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CENTRAL GOVERNMENT PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTABILITY (PEFA) ASSESSMENT REPORT

FOR GOD AND MY COUNTRY

THE REPUBLIC OF UGANDA

MINISTRY OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

CENTRAL GOVERNMENT PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTABILITY ASSESSMENT REPORT

13 September 2012

PEFA

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ABBREVIATIONS AND ACRONYMS

A-C	Anti-corruption
AfDB	African Development Bank
AFROSAI	African Organisation of Supreme
	Audit Institutions
AGAs	Autonomous government agencies
AGO	Accountant General Office
ASWG	Accountability Sector Working Group
ASYCUDA	Automated System for Customs Data
ASSIP	Accountability Sector Strategic and
	Investment Plan
AGO	Accountant General's Office
ALD	Aid Liaison Department (MoFPED)
AO	Accounting Officer
AudGen	Auditor General
BFP	Budget Framework Paper
BMAU	Budget Monitoring and
bn	Accounatbility Unit
BoU	billion
	Bank of Uganda
BTTB	Background to the Budget
CCS	Commitment Control System
CFAA	Country Financial Accountability
	Assessment
CG	central government
CID	Criminal Investigation Department
CIFA	Country Integrated Fiduciary
	Assessment
COA	Chart of Accounts
COFOG	Classification of the Functions of
	Government
COMESA	Common Market for Easternand
	Southern Africa
COSASE	Committee on Commissions,
	Statutory Authorities and State
	Enterprises
CPAR	Country Procurement Assessment
CPPR	Report
	Country Portfolio Performance
	Review
DANIDA	Danish International Development
DB	Agency
DEA	Directorate of Budget
	Directorate of Economic Affairs
DEI	Directorate for Ethics and Integrity
DFID	Department for International
	Development , UK
DMFAS	Debt Management and Financial
	Analysis System
DP	Development Partner

DPP	Director of Public Prosecutions
DSA	debt sustainability analysis
DWG	Donor (PFM) Working Group
EC	Economic Commission
EFMP-II	Second Economic and Financial
	Management Project (World Bank)
EFT	Electronic Funds Transfer
EU	European Union
FINMAP	Financial Management and
	Accountability Program
FRA	fiduciary risk analysis
FY	Financial Year (July – June)
GDP	Gross Domestic Product
IFMS	Integrated Financial Management
	System
GFS	Government Financial Statistics
GoU	Government of Uganda
HIPC	Highly Indebted Poor Countries
HR	human resource
HRM	Human Resource Management
IAD	Internal Audit Department
IAS	International Accounting Standards
IDA	International Development
	Association (World Bank Group)
IDEA	Interactive Data Extraction &
	Analysis (audit software)
IFMS	Integrated Financial Management
IG	System
	Inspectorate of Government
IIAD	Inspectorate and Internal Audit
	Department
IMF	International Monetary Fund
IPPS	Integrated Personnel and Payroll
	System
IPSAS	International Public Sector
IT	Accounting Standards
	Information Technology
ITAS	Integrated Tax Administration
JAF	System
KCCA	Joint Assessment Framework
KfW	Kampala Capital City Authority
	Kreditanstalt fur Wiederaufbau
LG	Local Government
LGFC	Local Government Finance
	Commission
LGMSD	Local Government Management
	and Service Delivery

LPO	local purchase order
MDA	Ministry, Department and Agency
MoFPED	Ministry of Finance Planning and Economic Development
MoH	Ministry of Health
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MoES	Ministry of Education and Sports
MoPS	Ministry of Public Service
MoWT	Ministry of Works and Transport
MP	Member of Parliament
MTEF	Medium Term Expenditure Framework
NA	not applicable
NBF	National Budget Framework
NDP	National Development Plan
NGO	non-government organization
NIS	National Integrity Survey
NSSF	National Social Security Fund
NTR	non-tax revenue
OAG	Office of the Auditor General
OBT	output budgeting tool (a database system)
OC	Oversight Committee
OECD-DAC	Organisation for Economic Cooperation and Development – Development Assistance Committee
OPM	Office of the Prime Minister
OOB	Output Oriented Budgeting
PAC	Public Accounts Committee
PAF	Poverty Action Fund
PAYE	pay as you earn
PCA	Prevention of Corruption Act
PE	Public Enterprise
PEAP	Poverty Eradication Action Plan
PEFA	Public Expenditure and Financial Accountability
PEMCOM	Public Expenditure Management Committee
PER	Public Expenditure Review
PFAA	Public Finance and Accountability Act
PFM	Public Financial Management
PIP	Public Investment Plan
PIU	project implementation unit
PMU	Parastatal Monitoring Unit
PPDA	Public Procurement and Disposal of Public Assets Authority
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PS/ST	Permanent Secretary/Secretary to the Treasury
PSC	Public Service Commission
SAI	Supreme Audit Institutions
STA	single Treasury account
STP	straight through payment
SWG	Sector Working Group
TAT	Tax Appeals Tribunal
TIN	tax identification number
TM	Treasury Memorandum
UBOS	Uganda Bureau of Statistics
UCS	Uganda Computer Services
UGX	Uganda shillings
UPE	universal primary education
URA	Uganda Revenue Authority
USAID	United States Agency for International Development
VAT	value added tax
VFM	value for money

Exchange rate: Uganda shillings (UGX or Ushs) 2465 = US$1 at 30 June 2012.
Fiscal year: 1 July to 30 June**.**

SUMMARY ASSESSMENT

Integrated assessment of PFM performance

This assessment of public financial management (PFM) in Uganda is based on the PEFA Performance Measurement Framework.[1] The Framework was developed by the Public Expenditure and Financial Accountability (PEFA) partners as a tool that can 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 is made in June/July 2012. The last assessment was made in November/December 2008. Progress has been assessed over the 3½ years since then. The same standard 31 indicators have been used for both assessments. Two indicators that were revised in February 2011 (PI-2, 3) have been assessed on both the old and new basis to facilitate comparisons.[2] A summary table of scores down to dimension level is provided at Annexe A.

It should be noted that 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, this Performance Report does not evaluate past reforms or the individuals responsible for implementing them, nor does it assess or make recommendations on the future reform programme. It is intended only to provide a pool of objective information to assist all stakeholders in decisions on future reforms. Following approval by the PEFA Oversight Committee, the final report will be published by the Ministry of Finance, Planning and Economic Development (MoFPED), circulated to all stakeholders and discussed at a workshop, planned for October 2012. Its findings are intended to be incorporated into the PFM reform strategy and action plan.

Summary of Indicator Scores			
A. Credibility of the Budget		**2008**	**2012**
PI-1	Aggregate expenditure out-turn compared to original approved budget	**B**	**C**
PI-2	Composition of expenditure out-turn compared to original approved budget	**C**	**D+**
PI-3	Aggregate revenue out-turn compared to original approved budget	**A**	**D**
PI-4	Stock and monitoring of expenditure payment arrears	**D+**	**C+**
B. Comprehensiveness and Transparency			
PI-5	Classification of the budget	**A**	**A**
PI-6	Comprehensiveness of information included in budget documentation	**A**	**A**
PI-7	Extent of unreported government operations	**D+**	**D+**
PI-8	Transparency of Inter-Governmental Fiscal Relations	**D+**	**D+**
PI-9	Oversight of aggregate fiscal risk from other public sector entities	**C**	**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+**

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

2 Indicator PI-19 on procurement was also revised, rather more radically. It has not been possible to compare 2008 and 2012 scores on this indicator.

PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	**C+**	**C+**
C (ii) Predictability and Control in Budget Execution			
PI-13	Transparency of taxpayer obligations and liabilities	**B+**	**A**
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	**B**	**B**
PI-15	Effectiveness in collection of tax payment	**D+**	**C+**
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+**	**B**
PI-18	Effectiveness of payroll controls	**D+**	**D+**
PI-19	Transparency, competition and complaints mechanisms in procurement	**D+**	**D+**
PI-20	Effectiveness of internal audit controls for non-salary expenditure	**C**	**C**
PI-21	Effectiveness of internal audit	**C+**	**C+**
C (iii) Accounting, Recording and Reporting			
PI-22	Timeliness and regularity of accounts reconciliation	**B**	**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	**C+**	**C+**
PI-25	Quality and timeliness of annual financial statements	**C+**	**C+**
C (iv) External Scrutiny and Audit			
PI-26	Scope, nature and follow-up of external audit	**C+**	**B+**
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	**D**	**D**
D-2	Financial information provided by donors for budgeting and reporting on project and programme aid	**C**	**C**
D-3	Proportion of aid that is managed by use of national procedures	**D**	**D**

In the above table, three indicators appear to have deteriorated since 2008 (PI-1, 2 and 3), but one of these (PI-2) is only an apparent deterioration due to a new method of calculation. 23 indicators appear to have remained unchanged, though in some of these there have been significant reforms, though not sufficient to change their ratings.

Five indicators appear to have improved, and some dimensional ratings have improved without changing overall indicator ratings. Some of these (PI-4 and 17) reflect the rollout and increasing use of the IFMS and other FINMAP reforms such as the strengthening of audit (PI-26) and legislative scrutiny (PI-28 (iii)). Others (PI-13 and 15) relate to reforms within the Uganda Revenue Authority. Several weaknesses, however, remain to be addressed more effectively, as shown in the following summary.

Credibility of the budget

The budget for a year should be a credible indicator of the actual outturns of that year, but credibility over the past three years has deteriorated. In 2008/09 and 2009/10, budget credibility was good (below 5 percent variance), but in 2010/11 there was a significant deterioration due to major excess expenditures by the Ministry of Defence and others. If excess expenditures continue, the C rating will fall further.

Supplementary budgets are still used to revise budgets in line with excess expenditures, but these are partially offset by widespread underspending of development budgets. This reduces confidence in the budget as a statement of government intent.

At the MDA level, variance is relatively high (rated D). Comparison with 2008 is complicated by the fact that there has been a change in the method of calculation. When the 2008 data are re-calculated under the new method, there is no change since 2008.

Revenue collections used to regularly meet and exceed budget targets, perhaps due to conservative estimates. The method of rating has changed here also. Now collections way over targets are recognised as poor practice (poor forecasting) as well as collections below targets. If the 2008 data were recalculated on the new method, they would be rated C instead of A.

Expenditure arrears are far lower than in 2008 as a percentage of total expenditure, but are still significantly high. Over the last two years, most of the pension arrears have been paid, but supplier arrears are still mounting.

Comprehensiveness and transparency

The coverage of fiscal reports is still rated B, and monitoring of fiscal risk is still rated C, but information on donor-financed projects in the six-month, nine-month and annual financial statements is seriously incomplete**.** This omission prevents full sectoral analysis or, for that matter, any complete analysis of budget execution. This has been recognised by the Accountant General and a start has been made on capturing donor project data. Public enterprises and higher-level local governments are submitting more timely financial statements, but there is no formal analysis of fiscal risk nor oversight function undertaken by MoFPED. Better reporting of non-tax revenues has made the revenue and expenditure accounts more comprehensive.

Fiscal transparency is generally good. The budget classification meets international GFS/COFOG standards (rated A) and budget documentation is comprehensive (also A). There is greater readiness to put key fiscal data onto official websites, such as those of MoFPED, the PPDA and the Auditor General. Public access is rated B as before, not quite achieving an A.

There is little transparency with regard to the formulae for transfers of conditional grants to higher-level local governments, still rated D. Though there is an underlying set of formulae since 2003, unpredictable vertical allocations make the subsequent horizontal allocations also variable. Delays in making the quarterly transfers from the Treasury add to the unpredictability of receipts by local governments.

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 wih international standards. The President can authorize issues from the Consolidated Fund for the first four months of the year, subject to a simple resolution of Parliament, and this is regularly done. 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 failed to approve past expenditures (rated C+). This issue has been addressed in the proposed Public Finance Bill, which aims to advance the budget timetable so that MDAs have more time to prepare their detailed estimates from the final ceilings and Parliament can approve the budget before the year starts.

GoU has developed an elaborate multi-year sectoral planning and budgeting system based on the NDP within a forecast fiscal framework. In practice, there are frequent unexplained changes in the 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 NDP. 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). A better fiscal forecasting model is in an advanced state of development.

Predictability and control in budget execution

There has been continued improvement in the tax appeals mechanism (rated A), though penalties for non-compliance are ineffective (rated C). Effectiveness in tax collections is rated C+ partly because collections of past arrears are slow. The new Integrated Tax Administration System, which includes an on-line tax payment facility, is allowing at least annual reconciliations of assessments and collections with opening and closing arrears.

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 impede action plans, provide an alibi for poor performance and demotivate serious planning.

There have been improvements in cash management, in particular the progress in consolidating most government cash balances in the Bank of Uganda and the wider use of electronic funds transfer. Debt management is good (B).

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. There has been an improvement in the flow of information from changes in payroll status to consequent changes in the payroll. This reduces the delay between retirement and first receipt of pension, but there is still inadequate control on the prompt removal of those who should be taken off the payroll. Special audits and payroll cleaning exercises have taken place but follow up is not transparent (rated D+, as before).

Procurement is decentralized to 147 procuring entities in central government, but reporting to the central regulatory body is in arrears and some entities fail to report altogether. PPDA has a good Procurement Performance Measurement System, and undertakes compliance checks, but has insufficient resources to check more than a fraction of all procuring entities. Lack of procurement plans is resulting in emergency procurements, procurements of unrequired items and procurement at higher prices than necessary. Many contracts over the threshold for competitive bidding are given out on non-competitive methods such as direct (sole supplier) procurement, usually on grounds of emergency. It is estimated that less than half of these can be justified.

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, ie. 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, as before). Internal audit is the first line of defence. It is being decentralized and strengthened with Audit Committees in each sector and technical guidance from the centre, but its effectiveness ultimately depends on the Accounting Officer of each MDA taking action on reports (rating C+, as before).

Accounting, recording and reporting

The rollout of IFMS to all MDAs has enabled automated bank reconciliations and contributed to the timeliness and accuracy of in-year MDA financial statements (B, no change). Annual consolidated financial statements cover revenue, expenditure, financial assets and liabilities with few exceptions, and are timely. The financial statements are more comprehensive and reliable, but do not fully comply with international standards (C+, no change).

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, no change).[3]

External scrutiny and audit

All entities of central government, including non-commercial parastatals, are audited every year, using international standards of audit, and reports to Parliament are submitted by March according to the statutory deadline. The rating on this indicator has improved due to closer follow-up of audit recommendations in management letters and final reports and a better response from Accounting Officers.

Parliament undertakes an annual review of fiscal policies, the medium term fiscal framework and annual proposed revenue and expenditure. Administrative re-allocation is allowed and increases in budgeted expenditure by up to 3 percent of the approved budget, but this limit was grossly exceeded in 2010/11 (rated C+, no change).

The Public Accounts Committee is currently examining the audit report for 2010/11 although it has not covered all the previous audit reports. Parliament has not yet debated any of the PAC reports in the last three years although it has debated some of the special audit reports. This has held up the formal executive response (the Treasury Memorandum) but audit and PAC recommendations are nevertheless followed up in the respective MDAs (rating D+, no change).

Donor practices

There was a slight improvement in the predictability of donor inflows for budget support, but not sufficient to change the rating (D). Forecast data on project support are still unreliable though there are signs of improvement in the flow of information from donor agencies and a database is being developed which will capture this information more systematically. 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 in donor projects.

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 to domestic suppliers are again increasing. Some arrears are the result of items such as rent and

3 It should be noted that this indicator does not rate efficiency, only the availability of information on resources received (as a step towards 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.

utilities that are omitted from budgets and cannot be paid until a supplementary appropriation is approved and some arrears are due to political overriding of the system. All CG MDAs are now IFMS-enabled, but the system does not go below the ministry level to the directorates and subordinate units where commitments are made. At these levels, 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 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 a minority of parastatals that do not submit their reports, or submit them very late. Though local governments do not contract formal loans without central approval, they obtain credit 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 five-year horizon, but is only weakly linked to the National Development Plan. 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, partial information on contract awards, and in-year reporting of budget execution. 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 non-compliance 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 cost and delays rather than focusing more resources on the eradication of poverty.

Efficient service delivery

The short time horizon for programme planners (three months) 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. Unforeseeable cuts in allocations result in smaller contracts that do not achieve economies of scale. Framework contracts are not widely used for common user items that MDAs need at intervals during the year.

Procurement and personnel are together responsible for the greater part of public spending. The low scores on the personnel and procurement indicators are indicative of waste.

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 of resources and increased 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 of the features of PFM that are now considered commonplace such as PRSP, MTEF and IFMS, and over the last decade has achieved a high level of development of PFM systems. It is remarkable, therefore, at the end of the accountability line, where Parliament reviews the use made of public funds, that the process is not completed. Several reports by the PAC await Parliamentary time for their debate.

Prospects for reform planning and implementation

The major PFM reform programme is FINMAP, financed by the Government of Uganda (GoU) and five development partners (DPs) through a basket fund. The World Bank supports specific activities under the programme. It started in January 2007 and phase II is being implemented over the period July 2011 to June 2017.

The programme 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 Ministry of Finance, Planning and Economic Development (MoFPED), with the Deputy Secretary to the Treasury as Task Manager. The Permanent Secretary/ Secretary to the Treasury chairs a Public Expenditure Management Committee (PEMCOM), which oversees FINMAP and is responsible for policy guidance and monitoring of all PFM reforms in GoU. PEMCOM includes representatives of DPs and is characterised by open discussion.

FINMAP components are implemented by MoFPED Directorates, Ministry of Local Government (MoLG), the Office of the Auditor General (OAG), Public Procurement and Disposal of Assets Agency (PPDA), Parliament, Ministries, Departments and Agencies (MDAs) and Local Governments (LGs).

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 KfW and including representatives from World Bank, EU, DFID-UK, Irish Aid, Sweden and about 10 other DPs. The core group meets monthly and reviews FINMAP workplans and progress. It is represented on PEMCOM and liaises actively with the FINMAP Secretariat.

1 INTRODUCTION

1.1 Background and context

Uganda has had many PFM diagnoses over the last decade. These include the 2004 Country Integrated Fiduciary Assessment (CIFA), the 2004 HIPC Assessment, the 2005 PEFA assessments of local governments and the central government, an assessment of expenditure arrears by the IMF in 2005, regular Fiduciary Risk Assessments (FRA) conducted by the Department for International Development (DFID) of the United Kingdom, the PEFA assessment of 2008 (published June 2009), annual assessments conducted by IMF under the Policy Support Instrument and several others, including the Joint Assessment Framework (JAF) reports for budget support.

These reports record the tremendous progress that the country has made in improving its PFM systems. In recent years, Uganda has been rated consistently as being above the average for Sub Saharan Africa. Major improvements have been made in budget classification, in budget formulation, in improving the credibility of the budget and minimizing overall deviations, in making the budget more in line with agreed strategies and policies, in successfully implementing the Oracle-based Integrated Financial Management System (IFMS). The IFMS has now been implemented in all central government ministries and budgetary agencies, in the Office of the Auditor General, and several local governments.

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 GoU prepared a comprehensive programme of PFM reforms, the Financial Management and Accountability Programme (FINMAP). For FINMAP it signed a memorandum of understanding with development partners (DPs) 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 DPs on all PFM reforms including FINMAP and discussions on the Poverty Reduction Support Credit (PRSC). On the donor side, a Public Financial Management Donor Working Group has been set up, comprising about 15 donors interested in PFM. The DWG is chaired on a rotational basis, at present by KfW (previous chairs have included DFID and EC).

Despite the progress made, significant challenges remain. These were detailed by the FINMAP mid-term review and are consistent with the findings in annual audit reports published by the Auditor General. This assessment details and summarises the strengths as well as the weaknesses of Uganda PFM.

The PFM Performance Measurement Framework is an integrated monitoring framework that allows measurement of country PFM performance at any point of time and, by comparing successive assessments, progress over time. It has been developed by the Public Expenditure and Financial Accountability (PEFA) partners, 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 provided by the framework 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 would 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.

1.2 Purpose and scope

The purpose of the assessment is threefold:

- To undertake an independent assessment of the quality and performance of PFM systems in Uganda at the time of assessment, with indicators on budget credibility based on the financial years ended 30 June 2009, 2010 and 2011
- Assess progress made and impact of implemented and/or on-going PFM reforms since the last PEFA in 2008.
- In its final form, provide a primary source of diagnostic analysis and basis of dialogue on PFM reforms to inform future update and design work on PFM reform strategy and subsequent action plans. Additionally this work will inform the Monitoring and Evaluation Framework for Government, Development Partners and other key stakeholders on PFM in the country.

Table 1.1 Structure of general government

Institutions	Number of entities	Expenditure in 2010/11 UGX bn	% of total government expenditures
Central government (incl. donor-funded projects)	**97**	**7,969.8**	**86.5**
Autonomous government agencies/non-commercial parastatals	**41**	**NA**	**NA**
Local governments (higher level)	**135**	**1,244.6**	**13.5**
Local governments (lower levels)	**1233**	**negligible**	**negligible**
General government	**1506**	**9,214.4**	**100**

Source: UBOS 2012 Annual Statistical Abstract, tables 4.4 E to J (a) and Auditor General Report for 2010/11. Note: Public enterprises are outside the government sector. Central government expenditure includes transfers to local government. NA = not available.

Scope of the assessment

Generally, the focus of the PFM 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 (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 (LG) 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 (PAF) monies are channelled through LGs. Local government financial management has been assessed in a parallel exercise.

Moreover, in accordance with the Joint Assistance Strategy for Uganda, DPs are endeavouring to shift a larger share of their health sector assistance to pooled funds and ultimately to general budget support. 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 Assessment Framework.

It s 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.

1.3 Methodology

The assessment was carried out on behalf of the Government of Uganda by a team of independent consultants comprising Tony Bennett (Lead Consultant), Evarist Mwesigye (Local Consultant) and David S. Nsubuga (Local Consultant). Training on the PEFA methodology was given before the field mission by FINMAP with assistance from the World Bank (Sanjay Vani, Lead FM Specialist). A half-day high level briefing was given on 29 May 2012 to chairpersons of Parliamentary Committees, Permanent Secretaries, Deputy Secretary to the Treasury, the Accountant General, Undersecretaries, and Commissioners, a total of 93 participants. Three days of training was given from 30 May – 1 June to technical staff who would be involved in the assessment, 51 officers from MoFPED, MoLG, PPDA, OAG, URA/TAT, MoES, MoH, MoWT, MoPS and the FINMAP project. The field mission took place from 18 June to 5 July. An Inception Report was submitted to MoFPED on 21 June and accepted. The PFM Donor Group under its current chairperson from KfW and the chairperson from the Donor Economist Group from Irish Aid provided inputs. A presentation of preliminary findings was made to about 50 stakeholders on 4 July 2012.

The exercise was funded through the FINMAP programme. It followed the PEFA guidelines for repeat assessments, using documentary sources and interviews with key officers in GoU, Parliament, URA, PPDA, the private sector and civil society. Interviewees were provided in advance with questionnaires from the PEFA Field Guide. Annexe B reproduces the original terms of reference. Annexes C and D list the documents and persons consulted. The team worked through the Accountant General Office, which arranged interviews, provided office facilities and transport and generally facilitated the assessment.

The assessment was made independently of GoU and the PFM Donor Group, but with their full support. The Office of the Auditor General and relevant Parliamentary Committees also provided full support to the assessment.

A first draft report was submitted to GoU through the Accountant General (Assessment Manager) and shared with all GoU stakeholders. Following a workshop 25-27 July, the comments of participants were reviewed and consolidated by the Technical Assessment Committee and sent to the external assessors. The Donor Working Group also provided comments. The assessment team addressed all the comments and made necessary changes in the second draft report. This was sent to the PEFA Secretariat for their review and comments, which were addressed in this final report.

Quality assurance arrangements

PEFA Assessment Management Organization

- Oversight Committee (OC). Chair: Permanent Secretary/Secretary to the Treasury and Members: policy managers from key stakeholders including MoFPED, MoLG, OAG, Parliament, National Planning Authority, Uganda Revenue Authority, PPDA, OPM and representation from the development partners. The OC provided policy guidance and quality assurance of the assessment
- Technical Assessment Committee: Chair: Accountant General (Assessment Manager) and Members: technical heads
- Assessment Team (as above)

Review of Terms of Reference

- The terms of reference for the Lead PFM Expert were prepared by MoFPED in April 2012, and updated 17 May 2012 (see Annexe E).
- Invited reviewers: PEFA Secretariat
- Reviewers who provided comments: PEFA Secretariat

Review of the Assessment Report

- Government and other stakeholders had four weeks to submit their comments on the first draft report to the Assessment Team.
- The draft final report was submitted to the PEFA Secretariat and their comments addressed in this final report.

The team is grateful for the tremendous cooperation and support of the Government, in particular the senior officers of MoFPED and the Accountant General's PEFA Secretariat, and all those, within the Government and without, who assisted with their information and views.

2 COUNTRY BACKGROUND INFORMATION

2.1 Country economic situation

Country Context

Uganda is an East African country that straddles the equator. It is land-linked with its neighbours - to the east by Kenya, Tanzania in the south, Rwanda in the south-west, Democratic Republic of Congo in the west and Southern Sudan in the north. Uganda covers land area of 242,000 square kilometers of which 42,000 square kilometers is under water and swamps. The country has a population (estimated) of 34 million people. More that 60 percent of its population are aged below 18 years. The country has a literacy rate of over 70 percent.

Uganda's per capita income per annum is about US$500. Its life expectancy is about 52 years and more than 30 percent of the population live below the poverty line. It has a population growth of 3.6 percent per annum.[4]

The Ugandan economy has grown by over 7 percent per annum over the last two decades but its current growth has fallen to about 3.2 percent[5] partly because of the downturn in the world economy. Inflation currently stands at about 20 percent although in the previous ten years it averaged about 6 percent per annum. The spike in inflation is due to the drought that the country has been experiencing recently.

Over 85 percent of Uganda's population live in the rural areas and depend on agriculture. There has been some recent growth in the country's industrial and services sector in order to diversify its production base and promote economic growth. The country aims to become a middle income country by 2015 but it is facing a lot of challenges including a high birth rate, poor infrastructure, poor agricultural methods, susceptibility to world financial vagaries etc.

Overall Government Reform Programme

Uganda has been carrying out reforms to accelerate the country's development programme. The reforms have been ongoing for over two decades and cover both the private and public sectors. The reforms have been underpinned by stable macro- and fiscal policies; a stable and flexible exchange rate; free economic policies; and a public service that aims to improve its operations through application of modern public sector and financial management reforms.

The key government reforms include public service reform, decentralization and public financial management. The National Development Plan provides the overarching strategy for all GoU reforms. The public service reforms aim to improve services delivery by instilling modern management practices into Uganda's public service and properly motivating and tooling the public servants.

Decentralization is meant to improve the services delivery that local governments provide to the people through taking services close to the people and empowering them to have a say in deciding and monitoring the services that are provided to them.

4 Uganda Bureau of Statistics

5 The Background to the Budget Fiscal Year 2012/13, MoFPED, June 2012

The Office of the Prime Minister coordinates all GoU programmes and MDA activities and carries out an annual performance management assessment to ensure that they are achieving their agreed objectives and outputs.

Rationale for PFM reform

The public financial management reforms support and benefit all the other GoU reforms because they provide the means of ensuring that the resources allocated to the various reforms are applied effectively and efficiently to achieve the intended purposes and attain value for money.

The PFM reforms cover the whole of the budgeting cycle functions: budget preparation, budget execution and oversight and scrutiny. The reforms have been pursued since the early 1990s and are continuing. The current reforms build on past achievements and are currently concentrating on: improving the credibility of the budget; ensuring that public financial management legislation is complied with; and ensuring that audit recommendations are implemented. GoU is carrying out the PFM reforms with the support of several donors. The more notable reforms include the ongoing review and revision of the Public Finance and Accountability Act, the upgrade of the IFMS, and many other initiatives that are being supported by FINMAP in the implementation of the PFM reform strategy.

2.2 Budgetary outcomes

Fiscal performance

The Government's fiscal performance is set out in the table below.

Table 2.1 Central government budget (in percentage of GDP)

	2008/09	2009/10	2010/11 (Prov)
Total revenue	15.3	15.0	18.6
- Own revenue	12.7	12.5	16.1
- Grants	2.6	2.5	2.3
Total expenditure	16.5	19.7	22.3
- Non-interest expenditure	15.3	18.5	21.2
- Interest expenditure	1.2	1.1	1.1
Aggregate deficit (incl. grants)	-4.5	-4.8	-4.1
Primary deficit	-1.9	-7.3	-6.4
Net financing			
- External	-1.8	-2.2	-1.8
- Domestic	0.4	-2.0	-2.8

Sources: Annual Budget Performance Report FY2008/09 Table 2.1; Annual Budget Framework Paper FY 2009/10 Table 2; Annual Budget Performance Report FY2010/11 Table 2.

Table 2.2 Actual budgetary allocations by sectors (as percentage of total expenditure)

	2008/09	2009/10	2010/11
Security	13.7	10.8	27.7
Accountability	7.1	6.5	4.5
Public Sector Management	9.5	11.9	9.4
Public Administration	4.3	6.9	6.7
Legislature	2.9	2.3	2.2
Justice Law & Order	7.1	8.5	8.4
Agriculture	4.1	4.5	3.8
Lands, Housing and Urban Development	0.3	0.4	0.2
Education	18.2	17.5	14.8
Health	9.0	8.5	7.6
Water and Environment	2.2	2.3	1.7
Social Development	0.5	0.5	0.3
Information, Communication & Technology	.0.01	0.01	0.2
Energy and Minerals	6.4	6.5	3.0
Tourism, Trade and Industry	0.6	0.9	0.4
Works and Transport	14.5	11.8	9.0

Sources: Annual Budget Performance Report FY 2008/09 Table 4.3; Annual Budget Performance Report FY 2009/10 Table 2.2; Annual Budget Performance Report FY 2010/11 Table 2.2.

Allocation of resources
Expenditures of the last three years are classified by sector in the table above.

Table 2.3 Actual budgetary allocations by economic classification (as a percentage of total expenditure)

Economic Classification	FY2008/09	FY2009/10	FY2010/11
Current expenditures			
-Wages and salaries	23.1	19.7	19.0
-Goods and services	24.8	27.5	30.6
-Interest payments	7.0	5.4	4.4
-Transfers	33.0	34.8	33.7
-Others	8.3	8.2	9.2
Capital expenditures	3.8	4.4	3.1
Total	100.0	100.0	100.0

Source: Background to the Budget and Budget Speech for FY2011/12 and FY2012/13

2.3 Legal and institutional framework for PFM

Uganda is credited to have one of the best legal frameworks in sub-Saharan Africa. The present legal framework for budget formulation, execution and audit is provided by the Constitution 1995, as amended in 2000 and 2005, Judicature Act 1996, Local Governments Act 1997, Statistics Act 1998, Leadership Code Act 2002, Inspectorate of Government Act 2002, Public Finance and Accountability Act (PFAA) 2003, Local Government Finance Commission Act 2003, Public Procurement and Disposal of Public Assets Act 2003 and Amendment Act 2011, Access to Information Act 2005, the Anti-Corruption Act 2009, Public Service Standing Orders, Local Government Financial and Accounting Regulations 2007 and the National Audit Act 2008.

Legislation is in process for a Public Finance Act 2012 that will replace the Public Finance and Accountability and Budget Acts, an Anti-Money Laundering Bill, Public Service Bill, Pensions Bill, and a Public-Private Partnership Bill 2012.

The Budget Act prescribes the budget information that Government is required to present to Parliament and when. The Act also regulates budget procedures within Parliament. The Constitution and the PFAA give the Ministry of Finance, Planning and Economic Development (MoFPED) the mandate to plan and manage public finances.

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: (i) requires that supplementary appropriations obtain parliamentary approval before any commitment is made[6]; (ii) provides an improved definition of the respective roles and accountabilities of the Minister, the Permanent Secretary (PS) Finance and the Accountant General, who is allocated specific authority over executive heads (Accounting Officers, AOs) of MDAs, with respect to determination of accounting bases, principles, standards and systems; (iii) specifies that AOs of MDAs are accountable to Parliament for outputs of their programs and not just regularity and propriety of expenditures, also to ensure control over commitments and establish and maintain audit committees; (iv) sets out specific offences, penalties and procedures for recovery of losses; (v) 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.

Expenditure management is supplemented by a number of initiatives in physical performance management. The Minister of Finance, together with MoPS, MoWT and PPDA, aims to improve service delivery by holding Accounting Officers and Chief Administrative Officers personally responsible for the delivery of performance targets, once funding has been made available to them. Annual performance contracts are agreed with top civil servants down to the level of Heads of Departments to strengthen performance management and enhance transparency and accountability (Budget Speech, June 2012).

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. A National Information Technology Agency Uganda (NITA-U) was established by Act in 2009.

Principles for the prevention and detection of corruption have been agreed and prepared and an Anti-Corruption Act was passed in 2009 and a Whistleblower Protection Act in 2010. The Inspectorate of Government Act, 2002 is the enabling legislation for the Inspector General to carry out his/her functions which include: (i) supervision of enforcement of the Leadership Code Act, 2002 (ii) promotion and fostering of strict adherence to the rule of law; (iii) public awareness programmes; and (iv) investigations.

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6 But section 156 of the Constitution appears to allow expenditure in excess of parliamentary provision provided a supplementary estimate is submitted to Parliament for retrospective authorisation within four months of its being incurred.

The central government comprises 94 budgetary agencies - 21 ministries, 28 agencies including various commissions, universities and research institutions, 15 referral hospitals and 30 foreign embassies/missions. There are a further 73 statutory corporations and other public sector entities, comprising 43 autonomous government agencies (AGAs), 27 nonfinancial public enterprises and 3 public financial institutions. The AGAs constitute a part of central government for 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. [7]

One of the commissions is the Local Government Finance Commission (LGFC). The LGFC advises the President and Paliamentary Committees on all revenue matters of the LGs, in particular CG grants to LGs; advises on financial disputes between LGs; analyses annual budgets of LGs with regard to their compliance with the law; supports PFM capacity building in higher-level LGs; and collects data on LG revenue, expenditure and arrears.

Local government is structured in four levels. The higher-level (Level I) LGs to which transfers are made by MoFPED comprise 112 district councils, 22 municipal councils, and Kampala Capital City Authority (KCCA). Level II comprises 174 town councils, 1,059 sub-counties (of districts) and divisions of the municipalities. These receive allocations from the higher-level LGs. Level III comprises over 5,000 Parish Cuncils (rural) and Wards (urban). Level IV consists of over 44,000 village council and urban cells/zones. Councillors are elected at all levels, but expenditure at levels III and IV is very small and is supervised by level II LGs. In accordance with the PEFA Framework for central government (PI-8), this assessment is concerned with the transparency of relationships with higher-level LGs only.

The judiciary mainly comprises 29 Magistrate Courts, which can hear criminal offences 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 centres. 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 Appeal and a Supreme Court. A Corruption Court has been set up as a division of the High Court.

The chief of state and head of government is the President, Yoweri Museveni, leader of the National Resistance Movement (NRM), which has been in power since 1986. In 2011 the NRM 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 Vice President and Prime Minister assist the President in supervision of the Cabinet. There are 332 seats in the National Assembly, of which the NRM holds 211. The main opposition party, the Forum for Democratic Change, holds 38.

Auditor General. 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 (NAA) 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

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

the situation prior to the 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 NAA 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.

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 organisations established by an Act of Parliament".

At the Parliamentary level, there are 12 Standing Committees of which five are directly concerned with financial matters: (i) Budget Committee; (ii) Public Accounts Committee (PAC); (iii) the Committee on Commissions, Statutory Authorities and State Enterprises (COSASE); (iv) the Local Government Accounts Committee (LGAC); and (v) Committee on the National Economy, which deals with issues relating to the national economy including scrutiny of loan agreements. Each Standing Committee has 15 members, except for the PAC that has 30 members, who are nominated and subsequently elected by 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.

Structure and Functions of MoFPED

MoFPED is headed by the Minister of Finance, assisted by five Ministers of State for: General Duties, Planning, Investment, Privatization, and Microfinance and Enterprise Development.

The Permanent Secretary/Secretary to the Treasury (PS/ST) is the chief executive of MoFPED. He is assisted by the Deputy Secretary to the Treasury. A Department of Finance and Administration provides managerial and administrative support to the Ministry. An Under Secretary heads the Department and is the Accounting Officer of MoFPED.
The Ministry has three Directorates namely: Budget, Economic Affairs and the Accountant General's Office

Directorate of Budget

The Budget Directorate is responsible for development and monitoring appropriate policies and strategies that guide annual and medium term expenditure; preparing the annual National Budget and medium term expenditure allocations; formulation, review and appraisal of 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 four departments: Budget Policy and Evaluation; Infrastructure and Social Services; and Public Administration. The Budget Policy and Evaluation Department has a Budget Monitoring and Accountability Unit that tracks the implementation of selected government programmes.

Directorate of Economic Affairs

The objectives of the Directorate are effective management of resource inflows, stable macroeconomic framework, and economic development planning. The functions of the DEA 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 COMESA region; harmonization and monitoring of National Public Procurement Policy with international and regional organizations' procurement and trade Policy Agreements. It has four departments: Macroeconomic Policy; Tax Policy; Economic Development Policy & Research, Microfinance, Investments and Aid Liaison.

Accountant General's Office

The objectives of the Directorate 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 Integrated Financial Management System (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; processing and reporting financial transactions.
The Accountant General's office comprises five departments namely: Technical and Advisory Services; Treasury Services; Financial Management Services; Inspectorate and Internal Audit, and Uganda Computer Services.

3 ASSESSMENT OF THE PFM SYSTEMS, PROCESSES AND INSTITUTIONS

3.1 Introduction

The following paragraphs provide the detailed assessment of the 31 PFM indicators contained in the PEFA framework. The highest rating (score), implying compliance with accepted international standard, is A. The lowest is D. There was sufficient information to rate all indicators.

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

In the PEFA framework, indicators are grouped into seven "core dimensions". These are assessed in the following seven sections of the report. At the start of each section, a box shows the detailed scores and the corresponding scores in 2008. Explanations of changes, insofar as these are apparent, are given in the text on each dimension.

3.2 Budget credibility

	Scoring method	**Scores November 2008**		**Scores June 2012**	
PI 1 Aggregate expenditure out-turn compared to original approved budget	**M1**	**B**		**C**	(i) C
PI 2 Composition of expenditure out-turn compared to original approved budget	**M1**	**C**	(i) C (ii) NA	**D+**	(i) D (ii) A
PI 3 Aggregate revenue out-turn compared to original approved budget	**M1**	**A**	A	**D**	(i) D
PI-4 Stock and monitoring of expenditure payment arrears	**M1**	**D+**	(i) D (ii) B	**C+**	(i) C (ii) B

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

Dimension (i) The difference between actual primary expenditure and the originally budgeted primary expenditure

This is an indicator that compares actual expenditure with the originally approved budget and assesses the Government's ability to uphold and implement the agreed budget in aggregate terms. While it is illegal for any vote to spend more than its approved budget, the Constitution, section 156 (2), says that excess expenditure must be covered by a supplementary authorisation by Parliament within four months of it being incurred. This is done to legitimise over-spending.

Good practice requires avoidance of under-spending as well as over-spending. Annexe B shows that while the difference between total actual government expenditure and originally budgeted expenditure (excluding debt service charges and donor funding) for FY 2008/09 and FY 2009/10 was less than 3 percent, the FY 2010/11 variance hit 28.7% (excess). This was mainly a result of supplementary expenditures by:

a) Ministry of Defence (UGX 1,501.5 billion) to buy fighter jets and pay salary shortfalls;
b) State House (UGX 94.9 billion) to meet operational shortfalls;
c) Ministry of Energy and Mineral Development (UGX 92 billion) to meet shortfalls in payment for thermal power electricity; and
d) Uganda Police (UGX 81.9 billion) to police the 2011 General Elections among others.

As a result, the score deteriorated to C as compared to B scored in 2008.

Score in 2008	Present score	Rationale for score	Explanation of change
B	C	In one of the last three years, aggregate primary expenditure deviated from the original budget by more than 15%	Deterioration in control of aggregate expenditure

Planned reforms

a) Under the Public Finance Bill, a contingency fund with a resource equivalent of 3.5 percent of the total budget is to be set up to cater for requests for supplementary expenditures and emergencies;
b) There will be stringent conditions of access to the contingency fund;
c) Sanctions and penalties will be imposed on MDAs that exceed their allocations: excess expenditure will be deducted from allocations in the subsequent financial year.

Information sources

Annual Budget Performance Reports FY2008/09, FY2009/10 and FY2010/11, Public Finance Bill 2012, Constitution 1995

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

Dimension (i) Extent of the variance in expenditure composition during the last three years, excluding contingency items

This indicator assesses budget discipline and demonstrates government's ability to sustain or stick to the budget allocations given to MDAs. In other words, it evaluates the credibility of the budget as a statement of policy intent.

Annexe B demonstrates that the differences between the actual composition of expenditure and the originally budgeted expenditures at the agency level in FY 2008/09 and FY 2010/11 were over 15 percent in each year. In FY 2009/10, the difference was 14 percent. However, a variance of more than 15 percent in two years out of three is rated at D.

It should be noted that the method of calculation of PI-2 has changed since 2008, so the score is not strictly comparable with the C given in 2008. The former method of calculation overrated credibility in particular situations. If the 2008 data were re-assessed under the new method, the score would be D. There has been no real change since then.

Under the new method of calculation, composition variance is independent of aggregate (PI-1) variance. Though there was 28.7 percent variance in 2010/11, this was shared very unequally and many votes were in fact cut. The major variances are attributed to State House, Ministry of Defence, Electoral Commission, Ministry of Energy and Mineral Development, Ministry of Public Service and Ministry of Justice and Constitutional Affairs. According to the Auditor General, many budget cuts (reductions) were effected unilaterally by MoFPED on the MDAs' prioritised activities without consulting the respective MDAs (Auditor General Report on 2010-11, Vol. 2).

Score in 2008	Present score	Rationale for score	Explanation of change
C	**D**	In 2 of the last 3 years, the variance in expenditure composition compared with the original budget exceeded 15%	Higher reallocations among expenditure heads

Dimension (ii) The average amount of expenditure actually charged to the contingency vote over the last three years

The change in the method of calculation of dimension (i) above was accompanied by the introduction of a new dimension. This is intended to promote good practice in the use of contingency reserves. In Uganda, there is no separate vote for contingencies: instead MDAs apply for supplementary estimates. This has affected the scores on PI-1 and PI-2 (i).

Score in 2008	Present score	Rationale for score	Explanation of change
Not applicable	**A**	In the absence of a contingency vote or any charging of expenditure to such a vote, the default score is A.	Not comparable

Planned reforms
In addition to the reforms mentioned under PI-1, MoFPED has been in discussion with IMF on the introduction of a single Treasury account (STA) arrangement with BoU and the commercial banks. An STA would enable MoFPED to make cash releases more in line with MDA work plans. Even if MDAs were unable to absorb the releases their bank balances would be consolidated at the close of each working day and debt minimised.

Information sources
Annual Budget Performance Reports FY 2008/09, FY 2009/10 and FY 2010/11; IMF Fourth Review of Policy Support Instrument (5 June 2012).

PI–3 Aggregate revenue out-turn compared to original approved budget
This indicator assesses government's performance on domestic revenue collection (tax and non-tax), compared with forecast. The main taxes are corporate tax, PAYE, withholding tax, VAT, excise duty and import duty. The annual forecast of domestic revenue is a major component in the resource envelope, along with external loans and grants and non-bank savings, and critical to budget credibility. The MoFPED Directorate of Economic Affairs (DEA, Tax Policy Department and Macroeconomic Policy Department) is responsible, together with the URA and Bank of Uganda Research Department. DEA projects revenues from a base of past out-turns and trends,

and factors in changes in macroeconomic variables (GDP growth, imports, exports, balance of payments, inflation) and the elasticity of revenue heads, planned changes in tax policy, planned efficiency gains by URA from tax audits, etc. The first forecast is made in October and feeds into the first budget circular, the second in April to inform the Budget Framework Paper and the third in April/May to inform the final Budget. The IMF financial programming model is used. This is being strengthened by integration with a macroeconomic model of the Ugandan economy.

Annexe B shows that revenue collection fell below budget in two of the last three years. In FY 2008/09, the revenue collection budget target was missed by 4.2 percent and this worsened in FY 2009/10 when the budget target was missed by 25.6 percent. This downward trend, however, was reversed in FY 2010/11 when revenue collection exceeded budget by 24.9 percent.

Shortfalls in domestic revenue have not resulted in corresponding cuts in aggregate expenditure as expenditure has been more than maintained by additional borrowing.

A score of D is given where revenue collections are below 92 percent or above 116 percent of budget in at least two of the last three years. Revenue collection was below 92 percent of budget in 2009/10 and above 116 percent of budget in 2010/11, so a D score is given.

As with PI-2, there has been a change in the method of scoring PI-3. Now over-collections/under-estimates are penalised as well as under-collections/over-estimates. Under the new method, the score in 2008 would have been C rather than A, as there were regular under-estimates in those years.

The severe revenue shortfall in 2008/09 (UGX 269 billion) was due to underperformance of trade taxes especially import duty and VAT on imports. Furthermore, local VAT on services and local excise on beer and phone talk time also underperformed. In FY 2010/11, the better performance was due to higher than expected collections of PAYE and taxes from international trade. Significant collections were realized from VAT on services like electricity, talk time, sugar, and domestic fees and licences. Oil revenue is expected to start flowing from 2017 (see para. 3.9.2).

Score in 2008	Present score	Rationale for score	Explanation of change
A	**D**	Revenue collections were less than 92% of budget in 2009/10 and more than 116% of budget in 2010/11	Not comparable, due to change in method of calculation

Planned reforms

a) Improved revenue forecasting through a macroeconomic and fiscal model, which is expected to go live in October 2012, and to be used in preparing the Budget Framework for 2013/14;
b) Tax payers are to be given new TINs;
c) TIN registrations are to be integrated with IFMS, NSSF, land registry system, etc;
d) Late submission of returns will attract heavy penalties with interest of about 20 percent, or as determined by the Commercial Bank Rate from the Central Bank;
e) URA will prosecute 25 court cases every quarter.

Information sources

Annual Budget Performance Reports FY2008/09, FY2009/10 and FY2010/11, Budget Speeches for FY2009/10, p. 45, FY2011/12, p. 37 and FY2012/13, p 36; A Guide to the Budget Process, 2005.

PI-4 Stock and monitoring of expenditure payment arrears

Dimension (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

In Uganda, the Debt Strategy Statement and Financial Reporting Guide define arrears similarly as all liabilities to domestic suppliers, irrespective of their age, outstanding at the end of the financial year.[8] 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 are constitutional obligations, but are not treated as liabilities. The Consolidated Financial Statements report liabilities, and also, as a note to the Accounts, all outstanding commitments to suppliers, whether delivered or not. The statement of commitments does not include outstanding interest, or salaries and pensions.

The stock of expenditure arrears for central government is shown below. Arrears incurred by LGs are brought into the assessment of indicator 9 (ii) and are excluded here.

Table 3.1 Expenditure arrears

	30 June 2011 UGX bn	***30 June 2010 UGX bn***	***30 June 2009 UGX bn***
Payables to domestic suppliers and utilities, recurrent and development (verified), court awards and compensation claims (note 1)	473.7	357.6	390.6
Pension and gratuity liabilities	75.4	115.4	152.0
Unpaid salaries			
Dues to international organizations			
Interest payable on treasury bills/bonds	nil	1.1	24.9
Interest on external debt (note 2)			
Total central government arrears	**549.1**	**474.1**	**567.5**
Total central government expenditure	7117.6	6636.8	6446.6
% of total expenditure	7.7	7.1	8.8

Source: Auditor General's Report on 2010/11, and Consolidated Financial Statements (Statement of Financial Performance) for each year. BMAU Study on Non-Compliance, February 2011. Total expenditure comprises recurrent expenditure including interest, development expenditure including donor-funded expenditure, and statutory charges, for central government, as reported (excluding the arrears).

Note 1: Reported arrears may include payables that are not operating expenditures. For instance at 30 June 2011, the total includes UGX 9.5 bn of Global Fund money that had been misapplied but recovered by AGO and due to be refunded to the Global Funds, and UGX 1.7 bn of withholding tax deducted from payments to contractors and due to be paid to URA.

Note 2: The Report on Loans, Guarantees and Grants for 2010/11 shows there were arrears of interest $34.4 mn (UGX 81.9 bn) and principal $48.2 mn (UGX 114.7 bn) at March 2011 on loans

8 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.

from Tanzania, Nigeria, UAE/Abu Dhabi Fund and other. These were not necessarily outstanding at 30 June 2011 and have not been included above.

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 (see under PI-20 (i)). As warrants are given only within short-term projections of available cash, all commitments can be met unless cash inflows fail to materialise as projected over the quarter.

In practice, the system is still being undermined:

- Several expenditure items are not adequately budgeted - salaries, pensions, rent, utilities, court awards, compensation claims, VAT 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. Utility bills are delayed, especially water, which makes them more difficult to include in budgets. Salaries are also under-budgeted: a supplementary appropriation for salaries in 2011/12 was refused by Parliament in June 2012. MoFPED considered 'straight through payment' for utilities, ie. the Accountant General to pay utility bills in full and deduct the amounts paid from subsequent releases to MDAs. This was not accepted as it diluted MDAs' accountability for their own bills. IMF benchmarks include the regular publication of data on arrears and the sanctioning of Accounting Officers who incur arrears: the former benchmark is being observed (see below). MoFPED has requested the utilities to install pre-payment meters in the MDAs.
- Previously, MDAs bypassed the system by placing orders directly with suppliers without entering them in the IFMS. This practice is said to have been reduced: the Accountant General refuses to pay a bill if there is no LPO in the system. It is treated as the personal responsibility of the Accounting Officer. However, until it is paid it remains a government liability under the law of agency. If an MDA submits a bill that has not been committed, it has to await a supplementary appropriation.
- Arrears are not necessarily settled in the order in which they are incurred (first-in-first-out). The budget may be used for other expenditures, or recent creditors may be preferred over old claims, or unverified arrears over verified arrears. There is no age analysis of arrears. Since 2010/11 the budget has not provided separately for arrears, as it is the responsibility of each MDA to meet its arrears out of its total appropriation.

The GoU is committed to paying off past arrears and minimizing the creation of new arrears, but new arrears continue to emerge due to budget constraints combined with lack of budget discipline. The above causes of arrears are comprehensively addressed in a domestic arrears strategy set out in the MoFPED Debt Strategy document. 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, but arrears to domestic suppliers are still increasing: the strategy is not working.

Score in 2008	Present score	Rationale for score	Explanation of change
D	C	The stock of arrears constitutes 2-10 percent of total expenditure and has not reduced in the last two years. This matches the Framework requirement for a C score.	At 30 June 2008, arrears were 13.9 percent of expenditure for the year. This is a real improvement.

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

Audited annual data are fairly reliable for arrears on purchases of goods and services. Arrears in payment of court awards and compensation claims, and pension arrears, are less reliable. Unsettled court cases are included in contingent liabilities.

Each MDA compiles the data on its domestic expenditure arrears from its Register of Domestic Arrears (Unpaid Bills). There are also Vote Books that should record all commitments and payments, but since the roll-out of IFMS many MDAs do not keep these manual records. Data are verified by MDA internal audit departments and reported to the Accountant General as a schedule to its Appropriation Account three months after the end of the year, and in its in-year reports after six months and nine months. Vote Books are kept manually as IFMS does not extend to the level at which commitments are made. It is doubted that all commitments are recorded. Though MDA internal audit verifies the arrears compiled by MDA accounts, it cannot verify unrecorded commitments. Unbudgeted arrears may not be included in the report. Some MDAs claim to record all commitments, eg. Ministry of Education and Sport, but this does not appear to be the general practice, eg. in State House or Defence. There is no central monitoring of outstanding commitments or arrears during the year, except on utilities.[9] The Accountant General (Financial Management Services) consolidates all MDA arrears at the end of each year and these are disclosed in a Note to the Consolidated Financial Statements. The Auditor General checks all arrears independently, including classified expenditures, and informs the MDA of necessary corrections but these may not be reported to the Accountant General and included in the Consolidated Financial Statements.

Score in 2008	Present score	Rationale for score	Explanation of change
B	B	Data on the stock of arrears is generated at least annually, but may not be complete, and does not include an age profile	No change

Planned reforms
The Public Finance Bill proposes to elevate the profile of internal audit and provide it with more legal powers to enforce implementation of its recommendations. The Bill will also operationalise the Contingencies Fund, and re-define arrears. The ongoing rollout of IFMS tier 1 and tier 2 systems will strengthen control of commitments.

Information sources
Interviews with Inspectorate and Internal Audit Department, Auditor General and staff, Consolidated Financial Statements and Auditor General's Report for 2010/11, BMAU Study on Non-Compliance,

9 This is to meet an IMF structural benchmark. The latest report on utilities budget performance, web-posted on 6 March 2012, shows UGX 950 mn arrears of telecoms, electricity and water bills, of which Ministry of Defence is owing UGX 761 mn. Releases to MDAs at that date were UGX 56.1 bn, of which 5.2 bn was still available. It is not clear why the arrears were not settled.

February 2011.

3.3 Comprehensiveness and transparency

	Scoring method	Scores November 2008		Scores June 2012	
PI 5 Classification of budget	**M1**	**A**		**A**	
PI 6 Comprehensiveness of information included in budget	**M1**	**A**		**A**	
PI 7 Extent of unreported government operations.	**M1**	**D+**	(i) B (ii) D	**D+**	(i) B (ii) D
PI 8 Transparency of inter-governmental fiscal relations	**M2**	**D+**	(i) D (ii) C (ii) D	**D+**	(i) D (ii) C (iii) C
PI 9 Oversight of aggregate fiscal risk from other public sector entities	**M1**	**C**	(i) C (ii) C	**C**	(i) C (ii) C
PI 10 Public access to key fiscal information	**M1**	**B**		**B**	

PI-5 Classification of the budget

GoU uses an administrative, economic and functional classification. Since 2004/05 the classifications include fund and funding source, administrative organization (vote and cost centres), project, Medium Term Budget Framework (sector), 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', ie. a set of programmes and projects contributing to a vote objective. This is intended to complement the ouput-oriented budgeting and results-oriented management initiatives that were started in 1997. At pesent, however, many 'outputs' are activities or services with no measurable targets.

The functional analysis set out in the UN Classification of the Functions of Government (COFOG) is not seen as fully applicable in Uganda. The GoU adjusted the functional classification to match the structure of the Poverty Eradication Action Plan, and now the National Development Plan. 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 public enterprises does not follow GFS guidelines, but this indicator covers only budgetary central government.

GoU follows the inherited dual budget process, in which "development" expenditure is kept separate from "recurrent" expenditure. These categories have lost all meaning, but are ingrained.

Score in 2008	Present score	Rationale for score	Explanation of change
A	**A**	Budget formulation and execution is based on administrative, economic and sub-functional classification, using a standard that can produce consistent documentation according to GFS and COFOG standards.	No change

Planned reforms

None.

Information sources

Approved Estimates 2010/11 and 2011/12.

PI-6 Comprehensiveness of information included in budget documentation

Dimension (i) 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).

The assessment of this indicator is based on the documentation for the 2012/13 budget, which was presented to Parliament June 2012.

Budget documentation is provided in various GoU publications, which are not available in one comprehensive volume. 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 the current year was also provided in the Audit Report and Consolidated Accounts for 2010/11, which were presented to Parliament on 30 April 2012 and were thus available at the time of the 2012/13 budget review.

Table 3.2 Budget documentation

Element	Disclosure
1. Macro-economic assumptions, including at least estimates of aggregate growth, inflation and exchange rate	**Yes** Background to the Budget (BTTB) FY2012/13 p. 110 and Medium Term Expenditure Framework
2. Fiscal deficit, defined according to Government Financial Statistics or internationally recognised standard.	**Yes** BTTB FY 2012/13, p. 114 and pp. 63-70
3. Deficit financing, describing anticipated composition	**Yes** BTTB, p. 114
4. Debt stock, including details at least for beginning of the current year.	**Yes** BTTB, p. 58-62
5. Financial Assets, including details at least for 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** Annual Budget Performance Report and BTTB, pp. 63-69
7. Current year's budget (either the revised budget or the estimated out-turn), presented in the same format as the budget proposal.	**Yes** Draft Budget Esimates, Annual Budget Performance Report and BTTB, pp. 63-69

8. Summarized budget data for both revenue and expenditure according to the main heads of classifications used (ref. PI-5), including data for the current and previous year.	**Yes** BTTB, p. 65/66. p.63
9. Explanation of budget implications of new policy initiatives, with the estimates of budgetary impact of all major revenue policy changes and/or some major changes to expenditure programmes	**Yes** Budget Speech, Revenue projections which communicate the targets

Score in 2008	Present score	Rationale for score	Explanation of change
A	A	Recent budget documentation meets all nine information benchmarks	No change

Planned reforms
Review of the Budget Act.

Information sources
Approved Estimates 2012/13, Background to the Budget 2012/13, Budget Speech 14 June 2012, Annual Budget Performance Report 2010/11.

PI-7 Extent of unreported government operations

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

The budget contains the Consolidated Fund that covers the expenditure of all central government MDAs, the Contingencies Fund and the Road Fund. Outside the budget, there is an Energy Fund that receives annual transfers fron the Consolidated Fund and uses this for renewable energy projects to increase access to energy by the poor.[10] A Petroleum Fund will be set up by the Public Finance Bill when it is passed (see para. 3.9.2). Apart from these, there is large number of government-controlled non-market non-profit institutions that incur expenditure.[11] Mostly they are funded by government grants, but some have their own sources of revenue and grants from donor agencies. Their accounts are outside the IFMS system and are not consolidated with the MDAs, so they are not in the Approved Estimates nor in the in-year reports or Consolidated Financial Statements. In these cases, their expenditure may be more than the government grants, so the excess would be 'unreported expenditure'.

The assessment team attempted to estimate the amount of unreported expenditure by, first, identifying what extrabudgetary entities in the public sector incur significant expenditure and, secondly, obtaining their latest accounts and extracting data on their expenditure (on a cash basis) and netting out government grants received.

10 Movements in the fund balance are reported in the Annual Financial Statements. Expenditure in 2010/11 was UGX 147.1 bn out of an accumulated UGX 543.0 bn.

11 Government business enterprises (public enterprises) are outside government as defined in IMF-GFS, and outside the scope of this indicator.

There is no complete inventory of public entities or GoU holdings. The most complete list is provided by the Auditor General, who reports annually on statutory bodies. 73 statutory bodies are listed in the Auditor General's report (volume 4) on the Accounts for 2010/11. On a preliminary analysis,[12] 30 of these were classified in accordance with IMF-GFS definitions as government business enterprises and 43 as extrabudgetary central government bodies (see Annexe F). The expenditure of all the latter has not been determined, but appears to be insignificant (in total less than 1 percent of total expenditure) except for the National Social Security Fund (NSSF). The NSSF expenditure on a cash basis in the year to June 2011 was UGX 90.2 bn, all funded from contributions. This is 1.4 percent of total expenditure.

Significant non-tax revenue used to be collected and retained by MDAs. URA has extended its control over non-tax revenues.[13] Unreported central government revenues are now insignificant, except perhaps in referral hospitals, which do not deposit hospital fees from private patients to the Consolidated Fund, but are allowed to use this source to supplement releases from their approved budget. No data are available, but this item is unlikely to take the total unreported expenditure over the 5 percent threshold for a lower score.

Score in 2008	Present score	Rationale for score	Explanation of change
B	B	The level of unreported extrabudgetary expenditure is in the range 1-5 % of total expenditure	No change

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

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), however there is insufficient information on direct payments by donors to suppliers. Expenditure by project implementation units (PIUs) out of donor disbursements to special accounts are mainly tracked by the PIUs and not by the Accountant General.

Given the importance of donor funding in Uganda, systematic collection of donor releases and expenditure is important for planning and budgeting purposes. The intention is to put all donor-assisted projects onto IFMS. Seven projects, out of a total of about 150, have been put onto IFMS and are reporting their expenditures in GoU chart of accounts classification. This is a pilot project. At the time of this assessment, 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.

12 The FINMAP work programme in 2008 included a more rigorous institutional mapping in accordance with the IMF-GFS. This does not appear to have been done.

13 Non-tax revenue in 2010-11 was UGX 153 bn, about 2% of total expenditure.

Score in 2008	Present score	Rationale for score	Explanation of change
D	**D**	Information on donor-financed projects in the in-year and annual financial statements is seriously incomplete (both grant and loan-financed operations)	No change

Planned reforms
The Accountant General intends to capture all donor-assisted project expenditure, whether funded by grants or loans, and include it in IFMS and in fiscal reports. A web-based platform (Public Investment Monitoring System) will link donors to MoFPED and implementing agencies, and provide information on disbursements in real time.

Sources of information
Auditor General Reports, vol. 4, 2010/11, NSSF Annual Report 2010/11, Annual Financial Statements 2010/11; interviews with Accountant General and AGO Commissioners.

PI-8 Transparency of inter-governmental fiscal relations (between CG and HLGs only)
Dimension (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)

The Constitution provides for transfers to LG to be in form of conditional, unconditional and equalization grants. The proportions of the grants are currently: conditional grants (95%); unconditional grants (4%); and equalization grants (less than 1%). There are about 38 conditional grants and each has its own specific formula. The Local Government Finance Commission (LGFC) has the responsibility for the formulation of the conditional grants and forwards them through the Minister for Local Government to the President for approval. However some sectors (education and health) have developed their own conditional grants without input from the LGFC.[14] The formulae are adjusted from time to time as need arises, although the major ones are enshrined in the Constitution and the relevant laws. The horizontal allocations are guided by the formulae.

Once the formulae are set they are communicated to the LGs and are well publicized in the budget preparation guidelines and documentation. Some of the formulae appear to be complex and their bases are not universally understood and accepted. There is LG concern that the parameters and formulae are not clear for some grants (National Budget Framework 2012/13, p. 81). Except for the unconditional grant, which is generally based on area and population, the LGs cannot calculate the grants they will receive because of several intervening variables: the vertical allocation[15] by each sectoral ministry that precedes the horizontal allocation across the LGs is not predictable; there is uneven adjustment for donor interventions in particular LGs; there are intersectoral shifts due to policy changes during the year; 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 LGs are not in line with the formulae for each conditional grant.

14 LGFC has no power to enforce its formulae, and their application is in the hands of individual MDAs.

15 The vertical allocation is that part of the total sectoral allocation that relates to decentralised services.

Score in 2008	Present score	Rationale for score	Explanation of change
D	**D**	Less than 10% of the allocation formulae are determined in a transparent manner.	No change

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

The allocations formulae are supposed to be set at the beginning of the budgeting calendar for a financial year, which runs from 1 July to 30 June as for central government. The indicative formulae are first communicated to the LGs during the Regional Budget Conferences that are usually held in October/November of each year. This enables LGs to prepare their plans and budgets based on the indicative planning figures provided to them. The CG budget preparation calendar guides the timing of the announcement of the allocations formulae. The final formulae are issued to LGs once the CG budget has been presented to parliament in June. LGs get to know the final resource allocations to them once their financial year has commenced. Consequently the law allows LGs to have their budget approved by 30 August – about two months into the financial year. Once the final allocations are set they are adhered to as releases to the LGs are generally honoured. The performance for allocations to LGs has generally been higher than 95 percent.

Score in 2008	Present score	Rationale for score	Explanation of change
C	**C**	Reliable information is issued too late for significant changes to be made to the budgets for LGs.	No change

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

LGs receive allocations of the grants on a quarterly basis. The LGs report back to MoFPED and the sectors on the utilization of the grants on a quarterly basis. The quarterly reports are prepared with the help of the Output Budgeting Tool (OBT) that is a database reporting system on the utilisation of the resources allocated to LGs. There was a delay in releases to some LGs due to late reporting of previous releases (a condition of release), but since a Presidential directive 21 September 2011 this control has been dropped: LGs now receive their grants without necessarily accounting for earlier grants. At the end of each year each LG sends its annual accounts to the Auditor General for audit. Copies of the accounts are also given to MoFPED, MoLG and LGFC.

The LGs use the same chart of accounts as the Central Government although some of the LGs that are not on the IFMS create their own codes. The OBT has generally improved the in-year budget reporting for LGs although some difficulties have been registered in the application of the tool. LGs have also generally improved in the submission of their annual accounts. All of the LGs now submit their annual accounts within the stipulated legal limit of three months from the end of the financial year. There has been some improvement in individual LG reporting, but the consolidation of all higher level LGs covers only recurrent expenditure, not development expenditure (UBOS Annual Statistical Abstract, published 12 months after the year end).

All unused conditional grants at the end of the year are supposed to be returned to the Consolidated

Fund except where permission has been sought from the Accountant General to retain and utilize the funds within one month from the end of the financial year. Even if permission is not applied for, LGs tend to retain unspent cash as they have to meet commitments made on those releases.

Score in 2008	Present score	Rationale for score	Explanation of change
D	C	The LG fiscal information is collected on time and recurrent expenditure (60-75% of total expenditure) is consolidated into annual statistical tables.	Improvement of LG reporting

Planned reforms
LG financing strategy is being reviewed by LG Finance Commission.

FINMAP has provision for improving the formulation of the grants formulae and their dissemination and publicity. Capacity is being built in the Directorate of Budget through the recruitment of economist interns. The increase in staff capacity at the Directorate is expected to lead to provision of more timely data to LGs. Further improvements are being made to the OBT. The improvements to the tool will lead to more timely and reliable data on allocations to LGs. Accounting Officers that issue conditional grants late will be penalised during their performance evaluation. As more LGs get onto the IFMS, use of their own created codes will not be permitted. The Public Finance Bill proposes to commence the budgeting processes early in the year so that the national budget is approved by 31 May. The Bill does not specify how this will affect the budget calendar for LGs.

Information sources
National Budget Framework Paper - April 2012, Background to the Budget 2012/13, Local Government Finance Commission Annual Report 2011, Auditor General Reports, PFM Reform Strategy and Action Plan, FINMAP Quarterly Reports, BTTB 2012/13, UBOS 2012 Annual Statistical Abstract, table 4.4.J (a).

Consultations have been held with LGFC, MoLG, DB at MoFPED, AGO at MoFPED, and the LG PEFA assessment team.

PI-9 Oversight of aggregate fiscal risk from other public sector entities
Dimension (i) Extent of central government monitoring of autonomous government agencies and public enterprises

Most public enterprises and autonomous government agencies are monitored by the Parastatal Monitoring Unit (PMU), which falls under MoFPED. The PMU monitors compliance with the Public Enterprise Restructuring and Divestiture Act, 1993. It also provides technical assistance where necessary and undertakes diagnostic studies. It exercises the shareholder functions on behalf of MoFPED, but maintains an arm's length relationship and does not intervene in operations. The annual report for 2010/11 provides details on 37 public enterprises.[16]
The PERD Act requires PEs to submit their audited accounts not later than three months after the close of the financial year, but this depends on the Auditor General's workload. PMU consider that

16 This compares with 30 public enterprises identified in the Auditor General's list (see Annexe F). The PMU includes the Electricity Regulatory Authority, National Medical Stores and Dairy Development Authority as public enterprises, though they appear to be non-commercial statutory bodies under central government. The Auditor General's list does not include Pride Microfinance Ltd and Uganda Telecom Ltd. Neither list includes Bank of Uganda, which is a public enterprise (public financial institution).

PEs comply if they at least submit their accounts for audit within three months. In FY 2010/11, 94 percent of the PEs complied, of which 64 percent points relate to PEs that managed to have their accounts audited within the deadline.

All parastatals are subject to audit by the Auditor General, who outsources the audits to private firms where necessary. His report on statutory bodies for 2010/11 shows that he did not receive signed accounts for nine out of 75 parastatal accounts in time for his report (see Annexe F). An analysis of fiscal risk is not part of the audit function. The body responsible for the analysis of fiscal risk, the DEA at MoFPED, receives PMU reports and takes such information into account in its fiscal planning. However, a consolidated overview is not formulated and reported.

Score in 2008	Present score	Rationale for score	Explanation of change
C	C	Most major AGAs/PEs submit annual reports to MoFPED but there is no consolidated overview of fiscal risk.	No change

Dimension (ii) Extent of central government monitoring of SN governments' fiscal position

LGs submit quarterly reports of revenue and expenditure to the Accountant General, using the same chart of accounts as the CG. Each quarter's report should be received by the end of the following quarter. Previously, the release for the next quarter was delayed until the report was received. Lack of accounting/reporting capacity in LGs led to delays in release of funds and stoppage of activities and projects. Since September 2011, releases have been made without accountability.

An LG may borrow up to 25 percent of its approved budget with the approval of the Ministry of Local Government and on stringent conditions. LGs rarely borrow (no cases are known).

Arrears of expenditure are a form of concealed borrowing, and are far more serious. These include supplier arrears and retention of taxes (VAT and withholding tax) due to CG. There is annual monitoring of the fiscal position of higher-level LGs, but the amount of arrears is not known. Most LGs do not routinely monitor their expenditure arrears.

Score in 2008	Present score	Rationale for score	Explanation of change
C	C	The net fiscal position is monitored at least annually for higher-level local governments, but there is no consolidated overview	No change

Planned reforms
IFMS is being rolled out to all LGs. This will assist in control of LG arrears.
It is being considered whether all public enterprises will be required to change to the same accounting year as the Government, ie. 1 July to 30 June.

Sources of information
Auditor General's Report on 2010/11, vol.4; Annual Report of Privatization Monitoring Unit 2010/11; LG PEFA draft Report 2012; interviews with Local Government Finance Commission, Ministry of Local Government, Privatisation Monitoring Unit Head and staff.

PI-10 Public access to key fiscal information

Dimension (i) 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)

MoFPED publishes the following documents, mainly annual. They are made available to the public through distribution of hard copies to resource centres of key government and non-state institutions, and posting some soft copies to MoFPED website (www.finance.go.ug) and the MDA websites.

a) National Development Plan;
b) National Budget Framework Paper;
c) Sectoral Budget Framework Papers;
d) District Budget Framework Papers;
e) Ministerial Policy Statements;
f) Annual Budget Performance Reports;
g) Background to the Budget;
h) Budget Speech;
i) Draft Estimates of Revenue and Expenditure
j) Budget Monitoring Reports;
k) Monthly Performance of the Economy Reports;
l) Audited Financial Reports;
m) Reports of the Auditor General;
n) Annual Statistical Abstracts.

GoU has also established well-stocked resource centres where the public can access all documents with key fiscal information. On a quarterly basis, Government publishes information on releases to the districts in the newspapers. Districts are required to post the information on notice boards. Additional copies are available to the public during the various government consultative meetings. GoU produces an annual Budget Speech video for distribution to interested members of the public.

Table 3.3 Information available to the public

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**, at the Directorate of Budget, MoFPED, MoFPED Resource Centre and some copies on the website (www.finance.go.ug) throughout the year (depending on the specific information required). This reflects the A given for PI-6 on budget information to the legislature.
ii)	**In-year budget execution reports**: The reports are routinely made available;	**Yes,** Monthly Performance of the Economy Reports on the MoFPED website
iii)	**Year-end financial statements**: The statements are made available to the public through appropriate means within one month of completion;	**Yes**, as they are included in the Auditor General's Report. They are distributed to Members of Parliament and other interested stakeholders within 6 months of completed audit and posted on the OAG website.

iv)	**External audit reports**: All reports on central government consolidated operations are made available to the public through appropriate means within six months of the completed audit;	**Yes**, on the Auditor General's website (www.oag.go.ug).
v)	**Contract Awards**: Award of all contracts with the value above Approx. US$100,000 equivalent or appropriate lower amount at local government level (specify threshold) are published at least quarterly through appropriate means;	**No**. The PPDA website (www.ppda.go.ug) shows some recent awards, but most are not posted by the procuring entities.
vi)	**Resources available to primary service units**: Information is publicised through appropriate at least annually, or available upon request, for primary service units for which the level of government is specifically responsible (e.g. elementary schools or primary health clinics).	**Partly.** Reports of resources received by schools and primary health clinics should be posted on their public notice boards. This is partly complied with.

In-year budget execution reports are not produced for distribution in hard copy, but are available to MDAs using IFMS and to the public on the MoFPED website.

Audit reports are available in hard copy and on the OAG website up to 2010/11. Contracts in excess of US$100,000 should be posted on the PPDA website but most are not posted.

Score in 2008	Present score	Rationale for score	Explanation of change
B	**B**	The government makes available to the public 4 of the 6 listed types of information	No change

Planned reforms
None.

Sources of information
MoFPED, OAG and PPDA websites, MoFPED Resource Centre.

3.4 Policy-based budgeting

	Scoring method	Scores November 2008		Scores June 2010	
PI 11 Orderliness and participation in the annual budget process	**M2**	**C+**	(i) B (ii) B (iii) D	**C+**	(i) C (ii) A (iii) D
PI 12 Multi-year perspective in fiscal planning, expenditure policy and budgeting	**M2**	**C+**	(i) C (ii) A (iii) C (iv) C	**C+**	(i) C (ii) A (iii) C (iv) C

PI-11 Orderliness and participation in the annual budget process

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

In Uganda, the financial year starts in July. Budget preparation starts the previous September with forecasting the macroeconomic framework, determination of the resource envelope, national priorities and sector ceilings, followed by budget consultations and preparation of the detailed Budget Estimates. The table below shows the budget calendar, as laid down in the Budget Act, and amplified in the MoFPED guideline "A Guide to the Budget Process", 2009.

Table 3.4 Budget calendar

Element/activity	Budget calendar	Actual dates of activities in last three years
-Determination of Resource Envelope and its allocation to the policy priorities;	September	
-Cabinet Retreat is held for Finance Minister to present a Budget Strategy Paper to pave way for the first Budget Consultative Workshop that sets off the Budget Consultative Process. -Preparation of the first Budget Call Circular to be sent to MDAs and Local Governments to communicate indicative sector ceilings agreed by the Cabinet	October	11 December 2008 30 November 2011
Budget Consultative Workshops are held to brief participants on economic outlook of the economy, the budget implementation challenges and MTEF for the following year.	October / November	
Sector Working Group Meetings are held to agree on sector priorities and financing needs.	December	
MDAs and LGs submit their Sector Budgets and MTEFs.	15 February	9 February -16 February 2009 (period to finalize BFPs) 6 April 2010
Sectoral and Local Government Budget Framework Papers are consolidated	January-March	
Inter-Ministerial Consultative Meetings held to discuss outstanding policy issues, sector budget priorities and allocations at political level	February	
Mid-Term Public Expenditure Reviews are held to assess the half year Budget Performance Reviews to identify areas that need action so as to improve public service delivery.	March	
The consolidated National Budget Framework Paper is laid before Parliament for discussion	1 April	Submitted on 28 March 2012 and laid on 9 April 2012
Sessional Committees of Parliament review the reports and submit to the Parliamentary Budget Committees	1– 25 April	
Parliament submits a report to H.E. The President with recommendations	1 May	
Parliament provides feedback to MDAs	15 May	

Revised ceilings given to MDAs who finalize their Budget Estimates (Third Budget Circular)	15 – 30 May*	29 May - 5 June 2008 25 May – 1 June 2009 28 May-2 June 2010
Statutory bodies submit their budget estimates of revenue and expenditure to MoFPED for onward transmission to Parliament	30 May	7 June 2010
Prepare Background to the Budget detailing key budgetary issues in current year.	May	
Minister prepares Budget Speech in consultation with H.E.The President and Cabinet during which Parliament's recommendations are considered.	1-14 June	
Budget Speech presented to Parliament together with a report on loans and grants and the country's indebtedness.	Before 15 June	15 June 2010 10 June 2011
Submission of prepared Ministerial Policy Statements to Parliament.	30 June	
Seek for Parliamentary approval of Vote on Account by Minister of Finance	Before 30 June	8 July 2011 – Issued Circular on Execution of the Budget for FY2010/11on Vote on Account.
Parliamentary approval of the National Budget	August / September	18 September 2008 9 September 2009 13 September 2010

The above table shows a strong political input from the start, and opportunities for Parliamentarians to amend the budget before it is formally presented. The process also includes consultative workshops where the private sector and civil society can make their views heard, though civil society participation in the 2011/12 budget process started only after it was presented to Parliament. Sector meetings are held for each industry. MoFPED adheres to the calendar date to submit the National Budget Framework Paper and the Minister of Finance presents the Budget to Parliament on behalf of the President by the statutory date of 15 June. Delays in the early stages are sometimes due to difficulties in getting firm resource forecasts from the DPs. They give first indicative figures in September, second indication in February and final indication in April.

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. This creates a challenge for MDAs, who cannot finalise their budgets until after all these consultations and inputs. A reliable expenditure framework emerges only in late May when the third budget circular including final MTEF ceilings is issued. The MDAs say that this gives them a very short period within which to finalize and submit the Final Budget Estimates to MoFPED, as shown by the dates above: 29 May-5 June (7 days), 25 May-1 June (7 days) and 28 May-2 June (5 days). The introduction of the computer based OBT has eased the exercise of inputting the final changes to MDA budgets, but changes in ceilings imply re-prioritisation of programmes and activities. This cannot be done properly in the few days remaining.

The timetable is adhered to in respect of the presentation of the budget to Parliament, but MDAs complain that they are always given a very short period within which to finalise and submit their Estimates to MoFPED.

Score in 2008	Present score	Rationale for score	Explanation of change
B	C	An annual budget calendar exists, but MDAs do not have at least 4 weeks from receipt of the final budget circular to complete their estimates	The increase in the level of consultation has made rational planning within fixed ceilings problematic.

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

The process starts with a Cabinet Retreat, which provides sectoral ceilings. The Budget Circular is very comprehensive and clear.

Score in 2008	Present score	Rationale for score	Explanation of change
B	A	A comprehensive and clear budget circular includes politically approved budget ceilings.	Improvement due to the early involvement of the Cabinet

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

Parliament debates the draft estimates between July and September and approves the budget within four 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 expenditures up to four 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 (31 October). 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.

Score in 2008	Present score	Rationale for score	Explanation of change
D	D	The budget has been approved with more than two months delay in all the last three years	No change

Planned reforms
FINMAP is assisting the budget preparation process in a number of ways, including development of a macro-economic model and social accounting matrix, and an aid management system, training budget officers, recruitment of 40 graduate economists, review of MTEF, technical assistance to BD, OBT training for LGs, popular budget translation into local languages, and publication of quarterly releases.

The Public Finance Bill, 2012, at present before Parliament, is intended to advance the preparation process so that the budget is presented to Parliament by 1 April and approved by 31 May (one month before the start of the FY).

GoU is considering the use of treasury bills to finance the short-term imbalances of revenue and expenditure. This will be done cautiously to ensure that private sector credit is not crowded out and inflation is kept under control. Furthermore, cash management meetings of the Accountant General, URA, BoU, DEA and DB are to be held monthly to address the challenges of cash flow forecasts.

Sources
Approved Estimates 2011/12 and 2012/13, A Guide to the Budget Process (2008), various government correspondence, Public Finance Bill (Gazetted 5 March 2012); interviews with FINMAP Secretariat, Budget Directorate and Economic Affairs Directorate of MoFPED.

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

Dimension (i) Preparation of multi-year fiscal forecasts and functional allocations

The Directorate of Economic Affairs (DEA) in MoFPED is responsible for policy. It forecasts revenue and donor support that go into the resource envelope. Each year the DEA forecasts the available resources and informs the Budget Directorate (BD). Each quarter, before the beginning of the quarter, the forecast is updated and DEA informs BD of the pool available for expenditure releases.

In the allocation of resources to MDAs, the DB tries to take into consideration the particular circumstances of the different MDAs and frontloads resources when they are requested to do so. However, the Minister for Finance has acknowledged that releases to agriculture were not in time for the planting seasons and education releases did not coincide with school terms.

In the past, resource availability was guaranteed. Over the past three years, however, this has not been the case due to revenue shortfalls and high levels of inflation.

Government's fiscal stance in the medium term is anchored on priorities outlined in the five-year National Development Plan (NDP), 2010/11-2014/15. In line with the NDP, Government prepares a five-year Medium Term Expenditure Framework (MTEF) showing the forecast revenue and grants, expenditure (sectoral allocations) and financing. The MTEF, presented in the National Budget Framework Paper, has been prepared on a rolling annual basis for five years since 2008/2009. The first part of the MTEF is formulated by the DEA, which determines a fiscal monitoring framework and multiyear estimate of expected revenue.

Though the MTEF is prepared for five years, revenue, overall expenditure and sectoral allocations are revised at least yearly, and the differences between each year's MTEF and the next are not transparent. 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. Effectively the MTEF is a one-year plan, revised each year.

Each year's budget tends to diverge from the NDP (see Auditor General's analysis in his report on 2010/11). The difficulty is that the NDP is a fixed five-year plan issued in April 2010 and it projected a higher level of resources than has been available for recent annual budgets. With lower levels of resources and increased costs due to inflation, some large indivisible projects have to be postponed (such as the national census, originally planned for 2012/13), resulting in year-to-year changes in the sectoral shares. We are informed that as far as possible flagship projects are maintained.

Score in 2008	Present score	Rationale for score	Explanation of change
C	C	Forecasts of fiscal aggregates are prepared for at least two years, but links between multi-year estimates and subsequent setting of annual budget ceilings are not clear with differences explained	No change

Dimension (ii) Scope and frequency of debt sustainability analysis

A debt sustainability analysis (DSA) including both external and domestic debt is an integral part of the fiscal forecasting framework. It has been carried out together with the IMF and the World Bank as an annual tripartite exercise. MoFPED undertook an external debt sustainability analysis in March 2011. It showed that the external debt (64 percent of public debt) is highly sustainable.

Score in 2008	Present score	Rationale for score	Explanation of change
A	A	The DSA for external and domestic debt is undertaken annually	No change

Dimension (iii) Existence of sector strategies with multi-year costing of recurrent and investment]

Government has a costed National Development Plan and a number of sectors have developed sector strategies aligned to the policy priorities of the National Development Plan. The recurrent and development expenditures of the various strategies are not aligned to the annually updated MTEF. The IMF has encouraged the authorities to revive their focus on the NDP and to integrate it more efficiently with the planning of public investment projects.

As part of the MTEF preparation process, sector working groups plan their activities, but 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.

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. 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.

The Public Investment Plan (PIP) is prepared with the same time horizon as the MTEF. It provides recurrent and investment expenditure needs for all sectors combined. Nonetheless, the PIP 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 PIP 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.

Score in 2008	Present score	Rationale for score	Explanation of change
C	**C**	Costed strategies exist for more than 25% of primary expenditure but are inconsistent with aggregate fiscal forecasts	No change

Dimension (iv) Linkages between investment budgets and forward expenditure estimates

The recurrent and development budgets are linked inasmuch 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.

Score in 2008	Present score	Rationale for score	Explanation of change
C	**C**	Linkages between investment budgets, sector strategies and recurrent budgets are weak	No change

Planned reforms
The Public Finance Bill includes provisions for improved fiscal responsibility and accountability. The Government is planning to review and clean up the Public Investment Plan, and to undertake cost-benefit analysis on all new projects. Substantial capacity building will be required on project identification, appraisal and execution skills. NPA with support from the World Bank will carry out impact assessments on all projects.

Parliament is planning to track implementation of its recommendations.

Sources of information
Background to the Budget, FY 2012/13, Table 8.3.8 – Medium Term Fiscal Framework on p. 114. Table 36 of the same publication shows detailed allocations of the MTEF with sectoral allocations; Health Sector Strategy and Investment Plan 2010/11 – 2014/15; Work Plan for Ministry of Health 2011/12; IMF Fourth Review under the PSI, June 2012.

3.5 Predictability and control in budget execution

	Scoring method	Scores November 2008		Scores June 2012	
PI 13 Transparency of taxpayer obligations and liabilities	M2	**B+**	(i) B (ii) A (iii) B	**A**	(i) B (ii) A (iii) A

PI 14 Effectiveness of measures for taxpayers registration and tax assessment	M2	**B**	(i) C (ii) C (iii) A	**B**	(i) C (ii) C (iii) A
PI 15 Effectiveness in collection of tax payments	M1	**D+**	(i) NR (ii) B (iii) D	**C+**	(i) C (ii) B (iii) A
PI 16 Predictability in the availability of funds for the commitment of expenditures	M1	**C+**	(i) B (ii) B (iii) C	**C+**	(i) B (ii) C (iii) C
PI 17 Recording and management of cash balances, debt and guarantees	M2	**C+**	(i) C (ii) C (iii) B	**B**	(i) B (ii) B (iii) B
PI 18 Effectiveness of payroll controls	M1	**D+**	(i) D (ii) C (iii) C (iv) C	**D+**	(i) D (ii) B (iii) C (iv) C
PI 19 Competition, value for money and controls in procurement	M2	**D+**	(i) NR (ii) D (iii) C	**D+**	(i) B (ii) D (iii) C (iv) D
PI 20 Effectiveness of internal controls for non salary expenditure	M1	**C**	(i) C (ii) C (iii) C	**C**	(i) C (ii) C (iii) C
PI 21 Effectiveness of internal audit	M1	**C+**	(i) B (ii) B (iii) C	**C+**	(i) B (ii) A (iii) C

PI-13 Transparency of taxpayer obligations and liabilities

Dimension (i) Clarity and comprehensiveness of tax liabilities

The major direct domestic taxes are income tax (including corporate tax, individual income tax, PAYE, withholding tax), while the major indirect domestic taxes include value added tax (VAT) on domestic consumption, excise duty on local production and consumption, and recently casino tax. The major international trade taxes are import duty on imports, surcharge on used imports, VAT on imports, withholding tax collected by customs offices, and hides and skins levy.

These tax categories are governed by various laws (see sources below). Amendments are made from year to year in annual Finance Acts. The legislation and procedures are comprehensive and mostly clear, and are reviewed annually. Three laws require updating namely: Excise Act, Stamp Duty Act and Gaming and Betting Act. These are currently being reviewed with FINMAP assistance.

There is very little administrative discretion in the application of the law. In determining customs duty, the rules on the valuation of goods may be abused. For instance, customs officers have some discretion in deciding the adequacy of documentation. Secondly, small enterprises with turnover of less than UGX 50 million a year pay presumptive tax, which is a fixed amount or 1 percent of turnover. In the absence of reliable business records, the Commissioner of Income Tax estimates the turnover and assesses accordingly.

The penalties that were formerly computed manually are now computed and applied automatically by ITAS. There are, however, a few penalties where tax officers still use their discretion to arrive at the amount of penalty, e.g. where a taxpayer utters a false document.

Waivers of taxes can be given only by the Minister of Finance on the recommendation of the URA Commissioner General, but there have been cases of waivers given to illegitimate NGOs, such as non-existent churches. In 2010/11, a total of UGX 3.2 bn was waived and UGX 15.5 bn was refunded to hotels, hospitals, tertiary education institutions and NGOs whose agreements included tax exemption (Budget speech, June 2012).

Score in 2008	Present score	Rationale for score	Explanation of change
B	B	Legislation and procedures for most taxes are comprehensive and clear with limited discretionary powers allowed to tax officers	No change

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

The URA has a range of user-friendly brochures on domestic taxes. Some are translated into local languages. A taxpayer education programme and sensitization programme are implemented by URA staff in all districts of the country. Each district has a Taxpayer Service Desk, and there is a national tollfree information hotline telephone number. In addition, there are weekly radio programmes that reach a wide audience, and regular Taxpayer Forums for participatory discussions on selected topics. Any changes in laws and procedures are explained by guideline sheets on the URA websites, www.ura.go.ug and www.ugrevenue.com.

The URA is rolling out an Integrated Tax Administration System (ITAS), which allows online access for registration, annual returns, payments and account balances. The e-TAX module has enabled taxpayers to pay their taxes through a web portal on the URA website, significantly reducing the time spent by taxpayers queuing at government offices to get Bank Payment Advisory Forms and at banks making payments and collecting receipts.[17] The Registration, Returns, Payments and Accounting Modules have been operationalized. The Audit module is still being rolled out. The e-TAX, however, may not cover all areas. While all areas in customs have been automated, only 35 of the other areas are automated.

Customs law is transparent and clearing agents are familiar with procedures. There is a Customs Business Process Manual. To speed border clearances with partner states, the Revenue Authority Digital Data Exchange (RADDEx) has been installed as a common interface among Customs IT systems of neighbouring revenue authorities.

Score in 2008	Present score	Rationale for score	Explanation of change
A	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	No change

17 Uganda scores badly on ease of paying taxes. Out of 183 countries it ranked 93rd in 2012, down from 68th in 2011 (World Bank Doing Business Survey 2012).

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

For each tax, there is a statutory appeals procedure. The taxpayer has 30-45 days to launch an objection to the URA, then the URA Commissioner has 30 days to give a decision. If the taxpayer is not satisfied, s/he has 45 days to appeal to a Tax Appeals Tribunal (TAT), which is chaired by a lawyer and is independent of the URA. Further appeal can be made to the High Court and Supreme Court. The Tribunal was reconstituted in October 2008 and now works well with the URA. The tribunal has opened regional offices in Mbale and Gulu to take services near to the taxpayers. Its decisions are promptly acted on, though some are still subject to arbitration. All case decisions are published.

URA legal service division now offers high quality professional legal services. This has increased the success rate on cases filed in the TAT and Courts of Judicature. According to the TAT Progress Report for the September 2008 - August 2011 period, 80 out of 100 cases had been disposed of by way of rulings, consents, withdrawals or dismissals as at 1 September 2011. However, private sector representatives say that very few of their members know about the tribunal.

Score in 2008	Present score	Rationale for score	Explanation of change
B	A	A tax appeals system of transparent administrative procedures is operating through an independent tribunal with satisfactory access and fairness	Improvement on appeals administration

Planned reforms

Continued rollout of ITAS and e-TAX.

Sources of information
Uganda Revenue Authority Act 1991, VAT Act 1996 and amendments, Income Tax Act 1997 and amendments, Excise Tariff Act 2000 and tariff amendments, East Africa Customs Management Act (EAC Cap. 27) as amended,[18] East Africa Excise Management Act (EAC Cap.26) as amended, Traffic and Road Safety Act 1994, Stamps Act, Lotteries and Gaming and Pool Betting laws, annual Finance Acts, URA Annual Revenue Bulletin 2010/11; interviews with URA officers and Tax Appeals Tribunal, and corroboration from the Private Sector Foundation Uganda and the Uganda Manufacturers Association.

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

Dimension (i) Controls in the taxpayer registration system

Taxpayers are registered and given unique Tax Identification Numbers (TINs). The ITAS database presently contains 100,000 TINs, excluding employees on PAYE, but there is some duplication and the system is under review. The system links all individual taxes, but there are no links to other databases, such as for company registration, business licensing or land registration. However URA

18 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 Organisation, Article VII of GATT 1994, part 1.

officers are allowed to access other systems and share data, eg. with Bank of Uganda, Uganda National Bureau of Standards, NSSF, Uganda Bureau of Statistics. There is also an interface between URA and 14 commercial banks. There isn't yet any national ID system in Uganda.

While URA does not regularly undertake taxpayer surveys, it undertook a Rental Zoning Project Survey and a study on the informal sector. URA also continuously shares information with the Uganda Bureau of Statistics, which undertakes surveys.

Score in 2008	Present score	Rationale for score	Explanation of change
C	**C**	Taxpayers are registered, but linkages to other systems are weak and are supplemented by ad hoc surveys	No change

Dimension (ii) Effectiveness of penalties for non-compliance with registration and declaration obligations

While there are provisions in the laws about penalties, they are highly ineffective. Currently, all late submissions attract late payment penalties and interest at commercial banking rates.

There are penalties (fines and/or prison) laid down by law for not complying with registration and declaration requirements, eg. for not registering as a VAT trader when turnover exceeds the threshold. In practice, fines of UGX 500,000 are collected without prosecution, as 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.

Score in 2008	Present score	Rationale for score	Explanation of change
C	**C**	Penalties exist, but substantial changes would be needed to their level and administration to make them effective	No change

Dimension (iii) Planning and monitoring of tax audit and fraud investigation programs
URA undertakes regular tax audits and fraud investigations on a planned basis using clear risk assessment criteria for all major taxes. In FY 2009/10, 76 audits were completed and 132 in FY 2010/11. As a result, duties/taxes amounting to UGX 42.8 bn were identified not to have been paid by importers. In FY 2010/11, 176 'issue audits' were also undertaken.

A revised version of the Customs Audit manual was developed and it is expected to streamline Customs Audit activities. 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.

Score in 2008	Present score	Rationale for score	Explanation of change
A	A	There is annual planning and a continuous programme of tax audits and fraud investigations, using clear risk criteria for all taxes	No change

Planned reforms
TIN database is to be linked to the IFMS, NSSF and land registration systems. URA is targetting prosecuting 25 court cases per quarter.

Information sources
URA Annual Report 2010/11, interviews with URA officers and with the Private Sector Foundation Uganda and the Uganda Manufacturers Association

PI-15 Effectiveness in collection of tax payments

Dimension (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)

At 30 June 2011, there were UGX 200.9 bn arrears owing to GoU on all taxes. This is net of agreed objections.[19]

ITAS sets collections against penalties and interest due, then against oldest assessments, before current assessments.

Table 3.5 Tax arrears

Items	FY2008/09	FY2009/10	FY2010/11
Outstanding Balance as at 1 July (UGX bn)	113.9	222.2 *	149.8
Discharged	89.4	92.8	92.6
Additions	213.8	399.8	304.0
Payments (Recovery)	66.6	143.0	117.1
Reconciliation, Court, TAT and Write-offs		236.4	43.3
Outstanding arrears as at end of June	171.7	149.8	200.9
Collection Ratio for Gross Tax Arrears	**58.5%**	**64.3%**	**78.2%**
Total revenue collections	**3,786.6**	**4319.5**	**6402.4**
Arrears/total revenue	**4.5%**	**3.5%**	**3.1%**

Source: Annual Revenue Bulletins, 2008/09, 2009/10, 2010/11, Report of the Auditor General on the financial statements of URA for the year ended 30th June 2010. * This does not reconcile with the closing balance at 30 June 2009.

The above table shows that tax arrears have fallen over the past two years, particularly as a percentage of total revenue, but are still significant (ie. over 2 percent of annual collections). A high proportion of domestic tax arrears (57 percent) were more than 12 months old at 30 June 2011.

19 The Consolidated Financial Statements for 2010/11 show "arrears" of UGX 1,415.4 bn, but this is the excess of collections by URA over amounts remitted to the Consolidated Fund, ie. revenue held by URA on behalf of the Treasury. This revenue in transit is brought to account in the year it is received by URA.

The collection ratio (arrears collections as a proportion of opening arrears) has fluctuated. The collection ratio in FY 2009/10 and 2010/11 benefited from substantial reconciliations/write-offs in those years. The PEFA Framework disregards the status of tax arrears and counts in both disputed and agreed arrears, ie. gross tax arrears. However it excludes arrears that are written off. On this basis, the average collection ratio of the last two fiscal years is 71.3 percent, which is rated C.

It should be noted that the above table and calculations do not include customs arrears, which tend to be small as importers cannot get their goods released without first paying duty. The latest available information indicates that private customs arrears were UGX 2.0 bn at 30 June 2010. This does not affect the above score.

Score in 2008	Present score	Rationale for score	Explanation of change
Not rated	**C**	The average collection ratio in the last two fiscal years was in the range 60-75% and the total amount of tax arrears is significant	This dimension can now be rated

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

URA has signed Memoranda of Understanding with commercial banks to collect revenues on its behalf from taxpayers. The commercial banks that collect revenue are electronically linked to URA offices. Revenue collections are remitted twice a week to BoU. BoU remits the collections to the Consolidated Fund the very day they are received. Any delay in the transfer of revenue collections to the Central Bank by commercial banks attracts a penalty.

On imports, clearing agents can file and pay on line using the ASYCUDA++ /ASYBANK system, which enables the importer to pay duty without the funds going through the clearing agent.

Score in 2008	Present score	Rationale for score	Explanation of change
B	**B**	Revenue collections are transferred to the Treasury twice a week	No change

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

The reconciliation between tax assessments and collections is automated. Previously, this was done manually but since December 2009 every taxpayer is given a ledger account. When an assessment is made the taxpayer's account is debited and when a payment is made the taxpayer's account is automatically credited. Collections and assessments are reconciled with changes in arrears on a monthly basis within one month and published by URA in monthly Revenue Performance Reports. The reconciliation of collections by banks and receipts by the treasury is automatically done daily by the system. However, accounts reconciliation is done on a monthly basis by the 15th of the following month. For example, the amounts for June would be fully reconciled by end of July.

Score in 2008	Present score	Rationale for score	Explanation of change
D	A	Reconciliation of collections and Treasury receipts, also reconciliations between collections, assessments and changes in arrears are made monthly within one month	The ITAS has enabled better and more up-to-date management information on revenue collections

Planned reforms
To be determined.

Information sources
Monthly Revenue Reports (August 2009, December 2010), Annual Revenue Bulletins, 2008/09, 2009/10, 2010/11, Report of the Auditor General on the financial statements of URA for the year ended 30 June 2010.

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

Dimension (i) Forecasting and monitoring of cash flows

Macroeconomic Policy Department within MoFPED prepares annual and quarterly revenue forecasts, which are based on domestic revenue estimates and budget and project support estimated by development parners. These forecasts are updated and adjusted based on inflows, and a quarterly lump sum is intimated to Budget Directorate (BD) as a ceiling for their commitment authority allocations to MDAs.

BD is responsible for the consolidation of MDA work plans/cash flow forecasts. MDAs are required to submit quarterly work plans and monthly commitment monitoring reports, as a basis for MoFPED quarterly commitment allocations and cash releases. MDAs do not prepare and follow procurement disbursement plans and acknowledge that action plans are submitted late. The quality of MDA action plans and cash forecasts is poor.[20]

Score in 2008	Present score	Rationale for score	Explanation of change
B	B	The cash flow forecast for the year is updated quarterly	No change

Dimension (ii) Reliability and horizon of information to MDAs on ceilings for expenditure commitment

Unpredictable and late release of funds to MDAs and LGs, causing high levels of under-spending or rushed spending at the end of the year, has been identified as one of the key constraints to the efficient absorption of available funds and the credibility of budgets. "A major challenge was inadequate and irregular release of funds…nine priority roads could not commence" (Budget Performance Report 2010/11, p.196). Quarterly releases were introduced in FY 2009/10, but the 2010/11 performance report shows that the issue has not been resolved. Some MDAs had large arrears and, paradoxically, large unspent cash balances. This was partly due to late releases: the Treasury released UGX 76 bn in the last week of the year (Auditor General Report on 2010/11

20 The 2011/12 Work Plan for the Ministry of Health, for instance, shows cost of each line item, but does not sum the costs to determine overall quarterly cash requirements.

para.2.3).

Tighter reporting requirements, particularly during the learning period for performance reporting using the OBT, have contributed to delays. Controls on releases to LGs, on the other hand, have been relaxed since a Presidential directive in September 2011 allowed the release of grants without prior accounting for expenditure. The LG PEFA team informed us that releases of grants to LGs, nominally made on the 10th of the first month of each quarter, are in fact received 6-8 weeks late, and sometimes much later.

An exercise was started by the Assessment Team to track releases to the health and education ministries and UNRA in 2010/11. Data from BD show that commitment authority allocations were entered into IFMS anything from 8 days to 49 days (average 25 days) after BD received the quarterly funding requests (workplans) from the MDAs. AGO data show that it took anything up to 30 days further (average 16 days) before the MDA received any cash. As cash transfers are made in irregular instalments throughout each quarter, the delay between submitting a quarterly request for funds and receiving the last instalment varied between 81 and 139 days (average 100 days). This variation is partly due to a cumbersome warrant procedure between BD approving commitment authority allocations and the receipt in MDA bank accounts.

The unpredictability of releases has major consequences for the credibility of budgets and the efficiency of spending:

(1) The uncertainty of funding has provided MDA and LG managers with an easy alibi for lack of performance. This is quite separate from the shortage of resources: if impending resource cuts were known well in advance, MDAs could adjust without loss of efficiency. In fact, MDAs are seldom notified in advance of cuts to allocations. It is the unpredictability of timing which costs the country. The Auditor General has criticised unilateral cuts without consultation with affected MDAs. According to the revised strategy of PFM reform underlying FINMAP 2, removing this excuse for poor performance has become the first priority (stage 1);

(2) Uncertainty of funding demotivates serious planning: in practice, strategic planning, budgeting and procurement planning are games that MDAs and LGs play, filling in forms and going through months of back and forth negotiation in order to get money out of MoFPED, while MoFPED routinely cuts requests and withholds releases, citing either lack of absorption capacity in the MDAs or lack of resources.

The PEFA framework focuses on the time horizon of releases and does not factor in the critical issues of *when* they are released (early in the period or later) and the *predictability of timing*. MDAs are provided information (commitment ceilings) quarterly and can make commitments within these ceilings. This suggests a B rating, for which the PEFA requirement is that “MDAs are provided reliable information on commitment ceilings at least quarterly in advance”. However, the information is not reliable and not provided “in advance”: ceilings are issued late and sometimes in tranches during the quarter. It is estimated that delays in issue of ceilings shortens the average MDA planning horizon to one or two months. This is equivalent to a C rating.

Score in 2008	Present score	Rationale for score	Explanation of change
B	**C**	MDA planning horizon is less than 3 months	Deterioration in cash management

Dimension (iii) 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, which is usually in September of the budget year. They apply only to overall increases in votes, not to reductions. They are managed by MoFPED in accordance with documented procedures and approved by Parliament. In some years, there are multiple supplementaries, eg. two in 2010/11. There is no detailed end-of-year reporting on supplementary budgets for the year.
Supplementary budgets regularize excess expenditures and reallocations among votes, usually *after* the expenditures have been made. This has been criticised by the Auditor General, the Public Accounts Committee and the Parliamentary Budget Committee. Controls on cash releases (below the commitment ceilings authorized at the beginning of each quarter) may be used to reshuffle resources across spending units relative to the budget priorities. Supplementary budgets may also be needed where insufficient recurrent budgets undermine the implementation of projects: reallocations are made from development to recurrent.

Score in 2008	Present score	Rationale for score	Explanation of change
C	**C**	Significant in-year budget adjustments are frequent, but undertaken with some transparency	No change

Planned reforms

MoFPED and BoU are considering the use of Treasury Bills and BoU overdrafts as a way of balancing quarterly cash demands and quarterly cash inflows. The intention in FY 2012/13 is to make only one release each quarter and to make it at the beginning of the quarter.

Sources of information

Absorptive Capacity Constraints (MoFPED/EDPRD August 2011), Study on Non-Compliance in PFM in Uganda, reports on resource tracking by Health, Education and UNRA, interviews with Health, Education, UNRA, BoU, MoFPED DEA and BD.

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

Dimension (i) Quality of debt data recording and reporting

The Accountant General's Office, Debt Management Unit (DMU) operates a Debt Management and Financial Accountability System (DMFAS, an UNCTAD package, recently upgraded through FINMAP) for recording and reporting domestic and external public debt. It maintains a debt amortization schedule that shows for each loan or credit the opening balance, additions in the year, repayments and closing balance. The Bank of Uganda (BoU) also has DMFAS installed, though the two systems are independent. Reconcilations with the creditors are at different frequencies. Balances with World Bank and African Development Bank are verified on line. Other creditors are reconciled quarterly and as part of the preparation of the Annual Consolidated Accounts. There are minor reconciliation problems where some creditor statements are not received on time.

The BoU manages domestic debt (Treasury bills and Treasury bonds) and informs the DMU monthly of its issues and redemptions. DMU reconciles this data and pays BoU for the interest due. There are no problems of reconciliation. Reports on formal debt (ie. excluding domestic arrears) are issued monthly.

Data on unpaid bills are extracted by the MDAs from their Domestic Arrears Registers, verified by internal audit and reported to the Accountant General at 31 December, 31 March and 30 June. They are not classified by age. Utility arrears are reported quarterly and posted on the MoFPED website.

The Accountant General prepares an annual report on loans, grants and guarantees for presentation by the Minister of Finance to Parliament, under the Budget Act, section 13.

Score in 2008	Present score	Rationale for score	Explanation of change
C	B	Domestic and external debt records are substantially complete and reconciled quarterly with creditors. Comprehensive reports on debt stocks and service are produced at least annually	Improvement in frequency of reconciliation

Dimension (ii) Extent of consolidation of the government's cash balances

Each MDA maintains a single bank account with BoU for each of the following: recurrent expenditure, development expenditure, revenue, and special accounts primarily related to projects. Some donor project accounts, especially in towns where BoU does not have branches, continue to be maintained in commercial banks. Subsidiary accounts are also held at commercial banks for the collection of revenue. Revenue balances are transferred twice a week into the GoU account at BoU. All the MDA and Treasury accounts constitute a 'single Treasury account' and can be used to offset a Treasury overdraft, thus reducing interest and minimising borrowing. Donor project accounts and non-commercial parastatal accounts, notably the NSSF, are not pooled. All pooled accounts are calculated and consolidated weekly.

Electronic funds transfer (EFT) and straight through processing (STP) of salaries has improved electronic clearing and payment arrangements.

Score in 2008	Present score	Rationale for score	Explanation of change
C	B	Most cash balances are calculated and effectively consolidated weekly, but some extra-budgetary funds remain outside the arrangement	Improvement in cash management arrangements with BoU and the commercial banks

Dimension (iii) Systems 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 present laws and regulations covering the management of debts, loans and guarantees are covered by the Budget Act 2001 and PFAA 2003. The Minister responsible for finance is required to make an annual statement of public debt to Parliament at the presentation of the following year's budget. This is done.

In December 2007, MoFPED issued its 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. Macro-level criteria for borrowing are prescribed. All contracting of loans and guarantees is approved by MoFPED.

Score in 2008	Present score	Rationale for score	Explanation of change
B	B	Central government loans and guarantees are contracted within respective ceilings and are approved by MoFPED	No change

Planned reforms

Government has a new draft Debt Strategy that will be published by December 2012. The Public Finance Bill requires the Minister of Finance to prepare a Charter of Fiscal Responsibility. It is planned to issue Treasury development bonds to assist in funding infrastructural development, and to use short-term Treasury bills to fund short-term in-year cash deficits. FINMAP is assisting with a review of the debt strategy.

Sources of information

Revised 2005 Constitution, 2003 Public Finance and Accountability Act and the 2001 Budget Act, Consolidated Financial Statements of GoU at 30 June 2011, printouts of domestic debt, external debt at 30 June 2011 and 31 March 2012; Report on Loans, Grants and Guarantees for Financial Year 2010/11 (presented to Parliament 8 June 2011); BoU Statement of Government Position at 20 June 2012; Public Finance Bill (Gazetted 5 march 2012); New Vision 25 June 2012, The Case for Development Bonds; interviews with BoU officers and Debt Management Unit, MoFPED.

PI-18 Effectiveness of payroll controls

The Government is improving establishment, payroll and pension control through the introduction of a computerised Integrated Personnel and Payroll System (IPPS) for central and local government. The IPPS is part of the ongoing Public Service Reform Programme.

MoPS processes all employee master information from recruitment to separation assisted by the different service commissions. The processing of the computerised payrolls for MDAs is a function of MoPS but is currently being undertaken by Uganda Computer Services (UCS). Payroll information is presently stored on physical and electronic files that are kept at three stations i.e. the MDA, MoPS and MoFPED (UCS).

Dimension (i) Degree of integration and reconciliation between personnel records and payroll data

Ministry of Public Service (MoPS) manages the GoU payroll. The payroll consists of the civil service payroll also known as the Traditional Payroll and the Teachers Payroll. The total payroll number stands at 274,000 of whom about 65 percent are teachers. Primary school teachers are recruited and paid by LGs and secondary school teachers by Ministry of Education but MoPS processes the teachers payroll on their behalf. The personnel records are maintained at each MDA or LG and a master payroll register is maintained at MoPS. Staff in GoU are recruited and appointed by the Public Service Commission (for MDAs) and District Service Commissions (for LGs). Once staff are appointed MoPS is informed and it places the staff on the payroll. Subsequent changes to staff circumstances are managed by the relevant Accounting Officers who inform MoPS to effect the necessary changes to the payroll. The GoU payroll is processed at AGO Computer Services Department who advise the Accountant General to pay staff salaries. AGO then instructs BoU to remit staff salaries to their individual bank accounts in commercial banks. All staff are paid straight to their bank accounts through the Straight Through Payment system (STP) since November 2008. Pensions are processed in the same manner but are centrally managed from MoPS.

MoPS started implementing an Integrated Personnel and Payroll System (IPPS) in January 2011. The system has both personnel and payroll modules. With the IPPS it will be easier to reconcile the personnel records and payroll automatically. So far IPPS is being piloted in 11 sites although all the GoU votes have been transferred to payroll given the risks and losses that were being incurred in processing the payroll. The personnel module has been installed in the eleven pilot sites.

GoU payroll is processed each month based on the advice from the relevant MDA or LG. MoPS is supposed to scrutinise the integrity of the advice before the salaries are paid by verifying the personnel records and the payroll. Our consultations and literature search indicate that the reconciliation of the two is not done regularly in spite of the pay change requests from MDAs being checked and endorsed by the Head of Human Resources Department, Internal Auditor and Accounting Officer at each MDA. MoPS carries out a payroll validation at the end of each year.

The transition to the IPPS has faced MoPS with new challenges mainly in relation to scanning of the personnel records. The situation is going to be worse before the improvements are made and all the personnel data are migrated to the IPPS. Given the lack of capacity at MoPS the number of payroll errors is likely to increase in the transitional period.

Score in 2008	Present score	Rationale for score	Explanation of change
D	D	MoPS reconciles the establishment, personnel records and payroll once a year.	No change

Dimension (ii) Timeliness of changes to personnel records and the payroll

Changes to the personnel records and payroll arise from changes in the circumstances of the staff. The changes relate to recruitment, exit from employment, promotion, transfers etc. The changes are initially recognised and recorded by the relevant MDA. The MDA advises MoPS of each change through a pay change form. The pay change forms are submitted to MoPS on the 16th day of the month preceding the one in which the payment will be made. Delays in changes to the personnel records and payroll have generally improved in the Traditional Payroll in line with the vigilance that is exercised by MoPS and by making the Accounting Officers at MDAs more aware of their responsibilities. Furthermore the Accounting Officers at the eleven sites that are piloting IPPS are able to remove staff from the payroll but not to add any staff. This has speeded up the updates of the personnel records and payroll. Additionally changes to staff records in the eleven sites are reflected in the payroll if they are input by the 12th day of the month in which the payment is made. Furthermore 65 percent of the payroll sites have computerized payrolls that make the update of their personnel data changes on the payroll faster because of ease of their verification by MoPS.

Challenges however remain with field staff whose information takes time to flow to headquarters for the changes to be affected. The implementation of IPPS has further improved the time within which the changes are being reflected in both the personnel records and payroll. Retroactive adjustments, although few in number, have to be made where there are challenges in staff information flow for example in the cases of field staff who operate far from heaquarters, laxity of some human resources managers, high turnover of payroll managers, incomplete bank accounts details for staff and for teachers whose forms have to be sent from MoPS to MoES for verification.

Score in 2008	Present score	Rationale for score	Explanation of change
C	**B**	Delays in processing changes to the personnel records and payroll have been reduced to less than three months	More vigilance by MoPS, sensitization of MDAs and the implementation of IPPS, which has speeded up reflection of personnel changes in the payroll.

Dimension (iii) Internal controls of changes to personnel records and the payroll.

Most of the personnel records at MoPS and MDAs are manually maintained. The eleven sites where IPPS is being piloted the personnel records are computerised. The manual records are kept in staff offices whose access is not generally restricted. Most of the MDAs do not have fireproof safes where the personnel records can be kept. At some of the Ministry of Works and Transport where the personnel records are computerized it was reported that no back up of the records is maintained. The personnel data that is being transferred to the IPPS has not been verified so there is a risk that inaccurate data may be transferred to the IPPS.

The GoU payroll has been transferred to the IPPS. However, changes to the payroll still originate from the MDAs. It was reported that in some cases the pay change form is not checked by the Accounting Officer, as should be the practice after it has been checked by both the Head of Human Resources department and the internal auditor. The responsibility of authorizing the pay change reform is sometimes delegated to the officer in charge of salaries in the finance department. This practice is a breakdown in controls as the salary-in-charge officer is not mandated to carry out this function. Furthermore a person responsible for paying salaries should not be the same one authorizing changes to salary payments.

Score in 2008	Present score	Rationale for score	Explanation of change
C	**C**	Improvements introduced by IPPS have been compromised by laxity of controls at some of the MDAs	No change

Dimension (iv) Existence of payroll audits to identify control weaknesses and/or ghost workers

Payroll audit is currently done on a quarterly basis by internal audit departments at MDAs and annually by the Auditor General. MoPS also carries out an annual audit of the payroll. The Budget Accountability and Monitoring Unit (BMAU) in MoFPED verified the primary school payroll in 2011. The internal audit reports do not mention significant adverse findings in the payroll although both the Auditor General and BMAU have found significant irregularities on the payroll. It is estimated that GoU may be losing about UGX 50 billion annually through ghost staff and schools.

Score in 2008	Present score	Rationale for score	Explanation of change
C	**C**	No complete audit of the payroll has occurred in the last three years.	No change

Planned reforms
MoPS is continuing the implementation of the IPPS and this is likely to further improve the management of the GoU payroll. The IPPS is expected to be rolled out to all the sites by September 2012. The IPPS will be integrated with the IFMS, further improving the reliability and integrity of the payroll data.

Information sources
Consultations with MoPS, MoH, Ministry of Works, MoES, MoFPED AGO, MoFPED Budget, BoU and FINMAP. Auditor General Reports, FINMAP Quarterly Reports, Internal Audit Reports, BMAU Reports, IPPS System Requirement Study. BMAU (2011) Primary schools in Uganda: Areas for efficiency gain.

PI-19 Transparency, competition and complaints mechanism in procurement

Dimension (i) Timeliness, comprehensiveness and competition in the legal and regulatory framework

Procurement is decentralized to 147 central government procuring entities and 132 LG 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, etc. The law has been amended to raise the thresholds for different types of procurement, establish an Appeals Tribunal, and strengthen the application of the Act (PPDA Amendment Act 2011), but it has not yet come into operation pending revision of the regulations, etc. so this assessment is made on the older Act.

The FINMAP programme for 2008/09 included a component to support improved compliance with the new procurement rules and the training of procurement staff – in cooperation with the PPDA and the IPPU. Activities under this subcomponent did not begin until June 2009, when the groundwork was laid to launch the first batch of eight procurement audits (with a further 23 to follow by June 2010), and some training was provided. In addition, the MoFPED has strengthened its policy role by putting in place a Procurement Policy Unit under the AGO and creating a joint steering committee between that Unit and the PPDA.

All CG procuring entities are required to submit monthly reports to PPDA detailing the method of each contract and the amount. Open competitive bidding is required for works contracts over UGX 100 mn, supplies contracts over UGX 70 mn, and services contracts over UGX 50 mn. PPDA checks that the method is appropriate to the amount and enters all details into a database. At CG level, the average delay in reporting is eight months and some entities fail to report altogether. False reporting may be detected by field audit, but only a minority of entities can be audited each year. There has been a major expansion of audit over the past few years, but it is still inadequate to deter concealment of non-compliance or splitting of contracts to put them below the respective thresholds.

According to the revised PEFA standard for PI-19, the legal and regulatory framework for procurement is assessed against the following requirements.

(i) It is organized hierarchically and precedence clearly established;
(ii) It is freely and easily accessible to the public through appropriate means;
(iii) It is applied to all procurement undertaken using government funds;
(iv) It makes open competitive procurement the default method of procurement and define clearly the situations in which other methods can be used and how this is to be justified;
(v) It provides for public access to information on bidding opportunities and contract awards through notice boards of user agencies, and data on resolution of procurement complaints, *but not procurement plans* of MDAs;
(vi) It provides for an independent administrative procurement review process for handling procurement complaints by participants prior to contract signature.

Requirements (i), (ii), (iii) (iv) and (vi) are fully met. Requirement (v) is not met as the legal framework does not require publication of procurement plans.

The procurement process starts with identifying needs, deciding the method of procurement and, where bidding is required, drawing up bidding documents, soliciting bids, receiving and evaluating bids. It is only the next step, awarding the contract or issuing the LPO, that cannot take place until MoFPED has issued sufficient commitment authority (cash limit). This is often forgotten, as MDAs complain that they cannot start procurement until commitment authority is released by BD and entered on the IFMS. In fact, MoFPED has issued a circular explaining that the process can start as soon as the budget is finalised and presented to Parliament (June) and contracts can be signed as soon as there is sufficient commitment authority to pay the mobilisation advance (typically 20 percent), provided the whole of the contract payments within the financial year are within the budget.

Score in 2008	**Present score**	**Rationale for score**	**Explanation of change**
Not applicable	**B**	Five of the above requirements are met. A score of B requires four or five of the above requirements to be met.	Change of method of assessment of this indicator prevents comparison

Dimension (ii) Use of competitive procurement methods

PPDA guidelines[21] specify thresholds for procurement of works, services and supplies. The thresholds apply to each category of procurement: open bidding; restricted bidding; quotation procurement; proposals procurement and micro procurement. Formally, any use of non-competitive methods in contracts above the open competitive bidding thresholds must be cleared with PPDA Management Advisory Committee. The law allows PPDA to grant deviations from full compliance where (a) exceptionally, it is impossible, impractical or uneconomic to comply, or (b) market conditions do not allow effective compliance, or (c) for specialised or particular requirements that are regulated by international standards.

21 The Public Procurement and Disposal of Public Assets Guidelines, 2003

However, non-compliance still occurs and some of it is detected by the PPDA Audit Department. In 2009/10, 84 audits were completed, including 39 in CG. Reports of investigations and administrative reviews go onto the website (www.ppda.go.ug). The Auditor General's reports have adverse comments on procurement in many MDAs. The MoFPED Inspectorate and Internal Audit Department consolidated report for 2010/11 says that lack of procurement plans as required by the PPDA Act is resulting in emergency procurements, procurement of unrequired items, and procurement at higher prices than necessary.

Since 2009, PPDA has established a Procurement Performance Measurement System that assesses the legal compliance of the procuring entities, amongst other things. The system is being progressively rolled out and in 2010/11 covered 43 government entities (28 CG, 15 LG) that were responsible for 6,104 contracts worth UGX 193 billion. CG contracts below UGX 2 mn (micro contracts, about two thirds of all contracts) are not subject to competitive bidding. Of the remainder, 52 percent (20 percent by value) used non-competitive methods in the 2010/11 sample.

The revised PI-19 indicator requires an estimate of the percentage of these non-competitive contracts that were justified. The database does not distinguish between non-competitive contracts that are justified from those that are not, but the proportions can be inferred, eg from the proportion of requests for deviations that are allowed. In 2010/11, PPDA received 240 requests for deviations, mostly for use of non-competitive methods of procurement, and allowed 132, so 55 percent were justified. Since requests for deviation are not always made where contracts are urgently required, the actual proportion would be less than 55 percent, for which the score is D.

Score in 2008	Present score	Rationale for score	Explanation of change
Not applicable	**D**	Less than 60 percent of non-competitive contracts were justified	Change of method of assessment of this indicator prevents comparison

Dimension (iii) Public access to complete, reliable and timely procurement information

The international standard is that procurement information should be provided to the public on procurement plans, bidding opportunities, contract awards, and data on resolution of procurement complaints. Procurement plans are not published, for fear of giving bidders (in non-competitive markets) an information advantage. All bidding opportunities are published in leading newspapers and on the PPDA website. Some contract awards are published by the responsible entity in accordance with the law, on notice boards and on the PPDA website, but most are not posted. Data on resolution of procurement complaints (administrative reviews) is available through the PPDA website.

Score in 2008	Present score	Rationale for score	Explanation of change
Not applicable	**C**	At least two of the key procurement information elements are complete and reliable and made available to the public through appropriate means	Change of method of assessment of this indicator prevents comparison

Dimension (iv) Existence of an independent administrative procurement complaints system
Under the 2003 PPDA Act, there is a two-tier system by which complaints can be addressed, first against the procurement entity and then, if the complainant is not satisfied, to the PPDA. On receipt of a complaint, the PPDA does an administrative review of the procurement. The procedure is

explained on the PPDA website. Before a contract can be signed, a Best Evaluated Bidder Notice should be sent to all bidders and posted on the user agency's notice board. Ten working days are allowed for objections before a contract can be awarded. Complaints are 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, s/he 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.

There is no central reporting of first tier complaints, so data are not available. At the second level, in FY 2010/11 there were 34 applications to PPDA for administrative review. Out of these, 13 were upheld and 21 rejected. Out of the 21, four cases were taken to the High Court.

The revised indicator requires that complaints be reviewed by a body which:

(i) is comprised of experienced professionals, familiar with the legal framework for procurement, and includes members drawn from the private sector and civil society as well as government;
(ii) is not involved in any capacity in procurement transactions or in the process leading to contract award decisions;
(iii) does not charge fees that prohibit access by concerned parties;
(iv) follows processes for submission and resolution of complaints that are clearly defined and publicly available;
(v) exercises the authority to suspend the procurement process;
(vi) issues decisions within the timeframe specified in the rules/regulations;and
(vii) issues decisions that are binding on all parties (without precluding subsequent access to an external higher authority).

Score in 2008	**Present score**	**Rationale for score**	**Explanation of change**
Not applicable	**D**	There is no procurement complaints independent review body	Change of method of assessment of this indicator prevents comparison

Planned reforms
FINMAP is strengthening procurement through: procurement audits, introduction of e-procurement, consolidation of the PPDA Act and Amendment, preparation of guidelines for the forthcoming Appeals Tribunal, rolling out the PPMS, and CPD training of procurement professionals.

The Procurement Policy Unit, MoFPED, PPDA and the Accountability Sector Working Group are in the final stage of drafting new Procurement Regulations, standard bidding documents, etc for Cabinet approval and Parliamentary ratification. These are exciting wide interest and participation by MPs, which add to the building of understanding. On passage of the statutory instrument, expected in FY 2012/13, there will be training of Accounting Officers, procurement personnel and members of Contract Committees. Also an Appeals Tribunal will be operationalised, adding a third tier to the complaints procedure. The new Act will end PPDA's authority to grant deviations or waivers of the law.

The Government intends to enforce use of unit costing for all government procurement, against which misprocurement will occur if reserve prices are not met.

It will also enforce use of government-procured equipment in the maintenance of national district and community access roads, with operational financing from the Uganda Road Fund and UNRA. Use of private sector contractors will have to be pre-approved by the Treasury.

Information sources
The Public Procurement and Disposal of Assets Act 2003, Procurement Regulations 2003, Public Procurement and Disposal of Assets (Amendment) Act 2011, PPDA Report on the Procurement Performance Management System for 43 PDEs (October 2011), PPDA Report on Compliance Checks on 75 PDEs (June 2012), PPDA Annual Report for Management Advisory Committee for 2010/2011, PPDA Annual Report for 2010/11, interviews with the Executive Director and management of the PPDA, with the Ag Commissioner, Procurement Policy Unit, MoFPED, with procurement officers in the health and education ministries and UNRA, and corroboration from the Private Sector Foundation Uganda and the Uganda Manufacturers Association.

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

Dimension (i) Effectiveness of expenditure commitment controls

As mentioned under PI-4, the Integrated Financial Management System (IFMS) incorporates the Commitment Control System (CCS). IFMS has been deployed to all central government MDAs and some higher-level local governments. Before allowing an expenditure commitment, the CCS validates it against both the approved estimates and the quarterly allocations of commitment authority to date (called cash limits). Special rules apply to commitments, eg. on road contracts, that span more than the budget year. A commitment that exceeds either limit cannot be entered in the system, and there is no overriding of the system. MDAs may still (illegally) make commitments outside the system, but suppliers have been warned by public notices that without a valid local purchase order (LPO) they will not be paid, and the Accountant General says that he refuses to pay a bill if there is no LPO in the system. This results in expenditure arrears (see PI-4 abo ve).

A major cause of arrears is poor budgeting. MDAs fail to include foreseeable expenditures on rent, electricity, water, telephone and subscriptions to international organisations, in some cases deliberately as they expect that these bills can be met later from supplementary votes.[22] Since all these are foreseeable, they are not strictly eligible for supplementary requests. If these omissions are not corrected by MoFPED before the budget is approved, they create pressure for supplementaries as they have to be paid. Supplementaries 1 and 2 in 2010/11 amounted to UGX 733 bn, 12.3 percent of the original budget. This exceeded the 3 percent limit that GoU can spend over the approved budget without prior approval of Parliament (Budget Act, section 12 (1)).

Despite the Debt Strategy of December 2007, domestic arrears to suppliers have continued to accumulate (see data at PI-4).

22 The Assessment Team was told that domestic arrears are caused by resource constraints and expenditure ceilings. However, ceilings relate to the total expenditure of a vote, not to its arrears. They could be paid as a first charge but this requires tough decisions. It has been easier to put off such decisions and apply for supplementaries.

Score in 2008	Present score	Rationale for score	Explanation of change
C	**C**	Commitment control procedures exist and are partially effective, but they do not comprehensively cover all expenditures	No change

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

This dimension covers mainly payments for goods and services. Controls over the payroll are covered under PI-18.

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 Internal Audit and Inspectorate Department and Auditor General reports cite numerous irregularities by MDAs. There is a high level of awareness of PFM laws and regulations among Accountng Officers but less for subordinate staff. It is believed that the rules are well known by those most involved in their application and that non-compliance is not due to ignorance. One agency internal auditor told the team that the most literate officers were the biggest offenders.

Score in 2008	Present score	Rationale for score	Explanation of change
C	**C**	Internal control rules and procedures exist and are widely undersood by those involved.	No change

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

The IFMS now has complete coverage of budgetary central government and the majority of transactions are made within the rules. However, reports by internal and external audit document many irregularities such as advances not accounted for, goods accepted that do not meet the specification ordered, commitments made without LPOs, utilities arrears, lack of documentation, illegal structures, etc. many of which get no management response. A BMAU report said that there was poor supervision by Accounting Officers and heads of Finance Departments and that widespread lack of compliance with rules and regulations was a major constraint to service delivery.

Despite the Public Finance and Accountability Act, 2003, which declared Accounting Officers responsible for overcommitments and instituted penalties for mismanagement, the assessment team was informed that no Accounting Officer has been sanctioned.

Score in 2008	Present score	Rationale for score	Explanation of change
C	**C**	Rules are not complied with in a minority of transactions: there is still widespread non-observance and laxity in compliance and in supervision	No change

Planned reforms
MoFPED is introducing a new strategy from FY 2012/13. A Contingencies Fund will be set up amounting to 3.5 percent of the previous year's total budget. All MDA requests during the year for additional funds will be submitted to MoFPED and, if approved, will be met from the Contingencies Fund. It is hoped that this will avoid the need for supplementaries. The Fund will be reimbursed through the following year's authorised estimate.[23]

Information sources
IIA Annual Consolidated Report 2010/11; Auditor General Reports Vol. 2, years up to 2010; BMAU Study on Non-Compliance in PFM Uganda, February 2011; interviews with Inspectorate and Internal Audit Department, Auditor General, Internal Audit Units in selected line agencies.

PI-21 Effectiveness of internal audit

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

Internal audit is being progressively decentralized. All key MDAs have Internal Audit Departments (IADs) reporting administratively to the heads of their agencies and functionally to Audit Committees in eight sectors. Major statutory bodies such as UNRA have their own IADs. In MoFPED, there is a Commissioner, Inspectorate and Internal Audit Department (IIAD) that is the IAU for that ministry. The IIAD also provides technical guidance and training to all internal auditors and issues an annual compendium of all internal audit reports for the year.

Responsibility for internal controls in every MDA remains with the Accounting Officer: internal audit is a management service and IADs and the Commissioner of Internal Audit have only advisory powers in accordance with the modern concept of internal audit. Audit committees approve agency internal audit plans and budgets, review their reports and represent the IADs in their relations with Accounting Officers, MoFPED, MoPS and the Auditor General.

Since 2006/07, the quality of the internal audit function has improved considerably with the transition to risk-based audit methodology. Audit methodologies are now up to international standards and include an annual risk assessment, audit plan, and sampling through the IDEA audit software. Enterprise Risk Assessor software is used for audit management. A financial audit manual that reflects the transition to systems audit has been issued, and a Charter for the Internal Audit function was published in November 2008.

Score in 2008	Present score	Rationale for score	Explanation of change
B	B	Internal audit is operational for most CG entities, substantially meets professional standards and is focused on systemic issues	Improvement in skills through training and leadership

Dimension (ii) Frequency and distribution of reports

Since 2008, quarterly reports and a consolidated annual report have been issued and distributed to the Accounting Officers of the respective MDAs, to the Sector Audit Committees and to IADD/

23 This procedure is to be legislated in a new Public Finance Act, sections 22-24. The Bill is before Parliament at the time of this assessment, and is expected to be enacted FY 2012/13.

Accountant General. There is no formal reporting to the Auditor General, but he has access to internal audit reports, minutes of Audit Committees, etc and uses these in his external audits. Reports are also available to the IG on request. Such improvements reflect the restructuring of the internal audit function. There has been a substantial increase in internal audit staff and in their professional skills, facilitated and funded through FINMAP.

Score in 2008	Present score	Rationale for score	Explanation of change
B	A	Reports are issued quarterly and distributed to the audited entities, ministry of finance and are available to and used by the SAI	Substantial improvement in the regularity and distribution of reports

Dimension (iii) 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 mixed and very dependent on individual personalities. 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 comprise independent professionals from other sectors and former civil servants as required by the PFAA 2003, including representatives of the accounting and legal professional bodies. They are getting stronger. Their functions, regulated by a Charter issued in September 2008, include the monitoring of action on recommendations. The Auditor General has access to their reports and independently follows up on their reports and recommendations where necessary.

The strengthening of 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 building the capacity of internal audit staff.

Score in 2008	Present score	Rationale for score	Explanation of change
C	C	A fair degree of action is taken by many managers on major issues but often with delay	No change

Planned reforms
Under the Public Finance Bill, the internal audit function will be made independent of the AGO and the Commissioner IA will report directly to the PS/ST. The Audit Committee Charter will be revised accordingly. FINMAP is assisting through provision of software, professional training, publication of reports, software and laptops, performance audit manual, training of internal auditors, and a study tour by Audit Committee members.

Sources of information
Public Finance Bill; IIAD Annual Consolidated Report 2010/11 (981 pages); interviews with IIAD, and with internal auditors in health and education ministries and UNRA.

3.6 Accounting, recording and reporting

	Scoring method	Scores November 2008		Scores June 2012	
PI 22 Timeliness and regularity of accounts reconciliation	**M2**	**B**	(i) B (ii) B	**B**	(i) A (ii) C
PI 23 Availability of information on resources received by service delivery units.	**M1**	**B**	(i) B	**B**	(i) B
PI 24 Quality and timeliness of in year budget reports	**M1**	**C+**	(i) A (ii) C (iii) C	**C+**	(i) A (ii) C (iii) B
PI 25 Quality and timeliness of annual financial statements	**M1**	**C+**	(i) C (ii) A (iii) C	**C+**	(i) B (ii) A (iii) C

PI-22 Timeliness and regularity of accounts reconciliation

Dimension (i) Regularity of bank reconciliations

The major bank accounts for GoU (including those of MDAs) are maintained at the Bank of Uganda. A directive from AGO required MDAs to transfer their accounts from commercial banks to Bank of Uganda. AGO is responsible for the reconciliation of the Treasury bank accounts whereas each MDA is responsible for carrying out the bank reconciliations for its own bank accounts.

BoU sends to AGO and other MDAs bank transactions online everyday. The AGO and MDA cashbooks are maintained on the IFMS. The bank reconciliation is therefore done automatically once the transactions data from BoU is uploaded onto the IFMS. The same happens for MDAs. Neither the internal audit reports nor the Auditor General reports mention bank reconciliation as an issue.

Score in 2008	Present score	Rationale for score	Explanation of change
B	**A**	Bank reconciliation is instantaneous.	All MDAs have been put on the IFMS

Dimension (ii) Regularity of reconciliation and clearance of suspense accounts and advances
GoU does not maintain suspense accounts. Advances to staff continue to be an issue. In accordance with a directive from AGO advances to staff are expensed at the time that they are given to staff. AGO indicated that the staff advances are manually tracked. It is not clear whether the outstanding staff advances are validated and reconciled. Internal audit reports have pointed out large outstanding staff advances at several MDAs. The Auditor General Report for 2010/11 mentions outstanding advances worth UGX 9.6 billion at 30 June 2011. Expensing of advances when granted without proper guidance on how to validate and reconcile un-cleared advances is likely to lead to understatement of the advances.

Score in 2008	Present score	Rationale for score	Explanation of change
B	C	Staff advances are expensed when granted to staff so outstanding advances are not always validated and reconciled at the end of the year.	Deterioration in clearance of advances

Planned reforms
The Public Finance Bill proposes to discipline staff who do not comply with the legislation. IFMS will be enabled to use a prepayment module with budgetary controls to track advances.

Information sources
Consultations with AGO, MOH, MOES, MOWT, UNRA, Auditor General, Internal Audit Department and BOU; Auditor General Reports, Internal Audit Reports, Public Finance Bill.

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

Dimension (i) 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.

Funds are transmitted to primary schools and health clinics on a quarterly basis in accordance with quarterly cash ceilings that are issued by the Directorate of Budget. The funds are usually sent in the first month of the quarter. However, there has been a tendency to send most of the funds in the last quarter of each year, a practice that results in unused funds at the end of the year. Funds to primary schools are now being sent directly to the schools whereas those to health clinics are still transmitted through the local governments. Direct payment of funds to primary schools has shortened the period that it takes for funds to get to the schools. There are still challenges in getting the funds to the health centres.

The schools and health clinics report back to MoFPED regarding the utilization of the funds on a quarterly basis through the OBT. Implementation of the OBT has improved reporting on receipt and usage of resources in all sectors although some reports are submitted late. Primary schools are better than health centres in reporting back to MoFPED on the usage of funds.

Releases of funds to service delivery units have sometimes been subjected to cuts due to revenue collection shortfalls. The BMAU Annual Report indicates that for primary schools in one project (Emergency Construction of Primary Schools) 97 percent of the budgeted development funds were released and the absorption rate for the same project was almost 100 percent. The equivalent release and absorption performance for development funds in the health sector were reported to be about 95 percent in the same BMAU report.

Score in 2008	Present score	Rationale for score	Explanation of change
B	B	OBT has led to improved reporting on receipt and usage of funds, and reliable information on resources received by primary schools across the country.	No change

Planned reforms
The Public Finance Bill, section 13, proposes to ensure that the service delivery units get the funds that have been appropriated to them. Further refinements and improvements in the implementation of OBT are mooted and will be supported by FINMAP.

Information sources
Consultations with DB MoFPED, AGO MoFPED, BMAU MoFPED, MOES, MOH, MOLG, LGFC and FINMAP. Auditor General Reports, FINMAP Quarterly Reports, Internal Audit Reports, BMAU Reports, JAF 3 Report, Public Finance Bill.

PI-24 Quality and timeliness of in-year budget reports
Dimension (i) Scope of reports in terms of coverage and compatibility with budget estimates

All budgetary central government MDAs are connected to the IFMS and submit monthly reports of revenue and expenditure to the Accountant General. The data are reliable, except for commitments data. Externally funded project expenditure is excluded except for seven projects supported by WB, ADB and IFAD, treated as pilot projects for donors to use the GoU chart of accounts. Reports are submitted within 45 days of the end of quarter.

Reports are classified in the same way as the budget. Comparisons are made with the original budget as amended by any supplementary budgets appropriated by Parliament. Period-end adjustments are made as for annual financial statements (see PI-25 below). Financial reporting templates, a Financial Reporting Guide 2008, an end-of-year circular and an annual reporting workshop are provided to assist the MDAs.

Physical performance is monitored in various ways: (1) The Budget Monitoring and Accountability Unit (BMAU) was established in FY 2009/10 from the former Poverty Analysis Unit and is mandated to evaluate NDP performance, with a focus on inputs and outputs. BMAU tracks resources that have been released by MoFPED and how they have been applied by selected implementing agencies in the PAF sectors - education, health, water and environment, agriculture, information and telecommunications, energy and mineral development, roads and works and industrialization sectors.

BMAU desk reviews the Output Budgeting Tool database, the Public Investment Plan and Approved Estimates for each programme and the related activities and releases made by MoFPED. This is followed by field visits for physical inspections to ascertain how the released resources have been applied. BMAU produces quarterly Budget Monitoring Reports with their findings. They find that the OBT is not always properly understood and used. Independent physical inspection is the only way to monitor performance, but their resources (20 technical staff, including an engineer, agricultural economist, health economist, accountants, etc, together with the relevant desk officers from BD) are insufficient for more than sample coverage. Reports are distributed widely and are used by OAG and IIA in planning their audits, and by Parliamentarians in their review of executive performance.

(2) The Office of the Prime Minister (OPM) undertakes annual Public Expenditure Reviews. This is done through the collection and analysis of performance data gathered from all MDAs in all 16 sectors through the Sector Working Groups. Performance targets, which are based on the resources approved by Parliament, are calibrated, ie. adjusted proportionately

for the actual resources released. This allows OPM to assess (very roughly) the value for money achievements. Half-yearly performance reports are issued and a Government Annual Performance Report (GAPR) is produced within 4-5 months of the end of year and presented to a Cabinet Retreat for discussion and adoption of recommendations.

(3) Performance contracts are negotiated annually between MoPS and Accounting Officers/ Heads of Departments, in consultation with MoFPED, MoPS and MoLG. In OPM, the Prime Minister has instituted performance contracts between himself and his Commisioners. The contracts are supposed to be derived from and be synchronized with the work plans of the relevant MDAs.

(4) Internal audit and external audit are increasingly undertaking performance/value-for-money audits.

(5) Civil society organisations and beneficiaries of services at the local level meet with CG and LG officers and discuss local services (barazas).

Score in 2008	Present score	Rationale for score	Explanation of change
A	**A**	Classification of data allows direct comparison to the original budget in detail, and covers both commitment and payment stages of expenditure	No change

Dimension (ii) Timeliness of the issue of reports

All CG MDAs[24] prepare and submit their financial statements to the Accountant General for the first six months of the year (July-December) and then for the first nine months (July-March). They are prepared on a cash basis, with modifications for recognition of pension liabilities, domestic expenditure arrears and revenue from the Uganda Revenue Authority. Statements are due within two months of the end of period and this is enforced by holding releases till the previous period is accounted for.

Score in 2008	Present score	Rationale for score	Explanation of change
C	**C**	Reports are prepared at least quarterly (excluding the first quarter) and issued within six weeks of the end of quarter.	No change

Dimension (iii) Quality of information

The quality of information in both in-year and annual financial reports may be judged from audit opinions on the underlying MDA accounts. The Auditor General's reports 2007/08 to 2010/11 show a progressive improvement in the percentage of MDAs getting unqualified opinions on their accounts, ie. clean audit reports.

24 Excluding government business enterprises, local governments and tertiary educational institutions, for which the CG statements show only transfers to and from the CG. All MDAs are required to submit monthly statements using the same chart of accounts through IFMS.

Table 3.6 Quality of accounts

	2007/08	2008/09	2009/10	2010/11
No. of agencies getting clean audit reports	32	37	40	61
Total no. of agencies	90	93	101	103
Proportion getting clean audit reports	35.6%	39.8%	39.6%	59.2%

Score in 2008	Present score	Rationale for score	Explanation of change
C	B	There are some concerns about accuracy such as omission of donor project expenditure but the deficiencies are known and do not compromise the overall consistency or usefulness of the accounts	Improvement in the use of IFMS

Planned reforms
The IFMS is continuing to be rolled out: 11 more statutory bodies and 6 districts are being brought onto the system from 1 July 2012, and the remaining nine agencies by December 2012.

It is intended that in-year performance monitoring will be decentralized to local civil society groups. Performance contracts may be extended to middle level managers, and a performance indicator on supervision may be included in the contracts.

Information sources
BMAU Study on Non-Compliance in PFM in Uganda FY 2007-2010, six-month and nine-month appropriation accounts and consolidated financial statements for 2010/11; interviews with Accountant General, OPM, BMAU.

PI-25 Quality and timeliness of annual financial statements

Dimension (i) Completeness of the financial statements

Consolidated Financial Statements are produced annually and cover all budgetary MDAs. They include all financial assets and liabilities, revenue and expenditure, a consolidated cash flow statement; public debt, advances and loans, and commitments outstanding at year-end; a statement of revenue arrears, a statement of government investments in equity and securities, contingent liabilities, losses, and a statement of physical assets purchased during the year. The Statements for 2010/11 received a qualified opinion from the Auditor General. There were two qualifications: UGX 54.8 bn of expenditure was questioned (0.6% of total expenditure), and $492 million of pre-production expenditure repayable to the oil companies was not disclosed, nor its accounting treatment (see 3.9.2 below). Reporting on externally-financed projects is included only where donor partners disburse through the Treasury.

Score in 2008	Present score	Rationale for score	Explanation of change
C	B	The annual consolidated financial statements include full information on revenue, expenditure, financial assets and liabilities, except for some externally financed project expenditure, and some liabilities and contingent liabilities	Improvement in the quality and comprehensiveness of the annual financial statements

Dimension (ii) Timeliness of submission of financial statements

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 a further month. For the last three years they were produced and submitted to the OAG within the statutory four months period. The financial statements are not dated. They are published as an annexe to the Auditor General's report on central government.

The individual MDA appropriation accounts were submitted late by several MDAs in both FY 2009/10 (29 percent) and 2010/2011 (68 percent). The consolidated accounts are not delayed: any necessary adjustments are made after audit. This indicator is scored on the basis of the consolidated statements.

Score in 2008	Present score	Rationale for score	Explanation of change
A	A	The consolidated statements are regularly submitted to the Auditor General within four months of the end of the year	No change

Dimension (iii) Accounting standards used

The annual consolidated financial statements are prepared in accordance with the provisions of the 2003 PFAA and follow a modified cash basis of accounting. The cash basis is used for all items except that (i) pension liabilities, (ii) domestic arrears, and (iii) revenue received by URA, but not yet transferred to the Consolidated Fund, are accrued by end-of-year adjustments. The statements disclose the following accounting policies: no depreciation (fixed assets are fully expensed at time of purchase); advances, other receivables and investments are recorded at historical cost; foreign currency transactions are translated into Uganda shillings at the rates prevailing at the dates of transactions, while external debt balances at year end are translated at the rates prevailing at 30 June. These policies are appropriate and have been consistently applied. At present the statements do not meet IPSAS accrual-basis requirements[25] in several respects, mainly:

1. accounts for all extrabudgetary bodies and parastatals are not included (the IPSAS standard requires consolidation of financial statements for all "controlled" entities);
2. all external project assistance is not captured;
3. undrawn balances of donor commitments are not disclosed;
4. physical assets, such as land, buildings, plant, equipment, vehicles and office furniture and equipment, are expensed on purchase. Accrual accounting would require their complete valuation, and a system of depreciation accounting to expense them over their useful lives.

The approved estimates that are included in the statement of revenues and expenditure by vote refer to the last budget revision, including virements and supplementary provisions, rather than the original approved budget. This makes the information on budget performance misleading.[26]

25 International Public Sector Accounting Standards Board, *International Federation of Accountants.* It should be noted that no developing country has yet fully met even the cash-based IPSAS, let alone the accrual IPSAS, and the relevance and cost-benefit utility of these standards is seriously questioned.

26 The PEFA framework uses an original budget basis of comparison, see PI-1 and 2.

Score in 2008	Present score	Rationale for score	Explanation of change
C	**C**	Statements are presented in a consistent format over time with disclosure of accounting standards, which do not meet IPSAS standard.	No change

Planned reforms
Government policy is to move from the modified cash basis to full accrual IPSAS, with the present focus on inventorising and valuing all physical assets. The Government will develop a non-current assets policy and pilot the fixed assets module in the medium term.

Information sources
Consolidated Financial Statements for 2010/11, interview with the Accountant General.

3.7 External scrutiny and audit

	Scoring method	Scores November 2008		Scores June 2012	
PI 26 The scope, nature and follow up of external audit	**M1**	**C+**	(i) A (ii) B (iii) C	**B+**	(i) A (ii) B (iii) A
PI 27 Legislative scrutiny of the annual budget law	**M1**	**C+**	(i) A (ii) A (iii) A (iv) C	**C+**	(i) A (ii) A (iii) A (iv) C
PI 28 Legislative scrutiny of external audit reports.	**M1**	**D+**	(i) D (ii) A (iii) D	**D+**	(i) D (ii) A (iii) B

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

Dimension (i) Scope/nature of audit performed (including adherence to auditing standards)

Audit reports cover central government, local government and state corporations. Audits are guided by the National Audit Act 2008. The Act guarantees the independence of Auditor General. Audits performed by the Auditor General in the last three years include financial audits, performance/ value for money audits and special audits, subject to capacity. Audits are carried out in conformity with international auditing standards such as INTOSAI standards. Modern auditing techniques are applied by use of IDEA, a computer-assisted audit technique, and Team Mate electronic working papers. The audits cover revenues, expenditures, assets and liabilities.

Table 3.7 Audits completed in 2010/11 as a percentage of planned audits*

Central Government (CG) MDAs	CG Projects	Higher Local Governments (LG)	Lower LGs	State Corporations
95%	64%	91%	150%	84%

* Note that the number of planned audits is not equal to the number of audit entities. The percentage for lower LGs includes a backlog of audits from 2009/10.

Score in 2008	Present score	Rationale for score	Explanation of change
A	A	All entities of central government are audited annually. Audits include financial, performance and value for money audits.	No change

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

The PEFA framework assesses timeliness of audit reports by reference to the date of receipt of the Consolidated Accounts, rather than the end of the financial year. Any delay in the submission of the Consolidated Accounts would come under PI-25 (ii). The annual audit reports have been submitted to Parliament as statutorily required and within six months of receipt of the accounts as the table below shows.

Table 3.8 Audit reports submitted

Year	Date of receipt of Consolidated Accounts	Date of submission of audit report to Parliament	No. of months after receipt of accounts
2008/09	29 October 2009	31 March 2010	5
2009/10	30 September 2010	31 March 2011	6
2010/11	17 October 2011	30 March 2012	5

Score in 2008	Present score	Rationale for score	Explanation of change
B	B	The audit reports are submitted to Parliament within 6 months of receipt of the accounts	No change

Dimension (iii) Evidence of follow up on audit recommendations

At the close of each audit of an MDA, OAG discusses with the relevant Accounting Officer the response to the audit management letter and follow up actions are agreed. Virtually all AOs have been implementing the agreed actions. OAG routinely reviews implementation of the agreed actions for the previous FY at the beginning of each annual audit. AOs implement the recommendation to avoid public exposure at subsequent PAC hearing sessions.

Score in 2008	Present score	Rationale for score	Explanation of change
C	A	There is clear evidence of effective and timely follow up.	Systematic agreement of actions to be taken and follow up of their implementation by the OAG.

Planned reforms
The Auditor General intends to undertake more value for money audits and procure specialist skills as necessary. He also plans to develop and strengthen linkages with other institutions in the Justice, Law and Order Sector. FINMAP is assisting OAG to build its capacity. OAG will continue twinning with overseas supreme audit institutions in order to learn from them.

The proposed Public Finance Bill will shorten the period to three months from the end of the financial year within which accounts must be submitted to the Auditor General for audit. The Auditor General is expected to audit the accounts within three months from when they are received. The audit reports will therefore be ready for submission to Parliament six months after the end of the financial year instead of the current nine months.

FINMAP is assisting the OAG with the project to build a new Audit HQ building, also a regional office, and with publishing audit reports, undertaking a payroll forensic audit, arranging training/attachments, procuring laptops and software, and preparing the OAG corporate plan.

Information sources
National Audit Act 2008, Office of the Auditor General Corporate Plan 2011-16, Auditor General Reports, FINMAP Quarterly Reports, Internal Audit Reports, Public Finance Bill, Public Finance Management Strategy and Action Plan; interviews with the Auditor General and staff, AGO MoFPED, Internal Audit MoFPED, PAC.

PI 27 Legislative scrutiny of the annual budget law

Dimension (i) Scope of the legislature's scrutiny

Parliament scrutiny of the budget is done through its Budget Committee. The Budget Act 2001 guides the work of the Budget Committee. According to the Act, the Executive presents to Parliament the National Budget Framework Paper (NBFP), covering fiscal policies and the MTEF, by 1 April of each year. The NBFP is then distributed to the 14 sessional committees of the Budget Committee for review. The sessional committees make their recommendations to the Budget Committee by 25 April and the Budget Committee hands over its recommendations to the President by 15 May. The budget estimates that are prepared based on the agreed NBFP are presented to Parliament by 15 June each year. Each MDA presents a Ministerial Policy Statement to Parliament by 30 June. The Policy Statements form the basis for the examination of the budget estimates of MDAs. The budget estimates are reviewed and approved by 30 September of each year.

The above timetable is not always adhered to although the key decision dates like the presentation of the budget estimates (15 June) and passing of the budget (30 September) are adhered to.

Score in 2008	Present score	Rationale for score	Explanation of change
A	A	Parliament reviews fiscal policies, medium term fiscal framework and medium term priorities and details of expenditure and revenues	No change

Dimension (ii) Extent to which the legislature's procedures are well-established and respected
Parliamentary procedures are specified in the Budget Act and in Parliamentary Orders. The executive generally complies with the procedures. The executive has on occasions responded in writing and on the floor of Parliament to the issues raised by Parliament.

Score in 2008	Present score	Rationale for score	Explanation of change
A	A	Parliament's procedures are well established and respected	No change.

Dimension (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).

The time given to Parliament to respond to the macrofiscal aggregates and the budget estimates is stipulated in the Budget Act 2001. The time given for the scrutiny of the macrofiscal aggregates is from 1 April to 15 May. Parliament has three and a half months to scrutinise the budget estimates. The combined time is sufficient for Parliament to give adequate responses to the budget proposals.

Score in 2008	Present score	Rationale for score	Explanation of change
A	A	Parliament has more than 2 months to review the budget proposals	No change.

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

The rules for amending the budget in-year are specified in the Constitution, which stipulates that amendments can be made to the budget (including excess in aggregate expenditure) but should be reported to Parliament within four months of the expenditure (Article 156 of the Constitution). The Budget Act 2001 and Public Finance and Accountability Act 2003 also permit in-year amendments to the budget. The Budget Act limits supplementary appropriations to 3 percent of the total appropriations for the year but the supplementaries sometimes exceed that figure. For example, in a report of the Committee on Budget on Supplementary Schedule No.2, the first supplementary request was for 2.1 percent and the second supplementary request was for 5.0 percent of the total approved budget for FY 2011/12.

The rules permit the Executive to amend the budget without the prior approval of Parliament.

Score in 2008	Present score	Rationale for score	Explanation of change
C	C	Clear rules exist but they are not respected by the Executive	No change

Planned reforms
The Public Finance Bill proposes to merge the Budget Act 2001 and the Public Finance and Accountability Act 2003. FINMAP is providing support to build the capacity of the Parliament Budget Committee.

Information sources
The Uganda Constitution, Budget Act, Public Finance and Accountability Act; consultations with Budget Committee members, Budget Office staff, BD/MoFPED, OAG.

PI 28 Legislative scrutiny of external audit reports

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

The Public Accounts Committee is meeting frequently to get up to date with the examination of audit reports. The PAC has 31 members drawn proportionately from all the major political parties. The chairman of PAC and his deputy are members of the opposition in Parliament. Committee decisions are made by consensus.

In order to cope with the backlog the Speaker of Parliament has permitted PAC members to work more days during each week and also to work during the parliamentary recess, which is financially assisted by FINMAP. PAC is currently examining the 2010/11 audit report although it has not covered all the previous audit reports. The intention is to concentrate on the most recent audit reports and not spend too much time on old audit reports.

Parliament has not yet debated or approved any of the PAC reports on the Consolidated Accounts in the last three years although it has debated some of the special audit reports.

Score in 2008	Present score	Rationale for score	Explanation of change
D	D	Parliament has not debated or approved any of the audit reports on the Consolidated Accounts of the last three years.	No change

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

The PAC holds in-depth hearings with the Accounting Officers and heads of Finance Departments of MDAs cited in the Auditor General's reports. The PAC has technical guidance from the Auditor General or his representative who attends all hearings. Hearings are open to the public except on classified expenditure.

Parliamentary committees have from time to time examined the audit findings and recommendations of special audits that have been carried out by the Auditor General. Some of the special audit reports that were examined include CHOGM and HABA Group of companies.

Score in 2008	Present score	Rationale for score	Explanation of change
A	A	The PAC holds in-depth hearings with Accounting Officers on the audit findings on all MDAs	No change

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

The legislature has debated and made recommendations of a significant nature in the last three years. Some of the recommendations have led to government issuing new policies, passing new laws and remedial measures being taken by MDAs. Some ministers have also stepped aside or resigned as a result of the recommendations. Additionally, PAC is considering several reports arising out of the 2009/10 Auditor General's Report. It has decided to issue individual PAC sub reports on various aspects of the report rather than one consolidated PAC report for the year 2009/10. PAC is of the view that one consolidated PAC report would be too bulky and has therefore chosen to break it up. PAC expects to have completed examination of the 2009/10 Auditor General's Report by August 2012. The last executive response to Parliament was a Treasury Memorandum covering financial years up to 2004/05, which was issued in January 2012. No Treasury Memoranda have been produced for years since 2004/05.

Score in 2008	Present score	Rationale for score	Explanation of change
D	B	Actions are recommended to the executive, some of which are implemented, according to existing evidence	Strengthened PAC

Planned reforms

FINMAP is currently assisting to build capacity and to support the operations of PAC. FINMAP also has provisions to assist Parliament in its scrutiny and oversight function although these have not been drawn upon yet.

Information sources

Consultations with PAC, OAG, AGO MOFPED and FINMAP. Auditor General Reports, FINMAP Quarterly Reports, Treasury Memorandum.

3.8 Donor practices

	Scoring method	Scores November 2008		Scores June 2012	
D-1 Predictability of direct budget support	**M 1**	**D**	(i) D (ii) D	**D**	(i) D (ii) D
D-2 Financial information provided by donors for budgeting and reporting on project and programme aid	**M 1**	**C**	(i) C (ii) C	**C**	(i) C (ii) C
D-3 Proportion of aid that is managed by use of national procedures	**M 1**	**D**		D	

D-1 Predictability of direct budget support

Dimension (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)

Donors have continued to give budget support to GoU. About 12 donors are currently giving budget support. The table below gives the details of budget support for the last three years:

Table 3.9 Budget support (USD millions)

FY	2008/09	2009/10	2010/11
Forecast	486	416	282
Disbursement	387	351	328
Performance	80%	84%	116%

Source: Budget Performance Report for each year

The donors endeavour to give GoU notice of their support before the beginning of the budget year so that Government can include it in its budget estimates. MoFPED sends out a form in October/ November that requests each donor to indicate the amount that it will be giving to GoU with breakdown over budget support, on-budget project support and off-budget project support. The donors submit their responses to the GoU through the Donor Economists Group chairperson who passes on the form without editing or consolidation to the Aid Liaison Department at MoFPED for inclusion in the GoU budget estimates. Some of the donors (e.g. China, India, Italy, France) are not members of the group and submit their forms individually. The donors revise their commitments after the Joint Assessment Framework (JAF) assessment is carried out in November/ December. The JAF influences the donor contributions for the coming financial year. The donors give more firm contribution forecasts in April/May, which coincides with GoU issue of the 3rd Budget Call Circular. The provision of this information depends on each donor as it is determined by individual donor information availability. Donors have recently tried to align the provision of their forecasts with the GoU budget calendar.

Table 3.10 Largest donors 2008/09 to 2010/11 (USD millions)

Donor	Budget Support	Project Support	Total
IDA	328.8	515.2	844.0
ADF		287.4	287.4
EU	112.1	152.8	264.9
UK	139.2		139.2
Ireland	95.7		95.7
Others	399.5	496.5	896.0
Total	1075.3	1451.9	2527.2

Source: Aid Liaison Department and team calculations. There are unexplained differences between the above outcome totals and the Budget Performance Reports.

Data was collected from both the Donor Economists Group and the Aid Liaison Department (see Annexe G). The data was not easy to interpret and use and in most cases different versions are available for the same data. Aid Liaison Department mentioned that once the new aid management system comes into operation the situation will improve and the data will be more reliable.

Score in 2008	Present score	Rationale for score	Explanation of change
D	**D**	In two of the last three years budget support fell short of the forecast by more than 15%.	No change

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

The timing of donor disbursements is supposed to conform to the forecasts provided by donors towards the end of budget preparation. The timing of actual disbursements varies from forecasts partly because of variation in the procedures both for individual donors and the GoU. In addition, the conditionalities on which the disbursements are based may not be complied with, thereby delaying disbursements. In some cases, as with the Netherlands projected budget support, the agreement was terminated and no support was received in FY 2010/11.

The donors provide a breakdown of the aid to be disbursed in each quarter as requested by the Aid Liaison Department. Aid Liaison Department appears not to have a register that records the amounts and timing of aid each quarter. However, Aid Liaison Department did provide details of the quarterly disbursement projections and actual disbursement for each year on which this scoring was based.[27]

Score in 2008	Present score	Rationale for score	Explanation of change
D	**D**	Disbursement delays have exceeded 50% in all of the last three years.	No change

Planned reforms
GoU is developing a database that will track donor contributions. The database is known as Public Management Investment System (PMIS) that was formerly known as Aid Management Information System (AMIS) and is being developed under FINMAP. The system will be accessible also by the donors. GoU and donors are about to sign a Memorandum of Understanding (MOU) on provision of joint budget support that will streamline the provision of forecast data. The MOU commits the donors as far as possible to provide GoU with the necessary data early in the budget calendar. The donors are required to inform GoU of their budget support pledges during the Annual Budget Conference that takes place in February. GoU and the donors are also in the process of signing a Partnership Policy that aims to streamline provision of management, reporting and auditing of donor support.

Information sources
Consultations with Aid Liaison Department at MoFPED, donors, OAG, AGO and BoU; Budget Performance Reports for individual years, Aid Liaison Department reports, Donor Group returns, Paris Declaration Assessment – Uganda Country Chapter 23 June 2011.

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

Dimension (i) Completeness and timeliness of budget estimates by donors for project support
Several donors continue to provide support to GoU tied to projects and programmes. The amount of project/programme support given to GoU in the last three financial years is given in the table below.

27 See Calculation for Donor Indicator D-1 Sheet in annexe G

Table 3.11 Project Support (USD millions)

	2008/09	2009/10	2010/11
Forecasts	790	742	610
Disbursement	376	532	441
Performance	48%	72%	72%

Source: Budget Performance Report for the individual years

On request, the donors through the Donor Economists Group have been providing GoU/Aid Liaison Department at MoFPED with information regarding their intended support for the coming financial year. Donors that do not belong to the group provide their data individually and separately to MoFPED. Aid Liaison Department report that there has been improvement in provision of data on project and budget support. Most of the project support (about 68 percent) is in the form of loans. About 10 percent is given in kind.

Aid Liaison Department provided the information that was used to score this indicator. Most of the donors providing project support were covered by the analysis. The donors do not submit their projected or actual disbursements in conformity with the GOU chart of accounts.

Score in 2008	Present score	Rationale for score	Explanation of change
C	**C**	Most of the donors provide project support projections at least three months before the commencement of the GoU FY but the projections are not in conformity with the GoU chart of accounts.	No change

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

The Aid Liaison Department at MoFPED coordinates the receipt of donor information on project and budget support. The department requests information directly from the donors. Most of the donors have been providing the information. However some other donors do not provide the information. Macro Department in the Directorate of Economic Affairs pointed out that donors provide monthly returns on loan disbursements almost immediately following the end of the month but similar returns are not made for project support grants.

GoU is trying to capture more information on project support. As an initial step in this direction GoU is bringing donor funded projects onto the IFMS. So far, seven out of the 150 projects are on the IFMS.

Score in 2008	Present score	Rationale for score	Explanation of change
C	**C**	Most donors provide project disbursement returns within one month of the end of every quarter but the returns are not consistent with the GOU chart of accounts.	No change

Planned reforms

GoU is continuing with development of a database to capture donor information. Additionally GoU intends to bring more projects onto the IFMS. GoU and the donors are in the process of signing a

Partnership Policy to guide the provision and management of donor support.

Information sources
Consultations with Aid Liaison Department at MoFPED, donors, OAG, AGO MoFPED and BoU. Budget Expenditure Reviews, Aid Liaison Department reports, Donor Group returns, Paris Declaration Assessment – Uganda Country Chapter 23 June 2011.

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

Dimension (i) Overall proportion of aid funds to central government that are managed through government procedures.

Donors have increased their use of GoU systems because of the proportionate increase in donor aid that was channelled through budget support over the last three years. This is in line with the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action. However, there is still a general feeling among donors that GoU public financial management systems are weak and unreliable, and some donors are abandoning budget support.[28] This will reduce the proportion of total aid that uses government procedures.

Most of the donors prefer to use their own procurement systems because of their home country requirements. AGO staff reported that virtually no projects use GoU procurement systems.

The number of donor-funded projects using IFMS currently stands at seven out of a total of 150. Almost all donors use the Auditor General to audit the aided projects. The exceptions are USAID, Denmark and Germany.

Score in 2008	Present score	Rationale for score	Explanation of change
D	**D**	Less than 50% of the aid funds are managed through national procedures	No change

Planned reforms
It is intended to put more externally funded projects on the IFMS.

Information sources
Consultations with Aid Liaison Department at MOFPED, donors, OAG and AGO; Budget Expenditure Reviews, Aid Liaison Department reports, Donor Group returns, Paris Declaration Assessment – Uganda Country Chapter 23 June 2011.

28 Paris Declaration Assessment – Uganda Country Chapter 23 June 2011.

3.9 Country-specific issues

3.9.1 Anti-corruption

Table 3.12 Uganda's ranking in the Transparency International Corruption Perception Index

Year	Position	Total number of countries	Score
2008	126	180	2.6
2009	130	180	2.5
2010	127	176	2.5
2011	143	182	2.4

There has been a deterioration since 2007, when Uganda was lying 111th in the table with a score of 2.8.

The Inspectorate of Government (IG) was established as far back as 1986 to lead the Government's anti-corruption (A-C) strategy. It is mandated by the Constitution article 231, the Inspectorate of Government Act 2002, the Leadership Code Act 2002, the Anti-Corruption Act 2009 and the Whistleblower Protection Act 2010.

In 2008, the third National Integrity Survey was undertaken. In 2009, a zero tolerance policy was adopted, and a National Anti-Corruption Strategy 2009-2013 was prepared consultatively and issued. GoU is a signatory to the UN Convention Against Corruption.

The acivities of the IG include: (i) registering allegations of corruption from the public, OAG and other sources, investigating them and reporting their findings; (ii) prosecuting criminal cases; (iii) receiving and examining declarations of assets, liabilities and incomes of key persons under the Leadership Code; (iv) acting as Ombudsman to investigate acts and defaults by the administration (not involving corruption); (v) raising public awareness of the damage to the country by corrupt acts; and (vi) system studies. In 2011, the IG received 2,481 allegations/complaints, completed investigations on 1,576, brought 117 prosecutions and secured 37 convictions. At present, prosecutions are being brought through the Director of Public Prosecutions, due to a problem with the constitution and authority of the IG in the Anti-Corruption Court, which is a division of the High Court. The backlog of complaints rose from 3,738 to 4,337 during 2011. The IG also examined 17,461 declarations of leaders and completed investigations on 13 breaches of the Code. Apart from the IG, the Directorate for Ethics and Integrity (DEI) was established within the Office of the President in 1997. Other A-C entities include the OAG, the DPP and the CID 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 to ensure a coordinated approach to the fight against corruption. The Inter-Agency Forum is chaired by the DEI and meets monthly.

Planned reforms
The IG aims to decentralise operations to the 16 regional offices. An amendment to the Anti-Corruption Act 2009 is proposed in order to close loopholes in its implementation.

Sources of information
Inspectorate of Government, Reports for January-June 2011 and July-December 2011, IG website (www.igg.go.ug); interviews with IG and Auditor General.

3.9.2 Management of oil revenues

A Petroleum Fund will be set up as a repository for funds arising out of the exploitation of petroleum reserves. The fund will be used to support the annual budget and part of it will be set aside for use by future generations.

The fund is to be established under the proposed Public Finance Bill in sections 51 to 71. The bill specifies the set up, operation, management and audit of the fund. Part of the fund balance will be transferred each year to the Consolidated Fund to fund approved appropriations for infrastructure and development projects. The Minister for Finance will be responsible for the management of the fund. Reports on the fund will be made to Parliament.

The bill has been tabled in Parliament but is yet to be debated. It is expected that transparency issues will form part of the debate.

Proceeds from oil and gas transactions will be deposited in an account in the Bank of Uganda. The initial proceeds will be from items like capital gains tax on sale of oil concessions. Other sources are expected to include sales of concessions before oil extraction and sales commence.

The first call on the Petroleum Fund will be pre-extraction costs that are being incurred by the oil companies. GoU will repay these once the oil extraction and sale commences as per production sharing agreements entered into with the oil companies. The costs are a liability to GoU and should be reported as a note to the consolidated financial statements. They are not disclosed in the financial statements for FY 2010/11. The Auditor General in his report for FY 2010/11 says that they amounted at 30 June 2011 to USD 492.5 million, and that the Accountant General has not yet prescribed their accounting treatment. According to media reports, extraction and sale will start in 2017.

4 GOVERNMENT REFORM PROCESS

4.1 Description of recent and on-going reforms

Previous evaluations of PFM and accountability systems in Uganda[29] led to MoFPED instituting an Economic and Financial Management Programme (EFMP-I and II) with World Bank and bilateral support, and a complementary UK Department for International Development (DFID) funded Financial Accountability Programme (FAP). These centrally managed programmes resulted in the adoption of a new legislative framework for budget, procurement and financial management and facilitated the rollout of the Oracle-based IFMS to all 21 central government ministries and 14 higher-level local governments. They have also delivered major training programmes 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 2012. Recent progress has been made in implementation of electronic funds transfer (EFT), clearing the backlog of the three parliamentary accountability committees, publication of the Government's debt strategy, and moves to improve budget planning and reporting.

The main current PFM reform programme is the Financial Management and Accountability Programme (FINMAP), which commenced in January 2007. The programme covers the entire financial management process from planning and budgeting to oversight by Parliament. It is designed to support the GoU poverty reduction goals, in particular the Economic Management and Good Governance objectives of the National Development 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 reviews of November 2005 and November 2008, and broad stakeholder consultations and extensive GoU/DP discussions.

FINMAP was implemented over a 4½ year period within a budget of $70 million, and has now been continued by a three-year Phase II, which started in July 2011 with an indicative budget of $60 million. FINMAP is financed by GoU and DPs partly through a basket fund established by a Memorandum of Understanding between GoU and DPs including Ireland, Norway, Sweden, UK and the EU. IDA supports specific FINMAP activities.

The programme was given a Mid-Term Review in January 2010. It reported that "GoU was concerned about the risk of deterioration in the delivery of basic public services in primary education, health, water and sanitation, and road maintenance, a concern shared by the DPs. The perception had been mounting that good progress was being made in PFM reforms, but without commensurate improvement in service delivery. It was clear that if improvements in local service delivery were the primary concern, they must be addressed in an integrated way through a single programme and set of implementation arrangements. The PEMCOM, chaired by the DST, decided to widen and deepen the scope of FINMAP so as to address issues of local service delivery and social accountability".

The Mid-Term Review recommended that the FINMAP strategy should be designed to meet the very important but circumscribed government concern with improving the provision of basic public services. This led to a revised PFM Reform Strategy 2011/12 – 2016/17, approved by PEMCOM

29 EFMPII design studies (1998/99), CFAA/CPAR (2001), Highly Indebted Poor Countries (HIPC) Tracking Study (2001/2), Review of Local Govt PFM (2003), annual PERs.

10 November 2010. This used the 'platform approach' to the sequencing of reforms and identified three stages for the next five years. The first three years would focus on stage 1: achieving budget credibility. "The budget should be able to provide sufficient funding for the planned outputs as the first step towards eliminating the barriers to service delivery. It is also necessary that the budget is well executed to eliminate wastage, arrears and supplementary expenditure. As part of stage 1 focus, an enabling environment will be created in which excuses for non-delivery of targets are removed". [30]

The programme comprises six main components:

- Economic planning and management
- Budgeting preparation and performance
- Central government financial management systems
- Oversight and scrutiny - OAG
  - Parliament
  - Internal Audit
- Local government financial management systems
- Coordination and sustainability

There are other PFM reform projects outside the FINMAP, such as Swedish support to the OAG, and UNDP and USAID support to Parliament.

4.2 Institutional factors supporting reform planning and implementation

Uganda has a highly elaborate institutional structure for PFM reform. At the top level, since 2003 there is a Cabinet subcommittee on policy coordination chaired by the Prime Minister, an Implementation Coordination Steering Committee (ICSC) chaired by the Cabinet Secretary, and a multisectoral technical committee chaired by the Permanent Secretary, Office of the Prime Minister. Below this intersectoral superstructure, there are sector working groups (SWGs). PFM falls within the mandate of the Accountability Sector Working Group (ASWG), which is weakly linked with the ICSC. The ASWG comprises 10 institutions: 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 DPs. The ASWG is the mechanism through which FINMAP is linked with the GoU planning and budgeting process, and other development and reform programmes falling under the sector such as anti-corruption efforts guided by the National Anti-Corruption Strategy. It meets quarterly. A Secretariat to the ASWG was established in June 2007. Links have been developed with the Decentralization and Public Sector Reform programmes. The Public Expenditure Management Committee (PEMCOM) is the overseeing committee for FINMAP. It is chaired by the Permanent Secretary/Secretary to the Treasury, and includes representatives of DPs in its membership, meeting 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

30 MoFPED (2010) Uganda PFM Reform Strategy, p.10. The targets for 2013 include: reduction of supplementary budgets as a % of original budget from 3.8% (2010) to 2.5%; reduction of variance between aggregate expenditure and original budget from 3% to below 2%; reduction of variance between expenditure out-turns (at ministry level) as a % of original budget from 3% to below 2%; reduction in variance of revenue out-turn over original budget from 5% to below 2%; and reduction of expenditure arrears to below 2%.

component manager is fully responsible and accountable for implementation and results within his or her component. Planned reforms are integrated with the workplans of implementing agencies and implemented as part of their mainstream activities. Coordination, financial management/funds management, procurement and technical assistance are provided to component managers by the FINMAP Secretariat. As the implementing agencies gain capacity, FINMAP is able to withdraw.
FINMAP provides the secretariat to PEMCOM. The ASWG has prepared an Accountability Sector Strategic and Investment Plan 2008-2013 (ASSIP, 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 ASSIP 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 has been 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 programme ends.

Donor coordination: There is a PFM Donor Group, chaired at present from KfW and including representatives from World Bank, EC, Sweden, UK-DFID and about 10 other DPs. The core group meets monthly and reviews FINMAP workplans and progress. It is represented on PEMCOM and liaises regularly/actively with the FINMAP Secretariat.

ANNEXE A SUMMARY TABLE OF SCORES

PFM Performance Indicator		Scoring Method	Dimension Ratings				Ove rall Rating 2012	Overall Rating 2008	Explanation of Change
			i.	ii.	iii.	iv.			
A. PFM-OUT-TURNS: Credibility of the budget									
PI-1	Aggregate expenditure out-turn compared to original approved budget	M1	C				**C**	**B**	**Deterioration due to 28% supplementary expenditures in 2010/11.**
PI-2	Composition of expenditure out-turn compared to original approved budget	M1	D	A			**D+**	**C**	**Method of calculation changed in 2011. On new method, 2008 score would have been D. No real change.**
PI-3	Aggregate revenue out-turn compared to original approved budget	M1	D				**D**	**A**	**Method of calculation changed in 2011. On new method, 2008 score would be C. So, some deterioration in revenue forecasting, pending new forecasting model.**
PI-4	Stock and monitoring of expenditure payment arrears	M1	C	B			**C+**	**D+**	**Expenditure arrears/total expenditure improved since 2008, down from 13.9% to 7.7%.**
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency									
PI-5	Classification of the budget	M1	A				**A**	**A**	**No change.**
PI-6	Comprehensiveness of information included in budget documentation	M1	A				**A**	**A**	**No change.**
PI-7	Extent of unreported government operations	M1	B	D			**D+**	**D+**	**No change.**
PI-8	Transparency of inter-governmental fiscal relations	M2	D	C	C		**D+**	**D+**	**No overall change.**
PI-9	Oversight of aggregate fiscal risk from other public sector entities	M1	C	C			**C**	**C**	**Some improvement in PE and LG reporting but not sufficient to change the score.**
PI-10	Public access to key fiscal information	M1	B				**B**	**B**	**No change**
C. BUDGET CYCLE C(i) Policy-Based Budgeting									
PI-11	Orderliness and participation in the annual budget process	M2	C	A	D		**C+**	**C+**	**Greater planning instability, offset by earlier Cabinet inputs. No overall change.**
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	M2	C	A	C	C	**C+**	**C+**	**No change.**
C(ii) Predictability and Control in Budget Execution									
PI-13	Transparency of taxpayer obligations and liabilities	M2	B	A	A		**A**	**B+**	**Improvement in tax appeals administration.**
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	M2	C	C	A		**B**	**B**	**No change.**
PI-15	Effectiveness in collection of tax payments	M1	C	B	A		**C+**	**D+**	**The ITAS has enabled better and more up-to-date management information on revenue collections.**
PI-16	Predictability in the availability of funds for commitment of expenditures	M1	B	C	C		**C+**	**C+**	**Grater unpredictability of releases but no overall change in indicator.**
PI-17	Recording and management of cash balances, debt and guarantees	M2	B	B	B		**B**	**C+**	**Improvement in management of cash balances and debt recording and reporting.**
PI-18	Effectiveness of payroll controls	M1	D	B	C	C	**D+**	**D+**	**Reduced delays in implementing payroll changes due to greater vigilance by MoPS, sensitization of MDAs and the implementation of IPPS.**
PI-19	Competition, value for money and controls in procurement	M2	B	D	C	D	**D+**	**D+**	**Strengthening of procurement has continued, but change in method of assessment prevents tracking of progress.**
PI-20	Effectiveness of internal controls for non-salary expenditure	M1	C	C	C		**C**	**C**	**No change.**

PFM Performance Indicator		Scoring Method	Dimension Ratings i.	ii.	iii.	iv.	Ove rall Rating 2012	Overall Rating 2008	Explanation of Change
PI-21	Effectiveness of internal audit	M1	B	A	C		C+	C+	**Improvement in internal audit reporting, but no overall change in score.**
C(iii) Accounting, Recording and Reporting									
PI-22	Timeliness and regularity of accounts reconciliation	M2	A	C			B	B	**Improvement in bank reconciliations offset by deterioration in clearance of advances. No overall change in score.**
PI-23	Availability of information on resources received by service delivery units	M1	B				B	B	**No change.**
PI-24	Quality and timeliness of in-year budget reports	M1	A	C	B		C+	C+	**Better use of IFMS and mprovement in the quality of in-year financial reports, but no change in the overall score**
PI-25	Quality and timeliness of annual financial statements	M1	B	A	C		C+	C+	**Improvement in the quality and comprehensiveness of annual financial statements, but no change in the overall score.**
C(iv) External Scrutiny and Audit									
PI-26	Scope, nature and follow-up of external audit	M1	A 1.	B 2.	A 3.		B+ 4.	C+ 5. 6.	**More effective follow up and implem-entation of audit recommendations**
PI-27	Legislative scrutiny of the annual budget law	M1	A	A	A	C	C+	C+	**No change.**
PI-28	Legislative scrutiny of external audit reports	M1	D	A	B		D+	D+	**More effective follow up of PAC recommendations.**
D. Donor Practices									
D-1	Predictability of direct budget support	M1	D	D			D	D	**No change.**
D-2	Financial information for budgeting and reporting project aid	M1	C	C			C	C	**No change.**
D-3	Proportion of aid that is managed by use of national procedures	M1	D				D	D	**No change.**

ANNEXE B BUDGET VS ACTUAL EXPENDITURE AND REVENUE

Calculation Sheet for PFM Performance Indicators PI-1, PI-2 and PI-3 (as revised January 2011)

Table 1 - Fiscal years for assessment

Year 1 =	2008/09
Year 2 =	2009/10
Year 3 =	2010/11

Table 2

Data for year = 2008/09

Admin Head (UGX Billions)	**budget**	**actual**	adjusted budget	deviation	absolute deviation	percent
Min.of Finance,Plan&Econ Dev	182.2	180.7	184.2	-3.6	3.6	1.9%
Min.of Works and Transport	126.7	102.0	128.1	-26.1	26.1	20.4%
Uganda National Roads Auth	644.0	500.2	651.1	-150.8	150.8	23.2%
Min. of Education & Sports	147.7	154.3	149.4	4.9	4.9	3.3%
Ministry of Health	123.8	116.0	125.1	-9.1	9.1	7.3%
Min. Water and Environment	56.7	54.8	57.3	-2.5	2.5	4.4%
Min of Justice, Law and Order	71.9	72.8	72.7	0.0	0.0	0.0%
Uganda Police	133.7	146.4	135.2	11.2	11.2	8.3%
Min. of Energy&Mineral Dev't	448.2	333.7	453.1	-119.4	119.4	26.3%
Judiciary	41.6	38.2	42.1	-3.9	3.9	9.2%
Mulago Hospital	31.8	44.9	32.2	12.7	12.7	39.5%
State House	66.6	90.0	67.3	22.7	22.7	33.7%
Office of Prime Minister	54.4	64.1	55.0	9.1	9.1	16.6%
Office of President	22.1	31.3	22.3	9.0	9.0	40.5%
Makerere University	50.1	45.1	50.6	-5.6	5.6	11.1%
Uganda Revenue Authority	90.4	85.7	91.4	-5.7	5.7	6.3%
Ministry of Public Service	184.6	183.3	186.6	-3.3	3.3	1.8%
Uganda Prisons	44.3	46.0	44.8	1.2	1.2	2.7%
Defence	476.6	574.1	481.9	92.2	92.2	19.3%
Parliamentary Commission	113.4	120.2	114.6	5.6	5.6	4.9%
21 (= sum of rest)	1,043.6	1,216.3	1,055.1	161.2	161.2	15.4%
total expenditure, excl contingency	4,154.4	4,200.1	4,200.1	0.0	659.8	
contingency	0.0	0.0				
total incl contingency	4,154.4	4,200.1				
overall (PI-1) variance						1.1%
composition (PI-2) variance						15.7%
contingency share of budget						0.0%

Table 3

Data for year = 2009/10						
Admin Head (UGX Billions)	**budget**	**actual**	adjusted budget	deviation	absolute deviation	percent
Min.of Finance, Planning & Econ Dev	183.9	187.3	188.5	-1.2	1.2	0.6%
Min.of Works and Transport	116.5	114.0	119.4	-5.4	5.4	4.5%
Uganda National Roads Auth	586.3	330.0	600.8	-270.8	270.8	45.1%
Min. of Education & Sports	224.1	217.7	229.7	-12.0	12.0	5.2%
Ministry of Health	60.8	62.2	62.3	-0.1	0.1	0.2%
Min. Water and Environment	62.3	61.0	63.8	-2.8	2.8	4.4%
Min of Justice, Law and Order	54.0	98.1	55.4	42.7	42.7	77.1%
Uganda Police	183.0	203.6	187.5	16.1	16.1	8.6%
Min. of Energy&Mineral Dev't	496.5	480.2	508.8	-28.6	28.6	5.6%
National Medical Store	75.8	54.7	77.7	-23.0	23.0	29.6%
Uganda Road Fund	116.2	110.6	119.1	-8.5	8.5	7.2%
State House	78.2	143.5	80.2	63.3	63.3	78.9%
Office of Prime Minister	62.5	100.7	64.0	36.7	36.7	57.3%
Judiciary	52.2	49.3	53.5	-4.2	4.2	7.9%
Min. of Public Service	125.6	240.6	128.7	111.9	111.9	89.1%
Electoral Commission	47.5	100.3	48.7	51.6	51.6	108.7%
Uganda Revenue Authority	105.5	105.5	108.1	-2.6	2.6	2.5%
Uganda Prisons	48.4	54.6	49.6	4.9	4.9	10.2%
Min of Defence	464.9	535.8	476.5	59.3	59.3	12.8%
Parliamentary Commission	122.2	119.4	125.2	-5.8	5.8	4.8%
21 (= sum of rest)	2,044.9	2,074.0	2,095.6	-21.6	21.6	1.1%
allocated expenditure	5,311.3	5,443.0	5,443.0	0.0	773.2	
contingency	0.0	0.0				
total expenditure	5,311.3	5,443.0				
overall (PI-1) variance						2.5%
composition (PI-2) variance						14.2%
contingency share of budget						0.0%

Table 4

Data for year =	**2010/11**					
Admin Head (UGX Billions)	**budget**	**actual**	adjusted budget	deviation	absolute deviation	percent
Min.of Finance,Plan&Econ Dev	216.8	154.8	279.0	-124.2	124.2	44.5%
Min.of Works and Transport	108.0	79.6	139.0	-59.3	59.3	42.7%
Uganda Road Fund	283.9	283.4	365.3	-81.9	81.9	22.4%
Uganda Revenue Authority	116.2	116.0	149.5	-33.6	33.6	22.4%
Min. of Education & Sports	261.6	231.9	336.7	-104.8	104.8	31.1%
National Medical Store	201.7	181.1	259.6	-78.4	78.4	30.2%
Min. Water and Environment	75.4	66.9	97.0	-30.1	30.1	31.0%
Makerere University	125.9	132.5	162.0	-29.5	29.5	18.2%
Min. of Internal Affairs	104.1	72.0	134.0	-62.0	62.0	46.2%
Uganda Police	252.5	319.3	325.0	-5.7	5.7	1.7%
Min. of Energy&Mineral Dev’t	172.3	246.6	221.8	24.9	24.9	11.2%
Uganda National Roads Auth	297.7	289.9	383.0	-93.1	93.1	24.3%
State House	64.9	173.8	83.5	90.3	90.3	108.2%
Min. of Public Service	330.3	383.6	425.1	-41.4	41.4	9.7%
Min of Justice and Constit Af	48.1	98.3	61.8	36.5	36.5	75.9%
Judiciary	64.9	59.8	83.5	-23.7	23.7	36.6%
Electoral Commission	119.7	201.0	154.0	47.0	47.0	39.2%
Uganda Prisons	75.9	64.5	97.7	-33.2	33.2	43.7%
Ministry of Defence	511.0	608.8	657.5	-48.8	48.8	9.5%
Parliamentary Commission	163.1	158.4	209.9	-51.5	51.5	31.6%
21 (= sum of rest)	2,382.5	3,768.2	3,065.8	702.4	702.4	29.5%
allocated expenditure	5,976.5	7,690.5	7,690.5	0.0	1,802.2	
contingency	0.0	0.0				
total expenditure	5,976.5	7,690.5				
overall (PI-1) variance						28.7%
composition (PI-2) variance						23.4%
contingency share of budget						0.0%

Table 5 - Results Matrix

year	for PI-1 total exp. deviation	for PI-2 (i) composition variance
2008/09	1.1%	15.7%
2009/10	2.5%	14.2%
2010/11	28.7%	23.4%

Score for indicator PI-1: **C**
Score for indicator PI-2 (i) **D**
Score for indicator PI-2 (ii) **A** **D+**

PI-3

Year	Budg. Dom Rev	Actual Dom Rev
2008/09	3,954.6	3,786.6
2009/10	5,805.0	4,319.5
2010/11	5,125.9	6,402.4

Score for indicator PI-3: **D**

Sources:

Annual Budget Performance Report FY2010/11 p. 70 and FY2008/09 p. 40

Budget Speech FY2011/12 p. 37, FY2009/10 p. 45 and FY2012/13 p. 36

ANNEXE C PERSONS SEEN

Name	Organisation	Position
Chris Kassami	MoFPED	Permanent Secretary/ Secretary to the Treasury
Keith Muhakanizi	MoFPED	Deputy Secretary to the Treasury
G O L Bwoch	Accountant General's Office	Accountant General
Lawrence Semakula	Accountant General's Office	Commissioner/Financial Management Services
Mpoza Isaac	Accountant General's Office	Commissioner/Treasury Services
Muhuruzi Bigirwa Jennifer	Accountant General's Office	Assistant Commissioner/ Financial Management Services
John Baptist Ssemwogerere	Accountant General's Office	Assistant Commissioner/ Treasury Services
Aiden Rujumba	Accountant General's Office	Assistant Commissioner/ Treasury Services
Mubaruk Nasamba	Accountant General's Office	Acg. Principal Accountant
Nasser A. Ntege	Accountant General's Office	Financial Management Specialist
Jennifer Kiiza	Accountant General's Office	Financial Management Specialist
Godfrey Ssemugooma	AGO/Uganda PEFA Secretariat Team	Commissioner/ Technical and Advisory Services
Stephen Ojambo	AGO/Uganda PEFA Secretariat Team	Assitant Commissioner/ Technical and Advisory Services
Bernadette N.Kizito	AGO/Uganda PEFA Secretariat Team	Senior Financial Management Specialist
Ibrahim Mukwaya	AGO/Uganda PEFA Secretariat Team	Senior Accountant
Deo Lutaaya	AGO/Uganda PEFA Secretariat Team	Acg. Senior Accountant
Lucy Acen	AGO/Uganda PEFA Secretariat Team	Head of Training/AGO
Janet Kantalama	AGO/Uganda PEFA Secretariat Team	Training Officer
Wycliff Mwambu	Inspection and Internal Audit	Assistant Commissioner/ Inspection
Walter Okello	Inspection and Internal Audit	Assistant Commissioner/ Internal Audit
David Kabatereine	MoFPED/Procurement Policy Unit	Acg Commissioner / Procurement.
Kiyingi David .N	MoFPED/Procurement Policy Unit	Assistant Commissioner / Procurement

Jacqueline B. Rwabajungu	MoFPED/Procurement Policy Unit	Senior Procurement Officer
Lawrence K.Kiiza	Directorate of Economic Affairs	Director/Economic Affairs
Maris Wanyera	Directorate of Economic Affairs	Acg. Commissioner/ Macro Economic Policy
Moses Bekabyeta	Directorate of Economic Affairs	Economic Adviser
Martin.A.Nsubuga	Directorate of Economic Affairs	Senior Economist
Patrick Ocailap	Directorate of Budget	Director/Budget
Ismael M.Magona	Directorate of Budget	Commissioner/ISSD
Kenneth Mugambe	Directorate of Budget	Commissioner/Budget Policy
Charles Byaruhanga	Directorate of Budget	Technical Adviser/Budget Directorate
Rosetti Najemba	Budget Monitoring & Accountability Unit	Assistant Head/BMAU
Juvenal Muhumuza	Aid Liaison Department	S.Economist
Mugga Denis	Aid Liaison Department	Economist
Mariam Kiggundu	Aid Liaison Deoartment	
Sam Khaukha	Tax Appeals Tribunal	Registrar
Robert Mukobi	Accountability Sector Secretariat	Ass.Program Manager
Amanya Mark	Accountability Sector Secretariat	Data Analyst
Bamanya Valeria	Accountability Sector Secretariat	Research Analyst
Winnie N. Mukisa	Office of the Prime Minister	RF/cluster Head
Agaba Innocent	Office of the Prime Minister	ARF-EIC
SS Kyambadde	Ministry of Health	Under Secretary/Finance & Administration
Nyeko Ponziano	Ministry of Health	Assistant Commissioner/ Accounts
Enabu Steven Etyeku	Ministry of Health	Assistant Commissioner/ Internal Audit
Erukwaine Godfrey	Ministry of Health	Principal Procurement Officer
Atim Christine	Ministry of Health	Senior Internal Auditor
Birungi Rachel Asiimwe	Ministry of Health	Senior Procurement Officer
Sylvester Mubiru	Ministry of Health	Senior Economist
J. Chemonges	Bank of Uganda	Directot Banking
David .L. Kalyango	Bank of Uganda	Director Accounts
Byarugaba Rolland	Bank of Uganda	Director, PSD
Martin Brownbridge.	Bank of Uganda	Advisor to Governor
Jacob Apolot	Bank of Uganda	Assistant Director Research

Pauline Kalule Ssentongo	Bank of Uganda	Deputy Director/Banking
Cornelia Sabiti	PPDA	Executive Director
Milton Tumutegyereizi	PPDA	DTCB
Agnes .A.Ojiambo	PPDA	Manager IA
Sylvia Nabakka	PPDA	Ag.PA/ED
Brandford Ohieng	PPDA	Manager Corporate
Julius Mwesigye	PPDA	AG.DFA
Benson Turamye	PPDA	DPAI
Edwin Muhumuza	PPDA	Research Officer
Doreen Kyazze Mulema	PPDA	Legal Officer
Tisasirana L	National Planning Authority	Executive Director
Dhizaala Moses	National Planning Authority	Head M&E
Tayebwa Herbert	National Planning Authority	Head F& A
Peter Wakabi	National Planning Authority	Head ICT
Marios Obwona	National Planning Authority	Head Macro
Nokrach Chris	National Planning Authority	SP M &E
Bolaji Aina	National Planning Authority	
Christopher Mugisha	Parastatal Monitoring Unit	Head
Alex Kalimugogo	Parastatal Monitoring Unit	Team Leader
Jennifer Katagyira Lubaale	Parastatal Monitoring Unit	Team Leader
Rosette Lubwama Kebba	Parastatal Monitoring Unit	Team Leader
Frank Albert	KfW	Director
Anne Labeja	Embassy of Sweden	Economist
Hazel Granger	TASU, WB	Economist
Patricia Among	Irish Aid	Internal Audit
Robert Mpagi	DP's AWG	PFM Consultant
Alice Kenrick	KfW	Governance Adviser
Steven Smolders	EU	Attache
Nick Roberts	EU	JBST Adviser
Enoch Nyorekwa	Embassy of Denmark	Economist
Hilda Nyamaizi	Ministry of Education & Sports	
Kizza Mariam	Ministry of Education & Sports	
Kevin Balaba	Ministry of Education & Sports	
Kakula Khirome.s	Ministry of Education & Sports	
Mukooyo Humphrey	Ministry of Education & Sports	
Margaret Alwedi Obace	Ministry of Education & Sports	
Bwayo Patrick	Ministry of Education & Sports	

Derrick Nkajja	Institute of Certified Public Accountants of Uganda	CEO
Simon Oola	Institute of Certified Public Accountants of Uganda	Governance and Relationship Manager
Mark Omona	Institute of Certified Public Accountants of Uganda	Technical Manager
Michael Kiggundu	Ministry of Works and Transport	Assistant Commissioner/ Accounts
Benon Kajuna	Ministry of Works and Transport	C/PP
Ayo Denis	Ministry of Works and Transport	Head/Procurement and Disposal Unit
Nalweyiso W	Ministry of Works and Transport	Senior Accountant
Assimwe Ambrose	Ministry of Works and Transport	Principal Accountant
Kkugubya N.J	Ministry of Works and Transport	Principal Procurement Officer
Kafuuma Stephen Grace	Ministry of Works and Transport	Accountant
Peter Kirimunda	Uganda National Roads Authority	D/A
Joe Ssemugooma	Uganda National Roads Authority	D/FIN
Geoffrey Sisye Mwedde	Uganda National Roads Authority	Asst.Acct
Nambino Irene	Uganda National Roads Authority	Asst.Acct
David Luyubu	Uganda National Roads Authority	D/DL
John F.S. Muwanga	Office of the Auditor General	Auditor General
Keto Kayemba	Office of the Auditor General	Ass't Auditor General
Stephen Kateregga	Office of the Auditor General	DA
Maine Joseph	Office of the Auditor General	PA
Grace Nabirye	Office of the Auditor General	PA
Constant.O. Mayende	Office of the Auditor General	COO
Ogetho Paul Maxwell	Office of the Auditor General	D/CSE
Kimuli Anthony	Office of the Auditor General	SPA
Michael Ssenyonga	LG PEFA consultant	
Vicent Mahek	LG PEFA consultant	
James O. ONYOIN	LG PEFA consultant	
Francis Kisirinya	Private Sector Foundation Uganda	Director, Finance
Ssali Godfrey	Uganda Manufacturers Association	Executive Director
Savia Mugwanya	Ministry of Public Service	AC/HRM
M.G.Senalyana	Ministry of Public Service	
Johnson Mutesigensi	FINMAP II	Project Coordinator/FINMAP II
Justine Kyewalabye	FINMAP II	M& E consultant
Robert Musana	FINMAP II	FINMAP II/PDU

Mr Bukenya	Inspectorate General of Government	Acg. PAS
Patrick Mutabwire	Ministry of Local Government	Acg. PS
Francis Okori	Ministry of Local Government	P/Insp
John Genda Walala	Ministry of Local Government	Director, LG Inspection
John Kauyu	Ministry of Local Government	
Lawrence Banyoya	Local Government Finance Commission	Comm’n Secretary
William Kiganda	Uganda Revenue Authority	Ass’t Commr, Resource Planning and Dev’t
Geoffrey Okaka	Uganda Revenue Authority	Mgr, Corporate Reporting, M & E
Diana Kisaka	Uganda Revenue Authority	Mgr, Financial Accounting
Kassiano Wadri	Public Accounts Committee	Chair Person
Achia Remigio	Parliamentary Committee on Budget	Vice Chair person

ANNEXE D DOCUMENTS CONSULTED

Government of Uganda

Budget Act 2001
Public Procurement and Disposal of Assets Act, 2003 as amended 2011, and Regulations
National Audit Act 2008
Public Finance and Accountability Act 2003, and Regulations
Uganda National Development Plan

Ministry of Finance, Planning and Economic Development

Financial Reporting Guide, July 2008
Accountability Sector Strategic and Investment Plan 2008-2013, Draft 5, October 2008
A Guide to the Budget Process, 2009
Performance of the Economy, April 2012
Background to the Budget 2010/11, 2011/12
MTEF 2010/11-2014/15
Semi-Annual Report on External Assistance to Uganda, July-December 2011, Aid Liaison Dept,
Budget Speech FY 2012/13, June 2012
Budget Circulars for 2010/11 to 2012/13
Budget Monitoring Report, Oct-Dec 2010, April 2011
Internal Audit Consolidated Annual Report for FY 2010/11
Internal Audit Manual
Guidelines for Adopting Internal Audit Standards
Charter for Audit Committees, November 2008
Study on Non-Compliance in Public Financial Management in Uganda, paper by BMAU February 2011
Primary Schools in Uganda: Areas for Efficiency Gains, paper by BMAU, August 2011
Absorptive Capacity Constraints, report by Economic Development Policy and Research Dept, August 2011
Memorandum of Understanding between GoU and Development Parners concerning support to FINMAP II, July 2011 – June 2016
Uganda PFM Reform Strategy 2011/12 – 2016/17
FINMAP Progress Reports for 2008/09 to 2011/12
FINMAP Mid-Term Review, January 2010
Consolidated Financial Statements for the year ended 30 June 2011 (audited)
Consolidated Financial Statements for the 6 months to December 2011 and 9 months to March 2012
Debt Strategy, December 2007
Report on Loans, Grants and Guarantees for FY 2010/11
Annual Budget Performance Reports 2008/09 to 2011/12
National Budget Framework for FY 2011/12 – 2014/15
Approved budget estimates 2008/09, 2009/10, 2010/11 and 2011/12
Public Investment Plan 2010/2011-2012/2013
JAF 3 Appraisal Report – Public Financial Management
PEFA Report on Local Government (draft), July 2012

Ministry of Health
Health Sector Strategic Plan 2005-2015
Ministry Work Plan 2011/12
Ministry of Education and Sports
Value for Money Audit Report on the Universal Primary Education
Ministry of Local Government
A Simplified Version of the New Grants Allocation Formulae
Local Government Finance Commission Annual Report 2011
Ministry of the Public Service
Supply, Installation, Implementation and Commissioning of the Integrated Personnel and Payroll System, Febrary 2011
Inspectorate of Government half yearly reports to Parliament for Jan-June 2011 and July – December 2011
Inspectorate of Government Corporate and Development Plan 2010-14, July 2010
Office of the Auditor General
Auditor General's Reports for 2008/09 (four volumes), 2009/10 and 2010/11
Special Report of the GoU Salaries and Wages, June 2012
Report on the Financial Statements of the URA for 2009/10
Parliament
Report of the Committee on Budget on Supplementary Schedule No.2, June 2012
PPDA Annual Report for 2010/11
PPDA Annual Report for Management Advisory Committee July 2010 – June 2011
PPDA (2011) Report on the Procurement Performance Measurement System, 14 October
PPDA (2012) Report on Compliance Checks Undertaken on 75 Procuring and Disposing Entities, June
IMF Fourth Review under the Policy Support Instrument, June 2012
Uganda Revenue Authority, Revenue Reports, various months and years
World Bank PEFA Assessment of Central Government 2008 (published June 2009)

ANNEXE E

TERMS OF

REFERENCE

THE REPUBLIC OF
UGANDA

Terms of Reference for Central Government Public Expenditure and Financial Accountability (PEFA) Assessment: Lead PFM

Expert

Ministry of Finance, Planing & Economic Development, March 2012

1. BACKGROUND

Over the past decade, Uganda has had a large number of Public Financial Management (PFM) diagnostics including the 2001 Country Financial Accountability Assessment (CFAA), the 2001 Heavily Indebted Poor Countries (HIPC) Assessment, the 2004 Country Integrated Fiduciary Assessment (CIFA), the 2004 HIPC Assessment, the 2005 PEFA Assessment for Local Governments, the 2005 and [31]2008 Public Expenditure and Financial Accountability(PEFA) PFM-Performance Report for the Central Government, regular Fiduciary Risk Assessments (FRA) conducted by the Department for International Development (DFID) of the United Kingdom, the 2006 PEFA Self-Assessment conducted by the Office of the Auditor General (OAG) of Uganda, annual PFM assessments conducted for purposes of Poverty Reduction Support Credits (PRSCs), Joint Assessment Framework under the Joint Budget Support Framework mission and several other assessments.

There has been a remarkable improvement in Uganda's PFM systems since the last PEFA assessment in 2008. Significant improvements have been made in alignment of budgets to Government policies prepared with some level of key stakeholder participation. The utilization and control of public funds although not yet perfect, has largely been successful despite the fact that some challenges remain with accumulation of domestic arrears and frequent supplementary requests. Timeliness of reporting has also improved particularly at Central Government with the extension of the Integrated Financial Management Systems at Ministries, Departments and Agencies including automation of financial management at Ugandan Missions abroad. Effective Audit and Scrutiny by Auditor General and Parliament continues to improve.

Impact of Reform: Trend Analysis of Audited Accounts in Central Government

	Financial Years				
	FY05/06	FY06/07	FY07/08	FY08/09	FY09/10
Audit Opinion					
Unqualified Opinion	17	26	32	37	40
Qualified Opinion-Except For	67	60	53	54	58
Qualified Opinion – Disclaimer	1	2	5	1	3
Adverse Opinion	0	0	0	1	0
Total	**85**	**88**	**90**	**93**	**101**
Percentage of Qualified Opinion	79%	68%	59%	58%	57%
Source: OAG Reports showing significant improvements in financial reporting					

The PFM legislation provides an enabling financial management legal and regulatory framework with new amendments to the Public Procurement and Disposal of Assets Law, a new National Audit Act 2008 enacted and harmonization effort underway for the Budget Act 2001 and Public Finance and Accountability Act 2003. Emphasis has also been placed on building a professional PFM human resource and equipping it with the necessary tools as evidenced with the computerized audit and related training. Government has continued to put in place fairly strong fiscal and macro economic policies supported by reasonably good planning and budgeting practices that seek for

31 Refer to Appendix 5 on a summary of the 2008 PEFA PFM- Performance Report for the Central Government

continuous improvements to achieve budget credibility, transparency and predictability at the spending agencies.

The above diagnostic reports have provided useful basis for the design of Uganda 5 year PFM Reform strategy and related action plan under the Second Financial Management and Accountability Programme (FINMAP II). A memorandum of Understanding between Government and Development Partners was recently signed for purposes of a unified approach to PFM reforms. The PEFA Performance Management Framework was adopted as one of the key benchmarks for assessing progress in PFM reforms.

The PEMCOM has been functioning well in the past as an institutional arrangement for regular and ongoing dialogue on PFM reforms between Government and Development Partners. The PFM –Donor Group (PFMDG) most recently chaired by KFW has provided an effective forum for development partners to discuss and harmonise development efforts on PFM. In the past, Norway, Sweden, EU and DFID have effectively chaired this working group.

Despite the progress made over the years, significant challenges still remain. There is consistency in the assessments that have been made of the Ugandan PFM systems through PEFA assessments as well as through the annual audit reports published by the Auditor General of Uganda. Some of the main challenges in PFM include the following:

Box1: Summary of PFM Challenges to be addressed in the PFM Strategy

a) Limited compliance with laws and regulations, compounded with inadequate supervision and monitoring in MDAs and LGs which negatively affect both the quality and quantity of outputs in service delivery. In some cases officers divert allocated funds without authority and no sanctions are carried out.

b) Lack of adequate funds to finance the National Budget which has led to challenges in the efficient allocation of resources. This is compounded by inadequate planning in terms of macro and fiscal forecasting which also require linking policy, planning and budgeting.

c) Unpredictable and late release of funds to the users, causing high levels of under-spending or "crush"- spending towards the end of the fiscal year in some MDAs and LGs. Though some improvement was noted since the quarterly release system started in FY 2009/10, there are some cases where funds delay to reach the recipients;

d) Little say by the users in determining how the funds should be utilized due to limited involvement of the civil society among others during the budget process;

e) Challenges in procurement which include, poor contract management, lack of alignment of action planning, procurement planning, recruitment plans and budget release which also affect absorption of funds. Some work on the alignment started in FY 2010/11 and this should be finalized during the first year of the planned period. Other challenges in procurement were also identified to be due to low technical capacity of the country of the suppliers of goods, works and services leading to delays in completing assignments;

f) Low communication flow between the MDAs and LGs where by information flow from the center to the beneficiaries on the works, costs and duration, is often flawed, late or non-existent. Due to lack of this information, the beneficiaries cannot make the necessary follow up.

g) Limited and delayed follow up of audit and inspection findings, covering all reports from Internal Audit, External Audits and Public Accountability Committee Reports which creates a road block in the accountability chain;

h) Poor record keeping at all key accountability levels and reporting which hinders timely and quality financial reporting and accountability;

i) Low human capacity (skills) coupled with lack of motivation and non-clarity of roles in MDAs and LGs. This low technical capacity also affects the suppliers leading to over-contracting of same (few) contractors and hence delays of completing assignments and delivery of shoddy work in some instances;

j) Slow enactment and revision of the legislative framework, coupled with low level of awareness of the PFM legal Framework.

Source: Uganda PFM Reform Strategy November 2010 (Stakeholder consultations, FINMAP midterm review, BMAU Annual reports, Study on Compliance 2010)

2. PURPOSE OF THE ASSESSMENT

The purpose of the assessment is threefold:

a) To undertake an independent assessment of the quality and performance of PFM systems in Uganda for the financial years ended 2009/2010/2011.

b) Assess progress made and impact of implemented and /or on-going PFM reforms since the last PEFA in 2008.

c) In its final form, provide a primary source of diagnostic analysis and basis of dialogue on PFM reforms to inform future update and design work on PFM reform strategy and subsequent action plans. Additionally this work will inform the Monitoring and Evaluation Framework for Government, Development Partners and other key stakeholders on PFM in the country.

3. SCOPE OF THE ASSESSMENT

In undertaking this assignment, a team of consultants will be expected to study PFM systems in Central Government entities. A representative sample of Ministries, Departments and Agencies will be selected for purposes of the study. The selection of MDAs sampled in 2008 PEFA is attached under Appendix 4. It indicates the entities monitored under the Joint Assessment Framework for budget support. The consultants may refer to this list or add any new entities for purposes of the study.

The Assessment will be guided by the standardized Public Financial Management assessment based on the PEFA framework for Central Government covering all the indicators of the framework and presentation of analysis and findings in line with the PEFA framework.

The consultants will be expected to study previous diagnostic reports on the Country's PFM, the PFM Reform Strategy and related Action Plan, the FINMAP II Progress reports, reports of the Auditor General, Internal Audit, PPDA and other documentation relevant to the assignment.

4. STAKEHOLDER INVOLVEMENT AND MANAGEMENT OF THE ASSESSMENT

The Ministry of Finance, Planning and Economic Development is the lead agency for management and coordination for the assessment.

There shall be constituted an Oversight Committee (OC) comprising of policy managers from key stakeholders including Ministry of Finance, Planning and Economic Development, Local Government, Auditor General, Parliament, National Planning Authority, Uganda Revenue Authority, Public Procurement and Disposal of Assets Authority, Office of the Prime Minister and representation from the Development Partners. The Oversight Committee shall be chaired by the Permanent Secretary/Secretary to the Treasury and will provide policy guidance and quality assurance of the assessment as per the Terms of reference Appendix 1.

The OC will be supported by a Technical Assessment Committee (TAC) comprising of technical heads and PFM Development Partner Consultant chaired by the Accountant General who will be the Assessment Manager. In this regard,

a) The OC will supervise the assessment, The lead PFM consultant will supervise the both the international and local consultants during the assessment, while Technical Assessment Committee will validate data collected, provide support and guidance during the assessment and harmonize positions not known to the consultants.
b) Wider stakeholder consultations including representation from Ministries, Departments, Agencies and Civil Society shall be held in the course of the assessment as per an agreed timetable and work plan.
c) A debriefing and training half day workshop will be held in June 2012 for Senior Government Officials, Accountability Sector, Civil Society and Development Partners for briefing on expectation and work plan of the assessment and team building prior to start of the assessment. This will be followed by a 3 day functional training by the World Bank on the PEFA framework for members of the technical assessment committee and key persons directly involved in the assessment. Note that this training is outside the scope of this assignment; however the lead consultant may be expected to attend the training in order to acclimatize himself/herself to Government's expectation of the PEFA assessment.
d) A dissemination workshop will be held in October to discuss the findings of the assessment, its implications for PFM reforms agenda in the country and roadmap for integration into existing PFM Reform strategy and subsequent action plan.

5. METHODOLOGY FOR UNDERTAKING THE ASSESSMENT

The work will be carried out in close collaboration with GoU stakeholders and relevant DPs to ensure that the outcomes feed directly into the ongoing reform process. GoU will be fully involved in this exercise, represented at both the Oversight and Technical Assessment Committees for this assignment. This is a repeat assessment to be conducted in accordance with the, 'Guidance Note on Repeat Assessment' provided by the PEFA Secretariat to enable tracking of progress. The lead consultant will propose a suitable methodology and approach to the assignment based on these terms of reference.

a) The PFM Performance Measurement Framework for PEFA has been adopted as the basis for assessing progress in PFM which will guide GoU's own monitoring and evaluation framework in PFM reforms.
b) The consultants' team will be led by a lead PFM expert who will be responsible for the overall coordination of the other consultant. The lead consultant will be expected to develop a time bound work plan of the activities and resources required for the task.
c) The consultants will hold desk reviews of existing relevant literature and where necessary interview key stakeholders with consultation from the GoU teams.
d) A documentation of preliminary findings and discussions will be made and presented to the Oversight Committee for validation and approval before submission to the PEFA Secretariat for Quality Assurance review. Comments from the PEFA Secretariat will be forwarded to the Consultants to be incorporated into the report before presentation of the final report to a group of stakeholders.
e) Sufficient evidence should be gathered to support the scoring and assessment of the progress made since the previous assessment carried out in 2008.

f) If the particular situation of the country requires the addition of specific indicators and/or, for some indicators, to diverge from the prescribed methodology, this shall be duly justified by the experts and require the agreement, during the assessment, of the Government. In any possible proposed difference in methodology, the experts will ask for the written opinion of the PEFA Secretariat in Washington and copy to the OC.

g) Any question on the interpretation of the guidelines, which the assessment team cannot resolve with the available documentation, should be immediately escalated to the PEFA Secretariat and reported to the OC.

h) In the report the experts will justify the scoring and describe, in an annex, for each indicator, the analytical work which has been carried out mentioning the sources of information and documentation used. Furthermore, for each indicator, the experts will mention any possible difficulties encountered during the assessment, the approach used to overcome these difficulties, and, as appropriate, the additional investigative work judged necessary to complete the analysis carried out.

i) Without undermining the independent nature of this assessment and the necessary objectivity of the ranking exercise, the consultants will consider feedback from stakeholders into the report, as long as they have been remitted within the time limits. However, in case of persistent differences of opinion, the consultants will express their independent analysis in the report, and will inform separately, in a specific annex, of eventual differences of opinion expressed.

6. DELIVERABLES OF THE LEAD CONSULTANT AND CONSULTANCY TEAM

The Lead consultant will be responsible for the overall coordination and quality assurance of the assessment, liaise with the GoU management team and allocate tasks to the consultant team.

a) Lead consultant shall prepare the work programme for the PFM PR in accordance with these Terms of Reference.

b) Put together a consolidated draft of the assessment report based upon a full analysis of available materials, including other diagnostics reports and information that is available on the website of MOFPED and the Office of the Auditor General of Uganda prior to visiting the country.

c) Provide checklists to the authorities of the data required for updating the PEFA assessment prior to the mission in country.

d) Allocate specific tasks to the various team members on the indicators for which they are responsible. Coordinate the consultancy team to prepare and present an inception report within one week on commencement of the assignment and prepare a detailed work plan of the assignment.

e) Monitor the tasks being performed and provide technical guidance on data quality and the write up.

f) Ensure that the consultancy team is available to commence PEFA Assessments immediately after approval of the work plan and present interim assessment findings to the S/OC.

g) Take responsibility for collecting data and doing the analysis on all of the PEFA indicators

h) Pull together the various contributions from the team and produce Version 1 of the PFM PR by mid July 2012 .Prepare a draft consolidated report for discussion with OC and submitted to the PEFA Secretariat for review and quality assurance (This includes an electronic/ soft copy and 10 hard copies of the detailed report as well as 30 hard copies of the summary report in power point to facilitate presentation.)

i) Prepare final consolidated assessment report after incorporating comments received from the Oversight Committee and PEFA Secretariat on Versions 1 of the PFM PR and submit final report by end of September 2012.

j) Provide such other assistance as requested by the Task Team Leader.

7. REPORTING

The consultant will report to Permanent Secretary/Secretary to the Treasury, Ministry of Finance, Planning and Economic Development, chairperson of the Oversight Committee. The consultant will work with the Accountant General on day to day operation of the assignment, who is the Assessment Manager and technical focal point person for the assignment.

The consultant will be expected to submit in English both hard and soft copies of their deliverables to the PS/ST and copies to the PFM Donor Chair. The documentation will be distributed and circulated to all key members to provide comments.

The consultant will submit to Government an inception report and detailed work plan of the assignment within one (1) week of commencement of the exercise.

A draft PFM – Performance Report based on the PEFA framework together with detailed analysis on sources of information will be submitted within four weeks on commencement of assignment (by mid July 2012) and a seminar organized for Government and DPs to disseminate the information presented in the draft report.

Government and other stakeholders will have four (4) weeks to consider the draft report and send their comments to the experts by mid August 2012.

The consultant will within one week, incorporate comments from the stakeholders and submit a revised Draft Assessment report to the PEFA Secretariat for final review and quality assurance. The PEFA Secretariat will submit comments back to the consultant within ten working days on receipt of the draft final report.

The consultant will within one (1) week after receipt of the PEFA Secretariat comments, write the final report and sent to Government in 20 hard copies and an electronic/soft version latest end of September 2012.

The Final report will be published by Government and circulated to all key stakeholders. The report will be presented and discussed during a workshop in October 2012 at which a road map will be drawn incorporating the findings of the report into the existing Uganda PFM reform strategy and subsequent Action Plan.

8. IMPLEMENTATION SCHEDULE AND TIMETABLE

The implementation schedule and timetable for the assignment is as follows:

SN	Activity	Lead PFM Expert	Local PFM Expert	Local PFM Expert	Total
1	Executive and Functional Training	June 2012			
	Number of days				2
2	Preparation of work plan and inception report	June 2012			
	Number of days	5			5
3	Review of critical documentation & Field visits	June/July 2012			
	Number of days	15	15	15	45
4	Preparation and presentation of draft report	July/August 2012			
	Number of days	10	5	5	20
5	Preparation and submission of Final report	September 2012			
	Number of days	3	2	2	7
6	Presentation and discussion of final report	October 2012			
	Number of days	3			3
	Total no. of days	**36**	**22**	**22**	**82**

The lead consultant will be expected in-country for 28 days for the assessment & related field work, draft report writing and presentation as well as the dissemination workshop. The rest of the consultancy team will be expected in country for 20 days for the assessment & related field work, draft report writing and presentation.

9. QUALIFICATIONS

The assignment will be undertaken by a team of 3 PFM experts comprising of 1 International consultant and 2 Local consultants

The lead PFM international expert, who will be the team leader, should have:

a) A post graduate qualification related to the assignment.

b) At least 10 years' experience in PFM reforms in Anglophone African countries

c) Considerable experience in undertaking at least 5 prior PFM assessments of which at least 2 as a Team leader of a PEFA Assessment

d) Broad knowledge of and linkages between the key areas of the budget and accountability cycle including; budget planning, preparation and execution, procurement and revenue management including taxation.

e) Demonstrate team leadership, organizational, communication, relational and report writing skills.

f) An excellent command of the English language used during the assessment and in the report.

10. LOGISTICAL SUPPORT

The Accountant General will ensure that staff are available to assist the consultant, provide occasional work space (when required) and access to data, systems and processes, plus providing transport to sites within & outside Kampala.

2 APPENDIX 1: TIMETABLE FOR THE PEFA ASSESSMENT

SN	Period	Activity	Output
	PLANNING & PREPARATORY		
1.	Nov – Dec 2011	i) The Steering/ Oversight Committee proposes and approves all the stages of the evaluation process: the necessary preparation and training, the process for discussion of the preliminary and final results, dissemination and follow up after the approval of the final report (TORs for the process). ii) Submission of ToR and evaluation workplan to PEFA Secretariat for QA. iii) The S/OC prepares the whole process of hiring consultants, including the decision on the modality of the tender process to adopt, in close consultatation with the DPs focal point; iv) The Financing will be through FINMAP II, main contact is the Project Coordinator.	Draft ToR and Workplan for PEFA assessment prepared Budget for PEFA assessment prepared
2.	Jan - May 2012	i) Meeting of the Steering/Oversight Committee for appraisal and opinion on the contracting of the consultants team in accordance the PPDA guidelines (review of the technical and financial proposals presented by the consultants) and for proposing a decision to FINMAP II on the finalization of the contract; ii) Meeting of the Technical Assessment Committee, for reception and analysis of documents of the previous evaluation (2005, 2008) to have an understanding of the process and the respective methodology guidelines elaborated by the PEFA secretariat in Washington.	Approval of ToR, WorkPlan & Procurement plan Procurement of Consultants initiated
3.	**June 2012**	i) Training seminar for all intervening parties (TAC and S/OC & key stakeholders) – to be facilitated by the PEFA secretariat in Washington prior to the assement. ii) The TAC makes available to the consultants all the necessary information iii) The S/OC and TAC prepare the programme for the consultants field work.	All stakeholders trained Inception report approved Workplan approved

	EXECUTION		
4.	**June 2012**	i) Beginning of the field work in the June 2012; ii) Dialogue and situation analysis in relation to the achieved results and difficulties encountered.	Field work completed Submission of Preliminary report
5.	**July/ August 2012**	i) Presentation of the preliminary report by 1st Mid July2012 ii) A seminar is organized for Government and the development partners to disseminate the information on the PEFA evaluation presented in the preliminary report. Participants invited to make comments. iii) On the basis of the seminar results, the TAC prepares a written assessment and comments of the preliminary report iv) The S/OC approves the TAC assessment and comments, forwards to consultants by end of mid August 2012. (within 4 weeks)	Draft Final report
6.	**End of September 2012**	i) Revised Draft report within 1 week is submitted to PEFA Secretariat for Quality Assurance ii) PEFA Secretariat forwards comments within 2 weeks iii) Consultants incorporate comments and submit the final Report latest end of September 2012(within 1 week)	Final PEFA report submitted
	IMPLEMENTATION		
7.	**October 2012-March 2013**	i) Presentation of Final PEFA report to a group of stakeholders for discussion in October 2012 ii) Draw roadmap of integrating findings of the report into the existing PFM reform strategy and subsequent action plan iii) Government(TAC & OC) to review final PEFA report and develop recommendations for consideration in addressing gaps identified in PFM systems in Uganda iv) Review and develop revised action plan by Government, based on the existing documents by the TAC and approval by the OC.	Discussion of PEFA report Documentation of recommendation and road map of action.

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3 APPENDIX 2: CRITICAL DOCUMENTS FOR REVIEW

1. The Constitution of the Republic of Uganda
2. The Budget Act 2001
3. The Public Finance and Accountability Act 2003
4. The Public Finance and Accountability Regulations 2003
5. The National Audit Act 2008
6. The Public Procurement and Disposal of Assets Act 2003 as amended
7. The Uganda National Development Plan
8. The Country Financial Accountability Assessment (CFAA) 2001
9. The Country Integrated Fiduciary Assessment (CIFA) 2004
10. The Public Expenditure and Financial Accountability (PEFA) Assessment for both Central and Local Government of 2005
11. The Uganda Public Financial Management Performance Report 2008
12. The Uganda PFM Reform Strategy, Nov 2010, (2011/12 – 2015/16)
13. The Annual FINMAP I Annual Report 2011
14. FINMAP II Work plan, Progress reports and Operational Manual
15. The Joint Assessment Framework(JAF) reports
16. Uganda Fiduciary risks Assessment reports
17. Uganda Annual Performance Reports
18. The Auditor Generals reports for the period covered by the assignment
19. The Treasury Memorandum reports
20. The PPDA Compliance Reports
21. The Budget Speech & related Call circulars
22. The BMAU study reports
23. The Internal Audit reports for the period covered by the assignment
24. Good Practice when undertaking a Repeat Assessment and Guidance for Assessment Planners and Assessors, PEFA Secretariat Feb 2010
25. Any other relevant report and guidance notes

4 APPENDIX 3: LIST OF MDA ASSESSED IN 2008 PEFA

SN	Name of Entity/MDA	CRITERIA (Previous assessments[1])
1.	Ministry of Finance, Planning and Economic Development	CG PEFA 2008
2.	Ministry of Defense	CG PEFA 2008
3.	Ministry of Public Service	CG PEFA 2008, JBSF
4.	Ministry of Work and Transport	CG PEFA 2008, JBSF
5.	Ministry of Education and Sports	CG PEFA 2008, JBSF
6.	Ministry of Foreign Affairs	CG PEFA 2008
7.	Uganda Police	CG PEFA 2008
8.	Ministry of Energy and Minerals	CG PEFA 2008
9.	Parliamentary Commission	CG PEFA 2008
10.	Uganda Revenue Authority	CG PEFA 2008
11.	State House	CG PEFA 2008
12.	Ministry of Health	CG PEFA 2008, JBSF
13.	Office of the Prime Minister	CG PEFA 2008
14.	Office of the President	CG PEFA 2008
15.	Ministry of Justice and Constitutional Affairs	CG PEFA 2008
16.	Makerere University	CG PEFA 2008
17.	Ministry of Water and Environment	CG PEFA 2008, JBSF
18.	Uganda Prisons	CG PEFA 2008
19.	Mulago Hospital Complex	CG PEFA 2008
20.	Butabika Hospital	CG PEFA 2008
21.	Electoral Commission	CG PEFA 2008
22.	National Agricultural Research Organization	CG PEFA 2008
23.	Ministry of Internal Affairs	CG PEFA 2008
24.	Ministry of Agriculture, Animal industry and Fisheries	CG PEFA 2008

5 APPENDIX 4: SUMMARY OF GOU PEFA INDICATOR SCORES FOR 2005 AND 2008[32]

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

32 Public Financial Management Performance Report 2008 – PEFA website: www.pefa.org

Assessment Indicators		*2005*	*2008*	*Change*
PI-27	Legislative scrutiny of the annual budget law	C+	C+	Same
PI-28	Legislative scrutiny of external audit reports	D+	D+	Same
D. Donor Practices				
D-1	Predictability of Direct Budget Support	C+	D	Worse
D-2	Financial info provided by donors for budget, reporting on project, programme aid	D+	C	Better
D-3	Proportion of aid that is managed by use of national procedures	C	D	Worse

ANNEXE F LIST OF EXTRABUDGETARY AGENCIES

Agency	Central Gov't	Gov't Bus Enterp	Audit Opinion	Unreported Expenditure UGX bn
ENERGY SECTOR				
1 Uganda Electricity Transmission Co. Ltd.		1	Qualified	
2 Rural Electricity Agency	1		Unqualified	
3 Kilembe Mines		1	Qualified	
4 Uganda Electricity Generation Co. Ltd.		1	Qualified	
5 Uganda Electricity Distribution Co. Ltd.		1	Unqualified	
6 Electricity Regulatory Authority	1		Unqualified	
7 Amber House Ltd		1	Qualified	
HEALTH SECTOR				
8 Joint Clinical Research Centre	1		Qualified	
9 Uganda Medical & Dental Practitioners	1		Unqualified	
10 National Drug Authority	1		Unqualified	
11 Uganda Nurses and Midwives Council	1		Unqualified	
12 National Medical Stores	1		Unqualified	
13 Allied Health Professionals	1		Qualified	
EDUCATION SECTOR				
14 National Council for Sports	1		Qualified	
15 Uganda National Examinations Board	1		Qualified	
16 National Curriculum Development Centre	1		Qualified	
17 Uganda National Council for Higher Education	1		Unqualified	
18 Nakivubo War Memorial Stadium		1	Qualified	
19 Mandela National Stadium Ltd		1	Qualified	
ICT SECTOR				
20 Uganda Printing and Publishing Corp'n		1	Unqualified	
21 New Vision Printing & Publishing Co. Ltd		1	Unqualified	
22 Uganda Communication Commission		1	Unqualified	
23 Broadcasting Council	1		Unqualified	
24 Uganda Institute of Information & Communication Technology	1		Unqualified	
25 Rural Communication Development Fund	1		Unqualified	
26 Uganda Broadcasting Corporation		1	Disclaimer	
27 Uganda National Council of Science & Technology	1		Unqualified	
TOURISM AND TRADE SECTOR				
28 Management Training and Advisory Centre	1		Qualified	
29 Uganda Wildlife Education Centre	1		Qualified	
30 Uganda National Bureau of Standards	1		Unqualified	
31 Uganda Tourism Board	1		Qualified	
32 Nile Hotel International Ltd		1	Unqualified	
33 Uganda Wildlife Authority		1	Qualified	
34 Uganda Export Promotion Board	1		Qualified	
35 Uganda Property Holdings Ltd		1	Unqualified	
36 Hotel and Tourism Training Institute		1	Qualified	
Land Sector				
37 National Housing & Construction Co.		1	Unqualified	
Gender Sector				

38 National Social Security Fund	1		Unqualified	90.2
39 National Women's Council	1		Unqualified	
40 National Council for Children	1		Unqualified	
41 National Council for Disability	1			
42 National Youth Council	1		Unqualified	
Accountability Sector				
43 Bank of Uganda		1	Unqualified	
44 Uganda Development Bank Ltd		1	Unqualified	
45 Capital Markets Authority	1		Unqualified	
46 Uganda Investment Authority	1			
47 Uganda Bureau of Statistics	1		Unqualified	
48 National Planning Authority	1		Qualified	
49 Uganda Insurance Commission	1		Unqualified	
50 Uganda Revenue Authority	1		Unqualified	
51 Public Procurement & Disposal of Public Assets Authority	1		Unqualified	
52 European Investment Bank Apex/ BOU Private Enterprise Loan Scheme	1		Unqualified	
Agriculture Sector				
53 Dairy Development Authority	1		Qualified	
54 Cotton Development Organisation		1	Unqualified	
55 Uganda Coffee Development Authority		1	Unqualified	
56 Coordinating Office for Control of Trypanosomiasis in Uganda (COCTU)	1		Unqualified	
57 Uganda Seed Limited		1	Qualified	
Justice Law and Order Sector				
58 Law Development Centre	1		Qualified	
59 Amnesty Commission	1		Unqualified	
Security				
60 Uganda Air Cargo Corporation		1	Unqualified	
61 National Enterprise Corp'n & Subsidiaries		1	Unqualified	
Water & Environment				
62 National Water & Sewerage Corp		1	Unqualified	
63 National Forestry Authority	1		Unqualified	
Transport Sector				
64 Uganda Railways Corporation		1	Disclaimer	
Signed accounts not submitted				
65 Civil Aviation Authority		1		
66 Post bank		1		
67 Privatization Unit Divestiture & Redundancy Accounts	1			
68 National Animal Genetic Resources Centre and Data Bank (NAGRIC-DB)	1			
69 Amnesty Commission	1			
70 National Libraries Board	1			
71 National Theatre		1		
72 Allied Health Professionals Council	1			
TOTALS	41	29	42 Unqualified 25 Qualified 2 Disclaimer	90.2

Source: Auditor General Report on FY 2010/11, Vol. 4. List of statutory bodies that presented financial statements for audit during the period 1 April 2011 to 31 March 2012, and 8 others that were audited, but did not present financial statements.

ANNEXE G CALCULATION SHEET FOR DONOR INDICATOR D-1

Table 1 - Fiscal years for assessment

Year 1 =	2009
Year 2 =	2010
Year 3 =	2011

(*) This column shows the actual amounts disbursed in the quarters that those tranches were planned to have been disbursed.

Table 2

Data for year =	**2009**					
Quarter of fiscal year	**agreed forecast (amount)**	**actual disbursed (amount)**	**planned quarter for actual (*)**	actual delayed in each period	delayed amount as share of total	cumulative delayed amount as share
quarter 1	76.93	39.25	22.78	-16	-3.9%	-3.9%
quarter 2	188.89	117.15	51.31	-66	-15.7%	-19.6%
quarter 3	92.94	189.64	70.87	-119	-28.3%	-47.9%
quarter 4	153.16	73.34	20.37	-53	-12.6%	-60.6%
total for the year	511.92	419.38	165.34	-254	-60.6%	-132.1%

Table 3

Data for year =	**2010**					
Quarter of fiscal year	**agreed forecast (amount)**	**actual disbursed (amount)**	**planned quarter for actual**	actual delayed in each period	delayed amount as share of total	cumulative delayed amount as share
quarter 1	40.35	59.02	18.63	-40	-12.1%	-12.1%
quarter 2	146.1	54.93	40.00	-15	-4.5%	-16.6%
quarter 3	132.85	67.24	6.19	-61	-18.3%	-34.9%
quarter 4	37.03	152.19	5.58	-147	-44.0%	-78.9%
total for the year	356.33	333.38	70.39	-263	-78.9%	-142.5%

Table 4

Data for year =	**2011**					
Quarter of fiscal year	**agreed forecast (amount)**	**actual disbursed (amount)**	**planned quarter for actual**	actual delayed in each period	delayed amount as share of total	cumulative delayed amount as share
quarter 1	99.11	91.49	74.10	-17	-5.4%	-5.4%
quarter 2	112.96	196.43	112.96	-83	-25.9%	-31.3%
quarter 3	29.21	16.54	0.08	-16	-5.1%	-36.4%
quarter 4	0	18.07	0	-18	-5.6%	-42.0%
total for the year	241.28	322.53	187.1	-135	-42.0%	-115.0%

Table 5 - Results Matrix

year	**D-1 dimension (i)** deviation of actual budget support from forecast	**D-1 dimension (ii)** in-year disbursement delays for budget support
2009	18.1%	-132.1%
2010	6.4%	-142.5%
2011	-33.7%	-115.0%

Scores

(Scoring Method M1)

Score for dimension (i):	**C**
Score for dimension (ii):	**D**
Overall score for indicator D-1:	**D+**