

Implications for PFM Legal Frameworks within a Monetary Union

Recent Legal Framework Development in Uganda


A presentation at a Workshop on Macro Fiscal and PFM issues for East African Monetary Union

29 February -2 March 2012, Arusha, Tanzania

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Presentation Outline

- Introduction
 - Recent Legal Framework Development
 - Objectives
 - Major tenets
 - Conclusion
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Introduction

- Uganda has implemented a number of Public Financial Management reforms over the past decade, aimed at improving accountability and value for money in the management and use of public resources.
- However, there were a number of weaknesses in public financial management highlighted by various assessments (such as the PEFA and the Annual Reports of the Office of the Auditor General).
- In addition, the legislation was inadequate for management of the anticipated Oil and Gas revenues hence the need for its review and strengthening.

Introduction Cont'd

- Undertook benchmarking studies in the UK, Botswana, Norway and Newzealand
- Technical Assistance from the IMF.
- Exercise was lead by a Task Force consisting of Finance, Justice, Local Government and Office of the Prime Minister
- Undertook extensive consultations with Ministries and Local Governments

Legal Framework Development- Objectives

- To amend some provisions and consolidate the Public Finance and Accountability Act (PFAA) 2003 and the Budget Act 2001; and
- Introduce aspects of Petroleum Revenue Management in the legislation.

Enhancing Fiscal Responsibility (Fiscal Policy Principles)

- Maintenance of prudent levels of public debt
- Ensuring sustainable non-oil fiscal balance over the medium term;
- Managing petroleum resources and other finite resources for the benefit of current and future generations; and
- Managing fiscal risks in a prudent manner

Enhancing Fiscal Responsibility- Cont'd

- The new legislation requires the Ministry of Finance to present to Parliament:
 - A Charter of Fiscal Responsibility setting out government's measurable objectives for fiscal policy for a period of no less than the next three financial years which are consistent with the fiscal policy principles
 - The Annual Budget Framework Paper that provides a medium-term Macroeconomic Framework setting out actual, estimated, and projected values of the economic variables
 - Progress, semi-annually, on Government's performance against the fiscal objectives laid out in the Charter of Fiscal Responsibility

Enhancing Fiscal Responsibility- Cont'd

- The Parliamentary Budget Committee (with technical support of the Parliamentary Budget Office) is mandated to scrutinise the assumptions and provide their opinion for Government to consider.

Budget Preparation and Execution

- The new legislation provides for Parliament to:
 - Scrutinize and approve the Annual Budget Estimates and Bills required to implement the annual budget, no later than 31 May each year.
 - Approve multi-year commitments, including for projects, set out in the annual Budget documents which shall contain details on the current and proposed multi-year commitments.
- Commitments are to be based on appropriations guided by workplans and quarterly cash flows

Budget Preparation and Execution-Contd

- Supplementary expenditures:
 - To be provided for under the Contingencies Fund, in order not to cause distortions of other Ministries' expenditure programmes.
 - To be appropriated at 3.5% of the budget of the preceding fiscal year of which 0.5% shall be ring-fenced for national emergencies and the 3.0% for General supplementary contingencies.
- Parliament is empowered to appropriate any such additional funds as it may deem necessary. Specific provisions have been made to determine the rules to limit access to both the general and emergency components of the Contingencies Fund. The Fund shall be replenished annually through appropriation as part of the national budget.

Provisions for Petroleum Revenue Management

- The new legal framework provides for the collection, allocation and management of petroleum revenue in a responsible, transparent, accountable and sustainable manner for the benefit of the citizens of Uganda.
- The proposed legislation also establishes a Petroleum Fund as an endowment to support the welfare of future generations after petroleum production has ceased while also providing disbursement to the National budget through the Consolidated Fund.

Provisions for Petroleum Revenue Management Cont'd

- The Purpose of the Petroleum Fund is to:
 - Receive all petroleum revenue accruing to Government;
 - Finance savings and investments for the benefit of current and future generations through the Petroleum Investment Fund; and
 - Support the national budget through transfers to the Consolidated Fund.
- The legislation provides that the Petroleum shall not be earmarked, pledged, committed, loaned out, or otherwise encumbered by any person or entity, and petroleum revenues shall not be used to fund expenditures outside the annual budget allocations.

Provisions for Petroleum Revenue Management – Cont'd

- The Minister is required to present to Parliament annually the Benchmark Revenue based on the projected production and average price
- All transfers from the National Petroleum Fund to the Consolidated Fund shall be with prior Parliamentary approval.
- In order to assure transparency and accountability, the management of petroleum revenue and savings shall always be carried out with the highest internationally accepted standards of transparency and good governance.

Provisions for Petroleum Revenue Management Contd

- **Auditing:** The Petroleum Fund will be audited and records of petroleum receipts in whatever form, shall simultaneously be officially gazetted and published in at least two national daily newspapers, half-yearly and on-line.
- **Investment:** Shall be in only qualifying instruments which are not domestic assets/ventures, to be reviewed by the Minister every three years, upon the advice of an Investment Advisory Committee composed of professional persons of proven competence in financial investments.

Provisions for Petroleum Revenue Management Contd

- Funding channelled to the Annual Budget shall be for only infrastructure development

Conclusion

- Harmonisation of the Budget calendar is critical
- Harmonise EAC-wide priorities and projects with the National plans and priorities
- Learn from the experience of the eurozone to avoid the pitfalls faced.