

GOVERNMENT OF UGANDA

PUBLIC FINANCIAL MANAGEMENT (PFM) REFORMS STRATEGY

JULY 2025 - JUNE 2030

PFM for Growth and Improved Service Delivery



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May 2025

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ACRONYMS AND ABBREVIATIONS

A.C.	Accountant General
AG AGO	Accountant General's Office
ANAL	Artificial Intelligence
AML	Anti-Money Laundering
AMP	Aid Management Programme
API	Application Programming Interface
ASSIP	The Accountability Sector Strategic and Investment Plan
BMAU	Budget Monitoring and Accountability Unit – MoFPED
BPED	Budget Policy and Evaluation Department - MoFPED
BSC	Balance Score Card
BTVET	Business, Technical and Vocational Education and Training
CAATS	Computer Assisted Audit Techniques
CAN	Capacity Needs Assessment
CAO	Chief Administrative Officer
CFT	Combating the Financing of Terrorism
CG	Central Government
COBIT	Control objectives for Information Technologies
COSASE	Committee on Commissions, Statutory Authorities and State Enterprises
CPF	Counter Proliferation Financing
CPI	Consumer Price Index
C-PIMA	Climate Public Investment Management Assessment
CSBAG	Civil Society Budget Advocacy Group
CSO	Civil Society Organisation
DC	Development Committee
DDEG	Discretionary Development Equalisation Grants
DEA	Directorate of Economic Affairs – MoFPED
DMFAS	Debt Management and Financial Analysis System
DPAC	District Public Accounts Committee
DPI	Development Plan Implementation Programme
DPP	Directorate of Public Prosecutions
DQA	Data Quality Assurance
DRC	Democratic Republic of Congo
DRM	Domestic Revenue Mobilisation
DRM4D	Domestic Resources mobilization for Development - USAID
DRMS	Domestic Revenue Mobilisation Strategy
e-BIZ	Electronic Business
e-Citie	Online Revenue Management System used by KCCA
EFRIS	Electronic Fiscal Receipting and Invoicing Solution
e-GP	Electronic Government Procurement
eLogRev	Electronic Local Government System
EPRC	Economic Policy Research Centre
EQA	External Quality Assessment
ERA	Electricity Regulatory Authority
ESAAMLG	The Eastern and Southern Africa Anti-Money Laundering Group
ESG	Environment and Social Safeguards
FATF	Financial Action Taskforce
FCDO	Foreign, Commonwealth & Development Office of United Kingdom
FDI	Foreign Direct Investment
FIA	Finance Intelligence Authority
FY	Financial Year
GAPR	Government Annual Performance Report
GDP	Gross Domestic Product
GEB	Gender Equity Budgeting
GEF	Global Environment Facility
GoU	Government of Uganda
HCM	Human Capital Management System
HNWI	High Net Worth Individuals
IBP	Integrated Bank of Projects
וטו	integrated bank or riogeots

ICT	Information Communication Technology
IFF	Illicit Financial Flows
IFMS	Integrated Financial Management System
IG	Inspectorate of Government
IGFT	
	Intergovernmental Fiscal Transfers
IMEM	Integrated Macro Economic Model
IPPS	Integrated Personnel and Payroll System
IRAS	Integrated Revenue Administration System
IT	Information Technology
ITAD	Information Technology Asset Disposal
KCCA	Kampala City Council Authority
KfW	Kreditanstalt für Wiederaufbau (KfW) Development Bank - Germany
LED	Local Economic Development
LG	Local Government
LGFAR	Local Government Financing and Accounting Regulations
LGFC	Local Government Finance Commission
LGPAC	Local Government Public Accounts Committee
LGPAC	Local Government Public Accounts Committee of Parliament
LGPAR	Local Government Performance Assessment Report
LLG	Lower Local Government
LTEF	Long Term Expenditure Framework
M&E	Monitoring and Evaluation
MDA	Ministry, Department and Agency
MDALG	Ministry, Department, Agency and Local Government
MEL	Monitoring, Evaluation and Learning
MIS	Management Information System
ML	
	Money Laundering
MoFPED	Ministry of Finance, Planning and Economic Development
MoLG	Ministry of Local Government
MP	Member of Parliament
MTDS	Medium Term Debt Management Strategy
MTEF	Medium Term Expenditure Framework
MTR	Mid Term Review
NAPA	National Adaptation Programmes of Action
NBFP	
	National Budget Framework Paper
NDCs	Nationally Determined Contributions
NDP III	The Third National Development Plan of Government of Uganda
NDP IV	The Fourth National Development Plan of Government of Uganda
NDP	National Development Plan
NIRA	National Identification and Registration Authority
NITAU	National Information Technology Authority Uganda
NPA	National Planning Authority
NPSPP	National Public Sector Procurement Policy
NTR	Non-Tax Revenue
OAG	Office of Auditor General
ODPP	Office of Director of Public Prosecutions
OECD	Organisation for Economic Cooperation and Development
OPM	Office of Prime Minister
OSR	Own Source Revenue for Local Governments
OTIMS	Online Transfer Information Management System
PAC	Public Accounts Committee
PAP	Public Investment and Project Appraisal Department – MoFPED
PBB	Programme Based Budgeting
PBO	Parliamentary Budget Office
PBS	Planning and Budgeting System
PBS	Programmed Budgeting System
PDE	Procurement and Disposal Entity
PDM	Parish Development Model
PDMIS	
	Parish Development Management Information System
PEFA	Public Expenditure and Financial Management Assessment
PEMCOM	Public Expenditure Management Committee
PF	Proliferation Financing
PFM	Public Financial Management
PIAPS	Programme Implementation Action Plans
PIM	Public Investment Management
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PIMA	Public Investment Management Assessment
PIP	Public Investment Plan
PPDA	Public Procurement and Disposal Authority
PPMS	Public Procurement and Disposal of Assets Management System
PPP	Public Private Partnerships
PRAM	Priority Action Matrix
PS/ST	Permanent Secretary/Secretary to Treasury
RCU	PFM Reforms Coordination Unit
REAP	Resource Enhancement and Accountability Programme
SAI	Supreme Audit Institution
SBD	Standard Bidding Document
SCART	Simplified and Computerised Accounting Reporting Tool
SDGs	Sustainable Development Goals
SDU	Service Delivery Unit
SOEs	State Owned Enterprises
TA	Technical Assistance
TAT	Tax Appeals Tribunal
TaxDev	The Centre for Tax Analysis in Developing Countries United UK
TF	Transfer of Funds
TIN	Tax Identification Number
TOC	Theory of Change
TPD	Tax Policy Department
TSA	Treasury Single Account
UBOS	Uganda bureau of Statistics
UIA	Uganda Investment Authority
URA	Uganda Revenue Authority
URSB	Uganda Registration Services Bureau
US	United States of America
USAID	United States Agency for International Development
VfM	Value for Money

FOREWORD

Uganda's Public Financial Management (PFM) Reform Strategy FY 2025/26 – FY 2029/30 aims to further the Country's aspirations towards socioeconomic transformation through strengthening PFM governance and control systems.

Government of Uganda recognizes the need for a dedicated PFM Reform Strategy to drive meaningful change. The strategy comes at a time when the Ugandan economy has demonstrated its resilience to domestic and external shocks, and to grow by 6.3 percent in FY 2024/25.

Uganda's Public Financial Management (PFM) reforms will contribute to the country's 10-fold growth strategy by improving resource mobilization, budget management, and transparency. A well-implemented PFM strategy will enable effective allocation of resources to priority areas, reduce leakages, and optimize public expenditure even as we prepare for unprecedented inflows from our extractives industries among others. This a central catalyst to strengthening implementation of our plan for targeted investments necessary to transform the Country into a 500-billion-dollar economy, in the next 15 years.

The Strategy emphasizes a coherent approach, ensuring a unified and coordinated effort towards PFM improvements. This will enhance growth and accountability by establishing clear commitments and benchmarks for progress, and foster stakeholder engagement by encouraging collaboration and collective action among stakeholders. By embracing change and exploring new ways of doing things, we can stay ahead of the curve and drive meaningful progress in our development journey.

The NRM Government remains committed to strengthening systems and consolidate Uganda's economic fundamentals of GDP growth, jobs, export and FDI receipts which are already in good shape, and make the country highly competitive regionally and globally. The country having met the criteria for graduation from the category of LDCs; with Poverty and inequality reduced, significantly is now at take off stage and this strategy should expedite further progress through among others enhancing systems for resource mobilizations while boosting capacities and the attendant policy frameworks designed to increase return on Public Investments and value for money.

I therefore commend this strategy to all those involved in the cause of transformation.

For God and My Country

Hon. Matia Kasaija

Minister of Finance, Planning and Economic Development

ACKNOWLEDGEMENT

I am pleased to share the Public Financial Management (PFM) Reforms Strategy (FY 2025/26 – FY2029/30). The design of the strategy was informed by various studies including the Public Expenditure and Financial Accountability (PEFA) assessment in 2024, the Mid-term review of the Resource Enhancement and Accountability Programme (REAP), the Mid-term review of the National Development Plan III; and Public Investment Management Assessment (PIMA 2022). In addition, the strategy benefitted from wide stakeholder consultations, internal and external, and diagnostic studies undertaken for Government of Uganda by the World Bank and the International Monetary Fund (IMF), amongst others. A critical analysis of historical issues affecting PFM was undertaken and the Strength, Weaknesses, Threat and Opportunities (SWOT) approach was used to distil all current PFM issues, which act as barriers to effective service delivery, and proposed actions for improving management of public resources.

Additionally, the design of this Public Financial Management (PFM) Reform Strategy would not have been possible without the contribution of a number of persons and institutions. Government is particularly indebted to the Deputy Secretary to the Treasury and Task Manager REAP, Mr. Patrick Ocailap, and the Ag. Accountant General, Mr. Godfrey Ssemugooma, who provided stewardship to the design process assisted by the Technical Design Team. More specifically, I wish to recognize the efforts of the Core Design Team led by Ag. Director Financial Management Services, Mr. Stephen Ojiambo, as well as the other members including: Mr. Hannington Ashaba, Mr. John Byaruhanga, Mr. Richard Ojilong, Mr. Nick Roberts, Mr. Emmanuel Mugabi, Dr. Winnie Nabiddo, Ms. Sharifa Buzeki, Mr. Aiden Rujumba, Mr. Hussein Isingoma, Ms. Stella Ogutti, Mr. Dennis Kato, Mr Hussein Ismail, Mr. Onesmus Mulondo, Ms. Rossetti Nabumba, Mr. Stephen Barungi; Mr. Ambrose Lotyang, Mr. Anthony Kintu, Ms. Gertrude Basiima, Mr. Samuel Opio, Mr. John Muherwoha, Ms. Tereza Namwach, Mr. Paul Ssekiboobo Mr. Allan Muhereza, Mr. Joseph Majanga, Ms. Miriam Kigundu, Mr. Richard Tabaaro, Ms. Zerida Zigiti, Mr. Joseph Ahaizibwe, M Susan Nakagolo, Mr. Conrad Kahima, and Dr. Albert Musisi, Special compliments go to the PFM Reform Secretariat led by the Programme Coordinator of REAP, Mr. Johnson Mutesigensi, and all the PFM Reforms Coordination Unit (RCU) staff for providing necessary support to the design process.

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Last but not least, we extend our appreciation to all stakeholders who spared their valuable time to contribute to this PFM Reform Strategy including the Development Plan Implementation (DPI) Programme Working Group, Central and Local Government entities, Civil Society Organizations led by Mr. Julius Mukunda, the Executive Director of Civil Society Budget Advocacy Group (CSBAG), and Private Sector, Academia and Research Institutions. Finally, we hope the implementation of the interventions provided herein will be useful in steering PFM reforms in the public sector towards the intended goal, with specific focus on key service delivery sectors of Health, Education, Energy, Water, Agriculture and Roads.

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

Ramathan Ggoobi

Permanent Secretary/Secretary to the Treasury Ministry of Finance, Planning and Economic Development

EXECUTIVE SUMMARY

1. Overview

Effective Public Financial Management (PFM) is crucial for achieving development outcomes and delivering essential services to citizens. A well-functioning PFM system enables governments to allocate resources efficiently, manage risks, and promote transparency and accountability. This value chain outlines the key elements of a PFM system, from setting fiscal strategy and budget to delivering services and providing oversight.

The emerging strategic thematic areas are presented and analysed iteratively in line with following logic:

- I. Policy-based fiscal strategy and budgeting: This element sets the foundation for the PFM system, outlining the government's fiscal priorities and budget framework.
- II. DRM (Domestic Revenue Mobilization): This element focuses on generating revenue to fund the government's budget.
- III. Public Investments Management: This element involves identifying, evaluating, and prioritizing public investment projects that align with the government's fiscal strategy and budget.
- IV. PFM controls and Compliance: This element ensures that resources are managed efficiently, effectively, and transparently, with robust controls and Compliance mechanisms in place.
- V. LG PFM for service delivery: This element focuses on ensuring that local governments have the necessary PFM systems and capacities to deliver essential services to citizens.
- VI. PFM oversight: This element provides independent assurance that PFM systems are functioning effectively, identifying areas for improvement and promoting accountability.

By addressing these areas in a coordinated and sequential manner, governments can enhance the effectiveness and efficiency of their PFM systems, ultimately supporting better development outcomes and citizen well-being. This approach recognizes that PFM reforms are interconnected and that progress in one area can have a positive impact on others.

For a concise presentation, the detailed results framework is provided Annex 1 outlining the key results and selected Results Areas, specifying measurable outcomes and indicators to track progress. This framework serves as a roadmap for implementing PFM reforms, ensuring focus on critical areas and achievement of desired outcomes.

Similarly, Annex 2 provides detailed reform interventions and actions under each high-level PFM reforms output to achieve intended outcomes. This annex operationalizes the reform strategy, providing a clear plan of action to strengthen PFM oversight and enhance public financial management.

Implementing these reforms will require sustained commitment, capacity building, and stakeholder engagement to ensure successful reform outcomes. Governments will need to prioritize these reforms, allocate necessary resources, and establish robust monitoring and evaluation mechanisms to track progress and identify areas for further improvement. By doing so, they can strengthen their PFM systems and improve service delivery to citizens.

2. Strategic Linkages with the Tenfold Economic Growth Strategy

The PFM reforms strategy is designed to support the ambitious 10-fold economic growth strategy by strengthening key growth levers. Through its 6 strategic objectives, the PFM reforms strategy identifies opportunities to enhance the contribution of critical sectors to economic growth. For instance, among others, the strategy explores ways to strengthen the contribution of Foreign Direct Investment (FDI) to Domestic Revenue Mobilization (DRM), recognizing that investments are a vital pillar of the economic growth strategy. To further support economic growth, the PFM reforms strategy deliberately focuses on strengthening oil, gas, and extractives tax policy and administration. This will help to optimize revenue collection from these key sectors and ensure that they contribute meaningfully to the country's economic development. Additionally, the strategy considers climate financing as a crucial element for achieving resilient economic growth, acknowledging the importance of sustainable development in the face of climate change.

Moreover, the strategy is closely linked with Public Investment Management (PIMS), which plays a crucial role in ensuring that public investments are efficient, effective, and aligned with national development priorities. By strengthening PFM systems, the government can improve the management of public investments, optimize resource allocation, and drive economic growth.

By aligning the PFM reforms strategy with the 10-fold economic growth strategy, the government can create a cohesive and effective approach to driving economic development. The PFM reforms strategy's focus on strengthening growth levers and optimizing revenue collection will help to support the broader economic growth agenda, ultimately contributing to the country's long-term prosperity.

3. Theory of Change

If the Government of Uganda demonstrates a strong commitment to Public Financial Management (PFM) reforms, and adequate resources are allocated to support these efforts, then the implementation of a comprehensive PFM reform strategy can lead to improved development outcomes.

This Theory of Change posits that through a series of inputs, activities, and outputs, specific outcomes can be achieved, including improved budget planning and execution, increased revenue mobilization, and enhanced transparency and accountability. These outcomes, in turn, will contribute to better service delivery, fiscal sustainability, and increased citizen trust in government. The ultimate goal of these reforms is to contribute to the country's long-term development goals, including improved economic growth, reduced poverty, and enhanced human well-being.

The success of these reforms will depend on several factors, including effective stakeholder engagement, minimal disruption from external factors, and the ability to manage associated risks. If these conditions are met, the PFM reform program can help Uganda strengthen its PFM systems and processes, ultimately contributing to the country's long-term development goals.

4. Situation Analysis regarding PEFA and Conceptualization of PFM Results

- i. Use of the Epr;d Bank's PRGA for diagnosis and ex post monitoring of progress in implementation of PFM reforms has played a major role in previous PFM reforms. Uganda has undertaken several PEFA assessments at national level, with major and approved assessments since 2005. Uganda has progressed from a score of 41% of perfect performance in 2006 to 50 percent in 2022. In a regional context Uganda has performed well.
- ii. The degree of progress and the path over time has varied across the PEFA pillars
- iii. The best results over the full period have been recorded by Pillars II (Transparency) and Pillar V (Accounting and Reporting)
- iv. The least favourable results are found in Pillar VI (External Scrutiny and Audit)
- v. It is noted that Pillar III (Management of Assets and liabilities) was newly introduced in the 2011 framework.

PEFA has limitations in terms of what is actually being measured. The majority of PIs are defined in terms of systems or procedures for the management of public funds. It is important to note that these procedures are not the final desired outcomes and impact which are sought through PFM reform.

While PEFA is useful in measuring systems and procedures, it is NOT sufficient for indicating the outcomes to be expected from delivered PFM reforms. The new PFM-RS is built on widely recognized definition of high-level PFM outcomes which was introduced in the development of the modern approach to PFM. Under this approach 3 high level outcomes are defined:

- (A) Fiscal credibility and sustainability
- (B) Allocation of budget resources in line with the requirements for fulfilment of national planning objectives, and
- (C) Efficiency in service delivery.

The PFM-RS is strongly oriented towards achieving progress against these three high level outcomes

5. Strengthening M&EL of PFM through Domestication of PEFA

Measurement of impact of real PFM results as discussed above in relation to the M&E system for the PFM-Reforms Strategy there is a practical problem: while it is recognised that successful implementation of the PFM-RS should lead to improved PEFA scores on critical performance indicators (PIs), in practice PEFA cannot be relied on to provide the required assessments on a timely basis for M&E purposes. This is because (i) PEFA assessments are only periodic and there is no assurance that a new national: PEFA will be undertaken during the lifetime of the PFM-RS. and (ii) even if a PEFA were to be undertaken, it would not provide timely analysis which would be usable for the PFM-RS M&E owing to the inherent delays in the financial years covered by the PEFA and publication of PEFA results.

This problem will be addressed by MoFPED taking direct control of the application of the PEFA methodology as and when required for the design and monitoring of results of the PFM-RS.

Such PEFA assessments will be undertaken by the institutions responsible for each area of PFM reform, supplemented by a quality control procedure to be undertaken by independent Ugandan or external consultants with extensive experience in PEFA assessment methodology.

The domestication of the PEFA process, led by MOFPED, is fully in line with the stated objective of the PEFA Secretariat to devolve the PEFA process to participating government. The major benefit of this reform is that the richness of the PEFA methodology, which has long been used at the planning and diagnostic stage of PFM strategy formulation, will now play its full role in support of the M&E of PFM reforms. In support of the domestication of PEFA methodology, MOFPED M&E Secretariat will develop a web-based application which will permit the institutional owners of each area of PFM reform to participate fully in the assessment of individual PEFA indicators.

Strengthening the learning and external review through fostering partnerships with other organizations, academia, and experts to leverage knowledge and expertise. This include encouraging Uganda's Public Finance Management Compliance Index in partnership with CSBAG. As member to the Public Expenditure Management Committee (PEMCOM), Civil Society Budget Advocacy Group (CSBAG) in 2019 collaborated with the Office of the Accountant General at Ministry of Finance, Planning and Economic Development to assess Government compliance to the Public Finance Management Act, 2015 (PFMA). This helps with triangulation of evaluations and sharing of lessons and alternative perspectives which has sustain the Reform Agenda under the office of the PS/ST.

6. Main Reform Thrusts

(a) Policy Based Fiscal Strategy and budgeting

Fiscal strategy is the set of policies and management systems which determine the financial resources available to government to pursue the nation's development agenda and to support the delivery of services for the people. Fiscal strategy lies at the heart of public financial management. Successful fiscal strategy formulation and application is a major driver of the success of the nation in achieving its development objectives. On the other hand, weak fiscal strategy leads to unsustainability of government operations, the accumulation of excessive debt and failure to meet national objectives.

Fiscal strategy is different from other aspects of public financial management in important respects: (i) Fiscal strategy is to a very large degree driven by decisions taken at the political level in setting the policy framework. This is in contrast to many other aspects of public financial management for which a well-defined legal and regulatory framework is adequate to enable the administration to manage adherence to defined PFM systems; (ii) fiscal strategy needs to take full account of risks which may arise either in the context of the domestic economy (including natural disasters, political instabilities etc.) and from the external global economy, such as risk of externally driven inflation, changes in global economic growth and international market access. As a result, management of fiscal strategy must be dynamic, constantly adjusting to changing realities.

Strengthening the budget challenge function is crucial for Enhanced Policy-Based Fiscal Strategy and Budgeting (EPBFSB). A robust budget challenge function ensures that budget proposals are thoroughly scrutinized, promoting fiscal discipline and responsible budgeting. By critically evaluating budget proposals, the challenge function helps ensure that allocations align with national priorities and strategic objectives. This, in turn, improves the credibility of the budget by ensuring that projections are realistic and assumptions are sound.

A strong budget challenge function also promotes more effective resource allocation by evaluating budget proposals against strategic priorities and fiscal constraints. This helps to ensure that resources fare allocated efficiently and effectively, supporting better development outcomes. Furthermore, a robust challenge function enhances transparency and accountability in budget management, which can increase public trust in government.

To be effective, the budget challenge function should be based on independent analysis and evaluation of budget proposals, staffed by technical experts with the necessary skills and knowledge. Clear criteria should be used to evaluate budget proposals, ensuring consistency and transparency. By strengthening the budget challenge function, Uganda can enhance its policy-based fiscal strategy and budgeting, promoting better fiscal management and development outcomes.

(b) Domestic Resource Mobilization

With the performance of domestic revenue, the DRMS target of achieving a 16%—18% tax-to-GDP ratio by the end of FY2023/24 has not been met due to, among other things, the delayed conclusions of tax policy reforms, a growing untapped informal sector, limited leveraging of digital systems and third-party data and not to mention critical assumptions on the contribution of commercial oil production to infrastructure challenges, with production now expected to start in 2026. In addition, there is a lack of ownership and engagement of key stakeholders responsible for the implementation of critical interventions.

The thrust of the objective will be implemented under the DRM Strategy that will be completed by June 2025. Nonetheless, as part emerging aspects of interest in this Public Financial Management (PFM) reforms strategy will focus on several key areas to strengthen Domestic Revenue Mobilization (DRM). One critical focus area will be reforms in tax administration and tax policy, particularly in the oil and extractives sector, in anticipation of commercial oil production. This will ensure that the government can effectively collect revenue from this sector and maximize its economic benefits.

Another key area of focus will be the digital economy. Developing policies and frameworks to capture revenue from digital activities will be essential in today's increasingly digital world. This will enable the government to tap into new revenue streams and stay ahead of the curve. International taxation will also be a critical focus area. Enhancing cooperation and frameworks to prevent tax avoidance and evasion will be essential in ensuring that the government collects its fair share of revenue from international transactions. By focusing on these key areas, the government can strengthen DRM and support national development.

In addition to these focus areas, the government will also prioritize enhancing the contribution of Foreign Direct Investment (FDI) to DRM. This will involve monitoring attendant tax expenditures and leveraging digital technologies to facilitate investment and tax compliance. By expanding the tax base and improving revenue collection, the government can achieve its development goals and reduce its reliance on external financing.

(c) Public Investments Management

This PFM reform area aims to strengthen Public Investment Management (PIM) to increase investment returns on public development spending. A comprehensive project cycle management approach across Government focuses on key selected sectors. To achieve this, the programme supports all stages of the project cycle to enhance the economic return from investments as well as value for money by improving project preparation, independent review processes, use of appraisal in project selection, enhancing procurement and contract management processes, and strengthening accountability and performance reporting.

It is therefore necessary to identify and implement those projects that will ensure an appropriate return on investments. Not only must the right projects be identified and selected but their implementation must be monitored and kept on track and lessons need to be learnt from the successfully implemented public investment projects so that they feed into the improvement in implementation of future projects.

There is a weak project appraisal and selection framework on climate change issues. The PEFA, 2022 rated Uganda's Climate responsive public investment management with a D, which is below the basic level of performance. Whereas Uganda has a strong project appraisal framework for projects and PPPs, it does not reference or require consideration of climate change leading to an ad hoc approach by different MDAs. These will be addressed as key priorities.

There has been harmonization of the PPDA Act and the PPDA Regulations. Under the new 2021 dispensation, Central Government and Local Government are using the same set of regulations. The fast-tracking of EGP will be critical to deepening compliance and operational efficiency of the procurement function of government in line with the revised public procurement regulations. There is inadequate strategic procurement planning, inadequate needs analysis, and poor identification of stakeholder training needs, which all affect budget execution. Absence of compliance enforcement for implementation of audit recommendations has led to reluctance of the Procuring and Disposing Entities (PDEs) to implement the recommendations of from audits.

Asset management and resilience is increasingly being looked at as an important area for public financial management, given the value of the stock of assets as a percentage of the total government budget. Asset management directly influences public services management as enhanced identification, management and maintenance of assets will result in their optimal use, thereby resulting in better application of resources for delivery of services. Better asset management will lead to better coordination in use and management of assets which will enhance resource availability and better service delivery.

Advancing with the transition to accrual accounting will be a precondition to sustaining reforms in asset management, accounting, and reporting. By adopting accrual accounting, the government will be able to recognize and record assets and liabilities in a more comprehensive and accurate manner, enabling better management and reporting of public resources. This transition will provide a solid foundation for sustaining reforms in asset management, allowing for more effective tracking and utilization of assets, and enhancing the overall quality of financial reporting and decision-making.

(d) LG Government PFM Systems for Service Delivery

Rationalizing intergovernmental fiscal transfers to local governments and enhancing their own-source revenue are crucial for sustaining service delivery. To achieve this, local governments can deepen the alignment of their revenue collection efforts with local economic development (LED) strategies. By identifying and tapping into local revenue sources that align with their economic development priorities, local governments can increase their own-source revenue and reduce their dependence on central government transfers.



Strengthening accountability and allocative efficiency is also essential for effective local revenue management. Local governments can improve transparency and accountability in revenue collection and allocation, ensuring that resources are used efficiently to support local development priorities. This can be achieved through robust financial management systems, regular audits, and citizen engagement.

By rationalizing intergovernmental fiscal transfers and enhancing own-source revenue, local governments can improve their fiscal sustainability and provide better services to citizens. This, in turn, can support local development and well-being, ultimately contributing to the achievement of national development goals. Effective local revenue management is critical to ensuring that local governments have the resources they need to deliver essential services and promote local economic growth.

To further strengthen local government Public Financial Management (PFM) systems, enhancing oversight functions is critical. Strengthening internal audit, empowering LG Public Accounts Committees, and building operational accounting capacities at the lowest service delivery units are key opportunities for improvement. Internal audit units can provide timely and effective oversight of financial management and service delivery, while LGC Public Accounts Committees can scrutinize financial reports and hold officials accountable for their stewardship of public resources.

(e) PFM Controls and Compliance in Budget Execution

PFM controls and compliance in budget execution refer to the effectiveness of internal controls, compliance with financial regulations, and the extent to which transactions are processed correctly. PFM controls and compliance in budget execution help to mitigate risks associated with budget execution, such as unauthorized expenditures, misappropriation of funds, and irregularities in financial reporting. By identifying and addressing these risks, governments can ensure that budget execution is carried out in a transparent, accountable, and efficient manner, ultimately promoting good governance and trust in government institutions.

valuable improvements have been registered in budget execution processes and controls. The improvements include streamlined and automated financial management processes, improved data integrity, and enhanced internal controls. GoU continues to automate public financial management processes to improve efficiency and effectiveness and enhance transparency and accountability in the collection and use of public funds. PFM systems have been upgraded/enhanced to support the implementation of the NDP III and IV programme approach to planning, budgeting, budget execution, and reporting of results across Government. The government has deepened the use of digital systems to strengthen controls in Public Financial Management (PFM). This includes Integrated Financial Management Systems (IFMS), now introducing the Electronic Government Procurement (EGP) systems, and Payroll control systems like Human Capital Management (HCM) systems. These systems automate financial transactions, improve transparency, and reduce errors.

The strategy will focus on plugging loopholes in PFM Controls through systems given that these have been forwarded as the key strategy for enforcing and tracking Compliance. PFM systems are underpinned by legislation, policies, regulations, accounting standards, and procedures designed to provide the structure, powers, roles, and responsibilities of the institutions and individuals operating them to achieve the desired PFM outcomes.

The PEFA 2022 assessment noted that the expenditure out-turn indicated good performance (PI-1, rated B, and PI-2, rated C+). However, expenditure arrears remain a challenge due to the lack of proper definition for arrears aligned with international standards and an effective expenditure monitoring process (PI-22, rated C, a decline from 2016).

Additionally, despite the fact that the design and implementation of PFM systems are responsive to the requirements of MDAs and LGs, there are several challenges regarding systems acquisition, coverage, utilization, degree of integration, security, capacity building, change management, and financial resources to meet recurrent expenditure requirements for equipment, hardware, and software. The OAG PFM System review report 2023, pointed out that there is lack of approved IT structures to steer and oversee ICT implementation. Absence of ICT governance structures hampers formulation of appropriate ICT policies, strategies and real time upgrade of ICT interventions.

The NDP III MTR established that whereas attributes like Programme/Sub-Programme and approved NDPIII projects are integrated into the IFMS/Chart of Accounts, the interventions, which are the key unique identifiers of the NDP III are not part of the budget execution system. This has led to insufficient support towards monitoring and reporting on results under the programmatic budgeting approach. The lack of a data management strategy in Government has led to inefficiencies, increased operational costs, poor data quality, elevated security vulnerabilities, and compliance challenges. It has also been observed that LGs have capacity gaps in the technical and functional skills required to manage and use the PFM systems sustainably and effectively. This has rendered non-achievement of the objectives of these systems.

Strengthening the rewards and sanctions regime is proposed as a critical opportunity to promote compliance

with PFM regulations and drive behavioural change. By linking performance management to results and accountability, the government can incentivize staff to adhere to PFM standards and procedures. This approach is closely tied to softer reforms, such as cultural and behavioural shifts, as a robust rewards and sanctions regime can motivate staff to adopt new processes and systems, fostering a culture of transparency and accountability. By combining these elements, the government can create a cohesive and effective PFM reform strategy that drives lasting change.

(f) PFM Oversight and Governance

Another primary focus of the reforms will be on enhancing the impact of audit within the mandate of the Office of the Auditor General (OAG) and the Internal Auditor General. This will involve strengthening audit functions to ensure that they provide timely and effective oversight of PFM activities. Additionally, the reforms will seek to enhance parliamentary oversight, where possible, to ensure that PFM activities are transparent, accountable, and responsive to the needs of citizens.

Furthermore, the government intends to persist with efforts in downward accountability, which involves holding public officials accountable to citizens and communities. Partnerships with Civil society including CSBAG will be critical Downward accountability plays a crucial role in ensuring that PFM activities are responsive to the needs of citizens and that public resources are used effectively and efficiently. By promoting downward accountability, the government aims to empower citizens to demand greater transparency and accountability from public officials, thereby promoting good governance and effective management of public financial resources. This will complement the efforts to strengthen sanctions and rewards, audit functions, and parliamentary oversight, ultimately contributing to a more transparent and accountable PFM system.

7. PFM Sustainability Strategy

The sustainability of Public Financial Management (PFM) reforms is crucial to ensuring that the gains made are lasting and continue to support Uganda's economic growth and development. To this end, the PFM Reforms Sustainability Plan outlines the strategies and actions necessary to institutionalize the reforms, build capacity, and ensure ongoing improvement. This plan is designed to promote ownership, accountability, and continuity, thereby guaranteeing that the PFM reforms remain a cornerstone of Uganda's economic management framework.

The PFM Reforms Sustainability Plan relies on g key levers to ensure successful delivery and long-term impact. These levers include:

- i. Institutionalization/Mainstreaming of Reforms Execution: Embedding reforms into existing structures and processes. Effectively communicating reforms to stakeholders.
- ii. Change Management: Managing cultural and behavioural shifts to support reforms.
- iii. Capacity Building: Enhancing skills and competencies to implement reforms.
- iv. Building Strategic Partnerships and Collaborations: Fostering alliances to support reforms.
- v. Risk Management: Identifying and mitigating risks to reform implementation.
- vi. Financial Sustainability: Resource Mobilization and Securing funding to support reforms.
- vii. PFM Reforms Oversight and Programmatic Coordination under PEMCOM
- viii. Climate Adaptation and Resilience in PFM: Greening, integrating environmental considerations and sustainability principles
- ix. Learning: Monitoring and Evaluation and Learning (M&E)

SECTION 1

INTRODUCTION

1.1 Introduction

The Public Financial Management (PFM) Reforms Strategy for FY2025/26 to FY2029/30 is a critical component of Uganda's development agenda, aligning with the objectives of the 4th National Development Plan (NDP). This strategy provides a focused roadmap for transforming PFM systems, enhancing accountability, and promoting efficient resource allocation.

1.2 Purpose and scope of the PFM reforms strategy

As part of lessons in driving and sustaining reforms over the long term, the Government of Uganda has been dedicated to designing a joint medium-term strategy that allows for a coherent and programmatic approach for all stakeholders contributing to the PFM space to address a range of jointly prioritized Public Financial Management (PFM) issues and investments intended to improve the PFM framework in Uganda. This strategic approach underscores the government's commitment to ensuring that PFM reforms are coordinated, effective, and contribute directly to the country's broader development objectives. By adopting this approach, the government can ensure greater ownership and sustainability of reforms, foster collaboration and coordination among stakeholders, and ultimately achieve more impactful and lasting improvements in PFM systems, driving better development outcomes.

The design followed extensive consultations with various institutions contributing to PFM reforms and the wider stakeholders, including civil society and private sector. The strategies identified were informed by findings from PEFA 2022, PIMA 2022, NDP III MTR 2022, the REAP MTR, as well as other international Public Financial Management diagnostic studies and assessments. These interventions range across the PFM functions, including fiscal planning, revenue collection and management, budget preparation and execution, accounting and reporting, and oversight and scrutiny.

1.3 Relevance of PFM reforms for Uganda's development

The Public Financial Management (PFM) Reforms Strategy is designed to play a pivotal role in contributing to the realization of Uganda's ambitious tenfold economic growth strategy, which aims to expand the economy from \$50 billion to \$500 billion between 2023 and 2040. By strengthening PFM systems, the strategy will enhance resource mobilization, improve budget execution, and promote efficient allocation of resources to support key sectors driving growth. Effective public investment management will be critical in this regard, enabling the government to prioritize and manage investments that yield maximum returns. With targets including doubling the economy's size every five years, sustaining an annual GDP growth rate above 10%, and increasing per capita income from \$1,039 to \$7,000, the PFM Reforms Strategy will help ensure transparency, accountability, and prudent fiscal management, creating a business-friendly environment that attracts foreign direct investment and promotes private sector growth, ultimately supporting the achievement of Uganda's economic growth aspirations.

Furthermore, PFM systems are increasingly being called upon to demonstrate close linkages with and impact on effective service delivery, ensuring that public resources are utilized efficiently to achieve tangible development outcomes. By strengthening PFM frameworks, the government can enhance the quality and accessibility of essential services, such as healthcare, education, and infrastructure, ultimately improving the lives of Ugandans. Effective PFM will enable better allocation of resources to priority areas, enhance budget execution, and promote accountability for results, thereby contributing to improved service delivery and development outcomes that align with the country's broader economic growth and development objectives.

1.4 PFM Reform Principles

Based on PFM reform experiences to date and the need to ensure that PFM systems operate effectively to support Government to deliver its national economic and development objectives, the PFM strategy shall be underpinned by a number of principles as follows:

- (a) Priorities for improvement based on consolidating past reforms, the most urgent problems identified by evidence, and a solid platform for delivering national economic objectives:
- (b) An overarching implementation framework for monitoring performance;
- (c) Commitment to continuous improvement of PFM reforms through monitoring, evaluation and learning;



- (d) Specific, Measurable, Achievable, Relevant and Time-limited (SMART) targets and indicators for measuring performance;
- (e) Commitment at the political, management and technical levels, including active involvement and participation by stakeholders;
- (f) Sustainable PFM reform investment with synergies across Government; and,
- (g) Effective communication and institutional coordination to all actors and stakeholders.

SECTION 2

BACKGROUND AND EVOLUTION OF PFM REFORMS

2.1 Overview of Uganda's economic context

Government of Uganda (GoU) introduced and has implemented several PFM reforms since the early 1980s to drive the country towards economic prosperity. Over this period, significant phases of reform achievements can be identified. For example, the period 1987 to 2010 achieved macroeconomic stability in a post-conflict period, through increasing investment in the economy. Between 2006 and 2011, Uganda achieved remarkable GDP growth of between 5.6 percent and 7.1 percent a year, placing the country at the time among the 15 fastest growing economies in the world. More recently, the PFM reform agenda evolved towards a focus on attaining aggregate fiscal discipline, allocative efficiency and operational efficiency in public expenditure and revenue management.

Uganda has a predominantly young and growing population, increasing from 34.6 million in 2014¹ to 45.9 million² in 2024. The population growth rate dropped slightly from 3.2 percent registered in 2014 to 2.9 percent in 2024. Even then, this remains one of the highest population growth rates in the world. In terms of age group, as at 2024 Census, children below 17 years comprise 50% of the total population; youth (18 – 30 years) make up 22.7%; while the aged (60+ years) comprise only 5% of the total population. In spite of the high rate of population growth, GDP per capita has more than tripled from US\$253 in FY1999/2000 to US\$817 in FY2013/14, and US\$1,202 in 2024³. The unemployment rate also fell to 2.6 percent in FY2022/23⁴, from 11 percent in FY2012/13⁵. These improvements resulted from a number of factors, including a sustained period of economic growth and a form of service business 'boom', resulting in migration of labour from low-productivity, rural agriculture, to high productivity services in urban areas.

The economy therefore has sustained its recovery from the effects of COVID-19. Real GDP initially fell from 6.4 percent in FY 2018/19 to 3.0 percent in FY 2019/20 and commenced the recovery reaching 5.3 in FY 2022/23 and 6.0 percent in FY 2023/24. There was therefore a corresponding rise in per capita GDP in FY2023/24 to an estimated USD1,146, compared to USD1,081 in FY2022/23. All three sectors of the economy registered growth in FY2023/24. The services sector grew by 6.6 percent, accounting for 42.8 percent of total GDP, while the industry sector grew by 5.8 percent, with a GDP share of 25.2 percent; and the agriculture, forestry, and fishing sector grew by 5.1 percent, with a share of 24.6 percent of total GDP.

Table 1.1: Selected Economic Indicators

Indicator	FY18/19	FY19/20	FY20/21	FY21/22	FY22/23
GDP at current prices (billion shillings)	132,909	139,689	148,310	162,750	184,895
GDP per capita (UGX '000)	3,321,000	3,403,000	3,500,000	3,723,000	4,100,000
Real GDP growth (percent)	6.4	3.0	3.5	4.6	5.3
CPI (annual average change) (percent)	2.6	2.3	2.5	3.4	8.8
Gross government debt (% of GDP)	35.1	41.0	46.9	48.4	46.9
External terms of trade (annual percentage change)	125.1	125.4	117.0	101.7	100
Current account balance (% of GDP)	- 7.51	-6.96	-10.15	-7.58	-7.74
Total external debt (% of GDP)	23.4	27.9	29.7	29.6	28.2
Gross official reserves (months of import value)	4.23	3.97	4.92	4.81	4.02
Overall fiscal balance (% of GDP)	4.9	7.1	9.0	7.4	5.5
Domestic Revenue (% of GDP)	12.6	12.4	13.4	13.4	13.8

Source: MoFPED figures

National Census 2014, UBOS National Census 2024, UBOS Statista, 2024 Statista 2023/24

5UBOS Household Surveys 2016/17

The discovery of oil and gas in Uganda provides the country with an opportunity to generate additional investment, employment, and resources to finance public investments for future generations. World Bank projections indicate that GDP growth rates could exceed 9 per cent per year over the next two decades due to oil activities⁶. While there are major opportunities from this sector, a number of oil producing nations have experienced economic challenges related to oil prices. In order to manage these risks, government needs to deliberately invest in growth-generating infrastructure to expand the non-oil sectors of the economy, promote local content and value addition in oil sector activities and ensure that domestic revenues from non-oil sources are developed to sustain revenue mobilisation beyond oil production. With Uganda commencing the production phase of the oil sector in 2025, the achievement of these objectives will be underpinned by effective public financial management, sustainable resource mobilisation, and proper management of public investment projects, such as the oil refinery and pipeline.

2.2 Evolution of PFM Reforms in Uganda

2.2.1 Historical context

Since 1980, a series of public sector reforms have been implemented in Uganda focusing on the three main PFM outcomes, i.e., fiscal discipline, strategic resource allocation and efficiency in service delivery. In particular, while early reforms progressed towards service delivery, later reforms have focused on basic fiduciary controls in response to corruption, and non-compliance with laws, rules and regulations. This reinforces the findings documented in PFM literature that PFM reforms are often over-ambitious in terms of the time it takes to fully achieve the desired outcomes, and that basic fiscal control is needed to provide a firm foundation for further reforms in allocative efficiency and service delivery.

The reform agenda has evolved from 'structural adjustment' to focus on aggregate financial discipline, allocative efficiency, and operational efficiency in public expenditure and revenue management. Significant progress has been achieved in delivering 'hard' PFM reforms (such as establishing a robust legal and regulatory framework); however, challenges remain with 'soft' reforms of capacity, culture, attitude and norms in public sector management. Where leadership in enforcement and compliance remains weak, the benefits from reforming these fundamentals are unsustainable. Furthermore, communication and change management of the delivered reforms are not effective, and capacity constraints create barriers to attainment of the intended gains from these investments.

Since the 2016 PEFA, there have been improvements in intergovernmental fiscal transfers and the legislative scrutiny of audit reports. New PFM reforms covering the electronic Government Procurement (e-GP) system, Public Investment Management and Asset Management policy framework, Human Capital Management system, the Integrated Bank of Projects, and the policy shift in harmonizing national development planning and budgeting will further improve overall public financial management.

In 2018, GoU launched a new PFM reform strategy for the period July 2018 to June 2023, with a paradigm shift towards a result-based approach. The goal of the strategy was to enhance resource mobilization, improve planning and public investment management, and strengthen accountability for quality, effective and efficient service delivery. The reform strategy was organised around six outcomes, which seek to:

- I. Enhance resource mobilisation for Uganda's sustainable development.
- II. Enhance policy-based budgeting and planning for allocative efficiency.
- III. Strengthen public investment management for increased development returns on public spending.
- IV. Strengthen the effectiveness of accountability systems and compliance in budget execution.
- V. Improve the transparency and accountability of local government PFM systems.
- VI. Strengthen oversight and PFM governance functions for the sustainability of development outcomes.

2.2.2 Key milestones

The PFM reform strategy is aligned with the country's Strategic direction to grow the economy tenfold and enshrined in the Vision 2040 and the NDP IV. Its design was informed by various diagnostic studies and is set out in the multi-institutional Resource Enhancement and Accountability Programme (REAP). REAP, a GoU's framework for implementation of the PFM reform strategy, is jointly funded by KfW Development Bank, the European Union, the Danish International Development Agency (DANIDA) and GoU under a multi-donor basket funding arrangement. Other technical assistance programmes specific result areas, such as resource mobilisation, public investment, and local government. These are provided by development partners such as the United States Agency for International Development (USAID), the World Bank, the African Development Bank, and the UK government.

Table 1.2: Phases of PFM Reform 1986 - 2024

Period	Key Reforms Achieved	Focus of Reforms
1986-1990	 Structural adjustment reforms Medium term expenditure framework instituted to enable predictability of the budget and enable harmoni- zation of aid 	Focused on improving efficiency in service delivery
1990-2002	 Further structural reforms e.g. reduced tariffs URA established. Fiscal decentralisation strategy Budget Act 2001 	Establishment of fiscal disci- pline and the strategic alloca- tion of resources for poverty eradication
2002 - 2012	 Public Finance and Accountability Act 2003 Enhanced institutional setup for PFM Automation of financial management systems Professional scheme for accreditation of staff Output Based reform within Results Oriented Management reforms 	Focused on Effectiveness of public service delivery
2012-2018	 Institution of the Treasury single account, straight through processing Decentralisation of payroll & pension management Enactment of Public Finance Management Act 2015 Macro-Economic forecasting reform-IMEM Programme Based Budgeting System Independence of office of the Auditor General reform Strengthening the legislative oversight – PAC Automation of government systems reforms from manual to computer based Tax administration reform (e.g. e-Tax, TIN reform) Aid and debt Management reforms (AMP) Decentralisation of the internal audit function Public procurement reform Budget transparency reform 	The focus in the Strategy 2014-2018 was: (i) Budget credibility (ii) Budget control (iii) Compliance with PFM rules and regulations
2019 - 2024	 Treasury Single Account (TSA) Integrated Financial Management System (IFMS) and Integrated Personnel and Payroll System (IPPS) Upgrades Wage and Payroll Management Improvements Budget Formulation, Implementation, Monitoring, and Reporting Enhancements Budget Transparency Strengthening Improved Revenue mobilisation at central and LG levels. Implementation of the Integrated Revenue Administration Systems 	(i) Deepen efficiency and effectiveness of service delivery (ii) Deepen compliance to accountability stipulations and guidelines by encouraging citizen participation (iii) Enhance systems for resource mobilizations while boosting capacities and the attendant policy frameworks designed to increase return on Public Investments and value for money.

The PFM Strategy 2014-2018 was comprehensive in its coverage of PFM functions, with an overall goal "To strengthen Public Financial Management at all levels of government to ensure efficient, effective and accountable use of public resources as a basis for improved service delivery". Underlying this goal was an objective to achieve the three typical PFM outcomes:

- a. Aggregate fiscal discipline
- b. Allocative efficiency; and
- c. Operational efficiency in public expenditure and revenue management.

Within this all-encompassing goal was a particular focus on achieving the intermediate outcomes of budget credibility, control and compliance with set rules and regulations. These were to be sequenced around two stages:

I. Encourage effective service delivery by removing barriers in PFM systems and capacities while reinforcing compliance with regulations and avoidance of leakages; and

II. Strengthen mechanisms for instilling accountability for performance, while hardening the link between results and resources.

Over the implementation period of the PFM reform strategy 2014-2018, a number of significant reforms were achieved, including: the enactment of the Public Finance Management Act 2015; strengthened policy framework for macroeconomic management; enhanced management and reporting of public expenditure through the Treasury Single account (TSA); further rollout, upgrading and use of the Integrated Financial Management System (IFMS); a reduction in the number of 'ghost' workers, in particular, through the successful decentralisation of payroll and pensions management and more effective verification, with the operationalization of Integrated Personnel and payroll system (IPPS); improved policy-based budgeting through the newly deployed Programme Based Budgeting (PBB) system for improved budget formulation, planning and budgeting; enhanced control and management of public funds; improved quality of financial reporting at Ministries, Departments and Agencies (MDAs) and Local Governments (LGs); and enhanced scrutiny and oversight of collection and utilisation of public funds.

SECTION 3

SITUATIONAL ANALYSIS

3.1 Situation Analysis

This section presents a comprehensive Situation Analysis, providing an examination of the current state of Public Financial Management (PFM) in Uganda. The analysis highlights key challenges, opportunities, and trends that inform the development of the PFM Reforms Strategy.

Ultimately, this section argues that substantial progress has been made since the start of the millennium and before and illustrates this progress based on the sequence of PEFA in 5 assessments undertaken since 2006. Secondly, weaknesses which are inherent in an approach to PFM reform which limits itself to the aspects of PFM covered by the [PEFA methodology (as amended over time).

3.2 Current State of PFM Systems: Assessment against PEFA Framework

This sub-section provides an assessment of the current state of Uganda's Public Financial Management (PFM) systems, utilizing the Public Expenditure and Financial Accountability (PEFA) framework. The assessment evaluates the performance of PFM systems across various dimensions, including budget credibility, transparency, and accountability, providing a comprehensive snapshot of the strengths and weaknesses of Uganda's PFM systems and informing the development of targeted reforms.

PEFA is a system designed early in the millennium to provide a systematic methodology and approach for assessing a country's (or subordinate entity's) progress in adoption and implementation of a set of widely accepted important aspects of a PFM system. PEFA provided a means of monitoring the rapidly increasing resources and programmes aimed at strengthening of PFM systems, especially in developing and lower income countries. PEFA is the most developed methodology for PFM system assessment and by far the most widely used internationally. The hallmark of PEFA is its carefully crafted set of indicators and the robust methodologies for assessing progress towards each indicator. There have been some amendments in the definition of the Performance Indictors, notably through the reissuance of the framework in 2011, which increased the number of indicators from the former 28 (excluding donor performance indicators) to the present 31 indicators. At the same time the number of dimensions was increased from 69 to 82. The revision of the PI structure has an important implication: there is only limited comparability between the PEFA assessments using the original 2005 framework and those using the 2011 framework.

The PEFA system scores both dimensions and PIs using an alphabetic score with A, the highest level, descending through B+ to B etc. down to a lowest score of D. An ideal or perfect score would be achieved if all PIs were scored as A.

3.2.1 Overview of PFM performance against PEFA indicators

Uganda has undertaken several PEFA assessments at national level, with major and approved assessments since 2005. Table 1 provides a summary of the performance scores achieved at the pillar/cluster level. The results are presented in a numerical form based on a conversion of all scores to numeric values under an assignment of A=1, B+=2, B=3 ... down to D=7. Under this numeration low scores are good and high scores are bad.

The Table presents scores as percentage achievement compared to a perfect score.

A number of conclusions can be derived from the table:

- Uganda has progressed from a score of 41% of perfect performance in 2006 to 50 percent in 2022. While not shown in the table, Uganda is among the leaders in progress over this period compared to other countries of the East Africa region
- The degree of progress and the path over time has varied across the PEFA pillars
- The best results over the full period have been recorded by Pillars II (Transparency) and Pillar V (Accounting and Reporting)
- The least favourable results are found in Pillar VI (External Scrutiny and Audit)
- It is noted that Pillar III (Management of Assets and liabilities) was newly introduced in the 2011 framework.

Table 3.1: Uganda PEFA performance time series (Measured as percentage approximation to perfect score)

Cluster performance	2006	2010	2011	2019	2022
(%age approximation to perfect score)					
I Budget Reliability/Credibility	46.4	60.7	21.4	57.1	42.9
II. Transparency of public finances	52.4	47.6	47.6	66.7	71.4
III. Management of assets and liabilities	NA	NA	NA	28.6	42.9
IV. Policy-based fiscal strategy and budgeting	64.3	42.9	42.9	28.6	54.3
V. Predictability and control in budget	27.0	36.5	42.9	41.1	51.7
execution					
V. Accounting and reporting	42.9	50.0	50.0	61.9	66.7
VII. External scrutiny and audit	42.9	33.3	42.9	21.4	35.7
Overall	41.8	44.4	41.8	49.3	50.1

Source and methodology: MoFPED calculations from the 5 Uganda national PEFA assessments. Original PEFA data was converted to numerical values and displayed as %age progress towards full achievement of PEFA indicators.

While the overall progress since 2006 has been positive it might be asked why has progress been so slow, could it not have been possible to reach the levels recorded for 2022 substantially earlier? Three main factors explain why it is such a long drawn out process to make progress on PFM:

- a. First, some of the reforms are inherently complex. This consideration applies, for example, to the need for development of the government accounts IT system, the Integrated Financial Management Information System (IFMIS);
- b. The second reason lies in the limited human capacities to carry forward complex PFM reforms.
- c. And the third and deeper reason is that PFM reforms can only be built on support. Many specific elements of PFM reform have the effect of limiting the discretion of particular agents in government to apply public resources as they see fit. In the light of these considerations the national performance is creditable.

3.2.2. PEFA Applications and Limitation for PFM Design and Evaluation

The PEFA system and the results achieved from assessments have been used widely in the design of PFM strategies and programmes. It is a common practice to start programme design with a review of the latest PEFA assessment and to pick out the relatively poorly performing PIs for defining priority areas to be addressed in national PFM reform strategies and Action Plans, and in use by development partners in justifying their adoption of specific reform priorities to support.

PEFA was set up as a monitoring system for PFM and the intermittent PEFA assessments certainly provide a tool for monitoring progress against the specific reform objectives underlying the PEFA indicators. However, PEFA has not been extensively used for the monitoring of progress during PFM programme implementation. The reason for this is the occasional nature of PEFA assessments (necessary in view of their cost in terms of both finance and specialist effort). In addition, the timeframe for the delivery of PEFA assessments is long. A PEFA assessment uses the most recent three years of data, so it is inherently a retrospective exercise. There is also a long gestation period in progressing form the initial field work assessments to the production of a final report, which also goes through an accreditation quality review by the PEFA Secretariat in the World Bank in Washington DC. The net results are that in normal circumstances, while it is frequently the case that reform progress indicators are stated in terms of targets for individual PEFA scores, in practice this cannot be applied as there is usually not a new or recent PEFA assessment to support this approach

PEFA also has limitations in terms of what is actually being measured. The majority of PIs are defined in terms of systems or procedures for the management of public funds. It is important to note that these procedures are not the final desired outcomes and impact which are sought through PFM reform. The indicator score is at best an intermediary output. The relationship between PEFA indicators and the desired results of PFM reform is that they represent relatively lowly steps which are assumed to be contributing to the achievement of the desired results at outcome or even impact level.

These considerations can be summarized by concluding that while PEFA is useful in measuring systems and procedures, it is NOT sufficient for indicating the outcomes to be expected from delivered PFM reforms. In principle a country could have high scores on all PIs and yet be delivering budgets which will not support achievement of improved services and may result in fiscal unsustainability and excessive debt accumulation.

To address the shortcomings noted in a PFM Reform Strategy which is designed mainly on the basis of assessed weak PEFA scores and which cannot in practice be monitored during implantation using new PEFA assessments, the PFM-RS for 2025/26 to 2029/30 is based on an expanded conceptual framework. This new framework supplements the existing PEFA based design with the introduction of reform objectives at the Outcome and Impact level.

While there are alternative procedures for defining the desired outcomes of PFM reform, the new PFM-RS is

built on widely recognized definition of high-level PFM outcomes which was introduced in the development of the modern approach to PFM. Under this approach 3 high level outcomes are defined:

- (i) Fiscal credibility and sustainability
- (ii) Allocation of budget resources in line with the requirements for fulfilment of national planning objectives, and
- (iii) Efficiency in service delivery.

The 3 high level outcomes define a set of necessary conditions for PFM reforms to lead to delivery of the desired impact of reform, namely the maximization of the achievement of delivery of services to the public given the actual financial constraints. The high-level objectives can be seen as a sequence in moving towards realization of development benefits, with a priority to achievement of fiscal credibility and sustainability. It is only within a sustainable fiscal framework that the second-high level objective of effective allocation of resources can be applied, and sound financial resource allocation is a precondition for efficient and maximized service delivery.

To address the issues arising from the conceptual gaps in the PEFA system and the need for better results at the high-level outcomes, the design of this PFM-RS is based primarily on an analysis of the requirements to achieve strong and measurable results at the high-level outcome level.

The main aspects of this new broader approach to PFM-RS design are:

- (a) Recognition of the central importance of the first high level objective, Fiscal Credibility and Sustainability. This outcome is, as mentioned above, a precondition for progress against the other 2 high level outcomes.
- (b) Fiscal strategy can be seen in either a narrow or a broader sense. On a narrow interpretation fiscal strategy is confined to the high-level determination of fiscal and budgetary rules and their implementation typically undertaken by the central agencies for finance and planning. However, fiscal strategy can be seen as the full set of laws, regulations and procedures for the management of public monies and the implementation of those systems. Seen in this broader sense all the main elements which typically constitute the pillars or reform clusters can be seen as forming part of the overall system of PFM. On the basis of this broader sense of fiscal strategy the PFM-RS is selecting and defining the elements and activities falling under the main reform pillars or clusters on the basis of their contribution to achievement of the high-level outcome goals of PFM reform.
- (c) In support of this approach the ordering of the PFM-RS gives priority to Fiscal Strategy, which is then followed by the contributing pillars (DRM, PIM, Budget Control etc.) in an order than broadly follows the sequencing of the annual budget cycle.

3.3 Summary of Past Achievements

This section highlights the key achievements of the outgoing Public Financial Management (PFM) Reforms Strategy (2018-2024), focusing on the six thematic areas that guided the reform efforts. It provides a summary of progress made in strengthening PFM systems, identifying successes, notable shortcomings and areas where the reforms fell short.

3.3.1 Key accomplishments (2018 - 2024)

Enhanced Resource Mobilisation for Financial Sustainability:

This PFM reform area is focused on improving domestic resource mobilisation to finance Uganda's fiscal deficit and significantly reduce aid dependence. It also aims to improve the quality and sustainability of external resources, such as grants and concessional and non-concessional loans. The thematic area has three (3) Key Result Areas (intermediate outcomes): An enhanced enabling environment for revenue mobilisation, improved tax compliance through increased efficiency in revenue administration, and Sustainable debt and development financing.

The Government of Uganda's (GoU) overall fiscal strategy during the Strategy focused on maintaining macroeconomic and fiscal sustainability while supporting inclusive growth. This entailed enhancing domestic revenue mobilisation efforts, keeping inflation low and stable, and maintaining debt sustainability. GoU also focused on ensuring a stable external position with the rest of the world to cushion against external shocks and increasing efficiency in public investment management to realise the growth dividends from infrastructure investments.

The increased investments in infrastructure during the National Development Plan (NDP) III period, election-related spending, and the fiscal stimulus to mitigate the adverse effects of COVID-19 on the economy increased the budgetary deficit for FY2020/21 by 2.8% points above the deficit recorded in FY2019/20. In contrast, Uganda's revenue effort remained below the Sub-Saharan average of 16%, with steady growth from 10% to 12.7%.

Enhanced policy-based budgeting and planning for allocative efficiency

The reform area is focused on (i) high-level sector plans to be of better quality and prioritised in line with national objectives; (ii) multi-year commitments and cost estimates of sector plans are captured in the MTEF and reflect realistic budget projections; (iii) ensure the MTEF is more accurate and credible, validated using bottom-up estimates as well as top-down ceilings and any adjustments are explained and transparent; and (iv) annual budgets include accurate costings, information on fiscal risks, impacts and links to the MTEF. This reform area also seeks to integrate programme-based budgeting and gender equity budgeting further to strengthen the link between resources and outcomes and enhance the strategic allocation of resources to address gender inequalities.

The outcome has three (3) Key Result Areas (intermediate outcomes): Budgets aligned to strategic plans and the medium-term expenditure frameworks; increased equity and discretion of resources allocated to LGs for improved service delivery; and Strengthened evidence-based policy (EBP) making.

The government made a significant reform during the period, moving from sector to programme-based planning and budgeting. The change was substantial and involved changes in the government chart of accounts and reconfiguring various PFM systems, including IFMS and PBS. It also involved significant training and change management across the government. Significant progress was attained, including completing the reconfiguration of the systems. NPA conducted nationwide capacity-building and change management activities to anchor programme-based planning and budgeting. The aligning of budgets to strategic plans initially took a downward trend, falling from 63.4% alignment in FY 2021/22 to 60.1% in FY 2022/23, after that an improvement in FY 2023/24 with alignment rising to 70.1%, as per the NBFP. However, the implementing entities at Central and Local Government still require substantial support to adopt programme-based budgeting fully. However, minimal progress was registered in capturing realistic projections in annual budgets and the MTEF. This is evidenced by the increasing number of supplementary budgets and in-year budget adjustments as a GoU strategy to address resource constraints and emergency relief issues to sectors grossly disrupted by the COVID-19 pandemic. The REAP MTR noted that the outcomes and result targets under this thematic area will likely only partially be achieved by the end of REAP.

According to the most recent PEFA report, Uganda has achieved substantial progress in mainstreaming Climate Change into the development plans, policies, and budgets of all sectors. The country produces and publishes climate related performance information, with minimal progress registered in the other aspects of public financial management. The findings of this first PEFA Climate for Uganda show a strong policy, legal and institutional framework for climate change action.

In addition, Uganda is party to the Paris Agreement which covers climate change mitigation, adaptation, and finance. The agreement aims at limiting global warming between 1.5 and 2C, which requires reaching net zero GHG emissions by around 2050. The agreement also aims to help countries adapt to climate change effects and mobilize enough finance, against each country's Nationally Determined Contributions (NDCs). Through its updated NDC, Uganda committed to reducing its net greenhouse gas emissions by 24.7% below business-as-usual levels by 2030. To achieve this target, there is urgent need for development of systems and frameworks for proper monitoring and evaluation of progress, and adequate climate change risk assessment. This will also require sufficient capacity building across government, and promotion of public awareness about climate change and its economic implications to encourage sustainable eco-friendly practices among businesses and individuals.

Strengthened public investment management for increased development returns on public spending

This PFM reform area aims to strengthen Public Investment Management (PIM) to increase investment returns on public development spending. A comprehensive project cycle management approach across Government focuses on key selected sectors. To achieve this, the programme supports all stages of the project cycle to enhance the economic return from investments as well as value for money by improving project preparation, independent review processes, use of appraisal in project selection, enhancing procurement and contract management processes, and strengthening accountability and performance reporting. During the implementation of REAP, the strategic interventions that support better tracking and management of public assets were transferred to Outcome 4 – Strengthened Effectiveness of Accountability Systems and Compliance in Budget Execution for better coordination and management of the key result area under the Accountant General's Office.

This Outcome has two (2) Key Result Areas: Efficient identification, selection, and management of Public Investment Projects (PIPs) and Public-Private Partnerships (PPPs) and Enhanced value for money in public procurement for large, complex public procurements. There has been substantial progress relating to the Integrated Bank of Projects system, PIM policy,

Asset management is increasingly being looked at as an important area for public financial management, given the value of the stock of assets as a percentage of the total government budget. GoU has become

increasingly aware of this as its PFM processes have improved the focus on assets, leading to increased appreciation. The increased focus on assets by GoU is reflected in the steps and commitment that GoU is taking to improve asset management. The old cash basis of accounting cannot reflect government operations and possessions. GoU is now aware of the value that is stored in its assets. Furthermore, the contribution of assets to public service provisions has made it imperative that governments take stock of its assets and takes a keen interest in the way the assets are used and maintained.

Public Investment and Public Procurement

There has been harmonization of the PPDA Act and the PPDA Regulations. Under the new 2021 dispensation, Central Government and Local Government are using the same set of regulations. The attendant documents i.e., SBDs and Guidelines are also being reviewed in line with the amendments. Further still, the amendments have reduced the statutory timelines in the bidding periods, evaluation and capping of contracts committee decisions. Uganda has a well-established institutional framework with key stakeholders enabled to deliver public procurement. For instance, existence of policy and regulatory bodies, oversight institutions, and PDEs that are well organized and their functions legally defined.

There has been collaboration with the civil society on contract management i.e., existence of MoUs with the civil society in contract monitoring. Government has also developed the Contract Monitoring System (CMS) to monitor contracts. There are quarterly procurement policy dialogue forums that constitute discussions with development partners, civil society organizations, private sector and heads of PDEs.

Implementation of EGP though introduced still lags behind targets. The development e-GP, has been rolled out to 36 government institutions with plans meant to roll-out to 250 institutions in FY 2024/25. Government has further formed an inter-agency forum consisting of PPDA, OAG, IG, DPP, etc. to report on and fight corruption. PPDA has further been given prosecution powers towards actors and stakeholders who violate the procurement law. The integrity survey reports carried out by PPDA indicate that public perception of corruption has worsened as indicated in Figure 1 below.

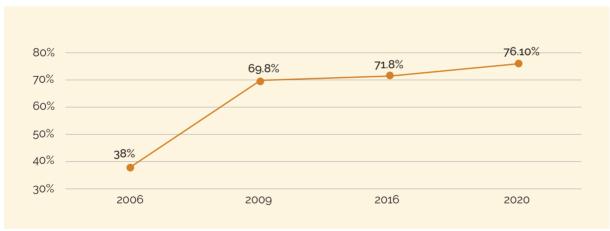


Figure 1: Perception of corruption in Public Procurement

Source: Integrity survey Reports⁷

Strengthened effectiveness of accountability systems and compliance in budget execution

This PFM reform area aims to strengthen the effectiveness of accountability systems and compliance in budget execution. The thematic area has four (4) Key Result Areas (intermediate outcomes): Effectiveness and accuracy of payroll and pension management systems increased; Comprehensiveness and quality of financial reporting; Strengthening effectiveness and integrity of accountability systems including strengthening effectiveness of commitment controls and cash management; and Enhanced assurance (governance, risk, and control) by the internal audit function for compliance of PFM system.

Budget execution, accounting, and reporting processes in Central and Local Government entities have significantly improved, leading to aggregate fiscal discipline and enhanced integrity of the public financial management system. According to the Public Expenditure and Financial Accountability (PEFA) 2022, valuable improvements have been registered in budget execution processes and controls. The improvements include streamlined and automated financial management processes, improved data integrity, and enhanced internal controls. GoU continues to automate public financial management processes to improve efficiency and effectiveness and enhance transparency and accountability in the collection and use of public funds. The ultimate objective is to improve service delivery to the public and support economic transformation.

 $^{^{7}}https://www.ppda.go.ug/download-reports/reports/corporate-reports/\\$

PFM systems have been upgraded/enhanced to support the implementation of the NDP III and IV programme approach to planning, budgeting, budget execution, and reporting of results across Government. The programme approach is aimed at enhancing synergies and reducing the "silo" approach to planning, and budgeting across MDAs and LGs. Smooth implementation of the programme approach is greatly hinged on the extent of integration of the programme architecture, attributes, and systems into the financing mechanisms of the national budget.

Accountability and reporting have been enhanced through increased compliance enabled by the deepening of PFM ICT systems and ongoing systems integration. The relevant reforms under this outcome are aligned to the implementation of NDP III and the PFM reform strategy. Deepening of IFMS and the wider system integration efforts have eased accountability and reporting. However, compliance with the Public Financial Management Act 2015 (as amended) specifically as relates to commitment control remains a challenge. The PFM ICT systems supported by REAP have been found to be essential tools for accountability. Capacity building needs to be enhanced alongside change management interventions to ensure that investments in PFM ICT systems deliver the intended results. There are several challenges pertaining to the introduction and implementation of new systems for which the Cluster will need to focus on during the remaining period of REAP. The NDP III is expected to benefit from the successful delivery of REAP objectives under this outcome.

DMFAS is a specialised system MoFPED, and the Bank of Uganda use to record and manage GoU's external and domestic public debt. Aid and Debt management systems separately capture information on externally financed projects and debt issuance. All the above PFM systems are underpinned by Government's focus on automation of PFM systems and so provision of internet and ICT infrastructure to facilitate this. Other automated PFM systems include e-cash for processing cash transactions, PDMIS for managing PDM financial transactions, AIMS for automating PUSATI education and financial management processes, IRAS and e-Log Rev for Local Government revenue collection, and e-Registration for registering government suppliers.

Improved transparency and accountability of Local Government PFM systems

The objective under this thematic area is to improve service delivery at the Local Government (LG) level by strengthening the fiscal and PFM architecture for fiscal decentralisation. The aim is to strengthen LG capacity for revenue mobilisation, improved local government procurement procedures, strengthen internal audit and clarity of the roles of Local Government Public Accounts Committees (LGPACs) and regional audit committees in audit scrutiny, as well as build Local Government capacity to improve the quality and coordination of planning and budgeting for local service delivery. The thematic area has five (5) Key Result Areas: Increased contribution of Local Government own-source revenue; Effective planning and budgeting at local governments; Improved quality of audit and coordinated follow up of recommendations by Local Government Public Accounts Committees (PACs) and regional audit committees; Enhance accountability and performance monitoring in delivery of services in key service sectors of: roads, education, health, water, and agriculture services; and Enhanced integrity and value for money of local government procurements

The PFM reforms at LG level have enhanced service delivery and are highly relevant to the NDP III and Development Partner priorities. However, capacity challenges are likely to affect effectiveness of interventions under this Cluster. While there is remarkable progress on own source revenue collection enhancement, there are still financial and human capacity constraints to fully support the delivery of decentralised services and functions effectively and efficiently, as well as PFM ICT system limitations which are likely to hamper programme effectiveness and sustainability of the benefits registered so far. The mechanism of transfer of own source revenue to and from the Treasury was initially found to delay implementation of activities at the higher LGs caused by delayed disbursements from the Treasury. Despite these challenges, systems like the Integrated Revenue Management System (IRAS), eLogRev, and complementary systems from other development partners have improved registration and collections among the beneficiary LGs. The Cluster will need to focus on capacity development among LGs, the alignment of systems, and reporting with the CG. Through REAP interventions, there has been increased response to audit findings among LGs from below 60% REAP to over 91% during the ongoing REAP implementation.

${\bf Strengthened\ oversight\ and\ PFM\ governance\ functions\ for\ the\ sustainability\ of\ development\ outcomes}$

This PFM reform area addresses the most pressing gaps in the accountability chain, including audit scrutiny and stimulating demand for downward accountability. It also seeks to strengthen the overarching governance framework and the sustainability of PFM reforms by ensuring effective communication and change management, robust capacity development, programming, monitoring and evaluation of PFM reforms. The thematic area has six (6) Key Result Areas: Enhanced impact of financial and VFM audit reporting and oversight; Improved coordination and monitoring of PFM processes within the Accountability Sector; Sustained uptake of reforms through improved learning and coordination of PFM Reform processes; Increased demand for downward accountability to citizens for public spending and service delivery performance; Increased PFM Compliance through incentives and sanctions mechanisms; and Cost-effective public administration through rationalisation of administrative units.

This PFM reform area aims to address the most pressing gaps in the accountability chain, including audit scrutiny and stimulating demand for downward accountability. It also seeks to strengthen the overarching governance framework and the sustainability of PFM reforms by ensuring effective communication and change management, robust capacity development, programming, monitoring and evaluation of PFM reforms.

Progress was made relating to the OAG MIS system, the development of the tracking system for audit recommendations to support downward accountability, and coordination and oversight of PFM reforms across government. Most of the interventions within the thematic area are aimed at deepening institutional mandates, especially with the Ministry of Public Service and OAG. There has been improvement in compliance with accountability rules, especially at the Local Government level. The mid-term review of REAP found that the outcomes and result targets under this theme were likely to be substantially achieved by the end of REAP.

3.3.2 Key Shortcomings per Thematic Area

Enhanced Resource Mobilisation for Financial Sustainability

While GoU completed a medium-term revenue mobilisation strategy – the DRMS 2019 – 2023, extended to June 2025 with the overall objective of increasing the country's revenue-GDP ratio to 18%, the country's revenue to GDP to ratio only attained 13.6% as at the end of FY2022/23 which is low by regional and sub-Saharan standards of 16%. This constrains the delivery of essential services and the country's capacity to meet its growth and development goals.

Whilst IT systems for tax and customs have been introduced to improve tax administration, data quality remains weak. The large number of inactive taxpayers in the database makes it difficult to make realistic forecasts.

Uganda's high development needs meant that government expenditure has continuously exceeded revenue collections, hence the need to look for additional sources of finance to address the deficit. As a result, public debt keeps rising (external debt stock to GDP rose from 34 per cent in FY2013/14 to 46.9 per cent in FY2022/23). Public debt has more than tripled (UGX 10 trillion in 2006 to UGX 96.168 trillion in 2023). Although Uganda's debt is currently sustainable, further revenue collection improvements will need to be made to support the pace of growth and critical planned infrastructure projects identified in the Vison 2040.

Enhanced programme-based budgeting (PBB) and planning for allocative efficiency

Typical of all reforms, the adoption of PBB faced the following challenges: (i) limited understanding of the scope and objective of reform, with the appreciation skewed towards the PBS (on-line computerised application); (ii) limited access and use of the PBS by Heads of Department who are supposed to be programme managers responsible for management and accounting for programme outcomes, (iii) inadequate access to quality performance information and limited use of performance information to influence prioritisation and spending decisions, (iv) an enabling environment in the form of budget credibility and a prudent results management culture, remained weak, providing a poor foundation for successful implementation of the PBB reform.

At the macroeconomic level, there remains a disconnect between (a) planning and budgeting and (b) the intent of the budget and the actual budget allocations, which continues to undermine budget credibility. Supplementary budgets, by and large, continues to occur.

Strengthened public investment management (PIM) for increased development returns on public spending

The MTEF does not provide an effective constraint on new public investment commitments. Thus, the portfolio of existing projects is far larger than potential financing in the medium term. Bottom-up forecasts of total commitments and cash flow requirements for existing and planned projects is weak. MoFPED has insufficient information to undertake its estimates to cross-check MDA submissions. Insufficient attention is paid to the post-delivery recurrent cost implications of projects. Lack of skilled project staff to undertake appraisals, lack of standardised costing information, and over-optimistic estimates further negatively impact the quality of plans and budgets.

There is a need for effectiveness in Monitoring, Evaluation and Learning systems, especially for public investments. MoFPED faces challenges in keeping track of all projects. Learning systems from the M&E function are weak. For instance, information on the status of donor-funded projects is particularly weak, while information on public investment projects is not reliable, is not used or is "wasted", in turn reducing the incentives for the responsible parties to provide high-quality information. Monitoring and Evaluation are in the early stages of development, with little or no information used to update the project profile included in the PIP.

There is a weak project appraisal and selection framework on climate change issues. The PEFA, 2022 rated Uganda's Climate responsive public investment management with a D, which is below the basic level of performance. Whereas Uganda has a strong project appraisal framework for projects and PPPs, it does not reference or require consideration of climate change leading to an ad hoc approach by different MDAs. An approach needs to be mandated and standardised. While standard criteria for project selection exist, it does not include climate change-related parameters. Without this updated framework, Ugandan public resources are likely to deteriorate as the severity of climate change impacts increases (C-PIMA, 2023).

Strengthen PFM controls and compliance in budget execution

The PFM systems are underpinned by legislation, policies, regulations, accounting standards, and procedures designed to provide the structure, powers, roles, and responsibilities of the institutions and individuals operating them to achieve the desired PFM outcomes. The OAG PFM System review report 2023, pointed out that there is lack of approved IT structures to steer and oversee ICT implementation. Absence of ICT governance structures hampers formulation of appropriate ICT policies, strategies and real time upgrade of ICT interventions.

The PEFA 2022 assessment noted that the expenditure out-turn indicated good performance (PI-1, rated B, and PI-2, rated C+). However, expenditure arrears remain a challenge due to the lack of proper definition for arrears aligned with international standards and an effective expenditure monitoring process (PI-22, rated C, a decline from 2016). IFMS, the core GoU PFM system for recording, reporting, and managing financial transactions, has been rolled out to all central and local government votes (163-CG and 176-LGs). Budget preparation takes place within the Program-based Budgeting System (PBS). The Human Capital Management (HCM), which is being rolled out in a phased manner (now rolled to 160 entities) to replace IPPS, is used to manage HR and payroll processes. The Integrated Bank of Projects (IBP), which is an online system, acts as a central repository for all public projects and enables development and tracking of projects. The Electronic Government Procurement (e-GP) is being piloted for online management of procurement procedures and, when rolled out, will replace the PPMS.

Whereas the PFM systems are being implemented, they face a number of challenges which include incomplete implementation systems such as e-GP, HCM, and IRAS. The REAP MTR noted that the systems are critical for effective service delivery, as well as for enhancement of PFM Reforms sustainability. Information/data generated by PFM systems is not effectively used for planning and informed decision-making. There are weak monitoring and reporting mechanisms, and the proliferation of stand-alone systems continues to pose a risk to the accuracy, integrity, and security of PFM systems in budget execution. The absence of a comprehensive government-wide strategy for data management, and cyber security threats pose significant risks to the operation of PFM systems, among others.

While the HCM System has 18 modules, the users are mostly focussed on Human Resource Planning and Payroll and Deductions Management modules. This limited use of the system is mainly due to various capacity challenges and change management that need to be addressed to get the full benefits of HCM.

Strengthening Sub-National PFM Systems for Service Delivery

The Fiscal Decentralization Strategy (FDS) of 2002 is yet to achieve the objectives of increasing autonomy and streamlining LG transfers. There is still limited flexibility in the allocation of conditional grants to meet local priorities, limited stakeholder involvement in the planning and budgeting process, and limited capacity by the Central Government staff to monitor LG reports.

The local revenue to GDP ratio has declined drastically from 0.48 per cent in 2008 to 0.14 per cent in 2019. According to National PEFA Reports 2022, LG own-source revenue as a percentage of the total LG budget for Rural Local Governments is only 4%, and for Urban Local Governments, it is 17%. This situation needs to change and is a core objective in the medium term with the LG Own Source Revenue Mobilisation Strategy that was launched on the 22nd of March 2024.

The PFMA 2015 does not allow multi-year budgeting for local governments. There is a serious problem of LGs having unutilised funds at the end of the FY because they have not been able to absorb the funds within that FY. The government introduced Program Based Budgeting (PBB) in FY2017/2018, which is not synchronised with Planning and Budgeting in Local Governments which is still sectoral (Mid-Term Review of the Third National Development Plan (NDPIII) 2020/21-2024/25 Local Economic Development Report). LGs are struggling to transition from Sector Based Planning and Budgeting to PBB which applies to all LGs, yet the PBS tool does not incorporate budgeting up to sub county level.

Strengthened oversight and PFM governance functions for the sustainability of development outcomes

At the programming level, there is a need to adopt medium-term planning to improve prioritising and sequencing of reform actions considering the capacity of institutions and resources available. This still remains

a challenge as evidenced by a number of activities that have been delayed. The extensive PFM capacity-building efforts and change management have not been effectively coordinated across the government due to the absence of a comprehensive capacity-building strategy in collaboration with existing institutions and other programmes.

Evaluation of results and key reforms has not been adequately undertaken, making it difficult to assess the impact of reforms and learning for future reform design. In addition, evaluating the capacity-building efforts has been difficult in the absence of clearly defined approaches to capacity development across government.

3.4 SWOT Analysis: Assessment of Strengths, Weaknesses, Opportunities and Threats

This SWOT analysis examines the strengths, weaknesses, opportunities, and threats in Uganda's Public Financial Management (PFM) system, providing insights for strategic planning and reform efforts.

Strengths

- (a) Commitment to reform: Government's willingness to implement PFM reforms
- (b) Existing frameworks: Presence of some PFM frameworks and policies (e.g budget policy, public procurement law)
- (c) Capacity building efforts: Ongoing training and capacity building initiatives for PFM officials
- (d) Donor support: Technical and financial assistance from development partners

Weaknesses

- (a) Weak budget challenge function: Limited ability to scrutinize and challenge budget proposals
- (b) Inadequate MTEF: Weak medium-term expenditure framework, leading to poor budget planning
- (c) Funds allocation misalignment: Allocation of funds not aligned with National Development Plan priorities
- (d) Poor budget execution: Delays and inefficiencies in budget implementation
- (e) Limited transparency and accountability: Insufficient disclosure and oversight of PFM information
- (f) Irrational intergovernmental fiscal transfers: Weaknesses in the system of intergovernmental fiscal transfers, leading to inefficient service delivery and unequal access to services
- (g) Inefficient tax exemptions: Tax exemptions that are not effective or efficient
- (h) Weak incentives for compliance: Insufficient rewards for compliance and ineffective sanctions for noncompliance

Opportunities

- (a) Programme-Based Budgeting: Implementing programme-based budgeting to enhance allocative efficiency and resource allocation
- (b) Technological innovations: Leveraging technology to improve PFM processes (e.g., digital payment systems, e-procurement)
- (c) Citizen engagement: Increasing citizen participation in PFM decision-making and oversight
- (d) Strengthening PFM frameworks: Reviewing and updating PFM frameworks and policies to address weaknesses
- (e) Rationalizing intergovernmental fiscal transfers: Reforming the system of intergovernmental fiscal transfers to improve efficiency and equity in service delivery
- (f) Revenue mobilization strategies: Developing strategies to improve revenue mobilization and reduce revenue leakages

Threats

- (a) Fiscal instability: Vulnerability to economic shocks and fiscal volatility
- (b) Corruption: Risk of corruption and mismanagement of public funds
- (c) Inadequate capacity: Limited capacity and skills in PFM institutions
- (d) External shocks: Exposure to external shocks, such as global economic downturns or climate-related disasters
- (e) Large informal sector: Significant portion of economic activity operating outside the formal tax net, limiting revenue mobilization
- (f) Debt distress: Risk of debt unsustainability and potential debt crisis

SECTION 4

STRATEGIC DIRECTION

4.1 Strategic Direction of PFM Reforms

This section highlights the strategic direction of Uganda's Public Financial Management (PFM) reforms, outlining the vision, mission, and objectives that will guide the strengthening of PFM systems and processes.

4.1.1 Vision: Desired future state of PFM in Uganda

The vision of PFM reforms Strategy is:

A resilient economy with sustainable growth underpinned by a transparent, accountable, and efficient Public Financial Management system that optimizes resource allocation and drives national development.

4.1.2 Overall Goal of the PFM reforms strategy

The goal of the PFM Reforms Strategy is:

To optimise Uganda's PFM systems through comprehensive reforms, promoting accountability, effectiveness, and efficiency, to ensure sustainable economic growth, and improve service delivery.

4.1.3 Broad Objectives:

The Broad PFM reforms objectives are:

- I. To strengthen the sustainability of fiscal framework integrating policy-based planning budgeting, debt management, and diversified financing to drive national development and ensure long-term fiscal stability;
- II. To optimize domestic resource mobilization through coherent tax policies and strengthened tax compliance for enhanced budget self-sufficiency;
- III. To enhance public investment efficiency, effectiveness and resilience through improved planning, execution and management thereby, maximizing development returns and supporting development priorities;
- IV. Strengthen PFM controls and compliance frameworks to ensure transparency, accountability, and prudent public resource management, minimizing financial risks and promoting efficient service delivery;
- V. To strengthen sub-national PFM systems through enhanced allocative efficiency, local revenue mobilization, and accountability frameworks for sustainable local economic development and service delivery; and,
- VI. To strengthen Public Financial Management (PFM) oversight and accountability through enhanced transparency, effective audit and oversight, for prudent management of public resources

4.2 Theory of Change: Underlying assumptions and causal links between reforms and expected outcomes

The theory of change for the PFM reform strategy outlines the underlying logic of the reforms, in terms of how resources and activities are expected to translate into outputs, results, the above PFM outcomes and how the PFM system is expected to contribute to impact in terms of service delivery.

If the Government of Uganda demonstrates a strong commitment to Public Financial Management (PFM) reforms and adequate resources are allocated to support reforms in the 6 strategic objectives in 4.1.3 above, then:

- I. Aggregate Fiscal Control: Strengthened PFM systems will lead to improved fiscal discipline, resulting in:
 - (a) Reduced fiscal deficits
 - (b) Improved debt management
 - (c) Enhanced macroeconomic stability

- II. Resource Allocation Efficiency: Improved PFM systems will lead to more efficient allocation of resources, resulting in:
 - (a) Prioritization of strategic investments
 - (b) Better alignment of budget with national development goals
 - (c) Improved allocative efficiency of public resources
- III. Operational Efficiency in Public Expenditure: Enhanced PFM systems will lead to more efficient use of public resources, resulting in:
 - (a) Reduced waste and inefficiency
 - (b) Improved procurement practices
 - (c) Enhanced value for money in public expenditure

These outcomes will, in turn, contribute to:

- I. **Economic growth**: Improved PFM will lead to increased investment, job creation, and economic growth.
- II. Poverty reduction: Better service delivery and increased access to essential services will contribute to poverty reduction and improved human development outcomes.
- III. Fiscal sustainability: Improved PFM will lead to fiscal sustainability, enabling the government to maintain essential services and respond to economic shocks.

The impact of these reforms will be felt across various sectors, including:

- I. Infrastructure development: Improved PFM will lead to better infrastructure planning and implementation, supporting economic growth and development.
- II. Human development: Enhanced service delivery will lead to improved health and education outcomes, contributing to human development and poverty reduction.
- III. Private sector growth: A more transparent and accountable PFM system will attract investment and support private sector growth, driving economic growth and job creation.

The success of these reforms will depend on several underlying assumptions, including:

- I. Government commitment: The government will maintain its commitment to PFM reforms and prioritize their implementation.
- II. **Effective implementation**: PFM reforms will be implemented effectively, with adequate capacity and resources.
- III. Stakeholder engagement: Key stakeholders, including civil society and the private sector, will be engaged and supportive of PFM reforms.
- IV. Minimal external shocks: External factors, such as economic shocks or natural disasters, will not significantly disrupt PFM reform efforts.

4.3 Key Performance Indicators (KPIs): Measurable indicators to track progress and success

Annex 1 provides a detailed results framework outlining the key results and selected Results Areas, specifying measurable outcomes and indicators to track progress. This framework serves as a roadmap for implementing PFM reforms, ensuring focus on critical areas and achievement of desired outcomes.

SECTION 5

STRATEGIC REFORM AREAS

5.1 Strategic PFM Reforms Areas

This section has presented and organized the six key emerging PFM reform areas in order of a value chain, highlighting the interconnectedness of these reforms in achieving effective Public Financial Management. It also offered a problem analysis, highlighting the root causes and constraints that hinder effective PFM, as well as identifying possible areas for reform interventions. By understanding the underlying issues and challenges, governments and stakeholders can develop targeted and effective reform strategies that address the core problems and promote meaningful improvements in PFM systems.

The key areas around which the objectives have been adopted and are sequentially presented with the following logic:

- (i) Policy-based fiscal strategy and budgeting: This element sets the foundation for the PFM system, outlining the government's fiscal priorities and budget framework.
- (ii) Domestic Revenue Mobilization: This element focuses on generating revenue to fund the government's budget.
- (iii) Public Investments Management: This element involves identifying, evaluating, and prioritizing public investment projects that align with the government's fiscal strategy and budget.
- (iv) PFM controls and Compliance: This element ensures that resources are managed efficiently, effectively, and transparently, with robust controls and accountability mechanisms in place.
- (v) LG PFM for service delivery: This element focuses on ensuring that local governments have the necessary PFM systems and capacities to deliver essential services to citizens.
- (vi) PFM oversight: This element provides independent assurance that PFM systems are functioning effectively, identifying areas for improvement and promoting accountability.

5.2 Enhanced Policy-Based Fiscal Strategy, Planning And Budgeting

Fiscal strategy is the set of policies and management systems which determine the financial resources available to government to pursue the nation's development agenda and to support the delivery of services for the people. Fiscal strategy lies at the heart of public financial management. Successful fiscal strategy formulation and application is a major driver of the success of the nation in achieving its development objectives. On the other hand, weak fiscal strategy leads to unsustainability of government operations, the accumulation of excessive debt and failure to meet national objectives.

Fiscal strategy is different from other aspects of public financial management in important respects: (i) Fiscal strategy is to a very large degree driven by decisions taken at the political level in setting the policy framework. This is in contrast to many other aspects of public financial management for which a well-defined legal and regulatory framework is adequate to enable the administration to manage adherence to defined PFM systems; (ii) fiscal strategy needs to take full account of risks which may arise either in the context of the domestic economy (including natural disasters, political instabilities etc) and from the external global economy, such as risk of externally driven inflation, changes in global economic growth and international market access. As a result, management of fiscal strategy must be dynamic, constantly adjusting to changing realities

The principal characteristics of a sound fiscal strategy framework include:

- i. The achievement of a broad balance between the resources available to government, including domestic revenues and a judicious level of debt, on the one hand, and the demands for the delivery of services and the requirements for public investment to drive economic growth
- ii. Effective management of the revenue side of the public sector. The fiscal outturn derives in equal measure from the revenue and expenditure sides of the government budget
- iii. A strategic approach to the accumulation of public debt, whether domestic or external, which can provide the basis for accelerating economic development without risking debt distress where difficulty is experienced in servicing the outstanding stock of debt and where availability of fiscal space to provide public services is eroded by high requirements for debt service
- iv. The inclusion of policies and systems for management of fiscal risks. The government publishes an annual Fiscal Risk Statement which recognized several categories of fiscal risk, including risks arising from natural disasters, risks arising from public entities, such as State Owned Enterprises (SOEs) which enjoy a measure of financial management autonomy but which can generate liabilities falling on the government account, risks arising from inadequacies in budget control systems, including arrears in the

- payment of goods and services, and risks arising from ongoing legal cases
- v. A strong national capability in government and beyond to forecast and analyse short- and medium-term developments in the national economy and their implications for the appropriate policy settings for sustainable fiscal policy
- vi. Last but not least, a consensus across the political and administrative levels of government on the basic principles to be followed in the management of fiscal strategy formulation and implementation. A set of such principles is set out in the Charter for Fiscal Responsibility.

As documented above, sound fiscal strategy depends on a wide set of areas of reform which span the 6 high level objectives of the PFM-RS. The approach adopted is to present measures for strengthening fiscal strategy under the specific PFM-RS objectives to which they belong. In practice this means that:

- i. Revenue-side reforms are set out and discussed separately under Objective 1
- ii. Measures to address fiscal strategy in relation to Local Government are addressed under Objective 2
- iii. Measures to strengthen public investment, including the introduction of climate resilience considerations in public investment are presented under Objective 3 (PIM)
- iv. Measures to enhance budget control are presented under Objective 4.

5.2.1 Problem Analysis

A. Problem Statement

Uganda has a good record in terms of management of fiscal strategy. The key indicator for this is the success achieved in controlling the level of public debt, as measured by the debt/GDP ratio, which is in the region of 50%, and the level of the public sector fiscal deficit, which is currently of the order of 5-6 percent. These indicator values compare favourably with the experience of many developing and middle-income countries, which are experiencing much higher levels of debt, accompanied by debt distress and the need for rescheduling of national debt obligations. Nevertheless, the prevailing levels of debt and debt service, while deemed by international agencies such as the IMF to be sustainable, can be considered to be higher than optimal, with the requirements for debt service and amortization having a strong limiting effect on discretionary fiscal space for investment and service delivery, and creating an exposure to potential risks from further rises of international interest rates. Seen from this point of view, the overall objective of fiscal strategy is to reduce the level of public debt over time to the region of 30-40% of GDP and, at a minimum, to avoid any deterioration in the fiscal management success which has been achieved to date, in a context of very substantial risks to the Uganda economy arising from global economic slowdown and disruption of the international trading system.

The second core problem of fiscal strategy is that the existing fiscal and budgetary management systems and procedures continue to be unable to ensure that available public financial resources are actually allocated and used in line with the stated development priorities as set out in the NDP. There are many reasons for this continuing weakness which are summarised in the section below. The implication is that there is scope, within the constraints of the existing resource envelope, to enhance the results achieved through government spending by tightening the allocation and actual flow of funds to be in line with those national objectives. Mechanisms to achieve this result include strengthening the role of budget programmes in the allocation and utilization of funds.

Uganda's PEFA 2022 scores reflect these challenges, with room for improvement in:

- a) PI-1 Fiscal strategy: Uganda scored C+, indicating that while a fiscal strategy exists, it could be more comprehensive and effective.
- b) PI-3 Macroeconomic framework: Uganda scored C, suggesting that while a macroeconomic framework is in place, its accuracy and reliability could be improved.
- c) PI-12 Multi-year perspective in fiscal planning, expenditure policy, and budgeting: Uganda scored C, indicating that while an MTEF is in place, its implementation and effectiveness could be improved.
- d) PI-7 Debt management: Uganda's debt management performance highlights the need for improved debt management strategies and practices.

B. Problem Manifestation

The management of fiscal strategy under the PFM-RS needs to address a set of challenges arising from perceived weak areas in the current fiscal strategy, policy and administrative framework. The problem is manifesting through:

- i. The frequent recourse to the use of supplementary appropriations which undermine the planned sectoral allocation of fiscal resources and typically lead to the overall budget deficit exceeding the planned level, with the implication of unplanned accumulation of public debt
- ii. The absence of a clear consensus between the political and administrative levels of government. This Is manifested in the difficulty experienced in determination of the scope of the annual and multiannual budget in which there needs to be a balance between the fiscal resource availability and the demand for provision of services and accommodation of ambitious plans for public sector investment as a key driver of growth

- iii. Difficulty experienced in meeting the ambitious targets for the increase in domestic revenues both at national level through the URA and in terms of the generation of Own Source Revenue (OSR) by local authorities
- iv. Difficulties experienced in establishing a multi-annual budget (MTFF and MTEF) which is binding on the allocations for outer year budgets
- v. Budgets not reflecting strategic priorities
- vi. Unrealistic projections: MTEF projections may be based on overly optimistic assumptions, undermining the credibility of the budget.
- vii. Poor resource allocation: Resources may not be allocated efficiently, hindering the achievement of national development goals.
- viii. Weakened fiscal discipline: Inadequate challenge and scrutiny can lead to fiscal slippage, undermining the government's ability to manage its finances effectively.
- ix. High and unsustainable debt levels-weak macro-fiscal forecasting can further exacerbate debt risks by leading to unrealistic revenue and expenditure projections. This highlights the need for strengthening the budget challenge function and improving macro-fiscal forecasting to ensure fiscal discipline and debt sustainability.

C. Root Causes

The root causes of ineffective policy-based fiscal strategy and budgeting include:

i. Weak Budget Challenge Function

Uganda has been rightly lauded for pioneering fundamental reforms in policy-based fiscal strategy and budgeting. Notable among these includes the establishment of Medium-Term Expenditure Frameworks (MTEFs), macroeconomic forecasting using the Integrated Macroeconomic Model (IMEM), institutional strengthening of the debt office following best practices (such as front and back office structures as recommended by UNCTAD), and programme-based budgeting. These reforms aim to align plans with high-level development objectives, enhancing fiscal management and accountability.

However, despite these advances, a critical challenge persists: weaknesses in the Budget Challenge Function. "Budget Challenge" refers to the mandate and practical ability of those responsible for putting the budget together to critically challenge proposals presented by MDAs and other agencies for the utilisation of budget resources. Effective budget Challenge requires adequate time for analysis of budget proposals in the annual budget cycle and the technical skills to identify weaknesses in budget submissions which are likely to undermine the realisation of the stated objectives of public spending. This function is crucial for ensuring that budget proposals are thoroughly and independently scrutinized, promoting fiscal discipline and responsible budgeting. The current limitations in this area hinder the attainment of desired outcomes, underscoring the need for strengthened oversight mechanisms.

Root causes of this problem can be attributed to a combination of factors

The Ministry of Finance's budget challenge function is ineffective in scrutinizing and validating budget proposals from government agencies. This weakness results in inadequate fiscal discipline, as budget assumptions are often unrealistic and spending is not prioritized. Consequently, resources are allocated inefficiently, undermining the government's ability to achieve its development objectives.

Furthermore, the lack of effective challenge and scrutiny leads to budget allocations that fail to support strategic national priorities. This misalignment hinders the government's efforts to address pressing development challenges and deliver essential public services.

The ineffective budget challenge function also contributes to inefficient budget execution. Poor budget performance, underspending, and misappropriation of funds are common issues that arise when budget proposals are not thoroughly vetted. This not only wastes resources but also erodes public trust in the government's ability to manage its finances effectively.

Overall, the weak budget challenge function at the Ministry of Finance undermines the government's ability to ensure fiscal responsibility, allocate resources strategically, and achieve its development goals. Strengthening this function is essential to improving budget management and promoting sustainable development outcomes.

The weak budget challenge function at the Ministry of Finance undermines the effectiveness of the Medium-Term Expenditure Framework (MTEF) and macro-fiscal forecasting. Without robust scrutiny and validation of budget proposals, the MTEF may not accurately reflect the government's strategic priorities or fiscal realities. This weakness can lead to poor fiscal decisions, contributing to Uganda's growing debt burden, which raises concerns about debt sustainability.

ii. Macro forecasting and Climate change

While Uganda has made significant strides in developing its capacity to accurately forecast macro-fiscal aggregates by developing several analytical tools & frameworks such as the Integrated Macroeconomic

Model (IMEM), new developments in the economy which include: climate change with increased frequency of negative climate shocks and the onset of production activity in the oil & gas sector, the current economic analysis is largely lacking in environmental data and climate information. This impacts on the ability of the current tools to assess how climate will affect economic growth and subsequently government revenues, to facilitate the formulation of effective policy based fiscal measures.

Root causes of this problem can be attributed to a combination of factors

The existing economy-wide models are based on old and outdated databases e.g. the Social Accounting Matrix (SAM) of 2016/17, which do not adequately cater for environment-related variables and new developments such as the oil and gas economic activities. The social accounting matrix represents all flows of economic transactions across the sectors of the economy, and it forms the basis for macroeconomic forecasting and analysis. It is therefore very important to develop a SAM that incorporates all the new developments in the economy including the environmental /climate change indicators and extractive industry. Effective policy based fiscal measures including climate change fiscal risk assessment cannot be comprehensively undertaken to support development planning and budgeting largely due to lack of the necessary assessment tools as well as limited technical capacity. By adequately quantifying the costs associated with adaptation to and mitigation of climate-change occurrences and incorporating these in the macroeconomic frameworks and budgets, sustainable inclusive economic growth can be enhanced while addressing the challenges posed by climate change through a multiannual strategy for financing the climate transition.

iii. Inefficient Debt management strategies and suboptimal diversification of financing options

The high debt service costs in Uganda are largely attributed to inefficient debt management strategies, limited access to concessional financing, and a heavy reliance on traditional and costly financing options. These underlying issues constrain the government's fiscal space, diverting a significant portion of revenue towards debt repayment and limiting the allocation of resources to critical development programs and public services. The current public financing strategy 2022 provide opportunity to diversify sources to including savings, green bonds, climate financing, etcetera and this needs to be maximised.

Despite the growing climate finance flows to Africa, Uganda has not fully capitalized on the opportunities presented by these funds. The country's climate finance needs and goals continue to expand, driven by pressing challenges such as droughts, floods, and water scarcity. However, these needs remain significantly underfunded, hindering Uganda's ability to effectively adapt to the impacts of climate change and transition to a low-carbon economy. As a result, the country's climate resilience and sustainable development ambitions are at risk of being undermined, underscoring the urgent need for Uganda to strengthen its climate finance mobilization and utilization efforts. Climate finance in Africa has seen significant growth, with a 48% increase in climate finance flows between 2019/2020 and 2021/2022, reaching \$43.7 billion ¹. However, this amount still falls short of the estimated \$277 billion annually needed to implement Africa's Nationally Determined Contributions (NDCs) and meet 2030 climate goals. This is typically comprised of contributions from Private finance spread evenly across domestic (49%) and international (51%) sources.

In addition, it is also important to assess the financing requirements to achieve the NDCs, and this will require building economy-wide analytical tools and frameworks that can be used to estimate the costs for supporting the identified initiatives such as climate smart agricultural practices and investment in climate resilient infrastructure. The commitments involve helping countries to adapt to climate change effects and mobilize enough finance, against each country's Nationally Determined Contributions (NDCs). The existing analytical frameworks and databases do not allow for the computation of the magnitude of climate shocks and their path through effects on all other sectors of the economy. This in a way, limits climate finance mobilization efforts yet there are opportunities that Uganda could tap into, but also pose major risks for macroeconomic stability in the event of severe climate shocks.

D. Constraints

Achieving advances in fiscal strategy face severe practical constraints. In particular:

- (i) Insufficient stakeholder engagement in budget development
- (ii) weaknesses in the government apparatus arising from inadequate presence of skilled professional staff and associated constraints to recruitment of professionals at market rates. This obstructs analysis in the field of fiscal strategy as a result of limited capacity for quality economic and fiscal analysis and the preparation of quality evaluations of alternative policy options
- (iii) Issues arising in the availability, quality and timeliness of economic data required for the development of robust models to drive fiscal strategy formulation
- (iv) Limited transparency and accountability in budget and debt management processes
- (v) There is limited technical capacity to assess climate change-related issues in PFM (PIM, budgeting, audit) which undermines the implementation of proposed regulation.
- (vi) Due to the lack of appropriate analytical tools and frameworks for undertaking sufficient analysis, it is not possible to estimate/project the climate change fiscal risks, including risks related to public sector assets and long-term macroeconomic risks.
- (vii) Resource allocation to the contingency fund is insufficient to cover the estimated impacts of climate change-related hazards on public infrastructure, requiring frequent supplementary budgets.

5.2.2 Reform Focus

Arising from the situational analysis, the core aspects of reform under this objective are conceptualized along the following key focal pillars:

- i. Aligning fiscal policy with national development goals: Ensuring budget allocations support sustainable development objectives.
- ii. Strengthening fiscal planning and budgeting frameworks: Improving budget formulation, execution, and monitoring.
- iii. Ensuring sustainable debt management: Maintaining prudent debt levels, managing debt risks, and promoting debt sustainability.
- iv. Enhancing transparency and accountability: Promoting open budgeting, citizen engagement, and oversight.
- v. Medium-term fiscal frameworks: Establishing multi-year budget planning and fiscal projections.
- vi. Performance-based budgeting: Focusing on results-oriented budgeting and expenditure effectiveness.

5.2.3 Expected Outcomes

5.2.3.1 Strengthened Budget Framework and challenge function

This outcome is oriented to creating a strengthened budget preparation process which addresses important existing weaknesses. The budget process will be strengthened: (i) to achieve a closer alignment between planned development objectives as set out in in the 5-year plan; (ii) the quality of the budget frameworks submitted by the MDAs in the course of the preparation stage of the annual budget will be upgraded in terms of their feasibility, internal coherence and appropriate relationship between the requirements for funding under the recurrent and development budgets; (iii) the operational effectiveness of the budget will be increased by extending the annual budget process to the medium term. (This third item is addressed under the second Intermediate outcome below). The central mechanisms for creating these improvements in the budget will be:

- (i) Strengthening of the budget challenge function performed by MOFPED in the critical appraisal of the annual budget frameworks submitted by the MDAs
- (ii) Evidence-based fiscal policy-making strengthened (Evidence-Informed Budgeting)
- (iii) Budgets aligned to strategic plans and medium-term expenditure frameworks supported by effective macroeconomic and macro-fiscal modelling
- (iv) An adequate institutional framework for managing fiscal risks, especially those arising from SOE financial operations, but also covering fiscal risks arising from accumulated spending arrears, legal contingent liabilities, climate change and macroeconomic events. Fiscal risk management will be enhanced through a strengthened institutional capacity in the form of a Fiscal Risk Unit in MoFPED with capacity building in the analysis of contingent liabilities for the budget arising in the SOE sector
- (v) Multi-year commitments reflected in annual budgets (addressed under Outcome 5.3.2)
- (vi) Enhancing gender and equity considerations in Public Financial Management

Strengthening of the Budget Challenge Function: Strengthening the budget challenge function is crucial for Enhanced Policy-Based Fiscal Strategy and Budgeting (EPBFSB). A robust budget challenge function ensures that budget proposals are thoroughly scrutinized, promoting fiscal discipline and responsible budgeting. By critically evaluating budget proposals, the challenge function helps ensure that allocations align with national priorities and strategic objectives. This, in turn, improves the credibility of the budget by ensuring that projections are realistic and assumptions are sound.

A strong budget challenge function also promotes more effective resource allocation by evaluating budget proposals against strategic priorities and fiscal constraints. This helps to ensure that resources are allocated efficiently and effectively, supporting better development outcomes. Furthermore, a robust challenge function enhances transparency and accountability in budget management, which can increase public trust in government.

To be effective, the budget challenge function should be based on independent analysis and evaluation of budget proposals, staffed by technical experts with the necessary skills and knowledge. Clear criteria should be used to evaluate budget proposals, ensuring consistency and transparency. By strengthening the budget challenge function, Uganda can enhance its policy-based fiscal strategy and budgeting, promoting better fiscal management and development outcomes.

Evidence-based fiscal strategy: This outcome aims to support and drive demand for the use of analysis and evidence in economic and fiscal policy formulation. By harmonising M&E frameworks across Government, limited resources for data collection and review will be used more effectively. Capabilities and tools for reporting on the quality of service delivery down to local government level will be strengthened. This will include undertaking key strategic evaluations, based on development of a medium-term evaluation

and research programme that will guide more regular evaluations. Establishing a means of coordinating, disseminating and making use of evidence to inform policy making will be important to enhance learning from previous experience. For example, commissioning timely analyses for sector performance reviews. Building on existing efforts to monitor delivery against the budget, activities will focus on developing a consistent approach to budget monitoring and improving the dissemination of monitoring information.

Alignment of budget to plan: This outcome reflects enhanced fiscal and economic impact analysis thus ensuring alignment of plans to the long-term strategic direction of the country. In addition, it provides for the further embedding of programme-based budgeting through use of the PBS tool, assessing and addressing capacity needs, and reviewing the performance of the PBB approach. The strategy approach is based on enhanced coordination of the various players with OPM brought on board as an implementer. Strengthening linkages between planning and budgeting brings together and strengthens close coordination between MoFPED, NPA, OPM, MDALGs and DPI Secretariat among others. In particular, strengthening programme coordination and programme planning processes is envisaged to facilitate to setting and operationalizing performance standards across Government. Strengthening the role of NPA, particularly at the start of the budgeting process will also be important to inform the budget strategy, against which the NPA compliance certificate may be assessed annually

<u>Enhancing equity and gender budgeting</u>: Government operations on both the revenue and the expenditure sides of the budget can have a profound impact on the national distribution of income and wealth. Equity considerations in budgeting relate to the overall impact of the government budget with an objective of ensuring that there is an equitable allocation of benefits and burdens on the population as a whole and on individual geographical areas. Analysis of equity in the budget will be based on assessment of the net impact of the revenue measures in force and the distributional impact of allocations applied in the expenditure side of the budget, with the aim of achieving consistency of equity objectives across the revenue/expenditure divide.

Gender budgeting provides for a specific aspect of equity budgeting, namely the promotion of the role of women in national development. Provisions already exist for the assessment of the gender impact of spending plans. This system will be supplemented through the introduction of gender budget tagging, which will provide both a baseline of existing allocations in support of women's role in the economy and an indication of progress over time as gender considerations are taken more fully into account in the development of MDA budget frameworks.

5.2.3.2. Multiyear Budgeting strengthened

The second outcome under fiscal strategy will address the need for a greatly strengthened multi-year framework for budgeting. Currently this is a very weak aspect of the budget management system. At present the budget call circular only requires the MDAs to present an annual set of their estimated financial requirements to deliver services and undertake capital investments. In the same vein the budget documents tabled in the national assembly are confined to budget estimates for the single upcoming year. The system is not able to accommodate the inherent multi-year nature of many development projects (especially the larger capital investments). This leads to a situation where multiple development projects are included in the annual budget, most of the spending of which will actually occur in subsequent years.

The basic solution to this conundrum is to move towards a multiannual budgeting system, referred to as a medium-term budget framework (MTBF). The key feature of the MTBF is that the annual budget preparation process includes not only the forthcoming budget year but also estimates for 3 or more outer years. The estimates for the forthcoming budget year have legal force once appropriated by parliament, while the outer year estimates are indicative in nature. The main advantage to be achieved through multi-annual budgeting is the recognition of the forward budget requirements arising from commitments entered into in the initial budget year. This development can help to address the current practice whereby extensive within-year modifications of the budget through supplementary appropriations are required.

Moving to a multiannual budgeting system requires substantial institutional and capacity building efforts:

- 1. The MDAs and programme managers need to transform their planning and budget preparation activities to move from a primary consideration of the annual service delivery to the multi-annual process required to capture the relationship between the recurrent costs of service delivery and the requirement and impact of investment activities to enhance the quality and access to public services over time.
- 2. The budget call circular will move to cover a multiannual period consisting of the year of the annual budget and 2-3 outer years
- 3. The submission of the budget documentation to parliament will include estimates of the expenditure requirements under the main heads for each MDA for the annual budget for the forthcoming year and, indicative requirements for the outer years. The legal process of budget appropriation by parliament will be confined to the forthcoming annual budget

5.2.3.3. Sustainable development Financing through Alternative Financing

This outcome focuses on diversifying public finance sources for development programs, moving beyond traditional revenue collection by exploring non-traditional financing options. Building on previous reform focus on establishing Uganda's robust debt management framework and institutional arrangements, as evidenced by improved Debt Management PEFA scores, the next phase prioritizes sustainable financing through alternative mechanisms.

Leveraging the Uganda Public Investments Financing Strategy (2022), the reforms aim to tap into new financing options with proven potential, while maintaining minimal focus on refining residual elements like cash management. While doing so, minimal efforts will be dedicated to sustaining and refining residual elements of debt management, such as cash management, which remains critical for optimizing liquidity, managing financial risks, and ensuring efficient utilization of resources. By striking this balance, Uganda can harness alternative financing options to support its development goals while maintaining the hard-won gains in debt management.

By diversifying funding sources and leveraging innovative financing mechanisms, governments can reduce their reliance on traditional debt instruments and manage their debt portfolios more sustainably. This can help mitigate debt risks, optimize borrowing costs, and ensure that debt is used effectively to support sustainable development goals. Effective sustainable debt management, in turn, enables governments to maintain fiscal stability, promote economic resilience, and achieve long-term development objectives.

The potential sources of increased financing are identified across the following intermediate outcomes:

- 1. Infrastructure Bonds in coherence with PIM objectives
- 2. Growth of Retirement Funds as part of Long-Term Domestic Financing Mechanism
- 3. Increased Climate Financing as resource to Long-Term Domestic Financing (will include reforms such as climate tagging)
- 4. Optimized Public Debt Portfolio Management Generation of increased fiscal space through efficient debt management which can reduce the annual cost of debt service and amortisation through nimble management of the public sector debt portfolio
- 5. Green Bonds
- 6. Increased access to Investing in Government securities through mass savings

<u>Savings/Pension funds:</u> Support Growth of pension/Retirement Funds as part of Long-Term Domestic Financing Mechanism for Uganda's Service Delivery (Targeting USD2.5 billion in 5 years).

<u>Climate financing</u>: Climate change adaptation is an area of growing concern and engagement for many developing countries. The myriad and uncertain effects of a changing climate pose significant risks for development and achievement of the Sustainable Development Goals (SDGs). The PFM reforms strategy suggests numerous initiatives and financing mechanisms aimed at climate change adaptation in various stages of development. Important areas of work in the field of climate change adaptation include understanding climate change, its impacts, and the vulnerability of a country and its population to the adverse impacts of climate change. Efforts will also concentrate on developing specific adaptation measures, with a focus on the ones that correspond to Uganda's "most urgent and immediate needs," as detailed in national adaptation programmes of action (NAPAs).

The outcome on Enhancing Contribution of Climate Financing as a resource to sustainable development and climate resilience commitments is focused on harnessing alternative financing mechanisms, mobilizing climate-specific funds, and leveraging public-private partnerships to support climate-resilient projects and sustainable development initiatives in Uganda. There is currently a strong global trend for the allocation of donor funds to take the establishment of special funds for response to the climate change challenge. The country will establish the track record addressing climate concerns and establish the institutions appropriate to maximize the ability to access these emerging sources of finance.

Climate change adaptation is an area of growing concern and engagement for many developing countries. The myriad and uncertain effects of a changing climate pose significant risks for development and achievement of the Sustainable Development Goals (SDGs). The PFM reforms strategy suggests numerous initiatives and financing mechanisms aimed at climate change adaptation in various stages of development. Important areas of work in the field of climate change adaptation include understanding climate change, its impacts, and the vulnerability of a country and its population to the adverse impacts of climate change. Efforts will also concentrate on developing specific adaptation measures, with a focus on the ones that correspond to Uganda's "most urgent and immediate needs," as detailed in national adaptation programmes of action (NAPAs).

In March 2023, the Ministry of Finance, Planning and Economic Development (MoFPED) established a Climate Finance Unit (CFU) as part of Government's long-term strategy for strengthening institutional capacity for mobilizing and managing climate finance in Uganda.

As a next step, this effort requires establishment of the Uganda National Climate Financing Vehicle (NCFV). This dedicated mechanism aims to leverage climate finance from various sources and support Uganda's climate change mitigation and adaptation efforts, ultimately contributing to the country's sustainable development goals.

Efficient management of the public debt: The magnitude of the outstanding public debt as measured, for example, by the debt/GDP ratio, is determined by the history of deficits incurred on the annual government budget. Budget deficits are financed through increased debt, whether external, domestic money market or borrowing from the central bank. Policies to reduce public debt accordingly depend mainly on the management of the fiscal deficit and the simulation of rapid economic growth which lowers the debt/GDP ratio for a given debt portfolio.

However, even where the overall magnitude of debt is determined at the macro level, there is scope for influencing the fiscal impact of debt servicing and amortisation. The instruments available to reduce the maintenance cost of debt include selection of lender types, modification of the time schedule of repayments and decisions on the maturity profile of newly issued treasury bills, among others.

The debt management unit in MoFPED will continue to develop its skills and techniques for ensuring that the servicing costs of the given outstanding debt is minimised, thus contributing to enhanced fiscal space for government programmes.

Weaknesses in the cash flow forecasting and management system can create unplanned requirements for short term borrowing to meet gaps in cash availability arising from inaccurate forecasts of the requirements of MDAs. Efforts will be made, in line with the recommendation of the 2023 IMF mission⁸ cash flow management, to improve the accuracy of forecasts of MDA cash requirements, through training of MDAs in assessment of their requirements and improvement so the techniques used in in cash flow forecasting by the Cash Management Committee. Attention will also be paid to clarifying the institutional set-up of the Cash Management Committee.

5.2.4 High-level Outputs

This subsection presents the broad Reform Interventions along the rationalised intermediate outcomes. The detailed actions that will be implemented to achieve these outcomes are outlined in Annex 2, providing a comprehensive roadmap for reform implementation.

5.2.4.1 Strengthened Budget Framework and Budget Challenge function

Budget challenge function strengthened

- I. Institutional strengthening of the MoFPED to undertake technical critical analysis of the budget submissions of the MDAs. This will include process improvements; guidelines, tools, capacity development at both the demand and supply side The following measures will be undertaken:
 - a. Process improvement Review of the budget cycle timetable to explore the possibility of (i) generating a longer period for quality assurance of MDA Budget Frameworks by MOFPED; and (ii) motivating the MDAs to start the preparation of their Budget Frameworks well in advance of the issuance of the budget circular
 - b. Capacity building within MoFPED and NPA (demand side) Enhancing the role of/ Design and delivery of training in the exercise of quality control by the budget officers/Desk Officers in MoFPED and across the planning departments in the MDAs. Including Assessment of the existing capacity within MoFPED to review MDA submissions in terms of the number and professional capacity of the complement of budget officers assigned to this quality assurance function
 - c. Capacity in MDAs (supply side) In Preparation of quality Budget Framework documents. Including Assessment of the existing capacities in MDAs to prepare quality budget frameworks. Including raining in the analysis of the linkages between the recurrent budget requirements for planned service delivery and the capital investment requirements to support the planned expansion of access or quality enhancement of services to be provided
 - d. Review of the instructions and guidelines available to MDAs on how to prepare high quality Budget Frameworks
 - e. Government Economists trained to improve quality of MDALG plans with a realistic multi-annual perspective.
- II. Capacity development of programme secretariats to undertake critical analysis of the budget submissions of the MDAs in line with their contribution in the Budget preparation process in the line the PBB reforms. These have a role in coordinating resource allocation across programmes to ensure alignment with strategic objectives.

Srdanovic, A. and Jonsson, P-O, Strengthening the TSA and cash flow management practices, IMF 2023)

Evidence-based fiscal strategy:

- I. Tools, procedures and capacities enhanced for gathering evidence and undertaking analysis to inform policy
- II. Establish and enhance mechanisms for fostering and requiring the use of evidence in policy formulation and planning
- III. Enhancement of reporting capability on service delivery
- IV. Strengthen national M&E systems and processes to ensure effective monitoring and evaluation of the NDP programmes across government
- V. Updating of the IMEM to incorporate best practice in macroeconomic and macro fiscal forecasting
- VI. Continued strengthening of the high frequency statistical data required to underpin within-year economic and fiscal forecasting
- VII. Capacity development in the economic analysis of policy options at the macro fiscal level
- VIII. Deepening of the relationship between government and the academic Growth and PIM Centres of Excellence in Makerere University

Alignment of budget to plan:

- i. Strengthen the implementation of the programme approach to planning across the MDAs and LGs
- ii. Strengthen risk assessment and budget monitoring of investment projects portfolio across MDAs and LGs.
- iii. Macroeconomic management with a medium-term outlook aligned with the National strategic objectives
- iv. Strengthening Program-Based Budgeting (PBB) reform for the planning function in government
- v. Enhance the coordination role of OPM and other agencies in promoting participation of various relevant stakeholders.

Enhancing equity and gender budgeting:

- I. Introduction of gender budget tagging and analysis of the status and trends
- II. Development of approaches to more comprehensive assessment of the distributional impact of the combined operations of the public sector on the revenue and expenditure sides of the budget

5.2.4.2. Multi-year Budgeting

- i. Analysis of options for the move to multiannual budgeting and consultations leading to an agreed implementation plan. Including:
- ii. Modification of the Budget Call Circular to require MDA submission on a multi-annual framework
- iii. Establishment of linkages between the monitoring of progress on development projects and their expected implementation time profile and the strengthening of multiannual budgeting
- iv. Government Economists trained to improve quality of MDALG plans with a realistic multi-annual perspective.

5.2.3.3. Sustainable Development Financing through Alternative Financing

This outcome provides for the broadening out over time of the sources of access to finance for public programmes from sources other than revenue collection. Potential approaches fronted:

Infrastructure Bonds

The strategy supports the aspirations of the Uganda Public Investments Financing Strategy (2022) by leveraging infrastructure bonds as a critical component, mobilizing long-term financing for priority projects and aligning with the strategy's objectives. This approach is coherent with the current drive to enhance public investment management outcomes, unlocking financing, improving project viability, and promoting transparency, accountability, and efficient management of public investments, ultimately contributing to better development outcomes and helping Uganda achieve its development goal. An infrastructure bond is a type of Bond issued by Central Governments, state owned enterprises and private corporations to finance the construction of an infrastructure facility. These infrastructure projects can be highways, sea-ports, railways, airport terminals, bridges, tunnels, pipelines etc.

Climate funds:

- i. Establishment of Uganda National Financing vehicle in MoFPED to promote Uganda's access to Climate finance and addressing related climate risks. This is also aligned to National Climate Finance Vehicle (NCFV) is anchored in Uganda's National Climate Finance Strategy (2024–2030),
- ii. Capacity Development for MoFPED, MDAs and LGs on assessing and quantifying climate change-related risks.

Long Term Pension/Retirement funds:

- i. Regulatory and governance framework established for micro pension scheme (National Long-Term Savings Scheme) for non-salaried workers and private sector workers
- ii. A central pension Tech platform and the digital process architecture

iii. Sustainable Change Management on Savings for Investment

<u>Green Bonds:</u> Development and operationalization of the national green bond framework and Uganda is yet to fully operationalise in the long term. Proposed key components will include:

- a. Framework Development: Establish a national green bond framework outlining principles, guidelines, and criteria for green bond issuance.
- b. Project Eligibility and use of funds: Guidelines for defining eligible green projects, such as renewable energy, sustainable infrastructure, and climate-resilient agriculture. Including frameworks to specify how green bond proceeds will be used and managed.
- c. Reporting and Transparency: Ensure regular reporting on green bond impact and progress.
- d. Certification and Verification: Establish certification and verification processes to ensure compliance with green bond principles.

Short-term savings (Increased access to Investing in Government securities through mass savings

Government is preparing to roll out a mobile money-based platform—OKUSEVINGA—to allow small retail investors to purchase government securities. The platform will broaden domestic participation in government debt markets. The next phase will include rollout and implementation.

Debt management:

- i. Domestic borrowing and Improving Debt Management Oversight
- ii. Regular market engagement on investment in Government Securities
- iii. Enhanced capacity in public debt (loan) negotiation and operationalising the debt management strategy
- iv. Improved cash management including institutional arrangements of the cash management committee and Training of MDAs in cash flow forecasting to minimise the requirement for unplanned borrowing to fill gaps in cash availability/Refinement of the techniques for cash flow forecasting applied by the Cash Management Committee.

5.3 Sustainable Domestic Resource Mobilization

The Domestic Revenue Mobilization Strategy (DRMS) 2019/20-2023/24 detailed interventions, projected to result in a 0.5 percentage point growth per annum in the tax-to-GDP ratio, based on some improvement in compliance and no adverse shocks. On this trajectory, Uganda was expected to reach the 16%-18% tax-to-GDP target by FY2023/24. The tax to GDP ratio grew from 12.5% in FY 2019/20 to 13.6% projected for FY 2023/24 moving only slightly towards the 16-18% envisaged in the DRMS. Regarding annual growth, Uganda's revenue effort has been growing at an average of 0.3 percent, a little lower than the 0.5% anticipated in the DRMS.

Table 5.1: Performance of Domestic Revenue Mobilization (2014-2022)

Period	Net URA Targets (UGX Bn)	Net URA Collections (UGX Bn)	Year to Year Growth (revenue)	
2014/15	9,576.59	9,939.69	1,908.66	19%
2015/16	11,635.42	11,293.81	1,354.12	12%
2016/17	13,177.15	12,719.63	1,425.82	11%
2017/18	15,062.43	14,456.11	1,736.48	12%
2018/19	16,358.76	16,617.65	2,161.53	13%
2019/20	20,344.13	16,751.64	133.99	1%
2020/21	21,638.65	19,263.00	2,511.36	13%
2021/22	22,363.50	21,658.01	2,395.01	11%
2022/23	25,151.57	25,209.05	3,551.05	14%
2023/24			2,161.95	12%

5.3.1 Problem Analysis

A. Problem Statement

Uganda's domestic revenue mobilization is inadequate to support its development needs. With the performance of domestic revenue, the DRMS target of achieving a 16%—18% tax-to-GDP ratio by the end of FY2023/24 has not been met due to, among other things, the delayed conclusions of tax policy reforms, a growing untapped informal sector, and limited leveraging of digital systems and third-party data. In addition, there is a lack of ownership and engagement of key stakeholders responsible for the implementation of critical interventions.

DRM reforms targeted at strengthening the data functions facilitate the provision of reliable and accurate figures that enable GoU to produce realistic strategic fiscal forecasts and plans. The plans will in turn enable realistic and actionable budgets and work plans to drive better public services delivery. Additionally, DRM will enhance transparency and accountability, which will reduce corruption and waste of resources, in

turn benefiting public service delivery. DRM reforms have facilitated capacity building and training of URA staff and the Tax Policy Department of MOFPED. It should also be mentioned that improved stakeholder participation in DRM activities will likely encourage realistic planning, budgeting, accounting and reporting of revenue resources.

B. Problem Manifestation

The problem is manifesting through:

- i. Low tax-to-GDP ratio
- ii. Narrow tax base
- iii. High tax evasion and avoidance (low compliance)
- iv. Limited revenue diversification

C. Root Causes

The root causes of inadequate DRM include:

1. Inefficient tax policy and legislation

Uganda's tax policy should prioritize simplification and strategic leakage prevention to enhance compliance. By streamlining tax laws and regulations, Uganda can reduce complexity and make it easier for taxpayers to comply. A simplified tax regime with robust compliance measures can foster a more efficient tax system, encouraging voluntary compliance and reducing the burden on taxpayers (OECD, 2019).

Root causes of this problem can be attributed to a combination of factors including:

(i) Sub-optimal tax policy institutional setup and function – Including capacity challenges within TPD to expeditiously process the various efforts in tax policy-making reform and in updating tax laws. The institutional review of TPD among others recommended some restructuring of TPD aimed at strengthening it. A restructuring proposal to that effect has been prepared and discussed by PEMCOM but is yet to bring about the recommended changes. The capacity challenges in TPD limit the pace of the tax reforms necessary to update the required laws. For example, while skills were built on tax administration of the digital economy with support from DRM4D in which URA commenced the process to develop a comprehensive programme for taxation of the e-commerce industry, transforming the recommendations into updated laws necessary broaden the tax base has been slow.

There is poor coordination and collaboration between national and local government revenue plans, which poses risks to the country's financial and development goals. Although some progress has been made in enhancing tax collection, disparities remain in aligning interests between the central government agencies such as NIRA, URSB, NITA-U and local government levels. There are therefore fragmented approaches to revenue mobilization, with local entities pursuing strategies that may not be fully coordinated with national priorities.

- (ii) There is limited stakeholder involvement during tax policy development and design, which continues to hamper the progress on participation of desired stakeholders such as academia, the private sector, and other non-state actors. This means that tax measures can be formulated without a detailed understanding of the implications, which later become difficult to implement. Relatedly, there is limited technical capacity at URA and Tax Policy Department to undertake robust revenue forecasting, economic and social modelling necessary for realistic and better collection. For instance, by the end of FY2022/23, only four tax-related analytical papers were published by both TPD and URA, as compared to 10 in 2021/2022, and 17 in 2020/2021, which shows a decline over the years.
- (iii) The Tax Policy Department lacks a comprehensive Tax Expenditure Framework, thus contributing to the abuse of the system, limiting the ability to monitor the effectiveness of tax expenditure, and reducing transparency in the governance of tax holidays, including the process for assessment and approval. In FY 2019/20, the estimated revenue foregone was UGX. 1,891.47 billion (11.29%), which increased to UGX. 2,164.83bn (12.92%) in FY 2020/21 and finally to UGX 2,478bn (14.79%) in FY 2021/22.
- (iv) There are also selected exemptions from personal income tax, which create a non-neutral system and, thus, endanger tax morale. The same breeds perspectives that the tax system disproportionately burdens small and medium-sized enterprises (SMEs). This has led to a dwindling revenue base because of their selective nature. Particularly problematic exemptions include those applied to judges, income streams for parliament members, and expatriates and employees under donor-funded programs. The selective nature of tax exemptions has reduced taxpayer morale. The tax exemption framework is equally poorly understood; it is neither consistent in implementation nor fair, which significantly affects effectiveness.

2. Weak tax administration and enforcement

Additionally, blocking leakages through effective tax administration and enforcement can help prevent revenue losses (IMF, 2020). Uganda's tax administration faces multifaceted challenges, including inefficient processes, and inadequate infrastructure (World Bank, 2020). Tax evasion and avoidance are rampant,

with significant revenue losses resulting from generous tax incentives and exemptions (IMF, 2020; Auditor General's Report, 2022). Corruption and lack of transparency erode trust (Transparency International, 2022), while limited taxpayer education and awareness contribute to unintentional non-compliance (OECD, 2019).

The Uganda Revenue Authority (URA) struggles to enforce compliance. However, there are opportunities for facilitating the URA to lift the capacity levels and leverage technology to plug gaps in revenue monitoring and compliance, such as through digital tax filing, data analytics, and risk-based audits (Deloitte, 2020; EY, 2022). By harnessing technology, the URA can enhance tax compliance, reduce administrative burdens, and improve revenue collection.

Root causes of this problem can be attributed to a combination of factors including:

- (i) Limited taxpayer education, awareness and a weak payment culture hindering tax compliance. Many taxpayers lack awareness and knowledge of taxation, leading to misconceptions and unintentional non-compliance. The introduction of tax administration reforms, such as the Electronic Fiscal Receipting and Invoicing System (EFRIS), often suffers from inadequate change management, exacerbating the issue. Furthermore, SMEs' accountants often have limited tax knowledge, yet businesses rely on them to understand URA requirements. Partnering with private sector players can play a crucial role in tax education. To address these issues, there is a need to revamp and rethink approaches to tax education, making them more efficient and effective. Additionally, fixing reputational risks on the part of tax administrators is crucial, as negative perceptions can compound the problem and erode trust in the tax system. A comprehensive approach that includes stakeholder engagement, capacity building, and collaboration with private sector players can help foster a culture of tax compliance and improve revenue mobilization.
- (ii) Insufficient use and adoption of technology for monitoring tax compliance. The Uganda Revenue Authority (URA) faces challenges in leveraging technology for compliance monitoring, hindering its efforts to optimize tax collection. Despite efforts to implement digital solutions like the Electronic Fiscal Receipting and Invoicing Solution (EFRIS), crafty taxpayers have found ways to circumvent the system. For instance, some businesses have been known to manipulate sales data by selectively issuing receipts, making it optional for buyers and sellers to use them, thereby undermining the effectiveness of EFRIS. Additionally, taxpayers have resorted to fake product tagging to evade Value-Added Tax (VAT) payments. These exploitation of loopholes undermines the effectiveness of URA's compliance monitoring, resulting in significant revenue losses. To stay ahead, URA must continually update and refine its technological approaches to detect and prevent such tax evasion strategies.

In addition, URA's e-tax system requires to be updated in order to be to integrate with core systems of government to access 3rd party data as well allow for upgrade of core modules. The ongoing reforms aim to improve data quality and taxpayer compliance through system improvements, better integration/pre-filling of returns/accurate and transparent taxpayer ledgers.

(iii) Separately, the potential for strategic partnership between the central government's tax administration and local governments (LGs) in tax enforcement remains underutilized. By collaborating and sharing data, both levels of government can enhance revenue collection, reduce tax evasion, and improve compliance. However, maximizing this opportunity requires effective coordination, information sharing. Communication gaps between central and local governments prevent both sides from fully comprehending each other's needs and concerns. This hinders cooperation and results in redundant efforts due to a lack of coordination. Moreover, URA implements misaligned incentives where the current system does not provide local governments with a strong incentive to align with URA collection efforts, as a significant portion is transferred to the central government. This discourages local governments from supporting national revenue mobilisation efforts. Over the years, URA has had unclear roles and responsibilities among central and local government officials regarding revenue mobilisation. This has dramatically affected the revenue enhancement initiatives.

Fragmented legal framework, which outlines how responsibilities for collecting taxes and other revenue are shared between the national government and local authorities, is still complicated and unclear. This vagueness leads to confusion and makes it difficult for URA and LGs to work together effectively.

3. Lengthy Tax dispute resolution

Uganda's tax dispute resolution mechanism faces challenges, leading to prolonged and costly disputes between taxpayers and the Uganda Revenue Authority (URA) (World Bank, 2020; USAID, 2019). The current system is often perceived as inefficient, and at times opaque, resulting in increased compliance costs, uncertainty, and reputational damage for taxpayers (Tax Justice Network Africa, 2020). This can discourage investment, undermine trust in the tax system, and lead to revenue losses (IMF, 2020). Delays in resolving disputes also create an unnecessary burden on the Tax Appeals Tribunal and courts, further complicating the process (Auditor General's Report, 2022). Strengthening the tax dispute resolution framework through increased transparency, efficiency, and fairness is essential to promoting a more conducive business environment and fostering trust between taxpayers and the URA (OECD, 2019).

4. Limited leveraging of FDI to Uganda's DRM Potential

Uganda's limited foreign direct investment (FDI) inflows have constrained domestic revenue mobilization (DRM) potential, narrowing the tax base and limiting revenue generation (World Bank, 2020; IMF, 2020).

High foreign direct investment (FDI) can significantly boost tax revenues in African countries. According to the United Nations Conference on Trade and Development (UNCTAD), FDI inflows into Africa reached a record \$94 billion in 2024, marking an 85% increase from the previous year. Research by the African Development Bank (AfDB) suggests that FDI can positively impact economic growth and tax revenue mobilization in Africa, particularly when coupled with effective tax systems and regulatory frameworks (AfDB, 2019). By leveraging FDI, African countries can unlock new revenue streams and accelerate economic development (OECD, 2020). While FDI can be a significant driver of economic growth and tax revenue mobilization, Uganda's FDI inflows remain relatively low. According to the Uganda Investment Authority, FDI inflows into Uganda averaged around \$500-600 million annually between 2015-2020 (UIA, 2020). This is significantly lower compared to other African countries. This is particularly critical given the country's ambitious Ten-Year Development Strategy aimed at achieving a tenfold economic growth. FDI is essential for realizing this strategy, as investment is a key driver of growth, job creation, and revenue generation.

Limited FDI inflows can limit DRM in the following ways:

- a. Narrowing the tax base: FDI often brings in new businesses, investments, and economic activities that expand the tax base. Uganda's limited FDI means a narrower tax base, reducing potential tax revenues from sectors like manufacturing and industry.
- b. Reducing taxable income: FDI typically generates income and profits that are subject to taxation. Uganda's limited FDI results in fewer taxable income streams, impacting revenue from corporate income taxes.
- c. Limited job creation and employment: FDI can create new job opportunities, increasing employment and taxable income for individuals. Uganda's limited FDI contributes to high unemployment rates and informal sector dominance, reducing personal income tax revenues.
- d. Limited economic growth: FDI can stimulate economic growth by introducing new technologies, management practices, and capital. Uganda's limited FDI slows economic growth, reducing tax revenues and hindering development.
- e. Dependence on a few sectors: Uganda's economy is heavily reliant on agriculture and extractives; limited FDI exacerbates this dependence, making tax revenues vulnerable to sector-specific shocks.

This reforms strategy has identified digital investment facilitation as a key priority area to optimize processes and reduce barriers to investment. By leveraging digital technologies, the government aims to streamline investment procedures, reduce processing times, and enhance transparency. This move is expected to address concerns around lengthy and opaque processes that often deter investors. Digital investment facilitation will enable real-time tracking, automated approvals, and online payments, making it easier for investors to navigate the system and reducing the risk of corruption. By seizing this 'low-hanging fruit', Uganda can improve its investment climate, attract more foreign direct investment, and ultimately drive economic growth and development.

Root causes of this problem can be attributed to a combination of factors including:

- (i) Lengthy investment permit processes: Complex and time-consuming procedures for obtaining investment permits deter potential investors, leading to a loss of interest or investment opportunities.
- (ii) Incoherent investment growth strategies: Lack of a clear, consistent, and well-coordinated investment strategy hinders the country's ability to attract and retain investments, ultimately limiting economic growth.
- (iii) Investment policy gaps: Gaps and inconsistencies in investment policies, regulations, and incentives create uncertainty and undermine investor confidence, discouraging potential investments.
- (iv) Tax policy gaps: Inefficient tax policies, exemptions, and incentives can limit revenue generation from attracted investments, reducing the benefits of FDI and undermining the country's revenue mobilization efforts.

5. Illicit financial flows and Base Erosion and Profit Shifting (BEPS)

Illicit financial flows (IFFs) have severely impacted revenue potential in Uganda and other African countries. Africa's annual losses due to IFFs total around \$88.6 billion, representing 3.7% of its GDP. This staggering loss exacerbates inequality, stifles growth and threatens achievement of Africa's Agenda 2063 and the UN Sustainable Development Goals. In fact, sub-Saharan Africa lost a staggering \$1.3 trillion to IFFs from 1980 to 2018

IFFs affect revenue potential in several ways 1:

- Tax Revenue Losses: IFFs enable tax evasion and avoidance, depriving governments of revenue. African countries lose an estimated \$100 billion through mis-invoicing alone.
- Undermining Economic Growth: IFFs distort economic activity, undermine financial stability and reduce investment in productive sectors.
- Weakening Governance: IFFs perpetuate corruption, undermine trust in institutions and compromise the rule of law.

Among other reforms, Uganda established the Financial Intelligence Authority (FIA) through activating Section 18 of the Anti-Money Laundering Act 2013. FIA's mandate is to detect and deter money laundering by collecting, analysing and disseminating information related to financial transactions to Law Enforcement Agencies to support investigations and prosecutions of money laundering, terrorism financing and proliferation financing offences.

However, to combat IFFs, African countries are being called upon must strengthen institutional capacities, enhance tax administration and enforcement capabilities, and leverage technologies like artificial intelligence to detect and prevent financial crimes. By addressing IFFs, African countries can safeguard their financial resources, promote sustainable development and ensure a fairer international tax system.

Tax evasion and money laundering involve complex schemes that require tools, systems, and dedicated and qualified personnel to conduct investigations and prosecution, which increase the overall tax compliance costs; while still trade-based money laundering distorts economic trade data and statistics, making planning and decision-making for revenue collection difficult.

Base Erosion and Profit Shifting (BEPS) also pose significant challenges to revenue mobilization in Africa. BEPS allows multinational corporations to shift profits to low-tax jurisdictions, depriving African countries of billions in tax revenue. The OECD's BEPS framework aims to address these issues, but its implementation and effectiveness in Africa require careful consideration and adaptation to the continent's specific needs and contexts. By tackling BEPS, African countries can protect their tax bases, ensure fair taxation and promote a more equitable global tax system.

However, IFFs have had far-reaching consequences on the political and economic security and stability of a country's and the global financial system. IFFs, for example, drain resources from development not only when they leave a country (outflows), but also when they enter a country (inflows); they can have a detrimental impact by fuelling money laundering and corruption, thus undermining the rule of law and the stability of markets⁹

Low capacity and adaption of Digital Taxation

The rapid growth of digital platforms, including e-commerce, mobile money, and online freelancing, has created significant gaps in Uganda's traditional tax system, making it difficult for the URA to effectively track and tax digital transactions, particularly those that are cross-border or informal.

Uganda faces significant challenges in adapting its tax policies to the growing digital economy, including issues like the digital divide, informality in digital businesses, and the lack of clear regulations for emerging technologies. The existing tax framework, which was designed for a traditional, physical economy, is increasingly inadequate for tracking decentralized, informal, and cross-border digital transactions. This results in a significant portion of the economy being underreported, leading to tax evasion and a shrinking tax base. These challenges necessitate a re-evaluation of Uganda's tax policies, including the adoption of modern technological tools to effectively monitor and tax digital transactions.

However, by leveraging technology, improving digital literacy, and engaging in international cooperation, Uganda can build a tax system that addresses these challenges and captures revenue from the digital economy, ensuring fairness and inclusion.

The global economy has experienced profound transformations due to technological innovations, particularly with the rise of digital platforms in sectors such as e-commerce, mobile money, and digital entertainment. Countries like the United Kingdom, France, Singapore, and Australia have responded to these changes by implementing tax systems that effectively capture revenue from digital transactions, even in the absence of physical presence by foreign digital companies. These nations have incorporated mechanisms like Value Added Tax (VAT) and advanced data analytics to track and tax digital services. These global examples provide important lessons for Uganda, which faces similar challenges in adapting its tax policies to the expanding digital economy.

D. Constraints

Key constraints to improving DRM include:

- Limited technical capacity in tax administration

Whereas URA has over 3,400 staff members at different units and functions and plans to recruit 1,278 staff members in the medium term, it lacks a sustainable training strategy. This has led to increased capacity gaps among the staff to undertake their roles efficiently and effectively, as well as a relatively high staff turnover. Establishing a URA Training Academy is expected to mitigate the problem and enhance URA staff motivation and retention capacity.

URA and other tax-collecting entities remain constrained with limited technical capacity (including staff numbers), poor tools and limited budgetary provisions to undertake comprehensive stakeholders'

9 https://unctad.org/statistics/illicit-financial-flows

consultations during tax formulation. The approval phase is also relatively short, with timelines tightly compressed around cabinet discussion.

With resources allocated for training and other capacity building activities largely declining, the entity cannot match its skills requirements sustainably with the ongoing training and capacity building actions. Other more pressing priorities have overshadowed issues of staffing, training and other capacity building during the last few years. Local governments face challenges in collecting and managing revenue due to insufficient training, inadequate staffing, and outdated Information Technology infrastructure, resulting in a lack of capacity to perform these tasks effectively.

The general lack of technical capacity and prioritisation are the main reasons for Uganda's lack of a tax expenditure framework. In 2020, TaxDev supported the Tax Policy Department (TPD) of the Ministry of Finance Planning and Economic Development (MoFPED), and the Uganda Revenue Authority (URA), to produce a comprehensive tax expenditure report for Uganda – the first of its kind for the country. While the Domestic Revenue Mobilisation Strategy calls for the establishment of a tax expenditure governance framework, the publication of the first tax expenditure report is a key milestone in this regard. Going forward, it is envisaged that the report will be produced annually, with the results feeding into the enhanced monitoring of tax expenditures and eventual development of the framework.

- *Informal economy:* A significant portion of Uganda's economy operates informally, making it challenging to capture these sectors for taxation.
- Exemptions and incentives: Generous tax exemptions and incentives, often granted to attract investment, can erode the tax base. Tax exemptions and incentives in Uganda, often aimed at attracting Foreign Direct Investment (FDI), have yielded mixed results. While they may attract some investment, they can also erode the tax base, creating significant revenue losses. Moreover, these incentives can create an uneven playing field, favouring certain sectors or companies over others. Furthermore, research suggests that tax incentives are not always the primary driver of investment decisions, raising questions about their effectiveness. As a result, Reforms may be needed to reassess its incentive regime, striking a balance between attracting investment and mobilizing revenue to ensure that the benefits of incentives outweigh the costs.
- Limited tax administration capacity: Inefficient tax collection processes and limited administrative capacity hinder efforts to broaden the tax base. Uganda's informal economy, comprising small-scale businesses and traders, poses challenges to tax revenue mobilization. Its informal nature makes it hard to track transactions and collect taxes, resulting in significant revenue losses. Formalizing this sector could help broaden the tax base and increase revenue.
- Resistance to tax reforms from some stakeholders in Uganda can hinder progress in revenue mobilization. Certain groups, such as taxpayers, businesses or special interest groups, may oppose reforms that increase their tax burden or compliance requirements. For instance, the implementation of Integrated Financial Reporting and Information System (IFRIS) faced resistance due to concerns about increased compliance costs, technical challenges and data security. This resistance can stem from concerns about fairness, administrative burdens or perceived negative economic impacts. To overcome this constraint, the government can engage in inclusive dialogue, provide clear communication about reform benefits and ensure that reforms are designed to minimize unnecessary burdens while promoting a more equitable tax system.

- Limited data and analytics for tax policy and administration

There is inadequate reliable data for accurate revenue forecasting and enforcement of compliance is one of the major challenges facing URA, which leads to inaccurate projections, low revenue base and compliance challenges, affecting the domestic revenue performance.

URA lacks a central data collection and management infrastructure; thus, it has inadequate facilities for data collection, storage, and analysis, hindering the effective utilisation of data. This is, among other factors, due to the use of outdated technology, insufficient funding, or lack of expertise in data management. There is also a limited appreciation of the value and potential of data analysis among decision-makers and relevant personnel, leading to its underutilization. This is due to limited awareness, a culture of relying solely on traditional methods, or underestimating the complexity of data analysis required for an effective revenue collecting system. There are unclear data ownership and sharing policies, which leads to uncertainties about who owns the data, who can access it, and how it can be shared creating barriers to its use for revenue generation and voluntary compliance initiatives. This has been due to privacy concerns, bureaucratic hurdles, or a lack of established data governance frameworks. There is also fragmented data landscape where revenue generation and voluntary compliance is scattered across different departments and agencies, hindering a holistic view and hindering effective analysis.

There is a general lack of data on informal businesses and operations, yet many businesses operate informally away from the regulation and oversight of both local and central governments. Uganda exhibits an informality trend, with about 72 per cent of businesses, 78 per cent of the labour force, and about 51 per cent of GDP

generated from the informal economy (World Bank and ILOSTAT, 2022). This is exacerbated by the growth of the digital economy.

5.3.2 Reform Focus

Arising from the situational analysis, the core aspects of reform under this objective are adapted along the following key focal pillars:

- i. Enhancing Revenue Generation and Management: Improving tax policies, expanding the tax base, exploring new revenue streams, and strengthening revenue forecasting.
- ii. Improving Tax Compliance: Enhancing enforcement, streamlined processes, taxpayer education, and efficient tax dispute resolution mechanisms.

5.3.3 Expected Intermediate Outcomes

5.3.3.1 Enabling policy environment for revenue mobilisation enhanced

The outcome strengthens the coordination role of Tax Policy department and promotes active participation of across Government of entities for revenue mobilisation. It strengthens Cross-Government campaign to strengthen tax compliance focusing on public sector contractors, linkages with private sector associations, and engagement of civil society with a national education campaign.

5.3.3.2 Enhanced Tax Compliance through Efficient Revenue Administration

The outcome aims to improve performance in tax compliance, with a focus on strengthening compliance monitoring and transparency through leveraging technology to plug revenue leaks across the tax heads; increasing tax efficiency arising from efficient and sustainable capacity building and tax awareness that will cumulatively increase, voluntary compliance and revenue risk management. When tax disputes are resolved quickly and transparently, taxpayers are more likely to comply voluntarily with tax laws and regulations, reducing the risk of tax evasion and avoidance.

Furthermore, the Reforms strategy will seek to explore leveraging Public-Private Partnerships (PPPs) in tax administration to enhance efficiency, transparency, and revenue collection. By partnering with private sector experts, URA can tap into cutting-edge technology and innovative solutions to streamline tax processes, improve compliance monitoring, and reduce bureaucratic obstacles. PPPs may enable share risks, foster collaboration, and adopt tax systems cost effectively whilst aligning with economic activities. By embracing PPPs, we can capitalize on the potential benefits of improved efficiency, enhanced transparency, and increased tax compliance, ultimately contributing to Uganda's economic growth and development.

By accessing and outsourcing/sharing non-core functions to private sector partners, the Uganda Revenue Authority (URA) can focus on its core mandate of tax policy implementation, audit, and simplification of enforcement, while reducing the cost of tax administration and enhancing time efficiency and client support to complaint taxpayers.

The outcome scope will also to improve performance in revenue generation through targeting the emerging and growing sector of the digital economy. Digitisation has come to stay and an increasing number of businesses operate in the sector.

5.3.3.3 Enhanced collections from extractives including oil, gas and mineral sectors

The outcome aims to improve performance in revenue generation through targeting the new and growing sectors of oil and gas and the country's rich mineral sector that have not been fully exploited to date. Two major aspects will be focussed on namely strengthening the legal framework and capacity building of the players in these new areas.

5.3.3.4 Increased contribution of Foreign Direct Investments to Domestic Revenue efforts through undertaking Investment Facilitation Reform Interventions

The outcome aims to improve contribution of Foreign Direct Investment to domestic revenue by undertaking deliberate actions which broaden the outlook of revenue by approaching from the investment side. This will directly contribute to the strategic direction of the country to achieve a fast and significant increase in annual FDI inflows from US\$ 2.9 billion (2022) to US\$ (50bn) in the next 15 years. Both foreign and domestic investment will be targeted and increased employment anticipated as part of the outcomes. The reform focus will be enhancing the enabling environment, designing an online facilitating platform and undertaking promotional activities.

5.3.3.5 Strengthen Governance arrangements for reduced Revenue losses from Illicit Financial Flows

The outcome aims to improve performance in revenue generation through eliminating or reducing illicit financial flows. It's a new reform area in PFM arising from a recognition that the country suffers significant revenue losses through illicit financial flows. The reform efforts in the area will be focussed on strengthening

the governance efforts, enhancing the capacity of the various stakeholders and entities responsible and strengthening international cooperation arrangements.

5.3.3.6 Strengthen non-tax revenue (NTR) mobilization at central and local levels

This outcome focuses on enhancing efforts to mobilize Non-Tax Revenue (NTR) at both central and local government levels. This will focus on identifying and addressing address challenges in legal impediments laws and regulations governing NTR collection and management, the fragmented NTR reporting systems across government agencies, and limited capacity and resources for NTR collection and management.

5.3.4 High-Level Outputs

This subsection presents the broad Reform Interventions along the rationalised intermediate outcomes. The detailed actions that will be implemented to achieve these outcomes are outlined in Annex 2, providing a comprehensive roadmap for reform implementation.

5.3.4.1 Enabling policy environment for revenue mobilisation enhanced

- i. Institutional Strengthening of the Tax Policy Function
- ii. Strengthened policy and legal framework for revenue mobilisation, with consideration of fairness, equity and sustainability (PFM greening)
- iii. Establish policy framework for controlling, management and reporting of tax expenditures
- iv. Performance monitoring and reporting framework for DRM established

5.3.4.2 Enhanced Tax Compliance through Efficient Revenue Administration

- i. Support to updated Compliance Strategy in line with DRM Strategy
- ii. Automated Compliance Monitoring Systems Enhance tax compliance and revenue collection by tracking production levels at manufacturing facilities to prevent fake product tagging and accurately assess VAT and excise duty.
- iii. Streamlined Border Processes: Integrated and automated One-Stop Border Points (OSBPs) with weighbridges for efficient customs monitoring. Options for increased compliance and transparency with advance tax will be included
- iv. Updated ETAX system with strengthened revenue data integrity and efficacy of IT systems
- v. Effective Investigation: Strengthened URA capacity for investigation, aligned with capacity needs assessment.
- vi. International Taxation Framework: Enhanced administrative capacity for effective international taxation.
- vii. Efficient Dispute Resolution: Digitized dispute resolution processes for enhanced transparency and efficiency. Digitizing dispute resolution processes Automation and Optimization of the tax dispute resolution, for enhanced transparency and efficiency. Government aims to increase transparency, reduce processing times, and provide taxpayers with real-time updates on their cases. Additionally, optimizing the Tax Appeals Tribunal and court processes will enable faster redress of grievances, reducing the burden on taxpayers and promoting a more business-friendly environment.
- viii. Enhanced collections from taxation of Digital Economy. Including Tax Policy Measures and Reforms to Enhance potential of receipts from digital taxation and Administrative Reforms to Enhance potential of receipts from digital taxation;
- ix. Operationalized Tax Academy for sustainable capacity building of taxpayers and staff.

5.3.4.3 Enhanced collections from extractives including oil, gas and mineral sectors

- Enhanced enabling framework for exploiting new revenue opportunities;
- ii. Enhanced Capacity for assessment, collection and management of revenue from Extractives especially minerals and other extractives

5.3.4.4 Increased contribution of Foreign Direct Investments to Domestic Revenue efforts through undertaking Investment Facilitation Reform Interventions

- i. Optimised Investment (application and licensing) Facilitation Processes: Fully automated licensing systems at One-Stop Investment Centre, processing licenses within 24 hours.
- ii. Enhanced Investment Climate: Streamlined policy frameworks for FDI and domestic investments.
- iii. Effective Investment Promotion: Developed and implemented investment promotion and facilitation strategy, including digital facilitation.

5.3.4.5 Strengthen Governance arrangements for reduced Revenue losses from Illicit Financial Flows

- i. Robust governance framework for Reducing Revenue losses from illicit Financial Flows.
- ii. Global Cooperation: Strengthened international partnerships on Anti Money Laundering (AML)/Combating the Financing of Terrorism (CFT)/Counter Proliferation Financing (CPF).
- iii. Capacity Building and change management: Enhanced stakeholder capabilities for supervision, investigation, and prosecution. Including increased awareness on ML/TF/PF risks and prevention.
- iv. Intelligence-Driven: Secure reporting systems for suspicious transactions, supporting timely investigations. Including research and development to address emerging issues including among others tax fraud, abusive tax schemes, tax scams, money laundering, cybercrime etc.

5.3.4.6 Strengthen non-tax revenue (NTR) mobilization at central and local levels

Enhanced mechanisms for enhanced contribution of non-tax revenues (NTR) (a) Develop relevant policies to facilitate centralized collection of NTR. (b) Strengthen framework and innovative systems for collections and monitoring of NTR collection

5.4 Public Investment Management (PIM) Processes Strengthened

Public investment management has been pushed to the fore of PFM reforms given its contribution to GoU's economic development. GoU recognizes the critical role that public management plays in improving infrastructure development in Uganda and so the country needs to identify and carry out public investments that will drive economic development at the desirable pace. It is therefore necessary to identify and implement those projects that will ensure an appropriate return on investments. Not only must the right projects be identified and selected but their implementation must be monitored and kept on track and lessons need to be learnt from the successfully implemented public investment projects so that they feed into the improvement in implementation of future projects.

Public investments typically have a long-term nature and requires commitment of substantial resources. It is therefore important that only those projects that will benefit the development of the country should be selected and implemented. The chosen projects ideally should be those that can spur future development. The challenge for any country is how selection of those projects that can offer optimal future returns can be made. After successful selection, implementation of the chosen projects should be monitored so that if there are mishaps they can be addressed on time to avoid derailment.

GoU recognized the importance of public investment management and set up the Public Investment and Project Appraisal (PAP) department at MOFPED. The department supports all public investment management processes in the country. The improvement in the PEFA 2022 and PIMA 2022 scores in public investment management is attributable to the efforts made by the department.

5.4.1 Problem Analysis

A. Problem Statement

Uganda's public investment management is ineffective, leading to poor project selection, implementation, and outcomes. Despite all the efforts towards proper asset management, the country still faces challenges to do with insufficient and misaligned reporting on fixed assets and information on the acquisition and management of financial assets and all government investments. Information on exposure of public assets to climate risks is also scanty, which poses a challenge in case the risks occur.

B. Problem Manifestation

The problem is manifesting through:

- i. Low-quality public investments
- ii. Project delays and cost overruns
- iii. Limited transparency and accountability
- iv. Poor alignment with national development goals

C. Root Causes

The root causes of ineffective PIM include:

- 1. There is limited capacity in project preparation and management (monitoring, supervision, contract management and impact evaluation). Whereas past efforts have narrowed the capacity gap especially in project preparation and appraisal, significant gaps still remain especially in project and contract management, monitoring and supervision of public works and ex-post analysis and evaluation. In addition, the increasing staff turnover continues to be a capacity challenge in most MDAs.
 - Development Committee (DC) members are not adequately skilled to screen public investments. The DC which was expanded in 2016 continues to face capacity challenges to adequately screen projects. This is partly attributed to turn over of the members, the changing macroeconomic environment which often require update in the PIM reforms and the introduction of new quidelines within the PIM framework.
- 2. Inadequate project planning and budgeting. The challenges in public investment management in Uganda are multifaceted, particularly in costing and cost variations.

Root causes of this problem can be attributed to a combination of factors

(i) Significant irrational discrepancies often arise between projected costs during feasibility studies and actual costs at procurement initiation. According to the World Bank, "accurate cost estimation is crucial for effective project planning and budgeting". These cost variations can distort the Medium-Term Expenditure Framework (MTEF) and render Return on Investment (ROI) estimates inaccurate.

The lack of transparency by Ministries, Departments, and Agencies (MDAs) during Development Committee reviews can contribute to these cost variations. As noted by the International Monetary Fund (IMF), "transparency and accountability are essential for effective public financial management". Limited capacity for cost projections can also lead to significant variations, undermining the viability of projects and making it challenging to assess their effectiveness.

- (ii) Separately, in-year budget adjustments cause uncertainty in the execution of investment projects, which require certainty and medium-term planning. Budget releases for investment projects are not consistent with the approved project values which causes time and cost overruns and delays in project implementation. Delays and cost overruns lead to further arrears and affects quality and timeliness of delivery.
- (iii) Capturing and publishing annual project costs and cost revisions is not usually undertaken. This implies that these cost variations are not known and cannot be accounted for by all stakeholders across the PIM cycle. As these costs are not published, there is no visibility on how these have been revised or methodologies for their changes which could improve cost estimates of projects that require increased budget allocations. Even with the development of the IBP, this was not catered for in the design of the system. However, this could be easily adopted in the Integrated Bank of Projects (IBP) database as the system is being upgraded.
- 3. Weak project appraisal and selection processes. There is a weak project appraisal and selection framework on climate change issues: The PEFA, 2022 rated Uganda's Climate responsive public investment management with a D, which is below the basic level of performance. Whereas Uganda has a strong project appraisal framework for projects and PPPs, it does not reference or require consideration of climate change leading to an ad hoc approach by different MDAs. This needs to be mandated and standardized including climate change-related parameters. Without this updated framework, Ugandan public resources are likely to deteriorate as the severity of climate change impacts increase (C-PIMA, 2023).

Root causes of this problem can be attributed to a combination of factors

- (i) use of generic methodologies in preparation and appraisal for complex projects under infrastructural development. The 2016 diagnostic study in the sectors managing large investment projects that focused on Works and Transport sector, and Energy and Mineral Development Sectors revealed that the blanket methodology of project appraisal has resulted into weak projects being prepared in these sectors (programs) subsequently resulting in delayed implementation of the projects.
- (ii) There is a lack of assessment frameworks for public commercial investments. Government has been undertaking commercial investments and support for the private sector in a bid to support the economy. However, there are no dedicated frameworks to assess the feasibility and viability of these investments. Commercial financing using the right investment instrument can provide benefits to the Government including increased involvement in project delivery decision-making, the opportunity to build and recycle capital and the opportunity to better allocate risk between parties.
- 4. A critical problem of project delays in project initiation is the challenge of securing Right of Way (ROW) for infrastructure projects. This issue leads to increased costs due to exaggerated land compensation claims and delays in project commencement. The lack of designated infrastructure corridors complicates land acquisition, resulting in disputes and high compensation demands. According to the World Bank, efficient land acquisition and management are crucial for infrastructure development. Delays and cost overruns can undermine the effectiveness of infrastructure investments and hinder economic development. Streamlining land acquisition processes, establishing clear ROW policies, and capacity building can help address these challenges. The African Development Bank emphasizes the importance of robust land management systems for sustainable development. By implementing effective solutions, Uganda can improve the efficiency and effectiveness of its public infrastructure projects.

This issue is partly due to weaknesses in physical planning, as many cities in Uganda lack comprehensive physical development plans or have outdated ones, leading to uncoordinated land use, encroachment on critical infrastructure corridors, and increased complexity in securing Right of Way. For instance, few cities have up-to-date physical plans, resulting in ad-hoc development that compromises the integrity of public infrastructure projects. This not only hinders project implementation but also has significant ramifications for climate resilience, as unplanned development can increase vulnerability to climate-related disasters, such as floods and landslides, and undermine the sustainability of public infrastructure. The lack of effective physical planning thus exacerbates the challenges in project initiation and implementation, while also compromising the long-term viability and resilience of Uganda's public infrastructure.

5. PIM reforms have not been rolled out to Local Governments including new cities and districts, which finance most of their capital spending through Central Government transfers. However, these cities and districts are hardly involved in the PIM planning process. In addition, a number of challenges remain at

the Local Governments due to failure to roll out PIM to the districts and cities. These challenges include inadequate resources for operating and maintaining assets such as schools, district roads, water, and health facilities; insufficient facilities for community involvement in planning, such as technical capacity, logistical support; and community fatigue, leading to limited understanding by community members of their role in the projects, and limited skill base at the local level through the entire PIM cycle, particularly registered civil engineers among others.

6. There is poor operation and maintenance of public assets. Government is acquiring new assets but challenges remain in ensuring routine maintenance or postponing maintenance to later stages increases rehabilitation and asset replacement costs. Routine and periodic maintenance of assets results in substantial savings in the medium and long term, eliminating or reducing requirements on expensive rehabilitation works. Compilation of routine and capital maintenance methodologies and manuals as well as the acceleration of routine maintenance is an area of high reform priority.

Root causes of this problem can be attributed to a combination of factors

- (i) Absence of proper plans for management schedules of maintenance and monitoring of the utilization of assets for their efficient and effective utilization
- (ii) Insufficient functionality of the IFMS Fixed Asset Module;
- (iii) The regulatory framework does not cover acquisition and management of financial assets and government investments;
- (iv) Non-capture of information on exposure and vulnerability to climate change risks in the risk of requirements during the budgeting process;
- (v) Absence of a comprehensive Operation, Maintenance and general management of procured assets;
- (vi) Narrow reporting of the value of assets in the government assets register
- 7. The licensing and permitting regulatory requirements for some projects is cumbersome and lengthy for PIM executing agencies. A joint statement by Development Partners associated with Electricity Regulatory Authority (ERA) highlighted impediments around the processes for permitting and licensing which is noted to be "cumbersome and lengthy with indicative timeline of 180 days". Specifically, the KfW Aide Memoire on PIM experiences in Uganda acknowledges the importance of solving weak links within the permitting and licensing regulators to achieve project success. The paper rightfully acknowledges the problem as being beyond the Project Executing Agency to the regulatory/permitting entities. Performance issues along with underlying causal factors whether legal or procedural therefore need to be investigated and resolved.
- 8. Insufficient monitoring and evaluation. The integrated Bank of projects (IBP) system is not yet fully developed and integrated to accommodate the recent policy shift from the sector approach to program approach for planning and budgeting. IMF identified that there is lack of integration of M&E systems results in burdening MDAs and LGs with similar data requests for project planning, management, monitoring and evaluation. In addition, the recent policy shifts from sector wide planning to programme wide planning necessitated the upgrade of the other PFM systems such as the IFMS, PBS, e-GP among others. This also necessitates the upgrade of the IBP to allow for seamless flow of information across the systems.
- The procurement system suffers from weak implementation of procurement audit recommendations, inadequate disclosure of information and low levels of integrity which affect value for money and service delivery.

Root causes of this problem can be attributed to a combination of factors

- (i) Even with the review of the legal and regulatory framework, there is misalignment of the Act and Regulations with the NPSPP 2019. There is also absence of model technical specifications and common specification standards for procurements.
- (ii) The country lacks a comprehensive national procurement capacity building strategy, which could align the capacity building initiatives for a common cause across national and local government entities. Insufficient capacity of players in the function of procurement has derailed efficiency and effectiveness of the procurement function in both MDAs and local governments.
- (iii) Absence of compliance enforcement for implementation of audit recommendations has led to reluctance of the Procuring and Disposing Entities (PDEs) to implement the recommendations of from audits.
- (iv) There is inadequate strategic procurement planning, inadequate needs analysis, and poor identification of stakeholder training needs, which all affect budget execution. There is also insufficient engagement with civil society and the private sector, which resulted in insufficient accountability, and higher procurement costs, among others.

D. Constraints

Key constraints to improving PIM include:

(i) The instructions and guidelines for public investments do not provide a strong legal and policy framework

which often times results in non-compliance by some MDAs. The absence of a dedicated legal and regulatory framework for PIM poses significant risks and causes operational problems and inefficiencies in public investment management. The current PIM framework is based on the Treasury instructions issued by the PS/ST in 2017 and the Development Committee guidelines of 2016.

- (ii) Limited financial resources for contractual commitments, asset maintenance and feasibility analysis
- (iii) Limited stakeholder engagement and participation
- (iv) Weak data management and analytics for PIM

5.4.2 Reform Focus

Arising from the situational analysis, the core aspects of reform under this objective are conceptualized along the following key focal pillars:

- i. Appraisal: Assess project viability, alignment with national priorities, and climate resilience.
- ii. Selection: Select projects based on clear criteria, prioritize them, and consider climate adaptation benefits.
- iii. Design: Develop detailed project designs that incorporate climate resilience and stakeholder engagement.
- iv. Procurement: Ensure transparent and competitive procurement processes.
- v. Implementation: Deliver projects on time, within budget, and to required quality standards.
- vi. Operations and Maintenance: Ensure effective operations, plan for maintenance, and incorporate climate adaptation measures.
- vii. Asset Management: Manage assets effectively, monitor performance, and ensure climate resilience.
- viii. Monitoring and Evaluation: Track project progress, evaluate impact, and assess climate resilience and adaptation effectiveness.

5.4.3 Expected Outcomes

5.4.3.1 Strengthened Planning, Appraisal and Selection of Public Investment Projects and Public Private Partnerships

This outcome focuses on the planning and budgeting stage of PIM and providing an overarching project cycle management approach, with guidance and support to relevant institutions. In addition to setting up more strategic practices, the aim is also to take stock of and rationalise the existing projects in the PIP and improve the quality of data held on projects. It links provision of strategic direction to Programme Working Groups and MDAs as their plans are developed with improving the quality and comprehensiveness of multi-year commitment planning and costing of projects, and ensuring these are fully captured in the MTEF and annual budgets.

The intermediate outcome on Strengthened Planning, Appraisal and Selection of Public Investment Projects and Public Private Partnerships will focus on addressing key issues such as inadequate project appraisal, poor project selection, and insufficient consideration of climate resilience and sustainability. By developing and implementing robust planning and appraisal frameworks, enhancing project selection criteria, and promoting transparency and accountability, the government aims to ensure that public investment projects and public-private partnerships are strategically aligned with national development priorities, economically viable, socially beneficial, and environmentally sustainable, while also resilient to climate-related risks and stresses, ultimately maximising the impact of public investments on Uganda's socio-economic development.

This outcome also addressing one of the key PIM challenges through strengthening the capacity for project preparation, including full operationalisation of the Project Preparatory Funds for pipeline projects. This will significantly improve the quality of designed projects and so the returns on investment. This is particularly important given the strategic direction to grow the economy tenfold.

5.4.3.2 Enhanced VFM in public procurement for large, complex public procurements

This outcome recognises that there is low VfM across all public procurements, but that the greatest impact with limited resources can be achieved by focusing reform efforts on the largest, most complex procurements. The intervention approach for large, complex projects focuses on enhancing the legal and regulatory framework, local content policy and introducing techniques and optimising processes to strengthen the independence and quality of large procurements.

The PFM reforms will deepen efforts towards sustainable procurement in public procurement, integrating environmental, social, and economic considerations into the procurement process for public investments. This approach ensures that public investments minimize environmental impact, promote social benefits, and ensure economic efficiency, ultimately enhancing project sustainability and supporting long-term development goals. By adopting sustainable procurement practices, governments can optimize resource allocation, reduce costs, and promote value for money in public investment projects.

This will be complemented by reforms under Objective 4 (Accountability systems), which will support integrations with e-Procurement system and developing professional training programmes for procurement

cadres. In order to support compliance with procurement systems, reform activities will also focus on developing a professional training programme for procurement cadres. Training under this outcome will be limited to central government, with further support provided to Local Government under Objective 2 (Local Government PFM).

5.4.3.3 Efficient and Effective implementation and accountability of development Projects

The intermediate outcome on Efficient and Effective Implementation of Development Projects will focus on addressing Uganda's challenges in timely delivery of public investments and cost efficiency, while also ensuring that projects are resilient to climate-related risks and adaptable to changing climate conditions. This will involve streamlining project implementation processes, enhancing project management capacities, and promoting a culture of accountability and transparency. By integrating climate resilience and adaptation considerations into project implementation, the government aims to reduce project delays, minimize cost overruns, and ensure that public investments are not only delivered on time and within budget but also sustainable and resilient in the face of climate change, ultimately enhancing the impact of public investments on Uganda's socio-economic development.

Reforms efforts will dedicate attention to strengthening aspects of physical planning, prioritizing the development of comprehensive and up-to-date physical development plans for cities and municipalities. This will involve enhancing institutional capacity, improving stakeholder engagement, and leveraging technology to support more effective and sustainable land use planning, ultimately reducing the complexities associated with Right of Way and enhancing the resilience and sustainability of public infrastructure. These efforts will help mitigate some of the risks of cost overruns and project delays associated with Right of Way issues, ultimately reducing the financial and operational burdens on public investment projects and enhancing their overall efficiency and sustainability.

In addition, this outcome included efforts to strengthen the quality, efficiency and use of project monitoring and evaluation information for key strategic projects. In particular, it will aim to embed the use of evaluation and evidence on project delivery in the annual performance review process to inform planning and budgeting of projects and PPPs. This will be closely linked to strategic evaluations of large, complex projects. The evaluations will be undertaken as part of the strengthening development evaluations across government programmes.

5.4.3.4 Optimal Utilisation and Maintenance of Assets

This outcome aims to address the observed poor management of public assets including strengthening operation and maintenance of already acquired across government. The intermediate outcome on Optimal Utilisation and Maintenance of Assets will focus on addressing key issues such as inadequate asset management practices, insufficient maintenance funding, and inefficient utilisation of public assets. By strengthening asset management systems, implementing preventive maintenance schedules, and promoting a culture of asset stewardship, the government aims to maximise the lifespan and performance of public assets, reduce maintenance costs, and ensure that assets continue to deliver intended benefits to Ugandans, while also enhancing their resilience to climate-related risks and stresses.

5.4.4 High level Outputs

This subsection presents the broad Reform Interventions along the rationalised intermediate outcomes. The detailed actions that will be implemented to achieve these outcomes are outlined in Annex 2, providing a comprehensive roadmap for reform implementation.

5.4.4.1 Strengthened Planning, Appraisal and Selection of Public Investment Projects and Public- Private Partnerships

- i. Projected Facilitation Fund sustained including modalities for its operations
- ii. Enhance clear project appraisal guidelines incorporating climate resilience.
- iii. Investment project costing methodology/formula established
- iv. Improved multi-year planning and management of high value investments in selected sectors/MDAs
- v. IT-based Integrated Bank of Projects (IBP) developed (including automation of projects management aspects in the PIP)
- vi. Capacity strengthened for project cycle management of PIM
- vii. Modalities for independent and formal appraisal developed
- viii. Governance and institutional arrangements for project selection and appraisal strengthened
- ix. Regulatory and institutional framework for management of PPPs strengthened. Including Capacity for management of PPPs strengthened and Capacity for risk assessment of PIPs and PPPs strengthened

5.4.4.2 Enhanced VFM in public procurement for large, complex public procurements

- i. Develop procurement guidelines promoting sustainable and climate-resilient solutions.
- ii. Implement e-procurement systems ensuring transparency.
- iii. Improved Institutional Framework and Management Capacity
- iv. Enhanced Public Procurement Operations and Market Practices

v. Strengthened Accountability, Integrity and Transparency of Procurement System

5.4.4.3 Efficient and Effective implementation and accountability of development Projects

- Strengthened physical planning frameworks and capacities for sustainable infrastructure development.
 Including policy reforms on right of way for timely execution of projects
- ii. Strengthening inter-governmental mechanisms and frameworks for project oversight, monitoring and risk management particularly under the OPM, NPA and the maximising the programme working groups
- iii. Regular performance review and reporting of public projects and PPPs established
- iv. Establish monitoring and evaluation frameworks tracking climate resilience outcomes.

5.4.4.4 Optimal Utilisation and Maintenance of Assets

- i. Public Asset Management Policy (financial and non-financial) framework developed
- ii. Develop operations and maintenance plans prioritizing climate resilience.
- iii. Systems for management monitoring of critical government assets including Government Asset management systems as well monitoring systems at critical MDAs such as Works and Transport.

5.5 PFM Compliance In Budget Execution Sustained

The Controls in Budget Execution and Accountability reforms priority area has strengthening the effectiveness of accountability systems and compliance in budget execution as its objective. controls for Public Financial Management (PFM) compliance and accountability in budget execution are crucial for promoting good governance, transparency, and accountability. According to the 2022 Public Expenditure and Financial Accountability (PEFA) assessment, Uganda's PFM system has shown some improvements, but there are still significant challenges, particularly in the areas of budget credibility, financial reporting, and internal controls. Effective controls, as emphasized by the World Bank, are essential for preventing the misuse of funds, ensuring accountability, and improving budget execution.

5.5.1 Problem Analysis

A. Problem Statement

Weak Public Financial Management (PFM) controls and non-compliance in budget execution are undermining fiscal discipline and service delivery in Uganda's local governments. Uganda's Public Financial Management (PFM) system faces significant challenges, particularly in the area of controls for compliance and accountability. Despite efforts to strengthen PFM systems, the 2022 Public Expenditure and Financial Accountability (PEFA) assessment reveals persistent weaknesses in internal controls, financial reporting, and oversight mechanisms. These weaknesses undermine transparency, efficiency, and effectiveness in budget execution, threatening Uganda's development goals.

Despite the fact that the design and implementation of PFM systems are responsive to the requirements of MDAs and LGs, there are several challenges regarding systems acquisition, coverage, utilization, degree of integration, security, capacity building, change management, and financial resources to meet recurrent expenditure requirements for equipment, hardware, and software. The consequences of weak controls for PFM compliance and accountability are far-reaching. They include mismanagement of public funds, corruption, and poor service delivery, ultimately affecting the lives of Ugandan citizens. To address these challenges, it is essential to strengthen PFM systems, enhance internal controls, and promote transparency and accountability in financial management. In so doing, Uganda can improve the efficiency and effectiveness of its budget execution, achieve better development outcomes, and promote sustainable development.

B. Problem Manifestation

The problem is manifesting through:

- i. Budget deviations and unauthorized expenditures
- ii. Weak accounting and reporting systems
- iii. Limited transparency and accountability
- iv. Inefficient use of resources
- v. Increased risk of corruption and mismanagement
- vi. Payroll irregularities (e.g., ghost workers, overpayments)

C. Root Causes

The root causes of weak PFM controls and non-compliance include:

1. A significant challenge in Uganda's Public Financial Management (PFM) system is the weak sanctions and rewards framework. According to the Public Expenditure and Financial Accountability (PEFA) framework, effective sanctions and rewards are essential for promoting accountability and compliance with PFM regulations and standards (PEFA, 2022). The lack of effective sanctions for non-compliance and inadequate rewards for good performance undermines the effectiveness of PFM systems, as highlighted in the World Bank's Public Financial Management report (World Bank, 2020). Without strong deterrents for

non-compliance, individuals and institutions may not be held accountable for their actions, leading to a culture of impunity. Similarly, the absence of meaningful rewards for good performance fails to incentivize compliance and excellence in PFM practices, as emphasized by the International Monetary Fund's (IMF) Fiscal Transparency Handbook (IMF, 2019). This weak framework contributes to poor accountability, non-compliance with PFM regulations and standards, and ultimately, inefficient management of public resources.

Root causes of this problem can be attributed to a combination of factors

- (i) Inadequate legal framework: Weak or inadequate laws and regulations governing PFM, including sanctions and rewards.
- (ii) Insufficient data and information: Limited access to reliable data and information, hindering the design and implementation of effective sanctions and rewards.
- (iii) Lack of strong political will: Limited commitment from some leaders in MDALGs to implement effective sanctions and rewards.
- 2. Poor FPM compliance of State-Owned Enterprises (SOEs) SOEs are meant to operate outside the mainstream of GOU to deliver quality public services in an effective and efficient manner. However, GOU is aware of the SOE operations and performance shortcomings. These entities are plagued by persistent Public Financial Management (PFM) compliance issues, resulting in inefficient use of public resources, poor financial performance, and increased debt burden (Ministry of Finance, Planning and Economic Development, 2020). Despite existing regulations and guidelines, many SOEs continue to exhibit weak governance, inadequate financial reporting, and lack of transparency (Auditor General's Report, 2020), ultimately undermining their sustainability and effectiveness in delivering essential public services. This situation necessitates a comprehensive review of PFM compliance issues in SOEs and the development of targeted strategies to address these challenges and promote improved financial management, accountability, and transparency (World Bank, 2019).

Because the SOEs do not operate within the mainstream Government they have been perceived, wrongly, to be independent of government. Several diagnostic studies concerning GOU's public financial management (PFM) have concluded that SOEs have not operated as expected and have not delivered the expected public services.

Root causes of this problem can be attributed to a combination of factors

- (i) Poor interpretation of operation independence of SOEs The perception that state-owned enterprises (SOEs) are independent of government and should operate outside of government oversight is a significant underlying causal factor contributing to poor Public Financial Management (PFM) compliance issues. This misconception can lead to a lack of adherence to PFM regulations, guidelines, and standards, as SOEs may not feel bound by the same rules and accountability measures as other government entities. As a result, SOEs may not prioritize transparency, accountability, and prudent financial management, ultimately undermining the effectiveness of PFM systems and contributing to poor financial performance, inefficiency, and corruption. Addressing this perception and ensuring that SOEs are held to the same standards as other government entities is crucial to improving PFM compliance and promoting better governance and accountability.
- (ii) Out-dated legal regulations. The laws and regulation relating to SOEs are not up to date and are sometimes inconsistent with the superior legislation e.g. the FMA 2015. When SOEs are set up, laws and regulations are put in place to guide their performance. Some of laws have become outdated given the passage of time and the changing environment and circumstances.
- (iii) Inadequate PFM oversight GOU through Ministry of Finance Planning and Economic Development (MOFPED) and the relevant line ministries have not effectively guided and supervised the SOEs. Their budget estimates and performance reports, which are reviewed by MOFPED and line ministries, have not been subjected to scrutiny. As a result, the performance of the SOEs has fallen short of expectation resulting in deficits, accumulation of arrears, and on some occasions creation of contingent liabilities. The resultant financial liabilities are borne by GOU.
- (iv) Lack strategic alignment with development objectives SOEs sometimes do not have strategic plans to guide their operations and performance. Their strategic plans are not always aligned to the national strategies. MOFPED does not critically review the SOE budget estimates and in-year performance reports, where they are produced. MOFPED and the relevant line ministries do not provide the necessary guidance and the required supervision of SOEs.
- (v) Poor financial reporting Some SOEs do not produce their statutory returns on time or accurately thereby making the job of their guidance and supervision by MOFPED and line ministries difficult. The poor performance by SOEs results in GOU having to divert resources from the predetermined programs to cover the financial shortcomings of the SOEs. On some occasions GOU may have to borrow funds to cover the financing gaps created by the SOEs poor performance.
- (vi) The management of the SOEs have sometimes fallen short of expectations. The selection of the SOEs Chief Executive Officers (CEOs), Board members and staff have not been based on merit. Even where capable personnel have been retained for the SOEs their continued capacity is not upgraded through training and mentoring. In situations when the management and staff of SOEs are involved in

malpractices they are not sanctioned. Good performing SOE management and staff are not rewarded.

3. There is incomplete implementation of key PFM systems which are critical to effective service delivery and these include the e-GP, HCM, IBP, among others. These systems have not yet been fully implemented. Also, it should be note that despite substantial investments by GoU in the implementation of PFM systems, ensuring their long-term sustainability is not guaranteed. The other challenge is that information or data generated by PFM systems is not effectively used for planning and informed decisionmaking. As a result, policy decisions are based on outdated or incomplete information, significantly reducing the effectiveness and efficiency of strategic planning and resource allocation. The PFM systems do not sufficiently support monitoring and reporting on results under the programmatic budgeting approach. This has hindered performance measurement of results under the PFM Reforms Strategy. The other challenge is that standalone systems present significant risks, including the creation of data silos a hindrance to efficient information sharing across various MDAs and LGs. This fragmentation leads to inconsistencies in applications, data, and processes, reducing overall operational efficiency and decisionmaking accuracy. There is no comprehensive government-wide strategy for managing data generated by PFM systems. This poses a challenge to the PFM systems concerning formulating well-informed interventions towards their implementation, as well as monitoring and evaluation towards sustainability. MDAs and LGs in Uganda are characterised by a lot of gaps regarding ICT governance. The ICT gaps leave PFM accountability systems vulnerable to disruption. Lastly, there are cyber security threats that pose significant risks to the operation of PFM systems.

IFMS functionality (fixed), as it has not been deployed across all entities and its capabilities are not yet fully operational. Relatedly, regular maintenance and technical support are essential for the smooth operation of GoU PFM systems. Furthermore, PFM systems require additional software and hardware upgrades investments to stay current with technological advancements and address emerging GoU requirements. It's important to note that data accumulated from PFM systems over the years is not being optimally utilised to make accurate predictions that form the basis for more intelligent fiscal policy formulation and implementation, monitoring and oversight.

Root causes of this problem can be attributed to a combination of factors

- i. There is no complete and seamless integration among PFM systems. In that regard, generating real-time financial information for planning and decision-making remains a significant challenge. Whereas some work has been undertaken to integrate several PFM systems using "point to point" methods, there are no standardized APIs that cover common functions of the system. This has contributed to increased development and customization costs for every PFM systems integration request. Whereas the development of new budget outputs and coding process in the PBS and IFMS was finalised, the MTR indicates that this process happened (through restructuring the Chart of Accounts) but was never operationalised in the budgeting systems and consequently, there is still misalignment in the PFM system and NDPIII results. Over the years, there have been several innovations regarding establishment of information systems to support service delivery. This has led to duplication of reporting requirements, but also leaving room for different service delivery units and LGs to utilize the systems they are more comfortable with.
- ii. There are weaknesses in the governance structures for managing and investing in PFM systems. This results in proliferation of standalone systems and duplicate investments in ICT infrastructure. GoU invests significant financial resources in hardware, software, support, and licenses on an annual basis to maintain the various PFM systems. There are critical sustainability aspects with significant cost implications which include putting in place robust disaster recovery and business continuity plans to deal with emergencies or system failures, maintenance of ICT infrastructure, and investing in robust cybersecurity measures to safeguard PFM systems and sensitive financial information. Also, retention of critical specialized staff trained by GoU is a challenge due to better opportunities elsewhere. There are rapid changes in technology necessitating regular refreshment of critical ICT infrastructure, which supports effective operation of PFM systems. MDAs and LGs lack robust business continuity plans (BCPs) which hinder their ability to deliver services efficiently and effectively
- iii. The NDP III MTR established that whereas attributes like Programme/Sub-Programme and approved NDPIII projects are integrated into the IFMS/Chart of Accounts, the interventions, which are the key unique identifiers of the NDP III are not part of the budget execution system. This has led to insufficient support towards monitoring and reporting on results under the programmatic budgeting approach. The lack of a data management strategy in Government has led to inefficiencies, increased operational costs, poor data quality, elevated security vulnerabilities, and compliance challenges.
- iv. Limited use of PFM systems information by Internal Audit. External auditors came at the tail end of the budget execution; In some LGs, the initial staff trained in using the IFMS have since moved on, leaving a capacity vacuum. In cases where the PFM systems have been upgraded, training on new system features and functionality has been inadequate, adversely affecting the adoption of the enhanced upgraded systems. There are alignment challenges in terms of coverage of programmes, sub-

programs, and interventions/outputs of the PFM strategy. This has posed a challenge towards proper tracking and reporting mechanisms, thus difficulty in identifying areas of improvement and making informed decisions for future program planning and resource allocation.

- v. Lack of a robust and comprehensive Data Warehouse and use of data analytics to strengthen controls, accountability, and compliance in budget execution.
- vi. It has also been observed that LGs have capacity gaps in the technical and functional skills required to manage and use the PFM systems sustainably and effectively. This has rendered non-achievement of the objectives of these systems. While automation of PFM processes has generated significant benefits, it comes with challenges. The threat of cyber-attacks on Government systems worldwide is at an all-time high and continues to increase virtually unchecked. As technology evolves, so do cybersecurity threats. The potential impact of cyber-attacks includes loss of confidential financial information, financial losses, disruption of services, erosion of public trust, high remediation costs, and reputational damage.
- vii. There are inadequate structures, ICT policies, and lack of skilled personnel, especially at LGs, which adversely impact GoU's ability to operate PFM systems smoothly with minimum disruptions. Firstly, ICT infrastructure-related challenges hinder the optimal operation and use of PFM systems. Secondly, effective use of PFM systems is constrained by connectivity and network outages, sometimes lasting several days. Thirdly, end-user infrastructure in many entities (computers and Local Area Networks) which impact on the pace of adoption and rollout of PFM Systems is inadequate or outdated and cannot effectively support user's demands. In addition, effective use of the systems is also affected by occasional Data Centre hardware failures. This negatively affects the day-to-day use of the systems, especially where urgent and timely reporting or the execution of transactions is required.

To address these failures, users, especially in LGs must rely on technical support from the Centre, which sometimes results in lengthy delays. Secondly, are the interoperability limitations which leads to incompatibility between different PFM systems. These hinders seamless integration and data sharing, limiting the overall efficiency and effectiveness of the PFM systems. Financial statements are not comprehensive in terms of coverage (institutions and information). As a result, the Government is unable to ascertain its net worth. In GoU compliance with rules and procedures has been a perennial challenge. Good laws, regulations and processes that comply with good practices are in existence, but they are sometimes ignored.

- 4. Findings from the NDPIII mid-term review also observe that domestic arrears have continued to rise despite Government efforts to reduce them over the years. By the end of 2021, the 2022 Office of the Auditor General Report indicated a further increase in the stock of domestic arrears to UGX 4.65 trillion. In addition, arrears pose a reputational risk to Government which can affect the country's credit risk ratings. As well, arrears directly affect private sector performance and tax compliance.
- 5. The government's financial reports are not comprehensive enough, while also being characterized by poor quality is as a result of several factors. The government receives financial reports from most public corporations and state enterprises within the stipulated statutory times, but their performance monitoring and oversight needs to be strengthened. Contingencies risks are not generally reliably estimated nor provided for, and in-year budget execution reports and the consolidated annual financial statements do not provide a complete picture of GoU's finances as they exclude the extra-budgetary units and public corporations. Coverage of transactions by those entities included in the fiscal reports is incomplete and ESG reporting is not adopted.

Root causes of this problem can be attributed to a combination of factors

- i. Partial implementation of international accounting standards
- ii. Inadequate training and capacity building in financial reporting
- iii. Inadequate reporting functionalities in the PFM systems
- iv. Lack of full appreciation of financial reporting by key stakeholders
- v. Financial reports are not effectively used to guide planning and decision-making.
- vi. Inadequate structures to attract and retain skilled staff.
- vii. Inaccurate and incomplete data (assets, arrears, liabilities etc.)
- 6. Some provisions in the PFM legal framework conflict with provisions in other legal frameworks for example the PFM Act 2015 and LG Act 1997, as well as various Acts setting up SOEs. The PFMA 2015 is out of date with the PFM reforms that have been implemented and practices. This causes unnecessary delays in the implementation and update of PFM systems and other reforms across Government. It may also be the underlying cause for non-compliance to PFM procedures and standards

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D. Constraints

Key constraints to addressing these issues include:

- i. Limited access to the internet and lack of bandwidth segregation;
- ii. Limited financial resources for capacity building and system upgrades
- iii. Cultural norms: Cultural norms and values that prioritize personal relationships over accountability and transparency.
- iv. There are inadequate security policies and insufficient investment in cybersecurity resources and tools which limit GoU's ability to implement robust PFM system security measures. There are also disruptive technology developments, which impact on existing PFM system and force unplanned, changes in policy, with compliance and capacity issues.
- v. Limited technical expertise in PFM. budget provisions for the implementation and maintenance of PFM systems which affects the sustainable operation and management of PFM systems. While some advanced and mature PFM ICT systems, such as IFMS have standard mechanisms for measuring system performance, this best practice is not standardized across all PFM systems.
- vi. Inadequate institutional framework for PFM oversight

5.5.2 Reform Focus

Arising from the situational analysis, the core aspects of reform under this objective are conceptualized along the following key focal pillars:

- (i) Budget execution: Ensuring that budget execution processes are transparent, accountable, and compliant with regulations including state owned enterprises.
- (ii) Financial reporting: Implementing robust financial reporting systems to provide accurate and timely information.
- (iii) Internal controls: Designing and implementing effective internal controls to prevent errors, irregularities, and misappropriation.

5.5.3 Expected Intermediate Outcomes

5.5.3.1 Effectiveness and accuracy of public payroll and pension management systems improved

Achieving this outcome will mainly involve addressing the functional and technical challenges associated with current pension and payroll system, by fully rolling out the reconfigured and enhanced automated Human Capital Management (HCM) system to all the remaining entities and integrating the Balanced Score Card (BSC) performance framework and the contributory Public Service Pension Fund to the system.

5.5.3.2 Effectiveness and Integrity of PFM Systems Strengthened

This outcome seeks to provide a comprehensive, strategic and coordinated effort to strengthen the governance of ICT systems for accountability, including collaboration with other agencies to strengthen network connectivity. In particular, reform activities will aim to improve the integration of the various standalone accountability systems and provide stronger IT security and management. This will also involve leading aspects of PIM outputs on Asset Management and E-Government Procurement system for optimal procurement of public investments to all entities in order to remove manual procurement processes.

5.5.3.3 Comprehensiveness and quality of financial Reporting Enhanced

This outcome recognises that accounting and reporting standards are adequate, but that there is a continued drive towards international and regional frameworks that require higher standards of accounting. Accrual accounting and enhanced accounting systems will help address the need to report more comprehensively on government operations, specifically externally financed projects, and public enterprises among others. This will also pave way, as a necessary precondition, to reforms in asset management as it allows for the recognition of asset values, depreciation, and impairment, ensuring that assets are reported at their true value.

While accrual accounting is considered a more advanced PFM reform, a long-term goal, the strategy focuses on initial planning of a road map for transitioning towards accrual accounting. An updated capacity needs assessment will ensure that there is capacity to absorb and sustain the planned reforms.

In addition, this outcome will explore the introduction of green or sustainable accounting and reporting for the Accountant General's Office, integrating environmental and social costs into financial reporting. This will enable more comprehensive tracking of the environmental and social impacts of government activities, promoting transparency, accountability, and informed decision-making. By incorporating sustainability metrics into financial reporting, the government can better assess the long-term sustainability of its policies and programs, ultimately supporting more effective resource allocation and sustainable development.

5.5.3.4 Improving budget credibility in budget execution

This outcome focuses on ensuring that budget execution is aligned with approved budget allocations. This involves strengthening commitment controls to prevent unauthorized commitments, improving financial reporting to enhance transparency, and ensuring timely and accurate payment processes, including controlling domestic arrears

5.5.3.5 Compliance to PFM Laws and Regulations enhanced

This outcome seeks to harmonise the various PFM systems so as promote compliance across government. The harmonisation process will mostly involve legal reforms that will be undertaken in liaison with relevant organs of government. By strengthening the rewards and sanctions framework, the outcome on compliance can promote a culture of accountability and transparency, and encourage adherence to PFM regulations and standards. This can help to improve the overall effectiveness of PFM systems and promote good governance.

5.5.4 High-level Outputs

This subsection presents the broad Reform Interventions along the rationalised intermediate outcomes. The detailed actions that will be implemented to achieve these outcomes are outlined in Annex 2, providing a comprehensive roadmap for reform implementation.

5.5.4.1 Effectiveness and accuracy of public payroll and pension management systems improved

- i. Re-engineered and enhanced HCM rolled out HCM to all MDALGs. Including Re-engineered, reconfigure HCM to integrate Balanced Score Card (BSC) performance framework and the contributory Public Service Pension Fund.
- ii. Enhance change management interventions and training to increase adoption and uptake of HCM functionality.

5.5.4.2 Effectiveness and Integrity of PFM Systems Strengthened

- i. Governance and controls for PFM system strengthened
- ii. Integration of core PFM systems including EGP, Asset management systems, ETAX, HCM with other emerging PFM/ICT systems (integration of systems) as a trusted single point of exchange of human resource information.

5.5.4.3 Comprehensiveness and quality of financial Reporting Enhanced

- i. Accrual accounting and reporting implemented in all MDALGs
- ii. Sustainability reporting adopted and rolled out to all MDALGs

5.5.4.4 Improving budget credibility in budget execution

- i. Revive and enhance the electronic commitment control system to ensure MDAs purchase goods and services within available resources to avoid accumulation of domestic arrears.
- ii. Reform the warranting system to ensure that releases are focused on the intended items and priority areas of the budget, rather than block warranting.
- iii. Establish an inter-departmental and inter-institutional framework for in-year resource allocation and budget repurposing during budget execution.

5.5.4.5 Compliance to PFM Laws and Regulations enhanced

- i. Improved compliance to PFM regulations by State-owned enterprises. Will include key actions to streamline and disseminate roles and responsibilities of SOEs and Government, Step up Government guidance and supervision of SOEs in terms of budget preparation, execution and reporting, Build capacity of SOE management and staff, Institute a semi-annual report by MOFPED to PSST on the performance of all GOU SOEs.
- ii. Strengthen institutional frameworks for management of SOEs within the Fiscal Strategy. Aims to enhance governance, oversight, and accountability in the management of State-Owned Enterprises (SOEs) to ensure alignment with the government's fiscal objectives and strategies.
- iii. PFM legal framework harmonised with other conflicting regulatory frameworks
- iv. Improved monitoring and access to information on PFM reforms. Includes aspects on domestication and usage PEFA to deepen monitoring of PFM
- v. Review and update laws and regulations: Review and update laws and regulations to ensure that sanctions are clear, consistent, and effective. Includes Strengthen investigation and enforcement capacity: Strengthen the capacity of institutions responsible for investigating and enforcing sanctions.

5.6 Sub-National PFM Systems For Service Delivery Strengthened

Strengthening sub-national Public Financial Management (PFM) systems is critical for better service delivery in Local Governments as it enables effective planning, execution, and oversight of resources. By improving budgeting, financial reporting, and internal controls, Local Governments can ensure that resources are allocated efficiently and effectively to meet the needs of citizens. This, in turn, can lead to improved service

delivery outcomes, such as better healthcare, education, and infrastructure. Moreover, robust PFM systems can enhance transparency and accountability, reducing the risk of corruption and mismanagement, and fostering trust between citizens and Local Governments. Ultimately, strengthening sub-national PFM systems is essential for promoting good governance, accountability, and service delivery at the local level, which is critical for Uganda's development and citizen well-being.

Uganda's decentralization policy is guided by the Constitution of 1995 and the Local Governments Act (LGA) of 1997. These laws provide the framework for decentralization and fiscal decentralization, empowering local governments to manage their affairs and deliver services effectively. The Constitution establishes the basis for decentralization, while the LGA outlines the structure, functions, and powers of local governments, promoting participatory governance.

Fiscal decentralization in Uganda involves transferring financial responsibilities and resources from the central government to local governments. This shift enables local authorities to improve service delivery and accountability. However, local governments face challenges in financing their expenditures, highlighting the need for adequate revenue sources and fiscal autonomy. Effective fiscal decentralization requires addressing vertical fiscal imbalances and ensuring that local governments have the capacity to manage resources efficiently. By implementing these principles, Uganda can promote good governance, accountability, and service delivery at the local level.

5.6.1 Problem Analysis

A. Problem Statement

Uganda's sub-national Public Financial Management (PFM) systems face significant challenges that hinder effective service delivery. Weak budgeting and planning processes are a major concern, with inadequate budget planning and execution at sub-national levels, and limited alignment of budgets with national and local priorities. According to NDPIII Mid-term review, there is slow implementation of the NDPs, weak planning, budgeting, monitoring, evaluation and systems for statistical development. Community participation in the planning process is at 35% as per the LGPAR 2020 - 2021. The participation of citizens, the informal sector, and the civil society in the budgeting process of LGs is still very low. Additionally, the capacity to make these engagements transparent and effective by LGs, still needs improvement.

Furthermore, inefficient financial management practices, such as weak financial reporting and accounting systems, and inadequate internal controls and oversight, exacerbate the problem. Limited transparency and accountability also plague the system, with insufficient public access to financial information and weak downward accountability mechanisms.

Moreover, sub-national governments are heavily reliant on central government financing, which is not sustainable for funding local government services. This overreliance limits their ability to plan and deliver services effectively, and restricts their fiscal autonomy. Studies like the World Bank's "Uganda Economic Update" (2022) note that LGs collect only a fraction of their revenue potential due to inefficiencies and weak tax administration, while the International Growth Centre (IGC, 2020) underscores that untapped local revenue sources, such as property taxes and market fees, could triple LG revenues if linked to economic growth initiatives. Poor data systems hinder tracking of LED's revenue contributions, contrary to the Policy's emphasis on monitoring and evaluation (p. 21).

These challenges ultimately affect service delivery, resulting in inefficient allocation of resources, poor quality of services, and limited citizen satisfaction. Without addressing these issues, sub-national governments will struggle to deliver essential services to citizens, undermining local development and economic growth.

B. Problem Manifestation

The problem is manifesting through:

- (i) Inadequate funding for local service delivery
- (ii) Weak budget execution and monitoring at the sub-national level
- (iii) Poor quality of services delivered (e.g., healthcare, education, infrastructure)
- (iv) Over-reliance on central government transfers: The local revenue to GDP ratio has declined drastically from 0.48 per cent in 2008 to 0.14 per cent in 2019. According to National PEFA Reports 2022, LG own-source revenue as a percentage of total LG budget for Rural Local Governments is 4% and for Urban Local Governments is 17%.
- (v) Unpredictable and delayed transfers from central government
- (vi) Limited local economic growth and job creation

C. Root Causes

The root causes of weak sub-national PFM systems include:

Ineffective inter-governmental fiscal transfers modalities
 In Uganda, inadequate funding for local service delivery is a significant challenge, partly due to inadequate

and inefficient fiscal transfer modalities to local governments. The central government allocates funds to districts through various mechanisms, but these transfers often fall short of meeting local needs. As a result, local governments struggle to provide essential services like healthcare, education, and infrastructure. The insufficient funding and inefficient transfer modalities exacerbate the problem, leading to disparities in service delivery across districts. Some areas receive more funding than others, despite having similar needs, which can perpetuate inequality and hinder development. This situation is further complicated by limited local autonomy, restricting local governments' ability to respond to local priorities and needs.

At the heart of the decentralisation policy in Uganda is the devolution of authority, responsibility, and financial resources for providing public services from the Central Government to Local Governments. Whilst the policy envisaged a highly discretionary system of financing Local Government service delivery, from its outset, LG funding has largely been through central Government transfers, including Conditional, Unconditional, and Equalisation grants, as detailed in Article 193 of the Constitution.

Several studies have been carried out to improve processes, systems, and levels of financing for services delivered by the Local Governments. They include The Fiscal Decentralisation Study of 2001 that informed the development of the Fiscal Decentralisation Strategy (FDS) 2002, the Study of "Local Government Financing" by the Local Government Finance Commission in 2012, and "Service Delivery with more Districts in Uganda - Fiscal challenges and opportunities for reforms," 2013, by the World Bank in partnership with MoFPED.

Root causes of this problem can be attributed to a combination of factors:

These studies identified critical issues that have negatively impacted decentralisation and the quality of services provided by the LGs as below:

- (i) Review of Uganda's decentralisation policy has not been prioritised over the years: This leaves gaps in appreciating the registered success to allow consolidation and the constraints to allow remedy. Government introduced a decentralization policy in 1992 that empowered lower governments to manage public affairs on behalf of the central government in a bid to speed up development and service delivery. A wide range of powers, responsibilities and functions were transferred to District Local Governments and Lower Local Councils. There is a need to undertake a review to assess its effectiveness. There have been many developments since adopting the decentralisation policy in the areas of legal reform, systems etc.
- (ii). Limited discretion for LGs on allocations of resources: Most grants to LGs are conditional with limited flexibility for LGs to respond to critical challenges in their jurisdictions. In the absence of the fiscal decentralization policy, any institution that wishes to support LGs can do so under their discretion and will determine the use, dictate the management, reporting modalities and the M&E systems, to the extent that the funders may duplicate existing programmes or determine investments for their interests. The grant system has no checks and balances, therefore may disregard some principles such as equity in allocation since all MDAs undertake the design of grants themselves with limited involvement of MOFPED (Fiscal Decentralization unit in BPED and Local Government Finance Commission). This increases the number of conditional grants which further affects discretion exercised by LGs.
- (iii). Lack of incentives for LGs to account for resources: There is deteriorating adherence to grant guidelines due to reduction of central government oversight, support supervision as well as monitoring.
- (iv). Reduction of the real value in financial transfers: Uganda's population and the demands for quality services are increasing at a fast rate and yet grant allocations to LGs are not increasing proportionally resulting in a huge service delivery gap. Additionally, the purchasing power of grants has also reduced, due to inflation levels. Government's efforts to meet the service delivery standards have been greatly impacted due to a reduction in the real per capita value of transfers. Several efforts have been made to uplift the levels of financing in Education, Health, Water and Agriculture. However, this is effort is not replicated for decentralized programmes.

2. Inadequate local government own source revenue mobilization

Article 176 (2(d) of the Constitution provides for a sound financial base with reliable sources of revenue for each LG unit, and 2(e) states that appropriate measures shall be taken to enable local government units to plan, initiate, and execute policies in respect of all matters affecting the people within their jurisdictions.

The LG Own Source Revenue Mobilisation Strategy was concluded in 2021 through a comprehensive analysis supported by three diagnostic reviews, namely the diagnostic study on local governments' own source revenues, a review of the legal and policy framework, and a technical review of local government revenue management systems. The various analyses noted that there is insufficient contribution of LG own-source revenue to service delivery across the LGs.

The Government of Uganda recognises the important role that LGs play in service delivery and has invested significantly in PFM systems targeting LGs. Own-source revenue has been one of the major challenges facing LGs in the delivery of services. To address this challenge, the primary focus of the government has been the preparation of the LG Own Source Revenue Mobilisation Strategy and the automation of the revenue management process. Government in line with its rationalisation and harmonisation efforts adopted IRAS as the system for LG revenue administration and has set a timeline to transition all the LGs previously on eLOGRev to IRAS. Additionally, the government undertook the process of training and equipping the various stakeholders.

Root causes of this problem can be attributed to a combination of factors:

- i. There are various pieces of legislation that are outdated and should be amended: property tax, such as The Town and Country Planning Act, 1964; The Local Government (Rating) Act, 2005; The Public Health Act, 1964; and The Trade Licensing Act, 2000. Due to outdated provisions, LGs have not been able to adequately guide development in their jurisdictions.
- ii. The linkage between LED and own-source revenue mobilization remains weak. Local Economic Development (LED) is a pivotal pillar of Uganda's fiscal decentralization framework, as articulated in the Uganda National LED Policy (2014), which envisions "a vibrant and competitive private sector-led local economy for poverty reduction, wealth creation and prosperity" (National LED Policy, p. 11). Despite this ambition, the linkage between LED and own-source revenue mobilization remains weak, undermining local governments' (LGs) capacity to harness economic growth for sustainable revenue generation. The Policy identifies increasing locally generated revenue as a primary aim (p. viii), yet over a decade later, LGs struggle with a narrow revenue base—averaging just 3% of their budgets (p. 9)—and a persistent dependence on central government transfers, which stifles financial autonomy and limits investment in LED initiatives. LGs lack structured mechanisms to integrate LED into revenue strategies, as highlighted in the Policy's call for enhanced capacity and coordination (p. 13);
- iii. Low Tax education in LGs. Limited awareness of taxation among the public and hence low acceptance of local taxes, fees, and charges. Moreover, there is weak institutional capacity, inadequate enforcement capabilities, and an absence of dispute resolution processes across LGs.
- iv. Weak local revenue accountability and allocation mechanisms hindering local revenue collection potential. When local governments lack transparency and accountability, funds may not be allocated to priority areas, such as local services.
- v. Reduced autonomy of LGs in local revenue raising including low fiscal discipline in revenue administration, especially with regard to implementation of revenue sharing mechanisms limited national level government support in revenue policy design;
- 3. Low Capacity for Resource Mobilization in Kampala Capital City Authority (KCCA) and Other 10 Cities KCCA is neither a local government nor a central government, however it is governed by KCCA on behalf of the central government. This kind of arrangement is complex and cumbersome in revenue mobilisation. KCCA and the Local Government (LG) budget revenue is an aggregate of all financing inflows from (i) central government grant transfers (ii)locally raised revenues (OSRs) and (iii) direct grants, donations, and transfers from development partners.

Own Source Revenues (OSRs) are important sources of financing for local governments. They contribute to local service provision, ensure local accountability and create financial incentives for the regional administration. The Fifth Schedule, Part IV of LGA describes and classifies own source revenues under three categories: Tax, Non-Tax and Other Revenues. *Own source revenue contributes 30% of KCCA's total budget, while according to the local government revenue strategy, own source revenue averagely contributes 5% of the city's total budget.* The key domestic revenue mobilization underlying causal factors in KCCA and the 10 cities are summarised below;

Root causes of this problem can be attributed to a combination of factors

i. Legal framework of own source revenues: KCCA revenue mobilisation is governed by several pieces of legislation, such as the Constitution, the KCCA Act, the Local Governments Act, the Public Finance Management Act, the Local Government Finance Commission Act, the Trade Licensing Act, the Building Control Act, etc. Several source-specific laws and guidelines supplement these. This complex and frequently amended set of laws sometimes has conflicting legislation. For example, Article 152 of the Constitution limits the level of discretionary powers provided under section 80 and the fifth schedule of the Local Governments Act since no taxes may be imposed unless under an Act of Parliament. Therefore, the introduction of new revenue regimes is limited. Although new revenue may be introduced through an Ordinance, this will also require approval from the Solicitor General at the Centre. All the legislation above is regulated in the different ministries of government, and KCCA and the Cities simply have to implement them. During the enactment of these laws, there is little or no consultation with the implementing bodies, making it hard to implement.

As policy makers at the different ministries do not fully consult the implementing partners to determine implementation approaches. It becomes cumbersome to mobilise revenue. A case in point is the Local Hotel Tax, whose implementation is proving hard causing revenue leakage. The policy makers at KCCA, the Local Government Finance Commission, the Ministry of Local Government and the Tax Policy Department in the Ministry of Finance should work together with the responsible minister to develop inclusive and participatory policies.

ii. Revenue Management Systems: KCCA revenue system dubbed e-cite was previously acquired as a transport system. However, upgrades made included taxpayer registration, assessment, billing, enforcement and collection, and reporting. The other 10 cities have adopted the Integrated Revenue Management System (IRAS) for revenue administration. E-cite maintenance cost is mainly derived from the changes made to software after it was delivered to the end user. While the software does not "wear out," it will become less useful as it ages. Plus, there will always be issues with the software itself. Software maintenance costs typically form 75% of its total cost. Since the Cities revenue is far less, it is unlikely that maintenance and upgrade of the system will be sustained. Further, the existing computers have become slow and unable to manage the robust revenue processes, thereby delaying collection.

Since the development and rollout of e-cite and IRAS, revenue collection has increased tremendously (KCCA 2013/2014 UGX 70.6bn to UGX 104.8bn in 2022/2023). There is a need to prioritize setting a budget aside for maintenance.

- iii. Data analysis has not been fully exploited to promote revenue generation and enhance voluntary compliance. The nature of KCCA/Cities tax clientele coupled with the weak legislation as well as the ICT make hard to have a clean database of all the tax payers. The taxpayers are mobile, and the business mortality rate is high. The business environment has stifled business sustainability and thus most business do not see their anniversary. There is limited knowledge among the taxpayers especially those dealing in micro enterprises. There is lack of a dedicated well-trained unit/staff in data analysis. There is a need to prioritise and strengthen the data analysis function in KCCA and the 10 Cities with well-trained staff who will be responsible for target setting using the available quality data. In addition, it's important to develop a cross-government policy framework for data sharing and management to ensure that data is captured and stored systematically and consistently. This would make data usable across the government. Further, it's important to create a formal data skills development plan; design and implement a medium-term ICT strategy, and standardize key government systems to improve integration.
- 3. Challenges in Local Government (LG) internal controls and accountability mechanisms in reference inadequate or ineffective systems, processes, and procedures within local governments that ensure. Multiple Studies including the World Bank on financial accountability mechanisms in local governments in Uganda highlighted the need for stronger financial accountability mechanisms. Annual reports by the Office of the Auditor General (OAG) have consistently highlighted weaknesses in financial management, procurement, and accountability in local governments (Office of the Auditor General. (2022). Annual Report of the Auditor General for the Year Ended 30th June 2022). There is prevalent non-compliance to the budget transparency initiatives by some MDAs/LGs (22% and 57% for MDAs and LGs respectively) as per the OAG Report (2020) and as well as perceived corruption among duty bearers has undermined the will to undertake voluntary and effective downward accountability at all levels.

Root causes of this problem can be attributed to a combination of factors

i. Limited technical capacity in local governments for Accounting and Financial Reporting in the Lower Local Governments and Service Delivery Units: LLGs and other service delivery units have registered challenges of accounting and financial reporting which have stifled service delivery. Section 86 of the LG Act CAP 243, requires every LG to keep proper books of accounts and other records in relation thereto and balance their accounts for that year and produce financial statements. In addition, Regulations 61-64 of the LG Financial and Accounting Regulations (LGFARs) 2007 require SDUs to prepare financial statements regularly. However, inspection reports and reports of LG stakeholders including the Auditor General noted that SDUs are experiencing challenges in maintaining proper books of accounts and financial statements.

Financial reporting is haphazard incomplete and largely inaccurate at LLGs and Service Delivery Units. This undermines accountability and tracking of resource flows beyond the higher LGs. The Accounting and Financial reporting tools in SDUs are outdated; proper books of accounts are not kept, some do not have Cash Books, Vote Books and Asset Registers. A combination of all these factors lead to failure to update records and observe budgetary limits¹⁰ at LLGs and SDUs. MoLG and MoFPED developed the simplified guidelines on budgeting, accounting and reporting (BAR Guidelines) for schools and health centres. This was not formally disseminated in the LGs. Thereafter, a web enabled Simplified Accounting and Reporting Tool (SCART) was developed to fast track the implementation of the Simplified Guidelines on Budgeting, Accounting and Reporting (BAR Guidelines) for Schools and Health Centres.

¹⁰Sub-National PEFA Report 2022

ii. Limitations of Internal Audit and coordinated follow up of recommendations by LGPACs and regional audit committees. Much as Section 48(1) of the PFMA 2015 requires every vote to have an internal auditor and the Local Government Act, 2007, section 90(1) requires that every LG unit have an internal audit department, the functionality of Internal Audit and the follow-up of recommendations by LGPAC and regional audit committees are limited.

According to the LGAPR 2020, while 96% of the 146 LGs assessed had a substantive Senior Auditor in place, low performance on the function as reported on a number of indicators. The LG PAC reviewing internal audit reports for the previous financial year scored 48%, and production of all quarterly internal audit reports for the previous FY scored 39%. LG Internal Audit departments are understaffed and unable to meet LGs' internal audit requirements. An internal audit unit in a typical LG has two staff members: the senior or principal internal auditor and the internal auditor. Additionally, LGs use various systems like IFMS for Budget Execution, PBS for Planning and Budgeting, HCM for Payroll, etc. Sadly, Internal Audit Units cannot extract and analyse the data from these systems.

The PEFA 2022 pointed out that internal audit focuses on the adequacy and effectiveness of internal controls, and adheres to professional standards but lacks quality assurance. Most management responses to audit recommendations were incomplete, indicating low capacity in specialised fields.

LG internal audit functions are not sufficiently empowered relative to the newly strengthened central government internal audit status due to the complexity of PFM systems, enhanced IT security, and improved risk management approaches. While the role of internal audit is critical in providing assurance and enhancing compliance, the function was noted to be still operating manually, which continues to undermine effectiveness. Section 88 of the Local Governments Act, Cap 243 requires that LGPAC are established in each district. LGPACs examine the report of the Auditor General, Chief Internal Auditor and any reports of commissions of inquiry. The law further mandates the chairperson of the council and the Chief Administrative Officer or Town Clerk to implement the recommendations of the LGPAC. In spite of the very important role the LGPACs play in the financial management of LGs, they are largely underfunded and underperforming. There is a decline in submission and review of the Internal Audit Reports¹¹. Besides regular assessments of this nature, there is no mechanism for tracking implementation status.

Moreover, several LGPACs are constituted of members with inadequate governance and financial management knowledge. Many find it very difficult to analyse reports that are presented to them for examination. The capacity to review, critique, and make resounding judgements is still lacking. The recommendations made are often inadequate in addressing the identified gaps by the Auditors.

REAP has provided Technical Assistance to support the development of a policy to clarify and streamline roles and coordination of LGPACs, Accounts, LGPACs and Regional Audit Committees. However, no actions have been taken on the recommendations by the TA.

4. Limited Downward Accountability in Local Governments (LGs) in reference to the weak accountability mechanisms that exist between local governments and citizens leading to a lack of citizen engagement, answerability and ultimately poor service delivery. Despite the existence of a plethora of enabling laws aimed at aiding citizen's participation in processes for the strengthening of downward accountability, their interest and involvement leaves a lot to be desired. This characterised by a number of issues including limited consultation of key stakeholders in the budgeting process and accountability cycle; Limited access to information on contracts, revenue and expenditure, which has hindered follow up of public budgets, expenditure patterns and contracts

Root causes of this problem can be attributed to a combination of factors

- i. Inconsistencies in the reporting structures of some LG officials hinder public accountability. For instance, while CAOs are appointed by the MoPS, they report directly to the PS/ST, MOFPED, while paying allegiance to MoLG. This has weakened their relationship with the District Councils where they supervise service delivery.
- ii. Although there are opportunities for civil society engagement and active participation of the anticorruption agencies; and increased demand for information and goodwill of the donor community, there remains limited civic competence, limited access to information, lack of quality staff time and attitude, and initiatives that foster downward accountability. Monitoring and accountability mechanisms for service delivery are still manual, and there is failure by the citizens to hold Government accountable. In addition, there are cumbersome processes for sanctioning non-accountability by accountability institutions when reported by service recipients and lack of a guide on downward accountability.
- 5. Integrity and value for money of LG procurements. Public procurement in LGs is challenged by integrity issues, where reports from PPDA and OAG audits observe that the public procurement and asset disposal system faces some corruption tendencies from the different players. The 4th procurement Integrity survey (July 2020) indicated the existence of corruption, especially at the evaluation stage, despite the

 $^{{\}rm ^{11}Local}\ Government\ Management\ of\ Service\ Delivery\ Performance\ Assessment\ for\ 2022\ Monthson, and the service of\ Service\ Delivery\ Performance\ Assessment\ for\ 2022\ Monthson, and the service\ Delivery\ Performance\ Assessment\ for\ 2022\ Monthson, and the service\ Delivery\ Performance\ Assessment\ for\ 2022\ Monthson, and the service\ Delivery\ Performance\ Assessment\ for\ 2022\ Monthson, and the service\ Delivery\ Performance\ Assessment\ for\ 2022\ Monthson\ Performance\ Assessment\ Performance\ Assessment\ Performance\ Assessment\ Performance\ Assessment\ Performance\ Pe$

collaborative awareness seminars organized by MoLG in conjunction with PPDA to address these gaps. The Mid-Term review of REAP also pointed out that despite efforts in reforming public procurement, persistent compliance challenges remain. Implementation of PPDA recommendations has continued to decline due to operational and institutional challenges including under staffing, capacity constraints and the manual environment. This indicates among others low capacity and heavy workload on the few available staff.

Root causes of this problem can be attributed to a combination of factors

- i. The vulnerability stems from the volume of transactions, financial incentives, system weaknesses (complexity of the processes, regulatory incoherence, multitude of stakeholders, close interaction between public officials and businesses), as well as, implementation deficiencies (lack of transparency and ineffective information systems, low professional capacities, weak oversight and controls).
- ii. The new E-Procurement System has an immediate challenge—the ability of the local contractors to handle online and hybrid procurement. Contractors grapple with handling many contracts under the lot system for several LGs, which has resulted in many LGs being unable to execute projects successfully.
- iii. While efficient and effective procurement, life costing, local content, and community procurement are getting traction nationally, they remain unknown and unpractised by LGs due to limited awareness. Procurement units do not have procurement registers, physical procurement files are accessed with a commitment register which doesn't capture some of the critical information like the method of procurement, award amount, procurement number, time of award and all other relevant fields required under a suitable database. The LGs hardly have records of micro procurements and neither do they prepare quarterly reports. There are no records at the LGs to indicate proper monitoring of procurements by PPDA and the LG councils which portrays low capacity and staffing of the procurement cadre. The Procurement Inspection and Coordination is underfunded and ill equipped to fully execute its role.
- 6. Transition from Output-based to Program-based Planning and Budgeting at LG level still low. LGs are struggling to transition from sector-based planning and budgeting to PBB. Nonetheless the PBS tool does not incorporate budgeting up to sub county level. LGs remain with unutilized funds at the end of the FY because they were not able to absorb the funds within that FY for various reasons. The PFMA 2015 does not allow multi year budgeting in LGs, yet Program Based Budgeting (PBB) is not synchronized with planning and budgeting in Local Governments which is still sectoral¹².

Root causes of this problem can be attributed to a combination of factors

- i. The Sub-National PEFA Report 2022 observes that some LGs do not have ICT personnel to manage their websites. Consequently, LGs rely on MoFPED's website for budget documents. The MoFPED website is updated after the budget has been approved, making such documents inaccessible.
- ii. Most LGs do not cost their five-year plans. The three weeks allocated to LGs following the 2nd Budget Call Circular are not enough to prepare their draft budget estimates. Budget reviews cover expenditure and revenue for only the current year being discussed and District Council's budget reviews do not cover fiscal policies, medium-term fiscal forecasts, and medium-term priorities.
- iii. Although the LG Development Planning Guidelines 2020 were developed, there is inadequate understanding of the basic concepts of planning, monitoring and evaluation as well as inadequate specialized development planning capability at sector level¹³.

D. Constraints

Key constraints to improving sub-national PFM systems include:

- i. Limited capacity for local governments to collect and manage resources effectively. Most revenue staff in the Cities were reassigned to the department of Revenue Collection from the department of Finance from where they had little or no skills in Revenue collection. KCCA on the other hand has often had fewer trainings conducted for its revenue staff owing to the challenges in resource envelope. There is a need to have specialized training in revenue mobilization, especially owing to the nature of taxpayers being managed by KCCA and the Local governments. The budget for training is often cut and sometimes is not provided and so there is perennially inadequate funding to enable KCCA and the 10 cities to have adequate training in revenue collection. Developing capacity will require adequate staffing with considerable prior exposure to tax issues, to facilitate and empower officers to undertake research. Tax is a dynamic field requiring regular upskilling to remain abreast of issues and exposure to international best practices. The KCCA budgets should prioritize the allocation of resources in building capacity of revenue staff.
- ii. Constraints on accountability, performance monitoring and service standards in key delivery sectors Constraints on accountability and performance monitoring exist mainly due to the absence of service delivery standards. As a result, there is no standard benchmark against which services can be delivered, leading to poor-quality services. Under REAP, Costed Service Delivery Standards were developed in each of the g to 13 service delivery areas, and there is a guide for the documentation, application, and

¹²Mid-Term Review of the Third National Development Plan (NDPIII) 2020/21-2024/25 Local Economic Development Report ¹³PFM Reforms Capacity Building Strategy 2020



dissemination of Standards. However, they have not yet been implemented or disseminated.

- iii. Further, the Uganda PEFA Report 2022 indicates poor performance at the Service Delivery Units due to inadequate and delayed funding. Moreover, tracking the funds received by the budgetary units is problematic, as information on the resources obtained by the service delivery units is scarce, making it difficult to estimate the effective utilisation of received resources and to assess the performance of the service delivery units correctly
- iv. Inspection and Monitoring of LGs in PFM to ensure Accountability. Local governments still face challenges of inspection and monitoring of service delivery. Without close follow-up of interventions in the LGs, service delivery faces a risk of being compromised and thus failure to achieve planned results. It also makes accountability under the PFM rather difficult. At the Ministry of Local Government, there is a dedicated structure for inspection and service delivery standards. The inspection of LGs is important to ensure systematic verification of adherence to established legal and policy frameworks, regulations, guidelines, procedures and rules to ensure efficiency and effectiveness in their operations. However, the Inspection and monitoring of service delivery at local government level remains wanting. When spot checks are done it is found that services are not being delivered and people are absent.
- v. There is limited access to all computerized PFM systems by inspectors, limited funding, lack of transport equipment and service tools, low coverage of inspection and the available inspection manual is outdated. The current number of inspectors is inadequate to cover all the LGs, LLGs and SDUs under them. Inspectors are normally lagging behind in understanding the PFM reforms in Government which makes them unable to provide adequate inspection and support. The fleet of Vehicles available for MOLG Staff to travel to LGs to undertake Inspections is inadequate and some of them are old and need replacement. There is also a lack of office space, furniture, computers and printers.
- vi. Inspection of Schools and Institutions of Higher Learning have been hampered by budget cuts. Consequently, inspections are done on invitation by the institutions. The NDP MTR recommends the roll out of the e-inspection system. (Mid Term Review of the Third National Development Plan (NDPIII), Policy and Strategic Direction Thematic Report, January 2023, NPA).
- vii. Insufficient capacity of Local Political Leaders in their PFM roles and responsibilities. After the National General Elections, new elected Local Councillors were sworn into office and most of these people were completely new to the LG system. Issues ranging from expectations management; knowledge and understanding of the functions, roles and responsibilities of the organs of LGs; knowledge and understanding of council procedures and guidelines among others continue to cripple council operations. Induction of new councillors is necessary to strengthen their ability to respond to citizens' demands and improve on service delivery. The NDP IV should be used to strengthen Decentralization as per Article 176(2-e) empowering the Local Governments to take charge of their destiny.

Local political leaders are responsible for running public affairs in their jurisdiction but lack the requisite capacity - knowledge, expertise, skills and tools. Moreover, after every general election, there are always new political leaders, the majority of whom may not have requisite capacity and skills to undertake PFM roles and responsibilities. As a result, the political leaders are unable to effectively undertake their oversight role in the delivery of services.

While a department responsible for Local Council Development exists in the MoLG, it lacks the resources necessary to build the capacity of political leaders. Government institutions like the Civil Service College and the Uganda Management Institute can offer tailored training Programmes if funding is available.

5.6.2 Reform Focus

Arising from the situational analysis, the core aspects of reform under this objective are conceptualized along the following key focal pillars:

- (i) Budgeting and Planning
- (ii) Financial Management
- (iii) Revenue Mobilization
- (iv) Expenditure Management
- (v) Procurement and Contract Management

5.6.3. Expected Intermediate Outcomes

5.6.3.1 Enhanced Allocative Efficiency in Fiscal Transfers for Improved Local Government Planning and Service Delivery

This outcome aspires to that fiscal transfers should be allocated based on need, considering factors such as

poverty levels and service delivery gaps. This ensures that LGs with greater needs receive sufficient resources to address them. Transparency is also essential, with clear and predictable formulas used to allocate transfers. This helps LGs plan and budget effectively, knowing what resources they can expect. Predictability is another key aspect, with timely and reliable release of funds to LGs. This enables them to deliver services without interruptions or delays. Conditionality can also be used to tie transfers to performance targets and service delivery outcomes, incentivizing LGs to improve their performance. Finally, LGs should have the flexibility to allocate funds based on local priorities, allowing them to respond to specific needs and circumstances. By achieving this outcome, fiscal transfers can play a more effective role in promoting equitable access to services and improving service delivery outcomes in LGs. This, in turn, can contribute to more balanced development and improved well-being for citizens.

5.6.3.2 Increased contribution of LG own-source revenue to LG Budgets

This outcome aims to strengthen local revenue collections through implementation of the LG Own Revenue Source Strategy which among others targets strengthening automation of revenue collections systems and by providing support to review and enhance the legal and policy framework as well as administrative capacities for revenue collection. This includes optimizing Revenue Potential from LED-Driven Sectors and Strengthening LED-Own-Source Revenue Linkages through LG Structures and Plans.

5.6.3.3 Improved Oversight and Accountability for Improved Service Delivery in Local Governments

This outcome aims to strengthen oversight at LG level through strengthening the functionalities of the Internal Audit and LGPACs. This should collectively enhance the downward accountability, leading to increased citizen participation and confidence in the government system and service delivery.

In addition, this outcome seeks to consolidate efforts towards increased demand for downward accountability to citizens for public spending and service delivery performance, broad reform interventions will focus on empowering citizens and civil society organizations. This will involve strengthening citizen engagement and participation in budgeting and service delivery monitoring, enhancing transparency and access to information, building capacity for advocacy, and establishing effective feedback mechanisms. By implementing these interventions, citizens will be better equipped to hold governments accountable for public spending and service delivery performance, ultimately driving improved governance outcomes. This will include better coordination of related approaches as well as dissemination of PFM performance information and studies efforts towards coordination PFM community scorecard for measuring the assessment, planning, monitoring and evaluation of service delivery. The Uganda's Public Finance Management Compliance Index coordinated by CSBAG and Accountant general provides opportunities to deepen organised efforts towards this goal will be a beginning point.

5.6.3.4 Improved Financial Reporting for enhanced service delivery in Service Delivery Units (SDU)

This outcome aims to strengthen the financial management systems of Service Delivery Units (SDUs) by providing timely, accurate, and reliable financial information. This outcome not only enhances service delivery but also presses reform aspirations to improve the quality of financial reporting. By doing so, it reduces the burden on the Auditor General's office in dealing with errors, allowing them to elevate their oversight and audit function to focus on tracking real value for money and providing assurance. Improved financial reporting will enable SDUs to track their financial performance, identify areas of inefficiency, and make informed decisions about resource allocation. By having access to accurate and timely financial information, SDUs can optimize their operations, reduce waste, and improve the quality of services delivered. This, in turn, will lead to enhanced service delivery outcomes, improved citizen satisfaction, and better value for money.

5.6.3.5 Enhanced Integrity and Transparency in Local Government Procurement Function

This outcome focuses on promoting a corruption-free, transparent, and efficient Local Government procurement system, building capacity, ensuring value for money, and ultimately improving service delivery

5.6.4 High-level Outputs

This subsection presents the broad Reform Interventions along the rationalised intermediate outcomes. The detailed actions that will be implemented to achieve these outcomes are outlined in Annex 2, providing a comprehensive roadmap for reform implementation.

5.6.4.1 Enhanced Allocative Efficiency in Fiscal Transfers for Improved Local Government Planning and Service Delivery

- i. Revision and Re- Design of IGFT grants Systems
- ii. Align the IGFT system to enable Government to support the provision of Social Services Pillars of Parish Development Model (PDM); Includes developing MTP financing options for financing Decentralized service delivery standards through the IGFT systems, to support improvement of delivery of for basic social services delivered at the Local Government. Including results based financing
- iii. Enhanced enabling legal, policy and reporting framework for local service delivery
- iv. Gradually increase share of central government transfers for LG service delivery, as recommended in the Fiscal Decentralization Architecture report

v. Harmonized budgeting cycles between LG and National budgets

5.6.4.2 Increased contribution of LG own-source revenue to LG Budgets

- Enhanced enabling environment for LG own-source revenue mobilisation, in line with DRM strategy.
 Including Strengthening LED-Own-Source Revenue Linkages through LG Structures and Plans
- ii. Strengthening Tax administration at Local Government Level including sustaining adoption of automated revenue administration systems through the Integrated Revenue Administration system (IRAS).
- iii. Revenue management and collection capacity enhanced for lower local governments and local governments, in line with DRM strategy. Will include support for improved revenue planning

5.6.4.3 Improved Oversight and Accountability for Improved Service Delivery in Local Governments

- i. Increased demand for downward accountability to citizens for public spending and service delivery performance. This include: Strengthening citizen engagement and participation in budgeting and service delivery monitoring; Enhancing transparency and access to information on public spending and service delivery performance; Building capacity of civil society organizations to advocate for downward accountability; and, establishing effective feedback mechanisms for citizens to hold governments accountable.
- ii. Improved effectiveness and capacity of LGPACs and coordination with other audit committees
- iii. Improved monitoring and reporting on implementation of LG audit recommendations
- iv. Enhanced quality of internal audit assurance function at LG level
- v. Establishment of structured engagement forums on accountability in Local Governments and CG

5.6.4.4 Improved Financial Reporting for enhanced service delivery in Service Delivery Units (SDU)

- i. Automate Financial Reporting and Compliance Monitoring: Develop automated systems to track compliance with financial reporting requirements and identify anomalies.
- ii. Improve Lower Local Government Financial Reporting Guidelines: Establish clear guidelines and standards for financial reporting to ensure consistency and transparency.

5.6.4.5 Enhanced Integrity and Transparency in Local Government Procurement Function

i. Strengthen the Procurement Function in Local Governments.

5.7 PFM Oversight And Accountability For Sustainability of PFM Outcomes

This section relates to the PFM Oversight and Accountability aspects of service delivery including internal, external and legislative scrutiny. GoU has been improving its audit and oversight activities over the years and significant improvements have been made. The legislative framework for audit and oversight has been greatly enhanced and meets international standards. A robust PFM system will usually be kept in line by independent and effective audit and oversight functions. Effective audits and oversight functions are hinged on a strong legal framework; institutions with clear roles and responsibilities; well trained staff; adequate resources backing, among others. A keen and participating public helps reinforce these strengths.

The Office of the Auditor General (OAG) in Uganda has received recognition for its efforts in promoting transparency and accountability in public financial management. The OAG has been lauded as one of the best Supreme Audit Institutions (SAIs) in Africa, reflecting its commitment to excellence in auditing and good governance. This recognition is a testament to the strides made in institutional strengthening and independence of the OAG. The institution has demonstrated its ability to produce high-quality audit reports, promote transparency, and hold public institutions accountable for their financial management. The awards and recognition received from organizations such as the African Organisation of Supreme Audit Institutions (AFROSAI-E) underscore the OAG's commitment to best practices in auditing and governance. These achievements signal a positive trajectory for the institution, and its continued efforts to promote transparency and accountability in Uganda's public sector.

Building on this momentum, the government is now committed to deepening efficiency gains through automation of the audit business processes. This initiative aims to widen the speed, depth, and coverage of audits, ultimately enhancing the effectiveness of the audit function. Additionally, the Audit Tracking System has been implemented to track the implementation of audit recommendations, ensuring that public institutions are held accountable for addressing identified issues and implementing necessary reforms. These efforts demonstrate the government's commitment to leveraging technology and innovative approaches to strengthen audit processes, promote transparency, and enhance accountability.

5.7.1 Problem Analysis

A. Problem Statement

Weaknesses in PFM oversight mechanisms in Uganda undermine transparency, accountability, and effective use of public resources, leading to inefficiencies, corruption, and poor development outcomes. The current

Public Financial Management (PFM) oversight framework in Uganda, comprising the Office of the Auditor General (OAG), Parliamentary Oversight, and Internal Oversight, faces significant challenges that hinder effective accountability and transparency in the management of public finances. According to the PEFA 2022 assessment, Uganda's PFM system has shown some improvements, but weaknesses persist.

Furthermore, internal controls within ministries, departments, and agencies (MDAs) are ineffective, increasing the risk of financial mismanagement. The PEFA 2022 assessment highlights that Uganda's internal audit function is still developing, and there are limitations in the scope and frequency of internal audits (PEFA 2022, Indicator PI-25).

Moreover, there is a growing global expectation for oversight institutions to focus on results-based auditing and reducing corruption. However, in Uganda, there have been scenarios where MDAs have attained clean audit reports, yet cases of corruption scandals and gross abuse still emerge within the same financial year. This disconnect highlights the limitations of traditional audits, which typically focus on financial statement accuracy and compliance with accounting standards, rather than detecting corruption or fraud. To address these challenges, there is a need for oversight institutions to adopt higher-level risk-based techniques that can detect and prevent corruption. This includes using data analytics, forensic auditing, and other advanced tools to identify potential risks and irregularities. By adopting these approaches, oversight institutions can enhance their effectiveness in promoting transparency, accountability, and good governance in public financial management.

Ultimately, strengthening the PFM oversight framework will require a multifaceted approach that includes improving audit coverage, enhancing parliamentary scrutiny, and promoting effective internal controls. By working together, Uganda can improve the management of public resources, reduce corruption, and promote sustainable development.

B. Problem Manifestation

- i) Poor follow-up on recommendations: Lack of effective tracking and implementation of audit recommendations.
- ii) Ineffective internal controls: Internal audit units lack capacity and independence.
- iii) Parliamentary audit backlog
- iv) Limited external oversight: Auditor General's office faces challenges in conducting timely and comprehensive audits.
- v) Lack of transparency and accountability: Some PFM information and audit reports are not publicly available, and officials are not held accountable.

C. Root Causes

External Oversight

- 1. Inadequate audit coverage: Gaps in audit coverage leave government programs and activities unexamined, increasing risk of mismanagement (World Bank, 2019). The AG is required by law to audit and report on all public accounts and of Uganda and of all public offices. The Office is unable to cover its entire audit population especially the ever-increasing Local Governments, and schools resulting in accumulation of backlogs. In addition, the OAG is expected to provide assurance on implementation of the PDM, which was instituted by the NDP III by conducting audits of the funds allocated to operationalization of the PDM in 10497 parishes.
- 2. The PEFA 2022 assessment notes that while the OAG has made progress in producing audit reports, there are still delays in tabling reports to Parliament (PEFA 2022, Indicator PI-26). Additionally, parliamentary oversight is weak, with insufficient scrutiny and debate on budget implementation and financial reports (PEFA 2022, Indicator PI-27).
- 3. Limited focus on results and the impacts. Financial audits are typically constrained by their scope, which may limit their ability to examine broader social and economic impacts, such as gender equality. However, there's growing expectation to find opportunities to focus on results and more value for money, which can lead to audits playing a crucial role in identifying opportunities to improve efficiency, reduce waste, and enhance overall performance.

Impact assessments enable Supreme Audit Institutions (SAIs) to evaluate the value and benefits of audits to society by analysing the impact of its work on citizens. It aims to address questions related to the extent to which the SAI has made a difference and contributed to positive change in the community. However, there has been limited evaluation of the impact created through audit process which prevents a holistic appreciation of results attained overtime. This impedes the availability of evidence-based information required to make informed audit decisions that balance the needs and interests of stakeholders.

This is evident in the annual OAG performance report that depict limited coverage on the impact of work



in terms of how audits triggered improvements in government operations and thereby service delivery to society. Nonetheless, OAG has implemented initiatives such as the Audit Recommendation Tracking System, Value addition tool and has conducted follow-up audits like value for money studies. These initiatives though very useful do not assess the long-term impact resulting from the audits.

Internal Oversight

4. Inadequate institutional capacity of Internal Audit: Weak internal audit units and limited capacity of oversight institutions. Following the enactment of the PFMA 2015 and subsequent institutional reform that elevated the status of internal audit, the scope of internal audit was significantly expanded. The PFMA 2015 requires every vote to have an internal auditor, and for the Internal Auditor General to among others; review and consolidate reports from all votes and externally financed projects. However currently, there is no internal audit presence in Missions Abroad and there is limited assurance over the externally financed projects. There is also limited coverage of the specialized departments responsible for undertaking IT, Performance and Forensic Audits among others.

Root causes of this problem can be attributed to a combination of factors

- (a) There are several challenges that affect internal audit. These include limited coverage and scope of internal audit services, gaps in quality, timeliness and impact of internal audit reports and limited implementation of Internal Audit recommendations- Audit follow up and issue remediation.
- (b) Others are increasing range and scope of audits resulting into audit backlogs, and lack of a mechanism to demonstrate value added during audit as well as assess impact of implementation of audit recommendations. There is lack of clear timelines for Auditor General and Parliament's examination of treasury memoranda (TM) and process after the TM is reviewed.
- (c) There is limited audit automation and the use and adoption of data analytic tools. The current audit management software is limited to only 27 entities out of the expected 300 votes. Against the proliferation of big data and wide adoption of IT systems, there is insufficient acquisition, deployment, and use of data analytics tools. Ongoing reviews and self-assessments at both the engagement and activity (Internal Audit Unit) levels are very limited. Internal Audit Professional Standards require that an External Quality Assessment (EQA) be undertaken once every five (5) years. However, no such assessment has ever been undertaken.
- 5. There are deficiencies in development and adoption of standard methodologies and tools applicable to all internal audit units in votes and public corporations resulting in performance issues. Additionally, the adoption and institutionalization of best practice risk and control frameworks such as COSO and CoBIT in the planning and audit execution is very limited. The PFMA 2015 requires the Secretary to the Treasury to ensure that the internal audit function of each vote and public corporation is appropriate to the needs of the vote or public corporation concerned and conforms to internationally recognized standards, in respect of its status and procedures. The Internal Audit standards prescribe among others; methods and tools for audit planning, execution and reporting and follow up in Internal Audit Units across Government. On the other hand, the Internal Auditor General is required to develop internal audit policies, rules, standards, manuals, and guidelines that should be applicable to all internal audit units across government.
- 6. Entity annual internal audit work plans are largely not responsive to government wide priorities and interventions such as in the areas of program and project audits, systems development as well as entity core business processes. The current audit scope and coverage is predominantly backward-looking (assurance) that reports on what went wrong and less of a forward-looking function that prompts awareness of what could go wrong, and what to do about it, before it happens. There is also a lot of standardization of work methodologies. Notwithstanding the need to comply with legal and regulatory requirements regarding reporting timelines, audit cycles are long and impair the drive for timely assurance, insights, and foresights. Current audits are mainly assurance (backward looking) and less focused on providing insights (forward looking) that is critical in enhancing the strategic impact of internal audit recommendations
- 7. Lack of timely and effective implementation of audit recommendations over the years has denied the country immense benefits associated with the implementation of audit recommendations. Late production of audit reports delays corrective action and perpetuates poor financial management (PAC, 2021).

Root causes of this problem can be attributed to a combination of factors

Delays and ineffective implementation of audit recommendations has major consequences of weak internal control remaining unattended; it undermines the importance of audit as a deterrence against future financial irregularities and many others. The PFMA requires the Secretary to the Treasury to appoint or designate Accounting Officers on annual basis. The appointment depends on the level of remediation of audit issues that requires validation of action plans by internal audit. Over the past five (5) years, the level of implementation of Internal Audit recommendations has been below 70%. Action plans developed by audit clients are often not specific or time-bound and accountability for implementation necessary for effective risk mitigation is inadequate and or lacking.

- ii. The Treasury Memoranda details the actions taken by the executive on the recommendations from reports adopted by Parliament. However, there are no clear timetables for the Auditor General's examination of Treasury Memoranda (TM) and process after the TM is reviewed. This causes delays in open scrutiny of the Auditor General's report on the Treasury Memoranda for a comprehensive audit cycle. Therefore, there is need for timetable in which parliament examines and scrutinizes the Treasury memoranda. Furthermore, Parliament should develop mechanism to communicate findings to the Budget Committee to inform budget appropriation.
- iii. Due to limited staff capacity and inadequate budgetary allocation, there is a pronounced audit backlog. The issue of audit backlogs is further worsened by several budget challenges in the delivery of its mandate. This is explained by a number of funding gaps, budget cuts and under releases, which have adversely affected implementation of planned activities. With the current workload, the funding gaps visa Vis budget requirements implies that the office's budget is below that required to meet our annual performance target. This also relates to non-wage and development budgets, which are used to facilitate audits process. This causes disruptions of audit cycles affecting delivery of planned deliverable during the audit year leading to accumulation of audit backlogs.
- 8. The Constitution and National Audit Act, 2008 provides inadequate guidance for management of audit and audit results as well as post audit results. This limits the extent to which oversight can make a difference to the lives of the citizens. This is further worsened by ineffective tracking of the status of audit recommendations as well as the existing backlog in the discussion of both financial and value for money audit reports. This negatively affects the ability of the Office to realize the desired impact of audit work. Insufficient detail in the audit scope to review the impact created through audit process which prevents a holistic appreciation of results attained overtime. The root cause of lack of a clear timetable for AG and Parliament to examine the Treasury memoranda and process it is absence of a clear and comprehensive guide provided to these Institutions. In previous years, this has not been prioritized but it needs to be taken care of in the new PFM Reforms Strategy.

Parliamentary scrutiny

9. Inefficiencies in Parliamentary oversight. Ensuring timely and effective scrutiny of audit reports and implementation of recommendations and Recommendations from parliamentary oversight is still a challenge

Root causes of this problem can be attributed to a combination of factors

- a. Firstly, it was established that while some official recommendations of the PACs are typically considered and expertly written, some might be challenging to follow. This kind of recommendations might be challenging to the responsible accounting officers to implement in practice since the powers to sanction the Minister is not within the realms of the accounting officer. As a result, many PAC recommendations are unlikely to be implemented, and accounting officers may lack the motivation to support self-sanctions.
- b. These include huge workload for PACs and COSASE leading to Backlog, limitations of PAC reports in terms of quality and ease of utilization as well as poor committee attendance leading to delays in concluding reports. Other challenges include limited time for effective oversight and scrutiny, low quality of PAC recommendations and non-functional district PACs

Each of the three PACs has six months to review the AG reports for the entities for which its responsible. The PACs must devise ways of ensuring this is done in this time and often the committees are not able to cover all entities, resulting in backlogs that are carried over to the following years. For example, by the end of the 9th Parliament, there were debates or adoption of audits of any OAG reports on LGs and CGs since 2004/2005. It was noted that each Public Accountability Committee (PAC) is responsible for many public entities. The increase is driven by the creation of new agencies and administrative units.

Table 4: Number of Institutions handled by each committee.

Committee	No. of Entities
PAC – LG	176 LG Votes including LLG and service delivery points there in
PAC -CG	Approximately 150 agencies, in FY 2020/21 127 of these agencies were audited
COSASE	121 Institutions/agencies

Owing to the numerous entities that fall under each PAC, a significant amount of work must be completed quickly, and PACs frequently choose those organizations with significant expenditures as well as those with unfavourable and qualified audit opinions. Therefore, there is a need for a more systematic methodology to allocating agencies precedence during PAC hearings as it is observed that certain entities with clean audits do not require formal hearing as Accounting Officers can address queries through formal write up and response.

- c. Presently, there are no formal formats for writing reports of PACs. Committee clerks use past committee reports as benchmarks. Without a format, the committee reports frequently make suggestions on each query and repeat the AG's questions verbatim, which makes the PAC report lengthy and time-consuming to read. This challenge results into lower quality in PAC reports, which reduces its utilization by stakeholders. Low attendance of committee and plenary meetings by parliamentarians continues to be a challenge in the parliament of Uganda. It was revealed from committee records that an average of 15 MPs attended a committee meeting. Attendance at committee meetings was claimed to be higher in the initial years of the legislative session but much lower in subsequent years, especially in the final year of the legislature when the bulk of members are involved in early campaigns in their constituencies. This is further worsened by the appointment of MPs to two committees, each of which may meet at the same time on occasion. Considering that parliament decision making involves consensus building, low or lack of quorum in plenary and committee meeting affects conclusion of audit processes.
- d. The finding suggests that due to the high number of entities that PACs are required to process within a limited time frame, witnesses at time are not given adequate time to explain their issues fully. Under ideal circumstances, committees deal with two entities per day on average; while this amount of time would be sufficient, sometimes the topics under consideration are complex and numerous, necessitating extensive engagement. As a result, hearings for a single entity in some committees are delayed for several weeks and months. PACs make recommendations to be implemented when a query is not dropped in their report.

These recommendations are issued in two categories that broadly correspond to the categories of the Auditor General's inquiries:

- Entity specific recommendations these are suggestions to be acted upon by the specific audited public entities. They relate to audit queries that are a result of weaknesses to the particular entity.
- Systemic recommendations for oversight bodies such as ministries, police, IGG to act upon. These largely relate to category 2 audit queries but can also arise out of category 1 audit queries and they normally touch on policy and systemic issues.
- e. It should be noted that committees are expected by law to finish their consideration of the Auditor General's Report within six months. Committees, on the other hand, can only meet for three days per week, or 12 days per month, or 72 sessions in a six-month period. This excludes, among other things, time spent on report preparation, field visits, other committee meetings, and official Parliamentary recesses. Contradicting legislation and lack of formal administrative arrangements for DPACs is another cause of the challenges to the oversight function.
- f. Finally, but critical is that failure by MPs to consistently attend PAC sessions deprives the PACs of the valuable insight and experience during deliberation, which also affects the quality of PAC reports. Ensuring attendance at all Committee and Plenary Meetings is a requirement under Rule 15 (5) that falls under the jurisdiction of the Party Whips. However, the Whips are currently unable to enforce this rule, as they lack the authority to penalize or reward members based on their attendance. This has resulted in a situation where the Whips are seen as mere mobilizers and are unable to discipline members who defy their directives.
- 10. The Minister of Local Government has not tabled DPAC reports for scrutiny by PACLG. It is also noted that majority of these DPACs are not operational since their roles were taken over by PACLG. This has increased the workload of PACLG, which eventually leads to accumulation of huge backlogs of audit reports pending scrutiny. The Local Government Act under sections 88(4) established the Local Government Public Accounts Committee. Section 88 (7) and (8) of the act spell out the functions of the committee which include examining the reports of the Auditor General on the accounts of any local government and reports of the internal auditor every quarter of the financial year. The minister of Local Government then lays the reports of the DPACs before Parliament under section 89(7) of the Local Government Act. Weaknesses in this area have also created follow up challenges whereby the capacity to follow up the implementation of decisions made in Parliament by PAC is low. It has also created resistance from Local Governments who passively challenge the mandate of Parliament over local governments.

Downward Accountability

11. The outgoing Public Financial Management (PFM) reforms strategy, which concluded in FY2024/25,

emphasized downward accountability as a core reform focus. This emphasis will continue in the new strategy, as many of the aspirations and objectives outlined in the previous strategy are yet to be fully realized. Downward accountability is critical for ensuring that government actions and financial management practices are transparent, responsive, and accountable to citizens.

Root causes of this problem can be attributed to a combination of factors

ii. Coordination frameworks for implementing downward accountability are still in their infancy and require strengthening and as such operationalizing downward accountability reforms has proven to be a challenge. Implementation-related reforms often seem to fall into a grey area, lacking clear ownership oversight. Strengthening partnerships and coordination mechanisms will be vital for bridging these gaps and ensuring that downward accountability reforms achieve their intended objectives.

The current approach has primarily focused on strengthening the demand side of the accountability chain by engaging civil society organizations, such as those grouped under the Civil Society Budget Advocacy Group (CSBAG). While this approach has been a useful entry point, it may not be sufficient on its own to drive meaningful change. Mobilizing citizens and civil society to demand accountability can be a difficult task, and relying solely on these groups may not be enough to ensure that government actions are transparent and responsive to citizen needs.

To overcome these challenges, a more comprehensive approach may be necessary. This could involve engaging a broader range of stakeholders, including the media, local leaders, and community groups, to promote downward accountability. By mobilizing multiple actors and leveraging different channels, it may be possible to build a stronger, more sustained demand for accountability and transparency in government. Ultimately, a more inclusive and multi-faceted approach could help to ensure that downward accountability reforms are effective in promoting good governance and improving service delivery.

- iii. There is a need for change management within accountability circles to fully understand the criticality of this reform especially from the supply side of government. This involves educating and sensitizing stakeholders about the importance of downward accountability and how it can improve governance and service delivery. Additionally, institutional strengthening of line Ministries, Departments, and Agencies (MDAs) is essential to enable them to effectively implement and sustain these reforms.
- iv. A key underlying problem is also limited civic awareness, and inadequate citizen participation in governance processes, hinder the effectiveness of these efforts which is a cultural issue on answerability. Additionally, issues like corruption, patronage, and power imbalances can further undermine downward accountability. Relying solely on civil society may not be enough to address these deepseated challenges, and a more comprehensive approach that engages multiple stakeholders and addresses these underlying constraints may be necessary to drive meaningful change and promote good governance.

D. Constraints

- i) Resource constraints: Limited funding and staffing for oversight institutions.
- ii) Capacity constraints: Limited technical skills and expertise within oversight institutions.
- iii) Institutional constraints: Weak institutional framework and lack of clear policies and procedures.
- iv) Ugandan cultural issues towards answerability both in the supply side of government but more critically the demand side of the public. This weakness abilities to demand transparency and accountability.

5.7.2 Reform Focus

Arising from the situational analysis, the core aspects of reform under this objective are conceptualized along the following key focal pillars:

- (i) External Oversight-Enhance the independence, capacity, and mandate of the Office of the Auditor General to conduct high-quality audits.
- (ii) Internal Oversight-Strengthen internal audit capacity by enhancing technical skills and expertise of internal audit units.
- (iii) Public Oversight and Downward Accountability-Increase transparency by making PFM information and audit reports publicly available and accessible to citizens.
- (iv) Programmatic Oversight-Ensure effective coordination and delivery of PFM reforms by establishing a robust governance structure and implementation framework.

5.7.3 Expected Intermediate Outcomes

5.7.3.1 Enhanced impact of financial and VFM audit reporting and oversight

This outcome addresses the backlog in parliamentary scrutiny of audit reports and audit follow up by de-



veloping an overarching action plan, support, guidance, monitoring and tracking mechanisms, particularly through the Audit Recommendations Tracking (ART) System. The outcome also aims to evaluate the impact of audit recommendations on key sectors and to assess 'softer' aspects of reform by developing a better understanding of the political economy drivers for reform to inform more effective political engagement and commitment to reform. To address the reported lack of appreciation of VfM audits, the strategy will sensitise members of Parliament. OAG will further engage the target audience for audits in the selection of audit cases in order to strengthen buy-in.

5.7.3.2 Enhanced Assurance (governance, risk and control) by the internal audit function for Compliance of PFM systems

In order to strengthen effective management and delivery of government services and operations, Government MDALGs needs to develop and operationalise risk management. Internal audit will therefore play a key role in supporting the establishment and roll out of risk management approaches by operationalizing the risk management strategy across government. This will form a key part of their assurance function. Expanded automation will ensure that internal auditing processes are efficient. In addition, capacity building for internal audit functions will ensure that their audit and recommendations are relevant to government and focused on key risks. Implementation of recommendations will continue to be tracked through the performance monitoring framework.

5.7.4 High-level Outputs

This subsection presents the broad Reform Interventions along the rationalised intermediate outcomes. The detailed actions that will be implemented to achieve these outcomes are outlined in Annex 2, providing a comprehensive roadmap for reform implementation.

5.7.4.1 Enhanced impact of financial and VFM audit reporting and oversight

- i. Improved tracking of follow up of oversight recommendation by MDALGs. Including deepening uptake of audit tracking system across the audit institutions.
- ii. Including Timely reporting (Producing audit reports in a timely manner to facilitate prompt action)
- iii. Enhancing audit capacity: Building technical skills and expertise of audit institutions.
- iv. Improving audit coverage: Ensuring comprehensive coverage of government programs and activities through deepening risk-based modalities on audits etc.

Improved efficiency and effectiveness of OAG through fostering automation

5.7.4.2 Enhanced Assurance (governance, risk and control) by the internal audit function for Compliance of PFM systems

- i. Enhancing independence and objectivity of internal audit units. Includes structural strengthening the internal audit function at local government level
- ii. Strengthening internal audit standards, methodologies, and quality assurance processes. Including quality assurance and conduct regular reviews of internal audit processes.
- iii. Building capacity of internal audit staff. Including training and professional development and adoption of audit tool (The current audit management software is limited to only 27 entities out of the expected 300 votes) and adoption and institutionalization of best practice risk and control frameworks such as COSO and CoBIT in the planning and audit execution
- iv. Improving reporting lines and communication between internal audit and governing bodies or audit committees. Includes support for timely submission and review of internal audit reports and follow-up of recommendations as well as designing clear timetables for the Auditor General's examination of Treasury Memoranda (TM) and process after the TM is reviewed.
- v. Enhancing risk-based auditing approaches to focus on high-risk areas. Includes Developing risk assessment methodologies and tools and developing audit plans based on risk assessments.



SECTION 6

IMPLEMENTATION PLAN

6.1 Implementation Plan

The successful implementation of the Public Financial Management (PFM) reform strategy requires a robust setup that ensures effective governance, coordination, and resource allocation. This section highlights the key elements of the implementation plan, including the governance framework, coordination arrangements, and budget requirements as outlined in the PFM costed plan. These elements are critical to ensuring that the PFM reform strategy is implemented efficiently and effectively, and that the desired outcomes are achieved

6.2 Governance Framework of Reforms - PEMCOM

The PFM Reforms Governance Framework in Uganda refers to the overall structure and guidelines that govern the implementation of PFM reforms. This framework outlines the roles and responsibilities of various stakeholders, including government agencies, development partners, and other stakeholders. It ensures that PFM reforms are implemented in a transparent, accountable, and inclusive manner.

The Public Expenditure Management Committee (PEMCOM) at the Ministry of Finance, Planning, and Economic Development (MoFPED) serves as a high-level governance structure for Public Financial Management (PFM) reforms in Uganda. As a top-level committee, PEMCOM provides strategic guidance, oversight, and direction for PFM reforms, ensuring that they are aligned with national priorities and policies. PEMCOM operates under the leadership of the Office of the Permanent Secretary/Secretary to the Treasury (PS/ST), in line with Office mandate and principle reforms agent in the Accountability space ensuring that PFM reforms are guided by the highest authority in the ministry.

6.2.1 Roles of key stakeholders at PFM Level

Role of PEMCOM: PEMCOM will continue to provide a high-level forum for strategic guidance and control of PFM reforms, but with stronger links into the DPI PWG and TWGs. It is chaired by the PS/ST and brings together a broad spectrum of stakeholders engaged in PFM, including Heads of MDAs and programmes or projects under the DPI Programme, as well as representatives of Development Partners and the civil society. The role of PEMCOM therefore includes:

- (a) To assess the overall performance of PFM systems and setting the overall direction of PFM reforms, based on a limited set of PFM reform priorities or problems;
- (b) To monitor and manage PFM reforms and risks, in line with the PFM Reform Strategy, using the PRAM as an instrument to manage this process and select high risk or high priority issues that require mitigating action or escalation;
- (c) To identify opportunities for complementarity between reforms in the Accountability Sector and beyond and ensuring that these synergies are exploited; and
- (d) To identify, design, plan, monitor and evaluate priority PFM processes and systems and ensure their implementation takes place in an integrated and efficient manner.

Role of MoFPED: As the leading institution for PFM reform, Chair of PEMCOM and in its oversight role of public finances and PFM institutions, the role of MoFPED in PFM reforms includes:

- (a) Strong leadership commitment to the highest standards of PFM, accountability and management of a prioritised reform agenda;
- (b) Establishing leadership and management structures and building strong teams within the PFM institutions that can deliver PFM reforms effectively;
- (c) Ensure learning from PFM reform experiences takes place and informs the design of future reforms;
- (d) Identifying and addressing the most immediate problems in PFM, based on consultation, evidence and pragmatic solutions, such as adapting existing or developing new processes and systems; and
- (e) Building strong coalitions of stakeholders in support of reform across and within institutions, including taking actions to strengthen or adjust incentives, to ensure the success of reforms.

MDA&LGs will be responsible for the delivery of the identified interventions under the PFM reform strategy and, in some cases, for the further development and identification of new reform activities needed to achieve the outcomes in the strategy. Their implementation activities will be guided by the PFM reform secretariat and the PFM technical sub-committees relevant to their reforms. Any new emerging reforms or key issues arising will be escalated to PEMCOM for consideration under this strategy.

6.2.2 Roles of key stakeholders at under the NDPIV

At the national level, PFM reforms strategy is contributing to the PFM commitments under the Development Implementation Programme (DPI) of the NDPIV. The DPI Programme is coordinated through a Leadership Committee, Programme working group, Technical working groups and Programme Secretariat. The responsibilities of which are outlined below:

- i) Leadership Committee Comprised of the Political leaders (Ministers, Board Chairpersons) of MDAs with a lead role in the activities of the Programme. Provides the oversight function over the programme implementation and ensures accountability for results by PWGs.
- ii) DPI Programme Working Group Is the highest technical organ of the Programme, chaired by PS/ST, with membership comprised of Permanent Secretaries and Heads of MDAs, DP's, CSO's and Private Sector. Provides approval of PIAP's, PBFPs, Programme performance reports and the medium-term budget strategy
- iii) Technical Working Groups Comprised of MDA Commissioners, Managers, Planners, DPs, CSO's and Private. Programme has four sub group covering: Revenue Mobilisation & Budgeting; Development Planning, Research & Statistics; Oversight, Implementation, Coordination & Results Monitoring and Local Government. It undertakes detailed planning, coordination, and monitoring of programme implementation and consider sub-component areas of the programme.
- iv) DPI Secretariat: Is staffed by the Coordinator; Technical Advisor and other technical Assistants. Provides Institutional coordination, technical and administrative support to the Programme structures.

6.3 Coordination Framework of PFM Reforms

The PFM Reforms Coordination Framework, on the other hand, refers to the specific arrangements and mechanisms put in place to coordinate the implementation of PFM reforms. This framework ensures that various reform initiatives are aligned, harmonized, and implemented in a cohesive manner. It facilitates collaboration and information-sharing among stakeholders, minimizes duplication of efforts, and ensures that reforms are implemented efficiently and effectively.

6.3.1 PFM Reforms Clusters

The Public Financial Management (PFM) clusters are arranged along the strategic objectives of the PFM Reforms Strategic Plan. This arrangement facilitates thematic dialogue among stakeholders, including Development Partners (DPs), Government of Uganda officials, and civil society, around six broad outcomes. The cluster approach enables comprehensive result-based planning, specialized technical discussions, allowing technical experts to engage in in-depth discussions on specific PFM issues. It also facilitates targeted technical assistance, where DPs and other stakeholders can provide support to specific reform areas.

Furthermore, the cluster approach promotes dialogue and commentary on emerging topical PFM issues, as well as lessons sharing and expert advisory services. Relevant working groups can share experiences, discuss challenges, and provide expert advice to inform reform implementation. Overall, the PFM cluster approach fosters collaboration, knowledge sharing, and effective implementation of PFM reforms in Uganda, ultimately contributing to improved public financial management and development outcomes.

Due to the problem-driven nature of the result areas, the Clusters will encourage cross-institutional working (thus avoiding 'silos') and some institutions may find that they need to participate in more than one Cluster, depending on the agendas and issues arising. The Clusters should ensure that all relevant partners are included. In particular, Development Partners will play a key role in the Clusters to provide coordination on technical and other resource requirements for the implementation of the sub-group reform activities identified.

The Clusters will include:

- i) Policy-Based Fiscal Strategy, Planning and Public investment management
- ii) Sustainable debt Management and Climate Financing
- iii) Sustainable Domestic Resource Mobilization for Development
- iv) PFM controls and compliance in budget execution and Accountability
- v) Sub-National PFM Systems for Service Delivery
- vi) Oversight and PFM governance

Each Cluster will be initiated by PEMCOM and the group will self-select members, leadership, establish Terms of Reference, agenda and reporting arrangements, aligned to agreed priorities. The frequency of Cluster meetings will be determined by PEMCOM and the Clusters themselves and will depend on the nature and urgency of the need for joint technical collaboration.



6.3.2 PFM Reforms Secretariat

The PFM Reform Coordination Unit (RCU) will continue to perform the role of Secretariat to PEMCOM and to the PFM Reform Strategy, while working closely with the DPI Secretariat.

The Reforms Coordination Unit (RCU) will provide crucial support to the Public Expenditure Management Committee (PEMCOM) in several key areas. Specifically, the RCU will assist PEMCOM in designing a sustainability strategy to ensure the long-term success of Public Financial Management (PFM) reforms.

Additionally, the RCU will help operationalize the reforms Monitoring and Evaluation (M&E) strategy, enabling effective tracking of progress and impact. The RCU will also update the PFM Reforms Capacity Building Strategy, focusing on enhancing the skills and capabilities necessary for successful reform implementation.

Furthermore, the RCU will design a Change Management and Communication Strategy, facilitating smooth implementation of reforms by effectively managing change and communicating with stakeholders. These efforts will collectively contribute to the effective implementation and sustainability of PFM reforms in Uganda.

6.3.3 Prioritized Reform Programme

To ensure the effective execution and delivery of Public Financial Management (PFM) reforms, the Government will design a prioritized PFM reforms program scoped out of the PFM reforms strategy. This program will serve as the prime implementation framework for executing actions across lead Ministries, Departments, and Agencies (MDAs).

This approach will enable:

- (a) Coordinated implementation: A cohesive and coordinated approach to PFM reform implementation.
- (b) Clear roles and responsibilities: Defined roles and responsibilities for lead MDAs and contributing actors.
- (c) Prioritized actions: Focus on high-priority actions that drive meaningful reform.
- (d) Effective collaboration: Collaboration and complementarity between Government and Development Partners.

This approach also recognises that not all actions will be implemented directly under the Programme and acknowledges the contributions of other implementing actors, including other ministries and departments, as well as Development Partners. Suh actors have in the past tended to contribute to specific objectives, albeit with a targeted scope narrowed to select areas, complementing the Government of Uganda's efforts – all of which are critical to coverage and reform. The DPI Secretariat will coordination to all these to ensure full accountability a of reforms.

6.4 Resource Requirements and Funding

The total estimated funds for implementation of Strategy actions during the period 2025 -2030 are foreseen to be about US\$280.7 million equivalent to UGX 1,066.8 billion. Annex c provides a more detailed breakdown of the costed implementation plan.

Table 6.1: Indicative Strategy Cost, by Strategic Objective

S/N	Strategic Objective	Strategy Cost
1.	Policy Based Fiscal Strategy and Budgeting	72,887,127,504
2.	Sustainable Domestic Resource Mobilization (DRM)	67,775,916,410
3.	Public Investment Management	657,869,404,029
4.	Controls in Budget Execution and Accountability	132,085,397,626
5.	Sub-National PFM Systems for Service Delivery	50,520,746,400
6.	Oversight and PFM Compliance for Services Delivery	85,700,851,619
	Total	1,066,839,443,587



SECTION 7

SUSTAINABILITY OF REFORMS

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7.1 Sustainability Plan

This section highlights the strategic plan for sustainability of the Public Financial Management (PFM) reforms agenda and drive, outlining the key levers and approaches that will ensure the long-term impact and effectiveness of the reforms in Uganda.

7.2 Key PFM Reforms Sustainability Levers

The sustainability of Public Financial Management (PFM) reforms is crucial to ensuring that the gains made are lasting and continue to support Uganda's economic growth and development. To this end, the PFM Reforms Sustainability Plan outlines the strategies and actions necessary to institutionalize the reforms, build capacity, and ensure ongoing improvement. This plan is designed to promote ownership, accountability, and continuity, thereby guaranteeing that the PFM reforms remain a cornerstone of Uganda's economic management framework.

The PFM Reforms Sustainability Plan relies on 9 key levers to ensure successful delivery and long-term impact. These levers include:

- i. Institutionalization/Mainstreaming of Reforms Execution: Embedding reforms into existing structures and processes. Effectively communicating reforms to stakeholders.
- ii. Change Management: Managing cultural and behavioural shifts to support reforms.
- iii. Capacity Building: Enhancing skills and competencies to implement reforms.
- iv. Building Strategic Partnerships and Collaborations: Fostering alliances to support reforms.
- v. Risk Management: Identifying and mitigating risks to reform implementation.
- vi. Financial Sustainability: Resource Mobilization and Securing funding to support reforms.
- vii. PFM Reforms Oversight and Programmatic Coordination under PEMCOM
- viii. Climate Adaptation and Resilience in PFM: Greening, integrating environmental considerations and sustainability principles
- ix. Learning: Monitoring and Evaluation and Learning (M&E)

7.2.1 Institutionalization / Mainstreaming of Reforms Execution

The institutionalization of PFM reforms execution will involve embedding the reforms into existing institutional frameworks, ensuring alignment with organizational goals and priorities. This will require developing clear policies and procedures for PFM reforms, establishing dedicated PFM reform units or teams, and ensuring that PFM reforms are integrated into existing planning and budgeting processes. By institutionalizing PFM reforms, Uganda will ensure that the reforms are sustainable, effective, and efficient in the long term.

Institutionalization is critical for ensuring that PFM reforms are embedded in the organization's culture and operations. This will help to build ownership and accountability, reduce resistance to change, and ensure that the reforms are sustainable over time. By mainstreaming PFM reforms into existing institutional frameworks, Uganda will ensure that the reforms are aligned with organizational goals and priorities, and that they are implemented in a coordinated and effective manner.

7.2.2 Change Management and Strategic Communication

A change management and communications strategy for PFM reforms is necessary to ensure that new rules, systems and institutions introduced through reforms are understood, embraced and adopted and the Reforms Coordination Secretariat update accordingly. Key elements of the change management and communication strategy are drawn from the existing communications strategy. Implementation will be coordinated through the PFM reform secretariat, in collaboration with DPI secretariat, which will be undertaking similar and complementary activities.

This lever will involve identifying and assessing the impact of reforms on stakeholders and institutions, developing communication strategies to engage stakeholders and manage expectations, and support for affected staff. Behaviours and incentives surrounding PFM systems and reforms need to be well understood and addressed through communications, assistance and continuous reinforcement to foster compliance and achieve sustainable impact.

By managing change effectively and communicating strategically, Uganda will minimize resistance to change, build trust and confidence in the reforms, and ensure a smooth transition to the new PFM systems. Change management and strategic communication are interlinked and essential for ensuring that stakeholders are informed, engaged, and supportive of the PFM reforms. Uganda can ensure a coordinated approach to managing change and communicating with stakeholders, minimizing potential disruptions and ensuring a smooth transition to the new PFM systems. Effective change management and communication will also help to build trust and confidence in the reforms, reduce resistance to change, and promote sustainability.

7.2.3 Capacity Building and Training

Capacity building is critical for ensuring that PFM staff and stakeholders have the necessary skills and knowledge to implement and sustain reforms. By building capacity, Uganda will ensure that its PFM systems are effective, efficient, and sustainable in the long term. Capacity building will also help to build confidence and trust in the reforms, and ensure that stakeholders are equipped to implement and sustain the reforms.

The following categories of capacity building will be used to prioritize capacity building initiatives, ensuring a comprehensive approach to strengthening PFM systems and promoting sustainable development.

- (a) Technical Capacity Building: Providing ongoing support and maintenance for new systems is essential to ensure their continued effectiveness and optimal use. By prioritizing technical capacity building, MoFPED will maximize the benefits of new PFM tools and systems, ultimately enhancing their PFM capabilities.
- (b) Institutional Capacity Building: Strengthening the capacity of PFM institutions, including organizational structures, processes, and systems. This will require a ken overview of the PFM to identify areas that have to matched with institutional changes of reforms for example:
 - i. Institutional strengthening of the Tax Policy function and department of the MOFPED in line with the aspirations of the DRMs Strategy
 - ii. Enhancing Staffing Norms: Collaborating with the Ministry of Public Service (MoPS) to review and update staffing norms for Revenue Collection functions in Local Governments (LGs), ensuring adequate staffing and skills to improve revenue mobilization.
 - iii. Strengthening Internal Audit: Upgrading the seniority of internal auditors at LGs to enhance the effectiveness of internal audit functions, promoting accountability and transparency in PFM.
 - iv. ICT Capacity Building: Reviewing and revising organizational structures to accommodate emerging ICT responsibilities in e-PFM functions, ensuring that LGs have the necessary skills and capacity to leverage technology for improved PFM outcomes.
- (c) Human Capacity Building: Building the skills, knowledge, and competencies of PFM staff through training, mentorship, and coaching in PFM areas. By focusing on these areas, human capacity building can help develop well-rounded PFM professionals who can drive reforms, improve PFM systems, and promote transparency and accountability

Human capacity building in PFM will encompass a range of areas, including: Soft skills, such as communication, teamwork, and problem-solving, to enable effective collaboration and decision-making. Leadership and management capabilities, to inspire and guide teams, and make strategic decisions that drive PFM reforms. Broad functional PFM knowledge, including budgeting, accounting, financial reporting, and internal controls, to ensure a solid understanding of PFM principles and practices.

This PFM reform secretariat will update the capacity needs assessment undertaken previously by government. Given the potentially wide-ranging needs and limited resources, training should be designed around cost-efficient approaches, maximizing the opportunities for on-line learning, practical on-the-job support and technical assistance for systems development, as required. Existing training institutions and professional bodies have an important role to play in the delivery of training of PFM cadres.

The Civil Service College (CSC) in Jinja and Uganda Management Institute (UMI) in Kampala as well as other recognised higher institutions of learning are also well-placed to develop sustainable continuous professional development programmes, with initial assistance in establishing relevant curricula and training materials. Training of trainers has also been tested successfully in other countries and provides a cost-effective and sustainable means of training a larger number of staff with limited resources, by identifying a selection of capable potential trainers from within the PFM institutions and equipping them with the skills and materials to provide their own training of colleagues.

7.2.4 Strategic Partnerships and Collaboration

Strategic partnerships and collaboration will be essential for strengthening Public Financial Management (PFM) systems to ensure that reforms are well-supported, effective, and sustainable in the long term. By working together with development partners, civil society organizations, and private sector entities,



government will be able to leverage expertise, resources, and best practices to improve PFM systems and processes.

Through strategic partnerships, government will share knowledge, experiences, and innovations, and build alliances to advocate for PFM reforms and promote transparency and accountability. Collaboration among government agencies, ministries, and departments will also be crucial to ensure a coordinated approach to PFM, minimizing duplication of efforts and maximizing impact. By fostering a culture of cooperation and collaboration, governments will be able to tap into external expertise and support to enhance their PFM systems and achieve better outcomes.

The PFM Reforms strategy recognises continued participation of CSBAG (Civil Society Budget Advocacy Group) in the PFM reforms discourse will be crucial. This will involve stakeholder engagement with key PFM development partners in Uganda, including the World Bank, International Monetary Fund (IMF), Department for International Development (DFID), European Union (EU), United States Agency for International Development (USAID), and African Development Bank (AfDB). The partnership with civil society, such as CSBAG, will be instrumental in driving key PFM reforms, particularly those focused on enhancing accountability, monitoring, evaluation, and learning. By leveraging this partnership, the government can tap into civil society's expertise and advocacy capacity to promote transparency and accountability in PFM, ultimately contributing to better governance and more effective use of public resources.

These partners will provide valuable support, technical assistance, and resources to Uganda's PFM reforms. Through collaborative efforts, these development partners can help drive PFM reforms, promote transparency and accountability, and ultimately improve the management of public finances in Uganda.

7.2.5 Risk Management

The strategy recognizes that a risk matrix evolves with time, and should be actively managed, in response to the results of mitigation strategies, changing contexts and other risks arising. Risk management is critical for identifying and mitigating potential risks associated with PFM reforms. By managing risks effectively, Uganda will minimize potential disruptions, ensure the success of the reforms, and promote sustainability. A Risk Management plan for Uganda's PFM Reforms Strategy is crucial to identify and mitigate potential risks that could impact the success of the reforms. One potential risk is resistance to change from stakeholders, which can be mitigated through stakeholder engagement and building ownership and support for the reforms.

Another risk is insufficient capacity, which can be addressed through capacity building initiatives, such as training and technical assistance for PFM officials and stakeholders. Data quality issues are also a potential risk, and can be mitigated through data quality assurance processes and investment in data management systems. Corruption and fiduciary risks are also significant concerns, and can be mitigated through strengthening controls and oversight mechanisms, such as robust audits and oversight processes. Regular risk assessments and progress monitoring will also be essential to identify and mitigate emerging risks and track progress against reform milestones.

Therefore, a detailed risk register will be updated by the PFM Reforms secretariat as part of the Sustainability plan to provide PEMCOM and its wider stakeholders with a documented framework for monitoring and managing risks.

7.2.6 Financial Sustainability/Resource Mobilization

Financial sustainability and resource mobilization are critical for the success of Uganda's PFM reforms strategy. To ensure financial sustainability, the government and development partners should commit to providing necessary funding for the reforms. This will enable the implementation of key activities, such as capacity building, system upgrades, and technical assistance. A key consideration for the sustainability of Uganda's PFM reforms is the ability of the Government of Uganda (GoU) to finance the bulk of the reforms and take the lead in delivering them. In the long run, it is essential that executing agencies are financed to facilitate recurrent costs associated with some of the reforms, such as system upgrades, licenses, and maintenance. This will enable the government to own and sustain the reforms, reducing dependence on external funding and ensuring the continued effectiveness of the PFM systems. By taking ownership of the reforms and financing their implementation, the GoU can ensure the long-term sustainability of the PFM reforms

Resource mobilization will also be essential to support the PFM reforms. This can be achieved through engagement with development partners to secure technical and financial assistance, as well as allocating sufficient budgetary resources to support the reforms. By securing the necessary resources, Uganda can implement its PFM reforms strategy effectively and achieve its goals of improving public financial management. The PFM reforms strategy recognizes that resource mobilization goes beyond financial resources, acknowledging the critical contribution of in-kind technical support from development partners.

Additionally, the strategy values the continued positive participation of development partners in the reforms, leveraging their expertise and experience to drive progress and ensure sustainability. By engaging development partners in a collaborative and inclusive manner, the PFM reforms strategy can tap into a broader range of resources and expertise, ultimately enhancing the effectiveness and impact of the reforms.

The shift towards allowing development partners to ring-fence financing around particular reform objectives, rather than basket funding, may increase risks and coordination burdens for the PFM reforms secretariat. However, this approach may be inevitable in the current financing landscape. To mitigate these risks, the PFM reforms secretariat will need to strengthen its coordination mechanisms, ensure clear communication with development partners, and maintain a programmatic approach to manage the reforms effectively.

7.2.7 PFM Reforms Oversight and Programmatic Coordination under PEMCOM

PFM Reforms Oversight and Programmatic Coordination under PEMCOM is a critical sustainability lever for Uganda's PFM reforms. Effective oversight and coordination are essential to ensuring that reforms are implemented in a cohesive and sustainable manner. PEMCOM plays a crucial role in providing strategic guidance, oversight, and coordination of PFM reforms, promoting a programmatic approach that aligns with national priorities. PEMCOM's coordination role promotes improved coordination among government agencies, development partners, and other stakeholders, reducing duplication of efforts and ensuring that reforms are implemented in a cohesive manner. The centrally coordinated programmatic approach promotes whole-of-government approach to PFM reforms, ensuring that all ministries, departments, and agencies are aligned with the reform agenda.

The placement of PEMCOM under the Ministry of Finance, Planning, and Economic Development (MoFPED), particularly under the Office of the Permanent Secretary/Secretary to the Treasury (PS/ST), is a strategic decision that supports the sustainability of PFM reforms. By situating PEMCOM within MoFPED, the government ensures that PFM reforms remain a top priority and are driven by a central authority. critical role in retaining the reform agenda at the top of policy dialogue. As the chief financial advisor to the government, the PS/ST is well-positioned to promote PFM reforms and ensure that they are aligned with national priorities. By driving the reform agenda from this high-level position, the government can maintain momentum and ensure that reforms are implemented effectively.

7.2.8 Climate Adaptation and Resilience in PFM

Climate adaptation and resilience are critical sustainability levers for Public Financial Management (PFM) reforms in Uganda. As the country faces the impacts of climate change, it is essential that PFM reforms are designed and implemented to promote climate resilience and adaptation. This involves integrating climate considerations into PFM systems and processes, ensuring that they are flexible and responsive to the challenges posed by climate change.

The integration of Public Investment Management (PIM) systems, climate financing, and budget targeting presents a key opportunity to "green" PFM reforms in Uganda. By leveraging these systems, the government will ensure that climate change considerations are mainstreamed into public investment decisions, climate finance is effectively mobilized and utilized, and budgets are targeted towards climate-resilient and sustainable development initiatives.

By prioritizing climate adaptation and resilience in PFM reforms, the government will equip the country's financial management systems to manage climate-related risks and opportunities. This includes developing climate-resilient budgeting and planning processes, as well as strengthening the capacity of PFM systems to respond to climate-related shocks and stresses. By building climate resilience into PFM reforms, the government will promote sustainable development and reduce the vulnerability of the economy to climate-related impacts.

The benefits of integrating climate adaptation and resilience into PFM reforms are numerous. Climate-resilient PFM systems will help to ensure that the government's financial resources are used effectively to support climate change adaptation and mitigation efforts. This will also promote sustainable development, reduce poverty, and improve the overall well-being of Ugandans. By prioritizing climate adaptation and resilience in PFM reforms, the government will ensure that Uganda's financial management systems are fit for purpose in a changing climate.

7.2.9 Learning: Monitoring and Evaluation and Learning (M&E)

Learning, Monitoring, and Evaluation (M&E) are essential components of a sustainability strategy for Public Financial Management (PFM) reforms. By establishing a robust M&E framework, the government can track progress, identify areas for improvement, and make informed decisions to ensure the long-term sustainability

of PFM reforms. The M&E strategy of the reforms will be tracked by the PFM Reforms secretariat as explained in the relevant section on M&E.

Why Learning and Flexibility Matter for PFM Reforms

- 1. Evolving Context: PFM reforms operate in a dynamic environment, with changing economic, political, and social contexts. Learning and adaptation enable the government to respond to these changes and ensure that reforms remain relevant.
- 2. Emerging Challenges: New challenges and issues arise during reform implementation, such as technological advancements, changes in global economic conditions, or shifts in citizen expectations. Learning and adaptation allow the government to address these challenges and adjust reforms accordingly.
- 3. Improving Effectiveness: Continuous learning and adaptation enable the government to refine and improve the effectiveness of PFM reforms, ensuring that they achieve their intended objectives.
- 4. **Sustaining Momentum**: By learning from successes and setbacks, the government can sustain momentum for PFM reforms, maintaining stakeholder engagement and support over the long term.

7.3 Implementation of the Sustainability Plan

The PFM Reforms Sustainability Strategy will be crafted around the 10 Sustainability Levers, which will serve as the foundation for ensuring the long-term sustainability of the reforms. The strategy will be designed by the Reforms Coordination Secretariat, which will develop a comprehensive plan that leverages these levers to promote sustainability. The strategy's implementation will be monitored periodically under the auspices of Public Economic Management Committee (PEMCoM) at the Ministry of Finance, Planning, and Economic Development (MoFPED), which will provide oversight and guidance to ensure that the reforms are on track to achieve their objectives. Through this arrangement, the PFM reforms will be sustainably implemented, and their impact will be maximized.

Notwithstanding the potential benefits of the PFM Reforms Sustainability Plan, the political economy of PFM reforms will also play a critical role in shaping the sustainability plan's implementation. Key policy leads under PEMCOM, including the Permanent Secretary/Secretary to the Treasury (PS/ST), the Office of the Auditor General (OAG), and the Office of the Prime Minister (OPM), will need to leverage soft power to build consensus, manage stakeholder expectations, and navigate potential resistance to change. Effective use of soft power will be essential in addressing vested interests, building coalitions, and ensuring that the reforms are aligned with broader national development goals. By harnessing the influence and authority of key policy leads, Uganda can overcome potential obstacles and ensure that the PFM reforms are sustainable, effective, and efficient in the long term.

Furthermore, several constraints may impact its effective execution. These include limited financial and human resources, inadequate capacity and skills among PFM staff, resistance to change from stakeholders, and potential institutional and systemic barriers. Additionally, external factors such as changes in government priorities, economic shocks, or natural disasters may also affect the plan's implementation. To mitigate these constraints, the Reforms Coordination Unit will need to engage in proactive planning, stakeholder management, and resource mobilization, while also ensuring flexibility and adaptability in the plan's implementation. By anticipating and addressing these potential constraints, Uganda can minimize their impact and ensure the successful implementation of the PFM Reforms Sustainability Plan.



SECTION 8

MONITORING, EVALUATION AND LEARNING

8.1 Monitoring, Evaluation and Learning

This section covers the Monitoring, Learning and Evaluation (MEL) strategy that will be adopted for the implementation of the PFM reform strategy 2025/26-2029/30 in Uganda. Overall the strategy has strengthening the coordination and M&E of interventions, among others strengthening the role of OPM and other Coordination entities in PFM implementation.

8.2 Introduction to M&E Framework

The PFM results framework will be used to assess performance against the PFM reform strategy outcomes. Indicators have been selected at overall outcome (impact) level and at the level of each of the reform objectives (intermediate outcomes). For the most part, indicators have been drawn from existing Government monitoring and evaluation frameworks, in particular the DPI Programme, to streamline M&E resources and means of verification. Each indicator has a baseline (2024) and targets for the end of the strategy (2030). Indicators and targets should be Specific, Measurable, Achievable, Relevant and Time-specific (SMART) and representative of the desired outcomes to which the reform interventions are expected to contribute.

M&E at 3 Levels

Monitoring and evaluation of the PFM reform strategy will measure the performance of the reforms according to the Theory of Change using the indicators in the Strategic Results Framework and according to delivery of the implementation plan. M&E will therefore be carried out at several levels, namely:

- 1. Level 1 Impact (delivery against PFM "purpose-level "service delivery outcomes). While changes in these indicators may not be possible to attribute empirically to PFM reforms, it is expected that the supporting role of PFM systems will have a positive impact on public service quality and effectiveness.
- 2. Level 2 Effectiveness (delivery against PFM Procedural or Operational outcomes). PFM outcomes will be measured using PEFA and equivalent assessment frameworks such as PIMA. PFM reforms that contribute to the overall functioning and effectiveness of PFM systems are expected to have a positive impact on overall PFM assessment scores. These are differing from above given positive PEFA results can be at tangent from Higher level results such as allocative efficiency or service delivery. Next sections discuss how to gainfully use PEFA through domestication of the process;
- 3. Level 3 Effectiveness (delivery against PFM Reforms intermediate outcomes). These are represented by the six high level objectives and their accompanying outcomes. Indicators and targets will be measured at the start(baseline), mid-term review and end of the strategy. The interventions and activities identified in the Implementation Plan are expected to contribute to achieving these outcomes.
- 4. Level 4 Efficiency (Delivery of outputs and key interventions). As defined in the Implementation Plan. These will be monitored at least annually, using defined means of verification for tracking progress.
- 5. Level 5 Economy (Activities and resource inputs). At this level, the focus will be on measuring the efficiency of the contributing reform programmes and activities, in terms of their conversion from resources into outputs.

Levels 3 to 5 will be the focus of annual (and in some cases quarterly) monitoring activity throughout the period of the Strategy, while Levels 1 and 2 will be assessed through periodic evaluation, using baseline data from the start of the period, data assessed at a mid-term review, and a final evaluation after the strategy period ends. Some indicators at the Levels 1 and 2 will require PEFA assessment or equivalent, which will only be undertaken periodically and are unlikely to demonstrate significant improvements on an annual basis but require a more medium-term perspective.

Level 3 will be assessed at least annually as part of the annual performance review. Levels 4 and 5 will be assessed at programme level, at least quarterly, through relevant delivery (programme) modalities and, where possible consolidated for tracking and learning from delivery efficiency and economy across the PFM reform strategy implementation plan.

At the output level 4, means of verification will be outlined in an accompanying technical Annex. These outputs are to be determined in more detail at the programme level, of each implementing programme and, while those identified in this PFM reform strategy provide a guiding framework, the results framework

is likely to be subject to some adaptation, in response to the changing context or needs arising, based on periodic performance review. As described in the earlier sections, the MEL processes of the PFM strategy will be integrated into, and make use of, existing GoU M&E systems and frameworks, where possible, in order to ensure sustainability of reforms and support the establishment and embedding of reforms into operational activities and work plans of PFM institutions. On an annual basis, a high number of analytical studies and reports is produced for the different PFM areas.

8.3 Measuring concept of Impact of PFM reform: Integrating PEFA assessments into the M&E framework

In practice M&E systems for the measurement of the impact of PFM programmes have often been neglected in many countries. Rather it is assumed that provided proximate outputs and outcomes of PFM reforms are being achieved, then it is reasonable to assume that the high-level impact of PFM reform is also on track. Increasingly this comfortable assumption is being questioned. PFM reforms are noted as delivering to some degree as measured by, for example. PEFA assessment scores, while at the same time there is little or no evidence that higher level impact objectives are really being achieved.

The reason for this situation may be the inherent difficulty and complexity of measuring the level of impact achievement of PFM reforms. This difficulty arises from the multifarious nature of PFM reforms which are typically spread over the 31 technical areas covered by the set of PEFA indicators (let alone the 82 defined areas of reform at the dimension level of PEFA). The implication is that the high-level impact of individual PFM reforms is likely to be small and difficult to measure in terms of high-level impact.

The Purpose of PFM Reform

The overall objective of PFM reform is to ensure that limited public financial resources are used to best effect in support of the delivery of public services. However, it is appropriate to unpack the conditions that would need to be met to conclude that the service delivery objective had been achieved. Key conditions include:

- i. The utilization of budget resources actually released to service delivery entities had been effective and efficient. This criterion should apply to both recurrent expenditures and investments undertaken in support of enhanced future quality and scope of service delivery
- ii. The funds actually released to service delivery entities are fully in line with the planned allocation of budgets across service delivery entities
- iii. The system for the management of aggregate fiscal policy are successful in delivering targeted and sustainable flow of resources for public sector spending. If fiscal policy fails to achieve this objective, then it can be argued that an alternative management of fiscal policy could have achieved a higher level of resource application to service delivery and better service delivery outcomes.

The conditions for effective use of public sector resources for service delivery set out above correspond closely to 3 widely recognized high level objectives of PFM reform, as first set out in 1996 by Pradan and de Campos:

- A. Budget discipline (including fiscal sustainability) which requires that the budget is executed as planned in the annual budget documents and, on an inter-annual basis, the level of public spending is compatible with fiscal and debt sustainability
- B. The allocation of resources is fully in line with the national planning priorities and objectives. This principle should apply both to the sectoral allocation of funds and to the planned inter-governmental transfers of funds from national to local government
- C. The utilization of funds by budget entities should be effective and efficient at all stages of the procurement and delivery of public services.

8.3.1. Using PEFA indicators to track High Level Impact Results

M&E of the impact of PFM reforms is complex but not impossible. It needs to be built on a strong conceptual basis of the factors contributing to targeted impact referred above.

The approach to the assessment of PFM reform impact

This section defines the approach adopted to measurement of the impact of the PFM reforms as a contribution to the definition of the overall M&E systems to be applied to the PFM Reform Strategy for 2025/26 to 2029/30. The approach is based on the three widely accepted aspects of successful PFM reform, namely (i) budget and fiscal credibility, (ii) allocation of fiscal resources in line with national development plans, and (iii) efficiency in service delivery. Each of these 3 dimensions of effective PFM requires specific and differentiated M&E approaches.

8.3.1.1 Level 1 – Impact on service delivery outcomes (delivery against PFM "purpose-level "service delivery outcomes)

The Impact of PFM as measured against the 3-fold objectives of Budget Discipline; allocative efficiency and effective Utilization of funds

Budget and fiscal credibility

For maximum impact a key condition is that the budgetary process is managed in a credible and sustainable manner. The emphasis under the PEFA system has been in credibility of the annual budget, as measured by PEFA Performance indicators 1-3 under PEFA pillar 1. This assessment is based on the conformity of the executed budget to the original budget approved by the legislature. While this measure is important, it is inadequate. Fiscal credibility also needs to be seen in a multi=-annual context. A budget may be credible as based on PEFA PIs 1-3 but unsustainable over a number of years by contributing to debt accumulation and future limitation of fiscal apace for investment and service delivery. This issue is picked up to an extent under PEFA Pillar devoted to fiscal policy.

There are a number of measures available for assessing fiscal sustainability including the debt/GDP ratio, the debt service to domestic revenue ratio and measures used in discussions with the IMF of emerging debt distress. These ratio indicators should be part and parcel of PFM reform monitoring.

However, it is necessary to also consider the structural aspects of the budget process which support or undermine fiscal sustainability. These features include the strength of the medium-term budget process as captured in the Medium-Term Fiscal Framework and, where present, the Medium-Term Budget Plan. A key indicator is the reliability of the projected outer year budget requirements. In particular, the requirement for completion of capital projects initiated in previous years' budget provisions.

The quality of macroeconomic and macro-fiscal forecasting has an important bearing on the feasibility of making accurate forward projections of the major economic, fiscal and budget variables. Progress in this area should be measured as part of the assessment of fiscal sustainability.

While Uganda has managed its overall fiscal system better than many comparator countries (a success reflected in lower debt ratios than many countries), there is still significant room for improvement. There is also perhaps an underlying deteriorating trend which threatens future fiscal and debt sustainability. If that is correct, the implication is that the outlook for the generation of adequate fiscal space after provision for debt service and amortization, in the medium and longer term is under threat. Addressing this problem is fundamental to ensuring that in future there will be adequate fiscal space to address the service delivery needs of the growing population. Assessment of this fiscal sustainability condition should have a prominent role in the M&E of the PFM-RS at impact level.

An important institutional question is where should the capacity be located to undertake the complex assessment of fiscal sustainability. Clearly the MOFPED has the prime responsibility within government to be formulating and monitoring its policies for fiscal sustainability. However, there may be a case for consciously developing the capacity in non-governmental institutions to contribute to the assessment of fiscal sustainability. This could be through an academic based institution or a non-governmental body with the capacity to undertake the required analysis.

Allocation of resources in line with National Plans

The second criterion for achieving optimal service delivery is that the available budget resources are actually applied in line with stated sectoral and other priorities. Deviations from the resource allocation envisaged in the national plan can arise from a number of reasons: there may be different prioritization in the institutions actually preparing the budget (MOFPED) from the planning body. arising for example from recognition of budgetary revisions and supplementary appropriations which squeeze out the original prioritized allocation. Given that such appropriations only occur as a result of decisions by the government it is a moot point whether the original allocation or the amended allocation more truly reflects government priorities. In many cases the supplementary will arise from the need to cope with emergencies or changes in economic or political context.

The upshot of these observations is that the measurement of conformity of the budget to planned prioritization is actually a complex undertaking for which a clearly defined methodology is required.

The methodology for assessing the degree of conformity of resource allocation to the planned allocation will be undertaken in two stages. The first stage will assess the conformity of the aggregate fiscal space requirements built into the national plan with the reality pf forecast fiscal space. If the plan requirements exceed the forecast fiscal resources, then it is not possible to achieve conformity between plan and budget. In the second stage, and subject to the requirement that there is conformity between plan and budget at the

aggregate level, the review will compare the sectoral or programme-based allocation set out in the plan with the actual sectoral or programme allocations provided initially in the appropriated budget, and, secondly. in the actuals reported in the budget outturn.

Service delivery

Service delivery can only be assessed to be effective and efficient if each and every step of the service delivery cycle is performed well. These steps include:

- The planning process is well managed. This requires that each institution with service delivery responsibilities has a well-designed strategy and plan which defines the anticipated delivery of mandated services. The plan should define the planned level and quality of service over a planning period of at least 5 years, forming the basis for definition of the recurrent budget required to deliver the services and a linked investment plan which provides for future increase in the quantity or quality of service delivery.
- · The procurement process is efficient and contracts implementing agencies at least cost and high quality
- The required investments are undertaken on schedule and in line with original cost estimates
- · Services are actually delivered in line with the service delivery plan
- There is effective monitoring of service delivery and ex post evaluation of major investments.

Evidently the task of assessing the effectiveness and efficiency of services across the public sector is huge. The prime responsibility for such monitoring and assessment should lie with the service every MDAs themselves. Establishing that function will take time.

A component of impact assessment at the point of service delivery will be included in the PFM-RS impact assessment. This will take the form of in-depth assessments of service delivery, across the categories outlined above for a small selection of target services. Such assessment is complex and will be contracted out to an appropriate institution, typically a local academic institution already undertaking research of this nature.

8.3.1.2 Level 2 - Effectiveness (delivery against PFM Operational outcomes).

PFM operational outcomes in this case refer to the basic PFM results usually measured by PEFA to gauge the functionality of PFM fundamentals and these in as of themselves are not the highest intention of PFM. Operational outcomes will be measured using PEFA and equivalent assessment frameworks. PFM reforms that contribute to the overall functioning and effectiveness of PFM systems are expected to have a positive impact on overall PFM assessment scores.

The PEFA has been operating since 2005 to provide a system for monitoring progress in the pursuit of reforms of PFM. Results of PEFA assessments are widely used in the preparation of reform strategies allowing a focused approach to the identification of PFM areas which should receive priority. PEFA has important strengths and weaknesses. Strengths include the robust methodology based on the assessment of now 31 indicators which are broken down into 82 dimensions. The main weakness of the PEFA system is the delays in the availability of assessment results. The delay comes from two sources: first, the assessments look at a previous time period, the most recent 3-year period for which financial data are available, and second, the gestation time required for assessment reports to be published, usually 12-24 months after the initial drafting.

The PEFA assessments are used extensively in the definition of priorities to be addressed in the PFM Reform Strategies. All major areas of PEFA assessed weakness are addressed in the PFM-RS for 2025/26 to 2029/30. However, in relation to the M&E system for the PFM-RS there is a problem: while it is recognised that successful implementation of the PFM-RS should lead to improved PEFA scores on critical performance indicators (PIs), in practice PEFA cannot be relied on to provide the required assessments on a timely basis for M&E purposes. This is because (i) PEFA assessments are only periodic and there is no assurance that a new national: PEFA will be undertaken during the lifetime of the PFM-RS. and (b) even if a PEFA were to be undertaken, it would not provide timely analysis which would be usable for the PFM-RS M&E owing to the inherent delays in the financial years covered by the PEFA and publication of PEFA results.

To address this problem and to enable the PFM-RS to make greater use of the PEFA system for M&E the following steps will be taken:

As an important reform under the new PFM-RS, GoU will take responsibility for undertaking assessments using the PEFA methodology. Instead of relying only on PEFA assessments undertaken under the auspices of the PEFA Secretariat, the GoU will undertake its own periodic PEFA assessment at appropriate stages of the PFM-RS cycle to provide up to date information on progress against key PEFA indicators. Such PEFA assessments will be undertaken by the institutions responsible for each area of PFM reform, supplemented by a quality control procedure to be undertaken by independent Ugandan or external consultants with extensive experience in PEFA assessment methodology. The domestication of the PEFA process, led by MOFPED, is fully in line with the stated objective of the PEFA Secretariat to devolve the PEFA methodology, participating government. The major benefit of this reform is that the richness of the PEFA methodology,

which has long been used at the planning and diagnostic stage of PFM strategy formulation, will now play its full role in support of the M&E of PFM reforms.

8.4 Scope of M&E

8.4.1 Impact Evaluation

It has been established that is useful in measuring systems and procedures, it is NOT sufficient for indicating the highest impact level outcomes to be expected from delivered PFM reforms. In principle a country could have high scores on all PIs and yet be delivering budgets which will not support achievement of improved services and may result in fiscal unsustainability and excessive debt accumulation.

Therefore, and as noted earlier the understanding the concept of Impact of PFM at both procedural levels as pursued by PEFA and also at an even higher level of purpose of M&E is detailed above and is critical to facilitate measurement thereof.

A component of impact assessment at the point of service delivery will be included in the PFM-RS impact assessment. This will take the form of in-depth assessments of service delivery, across the categories outlined above for a small selection of target services. Such assessment is complex and will be contracted out to an appropriate institution, typically a local academic institution already undertaking research of this nature. In support of the domestication of PEFA methodology, MOFPED M&E Secretariat will develop a webbased application which will permit the institutional owners of each area of PFM reform to participate fully in the assessment of individual PEFA indicators.

8.4.2 Mid-term evaluation

Mid-term evaluation of the PFM reform strategy: The MEL team at the MoFPED will oversee the commission and conduct of a mid-term evaluation of the PFM reform strategy. The mid-term evaluation will be undertaken after 2.5 years of implementation to review progress and inform the implementation of the remaining period. The evaluation will adhere to the policy requirements in the National Public Sector Monitoring and Evaluation Policy for Uganda (2013) and other National MEL frameworks. A comprehensive evaluation report will be compiled and disseminated among key stakeholders within the government system.

8.4.3 End evaluation

End-line evaluation of the PFM reform strategy: The MEL team at the MoFPED will coordinate and oversee the commission and conduct of an end-line evaluation of the PFM reform strategy with the participation of various stakeholders including representatives of other MDAs, LGs, academia, CSOs etc. Following the evaluation, a comprehensive report will be prepared and disseminated to inform the development of the new PFM reform strategy 2030/31 – 2034/35.

8.4.4 Learning

Learning and Knowledge Management: The MEL team at the MoFPED will ensure that learning is harvested during the process of implementation of the PFM reform strategy. Knowledge products on the PFM reform strategy will be disseminated using various methods including publications in mainstream media as well as other existing government reporting systems. This will be done using various approaches including:

1. Collaboration and Partnerships: Foster partnerships with CSBAG and other organizations, academia, and experts to leverage knowledge and expertise. Encouraging Uganda's Public Finance Management Compliance Index in partnership with CSBAG. As member to the Public Expenditure Management Committee (PEMCOM), Civil Society Budget Advocacy Group (CSBAG) in 2019 collaborated with the Office of the Accountant General at Ministry of Finance, Planning and Economic Development to assess Government compliance to the Public Finance Management Act, 2015 (PFMA). The assessment highlights the successes so far achieved, challenges faced in the implementation process of the Act and presents recommendations for future consideration in improving the implementation of the PFMA to achieve desired results.

The PFMA, 2015 Index FY 2016/17, provides status of Government adherence to the Public Finance Management Act, 2015 for the Financial Year 2016/17 and it covers all the aspects of the Act including Macroeconomic and Fiscal Policies, Budget Preparation Approval and Management, The Contingency Fund, Cash and Assets, Public Debts, Grants and Guarantees, Accounting and Audit) Petroleum Revenue Management. Periodic studies and reviews on specific priority issues will also be commissioned by external consultants, EPRC, BMAU or civil society (e.g. CSBAG) in order to ensure there is sufficient independent feedback to inform better implementation and use of lessons learnt.

- 2. Reflective practice: Encouraging stakeholders to reflect on their experiences and identify areas for improvement. Annually learning sessions will be organized to reflect on the learning and best practices from the implementation of the reform strategy. The MEL team will ensure the existing knowledge management system at the MoFPED incorporates modules for management of learning captured and documented on the PFM reform strategy.
- 3. Adaptive management: Using M&E findings to adjust and improve programs. Throughout the implementation of the PFM reform strategy, a sound balance should be maintained between(i) a general and persistent adherence to the goal and purpose of the PFM reform strategy and (ii) flexibility to cater for emerging issues and lessons learned throughout the implementation.

8.5 Monitoring & Evaluation Approach

The MEL team at the MoFPED will utilize the existing reporting system and other management information systems to report on the implementation of the PFM reform strategy. The MEL team will ensure thorough documentation of the progress, achievements, successes, challenges, lessons learnt and best practices from the implementation process of the PFM reform strategy. A web-based reporting tool against the MEL framework of the PFM reform strategy will be explored and used to improve the accessibility, quality and updating of MEL data, the transparency of progress made, the accountability for results and consequently the interest and engagement of PFM stakeholders in reform processes. The routine and periodical reports will undergo internal review and discussion by the MEL unit, technical working groups as well as other structures for the implementation of the PFM reform strategy before dissemination. Quarterly and annual reports providing information on progress made against the targets and indicators, activities implemented, achievements, challenges, lessons learnt and recommendations for improvement will be submitted to the top management of the MoFPED and other levels in the structure for PFM reform strategy implementation as well as other stakeholders.

8.6 Progress Reporting and Review

In order to achieve effective implementation of the PFM reform strategy, the MEL team will need to conduct performance reviews and evaluations to offer timely feedback on the performance and outcomes of the reform strategy. The section outlines the various performance reviews and evaluations that will be conducted during the implementation of the reform strategy.

The MEL team at the MoFPED will conduct annual performance reviews to assess progress and outcomes of the PFM reform strategy. The annual performance reports will be compiled and disseminated to important decision-makers and stakeholders. Insights from these reviews will guide the development of annual plans and subsequent implementation of the PFM reform strategy. They findings will also feed into the National Annual Performance Report (NAPR) that provides a comprehensive assessment of Government performance and the results of public spending of the Financial Year. It provides a basis for accountability for performance of MDAs against previously agreed annual output targets and resources utilized across all sectors of government. This is used to brief Cabinet on the overall performance against investment objectives and to inform policy and resource allocations in the next Financial Year. The NAPR also assesses progress against the Government's commitments made in the NDPIV, programme objectives, Budget Speech and Ministerial Policy Statements for the financial year.

Regular data will flow from the lowest levels of implementation to the national levels. The MoFPED will use existing government MEL data flow and processes to generate routine data on the implementation of the PFM reform strategy. The MEL team at MoFPED will integrate the indicators of the PFM strategy into the existing MEL framework to enable capture of data for reporting on the reform strategy. The team will also design data capture tools or adapt existing ones for routine data capture by LGs, MDAs and other levels involved in the implementation of the PFM reform strategy. The designated focal points at LGs and MDAs will spearhead the integration of the indicators and tools into existing MEL systems and frameworks and ensure capture of the data from their levels to other higher levels within the government structures for the PFM reform strategy implementation.

SECTION 9 CONCLUSION

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The PFM Reforms Strategy is a critical component of the government's efforts to drive economic growth and development. With its strong linkages to the 10-fold economic growth agenda, this strategy is poised to support the President's vision for a transformed economy. As per the Presidential charge to the Ministry of Finance, Planning, and Economic Development (MoFPED) and key stakeholders in the PFM and accountability chain, this strategy will ensure effective management of public resources, promote transparency and accountability, and drive economic growth. By implementing these reforms, Uganda can unlock its full potential, achieve sustainable economic growth, and improve the living standards of its citizens. The success of this strategy will depend on the collective efforts of all stakeholders, and we look forward to working together to achieve this vision.

These following PFM linkages will drive economic growth, improve living standards, and promote sustainable development. Specifically, the reforms will lead to increased economic competitiveness, job creation, and poverty reduction, ultimately contributing to the achievement of the 10-fold economic growth agenda:

- I. Improved Policy-Based Fiscal Strategy and Budgeting: Improved policy-based fiscal strategy and budgeting ensures that the government's fiscal policy framework is aligned with economic growth objectives. This objective promotes effective resource allocation, prioritizing growth-enhancing expenditures that support the country's development agenda. By strengthening fiscal policy and budgeting, the government can make informed decisions that drive economic growth and development.
- II. Domestic Revenue Mobilization (DRM): Domestic Revenue Mobilization (DRM) is critical to financing the government's development agenda. By increasing government revenue, DRM reduces dependence on external aid and promotes fiscal sustainability. This objective enables the government to invest in growth-enhancing initiatives, such as infrastructure development and human capital formation, which are essential for driving economic growth.
- III. Public Investment Management (PIM): Public Investment Management (PIM) ensures that public resources are allocated efficiently to strategic projects that support economic growth and development. By strengthening PIM, the government can prioritize projects that have the greatest impact on the economy, such as infrastructure development, and ensure that they are implemented effectively. This objective promotes productivity, competitiveness, and economic growth.
- IV. PFM Controls and Compliance: PFM controls and compliance are essential for promoting transparency, accountability, and efficient use of resources. By strengthening PFM controls and compliance, the government can reduce corruption, waste, and inefficiency, ensuring that public resources are used effectively. This objective promotes good governance, accountability, and transparency, which are critical for driving economic growth.
- V. Strengthening Local Government PFM Systems for Service Delivery: Strengthening Local Government PFM systems is critical for promoting effective service delivery and local economic development. By enhancing decentralization, local governments can respond more effectively to the needs of their constituents, promoting improved living standards and economic growth. This objective ensures that local governments have the capacity to manage resources effectively and deliver essential services to citizens.
- VI. PFM Oversight: PFM oversight is essential for ensuring accountability, transparency, and good governance. By strengthening PFM oversight, the government can promote effective PFM systems, reduce corruption, and ensure that public resources are used efficiently. This objective ensures that the government is accountable to citizens and that PFM systems are transparent and effective.





ANNEX1: The PFM Reforms Strategy Results Framework

Outcome	Indicator
Objective 1: Sustainable Policy-Based Fiscal St	trategy, Planning and budgeting
Overall Outcome: Improved planning & Bud-	Proportion of MDAs plans aligned to NDP
geting	Budget transparency index
	Proportion of LGs plans aligned to NDP
.1: Strengthened Budget Framework and chalenge function	Arrears as a percentage of the total expenditure for the previous financial year FY(N-1)
	Percentage of budget released against originally approved budget
1.2: Multiyear Budgeting strengthened	Supplementary expenditure as a percentage of the initial approved budget
3: Sustainable development Financing hrough Alternative Financing	Proportion of diaspora bonds to government securities
Though Atternative Financing	External resources mobilised as a percentage of the national budget
	value of resources mobilised from green finance sources (US\$)
	Proportion of Retirement Assets to GDP
	Value of bilateral and multilateral resources (\$Million)
Objective 2: Sustainable Domestic Resource M	obilization for Development
Overall Outcome: Enhanced revenue mobili-	Tax to GDP Ratio
zation	Revenue to GDP Ratio
	Domestic revenue as a share of GDP (excl. oil)
	Proportion of Nominal Debt to GDP
	Present Value of Public Debt Stock as a percentage of GDP
	Total Debt Service as a percent of domestic revenue (excluding Grants)
1 Enabling Policy Environment for Revenue Mobilisation Enhanced	National Tax policy in place
2.2: Enhanced Tax Compliance through Efficient	Percentage growth of registered taxpayers
Revenue Administration	Voluntary compliance: % VAT on-time filing by taxpayer office (LTO, MTO, STO)
2.3: Enhanced collections from extractives ncluding oil, gas and mineral sectors	Contribution to GDP - Oil, gas and mineral sectors
2.4: Increased contribution of Foreign Direct	FDI as a percentage of GDP
nvestments to Domestic Revenue efforts hrough undertaking Investment Facilitation Reform Interventions	To tub a percentage of abi
2.5: Strengthen non-tax revenue (NTR) mobilization at central and local levels	Share of NTR to total revenue
ation at central and local levels	Percent NTR Collection to Target
Objective 3: To strengthen public investment n	nanagement (PIM) for increased development returns on public spending
Overall Outcome: PIM strengthened	Development/capital spending outturn as % budget)
	Share of PIP projects delivered on schedule
	Share of PIP projects delivered on budget
3.1: Strengthened Planning, Appraisal and Selection of Public Investment Projects and Public Private Partnerships	Proportion of core projects subjected to independent appraisal

Indicator Source/ MoV	Baseline 2023/24	Target 2025/26	Target 2026/27	Target 2027/28	Target 2028/29	Target 2029/30	As- sump- tions
	02	60	80	85	O.F.	100	
	93		68		95	80	
	59	65		72	76		
	97.7	50	60	70	90	100	
	40	35	35	30	29	27	
	104.5	100	100	100	100	100	
	17	<3	<3	<3	< 3	<3	
	TBD	TBD	TBD	TBD	TBD	TBD	
	0	0.2	0.18	0.16	0.14	0.12	
	500M	500M	520M	550M	580M	600M	
URBRA Reports MOFA Reports	12.2	13 58	13.8	14.6	15.4	16.2	
MOFA Reports	49.1	50	65	72	79	85	
	12.9	15.8	16.3	16.8	17.3	17.8	
	14.5	16.5	16.9	17.6	17.9	18.2	
	13.70%	13.90%	14.20%	14.70%	15%	16%	
Debt Sustainability Analysis (MoFPED)	46.20%	44.20%	42.20%	40.20%	38.20%	36.20%	
	39.90%	31.40%	34.95%	36.54%	35.76%	34.77%	
	31.00%	29.40%	28.10%	28.00%	28.00%	27.00%	
	0	0	1	1	1	1	
	TBD	TBD	TBD	TBD	TBD	TBD	
	TBD	TBD	TBD	TBD	TBD	TBD	
	TBD	TBD	TBD	TBD	TBD	TBD	
	2.8	6.2	6.6	7.2	7.8	8.6	
	0.08	0.09	0.1	0.11	0.12	0.13	
	4	46	52	58	65	70	
	TBD	TBD	TBD	TBD	TBD	TBD	
	37	40	50	60	70	80	
	65	70	75	80	85	90	
		100	100	100	100	100	
		100	100	100	100	100	

Outcome	Indicator	
3.2: Enhanced VFM in public procurement for large, complex public procurements	Proportion of entities rated satisfactory in Annual Procurement Assessments	
large, complex pasae procurements	Proportion (by value) of contracts subject to open competition above the defined threshold	
	Percentage of contracts completed in time	
	Percentage of contracts delivered within contract value	
	Proportion on Contracts procured adhering to Sustainable practices	
	Percentage of PPDA recommendations implemented by MDALGs and SoEs	
3.3: Efficient and Effective implementation and accountability of development Projects	% of projects (public infrastructure projects) progress within their planned time frame	
3.4: Optimal Utilization and Maintenance of Assets	% of registered central government assets are valued in the IFMS	
Objective 4: To strengthen PFM controls and co	ompliance in budget execution (Controls in budget execution and Accountab	ility)
Overall Outcome: System effectiveness and Compliance with regulations	Proportion of MDAs complying with PFM Legal Framework and processes	
complaince with regulations	Proportion of Local Governments complying with PFM Legal Framework and processes	
	Percentage of entities with clean audit reports (CG and LGs)	
4.1: Effectiveness and accuracy of public payroll and pension management systems improved	Number of MDAs/LGs using HCM	
4.2: Effectiveness and Integrity of PFM Systems	Proportion of National Budget executed through IFMS	
Strengthened	Percentage of Votes with Standard Risk Registers	
4.3: Comprehensiveness and quality of financial Reporting Enhanced	Percentage of Accurate Financial Statements submitted to AGO for consolidation within the Statutory timelines	
4.4: Improving budget credibility in budget execution	No. of NDP IV programmes supported to develop the Programme Scorecard	
execution	No. of MDAs, LGs and Institutions supported to develop and Implement the Balance Score Card	
Objective 5: Strengthening Sub-National PFM S	Systems for Service Delivery	
Overall Outcome: LG PFM contribution to service delivery	LG own-source revenue as a percentage of total LG budgets (Rural)	
,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	Urban LG revenue collection as a percentage of LG budgets	
	Overall average performance on crosscutting measures for district and LGs	
5.1: Enhanced Allocative Efficiency in Fiscal Transfers for Improved Local Government Plan- ning and Service Delivery	LG per capita funding for services (total public spending in LGs/population)	
5.2 Increased contribution of LG own-source revenue to LG Budgets	Percent increase in Own source revenue	
	Growth in KCCA Own source revenue (Billions of UGX)	
5.3. Improved Oversight for Improved Service Delivery in Local Governments	Cleanliness of LG Audit Reports /% HLG with clean audit reports	
5.4: Improved Financial Reporting for enhanced service delivery in Service Delivery Units (SDU)	% SDUs submitting annual performance reports on time to respective HLGs	
	% of HLGs submitting annual performance reports on service delivery units on time to MoLG	
5.5: Enhanced Integrity and Transparency in Local Government Procurement Function	LG compliance with procurement and contract management procedures (% score)	

Indicator Source/ MoV	Baseline 2023/24	Target 2025/26	Target 2026/27	Target 2027/28	Target 2028/29	Target 2029/30	As- sump tions
PPDA annual report	69	75	80	85	90	95	
PPDA annual report	50	55	60	65	70	75	
PPDA annual report	63	70	75	80	85	90	
PPDA annual report	75	75	78	80	85	90	
PPDA annual report	0.55	0.5	0.6	0.75	0.68	0.75	
PPDA annual report	69	69	70	75	80	85	
MoFPED	TBD						
DPI Annual Reports	85	100	100	100	100	100	
DPI Annual Reports	70	100	100	100	100	100	
					100	100	
Annual OAG reports	CG 98 LG 98	98 98	99 99	100 100	100 100	100 100	
MoPS Reports	160	360	390	390	390	390	
DPI Annual Reports	75	80	85	90	95	100	
DPI Annual Reports	15	70	87	94	98	100	
DPI Annual Reports	75	75	80	85	90	90	
DPI Annual Reports	0	9	9	0	0	0	
DPI Annual Reports	12	40	50	60	70	80	
LG audited final accounts; DPI Performance report	4%	5	7	10	12	15	
LG audited final accounts; DPI Performance report	11	12	15	18	21	25	
LG PAF	TBD						
MOLG Reports	TBD	TBD	TBD	TBD	TBD	TBD	
LG audited final accounts; DPI Performance report	0.54%	0.65	0.8	0.88	0.93	1	
KCCA Reports	112	117.6	123.48	129.65	136.14	142.94	
TBD							
MOLG Reports	0	20	40	50	60	70	
MOLG Reports	0	40	60	75	80	90	

Outcome	Indicator	
Objective 6: To strengthen oversight and PFM	governance functions for the sustainability of development outcomes	
Overall Outcome: Governance and oversight of PFM reform	Corruption perception index (0=highly corrupt; 100=very clean)	
	% HLG with clean audit reports	
6.1: Enhanced impact of financial and VFM audit reporting and oversight	No. of VfM reports adopted by Parliament and submitted to Executive as a % of reports tabled in the plenary	
	% external audit recommendations implemented by MDALGs	
	% actions taken reported in the Treasury Memoranda in line with Parliamentary resolutions	
6.2: Enhanced Assurance (governance, risk and control) by the internal audit function for Compliance of PFM systems	Percentage of internal audit recommendations implemented annually across MDALGs	

ANNEX2: Budget Summary

S S	Indicative Cost	Indicative Cost	Annualized Indicative Cost (UGX)					
Strategic Objective	(USD)	(UGX)	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	
Policy Fiscal Strategy, Planning and Budgeting	19,180,823	72,887,127,504	9,407,563,237	19,199,396,733	16,224,688,067	14,761,614,733	13,293,864,733	
DRM	17,835,767	67,775,916,410	10,102,310,227	19,527,294,533	17,125,515,533	11,527,768,867	9,493,027,200	
PIM	173,123,527	657,869,404,029	157,601,325,562	133,097,770,833	126,575,815,633	120,492,851,000	120,101,641,000	
Budget Control	34,759,315	132,085,397,626	38,151,521,066	33,966,391,707	24,089,558,373	19,683,701,573	16,194,224,907	
SN-PFM	13,294,933	50,520,746,400	14,597,472,107	14,729,161,057	9,909,128,857	5,544,992,190	5,739,992,190	
PFM Oversight	22,552,855	85,700,851,619	13,032,428,726	23,681,267,436	18,190,014,102	17,046,467,436	13,750,673,919	
Total	280,747,222	1,066,839,443,587	242,892,620,974	244,201,282,299	212,114,720,566	189,057,395,799	178,573,423,949	

Indicator Source/ MoV	Baseline 2023/24	Target 2025/26	Target 2026/27	Target 2027/28	Target 2028/29	Target 2029/30	As- sump- tions
	TBD	TBD	TBD	TBD	TBD	TBD	
OAG Annual Report							
	TBD	TBD	TBD	TBD	TBD	TBD	
OAG Annual Report	42	45	50	55	60	65	
	TBD	TBD	TBD	TBD	TBD	TBD	
Annual consolidated internal audit report	68	74	78	82	88	94	

PFM Reforms Strategy Action Plan FY2025/26-FY2029/30

Outputs	Key Activities	Lead Institution
	Policy-Based Fiscal Strategy, Planning and budgeting	
1.1: Strengthening of the Budge		
1.1.1: Capacity development within MoFPED to undertake critical analysis of the budget submissions by the MDAs.	Assessment of the existing capacity within in MoFPED to review MDA submissions in terms of the number and professional capacity of the complement of budget officers assigned to this quality assurance function	MOFPED/ BPED
	Design and delivery of training in the exercise of quality control by the budget officers in MoFPED	MOFPED/ BPED
	Undertake quarterly budget reviews and budget rationing exercises to address fiscal variances	MOFPED/ BPED
	Review of the budget cycle timetable to explore the possibility of (i) generating a longer period for quality assurance of MDA Budget Frameworks by MOFPED; and (ii) motivating the MDAs to start the preparation of their Budget Frameworks well in advance of the issuance of the budget circular	MOFPED/ BPED
1.1.2: Strengthening of the capacity in MDAs to prepare	Assessment of the existing capacities in MDAs to prepare quality budget frameworks	MOFPED/ BPED
quality Budget Framework documents	Review of the instructions and guidelines available to MDAs on how to prepare high quality Budget Frameworks	MOFPED/ BPED
documents	Support to enhance the Budget Website and Budget Call Centre; Capacity building for Budget Analysts and Planners on budget modelling and baseline analysis for informed decision making;	MOFPED/ BPED MOFPED/ BPED
	Training in the analysis of the linkages between the recurrent budget requirements for planned service delivery and the capital investment requirements to support the planned expansion of access or quality enhancement of services to be provided	
	Organization of training for MDAs in Budget Framework preparation to achieve a high standard of submission requiring lighter quality assurance function performed by MoFPED	
1.2: Budgets aligned to strateg	ic plans and medium-term expenditure frameworks	
1.2.1: Strengthen the imple- mentation of the programme approach to planning across	Development of an electronic Planning Platform/system (automateed PIAPs, VIAPs) to support the development of Plans across the Programme Approach interfacing within Programme Budgeting System.	NPA/ BPED
the MDAs and LGs	Amend the PFMA Act, 2025 to ensure it recognizes the programme approach and make adjustments in the composition of the sessional committees of Parliament.	MoFPED
	Development of Certificate of Compliance framework for the Macro-economic, National, Programme, MDALGs	NPA
	Alignment of the PBS to PBB and PIAPs	MOFPED/ BPED
	Development of Certificate of Compliance framework for the Service Delivery Standards for CG and LGs	NPA
	Costing of the Service Delivery Standards for Central Government;	MOFPED/ BPED
1.2.2: Enhance the coordina- tion role of OPM and other agencies in promoting par- ticipation of various relevant stakeholders	Support the roll of OPM in the monitoring of government projects and Link the NDP web-based system to the PBS	ОРМ
1.2.3: Strengthen risk assess- ment and budget monitoring of investment projects portfo-	Develop an estimate of the resources needed in the CF to finance expected government expenditure on public infrastructure impacted by natural disasters.	CFU
lio across MDAs and LGs	Based on historical data and forecast impact of natural disasters, develop an assessment of the appropriate mechanisms for Uganda to finance its DRM.	CFU
	Develop a disaster risk financing strategy.	MOFPED/DB
1.2.4: Strengthen Disaster Risk Management financing		
1.2.5: Macroeconomic man-	Undertake training and capacity building on macroeconomic analysis	MOFPED/MEPD
agement with a medium-term outlook aligned with the Na- tional strategic objectives	using the expanded Social Accounting Matrix Develop and implement macroeconomic analytical tools and frameworks that can assess the financing requirements to achieve Uganda's aspirations under the National Determined Contributions	MoFPED/MEPD
	Establish institutional arrangements, procedures and monitoring to operationalize the Charter of Fiscal Responsibility	MOFPED/DB
1.2.6: Strengthening Program-Based Budgeting (PBB) reform for the planning function in government	Technical backstopping of Programme Secretariats, MDA & LGs on the Programme Based Approach	NPA

FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
245 000 000				
345,000,000				
470,000,000	654,000,000	254,000,000	254,000,000	
_	228,000,000	228,000,000	228,000,000	228,000,000
_	220,000,000	220,000,000	220,000,000	220,000,000
341,000,000				
	444,000,000			
95,761,954	114,000,000 342,000,000	342,000,000	342,000,000	342,000,000
11000				
543,000,000	-	665,000,000	285,000,000	-
-	-	-	-	-
114,000,000	114,000,000	114,000,000	114,000,000	114,000,000
-	-	-	1,140,000,000	760,000,000
-	114,000,000	114,000,000	114,000,000	114,000,000
-	121,600,000	-	-	-
579,000,000	1,064,000,000	1,064,000,000	1,064,000,000	1,064,000,000
210,000,000	475,000,000	475,000,000	-	-
	222200000	222200000		
-	305,266,667	305,266,667	-	-
	225 600 000	225 600 000		
 -	235,600,000	235,600,000	-	-
192720000	202 720 000	202 720 000	202720200	202 720 000
182,720,000	282,720,000	282,720,000	282,720,000	282,720,000
240,000,000	528,000,000	628,000,000		
-	-	-	-	-
	68,020,000	68,020,000	68,020,000	68,020,000

Outputs	Key Activities	Lead Institution
	Development of Regional Development Plans to align to the NDP4 and Ten-fold Growth Strategy	NPA
	Certified Training of Staff in Development Planning Courses	NPA
	Strengthening and Periodic review of the functionality of Programme WGs, attendant structures and related capacity to develop strategic plans enhanced	MOFPED
1.2.7: Government Economists trained to improve quality of MDALG plans with a realistic multi-annual perspective	plans emanced	
mater armade perspective		
1.3 Multi-year commitments re 1.3.1: Strengthened accuracy and comprehensiveness of	flected in annual budgets Review and establish policy framework for multi-year budgeting and commitment monitoring	BPED/MOFPED
multi-year budgeting	Review of Vote Budgets by budget analysts using the Program Budget- ing System, the Integrated Bank of Projects, and the MTEF and other Policy Documents	BPED/MOFPED
	Enhance functionality of PBS tool to include planning (multiyear planning at vote level)	MOFPED/DB
1.3.2 Government Economists trained to improve quality of MDALG plans with a realistic	Develop programme and institutional arrangements for professionalization of 'common cadre' e.g. Comprehensive (certified) training for MDALG Economists and Statisticians	MOFPED/DB
multi-annual perspective	Training HoDs, HoF and Heads of Planning units in MALGs in Budget reforms	MOFPED/DB
	nity considerations in Public Financial Management	
1.4.1: Enhanced gender-equity budgeting in selected	Review and improve monitoring and evaluation methodologies for GEB	MOFPED/GEB UNIT
key sectors (e.g. Education, Health, Agriculture)	Capacity for integration of GEB in Macro-economic tools/MTEF	MOFPED/GEB UNIT MOFPED/GEB
	Capacity for integration of GEB in tax analysis Integrating gender equity into debt management.	UNIT MOFPED/GEB
	Capacity for integration of Gender Equity in Investment Promotion for	UNIT
	inclusive growth Enhancing the GEB assessment framework to integrate assessment of	EOC
	budget, debt and MTEF Develop standardized G&E assessment frameworks and guidelines for all	MOFPED/GEB
1 5 Enhancing Contribution of	phases of the budgeting process. Climate Financing as resource to sustainable development as well as for o	UNIT
commitments	cumate i mancing as resource to sustamable development as well as for t	cumate residence
1.5.1: Establishment of Uganda National Financing vehicle in MoFPED to promote Uganda's access to Climate finance and addressing related climate risks. This is also aligned to National Climate Fin		
1.5.2: Climate Finance Vehicle (NCFV) is anchored in Ugan- da's National Climate Finance Strategy (2024–2030)		
1.5.3: Capacity Development for MoFPED, MDAs and LGs	Develop a capacity building program to enhance the climate change-re- lated expenditure tagging exercise.	MoFPED/MEPD
on assessing and quantifying climate change-related risks.	Provide further training on budget tagging for climate change, including identifying climate change related recurrent and investment expenditure.	AA EDED (A/EDD
	Undertake training on managing climate change-related risks and how these should be reported in the Fiscal Risk Statement (FRS).	MoFPED/MEPD
	Develop Capacity in integrating climate change modelling in Development Planning frameworks Develop capacity to implement climate change-related regulation and	NPA
	commitments Align the climate change interventions implemented by MDAs and LGs	
	to those in the climate change act. Support MDAs and LGs to mainstream climate change interventions	
	across NDP programme.	

FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
366,000,000	266,000,000	266,000,000	266,000,000	266,000,000
133,000,000	133,000,000	133,000,000	133,000,000	133,000,000
	215,840,000	215,840,000	-	-
-	-	253,333,333	253,333,333	253,333,333
220,340,000	320,340,000	_		
220,340,000	320,340,000			
	174,800,000	174,800,000	174,800,000	174,800,000
	326,800,000	326,800,000	326,800,000	326,800,000
250,100,000	150,100,000	150,100,000	150,100,000	150,100,000
250,200,000	1,50,1200,000	2,50,200,000	190,100,000	130,100,000
182,000,000	152,000,000	-	-	-
_	_	210,520,000	210,520,000	-
		21010201000	210,020,000	
66,500,000	66,500,000			
	300,000,000	156,000,000	-	
_				
187,933,333	317,933,333.33	317,933,333.33	-	-
-	128,250,000	128,250,000	128,250,000	128,250,000
				-
117,230,000	117,230,000	117,230,000	117,230,000	-
-	410,400,000	273,600,000	-	-
-	309,130,000	309,130,000	309,130,000	309,130,000
		0.4.0.40.000	04240000	04340000
	94,240,000	94,240,000	94,240,000	94,240,000
	94,240,000	94,240,000	94,240,000	94,240,000

1.6.3 Endoes procedures and capacities enhanced for gatal required with solicitors in grant and particles enhanced for gatal demonstrated with solicitors in grant grant and undertake ing available and undertake ing available and undertake ing available to inform policy and available to inform policy promote policy research available to available to inform policy promote policy research available to inform policy promote policy research available to inform policy promote policy research available to income provided to import policy research available to income provided to import policy research available to income policy research available to income provided to import policy research available to income policy research policy promote policy research policy research policy research policy promote policy promo	Outputs	Key Activities	Lead Institution
capacities enhanced for gath or entire goldence and undertake ing analysis to inform policy of the control of the NDP 4. In analysis to inform policy of the control of the part of the NDP 4. In analysis to inform policy of the NDP 4. In a control of the NDP 5. In a control of t			1
Undertake selected impact evaluations and cost-benefit analysis of high value or strategis interventions to inform future planning decisions. Undortake the development of an up-to-date Social Accounting Matrix that incorporates the extractive including and the property of the property	capacities enhanced for gathering evidence and undertak-	demonstrated with selected high-spending sectors to guide the formulation of performance outcomes and targets for the remaining period of	NPA
Undertake the development of an up-to-date Social Accounting Matrix that incorporates the extractive includy and natural capital accounting aspects to be able to quantify the costs associated with climate change responses. Identify requirements and develop database(s), loots and guides to improve policy research across Government. Deliver training on tools and guides for evidence-based policy making the policy formulation and planning and with policy formulation and planning and planning and planning and planning and planning and planning. 1.6.3 Enhancement of reporting capability on service delivery. Establish and enhance process of the policy Compliance of criticate required by Parliament prior to approval of critical policies. Establish an economic research forum to discuss research findings and how to inform policy. Establish and enhance in collection of the policy compliance of the policy parliament prior to approval of critical policies. Establish an economic research forum to discuss research findings and how to inform policy. Establish an economic research forum to discuss research findings and how to inform policy. Establish an economic research forum to discuss research findings and how to inform policy. Establish an extraction of policy makers. Systems and processes to policy makers. Systems and processes to policy makers. Establish an interface between PSIs integrated Bank of Chrysicts, Education Management Information Systems. Health Management Information Systems and PSIs and the PSIs integrated Bank of Chrysicts, Education Management Information Systems and processes to the programme across government. Establish an interface between PSIs integrated Bank of Chrysicts, Education Management of the NSE act to provide policy and legal fromework for MSE acts are programmed and planning and work of the NSE act to provide policy and legal fromework for MSE across the country. Annual Reviews and prioritization of NDP programme indicators and tragets within the NDP PAIS, DDPs, and the PPM st	ing analysis to inform policy	Undertake selected impact evaluations and cost-benefit analysis of high	NPA
Identify requirements and develop databaseks), looks and guides to improve policy research across Government		Undertake the development of an up-to-date Social Accounting Matrix that incorporates the extractive industry and natural capital accounting aspects to be able to quantify the costs associated with climate change	MoFPED/MEPD
MoFPED (DEA) to coordinate Economic Policy research agenda and requiring the use of evidence in policy formulation and planning and requiring the use of evidence in policy formulation and planning and planning be identified as part of implementation) support design of Policy Compliance Certificate required by Parliament prior to approval of critical policies. Establish an economic research forum to discuss research findings and how to inform policy Establish mechanisms for identifying, compiling and communicating findings from relevant research to policy makers capacity for Data Analysis and Usage of of the Established interface between PBS, IFMS AMP HCM and OTIMS and other systems Establish an entireface between PBS, integrated Bank of Projects, Education Management Information System and NIRA. Develop guidelines and manuals for monitoring the budget at MDA levels 1.6.4: Strengthen national M&E systems and processes to ensure effective monitoring and evaluation of the NDP programmes across government. Establish an interface between PBS, integrated Bank of Projects, Education Management Information System and NIRA. Develop guidelines and manuals for monitoring hubbic Sector M&E policy and evaluation of the NDP programmes across government. Establish and fully resource functional M&E systems and structures in the programme serior of the MEE act to provide policy and legal framework for M&E across government. Establish and fully resource functional M&E systems and structures in the programme serior of NDP programme informations of NDP programme informations of the Structures in the programme serior of NDP programme informations of NDP programme informations of the Structure in the programme serior of NDP programme informations of the Structure in the programme information of NDP programme informations and conditions of the Structure in the NDP in		Identify requirements and develop database(s), tools and guides to im-	BPED/UBOS
mechanisms for fostering and requiring the use of evidence in policy formulation and planning be identified as part of implementation? Support design of Policy Compliance Cortificator required by Parliament prior to approved of critical policies. Establish an economic research forum to discuss research findings and how to inform policy. Establish mechanism for identifying, compiling and communicating findings from relevant research to policy makers. Capacity for Data Analysis and Usage off of the Established interface between PBS. Integrated Bank of Projects. Education Management Information System. Health Management Information System and NIRA. Develop guidelines and manuals for monitoring the budget at MDA levels. Finalization of the review of the National Public Sector M&E policy and enactment of the M&E act to provide policy and legal framework for M&E across government. Establish and fully resource functional M&E systems and processes to ensure effective monitoring and evaluation of the NDP programmes across government. Establish and fully resource functional M&E systems and structures in the programme serecelarists. MPAS and LGs across the country. Annual Reviews and prioritization of NDP programme share and structures in the programme serecelarists. MPAS and LGs across the country. Annual Reviews and prioritization of NDP programme and targets within the NDP PIAPS. DDPs and the PPM strategic Results Framework. Develop a rolling National Evaluation Agenda for the NDP, and periodically farmulally review the topics, schedule, budget, and guidelines. Additionally, scale up impact evaluations. Strengthen the Government Evaluation Facility (GEP), to oversees the edgin, implementation, and dissemination of evaluations of public policies and major public investments; and mobilize resources for evaluation through partnerships and collaboration with relevant institutions. 172 Sustainable debt and Development in investment in Geometric properties and collaboration with relevant institutions. Strengt		Deliver training on tools and guides for evidence-based policy making	NPA/MOFPED
Support design of Policy Compliance Certificate required by Parliament planning	mechanisms for fostering and	identify research areas (Research database, tools, system and capacity to	
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ACLIOTIS (FFAS)			DDCP

FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
		.0		
	183,008,000	183,008,000	183,008,000	183,008,000
_	119,700,000	119,700,000	_	_
_	119,700,000	119,700,000	_	
-	-	-	-	-
	19,950,000	-	-	-
_	44,270,000	44,270,000	_	_
	95,000,000	95,000,000	-	95,000,000
-	-	-	-	-
	83,600,000	83,600,000	83,600,000	83,600,000
-	-	95,000,000	-	95,000,000
-	-	-	-	-
-	880,175,000	880,175,000	880,175,000	880,175,000
	716,300,000	716,300,000	716,300,000	716,300,000
	,	,		
-	-	-	-	-
214,320,000	214,320,000	214,320,000	214,320,000	214,320,000
242,500,000	175,560,000	175,560,000	175,560,000	175,560,000
		1,0,000,000	1/3/300/000	1/5/500/000
	232,180,000	-	-	-
	245,100,000	245,100,000	245,100,000	245,100,000
-	-		- 383,800,000	383,800,000
	.00			
	166,440,000 532,000,000			-
260,300,000	260,300,000	260,300,000	260,300,000	260,300,000
204,000,000	304,000,000	304,000,000	304,000,000	304,000,000
	5- 1,500,000	J- 110001000	G- (1000)000	32 113001000
1,660,000,000	1,140,000,000		-	-
298,000,000	298,000,000	298,000,000	298,000,000	298,000,000
200,000,000	128 440 000	_	-	
128,440,000	128,440,000		_	
	118,053,333	118,053,333	-	-
	192,036,800	192,036,800	192,036,800	192,036,800
105,000,000	114,000,000	114,000,000	114,000,000	114,000,000

Outputs	Key Activities	Lead Institution
1.7.4: Diversifying sources of budget finance	Introduction and rollout of Diaspora and infrastructure Bonds as a new source of raising cheaper borrowing	DDCP
•	Debt Sustainability tracking tool on new financing alternatives	DDCP
	Maintenance and Rollout of project okusevinga, including awareness campaign for the system	
1.8: Support Growth of pension/ Delivery (Targeting USD2.5 billio	Retirement Funds as part of Long-Term Domestic Financing Mechanism for in 5 years)	or Uganda's Service
1.8.1: Regulatory and gover- nance framework established	Set up scheme and Governance framework including the National Steering Savings Committee	URBRA
for micro pension scheme (National Long-Term Savings Scheme) for non-salaried workers and private sector workers	stakeholder consultations on regulations, laws and incentives to cover informal sector workers/ Non salaried workers	URBRA
1.8.2: A central pension Tech platform and the digital pro- cess architecture	Consultancy on design the platform, eco system. Including. Central Pension Tech Platform customization and API integrations with product/ecosystem partners	URBRA
	Platform and process testing with eco system, product design and out- reach partners	URBRA
	System change management TA on commercial and fiscal incentives to support quick adoption including retirement literacy tools and delivery strategies designs	URBRA
	Launch National drive regional campaigns for retirement literacy and savings mobilisation	URBRA
1.8.3: Sustainable Change Management on Savings for Investment	Partner with MoES on long terms Curriculum review on retirement literacy and savings culture	MoES/URBRA
	Initiate Mass scale deployment with multiple field partners and collaboration with PDM structures	MoLG/UBRA
Total Cost		

	Domestic Resource Mobilization for Development	
	nt for Revenue Mobilisation Enhanced	
2.1.1: Tax Policy Function of Government Enhanced	Enhancing political leadership. (a) Enhance Capacity for contribution to tax policy development from the political team including Tax & Fiscal policy advisory	MOFPED/DEA
	(b) Periodic Presentation of DRMS to Cabinet to facilitate the transition from the annual budget cycle of tax policy interventions into a medium-term programme for tax reform that has pre-approval from the Cabinet.	MOFPED/DEA
	Strengthen Capacity of the Parliamentary Budget Office. (a) Capacity for analysis on broad aspects on tax policy including forecasting; gender tax impact analysis etc. (b) Parliament to review design of Parliamentary procedures to ensure that MFPED/FPC have the opportunity to review and report on amendments from these perspectives before they are moved; or that all amendments to tax bills have to be "tidied up" from a financial and legislative perspective and returned to Parliament for confirmation before becoming law.	PARLIAMENT
	Changing the approach to Tax Policy formulation timing within the annual Budget cycle. (a) Review the timetable for developing policy proposals and aim to schedule work so that early delivery of key proposals is prioritized; (b) Bring forward the date for the initial, formal contribution from the URA to a minimum of 8 months before the Budget; (c) strengthen the active participation of the URA in policy development through enhanced formal and informal engagement,	URA/ (TPD)
	Strengthening coordination with First Parliamentary Council on Tax Policy. Periodic engagement with TPD to ensure that the needs of the drafting team are fully understood, in order to shorten timelines and minimize misunderstandings	MOFPED/DEA
2.1.2: Institutional Strengthen- ing of the Tax Policy Depart- ment	Revenue Monitoring and Forecasting Unit established and strengthened within DEA. Capacity development for suitable econometric and the modelling capability of TPD	MOFPED/DEA
	Enhancing the transparency and communication strategy on Taxation with citizenry through Implementing a targeted communication and private sector outreach programme to explain and demonstrate more effectively the relationship between tax and public spending and to create a more widespread understanding of the objectives of the tax system.	MOFPED/DEA
	Improving coordination between revenue side of Budget and expenditure planning. Integrate revenue and expenditure planning more effectively throughout the Budget process, harmonize procedures, to allow revenue policy thinking to develop in parallel with emerging expenditure aspirations;	MOFPED/DEA

- 10			-	
FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
173,312,000	373,312,000	-	_	-
	104,956,000	104,956,000	104,956,000	104,956,000
	1.00	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		
64,200,000	178,600,000	178,600,000	178,600,000	178,600,000
04,200,000	1/0,000,000	1/0,000,000	1/0,000,000	1/0,000,000
77,650,000	150,005,000			
405,000,000	2,200,200,000		-	-
1.0/	, , ,			
-	-	253,333,333	253,333,333	253,333,333
100,000,000		220 700 000	222.702.002	
192,000,000	-	220,780,000	220,780,000	-
-	-	-	399,000,000	399,000,000
-	102,600,000	102,600,000	102,600,000	-
	475,000,000	_	_	-
	4/5,000,000			
81,920,000	126,920,000	126,920,000	126,920,000	126,920,000
45,000,000				
4010001000				
-	190,000,000		190,000,000	
	163,134,000			
	J,+J-+,			
-	95,000,000	95,000,000		
	 '	== '		
10700000	107000000	107000000	10700000	107000000
167,200,000	167,200,000	167,200,000	167,200,000	167,200,000
-	266,000,000	266,000,000		
63,612,000	63,612,000	63,612,000	63,612,000	63,612,000
03,012,000	03,012,000	03,012,000	03,012,000	00,012,000

Outputs	Key Activities	Lead Institution
	Support productivity enhancement of TPD and provide systems for tracking routine tasks e.g. letters from taxpayers, exemption requests, requests to have goods released at Customs, complaints	MOFPED/DEA
	Technical support. Coordination and implementation of SRM cluster	MOFPED/DEA
	activities	MOFPED/DEA
		MOFPED/DEA
		MOFPED/DEA
2.1.3: Strengthened policy and legal framework for revenue mobilisation, with consider- ation of fairness, equity and	Support formulation of environmental tax policy including regulatory impact assessment. Enhancing contribution of tax policy for sustainable economic growth; review of costs and incentives. Inl Cabon Taxes; pollution taxes; waste disposal taxes etc.	MOFPED/DEA
sustainability (PFM greening)	Support the design and dissemination of the updated DRM Strategy	MOFPED/DEA
sustainus iity (i i i i greening)	Establish approaches & policies to support expansion of the tax base and support ten-fold economic growth agenda. Incl: Consultative review of tax policy and legislation, in line with priorities in DRM strategy, to improve efficiency, simplicity, fairness and equity	MOFPED/DEA
2.1.4: Establish policy frame- work for controlling, man- agement and reporting of tax expenditures	Establish policy framework for controlling, management and reporting of tax expenditures. (a) Publish a joint URA/TPD annual report on tax expenditures for inclusion in Budget documents (b) Support a setting up of an expenditure monitoring unit at URA for instance retooling and capacity building.	
	Build a platform that interfaces government institutions for the purposes of tax expenditure monitoring including UIA and URSB. (a) Develop a uniform template for reporting the tax expenditure across all agencies to harmonize information with the other government stakeholders. (b) Maintain a formal register of all non-statutory concessions, reliefs and exemptions granted (with source where relevant) and all taxes paid on behalf of taxpayers. (c) Maintain a register of requests and applications for such concessions etc. that have been rejected, in order to improve transparency and satisfy internal and external concerns. Consider publication of appropriate information from the register	MOFPED/DEA
2.1.5: Performance monitoring and reporting framework for DRM established	Tax Policy Performance Monitoring. (a)Review procedures for monitoring performance of individual tax heads, the setting of trigger mechanisms for alerts, the process of onward reporting etc., with a view to establishing stronger and more immediate responses to unusual or unexpected patterns of revenue receipts and a deeper understanding of the trends. (b) Performance monitoring and reporting framework for DRM established including review of the set of indicators used to monitor the DRMS Enhanced mechanisms for enhanced contribution of non-tax revenues (NTR) (a) Develop a policy on centralized collection of NTR. (b) Strengthen framework for reporting and monitoring of NTR collection	MOFPED/DEA
Sub Total	entrainework for reporting and monitoring of 1411 Cottection	
	through increased efficiency in revenue administration and dispute resolu	ıtion
2.2.1: Automation of process- es for case management to enhance service delivery and enhance transparency	URA to produce a Semi- Annual report on Emerging Issues from Tax Audit and Investigations to facilitate planning and execution of measures	URA
2.2.2: Accessible physical premises and library for TAT developed	TA to undertake business process re-engineering to develop a tax appeals tribunal integrated resolution tracking system Consultative engagement	TAT
2.2.3: Enhanced revenue data integrity and efficacy of IT	Advanced IT Tools for the URA science laboratory and forensic such as; Intelligent Forensic Workstations, Detego Ultimate PRO.	URA
systems	Enhance capacity to improve data management and utilization in revenue administration systems.(a) Implement a centralized data repository (Data Lake) to streamline and process large volumes of data in its original form; (b) Develop a data science and AI reform strategy; (c) Strengthen and implement procedures for ongoing maintenance of data integrity; (d) Support data cleaning in the URA systems such as the tax register and Ledgers	URA
	E-Tax System tracking modules for compliance monitoring and investigation. (a) Vehicle Registration Tax Monitoring (b) Advance tax tracking integration with IRAS for better collaboration with Local Governments on Vehicles and Motorcycles	URA
	Enhance competences in using advanced data analytics tools like Data science, risk management	URA
2.2.4: URA capacity for investigation strengthened, in line with capacity needs assessment / enhancement plan	Enhance the competences of URA staff to undertake investigation and information gathering for instance accreditation of fraud expert witnesses (forensic and scientists) in certificates such as; Computer and Mobile Forensics Certification, DF120 - Foundations in Digital Forensics with EnCase(External), DF210 Building an Investigation with EnCase(External).	URA

FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
1,621,569,288	2,400,000,000	2,400,000,000	2,400,000,000	2,400,000,000
162,156,929 243,235,393				
189,600,000				
	124,336,000	124,336,000	124,336,000	124,336,000
478,700,000	450.000.000	450.000.000	450,000,000	450 600 505
158,080,000	158,080,000	158,080,000	158,080,000	158,080,000
	144 400 000	144 400 000	144 400 000	144 400 000
	144,400,000	144,400,000	144,400,000	144,400,000
551,000,000	551,000,000			
55 /	00 // / / / /			
	93,784,000	93,784,000	93,784,000	93,784,000
-	243,200,000	243,200,000		
3,762,073,610	4,786,666,000	3,882,532,000	3,468,332,000	3,278,332,000
	404			
-	161,500,000	161,500,000	161,500,000	161,500,000
280 000 000	780 000 000			
389,000,000	780,900,000			
104,000,000				
			190,000,000	190,000,000
454,280,000	154,280,000	154,280,000	154,280,000	154,280,000
	1,013,333,333	1,013,333,333		
	-,	-,010001000		
	28,500,000			
125,000,000	190,000,000			

Outputs	Key Activities	Lead Institution	
2.2.5: Enhanced administrative	Review and strengthen legal and policy framework In line with the DRM	MOFPED/DEA	
capacity and framework for	recommendations (e.g. addressing international taxation, including High		
effective international taxation	Net Worth Individuals (HNWIs)s Enhance administration capacity to audit, investigate and enforce taxa-	LIDA	
	tion of international corporations and transactions	URA	
	Establish and strengthen exchange of information and mutual assistance	MOFPED/DEA	
	across tax jurisdictions to strengthen international taxation		
	Develop a compliance framework for non-resident service providers of	URA	
	digital services such as Amazon, Facebook among others)		
	Review the incentive regime and how they affect revenue, as a result of	MOFPED/DEA	
	countries implementing the proposed global minimum tax. (Tax foregone		
	through incentives will be taxed by other countries if Uganda does not implement the global minimum tax.)		
2.2.6: Mechanisms in place	implement the global minimum tax./		
for enhanced contribution of			
non-tax revenues (NTR)			
2.2.7: Enhanced taxpayer ser-	Support the operationalization of the tax education strategy.	URA	
vices and taxpayer education	Support tax awareness and revenue mobilisation workshops with politi-	URA	
programme	cal and civil leaders across the country.		
	Implement tax literacy programs aimed at educating the public about	URA	
	their tax obligations, the importance of compliance, and the benefits of paying taxes.		
	Set up tax information and assistance centres in partner offices (like	URA	
	business associations)	ONA	
2.2.8: Established Tax Acade-	Support construction of a physical joint UMI/URA academy. UMI to	URA	
my for efficiently and sustain-	support conducting of the feasibility study, curriculum update and online		
ably undertaking Capacity	content development.		
building of taxpayers and staff	Support enhanced virtual learning experience Tools for long distance	URA	
in tax awareness and admin-	collaboration. (a) Develop a learning studio equipped with the necessary		
istration	technology to deliver online training programs to both staff and tax-		
	payers (b) Acquire software for digital content development (eLearning Authoring tools)		
	Develop a Tax Policy Induction programme on board tax policy issues.	URA	
	(Short course on the institutional framework for tax policy; Intensive train-		
	ing in modelling techniques; appraisal of tax policy proposals and the		
	documentation; Undertake skills assessment of the TPD staff for further		
	support)		
	Implement train-the-trainer programs to enhance the skills and knowl-	URA	
	edge of existing trainers.	LIDA	
	Expand the resource centre and have a repository of digital resources, including literature, e-books, webinars, and instructional videos on various	URA	
	tax-related topics to equip the capacity of both URA staff and the public.		
	Develop a full program for tax agents that covers all aspects of tax ad-	URA	
	ministration similar to that of the customs clearing agents		
Sub Total			
	extractives including oil, gas and mineral sectors		
2.3.1: Enhanced enabling	Undertake consultative review of feasibility and impact of potential new	MOFPED/DEA	
framework for exploiting new revenue opportunities	opportunities for revenue enhancement e.g. regional economic integra- tion agenda, environmental protection, taxation of emerging sectors,		
revenue opportunities	opportunities from enhanced regulatory framework or infrastructure		
	Develop proposals into legislative reforms/amendments for submission	MOFPED/DEA	
	to Parliament, with estimated fiscal impact for budget		
	Establish administrative arrangements for implementation of new mea-	MOFPED/DEA	
	sures		
2.3.2: Enhanced Capacity for	Undertake review and alignment of PFM laws and attendant regulations	MOFPED/DEA	
assessment, collection and	and guidelines for oil, gas and minerals revenue management	MOEDED (DEA	
management of revenue from Extractives oil, gas and	Undertake review of fiscal regimes and propose enhancement measures (e.g. oil "windfall" tax), in line with DRM strategy	MOFPED/DEA	
minerals	Update and incorporate the Oil and Gas sector in the Long-term Expen-	MOFPED/DEA	
	diture Framework (LTEF)	MOLTED BEA	
	Formulate the Oil and Gas Fiscal rule for Uganda	MOFPED/DEA	
	Deliver specialized training in oil, gas and mining legislative frameworks	MOFPED/DEA	
	and revenue management, in line with DRM capacity needs assessment		
	Establish regular reporting on extractive industries activities and reve-	MOFPED/DEA	
<u> </u>	nues, in line with transparency requirements		
Sub Total	Landing (Digital France)		
2.4: Enhanced collections from	Taxation of Digital Economy	MOEDED (DE A	
2.4.1: Tax Policy Measures and Reforms to Enhance poten-	Review Uganda participation in the OECD's inclusive framework to Maximize remittances from overseas tax digital companies such as Google,	MOFPED/DEA	
tial of receipts from digital	Meta, and X		
taxation	Strengthen proposals for a tax strategy for Digital Uganda in the Second	URA	
	DRMS to guide Tax policy in the medium term Including clear tax laws for		
	online transactions		

FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
-	-	-	304,000,000	304,000,000
	110,200,000	110,200,000	110,200,000	110,200,000
-	66,500,000	66,500,000	66,500,000	66,500,000
152,000,000	152,000,000	-	-	-
-	101,333,333	101,333,333	101,333,333	-
	158,247,200 159,600,000	158,247,200 159,600,000	158,247,200 159,600,000	158,247,200 159,600,000
	159,600,000	159,600,000	159,600,000	159,600,000
	266,000,000	266,000,000	-	-
	760,000,000	760,000,000	-	-
240,666,667	240,666,667	240,666,667	240,666,667	-
162,640,000	162,640,000	162,640,000	162,640,000	162,640,000
-	164,666,667	164,666,667	164,666,667	-
-	-	126,666,667	126,666,667	126,666,667
	190,000,000	190,000,000	-	-
1,627,586,667	5,019,967,200	3,995,233,867	2,259,900,534	1,753,233,867
	321,480,000	-	-	-
	122,740,000			_
	9,880,000	9,880,000	9,880,000	9,880,000
	65,740,000	65,740,000	-	-
	-	255,740,000	255,740,000	-
	234,080,000	-	-	-
	196,080,000	-	-	-
189,700,000	197,600,000	197,600,000	197,600,000	197,600,000
	-	-	-	-
189,700,000	1,147,600,000	528,960,000	463,220,000	207,480,000
	76,000,000	76,000,000	76,000,000	76,000,000

Outputs	Key Activities	Lead Institution
2.4.2: Administrative Reforms to Enhance potential of re- ceipts from digital taxation	Technological integrations including Strengthen Digital wallet regulations to foster mandatory online payments for online transactions; API integrations with Digital Platforms; Block-chain based tracking. Include consid-	URA
ooipes nom aignat taxation	eration for unique transaction numbers for online payments Digital Tax Education programs on for compliance including incentives	URA
	and penalties regime awareness	
Sub Total 2.5: Increased contribution of Formation Reform Intervention	oreign Direct Investments to Domestic Revenue efforts through undertak	ring Investment
2.5.1: Digital investment facil- itation licensing and Invest- ment Facilitation systems and management frameworks enhanced (full automation of	Benchmarking to develop requirements for the design, implementation of Investment Licensing and Facilitation Management System with the ICT systems of the over MDAs at the One-Stop-Centre to facilitate Investment Promotion and After Care services to FDIs and Domestic Investments. Including	UIA
licensing processes for simplification and transparency)	Undertake IT Business Process Review to optimize existing licenses for Investment to reduce the cost and time of establishing Investments in Uganda	UIA
	Review Business Processes of the related to Digital Investment Promotion and Business licensing undertaken to reach potential Domestic and International Investors.	UIA
2.5.2: Policy Frameworks streamlined to strengthen in-	Review policies for gaps and loopholes for reforms to deepen transparency.	UIA
vestment climate for FDI and Domestic Investments (legal	Mechanisms to monitor and evaluate the effectiveness of institutional arrangements and policies to identify areas of improvement.	UIA
and investment climate)	Develop Investment Statistical Database integrated with Systems accessible internationally. Including Strengthened detailed investment data across all target sectors to ease access and reliability for FDI	UIA
	Strengthen institutions to address the investment challenges and create an enabling environment that attracts and retains FDIs.	UIA
	Develop and implement strategies for promoting ESG environmental sustainable Industrial Parks.	UIA
	Enforce a robust legal and regulatory framework that protects the rights and interests of investors and the Government.	UIA
2.5.3: Investment Promotion and Facilitation Strategy De- veloped and Implemented	Develop and execute a Sector Targeting and Competitiveness Strategy. Incl identify and profile target sectors for FDI attraction critical to success of the overall investment promotion strategy.	UIA
	Undertake Capacity Building, Skills development, and technology transfer in Investment Promotion, Facilitation and Aftercare services for enhanced Service Delivery, and increased Domestic and Foreign Capital inflows	UIA
	Design and implementation of the Digital Strategy on Investment Promotion and Facilitation on enhanced information sharing and publicity of the Domestic, FDIs and Regional One-Stop Investment Centres	UIA
	Undertake Benchmarking, develop and implement an effective Investment Promotion and Facilitation Strategy. For attracting Domestic and Foreign Capital inflows, to facilitate Industrialization and Employment creation.	UIA
	Undertake Monitoring and Evaluation to establish Actual Investments, and establish the strategic objectives of the IPS, sector and market strategies, marketing and promotion, business development, activities to improve the local investment climate, budgets and resource allocation for IPS.	UIA
	Undertake investment competitiveness studies and profiling, and mapping to link Domestic Investors to Business opportunities (for Financing, Markets, and Technological innovations)	UIA
	Undertake Investment Facilitation and Business Development Services for Forward and Backward linkages.	UIA
	Carry out competitiveness studies aimed at identifying necessary interventions for sectoral development.	
2.5.4: An integrated EBiz - Investment Licensing and Fa- cilitation Management System developed, implemented and Integrated with Systems of MDAs at One-Stop Investment Centre, to reduce the cost and time of doing Business IPres- idential Direction to present	Design, develop and implement an integrated EBiz- Investment Licensing and Facilitation Management System to facilitate Investment Promotion and Facilitation. To reduce the cost and time to setup investments, National SME Business Development, Reporting. Includes: (a) Integration with Land management system; (b) Park Management Suite/Modules on Geographical Information System (GIS) for improved management of Industrial Park Land Use, Leases Management, NTR Revenue collection, Land allocations, land withdrawals, within industrial parks, and investigated provided the part of the park in th	UIA
idential Directive to process Investment Licenses within 24	with Ministry of Lands Information System, Linking Industrial Land Par- cels, Investment Facilitation Compliance Monitoring and integration with	

FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
	228,000,000	228,000,000	228,000,000	-
	82,080,000	82,080,000	82,080,000	82,080,000
0	439,280,000	439,280,000	439,280,000	211,280,000
	152,000,000	152,000,000		
	143,260,000			
	143/200/000			
267,140,000	267,140,000			
	123,880,000	_	_	_
	0, 111, 111			
	30,400,000	30,400,000	30,400,000	30,400,000
	45,600,000	45,600,000	45,600,000	45,600,000
	74,575,000	74,575,000	74,575,000	-
	108,173,333	108,173,333		
	_	OF 000 000	05 000 000	_
	_	95,000,000	95,000,000	_
	131,733,333	131,733,333	-	-
121,400,000	114,000,000	114,000,000	114,000,000	-
335,000,000	190,000,000	190,000,000		
	147,566,667	147,566,667		
	147,300,007	147,300,007		
	285,000,000	-	-	-
-	418,000,000	-	-	-
_	_	190,000,000	190,000,000	_
		200,000,000	2,3,000,000	
	. 0	0	0	
2,305,000,000	2,805,000,000	1,805,000,000	805,000,000	

Outroote	Maria Alababata	Local Institution	
Outputs	Key Activities	Lead Institution	
2.5.5: Strengthening Brand- ing and implementation of a Client Charter for Investment Promotion and Facilitation at	Design and implement a client Charter for the One-Stop-Centre that informs potential investors about the Investment Service delivery standards, products and services, expectations from its clients and targets for service delivery.	UIA	
the One-Stop-Centre	Strengthen the Branding, publicity and Dissemination of accurate and up-to-date information on Investment opportunities and linkages in the Country.	UIA	
2.5.6: An Integrated Industrial Park Management System and GIS implemented, with serviced ESG friendly Industrial and Business Parks (IBPs) that attract and facilitate FDIs and Domestic Investments			
2.5.7: Two (2) Business Investment Facilitation Centres (OSC) constructed for: Investment Promotion and Licensing, Strengthening Domestic Resource Mobiliza- tion, Enhancing FDIs Capital inflows and reducing the Time and Cost of doing business Sub Total			
	rangements for reduced Revenue losses from Illicit Financial Flows		
2.6.1: Strong established governance arrangement for	Establish a national Illicit Financial Flows Taskforce to champion discussions on IFFS	FIA/URA	
Reducing Revenue losses from illicit Financial Flows	Strengthen automatic exchange of information mechanisms with neighboring's states and major trading partners.	FIA/URA	
	Policy amendment proposal to include a reporting requirement to the Financial Intelligence authority in relation to International Electronic Funds Transfers as supported by AML Act	MOFPED/DEA	
2.6.2: Strengthen International Cooperation in Anti Money Laundering (AML)/ Combat- ing the Financing of Terrorism	Implement Anti Money Laundering/CFT/CPF reforms for Uganda as guided by Eastern and Southern Anti Money Laundering Group (ESAAM-LG) and Financial Action Task Force (FATF) to ensure compliance with the appropriate international and regional laws	FIA	
(CFT)/ Counter Proliferation Financing (CPF) 2.6.3: Enhance capacity amongst stakeholders in the ML/TF/PF value chain on supervision, sanctions, inves- tigation and prosecution of	Coordinate and monitor the implementation of the Financial Action Task Force (FATF) Strategic Actions Develop and Implement targeted capacity development programs for stakeholders in the Money laundering/terrorism financing/proliferation financing (ML/TF/PF) value chain (ODPP, Law Enforcement Agencies (LEAs), CPs, etc.) on supervision, sanctions, investigation and prosecution of financial crimes	FIA	
financial crimes	Establish a framework to cover training modules to different stakeholders and sensitize the public on financial crime for increased vigilance and reporting	FIA	
2.6.4: Increase public aware- ness and understanding of matters related to ML/TF/PF			
2.6.5: Strengthen research and development to address emerging financial crimes,	Identify sectors that expose the country to threats of financial crimes and undertake typology studies and risk assessments to inform evidence based interventions	FIA/URA	
trends and threats, including among others tax fraud, abu- sive tax schemes, tax scams, money laundering, cyber- crime etc	Conduct a national study/audit to ascertain the extent of revenue loss through Illicit Financial Flows in Uganda.	MOFPED/DEA	
2.6.6: Develop and Implement systems to permit secure and timely reporting of suspicious transactions to facilitate timely analysis and dissemi- nation of intelligence reports to Competent Authorities and	Acquire and deploy an Independent custom FIA Enterprise Technological Analysis Solution that suits the Authority's operational requirements. Including (a) chainalysis Virtual Assets analytical tool/system to enable FIA effectively monitor cryptocurrency transactions, identify, and trace proceeds of crime (b) modern operational equipment, and reengineer systems and business processes to increase efficiency and effectiveness in detection and prevention of financial crimes	FIA	
Law Enforcement Agencies facilitate investigations	Acquire and deploy an Application Programming Interface (API) solution to enable the exchange of information with other MDA's	FIA	
Cub Total	Acquire and deploy a centralized ML/TF/PF statistical tool facilitates the collection, maintenance, and analysis of key data points	FIA	
Sub Total TOTAL COST			

			-	
FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
	57,380,000	57,380,000	57,380,000	-
	119,168,000	119,168,000	119,168,000	119,168,000
3,028,540,000	5,212,876,333	3,260,596,333	1,531,123,000	195,168,000
	60,800,000	60,800,000	60,800,000	60,800,000
	190,000,000	190,000,000	190,000,000	190,000,000
	9 1,111,111	9 1,11 1,11	9 171 1 171 1	0 1 / 1 1 1 / 1 1
	152,000,000	-	-	-
	228,400,000	228,400,000	228,400,000	228,400,000
			-	
	104,000,000	104,000,000	104,000,000	104,000,000
200,000,000	200,000,000	200,000,000	200,000,000	200,000,000
	246,000,000	246,000,000	246,000,000	246,000,000
	136,800,000.00	136,800,000.00	136,800,000.00	136,800,000.00
	.=			
	475,000,000	475,000,000	=	-
	_	_	_	_
	-	620,000,000	-	-
	-	-	-	-
200,000,000	1,793,000,000	2,261,000,000	1,166,000,000	1,166,000,000

Outputs Key Activities Lead Institution

Objective 3: To strengthen public investment management (PIM) for increased development returns on public s 3.1: Strengthened Planning, Appraisal and Selection of Public Investment Projects and Public Private Partnerships 3.1.1: Projected Facilitation Decision paper on PIP presented annually to Cabinet to obtain endorse-MoFPED/DB Fund established including ment on (i) medium-term expenditure envelope and shares for each modalities for its operations sector, (ii) any projects to add and offsetting ones to remove/suspend to stay, and (iii) a list of well-defined priority areas for development of new projects; Fund established for feasibility and/or pre-appraisal studies of projects MoFPED/DB while they are awaiting their inclusion in the PIP, i.e. the Budget; Develop programme specific Appraisal manuals for PIP (including tem-MoFPED/DB plates) 3.1.2: Enhance clear project Development of programme specific project preparation and appraisal MoFPED/DB appraisal guidelines incorpomanuals rating climate resilience Build Capacity in the entire project cycle (identification, preparation, ap-MoFPED/DB praisal, implementation & ex-post evaluation) for all stakeholders across Government. Develop and implement CD Strategy for PIM across Government to guide MoFPED/DB among others the development of curriculum for PIM for universities and tertiary institutions Conduct training of key stakeholders in project cycle management MoFPFD/DR (Including design, budgeting, cash-flow planning, multi-annual planning, coordination, monitoring, asset management, evaluation and sustainability planning Design & implement systems for managing high value/multiyear projects MoFPED/DB 3.1.3: Improved multi-year planning and management in selected sectors/MDAs of high value investments in Align MTEF with the multi-year commitments by sectors and MDALGs MoFPED/DB selected sectors/MDAs Establish policy on implementation of infrastructure corridors to better MoFPED/DB manage compensation for large infrastructure investments 3.1.4: IT-based Integrated Enhance the Integrated Bank of Projects (IBP) in line with the Programme MoFPED/DB Bank of Projects (IBP) devel-Based Planning and budgeting approach including integration with other oped (including automation PFM systems (e-GP, PBS, IFMS) of projects management Undertake change management and user training on the enhanced IBP MoFPED/DB aspects in the PIP) at all levels Develop technical capacity including equipment for sustainable opera-MoFPED/DB tion of IBP within MoFPED Develop a sustainable user training for IBP including development and MoFPED/DB operationalization strategy Disseminate and implement the PIM Policy for improved compliance to 3.1.5: Capacity strengthened MoFPED/DB for project cycle management PIM frameworks of PIM Develop PIM guidelines on (incl. financial appraisal, implementation MoFPED/DB planning, project life cycle budgeting, rapid assessment of government commercial investments and other public investments outside the PIM framework, Monitoring and Evaluation handbook for public investments) Develop guidelines and tools for climate proof project preparation and MoFPED/DB appraisal and undertake capacity building of the relevant stakeholders. Review the Project selection guidelines and criteria to include emerging MoFPED/DB aspect such as incorporating climate change assessment 3.1.6: Investment project cost-Develop investment project costing methodologies for budgeting pro-MoFPED/DB ing methodology/formula cesses at MDA- and programme level established Deepen usage of approved national parameters, shadow prices and MoFPED/DB conversion factors for the preparation, appraisal and selection; Develop capacity in project costing methodologies including project life MoFPED/DB cycle budgeting and assessing routine and capital maintenance. Develop, disseminate and maintain the unit prices database MoFPED/DB 3.1.7: Modalities for independent and formal appraisal developed 3.1.8: Governance and institu-Review and evaluate institutional arrangements for project appraisal e.g. MoFPED/DB tional arrangements for proj-Development Committee, MDAs, LGs and the various guidelines ect selection and appraisal Strengthen the DC as an independent reviewer and gate keeper of PIM MoFPED/DB strengthened Review the methodological tools for project preparation and appraisal MoFPED/DB to among others incorporate emerging issues such as climate change, Gender, sustainability so as to provide better guidance to MDAs and LGs. 3.1.9: Regulatory and institu-Diagnostic study on legal framework and propose enhancements MoFPFD/DB tional framework for manage-Disseminated and implement recommendations of the various diagnos-MoFPED/DB ment of PPPs strengthened tic studies 3.1.10: Capacity for manage-Diagnostic study on PPP framework (institutional and regulatory) under-MoFPED/DB ment of PPPs strengthened taken

	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
lie an andi	in a				
lic spendi	ing				
		79,009,600	79,009,600	79,009,600	79,009,600
		209,000,000	209,000,000	209,000,000	209,000,000
		237,500,000	_	_	_
	-	237,500,000	237,500,000	-	-
	186,520,000	286,520,000	286,520,000	286,520,000	_
			_	-	
	102 524 000	102 524 000		_	
	193,534,000	193,534,000	_	_	-
		445,866,667	445,866,667	-	-
		217,888,200	217,888,200	217,888,200	217,888,200
		171,402,800	171,402,800	-	-
		285,000,000	285,000,000	-	-
		158 408 000			
		158,498,000	_	_	-
		_	_		_
	265,000,000	262,200,000	262,200,000	262,200,000	262,200,000
		207,259,600	207,259,600	207,259,600	207,259,600
	313,773,600	313,773,600	313,773,600	313,773,600	313,773,600
	157,184,000	257,184,000	257,184,000	257,184,000	257,184,000
	-	559,683,000	559,683,000	-	-
	0		0	0	0
	273,615,200	273,615,200	273,615,200	273,615,200	273,615,200
	293,710,902	294,310,000	294,310,000	-	294,310,000
	0.44.005.000	0.44.005.000			
	241,965,000	241,965,000	-	-	-
		271,668,333	271,668,333	-	-
		221 275 500	221 275 500	221 275 500	221 275 500
		321,375,500	321,375,500	321,375,500	321,375,500
		180,781,200	180,781,200	180,781,200	180,781,200
		475,095,000	-	-	-
		118,598,760	118,598,760	118,598,760	118,598,760
	372,498,800	372,498,800	-		-
		237,500,000	_		
		- 380,000,000	380,000,000		
	-	275,500,000	275,500,000		

Outputs	Key Activities	Lead Institution
3.1.11: Capacity for risk as- sessment of PIPs and PPPs	Develop guidelines and procedures for PIP and PPP fiscal risk management and analysis during project appraisal	MoFPED/DB
strengthened	Training for in PPP fiscal risk management and analysis (assessment for their implied fiscal commitments and risks)	MoFPED/DB
	Dissemination of the Public Investment Management Policy	MoFPED/DB
	Guide on responsibilities for all stakeholders within the PIMS clearly defined (Identification, mapping and reengineering of processes in the PIM system, involving MDAs-SWGs, NPA, OPM, MFPED and DC);	MoFPED/DB
	Independent Review implementation of the mandatory 4-phase project life cycle (1. Identification phase, 2. Pre-investment phase, 3. Investment phase, 4. Operation and ex-post phase); for selected high value investment projects	MoFPED/DB
	Review of the Public Investment Management Policy, including undertaking a review of the PPP act in order to harmonize the PIMS framework with the PPP legal & regulatory framework.	MoFPED/DB
	Develop implementation strategy and guidelines for operationalization of the PIM policy	MoFPED/DB
Sub Total	Hold PIM conference to generate PIM policy proposals	MoFPED/DB
	lementation of development Projects	
Sub Total	rocurement for large, complex public procurements	
3.3.1: Develop procurement	Consultancy to develop Regulations for Complex, specialized and strate-	MOFPED
guidelines promoting sus-	gic procurements	
tainable and climate-resilient solutions	Print and Disseminate the Regulations for Complex, specialized and strategic procurements	MOFPED
	Dissemination of the legal frame work for the Institute of Procurement and Supply Chain Management Professionals of Uganda.	MOFPED
	Develop Sector specific procurement Standard Bidding Documents (SBDs) for PDEs in education, energy, health, roads sector.	PPDA
	Print and disseminate sector specific procurement Standard Bidding Documents (SBDs) for PDEs in education, energy, health, roads sector.	PPDA
	Prepare and disseminate an SBD suitable for procurement of major works.	PPDA
	Develop and disseminate User Guides for SBDs of the specific sectors and major works	PPDA
	Consultancy to develop a manual for sustainable procurement of infrastructure projects	MOFPED
	Develop, print and disseminate user guides on undertaking Multi-Year Procurement	PPDA
3.3.2: Implement e-procure- ment systems ensuring transparency		
3.3.3: Improved Institutional Framework and Management	Consultancy to undertake Procurement risk assessment in key sectors and address identified weaknesses	PPDA
Capacity	Training of procurement cadres in Infrastructure Project Procurement Carrying out monitoring of high value and complex procurements	MOFPED PPDA
	Consultancy to undertake a study on bottlenecks in the implementation of high value and complex projects and challenges causing cost variance between feasibility study and procurement execution.	MOFPED
	Dissemination of the Procurement risk management manual to relevant stakeholders in the procurement system.	MOFPED
	Undertake a Compliance Training needs assessment for key stakeholders in the procurement of large and complex projects	PPDA
	Design & implement a compliance procurement training program for key stakeholders in procurement of large and complex projects	PPDA
	Consultancy to undertake a Competency based needs assessment for procurement cadres across government	MOFPED
3.3.4: Enhanced Public Procurement Operations and	Undertake centralized prequalification process to assess bidders' eligibility and qualifications for large value and complex contracts.	MOFPED
Market Practices	Develop model technical specifications, common specification standards and unit prices for complex works contracts.	PPDA
3.3.5: Strengthened Accountability, Integrity and Transpar-	Research and Development in case management for prosecution (of- fences and penalties.)	PPDA
ency of Procurement System	Conduct quarterly stakeholder engagement meetings with development partners, private sector and Civil society organizations.	MOFPED
	Support collaboration efforts for field visits contract monitoring with civil society in large and complex procurements.	PPDA
	Undertake Study on integrity in Public Sector Procurement	PPDA
	Conduct training for internal and external auditors on auditing procurement of large and complex projects.	MOFPED
Sub Total	Thomas raige and complex projects.	

FV2025 (26	FV2026 /07	FV2027/20	FV2029 /20	FV2020 /22
FY2025/26	FY2026/27 292,600,000	FY2027/28	FY2028/29	FY2029/30
	216,600,000	216,600,000	216,600,000	216,600,000
280 700 000	480.700.000		_	_
380,700,000	480,700,000 248,520,000	-	-	-
	240/020/000			
	443,333,333	443,333,333	-	-
-	380,000,000	380,000,000	-	-
-	407,246,000	-	-	-
367,224,060	467,224,060	467,224,060	467,224,060	467,224,060
3,045,725,562	10,500,950,653	7,155,293,853	3,411,029,720	3,418,819,720
0	0	0	0	0
	285,000,000	285,000,000		
	205,200,000	205,200,000		
209,000,000			-	_
	285,000,000	285,000,000		
			_	_
	142,500,000	142,500,000	142,500,000	142,500,000
	0.47000000			
	247,000,000			
	475,000,000	-	-	-
380,000,000				
	80,560,000	80,560,000	80,560,000	80,560,000
	152,000,000	152,000,000	152,000,000	152,000,000
323,000,000	152,000,000	1,000,000	1,000,000	1,000,000
	79,800,000	79,800,000	79,800,000	79,800,000
474 000 000				
174,800,000	174,800,000	174,800,000	174,800,000	174,800,000
	323,000,000			
	912,000,000	-	-	-
	205,200,000	_	_	_
	200,200,000			
-	190,000,000	190,000,000	-	-
	7600 000	7600 000	7600,000	7600 000
	7,600,000	7,600,000	7,600,000	7,600,000
236,800,000	236,800,000	136,800,000	136,800,000	136,800,000
209,000,000	100,000,000	209,000,000	100,000,000	209,000,000
190,000,000	190,000,000	190,000,000	190,000,000	-
1,722,600,000	4,191,460,000	2,138,260,000	964,060,000	983,060,000

Outputs	Key Activities	Lead Institution	
3.4: Optimal Utilisation and Mai	ntenance of Assets		
3.4.1: Public Asset Manage-	Baseline study of asset management system (non-financial assets)	MoFPED/AGO	
ment Policy (financial and non-financial) framework	Develop public asset management policy (non-financial assets) and its dissemination	MoFPED/AGO	
developed	Undertake a scoping study on Financial asset and investment to establish current practices and related gaps	MoFPED/AGO	
	Undertake bench marking study on asset management in public sector	MoFPED/AGO	
	Develop financial asset management policy, implementation strategy and guidelines including dissemination	MoFPED/AGO	
	Develop and implement a governance framework and guidelines for public corporations and state owned enterprises (including reporting mechanisms e.g. website with a published list of SOEs, information on the assets, income, and number of employees)	MoFPED/AGO	
3.4.2: Develop operations and	Conduct a vulnerability assessment of assets to climate change	MoFPED/AGO	
maintenance plans prioritizing climate resilience	Develop an asset risk mitigation/response strategy to climate change shocks	MoFPED/AGO	
	Disseminate and conduct user trainings on the asset management mitigation strategy	MoFPED/AGO	
Sub Total			
3.5: Enhanced accountability in	resource utilisation and results for project delivery		
3.5.1: Regular performance review and reporting of public	Performance Review/Reporting of Implementation of public projects and PPPs	MoFPED/DB	
projects and PPPs established	Require Sector to report on project delivery and evaluation of impact to Development Committee	MoFPED/DB	
	Guide sectors programme development of a project delivery evaluation manual & related capacity building	MoFPED/DB	
	Enhance transparency and communication of project delivery to the public - enforce display of notice boards at project delivery points & publications	MoFPED/DB	
3.5.2: Establish monitoring and evaluation frameworks tracking climate resilience			
outcomes			
Sub Total			
TOTAL COST			

Objective 4: To strengthe	en PFM controls and compliance in budget execution (Co	ntrols in budget exe	cution
4.1: Effectiveness and accuracy	y of public payroll and pension management systems improved		
Sub Total			
4.2: Effectiveness and Integrity	of PFM Systems Strengthened		
4.2.1: E-GP system enhanced and rolled out to all MDALGs	Re-engineer and enhance e-GP functionality to address stakeholder requirements	MoFPED/AGO	
	Rollout enhanced e-GP system to 367 PDEs	MoFPED/AGO	
	Develop and implement a comprehensive change management and communication strategy to support e-GP adoption and usage	MoFPED/AGO	
	Develop and implement a comprehensive change management and	MoFPED/AGO	

4.2.1: E-GP system enhanced and rolled out to all MDALGs	Re-engineer and enhance e-GP functionality to address stakeholder requirements	MoFPED/AGO
	Rollout enhanced e-GP system to 367 PDEs	MoFPED/AGO
	Develop and implement a comprehensive change management and communication strategy to support e-GP adoption and usage	MoFPED/AGO
	Develop and implement a comprehensive change management and communication strategy to support e-GP adoption and usage	MoFPED/AGO
	Undertake e-GP training and capacity building for all key system users	MoFPED/AGO
	Staff allowance for GoU staff from MDAs supporting e-GP implementation. This will also support the PMU staff	MoFPED/AGO
	Stationary, toners, printing papers, pens, etc. Estimated as per FY2021/22	MoFPED/AGO
	18 staffs provided with monthly airtime and internet bundles for easy communication	MoFPED/AGO
	Staffs provided with welfare related items	MoFPED/AGO
	Fuel for vehicles supporting operations of the project. 1 fuel card with 427 litres of fuel per month	MoFPED/AGO
	Projected annual vehicle maintenance for the E-GP vehicle.	MoFPED/AGO
	Support implementation of e-GP system across government	MoFPED/AGO
	Support implementation of e-GP system across government	MoFPED/AGO
	Support implementation of e-GP system across government	MoFPED/AGO
4.2.2: Core PFM system en- hanced and integrated	Develop the policy, regulatory, governance frameworks for integration of PFM system.	MoFPED/NITAU
	Establishment a national data management framework, including national data management standards including the data archival strategy for PFM systems	MoFPED/NITAU
	Previous expenditure related to printing and stationary	MoFPED/AGO
	55 staffs provided with monthly airtime and internet bundles for easy communication	MoFPED/AGO

	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
		_			
		380,000,000	-	-	-
		182,400,000	182,400,000	182,400,000	182,400,000
		285,000,000	285,000,000	_	_
		O , 1 1 , 1 1 1	0,111,111		
		-	-	285,000,000	285,000,000
		182,400,000	182,400,000	182,400,000	182,400,000
		-	228,000,000	228,000,000	-
	-	142,500,000	-	-	-
	-	190,000,000	190,000,000.00	-	-
	-	-	190,000,000	190,000,000	-
	0	1,362,300,000	1,257,800,000	1,067,800,000	649,800,000
		1,302,300,000	1,237,000,000	1,007,000,000	049,000,000
		304,000,000	304,000,000	304,000,000	304,000,000
		-			
		136,800,000	136,800,000	136,800,000	136,800,000
		475,000,000	-	-	-
		110,200,000	110,200,000	110,200,000	110,200,000
		110,200,000	110,200,000	110,200,000	110,200,000
	0	1,026,000,000	551,000,000	551,000,000	551,000,000
		1,020,000,000	551,000,000	551,000,000	551,000,000
					'
and Acco	ountability)				
	•				
	0	0	0	0	0
	- 0				
	5,800,000,000	5,700,000,000	-	-	-
	1,720,000,000	3,420,000,000	3,420,000,000	_	_
	507,500,000	807,500,000	807,500,000	807,500,000	_
	307,300,000	23/13/23/23	20/1300/000	30/10001000	
	500,000,000				
	1,040,000,000	1,140,000,000	1,140,000,000	1,140,000,000	1,140,000,000
	1,356,000,000				
	40,000,000				
	40,000,000	The state of the s			
	240,000.000				
	240,000,000				
	62,000,000				
	62,000,000 232,296,000				
	62,000,000 232,296,000 190,000,000				
	62,000,000 232,296,000 190,000,000 1,594,062,744				
	62,000,000 232,296,000 190,000,000 1,594,062,744 159,406,274				
	62,000,000 232,296,000 190,000,000 1,594,062,744	285,000,000			
	62,000,000 232,296,000 190,000,000 1,594,062,744 159,406,274	285,000,000	-	-	-
	62,000,000 232,296,000 190,000,000 1,594,062,744 159,406,274	285,000,000	-	-	-
	62,000,000 232,296,000 190,000,000 1,594,062,744 159,406,274				-
	62,000,000 232,296,000 190,000,000 1,594,062,744 159,406,274 239,109,412				-
	62,000,000 232,296,000 190,000,000 1,594,062,744 159,406,274				-

Outputs	Key Activities	Lead Institution
	Staffs provided with welfare related items. Averagely each staff spends UGX 54,545 per month	MoFPED/AGO
	4 fuel cards. Averagely each card receives 188 litres of fuel per month.	MoFPED/AGO
	4 vehicles maintained at a cost of UGX20m averagely per annum	MoFPED/AGO
	Complete integration of key PFM systems	MoFPED/AGO
	Support PFM Systems to improve security of the systems	
	Implement data warehouse, data analytics and AI to monitor compli- ance with service delivery standards and inform policy formulation and implementation	MoFPED/AGO
	Support implementation of IFMS, integration and enhancement of PFM systems	MoFPED/AGO
	Support implementation of IFMS, integration and enhancement of PFM systems	MoFPED/AGO
	Support implementation of IFMS, integration and enhancement of PFM systems	MoFPED/AGO
	Support implementation of IFMS, integration and enhancement of PFM systems	MoFPED/AGO
4.2.3: Governance and controls for PFM system strengthened	Prepare and implement a gender and equity responsive PFM systems sustainability strategy	MoFPED/AGO
	Review and update PFM systems security policies, Standard Operating Procedures.	MoFPED/AGO
	Develop and implement a performance monitoring framework for PFM systems	MoFPED/NITAU
	Develop and implement a comprehensive BCP for mission-critical PFM systems.	MoFPED/NITAU
	Undertaking training in PFM systems management, quality assurance and compliance monitoring	MoFPED/AGO
	Develop and implement a communication and change management strategy to drive adoption and ownership PFM systems in MALGs.	MoFPED/AGO
	Provide computing equipment and other related ICT accessories to facilitate adoption of PFM systems in all MALGs	MoFPED/AGO
Sub Total	tate adoption of this systems in all the least	
4.3: Comprehensiveness and q	uality of financial Reporting Enhanced	
	Undertake stakeholder consultations and update the road map for transition to accrual accounting and reporting	MoFPED/AGO
MDALGS	Undertake accrual accounting and reporting Training of Trainers for a selected core team of staff	MoFPED/AGO
	Procure laptops and related ICT accessories	MoFPED/AGO
	Develop policies, guidelines and templates for accrual accounting and reporting	MoFPED/AGO
	Undertake change management to support the implementation of accrual accounting and reporting	MoFPED/AGO
	Enhance the IFMS to support accrual accounting and reporting	MoFPED/AGO
	Data analytics and AI tools for enhancing financial reporting developed and adopted	MoFPED/AGO
	Professional accountancy certification of financial management staff in LGs	MoFPED/AGO
	Develop and rollout framework for assessing financial management and reporting in MALGs	MoFPED/AGO
	Train staff in MDAs & LGs on the revised Financial Reporting Guide and Financial Reporting templates	MoFPED/AGO
4.3.2: Sustainability reporting adopted and rolled out to all	Undertake benchmarking studies on sustainability reporting to inform country implementation approach	MoFPED/AGO
MDALGs	Develop and implement the road map for adopting sustainability reporting	MoFPED/AGO
	Undertake sustainability reporting Training of Trainers for a selected core team of staff	MoFPED/AGO
	Develop policies, guidelines and templates for sustainability reporting	MoFPED/AGO
	Undertake change management to support the implementation of sustainability reporting	MoFPED/AGO
	Train staff in MDAs & LGs on Sustainability reporting	MoFPED/AGO
Sub Total		
4.4: Improving budget credibil	ity in budget execution	
4.4.1: Revive and enhance the electronic commitment con-		
trol system to ensure MDAs purchase goods and services		
within available resources to avoid accumulation of		
domestic arrears		

FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
36,000,000				
56,700,000				
150,306,000				
280,000,000	380,000,000	380,000,000	380,000,000	-
9,800,000,000	665,000,000	665,000,000	665,000,000	665,000,000
-	000,000,000	005,000,000	005,000,000	000,000,000
4,883,421,953	6,612,000,000	6,612,000,000	6,612,000,000	6,612,000,000
488,342,195				
400,042,190				
732,513,293				
 219,600,000				
219,000,000				
-	228,000,000	228,000,000	-	-
	266 222 222	266 222 222	266 222 222	
-	266,000,000	266,000,000	266,000,000	-
	285,000,000	-	-	-
	1,615,000,000	-	-	-
217,000,000	380,000,000	380,000,000	380,000,000	380,000,000
	237,500,000	237,500,000	237,500,000	-
	1,330,000,000	-	-	-
30,778,614,159	23,788,000,000	14,136,000,000	10,488,000,000	8,797,000,000
	190,000,000		_	_
	190,000,000	_	_	_
	165,680,000	165,680,000	165,680,000	165,680,000
	0			
	85,500,000 209,000,000	209,000,000	209,000,000	-
	209,000,000	209,000,000	209,000,000	
	237,500,000.00	237,500,000.00	237,500,000.00	-
	266 000 000	266 202 202	266 222 222	
	266,000,000 310,333,333	266,000,000 310,333,333	266,000,000 310,333,333	-
	310,333,333	310,333,333	310,333,333	
252,000,000	152,000,000	152,000,000	152,000,000	152,000,000
	100 000 000			
-	190,000,000	-	-	-
342,000,000	342,000,000	342,000,000	342,000,000	342,000,000
	205 222 222			
-	285,000,000	-	-	-
-	133,000,000	133,000,000	133,000,000	-
-	234,333,333	234,333,333	234,333,333	-
_	190,000,000	190,000,000	190,000,000	_
-	-	234,333,333	234,333,333	234,333,333
-	2000 246 666	291,333,333	291,333,333	291,333,333
 594,000,000	2,990,346,666	2,765,513,332	2,765,513,332	1,185,346,666
			The state of the s	

Outputs	Key Activities	Lead Institution	
4.4.2: Reform the warranting			
system to ensure that releas-			
es are focused on the intend-			
ed items and priority areas of			
the budget, rather than block			
warranting			
4.4.3: Establish an inter-de-			
partmental and inter-institu-			
tional framework for in-year			
resource allocation and			
budget repurposing during			
budget execution			
Sub Total	and Demilations subsured		
4.5: Compliance to PFM Laws a	na Regulations ennancea		
4.5.1: PFM legal framework harmonised with other con-			
flicting regulatory frameworks			
4.5.2: Improved access to information on PFM reforms			
4.5.3: Review and update laws			
and regulations: Review and update laws and regulations			
to ensure that sanctions			
are clear, consistent, and			
effective. Includes Strengthen			
investigation and enforce-			
ment capacity: Strengthen			
the capacity of institutions			
responsible for investigating			
and enforcing sanctions			
Sub Total			
Total Cost			
TOTAL COST	ng Sub-National PFM Systems for Service Delivery		
TOTAL COST Objective 5: Strengthenia	ng Sub-National PFM Systems for Service Delivery	ico Dolivony	
TOTAL COST Objective 5: Strengthenii 5.1: Enhanced Allocative Efficie	ency in Fiscal Transfers for Improved Local Government Planning and Servi		
Objective 5: Strengthenii 5.1: Enhanced Allocative Efficie 5.1.1: Revision and Re- Design	ency in Fiscal Transfers for Improved Local Government Planning and Servi Review options for grant consolidation (increased number of grants,	ice Delivery MoLG/LGFC	
TOTAL COST Objective 5: Strengthenii 5.1: Enhanced Allocative Efficie	Review options for grant consolidation (increased number of grants, earmarking has continued leading to limited LGs discretion); including		
Objective 5: Strengthenii 5.1: Enhanced Allocative Efficie 5.1.1: Revision and Re- Design	Review options for Improved Local Government Planning and Serving Review options for grant consolidation (increased number of grants, earmarking has continued leading to limited LGs discretion); including Revision of the Equalization grants financing modalities to improve		
Objective 5: Strengthenii 5.1: Enhanced Allocative Efficie 5.1.1: Revision and Re- Design	Review options for Improved Local Government Planning and Servi Review options for grant consolidation (increased number of grants, earmarking has continued leading to limited LGs discretion); including Revision of the Equalization grants financing modalities to improve adequacy, equity	MoLG/LGFC	
Objective 5: Strengthenii 5.1: Enhanced Allocative Efficie 5.1.1: Revision and Re- Design	Review options for grant consolidation (increased number of grants, earmarking has continued leading to limited LGs discretion); including Revision of the Equalization grants financing modalities to improve adequacy, equity Review the Central Government grants and Grants Allocation criteria		
Objective 5: Strengthenii 5.1: Enhanced Allocative Efficie 5.1.1: Revision and Re- Design	Review options for grant consolidation (increased number of grants, earmarking has continued leading to limited LGs discretion); including Revision of the Equalization grants financing modalities to improve adequacy, equity Review the Central Government grants and Grants Allocation criteria to harmonize the real values of transfers and improve impact. includes	MoLG/LGFC	
Objective 5: Strengthenii 5.1: Enhanced Allocative Efficie 5.1.1: Revision and Re- Design	Review options for grant consolidation (increased number of grants, earmarking has continued leading to limited LGs discretion); including Revision of the Equalization grants financing modalities to improve adequacy, equity Review the Central Government grants and Grants Allocation criteria to harmonize the real values of transfers and improve impact. includes gradually increase share of central government transfers for LG service	MoLG/LGFC	
Objective 5: Strengthenii 5.1: Enhanced Allocative Efficie 5.1.1: Revision and Re- Design	Review options for grant consolidation (increased number of grants, earmarking has continued leading to limited LGs discretion); including Revision of the Equalization grants financing modalities to improve adequacy, equity Review the Central Government grants and Grants Allocation criteria to harmonize the real values of transfers and improve impact. includes gradually increase share of central government transfers for LG service delivery, as recommended in the Fiscal Decentralization Architecture	MoLG/LGFC	
Objective 5: Strengthenii 5.1: Enhanced Allocative Efficie 5.1.1: Revision and Re- Design	Review options for grant consolidation (increased number of grants, earmarking has continued leading to limited LGs discretion); including Revision of the Equalization grants financing modalities to improve adequacy, equity Review the Central Government grants and Grants Allocation criteria to harmonize the real values of transfers and improve impact. includes gradually increase share of central government transfers for LG service	MoLG/LGFC	
Objective 5: Strengthenii 5.1: Enhanced Allocative Efficie 5.1.1: Revision and Re- Design	Review options for grant consolidation (increased number of grants, earmarking has continued leading to limited LGs discretion); including Revision of the Equalization grants financing modalities to improve adequacy, equity Review the Central Government grants and Grants Allocation criteria to harmonize the real values of transfers and improve impact. includes gradually increase share of central government transfers for LG service delivery, as recommended in the Fiscal Decentralization Architecture report. Including Design uniform approach to DDEG, with minimal "win-	MoLG/LGFC	
Objective 5: Strengthenii 5.1: Enhanced Allocative Efficie 5.1.1: Revision and Re- Design	Review options for grant consolidation (increased number of grants, earmarking has continued leading to limited LGs discretion); including Revision of the Equalization grants financing modalities to improve adequacy, equity Review the Central Government grants and Grants Allocation criteria to harmonize the real values of transfers and improve impact. includes gradually increase share of central government transfers for LG service delivery, as recommended in the Fiscal Decentralization Architecture report. Including Design uniform approach to DDEG, with minimal "windows" as well as emphasis on one formula-based development grant for each sector	MoLG/LGFC	
Objective 5: Strengthenii 5.1: Enhanced Allocative Efficie 5.1.1: Revision and Re- Design of IGFT grants Systems	Review options for grant consolidation (increased number of grants, earmarking has continued leading to limited LGs discretion); including Revision of the Equalization grants financing modalities to improve adequacy, equity Review the Central Government grants and Grants Allocation criteria to harmonize the real values of transfers and improve impact. includes gradually increase share of central government transfers for LG service delivery, as recommended in the Fiscal Decentralization Architecture report. Including Design uniform approach to DDEG, with minimal "windows" as well as emphasis on one formula-based development grant for each sector Develop a harmonized tracking system for services delivery standards.	MoLG/LGFC MoLG/LGFC	
Objective 5: Strengthenii 5.1: Enhanced Allocative Efficie 5.1.1: Revision and Re- Design of IGFT grants Systems 5.1.2: Align the IGFT system to enable Government to	Review options for grant consolidation (increased number of grants, earmarking has continued leading to limited LGs discretion); including Revision of the Equalization grants financing modalities to improve adequacy, equity Review the Central Government grants and Grants Allocation criteria to harmonize the real values of transfers and improve impact. includes gradually increase share of central government transfers for LG service delivery, as recommended in the Fiscal Decentralization Architecture report. Including Design uniform approach to DDEG, with minimal "windows" as well as emphasis on one formula-based development grant for each sector	MoLG/LGFC MoLG/LGFC	
Objective 5: Strengthenii 5.1: Enhanced Allocative Efficie 5.1.1: Revision and Re- Design of IGFT grants Systems	Review options for grant consolidation (increased number of grants, earmarking has continued leading to limited LGs discretion); including Revision of the Equalization grants financing modalities to improve adequacy, equity Review the Central Government grants and Grants Allocation criteria to harmonize the real values of transfers and improve impact. includes gradually increase share of central government transfers for LG service delivery, as recommended in the Fiscal Decentralization Architecture report. Including Design uniform approach to DDEG, with minimal "windows" as well as emphasis on one formula-based development grant for each sector Develop a harmonized tracking system for services delivery standards. Including Dissemination of Service Delivery Standards against which services will be delivered	MoLG/LGFC MoLG/LGFC	
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Objective 5: Strengthenius 5.1: Enhanced Allocative Efficies 5.1: Revision and Re- Design of IGFT grants Systems 5.1.2: Align the IGFT system to enable Government to support the provision of Social Services Pillars of Parish Development Model (PDM)	Review options for grant consolidation (increased number of grants, earmarking has continued leading to limited LGs discretion); including Revision of the Equalization grants financing modalities to improve adequacy, equity Review the Central Government grants and Grants Allocation criteria to harmonize the real values of transfers and improve impact, includes gradually increase share of central government transfers for LG service delivery, as recommended in the Fiscal Decentralization Architecture report. Including Design uniform approach to DDEG, with minimal "windows" as well as emphasis on one formula-based development grant for each sector Develop a harmonized tracking system for services delivery standards. Including Dissemination of Service Delivery Standards against which services will be delivered Disseminate Simplified Guidelines in Budgeting, Accounting and Reporting (BAR Guidelines) for Schools and Health Centres Dissemination of performance monitoring guidelines developed by LG, including associated capacity building Develop MTP financing options for financing Decentralized service delivery standards through the IGFT systems, to support improvement of delivery of for basic social services delivered at the Local Government. Including results based financing Develop comprehensive report for National Budget documents on LG fiscal transfers, including estimates of local own-source revenue collection Strengthen the Local Government Performance Assessment Framework to assess LG service delivery levels in line with the established Service Delivery Standards.	MoLG/LGFC MoLG/LGFC MoLG MoLG MoLG/LGFC MoLG/LGFC	
Objective 5: Strengthenii 5.1: Enhanced Allocative Efficie 5.1.1: Revision and Re- Design of IGFT grants Systems 5.1.2: Align the IGFT system to enable Government to support the provision of Social Services Pillars of Parish De- velopment Model (PDM)	Review options for grant consolidation (increased number of grants, earmarking has continued leading to limited LGs discretion); including Revision of the Equalization grants financing modalities to improve adequacy, equity Review the Central Government grants and Grants Allocation criteria to harmonize the real values of transfers and improve impact. includes gradually increase share of central government transfers for LG service delivery, as recommended in the Fiscal Decentralization Architecture report. Including Design uniform approach to DDEG, with minimal "windows" as well as emphasis on one formula-based development grant for each sector Develop a harmonized tracking system for services delivery standards. Including Dissemination of Service Delivery Standards against which services will be delivered Disseminate Simplified Guidelines in Budgeting, Accounting and Reporting (BAR Guidelines) for Schools and Health Centres Dissemination of performance monitoring guidelines developed by LG, including associated capacity building Develop MTP financing options for financing Decentralized service delivery standards through the IGFT systems, to support improvement of delivery of for basic social services delivered at the Local Government. Including results based financing Develop comprehensive report for National Budget documents on LG fiscal transfers, including estimates of local own-source revenue collection Strengthen the Local Government Performance Assessment Framework to assess LG service delivery levels in line with the established Service Delivery Standards.	MoLG/LGFC MoLG/LGFC MoLG MoLG MoLG MoLG/LGFC MoLG/LGFC	
Objective 5: Strengthenius 5.1: Enhanced Allocative Efficies 5.1.1: Revision and Re- Design of IGFT grants Systems 5.1.2: Align the IGFT system to enable Government to support the provision of Social Services Pillars of Parish Development Model (PDM)	Review options for grant consolidation (increased number of grants, earmarking has continued leading to limited LGs discretion); including Revision of the Equalization grants financing modalities to improve adequacy, equity Review the Central Government grants and Grants Allocation criteria to harmonize the real values of transfers and improve impact, includes gradually increase share of central government transfers for LG service delivery, as recommended in the Fiscal Decentralization Architecture report. Including Design uniform approach to DDEG, with minimal "windows" as well as emphasis on one formula-based development grant for each sector Develop a harmonized tracking system for services delivery standards. Including Dissemination of Service Delivery Standards against which services will be delivered Disseminate Simplified Guidelines in Budgeting, Accounting and Reporting (BAR Guidelines) for Schools and Health Centres Dissemination of performance monitoring guidelines developed by LG, including associated capacity building Develop MTP financing options for financing Decentralized service delivery standards through the IGFT systems, to support improvement of delivery of for basic social services delivered at the Local Government. Including results based financing Develop comprehensive report for National Budget documents on LG fiscal transfers, including estimates of local own-source revenue collection Strengthen the Local Government Performance Assessment Framework to assess LG service delivery levels in line with the established Service Delivery Standards.	MoLG/LGFC MoLG/LGFC MoLG MoLG MoLG MoLG/LGFC MoLG/LGFC	
Objective 5: Strengthenius 5.1: Enhanced Allocative Efficies 5.1: Revision and Re- Design of IGFT grants Systems 5.1.2: Align the IGFT system to enable Government to support the provision of Social Services Pillars of Parish Development Model (PDM)	Review options for grant consolidation (increased number of grants, earmarking has continued leading to limited LGs discretion); including Revision of the Equalization grants financing modalities to improve adequacy, equity Review the Central Government grants and Grants Allocation criteria to harmonize the real values of transfers and improve impact. includes gradually increase share of central government transfers for LG service delivery, as recommended in the Fiscal Decentralization Architecture report. Including Design uniform approach to DDEG, with minimal "windows" as well as emphasis on one formula-based development grant for each sector Develop a harmonized tracking system for services delivery standards. Including Dissemination of Service Delivery Standards against which services will be delivered Disseminate Simplified Guidelines in Budgeting, Accounting and Reporting (BAR Guidelines) for Schools and Health Centres Dissemination of performance monitoring guidelines developed by LG, including associated capacity building Develop MTP financing options for financing Decentralized service delivery standards through the IGFT systems, to support improvement of delivery of for basic social services delivered at the Local Government. Including results based financing Develop comprehensive report for National Budget documents on LG fiscal transfers, including estimates of local own-source revenue collection Strengthen the Local Government Performance Assessment Framework to assess LG service delivery levels in line with the established Service Delivery Standards. Enhance the financing of LGs and adequately mobilize the private sector and other non-state actors to fully participate and support LED interven-	MoLG/LGFC MoLG/LGFC MoLG MoLG MoLG MoLG/LGFC MoLG/LGFC	
Objective 5: Strengthenii 5.1: Enhanced Allocative Efficie 5.1.1: Revision and Re- Design of IGFT grants Systems 5.1.2: Align the IGFT system to enable Government to support the provision of Social Services Pillars of Parish De- velopment Model (PDM) 5.1.3: Enhanced enabling legal, policy and reporting framework for local service	Review options for grant consolidation (increased number of grants, earmarking has continued leading to limited LGs discretion); including Revision of the Equalization grants financing modalities to improve adequacy, equity Review the Central Government grants and Grants Allocation criteria to harmonize the real values of transfers and improve impact. includes gradually increase share of central government transfers for LG service delivery, as recommended in the Fiscal Decentralization Architecture report. Including Design uniform approach to DDEG, with minimal "windows" as well as emphasis on one formula-based development grant for each sector Develop a harmonized tracking system for services delivery standards. Including Dissemination of Service Delivery Standards against which services will be delivered Disseminate Simplified Guidelines in Budgeting, Accounting and Reporting (BAR Guidelines) for Schools and Health Centres Dissemination of performance monitoring guidelines developed by LG, including associated capacity building Develop MTP financing options for financing Decentralized service delivery standards through the IGFT systems, to support improvement of delivery of for basic social services delivered at the Local Government. Including results based financing Develop comprehensive report for National Budget documents on LG fiscal transfers, including estimates of local own-source revenue collection Strengthen the Local Government Performance Assessment Framework to assess LG service delivery levels in line with the established Service Delivery Standards. Enhance the financing of LGs and adequately mobilize the private sector and other non-state actors to fully participate and support LED interventions.	MoLG/LGFC MoLG/LGFC MoLG MoLG MoLG/LGFC MoLG/LGFC MoLG/LGFC MoLG/LGFC	
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Objective 5: Strengthenii 5.1: Enhanced Allocative Efficie 5.1.1: Revision and Re- Design of IGFT grants Systems 5.1.2: Align the IGFT system to enable Government to support the provision of Social Services Pillars of Parish De- velopment Model (PDM) 5.1.3: Enhanced enabling legal, policy and reporting framework for local service	Review options for grant consolidation (increased number of grants, earmarking has continued leading to limited LGs discretion); including Revision of the Equalization grants financing modalities to improve adequacy, equity Review the Central Government grants and Grants Allocation criteria to harmonize the real values of transfers and improve impact. includes gradually increase share of central government transfers for LG service delivery, as recommended in the Fiscal Decentralization Architecture report. Including Design uniform approach to DDEG, with minimal "windows" as well as emphasis on one formula-based development grant for each sector Develop a harmonized tracking system for services delivery standards. Including Dissemination of Service Delivery Standards against which services will be delivered Disseminate Simplified Guidelines in Budgeting, Accounting and Reporting (BAR Guidelines) for Schools and Health Centres Dissemination of performance monitoring guidelines developed by LG, including associated capacity building Develop MTP financing options for financing Decentralized service delivery standards through the IGFT systems, to support improvement of delivery of for basic social services delivered at the Local Government. Including results based financing Develop comprehensive report for National Budget documents on LG fiscal transfers, including estimates of local own-source revenue collection Strengthen the Local Government Performance Assessment Framework to assess LG service delivery levels in line with the established Service Delivery Standards. Enhance the financing of LGs and adequately mobilize the private sector and other non-state actors to fully participate and support LED interventions. Promote and ensure comprehensive LED strategy frameworks for the LGs are developed across the country based on comparative and com-	MoLG/LGFC MoLG/LGFC MoLG MoLG MoLG/LGFC MoLG/LGFC MoLG/LGFC MoLG/LGFC	

FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
0	0	0	0	0
0	0	0	0	0
199,500,000	199,500,000	-	-	-
205 222 222	205 222 222	205 222 222		
285,000,000	285,000,000	285,000,000	-	-
212,800,000	-	551,000,000	-	551,000,000
	390,434,800	_	-	-
	228,000,000	228,000,000	-	228,000,000
85,500,000	85,500,000	-	-	-
44,333,333	44,333,333	44,333,333	-	-
95,000,000	95,000,000	95,000,000	95,000,000	95,000,000
	285,000,000	285,000,000	-	-
	-	266,000,000	266,000,000	
	212,800,000	212,800,000	212,800,000	212,800,000

Outputs	Key Activities	Lead Institution
5.1.4: Gradually increase share of central government trans-	Formulate the Fiscal Decentralization Policy Framework to govern creation, management, purpose and alignment of the IGFT transfers for	MoLG/LGFC
fers for LG service delivery, as recommended in the Fiscal	improvement of service delivery quality and standards Review service delivery costs at LG level based on sector standards to	MoLG/LGFC
Decentralization Architecture report	establish norms in the target sectors for rural and urban LGs. Review compliance with the current strategy/policy and legal framework for devolution of services and assess feasibility of introducing enhanced discretion of funds (reduced earmarking) for LGs, with incentives for	MoLG/LGFC
	improved Service Delivery levels between LGs Support to the Fiscal Decentralization Technical Secretariat to coordinate the Institutional framework for implementation and management of inter-governmental fiscal transfers.	MoLG/LGFC
5.1.5: Harmonized budgeting cycles between LG and National budgets 5.1.6: Enhanced performance and accountability for service delivery at LG level Sub Total	inter-governmentat iiseat transiers.	
	LG own-source revenue to LG Budgets	
5.2.1: Enhanced enabling environment for LG own-source revenue mobilisation, in line with DRM strategy. Including	Alignment and simplification of legal and policy framework for local revenue mobilisation and management and assess local revenue potential in line with the Local Government Own Revenue Mobilization Strategy 2023/24 - 2027/28	MoLG/LGFC
Strengthening LED-Own- Source Revenue Linkages through LG Structures and Plans	Support design and publication of 130 LG specific Revenue Plans to implementation of the Local Government Own Revenue Mobilisation Strategy 2023/24 - 2027/28, including consideration of potential URA assistance/collaboration	MoLG/LGFC
	Support design and publication of 130 LG specific Revenue Plans to implementation of the Local Government Own Revenue Mobilisation Strategy 2023/24 - 2027/28, including consideration of potential URA assistance/collaboration	MoLG/LGFC
	Consultancy to study and recommend incentives to improve Local Revenue collection in Local Governments	MoLG/LGFC
	Undertake consultancy to study better and efficient ways of collecting property rates alongside utilities per annum	KCCA/MOLG
	Develop policies and guidelines for revenue management at local governments. Incl. Develop guidelines on local revenue allocations to social services delivery	MoLG/LGFC
	LG revenue monitoring and policy alignment integrated into the work of the MoFPED Tax Policy Unit.	KCCA/MOLG
5.2.2: Strengthening Tax administration at Local Government Level includ- ing sustaining adoption of automated revenue adminis-	Design and rollout of upgraded IRAS in KCCA and the 165 LGs fully integrated with new tax modules relevant to cities and Other LGs e.g. Advertising, Advance tax reforms etc. Includes (a) Digitize tax registers to enable regular updates and tracking of tax payers and increase efficiency of tax assessment, billing and collection	KCCA/LGFC
tration systems and improved revenue planning	Design and rollout of upgraded IRAS in KCCA and the 165 LGs fully integrated with new tax modules relevant to cities and Other LGs e.g. Advertising, Advance tax reforms etc. Includes (a) Digitize tax registers to enable regular updates and tracking of tax payers and increase efficiency of tax assessment, billing and collection	KCCA/LGFC
	Support roll out of IRAS including change management and periodic user training support across the LGs	LGFC
	Procure ICT infrastructure including Computers, to enhance and support the New system at Ward Levels including point of sale auto pay machines for verification of sales	KCCA
	Capacity building support for the core implementation teams for at MoLG and LGFC as part of the System Sustainability	MoLG/LGFC
	Operationalize the IRAS Call Centre including functional support	LGFC
E a ai Daviani i a mana a mana a	Capacity Building in data mining, budget forecast and Revenue administration	KCCA/MOLG
5.2.3: Revenue management and collection capacity enhanced for lower local	Local Revenue Management committees established across LGs in line with LG Act and LGFC	MoLG/LGFC
governments and local governments, in line with DRM	Develop and implement revenue enforcement mechanism in line with existing legal frameworks	KCCA/MOLG MoLG/LGFC
strategy	Develop training programme for local government revenue management and mobilisation	MOLG/ EGI C
Sub Total	around Soming Delivery in Legal Cavernage	
5.3.1: Improved effectiveness and capacity of LGPACs and	proved Service Delivery in Local Governments	
coordination with other audit committees		

FVeee /ec	FVeeeC (e=	EV	EVecas (ea	FV2222 (22
FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
	191,520,950	191,520,950	191,520,950	191,520,950
	202,666,667	202,666,667	202,666,667	-
	166,250,000	166,250,000	-	-
	200,200,000			
	921,500,000	921,500,000	921,500,000	921,500,000
922,133,333	3.307,505,750	3,449,070,950	1,889,487,617	2,199,820,950
-	342,000,000	342,000,000	-	-
500,000,000	218,271,240	218,271,240	218,271,240	218,271,240
50,000,000				
-	-	339,720,000	-	-
		133,000,000		
	104,500,000	104,500,000	-	-
157,000,000	38,000,000	38,000,000	38,000,000	38,000,000
9,083,060,000	4,272,000,000			
112,400,000				
342.975.770	152,000,000	152,000,000	152,000,000	152,000,000
-			-	152,000,000
_	255,000,000	-	_	_
	98,800,000	98,800,000	98,800,000	98,800,000
 96,000,000	228,000,000	228,000,000	228,000,000	228,000,000
276,400,000	137.333.333	137,333,333	-	-
	-	-	-	-
	110,000,000	80,000,000	80,000,000	85,000,000
10 617 825 770	138,217,400	1 871 624 572	815 071 240	820.071.240
10,617,835,770	6,094,121,973	1,871,624,573	815,071,240	820,071,240

Outputs	Key Activities	Lead Institution
5.3.2: Improved monitoring	Change Management and training in the Audit Recommendations Track-	MoLG/MoFPED-
and reporting on implemen-	ing System targeting LG leaders	IAG
tation of LG audit recommen-	Support AOs understand and implement audit recommendations	MoLG/MoFPED-
dations		IAG
	Technical Support to LGPFM Reform Implementation	MoLG
	Technical Support to LGPFM Reform Implementation	MoLG
	Technical Support to LGPFM Reform Implementation	MoLG
	Technical Support to LGPFM Reform Implementation	MoLG
	Printing and stationary	MoLG
	Airtime (Telecommunication)	MoLG
	Imprest	MoLG
	Fuel Lubricants	MoLG
	Maintenance-vehicles	MoLG
	Small Office equipment	MoLG
	Utilities (Electricity)	MoLG
	Office and Parking and Rent	MoLG
5.3.3: Enhanced quality of	Develop policy/guideline to clarify and streamline roles and coordination	MoLG/MoFPED-
internal audit assurance func-	of LGPACs, District PACs and regional audit committees	IAG
tion at LG level	Change management for adoption of improved institutional arrange-	MoLG/MoFPED-
	ments to implement policy on roles of audit committees	IAG
	Consultancy to conduct a Capacity Needs Assessment of the Internal	MoLG/MoFPED-
	Audit Function in LGs	IAG
	Implement a Comprehensive capacity building programme in Internal	MoLG/MoFPED-
	Audit targeting Local Government leaders for enhanced quality of inter-	IAG
	nal audit assurance function at LG level	14 10 44 5555
	Assess, support and incentivize LGs to allocate sufficient resources to	MoLG/MoFPED-
50 ti Dublic cocces to DEM	internal audit function	IAG
5.3.4: Public access to PFM reform performance informa-		
tion and downward account-		
ability feedback mechanisms		
enhanced		
5.3.5: Establishment of struc-	Develop and operationalize ASSIP+ Community Score Card aimed at	PEMCOM & DPI
tured engagement forums	citizen-driven accountability measure for the assessment, planning,	SECRETARIATE
on accountability in Local	monitoring and evaluation of service delivery.	
Governments and CG	Develop LG budget transparency and communications strategy	PEMCOM & DPI
	, , , , , , , , , , , , , , , , , , , ,	SECRETARIATE
	Develop a strategy / campaign for popularizing the Whistle Blowers	PEMCOM & DPI
	Protection ACT, 2010 within the citizenry	SECRETARIATE
	Review and improve mechanisms for dialogue on LG issues with the	PEMCOM & DPI
	objective of promoting support for change management, accountability	SECRETARIATE
	and integrity	
	ing for enhanced service delivery in Service Delivery Units (SDU)	
5.4.1: Automate Financial	Undertake rollout of the Simplified Computerized Accounting Reporting	MoLG
Reporting and Compliance	Tool (SCART) across LGs and Service Delivery Units	
Monitoring: Develop automat-	Procure LG and LLG supporting ICT infrastructure including Computers,	MoLG
ed systems to track compli-	power and internet connectivity for the service delivery sites	
ance with financial reporting	Undertake training in maintaining proper books of account and financial	MoLG
requirements and identify anomalies	reporting	
anomaties	Undertake performance review of SCART and update the Accounting	MoLG
	and Financial Reporting Systems in Service Delivery Units	
5.4.2: Improve Lower Local		
Government Financial Reporting Guidelines: Establish clear		
guidelines and standards for		
financial reporting to ensure		
consistency and transparency		
Sub Total		1
	ansparency in Local Government Procurement Function	
5.5.1: Strengthen the Pro-		
curement Function in Local		
Governments		
Sub Total		
TOTAL COST		
		

FY2025/26	FY2026/27 950,000,000	FY2027/28	FY2028/29	FY2029/30
	990,000,000			
	152,000,000	152,000,000	152,000,000	152,000,000
1,272,149,603	2,000,000,000	2,000,000,000	2,000,000,000	2,000,000,000
127,214,960				
190,822,440				
129,600,000				
7,500,000				
13,680,000				
12,000,000				
31,536,000				
144,000,000				
15,000,000				
9,000,000				
160,000,000				
	-	665,000,000	-	-
 -	_	798,000,000	_	
	205 222 222			
-	285,000,000	285,000,000	-	-
	152,000,000	152,000,000	152,000,000	152,000,000
	76,000,000	76,000,000	76,000,000	76,000,000
	243,200,000	-	-	-
	292,600,000	-	-	-
	482,600,000	-	-	-
	200 700 000	_	_	_
	290,700,000	-	-	_
500,000,000	159,600,000	159,600,000	159,600,000	159,600,000
500,000,000	109,000,000	109,000,000	109,000,000	109,000,000
	63,333,333.33	63,333,333.33	63,333,333.33	-
0.45.000.000	100 500 555	100 500 500	100 500 500	100 500 555
245,000,000	180,500,000	180,500,000	180,500,000	180,500,000
200,000,000	_	57,000,000	57,000,000	_
200,000,000		57,000,000	57,000,000	
3,057,503,003	5,327,533,333	4,588,433,333	2,840,433,333	2,720,100,000
0	0	0	0	0

Outputs Key Activities Lead Institution

6.1: Enhanced impact of finance	ial and VFM audit reporting and oversight		
6.1.1: Improved tracking of	Roll out and user training for the ART	OAG	
follow up of oversight recom- mendation by MDALGs. In-	Expansion of the ART to other oversight institutions - (Parliament, Internal Audit, MoLG, PPDA)	OAG	
cluding deepening uptake of audit tracking system across	Develop and implement a framework for evaluation of Value Added and Impact arising from audits	OAG	
the audit institutions	Training program for Local Government Public Accounts Committees (LGPACs) and District Councils in tandem with parliament PAC	IAG/MOLG/OAG	
	An ICT-based follow-up mechanism for MoLG to track recommendations made by LG-PACs established	MOLG	
	Effective Technical Support to legislative oversight	OAG	
	Development of an Action plan targeting improved performance on treasury memoranda	MOFPED/AGO	
6.1.2: Including Timely report-	System established for the tracking of actions upon treasury memoranda	MOFPED/AGO	
ing (Producing audit reports in a timely manner to facilitate prompt action)			
6.1.3: Enhancing audit capacity: Building technical	Develop and implement a programme for Professional Certification of VFM Auditors	OAG	
skills and expertise of audit institutions	Finalization of the Integrated Competence Framework and Training curriculum	OAG	
	Conduct training for OAG staff in VFM/Performance and Specialized audit areas (IT, Oil and Gas, PPPs, Environment, Engineering, Forensic Investigations etc.)	OAG	
	Staff supported to acquire professional qualifications in finance, accounting and audit certification courses namely ACCA, CPA, CFA, CISA, CFE, CIMA etc.	OAG	
	Develop an Integrated Econometrics and Dynamic Computable General Model to enhance PBO's potential in providing Parliament with evidence based performance data on the socio-economic impact of PFM reforms	Parliament	
	Develop a Monitoring and Evaluation Framework for assessing the performance of Government Developments Projects and Programme.	Parliament	
	Develop a Fiscal Forecasting Model (Revenue & Expenditure) to support PBO in effective fiscal scrutiny	Parliament	
	Train PBO Staff in Modelling and Forecasting	Parliament	
	Facilitate PBO with modeling and forecasting tools	Parliament	
6.1.4: Improving audit coverage: Ensuring comprehensive	Facilitate the capacity development unit with training equipment and materials	Parliament	
coverage of government programs and activities through deepening risk-based modalities on audits etc			
6.1.5: Improved efficiency and effectiveness of OAG through	Procurement of an Audit Management System that shall be integrated with the OAG IMIS, ART and other government systems	OAG	
fostering automation	Provision of Quality Assurance Services during design, development and roll out of the AMS	OAG	
	Change Management and User training	OAG	
	Conduct a post pilot implementation review of the OAG Management Information System	OAG	
Sub Total			
6.2: Enhanced Assurance (gove 6.2.1: Enhancing indepen-	ernance, risk and control) by the internal audit function for Compliance of	PFM systems MoFPED/IAG/	
dence and objectivity of	Procurement of computer assisted audit tools (CAATS) for LGs	MoLG	
internal audit units. Includes structural strengthening the	Rollout and train MDAs Audit recommendations tracking system	MoFPED/IAG/ MoLG	
internal audit function at local government level	Training program for the use of the CAATs by LGs	MoFPED/IAG/ MoLG	
6.2.2: Strengthening internal audit standards, methodologies, and quality assurance	Undertake a study to identify and standardize tools, work processes and guidelines to be used in strengthening Parliamentary oversight of PFM Reforms	Parliament	
processes. Including quality assurance and conduct reg-	Develop the necessary tools and guidelines as recommended by the study	Parliament	
ular reviews of internal audit processes	Develop capacity of oversight committees in PFM reforms and to effectively utilize standardized methodologies and tools	Parliament	

	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
comes					
	190,000,000	190,000,000	456,000,000	380,000,000	304,000,000
	190,000,000	190,000,000	349,600,000	349,600,000	174,800,000
			349,000,000	349,000,000	174,000,000
		456,000,000	760,000,000		
	275,000,000	475,000,000		-	-
					.0.
		-	- 380,000,000	380,000,000	380,000,000
		218,287,200	218,287,200	218,287,200	218,287,200
		450,933,333	-	450,933,333	-
		10 110001000		10 10001000	
		- 446,500,000	446,500,000		
		159,600,000	266,000,000	266,000,000	159,600,000
		159,000,000	200,000,000	200,000,000	159,000,000
		285,000,000	171,000,000		
		266,000,000	266,000,000	266,000,000	266,000,000
	040 000 000	040 000 000	040 000 000	040 000 000	040 000 000
	212,800,000	212,800,000	212,800,000	212,800,000	212,800,000
	205,000,000	285,000,000	285,000,000	285,000,000	_
	G				
		- 228,000,000	228,000,000		-
		207.500.000	207.500.000	207.500.000	
		237,500,000	237,500,000	237,500,000	-
	190,000,000	190,000,000	190,000,000	190,000,000	190,000,000
	.,	304,000,000	<u> </u>	0 - 7 7	0 1,1 1 1,1 1
	294,000,000	494,000,000			
	1,736,000,000	1,368,000,000	456,000,000		
	100 000 000	171 000 000			
	180,000,000	174,800,000			
	264,800,000	410,400,000	136,800,000		
	204,000,000	190,000,000	130,000,000	_	
		201,000,000			
	3,547,600,000	7,041,820,533	5,059,487,200	3,236,120,533	1,905,487,200
		-	-	-	
	244 200 000	244 202 202	244 200 000	244 202 202	244 200 000
	211,280,000	211,280,000	211,280,000	211,280,000	211,280,000
	254,906,850	254,906,850	254,906,850	254,906,850	_
	-04,900,000	-04,800,000	-54,800,000	,500,000	
	360,700,000				
		- 228,000,000	228,000,000	228,000,000	228,000,000
		and the second s	1	1	
		- 329,333,333	329,333,333	329,333,333	

Outputs	Key Activities	Lead Institution	
6.2.3: Building capacity of	TIO Y NORTHEROS	Load Motitation	
internal audit staff. Including			
training and professional			
development and adoption of			
audit tool (The current audit			
management software is			
limited to only 27 entities out			
of the expected 300 votes)			
and adoption and institution-			
alization of best practice risk			
and control frameworks such			
as COSO and CoBIT in the			
planning and audit execution			
6.2.4: Improving reporting			
lines and communication			
between internal audit and			
governing bodies or audit			
committees. Includes support			
for timely submission and re-			
view of internal audit reports			
and follow-up of recommen-			
dations as well as designing			
clear timetables for the			
Auditor General's examination			
of Treasury Memoranda (TM)			
and process after the TM is			
reviewed			
6.2.5: Enhancing risk-based			
auditing approaches to focus			
on high-risk areas. Includes			
Developing risk assessment			
methodologies and tools and developing audit plans based			
on risk assessments			
Sub Total			
	nward accountability to citizens for public spending and service delivery	nerformance	
6.3.1: Strengthening citizen	Develop a mechanism to streamline citizen participation in the Audit	OAG	
engagement and participa-	Process	O/ (G	
tion in budgeting and service	Pilot the mechanism for streamlining citizen participation in the Audit	OAG	
delivery monitoring	Process	<i>5,</i> (5,	
	Roll out, change management and user training to equip audit staff with	OAG	
	the skills to use the mechanism		
6.3.2: Enhancing transparency			
and access to information on			
public spending and service			
delivery performance			
6.3.3: Building capacity of			
civil society organizations			
to advocate for downward			
accountability			
6.3.4: Establishing effective			
feedback mechanisms for			
citizens to hold governments			
accountable			
Sub Total			
Grand Total			

FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
826,886,850	1,023,520,183	1,023,520,183	1,023,520,183	439,280,000
		<u> </u>		
	425,600,000		-	-
	98,800,000	197,600,000	197,600,000	
	106,400,000	266,000,000	159,600,000	
			50,,3	
0	630,800,000	463,600,000	357,200,000	0



Ministry of Finance, Planning & Economic Development P. O Box 8147 Kampala - UGANDA Plot 2-8, Sir Apollo Kaggwa Road Tel. +256 414 707 900 Email: finance@finance.go.ug

www.finance.go.ug