

# Resource Enhancement and Accountability Programme (REAP)

## PFM Reform Monitoring Report – May 2022

### Background

As part of the REAP Monitoring and Evaluation Plan for FY2021/22 joint monitoring visits were planned to assess progress, challenges and initial impacts through feedback from those institutions and Local Governments who are the main users and immediate beneficiaries of ongoing reform interventions.

The joint monitoring visits were arranged between 18<sup>th</sup> to 25<sup>th</sup> May 2022.

### Methodology

The monitoring visits were arranged by the REAP Reform Coordination Unit (RCU) and were conducted both physically and virtually through zoom conferencing to facilitate participation by DPs and other interested stakeholders including CSOs.

The purpose, selection of institutions and programme, were agreed in advance with Development Partners. RCU prepared and facilitated the visits through collaboration with the business owners and executing entities to prepare on-ground teams to host both DPs and other stakeholders. The visits including the following agenda:

- (i) Introductory meeting usually led by the head of the institution followed by presentations by the appropriate officer in the organisation responsible for the specific reform area under review. These presentations included information on progress, challenges and impacts of the reforms;
- (i) Where appropriate further engagements were held with systems users and beneficiaries working with reforms and new systems as well as final beneficiaries from businesses or communities.
- (ii) Presentation of findings and major recommendations to the DP-FPC monthly technical meeting, the FPC and PEMCOM

### Scope

The joint monitoring covered the following reform interventions:

- (i) **The E-Procurement System** – A review of the implementation roadmap; experiences from pilot sites; validation of change management approaches from the perspective of the users to date; and system demo. The following questions were used to guide the monitoring team:
  - a. What have been the users' experience of the new e-Procurement system – transition from manual processes, resistance, ease of use, interactions with contractors?
  - b. Has adequate training and change management been provided?

- c. Do the users think that the e-procurement system, as currently being rolled out, will improve integrity and transparency, and reduce opportunities for corruption? What more can be done?
  - d. What are the main challenges / problems with the e-procurement system?
  - e. How can the e-procurement system and transition process be improved?
- (ii) The Human capital management (HCM) system** – A review of rollout readiness; validation of the change management strategies and efforts from the perspective of users; and systems demo. The review focused on the following questions:
- a. How has the transition from IPPS been managed, including checking of information transferred, training, support and ease of use?
  - b. What aspects of the HCM are an improvement compared to the IPPS?
  - c. Are entities aware of the planned functions of the new system? How is the roll out of additional modules (leave, performance, training, etc) being managed?
  - d. What have been the major challenges / problems in making the transition to HCM?
  - e. Have there been any positive impacts from using the HCM system to date? What future impacts are expected?
- (iii) The Integrated Revenue Administration System (IRAS) for Local Governments** – A review of the impact of the system to date in implementing districts and Municipal Councils; change management strategies on the ground; review of perspectives on usage from beneficiaries to date; system demo. The review should include one city (Municipal Council) that has started property valuation and one District LG, including LG HQ and sub-county/ Division level users. There should also be interaction with taxpayers / businesses. The following questions were used to guide the monitoring team:
- a. What has been the users' experience with managing fees and tax payments using IRAS? How can IRAS be improved?
  - b. How easy is it to pay LG taxes / fees and get a receipt?
  - c. How is the taxpayer assessment and compliance process being managed and what changes are planned for the future? What are the views on self-assessment by taxpayers?
  - d. Are LGs aware of the LG Own Source Revenue Strategy? What are the priority actions to increase LG revenue (laws policies, rates v. revenue administration capacity)?
  - e. What has been done and what more could be done in future to link taxpayer payments to local services and infrastructure?
- (iv) The project approval process and the Integrated Bank of Projects (IBP) system for managing PIM** – A review of progress in strengthening project design and approval processes including use of the IBP. This monitoring visit targeted the Ministry of Energy and Mineral Development with an active portfolio of ongoing and planned new projects under design. The review focused on the following questions:

- a. How have design and planning processes changed for development and approval of new projects? What have been the main challenges in the transition to this new system?
- b. Who currently uses the IBP system – in the MDA, other regulators / stakeholders? What are the main benefits of this system for the MDA and what challenges are users facing?
- c. Does the new design and approval process result in better projects in terms of implementation quality and outcomes? What are the main challenges of the Development Committee requirements for the MDAs? Has there been adequate change management support?
- d. Are funds provided through the budget in FY 2022/23 adequate to meet the MDA's ongoing contracted projects? Does the MDA have costed future multi-annual plans for their portfolio of projects? Is this being monitored?
- e. What are the major causes of delay to project implementation? What action could be taken to speed up implementation and improve project quality including better and more efficient use of limited resources?
- f. What are the expected impacts of rationalisation of institutions on the MDA? Is the MDA aware of the proposed Business Process Engineering sub-project under REAP to support improved timeliness and efficiency in project implementation in the water and energy sectors? Does the MDA have any suggestions regarding the target beneficiaries for this support?

### **The Government E-Procurement System – Design, pilot and first roll out (18 May 2022)**

#### **Meeting with E-Procurement Project Team – led by the Accountant General's Office (AGO).**

The new E-Government Procurement system (known as E-GP) has been designed by national experts, selected through a competitive process using an innovation challenge with funding provided to stimulate initial design prototypes. The best performers were then contracted to complete the design based on Government requirements. The specifications for the system built on the experience from a World Bank funded e-procurement system contracted and piloted by a European supplier, which was later terminated in 2021 due to reconfiguration and integration constraints and costs. This approach to systems development has the advantage of Government ownership of the programme code and potentially low recurrent costs for licencing (not required), upgrades and maintenance. However, there have been concerns from some DPs that there may be greater risks in the security and integrity of an untested system.

The system allows the full procurement process to be handled online including contractor registration, annual procurement planning, tender advertising, shortlisting, submission of bids by contractors, communication with bidders, bid opening, recording evaluation decisions, contract award processes and reporting on procurement outcomes.

The monitoring team visited the E-GP Office and Training Centre and met with project staff. The E-GP is a project under the Ministry of Finance Accountant General's Office based in Crested Towers, Kampala. This office is led by a Project Manager with an onsite programming and support team from the Ministry, which works alongside the contracted project designers.

The AGO team work jointly with the designers on any reported system issues, agreed upgrades and integration with other systems. The design contractors have a multi-year support contract which commits them to gradually building the Ministry's expertise for future programming and management of E-GP. Within one year the designers are scheduled to hand over the core administration functions, leaving the designers to work only on new functionality. Approximately 20 full time staff will be required to manage the E-GP. The project has established a Call Centre to respond to E-GP user problems and questions coming by e-mail, telephone calls or in person visits. The office also has a room for regular training sessions for users conducted every Friday. There are now 25 MDAs and LGs using the E-GP system.

The E-GP will be integrated or interface with other GoU system to enhance its functionality. This is work in progress. There are already links with URA for checking on TIN numbers and links with IFMS to allow checks on budget allocations and commitment controls.

The monitoring team observed in person assistance being provided to walk-in visitors, mainly private contractors who use the E-GP.

The AGO reported that the E-GP security is being handled jointly by the same team managing IFMS, which has developed capacity on systems security and dealt with attacks on the IFMS system. Logs are currently maintained to track all actions on the system. Work is continuing to improve reporting from E-GP as these are currently limited. New standard reports are being designed and due to be available from May 2022. There will also be new dashboard visualisation available to users.

The Government is grappling with the growing data storage requirements. The database is currently being managed by MoFPED at their data centre with the back-up managed by NITA. NITA needs to continual expanding its data capacity as new systems evolve and are rolled out.

The E-GP team expressed interest in reviewing the website, which has been set up by Transparency Governance Institute to support CSO and general public analysis of procurement data made available by PPDA, to see how it can be supported from E-GP.

### **Meeting with Kampala City Council Authority (KCCA)**

The monitoring mission met with the KCCA, led by the Executive Director (ED), and interacted with procurement officials, Heads of user Departments and members of the KCCA Contract Committee. KCCA started using E-GP as one of the 5 entities in the pilot from August 2020. The transition was a major change as almost all stages of the procurement process went on line.

The KCCA ED noted immediate changes with the introduction of the new system. She was now able to see progress of all procurements online and use of computers went up throughout the organisation. The stages of procurement that are still manual are (i) signing of the Evaluation Minutes and Report by the Contract's Committee (required by law); (ii) review of the draft contract by the Solicitor General; (iii) signing of the contract; and, (iv) submission of contractor reports.

In managing the transition there was adequate training for users. However, there were some difficulties when it was first introduced. There were numerous appeals for retendering as bidders grappled with understanding the new system. It has been more difficult to arrange training for all the contractors/ suppliers. The framework contracts at first could not be

managed from the system as further configuration was required. Smaller contractors with limited IT capacity found the E-GP particularly challenging.

There have been a number of positive impacts from the E-GP:

- The procurement process has become easier to manage with less paperwork and no need to carry files from office to office for review or approval.
- Oversight is more effective as the Accounting Officer can easily check progress of ongoing procurements.
- It is much easier to communicate with all bidders when there are queries or issues.
- There is less interaction with bidders and so less opportunity for corruption.
- There is no crowding of contractors at the KCCA procurement office, as occurred previously
- The number of suppliers submitting bids, and thus competition, has increased
- There is more transparency as bid submissions are made online and encrypted. They can only be accessed after the Bid Opening. Accepting any late bids after bid opening is not possible.
- Officials do not have to be at the office to work on procurement actions

As a result of all these changes there has been increased trust between staff within KCCA working on procurement, and the procurement process now flows more smoothly.

Some of the main challenges that are impacting the effectiveness of E-GP are as follows:

- Development Partner (DP) projects are still handled outside the system, as they have not approved the use of E-GP for projects. This creates confusion with a parallel manual system continuing alongside E-GP. KCCA believes that there is no reason why DP projects should not be managed within E-GP.
- Documents still have to be signed physically – digital signatures would be more efficient. The AGO reported that a solution on this is being developed by NITA to cover all GoU systems and is now at the testing stage.
- Whilst KCCA raises issues and bugs for action by the developers, there is currently no feedback to KCCA on the actions taken by the project team.
- Currently approval levels for a requisition start from a user to a Head of Department and then to the Accounting Officer (AO). Deputies are not informed. It was suggested that there may be need to involve other Departments/ approval levels prior to the AO, depending on the content or size of the contract. There may be need to introduce options for alternative approve levels, which could be linked to threshold values.

#### **Meeting with Private Sector Contractors Using E-GP (arranged by the Private Sector Foundation – PSFU)**

During the introduction PSFU reported that they have 309 private sector member associations under their umbrella, which together represent over 2.6 million businesses. It was noted that there are currently over 6,000 contractors now registered on E-GP. A sample of contractors who have been using E-GP gave feedback to the monitoring team.

For the most part, businesses welcome the E-GP reform as it makes it easier to submit bids and creates greater transparency and less opportunities for corruption in the process. They reported that PPDA has been publicising the new system and offers on line training for contractors. Contractors particularly appreciate that the system includes uploading of bids and allows them to prepare a bid in stages on line and then formally submitting before the deadline. In the past there was no trust in the security of paper tender submissions prior to the Bid Opening, and as a result most contractors carried their bids to the Bid Opening Session. This is no longer necessary. Answers to queries are now shared automatically with all bidders, which was not always the case previously.

The main challenges that contractors have faced with E-GP are as follows:

- The tendering process requests copies of the same documents that are already required and uploaded for registration as a GoU supplier on the system. Multiple requirements to submit the same documentation is time-consuming and unnecessary.
- Where a tender payment is required there appears to be no link between the URA payment system and the E-GP resulting in delays in confirmation of payment. This has caused much frustration for bidders who have to prove payment of tender fees.
- There have been difficulties in uploading of documents onto the system. This could be made faster and more efficient.
- There is still need for more training for businesses and different options for training.
- In the past contractors have built relations with particular sectors or MDAs to get onto shortlists. It is now becoming clear that contractors could be qualified for short-listing for tender opportunities in different sectors. However, at present the system seems to be supporting the status quo, i.e. it is difficult to get onto a short list with an MDA or sector where you are not already active or known.
- Whilst the system is more transparent there is still some concern regarding the evaluation stage of the tender as this remains “behind the curtain” and could be subject to manipulation / corruption.
- Contractors receive email messages on the contact that was registered on the E-GP and this is not necessarily the person who is responsible for the tendering process in the company. There should be options on the system to ensure that communication can be figured to go to the responsible person(s).

In addition, PSFU raised the following issues from a recent conference with members on the challenges with using E-GP:

- There are problems with the payment of tender fees on the system, which need to be resolved
- The quality of internet across the country remains a problem which may limit participation of some contractors
- The system is only in English – it would be good to have other languages for non-English speakers
- In the past the Government has on occasion blocked internet access, e.g. during the election period, and this will impact the process.

The main recommendations arising out of the visit on E-GP implementation were as follows:

- i. DPs should be encouraged to approve use of E-GP for projects in entities where it has been rolled out to avoid the use of parallel systems impacting negatively on change management. The E-GP project should arrange consultations with DPs to increase confidence in the system and promote adoption for all procurement. If an assessment is required, DPs should arrange a joint review to avoid multiple TA missions.
- ii. The project should review options to reduce multiple requests for documentation from contractors and also automate compliance checks where possible, e.g. with URA and UNBS.
- iii. Some MDAs / LGs may require different approval levels and / or information notifications to be configured in the system which could be linked to thresholds or types of procurement. The project team should investigate this issue further and consider configuring additional approvals or notification mechanisms in the system to meet users' needs.
- iv. PPDA should consider options to open up short-lists based on information on contractors' capacity from e-GP, including contract performance data. Regulations maybe required to force MDAs and LGs to open up competition to competent contractors with proven capacity.
- v. Priority should be given to facilitating analysis of procurement data both within GoU and through collaboration with CSOs so that the E-GP is used to overcome integrity and transparency challenges, which have been a major problem in the procurement cycle. One of the key tools to support this process is the Open Tender data analysis platform that has already been developed using PPDA data with support from the European Government Transparency Institute: <https://ug.opentender.eu> For this site to be effective it requires full-time links or regular downloads of data from E-GP. The site is a powerful tool for promoting competition and identifying integrity and transparency weaknesses in procurement processes and in specific entities.
- vi. Continued efforts are required to Improve online training on eGP and public awareness of the system and related reforms.
- vii. Further integration of the system with other PFM systems should continue as a priority, in particular to overcome challenges bidders have been facing on payment of tender fees. Confirmation of payment should be automatically synced with E-GP.
- viii. Consideration should be given to ensure smaller businesses, and those with IT and internet connection challenges, are not negatively impacted by the transition to E-GP. It is essential that the system enhances competition rather than restricting it. This will also be a specific problem in more rural and remote areas, which may require a variety of solutions, such as increased training, efforts to improve internet coverage and quality, translation into different languages, and promotion and facilitation of IT access and capacity in small businesses. CSO's and private sector associations could assist in providing solutions. This process will require Government to actively engage with stakeholders on the issue with open dialogue on possible solutions.
- ix. The E-GP should be used to leverage efficiency in the management of procurement and contracting processes. One example of this is the role of the Solicitor General (SG)

in approving draft contracts before signing, which we are told is still managed manually and is currently a time-consuming process. The E-GP system could include this work process with a set of standard templates for contracts in the system, which are filled and amended by the MDA and then submitted online for the SG's approval. The work of approval could be facilitated by the system by focusing the attention of the legal reviewer on any deviations from the standard template or additional clauses in the contract.

- x. The E-GP team should review how communications with contractors are managed in the system and ensure that options for using SMS and emails can be configured by contractor to ensure that messages / information reached the appropriate personnel throughout the procurement process.
- xi. Whilst the system should increase trust and transparency throughout most of the procurement process, contractors remain concerned as to how the bid evaluation process will be managed. The project team and other stakeholders should consider how the E-GP and related procedures could be used to increase integrity and transparency in the evaluation process. This could include adequate information on the final decisions of the Evaluation Committee with justifications and explanations. The roll out of the E-GP could also be combined with a campaign for enhanced competition and integrity, whilst encouraging a change from past bad practices along with improved checks and enforcement.

### **Public Investment Management Reform and the Integrated Bank of Projects (IBP) System – the design and selection of major public projects (19 May 2022)**

#### **Meeting with the Ministry of Energy and Mineral Development (MEMD)**

The monitoring team met with planners and project oversight managers from MEMD along with the Project Appraisal and Public Investment (PAP) Department in MoFPED to get feedback on the use of the IBP and the challenges with applying the revised Development Committee Guidelines for project preparation and approval.

The MEMD have seen major benefits with the introduction of the IBP Phase 1, which captures information in the preparation of all major projects. The MEMD staff are now able to review progress of all projects in the sector going through the design and selection phase. 23 officials from MEMD have benefited from training on PIM/IBP. MEMD has a Project Preparation Committee (PPC) responsible for overseeing the design and selection of all projects in the sector. Projects and updates are only posted on the IBP after approval by the PPC.

MEMD have also seen that the quality of project design has been improved by the new approval processes. The IBP enables the Ministry to easily track progress of projects during the design stages. There is greater ownership of project ideas within the Ministry. There is more consultation on projects during preparation with other stakeholders, since Programme Working Groups are required to approve stages of the design process. As a result of the improvements in design there less problems faced during implementation with greater probability of projects being completed on schedule.

Whilst the PIM reforms are appreciated by officials in MEMD there is much less knowledge or appreciation in the authorities and agencies under the Ministry, which take the lead in planning and designing most projects in the sector. In many cases DPs propose support to the agencies and undertake feasibility studies for projects without following the approval stages



set out in the guidelines. This causes delays as the Development Committee reviews the steps taken and, in many cases, requires the agency to submit additional documentation prior to approval, leading to further studies and delays. It also seems that DPs are not aware of the Development Committee Guidelines and the enforcement of approval steps in the project preparation and selection process.

Some of the challenges in project preparation include the lack of resources for the necessary design and feasibility studies. Whilst the training at Ministry level has been good there is need for more sensitization and training in the Agencies and Authorities under the Ministry. There is concern that the current guidelines require fixed stages in the design of projects irrespective of their size and complexity. The current stages requiring approval by the DC are project concept, project profile, pre-feasibility study and feasibility study. During project implementation there is a problem of multiple reporting requirements from GoU and DPs. During phase II the IBP could be configured to meet the needs of project progress information, to meet the needs of different reporting requirements. Land acquisition constraints remains the most serious and time-consuming constraint during implementation of large infrastructure projects.

The following recommendations arose from the monitoring visit:

- i. MoFPED should provide more awareness and training sessions for GoU agencies and authorities responsible for identifying and planning new projects under Ministries. The awareness sessions should also target DPs, to ensure that they align their planning processes with GoU requirements.
- ii. Rather than establishing a project preparation fund, which will be difficult to manage and finance, It may be better to allow funding to be allocated for pre-feasibility studies and feasibility studies, based on the priority and quality of project concept and profile submissions as assessed by the Development Committee and MoFPED.
- iii. Consideration should be given to simplifying the project preparation stages in the Development Committee Guidelines depending on the size and complexity of the project. It is understood that PAP is already reviewing the possibility of merging the project concept and project profile stages. For smaller projects it may also be unnecessary to have both a pre-feasibility and feasibility study.
- iv. As the IBP system evolves to include project implementation, reports on progress will become increasingly important, and will need to be given priority to ensure that they meet the needs of different users.
- v. MoFPED should work with sectors to undertake annual sector reviews of project portfolios using the IBP. These reviews will provide an opportunity to ensure that project planning matches the fiscal space available, as well as to take action on poorly performing investments.
- vi. The IBP should be integrated with other relevant PFM systems at an early stage, in particular, IFMS, E-GP, AMP, DEMFAS, and PBS.
- vii. PAP should explore the potential to leverage efficiency in licencing and permitting workflow processes by automating links with the relevant regulatory MDAs to track progress in issuing required approvals in a timely manner. This would increase transparency and highlight any bottlenecks delaying implementation.

## **Roll out of the Human Capital Management (HCM) and reforms to payroll and HR management**

### **Meeting with the Education Service Commission (ESC) (19 May 2022)**

The monitoring team met with the Head of the Education Service Commission (ECS) and his team to review progress in the transition from IPPS to the HCM system. The ESC is responsible for the recruitment and management of all education managers, teachers, trainers and education service staff under the Ugandan Central Government, i.e. Secondary schools, technical and health training institutions, and Teacher Training. The ESC commenced transition onto the HCM system from February 2022. Following training of the ESC staff, the first step was the migration of the records of all personnel under the ESC. Payment of salaries from HCM commenced from March 2022 and has been functioning effectively for the most part. From 2023 there are plans to start using additional HCM modules including recruitment, performance appraisal, training, holidays and disciplinary actions. There have been issues in the transition for approximately 1% of the records migrated to HCM. The main problems have been with differences in names on the records and those on the NIRA National Identity, which must be validated. Other problems have been with differences in the post assigned, which must now match the GoU structure. The calculation of salaries has also been a problem due to the need to manage deductions such as loans, for which there was inadequate provision in the system. This still needs further configuration in the system.

There have been some challenges in users understanding how to manipulate the system as there a large number of options and headings to navigate. There are also concerns as to how the system will manage the transition for monthly salary to pension payments. In the past the calculations and the transition process was handled manually.

The ESC has faced problems with applicants submitting fake certificates. There has been an ongoing validation process to ensure that staff have genuine qualifications.

Despite the challenges there has been no resistance to the transition to HCM and the system is an improvement on the former IPPS, with additional functionality, better figuration to the needs of users, and facilitating access by staff members to information on their file such as pay slips.

### **Meeting with Mbarara District Local Government (25 May 2022)**

The monitoring team met with the Chief Administration Officer, the HR Department and sample staff from Mbarara District to review the progress and challenges in using HCM. Mbarara was one of the first 4 sites to pilot the use of HCM from December 2021.

The first step was the transition of staff and pensioners' records onto the HCM system. The following challenges were faced during the transition:

- To be validated on the HCM the names must match those in the respective NIRA national ID register. There were a number of cases where staff had registered slightly different names, errors in spelling, titles, or names left out on one of the systems. In these cases the system was unable to validate the staff member or pensioner for payments.
- Pensioners faced a particular problem when newly transitioned, as the system only allowed one name to be validated and, in the case of a new pensioner file, the name

was already registered as a staff member. The system thus had to be configured for allowable duplications.

- HCM requires strict adherence to agreed institutional structures and posts. There were a number of cases where the job position did not fit in the established structure requiring redesignation before validation.
- The system is not yet effective in managing all the necessary deductions from the salary, such as housing schemes, allowable loans, etc. There are specific rules governing the extent of allowable loan deductions for staff (maximum 40% of salary) and in some cases these have been exceeded. Whilst the system needs to be configured with these rules, the legacy must still be managed.
- In some cases a retired pensioner has taken a new GoU job (e.g. Presidential Adviser), but he is blocked from validation on the system as it appears as a duplicate with the pension record. There are also cases where an Estate Administrator, who is also a GoU staff, has been appointed for a pensioner and therefore cannot be validated on the HCM.

Due to the issues detailed above that transition has been a painful process as a number of staff and pensioners could not be paid on time, and there were significant delays in solving the problems that arose. This caused numerous complaints and appeals for assistance to the senior managers, who had to spend a lot of time in solving these problems and following up with the HCM Project team.

Despite the challenges faced during the transition, the District managers and HR staff see major benefits from the new system with its many functionalities and opportunities to improve efficiency and transparency as the various modules are activated. They report that HCM is a much better system for managing personnel than the previous IPPS in terms of being user friendly, accessible by all, more integrated and with increased functionality, amongst others. Some of the positive aspects of the system are as follows:

- The system is linked to IFMS for seamless management of the payroll.
- Work processes such as leave plans and requests can be managed on line without the need to approve paper files;
- The HCM is a web-based system and can be accessed easily from anywhere.;
- The staff have access to their records, including pay slips, which were not previously issued.
- Staff can interact with the system on their mobile phones to submit leave requests, review records, communicate with HoDs, other staff, etc.
- The system includes notifications to staff to take timely action
- The calculation of retirement benefits has been automated and is now efficient and timely;
- Transitioning staff to new positions in another entity will be easy to manage as long as they are both using HCM;

- The system has a large number of reports using the HR data which should improve management of personnel. The HCM will allow a much better overview for staff management at the MDA level and whole of Government level.

Apart from the validation of staff data for migration there have been other challenges for Mbarara DLG in making the transition to the new system:

- The HR unit is using the old computers provided during the roll out of IPPS in 2011
- The system requires fulltime internet access, which is not always stable and has cost implications
- Access to the system outside of the workplace depends on access to laptops by the HR personnel, which are insufficient
- Some of the retirement benefit computations in the system do not match the physical/excel file calculations, e.g. for shortened length of service
- The system has problems in auto pick of new supplier numbers

To date the focus of the HCM has been on transfer of the payroll involving the HR Department with limited use of the wider functionality of the system. There is a significant change management challenge for the full adoption of the system and its numerous modules, as this requires sensitization and training targeting all Heads of Department and staff. The CAO and the HR Department see major benefits from using the system for other processes such as leave and attendance, as it will remove the need for approval on paper files, which is currently time-consuming and inefficient. A start has been made on operationalizing this module to benefit from the potential efficiencies and HoD's are being requested to submit annual leave plans on HCM. However, there is still limited understanding and capacity to use the system in the other Departments and by the wider staff. This will be a major change management challenge potentially undermining realization of the full benefits from the HCM system. Staff need to learn how to interact with the system using their mobile phones and this will take time to achieve. There may also be pushback if transparency reveals weaknesses in HR processes with incentives to maintain the status quo.

The following recommendations are proposed to improve the roll out of the HCM and its impact on HR management:

- i. The HCM project team should ensure good preparation in MDAs and LGs before implementing migration of data onto the new system. This would allow the entity to mitigate risks such as name differences between IPPS and NIRA data in advance of the migration, duplicate names, and the matching of the established structure with current posts. This should limit the painful migration progress that is being reported during the pilot phase and first roll out.
- ii. More work is required to assist MDAs and LG in planning change management for roll out of the various HCM modules and supporting all staff in adopting to the new system. This should include advice, support and guidelines for setting up a change management and roll out plan for adopting the different functionalities considering likely benefits, resistance and numbers of staff requiring support. Guidelines could be provided along with training videos and other materials to assist the HR Departments. Change management will need to work closely with Heads of Department so as to

reach all staff. It is likely that the full roll out of all functionalities may take several years and this should be planned for accordingly by MoPS.

- iii. There is need to ensure that reports and dashboard visualizations from the system meet the needs of users. This should be given priority during the roll out to maximise benefits from the system. It will require the Project Team to develop effective mechanisms for communication and feedback with users at different levels.
- iv. Consideration should be given as to how regional centres may be used to assist with the roll out and change management support for users going forward. The existing centres could be equipped to play a useful supporting roll in providing assistance to LGs.
- v. Action should be taken at an early stage to build in-house capacity to administer and configure the HCM to meet Government's needs so as to minimize the need for external consultants. This should build on the good experience seen with E-GP.
- vi. Priority should be given to establishing effective links to other systems such as NSSF, PBS, and e-Tax with the aim of maximising efficiency as well as improving the user experience and ability to easily access data. For example, it would be useful if staff could easily access their NSSF information through a link on HCM.
- vii. Action is required to deal with the problems of auto obtaining Supplier numbers on the system.
- viii. From discussions with the MoPS project team, consideration has been given to keep roll out costs low and limit future recurrent costs. The team has worked to minimize licensing costs for the system and has used existing IPPS and IFMS infrastructure for the roll out of the system thus minimizing the need for additional hardware both at central and entity level. The actions taken to achieve this should be more widely publicized.
- ix. We were told that there is evidence that the migration and validation of staff under HCM is uncovering more "ghost" staff in the payroll. This information needs to be communicated as an import benefit from the transition to the new system.

### **Integrated Revenue Administration System (IRAS) Roll out and Reform to Revenue Administration in Local Governments (23-24 May 2022)**

The monitoring team was accompanied by staff from LGFC and MoLG as well as the IRAS design consultants. To date, starting from 2019, IRAS has been rolled out to 9 Cities, 8 Municipal Councils and 19 District Local Governments

#### **Visit to Nansana Municipal Council (MC)**

The monitoring visit started with the senior management and revenue administration staff from Nansana MC, who presented their progress with improving revenue collection using IRAS. IRAS was designed and developed by national consultants, Yoya Consultants, as part of a World Bank supported project under the Local Government Finance Commission (LGFC). Nansana MC started using IRAS from January 2019 under World Bank support. Prior to automation of revenue collection Nansana was facing multiple challenges in revenue administration including:

- delays in revenue collection,

- inadequate collections,
- manual registrations,
- poor data collection,
- poor revenue reporting and management,
- untimely billing,

IRAS is a web-based programme built with open-source software, with an application for mobile phone users. The system is used for taxpayer registration, revenue forecasting and budgeting, tax assessments, billing, collections, accounting, receipting and reporting. The system was introduced with training for users and now covers all 4 Divisions in Nansana. It is at this lower level where most of the tax collection work is done. EU has provided computers and equipment under the PIFUD programme to support the process. Since introducing IRAS revenue collection has increased from 2.5 billion UGX in 2017/18 to 4.5b UGX in 2021-22 (up to May). The number of registered taxpayers has increased from 12,800 in 2018 to over 79,000 in 2022. The revenue assessment have gone up from 3.8b UGX in 2017-18 to over 22b UGX that has been assessed so far in 2021/22 (up to May). It is clear from the difference between assessments and amount actually collected in the current FY that there is a problem with follow up and enforcement of compliance, partly related to the previously weak systems as well as inadequate penalties.

The IRAS process is currently managed through direct interaction with taxpayers by Nansana Revenue staff under the 4 Divisions. The first step is taxpayer registration for different tax heads, and this process generates an identifying taxpayer number (CIN). Assessments are then done on the system by revenue officials sitting with the taxpayers, which are followed by payment registration. Communication with taxpayers is arranged in form of SMS texts and application messages including receipt confirmation. Hard copies of certificates and receipts can be obtained by mail or through visits to the Division offices.

Nansana has noted the following benefits from using IRAS:

- real time issuing of taxpayer receipts which can be monitored and checked to prevent corruption
- Greater efficiency and lower costs for managing tax administration
- Permanent and reliable record of taxpayers and their obligations
- Improved reporting and enforcement of tax payments

The introduction IRAS required a major effort in change management by the MC, including both training and support within the MC at all levels with changes to workflow processes as well as a major effort to sensitise taxpayers and the general public about the new processes. A variety of mechanisms has been used to spread awareness amongst the general public including direct interaction at IRAS Revenue Hubs where tax administration officials set up in trading centres to facilitate registration and assessments through one-to-one meetings.

The officials from Nansana were clearly enthusiastic about IRAS and the positive impact it is having in the Municipality. They reported that the increase in revenue is very important for them as they have full discretion on the use of the funds to meet priorities that have not been

funded with grants from the central government. Some of the investments that they have made with the additional resources include the following:

- 20 acres of land procured for waste management
- Procured a grader for road maintenance
- Construction of an annex office for staff
- Procurement of a truck for garbage collection
- Procurement of 12 motorbikes for revenue collection staff
- Feasibility study for design of roads and other projects

A major challenge still remaining is property valuation for the implementation of commercial property tax.

An important point that was noted from this visit was that all tax registration and assessments are being undertaken by the MC revenue officials. There is no arrangement for taxpayers to register and do their own self-assessments and payments on IRAS, which is the normal process in modern revenue administration systems.

#### **Visit to Mbarara City**

The monitoring team met with the City's Mayor and senior managers along with revenue administration officials, who gave a presentation on their experience with IRAS. Mbarara became a City in July 2020 and has a population of approximately 240,000. IRAS was introduced in March 2021 under the EU supported Programme on Integrated Local Finances for Sustainable Urban Development (PIFUD) programme, and so has only been using the system for just over one year. Prior to IRAS Mbarara faced a major problem of loss of revenue due to leakages in the manual tax collection system with no mechanisms to support transparency and integrity. Along with IRAS the City has established a Revenue Collection Unit. The work began with internal training of staff followed by taxpayer registration in the 5 Divisions. Outreach visits are arranged by the Revenue Collection officials to meet with taxpayers, manage the registration process with the related tax obligations depending on the business. However, to date only a few tax heads are being paid through IRAS. Then City plans to transfer all payments onto IRAS from July 2022. The City is also considering to introduce self-assessment by taxpayers starting with those taxes requiring less complex assessments. Some of the challenges faced with the IRAS are as follows:

- There is need for more effective change management planning and support
- The Revenue Units in Divisions lack computers, printers and other related equipment to implement IRAS
- There are concerns that forgeries of certificates and receipts could become a problem

The Mbarara Mayor sees the introduction of IRAS as game changer for the future of the City, due to the importance of local revenue. The use of accurate taxpayer data has the potential to boost revenue collection in the city, which will have a major impact on delivery of improved services. Having a digitized taxpayer registration will allow partnerships, for example with URA, to share information and strengthen compliance.

DRM4D has commenced work with the City to undertake commercial property valuations, which will enable the collection of property taxes. To date approximately 60% of properties have been valued. Once completed the data will be imported into IRAS.

There was a discussion on the need to promote awareness and consultation amongst taxpayers as to how the additional funds should be utilized. This will help to drive compliance.

There was a demonstration of the how the IRAS works.

The following recommendations LG revenue administration arose out of the visits:

- i. Improved support is required to LGs both in the design and implementation of training and change management for the introduction of IRAS targeting both internal staff and taxpayers. This can be in the provision of guidelines. There should be a vision at central level as to how IRAS will evolve and guidance to ensure that this achieved. There should be more sharing of experience from the LGs so that those that have successfully introduced IRAS can learn from the past.
- ii. Taxpayers should be consulted on priorities for use of local revenues raised in order to encourage greater compliance. This can be managed as part of the budget planning process so that taxpayers are aware of the challenges in terms of discretion over budget allocations and the potential for improved services from local tax payments.
- iii. There should be promotion of self-assessment of taxes using IRAS to reduce the cost of taxpayer registration and the need for physical visits to undertake assessments. This is the approach for all modern tax collection systems and aligns with the systems in URA. This will allow a gradual shift in the role of revenue officials to follow up and check on compliance.
- iv. In addition to ownership of the source code, there is also need for GoU to develop capacity to manage the programming process, system administration, reconfigurations, integration with other systems and arrange data imports. It is important not to remain dependent on the designer for these services. This may involve agreement (multi-year contract) with the designer for a handover period and training.
- v. There should be a committee established for overseeing the development and management of IRAS with representation from LGFC, MoLG, URA, MoFPED, NITA, LG reps (ULGA?), and support programmes, e.g. DRM4D, UNCDF, etc. This committee should be responsible for deciding on the future development, sustainability and security of the system as well as contractual arrangements with the designer.
- vi. There needs to be robust mechanisms in place to ensure that IRAS data is protected from systems failure with data backup mechanisms and disaster recovery plans to support LGs. NITA should be tasked with overseeing these systems to ensure they are effective. There also needs to be checks to ensure that the system is secure from hacking and other risks.
- vii. There should efforts to integrate IRAS with relevant systems including URA e-tax, NIRA for national Identity validations, and URSB for business registration. Consultation should commence on opportunities for improved collaboration with partners to facilitate tax collection and make it easier for taxpayers to meet their obligations, e.g. for paying LST and PAYE, which both relate to employees and salary rates.



- viii. There should be mechanisms in place to obtain feedback from taxpayers on their experience of using IRAS to improve the system from the taxpayers' perspective. These mechanisms can be planned from the centre by LGFC, MoLG and the respective supporting programmes.
- ix. There should be standard arrangements in place with information on costs so that DPs can be approached to support the future roll out of IRAS to all LGs.

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