ACCOUNTABILITY SECTOR

SEMI-ANNUAL BUDGET MONITORING REPORT

FINANCIAL YEAR 2019/20

APRIL 2020

Ministry of Finance, Planning and Economic Development
P.O. Box 8147, Kampala
www.finance.go.ug

MOFPED
#DoingMore

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ACRONYMS

AIA	Appropriations in Aid
ASJAR	Accountability Sector Joint Annual Review
BPED	Budget Policy and Evaluation Department
BFP	Budget Framework Paper
BMAU	Budget Monitoring and Accountability Unit
BoU	Bank of Uganda
CAO	Chief Administrative Officer
CFO	Chief Finance Officer
DDEG	District Discretionary and Equalization Grant
DLG	District Local Government
E-GP	Electronic Government Procurement
FY	Financial Year
GDP	Gross Domestic Product
GoU	Government of Uganda
IFMS	Integrated Financial Management System
IG	Inspectorate of Government
IPFs	Indicative Planning Figures
IPPS	Integrated Payroll and Pension System
KCCA	Kampala Capital City Authority
LGA	Local Government Act, CAP 243
LG	Local Government
LGMSD	Local Government Management and Service Delivery
MAAIF	Ministry of Agriculture Animal Industry and Fisheries
MDAs	Ministries, Departments and Agencies
MEMD	Ministry of Energy and Mineral Development
MFPED	Ministry of Finance Planning and Economic Development
MoES	Ministry of Education and Sports
MOH	Ministry of Health
MoICT	Ministry of Information and Communications Technology
MoLG	Ministry of Local Government
MoPS	Ministry of Public Service
MoSTI	Ministry of Science, Technology and Innovation
MoTIC	Ministry of Trade, Industry and Cooperatives
MoWE	Ministry of Water and Environment
MoWT	Ministry of Works and Transport
NAADS	National Agricultural Advisory Services Secretariat

NDP II	Second National Development Plan
NITA	National Information Technology Authority
NPA	National Planning Authority
NTR	Non-Tax Revenue
OAG	Office of the Auditor General
OPM	Office of prime Minister
PAR	Portfolio at Risk
PBB	Programme Based Budgeting
PBS	Programme Based Budgeting System
PFM	Public Financial Management
PFMA	Public Financial Management Act
PHC	Primary Health care
PPDA	Public Procurement and Disposal of Public Assets Authority
PSM	Public Sector Management
Q1	Quarter One
Q2	Quarter Two
Q3	Quarter Three
Q4	Quarter Four
REA	Rural Electrification Agency
RFS	Rural Financial Services
RMSP	Rural Microfinance Support Project
SACCO	Savings and Credit Cooperative Organization
SMEs	Small and Medium Enterprises
TSA	Treasury Single Account
UCSCU	Uganda Cooperative Savings and Credit Union
Ug Shs	Uganda Shillings
UNRA	Uganda National Road Authority
URA	Uganda Revenue Authority
URF	Uganda Road Fund
VAT	Value Added Tax

FOREWORD

The Government strategy this Financial Year 2019/20 is to promote import substitution and export promotion, and incentivize private sector development. It is envisioned that this will be achieved through industrialization anchored on agriculture and agro-industrialization, manufacturing, and mineral potential. This will also ensure inclusive growth and the creation of jobs, while promoting development of other key primary growth sectors.

According to findings shared by the Budget Monitoring and Accountability Unit (BMAU), majority of the sectors monitored got over 50% of their budget releases, however fair performance was noted in terms of service delivery. This is attributed to the persistent challenges of delayed procurement and poor planning which must be dealt with as the country moves to implement the third National Development Plan.

This report is produced at time when the whole world is affected by the novel coronavirus disease (COVID-19). It is prudent that the sectors devise cost effective means to ensure that their stakeholders will still benefit from the government programmes/projects.

Keith Muhakanizi
Permanent Secretary and Secretary to the Treasury

EXECUTIVE SUMMARY

This report reviews performance of selected key Vote Functions and Programmes in the Accountability Sector by 31st December, 2019. Monitoring was restricted to votes and programmes whose interventions supported the Public Financial Management functions in the Ministries, Departments, Agencies and Local Government (MDALGS).

Overall performance

Financial Sector Development Programme

The Microfinance Support Centre (MSC) contributes to the Accountability Sector thematic area of Economic Management and serves the objective of increasing equitable access to finance. Overall, the MSC achieved good performance at 75%. MSC disbursed loans worth Ug shs 51.18bn against a target of Ug shs 35bn (146% performance) compared to Ug shs 18.03bn disbursed at half year in the FY 2018/19.

The MSC offered lower interest rates to its clients ranging from: 9% per annum for Savings and Credit Cooperative Organizations (SACCOs) agricultural loans, 11% for Teachers' SACCO, 13% to Small and Medium Enterprises (SMEs), and 17% for Commercial loans. This interest rate was satisfactory as compared to the commercial rates that were on average at 23%.

The outstanding portfolio[1] as at 31st December 2019 was Ug shs 134.7bn, an increase from Ug shs 117.3bn registered at the end of FY 2018/19. This was mainly due to improved performance of loan recovery, more rigorous follow-up campaign, and a reduction in written off loans. The MSC built strategic partnerships to further deepen the uptake of the loan products.

Performance was hampered by: the long lead time (almost three months against a one month target) it takes for clients to access loans, and applicants only receive a percentage of their application; Subjecting repeat applicants taking follow on loans to the same requirements earlier fulfilled is tedious; Groups and SACCOs were not focused around the same objective, for example agriculture, fishing, and trade. This affects ability of their members to pay back funds borrowed.

It is recommended that the MSC improves the duration for loan processing and terms for follow-on clients.

Budget Preparation, Execution and Reporting Programme

The Programme Based Budgeting System (PBS) was rolled out in government to 100% of the MDA& LGs. The PBS was in use and improved the planning and budgeting process in government. The interfaces with the Integrated Financial Management System (IFMS) and Integrated Payroll and Pension System (IPPS) were developed. The procurement plan was also maintained on the PBS. Although the PBS was in use the reporting is on outputs, not outcomes as is envisioned under Programme Based Budgeting.

1 Funds disbursed and held out in loans at given time.

The timeliness of accessing funds (involves issuing cash limits, warranting and approval of warrants) was timely, however the supplementary and/or reallocations of LG budgets were delayed, and in 90% of the cases not granted within a given quarter. This affects budget performance.

It is recommended that the Ministry of Finance, Planning and Economic Development (MFPED) issues timelines for approval of supplementary budgets, and the related cash limits especially those arising from the LGs.

Vote 153: Public Procurement and Disposal of Public Assets

The Public Procurement and Disposal of Public Assets Authority (PPDA) falls under the thematic area of Budget Execution and Accountability with the objective to enhance public contract management and performance.

Overall the PPDA achieved 70.31% of its semi-annual targets which was good. Through the PPDA three regional offices in Gulu, Mbale and Mbarara, the Procuring and Disposal Entities (PDEs) in MDAs and LGs were regularly supported in the development of procurement plans and reviewing quarterly performance. The use of a register of providers to offer reliable and updated information to entities also contributed to a greater performance and efficiency.

A total of 2,030 service providers were registered, of which 937 were new. The PPDA obtained and tracked procurement plans from at least 75% central government PDEs. The implementation status of the E-Government Procurement was at 67%, but integration with the IFMS and PBS was not yet achieved.

It was noted that the PPDA-Hybrid method used for procurement of contractors for the construction of seed schools and Health Centre IIIs under the Inter Government Fiscal Transfer Project delayed completion of construction works.

It is recommended that the PPDA advisory function should give guidance on the efficient implementation of the Hybrid method to avoid delays in execution of some contracts.

Vote 141: Uganda Revenue Authority

The Uganda Revenue Authority (URA) contributes to the thematic area of resource mobilization and allocation, and to the objective of increasing the tax to gross domestic product (GDP) ratio. Overall there was good performance by URA at 90% attainment of targets.

The tax register grew by 63,979 new taxpayers representing 40% of the target. A net revenue of Ug shs 9,042.01bn was realised during the half year period against a target of Ug shs 9,739.39bn (93% performance), and was 9% of the GDP to tax ratio. There are six Ones Stop Boarder Posts (OSBP) that include Malaba, Busia, Mutukula, Mirama Hills, Katuna and Elegu. Through these, URA is able to clear goods faster, carry out joint border control and collaboration with other states on tax initiatives. Goods from Uganda to Rwanda were suspended thus affecting collections at the Mirama border. The drive through scanner at Mutukula was not yet in use, while at Mirama Hills, installation of scanners was not yet done. From the regions, access to E-tax services was satisfactory. There were 11 unplanned system down times, but the average system recovery was less than two hours.

It was noted that LGs issued licenses to businesses/individuals without Tax Identification Numbers (TINS) which contributed to low collections. Although outreaches were conducted, some business communities in Arua and Masaka districts complained about the inadequate time availed for the outreaches, and failure to address their concerns.

Challenges

- Failure to address the business community concerns raised in outreaches.
- The requirement to file returns for periods prior to registration of businesses arising in the middle of a financial year discourages voluntary registration.
- Inadequate collaboration between government institutions and business communities.

Recommendations

- The URA should review engagements with stakeholders with a possibility of giving responses to concerns raised.
- The URA should support the newly registered businesses to complete returns for periods prior to registration within a financial year.
- The URA should strengthen collaborations with the MDAs and LGs through sensitizations.

CHAPTER 1: BACKGROUND

The mission of the Ministry of Finance, Planning and Economic Development (MFPED) is, "*To formulate sound economic policies, maximize revenue mobilization, and ensure efficient allocation and accountability for public resources so as to achieve the most rapid and sustainable economic growth and development*". It is in this regard that the ministry gradually enhanced resource mobilization efforts and stepped up funds' disbursement to Ministries, Departments, Agencies and Local Governments in the past years to improve service delivery.

Although some improvements have been registered in citizens' access to basic services, their quantity and quality remains unsatisfactory, particularly in the sectors of health, education, water and environment, agriculture and roads. The services being delivered are not commensurate to the resources that have been disbursed, signifying accountability and transparency problems in the user entities.

The Budget Monitoring and Accountability Unit (BMAU) was established in FY2008/09 in MFPED to provide comprehensive information for removing key implementation bottlenecks. The BMAU is charged with tracking implementation of selected government programmes or projects and observing how values of different financial and physical indicators change over time against stated goals and targets (how things are working). This is achieved through semi-annual and annual field monitoring exercises to verify receipt and application of funds by the user entities. Where applicable, beneficiaries are sampled to establish their level of satisfaction with the public service.

The BMAU prepares semi-annual and annual monitoring reports of selected government programmes and projects. The monitoring is confined to levels of inputs, outputs and intermediate outcomes in the following areas:

- Accountability
- Agriculture
- Infrastructure (Energy and Roads)
- Industrialization
- Information and Communication Technology
- Science, Technology and Innovation
- Social Services (Education, Health, and Water and Environment); and
- Public Sector Management

This report presents the findings from field monitoring of selected Votes and Programmes in the Accountability Sector for the budget execution period of July to December 2019. The field exercises were conducted during January to February 2020.

1.1 Accountability Sector Mandate

The Accountability sector contributes to the fourth objective of the Second National Development Plan (NDP II). Which is to Strengthen Mechanisms for Quality, Effective and Efficient Service Delivery. The sector is concerned with the mobilization, management and fostering accountability for the utilization of public resources to facilitate the delivery of quality and equitable services.

The sector is composed of two sub-sectors of i) Economic and Financial Management Services and ii) Audit, these are further categorized in four thematic areas that include: Economic Management; Resource Mobilization and Allocation; Budget Execution and Accounting; and Audit and Anti-Corruption.

1.2 Accountability Sector Outcomes, Objectives and Priorities

The Accountability Sector focuses on three main outcomes i.e Sustainable Macroeconomic Stability; Fiscal credibility and Sustainability; and Value for Money in the Management of Public Resources. In accordance with the NDP II, the outcomes and thematic areas, the sector aims to achieve the following objectives.

No	Outcomes	Accountability Sector Objectives
1.	Fiscal Credibility and Sustainability	Resource Mobilization and Allocation Thematic Area 1. Increase the tax to GDP ratio 2. Improve public financial management and consistency in the economic development framework
2.	Value for Money in the Management of Public Resources	Budget Execution and Accountability Thematic Area 1. Enhance public contract management and performance 2. Improve compliance with accountability rules and regulations 3. Increase public demand for accountability Audit/Anti-Corruption Thematic Area 1. Enhance the prevention detection and elimination of corruption 2. Improve collaboration and networking amongst development institutions
3.	Sustainable Macro Economic Stability	Economic Management Thematic Area 1. Increase equitable access to finance 2. Increase private investments 3. Reduce interest rates 4. Increase insurance penetration 5. Increase national savings to GDP ratio 6. Increase the level of capitalization and widen investment opportunities in the capital markets 7. Improve statistical data production and policy research 8. Protect financial systems and the broader economy from the threats of money laundering and the financing terrorism

The sector objectives are achieved through financing undertaken through ten votes, namely: i) Vote 008 Ministry of Finance, Planning and Economic Development, ii) Vote 103 Inspectorate of Government(IG),iii)Vote 112 Ethics and Integrity, iv) Vote 129 Financial Intelligence Authority, v) Vote 131 Office of the Auditor General , vi) Vote 141 Uganda Revenue Authority vii) Vote 143

Uganda Bureau of Statistics, viii)Vote 153 Public Procurement and Disposal of Public Assets Authority, ix) Vote 310 Uganda Investment Authority. x) Vote 130 Treasury operations.

Other sector institutions include; Bank of Uganda, National Planning Authority, Ministry of Public Service (Inspectorate), Ministry of Local Government (Inspectorate), Kampala Capital City Authority (Revenue Directorate), Local Government Finance Commission, Private Sector Foundation of Uganda, Capital Markets Authority, Uganda Retirements Benefits Regulatory Authority, National Social Security Fund, Economic Policy and Research Centre, Insurance Regulatory Authority, Uganda Development Bank Limited, Uganda Free Zones Authority, Uganda Microfinance Regulatory Authority, Uganda National Lotteries and Gaming Board and Microfinance Support Centre.

CHAPTER 2: METHODOLOGY

2.1 Scope

This report is based on selected programmes that encompass three out of the four thematic areas of the Accountability Sector. The thematic areas covered include: resource mobilization and allocation, budget execution and accounting, and economic management.

The selected areas focus on mainly four of the second National Development Plan (NDP II) objectives: Increase in equitable access to finance, reduce interest rates; increase the tax to GDP ratio; improve the public financial management and consistency in the economic development frameworks; and enhance public contract management and performance. Annex 1 shows the votes and programmes monitored under the sector.

2.2 Methodology

Physical performance of planned outputs was assessed through monitoring a range of indicators and linking the progress to the reported expenditure. Performance objectives and targets were as well considered.

2.3 Sampling

Purposive sampling was used in determining the regions monitored and in turn random sampling applied to select the institutions especially the LGs. Priority was given to monitoring verifiable outputs.

2.4 Data Collection

Data was collected from various sources through a combination of approaches

- Review of secondary data sources including: Ministerial Policy Statements for FY 2019/20. Quarterly performance reports from the Programme Budgeting System (PBS), Accountability sector reports, the Microfinance Support Centre Strategic Plan (2014-19). Approved Estimates of Revenue and Expenditure FY 2019/20.
- Review and analysis of data from the integrated Financial Management System (IFMS) and the MSC Solomon system.
- Key informant interviews with Accounting Officers and Heads of Sections/Units.
- Field visits to MSC zonal offices institutions and groups and LGs URA and PPDA zonal offices for primary data collection, observation and photography.
- Call-backs in some cases to triangulate information.
- Analysis of financial performance the 11 priority sectors[2] based on the budget, release and expenditure for sector votes that are on the Integrated Financial Management (IFMS). The Budget Operations Table (BOT) and the Programme Budgeting System (PBS) for the FY 2019/20 were reviewed for the triangulation of data.

2 Accountability, Agriculture, Education, Energy, Health, Information and Communications Technology, Trade and industry, Public Sector Management, Roads sub-sector, Science Technology and Innovations, Water and Environment.

- Integrated Financial Management System (IFMS) data showing releases, payments and commitments, interviews with the respective responsible officers and observations on site.

2.5 Data Analysis

The data was analysed using both qualitative and quantitative approaches. Comparative analysis was done from prior year reports FY 2018/19. Relative importance of given outputs monitored and its relative contribution to an objective.

The approved annual budget for each output was considered were applicable divided by the total annual budgets for all outputs of a particular programme/project. The weight of output and percentage achieved for each output were multiplied to derive the weighted physical performance. A summation of the weighted scores was then taken for the programme.

Performance of monitored projects and programmes was rated based on the following criteria.

Table 2.1: Assessment guide to measure performance of projects monitored in FY 2019/20

Score	Comment
90% and above	**Very Good** (Most of the set targets achieved and funds absorbed)
70%-89%	**Good** (Some core set targets achieved, and funds absorbed to 70%-89%)
50%- 69%	**Fair** (Few targets achieved, and funds absorption is 50%-69%)
Less than 50%	**Poor (**No targets achieved and or funds absorption is less than 50%)

2.6 Limitations of the report

i. Absence of some respondents during monitoring yet appointments were made.

ii. Inconsistences between the information provided by respondents and that given in reports.

CHAPTER 3: SECTOR PERFORMANCE

3.1 Overall Sector Performance

GoU Half Year Financial Performance

The overall GoU approved budget for FY2019/20 was Ug shs 40,487bn, which was revised to Ug shs 41,530bn on account of a supplementary budget of Ug shs 1,043bn.

The GoU approved budget excluding external financing, arrears and Appropriation in Aid (AIA) was Ug shs 30,404bn, of which the allocation to Ministries, Departments, Agencies, and Local Governments (MDA and LGs) was Ug shs 20,083bn (49.6% of the GoU approved budget), and debt payments Ug shs 10,739bn (25% of the GoU approved budget).

The GoU release performance to the MDALGs as at 31st December 2019 was 56% (Ug shs 11,203bn) of the approved budget to MDALGs and, 88% (9,836bn) was absorbed by 31st December 2019 - which was good performance.

Debt and treasury operations performed at Ug shs 4,887bn representing 46% of the approved budget.

Accountability Sector Financial Performance

The Government of Uganda (GoU) approved budget for the Accountability Sector[3] (excluding treasury operations, Local Governments (LGs) and Kampala Capital City Authority (KCCA) for the FY 2019/20 is Ug shs 1,431bn. The sector budget was revised to Ug shs 1,455bn through a supplementary budget of Ug shs 24.146bn, representing 2% of the sector approved budget.

The revisions were towards; sub-programme 1521-Resource Enhancement and Accountability Programme (REAP) (Ug shs 5bn) for consultancy services, sub-programme 54- Support to MFPED (Ug shs 7.625bn) towards IFMS recurrent costs and sub-programme 52-Uganda Retirement Benefits Regulatory Authority Services (Ug shs 7.236bn) under other government transfers.

The overall release for the sector was 44% (Ug shs 636.015bn) of the approved budget, of which 91% (Ug shs 576.607bn) was spent by 31st December 2019.

3.2 Vote 008 – Ministry of Finance, Planning and Economic Development

The Ministry of Finance, Planning and Economic Development (MFPED) is mandated to formulate policies that enhance stability and development; mobilize local and external financial resources for public expenditure; regulate financial management and ensure efficiency in public expenditure; oversee national planning and strategic development initiatives for economic growth. The MFPED plays a critical role in fulfilling the Accountability Sector's outcomes and objectives

3 For Accountability Sector votes with funding/releases on the IFMS in the FY 2018/19.

3.2.1 Programme 1411 -Financial Sector Development

Following the restructuring of the MFPED, the Microfinance Vote Function was reclassified as Financial Sector Development Programme with a broader mandate to promote financial sector development and ensure financial stability. Under this programme, the Microfinance Support Center Ltd was monitored.

The Microfinance Support Centre Limited

Background

The Microfinance Support Centre (MSC) was established by the Government of Uganda in 2001 as the main vehicle for delivering affordable finance to communities to enable them to increase their employment levels, production and incomes. Specifically, the institution manages microfinance funds on behalf of Government, both micro-credit and micro-grants.

As a manager of Government microfinance funds, the MSC operates 12 regional offices and 4 Satellite Offices covering the entire country supported by over 129 Agency Savings and Credit Cooperative Organizations (SACCOs)/institutions and works in partnership with other collaborative and implementing organisations.

The main function of MSC is to identify, appraise, select, disburse and monitor both micro-credit and grant funds to target beneficiaries aimed at enhancing rural income and employment creation. A Board of Directors appointed by Government governs the company. It has so far executed its mandate through the implementation of five-year strategic plans, during which credit and capacity building services were extended to 2,540 partner organizations/clients countrywide ultimately reaching over 2.5 million beneficiaries out of which 52% are women and youth.

The Strategic Plan 2014-19 identified the following strategic objectives[4]:

1. To mobilize enough resources so as to effectively deliver rural financial development services
2. Establish reference institutions in every district in Uganda
3. To increase loan portfolio by 10% per annum
4. To maintain portfolio at risk (P.A.R) past 365 days at 5%
5. To identify and fill capacity building gaps of clients
6. To achieve 30 days lead time for loan processing
7. Achieve interest rates below commercial lending rates
8. To develop at least one product for each client segment over the next five years

In doing its work, MSC is guided by the national priorities as stipulated in the National Development plans, the 23 Presidential Strategic Guidelines (2019-21) in particular social economic transformation through support to the Agriculture sector through provision of affordable financing. MSC has established agency SACCOs to bring services closer to the

4 These formed the basis of assessment of the performance of the MSC

people which are also model SACCOs at each district for learning purposes and practical technical support to other SACCOs in the area.

The MSC targets the provision of affordable financial services to SACCOs/institutions, Micro Finance Institutions (MFIs), Small Medium Enterprises (SMEs), Groups and more importantly the provision of financing of agricultural chains including assets, inputs, and purchase of crop and other produce.

In order to take services nearer to the communities, the company offers its services through 12 zonal offices across the country, with each office serving an average of 10 districts. The MSC offers a number of products administered through its offices to the clients and these include; Agricultural loans, Environmental loans, Special interest group loans, Islamic Financing, Commercial loans and SME loans for trade and commerce and agriculture.

Monitoring Scope

The semi-annual review involved conducting monitoring visits to the MSC headquarters and zonal offices of Arua, Jinja, Hoima, Lira, Kampala, Kabale, Lira, Ngoma Satellite Office in Nakaseke, Masaka, Mbale, Mbarara and Soroti in January 2020.

Three institutions and two group beneficiary were sampled and district commercial officers of Amuru, Bukedea, Gulu, Kagadi, Kikuube, Kabale, Kayunga, Kibaale, Kumi, Kyankwanzi, Lira, Mayuge, Mbale, Nakaseke, Ntungamo, Rwampara, Tororo and Wakiso.

The performance of the MSC was monitored to assess;

1. The provision of financial services to the poor through SACCOs, Groups, Small and Medium Enterprises (SMEs) and Teachers' SACCOs.
2. Mobilization of resources to effectively deliver rural financial development services.
3. The level of financial inclusiveness to the population through affordability and accessibility.
4. The performance of various MSC products that include; Agricultural loans, Commercial loans, Special interest group loans and Environment loans.
5. The level and effect of business development services provided by the MSC to the clients.
6. Linkages and collaborations formed between the MSC and other institutions to enhance MSC interventions.

Findings

(a) MSC Headquarters

Assessment of MSC Funding

Credit Performance

In FY 2019/20, MSC was allocated Ug shs 61.29bn, of which Ug shs 3.57bn was operational budget (for salaries of contract staff, social security contributions and gratuity payment), while Ug shs 54.72bn was credit funds for on lending, and Ug shs 3bn for mobilization and revival of cooperatives throughout the country.

Table 3.1: Sources of funding for MSC for the FY 2019/20

Particulars	Planned FY 2019/20 (Ug shs)	Actual Ug 2019/20 (Ug shs)	%ge Release Performance against target
Allocations for operations	3,570,000,000	3,570,000,000	100
Reflows	39,720,000,000	39,720,000,000	100
Allocations for Mobilization of Cooperatives	3,000,000,000	3,000,000,000	100
Other income (GoU Credit funds)	15,000,000,000	15,000,000,000	100
Total Funds Available	61,290,000,000	61,290,000,000	100

Source: MSCL Headquarters

Interest rates

The MSC continued to offer the lowest interest rates to its clients ranging from 9% per annum for SACCOs- agricultural loans, 13% to SMEs, 17% for the commercial loans, and 11% for the Teachers' SACCO. This interest rate performance was satisfactory compared to the commercial rates that were on average 23%.

Credit Disbursement

During the period July to December 2019, MSC disbursed loans worth Ug shs 51.18bn against a target of Ug shs 35bn (146% performance) compared to Ug shs 18.03bn disbursed by the company in July to December 2018. This was a great improvement compared to the previous year. Ug shs 43.1bn (84%) was from conventional financing, while Ug shs 8.04bn (16%) was funded under Islamic Financing.

The MSC continued to market all loan products to different client categories. As at 31st December 2019, the company had a 14.8% increase in outstanding portfolio to Ug shs 134.7bn from Ug shs 117.3bn at 30th June 2019.

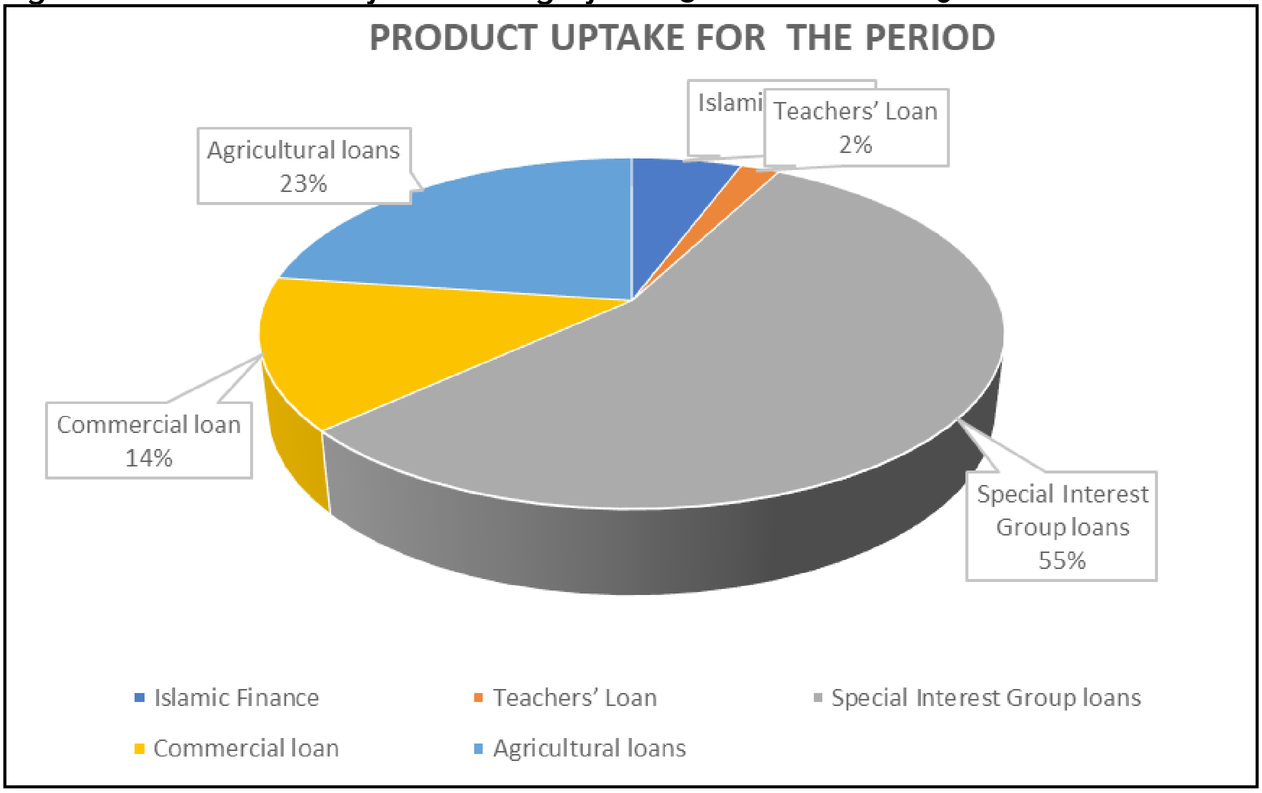
A total of 544 loans/facilities were disbursed. Growth in disbursements was partly attributed to intensified initiatives by the company to reach out to the youth and women through rural mobilization, sensitization and training, projects in regional offices and collaboration with partners, local government, CBOs and favourable loan conditions.

Table 3.2: Disbursement by Loan Product Q1 & Q2 FY 2019/20

Half Year Disbursements per Loan Product		
Product	**Number**	**Amount (Ug. shs)**
Islamic Finance	31	8,042,421,500
Teachers' Loan	11	1,423,000,000
Special Interest Group loans	302	10,820,923,000
Commercial loan	76	10,023,576,416
Agricultural loans	124	20,875,400,000
TOTAL	544	51,185,320,916

Source: MSCL Headquarters

Figure 1: Disbursements by client category as at 31st December 2019



Source: MSC Head Office

Zonal Disbursements

Kampala Zone with the biggest region had Ug shs11.2bn disbursed, the highest in value of regional loans disbursed. This performance was better than the half year performance in FY 2018/19 of Ug shs 5.070bn. The poorest performing zone was Moroto that disbursed loans valued at Ug shs 421 million, less than the half year performance of 2018/19 of Ug shs 460m. Details of the performance per zone is shown in table 3.3.

Table 3.3 Analysis of Disbursements per Zone as at 31st December 2018 and 2019

Zone	FY 2018/19(July-Dec) Amount Disbursed	FY 2019/2020(July-Dec) Amount Disbursed	Increase/Decrease
Arua	361,000,000	1,242,810,899	-881,810,899
Gulu/Lira	3,082,000,000	1,048,733,000	2,033,267,000
Hoima	1,515,000,000	1,084,400,000	430,600,000
Jinja/Iganga	640,000,000	1,177,000,000	-537,000,000
Kabale	1,205,000,000	1,740,000,000	-535,000,000
Kabarole	1,639,000,000	2,062,500,000	-423,500,000
Kampala	5,070,000,000	11,226,700,000	-6,156,700,000
Masaka	2,005,000,000	3,974,490,000	-1,969,490,000
Mbale	716,000,000	1,641,300,000	-925,300,000
Mbarara	2,210,000,000	7,371,000,000	-5,161,000,000
Moroto	460,000,000	421,000,000	39,000,000
Soroti	178,000,000	1,385,265,962	-1207,265,962
Head office	0	16,810,121,055	-16,810,121,055
Total	19,081,000,000	51,185,320,916	-32,104,320,916

Source: MSC Head office

Growth in Portfolio

The outstanding portfolio[5] as at 31st December 2019 was Ug shs 134.7bn, an increase from Ug shs 117.3bn registered at the end of FY 2018/19. This was mainly due to the improved performance of the loan recovery, a more rigorous follow-up campaign and a reduction in written off loans. Partnerships were strengthened and improved BDS impact as more reference SACCOs and extension workers were established across the country.

Quality of Portfolio

Portfolio at Risk (PAR)[6] greater than 30 days- was 22% by December 2019 compared to 21% in December 2018.

Growth in Clientele and Number of Loans

Under the pillar, *Client Coverage and Product Development*, there are 2 strategic objectives;

1. Increase coverage of MSC services & products, and
2. Enhance product development

Performance of "Increase coverage of MSC services and products"

The company intensified the engagement and support to create reference SACCOs across all the zones in order to improve information dissemination and create awareness about MSC products and services, provide technical assistance and share good practice to support weaker SACCOs.

5 Funds disbursed and held out in loans at given time.
6 Measures loan portfolio with outstanding instalments

As at 31st December 2019, 71% of districts had at least one Reference SACCOs/institutions (115 institutions) indicating a slight decline compared to 77% as at end of the previous FY. The SACCOs identified were undergoing capacity building to meet criteria for Reference SACCOs. However, this is expected to increase as the new strategic plan considers other institutions not only SACCOs as reference institutions.

Through community mobilizations, a total of 8,121 individuals were reached in Luwero, Kyotera and Lira districts. Individuals were offered guidance on relevance of saving culture, formation of groups and Village Savings and Lending Associations (VSLAs) methodology, record keeping, governance, registration, compliance and this resulted in increased disbursements as individuals formed viable groups and accessed affordable financing from MSC.

Revival of cooperatives commenced for two (2) SACCOs in Kampala and Kasese districts through MSC Business Development Services.

Business Development Services (BDS)

The company provided BDS support to 320 client institutions against the target of 150 representing 213% performance achievement. A total of 4,400 individuals were trained comprising of 2,110 women and 2,290 male, of which 40% were youth.

The total number of individual members reached/supported were 25,284 (comprising of 11,178 women, 12,110 men and 1,996 youth) in partner organizations, thus surpassed the target of reaching 10,000 beneficiaries, representing 252% performance.

Partnerships building continues to be core to MSC's interventions, reflecting commitment to business growth in terms of clients, resource mobilization, product development and sustainability.

The MSC through its partnerships development agenda, engaged 9 partners: Goal Global (Uganda) to implement a two-year irrigation technology based initiative for facilitating over 1,875 youths engagement in agribusiness; International Fertilizer Development Centre (IFDC) to ensure that farmer groups and service providers have better access to financial products and services; Integrated Community, Agriculture and Nutrition (ICAN) a USAID project to enhance a skills training scheme for over 500 adolescent girls and young women in Kisoro District; United Nations High Commissioner for Refugees (UNHCR) to implement economic livelihood projects especially for refugees and host communities; Mgahinga Cultural and Crafts Centre; Management Training and Advisory Centre (MTAC); AlHuda Centre of Islamic Banking & Economics; Savings Banks Foundation for International Cooperation (SBFIC); and HABITAT Uganda all tailored to support social-economic development.

In order to scale up Islamic micro financing, through a collaboration between the Imams Development Forum and Operation Wealth Creation, the UMC trained 429 Imams in all the divisions of Kampala. These efforts are aimed at creating more awareness, strengthening the Kampala District Imams SACCO, which was registered on 3rd September 2019, and delivering more inclusive financial services.

The Centre partnered with Ministry of Local Government to implement the Local Economic Growth Support (LEGS). District project orientation and revalidation of sites was conducted in 17[7] LEGS districts and 41 out of the 98 profiled projects were appraised. Technical capacity requirements for the profiled projects were also mapped and an action plan to close the gaps developed. Some of the critical needs identified relate to governance, financial management, record keeping & MIS, enterprise management, VSLA methodology, marketing, business and strategic planning, risk management, auditing, interpretation of financial reports among other aspects.

Challenges

The MSC has focused on increasing outreach of rural financial services; member savings growth and development particularly through SACCOs and cooperatives; employment enhancement and the provision of affordable credit through innovative product development. In has encountered the following challenges.

1. Loan default by some client institutions mainly due to failed businesses, fraud and inadequate policy framework to enforce recovery.
2. Inadequate credit financing compared to the annual demand. In the last 10 years, MSC has disbursed loans averaging Ug shs 26bn annually (at interest rates of 13% per annum (p.a.) for SMEs and 9% for SACCOs in the agricultural value chains). This is against an average annual demand of Ug shs 167bn.
3. Limited outreach centres to effectively cover the entire country. The company operates 12 regional offices, 4 satellite offices countrywide and has directly supported the establishment of demonstration or reference SACCOs in various districts to improve services delivery. Expansion of the structure is limited by operational fund.

Zonal Offices Monitored

The MSC's 12 zonal offices include; Arua, Hoima, Jinja, Kabale, Kabarole, Kampala, Lira, Masaka, Mbale, Mbarara, Moroto and Soroti. For the semi-annual review, the zonal offices of Arua, Jinja, Hoima, Lira, Kampala, Kabale, Mbale, Masaka, Mbarara, Ngoma Statelite Office and Soroti were visited.

The objective was to;

Confirm products and services offered to clients and assess the performance of zonal offices from the clients served and obtain details of clients served.

The products offered to clients include;

1. **Agricultural loan**: Funds are extended to support activities along the agricultural value chain such as productivity enhancement, asset acquisition, bulk purchasing, collective marketing and construction of farm housing. Funding is also extended to support environmental and clean energy products.

7 Adjumani, Alebtong, Buikwe, Bunyangabu, Buyende, Gomba, Kabalore, Katakwi, Kibuku, Kumi, Kyenjojo, Luwero, Nakaseke, Ntoroko, Nwoya, Rukungiri, Tororo.

2. **Group Loan:** Credit is extended through microfinance intermediaries/partner organizations: and where necessary directly to registered groups. The intermediaries may be SACCO, Microfinance Institutions and NGOs.

3. **Commercial loan**: This targets SMEs and financial institutions for on lending to members engaged in trade, small scale manufacturing, home improvement and service industry.

4. **Asset Financing Loan:** Extended to clients who require assets especially for value addition and production enhancement. Funding is provided for 80% for the asset cost. The client is expected to meet the remaining 20%.

5. **Teacher's SACCO Fund**: Extended to registered Teachers' SACCO for on-lending to their members.

6. **Common User Facility/Community Asset:** The MSC leases assets in form of machinery or equipment to target beneficiaries at an agreed rental fee for an agreed period of time, after which legal ownership of the asset is transferred to the beneficiaries. It also targets special interest groups such as youth, artisans (metal fabricators, brick makers, welders, carpenters, salon operators, tailors, among others) that may in need of equipment or machinery commonly used by the group but unaffordable to them.

7. **Islamic Microfinance** administered through five mode; *Musharaka* (equity financing partnership), *Murabaha* (cost plus sharing), *Mudaraba* (profit sharing), *Salam* (forward sale), *Istisna* (is a long-term contract to be delivered at a future date for an agreed fixed price).

(b) Arua MSC Zonal Office

Arua zone covers 11 districts of West Nile i.e. Arua, Maracha, Koboko, Yumbe, Moyo, Adjumani, Nebbi, Pakwach, Zombo, Obongi and Okollo

From July to December 2019, the zonal office disbursed Ug shs 1.24bn against a target of Ug shs 975 million (127% performance) with an outstanding loan portfolio of Ug shs 2.25bn against a target of Ug shs 2.5bn. The cumulative repayment rate was 40% compared to 31% as at June 2019, pointing to inefficiencies in recovery of loans. The zonal office maintained 6 districts with at least a reference[8] SACCO out of 11 districts. Two new districts were created under the zone's coverage. A total of 16 client institutions and prospective clients were trained against a target of 38.

There were 579 beneficiaries (355 female, 182 male, 2 persons with disability and 40 youths) and employment opportunities created for 213 individuals i.e. 101 female and 112 male within the region.

During the period under review, the zonal office engaged the district local government officials to foster collaborations. Also Honey Pride Company limited continued to implement the partnership with MSC. The performance of the zone is summarized in table 3.4.

8 Model SACCO is expected to be supported develop for each District served

Table 3.4: Arua MSC Zonal Office Performance as at 31st December 2019

No.	Indicator	Benchmark	FY 2019/2020	
			Target	Actual
1.	Value of loans disbursed during the period in (Ug shs billions)	Not according to the annual work plan	975m	1.24bn
2.	Cost Vs Income ratio	Costs < 1	0.6:1	0.8:1
3.	Repayment rate (on time)	95%	75%	40%
4.	Value of outstanding loan portfolio (Ug shs billion)	Increasing from prior year	2.5bn	2.258bn
5.	Portfolio At Risk (P.A.R)>30 days (Value in Ug shs Billion)	Not> 15% of total o/s loan portfolio	6%	12.4%
6.	Existence of reference SACCO/ District	1/District	8	6

Source: MSC Arua Zonal Office

(c) Hoima MSC Zonal Office

Hoima zone serves 9 districts which include Masindi, Kagadi, Kakumiro, Kibaale, Hoima, Kyankwanzi, Kikuube, Bullisa and Kiboga.

The zonal office disbursed Ug shs 1.08bn which was 57% performance of the target (Ug shs 1.9bn) with an outstanding portfolio of Ug shs 3.42bn against the target of Ug shs 3.8bn (90%). A total of 26 client institutions and prospective clients were trained against a target of 55.

The cumulative repayment rate was 78% against the target of 95%. The zonal office achieved a cost to income ratio of 0.29:1 against a target of 0.3:1. The zonal office was able to have a reference[9] SACCO in 7 of the 10 districts (70%).

During the period under review, beneficiaries of the services were 7,441 consisting of 3,439 male, 2,824 female, 1,129 youth and 49 PWDs.

Since 2010, MSC has continuously supported Kyankwanzi SACCO with both affordable finance and training to improve efficiencies and growth of the SACCO. Kyankwanzi SACCO operates in Kyankwanzi and Kiboga districts reaching 1,494 people (1,156 males, 338 females) and 141 Groups and creating employment opportunities for 150 people.

Through affordable finance of Ug shs 660 million from MSC, the SACCO extended services supporting commercial dairy farming, cattle fattening and goat rearing, poultry, piggery, commercial maize farming & milling, groundnuts and cassava, trade and commerce of solar panels, motorcycles as well as petroleum & gas in Kyankwanzi and Kiboga. This has helped to improve household incomes and standards of living of people in the areas covered by the SACCO. The performance is summarized in table 3.5.

9 Model SACCO is expected to be supported develop for each District served

Table 3.5: Hoima MSC Zonal Office Performance as at 31st December 2019

No	Indicator	Benchmark	FY 2019/20	
			Target	Actual
1.	Value of loans disbursed during the period in (Ug shs billions)	According to the annual work plan	1.9 bn	1.08 bn
2.	Cost Vs Income ratio	Costs < 1	0.30:1	0.29:1
3.	Repayment rate (on time)	95%	95%	78%
4.	Value of outstanding loan portfolio (Ug shs billion)	Increasing from prior year	3.8 bn	3.42 bn
5.	Portfolio At Risk (P.A.R)>30 days (Value in Ug shs Billion)	Not> 15% of total o/s loan portfolio	1.25%	9.13 %
6.	Existence of reference SACCO/ District	1/District	10	7
7.	Client institutions trained	Strengthening institutional capacity	55	26

Source: Hoima Zonal Office

(d) Jinja MSC Zonal Office

Jinja zonal office covers Busoga sub-region which consists of 11 districts, namely: Jinja, Kamuli, Iganga, Luuka, Bugiri, Namutumba, Mayuge, Namayingo, Kaliro, Buyende, and Bugweri.

The zonal office disbursed Ug shs 1.17bn which was 69% performance of the target (Ug shs 1.7bn) with an outstanding loan portfolio of Ug shs 3.51bn against a target of Ug shs 2.8bn (125% performance). A total of 32 client institutions and prospective clients were trained against a target of 20.

The cumulative repayment rate achieved was 71% against the target of 85% indicating improved performance compared to 53% as at 30th June 2019. The zonal office was able to maintain a reference[10] SACCO in 10 of the 11 districts. The zonal office is profitable with a cost to income ratio of 0.5:1.

During the period under review beneficiaries were 9,008 consisting of 3,342 male, 3,313 female, 2,317 youth and 36 PWDs. The zone continued to engage district officials and SESECO Company Ltd to extend services in the communities. The performance of the zonal office is shown in table 3.6.

10 Model SACCO is expected to be supported develop for each District served

Table 3.6: Jinja MSC Zonal Office Performance as at 31st December 2019

No.	Indicator	Benchmark	2019/20	
			Target	Actual
1.	Value of loans disbursed during the period in (Ug shs billions)	According to the annual work plan	1.7 bn	1.17 bn
2.	Cost Vs Income ratio	Costs < 1	0.7:1	0.5:1
3.	Repayment rate (on time)	95%	85%	71%
4.	Value of outstanding loan portfolio (Ug shs billion)	Increasing from prior year	2.8 bn	3.51 bn
5.	Portfolio At Risk (P.A.R)>30 days (Value in Ug shs Billion)	Not> 15% of total o/s loan portfolio	3%	18.07 %
6.	Existence of reference SACCO/ District	1/District	11	10
7.	Client institutions trained	Strengthening institutional capacity	20	32

Source: MSC Jinja Zone

(e) Lira/Gulu MSC Zonal Office

The zone serves 17 districts covering Acholi and Lango regions, these include; Lira, Dokolo, Amoltar, Kole, Apac, Kwania, Alebtong, Otuke, Oyam, Gulu, Nwoya, Amuru, Lamwo, Kitgum, Pader, Omoro and Agago.

The zonal office disbursed Ug shs. 1.04bn against a target of Ug shs 1.6bn (65% performance). Portfolio outstanding attained was Ug shs 4.16bn against a target of Ug shs 4.3bn (97% performance). 24 client institutions and prospective clients were trained against a target of 30. The cumulative repayment rate achieved was 32% against a target of 85%. The zonal office was able to maintain a reference[11] SACCO in 6 of the 17 districts (35%). During the period under review, the region registered 4,389 beneficiaries consisting of; 3,157 Female, 1,214 Youth and 18 PWDs.

Talanta Finance Limited is one of MSC's client's (Microfinance Institution). The MFI acquired an agricultural loan of Ug. Shs 370m for onward lending to purchase (oxen and ploughs) for smallholder farmer groups. As a result of MSC's support to Talanta Finance, smallholder farmer groups were able to access oxen and ploughs cheaply and took up commercial farming in line with the National Government agenda of agricultural commercialization. Over 200 farmers were trained in good Agronomic practices, created employment rural unemployed youths in the rural areas and increased in farming acreages and production which has led to improved food security at household level and the communities. The performance of the zone is summarized in table 3.7.

11 Model SACCO is expected to be supported develop for each District served

Table 3.7: Lira MSC Zonal Office Performance as at 31st December 2019

No.	Indicator	Benchmark	FY 2019/20	
			Target	Actual
1.	Value of loans disbursed during the period in (Ug shs billions)	Not according to the annual work plan	1.6 bn	1.04 bn
2.	Cost Vs Income ratio	Costs < 1	1:1	1.17:1
3.	Repayment rate (on time)	95%	60%	32%
4.	Value of outstanding loan portfolio (Ug shs billion)	Increasing from prior year	4.3 bn	4.16 bn
5.	Portfolio At Risk (P.A.R)>30 days (Value in Ug shs Billion)	Not> 15% of total o/s loan portfolio	10%	51.2%
6.	Existence of reference SACCO/ District	1/District	17	6

Source: MSC Lira Zonal Office

(f) Kampala MSC Zonal Office

Kampala Zone covers 13 districts including Kampala (Makindye, Rubaga, Kawempe, Nakawa and Central Divisions), Wakiso, Mukono, Luwero, Kayunga, Buikwe, Mityana, Mpigi, Nakaseke, Nakasongola, Gomba, Butambala and Buvuma. The zone also has a satellite office in Ngoma supporting people of Nakaseke district.

The zonal office disbursed Ug shs 11.4 bn which was 114% performance of the target (Ug shs 10 bn). Portfolio outstanding attained was Ug shs 28.85bn against a target of Ug shs 31bn (93% performance). The zonal office was able to have a reference[12] SACCO in 12 of the 13 districts (90%). 104 client institutions and prospective clients were trained against a target of 100.

The cumulative repayment rate achieved was 57% against the target of 80%. This was attributed to bulk debtors who failed to clear their arrears in a long period. However, the zonal office was profitable with a cost to income ratio of 0.17:1. During the period the beneficiaries were 70,519 i.e. consisting of 30% Female and 58% Youth.

The zone continued to engage District officials in Buikwe, Wakiso, Kampala and Luwero district through massive mobilisations, sensitization, training and affordable financing to Cooperatives, Groups and Markets.

Under the Imams development forum and in collaboration with the Operation Wealth Creation the MSC implemented training for 429 Moslem Imams in all the divisions of Kampala, these efforts are aimed at more awareness, strengthening the Kampala District Imams SACCO and delivering more inclusive financial services.

MSC in partnership with Ministry of Local Government to implement Local Economic Growth Support (LEGS) assessment was undertaken and rural finance and value chain development was enhanced. The performance of the zonal office is shown in table 3.8.

12 Model SACCO is expected to be supported develop for each District served

Table 3.8: Kampala MSC Zonal Office Performance as at 31st December 2019

No	Indicator	Benchmark	FY 2019/20	
			Target	Actual
1.	Value of loans disbursed during the period in (Ug shs billions)	According to the annual work plan	10 bn	11.4 bn
2.	Cost Vs Income ratio	Costs < 1	0.5:1	0.17:1
3.	Repayment rate (on time)	95%	80%	57%
4.	Value of outstanding loan portfolio (Ug shs billion)	Increasing from prior year	31 bn	28.85 bn
5.	Portfolio At Risk (P.A.R)>30days (Value in Ug shs Billion)	Not> 15% of total o/s loan portfolio	8%	32.2%
6.	Existence of reference SACCO/ District	1/District	13	12

Source: MSC Kampala Zone

(g) Kabale MSC Zonal Office

Kabale Zonal office is in Southwestern Uganda and covers 6 districts in Kigezi sub region i.e. Kabale, Kisoro, Kanungu, Rubanda, Rukiga and Rukungiri.

The zonal office disbursed Ug shs 1.74bn which was 67% above the target (Ug shs 2.6bn) with an outstanding portfolio of Ug shs 7.63bn against the target of Ug shs 9bn (85%).

The cumulative repayment rate achieved was 53% against the target of 85%. 67 client institutions and prospective clients were trained against a target of 80.

The zonal office was profitable with a cost to income ratio of 0.36:1 and maintained at least one reference SACCO in every district of the zone achieving 100%.

During the period under review, the zone continued to engage District officials and Community Health Empowerment groups. Through collaboration with Women Empowerment Institute in Kabale, 19 groups were trained in preparation for financing. The detailed performance of Kabale zonal office is shown in table 3.9.

Table 3.9: Kabale MSC Zonal Office Performance as at 31st December 2019

No	Indicator	Benchmark	FY 2019/20	
			Target	Actual
1.	Value of loans disbursed during the period in (Ug shs billions)	According to the annual work plan	2.6 bn	1.74 bn
2.	Cost Vs Income ratio	Costs < 1	0.3:1	0.36:1
3.	Repayment rate (on time)	95%	85%	53%
4.	Value of outstanding loan portfolio (Ug shs billion)	Increasing from prior year	9 bn	7.63 bn
5.	Portfolio At Risk (P.A.R)>30days (Value in Ug shs Billion)	Not> 15% of total o/s loan portfolio	5%	16.1%
6.	Existence of reference SACCO/ District	1/District	6	9

Source: MSC Kabale Zone

(h) Mbale MSC Zonal Office

Mbale zonal office serves 17 Districts of Busia, Tororo, Bududa, Manafwa, Namisindwa, Mbale, Butaleja, Budaka, Kibuku, Pallisa, Bukedea, Sironko, Bulambuli, Kapchorwa, Kween, Bukwo and Butebo

The zonal office disbursed Ug shs 1.64bn which was 173% performance of the target (Ug shs 950m) with an outstanding portfolio of Ug shs 5.92bn against the target of Ug shs 5.5bn (108%). 127 client institutions and prospective clients were trained against a target of 90.

The cumulative repayment rate was 65% against the annual target of 80%. The zonal office achieved a cost to income ratio was 0.13:1 against a target of 1:1. The zonal office was able to have a reference[13] SACCO in 14 of the 17 districts (82%).

Kaleli Cooperative savings and Credit Society Limited (SACCO) located in Bukedea District Eastern Uganda, is one of MSC's clients in the region serving 42,630 people comprising of 1,633 male, 942 female, 152 youth and 31 Groups and 31 other Institutions among others.

The SACCO accessed an affordable commercial loan of Ug shs 40m from MSC for onward lending to members engaged in agriculture, trade & commerce including boda boda business. Mr Odele Tadeo a carpenter and a member of Kaleli SACCO accessed a loan of Ug shs 3.3m from the SACCO. With this loan, he purchased carpentry tools, sewing machines and started Odele Memorial vocational school in the trading center to skill the school dropouts and other unemployed youth. The school enrolled 30 students who are undertaking courses such as motor mechanics, carpentry and joinery, driving skills, hair dressing and tailoring. This has greatly facilitated education and skilling of unemployed youth to start their own businesses thus improved livelihoods in the community. The detailed performance of Mbale zonal office is shown in table 3.10.

Table 3.10: Mbale MSC Zonal Office Performance as at 31st December 2019

No.	Indicator	Benchmark	FY 2019/20	
			Target	Actual
1.	Value of loans disbursed during the period in (Ug shs billions)	According to the annual work plan	950 m	1.64 bn
2.	Cost Vs Income ratio	Costs < 1	1:1	0.13:1
3.	Repayment rate (on time)	95%	80%	65%
4.	Value of outstanding loan portfolio (Ug shs billion)	Increasing from prior year	5.5 bn	5.92 bn
5.	Portfolio At Risk (P.A.R)>30 days (Value in Ug shs Billion)	Not> 15% of total o/s loan portfolio	12%	42.8%
6.	Existence of reference SACCO/ District	1/District	17	14
7.	Client institutions trained	Strengthening institutional capacity	90	127

Source: MSC Mbale Zone

13 Model SACCO is expected to be supported develop for each District served

(i) Mbarara MSC Zonal Office

Mbarara zone serves 10 Districts which include; Rubirizi, Buhweju, Mitooma, Bushenyi, Sheema, Ibanda, Kiruhura, Isingiro, Ntungamo and Mbarara

The zonal office disbursed Ug shs 7.37bn which was 105% performance of the target (Ug shs 7bn) with an outstanding portfolio of Ug shs 19.54bn against the target of Ug shs 18bn (109%). The cumulative repayment rate was 56% against the annual target of 85%. 53 client institutions and prospective clients were trained against a target of 70.

The cost to income ratio was 0.28:1 against a target of 0.3:1. The zonal office was able to have a reference[14] SACCO in each of the 10 districts achieving 100%.

During the period under review, the zone engaged District officials, Reference SACCOs and Uganda Export Promotion Board (UEPB) to extend services in the communities. The detailed performance of the zonal office is shown in table 3.11.

Table 3.11: Mbarara MSC Zonal Office Performance as at 31st December 2019

No	Indicator	Benchmark	Q1 & Q2 FY 2019/20	
			Target	Actual
1.	Value of loans disbursed during the period in (Ug shs billions)	According to the annual work plan	7 bn	7.37 bn
2.	Cost Vs Income ratio	Costs < 1	0.3:1	0.28:1
3.	Repayment rate (on time)	95%	85%	56%
4.	Value of outstanding loan portfolio (Ug shs billion)	Increasing from prior year	18 bn	19.54 bn
5.	Portfolio At Risk (P.A.R)>30days (Value in Ug shs Billion)	Not> 15% of total o/s loan portfolio	5%	26%
6.	Existence of reference SACCO/ District	1/District	10	10
7.	Client institutions trained	Strengthening institutional capacity	70	53

Source: MSC Mbarara Zone

(j) Masaka MSC Zonal Office

Masaka zone serves 9 Districts of greater Masaka namely Bukomansimbi, Ssembabule, Lyantonde, Lwengo, Kalangala, Kalungu, Kyotera, Rakai and Masaka Districts.

The zonal office disbursed Ug shs 3.97bn against the target of Ug shs 2.5bn (159% performance) with an outstanding portfolio of Ug shs 10.32bn against the target of Ug shs 8.25bn (125%). The cumulative repayment rate was 67%, which was a significant increase compared to 31% at 30th June 2019, against the targets of 85%. The zonal office was profitable at a cost to income ratio of 0.22:1 against the target of 0.5:1.

14 Model SACCO is expected to be supported develop for each District served

The zonal office was able to have a reference[15] SACCO in 8 of the 9 districts (89%). 56 client institutions and prospective clients were trained against a target of 44.

During the period the beneficiaries were 2,142 i.e. 682 female, 693 youth, 80 PWDs and 687 male.

The zone engaged District officials and worked together with Kasolo Foundation to reach out to people in rural areas through massive mobilisation, sensitization and training campaigns to equip people with practical sustainable skills and affordable financing. The performance is summarized in table 3.12.

Table 3.12: Masaka Zonal Office Performance as at 31st December 2019

No	Indicator	Benchmark	Q1 & Q2 FY 2019/20	
			Target	Actual
1.	Value of loans disbursed during the period in (Ug shs billions)	According to the annual work plan	2.5 bn	3.97 bn
2.	Cost Vs Income ratio	Costs < 1	0.5:1	0.22:1
3.	Repayment rate (on time)	95%	85%	67%
4.	Value of outstanding loan portfolio (Ug shs billion)	Increasing from prior year	8.5 bn	10.32 bn
5.	Portfolio At Risk (P.A.R)>30 days (Value in Ug shs Billion)	Not> 15% of total o/s loan portfolio	5%	22.1%
6.	Existence of reference SACCO/ District	1/District	9	8
7.	Client institutions trained	Strengthening institutional capacity	44	56

Source: MSC Masaka Zone

(k) Soroti MSC Zonal Office

Soroti zonal office serves a total of 8 districts comprising of Soroti, Serere, Ngora, Kumi, Amuria, Katakwi, Kaberamaido and Kapelebyong.

The zonal office disbursed Ug shs 1.38bn against the annual target of Ug shs 1.2bn (115% performance) with an outstanding portfolio of Ug shs 2.21bn against the target of Ug shs 2.25bn (98%). The cumulative repayment rate was 78%, which was a slight increase compared to 64% at 30th June 2019, against the targets of 75%.

The cost to income ratio of 0.6:1 against the target of 0.75:1. The zonal office was able to have a reference[16] SACCO in 5 of the 8 districts (63%). A total of 76 client institutions and prospective clients were trained against a target of 30.

During the period under review, employment opportunities created were 237. Beneficiaries were 9,524 i.e. consisting of 4,008male, 4,349 female 997 youth & 170 PWDs. This was due to massive interventions through partners reaching to the communities. The zone engaged District officials and also worked together with Self-Help Africa to support VSLA groups in Katakwi, Amuria, Kapelebyong, Ngora and Katakwi DLG to implement LEGS project.

15 Model SACCO is expected to be supported develop for each District served
16 Model SACCO is expected to be supported develop for each District served

MSC entered a partnership with Self Help Africa- Soroti chapter to support communities that were recently resettled after years of displacement, a result of ethnic violence and incursion by Joseph Kony's Lord's Resistance Army (LRA). The partners are implementing the SHA and TESO region project working with rural communities, women groups and small-scale farming households to help them combat a range of challenges, including poverty, hunger, climate change and high prevalence of HIV/AIDS.

As a result of this collaboration, a total of 72 farmer groups (each consisting of 15 members) were involved in various economic activities such as savings and credit, farming and trading of farm produce for the betterment of their livelihoods in Teso region. The performance is summarized in table 3.13.

Table 3.13: Soroti MSC Zonal Office Performance as at 31st December 2019

No	Indicator	Benchmark	Q1 & Q2 FY 2019/20	
			Target	Actual
1.	Value of loans disbursed during the period in (Ug shs billions)	According to the annual work plan	1.2 bn	1.38 bn
2.	Cost Vs Income ratio	Costs < 1	0.75:1	0.6:1
3.	Repayment rate (on time)	95%	75%	78%
4.	Value of outstanding loan portfolio (Ug shs billion)	Increasing from prior year	2.25 bn	2.21bn
5.	Portfolio At Risk (P.A.R)>30 days (Value in Ug shs Billion)	Not> 15% of total o/s loan portfolio	15%	15.8%
6.	Existence of reference SACCO/ District	1/District	8	5
7.	Client institutions trained	Strengthening institutional capacity	30	76

Source: MSC Soroti Zone

Performance of SACCOs

The assessment of the performance of the MSC was extended to the SACCOs/institutions with the objective of, Confirming if the SACCO/institutions

1. Obtained a loan (s) from the MSC.
2. Adequacy and relevancy of any other services received from the MSC.
3. Any support services received from the District Commercial officers (DCOs) of the respective local governments.
4. Assess levels of financial inclusiveness.

Findings

Five institutions were monitored to assess the services received from MSC and the following was noted: the average processing time for loans to be processed by the MSC was three months against a target of 1 month, 64% of institutions had received business development services-training, and 75% of the institutions had their activities supervised by the District Commercial Officers from their respective LGs. Institutions visited included- Blessed women of God in Hoima District, Kyankwanzi SACCO ltd in Kyankwanzi District, Kaleri SACCO in Mbale

District, Honey Pride Arua (U) ltd in Arua and two beneficiary groups from Heifer International; Gen-tici and Ribbe-aye-teko in the Lira Zonal Office.

Interviews were held with District Commercial Officers (DCOs) Bukedea, Gulu, Hoima, Kabale, Kibale, Kikuube, Kayunga, Kole, Kumi, Kyankwanzi, Lira, Mayuge, Mbale, Tororo, Sironko, Soroti and Wakiso. The DCOs pointed out the following issues: groups are more active than SACCOS hence more emphasis should be put to support more groups, elective politics (democracy in groups) has led to the dissolution of SACCOs, inadequate facilitation extended to commercial officers which hampered their activities of monitoring and supervision.

The low number of SACCOs supported by MSC especially in the South-Western, East and Northern regions was attributed to collapse of SACCOs due to poor saving culture, lack of policies to guide SACCOs, managerial problems – board members connive with management, political interference from leaders, founder member syndrome, multiple borrowing, stringent requirements and need for large savings and capital for accessing a loan from MSC. Capacity building and support from the Project for Financial Inclusion from Rural Areas (PROFIRA) and MSC for existing and strong SACCOs has improved greatly. DLGs stepped up support supervision and monitoring for groups.

Groups supported by Heifer International Uganda[17]

Gen-tici and Ribbe-aye-teko groups

These two groups are found in Northern Uganda. They got heifers on credit through MSC partnership with Heifer international. The MSC extends credit to the farmers to procure the heifers, the loans are repayable over a period of two years with a grace period of six months. Heifer International provides veterinary services and market for the milk. Both groups were in arrears due to the long dry spell.

Beneficiaries of Heifer International in Northern Uganda

17 Heifer International is a non-governmental organization involved in rural development around the world. Since inception in 1982, a total number of 5,101,350 groups in Northern, Central, Eastern and South Western Uganda in 39 districts have been reached. It provides grassroots communities with animals and trains organized local groups. They mobilize farmers and help them connect with cooperatives to share knowledge and access financial services.

Kaleli SACCO – Bukedea District

Kaleli SACCO was started by the Catholic Church on 25th November 1982, with a goal of promoting saving and creating a pool of capital to create access to loans because the nearest bank services by then were either in Mbale or Kumi, which was far away. The SACCO covers the three sub-counties of Kachumbala, Kidongole and Kolir, with a branch in each sub-county. Its membership has grown from 2,371 in 2016 to 2,790 in 2019 with total savings of Ug shs 225,890,464 and share capital of Ug shs 159,844,300.

In 2018, Kaleli SACCO applied for a loan of Ug shs 100m for onward lending to the members however, MSC approved only Ug shs 40m for the SACCO for the period of 2 years.

The SACCO is now considered a reference SACCO under Bukedea District. It educates and provide all information about how MSC works and how to access a loan from MSC, both to SMEs, groups and other upcoming SACCOs. The MSC provide BDS, technical advice to the SACCO, both onsite and offsite technical advice.

Honey Pride Arua (U) Ltd

Honey Pride Arua (U) Ltd (HPA) is a private limited company incorporated in September 2015 with 100% shareholding. HPA is engaged in agri-business and specializes in bee keeping (apiculture value chain). It produces a number of high-quality beehive products-honey, bees wax, propolis tincture and in the very near future will commence on the collection of bee venom. The company also provides capacity building to 938 farmers, technical extension support to beekeepers, supplies quality modern hives and other equipment, and provides general consultancy services in modern beekeeping.

It has so far received from MSC Ug shs 384.7million at 8% interest rate for a period of 3 years.

Honey Pride finished products in a shop

Kyankwanzi SACCO LTD

The SACCO located in Kyankwanzi District started operations in 2009 and also serves Kiboga District. The institution has 1,635 members (1,156 males, 338 females and 141 Groups), with share capital contribution of Ug shs 230,218,053 at a nominal share value of Ug shs 10,000 as at December 31, 2019. The SACCO has over 500 teachers as members. It has 9 direct employees.

The SACCO supports onward lending to its members, most of whom are engaged in agriculture (dairy, bull fattening, and goat rearing), transport and micro businesses.

Impact to the community

The MSC has improved household incomes through different channels such as direct funding of affordable finance to SMEs and skilling institutions (vocational institutions) as well as improving access to financial services (financial inclusion).

The Centre supported cattle and dairy farmers along the cattle corridor (Kiboga and Kyankwanzi districts) in value chain to a tune of Ug shs 660m. The beneficiaries were involved in commercial dairy milk, cattle fattening, goat rearing, commerce and trade. The youth have acquired employment through the 9 direct jobs created and 150 indirect jobs.

The MSC through Kyankwanzi SACCO served over 1,635 members. The members are mainly in from the Districts of Kyankwanzi and Kiboga. With the loans beneficiaries where able to engage in agricultural activities such as- poultry, piggery, commercial maize farming & milling, groundnuts and cassava as well as dairy milk and cattle fattening. Other beneficiaries were involved in trade and commerce-dealing in solar panels, motorcycles as well as petrol, diesel and gas.

3.13: Key Performance Indicator Trends over a Three Year Period

Item	31st Dec 2019	31st Dec 2018	31st Dec 2017	Comments
Membership	1635	1595	1475	Positive and increasing
Total Income	141,929,850	135,508,668	92,360,154	Positive and increasing
Loan portfolio	490,141,017	497,159,421	381,113,150	Slight decline due to seasonal changes (drought) and quarantine that affect the cattle farmers

Source: Kyankwanzi SACCO

Challenges

1. Poor governance and management in most SACCOs resulting in misappropriation of funds, theft, collusion, and fraud.
2. Low funding from the MSC, usually SACCOs access on average 70% of what is applied for which is insufficient to meet the requirements.
3. Unfavourable weather patterns that affect the agricultural yields and economic activities.
4. Multi-borrowing from different SACCOs and other lending institutions which has resulted in high default rate.
5. Delays by the MSC to issue loans to the successful groups and SACCOs affects the implementation of planned activities especially agricultural outputs.

Table 3.14: Analysis of MSC Key Performance Indicators

strategic Objective (s	indicators	Baseline 2018/19	Targets	Actual	Weighting %	Remarks
Increase coverage of MSC services and products. (40)	% of districts with at least one reference institution	90%	80%	71%	10	There is a reference institution in every district served by MSC. MSC is trying to expand reference SACCOs/Institutions to parish and village level through onsite technical assistance and community engagements.
	% increase in outstanding Loan Portfolio	15%	15%	18%	5	There was a considerable growth in outstanding loan portfolio to Ug shs 183.4bn from Ug shs 83bn in 2018/19.
	% increase in clients served (cumulative)	35%	45%	65%	5	This was attributed to rolling out the Group loan product that has captured the clientele.
	Value of disbursements	19.8bn	35bn	51.18bn	20	There was significant increase in disbursements attributed to massive mobilization campaigns and trainings to support potential clients. The company also continued to enhance marketing through mobilization drives in regional and satellite offices, and collaboration with partners, district commercial officers & other LG officials and CBOs.
Strengthen strategic partnerships.	Increase in number of Strategic Partnerships	At least 2 p.a	2 p.a	9 partners engaged	15	Goal Global (Uganda, International Fertilizer Development Centre (IFDC), , Integrated Community, Agriculture and Nutrition (ICAN, United Nations High Commissioner for Refugees (UNHCR), Mgahinga Cultural and Crafts Centre, Management Training and Advisory Centre (MTAC), AlHuda Centre of Islamic Banking & Economics, Savings Banks Foundation for International Cooperation (SBFIC) and HABITAT Uganda all tailored to support social-economic development.
Enhance organizational sustainability. (45)	Cost: Income Ratio at least (1:1)	1:1	1:1	1:1	20	The company operated within its budget
	Portfolio At Risk (PAR)	5%	15%	22%	0	The performance was not rated on account of low achievement
	Overall Programme performance achieved				75%	

Conclusion

Overall, the Microfinance Support Centre greatly delivered against its expected output. This was due to: increased sensitization and mobilization of communities, improved information dissemination about MSC products and services, provide technical assistance and shared good practices to support weaker SACCOs.

During the period under review, 75% of the planned outputs were fully achieved, 25% not achieved the Microfinance Support Centre greatly delivered against its expected output. The MSC disbursed Ug shs 51.18bn to clients compared to Ug shs 19.08bn as at December 2018. The gross portfolio achieved was 114% (to Ug shs 134.7bn) from Ug shs 117.3bn at end of FY 2018/19. The Portfolio at Risk (PAR) greater than 30days was 22% which was above the target of 15%.

The Centre extended various loan products of: agricultural-13%, commercial-14%, groups 56% and teachers-2% and Islamic loans 6%, which were below the 23% issued by the commercial banks.

The average lead time for the disbursement of loans to clients was on average 44days against a target of 30days.

At least 71% of districts had at least one reference SACCOs/institutions (115 institutions) against a target of 80%. A total of 639 client institutions and prospective clients were trained.

In terms of company sustainability, the Cost to Income ratio was 1:1 indicating that the company operated within its budget/ annual target of 1:1 as compared to previous FY 2018/19 with Cost to Income ratio of 0.8:1. Partnerships building continues to be core to MSC's interventions, reflecting commitment to business growth in terms of clients, resource mobilization, product development and sustainability.

The MSC partnered with the Ministry of Local Government to implement the Local Economic Growth Support (LEGS). District project orientation and revalidation of sites was conducted in 17 LEGS districts. The technical capacity requirements for the profiled projects were also mapped and an action plan to close the gaps elaborated. Some of the critical needs identified relate to governance, financial management, record keeping & a management information system, enterprise management, VSLA methodology, Marketing, business and strategic planning, risk management, auditing, interpretation of financial reports among other aspects.

Recommendations

1. The GoU should revisit its vision of SACCOs as the key financial inclusion tool in rural areas. Other options, such as Community Savings and Credit Groups and/or registered NGO-MFIs working with commercial banks could offer solutions in which the success and value for money ratios are clearly better than has been the case with the SACCOs.
2. The PROFIRA should partner with MSC to effectively build capacity of SACCO members in managing loan funds, ensuring timely repayments and recommend SACCOs trained to MSC.

3. The SACCOs should mobilize savings, carry out member education and improve their loan applications to enable access to credit from the MSC.
4. In order to curb the problem of multiple borrowing, SACCOs at district levels should form unions and be able to monitor multiple borrowers. SACCO managers, loans officers and DCOs should share information on the loans taken by their members, this will eliminate multiple borrowing as it happened with the commercial banks.

3.2.2 Financial Performance of Central and Local Governments

Introduction

This section discusses the overall annual financial performance of the Government of Uganda (GoU) Budget for the FY 2019-20 and subsequently reviews the detailed budget performance of 11(61%)[18] sectors that include; Accountability, Agriculture, Education, Energy, Health, Information and Communications Technology and National Guidance, Trade and Industry, Water and Environment, Public Sector Management, Works and Transport, and Science, Technology and Innovation.

Overall Financial Performance

The overall GoU approved budget for FY 2019/20 was Ug shs 40,487bn, the budget was revised to Ug shs 41,530bn on account of a supplementary budget of Ug shs 1,043bn.

The GoU approved budget excluding external financing, arrears and Appropriation in Aid (AIA) was Ug shs 30,404bn of which, the allocation to Ministries, Departments and Local Governments (MDA and LGs) was Ug shs 20,083bn (49.6% of the GoU approved budget) and debt payments Ug shs 10,739bn (25% of the GoU approved budget).

The GoU release performance to the MDALGs as at 31st December 2019 was 56% (Ug shs 11,203bn) of the approved budget to MDALGs and, 88% (Ug shs 9,836bn) was absorbed by 31st December 2019 which was good performance. Debt and treasury operations performed at Ug shs 4,887bn representing 46% of the approved budget.

The overall release and expenditure performance of the MDALGs excluding debt and external financing is shown in table 3.15.

Table 3.15: MDAs and LGs GoU Budget Performance (Ug shs) as at 31st December 2019

MDA & LGs	Approved Budget	Revised Budget	Release	Expenditure	% of approved Bdgt Rlsed	%ge of Release Spent
Wage	4,672,950,606,324	4,674,138,798,408	2,405,999,476,173	2,135,494,258,607	51	89
N/Wage	7,539,096,690,323	7,741,533,752,499	4,311,460,150,459	3,658,862,112,602	57	85
Dev	7,870,540,654,906	7,974,205,997,830	4,486,470,604,730	4,041,181,888,616	57	90
Total	20,082,587,951,553	20,389,878,548,737	11,203,930,231,362	9,835,538,259,825	56	88

Source: IFMS[19], Approved Estimates of Revenue and Expenditure FY 2019/20, BOT[20] and PBS[21]

18 Sectors not monitored include-Justice, Law and Order, Public Administration, Legislature, Social Development, Security, Tourism, Lands Housing and Urban Development.
19 Integrated Financial Management System
20 Budget Operations Table FY 2019/20
21 Programme Budgeting System

Financial Performance of 11 Priority Sectors, KCCA and LGs

The approved budgets of eight (73%) of the 11 priority sectors analyzed in detail were revised as at 31st December 2019. The sectors with revised budgets included; Accountability, Agriculture, Education, Health, Works and Transport, Public Sector Management, Trade and Industry, and Science and Technology. The Local Governments (LGs) and Kampala Capital City Authority (KCCA) similarly experienced revisions to their budgets in the form of supplementary budgets.

The development budget for the science and technology sector experienced the highest revision in value of Ug shs 91.82bn (89% of sector budget).

The overall GoU financial performance for the 11 priority sectors, LGs and KCCA is shown in table 3.16.

Table 3.16: Annual Budget Performance for Selected Sectors, LGs and KCCA at 31st December 2019

Sector	Approved Budget	Revised Budget	Release Ug shs	Expenditure	%ge of approved budget Released	%ge of Release Spent
Accountability[1]	1,181,735,831,919	1,205,882,034,902	636,015,104,648	372,716,045,594	54	91
Agriculture	591,059,007,615	594,659,007,615	340,641,582,875	270,052,550,640	58	79
Education	1,200,135,227,633	1,201,163,305,299	634,480,674,826	531,181,370,168	53	84
Energy	780,508,109,344	-	378,275,763,157	315,153,095,563	48	83
Health	912,730,161,782	-	546,315,656,375	399,553,798,174	60	73
Water and Environment	506,866,506,214	-	293,319,633,914	260,542,535,492	70	89
Information and Communications Technology	104,006,190,144	-	49,440,965,711	40,748,530,881	48	82
Works and Transport	3,291,886,839,366	3,295,973,839,366	2,000,487,113,347	1,936,790,794,320	61	97
Public Sector Management	350,476,197,719	3,295,973,839,366	200,823,987,826	149,013,770,522	57	74
Trade Industry and Cooperatives	193,492,734,972	195,544,363,015	128,220,787,673	117,784,726,086	66	92
Science, Technology and Innovation	103,491,402,608	195,311,402,608	144,378,693,671	134,810,961,775	140	93
Local Governments	3,685,816,425,365	3,685,816,425,365	1,958,810,365,000	1,575,712,286,000	50	80
KCCA	294,931,823,989	294,931,823,989	190,314,319,635	127,845,004,303	65	67

Source: IFMS January 2020, Approved Estimates of Revenue and Expenditure FY 2019/20 and BOT2019/20

Accountability Sector

The GoU approved budget for the Accountability Sector[22] (excluding treasury operations, LGs and KCCA) for the FY 2019/20 is Ug shs 1,431bn. The sector budget was revised to Ug shs 1,455bn through a supplementary budget of Ug shs 24.146bn, representing 2% of the sector approved budget.

The revisions were towards sub-programme 1521-Resource Enhancement and Accountability Programme (REAP) (Ug shs 5bn) for consultancy services, sub-programme 54- Support to MFPED (Ug shs 7.625bn) towards IFMS recurrent costs and sub-programme 52-Uganda Retirement Benefits Regulatory Authority Services (Ug shs 7.236bn) under other government transfers.

The overall release for the sector was 44% (Ug shs 636.015bn) of the approved budget of which 91% (Ug shs 576.607bn) was spent by 31st December 2019.

The detailed budget performance for the sector votes on the IFMS is shown in Table 3.17.

Agriculture Sector

The GoU approved budget for the Agriculture Sector for the FY 2019/20 is Ug shs 720.251bn (excluding external financing). The central government votes share is Ug shs 591.059bn (88%) and Ug shs 129.785bn (18%) to LGs and KCCA. The budget for the central votes was revised to Ug shs 594.69bn, of which Ug shs 340.641bn (57%) was released. Highest percentage release was registered under Vote 160 - Uganda Coffee Development Authority (UCDA) Ug shs 77.79bn, while the lowest release was registered under Vote 142 - National Agriculture Research Organization (NARO) Ug shs 36.713bn (46%) of the respective approved budget.

Overall, the central sector votes absorbed 79% (Ug shs 270.052bn) of the funds released, with the highest absorption of 96% (Ug shs 75.064bn) registered under Vote 160 - UCDA 96%. Others that registered high absorption performance included Vote 152 - NAADS Secretariat 93% (75.658bn) and Vote 142 NARO 83% (Ug shs 30.616bn).

The detailed budget performance for the sector votes on the IFMS is shown in Table 3.18.

Education Sector

The GoU approved budget for the Education Sector for the FY2019/20 is Ug shs 3,081.349bn (excluding external financing). The central government votes share is Ug shs 1,256.431bn (40.77%) and Ug shs 1,824.935bn (59%) to LGs and KCCA.

The sector realized 52.87% (Ug shs 634.480bn) of the approved budget and 83.72% (Ug shs 531.181bn) was absorbed by 31st December 2019 which was good performance.

Vote 128 - Uganda National Examinations Board registered the highest performance of 100 % (Ug shs 58.600bn) for both the release and expenditure. The other sector votes that registered very good release and absorption performance included; Vote 138 Makerere University

22 For Accountability Sector votes with funding/releases on the IFMS in the FY 2018/19.

Business School 96% (Ug shs 37.423bn) and Vote 137 Mbarara University of Science and Technology (MUST) 91% (22.298bn).

Soroti University registered the least performance at 53% (Ug shs 4.423bn) which was attributed to weak financial management controls and the suspension of key staff at the University.

The detailed budget performance for the sector votes on the IFMS is shown in Table 3.19.

Energy Sector

The GoU approved budget for the Energy Sector for the FY 2019/20 is Ug shs 779.930bn. The sector realized Ug shs 378.275bn (48.5%) which was very good performance.

The highest performance was registered under the Vote 311 - Uganda National Oil Company (UNOC)-57% (Ug shs 17.78bn) and 100% of the release was absorbed. Other votes with very good performance were; Vote 017 - Ministry of Energy and Mineral Development (MEMD) 85% (Ug shs 233.699bn) and Vote 312 - Petroleum Authority of Uganda 77% (Ug shs 18.847bn).

The detailed budget performance for the sector votes as at 31st December 2019 is shown in Table 3.20.

Health Sector

The GoU approved budget for the Health Sector for the FY 2019/20 is Ug shs 1,470.145bn, of which 37% (Ug shs 549.524bn) is earmarked for LGs and 63% (Ug shs 920.620bn) for the central government votes and KCCA. The release performance was 59.86% (Ug shs 546.315bn) for the central votes and, 73% (Ug shs 399.6bn) was absorbed, registering good performance.

The highest financial performance among the sector votes was 98% (Ug shs 285.650bn) registered under Vote 116 National Medical Stores (NMS).

The LGs realized 52% (Ug shs 285.650bn) of the LG approved budget and 85% (Ug shs 242.802bn) of which was absorbed by 31 December 2019.

The detailed budget performance for the sector votes on the IFMS is shown in Table 3.21.

Water and Environment Sector

The GoU approved budget for the Water and Environment Sector for the FY2019/20 is Ug shs 569.205bn, of which 10.42% (59.330bn) was earmarked for the LGs. The sector realized 70% (293.319bn) and 88.83% (Ug shs 260.542bn) was absorbed by 31st December 2019 which was very good.

The least performance was registered under Vote 157-National Forestry Authority at 57% (Ug shs 8.928bn) absorption. The detailed budget performance for the sector votes on the IFMS is shown in Table 3.22.

Information and Communications Technology and National Guidance Sector

The GoU approved budget for the ICT and National Guidance Sector for the FY 2019/20 is Ug shs 104.006bn. The overall release for the sector as at 31st December 2019 was Ug shs 49.441bn (48% of approved budget) and 82.4% (Ug shs 40.748bn) was spent in the period.

The budget performance was very good. The detailed budget performance for the sector votes on the IFMS is shown in table 3.23.

Works and Transport Sector

The GoU approved budget for the Works and Transport Sector for the FY2019/20 is Ug shs 3,359bn and, was revised to Ug shs 3654bn. The revision was on account of a supplementary budget of Ug shs 4,087bn (representing less than 1% of the sector approved budget) under Vote 16 - Ministry of Works and Transport. This was towards transport infrastructure- specifically transfers to other government units. The sector absorbed 97% (Ug shs 1,936bn) which was very good performance.

The detailed budget performance for the sector votes on the IFMS is shown in Table 3.24.

Public Sector Management

The GoU approved budget for Public Sector Management for the FY2019/20 is Ug shs 329.299bn (excluding LGs and KCCA) and was revised to Ug shs 336bn on account of a supplementary budget of Ug shs 7bn.

The sector realized 57% (Ug shs 200.823bn) of the approved budget and 74% (Ug shs 149.013bn) was absorbed by 31st December 2019. The Ministry of Local Government (MoLG) had the least performance of 45% (Ug shs 13.063bn), this was attributed to delayed commencement of procurement

The detailed budget performance for the sector votes on the IFMS is shown in Table 3.25.

Trade Industry and Cooperatives Sector

The GoU approved budget for Trade Industry & Cooperatives for the FY 2019/20 is Ug shs 193.492bn and was revised to Ug shs 195.544bn.

The sector release was Ug shs 128.220bn (66% of the approved budget). The LGs were allocated Ug shs 2.232bn, of which 50% (Ug shs 1.116bn) was released by 31st December 2019. The sector experienced a supplementary budget of Ug shs 2.052bn for compensation of the third parties.

The sector absorbed 92% (Ug shs 117.785bn) which was very good performance. The detailed budget performance as at 31st December 2019 on the IFMS is shown in Table 3.26.

Science, Technology and Innovation Sector

The GoU approved budget for the Science, Technology and Innovation Sector for FY 2019/20 is Ug shs 102.703bn, and was revised to Ug shs 194.523bn. The sector had a supplementary budget of Ug shs 91.820bn under transfers to other government units towards the construction of the National Science Technology Institute in Kiruhura DLG.

The sector had a release of 139.5% (Ug shs 144.379bn) and 93% (Ug shs 134.810bn) was absorbed by 31st December 2019. The detailed budget performance as at 31st December 2019 for the sector votes on the IFMS is shown in Table 3.27.

Local Governments (LG) Performance and Kampala Capital City Authority (KCCA)

The approved budget for Local Government (LGs) for the FY 2019/20 was Ug shs 3,685bn, of which 1,845bn (50%) was released by 31st December 2019.

The Kampala Capital City Authority (KCCA) approved budget for FY2019/20 was Ug shs 294.931bn. The recurrent budget was Ug shs 216.163bn and development Ug shs 57.71bn representing 73% and 20% respectively. The recurrent budget realized Ug shs 132.6bn, of which Ug shs 78.92bn (60%) was absorbed. The development release was Ug shs 57.714bn (73% of the budget) and Ug shs 48.924bn (85%) of the release.

Timeliness of accessing funds by the MDA and LGs

Whereas expenditure limits are issued promptly by the MFPED, the actual accessing of funds varies for the different votes. Averagely the Central Government votes took 10 working days to access funds from the time expenditure limits were issued (this includes the warranting duration, approval invoicing and final release by accountant general's office).The District Local Governments (DLGs) took on average 2 days to complete warrant, 2 days to have their warrants reviewed and approved and another 3 days to invoice and in total took 9[23] working days for the LGs to access funds after communication of the expenditure limits.

The IFMS centres in Mbarara, Mbale, Gulu, Masaka remained with static budgets for the IFMS recurrent costs which affected operations of the respective LGs hosting the IFMS centres.

It is increasingly difficult for supplementary budget requests to obtain approval from the MFPED even where these relate to situations where extra funds are received, for example Kole DLG realized Ug shs 70 million for Information Technology under the MoICT but this had taken over two months to be granted and the FY is about to end.

Local revenue collected by the LGs is transferred to the consolidated account at Bank of Uganda (BoU) and warrants issued by the MFPED to authorize utilization. However, thresholds are given showing the amounts to be collected and deposited to BoU before the authority to utilize subsequent local revenue collections is granted, this reform is causing delays in the budget execution of LGs and votes that under estimated their Non-Tax Revenue (NTR)

Overall Conclusion

The Government of Uganda (GoU) achieved at least 56% overall release performance for the Central Government votes, and 50% release for the LGs against their approved budgets (50.23%, 53%, 58% for wage, nonwage and development respectively). This was very good release performance. The approved budgets in 63% of the 11 priority sectors, KCCA and LGs

23 This lead time is average for both LGs on the IFMS and the ones that are not.

were revised as at 31st December 2019. The highest revision of Ug shs 91.820bn was registered under the Science, Technology and Innovation Sector, this was followed by the Accountability Sector at Ug shs 24.146bn.

The highest sector absorption of funds released was 97% (Ug shs 1,936bn) registered under Works and Transport Sector, and the least was 74% (Ug shs 149.013bn) registered under Public Sector Management. Overall the sectors achieved 90% absorption of funds released, which was good performance. The LGs achieved 80% (Ug shs 1,576bn) absorption of funds released which was also good.

Key Challenges

1) Delayed approval of supplementary budgets especially in LGs seeking expenditure of extra funds received from line ministries caused delays in implementation of activities.
2) Warranting remains a challenge for a significant number of MDA&LGs which accounts for at least 60% of delays in accessing funds in these entities.
3) Constrained budget allocations to support PFM reforms that include the Programme Budgeting System (PBS) and IFMS regional centres.

Recommendations

1) The MFPED Budget Directorate should review the processing and timelines for approval of supplementary budget requests especially were additional funding is sent to MDAs and LGs.
2) The MFPED Budget Directorate, Tax Policy Department and URA should step up efforts to monitor revenue performance with the aim of improving revenue collections for budget allocations.
3) The MFPED Budget Directorate and Accountant Generals Office should consider budget allocations for recurrent activities to support the PFM reforms (PBS and IFMS regional centres).

Table 3.17: Accountability Sector Votes Budget Performance as at 31st December 2019

Vote	Vote Description	Approved Budget (Ug Shs)		Release (Ug Shs) Performance		Expenditure Performance Ug shs		%ge of² Budget released		%ge of release spent	
		Rec- (Wage& Nonwage)	Devt	Rec- (Wage& Nonwage)	Devt	Rec- (Wage& Nonwage)	Devt	Rec	Dev	Rec	Dev
008	MFPED	442,237,835,139	61,876,324,986	258,452,049,880	37,186,563,068	237,797,632,905	31,246,725,217	58.4	60	92	84
103	Inspectorate of Government (IG)	40,182,939,638	13,293,212,651	25,294,756,299	9,027,624,428	21,858,922,802	546,775,730	62.9	67.9	6	86
112	Ethics and Integrity	8,592,364,137	-	4,046,103,217	-	3,052,304,922	-	47		75.4	
129	Financial Intelligence Authority	12,801,578,446	215,000,000	6,058,012,870	172,000,000	5,424,060,525	-	47.3	80	89	
131	Auditor General-Statutory	55,869,128,897	8,050,000,000	30,780,268,890	5,841,100,000	28,519,219,761	1,374,349,215	55	72.5	92.6	23.5
141	Uganda Revenue Authority	394,615,413,125	43,639,695,827	197,307,706,562	13,166,908,811	197,307,706,562	13,166,908,811	50	30	100	100
143	Uganda Bureau of Statistics	39,671,830,840	20,409,485,946	22,187,363,806	8,496,443,182	17,663,792,405	6,080,051,966	55.9	41.6	79.6	71.5
153	PPDA	13,839,555,659	10,994,000,000	6,773,989,388	3,893,200,000	6,004,152,116	1,363,383,473	48.9	35.4	88.6	35
310	Uganda Investment Authority	14,341,607,628	1,105,859,000	6,963,824,048	367,190,200	5,127,760,292	73,459,860	48.5	33.2	73.6	20
	Total	1,022,152,253,509	159,583,578,410	557,864,074,959	78,151,029,689	549,089,369,911	53,851,654,272	54.5	49	98.4	69

Source: IFMS January 2020, Approved Estimates of Revenue and Expenditure FY 2019/20 and BOT2019/20

Table 3.18: Agriculture Sector Votes Budget Performance as at 31st December 2019

Vote	Vote Description	Approved Budget (Ug Shs)		Release (Ug shs) Performance		Expenditure (Ug shs) Performance		%ge of Budget released		%ge of release spent	
		Recurrent (Wage Nonwage)	Devt	Recurrent (Wage Nonwage)	Devt	Recurrent (Wage Nonwage)	Devt	Rec	Dev	Rec	Dev
010	MAAIF	45,663,380,311	141,121,955,560	25,664,637,883	73,758,636,170	14,943,130,045	41,994,935,224	56	52	58	57
121	Dairy Development Authority	6,489,547,691	3,642,434,987	3,074,329,085	1,814,295,498	2,372,891,340	555,405,092	47	49	77	30
125	National Animal Genetic Res. Centre and Data Bank	9,897,962,937	53,344,216,572	5,407,369,310	30,661,351,777	4,809,084,294	20,878,580,695	54	57	89	68
142	National Agricultural Research Organization	42,188,802,111	37,472,993,562	21,055,822,917	15,657,326,598	19,916,438,428	10,700,533,787	50	41	94	68
152	NAADS Secretariat	5,043,901,897	140,849,891,542	2,465,675,281	79,113,155,720	2,051,412,959	73,607,507,752	48	56	83	93
155	Cotton Development Organization	4,431,247,414	4,211,000,000	2,315,453,188	1,864,050,000	2,261,714,789	896,010,027	52	44	97	48
160	Uganda Coffee Development Authority	96,219,077,682	482,595,349	77,449,808,169	339,671,279	6,516,639,196	68,548,267,012	79	70	8.4	20
	Total	209,933,920,043	381,125,087,572	137,433,095,833	203,208,487,042	52,871,311,051	217,181,239,589	65	53	38	106

Source: IFMS January 2020, Approved Estimates of Revenue and Expenditure FY 2019/20 and BOT 2019/20

Table 3.19: Education Sector Votes Budget Performance as at 31st December 2019

Vote	Vote Description	Approved Budget (Ug shs)		Release (Ug shs) Performance		Expenditure (Ug shs) Performance		%ge of Budget released		%ge of release spent	
		Rec-(Wage& Nonwage)	Devt	Rec-(Wage& Nonwage)	Devt	Rec-(Wage& Nonwage)	Devt	Rec	Dev	Rec	Dev
013	Ministry of Education, and Sports	253,414,725,536	79,490,408,662	132,680,257,431	33,276,040,329	112,111,507,460	12,930,322,780	52	41	84	38
111	Busitema University	35,438,170,187	1,530,790,480	18,171,770,906	1,045,952,398	17,230,957,632	91,059,572	51	68	94	8.7
127	Muni University	13,090,056,634	4,200,000,000	6,634,433,229	1,026,600,000	5,120,615,834	735,398,363	50	24	77	71
128	UNEB	51,124,867,578	15,000,000,000	48,109,502,265	10,490,704,784	48,109,502,265	10,490,704,785	94	70	100	100
132	Education Service Commission	9,227,703,411	191,530,250	4,689,613,202	153,224,200	4,094,097,336	53,589,720	50	80	87	34
136	Makerere University	300,596,980,393	15,516,209,712	153,161,356,602	7,667,326,416	132,932,908,804	2,420,315,324	51	49	49	31
137	Mbarara University	43,441,989,429	3,685,768,714	22,299,209,248	2,079,093,836	21,612,970,738	685,244,988	51	56	97	33
138	Makerere University Business School	71,860,500,569	4,830,500,000	36,611,279,593	2,544,400,000	35,297,245,441	2,125,681,862	51	52	96	83
139	Kyambogo University	125,726,252,890	6,722,845,106	63,767,887,627	5,378,276,085	56,592,716,591	931,462,939	50	80	88	17.3
140	Uganda Management Institute	31,404,508,064	1,890,000,000	15,905,626,952	960,000,000	12,935,621,503	763,411,354	50	50	81	79.5
149	Gulu University	44,648,861,278	3,802,724,598	21,997,590,600	1,362,453,609	19,611,002,643	552,514,320	49	36	89	40.5
301	Lira University	16,399,676,112	2,500,000,000	9,405,217,500	1,800,000,000	6,863,644,025	1,799,999,999	57	72	73	99.9
303	NCDC	10,367,190,861	3,900,000,000	6,366,593,330	2,301,500,000	5,657,527,580	672,916,348	6	59	88	29.2
307	Kabale University	30,968,950,002	1,382,240,000	15,754,566,442	499,584,000	14,017,568,199	317,371,155	50	36	89	63
308	Soroti University	11,781,777,167	6,000,000,000	5,982,614,244	2,358,000,000	4,046,281,473	377,209,135	50	39	67	16
	Total	1,049,492,210,111	150,643,017,522	561,537,519,169	72,943,155,657	496,234,167,524	34,947,202,644	53	48	88	48

Source: IFMS January 2020, Approved Estimates of Revenue and Expenditure FY 2019/20 and BOT2019/20

Table 3.20: Energy Sector Votes Budget Performance as at 31st December, 2019

Vote	Vote Description	Approved Budget (Ug shs)		Release ((Ug shs)) Performance		Expenditure ((Ug shs)) Performance		%ge of Budget released		%ge of release spent	
		Rec-(Wage& Nonwage)	Devt	Rec-(Wage& Nonwage)	Devt	Rec-(Wage& Nonwage)	Devt	Rec	Dev	Rec	Dev
017	Ministry of Energy and Mineral Development	71,295,131,325	460,788,819,369	30,923,681,963	243,760,814,323	26,468,214,974	207,231,451,496.00	43	53	85	85
123	Rural Electrification Agency (REA)	38,615,659,125	128,139,340,875	17,590,311,286	43,592,056,398	12,311,198,573	32,512,944,977.00	45	34	70	74
311	Uganda National Oil Company (UNOC)	31,470,120,024	-	17,781,836,839	-	17,781,836,839	-	56	0	100	0
312	Petroleum Authority of Uganda (PAU)	50,199,038,626	-	24,627,062,349	-	18,847,448,704	-	49	0	76	0
	Total	191,579,949,100	588,928,160,244	90,922,892,437	287,352,870,720	75,408,699,090	239,744,396,473	47	48.7	83	83

Source: IFMS January 2020, Approved Estimates of Revenue and Expenditure FY 2019/20 and BOT2019/20

Table 3.21: Health Sector Votes Budget Performance as at 31st December, 2019

Vote	Vote Description	Approved Budget (Ug shs)		Release (Ug shs) Performance		Expenditure (Ug shs) Performance		%ge of Budget released		%ge of release spent	
		Rec-(Wage& Nonwage)	Devt	Rec-(Wage& Nonwage)	Devt	Rec-(Wage& Nonwage)	Devt	Rec	Dev	Rec	Dev
014	Ministry of Health	82,115,232,063	68,207,824,860	49,860,210,652	34,512,522,932	38,556,911,334	18,833,346,601	60.7	51	77	54
107	Uganda AIDS Commission-Statutory	8,714,116,757	7,809,000	4,333,497,550	6,247,200	3,630,847,133	3,659,000	49	80	83	58
114	Uganda Cancer Institute	20,040,692,112	13,929,264,971	10,428,660,085	10,551,741,243	9,984,094,385	8,663,207,263	52	75	95.7	82
115	Uganda Heart Institute	20,057,157,539	4,650,000,000	10,146,048,378	3,374,000,000	8,140,040,095	1,704,794,201	50	72	80	50
116	National Medical Stores	396,172,215,017	-	265,367,569,427	-	259,470,915,020	-	67	0	97	0
134	Health Service Commission	6,787,263,095	80,000,000	3,393,631,548	56,000,000	2,934,393,412	18,361,880	50	70	86	32
151	Uganda Blood Transfusion Service (UBTS)	16,072,212,615	1,870,000,000	8,168,306,239	1,442,000,000	7,533,485,604	1,075,399,999	50.8	77	92	74.5
161	Mulago Hospital Complex	60,614,754,433	11,020,000,000	30,458,152,805	5,213,000,000	27,322,605,138	3,107,025,112	50	47	89.7	60
162	Butabika Hospital	13,272,239,213	8,308,140,579	6,540,674,612	4,038,884,347	5,754,820,584	206,280,000	50	48	88	17.1
304	UVRI	6,789,055,593	2,280,000,000	3,192,215,960	1,201,500,000	2,536,203,163	77,408,250	47	52	79	6.4
163-176	Regional Referrals Hospitals	151,674,621,767	20,067,562,168	82,235,223,688	11,795,569,711	67,352,055,169	6,134,252,913	54	58	82	52
	Total	782,309,560,204	130,420,601,578	474,124,190,942	72,191,465,433	433,216,371,037	39,823,735,219	60	55	91	55

Source: IFMS January 2020, Approved Estimates of Revenue and Expenditure FY 2019/20 and BOT2019/20

Table 3.22: Water and Environment Sector Votes Budget Performance as at 31st December 2019

Vote	Vote Description	Approved Budget (Ug Shs)		Release (Ug Shs) Performance		Expenditure (Ug Shs) Performance		%ge of Budget released		%ge of release spent	
		Rec-(Wage& Nonwage)	Devt	Rec-(Wage& Nonwage)	Devt	Rec-(Wage& Nonwage)	Devt	Rec	Dev	Rec	Dev
019	Ministry of Water and Environment	71,295,131,325	460,788,819,369	30,923,681,963	243,760,814,323	26,468,214,974	207,231,451,496	43.3	53	85.5	85
150	National Environment Management Authority	38,615,659,125	128,139,340,875	17,590,311,286	43,592,056,398	12,311,198,573	32,512,944,977	45.5	34	70	74.5
157	National Forestry Authority	31,470,120,024	-	17,781,836,839	-	17,781,836,839	-	56.5	0	100	0
302	UNMA	50,199,038,626	-	24,627,062,349	-	18,847,448,704	-	49	0	76.5	0
	Total	191,579,949,100	588,928,160,244	90,922,892,437	287,352,870,720	75,408,699,090	239,744,396,473	47	48.7	83	83

Source: IFMS January 2020, Approved Estimates of Revenue and Expenditure FY 2019/20 and BOT2019/20

Table 3.23: Information and Communications Sector Votes Budget Performance as at 31st December, 2019

Vote	Vote Description	Approved Budget (Ug Shs)		Release (Ug Shs) Performance		Expenditure (Ug Shs) Performance		%ge of Budget released		%ge of release spent	
		Rec-(Wage& Nonwage)	Devt	Rec-(Wage& Nonwage)	Devt	Rec-(Wage& Nonwage)	Devt	Rec	Dev	Rec	Dev
020	Ministry of Information & Communications Tech.	24,971,941,340	38,222,839,682	10,929,182,932	20,360,360,286	8,318,054,771	17,977,892,002	43.7	53	76	88
126	National Information Technology Authority	33,368,823,559	7,442,585,563	15,023,856,239	3,127,566,255	13,489,292,081	963,292,027	45	42	89.7	30.8
	Total	58,340,764,899	45,665,425,245	25,953,039,171	23,487,926,540	21,807,346,852	18,941,184,029	44.4	51.4	84	80

Source: IFMS January 2020, Approved Estimates of Revenue and Expenditure FY 2019/20 and BOT2019/20

Table 3.24: Works and Transport Sector Votes Budget Performance as at 31st December 2019

Vote	Vote Description	Approved Budget Ug shs		Release Performance Ug shs		Expenditure Performance Ug shs		%ge of Budget released		%ge of release spent	
		Rec-(Wage& Nonwage)	Devt	Rec-(Wage& Nonwage)	Devt	Rec-(Wage& Nonwage)	Devt	Rec	Dev	Rec	Dev
016	Ministry of Works and Transport	81,051,628,871	374,521,596,072	78,959,450,456	641,578,895,706	77,331,854,905	641,121,489,932	97	171	98	100
113	Uganda National Road Authority	98,613,883,513	1,612,700,205,714	535,647,023,289	5,574,000,000	535,382,911,273	5,573,788,418	100	81	100	100
118	Road Fund	535,647,023,289	6,870,000,000	28,093,894,795	6,455,351,179	27,214,044,185	6,455,351,179	100	100	97	100
	Total	715,312,535,673	1,994,091,801,786	42,700,368,540	653,608,246,885	639,928,810,363	653,150,629,529	100	169	100	100

Source: IFMS January 2020, Approved Estimates of Revenue and Expenditure FY 2019/20 and BOT2019/20

Table 3.25: Public Sector Management Votes Budget Performance as at 31st December, 2019

Vote	Vote Description	Approved Budget (Ug shs) Ug shs		Release (Ug shs) Performance Ug shs		Expenditure (Ug shs) Performance Ug shs		%ge of Budget released		%ge of release spent	
		Rec-(Wage& Nonwage)	Devt	Rec-(Wage& Nonwage)	Devt	Rec-(Wage& Nonwage)	Devt	Rec	Dev	Rec	Dev
003	Office of the Prime Minister	85,625,523,792	72,166,921,257	42,970,719,569	30,143,865,940	34,917,707,943	20,758,014,782	50	41.7	81	68.8
005	Ministry of Public Service	26,621,138,886	4,912,758,976	12,065,458,588	2,188,665,642	9,447,476,165	1,020,904,799	45	44.5	78	46.6
011	Ministry of Local Government	22,496,732,895	18,948,688,904	10,753,349,874	18,398,482,373	8,326,211,749	4,737,726,146	45	97	77	25.7
021	East African Community Affairs	72,385,920,505	80,400,000	58,945,372,924	64,320,000	47,680,147,419	7,510,000	81	80	80	11.6

Vote	Vote Description	Approved Budget (Ug shs) Ug shs		Release (Ug shs) Performance Ug shs		Expenditure (Ug shs) Performance Ug shs		%ge of Budget released		%ge of release spent	
		Rec-(Wage& Nonwage)	Devt	Rec-(Wage& Nonwage)	Devt	Rec-(Wage& Nonwage)	Devt	Rec	Dev	Rec	Dev
108	National Planning Authority-Statutory	29,152,924,986	4,414,167,988	15,132,890,704	3,003,434,390	15,075,086,907	661,424,465	52	68	99.6	22
146	Public Service Commission	8,672,597,601	184,222,142	4,597,471,222	67,377,714	3,976,776,560	29,421,600	53	36.5	86	43
147	Local Government Finance	4,657,499,947	156,699,840	2,389,503,975	103,074,912	2,332,256,543	43,105,444	51.2	65.7	97.6	41.8
	Total	249,612,338,612	100,863,859,107	146,854,766,856	53,969,220,971	121,755,663,286	27,258,107,236	58.8	53	83	50

Source: IFMS January 2020, Approved Estimates of Revenue and Expenditure FY 2019/20 and BOT2019/20

Table 3.26: Trade and Industry Votes Budget Performance as at 31st December, 2019

Vote	Vote Description	Approved Budget Ug shs		Release Performance Ug shs		Expenditure Performance Ug shs		%ge of Budget released		%ge of release spent	
		Rec-(Wage& Nonwage)	Devt	Rec-(Wage& Nonwage)	Devt	Rec-(Wage& Nonwage)	Devt	Rec	Dev	Rec	Dev
015	Ministry of Trade, Industry and Cooperatives	75,487,109,832	44,026,568,092	67,036,222,998	20,582,898,615	62,883,918,240	18,965,225,116	88	46	93.8	92
154	Uganda National Bureau of Standards	53,183,002,121	15,752,915,228	26,722,751,061	11,357,040,660	24,815,432,607	9,218,307,570	50	72	92.8	81
306	Uganda Export Promotion Board	4,986,858,979	56,280,720	2,518,374,340	3,500,000	1,901,842,553	-	50	6.21	75	
	Total	133,656,970,932	59,835,764,040	96,277,348,399	31,943,439,275	89,601,193,400	28,183,532,686	72	53.3	93	88.2

Source: IFMS January 2020, Approved Estimates of Revenue and Expenditure FY 2019/20 and BOT2019/20

Table 3.27: Science, Technology and Innovation Votes Budget Performance as at 31st December, 2019

Vote	Vote Description	Approved Budget Ug shs		Release Performance Ug shs		Expenditure Performance Ug shs		%ge of Budget released		%ge of release spent	
		Rec-(Wage& Nonwage)	Devt	Rec-(Wage& Nonwage)	Devt	Rec-(Wage& Nonwage)	Devt	Rec	Dev	Rec	Dev
023	Ministry of Science, Technology and Innovation	35,873,628,748	53,387,838,800	14,757,025,675	122,420,542,780	10,637,722,642	117,395,281,033	41	229	72	95.8
110	Uganda Industrial Research Institute	12,667,935,060	1,562,000,000	6,613,925,215	587,200,000	6,307,983,143	469,974,957	52	37	95	79.8
	Total	48,541,563,808	54,949,838,800	21,370,950,891	123,007,742,780	16,945,705,785	117,865,255,990	44	223	79	95.8

Source: IFMS January 2020, Approved Estimates of Revenue and Expenditure FY 2019/20 and BOT2019/20

3.3: Vote 141: Uganda Revenue Authority

Background

Uganda Revenue Authority (URA) is mandated to collect, and make assessment of specific tax revenue, administer, enforce and account for such revenue. Its strategic direction is to cultivate a tax paying culture through provision of reliable services, leadership development and building strategic partnerships and to provide excellent revenue services with purpose and passion. The authority has two programs which were monitored to assess the level of implementation.

i) Programme 18: Administration and Support Services whose outcome is achieving efficient and effective institutional services, and

ii) Programme 54: Revenue Collection and Administration whose outcome is to maximize revenue.

Performance

The URA addresses the NDP II objective of increasing the tax to gross domestic product (GDP) ratio whose target for FY 2019/20 is 15.13% of GDP. During the first half of FY 2019/20, a net revenue of Ug shs 9,042.01 bn (92.84%) was realized against a target of Ug shs 9,739.39bn. This represents approximately a GDP ratio of approximately 9% of the 15.13% target for the FY2019/20.

The tax register grew by 4.3% representing 86% performance. Hoima Regional Office registered 2,529 taxpayers against a target of 1,397, whereas Mbale Regional Office registered 2,132 against a target of 1,672. The E-tax platform from the Local Governments (LGs) was considered user friendly and the votes were able to file returns and make payments sustainably.

Programme 1418: Administration and Support Services

The programme approved budget for FY2019/20 was Ug shs 215.77bn, of which Ug shs 110.73bn (51.3%) was released and Ug shs 99.33bn (89.7%) spent by the end of Q2. The programme has 6 sub-programmes: i) Internal Audit and Compliance, ii) Corporate Services, iii) Legal Services, iv) Legal Services, v) Research and Planning, and vi) Support to URA.

Internal Audits and Compliance

The e-Tax platform improved taxpayer compliance by enabling faster assessment, filing of returns and payment of taxes. It was noted from the LGs that filing of returns (WHT and PAYE) was easy and faster except if done on the deadline. In Lira DLG e taxpayers were happy to note that they can make their payments through any Bank, thus improving compliance.

A total of 90 compliance audits, reviews and investigations were done, and reports issued accordingly. This was against a target of 63. 90% of the audit and compliance review findings were adopted. Compliance has greatly improved as was observed in the ministries, Departments, Agencies and Local Governments assessed for Tax compliance.

Nine sexual harassment sensitizations were conducted, seven (7) staff integrity sensitizations conducted against a target of one (1), therefore extra integrity initiatives were conducted to ensure staff adhere to the code of conduct as well as check their integrity. This is done in order to increase taxpayer confidence in the authority thus improving tax compliance.

Administrative Support Services

Champions to support women in trade at station level were appointed. The different stations also provided trade sensitization and facilitation to both individual women traders and women trader groups to ease their trade at the border points. This was particularly noted at the two border points monitored i.e. Mutukula border and Mirama border. At Mutukula border there was an office for women traders who also operate a SACCO in the premises. They use the office to store some of their produce brought for sell.

A total of 19 unplanned system downtimes were experienced against a target of 6. Average system recovery took 1.89 hours. Despite the downtimes, the average real time system recovery was less than two hours. As a result, there was minimum interruption to normal business. This was noted across all LGs and regional URA offices.

The Equal Opportunities Employment Programme was executed as planned. Staff were hired and on merit and availability of opportunity with no bias against any individual or group of persons on the ground of sex, age, race, color ethnic origin, tribe, birth etc.

Legal Services

During the review period, 79% of the cases were won and settled in URA's favor, this was against a success rate target of 65%. A total of 19 judgments/rulings were received, of which 15 were decided in favor of URA, and four decisions in favor of the clients. The Authority recovered Ug shs 22bn in tax debt against a target of Ug shs 20bn.

Public Awareness and Tax Education/Modernization

Two taxpayer education outreach programmes were executed against a target of one. These include *tax barazas*, diaspora engagements, *tax katale*, and exhibitions/expo. Twenty tax clinics and engagements were held across regions and districts the planned target of 50.

Two tax education school and universities programs targeting the youth were done through 17 engagements i.e. tax school's visitations and tax societies engagements - dance and drama competitions etc. AT Loro Core PTC in Oyam District, a tax engagement activity was held in November 2019.

The media programs executed included: 70 radio/TV shows, 10 media stories, 10 press conferences and social media campaigns which yielded 92% positive sentiments.

The Lira Regional Office carried out tax awareness programs in conjunction with Microfinance Support Center (MSC) and Uganda Registration Services Bureau (URSB). Radio talk shows were done on Radio Lango and these handled the different types of taxes. All tax agents in the sub-region were vigorously engaged in the campaigns.

The Hoima office handled three engagements with MSC staff and their clients, Petroleum Authority of Uganda, and mobile money agents in the area. They had eight radio talk shows by January 2020.

The Mbale office held several sensitizations which included: an outreach targeted rental taxpayers, another handled small business taxpayers, and school owners. Two radio talk shows about TREP and Presumptive tax were also done.

Government Buildings and Administrative Infrastructure

Management and maintenance of One Stop Boarder Points (OSBP) was conducted. Repairs and maintenance issues resolved include, generator maintenance and servicing at the border points, the renovation of the Mutukula powerhouse, emptying septic tanks at Malaba and Busia borders.

Headquarter building snag list during the defect's liability time were executed, these included hanging cables, a defective card reader, non-functional switches, hand driers and water heaters. The defects were repaired and are still on going as planned.

Office furniture and fittings were purchased. These included five counter chairs, three orthopedic/ergonomic chairs and 10 flip chat stands. The programme performance was good at 95.4% performance by 31st December 2019, detailed information in the table 3.28.

Table 3.28: Performance of Administration and Support Services Programme as at 31st December 2019

Output Performance							
Sub Programme	**Output**	**Annual Budget (Ug shs)**	**Cum. Receipt (Ug shs)**	**Annual Target**	**Cum. Achieved Quantity**	**Physical performance Score (%)**	**Remark**
Internal Audit and compliance	Internal audit and compliance	8,580,000,000	4,610,000,000	100	100	3.98	There was increased compliance as seen from all LGs monitored.
Corporate services	Administrative Support services	128,050,000,000	65,730,000,000	100	50	57.81	Overload of the system due to high database utilization. Performed as planned.
legal Services	Legal services	8,700,000,000	4,630,000,000	100	65	4.03	The performance was excellent due to great teamwork.
Research & Planning Public Awareness and Tax Education	Public awareness and Tax Education/ Modernization	26,800,000,000	13,940,000,000	100	68	12.42	Excellent performance as the awareness campaigns done were more than the planned at half year.
Support to URA	Government buildings and Administrative Infrastructure	5,600,000,000	2,800,000,000	100	50	2.60	Headquarter building snags were fixed and maintenance of the One Stop Border Points
	Purchase of Motor vehicles and other transport Equipment	5,020,000,000	2,510,000,000	100	55	2.33	Performed as planned
	Purchase of Office and ICT Equipment, including software	32,920,000,000	16,460,000,000	100	50	2.60	
	Purchase of Specialized Machinery and Equipment	50,000,000	30,000,000	100	55	2.33	Performed as planned
	Purchase of office and Residential Furniture and Fittings	50,000,000	30,000,000	100	40	12.21	Performed as planned
	Programme Performance (Outputs)	215,770,000,000	110,740,000,000	100	68	95.41	Excellent Performance

Source: ***Author's Compilation***

The output performance was excellent at 95.41%. There was increased sensitization and tax awareness campaigns done. This highly contributed to the greater compliance levels across the northern, eastern and western regions of the country. The e-tax platform continued to make it easy for taxpayers to file their returns thus increased compliance.

b) Programme 1854: Revenue Collection and Administration

The approved programme budget FY 2019/20 is Ug shs 222.77bn, of which Ug shs 110.73bn was released and Ug shs 99.33bn spent by 31st December 2019.The programme has three sub-programmes: i) Domestic Tax Collection, ii) Customs Tax Collections, iii) Tax investigations.

Domestic Tax Collections

Total domestic tax collections during the half year FY 2019/20 were Ug shs 5,673.57bn representing 44.26% revenue collected against a target collection of 47.66%. New taxpayers totaling to 63,979 were added onto the tax register and this was boosted by the Tax Registration Expansion Project (TREP) initiative. The half year register growth represented 4.30% against a targeted register growth of 5% hence representing an 86% performance.

Tax audits totaling to 589 were conducted against a target of 1,404. Additionally, a total of 13,992 compliance inspection actions were conducted to conclusion against a target of 3,551. Significant deficits were registered in rental tax. It was noted that the URA increased awareness campaigns in rental tax. This was noted in Arua, Lira, Mbale and Mbarara sub-region offices.

Customs Tax Collections

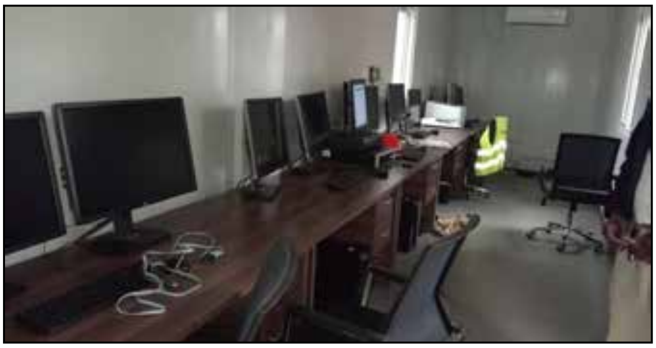
Total customs collections during the review period were Ug shs 3,537.31bn against a target of Ug shs 3,798 bn. A total of 131 post clearance audits were completed. A total of 109 intelligence focused operations were conducted, 3,890 seizures were executed, and these resulted into recovery of Ug shs 36.30bn. The electronically tracked cargo during the period was 17.58% against a target of 25%. Total transit cargo was 159,189 of which 27,993 was electronically tracked.

The total customs tax collections were below the target, and this was partially attributed to the closure of the two borders in the west, (Katuna and Mirama) and a lot of imports that fall in the exemption category. Additionally, many previously imported items in various sectors are currently being manufactured in the country e.g. tiles, steel products etc. and such goods attract import duty of 25% and above. The electronic cargo tracking was affected by wear and tear of the seals that are used hence variation in performance.

The Mutukula and Mirama One Stop Border Points were monitored. The Mutukula border had finished the installation of the drive through cargo scanner. An office was provided for women traders who also operate a SACCO in the premises. A health facility was also in place plus equipment, and a health practitioner was being recruited. This is expected to improve the smooth floor of traffic at the border. It was noted that almost 80% of the cargo is produce from Tanzania e.g. cassava, Soya beans, beans, maize, cotton seed cake, ground nuts etc. The other 20% is cargo for motor vehicles and spare parts. It was also noted that smuggling still takes place at this border point as it is a porous border.

The One Stop Border Point at Mirama Hills was completed. The drive through scanner was not yet in place by January 2020. The goods at this point go to Rwanda and they are from Kenya and China. The goods from Uganda were not allowed through this point. Goods from Rwanda to Uganda include scrap e.g. rubber paper and spaghetti. It was noted that monthly collections at this border point had increased since the closure of the Katuna border. All goods were diverted to this point. Previously, monthly collections were about Ug shs 36m and currently it ranges in to about Ug shs 680m.

The Mutukula One Stop Border Point was complete and operational



Top: Structure for the Drive through Scanners

Bottom: The Non- Intrusive Inspection Unit

Entrance to the drive Through Scanner

Tax Investigations

A total of 53 scheme and sector-based cases were investigated to conclusion against a target of 40. Additionally intelligence, science and forensic services were provided to 80% of the requests received through forensic analysis, disposals and intelligence surveillance. Eight intelligence briefs were generated and disseminated.

The programme performance was good at 83.3% by 31st December 2019. Summary of the programme performance is shown in the table 3.29.

Table 3.29: Performance of Revenue Collection and Administration Programme by 31st December 2019

Output Performance							
Sub programme	**Output**	**Annual Budget (Ug shs)**	**Cum. Receipt (Ug shs)**	**Annual Target**	**Cum. Achieved Quantity**	**Physical performance Score (%)**	**Remark**
Customs Tax Collections	Customs Tax	97,440,000,000	53,000,000,000	100.	46.10	37.12	Electronic cargo tracking was affected by the wear and tear of the seals.
Domestic Tax Collections	Domestic Tax	110,830,000,000	60,640,000,000	100.	44.30	40.33	
	Tax investigations	14,220,000,000	7,470,000,000	100.	48.00	5.84	Early planning resulted into effective implementation
	Programme Performance (Outputs)	222,490,000,000	121,110,000,000	100.		83.29	

Source: Author's Compilation

URA Feedback from the Business Community

It was observed from the business communities engaged that although URA regularly conducted sensitization workshops and tax clinics. These activities increased the level of awareness of the business communities. There was improvement in relations between the URA and the taxpayers.

The e-tax services facilitated faster assessment, filing returns and payment of taxes in the MDAs and LGs. Generally, there was an increase in the compliance levels.

However, in the regions of Arua, Masaka and Kampala the business communities pointed to the fact that some of their concerns raised were rarely resolved both in the short and long run. For example in Arua, there were complaints that some assessments were never based on any valid operations or activities of the taxpayer but rather derived unfairly, also that the newly registered taxpayers were required to file returns for every month in the year of registration even when there was no profit made. Many of the taxpayers lacked access to the URA portal and when they do, they are unable to navigate the system. This has since discouraged the would-be taxpayers from registering.

Challenges

- Failure to address the business community concerns raised in the outreaches.
- The requirement to file returns for periods prior to registration of businesses arising in the

middle of a financial year discourages voluntary registration.

- Local governments offer licenses to businesses/individuals without Tax Identification Numbers (TINS) and this contributed to low collections.

Recommendations

- The URA should review engagements with stakeholders with a possibility of giving responses to concerns raised
- The URA should support the newly registered businesses to complete returns for periods prior to registration within a FY.
- The URA should extend the durations of the stakeholder engagements in the regions to include practical support of the clients for example by completing some returns and procedures.
- URA should strengthen collaborations with other government institutions through awareness engagements to support collection of taxes.

3.4: Vote 153: Public Procurement and Disposal of Public Assets (PPDA) Authority

Introduction

The Public Procurement and Disposal of Public Assets (PPDA) is geared to the outcome of value for money in the management of public resources and to the budget execution and accountability thematic area

The PPDA is responsible for ensuring the application of fair, competitive, transparent, non-discriminatory and value for money procurement and disposal standards and practices, monitor compliance of procuring and disposing entities and build procurement Public Procurement and Disposal of Public Assets (PPDA) is responsible for ensuring; the application of fair, competitive, transparent, non- discriminatory, and value for money procurement and disposal capacity in Uganda among the key roles. The authority has two programmes: a) General Administration and Support, b) Regulation of the Procurement and Disposal System.

Performance

There was improved performance mainly attributed to; promotion of transparency through conducting procurement and disposal audits; investigations to address the weaknesses that have undermined public procurement through malpractices; enhancing efficiency through review of procurement plans and reports to monitor the implementation of the procurement plans especially the procurement lead times, use of the register of providers to offer reliable and updated information to Entities and the general public on the competencies of providers.

Programme 1456: Regulation of the Procurement and Disposal System

The programme approved budget for FY 2019/20 is Ug shs 18.2bn, of which Ug shs 5.84bn was released and Ug shs 1.63bn spent by 31st December 2019. The programme has two sub-programmes: i) Headquarters, and ii) Support to PPDA.

i) Headquarters

The approved budget for the sub-programme is Ug Shs 7.02bn, of which Ug shs 4.49bn was released and Ug shs 4.39bn spent by 31st December 2019. The sub-programme has five directorates which were assessed and below are the findings.

a) Performance Monitoring Directorate

The PPDA established regional offices in Mbale, Gulu and Mbarara to facilitate easy access for the entities out of Kampala. The support to the entities entails value for money audits, performance monitoring advisory services and capacity building engagements. The Authority conducted 27 procurement audits, and this was ascertained from the LGs monitored during the period e.g. Lira, Mbale. The PPDA provided support on the use of the e-Government Procurement Portal (GPP) to entities on the system and also conducted 73 compliance inspections.

The authority conducted compliance inspections of the records and proceedings of the Procuring and Disposing Entities (PDEs) to ensure full and correct application of the PPDA Act and issued twenty-four inspection reports.

The participation of local providers in the public procurement marketplace is still low in terms of value. The local providers account for the provision of 99.5% of contracts and 87.3% by value as at 31st December 2020. Procurements to local providers tend to be of low value in nature, attributed mainly to the low capacity to handle large value contracts.

The Mbarara Regional Office carried out procurement audits and all entities were satisfactory apart from Kanungu and Ntoroko districts. Nine firms from Kanungu District were blacklisted due to forgeries. The entities whose procurements were rated unsatisfactory were mainly due to preparation of substandard statements of requirements by user departments, this resulted in poor service delivery, poor contract management, and delayed disposals of public assets. There were instances were members of respective evaluation committees did not declare conflict of interest, this was the case in Mbarara and Gulu zonal offices.

The PPDA received 17 complaints, of which 4 were referred to the Accounting Officers for investigation, and 4 handled as administrative reviews.

A total of 2,030 providers were registered, of which 937 were new registrations, while 1,093 providers renewed their subscription

The contracts handled under the HYBRID procurement method for the construction of seed schools and health centre IIIs were not yet complete even after rolling over to the subsequent financial year.

There was an increase in the average time taken to complete a procurement cycle as compared to the same period for FY2018/19. This is an indication that procurement inefficiencies are on the rise and this calls for better mechanism to curb them.

The efforts to regulate previously unregulated time frames such as time taken during evaluation under the amendments to the PPDA Act 2006. Entities were still taking longer than the recommended timelines. Other areas of concern remain the administrative timelines such as time between submission of bids and start of evaluation, and time taken between completion of evaluation and submission to the Contracts Committee. Time taken at these stages remains unnecessarily long. The Authority is working with PDEs to ensure that delays at these stages of the procurement process are minimized.

b) Capacity Building and Advisory Directorate

The Authority conducted trainings targeting different stakeholders like technical staff, contracts committee members and civil society organisations (CSOs). It was also noted that the LGs under the regional PPDA offices of Gulu, Mbarara and Mbale usually get more support compared to those under the head/central office. The Authority also monitored the implementation of guidelines on preference and reservation schemes, developed monitoring tools, issued a circular to all entities on the updated template for the procurement plan.

The Mbale Regional Office trained stakeholders at Kumi MC, Nabilatuk and Bukedea DLGs about the public procurement process, their roles and responsibilities in the procurement and disposal process, preparation of statements of requirements, procurement and disposal planning, disposal of public assets and contract management.

Additionally, the PPDA Eastern Regional Office in partnership with Transparency International Uganda (TIU) undertook training for Small and Medium Enterprises (SMEs) on the preparation of responsive bids in public procurement. The participants were also equipped with knowledge of procurement & disposal processes with specific detail on E-Government Procurement. The regional office also supported and trained stakeholders at Soroti Regional Referral Hospital. The Authority observed low level of capacity in entities and noted the need for more sustained hands on support for the stakeholders in the procurement process including the political leaders.

c) Legal and Investigations Department

The Authority carried out investigations into mismanagement of procurements and disposals in MDAs and LGs. They handled 90 complaints, of which 36 were worth Ug shs 371,036,336,369. The authority found merit in 14 complaints and no merit in 22 complaints. Nine firms from Kanungu District were blacklisted. Laxity in process of conducing procurements was noted in some hard-to-reach LGs. This was pointed out about Ntoroko DLG.

d) E-Government

The implementation status of the e-GP system stands at 67%. Integration with other systems was completed with the exception of the PBS and National Identification Registration Authority (NIRA) which will be integrated after go-live expected in the third quarter.

ii) Support to PPDA

e) Government Buildings and Administrative Infrastructure

The physical progress on the construction of the office block was at 37%. Summary for the performance of Programme 1456 Regulation of the Procurement and Disposal System is shown in table 3.30.

Table 3.30: Performance of Regulation of the Procurement and Disposal System Programme as at 31st December 2019

Output Performance							
Regulation of the Procurement and Disposal System.	Output	Annual Budget (Ug shs)	Cum. Receipt (Ug shs)	Annual Target	Cum. Achieved Quantity	Physical performance Score (%)	Remark
Headquarters	Performance monitoring Directorate	3,080,000,000	2,760,000,000	100.00	50.00	9.54	Good performance
	Capacity building and advisory Directorate	1,340,000,000	990,000,000	100.00	58.00	5.84	The Gulu office performed more than it had planned
	Legal and investigations Directorate	1,330,000,000	30,000,000	100.00	3.00	7.38	Performed well though it did not receive the expected funds.
	E-Government	1,270,000,000	710,000,000	100.00	67.00	7.05	The system is at 67%.
Support to PPDA	72 Government Buildings and Administrative Infrastructure	10,990,000,000	1,340,000,000	100.00	37.00	40.5	Done as planned
	Total	18,010,000,000	5,830,000,000	0.00	0.00	70.31	
	Programme Performance (Outputs)					70.31	Good Performance

Source: Author's Compilation

Programme 1412: General Administration and Support Services

The programme approved budget for FY 2019/20 is Ug shs 6.82bn, of which Ug shs 2.28bn was released and Ug shs 1.63bn spent by 31st December 2019. The programme has two sub-programmes i) Corporate Affairs, and ii) Operations.

i) Corporate Affairs

Performance was good as a number of planned outputs: Financial, procurement and human resource audits were conducted. The PPDA progress reports, updating the monitoring and evaluation framework, and follow up on PPDA recommendations in MDAs and LGs were done. The monitored LGs noted that they were working towards addressing all recommendations by the PPDA.

ii) Operations

Staff salaries, gratuities and social security were paid timely. Health insurance was provided to staff and defendants. Summary performance of the General Administration and Support Services Programme is in table 3.31.

Table 3.31: Performance of the General Administration and Support Services Programme by 31st December, 2019

Output Performance							
General administration and Support services	**Output/ Subprogrammes**	**Annual Budget (Ug shs)**	**Cum. Receipt (Ug shs)**	**Annual Target**	**Cum. Achieved Quantity**	**Physical performance Score (%)**	**Remark**
	06 Corporate Affairs	2,740,000,000	890,000,000	100	50	40.18	Performed as planned
	07 Operations	4,080,000,000	1,400,000,000	100	50	59.82	No variations
	Programme Performance	6,820,000,000	2,290,000,000	200	100	100	Excellent performance

Source: ***Author's Compilation***

Conclusion

The performance of the PPDA was good at an average rate of 70.3%. The PPDA received and handled 17 applications for Administrative Review by bidders dissatisfied with the evaluation process and the decisions of Accounting Officers. One application was withdrawn, eight (42%) applications were upheld, and 11 (57.9%) applications were rejected. Out of the 18 decisions made, four were appealed against at the PPDA Appeals Tribunal and the tribunal dismissed all the applications.

The average lead time taken to complete the procurement cycle with open domestic bidding method is 167.9 days (35 contracts) from the data entered into the GPP so far. This is still above the indicative lead time frame for open domestic bidding which is 100 working days giving a variance of 67.9 days. Implementation status of the e-GP system stands at 67%.

The number of local providers account for the provision of 99.5% of contracts and 87.3% by value. The proportion of contracts that have been awarded through open competition are 71.4% (Ug shs 87,333,472,267) by value and 6.7% by number.

Challenges

- The Hybrid method used for the procurement of contractors for the construction of seed schools and health center IIIs under the Inter Fiscal Government Transfers Project resulted into delays in completion of construction works.
- Understaffing in the procurement and disposal units (PDUs). Twelve (50%) of the monitored LGs had only one procurement officer. This affects workflow leading to under performance in procurement.
- Lack of sufficient funding for capacity building activities. The regional offices can only carry out demand driven trainings which are funded by the entities.
- Limited procurement audit coverage especially in the central region on account of large coverage area (no regional office) and with inadequate capacity and capability.
- Limited users' knowledge of the procurement procedures and laws, hence increasing the procurement lead times and subsequent delayed service delivery.

Recommendations

- The PPDA advisory function for procurement methods to be applied by the PDEs should give guidance on the efficient implementation of the Hybrid method to avoid delays experienced in execution of some contracts
- The PPDA should plan for a budget allocation towards capacity building activities to the PDEs.
- The PPDA and MFPED should expedite the dissemination and operationalization of the revised PPDA Act.

CHAPTER 4: CONCLUSIONS AND RECOMMENDATIONS

4.1: Conclusion

Overall, the MSC performance was good at 75%. The MSC disbursed loans worth Ug shs 51.18bn, against a target of Ug shs 35bn (146% performance), compared to Ug shs 18.03bn disbursed by the company at half year FY 2018/19. The company registered a 14.5% increase in outstanding portfolio to Ug shs 134.7bn from Ug shs 117.3bn. Moroto Zonal Office registered the least performance in disbursement of Ug shs 421million (less than 1% percent of total disbursements), and the highest performance of Ug shs 16.810bn (32% of the disbursement) was under Nakasero Kampala office. The MSC continues to register delays in processing loans to clients and partial funding for applications received.

The overall performance of the PBS was good at 85%. The PBS was tested for all components and used for budgeting, reporting and procurement planning in the Central Government (CG) and reporting by LGs. Subsequent period reporting is not possible as the PBS remains unavailable for updating after submission of preceding period report. Processing of supplementary budgets by the LGs is difficult with no flexibility accommodated on the PBS moreover these regularly occur. Failure to communicate final indicative planning figures (IPFs) promptly to the LGs delays the timely completion of the budgets. In some instances, the outcome indicators are not aligned to the outcomes. There were delays in approval of and granting of cash limits for supplementary budgets.

The performance of the Public Procurement and Disposal of Public Assets (PPDA) for the FY 2019/20 was good at 70.31%. Through the regional offices in Gulu, Mbale and Mbarara, regional procuring and disposal entities were regularly supported to develop procurement plans and their quarterly performance reported. There was good performance in audits of procuring entities conducted by the PPDA, and timely feedback to the entities. Low awareness of the hybrid procurement method led to delays in implementation of projects. The PPDA regulations remain unclear to some PDEs on account of poor dissemination of developments reached.

The Uganda Revenue Authority (URA) performance was rated good at 85%, but slightly lower than it performed during the same period in FY 2018/19. The GDP to tax ratio realized was 9% (which was 50% of half year target and was good). This was an increase from 7.8% attained in the FY2018/19, and higher than the NDP II target at 14.60%. The closure of the Katuna border post affected tax collections. The business communities in Arua and Kampala complained of failure to attend to their concerns raised in engagements with URA. There was an increase in domestic revenue collected and increase in informal sector registration on account of the Tax Registration Expansion Project (TREP).

4.2: Recommendations

1) The MSC should improve the duration for loan processing, and terms for follow-on clients.

2) The Ministry of Trade, Industry and Cooperatives (MoTIC), and Local Economic Development departments at District Local Governments (DLGs) should support SACCOs to mobilize savings and improve their rating to facilitate access to credit from the MSC.

3) The MFPED with the National Planning Authority (NPA), Uganda Bureau of Statistics (UBOS) and Office of Prime Minister should improve the outcome indicators and also link the output indicators to the outcomes.

4) The PPDA should conduct capacity building activities to empower entities, civil society, and citizens ability to monitor budget execution.

5) The PPDA Act should be reviewed with the aim of reducing time for the procurement planning process i.e. bidding time, evaluation, review and award.

6) The MFPED should provide a budget allocation to support the recurrent activities incidental to PFM reforms, like internet for PBS and IFMS regional centres, that also need stationery, and generator running costs.

7) The MFPED should consider issuing timelines for approval of supplementary budgets and the related cash limits especially those arising from the LGs.

8) The URA should step up collaboration activities with other government agencies and business communities through increased awareness and sensitization engagements.

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Field findings

ANNEX

Annex 1: Accountability Sector Programmes Monitored During Semi-annual FY 2019/20

S/No	Vote/Project	Sampled Regions
	Vote 008 Ministry of Finance Planning and Economic Development	
1	Budget preparation, execution and reporting PBS and IFMS	LGs: Kole, Lira, Gulu, Hoima, Kyankwazi, Kayunga, Nakaseke, Kikuube, Kagadi, Kibaale, Mayuge, Tororo, Bukedea, Sironko, Soroti, Kumi, Mbale, Lwengo, Wakiso, Ntungamo, Kabale, Rwampara
2	Financial Sector Development; The Micro Finance Support Centre (MSC)	Zonal offices of Arua, Jinja, Hoima, Lira, Kampala, Kabale, Lira, Ngoma satellite office in Nakaseke, Masaka, Mbale, Mbarara and soroti. Three institutions and two group beneficiary were sampled and District Commercial Officers of Amuru, Bukedea, Gulu, Kagadi, Kikuube, Kabale, Kayunga, Kibaale, Kumi, Kyamkwanzi, Lira, Mayuge, Mbale, Nakaseke, Ntungamo, Rwampara, Tororo and Wakiso.
	Vote 141 Uganda Revenue Authority	
3	Administration and Support Services Revenue Collection and administration	URA Headquarters, URA Regional Offices of; Gulu, Lira, Mbale, Mbarara, Mutukula border post, Mirama border post and supported LGs of; Kole, Lira, Gulu, Hoima, Kyankwazi, Kayunga, Nakaseke, Kikuube, Kagadi, Kibaale, Mayuge, Tororo, Bukedea, Sironko, Soroti, Kumi, Mbale, Lwengo, Wakiso, Ntungamo, Kabale, Rwampara
	Vote 153 Public Procurement and Disposal of Assets	
4	Regulation of the Procurement and Disposal Systems	PPDA regional offices in Gulu, Mbarara, and Mbale. Supported entiies in LGs; Kole, Lira, Gulu, Hoima, Kyankwazi, Kayunga, Nakaseke, Kikuube, Kagadi, Kibaale, Mayuge, Tororo, Bukedea, Sironko, Soroti, Kumi, Mbale, Lwengo, Wakiso, Ntungamo, Kabale, Rwampara

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