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Preface

This *Political Economy Analysis* is part of a series of country studies carried out by Ecorys for UNICEF in 2016 and 2017, in various sub-Saharan African economies. As such, it aims to provide a better understanding of the role of political economy factors in processes and decisions around the creation and use of fiscal space for investments in children in Uganda. It is published jointly with its sister publication *Uganda: Fiscal Space Analysis*.

The report was written by a team of Ecorys staff and consultants, headed by Ecorys Project Director Ivo Gijsberts, and including consultants Jonathan Wolsey, Andrea Dijkstra and Gerald Twijukye. It is based on literature review and a seven day fact-finding mission to Kampala, Uganda carried out by Jonathan Wolsey, with support from Gerald Twijukye, a Ugandan-based consultant.

The writers of this report wish to thank UNICEF Uganda Country Office staff in Kampala, in particular Diego Angemi, Arthur Muteesasira, Nathalie Meyer, and the UNICEF Eastern and Southern Africa Regional Office staff for their support. They also express gratitude to the various Government of Uganda officials, officials of international agencies based in Kampala and representatives of non-governmental entities for generously taking time to meet with the consultants. The team would also like to thank Frances Ellery who provided editorial inputs, and Rachel Kanyana who designed this report and its associated advocacy materials. Photo Credit @UNICEF Uganda.

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Abbreviations

BCC  Budget Call Circular
BFP  Budget Framework Paper
CSO  Civil society organization
EAC  East African Community
FY   Fiscal year
GDP  Gross domestic product
IMF  International Monetary Fund
LG   Local government
MTEF Medium-term expenditure framework
MoFPED Ministry of Finance, Planning and Economic Development
NDP  National Development Plan
NPA  National Planning Authority
NRM  National Resistance Movement
OPM  Office of Prime Minister
PAF  Poverty Action Fund
PBO  Parliamentary Budget Office
PEA  Political economy analysis
PEFA Public expenditure and financial accountability
PFM  Public finance management
PFMA Public Finance Management Act
UNICEF United Nations Children’s Fund
UNRISD United Nations Research Initiative for Social Development
VAT  Value-added tax
The broad political economy environment has not been favourable to social expenditures in recent years. The balance in spending between social and productive sectors has been increasingly tilted towards the latter in Uganda, threatening to reverse some of the progress in social indicators achieved to date. Both the increased competition in the political landscape and the shift in donors’ interests have contributed to a shift in priority from social sectors to infrastructure, which is manifested particularly in the current National Development Plan (NDP II, 2014/15–2019/20). In parallel, domestic revenue mobilization efforts have been constrained by the political environment, which has also limited the scope for increasing allocations to social sectors. As those conditions are unlikely to change in the short term, the current pressures on social spending are likely to continue.

The powerful role of the Ministry of Finance, Planning and Economic Development (MoFPED) is further limiting opportunities for increased resource allocation to social sectors. The budget process offers much opportunity for consultations, especially following the signing of the Public Finance Management Act in 2015, but many stakeholders, including civil society organizations and line ministries, see these processes more as rituals than genuine dialogue forums. This stems largely from the fact that the MoFPED is a powerful player in the budget process – including by regional standards – and that it has prioritized macroeconomic stability and infrastructure spending in the budget allocation process. Social sectors have seen their influence in resource allocation as limited in that context.

The open focus of the Government of Uganda on growth and productivity calls for a refined approach around the discussion on social versus productive investments. The emphasis in that discussion should be on the links between social expenditures and the Government’s growth and productive agenda.

There are several angles through which the link between social expenditure and current government priorities could be underscored.

- The discussion around the demographic dividend in Uganda underscores that social spending can harness growth linked to the expected demographic transition. The International Monetary Fund in its recent publications on the country has given more attention to this, calling for a strengthening of human capital to achieve more inclusive growth. Providing practical skills to the labour force through vocational training or measures to empower women, including by improving fertility choices, are examples of the measures that would be required to harness the demographic dividend.

- A second and related entry point is social protection. Investment in social protection,
which is receiving increasing interest in Uganda, has potential – though difficult to estimate – growth and poverty reduction benefits. The fact that a National Social Protection Policy was recently adopted and that the NDP II has the ambition to expand the scope of both direct income support and social insurance should encourage those efforts.

- Thirdly, the recognition that support to infrastructure can be beneficial to children and other vulnerable groups (e.g. children’s living standards can be improved by better access to electricity) could be translated into a more active engagement around infrastructure/investment plans.

By taking advantage of these strategic dialogue opportunities, partners could develop a more effective and influential advocacy strategy around social expenditures, even if the current policy context is a priori not supportive of such an agenda. Moving in that direction will require a more strategic and integrated approach in the dialogue, in which social expenditures are not discussed in isolation but more in relation to their role in addressing the broader (growth and structural transformation-focused) agenda of the Government. While this is in many ways challenging, a number of partners have to a large extent already embarked on that path.

The process of formulation of the new NDP is an important entry point to engage on the strategic issues raised above. The high-level process planned for the coming months with a mid-term review of the current NDP (coming to an end in 2020) represents a major opportunity in which to hold a strategic discussion. This discussion could include issues such as the role of social spending in harnessing the demographic dividend, the importance of social protection for growth, and the need for more social investments.

Engaging more with MoFPED on these strategic questions could also be beneficial. In lieu of partners’ ongoing engagement with MoFPED, there could be some added-value in refocusing policy dialogue on the benefits of social expenditures vis-à-vis Government’s growth and productivity agenda. MoFPED is likely to be a stakeholder particularly receptive to such a narrative. There are existing dialogue forums, such as the Economic Management group, which are adequate venues for such broader/strategic discussions with MoFPED. Involvement in such forums, in particular early in the budget process, could be particularly relevant to raise these more strategic issues.

The UNICEF Uganda country office has been at the forefront of the dialogue with the Government on budgeting and performance in service delivery. Its work in developing budget briefs to support sectors in preparing their draft estimates and its long-term engagement with MoFPED on the monitoring of the effectiveness of service delivery represent some of its most noticeable activities.

In parallel, continued engagement with Parliament and Sector Working Groups will still be needed. Similarly to MoFPED, there is a case to continue and possibly strengthen partners’ engagement with Parliament around more cross-cutting strategic issues, which would primarily involve engaging with the Budget Committee. Parliament, whose influence is growing following enactment of the 2015 Public Finance Management Act, is also likely to be receptive to a narrative highlighting the importance of social expenditures for achieving the broader NDP priorities. Meanwhile, ongoing efforts in the sector working group framework to support sectors in their budget negotiations with MoFPED should be sustained. Finally, attention should be given to supporting the education and health sectors in adapting to the changes in the local government (LG) grants system. One implication of the new system – as implementation of the LG reforms progresses in the coming years – will be the need to maintain strong involvement with the LG budget process.

Overall, the challenging context for social expenditure in Uganda makes the use of tools such as this political economy analysis (PEA) particularly relevant. Advocating for improved resource allocation for social expenditures is currently a challenging exercise in Uganda, especially in view of current government policies and the broader political economy environment. Tools such as this PEA may be particularly useful in that regard.
Introduction

This political economy analysis (PEA) focuses on uncovering key drivers in the policy and decision-making steps characterizing the budget process in Uganda, with a particular focus on sectors related to children. It is divided into three chapters. The first introductory chapter addresses the broad political context and aims to present the key political factors affecting the level and allocation of spending and revenues in the country. The second chapter focuses on the budget process itself. It starts by presenting the institutional and legal framework in which it unfolds and ends with the identification of the actors involved in each phase and the ways in which they influence, or fail to influence, the drawing up of the budget. The findings of the first two chapters contribute to the last chapter, which defines the key entry points in the resource allocation process, in particular for sectors related to children.

This PEA focuses on the four priority sectors – based on the Government’s budget classification – that are most relevant for children’s welfare, namely education, health, social development, and water and environment.\(^1\)

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\(^1\) Interviews with line ministry staff as well as with sector experts were limited to these four sectors.
This chapter highlights some of the key characteristics of the political and socioeconomic context that contribute to Uganda’s strategic allocation decisions and that are relevant for the discussion on entry points. Besides a general description of the political and socioeconomic context, a specific emphasis is given to the political economy of revenue and expenditure in the country, the understanding of which is important in relation to the subsequent discussion on the political economy of the budget process.

2.1 Political context

Uganda carries many of the political and economic features that are typical of several low-income countries in sub-Saharan Africa. Politically, it can be characterized as a hybrid regime with regular elections and a multiparty system, but it also has high levels of corruption, many authoritarian tendencies and patrimonial attributes.

The country has experienced relative political stability for the last 30 years, with the same president, Yoweri Museveni, in power following the end of the armed conflict in 1986 and the same ruling party, the National Resistance Movement (NRM). However, during that period, the levels of opposition (internal and external to the NRM) have increased. This and the need to legitimize the regime have generally contributed to an increase in corrupt and authoritarian tendencies. While the first elections under the new multiparty regime (in 1996) were not competitive, Yoweri Museveni secured ‘only’ 60 per cent of votes in 2016.

Since 1986, the NRM, led by President Yoweri Museveni, has introduced a number of structural reforms, which contributed to a sustained period of high growth and poverty reduction between 1987 and 2010 and led to Uganda becoming a favourite of the aid community. With
the introduction of ambitious public sector and Public Finance Management (PFM) reforms, government effectiveness has improved and is relatively high – Uganda has a Country Policy and Institutional Assessment score of 3.6 compared with an average score of 3.1 in sub-Saharan Africa. The reform process has, however, slowed down in recent years – in part reflecting the disengagement from traditional donors, in particular budget support partners. The country’s voice and accountability scores, which had improved up to 2008, have also declined recently. Policy and legal frameworks continue to improve, notably through the Public Financial Management Act (2015), although implementation gaps in procurement and anti-corruption remain.

2.2 Socioeconomic context

Despite high growth rates over two decades (the country’s average growth between 1990 and 2010 reached nearly 7 per cent before slowing down to around 4 per cent since then), Uganda remains primarily an agricultural economy. Most of the labour force is employed in agriculture, with an estimated three-quarters of the population still depending on low-paying jobs in the sector. Low productivity growth, especially in agriculture, has been a major hindrance to the growth of the economy over recent years. This low productivity reflects the underlying structural weaknesses of the economy, including the lack of medium- and large-scale enterprises and of agricultural modernization. The level of human capital accumulation is low, which results in part from the poor quality of education, with Uganda’s primary completion rate declining from 60 per cent in 2001–2005 to about 55 per cent in 2011–2015, in the context of a very rapid (youth) population increase.

Thanks to the relative high growth levels experienced up to 2010, poverty levels have reduced but remain high. The proportion of people living below the poverty line declined from 56.4 per cent in 1992/93 to 21.4 per cent in 2016/17, surpassing the Millennium Development Goal target of halving the proportion of the population living in extreme poverty by 2015. Income inequality as measured by the Gini coefficient increased from 0.426 in 2009/10 to 0.431 in that same year. In 2015, Uganda ranked 163th of 187 countries on the Human Development Index with a low human development index of 0.493 and a multidimensional poverty index of 0.359, falling in the Low Human Development category.

Against the background of continued high poverty levels, the Government has favoured a development strategy aimed at successfully harnessing the abundant economic opportunities of the country to generate higher economic growth. Uganda Vision 2040 aims to transform the country from a predominantly peasant and low-income economy into a competitive, upper middle-income one. In its National Development Plan II (FY2015/16 to 2019/20), the Government has identified five pillars with the highest potential to generate the desired economic transformation. These are: infrastructure, agriculture, mining of minerals, tourism and human capital development. The NDP II Logical Prioritization Framework outlines four key objectives namely: (i) Increasing sustainable production, productivity and value addition in the identified priority primary growth drivers; (ii) Increasing the stock and quality of strategic infrastructure to accelerate the country’s competitiveness; (iii) Enhancing human capital development to execute the planned interventions; and (iv) Strengthening mechanisms for quality, effective and efficient service delivery. The priority given to growth-enhancing sectors, in particular infrastructure, in the NDP II has
been translated in the Government’s expenditure framework, in which allocations to those sectors have increased regularly in recent years.

Looking forward, an important development affecting the socioeconomic landscape will be the expected shift in the population pyramid. While currently Uganda faces a high dependency ratio (about 49 per cent of the population is younger than 15), population projections suggest that over the next 60–70 years, this high dependency ratio will be replaced by a large labour force. This in turn could support higher growth rates, assuming employment opportunities will be created. Harnessing this ‘demographic dividend’ is in that respect a major socioeconomic challenge in Uganda today and it is an issue that is receiving growing attention. This also puts the discussion on social versus productive spending in a different perspective, as additional investments in health and education and economic initiatives to facilitate job creation may in fact contribute positively to that demographic dividend.

2.3 Political economy of expenditure allocation and revenue mobilisation

This section draws in part from the findings from the recent United Nations Research Institute for Social Development (UNRISD) Politics of Domestic Resource Mobilization for Social Development project, including its synthesis report.5 Its aim is to describe in more detail the structural factors that contribute to changes in both strategic resource allocation and revenue mobilisation in Uganda. Given its importance for budget advocacy efforts, particular attention is given to the following question: which factors explain the shifts in allocation towards social sectors seen in previous years?

Uganda’s broad spending patterns have not been uniform since the country entered a period of relative stability in the mid-1980s. UNRISD6 reports, for example, two distinct periods, the first ending around 2008–09 marked by a high priority given to social spending, and the second characterized by a shift from social spending (in particular on health and education) towards infrastructure spending. While the balance may have been geared too much towards social sectors in the 1990s and early 2000s, recent declines in social indicators suggest it now tilts too much towards infrastructure spending. Most notably, primary completion rates have declined recently (from 59 per cent in 2014 to 53 per cent in 2015)7 and are now lower than those of regional peers. In its last country report, the IMF raised some concerns about this lack of attention to social spending.8

Two factors, which are partly interrelated, appear to be critical for understanding these changes. The first relates to the country’s political landscape. As described above, Uganda has faced relative political stability for the last 30 years. That period, though, can be divided into different political phases, characterized by different levels of opposition (internal and external to the NRM) which have influenced spending allocations. Secondly, the type of donor relationship the country has experienced has also played an important role in that respect. While Uganda used to be popular with the donor community, the relationship with and type of donor has now changed, which has also had an influence on spending allocations.

Both these factors – the political landscape and the donor relationship – are further discussed below, with an analysis of how they have influenced revenue patterns.

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6 Ibid.
7 World Bank Development Indicators.
2.3.1 Uganda politics and spending and revenue patterns

On paper, Uganda’s NRM has been highly stable, dominating the country’s politics over the last two decades. However, tensions between internal factions (and the subsequent exclusion of some of them from the party) have increased progressively, leading to more opposition against the president. In parallel, while opposition outside the NRM has remained weak, the advent of free elections and a multiparty system in 1996 has meant that winning elections with a considerable margin is increasingly important in order to demonstrate that the opposition does not offer a viable alternative. While the first elections in 1996 were not competitive, Yoweri Museveni secured ‘only’ 60 per cent of the votes in 2016.

Political scientists have argued that the political landscape that has emerged in Uganda has had an impact on spending patterns (and in particular the level of social spending), as well as on revenue trends, in several ways:

- **Social provision as a mechanism to secure electoral gain:** 1996–2006 in particular was a period dominated by the neo-liberal agenda and defined by the Poverty Eradication Action Plans, Uganda’s first poverty reduction strategies. In order to maintain legitimacy, the Government, now facing free elections, embarked on popular programmes such as universal primary education and universal access to basic healthcare. Those programmes also benefited from significant contributions from donors, who were also prioritising human capital development and poverty alleviation efforts;

- **Elections led to increased extra-budgetary allocations:** Kjær and Therkildsen (2013) argue that with the introduction of regular elections since 1996 (under the movement system) and 2006 (under a multiparty system), lower-level factions in the ruling coalition have grown stronger because they are necessary to mobilize votes. In particular, the local council chairpersons at the district and sub-county level, who are mainly affiliated with the NRM, play important roles prior to elections and are able to block or affect the implementation of policies at the local level. This has led to extra-budgetary allocations (both authorized and unauthorized), ultimately having a negative effect on the fiscal space for priority expenditures such as social expenditures. The 2016 election campaigns are said to have been the most costly ever.

- **Elections have made it more difficult to raise taxes:** On the revenue side, elections have also mattered in the sense that unpopular taxes, such as the graduated personal tax, have been abolished. Likewise, the cost of running elections has contributed to the ruling elites granting tax exemptions to NRM sympathisers. Within these constraints, the government has faced challenges in increasing the tax base, as efforts to strengthen the capacity of the Uganda Revenue Authority and the introduction of new instruments to increase tax revenue have been hindered by political interference, in particular in the form of tax exemptions (two very large ones having been granted in FY2017/18). To the extent that it enjoys formal autonomy from political intervention, the Uganda Revenue Authority has been able to take some positive initiatives recently, but political interference has remained very significant and detrimental to its efforts.

2.3.2 Shifting donor relations and spending and revenue patterns

While Uganda has remained an important aid recipient over the years, the donor landscape has changed considerably. Uganda has become progressively less dependent on aid, with the IMF estimating the total value of grants and loans at 4.8 per cent of GDP in FY2015/16, compared with
10.3 per cent in FY2004/05. In parallel, the nature of its relation with donors is also changing. For many years, Uganda was a popular aid recipient among the international community, receiving in particular large amounts of budget support. More recently, however, as traditional donors have reduced their presence, the Government has been increasingly reliant on (non-concessional) loans from emerging donors, such as China. This changing aid landscape has had an impact on the composition of spending in several ways:

• Reduction in aid dependency has affected government policy priorities: In the 1990s and early 2000s, the government was heavily reliant on donor funding (in particular budget support). As such, Western donors had a strong influence on the revenue-spending bargaining process and were able to push for implementation of the Poverty Eradication Action Plans, which had an important social development component. As that support has reduced, and as the Government is now less accommodating towards the traditional Western donors, one implication is that the Ugandan ruling elites have begun to focus more on energy and infrastructure provision, particularly power supply and roads, and less on the social sectors, as exemplified in the National Development Plans (NDPs). Budget allocations to the Works and Transport and Energy and Minerals Development sectors reached 30 per cent of total allocations in the FY2017/18 budget estimates.

• The shift away from general budget support has had a direct impact on the level of poverty reduction expenditures. In 1998, the Poverty Action Fund (PAF) was established as a mechanism to demonstrate that savings from the Heavily Indebted Poor Countries programme were channelled to poverty alleviating expenditures, a key requirement of the initiative. Expenditures classified as pro-poor were primary education, primary health care, water and sanitation, agriculture, and rural feeder roads. PAF resources were ring-fenced and part of the consolidated fund, an integral part of government expenditures subject to the regular budgetary processes. There was an early agreement that additional budgetary resources, financed primarily by budget support, should be earmarked to the PAF. As total budget support expenditures decreased substantially from a high of almost US$700 million in FY06/07 to well below US$100 million in the last three years, this has had a direct negative impact on pro-poor expenditures.

• Donor support has not contributed positively to domestic revenue mobilization. Despite strong awareness among donors and declarations of intent, including within policy dialogue frameworks, domestic revenue mobilization did not become one of the top priorities and donors continued to provide substantial budget support up to the late 2000s, irrespective of the repeated slippages in government revenue performance. The recent Evaluation of Budget Support to Uganda underscores in that respect that budget support has had a negative impact on domestic revenue mobilization efforts in the country. Similarly, there are also some indications that the recent decline in support from traditional donors, in particular budget support donors, has contributed positively to the renewed efforts to increase domestic revenue mobilization efforts.

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10 IMF staff reports for Uganda.
2.3.3 Implications for the entry point analysis

As this section has outlined, in addition to macro-economic/fiscal factors outlined in the Fiscal Space Analysis, there are some broader, politically-related, factors that contribute to the composition of spending (and revenues) in Uganda, including the level of social spending. While these factors may not directly affect changes in budget allocations from one year to another, they provide an important background within which budget advocacy efforts are undertaken. As such, they directly feed the analysis of entry points. It is noted in that respect that it is unlikely that the current political economy context will significantly change over the medium term. Current pressures on social spending are likely to continue, fuelled by the increased competition in the political landscape, and by the shifts in donors’ interests. For domestic revenue mobilization, the negative effects linked to patronage are likely to be partly compensated by the more positive ones, related to the decline in donor support (and in particular in budget support).

The box below summarizes the key points raised in this section as follows:

**Box 1**

**Key findings relevant for the entry points analysis**

- The current political environment is not very favourable towards social expenditures in Uganda. Patronage predominates, which reduces the fiscal space for priority expenditure and tends to favour large infrastructure spending at the expense of social spending. The priority given to infrastructure also reflects the shift to nontraditional donors, which now dominate the aid landscape in the country.

- The increased competition observed in the political environment, including within the ruling party, does not contribute positively to efforts to increase domestic revenues. It leads to political interference with the Uganda Revenue Authority, and the granting of large tax exemptions. On the other hand, the reduction in support from traditional donors, in particular budget support, appears to provide an incentive for those efforts.

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Political economy of the budget process

To inform the entry point analysis, we now turn to the political economy of the budget process, which is the key focus of this PEA. Within the limits fixed by the broad political economy context described in Chapter 2, actors in the annual budget process can influence, or fail to influence, resource allocations. This chapter starts with a brief presentation of the policy, institutional and legal framework in which the budget process unfolds and ends with the identification of the actors involved in each phase and the ways in which they influence the setting of the budget. Through this mapping exercise, the key moments and actors for decision making on resource allocation can be defined, in particular for sectors related to the rights and well-being of children and other vulnerable groups.

This chapter focuses on budget preparation and approval, in connection with the strategic planning framework, given the close links between the budgeting and planning functions, and the potential forthcoming advocacy opportunities around strategic planning.

3.1 Overall state of budgeting

Section 3.1 briefly describes features that directly affect the budget process. In particular, it looks at overall public finance management (PFM) performance and the legal framework around budgeting, and it discusses the evolution of transparency and participation in that process.

3.1.1 Overall PFM performance

The results of the 2017 public expenditure and financial accountability (PEFA) assessment show that public financial management systems in Uganda are strong and broadly improving. However, there are notable weaknesses,
including the poor links between sector strategies and unrealistic multiyear budgeting. Compared to the 2012 PEFA assessment, there have been improvements in orderliness and participation in the budget process, a point further discussed below.

As underscored in the Fiscal Space Analysis, the Government has given strong emphasis to fiscal discipline and the fiscal framework, exemplified by the Charter for Fiscal Responsibility. Albeit regular supplementary budgetary allocations, control over spending during budget execution as well as realistic revenue forecasts also contribute positively to that discipline. In parallel, cash management enables expenditures to be managed within the available resources but the level of arrears remains high. The strong external audit function also enhances fiscal discipline. The link between the medium-term expenditure framework (MTEF) and sector strategies remains weak. On one hand the MTEF is very much a paper MTEF (i.e. there is no clear link between year 2 of the MTEF and the subsequent year’s budget) and on the other, sector strategies lack credibility, being generally not more than wish lists of desired activities.

The relative strength of PFM systems in Uganda, combined with the strong capability of the MoFPED, has meant that the PFM reform programme (the Financial Management and Accountability Programme III) is now giving more emphasis to local government PFM, which has remained weak, and that the donor involvement in that reform process is less heavy than in the past.

The overall strength of the fiscal framework and the important focus given to fiscal discipline in part reflect the powerful role of the MoFPED with regards to the budgeting process, which is further discussed in the following section.

3.1.2 Legal framework for budgeting

The budgeting process in Uganda is guided by a strong legal framework, in the form of the Constitution (1995, as amended), the Public Finance Management Act (PFMA) 2015, the 2001 Local Government and Budget Acts, and other related legislation. The legal instruments provide that the President, as the chief executive, is responsible for preparing a budget and laying it before Parliament for approval. The laws also provide that MoFPED and sector working groups are involved in budget formulation and presentation. The laws further provide for the cyclic nature of the budget process. The PFMA specifies the budget calendar, the main contents of budget documents, and the roles of the legislature and the executive in the budget process. These solid legal foundations give MoFPED considerable formal power in the budget process. In particular, the explicit recognition that economic policy objectives should drive budget policy provides the Ministry with ample discretion to set and manage expenditure ceilings.

Parliament’s legal powers to amend budget proposals for either increases or reductions in expenditures and any changes to revenue are not clearly defined in the legal framework but are covered in general terms under a constitutional provision (Art. 155(4)). This article provides for a parliamentary committee to review and make appropriate recommendations to Parliament. Neither the PFMA nor the Parliamentary Rules of Procedure 2012 are specific on the extent of parliamentary discretion in making amendments to the budget proposals.

The PFMA has led to important changes with regards to the budget calendar. The Act now requires that the budget is submitted to Parliament three months before and approved one month before the start of the financial year. This has happened during the FY2016/17 and FY2017/18 budget processes.
3.1.3 Transparency and participation in the budget process

Uganda is often referred to as a strong performer in budget transparency. Uganda’s score of 60 out of 100 on the 2017 Open Budget Index puts it in second place in the whole of sub-Saharan Africa on budget transparency. A large amount of documents are made available to the public through the budget website (http://www.budget.go.ug), and a toll-free line (0800 229 229) provides access to budget information, especially for non-internet users and non-English speaking citizens. Both platforms – the budget website and the toll-free line – have a mechanism to capture feedback on public expenditure and general service delivery.

In close collaboration with the Economic Policy Research Centre and UNICEF Uganda, MoFPED also launched the online National Social Service Delivery Equity Atlas. The Atlas (which is available on the MoFPED website) presents outcome and financial data through a rigorous tool that speaks openly to equity, equality, efficiency and effectiveness.

According to the Open Budget Survey 2017, however, the Government of Uganda provides few opportunities for the public to engage in the budget process (28 out of 100). This score is in line with the regional average. The budget calendar (presented in the next section) provides a platform for consultation with the public on fiscal and sector policy issues. Budgetary choices are discussed between different government stakeholders at national and local government workshops, with civil society organizations (CSOs) forming part of these deliberations. However, public participation is not automatic (mainly by invitation), and it is said that the level of dialogue in those meetings is often limited. Many stakeholders interviewed, in particular CSOs but also donors and line ministries, categorized budget consultative meetings such as the national budget consultative workshops as ‘rituals’ that MoFPED is required to organize, without a real willingness to engage other stakeholders. This view also reflects the perceived limited time offered to them to speak and the failure to formulize feedback from the consultative workshops. Furthermore, bottom-up processes – particularly consultations at the lower government levels – rarely take place any more, e.g. village meetings and sub-county consultations. When they do, the spirit of discussion and consultation is almost non-existent.

While the PFMA now requires the national budget ‘to be prepared in consultation with relevant stakeholders’, the political commitment for fiscal transparency and participation is considered to have reduced over time. Nonetheless, many of the steps initially taken have been retained, as shown by Uganda’s continued good performance on the Open Budget Index.

To conclude this section, the Open Budget Survey 2017 also indicates that the legislature and supreme audit institutions in Uganda provide adequate oversight of the budget (36 out of 100).

3.1.4 Findings for the entry point analysis

The following findings can be drawn from this section for the analysis of entry points:

**Key findings from the overview of PFM/budgeting**

- Uganda has a long history of relative fiscal prudence and strong PFM systems.
- Macroeconomic stability is a key driver in the budgeting process.
- The overall strength of the fiscal framework and the important focus given to fiscal discipline in part reflect the powerful role of MoFPED in Uganda with regards to the budgeting process.
- The budget process offers many opportunities for consultation, but many stakeholders, in particular CSOs, see these processes more as rituals than genuine dialogue forums. The PFMA has given more time for budget scrutiny by other actors. Parliament, in particular, seems to have taken advantage of this.
3.2 Main actors in the budget process

This section introduces the main institutional actors in the budget process, starting with the executive branch and proceeding to the legislative and other actors. It aims to describe their formal roles and powers as well as the informal influence they can exert. It also explains the reasons behind the leverage of actors considered stronger than their institutional role would suggest and the reasons behind the weaknesses of other actors whose role is formally stronger. Before doing so, there is a brief description of the different stages in the budget process, taking into account the changes in the budget calendar introduced by the PFMA (2015).

3.2.1 Structure of the budget process

As Table 1 outlines, the budget process is a cycle that runs through the entire financial year. It begins with the review and update of the medium-term expenditure framework (MTEF) between July and August each year. This is followed by budget consultations, culminating in the first budget consultative workshop. After this, all Sector Working Groups and local governments (LGs) begin preparation of Budget Framework Papers (BFPs) and this is followed by sector BFP ministerial consultations, which lead to the preparation of the draft national BFP.

The final BFP is submitted to Parliament by the end of December. This is followed by the development of the Background to the Budget and the development of detailed budget estimates by each ministry and institution. This process involves further inter-ministerial consultations. The MoFPED then compiles the budget estimates into draft estimates of revenue and expenditure in consultation with the Parliamentary Budget Committee, and starts preparation of the Budget Speech, which must be presented to Parliament by the 15th of June of each year.

The dates to deliver budget ceilings are also laid out in the PFMA (2015) as indicated in Table 1. Two Budget Call Circulars (BCC) are issued. The first gives an indicative ceiling for current expenditures. The second presents ceilings for both current and investment, but still allows six weeks for the completion of estimates and is generally adhered to.

Table 1: Key Dates in the FY2015/16 Budget Calendar (as per PFMA 2015)

<table>
<thead>
<tr>
<th>Key Step in Budget Process</th>
<th>Date per Circular</th>
<th>Actual Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision of Macro Framework and Resource Envelope for the next financial year</td>
<td>Aug</td>
<td>21 Aug</td>
</tr>
<tr>
<td><strong>First Budget Call Circular</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Budget Strategy Paper</td>
<td>Aug</td>
<td>9 Sept</td>
</tr>
<tr>
<td>Budget Consultations (including Budget Consultative Workshop)</td>
<td>Aug/Sept</td>
<td>31 Aug - 18 Sept</td>
</tr>
<tr>
<td><strong>Sector Working Group consultations</strong></td>
<td>Sept - Dec</td>
<td>Sept - Dec</td>
</tr>
<tr>
<td>Submission of Sector Budget Framework Papers to MoFPED (National Budget Conference)</td>
<td>By 15 Nov</td>
<td>13 Nov</td>
</tr>
<tr>
<td>Submission of the National Budget Framework Paper to Parliament</td>
<td>By 31 Dec</td>
<td>15 Dec</td>
</tr>
<tr>
<td><strong>2nd Budget Call Circular</strong></td>
<td>Jan</td>
<td>1 Feb</td>
</tr>
<tr>
<td>Inter-ministerial consultations</td>
<td>Feb</td>
<td>8 Feb</td>
</tr>
<tr>
<td>Ministerial policy statements</td>
<td>Mar</td>
<td>15 Mar</td>
</tr>
<tr>
<td>Presentation of the annual budget and tax bills to Parliament</td>
<td>By 1 Apr</td>
<td>1 April</td>
</tr>
<tr>
<td>Committees scrutinize the proposed annual budget</td>
<td>May</td>
<td>1–15 May</td>
</tr>
<tr>
<td>Approval of Appropriation Bill</td>
<td>May</td>
<td>29 May</td>
</tr>
<tr>
<td>Approval of the annual budget</td>
<td>By 31 May</td>
<td>29 May</td>
</tr>
<tr>
<td>Presentation of the Budget Speech</td>
<td>By 15 Jun</td>
<td>11 Jun</td>
</tr>
<tr>
<td>Issue of the Budget Execution Circular</td>
<td>June</td>
<td>24 June</td>
</tr>
</tbody>
</table>
As Table 1 indicates, there are various consultation stages (all outlined in italic), in which all stakeholders (ministries, LGs, CSOs, private sectors, donors) are involved. Given that the first ceilings are indicative (and can differ significantly from the ceilings provided in the second BCC), the ministries are provided with accurate total expenditure ceilings only after the second BCC. Therefore the largest window of opportunity to influence budget allocations is generally considered to be during February and March, between the moment the final BFP has been approved and up to the time the draft estimates are prepared (by 1 April).

The FY2017/18 budget process does suggest that there may now be some scope to influence allocations at a later stage as well (once the draft estimates are issued), as Parliament, through the Budget Committee, was able for the first time to modify the allocations from the draft estimates. Most of the reallocations it made were then adopted by MoFPED. Once the draft estimates are released, they are by and large final, but with the new budget calendar offering more time for Parliament to scrutinize the draft budget, Parliament has more time to make amendments.

### 3.2.2 Local government

Local government (LG) officials are involved in the central government budget process but there is a separate process for LG budgets (which does not appear to be fully synchronised with the central government one). Each LG has to prepare its own budget, taking into account LG Planning and Budgeting Guidelines, grant conditions stipulated in the Sector Grant and Budget Guidelines, and Budget Allocations issued by MoFPED through the Budget Call Circulars. The LG budget process includes the same stages as the central government process:

- consultations between central and local governments
- preparing the budget call for higher and lower LG units
- preparing the LG? Budget Framework Paper (BFP)
- drafting budget estimates, annual workplans and performance contracts
- finalising the budget estimates, workplans and performance contracts.

In recent years there was a sharp drop in budget transfers to LG (from 21.5 per cent in FY2010/11 to 12.5 per cent in FY2017/18). However, from FY2016/17 onwards the Government has embarked on reforms to give LG greater importance and more discretion over how resources are used, in particular by limiting the extent of earmarking for LG grants, and by shifting accountability from input control to output control. As long as they comply with sector budget requirements in the Sector Grant and Budget Guidelines, LGs will now have relative autonomy in resource allocation. Such reforms, together with the expected increases in allocations to LG grants (in particular in education), are likely not only to influence the budget process at LG level but to some extent at central level as well, in particular by giving more importance to Sector Grant and Budget Guidelines.

### 3.2.3 Involvement of the executive in the budget process

The executive branch (Cabinet, ministries) is the most powerful driver and influencer of the budget cycle. While the PFMA (2015) has granted more power to Parliament, the executive and in particular MoFPED control the process. The country’s laws,
regulations and practices give MoFPED substantial control over strategic allocation issues, as well as over budget execution. By international standards, MoFPED is considered very powerful.\textsuperscript{17}

\textit{Ministry of Finance, Planning and Economic Development}

MoFPED drives the budget process. The Constitution and the PFMA give MoFPED the mandate to plan and manage public finances. The PFMA vests significant legal powers in MoFPED to set economic policy, including determining and implementing the macroeconomic and fiscal policy framework for Uganda, such as through the Charter for Fiscal Responsibility. MoFPED prepares the BFP and the estimates. The Ministry sets out sector ceilings through budget circulars, which, according to officials in line ministries are, usually, accorded the highest priority among government circulars.

In parallel to these legal foundations, which give a lot of powers to the Ministry, MoFPED’s influence has benefited from the high technical competency of its staff. MoFPED has been able to attract and retain high calibre civil servants, which gives it the technical ability to scrutinize spending agencies.

Additionally, the Ministry has benefited from significant political backing (including from the President), which has allowed it to stay firm in the management of fiscal policy, although not as strongly as in the past. In practice, when there are budget disputes MoFPED resolves them, although legally the Cabinet has the power to intervene. The Cabinet has never revised the macroeconomic or medium-term fiscal framework, although it has the legal powers to do so. 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.

The combination of favourable legal foundations, high technical competency and strong political clout imply that MoFPED is essentially unchallenged in the budget process. While there are numerous opportunities for consultation (as outlined above), these are generally seen as ‘rituals’ by other stakeholders, who have very little margin to influence inter-sectoral allocations. This may have been further the case recently, in light of the tightening of the fiscal envelope, which has limited scope for new spending initiatives.

MoFPED’s stance in budget allocations reflects the NDIPII’s priorities: it prioritizes investments in national infrastructure development. This, combined with its control of the budget process, makes it currently particularly challenging for social sectors to influence the budget process to their advantage.

\textit{Line ministries}

One of the corollaries to the strong influence of MoFPED in the budget process is that line ministries have limited leverage in the exercise.

Following the submission of the first BCC, each sector is required to prepare and submit a sectoral budget framework paper according to the budget guidelines developed by MoFPED. Each paper define the budget strategy for that specific sector, specifying its objectives and performance targets for the financial year, planned actions and outputs, strategies to improve performance and draft workplans with outputs for spending agencies. The MoFPED consolidates the papers from the 16 sectors and prepares the National Budget Framework Paper. In that process, sectors organize Sector Working Group Consultations with key stakeholders.

Following the submission of the BFP, meetings are held to discuss sector budget priorities and allocations at the political level and to resolve any outstanding policy issues. In those inter-ministerial consultations, however, the leverage of line minis-

tries is reported to be limited – one line ministry staff member mentioned for example that ministries had few opportunities to discuss unfunded priorities. The second BCC is generally adhered to, which also limits the leverage of sectors to modify inter-sectoral allocations. The change in allocations in favour of the education and health sectors in the FY2017/18 process between the BFP and the draft estimates (following an outcry from social sectors) may suggest, however, that there is some scope to influence allocations.

Even the more powerful sectors (education and health), not to mention the less influential ones (social development, water and environment), recognize the limited influence they have in the budget process – in a context where many of their priorities cannot be funded and where their allocations have dropped in recent years. Service delivery sectors, in particular education and health, also suffer from the fact that many of their expenditures go through LGs, which are not properly represented in the budget process, especially at the central government level.

3.2.4 Involvement of the Legislature in the budget process

Following recent changes in the budget calendar introduced by the PFMA, Parliament exercises an important role in scrutinising the budget. The procedure for the Legislature’s scrutiny of the budget is set out in the Rules of Procedure of the Parliament of Uganda, dated 21 May 2012, with scrutiny undertaken by the Estimates, Budget and Supply Committee, supported by sectoral committees. Parliamentary committees also benefit from a strong Parliament Budget Office (PBO) in that exercise. The legal framework does not, however, clearly define the powers of Parliament to amend the proposed budget. As outlined above, neither the PFMA nor the Parliamentary Rules of Procedure 2012 are specific on the extent of parliamentary discretion in making amendments to the budget proposals. PBO staff have emphasized that they have the power to amend allocations and evidence from the FY2017/18 budget process, in which Parliament successfully made reallocations to the draft estimates, suggests that this is the case.

Most stakeholders recognize that the PFMA has enhanced the time available for parliamentary scrutiny of the executive’s budget proposals. As required by the PFMA, during the two most recent budget cycles the budget has been submitted to Parliament three months before and approved one month before the start of the financial year, with the draft estimates presented to Parliament on 1 April and approved before the end of the fiscal year. Parliament also has more time to scrutinize the Budget Framework Paper. Against that background, the Budget Committee produces two comprehensive reports analysing in detail the BFP and the draft estimates.

While the PFMA has led to Parliament becoming more active in the budget process, there are still questions about its ‘real’ influence. The legal framework remains unclear and Parliament lacks independence from the executive. Most of the legislature’s budget analysis work has been undertaken by the budget committee (comprised of members of both the ruling party and the opposition), but the NRM caucus has put in place a special budget advisory committee that advises both the President and MoFPED on budget priorities based on the NRM’s manifesto, which is led by the same chair as the budget committee. This is seen as limiting the power of the budget committee (on the other hand, the budget committee remains a key decision-making body on budget matters – at least compared with sectoral committees). The independence of Parliament is also limited by the fact that all ministers are also Members of Parliament. On the key strategic issues (such as the prioritization of infrastructure in budget allocations), Parliament’s policy stance has been broadly in line with the executive’s.

3.2.5 Involvement of other actors in the budget process

National Audit Office

The National Audit Office is only involved in the budget scrutiny phase of the budget and not in budget preparation. Its involvement has therefore not been analysed in detail. The 2017 PEFA outlines that Uganda’s strong external audit function generally enhances fiscal discipline.
Civil society organizations (CSOs)

The PFMA specifies that the annual budget must be prepared in consultation with the relevant stakeholders. As discussed above, the consultative process is relatively elaborate, involving a number of actors. Over the years, the budget formulation process has been made more open to include a series of consultation opportunities (i.e. national budget consultative workshops, sector working groups, etc.) on the definition of budget priorities and on issues of efficiency and effectiveness in the use of public funds. In addition, MoFPED has produced simplified versions of the annual budget and a newspaper pull-out with key facts about it. Recently, as recognized by CSOs, the PFMA has allowed more time for external actors to scrutinize the different budget documents.

CSOs, or umbrella organizations such as the Civil Society Budget Advocacy Group, have used these opportunities for consultation and have been actively involved in the budget preparation process. CSOs participate in the National Budget Conference, inter-ministerial consultative meetings and quarterly Public Expenditure Management Committee meetings. Some provide training for their members so that they can understand the budget, allowing ordinary people to get involved. CSOs also participate in the budget processes at LG level, but their influence is seen as limited, save for monitoring expenditures to influence efficiency in the use of public resources.

While on paper civil society’s engagement in the budget process is deep, CSOs have indicated that they view these consultative processes as turning increasingly into ‘ritual exercises’, with limited scope to express their views, no formalization of feedback, and little recognition of the ideas they bring to the debate. Combined with the adoption of new laws such as the Public Order Management Act, which are seen as restricting public speech, CSOs consider that their space is now more limited, including when it comes to discussions on the budget. This confirms the general view expressed by a number of stakeholders that the political commitment to transparency has reduced over time.

Although there does not appear to be a consensus among CSOs, they generally support an increase in budget allocations to social sectors, especially for health and education, whose allocations have dropped in recent years. However, there is also a recognition from their side that boosting infrastructure is important towards supporting growth prospects and generating trickle-down effects towards social sectors.

Donors

Similarly to other stakeholders, donors engage in the different budget consultation forums – such as the National Budget Conference and sector working groups – but their influence in shifting budget allocations is considered limited. They are in regular dialogue with MoFPED, such as through Public Expenditure Management Committee meetings and, more recently, the Economic Management Group. UNICEF is an active player at different levels in the whole budget process. It produces budget briefs to support sectors in the preparation of their draft estimates and is also active around efficiency/effectiveness (of spending) issues through its work with MoFPED on budget transparency and accountability. That work focuses on monitoring the effectiveness of service delivery by linking budget allocations with outcome indicators at district level. Its support to the development of poverty maps is also an important tool in improving resource allocation at sub-county level.

The continued reductions in allocations to social sectors have led some donors to raise their voices regarding the perceived lack of balance between social and infrastructure spending. To illustrate, the IMF has become more vocal in its recent reports on the need for growth to be more inclusive, highlighting the importance of improving the quantity and effectiveness of social spending. Notably, however, as also outlined in the previous chapter, the donor landscape has seen a major shift in recent years, with non-traditional donors currently contributing significantly to the Government’s infrastructure programme. This – and the reduction in budget support – has limited the influence of traditional donors in shifting budget allocations more towards social sectors.
3.2.6 Main findings for the entry point analysis

The following findings can be drawn from this section for the analysis of entry points:

**Key findings from the analysis of the main actors in the budget process**

- Ongoing LG grant reforms, together with the expected increases in allocations to LG grants (in particular in education) are likely to not only influence the budget process at LG level but to some extent at the central level as well, in particular by giving more importance to Sector Grant and Budget Guidelines.

- MoFPED’s stance in budget allocations reflects the NDP II’s priorities: investments in national infrastructure development. This, combined with its control of the budget process, makes it particularly challenging for social sectors to influence the budget process to their advantage.

- Even the more powerful sectors recognize the limited influence they have in the budget process. Service delivery sectors, in particular education and health, also suffer from the fact that many of their expenditures go through LGs, which are not properly represented in the budget process, especially at central government level.

- While on paper civil society engagement in the budget process is deep, CSOs have indicated that they view consultative processes as turning increasingly into ‘ritual exercises’, providing them with limited scope to express their views, no formalization of feedback, and little recognition of the ideas they bring to the debate.

- As with other stakeholders, the influence of donors over budget allocations has been limited.

3.3 The strategic planning framework

Until recently, MoFPED was the main driver of both the budget process and strategic planning (with its central role in the Poverty Eradication Action Plans up to 2010). In recent years, however, and in particular since the introduction of the NDPs, a shift has taken place. The budgeting process is now taking planning considerations more into account, in particular priorities set in the NDP. As a result, planning actors, and in particular the National Planning Authority (NPA), are becoming more important stakeholders in the exercise. Against that background, the political economy analysis of the budgeting process needs to (briefly) touch upon strategic planning issues.

3.3.1 Strategic planning at central level

As in other developing countries, Uganda has experienced regular shifts in the institutional framework around strategic planning, with processes of merger and separations between planning and budget institutions. The current setting dates back from 2003, when a separate national planning authority (the NPA) was established as an autonomous authority under MoFPED.

While the real power still rests with MoFPED, which sets the budget ceilings and MTEF, there are indications that there has been a shift in the strategic planning function from the MoFPED to the NPA, since the NPA is responsible for the NDP. This shift was partly driven by politicians, and the executive in particular, who pushed for greater control of the development policy agenda. While resource availability still drives the whole budget process, there is clear evidence that strategic resource allocation is also influenced by the NDP (e.g. infrastructure is a major priority in NDP II, which directly affects budget and MTEF allocations). The NDP has grown in status as an overarching framework, including for the budget process. The NPA has now introduced relatively comprehensive compliance checks to ensure that budgets are ‘NDP compatible’. However, this
power shift should not be exaggerated. The NPA retains limited ability to influence the formulation and implementation of the national budget. It also claims that it is not given enough resources to carry out its mandate. Indeed, NPA’s role is still not clearly defined in the public eye apart from its role coordinating the formulation of the NDPs.

3.3.2 Strategic planning at sector level
While the NDP has grown in status as a planning tool, relatively little emphasis has been put on strengthening sector strategies/development plans. Although the NPA requires sectors to prepare sector development plans that are consistent with the NDP, only four such plans have been prepared (health, agriculture, ICT and tourism). Furthermore, these plans are not constrained by the MTEF, so the available sector development plans tend to be wish lists – this also applies in part to the NDP. For example, the main objectives of the Health Sector Strategic Plan – including universal health coverage – are unlikely to be met as their costing is significantly higher than the MTEF allocations. At the time of writing, the education and water and environment sectors do not have a sector plan in place (it is under preparation for education).

3.3.3 Key findings relevant for the entry points analysis
The following findings can be drawn from this section for the analysis of entry points:

**Box 4**

**Key findings from the analysis of the strategic planning framework**
- While the real power rests with MoFPED, which sets the budget ceilings and MTEF, there are indications that the launch of the first NDP in 2010, for which the NPA is responsible, has contributed to some extent to a shift in the strategic planning function from the MoFPED to the NPA.
- Relatively little emphasis has been put on strengthening sector strategies/development plans. The NPA requires sectors to prepare sector development plans, which are consistent with the NDP. However, only four plans have been prepared (including health). Furthermore, they are not constrained by the MTEF so the available sector development plans tend to be wish lists, as is in part the case with the NDP.
Entry points and opportunities

4.1 Linking social expenditures with the national priority of investing in infrastructure

As discussed in the preface, UNICEF Uganda has been at the forefront of the dialogue with the Government, and in particular MoFPED, on budgeting and service delivery. Its involvement around the budget process has been extensive and multidimensional and has included working with MoFPED on monitoring the effectiveness of service delivery, supporting the preparation of budget briefs and producing poverty maps.

Such engagement may not be producing immediate effects in terms of improved inter-sector resource allocation and increased fiscal space for social expenditure, but it builds institutional capacity for sector budgeting and accompanies important government-led efforts towards improving efficiency in resource allocation, such as the introduction of programme-based budgeting.

The Government of Uganda’s focus on growth and productivity calls for a refined approach around the discussion on social versus productive investments. The choice between social and productive expenditures is not a binary one. Instead, discussion should focus more on the links between social expenditures and the Government’s growth and productive agenda. Positively, there are several angles through which these links could be articulated:

- The discussion around the demographic dividend (see Section 2.2) underscores that social spending can harness the growth linked to the expected demographic transition. In its recent publications on Uganda, the IMF has given more attention to this, calling for the strengthening of human capital to achieve more inclusive growth. It emphasises, for example, the
benefits of providing practical skills to the labour force through vocational education and measures to empower women, including by improving fertility choices. More specifically, there are several strategies/areas of advocacy focus that can help harness that demographic dividend:

- **Address the rise in vulnerability associated with the poor quality of public services** by revisiting the balance between social and infrastructure spending, scaling up investments in essential services, strengthening health, social welfare and protection systems, and investing in child-sensitive social protection.

- **Invest in skills enhancement** through systems strengthening, curriculum reform and access to technology to enhance learning outcomes and connectivity and to match the skills of Uganda’s children and young people to current and future market needs.

- **Protect children and young women** from violence and abuse by promoting social and economic integration – this is especially important in the face of emerging global challenges (e.g. urbanization).

- A second and related entry point is social protection. Investment in social protection, which is receiving increasing interest in Uganda, also has potential growth and poverty benefits, although these are difficult to estimate. The Social Protection Investment Case estimates that every 1 per cent of GDP spent on the Senior Citizens Grant leads to a 10 per cent reduction in the poverty gap, a 28 per cent reduction if spent on a disability grant and a 33 per cent reduction if spent on a child grant for children up to two years old. Focusing the dialogue on the productive potential of expanding certain social protection schemes, such as the Child Support Grant, represents a clear opportunity to make the link between social expenditures and the Government’s growth and structural transformation agenda. The fact that a National Social Protection Policy was recently developed and that the NDP II aims to expand the scope of both direct income support and social insurance should facilitate those efforts.

- **Thirdly**, the recognition that support to infrastructure can be beneficial to children and other vulnerable groups (e.g. children’s standards of living can be improved by improving access to electricity or through better transport services) could be translated into a more active engagement around infrastructure/investment plans, with a view to aligning them with social spending.

By taking advantage of these strategic opportunities for dialogue, partners could develop an effective and influential advocacy strategy around social expenditures, even if the current policy context is not supportive of such an agenda. Moving into that direction will require the dialogue to have a more strategic and integrated approach, in which social expenditures are not discussed in isolation but in relation to their role in addressing the Government’s broader (growth and structural transformation-focused) agenda.

In the next section, the specific entry points under which such an advocacy strategy can be put into practice are elaborated upon.

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18 A National Social Protection Policy was adopted in 2016. The NDP II also draws attention to social protection. It seeks to increase the number of vulnerable people accessing social protection interventions from about 1 million in 2013 to about 3 million by 2020.

4.2 Entry points and opportunities for advocacy at the strategic planning level

Based on the preceding chapter, and in view of the proposed strategic opportunities for advocacy discussed above, two areas of engagement at the strategic planning level are of particular interest.

4.2.1 Formulation of the new NDP

The process of formulation of the new NDP is an important entry point to engage on the strategic issues raised above.

The high-level process that will be launched in 2018 with a mid-term review of the current NDP (coming to an end in 2020) represents an important opportunity to hold a strategic discussion on the key issues raised above, such as the role of social spending in harnessing the demographic dividend, the importance of social protection for growth, and the need for more social investments. For this discussion to be effective it will require broad-based stakeholder coordination, and include donor agencies with a more growth-focused agenda and more experience in engaging in the NDP formulation (notably the World Bank and IMF). There will be opportunities early in the formulation process to produce influential policy papers on strategic issues.

Besides this engagement at the strategic level, supporting ministries directly in the formulation exercise could also be useful. Separately, supporting the efforts of those social sectors that do not have development plans (education, social development, water, and environment) in developing such plans would help them to increase their influence in the drafting of the new NDP.

4.2.2 Supporting the development of sector development plans

Analysis of the budget process and its actors revealed the relative weakness of line ministries in their budget preparations and negotiations with MoFPED. In this respect, key areas of engagement could include improving the quality of sector budget framework papers, as well as supporting the development and costing of sector development plans and improved sector monitoring and evaluation frameworks.
4.3 Entry points and opportunities for advocacy during budget preparation

This section has been separated into two parts: the entry points and opportunities at the central (MoFPED) level and those at the sector level.

As for the strategic planning level, it will be important to link advocacy efforts aimed at each stakeholder to some of the proposed strategic messages highlighted in Section 4.1. This is particularly the case in relation to MoFPED, given its crosscutting role.

4.3.1 Entry points at the central level

Focus advocacy efforts on the added-value of social expenditures for the Government’s growth and productivity agenda (as discussed in 4.1). Existing dialogue forums, such as the Economic Management Group, are adequate venues for broader/strategic discussions with MoFPED. Involvement in such forums, in particular early on in the budget process (at the time of the finalization of the Macro Framework and Resource Envelope and the development of the Budget Strategy), could be particularly effective in raising more strategic issues.

Ultimately, the success of engaging with MoFPED on these more strategic questions will also depend on the extent to which likeminded partners are able to come together and speak with one voice. The IMF could be an important ally in that regard, given the increasing attention it gives to the quantity and quality of social spending and the inclusiveness of growth in its dialogue with the Government. In those discussions, sector-related issues/inputs with a clear cross-sector/macro dimension could be particularly relevant.

Building on the growing influence of Parliament

As with MoFPED, there is a case to continue and possibly strengthen engagement with Parliament around more crosscutting strategic issues, which would primarily involve engaging with the Budget Committee. Parliament is also likely to be receptive to a narrative highlighting the importance of social expenditures for achieving the broader NDP priorities.

As Parliament has become more active in the budget process since the PFMA was signed in 2015, and with MPs sharing certain affinities on key social issues (such as gender), the case to continue that engagement is strong. Given that there is evidence that Parliament is now able to influence budget allocations after the draft estimates have been submitted, the engagement should not stop at the time the draft estimates are released but could be reinforced later in the process as well (in April and May). The involvement of Parliament in modifying initial BFP allocations towards social sectors in the FY2016/17 budget process suggests there is a case to raise strategic resource allocation issues in that dialogue.

In general, though, given its limited independence (as discussed in the previous chapter) and its apparent strong attachment to the NDP, Parliament has not shown a willingness to challenge the executive on core policy issues. Parliament also has its own priorities, which currently include gender. There is therefore an opportunity to emphasise gender-related issues in dialogue with the institution (which would be through the Committee on Gender, Labour and Social Development). At the time when the BFP is reviewed, in particular, there appears to be a strong case to engage with the Parliamentary Budget Office (PBO), whose analytical capacity is strong and which can then relate important messages/information to committee members. Engagement with sectoral committees is likely to be relatively less effective, partly because their members often have limited experience of budget matters.
4.3.2 Entry points at the sector level

Sustaining ongoing efforts in the sector working group framework to support sectors in their budget negotiations with MoFPED

The dialogue on budget issues – which covers mostly intra-sector budget allocations, principally takes place in the framework of the sector working group process, which is generally considered to be effective in guiding intra-sectoral budget allocations. The annual budget briefs produced by UNICEF are seen by several stakeholders as a useful tool to support sectors in their negotiations with MoFPED. There is a recognition that social sectors, not only the smallest ones (such as social development) but also health and education, have generally been weak in their budget negotiations with MoFPED.

The case for active sector-based engagement is strong. Participating in sector working group meetings and providing sectors with inputs such as budget briefs ahead of preparation of the sector budget framework papers, and/or draft estimates, provides an important fact-based input for sectors to improve the quality of their submissions to MoFPED and more generally the quality of inter-ministerial negotiations. The benefit may currently be more at the level of improving the efficiency of intra-sector resource allocations, but should the fiscal space open in coming years, such involvement and contributions could also contribute to increasing the resources envelopes for social sectors.

Supporting the education and health sectors in adapting to the change in the LG grants system

For the education and health sectors in particular, for which the share of the budget going through LGs is substantial, the new LG grants system will offer new challenges but also new opportunities in the budget process, including at central level. The ongoing reforms to give LG more discretion over how resources are used will give LGs relative autonomy in resource allocation, which will put more onus on the LG budget process, in particular for education and health. In parallel, the reform will also give more importance to Sector Grant and Budget Guidelines, which will require sectors to give additional attention to such guidelines. This calls for early stakeholder engagement in the budget process, as early as August, at the time the guidelines are prepared. Involvement in the Regional Budget Consultative Workshops with LGs will be important in that regard. Support to sectors in the negotiation of those guidelines (in September) could be particularly relevant, especially for health and education, which will be particularly affected by the changes. Alongside the above, likeminded partners could also strategically position themselves in the forthcoming LG assessment system, spearheaded by the Office of the Prime Minister as part of the ongoing reforms. This will assess performance of LGs on an annual basis, which could help to ensure that the performance assessment system clearly reflects how LGs prioritise social issues in their plans and expenditure.
Appendix 1: People met

1. **Central Bank**
   Martin Brownbridge, Adviser to the Governor

2. **CSOs**
   Namaggga Imelda, Programme Manager, Uganda Debt Network
   Peninah Mbabazi, Programme Assistant, Policy Analysis and Governance, Uganda Debt Network
   Julius Mukunda, Coordinator, Civil Society Budget Advocacy Group

3. **IMF**
   Clara Mira, Resident Representative

4. **Ministry of Health**
   Richard Kabagambe-Turebe, Acting Assistant Commissioner (Budget and Finance), Planning Department

5. **Ministry of Finance, Planning and Economic Development**
   Godwin N.K. Kakama, Commissioner, Budget Policy and Evaluation Department (BPED)
   John Muheirirwa, Assistant Commissioner, BPED
   Robert Ssekate, Principle Economist, BPED
   Joseph Oloo, Principle Economist, BPED
   Moses Ogwapus, Acting Commissioner, Tax Policy Department
   Gerald Namoma, Economist, Tax Policy Department
   Justine Ayebara, Senior Economist, BPED
   Maclean Kwesiga, Economist, BPED

6. **Ministry of Education and Sports**
   Namisi Derrick, Economist (Budget), Education Planning and Policy Analysis Department

7. **Ministry of Water and Environment**
   Ivan Bliza Peter, Economist

8. **UNICEF**
   Diego Angemi, Chief, Social Policy and Advocacy
   Arthur Muteesasira, Social Policy and Advocacy Officer
   Prakash Lamsal, Water, Sanitation and Hygiene (WASH) specialist
   Rosemary Rugamba-Rwanyange, Education specialist

9. **European Union**
   Enock Nyorekwa Twinoburyo, Economist, EU Delegation
   Tarik Kubach, PFM Officer, EU Delegation

10. **Local Government Finance Commission**
    Adam Babale, Director, Revenue and Research, Local Government Finance Commission

11. **National Planning Authority**
    Catherine Nassaka, Economist

12. **Parliamentary Budget Office**
    Moses BisaseTusuubira, Assistant Director
    Sulaiman Kiggundu, Assistant Director
    Douglas Ewongu, Senior Economist
    Kimule Sulait Wereba, Principal Economist
    Ruth Uwizeye, Principal Economist
    Barbara Mirembe, Principal Economist
    Nabasa Moses, Principal Economist
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