier than virements).

Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs

Supplementary budgets can be issued after the approval of budget estimates, usually in September or October. In practice MoFPED issues supplementary budgets even before budget approval. In some cases, in-year Budget Circulars have been prepared to notify MDAs of upcoming supplementary budgets for certain key activities, but usually there is little advance notice. There is no detailed end-of-year reporting on supplementary budgets for the year, which could be useful for future planning purposes.

Supplementary budgets frequently regularize expenditure reallocations ex post, suggesting that controls on cash releases (below the expenditure ceilings authorized at the beginning of each quarter) are often used to reshuffle resources across spending units relative to the budget priorities.

PI-17 Recording and management of cash balances, debt and guarantees

Dimensions to be assessed (Scoring method M2)
(i) Quality of debt data recording and reporting
A. Domestic and foreign debt records are complete, updated and reconciled at least annually.
(ii) Extent of consolidation of the government's cash balances.
C. Calculation of most cash balances is done monthly, but consolidation takes place quarterly, and excludes many bank balances.
(iii) Systems for contracting loans and issuance of guarantees.
B. Central government's contracting of loans and issue of guarantees are made within limits for total debt and total guarantees, and always approved by a single responsible government entity.

Quality of debt data recording and reporting

The Accountant General operates a Debt Management and Financial Accountability System, which is an UNCTAD package for managing public debt. It maintains a debt amortization schedule that shows the opening balance, additions in the year, repayments, and closing balance for each loan or credit. The BoU also had the Debt Management and Financial Accountability System installed, though the two systems are independent. The BoU manages domestic debt. Reconciliation is done quarterly between BoU and the AGO. Reconciliations with the creditors are at different frequencies. Balances with World Bank and African Development Bank are verified bi-annually against their bills for repayment. Other creditors are reconciled as part of the preparation of the Annual Consolidated Accounts. There are reconciliation problems where some creditor statements are not received on time. Reports on formal debt (i.e., excluding domestic arrears) are issued monthly.

Consolidation of the government's cash balances

The GoU has undertaken an extensive exercise of transferring all bank accounts from commercial banks to the BoU. The BoU maintains a single bank account for each of the following: recurrent expenditure, development expenditure and revenue, and special accounts primarily related to projects. Some project accounts, especially those in towns where BoU does not have branches, continue to be maintained in commercial bank accounts. Calculation of most cash balances is done monthly, but consolidation of BoU accounts is done quarterly, excluding educational institutions, donor-funded project accounts, and agencies using accrual accounting, which at present cannot be consolidated.

Substantial progress has been made on the implementation of electronic funds transfer (EFT) and straight through processing (STP) of salaries in improving electronic clearing and payment arrangements.

System for contracting loans and issue of guarantees.

According to the Constitution, authority for public borrowing is vested in the Minister of Finance and requires Parliamentary approval, except borrowing for treasury and monetary policy purposes. The Revised 2005 Constitution, 2003 Public Finance and Accountability Act, and the 2001 Budget Act cover the present laws and regulations authorizing the management of debts, loans, and guarantees.

In December 2007, the MoFPED issued its most recent debt strategy. The strategy articulates both an external and domestic debt strategy in an effort to ensure medium- to long-term debt sustainability. It outlines terms for new borrowing and guarantees, private sector and project borrowing, as well as establishing annual caps on new loans and limiting project borrowing to priority sectors in the PEAP. Macro-level criteria for borrowing are prescribed. The legal, institutional and policy framework needs to be strengthened. Debt regulations have been drafted but have yet to be finalized and issued.

PI-18 Effectiveness of payroll controls

Dimensions to be assessed (Scoring method M1):
(i) Degree of integration and reconciliation between personnel records and payroll data.

D. There is no reconciliation between the approved establishment list, actual personnel records, and the payroll.
(ii) Timeliness of changes to personnel records and the payroll.
C. Up to 3 months' delay occurs in processing changes to personnel records and payroll for a large part of changes, which leads to frequent retrospective adjustments.
(iii) Internal controls of changes to personnel records and the payroll.
C. Controls exist but are not adequate to ensure full integrity of data.
(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers.
C. The external and internal audit is auditing the payroll as part of the annual financial audit activity, but the audit does not cover all Central Government payroll.

There are 6 main payrolls, covering the traditional civil service (about 46,000 in ministries, police, and prisons); teachers (about 150,000 in primary, secondary, and tertiary levels); local government (17,000); universities (5,700); the military (~ 45,000). The Ministry of Defense manages the military payroll. The MoFPED manages the traditional civil service, which is computerized with manual inputs. Teachers are recruited and managed by local governments. From its instructions, the MoPS prepares the teacher payroll. Payment is made by MoFPED Uganda Computer Services, either issuing a check for payroll data contained in IFMS, or by EFT and STP computerized payment.[23]

A GoU payroll cleaning exercise in August 2005 revealed major leakages in the payroll system, including the existence of many ghost workers. A number of anomalies and systemic and definitional issues were highlighted in this review and 37 recommendations for reform were made. The status of their implementation is unclear, having been referred to an inter-ministerial committee to oversee.[24] The MoPS conducted a further payroll audit in October 2006. Differences remain among the records kept by MDAs, MoPS, and MoFPED. The integrity of the payroll is significantly undermined by inconsistencies between personnel records and the personnel database (Auditor General, PEFA Lite, February 2008). Special audit reports on the payrolls of the Ministry of Works and Police in 2006/07 revealed loopholes in data integrity. There is no regular reconciliation of teacher records (kept by local governments) or civil servants' records (kept by MDAs) with personnel records (kept by MoPS) and the payroll.

[23] Two other types of salary payments were found: (a) salary payments for autonomous government agencies for which the payment request is initiated by the MoFPED and submitted to Uganda Computer Services, independently of MoPS. In FY2006/07, payments in this category are about 4 percent of total salaries; (b) salary payments managed directly by autonomous government agencies themselves, independently of MoPS, MoFPED, and Uganda Computer Services. These are estimated at over 5 percent of total salaries. There have been no special audits of these payrolls.

[24] Of the total of 229,901 records verified (i.e., most public employees, including within local governments), 26,473 or 11 percent were found to be invalid. Of these, 78 percent were from education institutions, 20 percent from local government/referral hospitals and 2 percent from Central Government MDAs. Subsequent adjustments to these figures led to the removal of 9,199 staff records from the payroll, resulting in an estimated cost saving of UShs 1.7 billion per month. Besides reinforcing controls in the payroll system and removing the ghost workers, it was also recommended that GoU sanction the officers responsible for the presence of ghost workers and other fraudulent and wasteful payments through the payroll. No sanctions appear to have been applied to date.

Payroll changes are processed for recruitment, promotion, transfer, and deletion. When a pay change report is submitted before the 15th of the month and no error is found, the required changes can be made in the following month (i.e., it takes one month). However, if an error is found and the feedback report to the originating MDA is received later than the 15th, the required change in the payroll can be effected in the second month following the feedback (i.e.. three months from the date of initial submission). In practice, new entrants can take up to six months before being paid while pensioners can take years to exit the payroll. Teacher recruitment, for instance, takes a minimum of four weeks from receipt of notification of assumption of duty through the processes of the local government's human resources manager, MoPS, and MoFPED, and longer if the documentation is not fully regular and complete. At the end of 2007/08, there were Shs 5.1 bn salaries in arrears, mostly owing to teachers.

Changes to personnel records should be supported by the appropriate documents, but the system is not strongly enforced. The special audit of the Ministry of Works payroll revealed cases of illegal entry to the payroll and delay in deletion of names after retirement, resignation, and death. Partly to address such weaknesses, in July 2007 computerized EFT payment was introduced. Nonetheless, for 2007/2008, the Internal Audit reported cases of EFT irregularities, abuse, inconsistencies, as well as fraud in the master data file.

In July 2008, the STP component of the EFT, crediting the bank accounts directly with salaries, has been introduced for all line ministries, referral hospitals, and 14 local governments. The introduction of STP formally required the concerned entities to remove the inconsistencies that still persist after the 2006 clean-up effort. Invalid bank accounts have been reduced from the 50 percent level at the time of the 2006 payroll cleaning exercise, to 5 percent in November 2008. It is too early to say if this new IT process has translated into an improved internal control environment. In addition, a new Integrated Payroll and Pensions System (IPPS) is about to be piloted in 7 ministries and 4 local governments.

Since the last PEFA assessment, both the Auditor General's Office and the Internal Audit have started annual payroll audits. Internal Audit issues a quarterly consolidated report of its payroll recommendations. Nonetheless, data integrity and internal controls remain weak.

PI-19 Competition, value for money and controls in procurement

Dimensions to be assessed (Scoring method M2):

(i) Evidence on the use of open competition for award of contracts that exceed the nationally established monetary threshold for small purchases (percentage of the number of contract awards that are above the threshold).

D. Insufficient data.

(ii) Extent of justification for use of less competitive procurement methods.

C. Justification for use of less competitive methods is weak or missing.

(iii) Existence and operation of a procurement complaints mechanism

B. A complaints mechanism is prescribed for timely resolution but it is rarely used because this risks antagonizing the procuring entity.

Procurement is decentralized to 120 Central Government procuring entities and 93 local government procuring entities. The Public Procurement and Disposal of Public Assets Authority (PPDA) is the central regulatory body, set up by the PPDA Act of 2003. There are procurement regulations, guidelines, standard bidding documents, and others. The law is being amended to raise the thresholds for different types of procurement, establish an Appeals Tribunal, and tighten up the application of the PPDA Act.

A National Public Procurement Baseline Integrity Survey (2006) found that Government Tender Boards were perceived to be the second most corrupt institution in Uganda, exceeded only by the police. An average of 7-9 percent of contract price was paid in bribes.

All Central Government procuring entities are required to submit monthly reports to PPDA detailing the method and amount of each contract. Open competitive bidding is required for works contracts over UShs 100 million, supplies contracts over UShs 70 million, and services contracts over UShs 50 million. The PPDA checks that the method is appropriate to the amount and enters all details into a database. At Central Government level, the average delay in reporting is 8 months and some entities fail to report altogether. False reporting may be detected by field audit, but only 51 audits are planned for 2008/09. This is a major improvement over the past few years, but still inadequate to deter concealment of noncompliance or splitting of contracts to put them below the respective thresholds.

The database cannot readily show which contracts are over the respective thresholds.[25] An OECD/DAC evaluation exercise was undertaken on all contracts in 2006/07. It found that 34 percent of contracts (by value) were through open competitive bidding. Since this covered all contracts, the percentage by open competitive bidding over the threshold should be significantly higher.

Formally, any use of non-competitive methods in contracts above the open competitive bidding thresholds must be cleared with the PPDA Management Advisory Committee. However, noncompliance occurs and some of it is detected by the PPDA Audit Department. Reports of investigations and administrative reviews go onto the PPDA website.[26] The Auditor General's report on 2006/07 has adverse comments on procurement in about 30 percent of budgetary agencies in Central Government. In addition, the MoFPED Inspectorate and Internal Audit Department consolidated report for 2007/08 says that lack of procurement plans as required by the PPDA Act (8 MDAs are cited) results in emergency procurements, procurement of unrequired items, and procurement at higher prices than necessary. Procurement irregularities are cited at 13 out of 32 MDAs audited during the year. Only 5 percent of MDAs are subject to procurement audit (Joint Assessment Framework Survey 2007). According to the 2008 National Integrity Survey, the establishment of the PPDA was one of the least successful measures to fight corruption. However, the PPDA itself was perceived as relatively honest.

There is a clear and time-bound complaints procedure laid down by the PPDA Act and explained on the PPDA website. Before a contract can be signed, a Best Evaluated Bidders Notice should be sent to all bidders. Ten days are allowed for objections. Complaints are

[25] The type of contract (works, supplies or service), which is required to identify the appropriate threshold, is part of the procurement reference number so cannot be selected for analysis. The database has been modified so that this data will be available from July 2008.

[26] www.ppda.go.ug.

made in the first place to the Accounting Officer (Permanent Secretary or other executive head) of the procuring entity (MDA) involved. If the decision of the MDA does not satisfy the complainant, they may apply to the PPDA where complaints are independently investigated and adjudicated. Further appeal may be made to the Inspector General of Government (the anti-corruption body). The final recourse is to independent arbitration or the courts. The amendment to the Act now being legislated will set up a Tribunal chaired by a High Court judge. In 2007/08 only 16 complaints were received by PPDA (a fraction of one percent of all contracts above the threshold). Of these, 9 were decided in favor of the complainant. No cases in practice go to court. Complainants are inhibited by fear of being informally blacklisted by MDAs.

PI-20 Effectiveness of internal controls for non-salary expenditure

Dimensions to be assessed (Scoring method M1):

(i) Effectiveness of expenditure commitment controls.

C. Expenditure commitment control procedures exist and are partially effective, but they do not comprehensively cover all expenditures and they may occasionally be violated.

(ii) Comprehensiveness, relevance and understanding of other internal control rules/ procedures.

C. Other internal controls, rules and procedures are in place and are generally understood by those directly involved in their application. However concerns could legitimately be raised in terms of some deficiencies in areas of minor importance.

(iii) Degree of compliance with rules for processing and recording transactions.

C. Rules are complied with in a significant majority of transactions, but use of the simplified/emergency procedures in unjustified situations is an important concern.

Expenditure commitment controls.

The GoU’s IFMS incorporates the Commitment Control System (CCS). However IFMS has not yet been deployed to all MDAs and local governments, which continue to use a combination of manual, spreadsheet, and accounting-based systems. Before allowing an expenditure, the CCS validates it against both the approved quarterly estimates and the quarterly allocated budget. The system also considers all pending transactions. Expenditures that exceed either limit will not be entered. The IFMS permits a partial payment as long as it does not exceed the lesser of the commitment ceiling and the allocated budget. Although there have been incidents of violations, these occur outside the IFMS.

Non-IFMS MDAs are subject to the CCS. However, the IMF Report on Arrears (2005) cited a number of issues with the CCS including failure to record and approve commitments at the commitment stage of an expenditure transaction; the concealment of commitments and hidden unpaid bills; the exclusion of some non-wage expenditure items as a matter of convenience; and, not due to valid technical limitations, a high number of errors and omissions in monthly CCS reports, as well as serious delays in submission of monthly CCS reports. Nonetheless, the implementation of IFMS has introduced 'hard' CCS to the major MDAs, which represent a significant percentage of overall transactions.

In previous PEFA assessments, the accumulation of arrears was cited as an indication of poor application of commitment controls; but discussions with Health, Agriculture, Works, and Education MDAs indicate that approved estimates, apart from being lower than desired or expected, often omit items of a fixed nature such as utilities and rent. The IMF report cites the issue of insufficient funding for recurrent expenditures, but, in their opinion, noncompliance with CCS was the major contributing factor. Since the Debt Strategy of December 2007, arrears have continued to accumulate (see data at PI-4).

Comprehensiveness, relevance and understanding of other internal control rules/procedures.

Internal controls are in place and generally well understood. The GoU has published a detailed Financial and Accounting Manual and Regulations, which outline all internal controls and procedures for revenues and expenditures, as well as functions and responsibilities of officers. Nonetheless, the Auditor General cited numerous instances of overspending in 2006/07 by IFMS and non-IFMS MDAs, and the unauthorized use of non-tax revenues by Ugandan Embassies, among other infractions. It is believed that the rules are well known and that noncompliance is not due to ignorance.

Degree of compliance with rules for processing and recording transactions

The MDAs using IFMS are unable to circumvent commitment control within the system, and there are no exempt expenditures within IFMS. However, these controls apply exclusively to MDAs using IFMS. Currently all the agencies, most local governments, and two ministries are not yet using IFMS.[27] There are incidents of circumvention of commitment control, but this is not related to a failing in the IFMS but rather the poor application of financial procedures (e.g., MDAs continue to enter into verbal agreements with vendors for the purchase of goods and services despite the lack of funds, which are supposed to be remedied when funds are finally received). This is a problem associated with poor budgeting and lack of procurement planning.

Despite the PFAA 2003, which declared Accounting Officers responsible for overcommitments and instituted penalties for mismanagement, no real action has been taken (IMF Report on Arrears, 2005). Additionally, the report also cites instances of concealment of commitments and bills by some officers in ministries until the end of the financial year.

With regard to MDAs using IFMS, although there appears to be better compliance with internal controls, the Auditor General's Post-Implementation Review of the IFMS has highlighted a number of security flaws and failures to implement important security procedures that could affect the reliability and integrity of IFMS data.

The Auditor General's 2007 report cites instances of over-spending especially with regard to foreign embassies and other non-IFMS MDAs, and of unauthorized use of non-tax revenues by Ugandan Embassies.

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[27] IFMS has been implemented in 19 Ministries, Treasury, Parliament, Judiciary, Office of the Auditor General, and 14 local governments (8 districts and Kampala City Council and its Divisions).

PI-21 Effectiveness of internal audit

Dimensions to be assessed (Scoring Method M1):

(i) Coverage and quality of the internal audit function.

B Internal Audit is operational for the majority of Central Government. It substantially meets professional standards, and is now focused on systems audit for at least 50% of staff time.

(ii) Frequency and distribution of reports.

B. Since April-June 2007, a report has been issued every quarter. A consolidated report has also been issued for 2007/2008. All have been distributed to the audited entity, the MoFPED and the Auditor General.

(iii) Extent of management response to internal audit findings.

C. A fair degree of action taken by many managers on major issues but often with delay.

Coverage and quality of the internal audit function

Internal audit used to be mainly centralized under a Commissioner in the Accountant General's Office but is being progressively decentralized. There are now six units that report directly to the heads of their agencies —in MoFPED reporting to the Permanent Secretary/Secretary to the Treasury (on MoFPED activities only); and in the Ministries of Public Service, Health, Education, Lands and Housing, and Works and Transport, reporting to the respective Accounting Officers. Responsibility for internal controls in every MDA remains with the Accounting Officer: internal audit is a management service and the Commissioner of Internal Audit plays an advisory role. Two audit committees have been set up to facilitate the work of internal auditors in the accountability and public administration sectors.

Until last year, the Internal Audit was primarily conducting pre-audit, namely ex ante controls. Since the last quarter of FY2006/2007, the quality of the internal audit function has improved considerably with the transition to systems-based audit. Audit methodologies are now up to international standard and include an annual risk assessment, audit plan, and sampling through the Interactive Data Extraction & Analysis (IDEA) audit software. Plans to also acquire audit management software are underway. A new financial audit manual, which reflects the transition to systems audit, has been issued; and a new Charter for the Internal Audit function was published in November 2008. Internal audit covers all of Central Government, except the statutory corporations. Internal audit covers also the Office of the Auditor General.

Frequency and distribution of reports

Since the last quarter of FY2006/2007, quarterly reports and a consolidated annual report have been issued and distributed to the Accounting Officers of the respective MDAs and to MoFPED and the Auditor General. Such improvements reflect the restructuring of the internal audit function, which has also resulted in a gradual increase in internal audit staff (from 38 staff in June 2006 to 60 in November 2008) and improvement in its professional skills.

Extent of management response to internal audit findings

As a management service, the effectiveness of internal audit depends on management appreciation of its value, which is not apparent. Response to audit recommendations is far from systematic and often delayed, as documented in audit report summaries of the status of prior recommendations. Audit Committees comprising independent professionals from other sectors and former civil servants, as required by the PFAA 2003, are slowly being established. Of the 14 envisaged, only 2 were operative at November 2008. Due to their infancy, it is too early to assess their impact. Their functions, regulated by a Charter issued in September 2008, include the monitoring of action on recommendations.

Internal audit is being assisted by FINMAP, in particular its decentralization, the establishment of Audit Committees to raise demand for improved internal control and audit, and capacity building of internal audit staff.

3.5 ACCOUNTING, RECORDING, AND REPORTING

	Scores November 2005		**Scores November 2008**		**Analysis of Change**
PI 22 Timeliness and regularity of accounts reconciliation	**C+**	(i) B (ii) C	**B**	(i) B (ii) B	The introduction of IFMS has decreased backlog and improved timeliness.
PI 23 Availability of information on resources received by service delivery units.	**B**	(i) B	**B**	(i) B	No change, except that in 2005 health information was rated highly and education poorly, the opposite of this assessment
PI 24 Quality and timeliness of in year budget reports	**D**	(i) D (ii) D (iii) D	**C+**	(i) A (ii) C (iii) C	Implementation of IFMS has significantly improved quality and timeliness of in-year reporting
PI 25 Quality and timeliness of annual financial statements	**B+**	(i) B (ii) A (iii) B	**C+**	(i) C (ii) A (iii) C	No real change. Dimension (iii) appears over-rated in 2005.

PI-22 Timeliness and regularity of accounts reconciliation

Dimensions to be assessed (Scoring method M2):

(i) Regularity of bank reconciliations.

B. The introduction of automated bank reconciliation within IFMS has significantly improved this function that takes place monthly, usually within 4 weeks from the end of the month.

(ii) Regularity of reconciliation and clearance of suspense accounts and advances.
B. Reconciliation and clearance of suspense accounts and advances take place annually in general, within two months of end of year, but some accounts have uncleared balances brought forward.

Regularity of bank reconciliations

With the rollout of IFMS, reconciliations for MDAs that are connected are conducted on a monthly basis. According to Auditor General and BoU, 80 percent of transactions are automatically reconciled by IFMS once BoU transactions are uploaded to the system. The remainder of IFMS transactions requires manual intervention to complete reconciliation. For the most part, unreconciled transactions are either purchases of goods from suppliers without accounts in Uganda or transactions where recipient's accounts were closed or information was incorrect. Accordingly, the MoFPED, as of November 2008, has no backlogs of unreconciled transactions. The MDAs not yet connected to IFMS are required to manually reconcile their transactions. The MoFPED has stated that even non-IFMS MDAs are not behind on reconciliations. The MoFPED has taken steps to move all government bank accounts from commercial banks to BoU. It is unclear how many commercial accounts remain, and consolidation of these is not managed through IFMS nor are they so closely monitored.

Regularity of reconciliation and clearance of suspense accounts and advances

The GoU does not conduct monthly reconciliations on the advance accounts. Reconciliations are made annually, normally within two months of the end of the year. The Auditor General's 2007/08 report indicates that accounts where outstanding advances had not been cleared amounted to Shs 75 bn.

The GoU does not maintain suspense accounts.

PI-23 Availability of information on resources received by service delivery units

Dimension to be assessed:
Collection and processing of information to demonstrate the resources that were actually received (in cash and kind) by the most common front-line service delivery units (focus on primary schools and primary health clinics) in relation to the overall resources made available to the sector(s), irrespective of which level of government is responsible for the operation and funding of those units.
B. For primary education, data on the reception and use of resources by districts and schools is compiled regularly and reported on a quarterly basis. For primary health clinics, little information is being collected on the reception and use of resources, and no survey has been conducted in the past three years.

In both health and education, funds are released to districts on a quarterly basis. The districts are then responsible to distribute them to primary health care clinics and primary schools. In both sectors, guidelines are in place to ensure that the service-delivery units compile data on the reception and use of resources on a quarterly basis. Also on a quarterly basis, districts are required to inspect the service-delivery units and report back on their findings as well as on their own resource allocation activity.

In the education sector, schools receive funding through the Capitation Grant, whereby per district funding is determined by the number of pupils in a district. USAID surveyed the Capitation Grant in 2006, revealing an average fund diversion of 20 percent in selected districts. Over 50 percent of schools were reporting on the use of resources, and over 50 percent of districts were satisfactorily accounting for their allocation activities. Since then, data by both schools and districts are being compiled routinely, also as a result of the Ministry of Education's policy of not sending resources to noncompliant districts. As of November 2008, there were only 7 out of 93 districts not complying. Moreover, the Ministry of Education performs inspection and assessment fieldtrips to districts and primary schools at least annually. For FY2007/08, it found that diversion of funds had been reduced to 5 percent, down from the 20 percent in 2006. This being said, schools are still reporting a delay in the disbursement of funds, which, for the schools in noncomplying districts, is obviously further aggravated by the Ministry's policy. Moreover, the Ministry is not reporting the findings of its inspections systematically and is slow in addressing the shortcomings stemming from the USAID survey and the data compiled at the service-delivery level.

In the health sector, no mechanism is in place to ensure compliance with the above-mentioned guidelines. So the majority of primary health care clinics and districts are not accounting for the resources received. As a result, and in the absence of a survey in the past three years, it is difficult to assess the level of resources received by service delivery units. The little information that is available is in line with the most recent study in this area. The 2006 value-for-money audit by the OAG reported the following findings: there is no clear method of bookkeeping in districts or in primary health care units; districts do not use a systematic method to assign funds to primary health care units; and it is likely that a substantial amount of fund diversion is taking place, as some districts can account for only half of the resources designated for a given activity. The indicator is rated B on the primary school data alone.

PI-24 Quality and timeliness of in-year budget reports

Dimensions to be assessed (Scoring method M1):

(i) Scope of reports in terms of coverage and compatibility with budget estimates

A. Classification of data allows direct comparison to the original budget in detail, and covers both commitment and payment stages of expenditure

(ii) Timeliness of the issue of reports.

C. Reports are prepared at least quarterly (excluding the first quarter) and issued within six weeks of the end of quarter.

(iii) Quality of information.

C. There are some concerns about the accuracy of commitment data, but these do not fundamentally undermine the usefulness of the reports.

The MDAs not yet connected to IFMS submit monthly reports of revenue and expenditure to the Accountant General. The data are believed to be reliable, except for commitments data. Externally funded project expenditure is excluded. Reports are submitted within 45 days of the end of quarter.

All Central Government MDAs[28] prepare and submit their financial statements for the first 6 months of the year (July-December) and then for the first 9 months (July-March). They are due within two months of the end of period, and this is enforced by holding releases until the previous period is accounted for. Since 2006/07, reporting has changed from budget releases to actual expenditure. Reports are classified in the same way as the budget. Period-end adjustments are made as for annual financial statements (see PI-25). Financial reporting templates, a Financial Reporting Guide 2008, an end-of-year circular, and an annual reporting workshop are provided to assist the MDAs.

PI-25 Quality and timeliness of annual financial statements

Dimensions to be assessed (Scoring method M1):
(i) Completeness of the financial statements.
C. A consolidated government statement is prepared annually. Information on revenue, expenditure and bank account balances may not always be complete, but the omissions are not significant.
(ii) Timeliness of submission of financial statements.
A. Consolidated financial statements were submitted within the statutory 4 months after the end of the FY, except for 2006/2007, when they were submitted one day late. Some MDAs have submitted their accounts late, but still within 6 months after the end of the FY.
(iii) Accounting standards used.
C. Statements are presented in a consistent format over time. Though IPSAS are the standards aspired to, their requirements are not yet met in important respects

Completeness of the financial statements

Consolidated financial statements are produced annually and cover all MDAs. They include assets and liabilities, revenue and expenditure, a consolidated cash flow statement, public debt, advances and loans, and commitments outstanding at year-end; in addition, they include a statement of revenue arrears, a statement of government investments in equity and securities, contingent liabilities, losses, and a statement of physical assets. However, both the 2005/06 and 2006/07 statements received qualified opinions by the OAG. The 2005/06 opinions related to incomplete reporting of government loans to private enterprises, investments, and bank reconciliations. The 2006/07 opinion related to incomplete information on government bank accounts and unreliable figures reported for foreign debt, equity, and government bonds. Since then, the reliability of the investment ledger has improved, and the BoU has increased the information it provides the Accountant

[28] Excluding government business enterprises, local governments and tertiary educational institutions, for which the Central Government statements show only transfers to and from the Central Government. All MDAs are required to submit monthly statements using the same chart of accounts, either electronically through IFMS or manually.

General on government bank accounts. The Statements for 2007/08 received an unqualified opinion from the Auditor General.

Timeliness of reporting is still a concern. Employee costs and other such items were found to be misstated (see PI-18). Reporting on externally financed projects and contingent liabilities is incomplete. All these issues have a direct impact on the reliability of the figures reported for revenue, expenditure, assets, and liabilities.

The MDAs are required to submit their final accounts within three months after the end of the fiscal year to the OAG and Accountant General. The consolidated government financial statements are then prepared by the Accountant General and submitted to the OAG within an additional month. For the last three years these were produced and submitted to the OAG within the statutory four-months period. As for the individual accounts, these were submitted late by several MDAs in both FY2005/06 and 2006/07. This raises doubts on the completeness of the consolidated statements, as some MDAs submitted their individual accounts after the consolidated accounts were issued.

The consolidated financial statements are prepared in accordance with the provisions of the 2003 PFAA, and with the following accounting policies: no depreciation (fixed assets are fully expensed at time of purchase) and advances, other receivables and investments are recorded at historical cost. These policies are appropriate and appear to have been consistently applied. In addition, the accounts state that they follow the modified cash basis of accounting: in the GoU case, the cash basis is followed for all items except for expenditure and tax revenue for which the accruals method is applied. As a result, end-of-year adjustments are undertaken to include prepayments in assets, and exclude them from expenditure. Vice versa, invoices received but not paid at year-end are accrued. Tax revenue is also included in assets if the corresponding cash has not been received. The statements claim to be “largely in accordance with IPSAS”, and it is the intention to move from the modified cash basis to full accrual IPSAS. At present the statements do not meet IPSAS cash-basis[29] requirements in the following respects:

- Accounts for all extra-budgetary bodies and parastatals are not presented (the IPSAS requires presentation of financial statements for all “controlled” entities);
- External project assistance is not fully captured;
- Contingent liabilities are significantly incomplete as they do not include guarantees on loans to parastatals or unverified arrears (see PI-4).

The current understanding of contingent liabilities and their treatment is inaccurate and is likely to add to the incompleteness of the statements in this respect. In the statement and the related notes, what are presented as contingent liabilities appear to be provisions, given that they all relate to present obligations from past events. The accounts do not cover the other case, namely, the probability of an outflow of economic resources. Such case, if a reliable estimate (more likely than not) can be made, under full accrual accounting should be recognized as a provision, otherwise simply disclosed as a contingent liability.

[29] International Public Sector Accounting Standard, *Cash Basis IPSAS-Financial Reporting Under the Cash Basis of Accounting*, issued January 2003, updated 2006 and 2007.

The approved estimates that are included in the statement of revenues and expenditure by vote refer to the last budget revision, rather than the approved budget, which entails that the under/over performance presented does not relate to the whole year, but to the last quarter only. This makes the information conveyed on budget performance misleading.

3.6 EXTERNAL SCRUTINY AND AUDIT

	Scores November 2005		**Scores November 2008**		**Analysis of Change**
PI-26 The scope, nature and follow up of external audit	**C+**	(i) C (ii) A (iii) C	**C+**	(i) A (ii) B (iii) C	Real improvement. OAG now has financial independence, financial audit is systemic and covers statutory corporations. Since 2006, OAG also undertakes performance audits. Timeliness of audit reports slipped in 2005/06 and 2006/07 No change on follow-up.
PI-27 Legislative scrutiny of the annual budget law	**C+**	(i) A (ii) B (iii) A (iv) C	**C+**	(i) A (ii) A (iii) A (iv) C	Development of parliamentary review of estimates earns a higher rating, but overall score is unchanged.
PI-28 Legislative scrutiny of external audit reports.	**D+**	(i) D (ii) C (iii) C	**D+**	(i) D (ii) A (iii) D	No change for dimension (i). Dimension (ii) was downrated in 2005 on lack of technical capacity, but the PAC meets all the criteria required for an A rating. No real change on dimension (iii). In both assessments, no recommendations had been issued by the legislature in the relevant period (previous 12 months).

PI-26 Scope, nature and follow-up of external audit

Dimensions to be assessed (Scoring method M1):

(i) Scope/nature of audit performed (incl. adherence to auditing standards).

A. All entities of central government, now including parastatals, are audited annually covering revenue, expenditure and assets/liabilities. Performance audits are performed and generally adhere to auditing standards. Tools for audit preparation adhere to international standards, and audits are thus focused on significant and systemic issues.

(ii) Timeliness of submission of audit reports to legislature.

B. Audit reports including audited financial statements have been submitted to Parliament for the last two years within six or seven months of the receipt of financial statements.

(iii) Evidence of follow up on audit recommendations.

C. Auditor General Reports evidence a fair degree of delayed response by managers, despite the deadlock in the formal implementation process.

Scope/nature of audit performed.

The Auditor General carries out a financial audit of Central Government annually, covering all ministries, agencies, referral hospitals, and missions. Financial audit methodologies conform to international standards: they are based on systematic risk assessments, audit plans, and reliable audit sampling techniques with the assistance of audit-specific computerized systems such as IDEA and TeamMate. The audit areas comprise compliance, reliability of financial statements, internal controls, and procurement systems. Revenue and expenditure, assets and liabilities, as well as contingent liabilities are also systematically examined. The ensuing annual report includes the consolidated financial statements.

Since 2006/07, the OAG has started undertaking a systematic audit of statutory corporations, the results of which are published annually as a separate volume to the main financial audit report. Previously, severe shortcomings in the audit of statutory corporations had also jeopardized the rating. As of November 2008, however, all available accounts for FY2006/07 had been audited, covering around 70 percent of corporations in terms of size (see PI-9). The backlog was also being addressed, with earlier accounts audited for the remaining ones. Starting this year, a regular performance audit or value-for-money audit has also begun, the results of which will also be reported annually, though the office has already been performing value-for-money audits for the past two years. The Auditor General is a member of International Organization of Supreme Audit Institutions and has attained independence with the National Audit Act effective October 2008.

Timeliness of submission of audit reports to legislature

In contrast to the improvement in scope and quality, timely submission of the accounts has actually deteriorated since 2006; both the 2005/06 and the 2006/07 reports were delivered to Parliament after the statutory 9 months. The former was almost 5 months late due to elections, and the latter one month late due to absence of the Auditor General. In addition, the audit of parastatals, though now performed, is far from being completed in a timely manner, mostly due to the above-mentioned backlog of accounts.

Evidence of follow up on audit recommendations

There has been little or no improvement on implementation of recommendations. The Executive is only required to act after the formal management response to audit recommendations included in the PAC report has been debated in Parliament (see PI-28). This process is politically delayed: as of November 2008, reports for 2001/02 through 2004/05 were completed but had yet to be debated. Likewise, no Treasury Memorandum has been issued since then, so no official status of implementation is available. This being said, records of implementation status presented in the Auditor General's Reports, as well as the implementation of their recommendations regarding the internal audit (see PI-21), show that a good proportion of external audit queries are being addressed despite the blockage in the formal process.

PI-27 Legislative scrutiny of the annual budget law

Dimensions to be assessed (Scoring method M1):

(i) Scope of the legislature's scrutiny.

A. The legislature's review covers fiscal policies, medium term fiscal framework, medium term priorities as well as expenditure and revenue.

(ii) Extent to which the legislature's procedures are well-established and respected.

A. The procedures for budget review are firmly established and respected. They include specialized review committees and negotiation procedures.

(iii) Adequacy of time for the legislature to provide a response to budget proposals both the detailed estimates and, where applicable, for proposals on macro-fiscal aggregates earlier in the budget preparation cycle (time allowed in practice for all stages combined).

A. The legislature has at least two months to review the budget proposals.

(iv) Rules for in-year amendments to the budget without ex-ante approval by the legislature.

C. Clear rules exist, but they allow extensive administrative re-allocation as well as expansion of total expenditure

For each ministry, the National Assembly has a sessional committee that reviews its proposed budgets and legislation. Each minister presents a policy statement for the coming year. The sessional committee has High Court powers and can call the minister to appear before it and submit to questioning.

Following the revision by Cabinet of the preliminary budget estimates, the Budget Committee reviews the position and provides its feedback before the budget is presented to the Assembly by the Minister of Finance. The Government presents a macro-economic plan, fiscal and monetary programs for economic and social development for a 3-year period, and estimates of revenue and expenditure covering both the new financial year and the 3-year horizon (medium-term planning period). A number of other reports are presented: for example, the Minister of Finance presents data on value for money in relation to specified targets in the budget and specified data on the national debt and the total sum of grants received by the state and achievements obtained through these grants.

The budget is presented about June 15, only 2 weeks before the start of the year. This does not limit the time allowed for full parliamentary debate as the law allows the Assembly to appropriate the budget up to 3 months after the start of the financial year, and this is done usually by end August. The period for debate is therefore more than 2 months. In addition, the Budget Committee reviews the budget proposals prior to their submission to the Assembly and this amounts to an elapsed period of 4-6 weeks.

There are clear rules for in-year budget amendments above the level of MDA allocations. Section 12 of the Budget Act states that the total supplementary expenditure that requires additional resources over and above what is appropriated by Parliament shall not exceed 3 percent of the total approved budget for that financial year without prior approval of Parliament, and shall then be accounted for to Parliament within 4 months. Three supplementary estimates, amounting in total to 4.5 percent of total expenditure, were submitted to Parliament for 2007/08. The Act also allows for administrative re-allocation. It is understood that these rules have generally been respected.

The ability of all parties to carry out their functions is limited. The Parliamentary Strategic Investment and Development Plan 2007-2011 and the FINMAP program address the need for the improvement of the capacity of committee members to carry out their role.

PI-28 Legislative scrutiny of external audit reports

Dimensions to be assessed (Scoring method M1):

(i) Timeliness of examination of audit reports by the legislature (for reports received within the last three years).

D. The scrutiny of audit reports is not completed by tabling and debate of the PAC report in the full house.

(ii) Extent of hearings on key findings undertaken by the legislature.

A. Hearings on key findings do take place with the responsible officers from all audited entities.

(iii) Issuance of recommended actions by the legislature and implementation by the executive.

D. No recommendations have been issued by the legislature (in the last 12 months).

The Public Accounts Committee consists of 25 members who are appointed in proportion to party composition in Parliament and chaired by an opposition member.

Table 3.6 sets out the status of PAC scrutiny of the Auditor General's report and debate by Parliament.

Table 3.6. Status of Reports on Central Government Accounts

	2000/01 [a]	*2001/02*	*2002/03*	*2003/04*	*2004/05*	*2005/06*	*2006/07*	*2007/08*
Auditor General Report Issued	YES	YES	YES	YES Mar 31, 2005	YES Mar 31, 2006	YES Aug 20, 2007	YES Apr 30. 2008	YES Mar 31.2009
PAC Report Completed	YES	YES	YES	YES	YES	WIP [b]	WIP	NO
Report debated by Parliament	YES	NO	NO	NO	NO	NO	NO	NO
Treasury memorandum issued by MoFPED	YES	NO	NO	NO	NO	NO	NO	NO

[a] Refers to the year of the accounts.
[b] WIP–Work in progress.

In-depth hearings take place with the bodies concerned by the audit reports. Unlike in 2006, FINMAP gives technical and financial support to committee members to assist them in the understanding of audit queries and the importance of implementing recommendations. Moreover, FINMAP is also providing financial assistance to enable committee members to attend the hearings while Parliament is in recess, given the level of time commitment imposed by the huge backlog of audit reports. Nonetheless, as in 2006, the fact that the queries are so outdated still jeopardizes their understanding or makes them obsolete. As in 2006, the fact that many of the concerned officials have moved since the audit report under review also undermines accountability.

The PAC report presents the management response to external audit queries. The ones endorsed by Parliament are issued as recommendations. The status of their implementation is then outlined in the MoFPED-issued Treasury Memorandum to inform Parliament of the actions taken. In the last two years, the PAC has completed its reports for the years 2001/02 up to 2004/05, but they are yet to be debated in the plenary so that recommendations can be forwarded to the Executive for implementation. The Treasury Memorandum can only be published after the PAC report is debated and approved by the plenary of Parliament. As a result, the backlog in parliamentary debate is delaying the implementation of recommendations. The PAC intends to complete its 2005/06 report and 2006/07 report by end March 2009, and 2007/08 report by end June 2009, but their impact will depend on approval by the plenary and follow up by MoFPED.

At November 2008, the Committee on Commissions, Statutory Authorities and State Enterprises had an even greater backlog, also due to the delay in financial statements and audits (see PI-9 and PI-26). After being dormant in the last Parliament, COSASE has been revived and is reviewing the performance of each statutory authority over all the years for which it has accounts. Reports have been tabled on 6 out of 77 authorities. As with the PAC, meetings are open to the media and members of the public.

3.7 DONOR PRACTICES

	Scores June 2006		**Scores November 2008**		**Analysis of Change**
D-1 Predictability of direct budget support.	**C+**	(i) B (ii) C	**D**	(i) D (ii) D	Real deterioration in the predictability of amount and timing of budget support
D-2 Financial information provided by donors for budgeting and reporting on project and program aid.	**D+**	(i) B (ii) D	**C**	(i) C (ii) C	Real improvement, though incomplete and late
D-3 Proportion of aid that is managed by use of national procedures	**C**		**D**		No real change

D-1 Predictability of Direct Budget Support

Dimensions to be assessed (Scoring method M1):

(i) Annual deviation of actual budget support from the forecast provided by the donor agencies at least six weeks prior to the government submitting its budget proposals to the legislature (or equivalent approving body).

D. In at least two of the past three years, budget support fell short of the forecast by more than 15 percent.

(ii) In-year timeliness of donor disbursements (compliance with aggregate quarterly estimates)

D There is no projected breakdown of budget support by quarter

Direct budget support (both general and sector budget support) for the last three financial years 2005/06, 2006/07, and 2007/08 is shown in Table 3.7:

Table 3.7. Budget Support

	US$ million		
	FY2005/06	***FY2006/07***	***FY2007/08***
Forecast	544.6	458.0	455.7
Disbursements	306.9	670.8	278.6
Performance	56%	146%	61%

Source: MoFPED Budget Performance Reports for each year, Table 3.2, 3.1 and 3.3, respectively

The deviation of actual disbursement from projections is attributed to:

- Delays by GoU in fulfilling donor pre-conditions;
- Delays in securing parliamentary approvals for loan components (e.g., World Bank PRSC loan component for 2005/06 delayed into 2006/07);
- Delays in some donors' internal procedures; and
- Accounting classification errors (e.g.. part of World Bank disbursement to Thermal Project intended as project support but re-classified to budget support; some non-cash debt cancellation from Multilateral Debt Relief Initiative projected as resource inflow).

D-2 Financial information provided by donors for budgeting and reporting on project and program aid

Dimensions to be assessed (Scoring method M1):

(i) Completeness and timeliness of budget estimates by donors for project support.

C. At least half the donors (including the five largest) provide complete budget estimates for disbursement of project aid for the coming fiscal year at least 3 months before its start. Donors may use their own classification rather than IFMS classification.

(ii) Frequency and coverage of reporting by donors on actual donor flows for project support.

C. Donors provide quarterly reports within two months of end-of-quarter on disbursements for al least 50% of externally financed projects in the budget. The information is not necessarily classified consistently with the IFMS classification.

Information provided by donors for budgeting and reporting on project and program aid has improved significantly, although there are still concerns over its completeness and timeliness. However for forecasting purposes, the main donors provide estimates of project aid in a format that is neither consistent with the government's classification nor delivered in a timely manner. Information on actual expenditure, although improving, is still late.

Project support through grants and loans for the last three years is shown in Table 3.8:

Table 3.8. Project Support

	US$ million		
	FY2005/06	***FY2006/07***	***FY2007/08***
Forecast	1,016.3	1,045.3	540.1
Disbursements	1,016.8	1,115.0	402
Performance	100.1%	106.7%	74%

Source: MoFPED Budget Performance Reports for each year, Table 3.1, 3.2 and 3.4 respectively

There are major timing differences and possibly definitional differences between data in Annual Budget Performance Reports, the Annual Development Cooperation Report, and data from the Donor Working Group, both on budget support and project support. Annual Budget Performance Reports also revise their data (e.g., the 2006/07 Report shows project disbursements of US$870.7 million, whereas the 2007/08 Report shows a revised figure for 2006/07 of US$1,115.0 million.

D-3 Proportion of aid that is managed by use of national procedures

Dimensions to be assessed:

Overall proportion of aid funds to central government that are managed through government procedures.

D. Less than 50 percent of aid funds to central government are managed through national government procedures

While all budget support uses national government procedures, project support largely uses the procedures of the respective donors. It is believed that almost all projects use donor procedures on procurement, payment/accounting, and reporting, while all donors except USAID and European Commission use the Auditor General (in accordance with the

Constitution) for audit of projects they support. In 2006/07 (the latest year for which project data are available), donors other than USAID and European Commission disbursed 39 percent of all project aid. Thus, weighting each procedure equally, the average use of government procedures in project aid is about 10 percent. This percentage is applied to all project aid in Table 3.9.

As the proportion of budget support in the total flow of aid is increasing, and development partners are moving toward greater alignment with governments and compliance with the Paris Declaration, re-affirmed at Accra in November 2008, it is expected that the overall proportion of aid using government procedures will soon exceed 50 percent, and allow a higher rating of this indicator.

Table 3.9. Project Aid

	TOTAL	*Government procedures*	*Donor procedures*
Budget support	278.6	278.6	-
Project support	402.0	40.2	361.8
Total	680.6	318.8	361.8
% of total aid funds	100%	46.8%	53.2

Sources: Development Cooperation Report 2006/07; interviews with development partners, Aid Liaison Department and Auditor General.

3.8 COUNTRY SPECIFIC ISSUES: ANTI- CORRUPTION

In implementing an holistic anti-corruption strategy, the Inspectorate of Government was established by the GoU in 1986 as the center of the Government's anti-corruption strategy. The Inspectorate of Government commissioned National Integrity Surveys in 1998 (the baseline year) and 2002 to develop empirical information to inform the GoU, civil society, and the private sector and assist them in formulating and implementing policies and programs to improve governance and reduce corrupt practices. A third National Integrity Survey was completed in 2008. Table 3.10 shows Uganda's corruption ranking by Transparency International for the period 2003 to 2008.

Table 3.10. Uganda's Ranking in Transparency International Corruption Perception Index

Year	*Position*	*Total number of countries*	*Ranking from the bottom*	*Score*
2003	113	133	17th	2.2
2004	102	146	40th	2.6
2005	117	159	34th	2.5
2006	105	163	53rd	2.7
2007	111	179	64th	2.8
2008	126	180	49th	2.6

Note: The ranking from the bottom shows the actual position from the bottom in terms of scores and ignores the fact that there are sometimes more than one country with the same score.

Apart from the Inspectorate of Government, the Directorate for Ethics and Integrity was established within the Office of the President in 1997. The Public Procurement and Disposal of Public Assets Authority was established in 2003. Other anti-corruption entities include the OAG, the Director of Public Prosecutions and the Criminal Investigation Department of the Police. Together these (and other) agencies form part of what is termed the accountability sector; and their activities are coordinated through an Inter-Agency Forum, an important step in ensuring a coordinated approach to the fight against corruption. A revised Prevention of Corruption Bill was presented to the Cabinet in April 2007 and enactment of the whistleblower legislation is imminent. A new Anti-Corruption Court[30] has been established and has started its first case. A consultative process has been launched to develop the next National Anti-Corruption Strategy under which a number of initiatives and institutional arrangements will tackle corruption. As it now stands, penalties under the Prevention of Corruption Act 1970 are inadequate and ineffective (Inspectorate of Government Report). The current Millennium Challenge Corporation program is an incentive for such reforms. This offers aid for infrastructure and other programs, if certain governance indicators are met.

[30] For the time being, the Anti-Corruption Court is set up administratively as a unit under the Judiciary in the same way as the Commercial Courts.

4 GOVERNMENT REFORM PROCESS

The main PFM reform program in Uganda is the Financial Management and Accountability Program, which commenced in January 2007 and is being implemented over a 4.5-year period within a budget of US$70 million (see Annex A on progress to June 2008). FINMAP is financed by GoU and development partners through a basket fund established by a memorandum of understanding between GoU and Ireland, Norway, Sweden, the United Kingdom, and (from 2008/09) the European Commission. The World Bank supports specific FINMAP activities.

4.1 Recent and on-going reforms

Previous evaluations of public financial management and accountability systems in Uganda[31] resulted in MoFPED instituting Economic and Financial Management Programs (EFMP-I and -II) with World Bank and bilateral support, and a complementary DFID-funded Financial Accountability Program. These centrally managed programs resulted in the adoption of a new legislative framework for budget, procurement, and financial management and have facilitated the rollout of the Oracle-based IFMS to 19 out of 21 Central Government ministries and 14 higher-level local governments (though not yet to the 62 non-ministerial budgetary agencies or the 49 autonomous government agencies). They have also delivered major training programs covering most accountants and auditors in Central and local government. The number of qualified accountants in Central and local government has increased from 12 in 1999 to 253 in 2006. Recent progress has been made in implementation of electronic funds transfer, clearing the backlog of the 3 parliamentary accountability committees, publication of the Government's debt strategy, and moves to improve budget planning and reporting.

The FINMAP covers the entire financial management process from planning and budgeting to oversight by Parliament. Overall coordination is a responsibility of the Ministry of Finance, Planning and Economic Development, with the Deputy Secretary to the Treasury as Task Manager. The FINMAP components are implemented by MoFPED Directorates, Ministry of Local Government, the Office of the Auditor General, Parliament, Ministries, Departments, & Agencies and Local Governments. The Public Procurement and Disposal of Public Assets Authority joined the FINMAP funding effective July 2008; but by the time of the assessment, it was yet to access funds as work plans were still being finalized.

The FINMAP is designed to support the GoU poverty reduction goals, in particular the Economic Management and Good Governance objectives of the Poverty Eradication Action Plan, and is established within the accountability sector of the Medium-Term Expenditure Framework. The FINMAP design is based on past diagnostic reviews, in particular the PEFA review of November 2005, and broad stakeholder consultations and extensive discussions between GoU and development partners. A National Development Plan will replace the PEAP, but the development objective addressed by FINMAP remains relevant and no major shift in direction is anticipated with regard to the activities planned.

[31] EFMPII design studies (1998/99), CFAA/CPAR (2001), HIPC Tracking Study (2001/2), Review of Local Government PFM (2003), annual Public Expenditure Reviews.

Planned reforms are integrated with the workplans of implementing agencies and are implemented as part of their mainstream activities. Coordination, financial/funds management, procurement, and technical assistance are provided to component managers by the FINMAP Support Team.

The PFM key results matrix (Annex A) provides a framework for monitoring performance. Currently, the FINMAP is being reviewed in the light of the platform approach of the Joint Budget Support Framework.

Links have been developed with the Decentralization and Public Sector Reform programs. The Public Investment Plan 2007/08-2009/10 contains 31 projects in the accountability sector, including Norwegian and AfDB assistance to the OAG.

4.2 Institutional factors supporting reform planning and implementation

Uganda has a highly complex institutional structure for PFM reform. Since 2003 at the top level, the Prime Minister chairs a Cabinet subcommittee on policy coordination; the Cabinet Secretary chairs an Implementation Coordination Steering Committee (ICSC); and the Permanent Secretary, Office of the Prime Minister, chairs a multisectoral technical committee.

Below this intersectoral superstructure, the PFM falls within the mandate of the Accountability Sector Working Group, which is weakly linked with the ICSC. The Accountability Sector Working Group is the mechanism through which FINMAP is linked with the GoU planning and budgeting process, and other development and reform programs falling under the sector such as anti-corruption efforts guided by the National Anti-Corruption Strategy. Meeting quarterly, the Accountability Sector Working Group comprises MoFPED (chair), OAG, MoPS Inspectorate Department, MoLG Inspectorate Department, Inspector General of Government (Ombudsman), URA, Uganda Bureau of Statistics, Directorate of Ethics and Integrity in the Office of the President (Secretariat), PPDA, and representatives of development partners. A Secretariat was established in June 2007, and a number of further committees and sub-committees at different levels are planned.

The Public Expenditure Management Committee is the overseeing committee for FINMAP. It is chaired by the Permanent Secretary/Secretary to the Treasury and includes representatives of development partners in its membership that meets approximately quarterly. It is responsible for policy guidance and monitoring of all PFM reforms in GoU. The executive officers having functional responsibilities are assigned clear responsibility for the respective reform activities. Each component is led by a senior manager from the most relevant government department, and the component manager is fully responsible and accountable for implementation and results within his or her component.

FINMAP provides the Secretariat to PEMCOM. The Accountability Sector Working Group has drafted an Accountability Sector Strategic and Investment Plan 2008-13 (draft 5, October 2008). This has a wider functional and institutional coverage than FINMAP. It defines four strategic objectives:

- Enhanced value for money and accountability,
- Improved effectiveness and impact of accountability policy and action (compliance with regulatory framework),

- Accountability sector able to implement a broad accountability agenda (capacity building),
- Strengthened public demand for accountability.

The Accountability Sector Strategic and Investment Plan includes an overall results framework and planned outcomes, indicators, outputs, means of verification, activities, and critical success factors for each strategic objective. A key results matrix for effective monitoring is being developed.

Sustainability: FINMAP includes a sustainable human resource strategy, which plans the knowledge transfer and capacity building for government staff as well as plans for merging project staff into the mainstream civil service. The FINMAP Secretariat facilitates implementation of activities and ensures capacity building and mainstreaming of activities to ensure sustainability when the program ends.

Donor coordination: There is a PFM Donor Group, chaired at present from DFID, and includes representatives from World Bank, European Commission, Sweden, KfW and about 10 other development partners. The core group meets monthly and reviews FINMAP workplans and progress. It is represented on PEMCOM and liaises regularly and actively with the FINMAP Secretariat.

ANNEX A. FINMAP PROGRESS (AS OF JUNE 30, 2008)

1. Improved Macroeconomic Management

PFM Outcome	Component	PFM Policy Actions	Expected Outputs by June 30, 2008 (Target)	Achieved by June 30, 2008
1.1 Improved Macroeconomic Management	1 & 3	Consolidated guidelines and regulations for acquisition of debt gazetted into regulations	Debt regulations available for use	• Finalized debt regulations and shared with management. • Considering proposal to prepare debt law (Act)
	1 & 3	Institutional debt management framework and guidelines developed and legislators sensitized on the new framework	Regulations for debt management developed.	• Debt strategy was published. Copies are available in the Resource Centre at MoFPED. The document is also available on the MoFPED website at http://www.finance.go.ug/docs/debt%20strategy.pdf • Internal Audit carrying out verification of arrears
	1 & 3	Build capacity in debt management and analysis	Debt Management and analysis improved	• Debt Management and Analysis improved as a result of training 9 staff in Capacity.
		Prepare Debt Analysis reports	Debt Analysis reports produced and available for use by management	• Debt status/analysis report for the period ended March 2008 was submitted to Macro economic department which forms part of the annual debt paper presented to parliament
1.2. Improved management of donor and capital inflows	1	Develop an appropriate mechanism for capturing and monitoring donor and capital inflows	Agreed template in place	Template was developed and used to collect data as follows: • Collected and compiled data on donor support from all Local Governments (100%) • Collected and compiled aid data on both Project and budget support from donors • Reconciliation and analysis of the existing data sets on donor inflows is On going between BoU, MFPED

PFM Outcome	Component	PFM Policy Actions	Expected Outputs by June 30, 2008 (Target)	Achieved by June 30, 2008
				and donors
1.3 Improved policy formulation, analysis and based on models and research	1	Construct data warehouse and country specific macro-economic forecasting model	Database established to support planning	• Not yet established. The procurement process almost completed. Data collection of the variables that will go into the macro economic forecasting model has been completed
	1	A committee to vet and approve proposals for research in place and train staff in research skills and methodology	Committee in place and sits at least quarterly	• Committee not yet in place
	1	Research on pro-poor nature of expenditures completed and findings disseminated	Reports produced and disseminated	Yet to be done
	1 & 6	Harmonize policy, planning and budgeting framework clarifying the role of the institutions	Agreed planning framework documented	Yet to be done
Improved Revenue Policies 1.4 Improved tax and non-tax revenue (NTR) collection	1	Non tax revenue policy and legislative framework developed	Draft proposals for policy framework in place	• Prepared an implementation framework for the gaming, casino & stamp duty. • Initiated an exercise to review excise duty law
	1	Proposals for revising NTR rates prepared, and new rates for NTR adopted and implemented	Framework for revision of NTR rates under discussion	• Discussions are on-going, with reviews to be done by January 2009
	1	Policy for broadening the tax base approved by Cabinet	Draft proposals for widening of tax base in place	• Proposed NTR reforms incorporated in the FY08/09 budget speech
	1	Increase percentage of budget which is financed by local revenue to at least 60%	National budget demonstrates reduced dependency on external finance	70% of the budget for FY 2008/09 to be funded from domestic resources (Budget speech)
	1	Develop a comprehensive NTR database	Database in place	• NTR data base developed is under review
1.5. Improved Revenue Collection in Local	5	Once local taxation policy is approved, ensure that adequate, robust provisions for transparency registration, assessment,	Policy guidelines on G-Tax compensation drafted	• The Local Governments (Amendment) Act (No. 2) 2008 provides for a transitional provision that government shall continue to contribute 45 billion for

PFM Outcome	Component	PFM Policy Actions	Expected Outputs by June 30, 2008 (Target)	Achieved by June 30, 2008
Governments		arrears and appeal is in place		a continuous period of 3 years. • New hotel tax and local service tax (LST) in place. • Guidelines for administration of both taxes have been finalized and disseminated. • Both taxes are effective from FY 2007/08.
		Issue and Implement G-Tax compensation policy	G-tax compensation policy guides local government planning	Same as above.

2. Improved Management of the Budget Process and Reporting

PFM Outcome	Component	PFM Policy Actions	Expected Outputs	Achieved by June 30, 2008
2.1 Improved Management of the national budget and reporting process	2	Public Expenditure: GoU has agreed with stakeholders on the MTEF, which is consistent with PEAP for 2008/09 – 2010/11	Revised MTEF ceilings in place	• Revised the MTEF to reflect the allocations for FYs 2008/09-2012/13 and the revised position was communicated to all sectors
	2	Revised format for 2007/08 MTEF, highlighting changes in allocations relative to previous forward estimates, and with clearer relationship to PEAP, integrating the Poverty Action Fund within it	Framework for review of MTEF agreed	• Finalized and communicated the final MTEF ceilings for FY 2008/09 and the Medium Term • Interfaced MTEF & Poverty Action Fund with IFMS
	2	Identify activities for deepening public access to budgetary information providing the basis for enhanced accountability Quality Assurance of IFMS Budget Performance reports done Deployment and Implementation of Oracle Discoverer	Oracle Discoverer being used for OFA functionality	• Disseminated budget documents e.g. the budget speech, budget estimate book & budget pull out in the newspaper. • Interface between the MTEF and IFMS done
	2	Review the mechanisms for capturing donor program funding in the budget and develop guidelines and a system to ensure it is integrated with the MTEF and budget process, and aligned with PEAP	Consultant deployed	• Contracted short-term consultant to review the mechanism for capturing donor aid data
		Review and implement a revised NTR policy and legislative framework and associated system, which is integrated with the MTEF and budget.		• Budget reports are based on actual expenditure. IFMS is the source of information • New rates are part of the Budget process
	2	Recruit and deploy 20 graduate economists	Graduate economists deployed and facilitate budget process for 08/09	Awaiting approval of the Ministry of Public Service to proceed with the procurement process

PFM Outcome	Component	PFM Policy Actions	Expected Outputs	Achieved by June 30, 2008
2.2 Improved Budgeting and reporting by Central MDAs	1	Capacity building strategy for line ministry Planning departments, and MFPED sector desk officers in place.	Framework for training agreed	Training plans in place to guide training. Further refinement to be done through a training needs assessment for MoFPED (undertaken under the ISPGG Project)
		Improve guidelines and support sectors without plans in preparing good quality costed strategic plans in line with macro ceilings from the LTEF and PEAP priorities.	At least one sector strategic plan prepared	Strategic Plan for the Accountability Sector being finalized
	2	Systems for in-year budgeting reports on expenditures against budget and result against work plans by central MDAs developed.	In-year budget reports produced	• Sectors were guided on finalizing the budget estimates for FY 2008/09 • Budget reports produced quarterly
		Reporting on implementation of sector budgets integrated in two annual sector reports.	Reports produced	• Developed an improved Budget Monitoring Framework
2.3 Improved management of central transfers and the local government budget process by central government	2 & LGFC	Non-wage recurrent grant allocations grow in real terms, and do not fall as a share of total grant allocations in 2007/08 budget.	Grant allocation formula developed and approved by Cabinet	• Grant allocation formula was highlighted in the FY08/09 BFP and all Sectors were involved in the development. • LGFC prepared a Cabinet paper clarifying the formula used to arrive at the LG grant in FY08/09 BFP.
	2 & 5	Carry out an exercise to identify the stock of arrears in Local Governments, and develop a strategy to clear those arrears which is incorporated in the 2007/08 budget	• Stock of arrears documented and verified • Strategy to clear arrears agreed	• Drafted a National domestic arrears clearance strategy
	2	Guidelines for central government project managers and donors for their channeling of donor project support to local governments, and incorporated in 2008/09 budget	Guidelines for channeling donor project funds to local governments agreed, disseminated and included in BFP for 2008/09	Donor support captured in the MTEF, and improved BFP introduced fro FY 2008/09
2.4 Improved Local Government Planning,	2	Rules introduced to ensure conservative local revenue projections are	BFP Clear on procedures for	• Effected Monthly transfers to local governments

PFM Outcome	Component	PFM Policy Actions	Expected Outputs	Achieved by June 30, 2008
Budgeting and Reporting and transparency		communicated in budget call circular and applied in local government 2008/09 budgets	budgeting	• Supported local governments to develop BFP for FY 08/09 • BFP for FY 2008/09 improved over previous years
	1 & 5	Ensure relevant IFMS modules produce relevant local government budget reports.	Budget reports	• LG budget reports were customized and are now in full use.

3. Improved Predictability and Control in implementing the Budget

PFM Outcome	Component	PFM Policy Actions	Expected Outputs	Achieved by 30th June 2008
3.1 Improved PFM systems, Accounting, and Internal Audit in Central Government	3	Restructuring proposals for accounting units for ministries implemented	Agreed restructuring proposals	• Restructuring proposals agreed upon. • Appointed Commissioner Internal Audit reported to office on 1/7/2008. • Prepared appointment instruments and deployed newly appointed and promoted staff • Carried out Manpower and Job analysis for MDAs
		Support implementation and use of EFT in all MDAs	All central government payments done via EFT Implementation support provided	• EFT operational in all MDAs effective 1 July 2008, staff salaries were paid using STP. • MoFPED & MoPS staff salaries were paid using Straight Through Payment (STP) to the beneficiaries account. • EFT operational in local governments connected to IFMS • Installed Pretty Good Privacy (PGP) software at 7 Commercial Banks to enhance linkage of EFT to Commercial Banks for purposes of payments to suppliers, salaries and local governments • Implementation support was provided to resolve emerging EFT change management related issues (business processes and other technical issues)
		Ensure timely submission of Financial Statements by all Ministries	Financial statements submitted within the established time limits	• GOU consolidated Accounts for FY 2006/2007 submitted to Auditor General and audited • The number of entities with unqualified opinions increased from 17 in FY 05/06 to 26 in FY 06/07 • On - going consolidation of Accounts for FY07/08 (All ministries submitted accounts on time)

PFM Outcome	Component	PFM Policy Actions	Expected Outputs	Achieved by 30th June 2008
		Ensure timely reconciliation of Bank Accounts by all Ministries	All ministry accounts reconciled at the end of each month	Received Bank statements up to August 2008, Bank reconciliation done up to June2008.
		Methodologies for connecting budget formulation and cash flow forecasts at macro and MDALG levels developed.	IFMS used for cash flow forecasts	
	3	Payroll audit carried out and time to change payroll records reduced by 50 percent.	Payroll audit reports in place for all ministries except Defense and the Police Department	•Prepared consolidated Pension audit report for FY07/08 yet to discuss findings with MoPS •Prepared Consolidated Payroll Audit report for FY07/08
	3 and MPS	Modalities for implementing payroll component of IPPS agreed. Short term measures implemented to improve integrity of existing payroll system	Active participation by the Accountant General in the development and implementation of IPPS; the pensions system is automated as part of IPPS implementation	Sensitized IFMS/AGO teams on IPPS. ICT infrastructure to support IPPS was identified & procurement process started.
	MPS	Pilot implementation of IPPS in 4 ministries and 2 local governments • Procurement of Long Term IPPS advisor • Recruitment, Induction and deployment of 10 Graduate HR Officers to MDAs	Pilot implementation of IPPS done	Implementation delayed due to delays in securing funding. Procurement of the system is in progress.
	3	Decentralization of internal audit implemented in a further 5 ministries	Functional decentralized Internal Audit in 5 ministries	Internal audit function decentralized to 6 Ministries via: • Ministry of Finance, Planning and Econ'c Devt • Ministry of Public Service • Ministry of Health, • Ministry of Education,

PFM Outcome	Component	PFM Policy Actions	Expected Outputs	Achieved by 30th June 2008
				• Ministry of Lands and Housing , • Ministry of Works and Transport
	3	Three additional audit committees established to support the decentralized internal audit	3 audit committees appointed and deployed	• 2 Audit Committees formed (Accountability & Public Sector Management) Inauguration in September 2008. • To consider work plan and 1st Qtr report by mid November 2008
	3	MoFPED issues Treasury Memorandum for 2002/03, 2004/05 demonstrating appropriate action was take	Treasury Memorandum issued for FY 2002/03, 2004/05	• Issue of Treasury memoranda awaiting receipt of PAC reports. • Internally following up on issues relating to policy and strategy in the Auditor General's report
	3	At least 50% of accounts all state enterprises submitted to Parliament within the statutory deadline	Accounts of state enterprises submitted for audit	• Accounts for FY 06/07 audited by the Auditor General – 32 out of the 72 accounts audited by 31 March, and audit of 48 others in progress at 31 March 2008. • Accounts for FY07/08 received 16 out of 35 that receive funding from the UCF.
3.2 Improved PFM systems, Accounting, and Internal Audit in Local Government	5	Agreed ICT-based systems developed (IFMS) in line with requirements identified for the 2nd Tier local governments system.	Second tier system developed for implementation	• PFM Study report was adopted and this paved way for the implementation of PFM Reforms in Local government using a three tier strategy. • The bid document for the 2nd tier solution is being prepared. We expect this to be completed by the 3rd week of October 2008 and thereafter commence the procurement process for the 2nd tier solution.
			More IFMS sites implemented	• Site readiness assessment was completed in 22 local governments targeted for IFMS.

PFM Outcome	Component	PFM Policy Actions	Expected Outputs	Achieved by 30th June 2008
	5	Reports on the IFMS and 2nd Tier LG Systems customized to generate the budget summary reports. Cash management and commitment control systems operationalized by IFMS and non-IFMS ICT tools.	Customized reports available on IFMS	• IFMS reports for local governments customized in accordance with the LG requirements (Regulations and Accounting Requirements) and can produce any report. • 11 local governments out of the 14 local governments using the IFMS (or 78%) have produced reports of FY 2006/07 for audit within the statutory deadline. • Commitment control and cash management being used by IFMS local governments and is to be included in the design of the 2nd Tier Solution as well.
	5	Develop and implement a plan for the introduction of a new Internal Audit Manual and retool Internal Auditors.	Audit manual in use and reports produced	• New internal audit manuals distributed and staff sensitized on their use. • A consultant has been engaged to prepare training materials and undertake a trainer of trainers. • 26 local governments' internal auditors commenced the professional internal audit training leading to the Certified Internal Auditors (CIA) qualification. • Retooling of the internal audit department is being undertaken through the provision of computers, printers, and motor cycles amongst others.
	5	MOLG disseminates revised financial and accounting regulations and associated manuals, which bring financial statements into line with international standards, including comprehensive information on the stock of arrears and other liabilities at the end of the FY.	Financial and Accounting regulations ready for use by the local governments	• The Local Governments Financial and Accounting Regulations were launched and disseminated. • The Local Governments Financial and Accounting Manual were launched and disseminated.

PFM Outcome	Component	PFM Policy Actions	Expected Outputs	Achieved by 30th June 2008
	5	Pilot the full decentralization of the payroll and personnel records in local governments and their unification at higher local governments (using IPPS)	Functionality of local government payroll tested and agreed	• Awaiting implementation of IPPS

4. Strengthened Procurement

PFM Outcome	Component	PFM Policy Actions	Expected Outputs	Achieved by June 30, 2008
4.1 Strengthened Procurement in Central Government	3 and PPDA	MOFPED ensures systematic incorporation of Procurement plans in sector expenditure programs for all procuring entities at the Central government level; and budget releases based on work plans for MoFPED, MoH, MoES, Ministry of Works, Transport and Communications, Water, and Agriculture	• Procurement plans produced as part of the budgeting process • Procurement plans used to determine release of funds for at least 6 of the procuring entities of the central government • Issues arising from implementation of the law addressed	• AGO prepared a circular to Accounting Officers to submit procurement plans as part of the budget process. Effective 1 July 2008 Funds for development expenditure would be released against submission of procurement plans • Modalities for sanction to be operationalized from 2nd quarter on linking releases to procurement plans • Revised procurement plans to be submitted by 15th October following approval of budget by Parliament • MFPED & PPDA reviewed procurement Law (PPDA Law). Draft amendments are ready for discussion
	3	MOFPED prepares schemes of service for the Central Government procurement cadre	Scheme of service in place and guides procurement cadre	Schemes of service reviewed by 30 June 08. Arrangements being made for final stakeholder approval and implementation
	3 and PPDA	MOFPED establishes an accreditation system for procurement specialists, linking this to capacity building and career development.	Arrangements made to establish a professional procurement body in Uganda	• The Procurement Body was incorporated on 7/4/2008.
	PPDA	The PPDA carries out procurement audits of 10 procuring entities.	Procurement audit reports for 4 procuring entities, with evidence of follow up of previous recommendations	• Considering proposal to address reports to MoFPED (Permanent Secretary/Secretary to the Treasury) for ownership and action in collaboration with other competent authorities

PFM Outcome	Component	PFM Policy Actions	Expected Outputs	Achieved by June 30, 2008
				• Scheduled meeting in November 2008 with respective Accounting Officers to discuss action taken on the recommendations from PPDA.
4.2 Strengthened Procurement in Local Government	5 and PPDA	Implementation and monitoring of the local government procurement regulations and systems	• Regulations disseminated and used by Local Government procurement entities • Procurement and disposal entities set up by 31 March 2008	• Organized sensitization workshops on procurement plans in 16 districts & appointed Contracts Committees for local governments

5. Improved External Audit and Scrutiny in Government Institutions

PFM Outcome	Component	PFM Policy Actions	Expected Outputs	Achieved by June 30, 2008
5.1 Improved external audit and scrutiny in central government	4 (OAG)	Implementation of the OAG Corporate Plan:		
		Implement the new Audit law	• Audit Bill enacted into law	• The National Audit Act was approved by the H.E the President in April 2008. It becomes effective on 4th October 2008
		Design the headquarters building and branch offices	Approved building plans in place and available for construction	• Architectural designs for the proposed Audit House and branch offices is ongoing
	4 (Parliament)	Parliamentary Accountability Committees (PAC, COSASE and LGAC) progress clearing reporting backlogs	• At least 50% of all reports up to date by 30 June 2008 • Committee Secretariat set up by 31 December 2007	• PAC cleared 80%, COSASE 10% and LGAC 50% of the backlog. • A team of staff of Parliament is in place to support accountability committees in clearance of backlog reports
	4 (Parliament)	Parliament issues recommendations on accounts for 2000/01& 2001/02	Recommendations of Parliament issued to accounting officers	• The report for 2001/02 is being reprinted • PAC reports for 02/03 to 06/07 financial years are being processed (typed) in preparation for printing.
5.2 Improved external audit and scrutiny in local governments	4 (OAG)	Update strategy for audit of lower local governments, and audit at least 337 local governments	Audit reports presented to Parliament	• 2004/05 Level I local government report for lower local governments is in process, the one for Level I local government was submitted.

6. Improved Institutional Capacity to manage PFM Systems and Reforms by Central Government

PFM Outcome	Component	PFM Policy Actions	Expected Outputs	Achievements by June 30, 2008
6.1 Improved institutional capacity to manage budgeting and PFM at central government	6	Prepare the strategic plan of MoFPED	Strategic plan approved and guides ministry operations	Not yet completed. Procurement process for consultant to facilitate preparation of the plan initiated
	6	Prepare investment plan for the Accountability Sector	Investment plan approved and guides planning for the sector	A draft plan in place by 30 June 08
	6	Structures for the Resource Centre, Planning Unit and Records Centre of MoFPED implemented (strengthening the Planning Unit/MoFPED) – initiate process to prepare M&E framework and capacity building	M& E framework Improved skills	Staff trained and working with projects staff to ensure appropriate monitoring of outputs (especially with the new budgeting procedures focusing on outputs).
6.2 Improved institutional capacity to manage LG PFM systems and reforms by central government	5	Clear coordination structures for coordinating LGPFM reform in the context of the LGSIP and FINMAP are established.	Clear framework for harmonization of interventions of Basket development partners and International Development Association	Structure agreed as part of the planning for implementation of the World Bank-funded Local Government Management and Service Delivery
	5	The structure of the MoLG reviewed to manage PFM initiatives and new structures approved	LG structure implemented	• Restructuring of MoLG completed by MPS • Recruitment is being done in phases subject to the availability of funds (MTEF).
	6	The structure of the MoFPED reviewed to manage PFM initiatives and new structures approved	MoFPED structure implemented	Not yet completed. In progress, expected to be finalized by the end of October 08

ANNEX B. ASSESSMENT OF BUDGET COMPARED TO ACTUAL EXPENDITURE

2005/2006						
MDA		***Budget***	***Actual***	***Difference***	***Absolute***	***Percent***
1	Ministry of Finance, Planning and Economic Dev.	470,002,951,871	451,489,197,974	(18,513,753,897)	18,513,753,897	3.9%
2	Ministry of Defense	363,780,341,076	397,274,285,902	33,493,944,826	33,493,944,826	9.2%
3	Ministry of Works, Housing and Community	161,765,138,764	140,650,413,996	(21,114,724,768)	21,114,724,768	13.1%
4	Ministry of Public Service	105,813,269,928	121,684,739,920	15,871,469,992	15,871,469,992	15.0%
5	Electoral Commission	82,984,093,846	89,366,505,585	6,382,411,739	6,382,411,739	7.7%
6	Uganda Police	83,722,217,159	89,289,217,038	5,566,999,879	5,566,999,879	6.6%
7	Ministry of Education and Sports	84,132,351,917	79,927,885,664	(4,204,466,253)	4,204,466,253	5.0%
8	Uganda Revenue Authority	71,510,144,120	71,330,144,120	(180,000,000)	180,000,000	0.3%
9	Ministry of Energy and Minerals	113,051,716,000	68,167,449,820	(44,884,266,180)	44,884,266,180	39.7%
10	Parliamentary Commission	61,628,193,000	60,758,952,830	(869,240,170)	869,240,170	1.4%
12	State House	58,559,826,155	59,195,531,914	635,705,759	635,705,759	1.1%
11	Butabika Hospital	10,729,397,000	47,327,899,320	36,598,502,320	36,598,502,320	341.1%
13	Ministry of Health	55,261,677,930	47,091,538,749	(8,170,139,181)	8,170,139,181	14.8%
14	Office of the President	47,533,719,636	42,227,808,636	(5,305,911,000)	5,305,911,000	11.2%
15	Ministry of Internal Affairs	37,152,429,909	37,972,703,918	820,274,009	820,274,009	2.2%
16	Makerere University	35,802,427,000	35,102,426,787	(700,000,213)	700,000,213	2.0%
17	Ministry of Agri,, Animal Industry and Fisheries	46,269,412,538	29,004,499,643	(17,264,912,895)	17,264,912,895	37.3%

2005/2006						
MDA		***Budget***	***Actual***	***Difference***	***Absolute***	***Percent***
18	Ministry of Justice and Constitutional Affairs	64,069,698,253	28,844,425,335	(35,225,272,918)	35,225,272,918	55.0%
19	Ministry of Lands, Water and environment	35,494,719,906	28,239,998,499	(7,254,721,407)	7,254,721,407	20.4%
20	Mulago Hospital Complex	28,644,295,418	27,557,113,740	(1,087,181,678)	1,087,181,678	3.8%
21	Sum of rest	315,163,341,287	339,143,881,144	23,980,539,857	23,980,539,857	7.6%
	Total expenditure	2,333,071,362,713	2,291,646,620,534	(41,424,742,179)	288,124,438,941	1.8%
	Composition variance					12.3%

2006/2007						
MDA		***Budget***	***Actual***	***Difference***	***Absolute***	***Percent***
1	*Ministry of Finance, Planning and Economic Dev.*	*633,750,117,296*	*488,248,358,506*	*(145,501,758,790)*	*145,501,758,790*	*23.0%*
2	*Ministry of Defense*	*389,295,441,999*	*384,572,651,308*	*(4,722,790,691)*	*4,722,790,691*	*1.2%*
3	*Ministry of Energy and Minerals*	*324,896,275,765*	*233,741,073,125*	*(91,155,202,640)*	*91,155,202,640*	*28.1%*
4	*Ministry of Works and Transport*	*188,719,574,477*	*187,887,685,649*	*(831,888,828)*	*831,888,828*	*0.4%*
5	*Ministry of Public Service*	*135,966,737,308*	*134,315,158,967*	*(1,651,578,341)*	*1,651,578,341*	*1.2%*
6	*Ministry of Education and Sports*	*112,215,201,100*	*109,654,314,452*	*(2,560,886,648)*	*2,560,886,648*	*2.3%*
7	*Uganda Police*	*97,707,117,000*	*95,781,303,167*	*(1,925,813,833)*	*1,925,813,833*	*2.0%*
8	*Ministry of Foreign Affairs*	*85,177,883,005*	*75,899,066,718*	*(9,278,816,287)*	*9,278,816,287*	*10.9%*
9	*Parliamentary Commission*	*74,126,993,880*	*74,119,305,841*	*(7,688,039)*	*7,688,039*	*0.0%*

			2006/2007			
MDA		***Budget***	***Actual***	***Difference***	***Absolute***	***Percent***
10	*Uganda Revenue Authority*	*73,497,000,000*	*73,297,184,004*	*(199,815,996)*	*199,815,996*	*0.3%*
11	*State House*	*63,120,795,770*	*62,957,428,435*	*(163,367,335)*	*163,367,335*	*0.3%*
12	*Ministry of Health*	*60,110,403,557*	*57,993,692,594*	*(2,116,710,963)*	*2,116,710,963*	*3.5%*
13	*Ministry of Justice and Constitutional Affairs*	*61,003,127,032*	*41,920,733,283*	*(19,082,393,749)*	*19,082,393,749*	*31.3%*
14	*Office Of The Prime Minister*	*44,907,319,840*	*41,218,065,683*	*(3,689,254,157)*	*3,689,254,157*	*8.2%*
15	*Uganda Prisons*	*32,874,305,000*	*38,487,681,695*	*5,613,376,695*	*5,613,376,695*	*17.1%*
16	*Office Of The President*	*38,234,902,041*	*36,641,634,936*	*(1,593,267,105)*	*1,593,267,105*	*4.2%*
17	*Makerere University*	*36,463,716,000*	*36,399,715,724*	*(64,000,276)*	*64,000,276*	*0.2%*
18	*National Agricultural Research Organization*	*20,317,000,000*	*31,346,217,220*	*11,029,217,220*	*11,029,217,220*	*54.3%*
19	*Mulago Hospital Complex*	*30,756,000,000*	*30,675,967,051*	*(80,032,949)*	*80,032,949*	*0.3%*
20	*Ministry of Internal Affairs*	*32,219,588,000*	*30,822,539,875*	*(1,397,048,125)*	*1,397,048,125*	*4.3%*
21	*Sum of rest*	*358,074,314,861*	*355,951,518,264*	*(2,122,796,597)*	*2,122,796,597*	*0*
	Total expenditure	*2,893,433,813,931*	*2,621,931,296,497*	*(271,502,517,434)*	*304,787,705,264*	*9.4%*
	Composition variance					*10.5%*

			2007/2008			
MDA		***Budget***	***Actual***	***Difference***	***Absolute***	***Percent***
1	Ministry of Finance, Planning and Economic	667,971,138,828	514,566,074,627	(153,405,064,201)	153,405,064,201	23.0%
2	Ministry of Defense	430,528,084,347	430,423,887,459	(104,196,888)	104,196,888	0.0%

MDA		2007/2008 Budget	Actual	Difference	Absolute	Percent
3	Ministry of Public Service	271,594,817,000	264,694,513,441	(6,900,303,559)	6,900,303,559	2.5%
4	Ministry of Works and Transport	288,183,504,566	262,431,243,827	(25,752,260,739)	25,752,260,739	8.9%
5	Ministry of Education and Sports	146,786,773,924	138,389,570,679	(8,397,203,245)	8,397,203,245	5.7%
6	Ministry of Foreign Affairs	136,091,193,472	135,917,968,077	(173,225,395)	173,225,395	0.1%
7	Uganda Police	134,060,270,066	130,639,221,348	(3,421,048,718)	3,421,048,718	2.6%
8	Ministry of Energy and Minerals	298,935,223,000	127,451,255,898	(171,483,967,102)	171,483,967,102	57.4%
9	Parliamentary Commission	85,474,455,903	84,750,098,190	(724,357,713)	724,357,713	0.8%
10	Uganda Revenue Authority	83,352,553,124	83,333,629,996	(18,923,128)	18,923,128	0.0%
12	State House	68,001,369,000	67,979,256,508	(22,112,492)	22,112,492	0.0%
11	Ministry of Health	70,494,544,831	56,758,362,724	(13,736,182,107)	13,736,182,107	19.5%
13	Office Of The Prime Minister	59,581,172,617	54,535,146,720	(5,046,025,897)	5,046,025,897	8.5%
14	Office Of The President	55,112,478,450	53,709,570,737	(1,402,907,713)	1,402,907,713	2.5%
15	Ministry of Justice and Constitutional Affairs	53,740,772,732	46,583,599,769	(7,157,172,963)	7,157,172,963	13.3%
16	Makerere University	45,063,965,875	44,147,434,819	(916,531,056)	916,531,056	2.0%
17	Ministry of Water and Environment	54,047,923,000	43,562,182,293	(10,485,740,707)	10,485,740,707	19.4%
18	Uganda Prisons	41,185,713,023	40,423,618,583	(762,094,440)	762,094,440	1.9%
19	Mulago Hospital Complex	36,692,737,620	35,421,127,964	(1,271,609,656)	1,271,609,656	3.5%
20	National Agricultural Research Organization	44,656,042,934	31,120,042,384	(13,536,000,550)	13,536,000,550	30.3%
21	Sum of rest	452,486,633,661	398,096,081,921	(54,390,551,740)	54,390,551,740	12.0%

2007/2008						
MDA		***Budget***	***Actual***	***Difference***	***Absolute***	***Percent***
	Total expenditure	3,524,041,367,973	3,044,933,887,964	(479,107,480,009)	479,107,480,009	13.6%
	Composition variance					13.6%

PI-3 Calculation

	UShs billion		
	Budget	***Actual***	***Difference***
2005/2006			
Tax	2230.0	2267.1	101.7%
Non tax	50.5	103.6	205.2%
	2280.5	2370.7	104.0%
2006/2007			
Tax	2524.9	2654.6	105.1%
Non tax	41.9	121.9	290.9%
	2566.8	2776.5	108.2%
2007/2008			
Tax	3076.1	3192.0	103.8%
Non tax	114.5	74.1	64.7%
	3190.6	3266.1	102.4%

ANNEX C. PEOPLE VISITED

Ministry of Finance, Planning and Economic Development

Keith J. Muhakanizi, Deputy Secretary to Treasury

Lawrence Semakula, Commissioner, Financial Management Services

Nyeko Ponziano, Assistant Commissioner, Financial Management Services; and Barungi Stephen, Nsubuga Lawrence, Aziz Ssettaala

Mpoza Isaac David, Commissioner, Treasury Services & IFMS Project Manager

Joshua Karamagi, Assistant Commissioner, Accounts

Elton Denis Barigye, Senior Accountant

Godfrey B. Ssemugooma, Ag. Commissioner, Technical and Advisory Services

Bernadette Nakabuye, Financial Management Specialist/FMS Coordinator

Patrick Ocailap, Director, Budget Directorate

Maris Wanyera, Ag. Commissioner, Macroeconomic Policy Department

Twesiime Fredrick Tabura, Economist, Aid Liaison Department

Patrick Bagarimu, Commissioner, Uganda Computer Services

Henry Daka and Ashe Bulumba, Uganda Computer Services

Kenneth Mugambe, Commissioner, Budget Policy and Evaluation Department

Fixon Akonya Okonye, Commissioner Inspectorate & Internal Audit,

Wycliffe Mwambu, Assistant Commissioner (Inspectorate & Internal Audit)

Hussein Isingoma, Mr. Wycliffe Mugume and Mr. Shaban Wejula, Principal Internal Auditors

Michael Ssenyonga, Financial Management Specialist

Johnson Mutesigensi, Program Coordinator, FINMAP

Cissy Kirambaire, FINMAP Program Monitoring and Evaluation Officer, and Doreen Muheru

Joseph Ben Omonuk, FINMAP Technical Officer

Office of the Auditor General

John F. S. Muwanga, Auditor General

Steven Kateregga, Director, Central Government Audit

Anthony Kimuli, Principal Auditor, Central Government Audit

Ogentho Poul Maxwell, Senior Principal Auditor

Francis Masuba, Director of Audit, Value for Money Audits and Parastatals

Vincent Ziirimwabagabo, Senior Auditor, Parastatals

Nicholas Kibuuka, Senior Auditor

Office of the President

David S. Nsubuga, Project Manager, Accountability Sector Secretariat, Directorate of Ethics and Integrity

Ministry of the Public Service

Adah Kabarokole Muwanga, Director, Human Resource Management

Kahande Nelson Ernest, Personnel Officer, Payroll Division

Joseph Nanseera, Commissioner, HRM

Nabyama Keefa, Personnel Officer, Payroll Division

Twinomugisha Apollo, Personnel Officer, Payroll Division

Ministry of Health

Francis Runumi Mwesigye, Commissioner Health Service Planning

Ministry of Education and Sports

Albert Byamugisha, Assistant Commissioner Education Planning,.

Joseph Vincent Muvawala, Assistant Commissioner Education Planning, Project Formulation and Development Budgeting

Public Procurement and Disposal of Public Assets Authority

Edgar Agaba, Executive Director

Hilda Mwesigwa, Manager, Legal and Compliance

Edwin Muhumuza, Research Officer

Uganda Revenue Authority

Moses M. Kajubi, Commissioner, Domestic Taxes

Peter Mbubi Malinga, Commissioner, Customs and Excise

Robert Nowera, Manager, Customs Audit

Local Government Finance Commission

Bitarabeho K. Johnson, Chairperson

Ms. Makassa, Vice Chairperson

Bernard Ogwang Okutta, Director, Central Grants and Local Revenues

Lucas Omara Abong, Director, Finance and Administration

Tax Appeals Tribunal

Asa Mugenyi, Chairperson

Samuel Khaukha, Registrar

Parliament

Dison Okumu, Director, Planning and Development Coordination Office

Hon. Alhaj Kaddunabi Ibrahim, Chairperson, National Economy Committee

Hon. William Okecho, Chairperson, Budget Committee

Hon. Nathan Nandala Mafabi, Chairperson, Public Accounts Committee

Hon. Malinga Johnson, Vice Chairperson, Committee on Statutory Authorities and State Enterprises

Hon. Tindamanyire Kabondo Gaudioso, Chairperson, Finance Planning & Economic Dev’t Committee

Ruth Ekirapa Byoona, Senior Clerk Assistant

African Development Bank

Edward B. Sennoga

European Commission

Francis Lemoine, Economist

Irish Aid

Patricia Among, Internal Auditor
Peter Oumo

JICA

Tomohide Uchida, Adviser for Parnership and Public Financial Management

KfW

Frank Albert, Director

Royal Netherlands Embassy

Jeroen de Lange, First Secretary, Economist & Chair, Donor Economists Group

Swedish Embassy

Carrolyn Ndawula

UK Department for International Development

Jens-Peter Dyrbak, Governance adviser and Chairperson, PFM Donor Working Group

USAID

Peter Riley, Chief of Party, Anti-Corruption Country Threshold Program
Mikael Holm, Anti-Corruption Threshold Program, Component Manager

World Bank

Paul Wade, Economist
Paul Kamuchwezi, Financial Management Specialist

Uganda Manufacturers Association

Andrew Luzze Kaggwa, Policy Officer
Odada John, Accountant

ANNEX D. DOCUMENTS REVIEWED

Government of Uganda

National Audit Act 2008

Public Financial Accountability Act 2003, and Regulations

Ministry of Finance, Planning and Economic Development

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