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TECHNICAL ASSISTANCE REPORT—ENHANCING THE PERFORMANCE OF PUBLIC INVESTMENT MANAGEMENT

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FISCAL AFFAIRS DEPARTMENT

Uganda

Enhancing the Performance of Public Investment Management

Christiane Roehler, Jacques Charaoui, Martin Darcy, Kubai Khasiani, and Arturro Navarro

Technical Assistance Report | May 2017

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F I S C A L   A F F A I R S   D E P A R T M E N T

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GLOSSARY

AFE	AFRITAC East
AGO	Accountant General's Office
BMAU	Budget Monitoring and Accountability Unit
BPED	Budget Policy and Evaluation Department
BPU	Budget Planning Unit
CBA	Cost-Benefit Analysis
DC	Development Committee
FAD	Fiscal Affairs Department
GAPR	Government Annual Performance Report
GoU	Government of Uganda
IBP	Integrated Bank of Projects
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
IPD	Integrated Project Database
IPSAS	International Public Sector Accounting Standards
MAK	Makerere University, Uganda
M&E	Monitoring and Evaluation
MDA	Ministries, Departments, and Agencies
MoFPED	Ministry of Finance, Planning, and Economic Development
MoWT	Ministry of Works and Transport
MTEF	Medium-Term Expenditure Framework
NDP	National Development Plan
NPA	National Planning Authority
OOB	Output-Oriented Budgeting
OPM	Office of the Prime Minister
PAP	Project Analysis and Public-Private Partnership Department
PBB	Program-Based Budgeting
PBO	Parliamentary Budget Office
PBS	Performance-Based System
PEFA	Public Expenditure and Accountability Framework
PIM	Public Investment Management
PIMS	Public Investment Management System
PIP	Public Investment Plan
PPC	Project Preparation Committee
PPP	Public-Private Partnership
PPPC	Public-Private Partnership Committee
PPPU	Public-Private Partnership Unit
PS/ST	Permanent Secretary/Secretary to the Treasury
SCBA	Social Cost-Benefit Analysis

SWG	Sector Working Group
TA	Technical Assistance
Tbd	To be decided/to be determined
UGX	Uganda Shilling
UNRA	Uganda National Roads Authority
WB	World Bank

PREFACE

At the request of Permanent Secretary/Secretary to the Treasury, Mr. Keith Muhakanizi, a technical assistance (TA) mission from the IMF's Fiscal Affairs Department (FAD) visited Kampala during March 1–14, 2017. The team was led by Christiane Roehler and comprised Jacques Charaoui (both FAD staff), Kubai Khasiani (AFRITAC East Public Financial Management Advisor), Martin Darcy, and Arturo Navarro (both FAD experts). The purpose of the mission was to advise the authorities on an action plan for strengthening Uganda's Public Investment Management System (PIMS).

The mission met with Mr. Keith Muhakanizi, Permanent Secretary/Secretary to the Treasury; Kenneth Mugambe, Director Budget; Lawrence Kiiza, Director Economic Affairs; Maris Wanyera Ag. Director, Debt and Cash Policy, The Accountant General's Office; James Wokadala, Commissioner of the Project Analysis and Public-Private Partnership Department (PAP); Beatrice Ikilai, Ag. Director PPP Unit; and senior officials from the Ministry of Finance, Planning, and Economic Development (MoFPED). The mission further met officials from NPA led by Patrick Birungi, Director Development Planning; officials from the Parliamentary Budget Office (PBO) led by Moses Bisase, Ag. Director; senior officials from the Office of the Prime Minister led by Dr. Albert Byamugisha; and senior officials from Ministries of Health, Agriculture, Education, Works and Transport, Energy and Minerals Development, ICT and National Guidance, Uganda National Roads Authority, Kampala City Council Authority, and Makerere University (MAK). The mission also met representatives from the World Bank and DFID.

The mission held an interactive workshop on March 9, 2017 on key areas of the public investment management cycle that require improvements, including project appraisal and feasibility studies, the link with the budget, monitoring, and evaluation, and setting up an integrated project database. The mission also conducted a survey on aspects of public investment management among the workshop participants. The workshop was attended by 45 officials from the Ministry of Finance, Planning, and Economic Development, the Office of the Prime Minister; and ministries.

The mission would like to express its sincere appreciation to everybody who participated during the meetings and the workshop for the intensive discussions and the excellent cooperation. In particular, the mission would like to thank Hannington Ashaba, Assistant Commissioner; Gertrude Basiima; Belinda Bisamaza; Teddy Namara; Paul Mwanja; and all PAP staff for arranging a complex meeting schedule and facilitating all aspects of the mission's work during its visit to Kampala. The mission would also like to thank the IMF office staff for providing support prior and during the mission.

EXECUTIVE SUMMARY

Uganda is significantly scaling up public investments and increasing its debt, aspiring to reach middle-income status by 2020. However, to date, there is a large efficiency gap in Uganda's investment compared to the best performers and to emerging market economies. In order to keep debt sustainable, and realize the intended growth and development impact, it is critical that projects deliver on time, on budget and with impact.

The MoFPED adopted in 2016 an Action Plan to improve public investment management (PIM), drawing on international best practices. The MoFPED's Project Analysis and Public Private Partnership Department (PAP) has taken charge of implementing this plan (status review in Annex I). This mission has developed a Supplementary Action Plan with specific near term actions to address immediate requirements in PIM, and to support the effective implementation of these practices (Annex II).

The current public investment program (PIP) is overextended and a stock-take is required (by September 2017) as the basis for further decisions. Information in the current PIP database is outdated and incomplete, and the MoFPED does not have reliable estimates of the multi-year commitments for existing projects. This stock-take would also form the basis for regularly updating the PIP and keeping more reliable information on projected costs, cash flow requirements, commitments, physical and contractual milestones, and signed contracts.

Cabinet endorsement of important decisions on the PIP is needed to provide a framework for subsequent planning, budgeting and decision making by the MoFPED, the National Planning Authority (NPA), and Ministries, Departments, and Agencies (MDAs). Three areas appear critical. One, Cabinet should endorse the medium-term expenditure framework (MTEF), in particular the ceilings on the overall expenditure envelope and the sector shares, acknowledging the implications for the PIP. Two, if projects are to be added to the PIP outside of the normal planning cycle, an explicit decision is needed on which existing projects are to be remove or delay to stay within the MTEF ceilings. Three, Cabinet should endorse a short list of well-defined priority areas (outcomes/programs) in which new projects can be developed for consideration by the Development Committee (DC).

To inform the Cabinet decision on the PIP, a comprehensive review of the PIP should be conducted each September/October jointly between the MoFPED, the NPA and the sectors concerned under the auspices of the DC. This review would ascertain the status of each of the existing projects and generate bottom-up information on revised phasing and existing financial commitments against the medium-term sector envelope. Comparing existing commitments against the sector ceilings identifies fiscal space for new projects. Based on the assessment of fiscal space in the sector, NPA and the sector in consultation with the MoFPED should decide on which projects (and how many) to approve for pre-feasibility and feasibility studies, and for which desired outcomes/programs to make a call for new project proposals.

Changes to the project appraisal process are needed to make the DC a more effective gatekeeper of the PIP. The concept note phase should continue to be conducted bottom-up by the sector. However, to receive approval from concept to project profile, a project must fall within the identified priority areas for new project development, following an assessment of fiscal space for each sector. Thereafter, projects should be developed in the context of annual strategic PIP reviews from project profile to pre-feasibility study and finally to the feasibility study stages. The identified priority areas should also form the basis for discussing country strategies with donors. In addition, all projects should be considered by the DC until after the pre-feasibility stage. Only after the pre-feasibility study should a preliminary decision on an implementation option (e.g., PPP, donor-funded, traditional project) be made; as necessary the PPP Act and guidelines should be amended.

The MoFPED has rightly identified that a solid appraisal process is not only important for selecting the most beneficial projects, but also for ensuring that projects are ready for implementation and can be monitored during the investment phase. While all elements of the feasibility assessment are important, the MoFPED should focus its initial efforts on developing guidance and capacity on costing, financial appraisal, and implementation planning.

Attention needs to be paid to monitoring and controlling project development for PPPs. PPPs are regulated by their own Act and the process of developing PPP projects currently runs in parallel to traditional government or donor-financed projects. PPPs can have advantages in project implementation, but they also entail significant direct costs to the government and often pose large fiscal risks. Moving forward with capacity building on PPP appraisals, in particular on fiscal risk analysis and management, is essential.

Project information available in the MoFPED is quite unreliable; an Integrated Project Database (IPD, currently referenced as Integrated Bank of Projects) will be an important tool for managing and monitoring projects going forward, and improving the extent and quality of project information. The IPD should contain all projects in the pre-investment phase, those in the PIP, and concluded projects, plus all information needed for government-wide monitoring. A project management team should be set up and start with developing carefully the functional design and owners of relevant information.

The PIP stock-take and the IPD will also facilitate stronger ongoing monitoring of the whole project portfolio. While much information on finances, outcomes, outputs, and indicators is available, it is highly fragmented and disaggregated. PAP should develop standardized summary information and templates suitable for aggregate level monitoring and decision making.

All PIM stakeholders identify the need for capacity building. PAP is undertaking efforts to build partnerships with external institutions (e.g., Makerere University) to train trainers and expand its capacity to deliver courses that meet the on-the-job requirements of civil servants. Finding support for curriculum development would be desirable.

Table 1. Uganda: Summary Table of Recommendations

Rec No.	Action	Timeline
Establishing Reliable Baseline Information on the PIP		
1	Undertake stock-take of the PIP and overhaul PIP database, updating all multi-year commitment and cash flow estimates based on a close review of project financials, physical and contractual milestones	September 2017
Making Project Appraisal and Selection Effective		
2	Strengthen elements and realign the appraisal process to make the DC a more effective gatekeeper, and ensure that assessment against the MTEF takes place, and financing is decided only after the pre-feasibility study	Now–December 2018
3	Develop a brief manual on fiscal risks of projects and in particular of PPPs	December 2017
4	Develop specific guidance on financial appraisal (capital and recurrent) and implementation plans	December 2017
Effectively Linking the Project Cycle with the Medium-Term Expenditure Framework		
5	Introduce a comprehensive review of the PIP by sector in September/October of each year between MoFPED, NPA, and the sector, ascertaining status and phasing for existing projects, and agreeing a sector strategy for developing new projects—against the likely MTEF envelope for the sector	Pilot: October 2017 Adopt: October 2018
6	Put an annual decision paper on the PIP to Cabinet and obtain endorsement on (i) medium-term expenditure envelope and shares for each sector, (ii) any projects to add and offsetting ones to remove/suspend to stay, and (iii) a list of well-defined priority areas for development of new projects	October 2017
7	Develop realistic multi-year commitments and cash flow projections (bottom-up projections)	December 2017
8	Develop summary information for decision makers and monitoring (PAP/BPD)	Now–December 2018
Developing an Integrated Project Database (IPD) to Expand Available Project Information and Make it Reliable		
9	Set up a project management team	June 2017
10	Develop carefully the conceptual design of the IPD	December 2017
11	Design work processes to keep information in the PIP/IPD up-to-date and reliable	December 2017
Making Ongoing Monitoring Effective		
12	Develop the capacity to monitor the whole project portfolio (PAP/BPD)	Now–December 2018
Providing Additional Guidance and Training on PIM to MDAs		
13	Continue to identify partners for PIM capacity building; find support for curriculum development	2017

I. INTRODUCTION

1. **Uganda aspires to achieve middle income status, inter alia through significant scaling up of infrastructure investments.** According to its National Development Plan (NDP) II, which covers the five-year period to FY 2019/2020, investments in large-scale public infrastructure projects financed from non-concessional external and domestic borrowing are expected to peak at 5 percent of GDP, while deficits reach up to 8 percent of GDP against revenues that are hovering around 15 percent of GDP. More recent estimates indicate that infrastructure expenditures will only reach about 3 ½ percent of GDP over the medium term. Yet even with a more moderate investment and deficit path, the debt stock is still projected to increase rapidly over the next few years.

2. **Projects need to be delivered on time, on budget and with the planned impact to achieve the envisioned growth and development outcomes, and to keep debt sustainable.** Estimates based on the most recent available data collected by the IMF's Fiscal Affairs Department indicate that Uganda's public investment has an efficiency gap of about 50 percent to the best performing countries, and about a 25 percent gap to the average performance of emerging market economies. This means that the impact of public investment on the amount of publicly available physical infrastructure (like km of roads, hospitals, schools, etc.) and the quality of this infrastructure (as measured by surveys) could be significantly improved for the same level of expenditure.[1] A number of audit and evaluation studies, inter alia from the Accountant Generals Office (AGO) and the MoFPED's Budget Management and Analysis Unit (BMAU), and individual project cases provide more detailed evidence of significant time and cost overruns, and impacts below expectations.

3. **Several diagnostic studies have already identified key weaknesses at all stages of the project cycle that create obstacles for delivering projects on time, on budget and with impact.** The most recent is a 2016 study (the "2016 Diagnostic Study") prepared by the Ugandan MoFPED itself, which was supported by the World Bank and DFID[2] and benefitted from input by a group of Chilean consultants. A 2014 study by AFE[3] provided a detailed analysis of all stages of the project cycle. A wide range of other studies exist.

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[1] Estimates of efficiency gaps should be seen as indicative. Uganda's data were initially compiled for the 2015 IMF board paper on public investment management assessments, and have since been updated based on standardized data submissions and public information. Data for all 128 monitored countries are being similarly updated. It should be noted that estimates of the efficiency gap are relative to the countries at the frontier, hence changes in the gap do not only depend on developments in Uganda but also on developments in comparator countries.

[2] Projects and Public Private Partnerships Department, Ministry of Finance, Planning and Economic Development: "Strengthening Public Investment Management in Uganda – A Diagnostic Study," August 2016.

[3] Tawfik Ramtoolah, Simon Groom: "Uganda: Reviewing the Capital Budgeting Process," November 2014.

4. **The MoFPED has adopted a "PIMS Action Plan" (the "2016 Action Plan") arising out of the 2016 Diagnostic Study; it focuses mainly on institutional arrangements, and the appraisal process of the project cycle.** A Project Appraisal and Public-Private Partnership Department (PAP) in the Budget Directorate was established in 2015, and is spearheading the effort to strengthen PIMS. PAP sees two near term areas for improvements: One, clarifying and clearly assigning roles and responsibilities of actors in PIMS to ensure that all actions required in the project cycle are undertaken effectively and timely. Two, strengthening the appraisal process, i.e., the project identification and pre-investment phases of the project cycle (Figure 1), so that projects are fully ready when financing becomes available, and the preconditions for sound project implementation are in place.

5. **The MoFPED has already moved forward with implementing the 2016 Action Plan.** An overview of the PIMS Framework in Uganda has been developed (Figure 1), which identifies four project phases and for each phase (1) the key steps or outputs, and (2) the key tasks with their main actors. New Development Committee Guidelines (henceforth "DC Guidelines")[4] have been issued that set out the structure of the appraisal process and provide templates or required information for each stage of the appraisal process (marked in red in Figure 1), plus a template for performance review/completion report. A new project preparation and appraisal manual[5] containing a Uganda specific case study as guidance for MDAs is at an advanced stage.

6. **The authorities, moreover, are undertaking several related reforms that will support stronger PIM.** First, the Office of the Prime Minister (OPM) is driving efforts to instill a stronger performance culture through strengthening monitoring and evaluation, setting annual performance targets, and preparing an Annual Performance Report. Performance agreements are also signed between the PS/ST and the government's accounting officers. Second, the change from output-oriented budgeting (OOB) to program-based budgeting (PBB) will facilitate an integrated assessment of recurrent and capital expenditures in light of the program objectives or outcomes. And third, in conjunction with the AGO's efforts toward introducing accrual-basis accounting, asset registers are being introduced and strengthened, and the automated asset registration module in the government's Integrated Financial Management Information System (IFMIS) is being activated.

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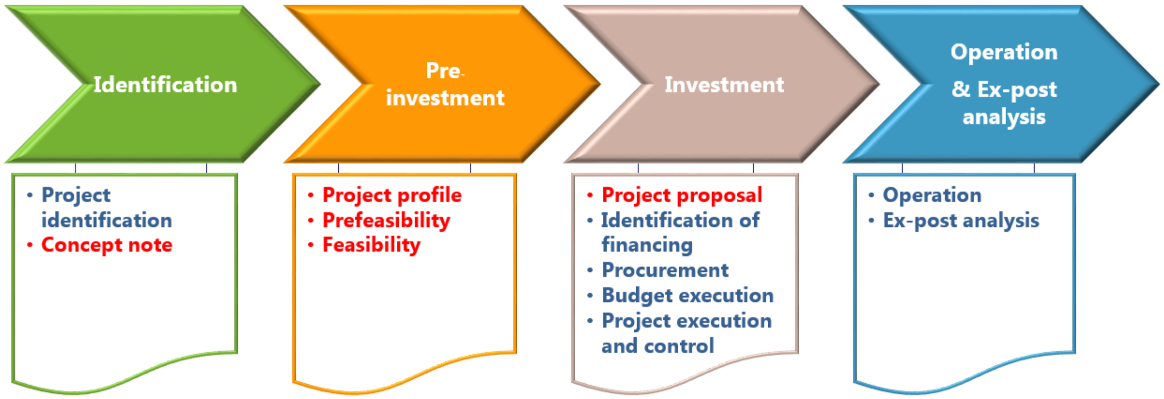
[4] MoFPED: *Development Committee Guidelines: The approval and review of the Public Investment Plan (PIP) projects*, August 2016.

[5] MoFPED: *Public Investment Manual for Project Preparation and Appraisal*, third draft, 2016.

Figure 1. Summary of Public Investment Management System Framework in Uganda



Note: Elements marked in red are stages of the Ugandan appraisal process.

Source: MoFPED Uganda.

7. **The mission agrees that the 2016 Action Plan includes important actions, yet there are critical gaps in linking PIM processes with budgeting and the medium-term expenditure envelope.** While the PIP currently is supposed to contain only projects that can receive budget funding, this is not the case. On the one hand, many projects are not ready for implementation when they enter the PIP and block funding for other projects. On the other hand, the existing PIP is overextended relative to the projected medium-term envelope, arrears are accumulating, and in addition new projects are being pushed toward PIP inclusion all the time. Yet lack of sufficient and timely funding during project execution will invariably drive up costs, delay completion and reduce the impact of projects. Moreover, ongoing monitoring of projects is weak, information about the status of projects is unreliable and overall the government does not have a good picture of its PIP commitments.

8. **The mission proposes to supplement the current 2016 Action Plan in several key areas.** The Supplementary Action Plan (Annex II) is organized by the same action areas used in the 2016 Action Plan. The mission focuses on actions that are within the core mandate of the MoFPED as a central agency that regulates and coordinates across government, i.e., on reforms that assist the MoFPED in containing spending requests to a level that fits within the annual and medium-term envelopes, and on guidance it needs to issue. Many of the proposed actions are already being considered by PAP, and some of the mission's proposals simply make these ideas more operational. Analysis and recommendations that are reflected in the Supplementary Action Plan (Annex II) are set out in the subsequent chapters of this report:

- Chapter II discusses the urgent need to establish sound baseline information on the existing project portfolio and recommends a stock-take;
- Chapter III reviews the purpose and elements of the appraisal process and makes recommendations that are designed to develop a high-quality project portfolio of pre-PIP projects while containing risks and respecting the medium-term expenditure envelope;

- Chapter IV advises on more effective budgeting for projects and investments, highlighting the need for realistic bottom-up costing estimates both during the pre-investment phase and project implementation, develops proposals for cleaning up the PIP database, and explains the benefits of the PBB for stronger PIM;
- Chapter V sets out specific recommendations for adjusting the project appraisal process so as to make the DC a more effective gatekeeper for the PIP;
- Chapter VI emphasizes the need for ongoing monitoring and the operational benefits from conducting ex-post evaluations;
- Chapter VII provides advice on developing an IPD to enhance the reliability and extent of information available; and not least
- Chapter VIII discusses capacity building requirements and potential future technical assistance.

II. ESTABLISHING BASELINE INFORMATION ON THE PUBLIC INVESTMENT PLAN

A. Current Situation

9. **Uganda is scaling up its public investment**. Concessional financing has been and is expected to remain fairly flat while the increase is funded from non-concessional external loans and domestic financing (Table 2). In the future contributions from the private sector via PPPs are also expected.

Table 2. Uganda: Public Investment Expenditure 2011/12–2015/16

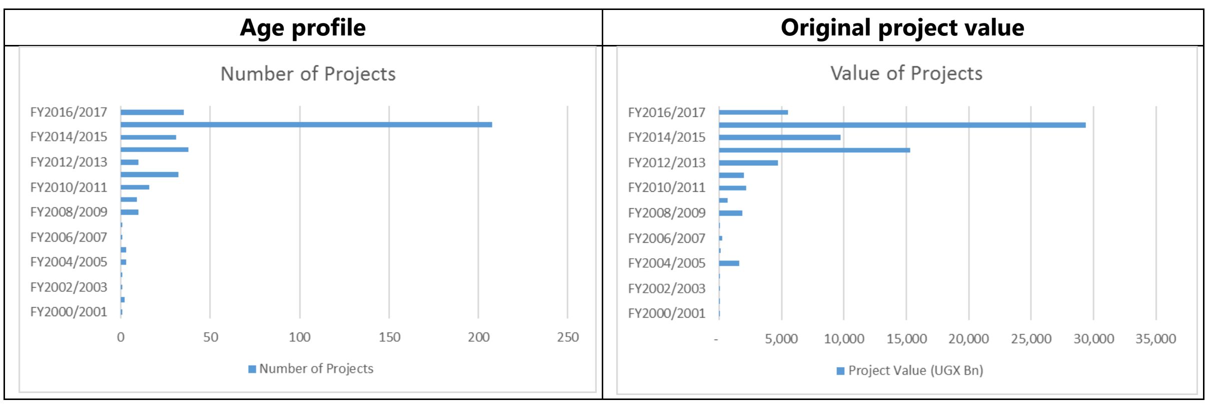
	2011/12	2012/13	2013/14	2014/15	2015/16
(In billion of Uganda Shillings)					
Central Government Expenditure	9,281	10,523	11,684	14,379	16,727
o/w Public Investment	3,458	4,237	4,957	6,215	7,239
Concessional loans & grant financed	1,612	2,163	1,871	1,933	2,182
Non-concessional external loans	192	0	0	0	1,276
Domestic financing	1,654	2,074	3,066	4,282	3,781
(As a percent of GDP)					
Central Government Expenditure	15.6	16.2	16.6	18.5	19.8
o/w Public Investment	5.8	6.5	7.0	8.0	8.6
Concessional loans & grant financed	2.7	3.3	2.7	2.5	2.6
Non-concessional external loans	0.3	0.0	0.0	0.0	1.5
Domestic financing	2.8	3.2	4.4	5.5	4.5
Memorandum items:					
Nominal GDP	59,420	64,758	70,458	77,835	84,434
Real GDP growth	4.4	2.7	5.2	5.1	4.8

Sources: IMF Staff Reports for the 6th and 7th Review under the Policy Support Instruments, and mission calculations

10. The portfolio of existing projects is far larger than can be financed in the medium term. About 450 projects are included in the government's PIP database and thus are eligible for funding. An estimate of remaining project values as available in the PIP is approximately UGX 58 trn or US$ 16 ½ bn (Figure 2); in the multi-year commitment worksheet maintained by PAP, it is approximately UGX 60 trn or US$ 17 bn. This is of the same order of magnitude as the 5-year medium-term envelope for development and investment projects, but well above historic spending (Table 2). Yet even this picture is incomplete. Known large new project are not fully reflected. For example, the Standard Gauge Railway project—a US$ 2 bn project—shows up in government databases with much smaller project values. No estimate is yet included for the new oil road projects.

11. The project information available to MoFPED is very unreliable. Approximately 10 percent of the projects in the PIP do not show any project value. The project values summed up for the estimates above simply sum across original project values, most of which will be outdated, because many projects are very old. Further, coverage of projects, and project values for individual projects differ between the above two data sets.

Figure 2. Structure of Projects in the Public Investment Plan



Source: PIP database; excluding projects without value.

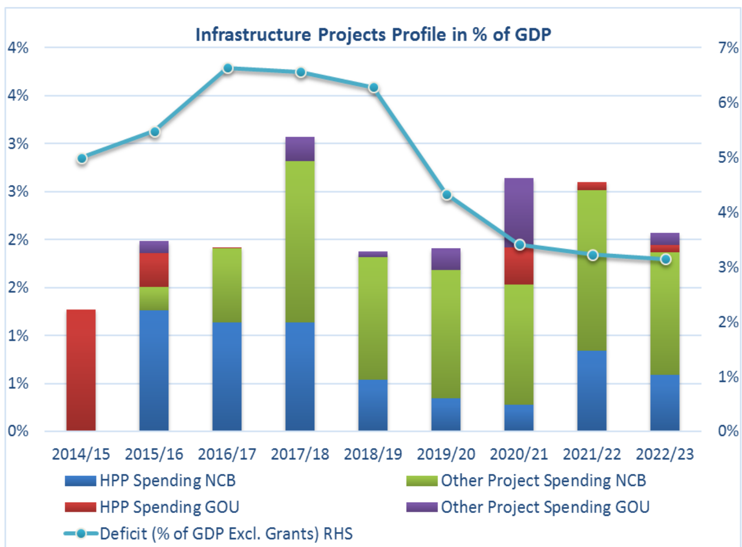
12. The situation is similar for cash flow estimates. The MoFPED requests submissions from MDAs about their medium-term cash flow forecasts, but considers only the forecast for the immediate budget year reliable. Thus, it would not be possible to obtain an alternative estimate of total future obligations from current cash flow forecasts.

13. The MoFPED also faces challenges in keeping track of all projects. Donor-funded projects constitute more than 25 percent of project expenditures. Some donors generally implement their projects off-budget. Especially for grant-financed projects, the MoFPED often only learns about the existence of the project when counterpart funding is needed, which regularly will not have been anticipated in budget requests. While there is now a requirement that MDAs can only accept grant funding upon authorization by the Minister of Finance, such authorization is usually granted for projects below US$ 1 million. An aid management system operated by AGO facilitates reporting on donor projects, but even for on-budget projects reporting is often delayed.

B. Developing a Reliable Public Investment Plan Baseline

14. Establishing solid multi-year information on all projects is urgent. 240 projects were added to the PIP in 2015/16 and another 41 in 2016/17. In the PIP list available to the mission, 27 of these new projects have no project value. At the same time, deficits in the next few years are projected to be high. While deficits are expected to fall in the medium-term horizon from the peak by around 3 ½ percent of GDP, large projects continue are not expected to contribute. The deficit reduction is partly due to a reduction in concessional projects, and to a projected increase in revenue (Figure 3). However, higher tax revenue will only be realized if projects are completed and the growth dividend of the investment program materializes.

Figure 3. Uganda: Large Infrastructure Projects and Deficit Evolution



Note: HPP – high-priority projects; NCB – non-concessional borrowing.

Source: Current IMF staff estimates.

15. The urgency is underlined by the continued accumulation of domestic arrears. Assuming that arrears in the categories "development expenditures," and "court cases and compensations" (e.g., for obtaining land rights) are largely related to projects, arrears of about 1 percent of GDP relate to the PIP.[6]

16. A stock-take of all existing projects should be undertaken by September 2017. The Budget Directorate possibly in collaboration with NPA should set up a team that will visit all

[6] Draft AFE Technical Assistance report of January 2017.

MDAs and review the projects on the basis of documents and records kept in the MDA. It is anticipated that 2–3 months will be needed for preparation, and perhaps 3 months to do the actual review. MDAs should be requested to prepare internally for the visits and support the review, but they may resist. It will be necessary to develop data collection templates to reasonably standardize the information collected. At the minimum, key information on project financials and costing, signed contracts, pending certificates of completion, and physical and contractual milestones should be obtained. A project management consultant could assist the team, advising on the templates and how to ask the right questions about the projects. Short-term IMF TA may be available to assist with developing the templates and initial training.

17. **The stock-take should be used to update existing information systems to retain the information.** Procedures for this may have to be set up, and the PIP database may have to be expanded. The stock-take should also be used to update the IFMIS, which has a contract recording module. At the minimum, all signed contracts and any certificates of completion that have been issued should be recorded, even if no budget allocation is available to pay them off immediately. Again, it may be necessary to amend procedures or the IFMIS system. And not least, the stock-take can support the removal of projects from the PIP, an effort already underway (see Chapter IV).

18. **The immediate objective of the stock-take is to obtain reasonably reliable information for medium-term expenditure planning and budgeting.** Thus financials and best available costing information will be central. Both the investment phase and post-delivery recurrent costs should be covered to obtain a comprehensive picture for the MTEF.

19. **Over time and informed by the stock-take, the MoFPED could also exert pressure on MDAs to update the project documentation of key projects more comprehensively.** I.e., information that should usually be prepared during the appraisal process (see Chapter IV) should be prepared anew and incorporated into the project databases. Such "review appraisals" could guide the sector, the DC, and Cabinet on further decisions about the project.

C. Recommendations

Recommendation 2.1: Undertake stock-take of the PIP and overhaul the PIP database, updating all multi-year commitment and cash flow estimates based on a close review of project financials, and physical and contractual milestones (Sept. 2017).

Recommendation 2.2: Identify options for electronically recording and maintaining the information obtained in the stock-take so that it can be updated and remains reliable before the IPD is activated (Aug. 2017).

Recommendation 2.3: Use the stock-take of the PIP to enter all signed contracts into the IFMIS, and record all certificates for completion of work. Enforce timely recording going forward (Sept. 2017).

III. EFFECTIVE PROJECT APPRAISALS

A. The Appraisal Process and Current Situation

20. **The MoFPED has recognized that weak project appraisals are a key factor in subsequent poor project implementation.** Hence, it is focusing its initial reform efforts on the appraisal process. While the appraisal process primarily deals with new projects, it also sets the stage for all the subsequent stages in the project cycle. Thus, while in Uganda's current circumstances getting a better handle on existing projects is at least as important as dealing with new projects, better understanding the elements of good appraisals and improving feasibility studies will positively influence PIM overall. In fact, following the stock-take of the project portfolio, some poor performing projects should be re-appraised as a basis for deciding their future.

21. **The appraisal process needs to meet several partly conflicting objectives and requirements.**

- First, the appraisal process needs to contain an element of brainstorming and exploration, especially in the early stages. New problems and project ideas must be allowed to surface unconstrained in order to be sure that MDAs are addressing the right issues. Also, as project ideas and concepts mature into fully designed projects during the appraisal process, exploration of alternative options must take place at all stages.
- Second, the appraisal process is about selection. As projects move through the appraisal stages, decisions are made about which projects to move forward and which to abandon, which option to choose and which to close off. These decisions should be final and not be reopened during subsequent project phases.
- Third, the appraisal process is about prioritization. While options should be explored, planning should not take place in a vacuum. Strategic priorities as set out in the NDP should guide project identification and development. And from early on planning must be mindful of the overall medium-term fiscal envelope and likely sectoral envelope. There is no point in spending time and money on projects that are far outside any realistic budget allocation.
- And fourth, during the appraisal process the documentations and analyses that form the basis for decisions about the future of the project are being developed and refined. But these documents are not only relevant for the appraisal; they also form the nucleus of the preparations for project implementation. Hence, their quality and scope needs to meet the requirements of the implementation phase. Projects should be mostly ready for implementation at the conclusion of the appraisal when they are declared a Pre-PIP project.

22. **The Development Committee (DC) is recognized as the decision-making body and gatekeeper in the appraisal process.** The MoFPED, by law, has the overall responsibility for PIMS and effects this through the DC (Box 1).

23. **However, the current reach of the DC is not comprehensive.** The 2015 PPP Act established a separate Public Private Partnership Committee (Box 1). Moreover, the DC faces challenges in standing up to political directives on including donor-funded or other new projects outside of the appraisal cycle.

Box 1. Uganda: The Development Committee and Public-Private Partnership Committee

The DC is a PS-level body chaired by the PS/ST with representatives of the NPA, OPM, Office of the President, and several officials from the MoFPED. MDAs are represented on a case-by-case basis. PAP is the secretariat of the DC.

A technical subcommittee at Commissioner-level examines projects in detail and prepares the decisions of the DC. The technical subcommittee calls on sector representatives or technical experts to help it formulate its recommendations.

The Public-Private Partnership Committee (PPPC) is established under the 2015 PPP Act. It, too, is chaired by the PS/ST. Its members include the Attorney General, OPM, NPA, Ministry of Lands, the Ministry for local governments, and four members that are not public officers. The Public-Private Partnership Unit (PPPU), a stand-alone directorate-level unit in the MoFPED, acts as the secretariat to the PPPC.

24. **The DC guidelines issued by PAP in August 2016 set out the future appraisal process.** They were developed in response to the review of the first NDP. The guidelines introduced several improvements and are largely in line with good practices (Box 2).

Box 2. Uganda: The Development Committee Guidelines

The DC Guidelines set out a structured appraisal process, requirements and templates for each stage.

Enhanced project review process

- 4 stages: Concept note, project profile, pre-feasibility study, feasibility study, and project proposal.
- 5 building blocks for pre-feasibility and feasibility studies: Demand; technical or engineering; environmental; human resources and administrative support, and institutional and legal.
- 4 analytical modules for pre-feasibility and feasibility studies: Financial evaluation module; economic or social evaluation (Cost Benefit Analysis); stakeholders and risk analysis.
- All projects with approved feasibility study will be included in a pool of Pre-PIP projects, from which the PIP will be populated. A project proposal document demonstrates implementation readiness

Stronger institutions

- Create the Project Preparation Committees (PPC) at Vote and Sector Working Group (SWG) levels to facilitate the project preparation phase.

Better focus and monitoring

- Limit PIP to investment in physical assets and remove projects with more than 50 percent of recurrent expenditures.
- Enhance the monitoring of on-going projects by conducting annual reviews.
- An implementing agency must formally request (in writing) the DC's authorization to change the scope of a project or an extension of its implementation period.
- All projects exiting the PIP must present a completion report for which a template was developed.

25. Implementing the DC Guidelines fully will take time. PAP's current focus on improving appraisals is centered on (1) ensuring that projects are allowed to surface while the MoFPED learns about their existence early and in a structured manner; (2) improving the quality of project documentation to enhance confidence that projects will be ready once they receive PIP funding; and (3) identifying selection criteria for the various appraisal stages in order to have more trust in the rationale of the decisions taken and make decisions defensible. Of particular concern is the de facto authority to the DC to control entrance of new projects, the risks from PPPs that run on a parallel process, and options for financing sound feasibility studies.

26. The remainder of this chapter considers key features and elements of the appraisal process and develops recommendations. Chapter IV considers in depth how to budget more effectively for the PIP within the MTEF resource constraint. Chapter V develops recommendations on how to reshape the appraisal process to make the DC a more effective gatekeeper.

B. Toward Good Appraisals

Appraisals are a structured process for selection and prioritization

27. Appraisal is a necessary process that assists in matching up the inadequate supply of resources with an over-demand for new projects. It is in effect a rationing and prioritization tool that helps guide the selection process towards proposals that are consistent with development objectives, have an appropriate balance of costs, risks, and benefits and that are clearly able to be implemented efficiently and without delay.

28. The time and effort invested in the preparation and appraisal process is an investment in the quality of the project outcome. During the appraisal process the flexibility to adjust the project design is highest and amendment costs are lowest. Additional information has high pay-offs for the quality of the project and risk reduction. And real scrutiny at the earliest possible opportunity can stop 'bad projects' from gaining traction.

29. The appraisal is a graduated examination of a proposal from concept through pre-feasibility to full feasibility (see "Funnel Chart" in Annex III). The stages of appraisal that constitute the "funnel" serve the purpose of slowing the rate of entry into the PIP. The elimination process also allows MDAs to concentrate further project development efforts on the most promising proposals.

30. Appraisal, furthermore, consists of a series of linked activities that should, if done correctly, result in clarity about whether a project idea should be considered for implementation or not. Therefore, appraisal is not a single one-off activity but a continuous investigation of a project proposal. The nine building blocks and modules listed in the DC Guidelines are all required for a full appraisal. In addition, the "Option Appraisal" and a good "Implementation Plan" are very important. Together these appraised items constitute a "Feasibility Study."

31. Making the appraisal process effective at prioritization will require a culture change. Currently the DC only appraises projects on their own merits, not in relation to other projects or the possible resource envelope. There is also a widespread attitude that projects should be approved if they have a source of financing, i.e., little options appraisal is being conducted. And not least, PPP projects follow a different approval process. Reshaping the appraisal process (Chapter V) should help.

Ensuring the strategic fit

32. The current appraisal process includes several important features designed to ensure that projects are in line with identified national and sector priorities. The NDP is generally recognized as the guiding document to identify priority projects, and all projects presented to the DC must be certified by the NPA as aligning with the NDP. The NDP is underpinned by sector strategies, which are coordinated by Sector Working Groups (SWGs). The GoU has recognized that appraisal starts at the point of identifying the nature and scale of the problem that needs to be resolved. These documents represent a solid point of reference for all new project ideas.

33. Yet in practice, the NDP is not an effective screening, selection, and coordination tool. The current NDP was prepared with some care including the identification of strategic projects with national impact and a presentation of cross-sector linkages between projects. However, reportedly it is quite easy for a project idea to demonstrate compatibility with the NDP. Furthermore, not all sector strategies and master plans are up-to-date, including in important sectors like roads. Regarding donor-funded projects, the country strategies agreed with each donor should be consistent with the NDP and guide project development, but reportedly occasionally projects not in the country strategy are allowed to proceed. And not least, political priorities are shifting (as set out, e.g., in the ruling party's "Manifesto"), yet the NDP is static for its 5-year horizon.

34. While strategic priorities should be fixed for a period of time to provide guidance and facilitate the implementation of large multi-year projects, some process is needed for a rolling update on project priorities lest the NDP becomes irrelevant for actual decision making. Importantly, this needs to involve an assessment of physical project progress to ensure that projects with mutual dependencies or complementarities proceed at a coordinated pace. Such an update could be coordinated by the NPA and aligned with the annual strategic PIP review proposed in Chapter IV.

Observing the fiscal constraints

35. The current appraisal process does not effectively limit projects in the PIP to available fiscal resources; thus, resources get spread so thinly that the resultant project delays undermine the original appraisal work. Once projects get significantly delayed during implementation, direct costs of the project increase (penalties, interest, etc.). Additionally, the point at which benefits start to accrue moves further in to the future. Thus, the original balance in the appraisal between financial costs and expected impact no longer applies.

36. Pressure coming from MDAs to include new projects into the PIP is usually at an unsustainable rate and the appraisal process must contain this pressure. There are always greater demands for new projects than the supply of resources to complete them, and there is no sign of that pressure abating: 156 new investment projects are being proposed just for PPP funding, and the party "Manifesto" includes projects outside of the NDP. This pressure cannot be contained by studying individual projects on their own, because most could be funded if they were the only addition to the portfolio. Thus, a broad assessment of the overall project portfolio––both existing and new—and groups of projects against the resource envelope should inform the development of the project portfolio. A regular at least annual systematic review of all projects proposals at the various stages of preparation is needed to ensure that the pace of project preparation does not vastly exceed possible financing.

37. The critical constraint that forces project prioritization and selection is the financial envelope established through a MTEF, both overall and for each sector. The MTEF identifies the resources that are available for investment projects in a given budget year and in the years to come. It is essential that the MTEF includes all grant-financed, debt financed, and PPP projects, because the overwhelming majority of projects includes direct financial obligations for the government and can have other fiscal impact.

38. Chapter IV proposes an annual PIP review to be endorsed by Cabinet to manage the pressures for new projects and the strategic development of the project portfolio. It also develops a number of specific procedural proposals.

Controlling options appraisal

39. An Options Appraisal considers the strategic alternatives for delivering a project such as through PPPs, donor funding or commercial debt funding. These options should be considered on an equal basis based on likely efficiency and effectiveness. Option appraisal is at the heart of the overall appraisal process. Once project proposers in MDAs have conceived a project idea through the normal channels, options for the delivery of the project should be developed with all stakeholders in the proposed project. This will ensure "buy-in" to the proposed nature of the project, but will also allow a forum for those same stakeholders to have their say in the possible ways in which the project can be implemented.

40. An Options Appraisal—as foreseen in the DC Guidelines—needs to be completed during a pre-feasibility study. Currently, however, under the 2015 PPP Act, potential PPP projects are already pre-identified prior to the pre-feasibility studies stage. The pre-feasibility stage still demands a decision whether the project is truly suitable for implementation as a PPP, but this decision will be taken by the PPPC, not the DC. Similarly, in the past, donor-funded projects often were de facto fully approved before a pre-feasibility study was undertaken. PAP has recognized this situation as a major weakness of the current processes.

41. In order to ensure that no project is pre-approved on the basis of potential funding options, all projects should remain under the jurisdiction of the DC until after the completion and approval of the pre-feasibility study. Only then should projects be developed further taking into account the likely financing source. The DC should also have the option to intervene after the PPP feasibility study in case there are significant deviations from the pre-feasibility study. Best practice would make the options decision only after a full feasibility study; however, in Uganda's circumstances this would appear unrealistic (see also Chapter V).

42. PAP is considering to issue a PIM policy, which inter alia could be helpful to address the challenges with options appraisals. Such a policy would be particularly useful to communicate that all types of projects should be managed in an integrated manner under the overall oversight of the DC.

Developing strong guidance

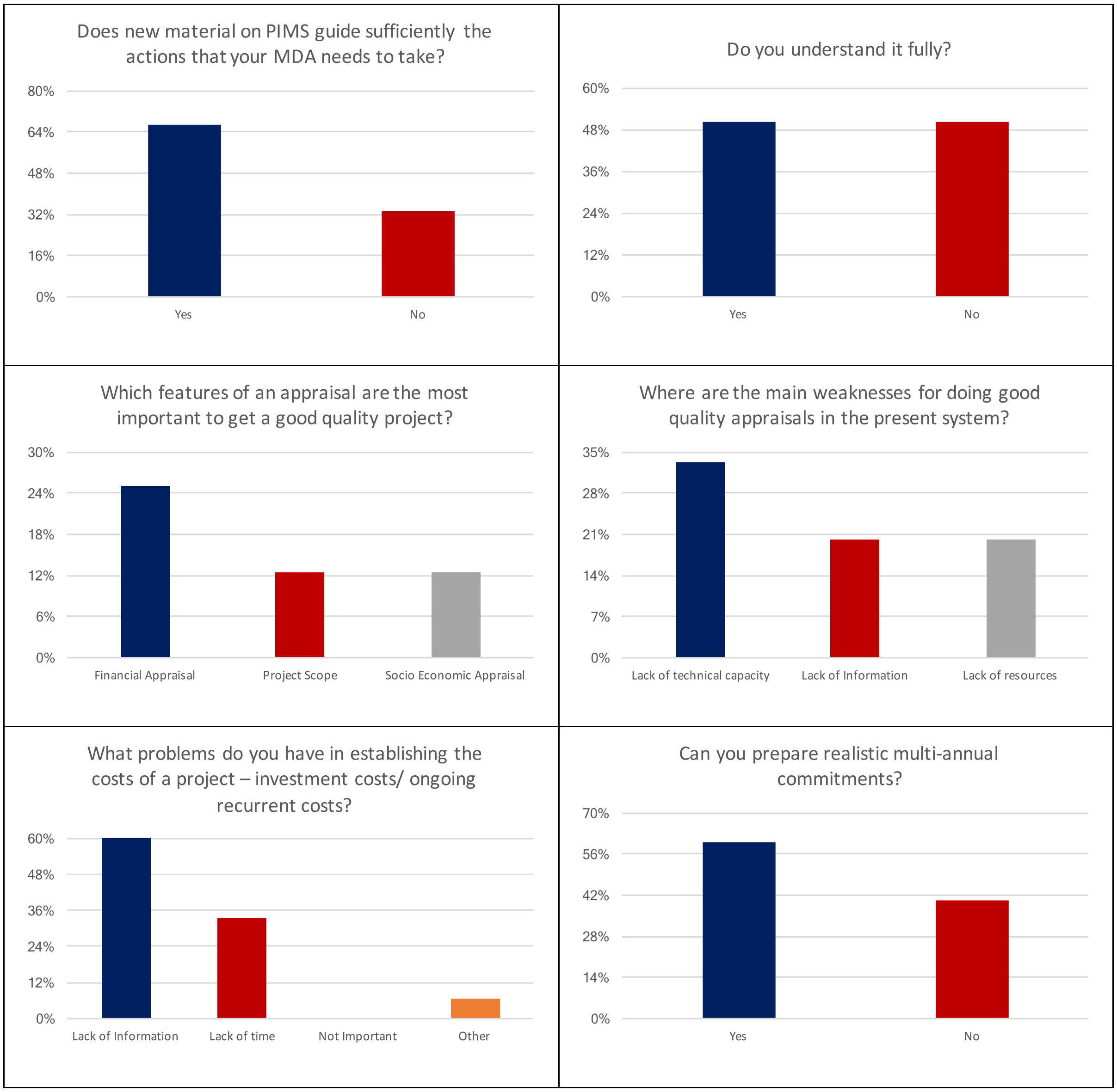
43. PAP is already undertaking significant steps to clarify PIM processes and procedures, and provide guidance to MDA; these efforts must continue. Shaping, regulating, guiding, and supervising government-wide processes is an important function for the MoFPED as a central agency. The MoFPED will focus on processes related to financial management including public investment management, while government-wide M&E and accountability processes are being regulated by the OPM.

44. Additional operational, step-by-step guidance on the elements of good PIM and appraisals are needed. While the new appraisal manuals provide very useful conceptual guidance, even the simplified version has more in common with an academic work than a practical operational set of instructions to officials in MDAs. The DC Guidelines whilst including some useful templates, goes too far in the other direction; they have the form of a quasi-legal set of instructions which, in their own right, provide useful instructions but are not informative enough. Therefore, there remains a vacant space in the available documentation.

45. PAP should develop step-by-step operational guidance in a phase approach, taking into account PAPs own needs. Operational guidance can strengthen the hand of PAP in refusing ill-prepared projects. PAP needs to be able to communicate clearly its criteria for refusing to advance a project for consideration of the DC at the technical level. The threat of a negative recommendation for the DC may prompt some MDAs to improve their submission. But many will not know how. Also, the DC should not be asked to spend its valuable time to fight the advancement of poor or poorly prepared projects. The guidance should include materials on how to complete a feasibility study, the appraisal steps within the study, and other necessary documentation to the quality standards required by the MoFPED.

46. A survey among 40 government officials conducted during the mission's workshop is indicative of this need for guidance. In addition, many officials stated that they do not have the skills or information to undertake good quality appraisals including financial appraisal and estimating multi-annual commitments (Figure 4).

Figure 4. Uganda: Attitudes on Appraisal and Feasibility Studies Among Officials[1]



Source: Survey responses from participants in the mission's workshop for the MoFPED and MDAs.

[1] The survey results are only indicative, but are consistent with statements by government officials during the mission's meetings. Interpretation should take into account that the workshop participants were officials from the MoFPED and planning units in MDAs, who have an above-normal familiarity with the ongoing PIMS reforms.

C. Making Appraisal Documentation Stronger

47. **Current project appraisal documentation appears heavily focused on technical analysis, providing insufficient information on other essential elements of a feasibility study.** PAP seems to be interested in particular in strengthening the economic and social appraisal, including moving to full cost benefit analysis, which would facilitate an evidence-based selection (and refusal) of projects. In addition, urgent improvements are needed on the quality of costing and financial appraisals. Financial analysis for example seems to ignore largely the recurrent cost implications post-delivery. And not least, implementation planning and procurement planning appears very weak.

48. **One option for simplifying the appraisals would be to develop prototype appraisals for repeat projects.** While each individual project should be justified, standardization would reduce human and financial costs of the appraisal process. Prototype projects would also be a teaching tool.

49. **PAP should develop guidance on financial appraisals and implementation plans first.** Templates and materials on financial appraisals can be developed in the context of the planned stock-take of the PIP (Chapter II).

Undertaking economic and social appraisal

50. **In order to guide decision-makers the society-wide costs and benefits of project proposals need to be understood and clearly presented.** The most comprehensive albeit also most costly technique is a full social Cost Benefit Analysis (CBA). It requires the calculation of shadow costs and national parameters. Steps to develop these will begin shortly in Uganda. A CBA requires some highly subjective judgements on a range of social-economic values, one of the most controversial being "the economic value of a human life." Discussions on the appropriate CBA parameters may even lead to the process being politicized and appraisals being distorted. Less complex and less technically demanding techniques are considered appropriate appraisal techniques in many countries for small and mid-sized projects (Figure 5 and Annex IV).

51. **In light of the costs involved, MoFPED should consider the introduction of indicative value thresholds below which Cost Benefit Analysis would normally not be required (Figure 5).** The mission is cognizant that the authorities object to this recommendation. Concerns are that projects could circumvent such thresholds by being split into several small projects. The CBA requirement is also seen as an incentive for training. Yet capacity for CBAs are weak and de facto in many cases a "CBA light" would be conducted. Specifying the appraisal requirements in relation to the project design and value seems preferable.

Figure 5. Thresholds for Requiring a Cost-Benefit Analysis in Other Countries

Cyprus	Euro 5 million
Romania	Euro 30 million
South Korea	US$50 million
Chile	US$150,000
Norway	Euro 100 million
Ireland	Euro 20 million
EU funded	Euro 50 million

Source: Mission.

Undertaking financial appraisal

52. Financial appraisal is critical to determine both a project's value and its sustainability. Given that approximately 10 percent of projects in the current PIP do not have capital estimates attached and none of them have recurrent costs identified, it would appear unlikely that full financial appraisals are routinely undertaken currently. The capital and recurrent costs that should be typically considered are already listed in the MoFPED's simplified appraisal manual based on the literature.[7]

53. The financial appraisal is critical for budgeting, and PAP should develop comprehensive guidance including how to ensure sound baseline information for budgeting and MTEF purposes. The needs of budgeting should be taken into account when developing templates and guidelines for the PIP stock-take exercise (Chapter II).

54. Costing needs to be based on reference information and data. The lack of access to such information represents a considerable constraint on the accuracy of appraisals. Development of a unitary price database is already foreseen in the 2016 Action Plan. In the meantime, PAP could arrange for access to databases kept by MDAs. Reportedly, the Ministry of Works and Transport (MoWT) maintains a price database. PAPs own efforts should start with basic information on cross-cutting items such as construction costs but it should also encourage sectors to do more to research and monitor their own sector-specific costs. Price information ideally would be published on the MoFPED website. Updating and maintaining it will require dedicated staff and resources.

55. Little attention seems to be paid to estimating the recurrent cost impact post-delivery; an explicit requirement should be added to the templates in the DC Guidelines at the next revision. Assessing the recurrent cost implications is a necessary element of the project appraisal and essential for understanding the implications on the medium-term expenditure

[7] MoFPED: Simplified Manual for Economic Appraisal of Public Investment Projects in Uganda, p. 84–85. Based on Jenkins, Harberger and Kuo: "Cost benefit analysis for investment decisions, the integrated analysis of investment projects," Queens University, Kingston, Canada (2013).

framework. This should cover both maintenance of the physical asset(s), and the impact on recurrent costs of operating the new facility or physical asset(s) including costs for staff and supplies.

Implementation plan appraisal

56. Appraisal of the implementation or "deliverability" of the proposal should be an essential part of the overall feasibility study. The MoFPED officials reported that many projects are insufficiently prepared when they start to receive PIP allocations causing long delays in start-up. As in many other countries officials in Uganda claim that the biggest implementation challenge is procurement. However, procurement is often the stage were inadequate implementation planning is finally exposed.

57. Implementation planning needs to be given more prominence in the future and start at the latest during the feasibility study stage. Currently, the project proposal stage (DC Guidelines, Section 4 in Annex VI) is the first place where the important subject of implementation plans is considered and even then, only in four lines.[8] (Box 3)

Box 3. Uganda: Implementation Plan Checklist

An implementation plan should include the following items as the minimum:

- Land acquisition legal issues and costs
- The requirement for and timing of permits, licenses, and other regulatory requirements
- Site access
- Need for associated investments to allow functionality
- Access to or need to connect with utility services
- Procurement plan including timing on long-lead items
- Cash flow connected with all of the above
- A project management plan
- Availability of human, technical, and financial resources to ensure that the project can be implemented to planned cost and time
- Availability of human, technical, and financial resources to ensure sustainable operations and maintenance of the project

58. Implementation planning needs to be re-assessed and updated immediately prior to being selected for funding in case critical assumptions have changed. Only then will the implementation plan be a reliable guide for monitoring and evaluation.

[8] Further guidance on project implementation plans can be found at: https://www.dpmc.gov.au/, search for guide-to-implementation-planning.docx.

D. Appraising Public-Private Partnerships

59. PPPs are an alternative form of projects during implementation but remain government projects including in their fiscal impact. The separate approval process under the PPP Act creates an illusion that PPP projects have a different genesis and desired outcomes to conventionally implemented projects, whereas this should not be the case (Box 4).

Box 4. Public-Private Partnerships Are Public Investment Projects

PPP projects like conventional projects should aim to support the creation of viable economic or social infrastructure. They should be derived from the same demand requirement or policy objective. And PPPs almost always lead to similar-sized financial obligations for the public sector through explicit or contingent liabilities. Thus, PPPs should be considered an alternative model of implementation of public investment projects rather than an end in themselves, and consequently should be managed in an integrated PIM framework. The projects implemented through PPP should be based on the same appraisal and selection principles as any other public investment project.

The majority of PPP transactions have the effect of converting capital expenditure requirements today into recurrent spending commitments in future years. This has the advantage of aligning the timing of public benefits with payment. Also, PPPs include the costs of long term maintenance over the contractual period thereby ensuring sustainability of the underlying assets.

However, PPP contracts do not constitute "free money." PPPs defer public outlays without deferring the benefits of public investment by leveraging private capital. Thus, PPPs have become particularly attractive to governments which face annual budget restrictions, but which might be less concerned about future liabilities. Yet the decisions on whether to implement a project through PPP should be taken based on efficiency and the likelihood of better outcomes. This is the stated PPP policy position in best practice countries such as the UK, Ireland, Canada, Chile, South Korea, and New Zealand.

PPP contracts potentially have high fiscal risks due to their complexity, long-term nature and contractual risk-shifting elements. Strategies and capacity for monitoring and managing PPP risks are essential.[1]

[1] Useful guidance on fiscal risk can be found at: http://www.imf.org/external/np/fad/publicinvestment/pdf/pframmanual.pdf.

60. PPPs should be overseen by MoFPED like conventional projects. With its stand-alone nature, the 2015 PPP Act created a distracting parallel PIM system with separate institutional and technical arrangements for PPP preparation, approval and implementation. Yet, the procedures prescribed in the PPP Act represent good practice and are very similar to the procedures the MoFPED is currently adopting for conventional projects. The main challenge of the current legal situation is that the DC has no formal role in overseeing the development, selection, and approval of PPPs, but this role is given to a separate committee, the PPPC.

61. The DC should be recognized as overseeing the whole government project portfolio, including PPPs. While the PPPC, in which the MoFPED is well represented, can continue to oversee the appraisals of PPPs, the whole PPP process should be overseen by the DC.

The DC (based on Cabinet endorsement) should provide directions on the overall development of the government's project portfolio, including the PPPs. The DC should also have the opportunity to intervene at key stages of the PPP process, again in light of its responsibilities for coordinating the government's overall project portfolio. Chapter V develops proposals for integrating the PPP process into the overall project appraisal process.

62. Ambitions for delivering large numbers of additional public investment projects through PPPs are unrealistic; a strong appraisal process will demonstrate this, and is needed to avoid expensive mistakes. Tight fiscal constraints and the history of using donor-funded projects as alternative funding sources, have led to an erroneous belief that PPPs may provide a "silver bullet" solution, delivering projects free of charge to the government. Whilst project implementation through PPPs has some potential benefits, these typically do not include lower cost of finance. While the private partner may provide the project financing, his financing costs are higher than the government's and included in the overall project costs. Further, changes to accounting standards in recent years demonstrate that PPPs are only an alternative mechanism of project implementation. Many PPP projects (existing and new) stay on the government's book and score against national debt at their full investment value (see Box 5).

Box 5. Treatment of Public-Private Partnerships in International Accounting Standards

Under the International Public Sector Accounting Standard (IPSAS) many PPPs must be recognized on the government's books. IPSAS 32 Service Concession Arrangements: Grantor—provides the framework for reporting financial obligations under PPP contracts.

A PPP or *service concession arrangement* is defined as a binding arrangement such as a PPP contract between a grantor and an operator in which the private sector contractor (the operator) uses an asset such as a highway (the service concession asset) to provide a public service for a specified period of time on behalf of the grantor and the operator is compensated for its services over the period of the service concession contract. IPSAS32 requires that the grantor—i.e., the government—recognizes an asset and a liability in its financial statements when the following conditions are met:

- The grantor controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price; and
- The grantor controls—through ownership, beneficial entitlement or otherwise—any significant residual interest in the asset at the end of the term of the arrangement.

63. While PPPs are government projects, they pose potentially high fiscal risks; a careful fiscal risk analysis is essential for PPP appraisals. Several countries have experienced macro-level crises originating from poorly designed PPPs.[9] Figure 6 provides some pointers on the issues and risks to be considered. The PPPU should develop a brief manual on fiscal risks to

[9] Examples include highway projects in Mexico and Hungary. Other notable PPP projects that have resulted in sizeable liabilities for the government have included the Tagus Bridge project in Portugal and the Izmit water concession in Turkey.

help guide its evaluations. This manual would also be useful for traditional projects but meet the special needs of PPP appraisal.

Figure 6. Essential Considerations in Appraising the Public-Private Partnership Option

	Additional Actions for PPP	Questions
Concept Note and Project Profile	Projects should not be identified as PPP projects prior to the pre-feasibility studies stage	
Pre-Feasibility Study	Consider the possibility of PPP implementation as part of strategic option appraisal	1. Are there any precedents for this type of project being implemented by PPP? 2. What can we learn from any precedents? 3. What would be the likely conditions for investors? Guarantees etc.? 4. Would the fiscal implications of the project be acceptable to the MoFPED?
Feasibility Study	Consider: 1. A "soft market test" on the likely consequences of a PPP implementation 2. Establish a "should-cost" model as a benchmark 3. Establish qualitative reasons why PPP implementation would be preferable 4. Establish the risks to the MDA and government in PPP implementation.	Assess: 1. What would be the investor/operator appetite for the project/country and likely conditions? 2. What would be the likely lending conditions? Guarantees? 3. What would be the necessary payment mechanism? 4. What would be the fiscal consequences of the necessary payment mechanism?
Procurement	Assess the competition as to whether it can generate sufficient competition / value for money	1. Are the bidders credible enough to deliver the finance, assets, and services? 2. Is there more than one credible bidder?
Clarifications / Negotiations	Be alert to "negotiation creep" i.e., shifts in risks during negotiation.	What are the fiscal consequences of each negotiating point?
Immediately prior to commitment	Final assessment of the financial obligations contained in the final draft of the contract and related documents.	To what extent have the fiscal consequences of the "ready to sign" contract shifted since the last appraisal?

E. Paying for Feasibility Studies

64. **A main concern of Ugandan officials is the high costs of appraisals and especially of feasibility studies.** While PAP wants to set up a pool of Pre-PIP implementation-ready projects, both MoFPED officials and MDAs told the mission that they cannot justify the significant expenditures for feasibility studies while ongoing projects are underfunded. The high costs of feasibility studies are also a reason why externally funded projects are approved quite early, so

that grants or loans can be used for developing the project fully. However, once a development partner has paid for the feasibility study it becomes nearly impossible to stop the project.

65. MoFPED through the DC should make funding for feasibility studies available, but this should be done through the budget not a special fund. One option would be to create a special budget allocation in the MoFPED budget, and the estimated amount for a feasibility study would be vired to the responsible MDA.[10] The DC would approve the funding as part of its decision to advance a project from pre-feasibility study to feasibility study. The creation of a separate fund (as was considered by PAP) is an unnecessary step; it would require significant management effort in terms of set-up, rules and governance as well as administration for no perceptible additional benefit.

66. The DC should identify the type of appraisal required in a feasibility study and allocate the requisite funding. If the DC takes a project-specific discretionary decision on the nature and extent of the feasibility study needed, it can take the complexity and other special circumstances of the project into account. Moreover, officials managing the feasibility study receive guidance for approval conditions, and scarce appraisal funding.

F. Recommendations

Recommendation 3.1: Reshape the appraisal process to ensure that the DC is an effective gatekeeper, assessment against the MTEF takes place early, and financing decisions are taken only after the pre-feasibility study (see also Chapter V) (Dec. 2018).

Recommendation 3.2: Reshape the appraisal process to ensure that the PPP process remains integrated with the process for traditional and donor-funded projects, in particular that DC retains control over the assessment of the options appraisal until after the pre-feasibility study stage (see also Chapter V) (Dec. 2018).

Recommendation 3.3: Develop a brief manual on fiscal risks of projects and in particular of PPPs (Dec. 2017).

Recommendation 3.4: Develop as a priority specific guidance on how to undertake financial appraisal (capital and recurrent) and how to prepare implementation plans (Dec. 2017).

Recommendation 3.5: Develop prototype projects to simplify and standardize appraisals and reduce costs (Jul. 2018).

[10] This may require a special exception from virement restrictions, which should be accompanied by a note in the budget reports on appraisals authorized and completed. For accountability, virements within the budget are preferred to a special fund.

IV. MORE EFFECTIVE BUDGETING FOR PROJECTS AND INVESTMENT

A. Current Situation

67. **Good PIM is closely intertwined with good budgeting.** MDAs' planning and project management staff on the one hand, and the MoFPED staff on the other hand need to work closely together to ensure sufficient and timely availability of funds. Insufficient availability of funds from the MoFPED is cited by MDAs as one of the important factors for project delays, yet ensuring sufficient budgets for agreed activities and timely availability of cash is one of the core functions of the MoFPED. The MoFPED staff complain that cash flow projections are unreliable, but MDAs demand that financing agreements be signed before projects are truly ready for implementation (e.g., due to unresolved land rights), expensive project-tied external loans sit idle, and funds are being blocked by projects that have stalled.

68. **Several budgeting challenges result in low budget credibility[11] and pose constraints on sufficient and timely availability of funds for projects.** This contributes to project delays and cost increases.

- **The Medium-Term Expenditure Framework does not provide an effective constraint on commitments in public investment.** The macro economic and fiscal forecasting function is fully developed and the MoFPED determines an annual medium-term expenditure envelope top down. However, this top down constraint is not linked to the project planning process nor does it seem to constrain tightly the approval of new projects in line with available fiscal space. Thus, commitments for existing projects appear to be larger than the available medium-term envelope (Chapter II) while new projects continue to be approved.
- **Bottom-up forecasts of total commitments and cash flow requirements for existing and intended projects are weak.** There is insufficient information about the full commitments and upcoming cash flow requirements associated with projects approved for budget funding (i.e., the projects in the PIP). Information available at the MoFPED clearly is not up to date and reliable. Information at the MDAs may be somewhat better, but even there information seems to be dispersed between central units and project teams. Very little summary information seems to be produced; most reporting appears to be on a detailed level. In addition, the information sent from the MDAs to the MoFPED will no longer be an unconstrained bottom up forecast but already be filtered: the MDAs will consider the

[11] According to the PEFA assessment budget credibility declined between 2008 and 2015 for three important indicators, i.e., for (i) the aggregate expenditure outturns compared to the original budget, (ii) the composition of the expenditure outturn compared to the original budget, and (iii) the aggregate revenue outturn compared to the original budget. A PEFA update is underway.

medium-term expenditure guidance received from the MoFPED in their submissions and prioritize urgent payments while aiming to make a convincing bid for addition funds.

- **MoFPED has insufficient information at its disposal to undertake its own rough bottom up estimates to cross-check MDA submissions.** Information on contracts, contract variations, contractual milestones and physical project progress is patchy and not available in a structured format. Some donor-funded projects are executed off-budget and MoFPED often only learns about their requirements when they are in immediate need of counterpart funds. Nor does the MoFPED staff have the time to go search for such information (while they do this occasionally for high profile projects).
- **Insufficient attention is paid to the post-delivery recurrent cost implications of a project.** This concerns both the maintenance of the physical asset and cost in relation to utilizing or operating the asset (staff, supplies, etc.). MDA officials stated that generally insufficient funds are allocated to maintenance. Yet, good maintenance has very high returns by significantly extending the life span of an asset.
- **Lack of skilled project staff to undertake appraisals, lack of standardized costing information, and optimism in estimations further skew bottom up estimates.** For example, the costs for the acquisition of land rights is typically seriously underestimated.
- **Over-optimistic revenue estimates and existing arrears pose additional budgeting challenges.** Optimistic revenue estimates lead to within-year cuts in budget allocations while commitments may already have been created. Projects are often the first areas where payments will be delayed to meet priority payment requirements. On arrears, once a significant stock of arrears has built up, MDAs will no longer be able to clear them out of their existing budgets and their efforts will turn toward rolling forward such arrears. This undermines standard budget control procedures and in undisciplined MDAs will lead to an even larger accumulation of commitments and subsequently arrears.

B. Improving Medium-Term Budgeting for the Benefit of Public Investment Management[12]

69. Improving the credibility of the budget and the effectiveness of the MTEF would have important positive effects for PIM (Box 6). Preparing reliable bottom-up estimates for project needs and then taking explicit decisions on which projects to accelerate, slow down or stop is essential for credible PIP budgeting. Important actions to take would include:

- Following the stock-take of the projects in the existing PIP (see Chapter II) and possibly in conjunction with building the IPD, improve multi-year cash flow forecasts. Inter alia develop a

[12] The mission did not assess the overall medium-term budgeting practices, it only held discussions on the practices for PIP projects.

MoFPED process and methodology for creating independent bottom-up estimates for multi-year project cash flows as a cross-check and challenge tool for MDAs' submissions.

- Enforce commitment to policy and expenditure prioritization by demanding complete information on multi-year commitments and cash flow forecasts as provided by section 53 of the 2015 PFM Act. Establish the practice that the multi-year projection submitted in year t (when budgeting for t+1) for year t+2 becomes the baseline during MTEF and budget preparation in year t+1.
- Enforce the recording of signed contracts and pending certificates of completion on the IFMIS. As these are formal government accounting records and necessary procedures for effecting payments, it is likely that such information is entered with care and hence will be reliable.
- Design and implement an arrears clearance strategy and enforce commitment controls and budget discipline thereafter. Unauthorized commitments should be punished as provided by the 2015 PFM Act.
- As asset registers are being activated under the AGO's accrual accounting reform, consider how this information can be used to improve budgeting for maintenance requirements.

Box 6. Key Elements that Underpin an Effective Medium-Term Expenditure Framework

There is not one single ideal MTEF model. The following are some of the key elements that sustain an effective MTEF.

- ***Credible top-down expenditure ceilings*****:** Medium-term expenditure ceilings that are designed to ensure commitment to expenditure levels for years beyond the annual budget year. The design should focus on choices relating to nominal or real estimates, binding or indicative, level of detail—aggregates, programs, or economic classification).
- ***Strong institutional arrangements that support policy and expenditure prioritization over the medium-term:*** Institutional mechanisms that allow competing policies and programs to be prioritized in a manner that takes into account their budgetary impact and affordability over the medium term.
- ***Expenditure control to enforce multi-year expenditure commitments*****:** A range of control measures to ensure that the expenditure limits and indicative spending allocations that have been set are delivered over a multi-year period.
- ***Accountability to enhance credibility:*** A set of accountability mechanisms that ensure monitoring of progress, and demonstrate that the government is delivering on what it committed to previously.

C. Developing Projects within the Medium-Term Expenditure Framework Constraint

70. In order to ensure that the MTEF can accommodate all projects approved for funding (currently all projects in the PIP), an annual strategic PIP review should be introduced. This section sets out the key elements and process for such a review. The mission's proposals expands on the annual review of the ongoing PIP projects that is already foreseen in Section 4 of the DC guidelines. The review would involve three basic steps: First, a reassessment of the existing projects and a reliable determination of the resource needs for the upcoming budget, the medium-term horizon, and the outlook beyond that. Second, a comparison of the medium-term expenditure ceiling with existing commitments determines the fiscal space for new projects or projects that could be accelerated. Third, the identified fiscal space is distributed toward new projects.

71. **The annual strategic PIP review would be guided by the MTEF.** Decisions would be needed and requested to ensure that project cash flow forecasts respect the MTEF ceilings.

72. **The annual strategic PIP review would first take stock of the current PIP implementation and update the outlook.** This should be done collaboratively between MoFPED, NPA and the sectors. In accordance with DC guidelines, the results would be considered by the DC. It is important that summary information on the overall status of the PIP is created. Possible timing would be September/October ahead of the budget cycle.

73. **The annual strategic PIP review would then guide the development of the project portfolio.** As is recognized by the MoFPED and was highlighted in Chapter III, developing new projects is costly. While unconstrained brainstorming should be part of the appraisal process, as projects move through the process and more effort is expended on developing them, this effort (both staff time and expenditures) should be concentrated on the most promising proposals. The annual PIP review would facilitate this by providing a clear guide in which sectors/outcome/program areas existing projects are coming to an end and fiscal space is opening up. For the upcoming 1–2 years the PIP review would identify Pre-PIP projects that should gear up for implementation and budget funding or existing PIP projects that could be authorized for acceleration. For the 2–5-year horizon the PIP review would identify a short list of sectors/outcome/program areas where projects should be developed, i.e. by putting out a call for proposals for new projects, by deciding which projects to move from profile to pre-feasibility, and which projects to move from pre-feasibility to feasibility.

74. **By making a structured decision on developing the PIP portfolio once a year, project development could move in "packages."** The annual strategic review would provide guidance on the available MTEF envelope for the "package." While at the early stages of project development (i.e., pre-feasibility), potential expenditures for the whole project package would be much larger than the MTEF envelope available for that package, some constraint should be imposed, e.g., 200 percent or 300 percent or even 500 percent of the MTEF envelope. The larger the "over-commitment" relative to the final envelope is, the tougher the prioritization will have to be at the subsequent decision points. Knowing the final envelope will also help each project proposal to focus on the core outcome expected and avoid extraneous design choices.

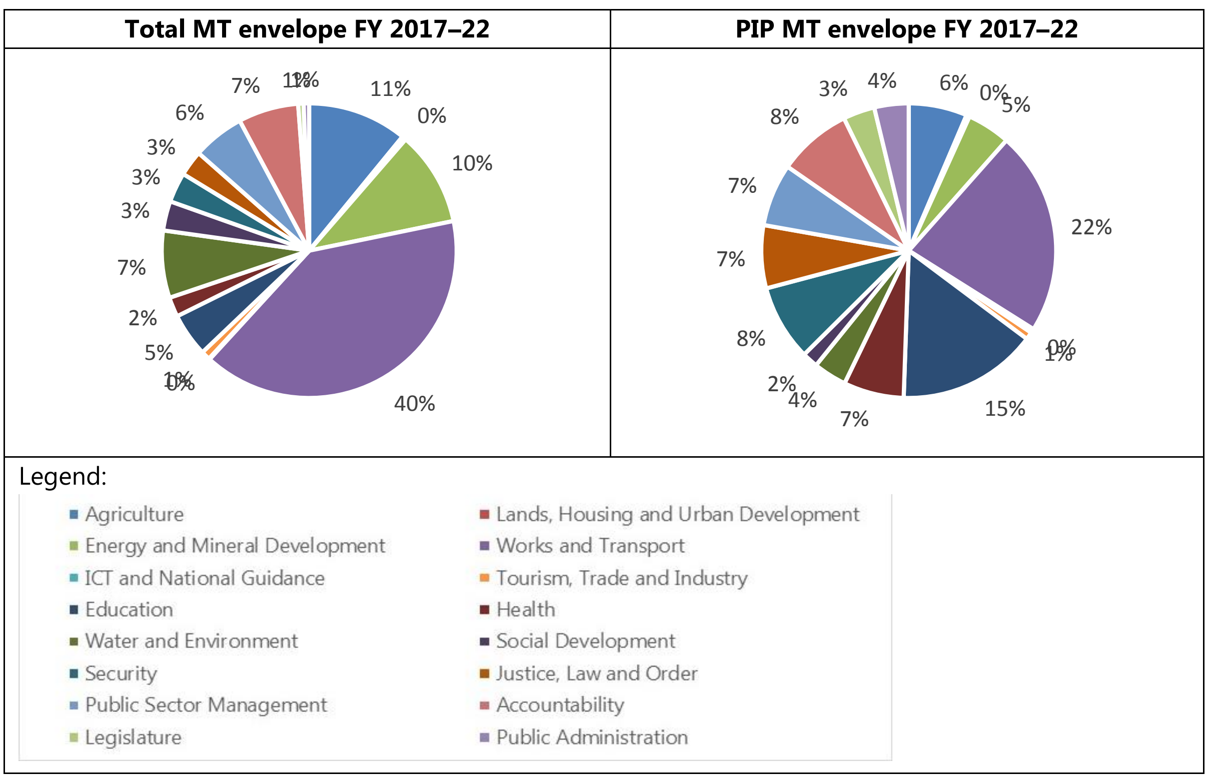
75. **Moving projects in "packages" also facilitates capacity building.** Each "package" would target the needs of a particular sector, outcome or program. The projects in each package

act as alternatives to each other, and officials from the same sector would be involved. Thus, these packages could be associated with structured on-the-job capacity building activities (Chapter VIII) that could even be targeted for the sector. The "package" approach also creates merit-based competition between the projects, as everyone involved will know that not all projects will be accepted for budget funding, further improving the quality of the appraisal process.

76. In order to make the annual PIP review effective, Cabinet-level endorsement is needed, both on the MTEF ceilings and on key decisions concerning the PIP. While the DC, the PAP as its secretariat, and the NPA as the NDP coordinator can make proposals on which areas of the PIP to develop and which projects to propose for upcoming budget funding, ultimately such decisions are political. Cabinet endorsement will also provide cover to the DC, the PAP and the NPA for a refusal to consider project proposals outside of the approved areas.

77. Cabinet should not only endorse the overall MTEF ceiling and estimated fiscal space per year, but also sector specific ceilings and project development plans. Uganda recognizes 16 sectors, which already are being used to undertake government-wide strategic planning and present and discuss medium-term budget developments (Figure 7). The new program-based budgeting will even facilitate the consideration of both recurrent and capital/development/PIP expenditure in an integrated manner (see below).

Figure 7. Uganda: Medium-Term Envelope 2017–22 by Sector



Source: Uganda: National Budget Framework Paper 2016–17.

78. For the Cabinet decisions PAP will need to develop concise summaries of the MTEF, the status of the PIP, trade-offs between different projects or project groups, and the decisions to be taken. Distilling the vast array of detailed project information into an aggregate picture and actionable items is not a straightforward task, in particular in light of the current limited IT support and reliability of information. Again, the stock-take process for the PIP provides an opportunity to develop such information and adjust existing IT systems to support generating it.

79. The annual strategic PIP review could prompt sectors to take their role in project prioritization more seriously. A weak MTEF reflects the strength of the decision-making institutions. The SWGs have key responsibilities in prioritizing projects for approval and funding. A number of SWGs are not effective in harmonizing the stakeholder interests and therefore end up with over-commitments or inconsistent strategic plans. Since the SWGs play a key role in originating and recommending projects, the annual review would elevate attention on their decisions and hence enhance accountability.

80. The annual strategic PIP review should also guide the development of country assistance strategies with donors and donor-funded projects. A main strategic objective of the recent reforms to PIP processes is to ensure strategic integration of projects, and an annual PIP review will provide more frequent updates on government priorities than the 5-year cycle to the NDP, facilitating alignment of Uganda's and donor planning cycles. Structured outreach to donors following the PIP review would communicate the updated priorities.

81. Not least, the annual strategic PIP review could be used to control the approval of "political" projects by demanding explicit off-sets. While Cabinet is free to reprioritize and add new projects, the Minister of Finance can also demand that his Cabinet colleagues explicitly decide which projects to remove or suspend in order to stay within the MTEF ceilings and to avoid large penalty costs for delayed project implementation. The development of options and the technical preparations about projects that could potentially be removed from the PIP would have to be done in the PIP review between the sector, MoFPED, and NPA.

82. There are several other requirements and features to make the annual strategic PIP review effective for achieving a credible PIP budget and medium-term outlook.

- Estimates of the medium-term resource requirements have to be as realistic as possible. The PIP stock-take and the other reform efforts to strengthen financial appraisals and costing will help. Moreover, the requirement in the 2015 PFM Act for MDAs to submit a statement of multi-year commitment together with their annual budget to MoFPED and ultimately approval by parliament will put pressures on MDAs to be more realistic.
- Timely updates on donor-funded and PPP projects will also be needed.

- The annual strategic PIP review should ideally take place ahead of the budget preparation cycle, perhaps in September/October.

83. An example of the decisions to be reached by an annual PIP is provided by UNRA. Some annual technical plans for development and maintenance are being prepared, but it is unclear whether these provide a sufficient basis for budgeting. In any event, currently the overall commitments are not adequately catered for in the medium and annual budget ceilings. Consequently, UNRA has given priority to pending commitments and placed a moratorium on new projects in order to mitigate the accumulation of commitments beyond the projected medium fiscal space.[13]

D. Cleaning the Public Investment Plan Database

84. The current project portfolio in the PIP contains many projects that have not been thoroughly or recently appraised. The mixture of projects in the system includes inter alia (i) projects that are add-ons to already completed projects and exist only to obtain additional resources, (ii) projects that circumvent restrictions on recurrent spending, (iii) projects that may have outlived their original objectives, and (iv) projects without any current funding.

85. The MoFPED has commenced the clean-up of the PIP with a focus on identifying the recurrent-type projects and recommending their exit from the PIP. The proposal is to focus the PIP on capital investment projects, with at least 70 percent investment content and remove all recurrent projects. Recurrent projects should either be restructured or shifted to recurrent spending.

86. The cleanup exercise, in combination with the stock-take exercise (Chapter II) should determine the following:

- A data bank of all government projects showing their projected cost, contractual cost, date of commencement, projected date of completion, status of completion, percentage paid, current budget allocation, and medium-term budget projection.
- A categorization of the projects applying various criteria, including size (mega, large, medium, minor), share of recurrent/ capital content in each project, consistency with the NDP and sector strategies, and donor-funding (none, loan, grant...).

87. During the review projects could be categorized for future action as follows:

- Projects for which adequate funds for efficient implementation should be allocated.

[13] UNRA has an estimated UGX 167 billion backlog of commitments in ongoing and maintenance costs that have not been provided for within the medium-term budget. With the moratorium, the agency intends to liquidate the pending commitments by 2019 based on current budgetary allocation.

- Projects which should be put into a pool for re-assessment and possible continuation, perhaps with some redesign.
- Projects to be assessed for cancelation, due to non-performance over an extended period or strategic irrelevance. Cancelation costs will need to be compared to the costs of continuation. These may re-enter the PIM system from the bottom, but must follow the same systems as any new project.

88. The MoFPED will likely face challenges in enforcing the restriction that only projects with high investment content should remain in the PIP. For example, it is unlikely that the GoU would refuse a grant-financed vaccination project. PAP may also face a communication challenge if "development expenditures" suddenly decline. To ensure that guidance issued by PAP is considered reliable by stakeholders, PAP should not engage in ad hoc exceptions but revise its guidance. PAP should also stick to internationally accepted accounting/ statistical definitions of capital expenditures, which only recognize physical assets, not human or social "assets." PAP will need to develop a working definition of what a project is or should be, and which projects would be considered eligible for inclusion in the PIP/ IPD. Consideration on the definition of a "project" should also take into account the parallel program-based budgeting (PBB) reform (see below) Criteria to apply could include:

- Is the project activity specific and time-bound with a clear end date?
- Does the success of the activity depend on staff with scarce and specialized skills (IT, financial markets…) who would not be willing to work for standard civil service compensation but may do so under a project; is the project perimeter limited to accommodate such staff?
- Is the activity of an investment nature? Even if it is investment, is a PIP project structure needed, could the investment be implemented under standard GoU procedures?
- Does a donor or another agreement/contract demand a project structure for purposes of safeguarding resources or accountability, and is the intervention sufficiently high priority under the NDP?
- Does the project integrate well with the program to which it belongs (see PBB reform below)? Projects like programs are also management tools, focused on outcomes.

E. Public Investment Plan and Program-Based Budgeting

89. The government is introducing program based budgeting with the 2017/18 budget, which should become a tool for prioritization and to link budgets with performance. Over the last six years, Uganda has implemented an Output-Oriented Budgeting (OOB) system which has promoted the measurement of performance in service delivery. Against this background PBB is expected to further entrench performance practice in public service. Besides the OOB framework, resources were appropriated to projects in the PIP, which inter alia includes the large public investment projects.

90. The introduction of PBB has implications for PIM and the PIP; once programs are operational, planning, budgeting and appropriation of both recurrent and development resources should be consolidated under each program. Projects are being placed under PBB programs consistent with the PBB reform, while for the time being recurrent and project resources are appropriated separately under the recurrent budget and the PIP, respectively.

91. The PBB reform provides opportunities for reforms to PIM and PIP. Appropriating funds by program rather than line item is similar in nature to appropriating funds to a project. Moreover, program budgeting reinforces budgeting by objectives and outcomes rather than the nature of spending (capital vs. recurrent). Thus, PBB can facilitate breaking down the received strong separation of the recurrent budget and the development/project budget, especially as MoFPED is already in charge of both. With PBB it is easier to develop an appreciation that the same objective can be achieved through recurrent or capital spending, and thus PBB inter alia can facilitate removing recurrent "projects" from the PIP. Then the DC and PAP can truly focus on managing investment projects. However, in light of the entrenched practices surrounding the PIP, this transition is likely going to be long and gradual.

92. PBB adds the outcome dimension to budgeting; but the planning of outputs and activities is still key in the process. The outcome focus should not dilute accountability as many outcome indicators move slowly and are influenced by factors outside of the control of government officials. Hence performance will be measured against project specific milestones that will contribute to outputs towards the overall program objective. While this is expected, it will diminish the prominence of projects under the new PBB performance framework. Through the proposed Integrated Project Database (IPD) Section VII, the individual performance of projects will continue to inform decision making at MDA and macro level.

F. Recommendations

Recommendation 4.1: Introduce a comprehensive review of the PIP by sector in September/October of each year between MoFPED, NPA, and the sector, ascertaining the status and phasing of existing projects, and agreeing a sector strategy for developing new projects, taking into account the likely MTEF envelope for the sector (Pilot Oct. 2017, Full Oct. 2018).

Recommendation 4.2: Put a short annual decision paper on the PIP to Cabinet and obtain endorsement of (i) medium-term expenditure envelope and allocations for each sector, (ii) any projects to add to the PIP and offsetting ones to remove/ suspend to stay within the sector envelope, and (iii) a short list of well-defined priority areas for development of new projects (Oct. 2017).

Recommendation 4.3: Estimate realistic bottom-up requirements for projects, both multi-year commitments and cash flows, and integrate them into the MTEF (Dec. 2017).

Recommendation 4.4: Develop summary information on the PIP and the MTEF for monitoring and decision making (Dec. 2018).

Recommendation 4.5: Proceed with the clean-up of the PIP database on the basis of a clear definition of a project and other criteria; consider the implications of program-based budgeting (Sept. 2017).

V. FURTHER IMPROVING THE APPRAISAL PROCESS

A. Current Situation

93. **The DC is the gatekeeping institution for the PIP.** As explained in Chapters III and IV, the appraisal process needs to accommodate competing requirements: brainstorming and exploration of project options, project prioritization and selection, and hard choices to stay within the MTEF ceilings. Thus, the appraisal process is not merely a technical process but requires assessments and judgements. The DC is charged with making these.

94. **However, currently the role of the DC is insufficiently exercised or can be circumvented in several ways, resulting in commitments in excess of the MTEF, an oversized PIP, and budget funding for poorly prepared projects.** Key weaknesses of the current process are:

- Insufficient linkages of the appraisal process with the budget and MTEF processes;
- Lack of procedures to create political-level buy-in to cross-sector prioritization and for rolling updates to cross-sector prioritization;
- Pre-approval of projects at the political level, allowing some donor-funded or politically sponsored projects to enter the PIP with little effective scrutiny and only weak preparation;
- Fragmentation of approvals for PPPs, because under the 2015 PPP Act PPP projects are appraised by a separate committee—the PPPC—rather than the DC; and
- The DC also does not have a well-defined role in monitoring the existing project portfolio, and requesting re-appraisals of projects that are poorly performing.

95. **In order to strengthen the gatekeeping role of the DC, the appraisal process needs to be improved along several dimensions.** Several desirable improvements to the appraisal process were already made when the new DC Guidelines were issued (Box 2), while the proposals below aim to reshape the process even further.

B. Proposed Adjustments to the Appraisal Process

96. The mission proposes additional adjustments to the appraisal process that are set out in the next several paragraphs and detailed in Annex V. Annex V presents a flow chart of the current appraisal process (as per DC Guidelines and explained by PAP staff), and the proposed new appraisal process that incorporates the mission's changes. Some of the adjustments will support the authorities' objective to design projects independent of (or less dependent on) potential financing options. Several of the adjustments are designed for the DC to take a holistic view of the project portfolio before making approvals. The proposed annual strategic PIP review (Chapter IV) would provide a solid starting point for this holistic assessment. It would also imply that projects are advanced in "packages" through the process.

97. Sectors continue to develop concept ideas independently and bottom up, while approval of a concept note triggers issuance of a project identification number. Concept notes should be reviewed by the technical subcommittee of the DC mostly to screen out unrealistic ideas and excessively large projects, and to check consistency with strategic priorities. In preparation for the DC decision, all concept notes should be appraised by the NPA for consistency with the NDP and to identify potential cross-project and cross-sector linkages. Thereafter a more robust project profile should be developed. By issuing a project identification number—which does not imply any approval for project implementation—MoFPED will be able to keep track of all reasonably serious project ideas floating around including donor-funded and PPP projects. This may require the IPD (see Chapter VII).

98. Approve a project for the pre-feasibility study stage only after a review of the project in the context of the overall and sectoral project portfolio (existing projects and projects under development) and the MTEF. This review should not at this stage constrain projects only to those that are affordable in the medium-term, but it should screen out very large projects, or projects in over-committed sectors. It should provide guidance to project proposers on a potential financing envelope they can expect if their project is approved, so that projects can be scaled accordingly. Consistency of cross-sector linkages between projects should also be reviewed by the NPA, possibly linking projects. The conditions on project design that are part of the approval for proceeding to pre-feasibility study should be documented, in particular a denial of expensive add-on options. This will help combat creep in scope of the project during later stages of the appraisal or during implementation.

99. Projects will be allowed to be linked to third party project-specific funding only once they have completed at the minimum the pre-feasibility study stage, and only following an explicit options appraisal. It is difficult to reject a project that has already secured funding from a third party even if there is no reliable analysis that supports such a decision. It is even harder to do so if a portion of the loan or grant has been disbursed. Projects can continue into one of three options: traditional project funded from GoU resources (revenues or commercial loans), donor-funded projects (loans or grants) or PPP project.

100. As already required by current laws and regulations, projects must secure the approval of the DC and of Parliament if the project requires some type of external funding. Funding negotiations should only begin after explicit authorization by the DC. Ideally, the options appraisal and identification of funding sources should only be finalized after the feasibility study, but realistically, many projects will continue to be prepared in collaboration with donors. Still, even shifting the financing approval to the pre-feasibility stage is a change compared to current practices. In order to make the change less painful for donors and MDA's—and reduce the risk of losing resources—the new process has to be fully explained to the donors and MoFPED should work closely with them to make sure that projects are not delayed due to bureaucracy.

101. Also, for PPPs, an explicit options appraisal should be conducted at the pre-feasibility study stage, and the DC should have a role in the final approval for a project to proceed as a PPP project. The option appraisal is already foreseen at the pre-feasibility studies stage in the 2015 PPP Act. However, the decision on approving a project as PPP is made by the PPPC, which is unlikely to move a project from PPP-type to traditional project. It may be possible to give the DC a global oversight role over all projects including PPPs through administrative regulations, but possibly some amendments to the PPP Act are needed.

102. Together with the approval to move toward a feasibility study, the DC should specify the scope of the feasibility study, including whether a full CBA is required, and financing for a feasibility study (see Chapter III). Thus, MDAs will be able to conduct the feasibility study independent of the financing source. And even if donor funding is used, the formal role of the DC provides some safeguards against automatic progression to implementation of infeasible or poorly prepared projects.

103. As foreseen in the DC guidelines, the DC should approve the feasibility study for all projects including for externally funded projects. This should include PPP projects if the financial analysis of the feasibility study differs significantly from the pre-feasibility study. When passing the feasibility study stage a project would be considered a Pre-PIP project.

104. Before receiving budget funding a project needs to demonstrate implementation readiness and be explicitly approved for inclusion in the PIP. In line with the new procedures in the DC guidelines, passing the feasibility study stage and being declared a Pre-PIP project should not imply a guarantee for budget funding (while the probability should be high). In order to receiving funding, a project needs to be scheduled in the PIP—MTEF (i.e., other projects must have been completed and exited the PIP), and the project must demonstrate full implementation readiness. Validating the project proposal gives PAP and the DC considerable leverage. Validation should focus in particular on the implementation plan, the completion of preparatory steps like the resolution of land right, and an update to the financial plans. This also means that projects are moved into the PIP once a year at a suitable date in the budget calendar; this date will determine the deadline for demonstrating project readiness.

105. Cabinet endorsement of the PIP and portfolio development plan at least annually is needed to support the gatekeeping function of the DC. As a PS-level committee the DC does not have standing to override political directives. A formal annual strategic PIP review would provide political direction for the whole government at least for the immediate period ahead. The annual strategic PIP review would also help control politically sponsored projects; the Minister of Finance should demand explicit decisions on removal or—if unavoidable—suspension of existing projects if large new projects are being included in the PIP by Cabinet.

106. The DC should also start to exercise a broad oversight over the existing project portfolio. Currently, once approved for the PIP the DC does not have another formal role in project monitoring and approval until project completion, unless the project requires a change in scope or an extension. Time or budget overruns, even if significant, do not currently trigger a DC review. The annual strategic PIP review would indirectly introduce a review role for the DC. As all projects, existing and potential new ones are considered together, the DC can also demand updates and actions on poorly performing projects. In the extreme, the DC should request a full re-appraisal as a basis for deciding whether the project should continue or be closed down.

C. Recommendation

Recommendation 5.1: Reshape the project planning cycle to ensure that the DC is an effective gatekeeper, assessment against the MTEF takes place, and financing decisions are only taken after the pre-feasibility study (Annex V, Dec. 2018).

VI. EFFECTIVE MONITORING AND EVALUATION

A. Current Situation

107. Monitoring and evaluation (M&E) is a critical activity for performance management, i.e., for ensuring that projects are delivered on time, on budget and with impact. Ongoing monitoring provides the foundation for detecting deviations from plans early, and undertaking corrective actions in a timely manner. Ex post evaluation provides lessons—both from successful and failed projects—for future project development and implementation.

108. OPM, as the M&E coordinator, has established a framework for monitoring and evaluating public sector programs, and is driving efforts to instill a performance culture. The M&E framework outlines the purpose and objectives, key concepts, and principles of M&E, defines the roles and responsibilities of each stakeholder, and includes an implementation plan.[14] The M&E framework requires all sectors, ministries, and local governments to conduct

[14] The *National Policy on Public Sector M&E* – OPM – Passed by Cabinet in March 2013.

(a) periodic reviews, and (b) planning and project evaluations. Reviews need to be prepared quarterly by ministries and local governments, bi-annually and annually by SWG, and annually by cabinet. MDAs have to prepare and implement a five-year rolling evaluation plan, and for each project, a baseline study, a mid-term review, and a final evaluation of value-for-money audit at the end of the project.

109. The MoFPED also has regulations in place to facilitate M&E. Brief guidelines on the review of existing projects and on ex-post monitoring activities are included in the DC Guidelines. They describe the documents required by the DC.[15] However, the DC guidelines do not distinguish between the monitoring of ongoing projects and the evaluation of completed ones. Moreover, in principle, regulations exist for MDAs to report relevant information to MoFPED, including multi-year commitments and cash flow forecasts for each project.

110. Currently, OPM reports semi-annually to Cabinet on government performance and results. The reports are the Government Half Annual Performance Report (GHAPR) and the Government Annual Performance Report (GAPR). It appears that the performance framework used by OPM is well-aligned with the performance framework used for the budget.

111. Yet currently M&E is largely perceived negatively by MDAs, only as an additional chore and a mechanism to criticize, attribute blame and impose sanctions. A 2014 study conducted by OPM[16] on the status of M&E identified generally weak M&E capacity. The study recognized the need to change the culture, which would lead to an appreciation that M&E should be used to identify bottlenecks, rectify, improve performance and enhance the effectiveness of PIP implementation. A M&E implementation plan was developed, but it appears to have fallen behind schedule.

B. Ongoing Monitoring

112. Despite the above efforts, ongoing monitoring is weak. Existing monitoring focuses on individual projects, yet even here progress is assessed against standardized or abstract criteria rather than against a project specific baseline and implementation plan. Monitoring of the overall evolution of the whole project portfolio, consideration of cross-sector linkages and assessments of implications of delays in one (large) project for the rest of the portfolio are absent.

113. Basic practices that support ongoing monitoring are not commonplace. Baseline plans that would form the reference for progress monitoring are largely absent. Information about previous forecasts in the PIP database gets overwritten with new information and is no longer available for comparison purposes. Financial information and progress assessment is not

[15] The *Development Committee Guidelines for the approval and review of PIP Projects* – MoFPED August 2016.

[16] Operationalizing the National Policy on M&E – OPM / Department of M&E – November 2014 brief description.

linked to physical and contractual progress, and generally communication about physical project progress appears to be highly positively shaded.

114. In order to be able to push MDAs to provide better forecast information as reference for monitoring the MoFPED will require additional information from MDAs. This will enable it to establish its own rough baseline projections as a cross-check and challenge tool for MDA submissions. Such information can be generated by the proposed stock-take of all projects but this information will also have to be recorded, tracked, and subsequently updated.

115. The AGO is implementing reforms in its regular public financial management practices that can support stronger ongoing monitoring. Two are of particular relevance:

- To facilitate the reporting on donor-funded projects that are sometimes conducted off-budget an "Aid Management Platform (AMP)" is available. Yet, it has been difficult for the MoFPED to enforce regular and timely reporting by donors. While it is hard for the GoU to refuse free or subsidized financing even if donors are not meeting their reporting obligations, a full picture on these projects is essential for fiscal management and correct project budgeting.
- The current project which will introduce accrual accounting includes the establishment of asset registers. These will form an important information source about physical assets in the future. Once they are linked to accounting, their information content should become more reliable and also will facilitate the monitoring of project implementation (e.g., via increases in asset values or changes in inventories).

116. The main weakness is the lack of summary information concerning the whole project portfolio and its evolution targeted at senior decision makers. Developing such summary information, especially in light of the current information shortcomings, is not easy, but a critical task for effective PIM.

C. Completion Reporting and Ex-Post Evaluations

117. The purpose of completion and ex-post reporting is for the government to demonstrate how far a project has achieved its objectives, how well has used its resources, and to learn from previous experience and replicate good practices or avoid similar errors. It forms part of accountability to the parliament, to the civil society, donors, etc., but is also a management tool within the administration.

118. A completion report should be prepared for all projects, but it appears that many projects do not prepare one or—if available—it is not shared. The main focus of the completion report is to take stock of the project status upon delivery, report for the whole project implementation against original and revised plans, identify the main outputs, and comment on resource use.

119. Ex post evaluations go deeper and typically investigate assessing whether the project outputs and outcomes were successfully and efficiently achieved. They may also be more selective and focused on special questions about an individual project and its performance, or about a whole related group of projects. They are studies that aim to draw lessons of particular interest for future PIM developments. Box 7 presents the procedures for Chile.

Box 7. Chile: Ex-Post Evaluations

The ex-post evaluation procedures of the National Investment System (SNI) comprises two stages: evaluation of implementation and in-depth ex-post evaluation on the outcomes.

First stage:
A representative sample of investment initiatives (including pre-investment studies, projects and investment programs) completed during the past two years are analyzed. The sample consists of 8–10% of all projects. Compliance with or divergence of project implementation from the ex-ante project specifications is analyzed concerning: total cost, outputs, and procedures and schedules.

The evaluation covers the role of all stakeholders, owners and sponsors of investment projects, Ministry of Social Development (MDS), related agencies at sub-national levels, and sectoral ministries. The evaluation is then sent to the National Congress.

Second stage:
In-depth ex-post evaluations of specific projects are undertaken after the project has been operating for at least five years. It determines whether the anticipated benefits have been realized, and if not, an investigation of how and why the projections failed is undertaken. In these cases, all internal and external aspects are analyzed relating to the operations of the project.

These ex-post evaluations were initially applied to projects financed by the Regional Development Fund (FNDR) and executed by sub-national governments, and have gradually expanded to projects financed by sectoral ministries. These reports are published on the MDS website: http://sni.ministeriodesarrollosocial.gob.cl/

Role of the Ministry of Finance:
The Ministry of Finance is in charge of developing the framework for evaluating and monitoring public investment. MDS, the successor of the Ministry of Planning, is responsible for conducting the evaluations of public investment. External experts as well as staff are used for conducting the evaluations.

Source: Ministry of Social Development, Chile; IMF staff.

D. Recommendations

Recommendation 6.1: Develop the capacity to monitor the whole project portfolio. Prepare an operational manual on ongoing project monitoring, including physical, financial, contract(s) implementation progress, and develop summary templates (Dec. 2018).

Recommendation 6.2: In conjunction with the clean-up of the PIP, demand submission of completion reports (Dec. 2017).

Recommendation 6.2: PAP to identify ex-post evaluation topics of interest to PAP. Work with NPA and sectors to ensure that relevant studies are undertaken, or these issues be included in ongoing ex post evaluation studies (Jul. 2018).

VII. ENHANCING PROJECT TRANSPARENCY: DEVELOPING THE INTEGRATED PROJECT DATABASE

A. Current Situation

120. Uganda's public sector produces large quantities of information on an investment project throughout its life. The annual PIP document and associated database provides a profile on each project receiving resources in that financial year, which includes background information, original total project costs, planned activities and outputs, and expenditure projections for a five-year period.[17] Through the PBS and its IFMIS, the MoFPED keeps track of the financial execution for each year, especially for resources coming from the Government of Uganda. An aid management system supports reporting and recording of donor disbursements. MoFPED maintains several other databases or files to meet particular information requirements. MDAs create and maintain their own information for monitoring and evaluation according to their own procedure. Further, MDAs report quarterly on project progress to the MoFPED and OPM.

121. Yet the low reliability of the data limits their usefulness. First, for any single project, the expenditure projection for future years varies greatly between one fiscal year and the next. Likewise, there are cases in the PIP database where the total cost of a project is not equal to the sum of previous, current, and future expenditure. Second, information is not presented in a standardized way throughout the investment portfolio. In some cases, the link with the development strategy is clearly stated at the objective level, while in others it just refers to a broad idea elaborated in another planning document. The expected outcomes might not be measurable or even constrained to achievement within a specific time frame, rendering them ineffective. Under these circumstances, the analysis of the public investment portfolio becomes very limited.

122. Despite their importance, information on the status of donor-funded projects is particularly weak. Donor funds represent approximately 30% of the total resources in the investment budget in fiscal year 2016/2017. However, only partial information is available on expenditures and physical progress of these projects, because many funds are not managed through MoFPED accounts. MoFPED fully tracks disbursements of loans but for grant-funded

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[17] The period for which expenditure information is presented was increased from three to five years for the fiscal year 2016/2017.

projects, the MoFPED often only learns about financials, progress, and funding requirements when GoU counterpart funding is required. Therefore, budget execution reports do not necessarily reflect the full effort undertaken by the government and development partners, nor show the full impact on economic growth and development.

123. This situation leads to a vicious cycle: As information on public investment projects is not reliable, it is not used or is "wasted", in turn reducing the incentives for the responsible parties to provide high-quality information. Of the financial information included in the PIP, only the current year budget allocation is fairly reliable because it captures the attention of Parliament during budget approval. Medium-term projections are only shown in the published "for information" PIP but play no role in decisions on the budget envelope or the allocation of resources in future year's budgets. Line ministries also are not held accountable for providing inaccurate or no information because no process is in place to check the consistency of financial information between one year and the next.

124. The activities of monitoring and evaluation are in their early stages of development, with little or no information circling back to the project profile included in the PIP. The central agencies of the government (MoFPED, OPM, NPA) have yet to produce guidelines on how to carry out monitoring and evaluation of projects, which leaves this activity in the hands of line ministries. As a result, the few exercises that are carried out vary considerably between entities. Moreover, this information is rarely shared with the MoFPED beyond what is required for the annual update of the PIP. Thus, from a financial perspective, monitoring is limited to the annual difference between the budget and the actual resources paid out, but little attention is paid on how the cost ballooned over time and how this could have been avoided.

125. An Integrated Project Database (IPD) [18] can help address many of these weaknesses. It would provide a comprehensive set of information at a single point of entry (Box 8).

[18] The MoFPED is already considering building a database of projects under the name Integrated Bank of Projects (IBP). The original idea for this database was to hold all the information on projects under development and on Pre-PIP projects that are fully appraised and are only awaiting financing. The mission prefers the term Integrated Project Database, because the database should be a common one for potential, pre-approved, ongoing and completed projects. Further, the database should also hold all the regularly updated information relevant for monitoring of ongoing projects, not only static background information.

Box 8. Uganda: The Rational for an Integrated Project Database

Developing an IPD will help Uganda improve its project management capacities through better information and increased efficiency in information management. It will contain all investment projects—those in the pipeline, on-going or completed—from the different sectors of government and thus can provide useful information for project development, selection, execution, and monitoring

As the single go-to point for retrieving and updating project information, a database will eliminate repetitive activities and reduce errors and inconsistencies. Information providers will only have to submit information once and not multiple times for different reports and different agencies. Further they benefit from a reduction in ad hoc requests and time-consuming direct interactions with civil servants who require information. Information users, like the MoFPED, can rely on one data source and system and will no longer have to compile information from different sources.

An IPD will facilitate analysis, through standardization and increased comprehensiveness of project data. For example, the geographic location of projects could be related to the administrative subdivisions of the country. This will reduce data "wastage," because one project data set is not fully comparable with similar sets of data for other projects.

A well-designed IPD with up-to-date qualitative and quantitative information will facilitate all project stages. Richer information on project design, features and costs will make selection more consistent with the development strategy. The IPD can also help keep track of mutual dependencies of projects, ensuring that projects are implemented in the right sequence. During the implementation phase, information on key milestones will allow effective monitoring of project progress and facilitate early corrective intervention. Finally, a project baseline scenario will enable evaluators to determine the project's real impact and extract key lessons for similar endeavors in the future.

Several other African countries are implementing public investment project databases to aid their PIM frameworks. Equatorial Guinea, with the collaboration of the World Bank, developed an online platform in which over 3,000 projects have been uploaded, linked with the country's development strategy, and financial execution is being registered. As part of a PIM reform, Mozambique is working on developing a project database linked with its existing FMIS system (e-SISTAFE) to enhance project preparation, selection and monitoring. Kenya developed an online platform called e-Promis that currently holds planning information for investment projects and will be connected to the country's FMIS system for retrieving execution information on the different initiatives.

B. Information to Include in the Integrated Project Database

126. A database should provide enough information for authorities to be able to make well informed decisions about the project throughout its life cycle. For project management, a database should be able to provide a wide range of both quantitative and qualitative information that supports decisions on which initiatives to implement, measure the results of its execution and identify the key lessons that can lead to better results in the future. However, having too much information can be harmful; information that is not used and hence not updated on a regular basis, casts a shadow over the reliability of the data and reduces trust in the information contained in the IPD. Therefore, the entity supervising the operation of the IPD has to find a way of balancing these two requirements.

127. The first set of information to include in the IPD is descriptive; it identifys the project and its relationships with other initiatives and policies. This data should only change under special circumstances; an entity being merged with another or the creation of a subdivision within a ministry, are examples of such a case. An important component of this section is the project identification number, as described in paragraph 95, which should be unique for every project and will identify it throughout its life cycle. Other examples of this type of information are the relationship of the project with the development plan, its location and the accountable party. This data can be standardized for all projects. The location of projects can be associated with the administrative subdivisions while the development plan is the same for every project. Achieving this standardization is important for carrying out analysis at more aggregate levels and across sectors of the economy and government.

128. A second set of information is also descriptive but is more intrinsic to the project and will provide additional context to stakeholders. Examples include: the objectives of the project, the problem that is being addressed, the different options analyzed, and the technical description of the solution. A detailed description of these variables will determine whether the proposed solution addresses the problem it is trying to solve and if the implementation approach seems feasible. Also, being aware of the options that were rejected during appraisal, including the option of doing nothing, will prevent ex-post changes to the project scope that bypass the DC's appraisal process. This data should be complemented with information from the feasibility studies, which should present a detailed implementation plan of the chosen solution.

129. The final set of information is information that will be regularly updated during a project's life. This group of variables contains information on project costs, physical execution and specific outputs. As projects move through the different stages in the appraisal process, this information should become more robust, with the definitive information extracted from the feasibility studies. For example, in the case of financial information, an approximate estimate for the total project value will be firmed up, and subsequently broken down and assigned to project components, periods of execution and funding sources, among others. Before implementation starts, this data should clearly communicate the course of action that should be followed by the project. During the implementation phase, it will help identify the weak spots in the plan that might need closer supervision or require adjustments.

130. The database should keep track of all the changes that a project undergoes. In particular, a baseline scenario should be available as the reference point to keep project execution in check, while current data are updated to reflect the new realities of the project. If a project undergoes a considerable change during its implementation, a new baseline scenario should be developed that reflects that large change and that can be enforced going forward. Such an update is required to provide project managers with an updated roadmap for their project's completion.

131. Annex VI presents a more detailed description of the different information that could be part of the database for Uganda, considering the data that is already being produced.

C. Designing the Integrated Project Database

132. There is no one single IT approach to developing a public investment management system that has proven to be consistently more successful than others. Some countries have approached the IT design in a modular manner, where different systems address specific stakeholder needs in PIM and these systems are then brought together under a unifying platform. There are also off-the-shelf systems that have been successfully implemented and that could save Uganda time and resources. Additional modules to existing IT platforms (e.g. for the IFMIS) might also be available. The approach that Uganda decides to take should consider the current state of information systems in the country and the functional and user requirements that need to be addressed.

133. Independent of the approach to IT design chosen, the design of the IPD should start by formulating clear specifications of the overall framework that it wants to develop. This plan is referred to as a conceptual design[19] and its objective is to define issues such as the scope, coverage and functionalities of the system, serving as a roadmap for developing it. It is also an opportunity for stakeholders to discuss and agree on the key characteristics of the system before implementation, reducing the risk of delays due to discrepancies between actors or of implementing an inadequate solution. Countries that have successfully developed information systems have usually had a robust conceptual design to follow during implementation.

134. Developing a comprehensive project database is not a one-off undertaking but a continuous process that will require many reviews and adjustments along the way. The main driver of these changes will be the continuous improvement in the PIM capacities and needs of the country. As it is able to carry out more complex analysis and monitoring of projects, it will require a more robust and detailed database. It is therefore more important that the system's functionalities can be enhanced in the future and not that all conceivable functionality is available from the start, always having as reference the conceptual design that was developed.

135. Having a system with very rich functionality from the start will not necessarily make the system work better. Experiences in other countries have shown that users shy away from a system that is too complex. In other cases, the information is entered incorrectly raising questions about the reliability of the data. Taking this into account, the important condition that the system should satisfy is that the system's users have access to the relevant information—

[19] Khan, Abdul and Pessoa, Mario. "Conceptual Design: A Critical Element of a Government Financial Management Information System Project," Technical Note and Manuals, IMF, 2010.

financial or descriptive—that the users require to fulfill their mission. As the country's capacities grow, so should the functionalities of the system.

136. Streamlining the system will also help the country control the development costs. Information systems are not cheap and given the fast pace at which technology changes, they can quickly become obsolete. Clearly defining the core requirements that need to be met and focusing only on achieving those can reduce upfront costs and increase the economic benefit of the project.

137. The project should be managed like any other investment initiative and should be subject to the different steps of approval defined by the government. In developing a conceptual design for this system, the government will have to clearly identify the problem that it is trying to address and how the proposed solution compares to other alternatives. It will also develop an implementation plan that will allow monitoring of the project execution and guarantee that the expected outcomes are met.

D. Approach for Developing the Integrated Project Database

138. The long-term goal of having a comprehensive database of projects that addresses the needs of the different stakeholders is not stifled by adopting a phased approach for its development. The design of the system could take into consideration all the functionality that the government wants to develop, but can phase them out over a number of years as the information requirements increase and capacities are developed. As mentioned before, developing a system with expansive functionality might provide features that are not needed, confusing users and negatively impacting the perceived quality of information; it will also require a higher upfront expense.

139. A phased approach seems to be the best way to go in Uganda given the different capacity levels at the various phases of the project life cycle. The initial phases should strive to strengthen the existing systems that are focused on budget aspects, planning, allocation and execution. This is a quick win given that there is information available and procedures have been more or less defined by the authorities. A second phase would focus on the pre-investment phase of project development where the country has produced detailed guidelines and assigned roles within entities, but is still in the early stages of implementing them for project appraisal. The final stage to be developed would be the one that would capture monitoring and evaluation information that is the area where roles, accountability and procedures are pending definitions.

140. In an initial phase, the development of the IPD should focus on addressing the most important needs of the government. Two main requirements were identified by the MoFPED staff: first, improving the reliability of information that is currently being requested for project approval; second, integrating this data, currently managed in Access, with the existing PBS and IFMIS systems. Developing a system that requires additional information from line ministries is not considered a top priority given that they are already providing more information than what the MoFPED can handle. This is as evidenced by the fact that financial information for future years is rarely checked for consistency, and expenditures over five years—the timeframe of the PIP—is mostly ignored.

141. A key feature of the future IPD is that it is linked to the existing systems. The automatic sharing of information between the IPD, PBS and IFMIS will eliminate repetitive activities and reduce the probability of errors and inconsistent information within them. This will also allow the database to become the go-to point to search for information and focus the IFMIS and PBS systems on their original tasks.

142. Developing a database will not solve information quality issues on its own. A more robust system can help improve information quality through system features. For example, certain variables could be restricted to pre-defined inputs, such as geographic location or link to the development strategy. However, the information that is requested from line ministries needs to be streamlined to what is actually required by the MoFPED business needs. Having only information that is being used guarantees that it will be reviewed and checked for consistency, raising awareness from the suppliers of the need for it to be reliable. Finally, monitoring procedures must be included within the system's design, and among information users and providers to identify potential flaws.

143. In a second phase, the system should focus on capturing the information that is required for project approval and selection. The DC guidelines and the future step-by-step guidance on the appraisal process will help determine the business requirements that must be developed for the system. This step requires that the system is accessible to users outside the MoFPED who will be responsible for uploading the information. The project appraisal and approval process should be closely linked with the upload of information into the system as a way of guaranteeing that information is shared correctly and on time.

144. In a third phase the system should move to capture information related with the monitoring and evaluation phases of a project's lifecycle. It is important that this information circles back into the system because it will help identify when a project is facing a problem that needs to be addressed. Deviations from the plans designed during the feasibility study or a subsequently updated implementation plan should lead to corrective measures or to changes in the project design to make sure that it achieves its targets. This information will also help projects in the identification and pre-investment phases learn from these challenges and plan accordingly.

E. Recommendations

Main Recommendations

Recommendation 7.1: Set up a project management team comprising inter alia a project manager, business users and experts in system design and IT (June 2017).

Recommendation 7.2: Develop carefully the conceptual design of the IPD, including information and functional requirements and the governance structure to ensure that it meets current and anticipated future business needs of the government (Dec. 2017).

Recommendation 7.3: Design work processes to keep information in the PIP/IPD up-to-date and reliable (Dec. 2017).

Additional Recommendations

- Streamline information requirements to the current needs of the MoFPED in order to limit the amount of information that is wasted.
- Standardize some of the descriptive information on projects so that more comprehensive analysis can be done.
- Link the new database to existing information systems to obtain information relevant for project implementation and execution.
- Development the IPD in a phased approach. Additional modules or functionality can be added as the government develops its PIM capacity and information to populate the database. This will likely help save costs in the initial stages of the system's development.

VIII. CAPACITY BUILDING AND TECHNICAL ASSISTANCE

A. Capacity Building Needs

145. All stakeholders emphasized the need for capacity building, and the 2016 Action Plan already includes several capacity building activities. The initial focus is on project design, appraisal and selection, but training in project management and on the IBP is also included. This activity aims to address the capacity gaps in the MoFPED and throughout the MDAs. PAP has received some training and has in turn provided sensitization to key technicians involved in PIM reform across the MDAs. However, the coverage is limited and PIM practitioners across the public service need to receive structured training to enable them to confidently carry out the PIM functions. For the future, PAP envisions a train-the-trainer approach centered on creating a nucleus of competent civil servants and PIM instructors, who can subsequently provide training at basic, intermediate and advanced levels. PAP is seeking external partners to relieve its own staff from training obligations and expand delivery capacity.

146. PAP officials and other officials at the center of steering and developing PIM processes (e.g., in NPA and OPM) need to further deepen their knowledge of good PIM practices to be able to lead the process; much of this will be learning on the job. The core staff based at the PAP department have received various trainings through collaborative initiatives with both the World Bank and IMF East Afritac, and such training should continue. Technical assistance or outside consultants can help PAP develop the step-by-step guidance on PIM processes for MDA officials, and provide training in specialized or new areas.

147. Effective training in PIM for civil servants in MDAs should be targeted and practical rather than academic. The training currently under preparation will be delivered through collaboration with Uganda's Makerere University and include case studies and workshops, covering theory and some practical aspects of appraisals. However, of immediate urgency, is tailored instruction on PIM delivered to MDA practitioners within the framework of the government legal framework, regulations and guidance. The approach could entail short or block courses delivered in a phased manner. Getting assistance with curriculum development, possibly from an internationally recognized school of public management should be pursued (as already initiated with Canada's Queens University, Toronto).

148. Initial training should focus on the high priority areas identified in this report. This includes costing, project financials and practices for ongoing monitoring. Other topics could include an introduction to the appraisal process and appraisal methodologies, which should also cover introduction to economic and social appraisals. A module on project management that includes implementation planning is important for staff from MDAs, who will be required to submit these plans as part of a feasibility study.

149. Training at certificate, diploma, or more advanced levels could be set up over the medium to long term. This could be done in collaboration with the planned Center of Excellence in PIM at Makerere University or with other partners.

150. Capacity building in related areas, in particular on strengthening medium-term budgeting, is critical to the success of public investment. The authorities have already requested technical assistance to support the restoration of the MTEF and for institutionalizing program based budgeting. The IMF through FAD and AFE will continue to provide technical assistance to further support PIM reforms and in related areas that are critical for the successful implementation of PIM. Activities could include advice on a medium-term budget framework, costing, enhancing commitment controls, and addressing weaknesses that promote the proliferation of arrears.

B. Recommendations

Recommendation 8.1: Continue to identify partners for capacity building of large groups of officials in PIM and related areas like medium-term budgeting; find support for curriculum development (ongoing from 2017).

IX. THE SUPPLEMENTARY ACTION PLAN

151. The mission has prepared a supplementary action plan with specific proposals for next actions by PAP. The proposals reflect the recommendations in this report. It is shown in Annex II. The supplementary action plan is organized by the action areas of PAP's existing 2016 Action Plan to provide linkages. It also selectively includes some of the existing actions, mostly when they are being developed into more detailed sub-actions. The mission has indicated some feasible timeline. However, it will not be possible for the small PAP staff to undertake all proposed actions in the proposed timeframe. The MoFPED would need to undertake some internal prioritization. Once PAP decides which actions to take forward, the existing action plan and the supplemental action plan should be merged into one comprehensive plan.

Annex I. Uganda: Status of August 2016 Public Investment Management Action Plan[1]

No.	Action	Milestone/Status	Lead	Comment	Proposed Timeline
I.	**Improving the Institutional Setting**				
1.	**Institutionalizing the PIMS role in the PAP Department**				**PAP 2016–17**
I.1.1	Issue sector rules, guidelines, circulars, and norms that inform the formulation and appraisal of investment projects.	Appraisal Manual near final. DC guidelines issued.	PAP	Step-by-step guidance needed.	IMF: 2017 and onward
I.1.2	Coordinate training on project preparation and appraisal.	Initiated, in cooperation with Makerere University. On the job advice to MDAs.	PAP	Support for curriculum development, perhaps under new WB project?	
I.1.3	Monitor project implementation reports for selected key projects.	Initiated. List of key projects for PAP monitoring selected. Responsibilities assigned.	PAP	High priority. Coordination with Budget Policy Dep. & BMAU tbd (see Annex 2).	IMF: now
I.1.4	Demand, assess and draw lessons from completion reports and ex-post evaluation reports.	To be initiated. a. Enforce end-of-project date, demand completion reports. b. Demand ex-post evaluations of major projects or on targeted questions	PAP	a. Easy, database for storing reports would help. b. Low priority, demand targeted reports as input for new guidance.	IMF: now IMF: start in 2018 or 2019

[1] This plan was adopted by PAP and included in the August 2016 Diagnostic Study. Actions items might have been slightly rephrased if the original draft was a description of a work area rather than an action item. The assessment of milestones and status was based on discussions with MoFPED officials. Comments are the mission team's.

No.	Action	Milestone/Status	Lead	Comment	Proposed Timeline
I.1.5	Prepare status report on the quality of PIMS operation with a focus on potential gaps in PAP mandate or insufficient clarity of roles, responsibilities, etc.	To Do. Possibly to be prepared in conjunction with PIM Policy (see Annex II).	PAP	For attention of the PS/ST?	IMF: 2018
I.1.6	Identify and implement remedial actions to I.1.5.			On project planning cycle see Annex II.	
2.	**Re-engineering PIM processes**				**PAP 2016–17**
I.2.1	Undertake process mapping and identify key players and their roles and responsibilities in the PIMS.	PIMS one-page process chart prepared. Process flow charts and full report to be prepared.	PAP	High priority See Annex II.	
I.2.2	Develop a PIMS organogram describing roles and responsibilities of various players.	To Do.		High priority See Annex II.	
II.	**Improving the Entire Project Cycle**				
1.	**Developing Documents on PIM framework**				**PAP 2016–17**
II.1.1	Attach annual guidance for identification and preparation of projects to Budget Call Circular.	Done.			
II.1.2	Prepare manual on methodologies and tools for project preparation and appraisal.	Main manual near final.		Needs step-by-step guidance. See Annex II.	See Annex II
II.1.3	Prepare monitoring and evaluation handbook for public investment.	To Do.		Needs phasing See Annex II.	See Annex II
2.	**Improving the Project Selection Criteria**				
II.2.1	Identify enhanced selection criteria that reflect real cases in Uganda.	To Do.		Phase by key areas. See Annex II.	
3.	**Developing methodologies and templates (analytical tools) for project appraisal**				**PAP 2016–17**
II.3.1	Develop improved methodology for project appraisal, including spreadsheets/templates.	Simplified manual with UGA case study near final.		See Annex II.	

No.	Action	Milestone/Status	Lead	Comment	Proposed Timeline
II.3.2	Amend and expand methodologies II.3.1 for PPPs.	To Do. This is responsibility under PPPC.	PPPU	See Annex II.	
II.3.3	Develop sector methodologies for appraisals showing practical cases in UGA.	To Do.		See Annex II.	
III.	**Develop Capacity in Project Design, Appraisal, and Selection**				
1.	**Implement Training Programs at Basic, Intermediate, and Advanced Levels**				**PAP 2016–17**
	Develop training programs to create a core cadre of people with competencies in design, appraisal and selection.	Initiated setting up a partnership with Makerere University; objective: establish a Center for Excellent in PIM in the School of Economics.		WB, DFID possibly interested to support. See Annex II.	
IV.	**Develop Uganda's National Parameters**				
IV.1.	**Establish the National Parameters, Shadow Prices, and Conversion Factors**			**Medium/low priority**	**PAP 2016–17**
IV.1.1	Develop Uganda's National Parameters.	Setting up project and hiring of consultants underway (Prof. Jenkins).		Start by developing good guidelines for multi-criteria analysis. Agreement on national parameters is political.	
IV.2.	**Develop conversion factor software**			**Medium/low priority**	**PAP 2016–17**
IV.2.1	Develop or acquire conversion factor software.	Together with IV.1.1.			
IV.3.	**Develop and Disseminate Unitary Prices Database**			**Medium priority**	**PAP 2016–17**
IV.3.1	Develop and disseminate Unitary Prices Database.	To Do. Build on existing MoWT database.	PPDA	Important for costing.	

No.	Action	Milestone/Status	Lead	Comment	Proposed Timeline
V.	**Establish and Integrated Bank of Projects**			**High Priority**	
V.1.	**Develop software components of IBP**				**PAP 2018–23**
V.1.1	Develop two new modules.	To do.		See Annex II.	
V.1.2	Make two new modules and two existing modules interoperable and totally compatible.	To do.		See Annex II.	
V.2.	**Develop a Data Collection Module in the IBP for project formulation at sector level**				**PAP 2018–23**
V.2.1	Put operational data collection module in place (for unstructured information relevant for PIM work).	To do.		This is separate from a structured IBP database.	
V.3.	**Build Capacity on IBP Operations**				**PAP 2018–23**
V.3.1	Conduct training on IBP.	To do.		Once IBP available.	
VI.	**Enhance the Legal and Budgetary Framework**				
1.	**Improving the Legal Framework**				**PAP 2018–23**
VI.1.1	Medium-term review of the PIMS implementation in view of the existing legal and regulatory framework.	Preparation of Treasury Instructions for new PFM Act underway.		See Annex II.	
VII.	**Improve Implementation (i.e., the Project Investment Phase)**				
1.	Develop standardized set of key performance indicators				**PAP 2018–23**
VII.1.1	Develop standardized set of key performance indicators.	To do.		See Annex II.	
2.	**Implement Training Programs in Project Management**				**PAP 2018–23**
VII.2.1	Conduct training on project management.	To do.		Relevant, but lower priority for PAP	

No.	Action	Milestone/Status	Lead	Comment	Proposed Timeline
VIII.	**Improving Monitoring and Ex Post Evaluation**				
1.	**Develop a Monitoring and Ex Post Evaluation Framework**				**PAP 2018–23**
VIII.1.1	Develop standard guidelines for project ex-post evaluation.	To do.		Relevant, but ongoing monitoring much higher priority.	
2.	**Build Capacity on Monitoring and Ex-Post Evaluation**				**PAP 2018–23**
VIII.1.1	Conduct training on ex-post evaluation.	To do.		Relevant, but lower priority for PAP.	

Annex II. Uganda: Supplementary Action Plan

This supplementary action plan contains the mission's proposals. It is organized by the same action areas the authorities adopted in their 2016 Action Plan (Annex 1).

No.	Action	Milestone/Status	Lead	Comment	Proposed Timeline
I.	**Improving the Institutional Setting**				
1.	**Institutionalizing the PIMS role in the PAP Department**				PAP 2016–17
S-I.1.1 = I.1.3	Monitor project implementation reports for selected key projects (existing action I.1.3).	Initiated. List of key projects for PAP monitoring selected. Responsibilities assigned.	PAP	High priority. Coordination with Budget Policy Dep. & BMAU tbd.	Now
S-I.1.2	Develop the capacity to monitor the whole project portfolio.	Summary tables on the status of the Pre-PIP & PIP developed.	PAP	PIP overhaul and new IPD will help.	2017
S-I.1.3	Oversee the development of the IPD.	Responsibilities assigned.	PAP	See also Objective V.	June 2017
S-I.1.4 = I.1.4	Enforce end-of-project date, demand completion reports (relates to existing Action I.1.4).	Responsibility for enforcing this assigned. Filing system in PAP agreed.	PAP	Easy, database for storing reports would help. (Also S-VIII.1.1).	now
2.	**Re-engineering PIM processes**				PAP 2016–17
S-I.2.1 = I.2.1	Undertake process mapping and identify key players and their roles and responsibilities in the PIMS (existing action I.2.1).	Develop process maps. Document roles and responsibilities in detail, esp. decision making roles.	PAP	Still to do.	2017
S-I.2.2 = I.2.2	Develop a PIMS organogram describing roles and responsibilities of various players (existing action I.2.2).	Documents hierarchical and peer-to-peer relationships.	PAP	Builds on I.2.1.	2017

No.	Action	Milestone/Status	Lead	Comment	Proposed Timeline
S-I.2.3	Fine-tune the project identification and pre-investment cycle with a view to strengthening the role of the DC as the gatekeeper (and PAP as its technical advisor), and introduce checks against the MTEF.		PAP, PS/ST	See detailed mission recommendations in Chapters III–V.	2017–18
S-I.2.4	Introduce annual PIP review in Sept./Oct. between MoFPED, NPA, and MDA/sector in relation to sector-specific MTEF constraint.		PAP, BPD, PS/ST		2017
S-I.2.5	Review the role of NPA in PIMS and develop proposals for strengthening cross-sector coordination for growth and development.		PAP, PS/ST		2017
S-I.2.6	Develop a glossary of PIM-related terms and cross-check with legal documents; standardize.		PAP	Terminology in legal doc. is inconsistent.	2017
II.	**Improving the Entire Project Cycle**				PAP 2016–17
1.	**Developing Documents on PIM framework**				
S-II.1.1	Issue step-by-step highly operational guide on project appraisal (further breaking down the guidance of the appraisal manual).	a. Financial appraisal and costing both investment phase and post-delivery OM (high priority) b. Implementation planning (high priority)	PAP	Possibly with support of a project management consultant.	2017
S-II.1.2	Prepare operational manual on ongoing project monitoring, including physical, financial, contract(s) implementation progress.	a. Develop phased plan b. Implement plan	PAP, OPM, NPA	PAP/ MoFPED for financials, coordinate with others.	Initiate in 2017
S-II.1.3	Develop definition of a project, and set out criteria for entry into and exist from the PIP.		PAP, PS/ST	Elaborate on the DC guidelines.	2017

No.	Action	Milestone/Status	Lead	Comment	Proposed Timeline
2.	**Improving the Project Selection Criteria**				
S- II.2.1	Develop a standardized project summary (1–2 pages) for senior decision makers, e.g., DC. (relates to existing action II.2.1).	a. Identify key information required for decisions. b. Institute procedures to ensure quality of this key information.	PAP	Possibly with support of a project management consultant.	2017
3.	**Developing Methodologies and Templates (Analytical Tools)**				
S-II.3.1	Develop detailed costing forms for use in the appraisal and in project monitoring.	a. For investment phase b. For post-delivery phase (maintenance & operating costs)	PAP/ Budget Planning Unit	Possibly with support of a project management consultant.	2017–18
S-II.3.2	Develop a brief manual on fiscal risks of projects and in particular of PPPs (related to existing II.3.2).		PAP/ PPPU	Possibly with TA.	2017–18
S-II.3.3	Develop prototype projects to standardize project appraisal where suitable (e.g., schools, local roads, health clinics) (relates to existing II.3.3).		PAP/ NPA/ MDAs	Build on some completion or evaluation reports.	2018
III.	**Develop Capacity in Whole Project Cycle**				PAP 2016–17
1.	**Implement Training Programs at Basic, Intermediate, and Advanced Levels**				
S-III.1.1	Develop short training courses in key skills in PIM (as already initiated).		PAP, MAK		Continue in 2017
S-III.1.2	Continue to identify partners for capacity building, and identify support for curriculum development.		PAP, MAK	Support curriculum development, possibly under new WB project.	Initiate in 2017
S-III.1.3	Identify options for providing training on project management (existing VII.2.1).				2017–18

No.	Action	Milestone/Status	Lead	Comment	Proposed Timeline
2.	**Develop on the Job Training Approaches**				
S-III.2.1	In the context of a structured cycle of developing new projects, provide training on procedures and documents to be submitted.		PAP, MAK, MDA		Initiate in 2018
IV.	**Develop Uganda's National Parameters**	Underway	PAP	See Annex 1.	PAP 2016–17
V.	**Establish an Integrated Project Database**			**High Priority**	PAP 2018–23
V.1.	**Create Reliable Baseline on Existing Projects through a Stock-take and Overhaul of the PIP Database**			**High Priority**	
S-V.1.1	Review all existing projects, obtain financial, costing, contractual and physical information to establish a new baseline.		PAP with MDAs	High priority. Possibly with support of a project management consultant.	Sept. 2017
S-V.1.2	Update all cost estimates to realistic current estimates (multi-year commitment, cash flow projections).		PAP with MDAs	High priority. Possibly with support of a project management consultant.	Sept. 2017
S-V.1.3	Remove projects from PIP based on established criteria.		PAP	Links with S-II.1.3.	Sept. 2017
S-V.1.4	Put all project-related signed contracts into the IFMIS, and all pending certificates.	a. Update in conjunction with S-V.1.1 b. Issue Treasury Instruction for timely inclusion of info into IFMIS	MDAs with AGO	High priority.	Sept. 2017
S-V.1.5	Open IFMIS to all interested stakeholders with role in monitoring (read/ download access).			May have cost implications.	2017–18

No.	Action	Milestone/Status	Lead	Comment	Proposed Timeline
V.2.	**Develop the Management Structure and Business Requirements for the IPD**				
S-V.2.1	Set up a project management team for the IPD.		PAP, PS/ST		June 2017
S-V.2.2	Develop the conceptual design, including information requirements, desired functionality, users and stakeholders, governance structure.		PAP, Consult		2017
S-V.2.3	Determine procedures for ensuring reliability of information in the IPD.		PAP, Consult		2017–18
V.3.	**Develop Technical Specifications of the IPD**				
S-V.3.1	Develop technical specifications, including interlinkages with existing systems.		PAP, Consult		2018–19
S-V.3.2	Decide on IT platform.		PAP, Consult		2018–19
S-V.3.3	Decide on IT support.		PAP, Consult		2018–19
V.4.	**Build Capacity on IBP Operations**				**PAP 2018–23**
S-V.4.1	Conduct training on IDP (existing action V.3.1).	Start with training on PIP	IBP team		
VI.	**Enhance the Legal and Budgetary Framework**				
1.	**Improving the Legal Framework**				**PAP 2018–23**
S-VI.1.1	Develop a PIM policy, including relation between traditional projects and PPP.		PAP	Will inform need for legal revisions.	2018
S-VI.1.2	Provide input on asset management section of Treasury Instructions.	Underway	PAP	FAD/AFE could review.	2017
S-VI.1.3	Develop PIM section in the Treasury Instructions.	Underway	PAP	FAD/AFE could review.	2017
S-VI.1.4	Identify updates to the legal framework, e.g., PFM Act, PPP Act, possibly new PIM Act.			Avoid fragmentation of legislation.	2019

No.	Action	Milestone/Status	Lead	Comment	Proposed Timeline
2.	**Improving the Budgetary Framework**				**PAP 2018–23**
S-VI.1.1	Make the top-down budget strategy phase more effective.	a. Prepare an annual assessment on PIP commitments for Cabinet. b. Introduce or formalize a process of Cabinet approval for key parameters of the MTEF, including sector shares.	BPD, PS/ST BPD, PS/ST	Possibly FAD/AFE TA.	2018
S-VI.1.2	Make the MTEF more effective; make t-1 forward estimates the baseline for budgeting in t, esp. for upcoming budget t+1.		BEPD	Possibly FAD/AFE TA.	2018
VII.	**Improve Implementation (Investment Phase)**				
1.	**Develop Standardized Set of Key Performance Indicators**				**PAP 2018–23**
S-VII.1	Develop set of standardized indicators to determine if project is ready to receive budget funding, i.e., can absorb financing.		PAP	Possibly in conjunction with developing the IPD.	with IPD
S-VII.2	Develop set of standardized project performance/ progress indicators suitable to inform senior decision makers (existing VII.1.1).		PAP with OPM	Possibly in conjunction with developing the IPD.	with IPD
VIII.	**Improving Monitoring and Ex-Post Evaluation**				
1.	**Develop a Monitoring and Ex Post Evaluation Framework**				**PAP 2018–23**
S-VIII.1.1	Demand delivery of completion reports, and set-up procedures for circulation to all interested stakeholders.	Assign responsibility for follow-up.	PAP	Also S-I.1.4.	2017
S-VIII.1.2	Demand preparation of evaluation reports on key questions/issues relevant for strengthening PIMS.	Identify key issues where ex-post evaluation could help; coordinate with sector.	PAP/ BMAU/ NPA		2018

Annex III. Uganda: Project Appraisal Funnel

Phase I – Project Identification

Objective: Identify a problem and a potential solution

Key Information required:
Determine beneficiaries / Impact
Rough cost estimates

Decision: Is it consistent with development strategy?

Phase II – Pre-Investment

Project Profile

Objective: Identify project goals, outcomes, outputs, activities and inputs with associated key performance indicators and risks (log frame)

Decision: Is the project sufficiently strong for approving further development?

Pre-Feasibility Study

Objective: Evaluate options (solutions) identified as part of the profile study; special focus on the demand, stakeholders, financial and economic modules

Decision: Is the proposal suitable for funding for feasibility study?

Feasibility Study

Objective: A detailed appraisal of the best option chosen from the pre-feasibility study; focus on the technical, legal, environmental, human resources and risk modules

Decision: Is the project suitable for consideration to enter the PIP?

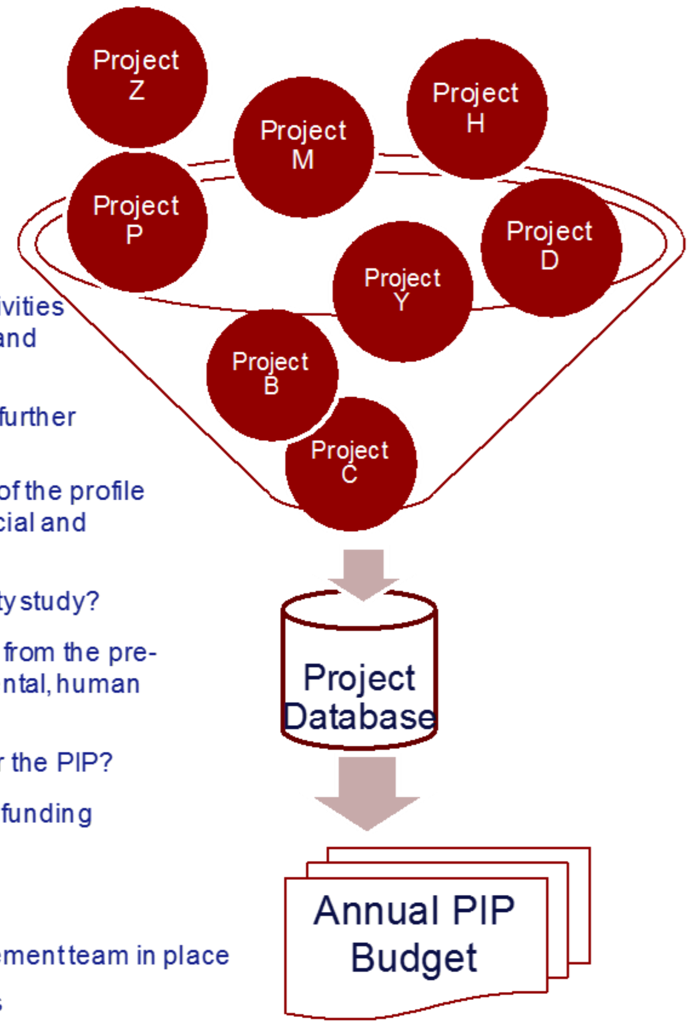
Phase III – Investment

Stage I – Budget Readiness

Objective: Prepare and select projects to receive budget funding

Key activities:
Select among pre-PIP projects – MOFPED & MDA
Identify financing - MOFPED
Project implementation plan fine tuned – Project management team in place

Output: Project receives resources and execution begins



Annex IV. Appraisal Techniques

The following appraisal techniques are accepted standards to assess the society-wide costs and benefits of project proposal.

1. Cost-Effectiveness Appraisal

This is a simple technique for the smallest projects and the most widely used technique in most countries (after all, there are a great number of smaller projects). It aims to discover the best value means of achieving a given set of outcomes. It is a cost-minimization technique and compares the relative costs of the various options available for achieving a particular objective, taking into account all costs—capital and recurrent.

2. Multi-Criteria Analysis

This technique is typically applied for medium and large projects. It brings structure and transparency to the judgements on how options compare with each other in relation to complex objectives by measuring factors that cannot be expressed in monetary values. The assessment criteria should be entirely linked to the objectives of the project and can be weighted to take in to account the relative importance of each objective. The impact of each option on the project objective(s) are given a score; the option with the highest score wins. Multi-Criteria Analysis is also used as a first step appraisal tool in CBAs.

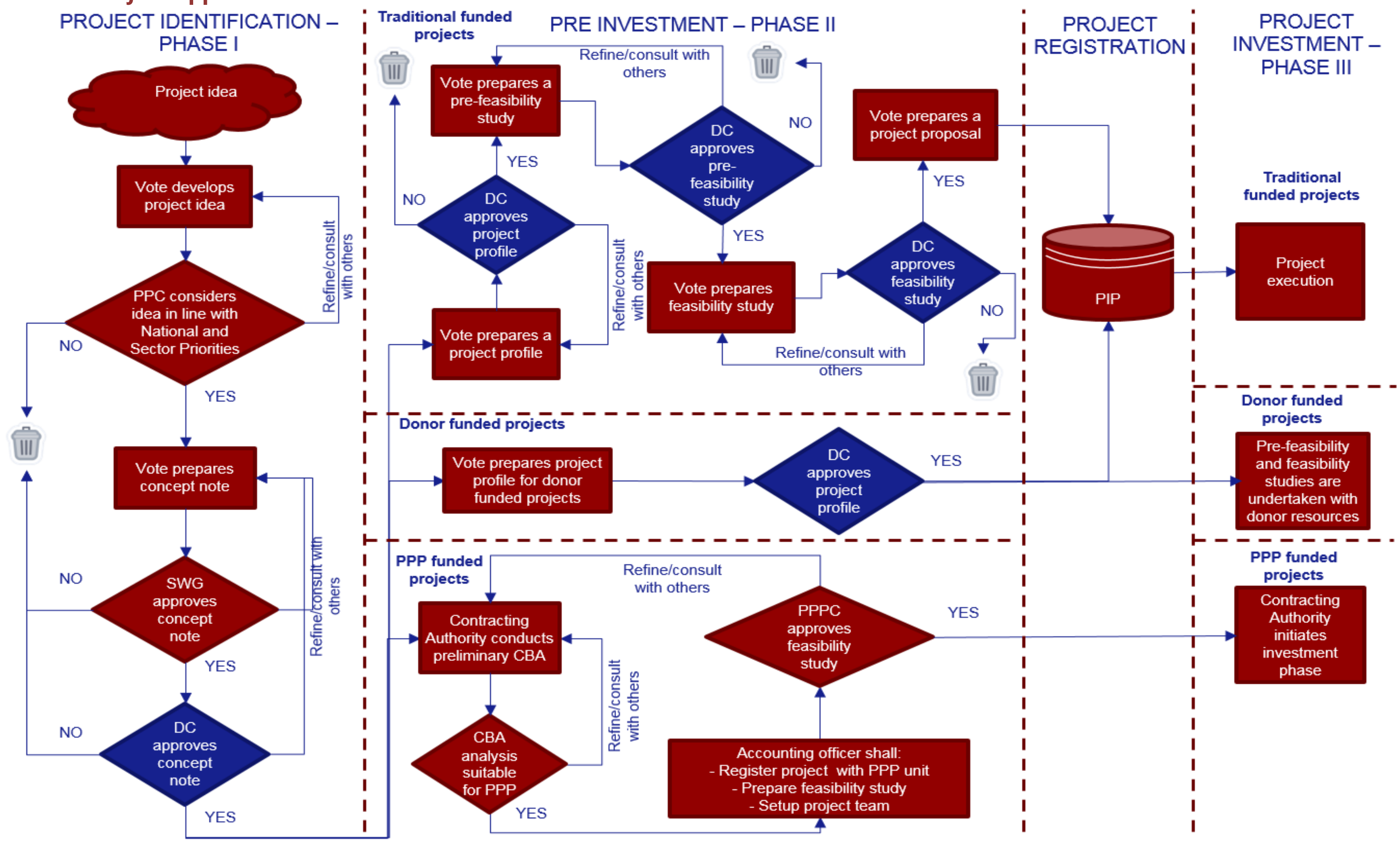
3. (Social) Cost Benefit Analysis

This is the most comprehensive but also most complex and costly technique, and in most countries it is only applied to the largest projects. The CBA aims to assess all costs and benefits on the same basis—a monetary value basis. All costs (capital and recurrent) and all benefits (social and economic) are estimated over the expected operational life of the project. The costs and benefits are adjusted using a 'Discount Rate' (usually set by Ministry of Finance) to a value them in today's money so that they can be compared. This value is compared across competing projects.

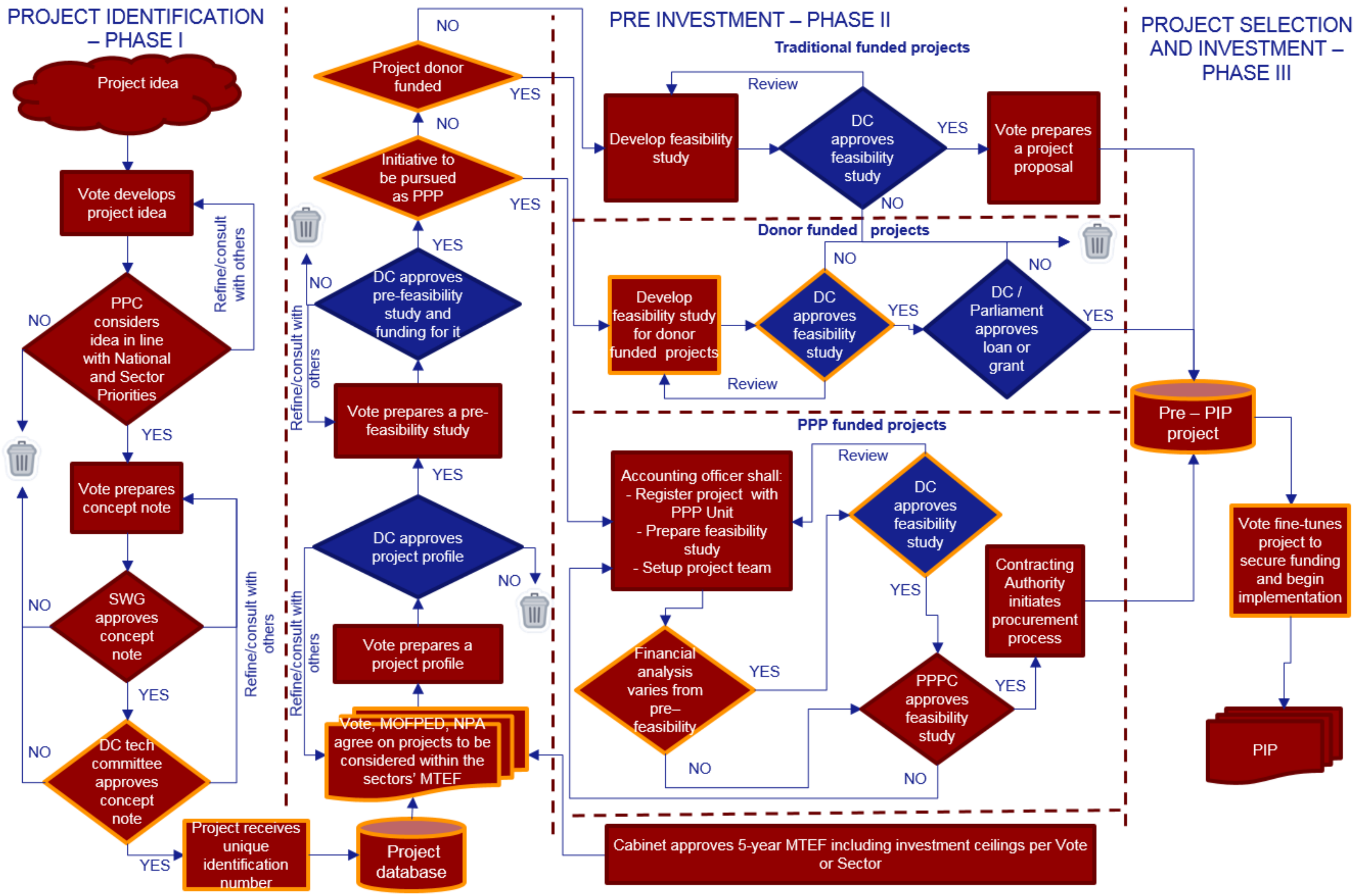
The appraisal technique selected will depend on the perceived project risk, the availability of skilled staff and cost. Most PIM systems exclude only the smallest projects from any appraisal entirely (e.g., GBP10,000 in the UK). Perceived project risk depends on the size and complexity of the project, but also on previous good or bad experiences with the type of project, or the lack of experience/novelty with the particular project. Moreover, as a prerequisite, any project appraisal requires qualitative intelligence on the need and nature of the project to ensure that the project addresses a well-identified underlying problem. A formulaic application of formal appraisal techniques can be highly misleading.

Annex V. Uganda: Project Appraisal Process: Current and with Proposed Changes

Current Project Appraisal Process



Appraisal Process with Proposed Changes



Legend

- PPP Unit – Public Private Partnerships Unit
- PPC – Project Preparation Committee
- DC – Development Committee
- CBA – Cost – Benefit Analysis
- SWG – Sector Working Group
- DC Tech Committee – Technical committee of DC
- MOFPED – Ministry of Finance, Planning and Economic Development
- NPA – National Planning Authority
-  - Project leaves the approval process
- 

 - Annual PIP budget
- 

 - Database of investment projects administered by the MOFPED
- 

 - Determines an approval stage by the Development Committee
-  - Yellow border implies an activity/decision point added to the process

Annex VI. Elements of the Integrated Project Database

Building a database of projects is a continuous task that should progressively become more comprehensive. This annex summarizes key information that can be considered a starting point in this process, most of which is considered in the templates developed by the DC.

Although projects are subject to changes and modifications along the way, there is a first set of information that will help identify the initiative throughout its life, which should not change.

- **Project ID:** unique identification number that distinguishes initiatives that have met all the criteria for inclusion in the project database. As per the proposed approval process, an ID will be given after the approval of the concept note by the technical subcommittee of the DC.
- **Project name:** should include key words that describe the main component of the project, but must not be a description of it. A limit in number of characters must be determined. This name is provided by the project sponsor.
- **Date of inclusion into database:** is saved automatically when the project is first included in the database. It will help determine if a project needs to be reviewed before its allocated resources from the budget.

It is vital for the successful completion and monitoring of a project that all interested parties are identified from the start. This will increase coordination within government during implementation and identify those entities that play a crucial role for the successful execution of the investment portfolio. This information shall be identified by the owner of the project.

- **Project owner/accountable party:** shall specify the Ministry/Agency in charge of the project as well as the specific unit within it and the officer accountable.
- **Implementing entity:** shall be used whenever the implementing entity is different from the project owner.[1]
- **Supporting entities:** it is a comprehensive list of all other entities that must somehow be involved in the project's execution that will determine the assistance required from other sectors and improve the coordination within government.

A project included in the database shall also contain information that provides the reader with an understanding of the problem at hand and the strategy that is being suggested for its implementation. This information determines the scope of the project and is provided by the project owner.

[1] For example, the Ministry of Education might design and request resources for improving the school infrastructure, but the actual construction is overseen by a Ministry of Public Works, as is the existing setup in certain countries and municipalities.

- **Project description:** provides the reader insights on the current situation and problem that needs to be addressed, a description of the project activities that will be implemented and the expected outcomes.
- **Project objective:** should refer to the main objective that the project expects to achieve.
- **Problem to be solved:** shall specifically state the situation that will be corrected, or improved, with the execution of the proposed project. Identifying the problem correctly is important to determine if the proposed solution is really addressing this situation.
- **Alternative solutions:** other possible solutions or components that were analyzed but not selected. This information is relevant for reviewing proposed changes to the project scope.
- **Deliverables:** should be clearly defined from project inception but are subject to refinement as the project moves along the approval process. These should be specific and easily measurable, as they will be used to determine the success and impact of the project.
- **Duration:** the time that will take to complete the project as is being presented, including any prefeasibility or engineering studies that are required. Determining the number of budget periods through which the project must be awarded resources shall feed into the MTEF. The initial estimate is highly relevant for extracting learnings during the evaluation phase.

The final piece of this descriptive information is important for analyzing the composition of the investment portfolio for coherence with the development strategy, the regional needs and the country's execution capacities. This data shall link every proposal with variables such as the primary sector of the economy to which it is linked or the geographic location. These fields must be standardized across projects. This information is provided by the project owner before the project's inclusion in the database.

- **Type of Project:** the type of investment or activity that is going to be carried out. It will allow identification of initiatives that should be considered recurrent or that can have an impact on recurrent expenditure.
- **Economic activity area:** defines the sector of the economy to which the project is related. It is related with the development strategy of the country.
- **Geographic location:** determines location and area of influence of the project. It is important to evaluate if it is addressing the needs of that particular region. From a project portfolio perspective, it allows the determination of the proximity to similar initiatives and to map how resources are distributed among regions and population.
- **Link to development strategy:** every project must be clearly linked to the development strategy drafted by the authorities. Links should be determined at the level of objectives and indicators and contribution to targets to allow for monitoring.

There is a second set of information that will be constantly updated during a project's life. Initial estimates of the following information will be included in the original project profile and will be complemented as initiatives move along the different stages of approval and implementation. The differences between the original data and the actual results will determine the level of accuracy of the planning stage and should also serve as reference for similar projects in the future. This information shall be provided by the project owner based on pre-feasibility and feasibility studies, and through the project's monitoring.

- **Total cost:** the total cost of the project must be divided between the different budget cycles as per the duration described earlier. This information is relevant for project selection and to guarantee future funding requirements. Cost estimates should also be provided for maintenance and operating costs post-delivery. Changes to the total cost of a project should be approved by the DC and integrated into the MTEF.
- **Budget additions/reductions:** reflect changes to the original expenditure plans. It is important to explain if these changes are as a result of a change in scope or under/over estimation of the original budget. Must be approved by the DC considering the impact on the MTEF. Changes shall be consistent with the result of the project's monitoring.
- **Cash flow forecast:** physical execution is normally different from cash flow execution. It is important to determine cash requirements that will put pressure on the fiscal accounts since the inception of the proposal. Full detail should be available by the completion of the feasibility study and implementation plan and shall be closely monitored and regularly updated throughout execution.
- **Sources of Funding:** must distinguish between government funding, donor loan or grant or PPP. As per the proposed approval process, these will need to be clearly identified at the pre-feasibility study but will only be secured after the project is fully approved and included in the PIP. Guaranteeing an appropriate funding is crucial to achieve a timely completion of the project. Any changes should have the approval of the DC.
- **Impact on future current expenditures:** information relevant to determine the project's future resource requirements and its consistency with the MTEF.[2] These requirements must be identified by the feasibility report and must be a key decision point for project approval. MoFPED must formally guarantee that future resources will be available for the project's operation stage.
- **Physical execution plan:** projects must present a detailed implementation schedule with defined milestones, highlighting key actions, bottlenecks and responsible parties as a mechanism to avoid delays. The feasibility studies must present detailed information on the specific activities and outputs that make up the project implementation phase.
- **Relationship with other projects:** shall identify the other initiatives that are necessary for the successful implementation of the project or those that depend on it. The inputs from/to

[2] A typical example of this are mass transit systems, which most of the time need considerable amounts of subsidies from governments.

other projects shall be considered in the physical execution plan and must be closely monitored.

The database should keep track of different dates during the lifetime of a project, especially, when it clears the different approvals required.

- **Latest revision:** time of last review done by project champion.
- **Approval:** the date when the project is allocated budget resources.
- **Project start and project end:** actual start and end dates of the project, which will help determine deviations from the original plan.

This description provides a starting point of the information that should be included in a project information database. As the country's planning, execution, monitoring, and evaluation capacities increase it must be updated to reflect the new information requirements, for example, pictures of the projects, statistical information of the country, or soft copies of the studies undertaken during the approval process.

Annex VII. Uganda: List of Key Documents

Annotated list of Government of Uganda and diagnostic documents

- *A Diagnostic Study* – Projects and Public Private Partnership Department – MoFPED – August 2016
- *National Policy on Public Sector Monitoring and Evaluation* – OPM – 2013
- *Operationalising the National Policy on Monitoring and Evaluation* – Department of Monitoring and Evaluation – November 2014
- *Government Annual Performance Report (GAPR)* – Volume 1 & 2 - OPM – August 2016
- *Agriculture Sector Strategic Plan 2015/16 – 2019–20* – Ministry of Agriculture, Animal Industry and Fisheries – June 2016
- *Development Committee Guidelines: The Approval and Review of the Public Investment Plan (PIP) Projects* – MoFPED – August 2016
- PIM Uganda Simplified Methodology Project Appraisal F2016 – MoFPED – February 2016
- *Proposal for Redesigning Uganda's PIP Database*, including recommendations based on international best practices on Integrated Bank of Projects (IBP) Systems, August 2015.
- *Public Private Partnership Act 2015*
- *Proposal for a Public Investment Management Framework for Uganda* – MoFPED – August 2015
- *The Second National Development Plan [NDPII] – FY2015/16 – 2019/20*
- *Approved Budget Estimates Volume 1 & 3 FY2016–17*
- *Approved PIP FY2016–17*
- *Approved PIP FY 2015–16*
- *National Budget Framework Paper (NBFP) FY2016–17*

Uganda Databases with Public Investment Information

- *Uganda PIP database*
- *Uganda BOOST database*
- *Uganda Multiyear Commitment Workbook*
- *MTEF Workbook*

Previous IMF and AFRITAC East TA Reports

- AFE Aide Memoire – *National Training Workshop on Strengthening Medium-Term Budget Frameworks* – Kubai Khasiani et al. – September 2016

- AFE Aide Memoire – *Reviewing the Capital Budgeting Process* – Tawfik Ramtoolah and Simon Groom - November 2014

References

- *The Power of Public Investment Management* – Transforming Resources into Assets for Growth – Anand Rajaram et al. – The World Bank Group
- *The PPP Risk Assessment Model* – IMF and The World Bank Group
- *IPSAS 32 – Service Concession Agreements* – Grantor – The International Public Sector Accounting Standards Board
- *Guide to Implementation Planning* – Government of Australia
- *Making Public Investment More Efficient,* IMF's Public Investment Management Assessment (PIMA) Board Paper, June 2015
- *Manual de Procedimientos del Banco Nacional de Programas y Proyectos*, BPIN. DNP 2011

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