



UGANDA

PFM REFORMS PROPOSALS ARISING FROM THE 2022 PEFA ASSESSMENT

Final Report

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Abbreviations and acronyms

AMFG	Asset Management Framework and Guidelines
BoU	Bank of Uganda
CSO	Civil Society Organisations
DC	Development Committee
DPs	Development Partners
e-GP	Electronic Government Procurement
EPRC	Economic Policy Research Centre
ESAI	Environmental Sensitivity Area Index
GoU	Government of Uganda
IBF	Integrated Bank of Projects
IFMIS	Integrated Financial management Information System
IMF	International Monetary Fund
HCM	Human Capital Management
MDA	Ministry Department and Agency
MoFPED	Ministry of Finance Planning and Economic
MoPS	Ministry of Public Service
MTEF	Maedium Term Expenditure Framework
NDP	National Development Plan
NPA	National Planning Authority
OAG	Office of Auditor General
PEFA	Publix Expenditure and Financial Accountability
PFM	Public Financial Management
PIAP	Programme Implementation Action Plans
PIM	Project Investment Management
PIMA	Public Investment Management Assessment
PPDA	Public Procurement and Disposal of Public Assets
URA	Uganda Revenue Authority
IPPS	Integrated Personnel and Payment System

1 Introduction

1.1 Objectives

Conducting a performance assessment of a country's public finance management (PFM) based on the Public Expenditure and Financial Accountability (PEFA) methodology is usually the **first step** in developing reform plans to strengthen PFM. Such assessments may be carried out by the government concerned or by external, independent consultants.

The **second step** involves taking stock of the assessment's implications in terms of the strengths and weaknesses identified using the PEFA framework – which is based on the evidence collected and used to score the various performance indicators.

The application of the PEFA performance assessment framework (2016) to the Government of Uganda (GoU), that was undertaken in 2022 provides a useful platform for the Ministry of Finance, Planning and Economic Development (MoFPED) to initiate an internal discussion about appropriate priorities for further strengthening PFM systems, processes, and institutions. Hence, the purpose of this document is to contribute to discussion **within** MoFPED. Based on an analysis of the implications of the assessment, preliminary proposals are advanced in terms of **possible reform options and objectives, and/or of general lines of action. Additionally, observations are made with respect to strategic and operational aspects to consider when developing an action plan for strengthening PFM.**

1.2 Scope and limitations of the PEFA assessment

This report presents the findings of the 2022 assessment of PFM systems in the Government of Uganda (GoU), using the PEFA methodology. A PEFA performance assessment provides an evidence-based, high-level picture of the current operation of the main PFM systems, processes, and institutions. An earlier assessment was conducted in 2016; this 'repeat' assessment has identified changes in performance since then and will assist GoU, its development partners (DPs) and other stakeholders including Civil Society Organisations (CSOs) to understand more clearly the current operation of the overall PFM system.

The assessment covers GoU, its executive, spending units, and the services supplied under its authority. The assessment utilized all 31 PEFA indicators, covering 94 performance dimensions. It also provided a concise, integrated performance report analysing the results across all indicators to summarize their implications for performance against the three core budgetary outcomes – *aggregate fiscal discipline, strategic resource allocation, and efficient service delivery*. The assessment mainly used data for the three-year period 2018/19 to 2020/21 but also referred to processes and/or data for 2022, when required by specific indicators. In addition, the Frameworks for assessing 'Gender Responsive' and 'Climate Responsive' Public Financial Management were undertaken, and separate reports have been produced. The scope of the PEFA assessment was mainly at the level of **central budgetary**

government, with some analysis of the relationships between this and other components of the public sector.

The focus of a PEFA assessment is limited to an analysis of systems, processes, and institutions against accepted 'good practice'. It does **not** include identifying or addressing the underlying causes of good/bad performance suggested by the scores, nor does it address issues of fiscal policies implemented by the Government.

Overall, the assessment confirms that Uganda's PFM reforms have been successful in establishing a solid foundation for the country's PFM system. The many improvements implemented – 11 of the 31 PEFA Indicators are rated better than in the 2016 assessment – have enabled GoU to mobilize and use resources in line with its medium-term budget and five-year development plan. The PFM systems in place are generally effective – as is the capacity for enforcing the existing regulatory framework – and sufficiently transparent to allow citizens to monitor the performance of their government. The PEFA for Gender and Climate are being performed for the first time in Uganda. The recommendations for Gender and Climate are shown separately. The two supplementary assessments show strong foundations as well which would firmly support future improvements.

The rest of this report is structured as follows: section 2 covers the development of PFM reforms, section 3 provides a high-level overview of general PFM recommendations, section 4 sets out climate responsive PFM recommendations, and section 5 specifies the gender responsive PFM recommendations. For ease of use, Annex 1 provides the general PFM PEFA ratings. Annex 2 shows the climate specific PEFA ratings. Annex 3 indicates gender specific PEFA ratings..

2 Developing PFM reforms

International experience suggests that PFM reforms should not be undertaken in isolation but should rather coordinate and collaborate with other reforms to support, strengthen, sustain and thus complement each effort. Hence, a sound analysis of underlying issues is essential to provide an in-depth understanding of the *causes* of problems, so that appropriate reforms can be designed that will be realistic and actionable in the GoU context. This may well require further investigation and analysis.

The investigation and analysis will draw from other PFM diagnostic studies that have been undertaken and which are relevant for Uganda. These include the fiscal transparency assessment; tax administration diagnostic tool; public expenditure reviews; country procurement assessment report etc.

In addition, it may be instructive to establish why previous reforms have been suggested but not been successfully implemented: for example, earlier proposals to improve Parliamentary oversight have been made but have not been implemented.

Many of the weaknesses identified in the PEFA assessment do not require 'technological' changes or rewriting legislation, but rather 'soft reforms', which relate to culture, attitude, and ethical norms. They require commitment to, for example, rewarding 'good work', while sanctioning wrongdoing. Many successful reforms start with 'easy wins' to encourage staff, possibly by building on what has already been accomplished. However, they avoid taking on too much at once.

It is important to draw lessons from what has been learnt so far in implementing PFM reforms and to understand why certain reforms have succeeded whereas others have faltered. GoU may need to change the tact for some of its reforms. Certain reforms have been instituted after each PEFA assessment but without much success. It may be time to change the approach for such reforms. GoU officials responsible for implementing the reforms need to actively and convincingly perform what is expected of them and not pay lip service to the reforms. The reforms are not carried out because MoFPED, MoPS or Auditor General has directed so but to enable the officials to effectively achieve their outputs. Reforms are an integral part improving the performance of the officials.

As a general point, change management should be made a priority. For example, one of the issues arising from the assessment suggests that ministries should actively supervise the agencies for which they are responsible. This supervision starts with reviewing budget estimates, followed by monitoring budget execution, and then reviewing and analysing reports and results. Equally Accounting Officers need to actively supervise staff working under them by specifically assigning them tasks and monitoring their performance. Good performers should be rewarded and the poor ones sanctioned.

Based on all the above a reform programme will be drawn up. It will cover the following: high level performance review; identification of PFM weaknesses; investigation of underlying causes; recommendation of PFM reform measures; formulation of a PFM reform program; and implementation of the PFM reforms.

The PFM reform initiatives will be at different levels. Some will be at a high level involving the legal and institutional frameworks. Others will involve strengthening existing systems and processes to improve functionality. Training and capacity building will be reviewed as well. We have listed below the areas that require attention. GoU is expected to do more investigations and analyses to determine the appropriate methods for the chosen reforms.

In the sections below we specify the major areas for PFM reforms including those for climate and gender. It is expected that GoU review the identified areas of weakness and prioritise those that need immediate attention depending on the constraints (political, technical and financial) facing Uganda.

3 Recommendations for main PFM

GoU has been undertaking PFM reforms over the years. The reforms as noted earlier have been largely successful. However, as revealed by the latest PEFA assessment, there are some areas that need urgent attention. Some of these areas have been attended to before but without much success. There is need therefore to take a closer look at them again, identify and review their causes and propose new solutions. Below we give areas that maybe prioritized.

Budget execution remains problematic especially in regard to supplementary expenditure and the accumulation of arrears. It may help to review the strategic planning and budgeting processes to ensure that adequate funds are provided for the relevant activities. Furthermore, expenditure controls including commitment controls and internal controls should be tightened to minimise excess expenditure. Monitoring of budget execution should not be limited to expenditure only, revenue should equally be tracked and monitored. The in-year budget reports for both expenditure and revenues should be routinely and comprehensively analysed and corrective action taken.

Legislative scrutiny has been challenging for a long time and continues to be so. Scrutiny of budgets and audit reports is weak. Parliament should be supported to strengthen its oversight role as this is a key peg in the control and management of public funds.

GoU has made commendable improvements in budget preparation activities by involving key PFM stakeholders and producing and disseminating relevant budget documentation. Despite this stellar performance the PFM stakeholders are not provided with information on how the annual budget has performed against previous projections. Documenting and analyzing budget performance provides very useful information that feeds into formulation of future budgets. The analysis will facilitate realistic budget estimates and will help curtail excess expenditure, minimise expenditure arrears, enable realistic revenue estimates and improve budget performance in general.

Another area that needs urgent attention is **public investment management (PIM)**. GoU continues to make heavy investments in infrastructure and other public assets. It is important that those investments are properly captured, looked after and accounted for. Investment projects should be proficiently selected and implemented so that they add value. We are aware that efforts to improve investment management are ongoing. The efforts should be accelerated and deepened. Similarly **public asset management** is currently being strengthened. Efforts in that area should be backed up by a clear and all-encompassing policy for public investment and asset management. Production and approval of the policy should be fast tracked to provide public investment and asset management with adequate authority. Monitoring the performance of investments and public assets by documenting and publishing their performance should be taken as a priority. Publicizing their performance enhances transparency and accountability in the usage of public funds.

Procurement management has made big strides in recent years through introduction of e-GP in data processing and information dissemination to speed up procurement processes. Availability of timely and relevant procurement information strengthens transparency and monitoring of procurement activities. The second phase of e-GP involves automation of the entire procurement cycle. This was introduced on 1 July 2021 and is being rolled out in phases and will eventually cover the whole of GoU. The e-GP effort should be supported and sustained as procurement covers a large portion of the GoU annual budget.

Lastly, close tabs need to be kept on the payroll given that it makes up a big portion of the annual GoU budget.

Error! Not a valid bookmark self-reference. below outlines comments and, where appropriate, recommendations for each indicator.

Table 1: Specific recommendations by indicator, 2023

Performance Indicator	Comments and Recommendations
PI-1: Aggregate expenditure out-turn	Restrict the use of the supplementary budget to ONLY unforeseen and unexpected items and within the threshold, as per the PFM Act: this will require prudent and comprehensive budgeting of all foreseeable items (including analysis of the cost efficiency and effectiveness) by MDAs so that the annual budget becomes a reliable guide for the fiscal year. The Public Finance Act if implemented, will help in reintroducing consistency between budget allocations and budget execution. Strengthen budgeting for projects. Costing and forecasts should be based on project comparators based on existing public services and rigorous project life cycle costing. It may be prudent to define fiscal rules on supplementary budget usage in the Charter of Fiscal Responsibility.
PI-2: Expenditure composition out-turn	Budget credibility (for both investment and recurrent activities) will be improved via better cash forecasting on a daily basis and limiting the use of supplementary budgets (which may cause in-year distortions).
PI-3: Revenue Out-turn	Integrate revenue forecasting with MoFPED Macro team and explore the adoption of more contemporary models, drawing lessons from SSA. Continue to build collection of real time revenue data through automation and integration of revenue systems and business enterprise payment systems which will critical input into forecasting models.
PI-4: Budget classification	Operationalise the new chart of accounts for the start of the next budget, and use throughout the cycle (preparation, execution and financial reporting).
PI-5: Budget documentation	<i>(No recommendation: already rated A.)</i>
PI-6 Central Government Operations Outside Financial Reports	Review the practice that NSSF information is not available to MoFPED <i>(nor was it seen by the consultants)</i> .
PI-7 Transfers to Subnational Governments	<ul style="list-style-type: none"> • The criteria for determining transfers to local governments should be made public to increase transparency. • Progressively, more of this funding should be made unconditional to give LGs greater predictability and control: this is consistent with the spirit of NDP program

	<p>planning and budgeting, in particular with performance evaluations of accounting officers.</p>
<p>PI-8 Performance Information for Service Delivery</p>	<ul style="list-style-type: none"> • Sensitize staff to the nature and transition from sector to program budgeting, as consultations revealed a lack of understanding of the concept or its implications. Particular attention should be given to the role and interactions of Programme Working Groups with MDAs. • Phase-in the changes depending on available human, financial and technological capability, and capacity. • Produce templates for MDA staff to prepare NDP program budgets: these must provide clear definitions of outcomes, outputs and how these will be monitored and evaluated. • Develop and implement systems for tracking resources sent to and used at MDAs: ensure staff are trained to implement them. • All this will benefit performance evaluation of service delivery which will then increase its coverage.
<p>PI-9 Access to Fiscal information</p>	<p><i>(No comment: rated A).</i></p>
<p>PI-10 Fiscal Risk Reporting</p>	<ul style="list-style-type: none"> • Assign clear responsibility to produce, analyse and publicize the financial results and performance of public corporations: three institutions (Accountant General's Office; Directorate of Economic Affairs; and Privatization Monitoring Unit) are currently involved. • Broaden the capture of contingent liabilities including of state owned enterprises. Publicize contingent liabilities, together with proposed actions to mitigate them. The Accountant General's Office and the Directorate of Cash and Debt Policy need to share and use the same data for contingent liabilities.
<p>PI-11: Public Investment Management</p>	<ul style="list-style-type: none"> • Integrate projects into the budget and public investment plan based on project selection criteria and detailed cost estimates. Continue to strengthen project preparation, update the project preparation guidelines, and prepare sector specific project preparation and appraisal approaches. Life cycle budgeting of projects needs to be emphasized and embedded into medium-term fiscal forecasts. Strengthen the coordination and monitoring of public projects while laying thresholds for the performance of different projects. • Develop a PIM reform agenda from the recently concluded IMF PIMA.

<p>PI-12 Public Asset Management</p>	<ul style="list-style-type: none"> ● Accelerate ongoing reforms to identify and register all GoU assets. ● Produce and publish asset performance reports—especially for financial assets. ● Accelerate approval and dissemination of the asset management framework and guidelines. ● Operationalize the monitoring of asset disposals, as per the <i>Asset Management Framework and Guidelines</i>.
<p>PI-13: Debt management</p>	<p>Add institutional and contingent risks (which should include the scope of recoverable costs) to the publication of all fiscal risks in the MDTs. Adherence to the fiscal rules in the Charter of Fiscal Responsibility is key.</p>
<p>PI-14: Macroeconomic and fiscal forecasting</p>	<p>Provide a detailed review of deviations between previous years’ forecasts and actual fiscal out-turns in budget documentation, detailing the explanatory factors for the changes (ideally with cross-institutional validation by BoU, EPRC and NPA engagement).</p>
<p>PI-15: Fiscal strategy</p>	<p>Carry out impact assessments of fiscal proposals both on expenditure and revenue: incorporate this into budget documentation. This should include quantification or systematic identification of new revenue policy changes, new major projects or changes to expenditure programs and their impact on the budget.</p>
<p>PI-16: Medium-term perspective in exp budget</p>	<p>Prepare medium-term forecasts (including multiyear commitments) from (current) spending review process (which needs to include detailed costing of public investments). Effective public investment management reform agenda will be critical in accurate annual and medium term forecasts and MTEF.</p>
<p>PI-17: Budget process</p>	<p><i>Continue adherence to the budget calendar including parliamentary and executive oversight (already rated A).</i></p>
<p>PI-18: Legislative scrutiny of budgets</p>	<p>Adhere to the calendar and to Parliamentary rules of procedure. Draw up enforcement sanctions for the non adherence to the rules.</p>
<p>PI-19 Revenue Administration</p>	<ul style="list-style-type: none"> ● Update taxpayers’ registration database and ensure that it is comprehensive: link with other GoU systems to widen the tax base. ● Improve tax audits and investigations through training and capacity building of URA staff. ● Authenticate tax arrears by analysing their nature, origin, value and composition. ● Ensure that arrears which are automatically generated within the system are communicated to the taxpayers.

PI-20 Accounting for Revenue	<i>(No comment: rated B+).</i>
PI-21 Predictability of in-year resource allocation	Analyse the causes, nature and origin of ‘supplementary requests’ to formulate a strategy to minimize their frequency and magnitude.
PI-22 Expenditure Arrears	Enforce implementation of the domestic arrears control strategy and monitor its progress.
PI-23 Payroll Controls	<ul style="list-style-type: none"> • Conduct a comprehensive payroll audit (the last was in 2015) to gauge the success of the transition from IPPS to HCM: this should also cover other payroll systems to determine if they operate effectively. • Monitor implementation of the HCM system.
PI-24 Procurement	Enforce S46 of the Anti-Corruption Act, to ensure appropriate sanctions are being implemented.
PI-25 Internal Controls on Non-salary expenditure	<p>Carry out a study to identify major violations of internal controls and establish their causes. On the basis of this prescribe the necessary remedies and monitor their implementations.</p> <p>Accounting Officers must understand their roles and responsibilities and should supervise their staff to ensure that internal audit, external audit and parliament recommendations are followed-up and implemented.</p>
PI-26 Internal Audit	Undertake an international quality assurance of internal audit work (as required by the Internal Auditing Standards Quality Assurance and Improvement Programme).
PI-27 Financial Data Integrity	<p>Accelerate the implementation of the new tracking facility for advances in the upgraded IFMS system.</p> <p>AGO should receive and analyse financial reports and bank reconciliations from extrabudgetary units.</p>
PI-28 In-Year Budget Reports	<p>Produce and disseminate in-year budget review reports and ensure that MDA returns are received and analysed by a competent authority (it appears that returns are simply received without any analysis).</p> <p>Most budgetary units concentrate on expenditure against budget: however, revenue returns should also be analysed.</p> <p>Produce and analyse budget reports for extrabudgetary units.</p> <p>Consider requesting parliament to raise appropriation levels to facilitate control and monitoring expenditure and revenue by Accounting Officers. Current arrangements result in very detailed and time-consuming procedures that do not add value to MDA operations and limit the discretion</p>

	of AOs to achieve their objectives; this may hinder successful implementation of NDP planning and budgeting.
PI-29 Annual Financial Reports	Accelerate moving all GoU financial reports to a uniform basis of accounting and the same financial year.
PI-30 External Audits	Fast-track implementation of the system for tracking audit recommendations that is being jointly operated by OAG and parliament.
PI-31 Legislative Scrutiny of Audit Reports	Provide parliament with the capability (manpower, finance, time, etc.) to exercise appropriate and effective oversight of audit reports.

4 Recommendations for climate-responsive PFM

Climate change strategies are implementable when climate-rated sector medium-term strategic plans, medium-term budgets, and annual budgets are aligned with the climate change strategies. In EY 2021/22, about seven Programs included climate change priorities in their PIAPs. It is recommended that all sectors align the climate change strategies into their medium-term strategic plans, medium-term budgets, and annual budgets as stipulated in the NDP III. It is recommended that aligning the climate-related policy proposals in the approved medium-term budget estimates with the sectors' costed medium-term strategies improve the current compliance level of 65%.

The annual budgets do not contain information about climate change-related tax policy proposals. The National Climate Change Policy and the National Environment Act stipulated the need for climate change-related taxes through incentives and penalties. Developing tax policy proposals and including them in the medium-term strategic plans and annual budgets in line with the national climate change strategy is recommended.

The government of Uganda adopted a methodology for tracking climate change expenditures in 2020/21. The methodology is applied to a few MDAs during the pilot phase. It is recommended that ongoing efforts be accelerated so that the methodology can be applied across all MDAs.

The number of projects passed through the DC before inclusion in the PIP is increasing. The DC investigates whether an ESAI is available for proposed projects. As the ESAI is not sufficient to choose between competing proposed projects based on the costs associated with climate change risks, it is recommended that the PIM manual is revised to incorporate climate change criteria that cover the climate impact of the project or its exposure to climate risks. It is also recommended that the appraisal results are published.

It is recommended that the legal frameworks of the Government of Uganda specify climate-related loan arrangements, such as methodology, to identify projects eligible for climate finance at all levels (including SNGs and public corporations) and demand the production of mandatory climate-related loans.

The PPDA is currently working on developing a sustainable procurement framework. The framework is expected to mainstream climate change into the procurement system. It is recommended that the revised framework establish clear criteria to determine what products or services count as climate responsible and the scope of procurement operation subject to climate-responsive procurement principles. The framework needs to have a system of monitoring where compliance with contract awards and implementation with climate-responsive specifications of tenders and contracts is verified. Finally, the new framework stipulates mandatory reporting and publishing of requirements on climate-responsive procurement, including statistics and references to the target and priorities. The standard bid document guidelines (procurement award criteria, tender requirements, or specifications) should be revised to include climate-responsive standards and templates.

Table 2: Specific recommendations by indicator, 2022

PEFA Climate Indicator	Comments and recommendations
1.1 Budget alignment	Undertake clear climate risk screening for programmes, and integrate appropriate climate actions among the interventions, and the indicators to be monitored. The process has been initiated.

PEFA Climate Indicator	Comments and recommendations
2.1 Tracking climate related expenditure	The Government should complete the redesign of the budgeting and expenditure reporting systems to enable automated tracking of climate related expenditure. The process has been initiated.
3.1 Budget circular	There is need for consistency on the action actions proposed in the Budget circular. Description of actions regressed between 2019 and 2021.
4.1 Legislative scrutiny of budget	The legislative scrutiny needs to expand from the Certificate of Compliance to build into ex-post evaluation of previous fiscal year's performance, and evaluation of the medium-term planning and expenditure frameworks. The certificates of compliance should be integrated into a PFM system.
4.2 Legislative scrutiny of audit and evaluation reports	Establish the criteria for evaluation and auditing of climate change action. Audit and evaluation of climate change actions and reports should be conducted regularly, preferably every year.
5.1 Climate related provisions in regulatory framework for public investment management	The PIM needs to be explicit on climate change impacts and how climate change will be mainstreamed into projects, how projects screen for, prioritise and conduct appraisal for climate change actions in the projects. Climate change should be fully covered under environmental modules.
5.2 Climate related project selection	The Development Committee (DC) guidelines should include climate change in the results framework and the pre-feasibility and feasibility assessment for climate actions.
5.3 Climate related provisions for project appraisal	Revise DC guidelines so that climate change is mentioned and is consistently and comprehensively covered.
5.4 Reporting from entities in charge of implementation	Guidance needed on how to report through a clear monitoring and evaluation framework for climate change at project implementation, operation, and ex-post evaluation of projects for their climate change compliance. These suggestions can be included in the revised DC guidelines.
6.1 Climate responsive non-financial asset management	The Asset Management Framework Guidelines (AMFG) 2020 provides a fair guidance that needs to be improved to guide on asset management especially on operational practice. A clear climate risk screening of non-financial asset management is needed to also guide on the actions taken.
7.1 Climate related fiscal risks	Whereas macroeconomic models have been developed, they need to be updated and data collected to ensure that the fiscal risks associated with climate change influence fiscal policy. Currently basic benchmarking exists but not included in fiscal policy.
7.2 Climate related debt and guarantees	The framework for mandatory reporting of public debts and guarantees needs to systematically include climate related debt and guarantees. The Integrated Bank of Projects (IBP) needs to be upgraded. Grants and loans towards climate action gradually being included.
8.1 Climate responsive procurement framework	The Public Procurement and Disposal of Assets Authority (PPDA) needs to structurally address climate change as separate from environmental and social risks in the initiated reforms. Currently procurement systems rely on the project development and design structure.
8.2 Climate responsive public procurement operations	Procurement systems proposed life cycle analysis for collation of climate change related data, which may be too granular to manage. Instead, more feasible approaches using natural resource accounting and material flow approaches need to be considered.

PEFA Climate Indicator	Comments and recommendations
8.3 Climate responsive public procurement monitoring	Climate change needs to be explicitly drawn out from the other climate change considerations with indicators for monitoring. This will benefit from project design explicit on climate change actions.
8.4 Climate responsive public procurement reporting	There is need to strengthen reporting on sustainability particularly for climate change and other environmental considerations. The reporting should also include case studies of good practice at national and subnational level and it should be scaled up.
9.1 Climate related tax management, audit, and investigation	Fiscal instruments are not yet explicit on climate change. There is therefore need to develop strategy for climate related tax management, audit, and investigation.
9.2 Climate related tax arrears	The system needs to start developing economic, social, and environmental cost of climate change impacts. Provide research and technical support to generate information needed.
10.1 Effectiveness of the systems of controls	The ongoing reforms in budgeting system can be extended to the payment system through the interconnections between the PBS and the Integrated Financial Management Information System (IFMIS).
10.2 Compliance of transactions	Climate change should be integrated into payment systems to allow for compliance on climate commitment. Fiscal policy decisions need to be made. Reform Public Finance Management Regulations accordingly.
11.1 Climate responsive fiscal decentralization legal framework	<i>The</i> Framework Strategy on Climate Change and the National Climate Change Action Plan in the NDP III PIAPs need to be developed to clarify the role of local governments in climate change fiscal mainstreaming.
11.2 Climate responsive fiscal transfers	Whereas ecosystem restoration, maintenance, and human capital development actions contribute to climate action, the instrument for achievement these transfers, and the fiscal scrutiny are not explicit. Currently the fiscal instruments are not explicit on climate action.
11.3 Climate responsive PFM arrangements applied by subnational governments	The current practices initiated in the pilot districts needs to be scaled up to the rest of the country. The pilot instruments are limited.
12.1 Climate related information in performance plans	As part of going reforms, the Programmes need to screen for and plan for climate risks associated with the programmes. Scale up capacity for risk screening.
12.2 Climate related information in performance reports	The performance assessment relies on NDP III Programme Implementation Action Plans (PIAP) indicators. These indicators need to explicitly show the climate change related outputs and impacts sought.
13.1 Climate related evaluation of expenditure	Climate change evaluation and audit needs to be conducted annually. Climate change needs to be mainstreamed alongside environmental management and gender.
13.2 Climate related evaluation of taxes	The fiscal reforms on climate to include assessment of the potential for climate change related taxes, and the implementation strategy will need to provide targets and indicators to monitor and evaluate periodically.
14.1 Aggregate climate expenditure out-turn	There is need to provide a clear mapping of the Programme outputs and the budget outputs so that the budget appropriations and the outturn reconciliation can take place. Develop climate change explicit budget outturn reporting.
14.2 Climate related expenditure outturn	Reporting of budget outturn should match appropriations and the outturn should be based on the NDP III PIAPs updated to include climate change actions and indicators.

5 Recommendations for gender-responsive PFM

Based on findings from PEFA Gender Assessment, the following is recommended to the Government of Uganda.

Improve Gender-Responsive Policy Planning

To promote gender equality and equity, it is crucial to better align budget priorities with gender-related objectives. This can be achieved by mandating the inclusion of gender priorities in sectoral budget frameworks and analyzing policies and programs before and after implementation. Although Uganda has several supporting documents and guidebooks to assist this process, they still need to be fully utilized. The policy planning units of Votes must incorporate these tools into their standard planning process. Although addressing gender gaps are considered during the preparation of Ministerial Policy Statements, they tend to be neglected during the later stages of budget formulation.

This can be achieved by emphasizing the importance of gender-responsive planning in the budget preparation instructions provided to Votes. By explicitly highlighting the need to consider gender-responsive objectives throughout the budget formulation process, policymakers and planning units will be more likely to integrate gender considerations effectively and prioritize gender equality and equity in their policies and programs.

Practical steps

- Provide ongoing mandatory training to Votes' policy planning units to emphasize that integrating gender into policy planning is not a parallel process. Instead, it should be an intrinsic and integral part of the planning and budgeting cycle. By understanding the significance of gender-responsive planning as an essential component rather than an isolated task, policymakers will be better equipped to embed gender considerations effectively throughout all policy development and budget formulation stages. This will help them grasp the interconnectedness of gender equality objectives with broader policy goals and enhance their capacity to design and implement more inclusive and equitable policies.
- Update the Instructions for Submission of Ministerial Policies and Budget Framework templates by incorporating dedicated columns for gender-responsive objectives and indicators. These columns could remind policymakers to include gender considerations in their policy statements and budget proposals. This modification ensures that gender-responsive planning becomes integral to the submission process, encouraging policy planning units to actively consider and prioritize gender equality and equity in their proposals. Including these columns will facilitate the systematic integration of gender-related goals and measurable indicators, promoting more effective and comprehensive gender-responsive policies and budgets.
- Mandate the sex disaggregation of indicators across all policy fields. Sex disaggregation of indicators is a minimum for gender and equity-responsive PFM.
- Integrate Gender Analysis into Budget Planning: Strengthen the incorporation of gender analysis into the budget planning processes. This entails conducting thorough gender impact assessments on budget proposals to identify opportunities for effectively addressing gender gaps. To begin, consider conducting ex-post analysis on current programs to evaluate their gender outcomes. The insights from this analysis will inform strategies for enhancing gender equality and equity in ongoing initiatives. Moving forward, it is imperative to make gender impact assessments mandatory for all future policies to be formulated and implemented. This

proactive approach ensures that gender considerations are systematically addressed, leading to more inclusive and equitable budgetary allocations and outcomes.

- Improve Availability and Use of Gender Statistics: Enhance the availability and use of gender statistics and sex-disaggregated data in budget decision-making and performance reporting. Reliable and comprehensive gender data are essential for informed budgetary decisions that address gender-specific needs.

Revise Budget Documentation Submitted to Parliament

To achieve gender equality and equity in PIM, it is crucial to incorporate clear guidance on conducting gender analysis in the Public Investment Management Guidelines. This guidance should outline practical steps for integrating gender considerations into investment plans and projects.

An example of questions¹ to be included in cases of ex-ante analysis of investment proposals:

- Do women and men experience different conditions, behaviors, preferences, and needs within the area affected by the proposal? If so, what are these specific preferences?
- What new rights, obligations, and opportunities do women and men gain from the policy proposal?
- How will the proposal impact the access of women, men, girls, and boys to education, the labor market, maternity leave/paternity leave, childcare, pensions, transfer income, subsidies, taxes, charges, pay, social life, leisure time, and participation?
- How will this proposal influence democratic processes, housing, health, safety (including violence, crime rates, bullying, and harassment), mobility (transport), and innovation (technology and entrepreneurship)

Build Upon Existing PFM Structures for Gender Responsive Intervention

Instead of creating parallel systems, leverage the existing Public Financial Management (PFM) structure while establishing additional structures to support gender-responsive interventions. By integrating gender considerations into the existing systems, governments can achieve more sustainable and effective results.

For example, the Equal Opportunities Commission plays a crucial role in certifying Votes if they have successfully integrated gender responsiveness into their budget frameworks. However, understaffing within the commission may impede the effective implementation of Gender and Equity Budgeting. To strengthen this process, it is essential to embed Gender-Responsive Budgeting (GRB) tasks within the regular job tasks of the Ministry of Finance. This would ensure that gender considerations become integral to the budgeting process rather than relying solely on a separate committee.

By incorporating GRB tasks within the existing PFM structure, policymakers can promote gender equality more efficiently. This approach fosters a more comprehensive and institutionalized commitment to gender-responsive planning, resulting in sustained progress toward gender equality and equity. It also streamlines the process by reducing the need for additional, potentially fragile structures. It allows for a more coherent and cohesive integration of gender considerations throughout the budgeting process.

¹ Denmark ex ante analysis

Table 3: Specific recommendations by indicator, 2022

Gender indicator	Current Score, 2022	Comments and recommendations
GRPFM–1 Gender impact analysis of budget policy proposals (M1)	D+	<ul style="list-style-type: none"> • Improve gender-responsive policy and budget planning • Integrate gender analysis into the policy, expenditure, and revenue planning process • Improve availability and use of gender statistics
GRPFM–2 Gender-responsive public investment management (M1)	D	<ul style="list-style-type: none"> • Adopt gender-responsive guidelines for PIM as mandatory
GRPFM–3 Gender-responsive budget circular (M1)	B	<ul style="list-style-type: none"> • Mandate gender-disaggregated data in the Budget • Frameworks
GRPFM–4 Gender-responsive budget proposal documentation (M1)	B	<ul style="list-style-type: none"> • Include the third missing element: an overview of the findings of ex-ante impact assessments
GRPFM–5 Sex-disaggregated performance information for service delivery (M2)	C	<ul style="list-style-type: none"> • Increase from some to most services where the following information is provided in Budget Frameworks and Performance Reports: <ul style="list-style-type: none"> ○ Sex-disaggregated data on planned outputs ○ Sex-disaggregated data on planned outcomes ○ Sex-disaggregated data on actual outputs ○ Produced ○ Sex-disaggregated data on actual outcomes achieved
GRPFM–6 Tracking budget expenditure for gender equality (M1)	B	<ul style="list-style-type: none"> • Include in the chart of Accounts a specific tracking system for gender and equity-related expenditures
GRPFM–7 Gender responsive reporting (M1)	B	<p>Include two missing elements:</p> <ul style="list-style-type: none"> • Ex-post analysis of gender equality outcomes needs to be included systematically. • Sex-disaggregated data on budgetary central government employment needs to be published in a sex-disaggregated way.
GRPFM–8 Evaluation of gender impacts of service delivery (M1)	C	<p>Increase % of evaluation of gender impacts on service delivery</p>
GRPFM–9 Legislative scrutiny of gender impacts of the budget (M2)	B	<p>Collaborate with the Parliament to enhance budget scrutiny and establish internal organizational arrangements dedicated to this purpose. Establishing internal organizational arrangements will streamline scrutiny and facilitate comprehensive assessments of budget proposals and expenditures.</p>

Annex 1: PEFA ratings, 2022

PFM performance indicator		Scoring method	Dimension ratings				PI score
			1	2	3	4	
Pillar I: Budget reliability							
PI-1	Aggregate expenditure out-turn	M1					B
PI-2	Expenditure composition out-turn	M1	C	C	A		C+
PI-3	Revenue out-turn	M2	D	B			C
Pillar II: Transparency of public finances							
PI-4	Budget classification	M1					A
PI-5	Budget documentation	M1					B
PI-6	Central gov. operations outside financial reports	M2	A	A	A		A
PI-7	Transfers to subnational governments	M2	B	A			B+
PI-8	Performance information for service delivery	M2	A	B	D	A	C+
PI-9	Public access to fiscal information	M1					A
Pillar III: Management of assets and liabilities							
PI-10	Fiscal risk reporting	M2	C	A	D		C+
PI-11	Public investment management	M2	C	D	C	C	D+
PI-12	Public asset management	M2	C	C	B		C
PI-13	Debt management	M2	A	A	A		A
Pillar IV: Policy-based fiscal strategy and budgeting							
PI-14	Macroeconomic and fiscal forecasting	M2	B	B	B		B
PI-15	Fiscal strategy	M2	D	A	A		B
PI-16	Medium-term perspective in exp budget	M2	A	C	D	D	C
PI-17	Budget preparation process	M2	A	A	A		A
PI-18	Legislative scrutiny of budgets	M1	A	A	A	C	C+
Pillar V: Predictability and control in budget execution							
PI-19	Revenue administration	M2	A	B	C	C	B
PI-20	Accounting for revenue	M1	B	B	A		B+
PI-21	Predictability of in-year resource allocation	M2	A	B	B	C	B
PI-22	Expenditure arrears	M1	C	C			C
PI-23	Payroll controls	M1	B	B	B	C	C+
PI-24	Procurement management	M2	C	C	A	A	C+
PI-25	Internal controls on non-salary expenditure	M2	B	C	B		B
PI-26	Internal audit	M1	A	B	A	B	B+
Pillar VI: Accounting and reporting							
PI-27	Financial data integrity	M2	A	A	C	A	B+
PI-28	In-year budget reports	M1	B	B	B		B
PI-29	Annual financial reports	M1	A	A	B		B+
Pillar VII: External scrutiny and audit							
PI-30	External audit	M1	A	C	D	A	D+
PI-31	Legislative scrutiny of audit reports	M2	D	C	C	B	C

Annex 2: Climate ratings, 2022

	Indicators	1	2	3	4	
CRPFM-1	Budget alignment with climate change strategies	D				D
CRPFM-2	Tracking climate related expenditure	D				D
CRPFM-3	Climate responsive budget circular	C				C
CRPFM-4	Legislative scrutiny	C	C			C
CRPFM-5	Climate responsive public investment management	C	D	D	D	D+
CRPFM-6	Climate responsive asset management	C				C
CRPFM-7	Climate related liabilities	C	D			D+
CRPFM-8	Climate responsive procurement	D	D	D	D	D
CRPFM-9	Climate responsive revenue administration	NA	NA			NA
CRPFM-10	Compliance of climate related expenditure	C	C			C
CRPFM-11	Climate responsive fiscal decentralization framework	C	C	D		D+
CRPFM-12	Climate related performance information	B	B			B
CRPFM-13	Climate related performance evaluation	B	D			C
CRPFM-14	Expenditure outturn for climate activities	D*	D*			D

Annex 3: Gender ratings, 2022

PEFA GRPFM INDICATOR		SCORING METHOD	DIMENSION RATINGS		OVERALL RATING
			1	2	
GRPFM-1	Gender impact analysis of budget policy proposals	M1	C	D	D+
GRPFM-2	Gender-responsive public investment management	M1	D		D
GRPFM-3	Gender-responsive budget circular	M1	B		B
GRPFM-4	Gender-responsive budget proposal documentation	M1	B		B
GRPFM-5	Sex-disaggregated performance information	M2	C	C	C
GRPFM-6	Tracking budget expenditure for gender equality	M1	B		B
GRPFM-7	Gender-responsive reporting	M1	B		B
GRPFM-8	Evaluation of service delivery gender impacts	M1	C		C
GRPFM-9	Legislative scrutiny of gender impacts of the budget	M2	A	C	B