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FOR GOD AND MY COUNTRY

ALTERNATIVE MINISTERIAL POLICY STATEMENT

FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

FOR FY2022/23

HON. MUWANGA KIVUMBI
SHADOW MINISTER FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

MARCH 2022

EXECUTIVE SUMMARY

This Alternative Policy Statement for Finance, Planning and Economic Development has been developed and presented in accordance with Section 6E (4) of the Administration of Parliament (Amendment) Act (2006), Rules 14(4) and 147 of the Rules of Procedure 2021.

The Finance sector is the lifeblood of Government. Its functioning is critical for the rating of the country, service delivery and quality of life of the citizenry. Depending on the resources mobilized and expenditures prioritized, the health and strength of the sector is an indicator of prosperity.

Unfortunately, the sector is characterized by a number of challenges which this Alternative Policy Statement elaborates and proposes alternative policies.

BUDGETARY ISSUES

Non-Compliance to the Public Finance Management Act

While Parliament approved both the Charter of Fiscal Responsibility and Budget Framework Paper, the Ministry of Finance, Planning and Economic Development has failed to publish them. As regards the former, it is a violation of Section 5(2) of the Public Finance Management Act. It would be prudent for the approved National Budget Framework Paper to be published since it was approved with amendments. Due to the failure to publish the approved Charter of Fiscal Responsibility and Budget Framework Paper, it was not practically possible to ascertain level of consistency of the Ministerial Policy Statements. Also, the laid Policy Statements were not accompanied by a Certificate of Gender and Equity responsiveness. Hence violating Section 13(15)(g) of the Public Finance Management Act.

Risk of Securities

In FY2022/23, Securities i.e. Treasury Bills and Bonds constitute UGX 12.69 trillion. Of this, UGX 8 trillion is domestic refinancing or debt rollover. It should be noted that the securities are the main drivers of domestic debt. Unfortunately, due Section 36(5) of the Public Finance Management Act, these do not require prior Parliamentary approval. Hence, a risk to financial prudence.

Poor Loan Absorption

It has been reported that a debt of UGX 19.58 trillion stands committed but undisbursed. This constitutes unproductive debt and risky projects. The amount far exceeds the stock of risky projects that were declared in the budget framework paper by 86%. It was earlier indicated that Government had identified17 risky projects for which USD 457 million (approximately UGX 1.7 trillion) had been spent and USD 757 million (approximately UGX 2.8 trillion) remained undisbursed.

Abuse of Court Awards

For years, the allocations towards Court awards under Vote 130 – Treasury Operations have been a target for reallocation by Parliament. In FY2022/23, UGX 443 billion will be allocated partly to address Court awards. Almost as a standard, every financial year, UGX 40 billion is reallocated. This is an indication that there are redundant allocations towards court awards within the Vote that are at risk of misuse. It has been established before that court award payments were discretionary made without supporting documents to a knitted clique of law firms.

Non-Budgetary Alignment with NDP

It has been established that while the Ministry of Finance, Planning and Economic Development through the Third National Development Plan was expected to contribute to 13 programmes in FY2022/23, only 4 have been covered. This accounts to 31% budgetary alignment.

Inadequate Capitalisation of UNOC

While the country is grappling with escalating fuel prices prompted by fuel shortages and inadequate fuel stocks, there are no indications that adequate funding has been made towards the stocking of fuel reserves in Jinja. Allocations have been maintained at UGX 48.096 billion which were indicated at the initial budget framework levels. This means that a capitalisation deficit of UGX 77 billion for Uganda National Oil Company (UNOC) is still outstanding. Aware that Kenya will be undertaking general elections in August, it would be prudent that reserves are adequately stocked to mitigate a possibility of fuel shortage and associated economy risks.

EMERGING POLICY ISSUES AND PROPOSED ALTERNATIVES

Inadequate demarcation of Local Revenues

Collections are only reported based on tax heads by Uganda Revenue Authority (URA) and not actual locations of collections. It is this reporting approach that has sustained the misconstruction that local governments collect meagre revenues. This distorts the accountability and transparency on the contributions made by local governments to the national domestic revenue. When collections of all tax heads are disaggregated based on local government, they will far surpass the reported local revenue. Local revenue is collected from levies, licenses, fees or fines as stipulated in Article 191(1) of the Constitution of the Republic of Uganda. Unfortunately, maintenance of the aggregated centre approach entrenches unfairness in budget allocations to local governments.

Proposed Alternative

All levies, licenses, fees or fines collected from local governments should cease being demarcated as local collections or revenue. Rather all collections generated from central government and local governments should universally be treated as domestic revenue. This will ensure availability of sufficient funds for service delivery in local governments. However, it will require amendments to the Constitution, Public Finance Management Act, Local Government Act and any other relevant laws.

Aware that not all local governments or districts have same revenue generation and development potential, Article 178 of the Constitution that provides for creation of regional governments should be operationalised. This will ensure that two or more districts cooperate and complement each other in mobilising revenues as well as delivering public services within their jurisdiction. Additionally, equalisation grants need to be maintained and targeted affirmative programmes could be enrolled to support local governments with inadequate capacity to mobilise revenue.

Foreign Dominated Banking System

The Banking system in Uganda is dominated by foreign owned commercial banks. These hold the greatest portion of domestic debt. As of June 2021, they held UGX 9.89 trillion (38%) of the face value of the treasury securities raised in FY2020/21 amounting to UGX 26.03 trillion. This is largely attributed to the liberalisation of the financial sector. While foreign owned commercial banks are well capitalised and resilient, there is a seemingly a growing risk of capital flight and their dominance crowding out domestic as well as emerging banks. In FY2022/23, it was established that out of projected interest payments amounting to UGX 5.08 trillion, domestic interest payments would amount to UGX 4.05 trillion (80%).

Proposed Alternative

Interventions such as Microfinance Support Centre and Pride Microfinance Limited should be combined to re-establish a domestic cooperative bank. This will contribute to increasing number of domestic banks, reduction of the dominance of foreign owned banks and reduce the cost of credit. Based on the appropriations made in FY2021/22, when combined UGX 246.3 billion (Microfinance Support Centre – UGX 133.29 billion and Pride Microfinance – UGX

113.01 billion) would be raised as bank capital. This is far beyond the advanced UGX 150 billion minimum capital mark. Besides being budget neutral, the proposed cooperative bank would still ably serve the current purposes or goals of the Microfinance Support Centre and Pride Microfinance Limited while improving product range.

Tax Expenditures Haemorrhage

The country loses a lot of revenue through statutory tax expenditures exercised through ministerial discretionally powers. Currently, there are no ceilings set for the tax expenditures and Parliament has no mechanism of scrutinising tax expenditure proposals before they are awarded. For the last 5 financial years i.e. FY2016/17 – 2020/21, tax expenditures have been gradually escalating and the country has foregone revenue amounting to UGX 21.51 trillion. Rather Parliament may scrutinise the tax expenditure reports presented under Section 77 of the Public Finance Management Act. Unfortunately, Parliament has never undertaken extensive scrutiny and debate on the reports.

Proposed Alternative

Amend Section 77 to introduce prior approval of Parliament for exemptions granted by the Minister responsible for Finance. This should be complemented with biannual post legislative scrutiny of the exemptions with the findings targeted at informing scrutiny of tax bills for the subsequent financial year particularly phasing out ineffective tax measures.

In the interim, the statement and reports made to Parliament on tax expenditures should articulate in detail the number of exemption requests received and granted, number of beneficiaries, value of expenditures, foregone revenue accrued impact, duration of exemptions, ceilings and eliminated or discarded tax expenditures. Benchmark can be undertaken on the Tax Expenditure report prepared by the Ministry of Economy and Finance in Morocco.

Inadequate Evaluation of Tax Policy Measures

The proposed new tax heads descriptions for subsequent financial year and what they would yield have never been incorporated in the National Budget framework paper. Non articulation of the measures constrains assessment as to whether the proposed national annual budget resource envelope is realistic and aligned. Also, the proposed tax measures are not accompanied by any Regulatory Impact Assessment (RIA) to aid Parliament determine the undertaken cost benefit analysis. Attempts for Parliament to access the tax studies have been futile. Except for revenue outcome, no evaluation of past tax measures in terms of administration, citizen perception, unintended impact and alignment to budget strategy among others is undertaken.

Proposed Alternative

Parliament should amend Rule 159 of the Rules of Procedure to specifically require Committees undertake post legislative scrutiny. The responsibility of Parliament should not end with bill scrutiny and ensuring that it is assented into law. This will aid in assessing the responsiveness of the finance laws in enhancing domestic revenue mobilisation and how they have shaped the lives of the citizenry.

Counter effective Tax Policy and Administration Measures

Government has over the years invested in counterproductive tax administration measures. For instance, digital stamps provided by SICPA Uganda Limited are part of the drivers for price escalations since the stamping charges are borne by customers at the consumption of gazetted products. Another intervention of fuel marking by the same company charging UGX 30 per litre marked has contributed to increment of fuel prices which have a ripple effect on commodity prices. Relatedly, road transport services are dominated by foreigners transporters who transport 80% of Uganda bound cargo and have to pay 15% withholding tax as per Section 85 of the Income Tax Act. This too is part of the drivers of the current escalating commodity prices in Uganda.

Proposed Alternative

Uganda Revenue Authority (URA) should own the digital stamps and technology infrastructure. This will lead to reduced costs, sustainability and improved accuracy in tracking of the gazetted products. In turn this will boost tax collections while reducing costs extended to the consumer of the gazetted products.

Aware that the contract of SICPA Global Fluids International is expiring in 2023, the fuel marking programme should be discontinued and emphasis is placed on improving capabilities of Geographical Position Systems embedded in the Regional Electronic Cargo Tracking System (RECTS). The system that was initiated in 2017 is operational in Uganda, Kenya, Rwanda and Democratic Republic of Congo. This will contribute to a reduction of fuel costs and ensure real time monitoring of fuel tankers to prevent round tripping.

Inadequate Public Debt Disclosure and Management

The reported stock of public debt stood at UGX 73.78 trillion as at end of October 2021. The stock does not include all publicly guaranteed debt which are part of contingent liabilities. It has been noted that in the year 2021, contingent liabilities rose to UGX 160 trillion from UGX 11.5 trillion. Additionally, the public debt stock does not include domestic arrears. In the year 2021, domestic arrears amounted to UGX 4.65 trillion. The outstanding debt due to Bank of Uganda as bank advances amounting to UGX 3.033 trillion are also not recorded in the declared stock of debt. The situation will be compounded by the pre-financing debt which is currently being considered in the roads sector. The selective disclosure hampers determination and control of the public debt. When the entire spectrum of public debt is computed, it far exceeds the recommended debt to GDP ratio of 50%.

Proposed Alternative

The debt stock of the country should reflect all components of debt. All contingent liabilities, Bank of Uganda advances, domestic debt and pre-financing must be included in the debt stock. This will abate the risks of hidden debt and being cut off from prospective lenders and donors. These risks were realised in Republic of Congo (non-disclosure of prefinancing contracts), Togo (non-disclosure of prefinancing debt), Ecuador (non-disclosure of contingent liabilities), Mozambique (non-disclosure of state guarantees) and Zambia (debt reporting lags).

The criteria for benefiting from government guarantees should be disclosed to ensure transparency and fairness in their access. The criteria should be complemented with legal and regulatory frameworks that empowers government to inquire into operations of private enterprises and state-owned enterprises incorporated as private companies.

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CHAPTER 1: BACKGROUND TO ALTERNATIVE POLICY STATEMENT

1.1 Legal Provisions

This Alternative Policy Statement for Finance, Planning and Economic Development has been developed and presented in accordance with Section 6E (4) of the Administration of Parliament (Amendment) Act (2006), Rules 14(4) and 147 of the Rules of Procedure 2021.

1.2 Sector Overview

The Finance sector is the lifeblood of Government. Its functioning is critical for the rating of the country, service delivery and quality of life of the citizenry. Depending on the resources mobilized and expenditures prioritized, the health and strength of the sector is an indicator of prosperity.

Any indiscipline in the sector for instance in the form of wasteful expenditures, weak regulation, corruption and poor budgeting among others is fatal for it shutters national and individual aspirations.

Given its complementary contributions to other sectors of government, it seems to attract limited scrutiny through the financial year. It cannot be equated to sectors such as health, education, works and transport that have more of physical and beneficial presence in the lives of the populace. Usually, attention on finance sector is heightened largely during consideration of taxes and budget allocations.

This Alternative Policy Statement highlights and proposes alternatives to emerging issues that include noncompliance to existing laws, escalating domestic borrowing, inadequate debt disclosure, narrow definition of local revenue, dominance of foreign owned banks, risks of tax expenditures, weak tax policy and administration evaluation.

CHAPTER 2: BUDGET ANALYSIS

2.1 Compliance to the Public Finance Management Act

Section 13(6) of the Public Finance Management Act demands that the budgets should be consistent with National Development Plan, Charter of Fiscal Responsibility and the Budget Framework Paper.

While Parliament approved both the Charter of Fiscal Responsibility and Budget Framework Paper, the Ministry of Finance, Planning and Economic Development has failed to publish them. As regards the former, it is a violation of Section 5(2) of the Public Finance Management Act which demands that the Charter should have been published not later than one month after approval by Parliament.

It would be prudent for the approved National Budget Framework Paper to be published. Given the fact that it was approved with amendments, publishing the approved National Budget Framework Paper would aid in assessing level of consistency of the Ministerial Policy Statements.

Due to the failure to publish the Charter of Fiscal Responsibility and Budget Framework Paper, it was not practically possible to ascertain level of consistency of the Ministerial Policy Statements.

Additionally, the laid Policy Statements were not accompanied by a Certificate of Gender and Equity responsiveness. This violated Section 13(15)(g) of the Public Finance Management Act. Hence it is difficult to determine whether the policy statements are gender and equity responsive.

2.2 Vote 130 – Treasury Operations

Treasury Operations is the vote that is allocated the largest share of the national budget. In FY2022/23, its budget is projected to increase to UGX 17.27 trillion from a revised approved budget of UGX 15.70 trillion in FY2021/22. This is an increment of UGX 1.57 trillion of which UGX 1.34 trillion is attributed to increase in Treasury Bonds Costs.

Table 1: Budget Allocations to Vote 130 Treasury Operations

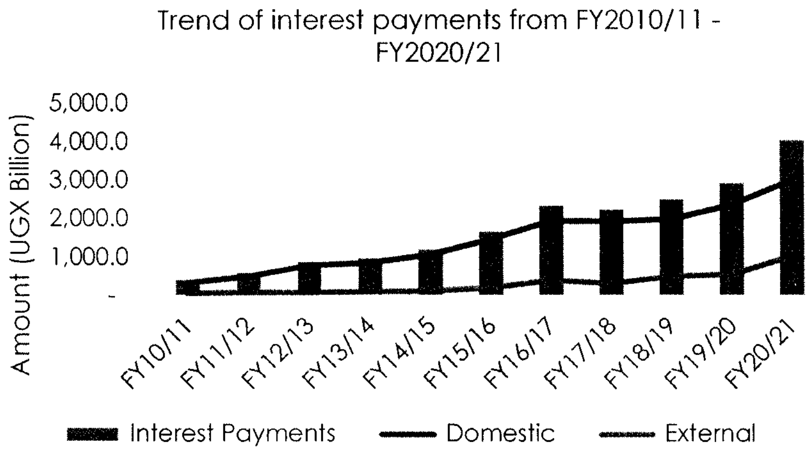
ACCOUNT NAME	REVISED BUDGET FY 2021/22 (UGX)	PROJECTIONS FY 2022/23 (UGX)	VARIANCE (UGX)
DOMESTIC			
Contingencies Fund	290,368,387,275	223,893,943,441	-66,474,443,834
Arrears	192,907,536,446	443,517,241,262	250,609,704,816
Treasury Bills Interest	504,129,926,000	583,536,681,349	79,406,755,349
Treasury Bonds Costs	2,763,749,759,000	4,107,771,456,163	1,344,021,697,163
Listing Fees	1,500,000,000	1,380,000,000	-120,000,000
Other Charges e.g. RTGS	105,000,000,000	120,000,000,000	15,000,000,000
Promissory Notes	348,212,391,050	319,552,683,336	-28,659,707,714
Sub-total	**4,205,867,999,771**	**5,799,652,005,551**	**1,593,784,005,780**
EXTERNAL			
Loan Interest	1,054,536,553,000	871,443,354,070	-183,093,198,930
Commitment Fees	20,678,365,000	137,038,580,487	116,360,215,487
Management Fees	132,133,579,000	48,698,917,909	-83,434,661,091
External Amortization	1,903,015,501,000	2,412,206,795,952	509,191,294,952
Sub-total	**3,110,363,998,000**	**3,469,387,648,418**	**359,023,650,418**
REDEMPTIONS / ROLL-OVER			
Treasury Bills at Cost (Principal)	6,485,527,877,000	5,800,774,656,163	-684,753,220,837
Treasury Bonds at Cost(Principal)	1,901,472,123,000	2,207,225,343,837	305,753,220,837
Sub-total	**8,387,000,000,000**	**8,008,000,000,000**	**-379,000,000,000**
GRAND TOTAL	**15,703,231,997,771**	**17,277,039,653,969**	**1,573,807,656,198**

Source: MoFPED

2.2.1 Escalating Domestic Borrowing

The weak provisions in Section 36(5) of the Public Finance Management Act on domestic borrowing in terms of Treasury Bills and Bonds is escalating domestic debt. Given the fact that they are securities, they do not require prior Parliamentary approval. Hence, they are risk to financial prudence. The securities constitute UGX 12.69 trillion (73%) out of the entire budget of the Vote. Of this UGX 8 trillion is domestic refinancing or rollover. No wonder domestic borrowing constitutes a greater portion of interest payments. These are diverting further from external debt interest payments.

Figure 2: Trends of interest payments from FY2010/11 – FY2020/21



Source: MoFPED

2.2.2 Poor Loan Absorption

It has been reported that a debt of UGX 19.58 trillion stands committed but undisbursed[1]. This constitutes unproductive debt and risky projects. The amount far exceeds the stock of risky projects that were declared in the budget framework paper by 86%. It was earlier indicated that Government had identified17 risky projects for which USD 457 million (approximately UGX 1.7 trillion) had been spent and USD 757 million (approximately UGX 2.8 trillion) remained undisbursed[2].

2.2.3 Abuse of Court Awards

For years, the allocations towards Court awards have been a target for reallocation of funds by Parliament. Almost as a standard, every financial year, UGX 40 billion is reallocated. This is an indication that there are redundant allocations towards court awards within the Vote that are at risk of misuse. It has been established before those payments are discretionary made without supporting documents to a knitted clique of law firms[3].

It is now government policy that payments of court awards save for Order of Mandamus are decentralised to the budgets of entities that accrue them. Hence

[1] Ministry of Finance, Planning and Economic Development, 2022. Policy Statement FY2022/23 for Vote 130: Treasury Operations
[2] Ministry of Finance, Planning and Economic Development, 2021. Addendum to the National Budget Framework Paper FY2022/23 – FY2026/27
[3] Office of the Auditor General, 2016. Special Audit Report by the Auditor General on Mandamus Payments by the Ministry of Finance, Planning and Economic Development

there is no need of allocating a large portion of funds for court awards under the Vote.

Regarding the case of armed activities in the territory of Congo (DRC Vs. Uganda), funds have always been requested for through the Ministry of Justice and Constitutional Affairs. Therefore, the part payment of UGX 236.25 billion (equivalent to USD 65 million) out of the International Court of Justice (ICJ) Court award of UGX 1.18 trillion (Equivalent to USD 325 million) should have been budgeted for under the Ministry responsible for Justice. The Ministry has outstanding court awards that accrue interest and may translate into Order of Mandamus amounting to UGX 989 billion[4].

2.3 Vote 008 – Ministry of Finance, Planning and Economic Development

The budget for the Ministry of Finance, Planning and Economic Development is projected to rise from UGX 783.04 billion in FY2021/22 to UGX 1.79 trillion in FY2022/23. This translates to a growth of 56%. The leap in funding has been realised in sub-sub programmes of Financial Sector Development (UGX 1.03 trillion) as well as Budget Preparations, Execution and Monitoring (UGX 35.41 billion).

Table 2: Comparison of budget allocations in FY2021/22 and FY2022/23 by Sub sub programme

Sub sub Programme	Approved Budget FY2021/22 (UGX Billion)	Proposed Budget FY2022/23 (UGX Billion)	Variance (UGX Billion)
Budget Preparations, Execution and Monitoring	101.76	137.17	35.41
Deficit Financing and Cash Management	12.21	10.94	(1.27)
Development Policy and Investment Promotion	86.90	93.95	7.05
Financial Sector Development	315.97	1,352.25	1,036.28
Internal Oversight and Advisory Services	5.26	6.51	1.25
Macroeconomic Policy and Management	22.65	20.51	(2.14)
Policy, Planning and Support Services	113.13	93.46	(19.67)
Public Financial Management	125.16	76.05	(49.11)
Total	783.04	1,790.85	1,007.81

Source: MoFPED

Due to programme based budgeting migration, allocations are easily comparable at sub sub programme but a bit challenging at output level due to limited detail. Nevertheless, an increment of UGX 1.03 trillion was observed under

[4] Office of the Auditor General, 2021. Report of the Auditor General to Parliament for the Financial Year ended 30th June 2021

Financial Sector Development. Based on the policy statement, this may be attributed to implementation of implementation of financial inclusion pillar in the Parish Development Model. However, it is not clear whether these funds are exclusive to the sector of finance.

On the other hand, there is a noticeable reduction of UGX 49 billion under Public Financial Management. Due to dropping of half year budget performance reporting, it was difficult to ascertain the reason for the reduction in the budget line.

2.3.1 Non-Budgetary Alignment with NDP

It has been established while the Ministry of Finance, Planning and Economic Development through the Third National Development Plan was expected to contribute to 13 programmes in FY2022/23, only 4 have been covered. These include Development Plan Implementation, Governance and Security, Private Sector Development and Sustainable Petroleum Development. This accounts to 31% budgetary alignment.

Table 3: Budgetary Alignment of Policy Statement to National Development Plan

Contribution Programmes	NDPIII PAIP Projections FY2022/23 (UGX Billion)	MPS Allocations FY2022/23 (UGX Billion)	Variance (UGX Billion)
Administration of Justice	2.900	-	(2.90)
Agro-Industrialisation	119.390	-	(119.39)
Development Plan Implementation	171.160	300.327	129.17
Governance and Security	3.910	2.020	(1.89)
Manufacturing	0.300	-	(0.30)
Mineral Development	7.200	-	(7.20)
Private Sector Development	389.630	1,440.404	1,050.77
Public Sector Transformation	0.400	-	(0.40)
Regional Balanced Development	42.120	-	(42.12)
Sustainable Energy Development	1.000	-	(1.00)
Sustainable Petroleum Development	30.300	48.097	17.80
Sustainable Urbanisation and Housing	93.400	-	(93.40)
Tourism Development	372.520	-	(372.52)
Grand Total	**1,234.240**	**1,790.848**	**556.61**

Source: NPA and MoFPED

Noticeable is the variance of UGX 1.05 trillion in the Private Sector Development. These funds will be disbursed within the first quarter of FY2022/23 towards financial inclusion pillar of the Parish Development Model. However, it is not elaborated how the funds will be disbursed or whether there shall be a criterion to follow. Secondly, structurally the Parish Development Model only focuses on expenditure and makes no projections at all how much revenue will be raised from it. This is a huge structural deficit.

2.3.2 Inadequate Capitalisation of UNOC

While the country is grappling with escalating fuel prices prompted by fuel shortages and inadequate fuel stocks, there are no indications that funding has been made towards ensuring stocking of fuel reserves in Jinja. Allocations have been maintained at UGX 48.096 billion which were at the initial budget framework levels. Hence the capitalisation deficit of UGX 77 billion for Uganda National Oil Company (UNOC) is still outstanding. This was partly meant for stocking of Jinja Storage Terminal. Aware that Kenya will be undertaking general elections in August, it would be prudent that reserves are adequately stocked to mitigate a possibility of supply risks. Based on a 4-year trend, more stocking is usually undertaken in the months of May – November. However, there is no single month when a minimum stock of 12 million litres or target of 30 million litres[5] has ever been achieved.

Table 4: Jinja Storage Terminal Closing stocks for every month in FY2017/18 – 2020/21

MONTH	FY2017/18 (LTRS)	FY2018/19 (LTRS)	FY2019/20 (LTRS)	FY2020/21 (LTRS)	TOTAL (LTRS)	PERCENTAGE
Jul	2,038,331	10,817,760	858,087	1,849,789	**15,563,967**	8%
Aug	10,443,776	8,768,345	774,581	3,205,793	**23,192,495**	12%
Sept	11,440,720	4,147,845	881,129	1,330,315	**17,800,009**	9%
Oct	13,192,146	4,465,411	878,200	1,788,632	**20,324,389**	10%
Nov	11,553,344	1,881,976	1,004,096	5,347,124	**19,786,540**	10%
Dec	8,654,317	685,850	1,112,317	7,602,701	**18,055,185**	9%
Jan	2,461,988	945,208	717,893	4,347,419	**8,472,508**	4%
Feb	2,354,455	700,065	703,056	3,379,064	**7,136,640**	4%
Mar	2,711,941	697,103	788,482	6,526,198	**10,723,724**	6%
Apr	2,751,730	813,518	1,056,034	6,429,833	**11,051,115**	6%
May	7,898,639	1,208,097	863,819	8,757,112	**18,727,667**	10%
Jun	10,283,691	908,486	684,062	11,665,611	**23,541,850**	12%
Total					**194,376,089**	

Source: UNOC

[5] Parliament of Uganda, 2022. Report of the Sectoral Committee on Tourism, Trade and Industry on the fuel crisis in the country

3.0 EMERGING SECTORAL ISSUES AND PROPOSED ALTERNATIVES

3.1 Inadequate demarcation of Local Revenues

The Constitution (Article 192), Public Finance Management Act (Section 29 and 30) and Local Government Act (Section 79 and 80) prescribe local revenues that can be retained by local governments for their operations and development needs. The revenue is collected from levies, licenses, fees or fines as stipulated in Article 191(1) of the Constitution of the Republic of Uganda. Unfortunately, this demarcation of local revenue is misleading.

Each local government and the population within its jurisdiction is either a tax agent or payer for majority of the taxes that were demarcated as central government revenues. For instance, VAT and Excise duty is paid within a given local government by a person on consumption of items such as sugar, soft drinks, alcohol, water (NWSC and bottled), cement and phone charges (airtime and mobile money) among others. Additionally, both workers in public and private sector pay Pay As You Earn (PAYE) in their respective districts.

Unfortunately, collections are only reported based on tax heads by Uganda Revenue Authority (URA) and not location of collections. It is this reporting approach that has sustained the misconstruction that local governments collect meagre revenues. This distorts the accountability and transparency on the contributions made by local governments to the central government revenues. When collections of all tax heads are disaggregated based on local government, they will far surpass the reported local revenues. Regrettably, maintenance of the aggregated centre approach entrenches unfairness in budget allocations to local governments.

While adequate financing of local governments is critical for the success of decentralisation policy, it should be noted that this is discredited by the centralisation approach in revenue collection. There is a greater tilt towards the centre i.e. central government than local governments.

Proposed Alternatives

All levies, licenses, fees or fines collected from local governments should cease being demarcated as local collections or revenue. Rather all collections generated from central government and local governments should universally be treated as domestic revenue. However, reporting of domestic revenue collections and remittances should be disaggregated according to location of local government in which they were realised. For this to be realised, reforms such as phased roll out of point of sale terminals particularly Electronic Billing Machines

as is case in Rwanda and Tanzania would enhance revenue mobilisation. This will reflect actual extent of revenues collected from each local government and influence its budgetary allocations. This does not compromise the decentralisation policy and determination of indicative planning figures by the Central Government. Rather it will require amendments to the Constitution, Public Finance Management Act, Local Government Act and any other relevant laws.

Aware that not all local governments or districts have same revenue generation and development potential, Article 178 of the Constitution that provides for creation of regional governments should be operationalised. This will ensure that two or more districts cooperate and complement each other in mobilising revenues as well as delivering public services within their jurisdiction particularly in areas of planning, procurement and contracting. The latter are currently largely controlled by the central government especially in the development of hospitals, schools and water sources among others. Additionally, equalisation grants need to be maintained and targeted affirmative programmes could be enrolled to support local governments with inadequate capacity to mobilise revenue.

3.2 Foreign Dominated Banking System

The Banking system in Uganda is dominated by foreign owned commercial banks. This is largely attributed to the liberalisation of the financial sector. While foreign owned commercial banks are well capitalised and resilient, there is a seemingly growing risk of capital flight and their dominance crowding out domestic as well as emerging banks. The latter has been evidenced through closures, mergers or acquisitions of struggling banks by bigger banks. This is hinged on the statutory bank capital reserve, market presence longevity advantage, governance superiority and limited government active participation.

It is important to note that the commercial banks hold the greatest portion of domestic debt. As of June 2021, they held UGX 9.89 trillion (38%) of the face value of the treasury securities raised in FY2020/21 amounting to UGX 26.03 trillion. This reaffirms the risk of capital flight through profit repatriation arising from interest payments. In FY2022/23, it was established that out of projected interest payments amounting to UGX 5.08 trillion, domestic interest payments would amount to UGX 4.05 trillion (80%)[6].

[6] Ministry of Finance, Planning and Economic Development, 2021. National Budget Framework Paper FY2022/23 – 2026/27

Table 5: Treasury Securities Outstanding Stock by Holder Category

Holder	June 2020		June 2021	
Category	**Face Value (bn)**	**%Face Value**	**Face Value (bn)**	**%Face Value**
Banks	4,035.1	81%	4,804.2	75%
Pension & Provident Funds	227.8	5%	77.0	1%
Offshore	-	0%	478.9	8%
Bank of Uganda	2.5	0%	1.3	0%
Insurance companies	149.0	3%	133.5	2%
Other financial institutions	187.2	4%	450.0	7%
Retail	137.8	3%	165.3	3%
Other	238.1	5%	276.8	4%
Total Bills	**4,977.5**	**100%**	**6,387.0**	**100%**
Banks	3,796.9	27%	5,092.1	26%
Pension & Provident Funds	7,261.4	52%	8,734.0	44%
Offshore	1,140.8	8%	2,474.3	13%
Bank of Uganda	6.2	0%	457.8	2%
Insurance companies	267.6	2%	398.6	2%
Other financial institutions	1,153.9	8%	1,585.6	8%
Retail	255.8	2%	608.9	3%
Other	97.2	1%	300.5	2%
Total Bonds	**13,979.8**	**100%**	**19,651.8**	**100%**
Total Stock	**18,957.3**		**26,038.8**	

Source: Bank of Uganda

Worryingly, the raising of minimum capital requirement to UGX 150 billion will be met by only 10 out of the 25 commercial banks[7]. This is an indication that those that are unable to raise additional capital will close or be merged or acquired. Consequently, there is less competition and expensive banking services. This will lead to widening the list of defunct banks which until recent include Cooperative Bank, Crane Bank Limited, Global Trust Bank Uganda, Greenland Bank, Teefe Trust Bank, International Credit Bank and National Bank of Commerce[8].

[7] International Monetary Fund, 2022. 2021 Article IV Consultation and First Review under the Extended Credit Facility Arrangement and Requests for Modifications of Performance Criteria – Press Release; Staff Report; and Statement by the Executive Director for Uganda. IMF Country Report No. 22/77

[8] Parliament of Uganda, 2019. Report of the Committee on Commissions, Statutory Authorities and State Enterprises (COSASE) on the Special Audit Report of the Auditor General on Defunct Banks

Table 6: Commercial Banks in Uganda and their Majority Shareholders

BANK	MAJORITY SHARE HOLDER	PERCENTAGE	STATUS AS AT DEC 2020
ABC BANK	AFRICAN BANKING CORPORATION	62	Non-Resident
AFRILAND FIRST BANK	Afriland First Group,Afriland First Bank, Guinea Conakry	48	Non-Resident
ABSA	Absa Group Limited	100	Non-Resident
BANK OF AFRICA	BMCE BANK,AFRICAN FINANCIAL HOLDING OCEAN INDIEN	86	Non-Resident
BANK OF BARODA	BANK OF BARODA	79	Non-Resident
BANK OF INDIA	BANK OF INDIA	100	Non-Resident
CAIRO INTERNATIONAL BANK	Banque Du' Caire	100	Non-Resident
CENTENARY BANK	Uganda Catholic Secretariat	100	Resident
CITIBANK	Citibank Overseas Investment Corporation	100	Non-Resident
DFCU BANK	dfcu Limited (owned by Arise BV)	100	Non-Resident
DIAMOND TRUST BANK	Diamond Trust Bank Kenya Ltd, Aga Khan Fund for Economic Development	83.7	Non-Resident
ECOBANK	Ecobank Transnational Incorporated	100	Non-Resident
EQUITY BANK	Equity Group Holdings Limited	99	Non-Resident
EXIM BANK	Exim Bank Tanzania ltd	59	Non-Resident
FINANCE TRUST BANK LIMITED	UWT-Uganda Women's Trust	20.1	Resident
GUARANTY TRUST BANK	GUARANTY TRUST BANK(KENYA) LTD	100	Non-Resident
HOUSING FINANCE BANK	NSSF, (GOU)	50, (49.2)	Resident
KCB Bank Uganda Ltd	Kenya Commercial Bank Limited	99.9	Non-Resident
NCBA Bank	NCBA BANK PLC	100	Non-Resident
OPPORTUNITY BANK	Opportunity Transformation Investements Inc	49	Non-Resident
ORIENT BANK	Morka Holdings Limited owned 100% by Ketan Morjaria	33.19	Non-Resident
POST BANK	GOU	100	Resident
STANBIC BANK (U) LTD	Stanbic Uganda Holdings Limited- Owned by Stanbic Group	99	Non-Resident
STANDARD CHARTERED BANK	Standard Chartered Holdings (Africa) B.V	100	Non-Resident
TROPICAL BANK	Libyan Foreign Bank	99	Non-Resident
UNITED BANK OF AFRICA	UBA Plc	69	Non-Resident

Source: BOU

Proposed Alternative

Interventions such as Microfinance Support Centre and Pride Microfinance Limited should be combined to re-establish a domestic cooperative bank. This will contribute to the increase in the number of domestic banks, reduction of the dominance of foreign owned banks and reduce the cost of credit. Loans from foreign owned banks incorporate the cost of importing capital on top of administrative costs. Based on the appropriations made in FY2021/22, when combined UGX 246.3 billion (Microfinance Support Centre – UGX 133.29 billion and Pride Microfinance – UGX 113.01 billion) would be raised as bank capital. This is far beyond the advanced UGX 150 billion minimum capital mark. Besides being budget neutral, the proposed cooperative bank would still ably serve the current purposes or goals of the Microfinance Support Centre and Pride Microfinance Limited.

3.3 Tax Expenditures Haemorrhage

The country loses a lot of revenue through statutory tax expenditures (i.e. alternative means of delivering financial support other direct budget support) exercised through ministerial discretionally powers. Presently, there are no ceilings set for the tax expenditures[9] and Parliament has no mechanism of scrutinising tax expenditure proposals before they are awarded. Rather Parliament may scrutinise the tax expenditure reports presented under Section 77 of the Public Finance Management Act. Unfortunately, Parliament has never undertaken extensive scrutiny and debate on the reports. Hence a weak checks and balance system amidst constrained capacity of domestic revenue mobilisation. For the last 5 financial years i.e. FY2016/17 – 2020/21, tax expenditures have been gradually escalating and the country has foregone revenue amounting to UGX 21.51 trillion. This is mainly attributed to the permanency or indefinite period of the tax expenditures.

Table 7: Revenue foregone in FY2016/17 – 2020/21

Exemptions Category	FY 2016/17 (UGX Bn)	FY 2017/18 (UGX Bn)	FY 2018/19 (UGX Bn)	FY 2019/20 (UGX Bn)	FY2020/21 (UGX Bn)
Total income tax Loss	391.85	453.79	1,009.84	851.21	2,358.67
VAT Exemptions	815.15	1,323.55	1,434.34	1,855.49	2,195.34
Customs Tax Exemptions	960.02	912.46	1,716.37	2,065.15	3,168.51
Total Exemptions	**2,167.02**	**2,689.80**	**4,160.55**	**4,771.85**	**7,722.52**

Source: URA

[9] Ministry of Finance, Planning and Economic Development, 2019. Domestic Revenue Mobilisation Strategy 2019/20 – 2023/24

Nonetheless, review of the statements accompanying the national annual budget indicated void of details particularly regarding number of exemption requests received and granted, number of beneficiaries, value of expenditures, accrued impact, duration of exemptions and ceilings. This raises the risks of continued distortion of the revenue base. It has been established that for each of the years 2017 – 2020, Government has been granted 87 types of tax expenditures. Broadly, 62 (71%) of the tax expenditures are permanent while temporary expenditures account for 29%. Exemptions are the main mechanism accounting for 46% of all tax expenditures heads[10].

Table 8: Types and Duration of Tax Expenditures in Uganda

Duration and type of Tax Expenditure	Number
Permanent	**62**
Deduction	6
Deferral	1
Exemption	40
Other	2
Reduced rate	7
Zero-rated	6
Temporary	**25**
Reduced rate	25
Grand Total	**87**

Source: GTED

While the tax expenditures are assumed to be incentives geared towards spurring growth in strategic areas such manufacturing, agro-processing and charity, no study has been undertaken to establish the benefits that have so far accrued from them. Besides several beneficiaries of the tax expenditures do not file tax returns[11] yet the government continues to incentivise them. Hence it has been deduced that eligibility is not necessarily linked to tax returns.

Furthermore, some tax expenditures are intended at boosting savings of selected beneficiaries at the exclusion of counterparts. This raises concerns of inequity and unfairness which violate the universal principles of taxation. For instance, income tax exemptions are granted to legislators and not to other democratically elected leaders. Armed officers are exempt while other public officers are not exempted.

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[10] Global Tax Expenditure Database (GTED), 2022. Country Profile – Uganda. https://gted.net/country-profile/ Last accessed 12 March 2022

[11] Ministry of Finance, Planning and Economic Development, 2021. Tax Expenditure Report FY2020/21

Table 9: Revenue foregone from Income Tax Exemptions in FY2016/17 – FY2021

EXEMPTIONS	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21
Employment income of armed forces	60.6	72.72	83.1	95.13	95.13
Incomes of collective investment schemes	0	0.2	0.22	0.75	2.19
Employment incomes of EADB employees	1.48	1.16	0.84	0.82	0.82
Business incomes of new investors in new plants and machinery for agro-processing	3.4	8.72	32.2	5.13	27.98
10-year tax holiday on business income tax for new investors manufacturing finished consumer and capital goods for export.	4.16	19.04	18.45	11.33	4.97
Employment income, other than salary, of a person employed as a Member of Parliament.	102.91	99.77	98.73	126.64	126.64
Income of Bujagali Hydro Power Project	0	0	108.4	100.04	90.74
Business and investment income tax for SACCOs	0.34	1.95	11.37	7.95	25.45
Lumpsum payments from employment income tax	3.84	4.01	4.46	3.44	0
Employment income of private retirement schemes	3.02	13.76	8.21	8.97	11.69
Dividends paid by a publicly traded company.	3.49	0.62	1.3	0	0.73
Total loss from exemptions	**183.24**	**221.95**	**367.28**	**360.2**	**386.34**

Source: MoFPED

Proposed Alternative

Amend Section 77 to introduce prior approval of Parliament for exemptions granted by the Minister responsible for Finance. While this may create bureaucratic risks such as delays and political renting, it will improve scrutiny, transparency and accountability. This should be complemented with biannual post legislative scrutiny of the exemptions with the findings targeted at informing scrutiny of tax bills for the subsequent financial year particularly phasing out ineffective tax measures. For instance, in Kenya, a review informed a reduction in items exempted from Value Added Tax led to a reduction of 27% of total tax expenditures from a high of KSH **437.11 billion (UGX 13.82 trillion) in 2017 to KSH 318.32 billion (UGX10.06 trillion) in 2020[12].** ***Hence reviews and discontinuation of ineffective expenditures would broaden and increase the tax base. The post legislative scrutiny should be undertaken irrespective of the Cost Benefit Analysis for Government Tax Exemptions and Subsidies that will be undertaken by the Ministry responsible for Finance. In FY2022/23, UGX 2.029 billion has been earmarked for this activity.***

[12] The National Treasury and Planning, 2021. 2021 Tax Expenditure Report

In the interim the statement and reports made to Parliament should articulate in detail the number of exemption requests received and granted, number of beneficiaries, value of expenditures, foregone revenue accrued impact, duration of exemptions, ceilings and eliminated or discarded tax expenditures. Benchmark can be undertaken on the Tax Expenditure report prepared by the Ministry of Economy and Finance in Morocco[13].

3.4 Inadequate Evaluation of Tax Policy Measures

In every financial year, government introduces new tax measures. However, the proposed new tax heads descriptions for subsequent financial year and what they would yield have never been incorporated in the National Budget framework paper. Suffice to note that paragraph 6 of Schedule 3 of the Public Finance Management Act requires articulation of revenue policies that government intends to introduce. Non articulation constrains assessment as to whether the proposed national annual budget resource envelope is realistic and aligned. So, scrutiny of proposed tax and revenue bills at consideration of annual budget is void on alignment with approved budget framework paper.

Secondly, the proposed tax measures are not accompanied by any Regulatory Impact Assessment (RIA) to aid Parliament determine the undertaken cost benefit analysis. Nevertheless, it should be noted that Uganda Revenue Authority undertakes tax studies specifically for the consumption of the Ministry responsible for Finance.

It has been established that the Ministry also undertakes studies specifically with the purpose of widening revenue tax effort and base. For instance in FY2022/23, UGX 1.82 billion has been allocated for review of tax policy and legislative framework. Attempts for Parliament to access the tax studies have been futile. Consequently, emphasis is usually placed on the projected tax yields and less attention is placed on the resources that would be required to actualise the yields and resultant impacts.

Additionally, except for revenue outcome, no evaluation of past tax measures in terms of administration, citizen perception, unintended impact and alignment to budget strategy among others is undertaken. This constrains determination of efficiency and effectiveness of tax measures[14]. For instance, it would have been ideal for government to report on whether the approved tax policy and

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[13] Ministry of Economy and Finance, 2022. Al Malyia Review. Special 2022 Finance Law. Summary of the Report on Tax Expenditure. https://www.finances.gov.ma/Publication/db/2022/En_SyntheseDepensesFiscales2022.pdf Last accessed 12 March 2022

[14] Uganda Revenue Authority, 2020. Annual Revenue Performance Report FY2019/20

administration measures in FY2021/22 yielded the projected UGX 460.61 billion and UGX 799 billion respectively[15].

Proposed Alternative

Parliament should amend Rule 159 of the Rules of Procedure to specifically require Committees undertake post legislative scrutiny. The responsibility of Parliament should not end with bill scrutiny and ensuring that it is assented into law. This will empower the Committee on Finance, Planning and Economic Development to undertake scrutiny of tax and administrative policy measures passed by Parliament. This will aid in assessing the responsiveness of the finance laws in enhancing domestic revenue mobilisation and how they have shaped the lives of the citizenry. However, caution should be taken to focus on outcomes and not to replay arguments made during the consideration of bills. Presently no Parliamentary Committee has undertaken post legislative scrutiny into any of the laws under their jurisdiction.

3.5 Counter effective Tax Policy and Administration Measures

Government has over the years invested in counterproductive tax administration measures. Such measures include digital stamps for which Parliament approved a total of UGX 106 billion in FY2019/20 (UGX 45.67 billion) and FY2020/21(UGX 60.89 billion). The operationalisation of the digital stamps was contracted to a private company, SICPA Uganda Limited. Critical to note that the company was not sourced through competitive bidding. From the onset the investment was projected not to be commensurate with anticipated return on investment. It was projected to yield a total revenue contribution of UGX 47.74 billion over 5 years[16]. It is there not surprising that the administration measure has been underperforming ever since it was initiated in FY2017/18. In the subsequent years, it has never yielded revenue equivalent to what was collected in FY2017/18. Additionally, it is part of the drivers for price escalations for the stamping charges are borne by customers at consumption of gazetted products.

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[15] Ministry of Finance, Planning and Economic Development, 2021. Background to the Budget for FY2021/22

[16] Parliament of Uganda, 2019. Report of the Budget Committee on the Annual Budget Estimates for FY2019/20

Table 10: Digital Tax Stamps revenue contribution from various products[17]

Revenue ('000 Bn UGX)	2017-18	2018-19	2019-20	2020-21
Product Category				
Beer	264.61	272.80	280.54	300.04
Cement	26.74	32.64	34.51	43.72
Cigarettes	15.59	14.91	21.02	27.00
Drinking Water	15.51	18.99	19.17	26.46
Soda	117.59	114.57	107.45	139.54
Spirits	156.67	59.94	14.54	26.02
Sugar	30.63	33.90	38.99	44.09
Wines	0.19	0.38	0.54	0.78
Grand Total	**627.54**	**548.13**	**516.77**	**607.66**

Source: URA Databases

Another intervention of fuel marking has also contributed to increment of fuel prices which have a ripple effect on commodity prices. SICPA Global Fluids International was also contracted by government to offer fuel marking prices at a cost of UGX 30 per litre exclusive of taxes. Aware that the country consumes an average of 6.5 million litres of fuel per day, UGX 71.17 billion is collected by the company annual. It is critical to note that these fees do not constitute part of the Consolidated Fund.

In the past, the fuel marking programme was marred with irregularities particularly illegal procurement of service provider and setting of marking fee without undertaking market survey[18]. Recently, Auditor General raised a concern on failure to adequately determine how much revenue is generated in order to determine how much is due to the Ministry of Energy and Mineral Development. The Ministry is entitled to 15% of the fuel marking revenue[19].

Relatedly, Withholding Tax on imported transport services has also contributed to the increase in cost of essential commodities. Uganda is a landlocked country that has over the years over relied on road transport as compared to air, railway and water transport. Unfortunately, road transport services are dominated by foreign transporters who transport 80% of Uganda bound cargo and have to pay 15% withholding tax as per Section 85 of the Income Tax Act. These transport items

[17] Uganda Revenue Authority, 2022. Responses to the Issues that were raised by the Parliamentary Committee on Finance, Planning and Economic Development on the Review of the URA Budget Framework Paper FY2022/23

[18] Office of the Auditor General, 2013. Value for Money Audit Report on the Implementation of the Fuel Marking Programme (FMP) by the Ministry of Energy and Mineral Development

[19] Parliament of Uganda, 2021. A Report of the Public Accounts Committee (Central Government) of the Report of the Auditor General on the Public Sector for the year ended 30 June 2018

such as fuel and industrial inputs. The associated transportation costs are part of the drivers for the currently escalating commodity prices in Uganda. Consequently, this increases the cost of living and dwindling quality of life due to challenges in accessing essential household requirements.

Proposed Alternative

Uganda Revenue Authority (URA) should own the digital stamps and technology infrastructure. This will lead to reduced costs, sustainability and improved accuracy in tracking of the gazette products. The latter will be realized for there would be no third party involved. In turn this will boost tax collections while reducing costs extended to the consumer of the gazette products.

Aware that the contract of SICPA Global Fluids International is expiring in 2023, the fuel marking programme should be discontinued and emphasis is placed on improving capabilities of Geographical Position Systems embedded in the Regional Electronic Cargo Tracking System (RECTS). The system that was initiated in 2017 is operational in Uganda, Kenya, Rwanda and Democratic Republic of Congo. This will contribute to a reduction of fuel costs and ensure real time monitoring of fuel tankers.

As the country develops alternative transportation means particularly water and railway transport, withholding tax on imported transport services should temporarily be waived. This will contribute to the reduction of costs of imported raw materials and commodities.

3.6 Inadequate Public Debt Disclosure and Management

The reported stock of public debt stood at UGX 73.78 trillion as at end of October 2021[20]. Critical to note is the fact that this is not the full disclosure of public debt stock. The debt stock only includes a portion of guarantees that have become a liability to government upon default by the responsible debtor[21]. It does not include all publicly guaranteed debt which are part of contingent liabilities.

It has been noted that in the year 2021, contingent liabilities rose to UGX 160 trillion from UGX 11.5 trillion. This is more than double the declared stock of public debt. Additionally, the public debt stock does not include domestic arrears. In the year 2021, domestic arrears amounted to UGX 4.65 trillion[22]. The outstanding debt due

[20] Bank of Uganda, 2021. State of the Economy Report
[21] Ministry of Finance, Planning and Economic Development, 2022. Debt Sustainability Analysis Report FY2020/21
[22] Office of the Auditor General, 2021. Report of the Auditor General to Parliament for the Financial Year ended 30th June 2021

to Bank of Uganda as bank advances amounting to UGX 3.033 trillion are also not recorded in the declared stock of debt[23]. The situation will be coupled by the pre-financing debt which is currently being considered in the roads sector[24].

The selective disclosure may be purposed on portraying the country's debt sustainable before lenders, donors and other prospective financiers. However, this hampers determination and control of the public debt. When the entire spectrum of public debt is computed, it far exceeds the recommended debt to GDP ratio of 50%.

Relatedly, according to Public Debt and Other Liabilities Management Framework FY2018/19 – FY2022/23, it indicates that no guarantees will be given to individuals due to risks of accountability, transparency and prudent use of public resources. To the contrary, it has been established that a guarantee was provided to Dick Kizito as an individual. More still, government is expected to deposit onto a Special Account guarantee fees of 0.3% per annum on the nominal value of the guaranteed entity. Unfortunately, the status of this account is unknown yet there are expected fees from several guarantee beneficiaries. This may partly be attributed to the fact that the Auditor General has failed to audit the guarantee beneficiaries at least once in their lifetime[25]. Besides the audit requirement is so lenient. This raises risk of continued funding of discretionally selected and "well connected" beneficiaries that may have no substantive contribution to stimulating economic activity in the economy.

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[23] International Monetary Fund, 2022. 2021 Article IV Consultation and First Review under the Extended Credit Facility Arrangement and Requests for Modifications of Performance Criteria – Press Release; Staff Report; and Statement by the Executive Director for Uganda. IMF Country Report No. 22/77

[24] Ministry of Finance, Planning and Economic Development, 2021. National Budget Framework Paper FY2022/23 – FY2026/27

[25] Ministry of Finance, Planning and Economic Development, 2019. Public Debt and Other Liabilities Management Framework FY2018/19 – FY2022/23

Table 11: Private Enterprises that have on-lent loans

Debtor Name	Directors	Balance in UGX as at 30.06.2020
Akamba Uganda Limited	Mohamood Noordin Thobani, Zulfikar Noordin Thobani, Niaz Hassanali Nathoo, Nazir Nathoo	329,045,798
Baggrey Trading Company Limited	Godfrey Kirumira, Moses Kalungi, Kalungi Kirumira	358,326,024
BTS (U) Limited	Caroline Agaba, Oringa Julius, Akajorait Barbra, Anyiko Flavia	173,730,610
Central Purchasing Company Limited	Anthony Okwenye, Ulrike Wilson, Steven Rwabwera, Jennifer Bitalabeho, Grace Musoke Lwanga	5,326,322,326
Dick Kizito		169,378,642
G M Combine	William Senteza-Kajubi, Erisa Christopher N. Kironde, George K. Kityo	368,008,078
G M Turnpeco Limited		55,576,260
HighWay Motors Limited	Ali N. Karia, S. A. Karia, K. A. Karia	101,965,214
Jasaba Pharmacueticals Limited	James Sali Babumba, Anne Babumba, Edith Mary Babumba	209,906,779
Kibuguma Coffee Growers Limited	Johnson Saimon Kiwanuka, Sowedi Nsibambi, Haji Ahamed Munafu	58,300,476
Makyo Enterprises Limited		36,624,535
Marks Pharmaceuticals Ltd	Musiitwa Robert, Namutebi Harriet, Kavuma Barbara	72,487,473
Mpiima Trading Company Limited	Dick Musisi Mpiima, Elizabeth Nakungu	58,673,804
Oscar Industries Limited		2,703,785
Seki Trading Company Limited	Gordfrey Sekiwunga, Angel Peace Rwanjagarara, Daphine Ann Nabatanzi	145,683,024
Sembule Steel Mills Limited	Christopher C., Tonny Edward, Francis Sembuya	385,862,329
Tank Hill Quarry Limited	George Kyaligonza, Joshua Kwezi, Jackson Doleera, Lalji Premji	37,343,399
Uganda Motors Ltd	Managing Director, Director of Operations, Marketing Manager, Director of Finance, Purchasing Manager	118,469,894
UPET		2,424,794,521
Total Loans		**10,433,202,971**

Source: MoFPED

Proposed Alternative

The debt stock of the country should reflect all components of debt. All contingent liabilities, domestic debt and pre-financing must be included in the debt stock. This will abate the risks of hidden debt and being cut off from prospective lenders

and donors. These risks were realised in Republic of Congo (non-disclosure of prefinancing contracts), Togo (non-disclosure of prefinancing debt), Ecuador (non-disclosure of contingent liabilities), Mozambique (non-disclosure of state guarantees) and Zambia (debt reporting lags)[26].

The criteria for benefiting from government guarantees should be disclosed to ensure transparency and fairness in their access. This will eradicate the possibility of awarding guarantees to entities that lack coherent business plans, management capacity, bankable projects and ability to generate adequate cashflows to service their debt. prevent the discretionary award of guarantees and entrenching of patronage. The criteria should be complemented with legal and regulatory frameworks that empowers government to inquire into operations of private enterprises and state-owned enterprises incorporated as private companies.

4.0 CONCLUSION

There is need for increased scrutiny of the financial sector for its management has huge implications on future generations particularly regarding mobilisation of revenues for service delivery and management of public debt. It is therefore prudent that the proposed alternative policies are adopted for sustainable financial prudence.

I beg to submit.

[26] International Development Association and International Monetary Fund, 2018. G-20 Note: Improving Public Debt Recording, Monitoring and Reporting Capacity in Low and Lower Middle – Income Countries: Proposed Reforms