

Public Finance Management Technical Assistance in Uganda: Summary of Achievements

October 2022–September 2023

The outbreak of the COVID-19 pandemic overburdened Uganda's health system, particularly the second wave in May 2021, and was worsened by public finance management challenges that led to poor budget absorption and delayed payment of health workers and suppliers, and thus delayed accountability for funds disbursed for health activities. By March 2022, a total of 47 billion Uganda shillings (UGX) that had been advanced to the Ministry of Health (MOH) from development partners (DPs) had not been accounted for, leading some partners to withhold further fund disbursements and thus creating a bottleneck in MOH performance. Accordingly, the MOH and DPs identified health systems strengthening in district local governments (DLGs), regional referral hospitals (RRHs), and health centers (HCs) as the most important and immediate need to improve fund absorption (burn rates). The provision of public finance management technical assistance (PFM-TA) was identified as vital to improve transparency, accountability, budgeting, and governance of funding mechanisms.

EpiC PFM-TA was implemented in Uganda between October 2022 and September 2023. Project activities took place in 59 districts across five regions in the country: Arua, Hoima, Masaka, Mubende, and Karamoja. FHI 360 led the project in collaboration with the United States Agency for International Development (USAID) and the MOH. Over one year, EpiC and its partners worked to build the capacity of DLGs to address PFM-related challenges that affect the flow of funds and accountability in the areas of planning and budgeting, budget execution as per development partners' guidelines, automated financial management systems usage, and completeness and accuracy of funds accounting and reporting.

EPIC'S KEY ACCOMPLISHMENTS

- 95 percent of funds disbursed by funders fully accounted for by the 59 district local governments and four cities assigned to EpiC
- 1 percent of funds budgeted for HIV crosscutting issues
- Aligned budgets with National Development Plan (NDP) III
- Aligned workplans and budgets with government budget codes
- Enrolled and trained districts on the use of e-cash and have fully adopted e-cash payment methodology
- Supported districts in managing audit queries
- Improved understanding of budgeting processes and execution by DLGs
- Built stronger internal control environment for DLGs

Activities and Results

PLANNING AND BUDGETING

EpiC helped DLGs to follow guidelines during their budgeting process, including:

- Aligning individual district work plans with the NDP III
- Ensuring that every DLG budgets 1 percent of funds for HIV mainstreaming into national development processes to sustain the response to the epidemic through domestic financing
- Ensuring that activities are correctly budgeted to follow the Government of Uganda (GOU) budget codes; DLG staff were mentored on the use of data in planning, execution, and accountability.
- Providing timely approval of supplementary budgets by district councils as stipulated in the Uganda Public Finance Management Act of 2015

EpiC supported districts to achieve the objectives stated above. The goal is to have fewer supplementary budgets generated by the DLGs except for areas where no indicative planning figures (IPFs) were provided. DLG staff gained a better appreciation and understanding of the planning and budgeting cycle and built skills in the use of PBS. DLGs were supported to prepare complete and accurate accounting of funds, thereby unlocking the flow of additional funds for future activities.

BUDGET EXECUTION AND MANAGEMENT

EpiC provided technical support to:

- Mentor districts in work plan preparation by following the set DPs guidelines, GOU priorities, and IPFs.
- Mentor districts in use of the e-cash payment system.
- Mentor staff on the use of financial management systems such as PBS and the IFMS
- Mentor districts to undertake quarterly budget performance reviews as part of their budget management
- Help the district teams expedite procurement processes

All of the above were achieved except for expediting of the procurement processes. This was due to established GOU policies like the use of Uganda People's Defence Forces (UPDF) in building schools and health centers. This should be addressed with stakeholders because it is one of the main drivers of slow absorption rates. The districts were able to prepare comprehensive budgets and work plans that were submitted and approved in PBS by the Ministry of Finance Planning and Economic Development.

REPORTING, ACCOUNTABILITY, AND OVERSIGHT

Objectives under this technical area included:

- Ensuring that DLGs account for the funds released in accordance with budgets and guidelines
- Mentoring DLG staff in following good practices and ensuring that funds are fully accounted for, supported, reviewed by auditors, and approved by accounting officers
- Reviewing audit reports by Office of the Auditor General and developing an audit follow-up matrix for ease of management and monitoring of implementation of audit recommendations.
- Training staff in the use of recommended tools in the execution of their duties, which include reporting, accountability, and oversight roles
- Training political leaders on their roles and responsibilities in public financial management

All the above were well achieved, with 95 percent of funds disbursed by funders fully accounted for by DLGs and cleared by funder representatives at the MOH. The staff aims to continue to meet the same standard. There has been marked improvement in the use of financial and accounting systems like PBS, IFMS and e-cash. There has also been better political oversight of public funds and a stronger operating control environment. The main challenge has been the transition of staff, which calls for continuous support until the PFM becomes part of the culture of DLGs.

Future Directions

PFM-TA is a new concept and has been implemented for only one year. Also, there have been many PFM reforms from the national level that at times exceed the capacity of DLGs to implement them, underscoring the need for continued technical support. Mentorship for the DLGs in PFM activities and the institutionalization of good PFM practices would help sustain progress. Training in the use of PFM reforms needs to be regular and ongoing, including during the rollout of reforms. GOU will need to address network infrastructure problems for the online PFM tools to be used effectively.

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