The capabilities of finance ministries: Uganda

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Abbreviations

BoU	Bank of Uganda
CIPA	Country Policy and Institutional Assessment
DFID	Department for International Development
DST	Deputy Secretary to the Treasury
FINMAP	Financial Management Assistance Programme
GDP	Gross Domestic Product
GNI	Gross National Income
GoU	Government of Uganda
HIPC	Heavily Indebted Poor Country
IFMS	Integrated Financial Management System
IMF	International Monetary Fund
MDG	Millennium Development Goal
MoF	Ministry of Finance
MoFED	Ministry of Finance and Economic Development
MoFPED	Ministry of Finance, Planning and Economic Development
MoPED	Ministry of Planning and Economic Development
MPS	Ministry of Public Service
MTEF	Medium Term Expenditure Framework
NDP	National Development Plan
NPA	National Planning Authority
NRM	National Resistance Movement
OBT	Output-Based Budgeting Tool
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development

PEAP	Poverty Eradication Action Plan
PEFA	Public Expenditure and Financial Accountability
PEM	Public Expenditure Management
PEMCOM	Public Expenditure Management Committee
PFAA	Public Finance and Accountability Act
PFM	Public Financial Management
PPDAA	Public Procurement and Disposal of Assets Authority
PRDP	Peace Recovery and Development Programme
PRSP	Poverty Reduction Strategy Paper
PS/ST	Permanent Secretary / Secretary to the Treasury
RoU	Republic of Uganda
UBOS	Uganda Bureau of Statistics
UNDP	United Nations Development Programme
URA	Uganda Revenue Authority
WDI	World Development Indicators

1 Introduction

Uganda's Ministry of Finance, Planning and Economic Development (MoFPED) is located in a modest building in the heart of Kampala's governmental zone and staffed by 150 economists, planners, accountants and analysts who preside over an elaborate budget process, an integrated financial management information system, and one of the most transparent budget reporting processes in Africa. For a country of its income level, Uganda boasts a strong and capable ministry of finance.

The Ministry hasn't always had a reputation as a capable and performance oriented institution, however. In 1986, after years of political turmoil, Uganda's government was barely functioning and the formal economy had all but ground to a halt. Economists employed in the Ministry of Finance at that time earned $7 per month and many staff had stopped regularly turning up for work. In the following decades, the Ministry played an integral part in the country's economic turnaround – a turnaround characterised by high growth, low inflation and a rapid decline in poverty. From the early 1990s onwards the Ministry led the way in the country's public expenditure reforms, pioneering the introduction of Poverty Reduction Strategy Papers (PRSPs), debt relief for Heavily Indebted Poor Country (HIPC), medium-term expenditure frameworks, virtual poverty funds and financial management information systems.

While MoFPED no longer commands as much authority and respect as it did when it led the reforms of the 1990s, the legacy of its role in Uganda's reform drive lives on. Despite an increase in short-termism on the part of politicians that has led to lapses in financial controls and fiscal performance, MoFPED remains technically and administratively competent, albeit increasingly politically constrained.

This case study reviews the ways in which Uganda has been able to build and retain a capable ministry of finance. The study is part of a multi-country research project by the Overseas Development Institute (ODI) that aims to identify the organisational and human characteristics that make some ministries of finance more capable than others. The study draws on interviews conducted in Kampala and data collected in September 2013.

The study is organised in five sections. Section II presents the broad context of public financial management reform in Uganda and reviews the country's performance over the past two decades in terms of fiscal and budgetary outcomes. Section III considers how formal and informal institutional structures have shaped the performance of MoFPED. Section IV discusses the Ministry's analytical, delivery, coordinative and regulatory capabilities. Section V concludes the paper with a summary of the key findings of this study.

2 Context

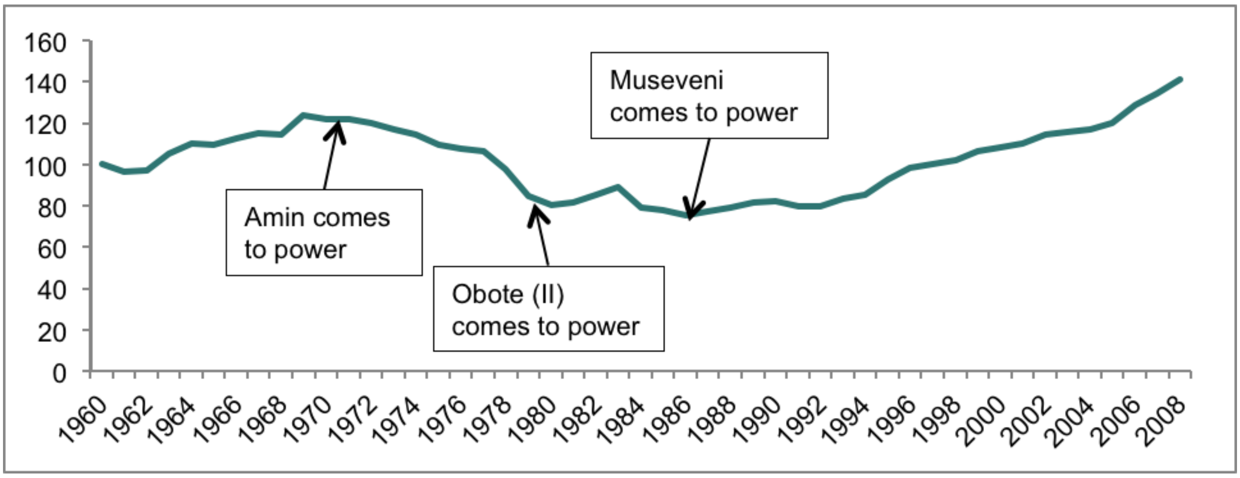
In assessing the capabilities of Uganda's finance ministry it is important to appreciate the historical context in which the ministry attained its current structure, functions, powers and performance. This section therefore discusses the economic and political events that have shaped central finance functions in Uganda since the National Resistance Movement (NRM) came to power in 1986 and the results that have been generated.

2.1 Historical overview of Uganda's political and economic performance

After gaining independence from Britain in 1962, Uganda experienced a prolonged period of political instability. In 1966 the country's first Prime Minister, Milton Obote, ousted the President, King Mutesa II of Buganda, and replaced the federal structure of government with an executive presidency that centralised powers in the hands of the President. In 1971, Obote was overthrown by a military coup led by General Idi Amin. Under Amin's military rule the economy degenerated dramatically, with increased state intervention in the productive sectors, an overvalued exchange rate, rampant inflation and widespread expropriation of private property. In 1972, Amin ordered the expulsion of the country's Asian community that had previously dominated much of the country's trade and industry. Per capita gross domestic product (GDP) fell by approximately 35% between 1971 and 1980 (Maddison Historical GDP data).

Idi Amin was overthrown in 1979 by a Tanzanian-backed revolt, followed by an election in 1980 that brought Milton Obote back to the Presidency. Widespread opposition to Obote's rule and allegations of electoral fraud soon led to a fresh outbreak of civil conflict. The 'Ugandan Bush War' of 1981-86 was waged between government forces and various fighting factions, including the National Resistance Army and its political wing, the National Resistance Movement (NRM), led by Yoweri Museveni. The army deposed Obote in 1985 and Yoweri Museveni came to power in 1986, ushering in a period of political stability for Uganda. From 1986 onwards the economy grew by an average of 7% per year (Figure 1), with poverty falling from 56% in 1992 to 25% in 2009 (WDI, 2013; UBOS, 2012).

Figure 1: Uganda GDP per capita, constant (index: 1960 = 100)



Source: Maddison Historical GDP data

Uganda's economic management reforms of the 1990s played an essential role in the country's economic turnaround and strong growth performance. When the NRM first came to power it was not clear which economic path the new government would take. Initially the government attempted to implement an interventionist 'dirigiste' approach, but by the late 1980s this had resulted in high inflation and foreign exchange shortages. In response, President Museveni encouraged an active debate about economic policies and was eventually persuaded to liberalise the economy by officials in what was then the Ministry of Finance and Economic Development (MoFED). The government legalised the parallel foreign exchange rate market in 1990, leading to a devaluation of the currency that helped boost Uganda's agricultural exports (Whitworth and Williamson, 2010).

After a second bout of inflation in 1991-1992 that was exacerbated by uncontrolled government spending, President Museveni accepted the need for fiscal consolidation. MoFED accordingly imposed a strict cash budget that reduced the fiscal deficit and rapidly curbed inflation (Tumusiime-Mutebile, 2010). The government has maintained a cash budget ever since and this has helped keep the budget deficit under control. Net domestic borrowing remained negative in all but one year between 1992/93 and 2007/08 (see Figure 1), while inflation remained in single digits until the food price crisis in 2008. In the early 2000s, in response to worries about currency appreciation caused by large aid inflows and the fear that the sterilisation of forex was crowding out private sector credit, the finance ministry began to cap the fiscal deficit before grants (Tumusiime-Mutebile, 2010). Prior to this, in 1991, the Government created the Uganda Revenue Authority (URA) as an autonomous agency tasked with raising Uganda's very low domestic revenue collection. The success of the URA eventually doubled domestic revenue as a percentage of GDP, albeit from a very low base (Whitworth and Williamson, 2010: 9).

Following the introduction of a new constitution in 1995 and presidential elections in 1996, the government increased its attention to allocative issues (Williamson and Whitworth, 2010). In 1997 the country introduced a Poverty Eradication Action Plan (PEAP), Uganda's home-grown precursor to the IMF and World Bank's PRSPs. This Plan included two policies particularly notable for their pro-poor orientation: the introduction of universal primary education, which led to an increase in primary school enrolment from 67% in 1997 to 84% in 2006 (UNDP, 2007); and decentralisation efforts that devolved a large share of spending to subnational governments in the 2000s. Throughout the 1990s and early 2000s, allocations for social service provision increased markedly, with education and health spending rising from roughly 5% of the budget in 1991/92 to over a third of the budget in the early 2000s. In the mid-200s the Government's budget priorities shifted towards infrastructure, but the share of domestic spending on education and health, at 17% and 8% respectively (2012/13), remains larger than in many other countries in the region.

These reform efforts attracted a surge of donor support, peaking at 18% of GDP in 2004. Uganda was one of the first countries to benefit from HIPC debt relief and significant donor funding, with a notably large share in the form of budget support. Debt relief and strong growth reduced the debt stock from 107% of gross national income (GNI) in 1992 to 13% in 2007.

The reform drive has tapered off since 2002, however, and the political climate has become increasingly tense. While a constitutional amendment in 2005 provided for multiparty elections, it also lifted the limits on presidential terms, allowing Museveni to run for President in 2006 and 2011 (Tripp, 2010). Opposition parties and human rights groups have complained of irregularities in both elections; and the Government has used charges of treason and sedition to arrest and intimidate opposition politicians (ibid). Tensions within the NRM also appear to be growing and the President is increasingly intolerant of internal dissent.

Furthermore, a number of large-scale corruption scandals have been uncovered in recent years by the Auditor General and other oversight bodies, indicating weak budget discipline. An audit of spending in the run-up to the Commonwealth Heads of Government Meeting in 2007 found $44 million unaccounted for (de Vibe, 2012). In 2012, a diversion of $20 million of donor funds intended for the Peace Recovery and Development Programme (PRDP) to the Office of the Prime Minister was uncovered, as well as a scandal involving the diversion of roughly $60 million intended for pension claims (Uganda Debt Network, 2013). Only a few senior officials have been sanctioned for these breaches, suggesting that such corruption is condoned from the top.[1]

The run-up to the 2011 election saw a marked deterioration in budget credibility and an increase in domestic borrowing. The purchase of unbudgeted fighter jets and a rise in domestic spending resulted in expenditure 30% higher than budgeted in 2010/11 and a surge in inflation (FINMAP review: 16).[2] It should be noted, however, that the Government did re-establish fiscal discipline in the following fiscal year.

2.2 Socioeconomic outcomes

Uganda's socioeconomic performance since 1986 has been impressive, though the gains achieved in recent years have been less marked. According to the United Nations Development Programme (UNDP), Uganda is on track to meet five of the UN's eight Millennium Development Goals (MDGs): MDG 1 - to eradicate extreme poverty and hunger; MDG 3 - to promote gender equality and empower women; MDG 6 - to combat HIV/AIDS, malaria and other diseases; MDG 7 – to ensure environmental sustainability; and MDG 8 - to develop a global partnership for development (UNDP, 2013). With effort, Uganda may also manage to meet MDG 2 – to achieve universal primary education (UNDP, 2013). As shown in

[1] RoU 2012, and an interview with a civil society representative in Kampala in September 2013.

[2] The Financial Management Assistance Programme (FINMAP) is a special fund established to manage reform (see Annex 3).

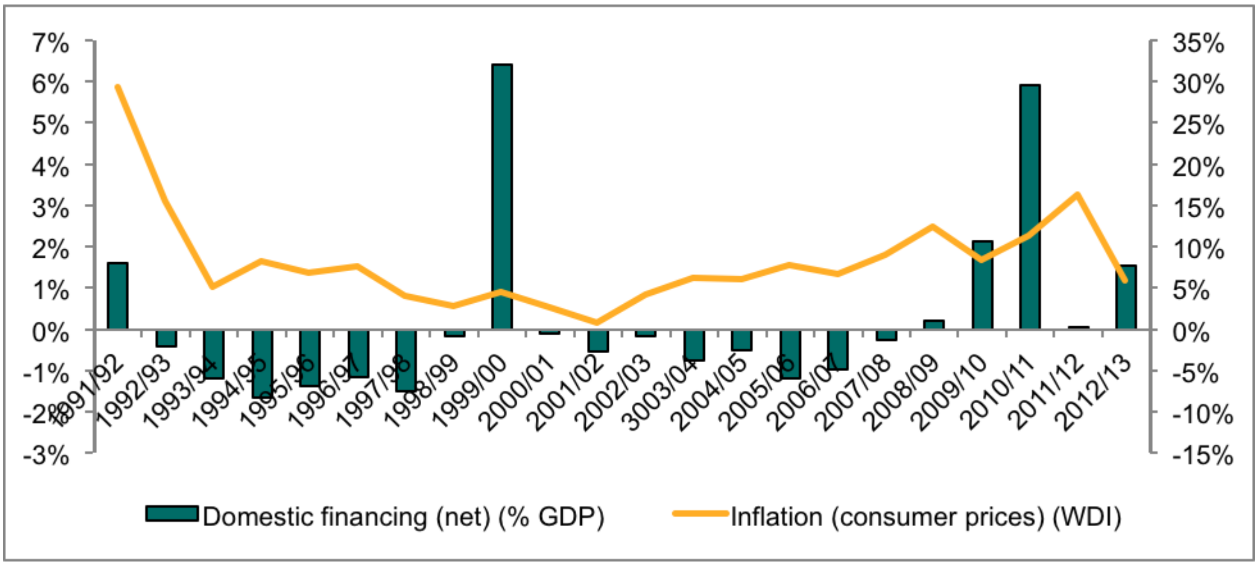
Table 1, the country's performance has been less strong in the health-related MDGs 4 and 5 – to reduce child mortality and to improve maternal health.

Table 1: Select Millennium Development Goal (MDG) indicators

	1992	2002/03	2005/06	2009/10	2015 Target
Poverty headcount ratio	56	39	31	25	28
Net enrolment ratio in primary education	62	86	82	83	100
Under-five mortality (per 1,000 live births)		156	137		56
Maternal mortality ratio (per 100,000 live births)	523	505	435		131
Proportion of population accessing improved drinking water sources	24	63	68	74	

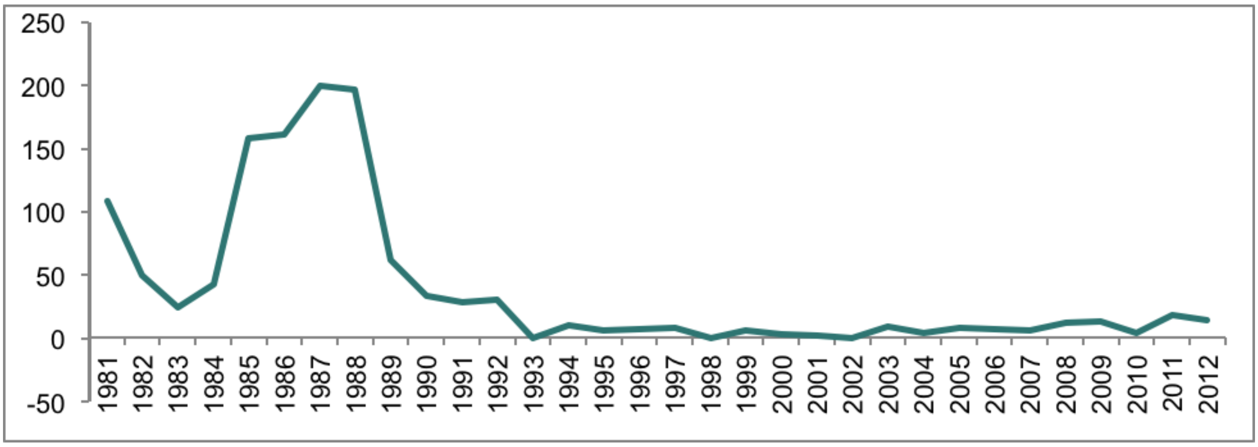
Sources: UBOS Statistical Report, 2012; UNDP, 2007

Figure 2: Inflation and domestic financing of the deficit as a percentage of GDP



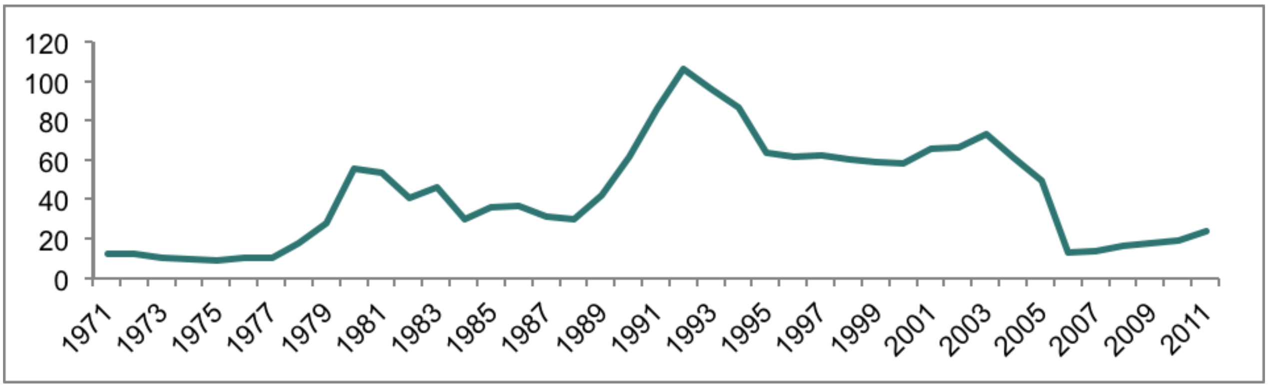
Sources: WDI, IMF, and Kuteesa et al. (2010)

Figure 3: Consumer price inflation (annual percentage change)



Source: WDI 2013

Figure 4: External debt stocks as a percentage of GNI



Source: WDI 2013

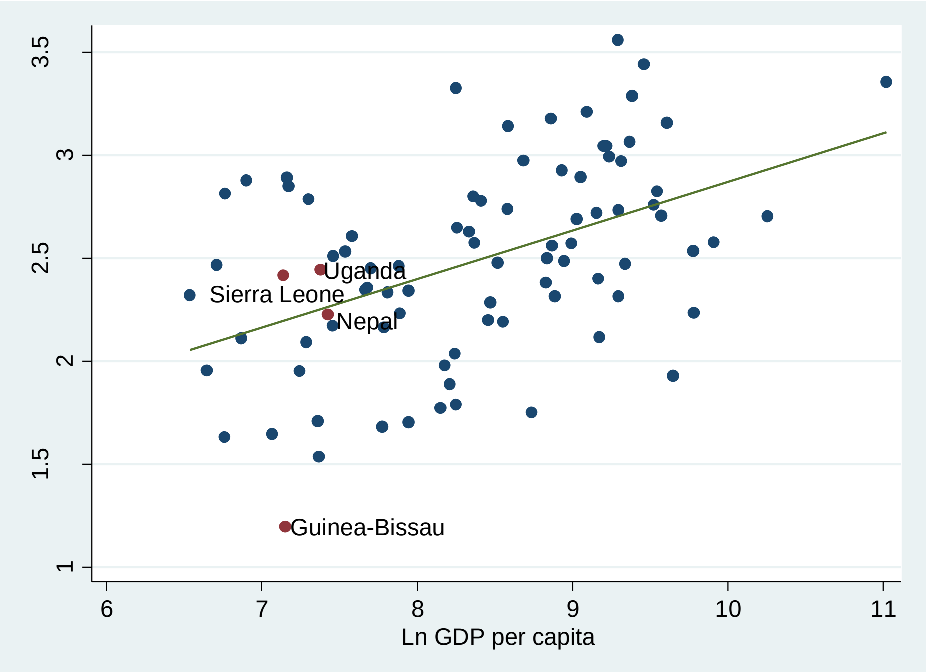
2.3 Governance / public financial management performance

Uganda's Ministry of Finance achieved a strong track record of maintaining macroeconomic discipline and a pro-private sector orientation for most of the 15 years covered by this study, albeit with some deterioration in recent years. It has been less successful, however, in ensuring that public financial management (PFM) delivers public services effectively and efficiently. Compared to other low-income countries, Uganda scores relatively strongly on the economic management indicators of the World Bank's Country Policy and Institutional Assessment (CPIA), with a score of 4.2 compared to an average of 3.4 (on a scale of 1-6). When it comes to the CPIA indicators for public sector management and institutions, however, Uganda's score is no more than the average for low-income countries. Moreover, Uganda's CPIA scores have fallen since 2005, particularly on the dimensions for fiscal policy, the quality of budgetary and financial management, transparency, accountability and corruption.

Uganda's scores for Public Expenditure and Financial Accountability (PEFA) also show a mixed picture of PFM performance. Uganda has conducted four PEFA studies to date, in 2006, 2008, 2009 and 2012, and for the purposes of analysis we have converted the PEFA letter scores into numerical scores in accordance with the scoring system developed by de Renzio (2009).

There is a strong positive correlation between PEFA scores and level of income (de Renzio, 2009). Comparing average PEFA scores to per capita income for 94 countries shows that Uganda's PEFA score is higher than would be predicted on the basis of its income level (Figure 5).

Figure 5: Average PEFA scores vs. Ln GDP per capita



Sources: Author's calculations based on the most recent PEFA Assessments and WDI

Since 2005, Uganda's improvement in PEFA scores has been marginal at best. The average score (across components and excluding donor practices) improved from 2.3 in 2006 to 2.5 in 2009, but then deteriorated slightly to 2.4 in 2012 (Table 2).[3] These scores are roughly equivalent to a C+ on the PEFA scale (A-D). The most significant improvements since 2005 have been in the areas of budget comprehensiveness and transparency, predictability and control in budget execution, and accounting, recording and reporting.

Table 2: Uganda's PEFA scores for 2006, 2008, 2009 and 2012

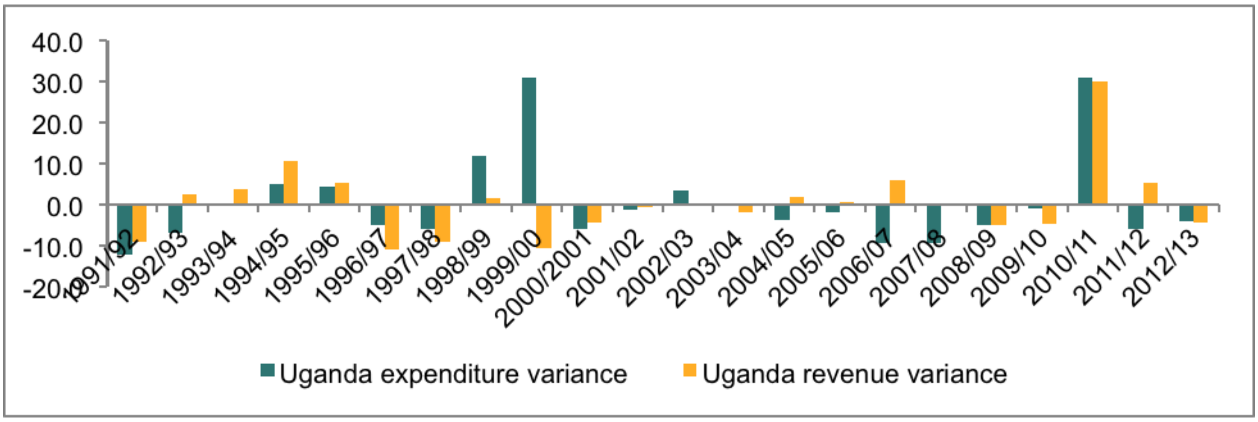
PEFA COMPONENTS	2006	2008	2009	2012
Average of cluster scores	2.3	2.6	2.5	2.4
A. Credibility of the Budget	2.5	2.6	2.6	1.8
B. Comprehensiveness and Transparency	2.3	2.8	2.7	2.7
C (i) Policy-Based Budgeting	2.8	3.3	2.5	2.5
C (ii) Predictability and Control in Budget Execution	1.8	1.9	2.3	2.5
C (iii) Accounting, Recording and Reporting	2.5	2.5	2.8	2.8
C (iv) External Scrutiny and Audit	2.2	2.5	2.2	2.5

Sources: author's calculation based on PEFA reports 2006, 2008, 2009 and 2012

[3] It should be noted that changes were made to the scoring methodology in 2011.

The country's PEFA score for budget credibility has deteriorated since 2008, although the decrease is less marked if the change to the scoring methodology in 2011 is taken into account. At aggregate level, the finance ministry's expenditure and revenue predictions have been relatively weak throughout the 1990s and 2000s, with expenditure deviating by 7% on average from budgeted expenditure, and with revenue deviating by 6% on average from the budget (see Figure 6). There is no clear pattern of either over performance or underperformance, suggesting that predictive capacity is weak, possibly due to the country's narrow and therefore volatile revenue base.

Figure 6: Expenditure and revenue variance (deviation as a percentage of the approved budget)



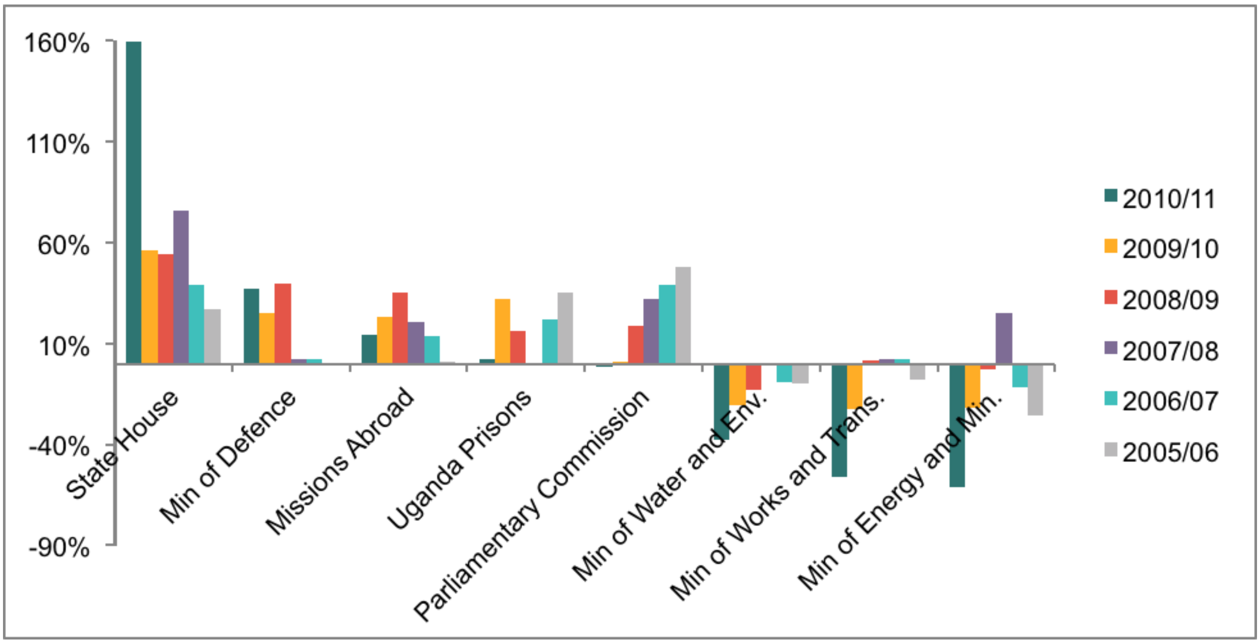
Sources: for 1991/92-2006/07: Byaruhanga et al. (2010); for 2007/08-2012/13: MoFPED budget performance reports

There is significant budget variance at agency level and this undermines the credibility of the budget as a statement of government intent. Supplementary budgeting has become a routine procedure that allows the Government to reallocate funds in-year. Supplemental budgets ranged from 5% to 10% of the total approved budget between 2008/09 and 2012/13 (World Bank, 2013; Wokadala and Davies, 2012). Using the post-2011 PEFA methodology to calculate variance in expenditure composition shows a deviation of between 7% and 41% between 2004/05 and 2010/11.[4] This indicator expresses the sum of the variance at vote level (for the 20 largest votes) as a percentage of total spending adjusted for the aggregate deviation in spending. (See the PEFA 2011 framework for a detailed methodology). With these scores, Uganda scores a C or D on the PEFA PI-2 diagnostic.

Some agencies in Uganda persistently gain from the in-year supplemental budget, while others tend to see their budgets cut, suggesting that the Ministry of Finance is unable to restrain powerful spending agencies from breaking their ceilings. (See Figure 7, which shows how some of the large votes systematically overspend or underspend their operating budgets). While the State House, the Ministry of Defence, Missions Abroad and the Parliamentary Commission have repeatedly benefitted from supplemental budgets and virements, other agencies recurrently underspend, including the Ministry of Water and Environment, the Ministry of Works and Transport, and the Ministry of Energy and Minerals.

[4] PEFA studies 2005, 2009 and 2012 (data recalculated using the 2011 methodology).

Figure 7: Overspending and underspending of the non-wage recurrent budget for select votes (deviation as a percentage of the approved budget)



Source: MoFPED Budget Performance reports for 2005/06-2010/11 (MTEF summary tables)

Another indicator of weak budget credibility and weak overall control is the persistent problem of expenditure arrears. While this situation improved after 2008, with the stock of arrears falling from 14% of total expenditure to 8% in 2011, the Government continues to generate fresh arrears as spending agencies subvert the control process by entering commitments outside of the Integrated Financial Management System (IFMS) (RoU, 2009; RoU, 2012).

The reports of the Auditor General further confirm shortcomings in Uganda's PFM performance, with roughly half of all audited central government entities receiving qualified audit opinions (Office of the Auditor General, 2012). The finance ministry's own monitoring of budget performance, conducted by a unit within MoFPED dedicated to auditing the physical performance of expenditure, reveals regular shortfalls in budget execution, including uncompleted construction projects and undelivered goods and services, indicating weak adherence to PFM and procurement regulations (MoFPED, 2011).

2.4 Conclusion

Uganda's finance ministry played an important role in the country's economic turnaround and drove through an ambitious set of reforms. A combination of economic and political events in the late 1980s and early 1990s convinced politicians of the need for macroeconomic stability and structural reforms, and technocrats within the country's finance ministry seized this opportunity to strengthen public finance institutions.

The finance ministry's fiscal policy performance has been particularly strong, as demonstrated by its consistent commitment to a balanced budget. In the 16 years from 1992/3 to 2008/09 the government only once resorted to domestic borrowing, and inflation remained in single digits (Figure 3). The Ministry of Finance has also presided over a significant re-prioritisation of spending, aided by a rapidly expanding resource envelope. Between 1991/92 and the early 2000s, education and health expenditure increased from 5% to a third of the budget, with a strong focus on programmes targeting rural areas, including the provision of free primary schooling. Since 2007, however, the Government has shifted its priorities and focused on infrastructure investment.

These successes have not been matched by improvements in operational efficiency, however, and there is little evidence to suggest significant progress in the quality of spending. The country's scores on PEFA assessments have remained stagnant since 2005. Poor budget credibility and unpredictable access to fund releases in-year weakens the budget as a planning and management tool and undermines the ability of spending agencies to make good use of funds. Public expenditure tracking surveys have pointed to considerable leakages in routine expenditures such as transfers to schools and clinics and payments of salaries (Gauthier, 2006). Furthermore, a number of major corruption scandals indicate systematic circumvention of financial controls by government officials.

The following section will review the formal and informal institutional arrangements for PFM that developed after 1986 and how these arrangements have shaped the ability of Uganda's finance ministry to achieve fiscal and socioeconomic outcomes.

3 Institutional arrangements

3.1 Formal institutions

Uganda's Independence Constitution of 1962 set out a federal system of government that recognised the kingdoms of Uganda as federal states and established a parliamentary system with a prime minister as head of government accountable to the legislature, and with a president as head of state. In 1967 Milton Obote introduced a new constitution (passed with little public debate) that turned Uganda into a presidential republic, abolished the kingdoms and increased the powers of the executive. This presidential system, with a relatively weak parliament despite being based in part on the Westminster Model, gave considerable power to the finance ministry, allowing it to set and manage the budget with limited parliamentary involvement.[5]

The MoF was first established in 1955 with the introduction of a ministerial system, prior to which the colonial government had been run by departments (Republic of Uganda, 1974). The 1962 Public Finance Act set out the responsibilities of the MoF for presenting revenue and expenditure estimates to Parliament and for controlling and managing public finances. In the first decade of independence the government was reorganised several times. A Ministry of Planning and Community Development was established in the early 1960s, later changed, in 1966, to the Ministry of Planning and Economic Development (MoPED). A Planning Commission was established in 1963 under MoPED and was tasked with producing five-year development plans (Morris and Read, 1966). As was common across much of Africa at that time, the budget consisted of separate recurrent and development budgets.

The NRM thus inherited a fragmented institutional structure of economic management. Responsibilities and skill-sets were split awkwardly between the MoF and MoPED, with MoF employing mostly accountants and MoPED employing mostly economists (Tumusiime-Mutebile, 2010). Following a spike in inflation in 1992, the President decided to merge MoF and MoPED into the Ministry of Finance and Economic Development (MoFED) so as to enable fiscal consolidation. The 1995 Constitution had envisaged a separate institution to manage development planning, however, and parliamentarians were determined to see the establishment of a separate planning ministry (Tumusiime-Mutebile, 2010). The finance and planning ministries were therefore split again in 1996. The new planning ministry had limited influence, however, since most de facto powers over economic management were retained by the MoF and the planning ministry's Vision 2025 had little political traction. The two ministries were once more merged in 1998 to form the Ministry of Finance, Planning and Economic Development (MoFPED). The tension between finance and planning was never entirely resolved, however, and in 2003 a separate National Planning Authority (NPA) was established with a

[5] IMF, 2006, makes a similar point about the Westminster Model.

mandate overlapping that of MoFPED. While the NPA is responsible for the National Development Plan (NDP) (the successor to the PEAP), interviewees suggest that the real powers rest with MoFPED, which sets the Medium Term Expenditure Framework (MTEF) and thus shapes the country's development priorities.

Two further PFM institutions were created in after 1986. In 1992 the Government decided to establish an independent Uganda Revenue Authority (URA) in order to increase domestic revenue collection, which amounted to less than 7% of GDP in 1991/92 (Cawley and Zake, 2010). As an autonomous agency the URA has the freedom to recruit staff on more competitive wages. Its work is overseen by a Board of Directors composed of private sector members and government representatives that reports to the Minister of Finance (ibid). The passing of a Public Procurement and Disposal of Assets Act in 2003 led to the creation of a separate Public Procurement and Disposal of Assets Authority (PPDAA) charged with overseeing government procurement. The PPDAA is decentralised to procurement units within the various spending agencies.

With the exception of taxation and procurement policy, which are managed by the URA and the PPDAA, central finance functions[6] are mostly concentrated in MoFPED (see Table 3), an arrangement that is deemed to work relatively well according to interviewees.[7] A large number of auxiliary institutions, some permanent and others temporary, deal with 'non-core' finance and economic functions but most report to MoFPED.

[6] As defined by Allen and Krause (2013).

[7] In contrast, the government as a whole is relatively fragmented, with 94 central government budgetary agencies, 73 statutory corporations and other public sector entities, and 135 higher-level local governments (PEFA, 2012).

Table 3: Central finance functions in Uganda

Function	Responsibility in Uganda
Macro-fiscal forecasting and analysis	MoFPED
Fiscal policy formulation	MoFPED
Fiscal risk analysis	MoFPED
Interface between monetary and fiscal policy	MoFPED & the Bank of Uganda
International economic and financial relations	MoFPED
Tax policy	MoFPED
Budget preparation	MoFPED
Treasury and cash management	MoFPED
Internal control	MoFPED
Internal audit	MoFPED
Accounting policy	MoFPED
Debt management	MoFPED
Tax administration	Uganda Revenue Authority
Customs administration	Uganda Revenue Authority
Intergovernmental fiscal relations	MoFPED and the Local Government Finance Commission
Regulation of banks and other financial institutions	The Bank of Uganda
Management of public assets, including public enterprises	Public Procurement and Disposal of Assets Authority
Public procurement	The Public Procurement and Disposal of Assets Authority regulates and supervises procurement units decentralised to ministries, departments and agencies

Source: Based on Allen and Krause, 2013.

3.2 Formal powers

The 1995 constitution grants Uganda's finance ministry a broad mandate to manage public resources and raise external financial resources, while external borrowing requires the approval of the Cabinet and Parliament (PEFA, 2006). It is significant, however, that the Government only updated the detailed legal framework governing public finances after first having reorganised the institutions for economic and budget management. Parliamentary pressures to increase and formalise the role of Parliament in budgetary oversight led to the adoption of the 2001 Budget Act. This Act instituted a Parliamentary Budget Office to support the various parliamentary committees in scrutinising the budget. The Act also clarifies the budget calendar and executive reporting requirements.

The 2003 Public Finance and Accountability Act (PFAA) formalised many of the de facto powers and responsibilities of MoFPED. Unlike the Public Finance Act of 1962, the PFAA vests powers in the Minister of Finance to set economic policy, including determining and implementing the macroeconomic and fiscal policy framework for Uganda (Article 3.1). The PFAA also reined in the power of spending agencies in the budget process, giving MoFPED clearer authority to set vote-level expenditure ceilings (Article 15.1) and to withhold funds from spending agencies wherever the Minister of Finance deems this necessary (Article 13.3). The PFAA also strengthens the Accountant General's control over the commitment and payment system. MoFPED and the Ministry of Public Service (MPS) also manage a system of performance contracts with Accounting Officers (the executive heads of spending agencies). This system is intended to hold the Accounting Officers personally responsible for fiduciary controls and the delivery of performance targets (RoU, 2012).

These legal foundations give MoFPED considerable formal power within government. The explicit recognition that economic policy objectives should drive budget policy affords the Ministry ample discretion to set and manage expenditure ceilings. The power to set, withhold or suspend warrants authorising line ministries to spend enables MoFPED to run a cash budget and to determine what share of its quarterly budgets are actually released to spending agencies.[8] This provides MoFPED with a 'carrot and stick' with which to discipline spending agencies. Furthermore, although not enshrined in law, it is common practice that all new policy proposals require a MoFPED opinion before they are discussed in the Cabinet and subsequently in Parliament, which serves to strengthens MoFPED's hand in the Cabinet.[9]

In its relationship with line ministries, Uganda's Ministry of Finance is powerful by international standards. The country's laws, regulations and practices give MoFPED substantial control over strategic allocation issues, as well as over budget execution. Krause (2009) draws a distinction between traditional budgetary management functions that are intended to control the spending patterns of spending agencies (microbudgetary), and fiscal institutions intended to manage fiscal outcomes and the broader macroeconomy (macrobudgetary), and uses an OECD indicator set to measure such powers. MoFPED scores high on both dimensions if this indicator set is applied, since it exercises strong control not only over fiscal policy and budget outcomes but also over the outcomes of spending ministries (see Table A1). Compared to a sample of fifty countries from across the OECD and the developing world, Uganda's score is among the highest on both dimensions (Table 4). However, Uganda's score does also show some of the limitations of applying the index to low-income countries in which there are considerable gaps between procedures on paper and procedures in practice. For instance, while Uganda has an output-based budget that links inputs (resources) to quantifiable results, there are few sanctions for agencies that fail to meet these targets, which limits its control in practice.

[8] Interviews with a mid-level government official and a donor representative, September 2013; also outlined in Stasavage and Moyo, 1999.
[9] Interview with mid-level MoFPED official, 6 September 2013.

Table 4: Average budgetary control index score for global sample compared to Uganda's score

	Observations	Mean	Minimum	Maximum	Uganda
Microbudgetary controls	50	3.59	0.16	8.25	7.1
Macrobudgetary controls	50	3.49	0	9.17	10.0

Source: Krause 2009 and author's calculation, see Appendix B for details

Uganda's strength in both dimensions may be a reason for the country's relatively weak operational efficiency as it may prevent spending agencies from exercising control over their budgets. The literature on public expenditure management (PEM) assumes that microbudgetary and macrobudgetary controls are mutually exclusive. Ministries of finance can either dictate budget inputs and set strict rules on how these inputs can be used (which makes spending agencies implementers of centrally determined allocations), or they can give spending agencies the discretion and flexibility to execute their budgets as they see fit and hold them responsible for delivering particular results, leaving 'managers to manage'. MoFPED's attempts to both set and control inputs and outcomes may therefore have perverse effects, leading agencies to subvert processes by accumulating arrears and/or misreporting in order to achieve targets in the absence of full control over inputs.

3.3 Informal powers

Government officials in Uganda's spending agencies regard MoFPED as the most powerful ministry in the government. Many officials refer to MoFPED as the big brother ministry, since it has both the technical ability to scrutinise spending agencies and the political power to sanction them by withholding funds.[10]

Government officials and advisors interviewed for this study differed in their assessments of the importance of the legal foundations of MoFPED's powers. While some stressed the legal basis for the Ministry's activities, others expressed the view that what really matters is high-level political backing and established practice. There was broad agreement amongst interviewees that President Museveni's personal interventions and backing have been crucial in ensuring the Ministry's ability to implement difficult reforms over the past two decades and to stay firm in its management of fiscal policy (Whitworth and Williamson, 2010).[11] When the Ministry of Finance began enforcing cash limits in the 1990s, for example, the President defended the Permanent Secretary's decisions to the rest of Cabinet. In line with this assessment, Stasavage and Moyo (1999) have argued that Uganda's cash budgeting rules proved effective because they had active political backing, and not – as the theoretical literature suggests – because they tied the hands of politicians. Furthermore, many of MoFPED's formal powers were not enshrined in laws and regulations until after they had become de facto practice (for instance its powers to set agency-level ceilings, to determine the medium term expenditure framework, and its use of cash budgeting).

Broad-based consensus about the government's economic policy objectives also appears to have contributed to MoFPED's powers. The memory of Uganda's inflationary problems and the successful reduction of inflation through fiscal

[10] Two interviews with mid-level government officials, conducted in Kampala on the 10th and 16th of September 2013.

[11] Also confirmed in an interview with a donor official and government advisor, conducted in Kampala in September 2013.

consolidation in the 1990s has ensured continued support for fiscal prudence (Kuteesa et al., 2006). Despite the Cabinet's legal right to revise the revenue and expenditure ceilings presented by the finance ministry, the Cabinet never overruled the Ministry's fiscal framework (Byaruhanga et al., 2010).[12]

In recent years, however, insiders have begun to believe that the special relationship enjoyed by MoFPED with the President is not as strong as it used to be. The Secretary to the Treasury can no longer count on presidential support for maintaining spending discipline. The State House routinely flouts budget ceilings, spending well above its allocations. And a recent series of corruption cases, which went largely unsanctioned, suggests collusion from the top. Despite having official disciplinary powers, the Permanent Secretary of Finance has never disciplined an Accounting Officer for poor performance or for financial irregularities (RoU, 2012).

3.4 Financing and bureaumetrics

MoFPED is relatively well resourced for a country with Uganda's level of income. MoFPED's total budget for 2013/14 was 297 billion Ugandan Shillings, or approximately $115 million (see Table A2). Of this total, however, just over half is passed on in the form of transfers and subsidies to other government institutions (commissions, autonomous institutions, etc.), while a third covers investment costs (e.g. for the construction/repair of administrative buildings, machinery and equipment). Wages account for less than 2% of the MoFPED budget, although a large share of staff-related costs are classified as non-wage recurrent expenditure (including for contract staff, allowances, consultancy services, etc.).

In terms of staffing, MoFPED runs a lean operation, employing a total staff of 374 in 2013,[13] amounting to approximately two thirds of all approved positions (Table 5).[14] MoFPED was restructured after the 1998 re-merger with the former Ministry of Planning and Economic Development, and today has a relatively simple structure comprising three directorates: Budget (53 staff), Economic Affairs (101 staff), and the Accountant General's Office (114 staff), each of which is headed by a Director. A separate Department of Finance and Administration (89 staff), headed by an Undersecretary, manages the internal affairs of the Ministry. At the time of the merger in 1998, desk officers in MoF's budget department and MoPED's planning department were combined into one unit, reducing fragmentation and strengthening the Ministry's capacity to manage its planning and budgeting functions.[15]

Horizontal fragmentation within MoFPED has thus been limited, with regular senior management meetings ensuring that the three Directors, the Undersecretary, the Permanent Secretary / Secretary to the Treasury (PS/ST) and the Deputy Secretary to the Treasury (DST) coordinate their efforts. Commissioners and assistant commissioners across the institution meet on a weekly basis. The majority of senior managers (directors, commissioners) have served in the Ministry for a decade or more, and one manager noted that this has resulted in the development of considerable personal trust between managers in different directorates.[16]

[12] Also stressed in an interview with a senior government official, September 2013.

[13] All staffing numbers are taken from the MoFPED Ministerial Policy Statement, 2013/14.

[14] Budget constraints prevent the Government from filling all existing positions, and MoFPED's vacancy rate is average as compared to other ministries (interview, Ministry of Public Service (MPS)).

[15] Interview with a former advisor in London, September 2013.

[16] Interview with a senior government official, Kampala, September 2013.

Table 5: Number of staff positions per directorate

	Filled positions	Approved positions	Share filled
Ministers / senior management	17	21	81%
Directorate of Budget	53	72	74%
Directorate of Economic Affairs	101	129	78%
Accountant General's Office	114	185	62%
Support departments/units	89	149	60%

Source: MoFPED Ministerial Policy Statement,2012/13.

Vertically, MoFPED is highly segmented, with eight individual hierarchical levels (Figure 8). The Budget and the Economic Affairs directorates are each headed by a Director, while the Accountant General heads the third pillar of the Ministry. Each directorate is divided into 3-5 departments, each with around 15-35 staff and headed by a commissioner. Departments are further subdivided into divisions headed by assistant commissioners, sections headed by principal officers, and units headed by senior officers.[17]

The Ministry is top-heavy, with a ratio of 39 managers (Ministers, Permanent Secretaries and Undersecretaries, Directors, Commissioners and Assistant Commissioners) to 143 professional staff (economists, accountants, auditors and IT specialists). The staff of MoFPED are of the opinion that these hierarchical arrangements work well, with frequent communications down the chain of command. The individual hierarchical levels also create more opportunities for promotion, which is an important motivational factor for staff.[18]

Uganda's civil service is divided into professional, scientific and administrative cadres with different pay scales (Table 6). Within each category there are a number of specific cadres, each of which is overseen by a specific line ministry. MoFPED is the 'mother' ministry for seven cadres (economists, accountants, internal auditors, procurement, finance officers, policy analysts and planners), and is responsible for the recruitment, deployment, training and rotation of staff in these cadres across government.[19] MoFPED oversees 350 staff, of whom approximately 140 work directly within the Ministry.[20]

MoFPED has proven able to attract and retain staff with strong academic credentials. Successful entry-level applicants typically have an upper-second class or first class degree, while a master's degree or qualifications in accountancy are required to reach senior officer level (grade U3). Of twenty new entrants in 2000, 16 remain with the Ministry at the time of writing, indicating a low rate of turnover.[21] Recruitment is performed through the Public Service Commission

[17] Interview conducted with mid-level MoFPED official in September 2013.

[18] Higher positions are accorded status and benefits. In the words of one interviewee, civil servants enter the service assuming they will be able to rise to at least the level of assistant commissioner before retirement (Interview, MPS).

[19] Interview conducted with a mid-level MoFPED official in September 2013.

[20] The Human Resource Department would like to increase the frequency of staff rotations between agencies, since such rotations do not currently occur as frequently as they could.

[21] Interview conducted with a mid-level government official, Kampala, September 2013.

(PSC), with general intakes at fixed times every year, involving a lengthy process that includes aptitude tests and oral interviews. Promotions also require approval by the PSC, but are simpler and faster to process. Most senior positions are advertised internally, and in many cases an internal candidate has already been pre-identified.[22] The Ministry has been more open to external recruitment in certain disciplines than in others. In the late 1990s, for example, a number of accountants were hired from the private sector to fill a critical gap, though this is regarded as an exception rather than the norm.[23]

MoFPED also makes extensive use of consultants. Many consultants are hired using funds from donor projects, though the Government also expends considerable resources on consultants. (In the 2013/14 budget, consultancy costs were five times larger than the wage bill.) FINMAP currently funds 150 staff and consultants across government, of whom about 25 are based in MoFPED (interviews). These project recruitments are also handled by MoFPED's human resource division, but do not require PSC involvement and are therefore simpler to arrange. Most consultants are Ugandan nationals brought in to strengthen the Ministry's capacity for non-routine activities such as the roll-out of an IT system or the drafting of a law. There are also a handful of long-term international advisors in the budget directorate and debt unit, as well as ODI Fellows[24] throughout the Ministry, though there have been fewer expatriate advisors in recent years. Consultants sometimes fill routine staffing gaps with the expectation of eventually being hired by the civil service. A programme called FINMAP40 brought in 45 junior consultants to help implement the Output-Based Budgeting Tool. Of these, however, only 15 have been integrated to date, due primarily to a lack of new job openings rather than a lack of interest on the part of the junior consultants.[25] Uganda's government capacity no longer seems constrained by a lack of skilled applicants: in 2012, for example, over 600 students graduated with bachelor's degrees in economics from Makerere University alone (Makerere graduation list, 2012).

[22] Interview conducted with a senior government official, Kampala, September 2013.
[23] These are exceptions that prove the rule, however. We spoke to one senior manager who still regarded himself as coming from the private sector despite having held his post for 13 years.
[24] An ODI-run scheme for recent economics graduates, recruited internationally and seconded to governments in developing countries for a two-year period to work in line management positions.
[25] Interview with mid-level government official, Kampala, September 2013.

Table 6: MoFPED staff by cadres, grade levels and salary bands

		Grade Levels	Salary band (2012/13) (monthly, UGX) Max	Min	Filled	Total Positions
Ministers					6	6
Professional cadre					178	263
Management	PS/ST, DST, Directors, Commissioners and Asst. Commissioners	U1, U1S, U1E, U1SE	2,415,920	1,459,459	31	37
Principal Officers	Economists, accountants, auditors, analysts, procurement, officers	U2	1,335,001	1,120,904	20	45
Senior Officers		U3	988,819	856,473	44	63
Officers		U4	800,175	679,601	83	118
Administrative cadres					190	286
Management	Commissioner, Asst. Commissioner	U1, U1S, U1E, U1SE	1,625,394	1,420,397	2	2
Principal Officers	Personal secretaries, HR, IT, other	U2	1,129,266	1,050,426	4	7
Senior Officers		U3	865,899	788,996	15	28
Officers		U4	679,488	511,692	24	44
Junior administrative staff	Secretaries, typists, office assistants, drivers	U5, U6, U7, U8	408,236	152,917	145	205
Total					374	555

Source: MoFPED Ministerial Policy Statement, Salary Structure, 2012/13 (author's own organisation of the data).

3.5 Leadership

MoFPED is headed by a Minister of Finance who is aided by five Ministers of State covering General Duties, Planning, Investment, Privatisation, Microfinance and Enterprise Development. The five Ministers of State play a limited role in the management of the Ministry and do not hold Cabinet positions. Only Ministers are politically appointed, although senior civil servant appointments are believed to require unofficial approval from the State House.[26]

On the civil service side, the Ministry is headed by a PS/ST who is aided by a DST. There has been remarkable continuity in leadership within the finance ministry since the late 1980s. Emmanuel Tumusiime-Mutebile was PS of MoPED before the merger with the MoF and subsequently served as PS/ST of Finance in the period

[26] Interviews with a donor representative and a former advisor, Kampala, September 2013.

1992-2001. Chris Kassami, who was PS of the MoF prior to the merger, served as PS/DST during this period. Kassami replaced Tumusiime-Mutebile in 2001 when the latter was appointed Governor of the Bank of Uganda (BoU), and Keith Muhakanizi was promoted to DST. Kassami remained PS/ST until he retired in 2013 and was replaced by Muhakanizi. At the Director/Accountant General level, two of the three incumbents have served for over ten years at the time of writing. Ministers are rotated more frequently, and there have been seven ministers of finance since 1986 (Kizza, 2011). Interviewees suggested that the PS/ST is actually more powerful than the Minister of Finance since the latter relies heavily on the PS/ST for guidance and direction.

The individual contributions of these permanent secretaries to Uganda's reform progress should not be underestimated. Tumusiime-Mutebile, in particular, is widely regarded as the intellectual force who maintained macroeconomic stability in the country for over a decade. Tumusiime-Mutebile has strong political credentials, having participated in the struggle against Idi Amin, and is a force to be reckoned with in Uganda's governmental circles. In 1992 he convinced the President to pursue fiscal consolidation in order to bring inflation under control, and the President allowed him a relatively free rein to manage the economy and relations with donors throughout the 1990s. In building up MoFPED in the 1990s, Tumusiime-Mutebile actively and effectively made use of external support and technical assistance, which was crucial at a time when Uganda's domestic revenue collection was very low. Staff who worked under Tumusiime-Mutebile point to the organisational legacy he bequeathed to the Ministry. In particular, they commend the fact that he promoted many young and talented staff members to senior positions (many of whom remain in place today) and delegated significant responsibilities to these managers while also backing up their decisions if challenged by external parties.[27]

MoFPED staff also spoke highly of the current PS of MoFPED, Keith Muhakanizi, commending him for being approachable and making an effort to get to know his staff, thereby fostering an organisational culture in which staff can speak honestly with their superiors.[28]

3.6 Staff compensation

While the salaries of civil servants in Uganda remain low, in MoFPED these salaries are complemented by an array of allowances and monetary and non-monetary incentives that serve to attract competent staff to the Ministry and to retain them once in position. Uganda's civil service has a single salary structure with eight grades, from U8 (lowest) to U1 (highest). Each grade has a salary band, differing slightly between cadres (administrative, professional and scientific). All professional cadres start at U4, and only administrative positions such as drivers and secretaries are on the lower bands of the salary scale (U5-U8).

Uganda has undertaken several comprehensive public service reforms since the early 1990s. When the NRM came to power it inherited an ineffective public service. Wages had eroded considerably over the previous decades, with an entry-level professional earning $7 per month and a PS earning $23 per month in 1990 (Sendyona, 2010: 90). A complicated system of benefits and allowances accounted for the majority of a civil servant's compensation package. Between 1990 and 1995, the public service was halved, salaries were increased, the wage scale was decompressed and benefits were monetised (Sendyona, 2010: 91). However, a

[27] Two interviews with former advisors, London and Kampala, September 2013.

[28] Interview with mid-level government official, Kampala, September 2013.

permanent theme in Uganda's pay reforms has been that of tension between across-the-board pay reforms and selective salary awards intended to rapidly improve performance in particular areas. In the 1990s a number of selective pay awards were introduced on the grounds that special categories of staff required dispensations from the formal pay structure. In many cases, donor funds were used to finance special top-ups or allowances. While these arrangements were tolerated in the initial recovery period, the MPS has generally opposed such dispensations out of fear that they lead to fragmentation, creating internal competition within the government over wages and reducing wage transparency. However, the divesture of a number of government functions and the formation of autonomous agencies have placed a large number of publicly remunerated staff outside of the public service salary scale to similar effect (Sendyona, 2010: 100).

MoFPED was an early beneficiary of a selective salary award scheme. A special top-up scheme in MoPED (subsequently extended to the MoF after the 1992 merger) arguably played a critical role in professionalising the Ministry in the 1990s ahead of the government-wide pay reforms. From 1989 to 1996, UNDP, and subsequently the World Bank, provided a salary supplement of $130 for professional staff and $70 for support staff on condition that staff attended the office each day, with any travel and unapproved absences resulting in deductions from the supplement (Whitworth, cited in Tumusiime-Mutebile, 2010: 43). Advisors to MoFPED believe this scheme was crucial in re-establishing a functional ministry and that it represented a highly cost-effective use of donor funds.[29] The top-up scheme was dismantled in 1996 as salaries rebounded. By 2013, an entry-level economist's salary had increased to roughly $270/month, rising to $440/month at Principal level, $570/month for an assistant commissioner, and $910/month for a director.

However, the formal wage structure is not a good indication of actual take-home earnings. At higher levels, staff are entitled to official benefits, including vehicles and fuel for commissioners and above. The total allowance budget is roughly the same size as the total wage budget. Professional staff are regularly remunerated for travel and workshop attendance that earns per diems and sitting allowances, and the staff training budget is 50% larger than the total wage bill. For professional staff, domestic per diems range from UGX 110,000 to UGX 150,000 ($45-$60) (MPS). An economist who travels on field trips for a week each month can increase his or her take-home pay by over 50%. International travel allows per diems of $360 per day, which is more than the monthly salary of an entry-level professional. Managers interviewed for this study acknowledged that per diems for foreign and domestic travel are used to reward and motivate staff. (Staff-related costs are shown in Table 7.)

[29] Whitworth, cited in Tumusiime-Mutebile, 2010; confirmed in an interview with a former advisor, London, September 2013.

Table 7: Staff-related costs, including external financing (2013/14 budget)

	UGX (m)	USD (m)
General staff salaries	3,838	1.5
Contract staff salaries	10,492	4.0
Allowances	3,021	1.2
Staff training	5,627	2.2
Consultancy services (short-term)	8,348	3.2
Consultancy services (long-term)	10,423	4.0
Travel inland	2,848	1.1
Travel abroad	1,177	0.5

Source: MoFPED 2013, Draft Estimates FY2013/14

This opaque remuneration system is partly the result of a single spine salary structure for civil servants which means that agencies must wait for government-wide pay reforms before they can increase basic pay. The availability of donor funds, usually with narrow and targeted objectives, has also facilitated ad hoc methods of circumventing the salary spine (interviews). Furthermore, it is likely that pressure to keep the wage bill low in proportion to total spending – a common IMF and World Bank indicator of expenditure efficiency – creates incentives to shift personnel expenditure into non-wage recurrent costs such as travel, training and consultancy fees.

3.7 Non-wage benefits / motivational factors

While official salaries remain low, non-monetary compensation and other motivational factors help to make MoFPED an attractive employer. Interviewees cited job security as one of the benefits of civil service employment, and MoFPED's considerable investment in staff training is also an attractive benefit. In addition to frequent short technical training courses, MoFPED sometimes sponsors staff to study for master's degrees and other professional qualifications. (Employees are contracted to remain in the government's service for at least three years upon completion of a degree course.) MoFPED has also financed accounting degrees and professional certifications for numerous accountants. Both government and donor funds are used to help finance staff training. A number of scholarships are financed by donors and private companies, including Norway, the UK government, and the Tullow and Total oil companies, while courses run by IMF and the World Bank Institute are attractive short-term training options.[30]

Another motivational factor mentioned by MoFPED staff is the possibility of using the Ministry as a step in their career ladders towards a high-paid position with a donor agency or international finance institution (interviews). Many of the Ugandan

[30] Interview conducted with a mid-level government official in Kampala in September 2013.

economists now working for IMF and the World Bank or for bilateral agencies started their careers in government. Working for MoFPED also puts staff at the centre of the government and they have the privilege of seeing how their work directly affects policy-making. 'It is exciting to see the President reading your words in a public address,' remarked one senior staff member.[31]

Staff interviewed for this study seemed to be in agreement that MoFPED is a more attractive employer than other ministries for ambitious career civil servants. In contrast to some ministries, the basic systems of MoFPED are effective. Staff are provided with desk space and a computer upon their recruitment, and training opportunities, mentoring by senior staff, regular coordination meetings and regular duties all contribute to a sense of being part of a project with a purpose. MoFPED's success has bred success. A growing challenge, however, is that opportunities for promotion are limited for those for newer recruits who are a step behind the current managers that came into position at a relatively young age and are staying in place.

3.8 Conclusion

Both in comparison with other domestic institutions and by international measures, Uganda's MoFPED is a strong finance ministry. It has primary responsibility for 12 of the 18 central finance functions identified by Allen and Krause (2013) and has the power both to set strategic spending priorities and control the resource flow in-year. This is partly a result of Uganda's political structure in which the executive is more powerful than the legislature, restricting the ability of MPs to shape the budget process. In addition, the Ministry's leadership actively assumed functions and powers in the 1990s with presidential backing and in the absence of any legal framework assigning such roles and responsibilities. These powers thus became de facto practice before they were formalised in laws and regulations.

Organisationally, MoFPED is structured to deliver, with relatively limited horizontal fragmentation and with clear hierarchical lines of command. The agency has enjoyed remarkable continuity in leadership, with only three people having served in the positions of PS/ST and DST in the past 20 years. Furthermore, MoFPED has proven able to attract and retain competent staff, in part because it augments its relatively low official salaries with per diems and other top-ups, and in part because it remains a relatively dynamic organisation that provides staff with structure and stimulation and opportunities for training and personal advancement.

Annex 3 considers how these powers and organisational advantages translate into the ability to perform the core tasks of a ministry of finance.

The following section analyses the findings discussed in this paper so far. It assesses MoFPED's capabilities across a number of dimensions on the basis of outcomes in these areas. It also examines the ways in which the Ministry manages routine tasks in practice, how it draws on formal and informal powers and how it makes use of its organizational and human resource capacities.

[31] Interview conducted with a senior MoFPED official in September 2013.

Figure 8: Individual and organisational hierarchical levels (number of approved positions in parentheses)

Individual hierarchical levels (professional cadres)	Organisational hierarchical levels (professional cadres)
Permanent Secretary/ Secretary to the Treasury (1)	Permanent Secretary/ Secretary to the Treasury
Deputy Secretary to the Treasury (1)	Deputy Secretary to the Treasury
Director (3)	Directorates
Commissioner (14)	Departments
Assistant Commissioner (20)	Divisions
Principal Officer (38)	Sections
Senior Officer (60)	Units
Officer (113)	

Source: MoFPED Ministerial Policy Statement 2013/14

4 Analysis of capabilities

For a ministry of finance to carry out its core functions it must have the following four capabilities: analytical capability, i.e. the intellectual ability to generate sound technical advice; delivery capability, i.e. the ability to deliver core outputs and processes in a timely manner; coordinative capability, i.e. the ability to coordinate and communicate effectively with other government agencies and stakeholders; and regulatory capability, i.e. the ability to set rules and regulations that spending agencies must follow. These capabilities in turn require the following organisational features: the organisational legitimacy to persuade others to follow the finance ministry's instructions; the organisational effectiveness to make sound policy and to process decisions; and the organisational efficiency to execute those decisions according to plan. This section draws on findings from the previous sections to assess how Uganda's finance ministry performs across these capabilities.

4.1 Analytical capabilities

Uganda's prudent fiscal management is evidence of the finance ministry's strong underlying analytical capacity. Historically, macroeconomic analysis has informed some of the major shifts in the country's fiscal policy, including the justification for the fiscal consolidation in 1992 and the decision taken in the 2000s to cap the fiscal deficit before grants. Regularly published analytical products provide detail on the economic trends that underlie fiscal policy decisions. MoFPED produces and publishes reports on the performance of the economy, as well as detailed justifications of the macroeconomic forecasts, fiscal framework and expenditure policies and performance in the background to the budget and budget framework paper. Although MoFPED has struggled with the accuracy of its revenue predictions in recent years, it is actively addressing this deficiency by upgrading the macroeconomic framework with the support of the IMF.

Analytical work also informs allocative debates and discussions. MoFPED produces Government Outlays Analysis Reports designed to inform debate about expenditure priorities. It has also worked closely with the World Bank on Public Expenditure Reviews of particular topics, including recommendations for strengthening allocative and operational efficiency. At a more granular level, the desk officers in the Budget Directorate also provide a challenge function for the sectors and assess new spending programmes, indicating the importance to the Ministry of analytically informed policy decisions.

To inform decisions about operational issues, the Budget Monitoring and Accountability Unit within the Ministry performs a form of internal audit of the physical performance of selected government programmes and provides detailed accounts of weaknesses in government performance and systems. These reports were initially produced as internal documents for management purposes but are now placed in the public domain, suggesting that the Ministry has sufficient intellectual and political confidence to commission and publish studies and reports that are critical of government performance.

MoFPED's economic analysis capabilities rest on a cadre of qualified macroeconomists who carry out routine analytical tasks. However, the number of people involved in these functions is relatively low for a country of Uganda's size, with only 21 technical staff in the Economic Affairs Directorate overseeing macroeconomic policy, tax policy, economic research, private sector development and microfinance. To augment internal capacity, the Ministry also makes active use of external support, particularly for non-routine tasks. FINMAP funds are often used to commission consultants to carry out analytical work, and donors often offer to finance research independently. MoFPED also chairs and provides funding for the board of the Economic Policy Research Council, a think tank based at Makerere University that conducts independent economic research and policy analysis.

In the Budget Directorate some 30 senior and principal economists are involved in the day-to-day management of relations with line ministries, including analysing, assessing and challenging spending proposals.

Analytical work thus forms a core element of MoFPED's mandate and of the regular duties of technical staff across the Ministry. While the quality of output is mixed across the Ministry and its products, the relatively direct relationship between analytical outputs and policy debate and decisions suggests that considerable weight is given to analytical capabilities, even if political priorities sometimes override technical arguments. This relationship can be seen, for instance, in the link between macro analysis and the fiscal framework, as well as in the link between assessments of new spending priorities and approval.

4.2 Delivery capabilities

A capable Ministry of Finance must demonstrate the ability not only to analyse and make sound decisions but also to follow through on those decisions by delivering and executing a budget each year. MoFPED's ability to deliver is far stronger on upstream than downstream processes, which is a common pattern across Africa (Andrews, 2010). Although slippages in the budget calendar are not unheard of and Uganda's budget is routinely passed late, MoFPED nonetheless produces and delivers an array of detailed documents that underlie its strategic budget decisions. The Ministry also coordinates a complex budget submission process involving hundreds of agencies and delivers a final set of estimates to Parliament for consideration and eventual approval. MoFPED's considerable ability to produce and make public a wide array of budget reports has earned it the second highest score (65%) on the Open Budget Index among African countries (2012).

MoFPED's accounting and reporting systems are also quite robust, with the Accountant General's Office conducting regular bank reconciliations and producing financial statements and budget performance reports, albeit typically released with some delay after the end of the reporting period (RoU, 2012).

In the execution of its decisions, however, MoFPED's performance is less impressive. The Ministry's failure to provide predictable and timely fund releases to ministries, departments and agencies weakens the implementation of the budget. A tracking exercise conducted in 2010/11 of fund releases for health, education and roads found that it takes an average of 100 days from the time a spending agency submits a quarterly funding request to the date it receives the last instalment (RoU, 2012). These disbursement difficulties are partly a result of the cash budgeting system, which entails that quarterly budget ceilings are not set until after the Directorate for Economic Affairs has set the quarterly revenue projection – an exercise that is often completed late. A cumbersome system of spending warrants, together with onerous reporting requirements on the part of the spending agencies, also adds to delays (ibid). In addition, the Poverty Action Fund (PAF), a virtual fund that identifies particular programmes in the budget that are relevant to poverty reduction, gives preference to releases for PAF programmes over non-PAF programmes, thereby increasing the volatility of fund releases for non-protected programmes (RoU, 2009).

The reason why MoFPED has been unable to resolve these release problems is not immediately clear and cannot be attributed to a failure to diagnose the problems in the execution process. The issue of late and unpredictable cash releases has been repeatedly highlighted in PEFA assessments, and this problem appears to have become more serious between 2009 and 2012 (RoU, 2008, 2009 and 2012). One hypothesis is that weak release predictability is the result of the Ministry's markedly strong overall fiscal control. Certainly, MoFPED's excessively bureaucratic internal processes and strict quarterly limits are its primary means of resisting pressure from powerful spending agencies to exceed their budgets.[32] There appears to be something of a trade-off between cash budgeting and release predictability, with releases often concentrated towards the end of the year when sufficient cash balances have been built up. Countering this argument, however, an earlier study found that most agency-level variation in Uganda was the result of virements and supplementary budgets rather than cash ceilings (discussed in Byaruhanga et al., 2010). Nonetheless, it should be noted that problems associated with cash budgets are not specific to Uganda (Stasavage and Moyo, 1999; Simson and Welham, 2014).

4.3 Coordinative capabilities

To manage the budget process effectively, a ministry of finance needs the capacity and convening power to bring together different constituencies from across government and to coordinate activities among these constituencies. Throughout the process of budget preparation and execution the staff of MoFPED work closely with officials from across the government. The Ministry sets out the planning and budget process and the sector ceilings through budget circulars which, according to officials in spending agencies, are usually accorded the highest priority among government circulars. The Ministry also regularly calls together various groups of staff members across line agencies for training and briefings. MoFPED also initiated and oversees a Sector Working Group approach that brings agencies from across the government together into 16 sector groupings that meet several times a year to present and discuss sectoral budget framework papers and to review past performance. In the course of budget preparation, moreover, the use of the Output-Based Budgeting Tool (OBT), which is not yet web-based, means that budget officers in respective spending agencies must submit each iteration of the budget to MoFPED in person, requiring extensive face-to-face interaction among staff in ministries and agencies.

However, slippages in the budget calendar, and in particular the delays in sending final budget ceilings to spending agencies, weaken the quality of the budget process and limit the potential for input from below (RoU 2012). Line ministry officials sometimes feel that MoFPED dictates rather than coordinates, and that some consultation processes are tick-box exercises rather than genuine opportunities to influence the budget process.

The fact that MoFPED recruits and oversees cadres of economists, planners and accountants in agencies across the government may contribute to a relatively strong coordination and information flow between MoFPED and other line ministries,

[32] Interview conducted with a former advisor in Kampala in September 2013.

although it is hard to show the impact of this policy. The FINMAP40 programme, which recruited young economics graduates into junior consultancy positions across government to manage the roll-out of the OBT, has also likely served as a direct bridge between MoFPED and spending agencies during the budgeting process.[33] The relatively low turnover within the civil service also means that budget officers are able to build personal relationships with their counterparts in spending agencies.

However, MoFPED's convening power is also a testament to the considerable formal and informal strengths wielded by the Ministry (as discussed in Section 3). Technocrats in the Ministry do by and large have the power to discipline spending agencies by virtue of controlling the purse strings.

4.4 Regulatory capabilities

Another key feature of an effective ministry of finance is the capability to develop, communicate and enforce financial management regulations, either directly or in coordination with other regulatory bodies. While MoFPED's ability to develop and communicate rules is quite strong, it has less capacity to enforce these rules.

Uganda has a relatively sound legal and regulatory framework for PFM. This framework has been developed by MoFPED, although the Ministry frequently makes use of consultancy services to prepare the relevant documents. Officials interviewed for this study emphasised that there is strong domestic ownership over the contents of laws, regulations and policies and that consultants serve primarily in an advisory capacity. In some areas, notably the area of procurement, regulatory and oversight responsibilities are shared with the PPDAA. In addition to the PFAA 2003 and other relevant legislation, a detailed financial and accounting manual and regulations have been developed and widely disseminated. The 2012 PEFA assessment found that Accounting Officers are generally well aware of financial regulations.

There is a major gap in implementation, however, between regulations on paper and the ability of MoFPED to enforce these rules. For example, accounting officers are rarely sanctioned for breaking financial rules and regulations despite robust systems in place for detecting such breaches. Compliance problems have been amply documented in publicly available government documents, including auditor reports, budget monitoring and accountability reports, budget performance reports, PEFA studies and procurement audits. The persistent problem of spending arrears is a case in point: despite widespread recognition of this problem, including an IMF assessment in 2005 of expenditure arrears, the outstanding stock of arrears remains high, amounting to nearly 10% of total expenditure in recent years (RoU, 2012). Procurement audits also show that agencies regularly flout the rules, with approximately 45% of non-competitive contracts unjustified. While the number of agencies that receive unqualified audit opinions is improving, the proportion of such audits is still low at 59% (RoU, 2012).

Another reason behind the failure of MoFPED to enforce regulations is its failure to keep its end of the bargain by providing timely and predictable flows of funds. Such delays in fund releases give rise to mutual accusations between MoFPED and spending agencies, with agencies arguing that they are compelled to circumvent rules due to their lack of access to funding.

[33] Interview conducted with a consultant in Kampala in September 2013.

4.5 Conclusion

This review of the capabilities demonstrated by MoFPED across these four dimensions reveals significant variations. While MoFPED's analytical and coordinative capabilities are strong, the Ministry has been less successful in executing the budget consistently and in regulating the conduct of spending agencies. These deficiencies of MoFPED appear to be the result not so much of weak human capacity as of the political constraints within which the Ministry operates, including its inability to sanction accounting officers and its fear of losing control over the fiscal balance.

5 Conclusion

Although the previous section has shown significant variation in the core capabilities of MoFPED, the Ministry does exhibit considerable capacity and strength compared to ministries of finance in countries with a similar income bracket. The Ministry is well organised and mostly meritocratic. Over the years it has proven able to manage fiscal policy consistently, to ensure an orderly budget process, to produce high quality analytical products and to push through complex and coordination-heavy budget reforms.

The capabilities of Uganda's finance ministry are best understood in historical context. In the early 1990s, strong and reform-minded technocrats took advantage of a political opportunity to increase the powers of the finance ministry and set it on a new course. The Permanent Secretary of the Ministry at that time, Tumusiime-Mutebile, was particularly instrumental in changing the government's macroeconomic policies, spearheading a sharp fiscal consolidation in 1992 that rapidly brought inflation under control and convinced politicians of the importance of prudent fiscal management. This event has shaped the collective memory of public servants in Uganda. In interviews and articles, MoFPED officials continue to espouse a policy framework that puts sound fiscal management at the top of the Ministry's list of priorities.

In the case of Uganda, political pressure from the top appears to have helped drive a performance-orientated ministry of finance. The leadership of the Ministry was under pressure to convince politicians, and the President above all, that its proposals were sensible – and had to do so, moreover, in the face of competition from other stakeholders with contending views. A further factor in the Ministry's performance-driven orientation is that at least some of its activities have short feedback loops. These activities include the rate of inflation and private sector credit, as well as such matters as the payment of salaries to teachers and district officials. Such short feedback loops create a direct link between bureaucratic delivery capability and performance. On the issues that have mattered politically, whether these be controlling inflation or paying teachers' salaries, the country has achieved its goals. In order to do so, Uganda's leaders have been compelled to build a professional and adequately staffed finance ministry.

These factors, combined with exceptional leadership, have probably served as the most important ingredients in fostering the establishment of a meritocratic organisation[34] in which organisational structure and internal management practices are delivery-orientated. Although Uganda has experimented with formal performance contracts and output-orientated budgeting, the real accountability relationships appear to have been far more personalised, resting on individuals' judgments as to whom to empower or promote in order to achieve the tasks at hand. This has been a self-reinforcing process, moreover, since the appointment of a

[34] Informants still complain that appointments to the Ministry are influenced by identity politics, including belonging to the 'right' ethnic group or family. This claim is difficult to evaluate objectively, but may well be the case, as it is arguably the case to some extent the world over; however, technical competence does appear to be a minimum requirement for entry in MoFPED.

sufficient number of technically competent managers greatly increases the likelihood that these managers will in turn recruit and promote on the basis of merit.

According to measures of the strengths of ministries of finance, MoFPED exhibits unusually strong control, both from a micro-budgetary perspective (i.e. in its administrative control over the use of resources) and from a macro-budgetary perspective (i.e. in its control over strategic priorities and overall performance) (Krause, 2009). The Ministry manages a cash budget that affords it powers to closely control resources in-year, as well as an MTEF and a process for setting expenditure ceilings that gives MoFPED privileged influence over budget policy. To a large extent these are powers that MoFPED has accumulated for itself over the past few decades through its privileged access to the President and its informal political strength. Of these powers that have been enshrined in law, the legal framework was in many cases updated after these powers had been established in practice.

However, the personalised nature of power in Uganda, including the high degree of individual discretion in shaping the form and policies of institutions and the direct links between presidential priorities and public sector performance, also makes MoFPED's achievements vulnerable to reversals. MoFPED still performs well in some areas, notably in overall macroeconomic control and in strategic allocative decisions that remain on the President's priority list. Fiercer election competition and a more short-term political agenda have had pronounced effects on overall PFM performance, however, as seen in particular in the failure to control corruption. This demonstrates the double-edged sword of discretionary powers, for the relative ease with which the Ministry of Finance leadership pushed through far-reaching reforms in the 1990s also indicates the ease with which these reforms could be unravelled in the future.

Fears about the possible weakening of political commitment to fiscal prudence might also help explain MoFPED's failure to resolve a number of basic challenges to the execution of the budget, such as unreliable and delayed fund releases and the accumulation of chronic arrears. MoFPED has long been aware of these shortcomings and their impact on operational efficiency. The persistence of these problems may thus partly be the result of apprehension on the part of the Ministry that relinquishing cash controls or simplifying bureaucratic procedures for authorising spending would open the floodgates for deficit spending and make it harder to maintain overall fiscal control.

It remains to be seen whether recent changes in the political climate in Uganda will lead to a weakening of MoFPED's human resource capacity. This could come about either as a result of less emphasis being placed on merit in the selection and remuneration process or through a change in competencies among the pool of applicants. This could happen, for example, if young, talented and principled economists start leaving or avoiding employment in the public sector. Some argue that such a change in the quality of human resource capacity is already well underway.[35]

Uganda's practices for remunerating civil servants likewise involve both opportunities and risks. While the Government has a rigid and transparent salary structure on paper, the base salary is only one means of compensating staff – and probably not the most important means. General staff salaries make up less than 10% of MoFPED's total human resource-related costs according to how these costs

[35] Interview conducted with a former advisor, Kampala, September 2013.

are broadly defined[36] in the 2013/14 budget estimates. Rewards to employees in the form of training, per diems and top-up schemes are significant, opaque and discretionary. As long as ministries have an imperative to deliver public goods, managers are likely to make sensible use of these discretionary powers over remuneration to motivate performance and retain staff. In ministries where such an imperative does not exist, however, or where a performance culture has not been fostered or has ceased to prevail, this level of discretion is vulnerable to abuse.

These findings suggest that future research could usefully investigate the tensions between discretion and institutional restraint in public sector performance. An interesting question in the case of Uganda is the extent to which the gradual formalisation of bureaucratic processes and powers is serving to help protect PFM institutions from excessive political interference. Weak expenditure controls are certainly not going unchallenged by domestic actors and many recent cases of large-scale corruption have been uncovered by domestic oversight institutions. The office of Auditor General, for instance, having been granted greater independence through the National Audit Act of 2008, is today able to investigate and publish audit reports that point to failures in public sector systems, although few people have been sanctioned in the wake of these revelations.

The Ugandan case sheds useful light on approaches to performance management. For example, while MoFPED exhibits a performance culture, accountability is exercised through personal discretion rather than through formal performance contracts.[37] Government officials suggest, moreover, that MoFPED's performance culture is linked to intangible incentives as well as monetary rewards. Interviewees stated that their motives for seeking employment or remaining in MoFPED included an attraction to the sense of mission at the Ministry, its order and structure, its provision of mentoring and opportunities for personal development, as well as the long-standing relationships enjoyed between civil servants. MoFPED has also proven able, furthermore, to work around certain rigidities in public sector management practices, at least when there has been an imperative to do so. For example, although civil servants are rarely dismissed, managers can find ways to overcome this challenge by reassigning staff to unimportant positions and/or limiting their access to discretionary resources. In the case of Uganda, the finance ministry's low rate of staff turnover appears to have been a source of strength rather than an obstacle to performance. This supports the thesis of 'function over form' that is increasingly being advocated in development discourse. According to this thesis, the provision of incentives for staff to deliver on particular functions is a more reliable predictor of an organisation's capability than the adoption of formal institutions to ensure performance –in other words: where there is a will there is a way (Andrews et al., 2012).

[36] These costs include general staff salaries, contract staff salaries, allowances, staff training, and consultancy services.

[37] A similar point is made about Uganda by Stasavage and Moyo, 1999.

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Appendices

APPENDIX A. Interviews

Justine Ayebare	Economist, Budget Policy	MoFPED
Francis Azabo	Senior Accountant, Accountant General's Office	MoFPED
Benon Byamugisha	Planner	Ministry of Ag.
Jakob Fredensborg	TASU	World Bank
Lawrence Kiiza	Director, Economic Affairs	MoFPED
Benon Kigenyi	Government Official	Ministry of Gender
Herbert Kiguli	Assistant Commissioner	MPS
Anja Kramer	Head	KfW
Marcus Manuel	Former advisor to MoFPED	
Robert Mpagi	PFM Consultant	Independent
Laban Mubulamuko	Commissioner, Budget	MoFPED
Gloria Mugambe	PFM Specialist	DFID
Dr. Mugisha	Government Official	Ministry of Health
Susan Muhumuza	Principal Human Resource Officer	MoFPED
Johnson Mutesigensi	FINMAP Coordinator	MoFPED
William Ndoleriire	Principal Economist, Budget Policy	MoFPED
Jean-Pascal Nguessa Nganou	Senior Country Economist	World Bank
Denis Ocare	Principal Economist, Budget Policy	MoFPED
Robert Ssekatte	Senior Economist, Budget Policy	MoFPED
Lawrence Ssemakula	Commissioner, Financial Management Services	MoFPED
Godber Tumushabe	Executive Director	ACODE

Gerald Twijukye	Consultant (formerly with UDN)	Independent
Maris Wanyera	Commissioner, Aid Liaison	MoFPED
Tim Williamson	Former advisor to MoFPED	

APPENDIX B. Uganda's scores on dimensions of microbudgetary and macrobudgetary control

Dimensions of Micro-budgetary Control	
(1) The finance ministry introduces ceilings on the initial budget requests at line item level.	0 Ceilings in the budget circular are set at chapter level.
(2) Disputes between spending ministers and central budget authority during budget formulation are resolved by the Minister of Finance.	1 In practice, the Ministry of Finance resolves such disputes, although legally the Cabinet has the power to intervene.
(3) The Ministry of Finance controls spending increases during budget execution.	0.66 (although the State House can dictate the need for a supplemental budget)
(4) The Ministry of Finance has the authority to cancel appropriated spending during budget execution.	1 The Ministry of Finance runs a cash budget and can restrict spending when it sees fit.
(5) The Ministry of Finance exercises authority over spending ministries carrying over funds from one budget year into the next.	1
Dimensions of Macro-budgetary Control	
(1) The formulation of the economic assumptions used in the budget process is under the sole authority of the ministry of finance.	1 (although assumptions are developed in collaboration with BoU, and in some cases UBOS)
(2) The central budget authority is in charge of monitoring compliance with fiscal rules.	N/A
(3) The finance ministry is in charge of multiannual budgeting.	1 MoF sets multiannual ceilings, although these are not very credible. The MTEF is effectively a one-year budget (RoU, 2012).
(4) The finance ministry has the authority to limit legislative changes to the executive budget proposal.	1
(5) The finance ministry is in charge of performance targets.	1 Performance targets exist on paper.
(6) A significant proportion of the budget is explicitly linked to performance indicators.	1

Source: Author's own; dimensions based on OECD, 2007, see Krause, 2009

APPENDIX C. 2012/13 and 2013/14 budget estimates for the Ministry of Finance, Planning and Economic Development

Ugandan Shillings, millions		**2012/13**					**2013/14**				
		Total	Wage	Non-wage	Dev. (GoU)	Dev. (Donor)	Total	Wage	Non-wage	Dev. (GoU)	Dev. (Donor)
Vote function 1401	Macroeconomic policy and management	75,745	385	6,301	61,074	7,985	125,904	385	12,686	105,687	7,146
Vote function 1402	Budget preparation, execution and monitoring	11,729	532	4,325	3,252	3,620	13,860	532	5,130	7,126	1,072
Vote function 1403	Public financial management	44,658	1,042	9,222	4,000	30,394	26,644	1,042	14,893	8,432	2,277
Vote function 1404	Development policy research and monitoring	28,074	120	11,030	16,104	820	43,998	120	11,668	31,002	1,208
Vote function 1406	Investment and private sector promotion	21,529	70	6,100	8,490	6,869	15,900	70	8,530	7,300	-
Vote function 1408	Microfinance	24,973	64	510	10,479	13,920	16,519	64	510	8,190	7,755
Vote function 1449	Policy, planning and support services	44,342	1,477	6,794	32,931	3,140	54,363	1,624	7,193	45,546	-
	TOTAL	251,050	3,690	44,282	136,330	66,748	297,188	3,837	60,610	213,283	19,458

Source: MoFPED 2013, Draft Estimates FY2013/14

APPENDIX D. Generic task cases

This annex considers the ways in which Uganda's MoFPED performs three typical tasks of finance ministries: (i) setting the revenue target and expenditure envelope; (ii) considering a new spending request; and (iii) managing a change to the budget procedure. This review also sheds light on how MoFPED coordinates with other government agencies and other actors, how it uses its analytical capabilities, and how it manages non-routine tasks. (This section is largely informed by interviews conducted in 2013 and therefore does not reflect changes that have occurred since then, including the Public Finance Bill of 2015.)

Task case 1: Setting the revenue target and expenditure envelope

The Directorate for Economic Affairs sets the revenue and expenditure envelope in collaboration with the URA and the BoU. The formal process for determining these figures is set out in the budget calendar (Figure 9), while memorandums of understanding (MoUs) spell out the working relationships between the agencies involved in deriving the macroeconomic forecasts (Figure 10). Indicative figures are prepared in September/October for inclusion in the budget circular. These figures are updated in April to inform the Budget Framework Paper and then finalised in April/May for presentation to Parliament (RoU, 2012).

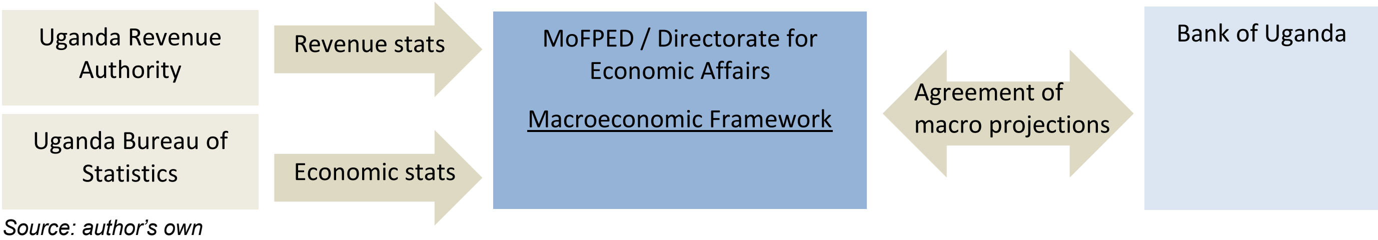
Figure 9: Revenue and expenditure targets and the budget calendar

September/ October	1. Initial revenue projections and expenditure envelope	Feeds into	• Cabinet Retreat where Budget Strategy Paper is presented • Budget Consultative Workshop • First Budget Call Circular
March / April	2. Updated revenue projections and expenditure envelope	Feeds into	• Second Budget Call Circular • National Budget Framework Paper presented to Parliament
April/May	3. Final revenue projections and expenditure envelope	Feeds into	• Third Budget Call Circular • Budget presented to Parliament

Source: Adapted from the budget calendar presented in the 2012 PEFA study

Revenue and expenditure projections are determined by the macroeconomic framework that brings together the real, external, monetary and fiscal sectors of the economy. The framework is informed by the Government's macroeconomic policy objectives: to keep inflation close to the policy target of 5%; to achieve and maintain economic growth rates of at least 7%; to maintain adequate foreign exchange reserves equivalent to at least four months of imports of goods and services; and to maintain a stable exchange rate (2013/14 Background to the Budget). In accordance with the inflation target, which places a limit on growth in the money supply, the macroeconomic framework places a strict limit on domestic borrowing. The borrowing limit and revenue predictions thus determine the total expenditure envelope (Wanyera and Davies, 2012).

Figure 10: Relationships between agencies involved in determining macro predictions



Source: author's own

Projections for GDP growth, inflation, and exchange rates are set together with the BoU and UBOS, but MoFPED has the final authority on the economic growth projection, which provides the main anchor for many of the other variables.[38] MoFPED and the BoU have an MoU that sets out formal coordination structures, including weekly meetings between the research and macro departments of both agencies (Wanyera and Davies, 2012). A similar MoU exists between MoFPED and UBOS stipulating regular meetings at technical level.[39]

The revenue forecast is developed by the Macroeconomic Policy Department within the Directorate for Economic Affairs. (The Macroeconomic Policy Department is staffed by 9 economists, while the Tax Policy Department is staffed by 11 economists.) The forecast is determined by projections for domestic revenue, external grants and loans, and non-bank savings. These projections are based on the previous year's performance, macroeconomic forecasts and their expected impact on revenue, and changes in tax policy and tax administration (RoU, 2012). The Aid Liaison Department collects data on planned donor activities, providing the basis for projections of grants and concessional loans.

The IMF conducts surveillance missions to assess the validity of MoFPED's macroeconomic framework. The Directorate for Economic Affairs does not currently have any long-term embedded technical assistants other than ODI Fellows. The Directorate currently uses the IMF financial programming model to predict revenue. In order to improve the quality and timeliness of revenue predictions, which have been weak in recent years, the macroeconomic model is being upgraded and better tailored to the Ugandan economy with assistance from the IMF.

The Cabinet has never revised the macroeconomic or medium-term fiscal framework, although it has the legal powers to do so (Byaruhanga et al., 2010).[40] This exercise is viewed as a technical one, and government officials state that they do not feel under political pressure to inflate figures. Fiscal objectives and targets have been solely a policy matter to date; however, the new Public Finance Bill (tabled in 2012) takes further steps to enshrine the process of stipulating fiscal targets in law. The new Bill requires MoFPED to present a Charter of Fiscal Responsibility to Parliament for approval on an annual basis containing the fiscal policy objectives. In addition it annually presents a Budget Framework Paper containing macroeconomic projections and a medium-term fiscal framework (Public Finance Bill, 2012).

Over the long term, Uganda's macroeconomic outcomes have generally been sound and in line with policy objectives, including an average growth rate of 7%, and

[38] Interview with a senior government official, Kampala, September 2013.
[39] Interview with a senior government official, Kampala, September 2013.
[40] Also confirmed in an interview with senior government officials, Kampala, September 2013.

inflation rate below 10% in three of the past 20 years, and a stable exchange rate. In recent years, however, growth and inflation targets have repeatedly been missed, and significant variations between planned and actual expenditure call into question the strength of the fiscal projections. For example, revenue fell short by 25% in 2009/10 but then exceeded the projection by 25% in the following year. It is difficult to determine whether such weaknesses in forecasting are the result of an outdated macro model (currently being updated), poor data quality, or political pressures to overstate or understate revenue.

The process of setting revenue and expenditure projections also demonstrates MoFPED's ability to deliver on its annual outputs. The process appears to work reasonably well, although slippages in the budget calendar are quite common. These slippages are sometimes caused by late revenue predictions that limit the time available for spending agencies to prepare their budget submissions (RoU, 2012). Although there are formal coordination procedures and weekly meetings of representatives from MoFPED, the BoU, UBOS, and staff at technical level, some interviewees suggested that coordination should be further strengthened.[41]

Task case 2: Considering a new spending request

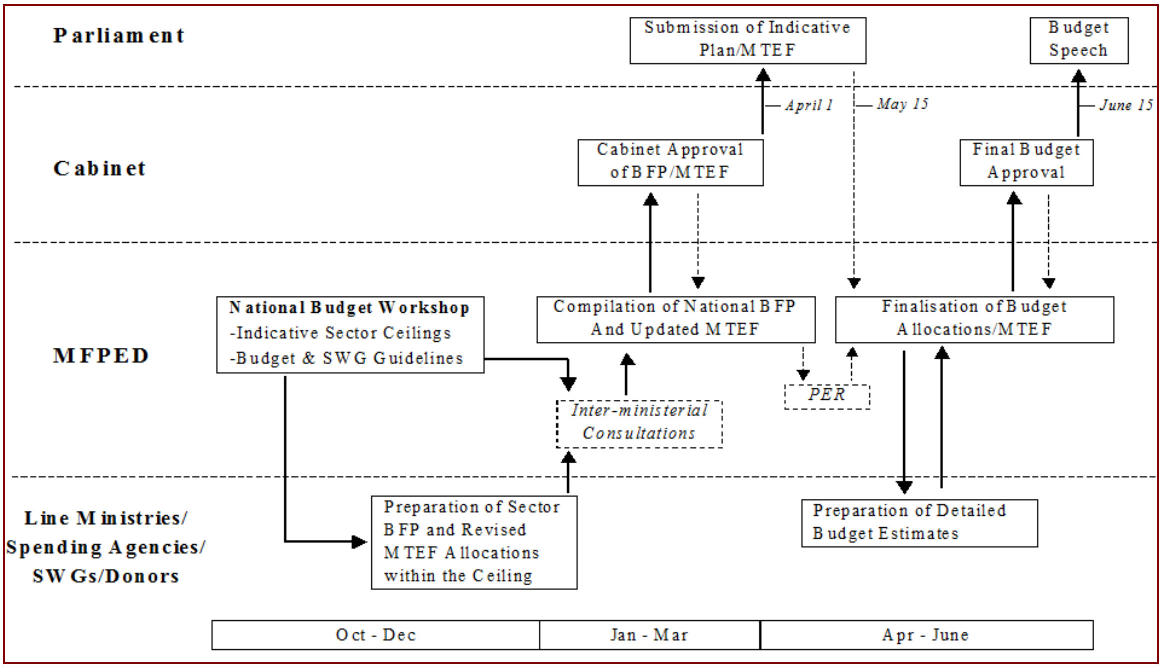
MoFPED's Budget Directorate is responsible for reviewing new spending requests from agencies. Dedicated desk officers assigned to specific agencies/sectors manage the Ministry's engagement with spending agencies and conduct an initial assessment of requests before they are discussed at higher level. New spending priorities are primarily considered during the budget formulation process, thereby providing politicians and spending agencies the opportunity to query and challenge the budget ceilings, though there is also a process for considering emergency in-year requests.

Allocations through the annual budget process

The structure for debating and determining new spending priorities for inclusion in the budget is provided by a formal planning and budgeting process that runs from October to June before the fiscal year starts on July 1 (Figure 11). The process is designed to ensure strong engagement in budgeting at both political and spending-agency level. The Minister of Finance presents initial medium-term sector ceilings at a Cabinet retreat in October. This is followed by a consultative budget workshop and the distribution of a circular to spending agencies that contains the indicative ceilings. Sectors then hold consultations to set priorities for the coming year and to determine how resources should be used. These priorities are laid out in Sector Budget Framework Papers, which are medium-term sector strategies. MoFPED holds budget hearings at which agencies present and defend their Sector Budget Framework Papers and have the opportunity to make the case for higher ceilings. After this round of negotiations, MoFPED prepares a consolidated budget framework paper to be approved by Cabinet before being presented to Parliament by April 1. Following the parliamentary review of the budget, MoFPED may issue revised agency ceilings and request revised budget estimates in May. (Although Uganda operates an MTEF, estimates for outer years are not reliable projections of spending, and the first year budget is therefore the most important (RoU, 2012).)

[41] Interview with a donor representative, Kampala, September 2013.

Figure 11: The budget preparation process



Source: Williamson, 2007.

Although in principle the budget calendar allows ample room for debate, in practice, and by virtue of holding the pen, MoFPED has considerable influence over how any additional resources in the budget are allocated. The budget process combines incremental budgeting with more strategic allocation decisions. Recurrent costs are determined through incremental budgeting, largely based on the previous year's spending and taking into account any new policy decisions such as pay reforms. Any additional resources are channelled to new spending priorities rather than parcelled out equally across agencies. (Given Uganda's rapid revenue growth in past years, the fiscal space has been expanding significantly.) New spending priorities are in theory guided by the country's development plan, which should provide a prioritised list of spending needs for the government as a whole. In practice, however, the link between the NDP and MTEF is tenuous.[42] Since the NDP contains more programmes than can be accommodated in the MTEF, a further process of prioritisation is undertaken ahead of each fiscal year.[43] This prioritisation is mainly determined by political imperatives, though it may be informed by analytical inputs from MoFPED. Well-argued requests from spending agencies can also influence the process, especially if they demonstrate a clear growth or poverty reduction rationale for a particular spending programme.[44]

However, while this process in theory gives spending agencies the opportunity to propose and defend new spending priorities, agencies often complain that in practice the budget preparation process is more opaque and politicised than the formal framework suggests.[45] They also object to the frequent revisions of ceilings in the period of budget formulation, arguing that these revisions restrict the time available to develop detailed estimates and to build consensus within their organisations (RoU, 2012).

[42] The Auditor General, and interviews with partners.
[43] Moreover, other strategies and plans compete with the NDP, such as the ruling party Manifesto, sector-specific plans, etc.
[44] Interview with senior government official, Kampala, September 2013.
[45] Two interviews with mid-level government officials, Kampala, September 2013.

New in-year spending requests

New spending requests may also arise in-year, requiring virements or supplemental budgets. The following four types of requests for additional funding typically originate from line ministries to MoFPED:

1. One-off requests with a clear political/government priority that does not require much debate, such as funding for a population census or for an upcoming election.
2. Requests that have a strong economic rationale but which require discussion and negotiation.
3. Requests that can be accommodated within the sector ceilings (through virements) and are negotiated at that level or which can be deferred to the following budget year.
4. Emergency requests, such as funding to cope with floods or other natural disasters.

MoFPED's established procedure for dealing with new expenditure requests is as follows:

1. A request can be submitted either by the PS of a spending agency to the PS of MoFPED or by a minister to another minister. The request is subsequently passed on to the Budget Directorate.
2. A budget desk officer at MoFPED consults with the responsible officer(s) from the line ministry that submitted the request and then prepares a formal memo assessing the request and making a recommendation as to whether it should be granted. This memo is passed up the management chain to the PS for consideration.
3. If the request is deemed to be justified, and depending on its magnitude, it is presented to Cabinet for consideration to be tabled before Parliament as part of a budget supplemental. Any revisions made to the budget appropriations that are larger than 3% of total expenditure require parliamentary approval (Budget Act, 2001).
4. If Parliament approves the request, a certificate of financial implication is issued for the policy to be financed.
5. Funds from one or more agency, or from the government's contingency budget if appropriate, are reallocated to meet the approved supplemental budget of the line ministry concerned, as MoFPED cannot raise the overall expenditure ceiling.

While this procedure is respected, interviewees noted that the budget department's assessment is sometimes merely a rubber-stamp exercise justifying a decision already made at political level.[46] Interviewees also noted that spending requests are frequently denied, with agencies advised to reallocate within their budgets or to postpone new programmes until the following fiscal year.

Yet the frequency and magnitude of supplementary budgets indicates that in-year changes to the budget are common. The fact that certain agencies persistently gain from reallocations also indicates that MoFPED may be limited in its ability to deny new requests from politically powerful agencies.

Task case 3: Managing a change to the budget process

Uganda has a formal coordination structure for managing PFM reform, headed by the Public Expenditure Management Committee (PEMCOM). Such reforms are usually financed by FINMAP (jointly funded by the Government and development

[46] Interviews.

partners), and implemented by a dedicated a project-implementation unit based in MoFPED and comprising 6-8 staff and a project manager. PEMCOM, which is chaired by the PS of MoFPED and comprising representatives from MoFPED, the MPS, the Ministry of Local Government (MoLG), the Auditor General's Office, the PPDAA, and donor representatives, determines the FINMAP work plan and provides oversight.

FINMAP was disbursed approximately $16m per year between 2011 and 2013[47] – a considerable investment given the total MoFPED budget of roughly $100m in 2012/13. FINMAP's goals and priorities are set using the PEFA assessment and other diagnostics. Reform activities, meanwhile, are determined through a bottom-up approach, with relevant departments presenting proposals for funding to PEMCOM, where committee members jointly determine what will go into the FINMAP work plan. The implementation of the reforms is then driven by the relevant government unit.

Government officials and other stakeholders note that MoFPED reforms have strong government ownership. However, donors also have some influence and can encourage the adoption of reforms that the Government may be reluctant to adopt. Donor conditionality has been used to nudge forward PFM reforms (Bwoch and Muwanga, 2010). When some donors suspended their contributions to FINMAP in the wake of a 2012 corruption scandal, however, the Government stepped in to finance the shortfall to ensure that ongoing efforts were not derailed, indicating the Government's strong commitment to FINMAP reforms.[48]

Uganda has undertaken a considerable number of reforms since the 1990s, some of which have proven highly successful while others have been less effective. Amongst the more significant budget-related reforms are the following:

1. The introduction of a Medium-Term Expenditure Framework (MTEF) in 1997/98.
2. Updates to the legal framework for PFM: notably the Budget Act (2001) and the Public Finance and Accountability Act (2003).
3. The roll-out of the Integrated Financial Management System (IFMS) to agencies and local governments. (Initial IFMS reforms were carried out under a predecessor programme to FINMAP).
4. The introduction of an Integrated Personnel and Payroll System (IPPS), linked to IFMS and implemented by the MPS.
5. The development and roll-out of a bespoke Output-Orientated Budgeting Tool (OBT) for the Ugandan budget that links inputs to development results (budgeting and performance reporting).
6. The increased independence of the Office of the Auditor General.

The roll-out of these reforms has usually relied on consultants to provide specialist technical expertise (for example in database design or the drafting of new laws and regulations) and the manpower to train or manage change processes and new systems across government. FINMAP currently employs over 150 consultants, many of whom are presently working in line ministries to manage the OBT.

[47] Calculated on the basis of the budget for July 2011-March 2013 in the draft mid-term review report.
[48] Interview with consultant, Kampala, September 2013.

Box 1: The introduction of IFMS in Uganda

Gustavio Bwoch (the Accountant General) and Robert Muwanga (2010) explain how the Government went about introducing an Integrated Financial Management System (IFMS) in Uganda. Arguably the most technically and operationally complex of Uganda's recent budget-related reforms, this reform required spending agencies to move from standalone accounting systems and standards to a common computer-based accounting system.

Following a feasibility study in 2001/02, the system was developed over 2002-2004. The Government recruited a single firm to deliver the IFMS on a turnkey basis and established a Central Implementation Team comprising officials from government agencies involved in PFM to review all proposed business processes. The processes were then reviewed by focus groups of various government stakeholders. Recognising the shortage of manpower to manage IFMS implementation, the Government recruited 10 national senior PFM specialists and 40 graduate interns to assist with the roll-out. The IFMS went live in early 2004. The system initially covered six ministries and four local governments, and has since been gradually extended. The system has an interface with the BoU and the URA to allow the sharing of data.

Recognising the need to build buy-in for the IFMS reform, MoFPED informed line ministries and local governments early on in the process and asked them to halt any parallel accounting system reforms. MoFPED implemented a change management campaign and organised open sessions with users and stakeholders to explain the system and galvanise broad support.

Where change processes have gone well, this success has usually been due in part of MoFPED giving significant attention to organisational and change management issues, resulting in changed attitudes, enhanced confidence and reduced resistance to the reforms. Another factor contributing to successful reforms has been the role of political leadership.[49] Political buy-in and commitment has been important, particularly from the President but also among politicians and senior civil servants. A critical mass of reform-minded politicians and technocrats were instrumental in initiating the major reforms of the 1990s and spreading commitment to budget reform across government (Brownbridge et al., 2010: 195). A good example of a change process is the OBT, which was supported by a small team of long-term TAs with experience in budgeting and computer programming. Strong government ownership and the political will to demonstrate that efforts are being made to improve service delivery have been crucial in implementing and sustaining this initiative.

Change processes at MoFPED have not been undertaken without challenges. In some cases, insufficient government buy-in has stalled processes, while others have floundered due to poor cross-departmental coordination. Despite a strong central coordination mechanism, many PFM reforms remain fragmented, with the FINMAP budget parcelled out between departments. Each MoFPED directorate tends to have its own information management system, for example, and there are no champions to advocate for the integration of these systems to ensure compatibility.[50]

[49] Interview with consultant, Kampala, September 2013.

[50] Interview with a donor representative, Kampala, September 2013.

Conclusions

Across these three task cases, the roles and responsibilities of the different institutions and actors involved in each process are relatively clear and codified. For tasks 1 and 2 the budget calendar provides the main framework, while task 3 is guided by FINMAP's terms of reference and work plan. While all three tasks require the involvement of multiple agencies, the ultimate responsibility for delivery lies with MoFPED. The imperative rests on MoFPED to ensure that other agencies buy into and participate in these processes.

The task of considering new spending requests is both the hardest to fully account for and arguably the most overtly political task, since determining how to spend public resources on an annual basis is necessarily a political matter. Demands for new spending arise in many different ways, including from longer-term strategic planning, statutory requirements, emergencies and short-term political imperatives, and thus it is unlikely that any single technical process can fully control these demands on the budget.

MoFPED has proved adept at managing non-routine tasks such as the rollout of IFMS and OBT. While these processes have not been free from challenges, their implementation does indicate that MoFPED has the capacity not only to plan and build consensus for multi-year reform processes but also to mobilise the human resources required for delivering and following through their implementation.

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