



Project Proposal for

Uganda

January 2025

Component: Revenue

Module: RM I – Tax Policy (MNRW)
RM II – Revenue Administration (MNRW)



PROJECT SUMMARY

COUNTRY:	Uganda	
LEAD DEPARTMENT:	FAD	
REGION:	AFR	
PLANNED DATES:	FY25/27	
FUNDING PROGRAM TITLE:	Uganda - GPFP Revenue Module I&II	
PROJECT MANAGERS:	Thornton Matheson (Tax Policy, FADT2, Lead) Eduardo Camero Godinez (Tax Policy, FADT2) Dumisani Masilela (Revenue Administration, FADR2) Bernard Sanya- (Revenue administration (MNRW))	
ESTIMATED BUDGET	\$653,705	
PROJECT AMENDMENTS:	PURPOSE	SC APPROVAL
AMENDMENT 1	Addition of extractives activities to existing project, transitioning from current MNRW-TF project	January 2025

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I. PROJECT PURPOSE

Country request and relevance/importance

Uganda is on the cusp of becoming an oil producer. The nascent Lake Albert oil project received a favorable Final Investment Decision (FID) in February 2022. FID is a significant milestone signifying the approval to develop the approximately USD 14 billion greenfield projects. The country's lack of infrastructure necessitates the construction of a 1,445km East African Crude Oil Pipeline (EACOP) to the export terminal in southern Tanzania. The construction of the pipeline is ongoing and is expected to be completed in the second half of 2026 in time for First Oil. The Ugandan government is also developing essential infrastructure, including an industrial park, which will house a proposed refinery¹ an international airport, storage facilities, logistics hubs, petrochemical industries, and other related facilities. These investments are expected to significantly boost Uganda's economy, potentially contributing between 0.5 and 4 percent of GDP annually through oil-related revenue. The authorities need all the assistance they can absorb to develop the capacity and optimize revenue collection from the sector.

The IMF's Fiscal Affairs Department (FAD) has delivered capacity development (CD) on extractives tax policy since 2015, funded by the IMF's Managing Natural Resources Wealth Thematic Fund (MNRW-TF). By end-2025, Uganda is expected to begin exports of oil, which will contribute to improving public finances of Uganda, a country with significant development needs that struggles to mobilize domestic resources. Support has focused on providing recommendations to improve the petroleum and mining fiscal regimes, and on developing a petroleum revenue forecasting model. Significant capacity building assistance has also been delivered. Authorities have continually asked for continuing CD for extractives tax policy, most recently during the 2024 Annual Meetings.

The estimated budget for this two-year project covering Modules I & II of the revenue component is \$653,705, covered within the total budget endorsement request for Uganda of USD 1,088,309 through FY27.

II. PROJECT MODULES - DESCRIPTION

A. RM I – Tax Policy

This proposal will provide CD support to Uganda in the area of extractives tax policy. FAD CD will support improvements within the strategic objectives presented in Table 1.

¹ The development of a USD 4 billion refinery has been discussed but a definitive FID is yet to be taken.

Authorities have appreciated the CD received and, given that accurately forecasting petroleum revenues will be crucial once production starts, have expressed interest in further CD. It is also foreseen that once petroleum production starts, new tax policy issues are likely to emerge, which will necessitate additional assistance from FAD. CD would be delivered by one in-country and one short-term expert (STX) mission each in FY26 and FY27 (for a total of four missions).

The budget estimate to deliver this CD is \$292,229.

Table 1. Summary of Objectives covered by the Proposal

Component	Module	Objective
Revenue	RM II / Revenue Administration	Strengthened revenue administration management and governance arrangements

B. RM II - Revenue Administration

Funded by the Managing Natural Resource Wealth Fund (MNRW), FAD has been working with the Uganda Revenue Authority (URA) and other regulatory agencies to address capacity in revenue administration of the sector. The URA has progressed significantly in developing capacity. However, more support is needed to sustain the gains made, including continuing to address industry knowledge and audit capacity, entrenching compliance risk management practices in administering the sector, and fast-tracking the implementation of reforms necessary to improve customs administration of the sector. The authorities recognize the need and urgency to build capacity in the sector and have requested continued assistance.² There is good traction, commitment, and interest in CD by URA senior management and staff. The recent deployment of a regional EI advisor based in Uganda has seen improvement in the uptake of CD particularly the increased momentum for implementing reforms to improve customs administration of the sector. The project will leverage the renewed momentum to support the implementation of reforms necessary to improve capacity in the administration of the sector.

The estimated budget for this two-year project is USD 361,476.

Table 2. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY25	FY26	FY27	FY28	FY29	Grand Total
RM I – Tax Policy						

² A two-year project extension through to April 2027 was discussed with the authorities during an in-country visit in January 2024.

CD Modalities (Remote or Field-based CD)	FY25	FY26	FY27	FY28	FY29	Grand Total
HQ led CD mission	-	1	1	-	-	2
STX visits	-	1	1	-	-	2
RM II – Revenue Administration						
STX visits	-	3	3	-	-	6
Total	-	10	10	-	-	10

Note:

- Collectively, the blend of CD delivery proposed over the duration of this project/program reflects the optimal balance of in-person, remote, and hybrid activities needed to achieve the project/program outcomes taking into account the needs of the country and the resources available.

Table 3. First year workplan

Timing	CD Modality	Proposed Topics of CD
RM I – Tax Policy		
Q4/FY26	Duty station-based Work - DS	Petroleum Revenue Forecasting Support
Q4/FY26	Duty station-based Work - DS	Extractive Industries Tax Policy Support
RM I – Tax Policy		
Q1/FY26	Field-based Work - FB	Strengthening Customs EI Revenue Administration
Q2/FY26	Field-based Work - FB	Addressing Audit Capacity
Q3/FY26	Field-based Work - FB	Addressing Audit Capacity

III. PROGRAM FINANCIALS

Module	FY26	FY27	TOTAL (USD)
RM I - Tax Policy	\$151,932	\$121,179	\$273,111
RM II – Revenue Administration	\$162,919	\$174,909	\$337,828
Trust Fund Management Fee (7%)	\$22,040	\$20,726	\$42,766
TOTAL	\$336,890	\$316,815	\$653,705

IV. TARGETED LOGICAL FRAMEWORK

A. RM I – Tax Policy

To reflect these additional activities in the project's logframe, under the existing Outcome *"Improved structures (e.g., tax policy units) or capacity (e.g., models and tools) related to tax policy advice and analysis"*, a new Indicator was added (*"Improved models to design and evaluate fiscal regimes and*

forecast revenues in the extractive industry adopted”) with two Benchmarks: i) “Authorities are able to use and update the petroleum revenue model with minimal FAD supervision” and ii) “Authorities are able to use and update the petroleum revenue model with no FAD supervision”.

Objective	
Strengthen Policy Monitoring, Evaluation, and Institutions – TPM	
Outcome(s)	Indicator(s)
Improved structures (e.g., tax policy units) or capacity (e.g., models and tools) related to tax policy advice and analysis.	Improved models to design and evaluate fiscal regimes and forecast revenue in the extractive industry adopted

B. RM II – Revenue Administration

The objectives and outcomes for this amendment are already included in the current GPFP project under Module II.