Are the Public Financial Management E-Systems Performing?

Overview

Public Financial Management (PFM) refers to the rules, regulations, tools, institutions, and instruments government uses to manage public resources. Well-designed PFM institutions support economic policy objectives, lead to inclusive growth and the achievement of Sustainable Development Goals (SDGs). Furthermore, good PFM eliminates wastage in allocation of resources, increases ability to mobilize resources and achieves greater impact on service delivery (www.IMF.org/moocs).

The Government of Uganda (GoU) has demonstrated commitment towards E-Government, through investments in the National Information Technology Authority-Uganda (NITA-U) and Ministries, Departments and Agencies (MDAs). Strides are being undertaken to ensure connectivity for all through the national backbone transmission infrastructure, which seeks to connect the entire country to an optical fiber cable. Funding through the budget is extended to the MDAs and Local Governments (LGs) to develop E-Systems to enhance public financial management and efficient service delivery.

Under the supervision of the Ministry of Information, Communications Technology and National Guidance, and NITA-U, government continues to make effort to improve service delivery through E-Government. The institutions under the Accountability Sector have developed a raft of E-Systems to drive PFM in Uganda.

This policy brief discusses the performance and effects of five E-systems under the Accountability Sector, namely: Programme Based Budgeting System (PBS), Integrated Financial Management System (IFMS), E-Tax System, Enterprise Resource Planning (ERP) System and E-Government Procurement (E-GP).

Key Issues

- Uganda's online service index improved from 50% in 2016 to 57% in 2018 as a result of using E-Systems.

- The use of E-Systems improved the timeliness and quality of financial reporting; harmonized planning across MDAs/LGs; increased transparency in transactions, and improved access to information by various stakeholders.

- The inadequate resources to support the adoption and use of the E-Systems by the MDAs/LGs, especially to acquire necessary equipment, Internet access, hardware and reliable power hampers the uptake and functionality of the E-Systems.

- Limited integration of the E-Systems is affecting the potential benefits, including quick verification of data from the different independent systems.

Introduction

Electronic systems (E-Systems) refer to the use of the web, internet, intranets, extranets or some combination thereof to conduct business. E-Systems can achieve a much wider range of business processes such as: supply chain management, electronic order processing, and client relationship management. E-business processes, therefore, can help government to operate more effectively and efficiently.

Development of E-Systems as a strategy is anchored in the objectives and interventions of the second National Development Plan (NDPII) that include; **Improving public financial management and consistency in the economic development framework** whose interventions include; introduction and roll out of e-GP, develop an integrated planning and resource allocation framework to ensure alignment (PBS), **increase tax to GDP ratio**-through integrating e-tax with utilities and other agencies among other strategies.

E-Government on the other hand is the use of information and communications technology (ICT) to deliver public services in a convenient, efficient customer-oriented and cost effective way. E-Government enables citizens, enterprises and organizations to carry out their business with government more easily and quickly, and at a lower cost.

The Government through the NITA-U has made deliberate effort to improve service delivery through E-Government. According to the recent United Nations E-Government Survey 2018, Uganda's online service index improved from 50% in 2016 to 57% in 2018, which puts the country in a high online service index bracket.

EFFECTS ON PERFORMANCE RESULTING FROM USE OF E-GOVERNMENT SYSTEMS

This section shares experience of the users of; E-tax, ERP, PBS, IFMS, E-GP in the MDAs &LGs. The users include: Ministry of Water and Environment (MWE); Ministry of Works and Transport (MoWT); Ministry of Agriculture, Animal Industry and Fisheries (MAAIF); Uganda Revenue Authority (URA); and District Local Governments (DLGs) that include – Nebbi, Arua, Maracha, Koboko, Gulu, Omoro, Agago, Otuke, Kamuli, Kapchorwa, Kween, Kaliro, Kabale, Rubirizi, Namayingo and Bugiri.

i)Integrated Financial Management System (IFMS)

The IFMS is an IT-web based budgeting and accounting system for MDAs and LGs to plan, budget and spend within the approved budgets, manage, and report on financial transactions in government. It is implemented by the Ministry of Finance, Planning and Economic Development (MFPED). Its objective is to improve timeliness and comprehensiveness of financial reporting which allows availability of real time accurate information for planning and decision making by stakeholders.

IFMS is leveraged to provide the platform for implementing other key PFM reforms that include -

Treasury Single Account (TSA), and interfaces with other systems such as PBS and URA's e-tax system.

Benefits of using IFMS

- *The IFMS enables timely payments to URA in respect of Pay as You Earn and Withholding Tax arising from deductions from suppliers.*

- *IFMS enabled the introduction of the TSA that led to closure of all other bank accounts of MDA and LGs that were redundant, prone to fraud and costly to maintain.*

Despite IFMS setup for online update of all ledgers as and when transactions occur, there remains instances of mischarges, increase in domestic arrears, outstanding advances and nugatory expenditure that erodes accuracy of the reports. For example, the Auditor General's reports cited mischarged expenditure of Ug shs 83.861bn in FY 2016/17 down from Ug shs 168bn in FY2015/16. This occurred despite, the IFMS inbuilt control systems that do not permit spending beyond approved budget limits. Mischarges were also attributed to human intervention on the system on account of poor training.

ii) Programme Budgeting System harmonized planning systems across MDAs and LGs

The PBS is a web-based system that enables Government achieve a uniform standardized planning system for all MDA and LGs. It is championed by MFPED and was envisaged to increase transparency, as different actors would be involved in budgeting, reduce chances of mischarges since the budgets are prepared up to item level and minimize budgeting errors.

Benefits of using the PBS

- *Budget estimates are submitted online, which has reduced the frequency of LG planners traveling to MFPED for adjustments and corrections to the tool. This is saving time and transport costs, so planners in the MDALGs devote more time to other activities.*

- *The PBS does not allow capture of budget estimates beyond allocated ceilings and will not allow expenditure reporting against items not included at the planning level. This has controlled excess expenditure on budget lines.*

- *The PBS enables faster update of the budget website which in turn allows easy access to information.*

- *The percentage of MDALGS completing the budgets and progress reports in time improved to 85% and 70% for MDAs and LGs respectively. Interface of the PBS with the IFMS for uploading the budget was achieved and supports expenditure against the budget in LGs.*

iii) E-Government Procurement (E-GP) System

This is a web based system implemented by the Public Procurement and Disposal of Public Assets Authority (PPDA) and is being piloted in 10 MDA[1]/LGs. The system covers the full procurement lifecycle, supports all procurement modalities and keeps a record and audit trail of all procurement activities. It creates a common database and electronic trail of procurements which facilitate proper planning, reporting and monitoring of public procurements.

Benefits of using the E-GP

- *The procurement cycle time is minimized as submission and evaluation of bids is conducted online, this process is easily tracked by stakeholders which eliminates delays.*

- *There is increased transparency in procurement procedures and practices, reducing the need for time consuming objections.*

iv) E-tax System

This is a web based system implemented by URA to administer and collect taxes. It enables taxpayers

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[1] MFPED, MWE, NITA-U, PPDA, UNRA, KCCA, CAA, NSSF, Jinja DLG, and Mpigi DLG

access information regarding assessment and payment of the different taxes. Additionally, URA has continued to roll out solutions that enable interaction and sharing of business transactional information between segments that include; business to business, business to consumers, business to government and the Enterprise Resource Planning (ERP) for internal performance management and automatic reconciliation of taxes collected through other e-systems.

Benefits of using the E-tax System

- *Compliance with submission deadlines of tax returns has improved as MDA/LGs no longer have arrears in regard to Pay as you Earn and Withholding Tax, the system issues notification and reminders for filing of returns which has reduced incidents of penalties to MDA/LGS.*

- *Keeping records at URA and turnaround time in serving clients has improved. At the URA stations, progress of internal processes is easily tracked on the ERP system-this includes staff appraisals, internal requests and coordination work.*

- *The ERP extracts reports from the E-tax platform and reconciles with the bank collections for taxes paid, URA quickly obtains the amount of taxes collected through the commercial banks and remitted to Consolidated Fund on a daily basis.*

Implementation Challenges

i) Inadequate resources to support the uptake and use of the E-Systems by the MDA/LGs, especially to acquire necessary hardware and reliable power supply.

ii) Although Internet rates are subsidized by GoU, affordability in some regions especially West Nile and some parts of the Eastern Uganda remains a barrier to Internet access and optimal use. This hampers the adoption and functionality of the E-governance systems.

iii) Inadequate training given to the MDAs and LGs in the roll out of E-Systems hinders efficient use, thus limiting benefits achieved.

iii) Limited integration of the different E-Systems affects the efficiencies that would be derived. For example, the Office of the Auditor General (OAG) in FY2017/18 disallowed receipts generated by Kamuli DLG from the e-tax platform in support of manual tax payment. This would be easily verifiable from the system by the OAG if there was maximum integration on the cloud platform. As well, expenditures on the IFMS are not automatically updated on the PBS due to non-integration.

iv) Lack of flexibility of some E-Systems, for example the PBS requires a lot of data to be entered under the health and education sectors at the LGs, however the system does not permit importation from excel formats.

v) Capacity of staff especially at LGs. In some instances, Accounting Officers were found to lack capacity to utilize the IFMS function to originate transactions which delayed access to funds.

vi) Resistance to use of E-Systems, for example in many MDAs and LGs work on the PBS is left to the planners to handle yet its set up is to have at least each head of department complete their section tasks on the system. This overwhelms planners and delays completion of statutory and progress reports.

Conclusion
Despite the challenges with all the E-Systems introduced, there is an ongoing revolution in the operations of the MDA/LGs. Some level of enhanced performance on account of E-Systems was registered as attested to by the championing Votes; MFPED, URA, PPDA and the users in the MDA/LGs. However, to accelerate and achieve optimum gain in the use of the E-Systems to support PFM will require strategic interventions to be undertaken as proposed in the recommendations.

Recommendations
- Government through the Ministry of Information Technology (MoICT) should direct MDALGs to migrate their respective E-Systems to the National Data Centre and Disaster Recovery Facility that is currently being upgraded to a cloud based platform. This will improve security of data, reduce costs of access and boost efficiency.
- NITA-U working with MDA/LGs should design and develop applications that grant access of data by authorized users from the different E-Systems. For example, access to information concerning registration status and updated tax return history of a company should be easily verified by any MDA/LGs seeking to engage such a company for services.
- MoICT should develop and submit to Parliament the legal and regulatory framework to support the sharing of information between government agencies as a mechanism of building confidence and trust in having a given level of data accessed between MDA/LG.
- MFPED should work with the MDALGs to allocate resources towards training and achieving supportive infrastructure for example hardware, system network and reliable power to support the uptake and use of E-Systems.

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