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# MESSAGE FROM **Accountant General**



**T**he Accountability Sector is mandated with the mobilization, management and accounting for the use of public resources to facilitate the delivery of quality services. The sector is composed of two sub-sectors of Audit and Economic and Financial Management Services. The Accountability Sector working group brings together state and non-state actors for the purpose of coordinated planning and implementation of sector projects and programmes. And this mandate is meaningfully disaggregated into four thematic areas that include Economic Management; Resource Mobilisation and Allocation; Budget Execution and Accounting; and Audit and Anti-corruption;

This edition of the Accountability Bulletin is a special edition in a way. It has been designed and timed to be unveiled at a grand event of the Accountability Sector Joint Annual Review for 2018 (ASJAR 2018), whose theme is **“Accountability, a shared responsibility in effective service delivery”**. So, one primary intent of this edition is to stir up in the reader a sense of ownership of the Accountability deliverable, a zeal to pursue accountability in any posture one may be in, as the taxpayer, as an income earner whose savings impact on this sector’s objectives, as a worker in government under public trust, as the user of the public services or as an analytical critique who’ll require empirical evidences of value for money in public expenditures. And to this end, we bring clarity about what services different institutions in the sector deliver and how you are expected to participate. We also share accounts

of successes and struggles experienced in the course of delivering accountability to our clients.

Whereas it is clearly stipulated in the NDP II that this Sector contributes to the fourth objective of NDP II, which is to “Strengthen Mechanisms for Quality, Effective and Efficient Service Delivery”; this goes without objection. However, in the course of carrying out the Accountability Sector mandate, the players in the Sector have continually experienced and sensed a lack of closure in this deliverable of “mobilisation, management and fostering accountability for the use of public resources to facilitate the delivery of quality and equitable services”. The lacking balancing factor has been a vibrant participation of the people Government ought to be accountable to. Up until now, the Civil Society Organizations, and Members of Parliament have filled in this gap. The members of the Sector pray that the entire public arises to this call to actively participate by being knowledgeable about the policies and regulatory framework governing the services provided, allocations, verification of the physical deliverables budgeted for and value for money. Everyone has a role to play.

The Government of Uganda adopted the ‘Zero Tolerance’ to Corruption Policy (2009) and this policy recognizes that fighting corruption requires measures beyond legislation and sanctions against corruption. It also requires restoring public sector ethics and creating behavioral change. And this restoration has to be for both the “corrupt” and the silent perpetrators of the vice.

**The relevance of the Accountability Sector as an enabling sector supporting the functionality and growths in all the other sectors including the private sector will have more weight when we all recognize that any transaction is incomplete if there’s only the supplier of the product. We thank you for your participation so far in the various aspects of this sector.**

We look forward to the future where we all recognize our roles in ensuring transparency and accountability for efficient and effective service delivery.

**Lawrence Semakula**

Accountant General

Chairperson, Accountability Sector Working Group

# The National Equity Atlas: A Step Towards Improving Accountability of Child-Focused Interventions

By Arthur Muteesasira – UNICEF Uganda and Maria Muzaaki (BMAU-MFPED)

About 60% of Uganda's population is below 18 years of age, and over 75% is below the age of 35 years, according to Mr. Keith Muhakanizi, the Permanent Secretary/Secretary to the Treasury, from the Ministry of Finance, Planning and Economic Development (MFPED). This means that Uganda's vision to become a middle-income country by 2040 remains highly contingent on the Government's ability to safeguard its children's right to contribute to national development.

To this end, in a decisive attempt to enhance national efforts to safeguard children's rights, the Budget Monitoring and Accountability Unit (BMAU) of the MFPED, UNICEF Uganda and the Economic Policy Research Center (EPRC) launched "Rethinking Public Finance for Children (PF4C): Monitoring for Results", a transformative initiative to generate comprehensive information that helps remove key implementation bottlenecks, enhance transparency and accountability, and ultimately improve the delivery of basic services. It marked a new era in Government's efforts to assess the effective delivery of national programmes affecting children.

It is under this initiative that the National Service Delivery Equity Atlas was developed. The Equity Atlas represents a bold effort to improve expenditure efficiency and effectiveness by systematically linking public resources to outcomes, service delivery and results.

The online Atlas provides an interactive platform to analyze budget trends at regional levels with a focus on the impact

of public investments on equity and other social outcomes like school completion, immunization or handwashing. The Atlas shows time trends and correlations between public finance and outcome data by sector to offer strategic insight to realign national planning and budgeting efforts in support of Government's quest to strive for economic growth and equity."

Following the launch of the Atlas in January, 2018, UNICEF Uganda, with BMAU and EPRC have embarked on a series of regional trainings aimed at familiarizing national planning and budgeting officers in all districts. "To date, we have successfully trained officers from over 50 districts in Gulu and Mbarara. During the month of August, we plan to cover Soroti, Jinja and Kampala," noted Mr. Diego Angemi, the Chief, Social Policy and Advocacy at UNICEF Uganda.

The focus on efficiency and effectiveness of service delivery provided by the atlas has made it a key tool that shall be used in the coming regional budget conferences. In fact, district officials who have been initiated into its use have requested that (to help them plan better) the atlas be integrated into the Program Based Budgeting online tools.

This goes a long way in affirming Government's commitment to promote transparency and accountability in the use of public funds.

To access the Equity Atlas, log on to: [https://www.unicef.org/uganda/resources\\_18862.html](https://www.unicef.org/uganda/resources_18862.html)



## UGANDA EQUITY ATLAS

*Rethinking Public Finance for Children: Monitoring for Results* is an initiative of the Ministry of Finance, Planning and Economic Development, the Economic Policy Research Centre, and UNICEF Uganda. Leveraging on Government's commitment to promote transparency and accountability in the use of public funds, this joint effort aims to monitor the effective delivery of national programmes affecting children. Within this framework, the on-line National Social Service Delivery Equity Atlas "The Atlas" provides an interactive platform to analyze budget trends at regional and district levels with a focus on the impact of public investments on equity and other social outcomes like school completion, immunization or hand-washing.



# Private Sector Embraces Free Zones: 17 Licenses Issued

By Doreen Kembabazi, Public Relations Executive – UFZA

“Our target is to set up two Public Free Zones and attract ten additional Private Free Zone Developers by 2020. These Free Zones together with the operational Free Zones will have a cumulative capacity to generate additional actual investment to the tune of US\$ 45 million, realise 2,500 jobs and increase export earnings by about US\$ 73 million.” These new targets according to Richard Jabo, the Executive Director of Uganda Free Zones Authority (UFZA) are in conformity with the Authority's Strategic Plan 2015/16 – 2019/20.

UFZA is a body corporate, created by an Act of Parliament in 2014 and mandated to oversee the establishment, development, management, marketing, maintenance, supervision and control of Free Zones in Uganda and to provide for any other related matters.

According to the Free Zones Act 2014, a Free Zone is a designated area where goods introduced into the designated area are generally regarded, so far as import

duties are concerned, as being outside the Customs control. They are geographic areas where raw materials and goods may be landed, handled, manufactured or reconfigured for export without being subject to import duties.

In the four years since its establishment, UFZA has so far licensed fourteen (14) Developers and three (3) Operators of Free Zones across the country. The licensed Free Zones have invested in some of the priority sectors in line with the national agenda as expounded in the National Development Plan II and Vision 2040 which are Frameworks aimed at ensuring that Uganda attains Middle Income Status. The sectors include agriculture and agro-processing, manufacturing and mineral processing.

There has been commendable response from the Private Sector who have applied for Free Zones Licenses. The companies undergo thorough evaluation of their Application. Upon satisfaction that the requirements to develop and operate the Free Zones have been met, the



The Chief Executive Officer, Guangzhou Dongsong Energy Group (U) Co. Limited (in a red jacket) receives a Free Zones Developers License from the Hon. Minister of Finance, Planning and Economic Development

Developer or Operator is offered a Free Zones License. The Authority follows the guidelines stipulated in the Free Zones Act, 2014 on the requirements that any given company should fulfil in submission of detailed documents before they are offered a Developer, Operator or Manager's Licence. These include: Certificate of Incorporation; Duly filled Application Form; Business Plan; Marketing Plan; Environmental Assessment Impact Certificate and Master Plan.

The licensed Free Zones have had tremendous impact on the economy by enhancing growth and development of export-oriented manufacturing in the said sectors of the economy, created diversification, generated the much needed jobs, increased foreign exchange earnings, enhanced technology transfer, skill acquisition/upgrading as well as created backward and forward linkages.

The Authority among other things, provides for a comprehensive package of incentives for holders of Free Zone Developer, Operator or Manager Licenses, which allow them to produce and or, process large quantities and better quality goods at a relatively competitive lower cost. The incentives include: exemption from taxes and duties on all export processing imported raw materials and intermediate goods, machinery and equipment, spare parts, for exclusive use in the development and production of output for the business enterprise.

In addition, Developers and Operators of Free Zones, enjoy Economies of Scale resulting from well-planned Zoning and Clustering of the business activities in Free Zones, onsite Customs inspection for goods entering and leaving the Free Zone, business facilitation and aftercare services in the acquisition of secondary licences, permits and approvals from other Government Agencies and serviced physical infrastructure facilities and buildings within the Public Free Zones.

**UFZA will continue to work closely with strategic partners to implement the Free Zones Scheme in order to contribute to economic growth and national development. In support of the Private Sector-led growth strategy, UFZA will further align its priorities with Uganda's aspirations, to become a significant Free Zones hub in the region and internationally.**



Jambo Roses receives a Developers License from the Hon. Minister of State for Privatisation and Investments



# Why Life Assurance is a Must for all of us

## The Expert's view....

By Protazio Sande, AG. Director Planning, Research & Market Devt, Insurance Regulatory Authority of Uganda



Life Assurance is a simple answer to a very difficult question: How will my family manage financially when I die? **(Not If I die, because the truth is that you will die one day!!!)**. It is an absolute truth that no one wishes to think about. But if you have someone who depends on you financially, it is the truth you cannot avoid.

There are many types of Life Assurance policies but for all of them, the bottom line is: They pay cash to your family after you die allowing loved ones to remain financially secure or to you on maturity, if you are still alive.

Life Assurance payment can be used to cover daily living expenses, mortgage payments, outstanding loans, School/University/College tuition, etc. Access to policy proceeds is easy because, even with death, the beneficiary may not need a letter of administration from the Administrator General. Not even a Lawyer!

### When do you need Life Assurance?

#### 1. When SINGLE

If you are providing financial support to aging parents or siblings/dependents or if you are carrying significant debt you would not want to pass on to your relatives, buy a life cover.

#### 2. GETTING MARRIED or MARRIED

Many families depend on two incomes to make ends meet. If you died suddenly would your spouse have enough money to cover funeral expenses, outstanding loans with the banks, complete the house construction, and meet daily

living expenses? If you are hesitant to answer "yes", I implore you to buy an appropriate life cover.

#### 3. A PARENT or ABOUT TO BECOME ONE

Raising a child is one of the most rewarding things a person can do in life. But it is also one of the most expensive. If you died tomorrow would your spouse be able to provide your children with the opportunities you always dreamt they would have?

Single parents need Life Assurance even more than anyone else because their children depend on them for everything.

Please do not wait until it is too late. Acquire a life Assurance cover.

#### 4. A HOUSE OWNER

Most people have their houses as the most significant assets in their lives. Life Assurance proceeds can be used to retire the mortgage, sparing your family from moving to a less wholesome place to live, and maintain the lifestyle they are used to.

#### 5. PLANNING FOR RETIREMENT

Adequate Life Assurance coverage can help you avoid financial struggles in retirement. Yes, your children could have finished school and are away on their own. And yes, your mortgage could have been fully paid off (or you have built your own home). However, the medical bills are rising because of age-related diseases at the time when your cash flow is rather intermittent. The situation is even made worse if you have to die many years after retirement. Without appropriate buffers in place, drastic lifestyle changes are necessary to make ends meet. Is this what you want to go through? If no, please, acquire an appropriate cover for a "safe and happy landing".

#### 7. "SINGLE AND ALWAYS WILL BE"

Even if you are declared "Single-for-life", what happens when you are no longer able to earn a living? You will still need proceeds from Life Assurance at some time in your life. There is Personal Pension Scheme. You save for your retirement at a much higher rate of return than you may get from other institutions.

Visit any Life Assurance company, an Insurance Broker or an agent and discuss your assurance needs.

Important to note is that premium payable for a given assured sum depends on your age at the next birthday, your current health status, your lifestyle, among others.

Please also note the use of the word "ASSURANCE" throughout the article. Assurance means that subject to the terms and conditions of the policy, the policy payout is guaranteed either on policy maturity or on the policy holder's death whichever comes first.

For information on the licensed players, please visit [www.ira.go.ug](http://www.ira.go.ug)

# Increasing Data Needs Call For Quality Official Statistics

By Didacus Okoth, Information Officer, Uganda Bureau of Statistics



**T**he demand for statistics has continuously gained impetus with several stakeholders including Government Ministries, Departments and Agencies, development partners and the academia seeking for data to inform their planning, policy and decision making processes. Indeed, the Plan for National Statistical Development (PNSD) and National Statistical System (NSS) framework to which UBOS is the chief coordinator is mandated by law to produce and disseminate quality official statistics in a timely, coherent and reliable manner to cater for increasing data needs and dynamics.

To achieve meaningful national development, more so in light of the Vision 2040- and middle-income agenda, quality official statistics need to be used as an indicator to measure success or failure of development planning initiatives and further enable a monitoring and evaluation framework for such interventions.

Quality statistics act as a mirror of a country's national development planning machinery as it provides an array of indicators to monitor progress across sectors. Equally, gaps identified through these indicators can be easily bridged based on factual evidence to optimize the use and allocation of resources.

For instance, the Uganda Demographic and Health Survey (UDHS) 2016 indicated that children who are stunted reduced from 33% in 2011 to 29% in 2016, this means that there was an improvement of 4%. In the same survey, the percentage of mothers who gave birth in a health facility increased from 57% in 2011 to 73% in 2016, an improvement of 16%. The survey further indicates that infant mortality reduced from 54 deaths per 1,000 live births in 2011 to 43 deaths per 1,000 live births in 2016.

Such indicators underpin government's continuous efforts in upgrading the health sector infrastructure and how such initiatives have progressively triggered improvements in the quality of health care accessed by the citizenry. To come out with such quality indicators, the data must be collected, processed, analysed and packaged following well laid down and standardised methodology.

Relatedly, the Bureau collects periodical indicators such as the monthly Consumer Price Indices (CPI) which monitors the inflationary tendencies that is, the rate at which commodity prices change during a given month, Gross Domestic Product (GDP), Producer Price Indices for Manufacturing and Utilities (PPM&U), Construction Sector Indices (CSI) which helps to monitor the cost of construction sector inputs over time, Producer Price Indices for Hotels and Restaurants which monitors the price changes for hotels and restaurant services. All these indicators facilitate stakeholder planning and act as a guide for investment decisions.

In national development, the aspirations of a policy is to attain set goals such as full employment, price stability, and economic growth, equilibrium in the balance of payment, equitable distribution of income, educational development, social security, infrastructural development and improved health services. To achieve a fair measure of success in such goals, it is important to map out strategic plans, set up machinery for execution and monitor the implementation process; this can only be done using relevant data.

National Development Monitoring is therefore a continuous process that requires quality data to be generated to assist in establishing a tracking framework of planned targets against outputs so realized. This therefore calls for measurable priorities to be set together with an evidence based repository of statistics. Overtime for instance, leaders at the lower local government levels such as sub-counties and parishes often prefer disaggregated data so as to understand the dynamics of their local population, service delivery as well as the impact of development initiatives.

Timely, comprehensive, accurate and reliable statistics are therefore critical in supporting efficient allocation of resources for sustainable development. UBOS pledges to continue furnishing the country with quality statistics to measure both the domestic and international development agendas.

# UBOS Executive Director Bows Out



Ben Paul Mungyereza the Outgoing ED, UBOS

A great statistician, economist and administrator, Ben Paul Mungyereza, who has served as Executive Director for the Uganda Bureau of Statistics (UBOS) for Seven years is going to serve at the international level. Catherine Bekunda, Senior Information Officer –UBOS discussed a few questions with him. Below are excerpts from their conversation.

## Who is Ben Paul Mungyereza?

A very simple man who happens to be a statistician and an economist. I treat and enjoy life as it comes. I believe in simplicity and humility. I like statistics. I studied, taught and practiced statistics. I am married to a statistician; so I love statistics!

## For how long have you worked with the Bureau?

Well, I have worked for the Bureau for 16 years and 6 months. I joined on 12<sup>th</sup> February 2002.

## What have you enjoyed most about the Bureau during your stay?

I have enjoyed working with the people at the bureau majority of whom are statisticians and like-minded. Surprisingly, more than half of the staff members were my students at Makerere University and it has gratifying to see my students progress from one level to another.

The team work exhibited at the Bureau is impeccable. People know when to relax and when it is serious business. I have experienced it all; whether it is field work, surveys or censuses. In fact, at times, you must go an extra mile and wear the shoes of not only an Executive Director but also an office messenger and store keeper. I remember one particular event during the 2014 National Population and Housing Census, we had

a parcel to deliver in Yumbe District and I was the only staff member available to ensure that the item was delivered. At about 8 o'clock in the morning, I trekked to Arua Park looking for the bus conductor or driver to deliver the parcel to Yumbe and interestingly, I met an official of Yumbe district who knew me and quickly offered to help deliver the item.

## What drove you into assuming the role of an office messenger?

Well, the role of a leader is to make people deliver results. In that situation, the census activity was ongoing and all staff members were scattered all over the country. I had two choices, either deliver the parcel and therefore facilitate smooth operation or not to deliver the parcel and work stalls. When I delivered the parcel to Arua Park for dispatch to Yumbe, it did not stop me from being the ED. Therefore, it's really being hands-on because like I said, I have gone through the ranks and so there is nothing I cannot do.

## You have served the Bureau in four different capacities first as a Principal Officer, Director, Deputy Executive Director (DED) and Executive Director (ED). Are there particular achievements you credit to each of these offices?

When I came in as a principal officer, I was from the university and had to work hard. We started as a small Unit for Statistical Coordination and within three years, the Board of Directors felt that we were worthy to be a Directorate. That is how I became its Director.

When I became a Director, I had a very good team behind me, particularly made up of ladies with Norah Madaya as the highest ranked lady in the Directorate.

We developed the sectoral-based National Strategy for Development of Statistics and it was used as a building block to establish the Plan for National Statistical Development (PNSD). Later on, when I became the DED, I actually reinforced what I had done as a Director. Remarkably, together with my team, we managed to put statistics at a higher level and built trust in statistics. In addition, we ensured that we no longer collected data using paper but rather using hand held devices - Computer Assisted Personal Interview (CAPI). More so, we conducted the 2014 National Population and Housing Census which turned out very successful despite various postponements.

### **You talked about moving away from the paper-based questionnaires to using handheld devices as one of your achievements, what does this mean for the Bureau?**

The resources for statistical production are limited and yet there is more data required especially with the advent of sustainable development goals. This has seen many people in need of disaggregated data. The handheld devices have significantly reduced the time between data collection and dissemination. We used to disseminate data six months after data collection but now, it takes two to three months!

### **Where do you see the future of statistics in Uganda, Africa and the world?**

The future of statistics is bright! In fact, one of the things that impressed me as a head of Uganda Bureau of Statistics is that I have been on demand. When you go for a meeting, everyone wants to inquire from you and wants you to clarify certain issues in regard to the information we collect. That makes me a proud Ugandan!

### **Which CEOs inspire you?**

I am inspired by His Excellency the President of Uganda, H.E Yoweri Kaguta Museveni because he loves statistics. Am inspired because he is not a statistician but he always looks for statistics. I am inspired by Richard Byarugaba, the Managing Director of National Social Security Fund (NSSF), because of how he has grown that institution! It's an interesting thing that he is a statistician. Another CEO that inspires me is Dr. Silver Mugisha, the Managing Director of National Water and Sewerage Cooperation (NWSC). He is a great man because he has changed its face and has brought services closer to the people. Our statistics show that there has been an improvement in access to clean water.

Professionally, I am inspired by Professor Ben Kiregyera, the first Chairman of Board of Directors – UBOS. He inspires me a lot because he loves his work and is passionate about statistics. Another person whom I have always admired is the former Arch Bishop of the Church of Uganda Rt. Rev. Luke Orombi for his high level of humility.

### **Teach me something that I do not know.**

We are God's children and Jesus teaches us a lot about humility and simplicity. God hates the proud. Humility is a choice; you either have it or not!

### **What advice do you have for the incoming Executive Director and what qualities should they possess?**

To become a great leader, one must be a good team player, a motivator and able to mentor and love others. One should identify talent and nurture it.

### **What are some of the things that you liked and disliked about being ED of UBOS?**

Being an ED is nice but it is a very challenging job. In most cases, you will be challenged with those who call you on telephone or mobile, asking for unnecessary favours and jobs. It is also a position whereby you are in the limelight and lose your privacy.

### **What drove you towards a career in statistics?**

I grew up in the hands of two civil servants; my father was a medical personnel and my mother was a teacher. My mother was a great mathematician, traits that I inherited. I recall while I was in my Primary six and seven, people would bring their children to me for coaching. The same happened when I was in my senior four and senior six vacation. This of course set me into my teaching profession.

On the other hand, many people motivated me to be a statistician. My mathematics teachers made me love the subject and, in my class, I was the only one who did a bachelors in statistics! At Ntare School, we were only two students who filled in for a course in Statistics and I have never regretted my decision. I hated history because I was asked obvious questions and so I opted to exercise my brain with mathematics.

### **What will you miss most about your job?**

Being a reference point at different social functions. The constant inquiries show that the Bureau adds value to the country and we are proud to be one of the organizations that properly utilize tax payers' money.

### **What is the biggest challenge UBOS faces in the future and how prepared is it to handle such a challenge?**

The issue of resources and the ability to balance data needs and data production. Due to limited resources, it shall reach a time when UBOS may not meet the ever-increasing demand for data especially with the onset of the Sustainable Development Goals (SDGs) that require a lot of data to ensure proper progress monitoring.

There is need for more partnerships with the private sector and increased government funding. In addition, there's need for interconnection among various government authorities

so that data can easily be accessed and used at all times. Therefore, better infrastructure needs to be established and ensure close working relationship with the government.

There are also cases of data from unofficial sources such as the social media that can interfere with UBOS' official data. To counter this, the Bureau has developed guidelines to be followed by the different institutions that wish to undertake censuses and surveys. This may help in the production of clean and quality data necessary to trigger proper planning for sustainable economic growth and development.

#### **What is the biggest misconception about statistics?**

People fear numbers because in school, they were told that mathematics is hard. This fear has left many ignorant of statistics.

#### **Is there something you wish to have done differently?**

God has given us the privilege to achieve all that we want. I don't regret not doing anything better than I have done. Given chance, I would still go to the same schools that I went to and work in the places I have worked.

#### **Tell me about your next move.**

I am joining the African Development Bank to head a division responsible for Statistical Development in Africa. My role shall basically be to help different Statistical offices to perform better.

#### **What do you see as the role and value of the Board in your success as an Executive Director?**

I must acknowledge that I had a good Board of Directors who never suffocated my roles. They gave me enough space to make independent decisions.

#### **Did you achieve your long terms for the Bureau?**

I should say that since I joined UBOS, I have always walked the talk. I embarked on a journey of demonstrating how a team player should lead by building strong teams that work. Together with the team, we started the Quarterly General Meetings and the Bi-Annual General Meetings to enable us track our records and establish our performance rates and standards. It was also during my time, that we started chairing Management Meetings on a rotational basis from the traditional way, whereby it was only the ED who could chair the meetings.

#### **What is your last word?**

I love UBOS. It has been my stepping stone and it has built my career. I am leaving the Bureau as a happy man. I pledge to support the Bureau whenever I can. Let us build one another and let's love each another because we are creating the future leaders of the institution.



Ben Paul Mungyereza deliberating during the ASJAR 2017

# How Bankable Is Uganda's Energy And Extractives Sector?

By Godwin Matte- Auditor , Office of Auditor General

**A** 2015 report on Ease of Doing business by the World Bank ranked Uganda 150 out of 189 countries. Uganda ranks below its East African community neighbours except Burundi, and according to the Uganda Investment Authority (UIA), Foreign Direct Investment (FDI) in 2013 was valued at USD 1.19 Billion mainly from India and China. The country's energy and extractive sector has seen significant investment in the electricity sub sector through the on-going Karuma and Isimba Hydro Power projects and investment in oil and gas exploration.

The Ministry of Energy Strategic Investment Plan 2014/15 to 2018/19 indicates that currently less than 7% of the rural population has access to electricity services. The government aims at increasing this figure to 24% by the year 2019. Uganda is endowed with numerous natural resources, which if efficiently utilized would broaden the diversity of the energy mix and strengthen the country's energy security position. Resources for potential exploitation include geothermal with more than 40 geothermal sites under exploration, solar and wind energy, nuclear, oil and gas amongst others.

Given that the country is grappling with limited access to cheap energy despite the abundant unexploited energy resources, how can the government attract more investment into the sector to achieve the goal of attaining middle income status by 2020?

In order to answer this, it is important to understand how investors structure their financing and what factors would positively motivate an investment decision especially in the energy sector that requires significant sums of capital. One of the most commonly adopted structures used to finance high cost projects is by setting up a "Project Finance" arrangement.

In simple terms, a project is considered bankable if lenders are willing to finance it. Project Financing involves financing a particular project in which lenders look initially to the cash flows and earnings of the project as the source of funds to repay the loan and to the assets of the project as collateral to the loan. Most project financings will involve limited recourse to the sponsor (Government) beyond the assets that are being financed. In other words, in case of failure to repay the loan, the lenders are almost restricted to only the project assets and have limited access to other non-project related assets to recover the loan. It is hence important for lenders and governments to properly review and address all the risks involved in project financing. The



John F.S Muwanga, Auditor General

key to project financing is that lenders will not make an investment decision until the project is fully de-risked and there is guaranteed certainty that their funds will be recouped from the project cash flows.

Lenders will assess the bankability of a project, where there is an acceptable balance of risks and all possible risks can be analysed. The magic of project financing consists of distributing the different risks associated with a project to the various participants who have a particular interest in the success of that project, in such a way that each participant assumes a portion of project risks but none bears all. There are a number of risks that lenders/investors will look to eliminate especially in developing countries like Uganda.

Firstly, the completion risk; this is one of the fundamental risks in any infrastructure project involving construction such as power dams. The completion risk assumed by the lender arises in situations where for all practicable purposes, completion of the project or facility so that it operates to the full capacity and specifications originally planned proves to be futile. In Uganda, delays and late completion of energy projects is eminent as projects are more often than not, behind schedule. Such conditions are not favorable to lenders and have to be addressed to attract the right financing. This is normally mitigated through the adoption of completion guarantees and turn-key contracts to shift the risk to the EPC contractors.

Secondly, lenders/investors seek to address the market risk. The market comprises two elements, the existence

of the market for what is generated from the project and confirmation that the price at which the products sold is sufficient to service the project debt. Lenders typically require a level of certainty as to the future demand and sales prices of the output to be produced by a project and justification that the project is capable of delivering its output at market prices.

In Uganda's case for example, the 250MW Bujagali project's bankability was strengthened by a Power Purchase Agreement (PPA) with GOU guaranteeing a market for the power produced by the dam. In addition, the investors sought a price of USD 0.11/KWH (highest in East African Community) that is sufficient to service the project debt. The project was structured similar to a 'take or pay' arrangement where the power is sold at a pre-agreed price, which assures the lenders/investors of cash flows since there will be demand for the power as long as the agreement is in place and is honoured. Under take or pay arrangements, whatever agreed production is not consumed, is still paid for by the buyer under the PPA. This introduces the aspect of deemed energy because the producer is deemed to have generated power and sold it to government. In addition, the current low crude oil prices have made it challenging for the oil companies to make final investment decisions since production will only be profitable above the break-even price.

It should however be noted that such agreements can be costly to developing countries like Uganda if not well negotiated. Currently the government is seeking possible avenues of renegotiating the agreement so as to reduce the cost of power to at least USD 0.072/KWH. Such renegotiations might reduce the tariff in the short run but turn out to be costlier in the long run in terms of interest payments since the lenders still have to be paid back the pre-agreed principal and additional interest, just over a longer period. The upcoming crude oil pipeline to Tanzania will also typically have an off-take agreement in place to lock in the crude market and provide comfort to the financiers on future cash flows.

Another major risk worth mentioning is the political and regulatory risk. When a project company fails to pay dividends or interest on its loans due to government restrictions



Kasemene 1 well head, one of the oil fields at field development stage

on overseas remittance of funds, failure of the government's banking system caused by civil war and conflict, government expropriation of the project or in certain instances breaches of the terms of key concessions, then this is political risk. Risks relating to changes in the law, regulation and tax regimes can't be ruled out especially if a country is in an economic crisis. Lenders and investors are keen on such risks and in some cases contracts or concession agreements are structured with stabilization clauses to protect the investors from such drastic changes that suit the government at their expense.

Investors are obviously more attracted to stable political environments and countries with well-structured and incentivized fiscal regimes. In Uganda's energy and mineral sector, the laws, regulations and tax regimes are under constant review either to encourage more investment or to ensure that the government generates the most out of such deals. Case in point is the tax law on oil and gas, which has witnessed transformation to accommodate the expectations of investors and at the same time, stay in tandem with international bench marks. Further, Uganda's mining policy is also undergoing revision to accommodate aspects such as artisanal mining and better management of licensing.

Environmental risks also play a significant role in today's environmentally sensitive society. Investors are keen on the possible environmental impact



Drilling of Kingfisher (Kajubirizi) 2 well in EA3A Bugoma sub-county, Kaiso Tonya area

and carry out such assessments to ensure that investment decisions are made after a thorough understanding is established. For example, under Uganda's latest oil licensing round, parts of the Albertine Graben attracted no interest due to the environmentally sensitive nature of the license area.

With all these risks in mind, it is important to ask the question on what efforts can be made to address these risks so as to attract the much needed investment in the sector. The government has adopted a number of Public Private Partnerships (PPPs) and one of the most common ways of implementing PPPs in managing infrastructure is through the concession approach. This consists basically in transferring final design, construction, maintenance and operation of the infrastructure to a private consortium, in exchange for which that consortium receives the right to charge a fee to the user or to the government on behalf of the user, for a period of time contractually agreed in advance. (Usually 20 to 30 years)

The concessions to UMEME, ESKOM and Tibet Hima Mining Ltd in the electricity and mining sectors in Uganda are examples of government efforts to attract sector investment through PPPs. However, it is also arguable on whether the concessionaires always achieve the expected

targets within the pre-agreed timeframes. Case in point is the concession of the Kilembe Mines Limited's assets to the Tibet Hima Chinese consortium. Reports from Kilembe mines indicate that the concessionaire is yet to adhere to several concession terms and minimum capital investments.

In conclusion, much as it is important for the government to attract the right kind of investment, it is critical to understand the country's investment risk profile in the eyes of potential investors. Quality and timely due-diligence is critical if the country is to continue with concession arrangements to mitigate the risk of underperformance by the concessionaires. The government should allocate funds to carry out its own feasibility studies by internationally reputable firms to ascertain the potential of its own resources. Additionally, extensive capacity building should be championed to enable government have able and qualified representation at the negotiating table to achieve maximum benefit from such deals. Once this is established, the right policies can be set up to de-risk the country thus making energy and extractive sector projects more bankable.



# The Tumultuous Struggle in the Battle Against Corruption

By Pauline Nansamba, Senior Inspectorate Officer, Directorate of Legal Affairs



I do not know if there is a word often used in Uganda today than 'corruption'. There appears to be a singular voice that corruption is the root of all evil to borrow from the Biblical adage. Even the Kabaka of Buganda dared to speak out against this cancer as he marked 25 years on the throne.

The public inquiry into land matters has shed an interesting light on the work methods of many public servants. In a humorous and yet worrisome manner, we have seen land titles issued for land situated in water bodies and even stones described as minerals! There has also been the issue of who owns sand? Is it the State, is it the owner of the land or is it the miner? These and so much more are the questions that Ugandans are faced with.

Inevitably the Inspectorate of Government (IG) finds itself as an indispensable weapon against the enemy. Since January 2018, the Inspectorate of Government has recovered over UGX 309,000,000 as a result of enforcement of orders and through the plea bargaining process. We have secured 24 convictions, and still we soldier on.

It is laudable that all stakeholders increasingly recognize the need to support the efforts of the Inspectorate. Development partner support to the institution has significantly increased, with the Directorate of Ombudsman Affairs being one of the major recipients through a 5-year support to enhance the technical skills of staff. And rightly so, because if there is anything that the Commission of Inquiry into land matters has showed us, it is that systems must work! Checks and balances on public power are

a necessity. The Directorate of Project Monitoring has also added the Development Response to Displacement Impacts Project (DR DIP) to the list of projects that the IG is monitoring. This shows that the accountability role the Inspectorate is providing in the third Northern Uganda Social Action Fund (NUSAF3), Youth Livelihood Project (YLP) and Ugandan Support Municipal Infrastructure Development Project (USMID) is bearing good fruit.

Their Lordships the Justices of the Court of Appeal unanimously held in the case of Uganda v Sarah Kulata Basangwa, Criminal Appeal No. 02 of 2012, that section 19(1) (c) of the Inspectorate of Government Act does not preclude the IGG from investigating fraud or any other criminal activity resulting from or leading to a matter that is or was a subject of civil proceedings. They held that the IGG is free to investigate and institute criminal proceedings in respect of a matter that is also a subject of civil proceedings. This is a victory for the IG in so far as the corrupt can no longer frustrate prosecution by hiding behind frivolous civil cases.

In spite of this we are still faced with a challenge where some judicial officers do not appreciate the constitutional and statutory investigative mandate of the IG even with decided cases by appellate courts clearly stating so. Some have even failed to appreciate that the Inspectorate of Government as quasi-judicial body is amenable to judicial review to defend its processes in investigating and prosecuting the corrupt. Still we soldier on.

Indeed, we soldier on, because the fight against corruption is a battle not only for ourselves but also for posterity. And so, I urge us on to celebrate every well-deserved victory. I also invite us to count the cost of this battle.

Luke 14: 31 says

“Or suppose a king is about to go to war against another king. Won't he first sit down and consider whether he is able with ten thousand men to oppose the one coming against him with twenty thousand?”

**Knowing that the cost against the corrupt is high, we must buttress ourselves to swim against the tide of impunity and make a difference.**

For God and for our Country.

# Tackling Cross Border Corruption -

By Regina Ceali Namakula, Senior Communication Officer - Directorate of Ethics and Integrity



Participants of the dialogue at Malaba Border Post, Tororo District

One of the ways of restoring confidence, hope and trust of the Anti-Corruption Agencies among the public is being available, identifying with the challenges on ground and seeking solutions together. The public on the other hand ought to play their role by rejecting, renouncing and where it occurs reporting cases of corruption for action.

The UNDP Regional Service Centre for Africa in Collaboration with the UNDP Uganda Country Office and UNDP Kenya Country Office are in the process of supporting the authorities in Kenya and Uganda to address the twin challenges of corruption and insecurity at border points. This project is being piloted in the Districts of Kaabong, Moroto and Amudat in the Karamoja Region in Uganda.

The Project seeks to mitigate the impacts of corruption on border-land security and to improve cross-border policing, facilitate movement and trade across the borders and expose local communities for resilience and economic development.

In June 2017, the UNDP carried out a rapid gap analysis to evaluate the government and local institutions as well as infrastructures for combating corruption and insecurity in Karamoja Region.

The study revealed that the public had lost interest in reporting corruption issues to the relevant institutions. This was attributed to low levels of awareness on the

Institutions responsible for fighting corruption and the legal framework, limited understanding of what constitutes corruption coupled with little or no deliberate interventions aimed at eliminating cross border corruption in addition to limited, in some cases no collaboration and coordination, between the District Local Governments and the Anti-Corruption Agencies.

Among the key recommendations arising from the gap analysis was a need to engage the public and Anti-Corruption Agencies in dialogue to understand the corruption issues and also develop joint solutions in tackling the problem.

In response to the recommendation's stakeholder dialogues were held in Moroto, Kabong, and Amudat in Karamoja Region as well as Malaba Border Post, Tororo District. The dialogues brought together, members of the Inter Agency Forum against Corruption (IAF), local leader, /law enforcement officers and the community to share common challenges and develop joint solutions aimed at eliminating cross border corruption.

## What people actually think?

During the dialogues there was a mingle of voices from Civil Society, Local Governments, Central Government, political leaders and the Community. Key among the issues echoed was the sophisticated forms of corruption at the border points that leads to the loss of revenue to the neighboring countries.

# Who is Responsible?



Representatives from Anti-Corruption Agencies and the UNDP after committing to work together to end Cross Border Corruption at Malaba, Tororo District

It was further noted that the efforts of the public to report corruption is in vain since the response to their complaints always takes long. This therefore dampens the public moral to demand for accountability and follow up on the services in their localities.

While the communities lamented on slow, or even no response to their complaints, local leaders and Civil Society Organisations (CSOs) as well as Religious and Faith Based Organisations (RFBOs) were faulted for not playing their role in providing a platform for the public to air out their views on corruption and discussion of issues of service delivery in their constituencies.

To the Public Servants, it was acknowledged that poor remuneration was a driver to corruption. It is a reason some compromise on the quality of service to the public in a bid to make savings on projects through 'kick-backs' from contractors. In addition to poor remuneration is the lack of resources (financial and human) to facilitate the detection and prevention of sophisticated corruption practices.

The citizens were not spared either. Blowing the whistle and declaring it publically does not only put the whistleblowers' life at stake, but also interrupts the investigation exercise and in some cases causes failure to conclude corruption cases.

## Crossing to corruption free borders - What it will take.

All said and done, it was noted that the improvement of cross border accountability requires collaborative effort. A

multi-sector approach was recommended to address the problem of corruption at the borders.

Local leaders exhibiting the will to act as the bridge between the communities and the technical teams responsible for service delivery, a strong CSO force to monitor delivery of services and cause action where gaps are noticed, as well as automation to address sophisticated corruption practices where key proposals.

Stakeholders re-committed themselves to work jointly to address the vice of cross border corruption. In particular they committed to:

- Be exemplary by reporting, rejecting and denouncing all cross border corruption cases.
- Expeditiously act on all cross-border corruption cases reported to Anti-Corruption Agencies.
- Provide public information and feedback on service delivery to the citizens.
- Protect whistleblowers to effectively tackle cross border corruption.

This commitment is a confirmation that a corruption free society will be attained if all stakeholders are accountable for their actions. A future review will prove the worth of joint efforts.

# The Budget Week FY 2018/19

## A. INTRODUCTION

The Ministry of Finance, Planning and Economic Development held a *Budget Week* from 5<sup>th</sup> June 2018. The objectives of the *Budget Week* were to articulate the services that the Ministry offers and to increase awareness and publicity for the National Budget.

## B. ACTIVITIES HELD DURING THE BUDGET WEEK FY2018/19

As part of the *Budget Week*, the Ministry undertook a series of activities which included the following:

### 1. Cleaning exercise at the China- Uganda Friendship Hospital at Naguru

The activity was held on Tuesday 5<sup>th</sup> June 2018 at the China - Uganda Friendship Hospital at Naguru. MoFPED staff participated in the cleaning exercise at the hospital, led by Hon. David Bahati, the Hon. M(S)FPED (P) and Hon. Hon. Haruna Kasolo, the Hon. M(S)FPED (MF). In addition, MoFPED gave out hampers to the teenage mothers at the hospital and skips (dustbins) for very toxic, toxic and non-toxic waste.

### 2. Tree Planting exercise at Kiswa Primary School at Bugolobi

The tree planting exercise was held at Kiswa Primary School, Bugolobi on Thursday 7<sup>th</sup> June 2018. The event was graced by Hon. Matia Kasaija, the MoFPED. At the event, the Minister and MoFPED staff planted fruit trees and a hedge in addition to fencing the school land. The Hon. MoFPED also commissioned an environmental club with Ushs. 1 million (One million Shillings).



The Minister of Finance, Planning and Economic Development, Hon. Matia Kasaija planting a tree at Kiswa Primary School, Bugolobi as part of the activities to mark the Budget Week FY2018/19

In appreciation for the work done for the school, the school management and staff composed a poem titled "*People's Budget, Our Fountain of Hope*" which was presented by the pupils of the school before H.E the President, the Rt. Hon. Speaker of Parliament and other guests at the Budget Speech after party at the Serena Hotel gardens, Kampala.

### 3. Football Tournament at KCCA football grounds at Lugogo

As part of *Budget Week* activities, the Ministry organized a football tournament between KCCA, URA, KACITA, UBA and MoFPED. The one-day tournament took place at the KCCA StarTimes Stadium at Lugogo on Sunday 10<sup>th</sup> June 2018 and was graced by Hon. David Bahati, the MoFPED (P). The event was a success as KACITA took the day's trophy after beating the corporate team from URA.



The MoFPED Football Team at the Football Tournament (L-R) Back Row: Dr. Edward Sengonzi, Mr. Stephen Ojambo, Mr. Epiphany Berocan, Mr. Robert Sembule; Otim, Mr. Moses Kaggwa, Mr. Francis Emitu; Front Row: Amon; Mr. Nathan Gessa; Mr. Francis Azabo; Juuko



#### 4. A Service Excellence Exhibition and Blood Donation at the Ministry Premises

The Ministry held a 2-day Service Excellence Exhibition from Monday 11<sup>th</sup> – Tuesday 12<sup>th</sup> June 2018 at the MoFPED headquarters. The event aimed at providing insights into the services that Departments in the Ministry and other Government entities offer. The Service Excellence Exhibition included exhibitors from MoFPED Directorates, MoWE, UIA, URSB, UNICEF, URA, MoICT and UFZA among others.

The event attracted visitors from the Public Service, academia, Development Partners and the general public. The event was opened by Hon. David Bahati, the MoSFPED (P) and closed by Hon. Matia Kasaija, the MoFPED. The event was a success as participants were able to learn about and instantly access some of the services offered by Government institutions, such as the Government One-Stop Center.

Participants hailed the event as a best practice that should be undertaken regularly and that all MDAs should be invited. The event also enabled MoFPED staff to appreciate the services that other Directorates have to offer. It was recommended by participants and stakeholders



The Hon. Minister of Finance, Planning and Economic Development addressing the press at the Service Excellence Exhibition that was held at the Ministry Premises

that the Service Excellence Exhibition should be an annual event and the scope of exhibitors should be widened to all MDAs to showcase some of the services they offer to the public as a form of public accountability.

The Ministry also held a blood donation drive during the 2-day period where 60 units of blood were collected.

#### 5. The Budget Speech Reading at Serena International Conference Center

This took place at the Serena International Conference Center on Thursday 14<sup>th</sup> June 2018 and was presided over by the Rt. Hon. Speaker, Rebecca Kadaga in attendance of H.E the President.

#### 6. A Post- Budget Speech Debate at the Ministry's Conference Hall

The debate was held on Tuesday 19<sup>th</sup> June 2018 at the Ministry's Conference Hall on 1<sup>st</sup> floor. The event was aired live on NTV and attracted discussants from civil society, the private sector and the academia. Key highlights of the debate included: the need for wider consultations on tax measures before they are passed by Parliament; the need for grass root consultations on the Budget interventions; re-balancing of the Budget to reduce the fiscal deficit; and, strengthening of the PFM Act. The comments received during the debate will feed into the Budget for FY2019/20.

#### A. Conclusion

There was increased interaction with stakeholders and a new way of accounting to the public. The Budget Week was received as best practice that should be undertaken annually going forward.



Panelists at the Post- Budget Speech Debate (L-R): Mr. Kenneth Mugambe, the Director Budget; Mr. Patrick Ocailap, the Deputy Secretary to the Treasury; Mr. Godbar Tumushabe, the Associate Director, Grate Lakes Institute for Strategic Studies; and Mr. Francis Kamulegeya, the Director/ Partner, Price Waterhouse Coopers

# Low Bidder Participation Public Procurement, a concern for all Government Officials

By Sylvia Kirabo, Senior Public Relations Officer, PPDA



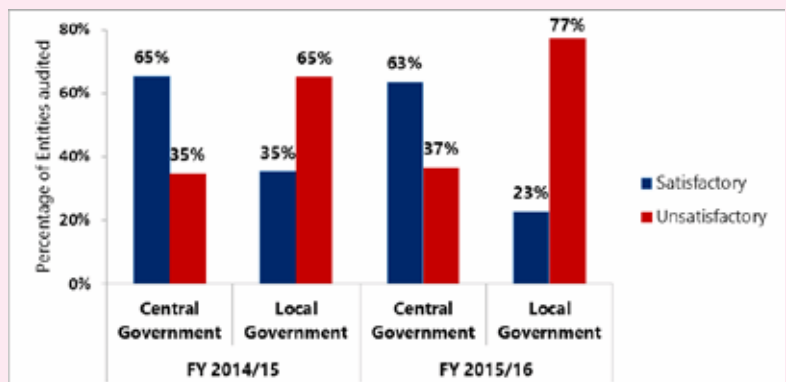
Hon Minister of Finance, Planning and Economic Development Hon. Matia Kasaija (L) and PPDA Ag. Executive Director Mr. Benson Turamye (next to the minister) after sensitization of the bidding community in Kampala.

Competition is inherent in public procurement. The tender is advertised so that every potential bidder sees it and more important endeavour to win it. Unfortunately, the current trend is far from this.

A recent survey conducted by public Procurement and Disposal of Public Assets Authority (PPDA) the regulator of public procurement indicates that most government entities are struggling with this key principle as tenders are not attracting enough bids.

“Entities attract as low as two (2) bids or even one (1) in some procurements. This is partly because many bidders have low confidence in the public procurement system,” notes Benson Turamye, the Ag. Executive Director PPDA.

## Bidder Participation in Public Procurement

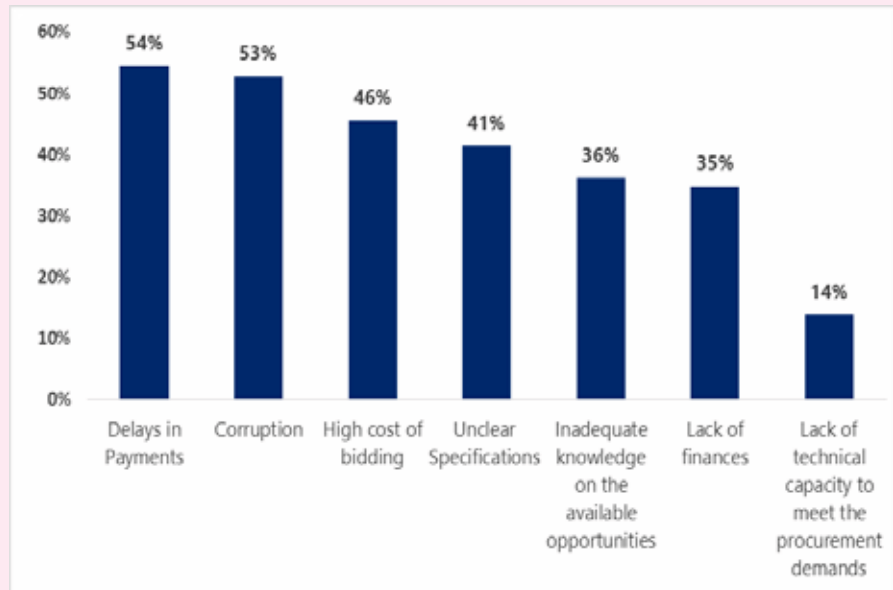


Source: PPDA procurement audit reports FY 2015/16- FY 2016/17

The graph indicates that a number of entities are struggling to achieve the target of at least 3 bids per procurement. The graph also highlights that low bidder participation is worse in the local government entities compared to the central government entities. This low level of competition in government procurement means that entities do not benefit from lower costs of purchase that would result if several bidders were involved.

Bidders have advanced a number of challenges encountered when bidding for government contracts thus explaining their declining interest. These include among others:

## Barriers Hindering Participation in Public Procurement



Source: PPDA Survey 2017 on Bidder Participation in Public Procurement

## What is the Way forward?



Procurement reforms like electronic Government procurement (eGP), Amendment of PPDA Act, the promotion of local content in the various sectors of the economy etc. aim at addressing such challenges in the way government entities procure." Hon Matia Kasajja-Minister of Finance, Planning and Economic Development"

### Other avenues of improving bidders participation in public Procurement include:

- i) Enforce sanctions on public entities that delay payments.
  - ii) Introduction and roll out of electronic government procurement (eGP)
  - iii) Continuous Sensitize bidders on the existing complaints handling mechanisms and encourage them to report corrupt tendencies.
  - iv) Advise bidders to seek clarification from entities and notify PPDA where the specifications are vague before the bid closing date.
  - v) Improve feedback mechanisms to motivate bidders through giving feedback on reasons why their bids were not successful.
  - vi) Conduct regular pre- bid meetings and bidders' forums to improve the relationships and perceptions of the providers towards the personnel in government entities.
- VII. Embrace the implementation of the guidelines on Reservation schemes to promote local content in public procurement.

# Cultivating The Culture Of Accountability At The Lowest Level Of Governance:

By Mary Magdalene Apasait, Communication Officer Ministry of Local Government



Since 1993, Uganda has been perfecting a model system of Governance which has facilitated the transfer of functions, services and power from the Centre to the Local Councils ushering in a regime of popular participation, good governance, transparency and accountability at the local Level.

Of the four levels of governance created by Uganda's Decentralization system, the Village/cell is the lowest but provides maximum inclusion and participation with every willing adult of 18 years and above being part of the Council.

During the past 17 years, Uganda experienced some challenges in public administration and service delivery due to the delay of Village and Parish council elections. Both legal and financial hurdles had to be overcome in order for the Independent Electoral Commission to successfully organize the Village/Parish Council Elections as provided for in the Local Governments Act.

Membership to the Village Council is all inclusive. Executive, Judicial and Legislative powers are exercised by an executive committee of 11 Members headed by the Chairperson with an extensive mandate of monitoring and coordinating the implementation of all Government and other Development Programmes, Legislation and Local Administration of Justice.

The same Structure and Functions are replicated in the Higher Authority; at the Parish level to which all members of various Village Executive Committees belong.

Members of the Village Executive Committees and the Parish Executive Committees are entrusted with portfolios in the areas of Education, Security, Health, Finance, Production, Children Welfares etc.

Decentralisation, as provided for in the 1995 Constitution and the Local Governments Act as amended, has provided for fully functional local Governments with systematic devolution of

Power from the Centre to the Grassroots.

Under this Policy, majority of services are budgeted for and delivered by the Local Councils while providing Solid Structures to aid monitoring and ownership of the said Services by the People to whom they are delivered.

The Local Council Structures at the Village and Parish levels have been instrumental in establishing some of the most effective Vehicles of stakeholder Engagement and Accountability such as the Barazas and Village Meetings. Community Barazas are coordinated by the Village/ Parish Leaders and they provide a feedback mechanism for different Agencies and Development Partners to assess the impact of their Services to those that matter most.

Monthly Meetings of Village and Parish Councils also form a nexus between Service Delivery and Accountability. By Law, the Village and Parish Councils are supposed to meet at least Once a Month to deliberate on issues that affect them.

As earlier mentioned, among the Roles of the Village and Parish Councils is dispensing Justice in Civil Disputes as Local Council Courts. Local Council Courts are user friendly to the Communities in terms of Distance, Time, Cost and Language. According to reports from the field, over 80% of the population access Justice through the Local Council Courts.



**CAPACITY BUILDING:** The Minister of state for Local Government, Hon. Jenipher Kaacha Namuyangu(R) and Mr. Martin Mugabi, the RDC of Rukungiri live on 91.8 Boona FM in Rukungiri Municipality on July 31st to sensitise people about the Roles of Local Councils at Village and parish levels.



## Strengthening Village/ Parish Councils

Government is committed to streamlining activities of the councils at these very critical points to ensure that they excel at all indicators of Accountability and Transparency for better Service Delivery.

The Ministry of Local Government is in the process of amending the Local Governments Act, Local Council Courts Act and the Second Schedule of the Local Council Courts Regulations to update Fees payable to the Village/Parish Councils. The



**Oath of Accountability:** Newly elected Village Council Leaders being sworn into office in Zirowe Sub County, Luweero District on 12th /08/ 2018. The Leaders at both Village and Parish Levels have been entrusted with a mandate to steer their communities into Sustainable Economic and Social Development.

Uniform Fees shall be made known to the General Public and Receipts issued upon payment.

Guided by the President, the Ministry is mobilising resources to centrally procure Stamps for all Local Councils to enhance Transparency.

The Ministry is also coordinating efforts to combine relevant Laws into User Friendly Guidelines to focus the leaders on how to implement their Mandate.

The Ministry will also coordinate Capacity building for the Local Council Courts since the bulk of the population seek justice in the Village/Parish Council Courts.

In order to facilitate the Leaders, Government, through the Ministry of Local Government is planning to procure Bicycles for the elected Leaders to ease their Mobility. Government through the Ministry of Local Government will also strengthen Local Councils especially at the Village and Parish levels as entry points for planning and implementing development programs in pursuit of Wealth Creation.

The Ministry of Local Government is working with the Local Governments to ensure that the wage bill allocation prioritizes the recruitment of Parish Chiefs to work hand in hand with the Village and Parish councils to achieve development in their areas.

While mobilizing their People to embrace Government Projects and participate in Self-help Projects, the Local councils are also expected to use their mandate to make Bye Laws to curb Idleness, Lawlessness and make everybody in their Areas Productive.

During her working Tour in Kigezi Region this month, The Minister of State for Local Government, Hon. Jenipher Kacha Namuyangu emphasized to the Operation Wealth Creation Programme Coordinators, to always involve the Leaders at the Village Level in the selection of Beneficiaries for Livelihood Programmes to ensure equal access and to follow up on progress.

She emphasized that the key to pulling out the 68% of the Ugandan population who are still stuck in Poverty lies in working with Efficient and Accountable leaders beginning at the Lowest Level of Government.

# KCCA to Redevelop the Old Taxi Park

By Peter Kauju - Deputy Director Public and Corporate Affairs, KCCA

If you live in Kampala, you must have gone through the Old Taxi Park, at some point! You will agree it is chaotic, with noise from taxi touts, and vendors on every corner of the park. It has passengers wandering from one taxi stage to another looking for taxis to their destinations. There are no shelters nor seats for passengers, limited signs, and poor lighting.

In spite of this dire state, over 200,000 people commute daily through the Old Taxi Park to connect to different destinations within the greater Kampala metropolitan area and beyond.

Kampala Capital City Authority's responsibility to its citizens is to provide quality public transport services, albeit funding challenges. The Authority has received a grant for redeveloping the Old Taxi Park from the Government of Netherlands worth 4.3 Billion Uganda shillings. The remodeling of the Taxi Park is a key step in improving public transport in Kampala. The grant will pave way for the design and construction of a new and more efficient transport hub.

The Executive Director of KCCA, Jennifer Musisi said, "The remodeling of the taxi park is one of KCCA's interventions aimed at improving the operations and passenger

experience at bus and taxi parks. The renovated Taxi Park will increase the economic potential of more than 25,000 people who work in this area. This will benefit passengers, taxi drivers, conductors, food vendors and small business owners."

Some of the benefits of a remodeled taxi park are that residents of Kampala will enjoy a better travel experience. The infrastructure within the park will be improved land use with transit terminals; a mixture of commercial spaces; multi-level car parking facilities; Vehicles leaving to a given destination will be found in the same place within the taxi park; Passenger information will be clearly displayed to guide users; Passenger safety will be enhanced with raised walkways for pedestrians and well-lit spaces. In addition, the park will have amenities such as clean public toilets, shopping areas and green space rest areas.

The proposed redevelopment of the Old Taxi Park is linked to the just completed Urban Transport Master Plan where KCCA plans to provide residents of Kampala with fast and reliable public transport services by 2040.

It will also bring to two the number of public facilities upgraded by Government after the New Taxi Park geared towards improving travel experience in Kampala City.



# Public Transport a Challenge: Does KCCA Care?

By Peter Kaujuu - Deputy Director Public and Corporate Affairs, KCCA

A city with a daily work force of over 4 Million people commuting to and from work. A city faced with rapid growth in motor traffic compounded with inadequate transport infrastructure. Such a city is likely to frustrate commuters and is a challenge to any city authority. Today, the average travel time in Kampala city is 42 minutes by car and 50 minutes by taxi. This is valuable productive time lost in transit.

Yes, KCCA cares! The authority has come up with lasting solutions that will give citizens a good travel experience. A transport system which is environmentally friendly, cheaper and safer to effectively serve a fast growing capital city.

## What Is KCCA Doing to Ease Mobility

Over the past seven years, KCCA has established using a thorough inventory study that the road network in the city is 2100kilometres and not 1200kilometres. KCCA has widened, and tarmacked several roads around the city, fitted traffic lights at some crucial junctions, rehabilitated and constructed pedestrian walkways, street lighting and inbuilt drainage. In total, twenty three junctions in the city have traffic lights installed, with the new having adaptive control and this has significantly reduced traffic jams at those points on the road network.

Furthermore, the Authority has prepared a transport master plan for the whole of Greater Kampala Metropolitan Area and this plans makes a case for construction and operation of a robust Mass Rapid Transit System with buses, rail, and cable cars by 2040. This new transportation infrastructure and especially the operations will encourage commuters to use sustainable transport modes such as walking, cycling, and buses. The Authority will implement some interventions immediately to make public transportation more efficient, cheaper and safer.

Some of the immediate improvements to be undertaken by KCCA are the establishment of Non-Motorized Transit corridors such as Namirembe Road and Luwum Street which will be accessible to only pedestrians and cyclists; support the introduction of buses, create dedicated lanes for buses; remove roundabouts and replace them with signalized junctions; construct a traffic control center; implement a parking policy in the central business district; install street signage and road marking; regulate and restrict Boda Boda operations; improve travel fare

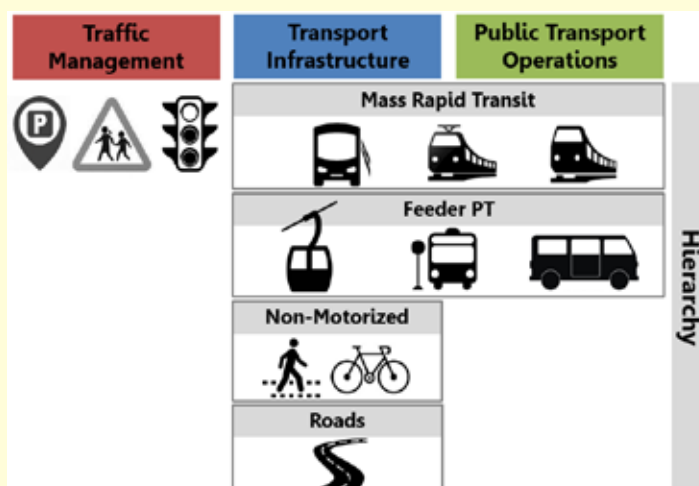
structures; introduce a smart ticketing system, and the promote water based transport. In addition, introduce an Intelligent Transport System to help commuters make the most efficient travel options.

## Projected Benefits of New Measures

Improvements in public transportation is anticipated to increase the use of buses, and make walking attractive and safe. This will invariably decongest roads, reduce travel time, reduce car emissions and increase productivity. Currently, the most used mode of transport in Kampala is taxis at 46% followed by Boda Boda at 32%, then Cars at 19%. While buses and trucks are at only 2% each. Today, walking is the most prominent mode of transportation for most non-work-related trips in the Greater Kampala, rated at 46%, mostly due to low income levels, high cost of transportation and limited reach of taxis to some communities.

A new Multi-Modal Urban Transport Master Plan is now in place to steer the development of an efficient transport system for the Greater Kampala Metropolitan Area. The transport system will serve all divisions of Kampala and neighboring municipalities. This includes Central Kampala, Kawempe, Makindye, Nakawa and Rubaga, plus Wakiso, Mukono, Entebbe, Kira, and Nansana.

The Urban Transport Master Plan was funded by the World Bank and the Government of Uganda through the Kampala Capital City Authority as part of Kampala Institutional and Infrastructural Development Project (KIIDP-2). It's implementation in the greater Kampala will be agreed upon by all beneficiary municipalities. A public version of this report is due to be disseminated to all stakeholders.



# Role of National Planning Authority (NPA) In Enhancing Accountability

By Catherine Mayanja Nassaka, SPLA - NPA

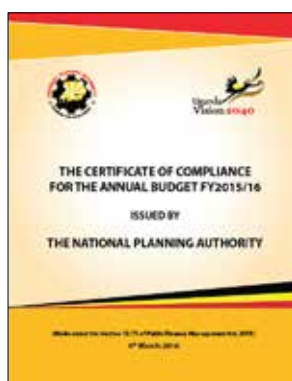
**T**he National Planning Authority under Section 7 of the NPA Act, is mandated to produce comprehensive and integrated development plans for the country elaborated in terms of the perspective Vision and the long term and medium-term plans.

In fulfilment of this role, NPA has developed two 5-year National Development Plans with a mid-term review of NDPII in the pipeline. NPA has also supported Sectors, MDAs and the Local governments in producing their respective development plans that are aligned to the National Development Plan.



His excellence the President of Uganda signing the national Development Plan II and UNDAF during the budget speech day (Cementing the alignment of the three documents). The speaker (second left), the Minister of Education (extreme left), The Minister for Finance, NPA chairperson and UN country representative look on.

The Strategic Plans developed at the different administrative levels have priority Strategic Objectives and interventions with their respective Outcomes, Outputs, indicators, Targets plus tentative budgets. The strategic Plans set a key step for accountability among the different Sectors, Government Ministries, Departments, Agencies (MDAs) and LGs. At a particular period, each Sector, MDA and LG are guided by the Strategic Plans to account on the level of implementation and alignment of the NDPII in relation to the Budget.



The Certificate of Compliance (COC) assessment reports for the last three annual Budgets during the NDPII period (2015/16 – 2019/20)

Section 13(7) of the PFM Act empowers NPA to assess the Sectors, MDAs and Local Governments to ensure alignment of the Budget to the National planning frameworks. A Certificate of Compliance (COC) for the Annual Budget is produced along with the assessment report for the different Government entities.

The COC assessment reports during the NDPII period (2015/16 -2019/20) indicate some achievements from the different assessment levels (Macro, National Strategic, Sector, MDA and LG levels). These assessments have enhanced accountability among the MDA's and LGs on the level alignment of their budgeting instruments to the National Development Plan and also ensuring implementation of the respective NDPII commitments is done.

However, despite the achievements there is still more to streamline for improvements and attainment full alignment of the Budgeting instruments to the National Development Plan.

## Way forward

- NPA to ensure that all Sectors, MDAs and LGs have Strategic plans that are aligned to NDPII to enhance accountability among the different Government Agencies.
- NPA to intensify sensitisation on the alignment of Budgets to the National Development Plan.
- National Planning Authority (NPA) to make follow ups on the key emerging issues documented against the respective Sectors, MDAs and LGs to ensure action is taken and those that require budgetary resources, NPA will provide technical guidance during the Budget preparation to ensure that they are catered for in the Budget to improve their chances of being implemented.

# The Financial Intelligence Authority Efforts in the Fight against Money Laundering and Terrorist Financing

By Syden Asubo, Executive Director, Financial Intelligence Authority - Uganda

**G**overnment of Uganda is committed alongside the international community to make the fight against money laundering and the financing of terrorism a priority. In 2014 Government created the Financial Intelligence Authority which is spearheading and championing efforts of protecting the integrity and stability of our financial system, cutting off the resources available to terrorists, and making it more difficult for those engaged in crime to profit from their criminal activities. Although money laundering is impossible to measure with precision, it is estimated that United States (U.S.) 500 billion dollars to U.S. 1,000 billion dollars in proceeds from serious crime is laundered each year globally. The effort to combat money laundering is never-ending because criminals always seek new ways to move the proceeds of crime. It is a battle that requires constant vigilance, and is not so much a matter of winning or losing, but of trying to stay current with the latest tactics.

Money laundering is the process of disguising the proceeds of crime and integrating it into the legitimate financial system or economy. Before proceeds of crime are laundered, it is problematic for criminals to use the illicit money because they cannot explain where it came from and it is easier to trace it back to the crime. After being laundered, it becomes difficult to distinguish money from legitimate financial resources, and the funds can be used by criminals without detection. Money launderers and terrorist financiers exploit loopholes and differences among national AML/CFT systems and move their funds to or through jurisdictions with weak or ineffective legal and institutional frameworks.

According to Uganda's AML/CFT National Risk Assessment Report, on the domestic front the most proceeds generating predicate offences are corruption, fraud, tax related crimes and counterfeiting of goods and from the transnational level, the predicate offences committed outside Uganda and the proceeds laundered in or through Uganda are smuggling, wildlife offences, drug trafficking and human trafficking. The report further indicates that at sectorial level the real estate sector poses the highest ML threat. Investigations of predicate offences that have yielded proceeds disclose that the perpetrators invest in or acquire real estate, both for their own benefit and/or for the generation of legitimate income. In addition, the Designated Non-Financial Businesses and Professions (DNFBPs) real estate agents, lawyers, casinos and dealers

in precious metals and stones pose the higher ML threat to the economy.

The NRA report indicates that the threats the country faces on terrorism are mainly external, emanating from the region. Terrorist organizations majorly have a regional or international outlook, although their agenda may target Uganda locally. The terrorist groups operating from within the region include the Allied Democratic Force (ADF), the Lord Resistance Army (LRA), Al-Shabaab, Boko Haram, Al-Qaeda and ISIL. The ones that pose the highest risk to Uganda are: the Al-Shabaab, the ADF and the LRA. Al-Shabaab planned several attacks on Uganda, including the July 2010 attack that left several people dead in a twin bomb blast in Kampala. The attack was financed by funds wired from UK through a Forex Bureau based in Nairobi Kenya and received by one of the terrorist who proceeded to Kampala to carry out the attack.

Globally the digital technologies have improved and diversified, so have the threats facing financial institutions. For example, developments designed to support customer preference for real-time money transfers are making money laundering to fund criminal activities much easier and faster. To combat money laundering, many countries have issued specific guidelines on identifying customers. They typically comprise recommendations for verifying an individual's identity and address before a customer account is opened and for monitoring online transactions, which requires great vigilance.

In light of the above, the Financial Intelligence Authority's has put in place a strategic plan aligned to the National Development Plan and Vision 2040 to enhance the integrity of the financial sector and to promote confidence and stability to ensure that the financial system is safe, secure and predictable for legitimate businesses to thrive.

In executing its mandate, FIA works closely with Accountable Entities, Competent Authorities and the General Public.

Accountable persons. These are entities obliged by law to file Suspicious Transaction Reports (STRs) and Large Cash Transaction Reports (LCTRs), carry out Customer Due Diligence (CDD) to their customers. These include (i) Advocates, (ii) a board of executors or a trust company, (iii) Casinos, (iv) Real estate agents, (v) Dealers in precious metals and gems, (vii) financial institution, (viii) A broker,

dealer or investment advisor, (ix) An insurance company licensed, (x) Registrars of Companies, (xi) Registrars of Land, (xii) The Uganda Investment Authority, (xiii) All licensing authorities in Uganda, (xiv) NGOs, (xv) Any other person who conducts the business of: banking, financial leasing, money transfers, management of payments systems, and under writing. Accountable persons provide the core business of the FIA.

### Competent Authorities

Competent Authorities are defined to include investigative, prosecuting, judicial, regulatory and supervisory agencies. FIA disseminates intelligence reports to Competent Authorities to carry out further investigation or forwarded for prosecution. The regulators are also expected to set, monitor and enforce Money Laundering and Terrorism Financing standards. The key regulators that FIA has worked with to date include Bank of Uganda, Capital Markets Authority, Insurance Regulatory Authority and Lotteries Board, Inspectorate of Government, Uganda Revenue Authority and Wildlife Authority.

### General public

These are individuals or groups of people who may report information to FIA on matters related to Money Laundering and Terrorism Financing. Response from the public to report ML/TF crimes has been low due to lack of awareness and incentives.

Over the past four years of its existence the FIA has put in place a comprehensive mechanism to address deficiencies identified by both regional and international community in the fight against money laundering and terrorism financing.

Coordinated amendment of relevant legislations and regulations to meet the international standards and ensure that criminals are not allowed to enjoy illegitimately accumulated wealth.

**To that effect Uganda was removed from the FATF grey list which consists of countries not complying with AML/CFT standards and pose a high risk to the global financial system.**

We have put in place a robust electronic system developed by UNODC to efficiently and effectively allow reporting entities to submit online reports to FIA and also support FIA timely carryout analysis of information collected and received in regard to incidences of money laundering and terrorism financing. In financial year 2017/18 we piloted the system with six commercial banks and during 2018/19, the system will be rolled out to all the remaining commercial banks.



We have received 1,315 suspicious transaction reports which we have processed and so far 195 files were completed and financial intelligence reports submitted to responsible Competent Authorities for further investigations. The country has witnessed two cases of money laundering which have been successfully prosecuted and assets of criminals recovered. Going forward we expect to witness increased numbers being processed by the competent Authorities since investigations and prosecution take lengthy process before conclusion.

Public awareness and Stakeholder Outreach to promote understanding of matters of money laundering and terrorism financing by the public and reporting entities remain our focus since money laundering is ever evolving. In financial year 2017/18 we produced articles quarterly in newspapers, appeared on TV and radio talk shows to explain the dangers of money laundering to the economy and the country.

We carried out four compliance inspections of the Accountable Persons to assess compliance with the Anti-money laundering Act and anti-terrorism Act although the coverage was limited to the financial institutions. What we observed generally is that most financial institutions are complying with the requirements of the two Acts mentioned above. In FY 2018/19 we shall extend the compliance inspection to other Accountable Persons especially those the national risk Assessment report considers to be highly risky.

We have trained 10 Accountable Persons mostly financial institutions on their obligations under the AMLA and ATA



to detect and prevent money laundering and terrorism financing. In the FY we plan to increase coverage to the non-financial institutions.

We coordinate the exercise of producing Uganda's Mutual Evaluation Report which light lights the compliance levels of the country with the fight against money laundering and Terrorism financing. The assessment is based on the 40 FATF standards. The report is published on both the Eastern and Southern Anti Money laundering Group and the FIA websites and the launch is expected in the financial year 2018/19. The Mutual Evaluation Report has two areas of assessment which include the effectiveness covering immediate outcome indicators (IOs) IO.1 Risk, policy and coordination IO.2 International cooperation IO.3 Supervision IO.4 Preventive measures IO.5 Legal persons and arrangements IO.6 Financial intelligence IO.7 ML investigation & prosecution IO.8 Confiscation IO.9 TF investigation & prosecution IO.10 TF preventive measures & financial sanctions IO.11 PF financial sanctions. Uganda scored on all the 11 indicators low levels of effectiveness and the technical compliance the ratings were as follows C= 4 LC=1 PC= 14 NC = 21. Therefore, all the stakeholders in the fight against money laundering must address all the deficiencies to improve the country's rating both technical and effectiveness.

We coordinated the exercise of producing Uganda's AML/CFT National Risk Assessment and Action Plan. The Report will be launched in the FY 2018/19 and it highlights all the risks and vulnerabilities the country is exposed to in terms of predicate offences which generate proceeds and

sectors which are mainly attractive to launderers. All efforts will be made to ensure that responsible MDAs address the gaps identified and the National AML/CFT taskforce will coordinate the implementation of the activities to ensure that we comply with the recommendations and action plan.

We have continued to cooperate with the regional and international bodies in the fight against money laundering and terrorism financing through exchange of intelligence reports. To increase the smooth exchange of information, Uganda applied to join the EGMONT group of FIUs and we hope that Uganda will admitted in FY 2018/19.

## Conclusion

The fight against money laundering is a continuous process because the risks and methods keep evolving and mutating. FIA is committed to deliver its mandate and ensure that Uganda joins the global efforts to protect and maintain confidence of the financial systems and ensure that our country is not used by criminals to launder proceeds and finance terrorism activities.

FIA, therefore wishes to rally public support and partnership in the fight against ML and TF under the strategic drive; safe money for a secure market. In a bid to achieve this, the public is encouraged to take note of the crimes which generate proceeds and report to FIA any suspicious activities and unexplained enrichment which is not supported by known sources of income.

# The impact of the ‘newly’ implemented international accounting standard, IFRS 9: Financial instruments, on the Retirement Benefits Schemes’ financial reporting

Dan Badebye, Director Finance and Administration - URBRA

## Introduction

A ‘new’ accounting standard, IFRS 9: Financial instruments (“IFRS 9”), is effective for periods beginning on or after January 1, 2018. IFRS 9 is expected to have a significant impact on classification, measurement and impairment of financial instruments. Accordingly, the financial institutions, whose balance sheets are substantially made up of financial instruments, will be most affected. IFRS 9 replaces both IAS 39 Financial Instruments: Recognition and measurement and IAS 32 Financial Instruments: presentation. The key changes introduced by IFRS 9 in comparison to IAS 39 and IAS 32 are in relation to:

- Classification and measurement: only three categories of debt assets based on business model and contractual cash flows.
- Impairment: use of a 12 month expected credit losses except where significant increase in credit risk (lifetime expected credit losses).
- Hedging: hedging is now aligned more closely with risk requirements

Whereas the banks have been quick to assess the impact of and prepare for IFRS 9 implementation, other non-bank financial institutions, including Retirement Benefits Schemes have been less enthusiastic in this preparation. This is despite IFRS 9’s expected impact on the Retirement Benefits sector’s investments, whose industry wide portfolio as at December 31, 2017 comprised of 72 % in treasury bonds and bills and 14% in equity investments (shares).

The lack of enthusiasm and thus preparedness for implementation in the Retirement Benefits sector is even more worrying because the respective Retirement Benefits Schemes will be required to apply IFRS 9 in their financial statements for the periods ended December 31, 2018. Yet, proper implementation of IFRS 9 requires among others: modifications to systems and processes and training for staff in key positions associated with generation and reporting on financial instruments.

## Classification and measurement Financial assets

Classification and measurement will depend on whether the financial assets are of either an equity or debt nature.

## Equity instruments

All the equity instruments will be measured at fair value through profit or loss (FVTPL) except where an irrevocable election at initial recognition has been made to present changes in fair value through other comprehensive income (FVTOCI) with no recycling. Despite the FVTOCI election, the dividends associated with the equity investments are recognized in the profit or loss.

## Application

Retirement Benefits Scheme invest in equity instruments across the EAC region to benefit from price fluctuations. Examples of equity instruments held by Retirement Benefits Schemes include shares and or investments in other companies. These should be measured at FVTPL unless the irrevocable election has been made as explained above. This does not present a significant departure from the previous treatment, as such, it should not greatly affect the existing classification.

## Debt instruments

On the other hand, the debt instruments are measured either at FVTPL/FVTOCI or at amortized cost. The classification is driven by the entity’s business model for managing financial assets and their contractual cash flow characteristics. See below the illustration of the debt instrument classification.

## Application

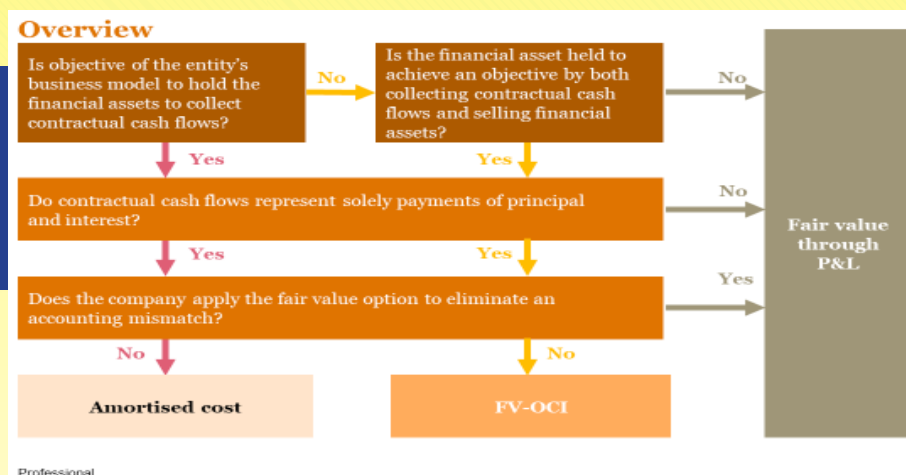
The Retirement Benefits Schemes’ debt instruments substantially comprise of: fixed deposits with commercial banks, treasury bills and treasury bonds. The investment committees of the respective Retirement Benefits Scheme normally hold the indicated debt instruments with an objective to collect contractual cash flows which comprise solely of payments of principal and interest. This is synonymous with the held-to-maturity classification under IAS 39 based on which such instruments have always been held. Debt instruments to be classified at Fair Value, either through Other comprehensive income (OCI) or directly through profit and loss/Statement of Changes in Net Asset available for Benefits if the objective of holding those instruments is to sell or trade them on the secondary market to meet some short-term obligation.

Accordingly, the classification for these assets should not substantially impact the current classification of the debt



## Business Model Assessment

### Classification and measurement of debt instruments



instruments under IAS 39. The Retirement Benefits Schemes will however need to put processes and systems in place to ensure that the correct business model is being applied, including making the necessary changes to manuals, investments policy and other associated documents.

### Impairment

IFRS 9 introduces a new impairment model based on expected credit losses (ECL) and significant increase in credit risk, rather than the incurred loss model championed by IAS 39. The ECL model focuses on future performance and loss whereas the incurred loss model assesses the impairment losses as at the reporting date.

The ECL impairment model will apply to financial assets including; financial assets at amortised cost; financial assets (debt instruments) at FVOCI; loan commitments; financial guarantee contracts; trade and contributions receivables or contract assets and modified financial assets.

IFRS 9 effectively incorporates an impairment review for financial assets that are measured at fair value, as any fall in fair value is taken to profit or loss or other comprehensive income for the year, depending on the classification of the instrument as per classification above.

For financial assets designated to be measured at amortized cost, an entity must make an assessment at each reporting date whether there is evidence of possible impairment; if there is, then an impairment review should be performed. If impairment is identified, it is charged to profit or loss, or statement of changes in net asset available for Retirement Benefits Schemes.

ECL represents the weighted average of the difference between all principal and interest cash flows that are due to an entity in accordance with the contract and all the cash flows the entity expects to receive discounted to the original effective interest rate.

12-month expected credit losses: Are a portion of the lifetime expected credit losses and represent the amount of expected credit losses that result from default events that are possible within 12 months after the reporting date.

Lifetime expected credit losses: The expected credit losses that result from all possible default events over the life of the financial instrument.

### Application

Most of the financial assets held by Retirement Benefits Schemes are performing assets with similar credit risk characteristics since initial recognition, for example, cash at bank, fixed deposits and treasury bills and bonds. Accordingly, during the impairment assessment, its expected that the 12 months expected credit loss model will be applied

Despite the performing portfolio of investments and the 'good' credit worthiness of the institutions that hold the Retirement Benefits Schemes' financial assets, for example in the regulated commercial banks and with the central bank, the Retirement Benefits Schemes are still expected to recognize impairment, however marginal. This is premised on the understanding that all financial assets have an element of risk, however small it may be expected to be. The Retirement Benefits Schemes' investment committees will need to come up with mechanisms to assign risks to the seemingly risk-free investments.

The Retirement Benefits Schemes may also need to involve various stakeholders to determine the risk values to assign to assets that are industry wide – for purposes of ensuring consistency in reporting. For example, in determination of the risk value to attach to Government securities (treasury bills and bonds), there will be a requirement to engage the central bank and other regulators.

Adequate preparation and effective implementation of IFRS 9 will require modifications to the Retirement Benefits Schemes' processes, systems and training of staff. Such actions will undoubtedly involve commitment of resources and therefore will require buy in from the highest level. Early engagement of the Boards of Trustees may therefore be required to ensure the appropriate level of support is obtained to ensure effective implementation. Microfinance Support Centre

# Ensuring a Culture of Strengthened Integrity, Rigor and Accountability at MSC

By James Muhwezi, Micro Finance Support Centre

The years since 2013 when the current/new management took over MSC have been years of far-reaching changes and difficulty, yet necessary decisions aimed at the transformation of the company had to be made. As a result of the changes, a new foundation for a future of orderly, sustainable and profitable growth in terms of the social economic impact to Ugandans has been laid, following a range of ambitious structural actions and decisions that aimed at transforming the business style, financial and operational dimensions.

Prior to 2013, MSC was facing an uncomfortable financial position, business uncertainty, reputational and governance challenges threatening the future of MSC. To correct the status quo, the new management embarked on a process of building a culture of accountability with commitment to take responsibility for its activities and disclose the results to all the stakeholders in a transparent manner. The primary phase of this process consisted of putting in place a strong system of accountability that incorporated strategic planning and performance measurement into budgeting and this has helped to stabilize MSC.

This article highlights some of the significant achievements at MSC, presents challenges and growth prospects.



MSC facilitating the Islamic Training Workshop at Hotel Africana 16th November 2017

## Significant Achievements:

### MSC's Strategic Plan (2014-19)

The first organizational activity for the new management was to develop and put in place a company's strategic planning framework. In 2014, management presented detailed a five - strategic (2014-2019) to the shareholders and employees as a roadmap for resuscitating, transforming

and developing the company. The plan consisted of the following elements:

- First, an exhaustive and in-depth diagnosis of the reasons why some of the key parameters of MSC's business and financial performance had declined in recent years.
- Secondly, a structured framework of strategic guidelines to lend coherence to the company's initiatives, both those taken so far and others that would be explored during the plan period.
- Ambitious strategic targets for growth, performance and resource generation over the plan period as a result of those initiatives.

The Strategic Plan has been an effective tool to ensure that MSC is not only profitable, financially robust; with a focus on sustainable growth, but also increasingly attractive to shareholders, customers and employees.

The Plan is structured into six major blocks of strategic guidelines that shape the various initiatives: Increase coverage of MSC services and products, Enhance product development, Strengthen client Institutional Capacity, Strengthen strategic partnerships, Improve resource mobilization & Enhance organizational sustainability.

### Corporate Governance

In order to optimize economic results and with a strong emphasis on development impact for Ugandans, MSC established a comprehensive governance policy framework by which the various organs of governance have been constituted and mechanisms of governance elaborated. These have continued to effectively provide effective oversight in implementing MSC's strategic plan and meeting the expectations of government while delivering value to clients.

### Rebranding

In order to address the reputation risk which mainly resulted from the negative perception among stakeholders and performance pitfalls, the Board approved a reputation risk management framework that would help to proactively monitor, identify and mitigate reputation risks. The framework comprises of a rebranding plan, included the launching of the new logo, relocation to the new premises, redesigning and reprinting of the company official documents and all the promotional materials, upgrading the company website and designing of the key messages for media engagement. As a result of these actions, the



Current MSC Head Quarters on Plot 32 Nakasero Rd



Former MSC Offices on plot 46 Windsor Crescent in Kololo

new MSC logo was launched on 16th December 2017 at Sheraton Hotel in Kampala. The Honorable Minister of State for Microfinance Officiated over the function as the Chief Guest. Below are the pictures showing the former MSC headquarters with Old Logo and the rebranded MSC with the new logo.

### Leadership of Islamic Microfinance

MSC was identified by the Government of Uganda to spearhead the introduction and implementation of Islamic Microfinance in Uganda. With support from Islamic Development Bank and Bank of Khartoum (IRADA Microfinance), MSC developed the Islamic Microfinance Framework in 2015 and subsequently started disbursements in 2017. MSC has so far supported 90 projects compliant to sharia lending principles benefiting over 15,585 individuals out of whom 33% were females; with value totaling UGX 35.9 Billion. Islamic Microfinance is a type of finance service that is guided by the principles of Islamic (Sharia) law that emphasizes moral and ethical values in all dealings, prohibiting the payment or receipt of interest. Islamic finance has enabled MSC to serve clients who have no collateral by working through partnerships with them. It is also a unique opportunity for providing common user facilities. MSC plans to roll out Islamic microfinance when more funds are raised.

### Risk Management Framework

MSC has put in place a risk management function and developed a risk management framework aimed at guiding risk management in the company and this is being operationalized through the relevant policies and procedures manuals. Guided by these policies, the company will focus on assessing the risks associated with new market/business opportunities and minimizing threats to the financial viability of the company.

Achievements in line with MSC's duo mandate of facilitating access to affordable credit and building management capacities of its client institutions through business development services.

With a cumulative credit capital of only UGX 52 Bn from

the Government of Uganda (GoU), MSC has been able to disburse 4,256 loans to 2,138 institution clients like SACCOs, Cooperative Unions, MFIs, Groups and SMEs, among others, aimed at financing various value chains mainly in the agro industry sectors. It is important to note that since MSC has been able turned over the Ugx 52bn revolving fund resulting in over 317 bn in total loans to over 650, 000 borrowers since inception.

In line with its mandate of providing business development service (BDS) support to its clients, MSC adopted criteria for measuring the effectiveness of this support. The criteria looks at governance and financial performance of the client institutions to determine indices showing how well the client institutions are being governed and the strengths of the financial management systems in those institutions. As of June 2018, the survey carried out among our client institutions established the indices at 82.9 and 88.7 for governance and financial performance. Compared to those established in the FY 2016/17 of 77 and 82.2 respectively when the performance measures were first introduced, there is a positive trend which is as a result of the quality BDS support mechanism within which the company. MSC's BDS aims at providing the means of influencing clients' practices towards enhanced institutional performance, growth and sustainability.

In order to expand outreach and bring financial services closer to communities, MSC adopted the model of working with and through reference SACCOs<sup>1</sup> and extension teams<sup>2</sup> as partners/ agents to serve the communities, under its guidance. These reference SACCOs and extension teams are helping the company to address the issue of member education among cooperatives, community mobilisation, information exchange and referrals. To date, MSC has established 161 reference SACCOs in 82 districts and 52 extension teams.

<sup>1</sup> Reference SACCOs are MSC's stronger SACCOs that have been selected under a certain criteria that work as MSC's agents in their respective jurisdictions

<sup>2</sup> Extension teams are teams of five members each curved of the SACCOs's membership and trained vigorously by MSC to address the issue of member education and mobilise communities for group formation thus deepening outreach.



UMRA Staff with Mutukula Money Lenders after Tier 4 Microfinance Institutions and ML Act Dissemination workshop

MSC has designed, and is now in the process of implementing, a new innovation business delivery model, which will enable us to strategically enhance our ability to deliver services across the country. The new innovation model recognizes the fact that MSC's clients are mainly the rural poor communities who have no collateral, are financially illiterate with no development skills and are not enthusiastic. The model will also amplify and reinforce our connection with the partners, donors and government MDAs to generate ideas, resources and innovations for clients' increased and sustained support. For this purpose, MSC entered into formal partnerships with the Ministry of Trade, Industry and Cooperatives (MTIC), African Institute for Strategic Services & Development (AFRISA), Heifer International Uganda, Engineering solutions (Engsole and Chamber of Commerce and have signed MOUs that state the obligations and responsibilities for each party.

MSC finalized the concept for establishing a consulting arm to enable service provision in a more efficient and systematic manner while earning money for the company. Money earned from such consulting activities will be invested in young institutions (mainly SACCOs) to accelerate their growth.

MSC has expanded its training scope to include the online support tool kits in addition to the technical assistance (TA), structured training, advisory services and exchange study visits through a peer-to-peer learning mechanism.

The company has also established training Centre that is well equipped to host training workshops and conferences, which eventually will mature into an in-house training academy for MSC.

The company has expanded its offerings by adding to existing product lines (agriculture loan, environmental loan, commercial Loan and group loans) the micro lease loan, the community asset loan (that is based on the common

user facility mechanism), the agro input loans as well as the Islamic loan products. These products have helped the company to penetrate virgin markets and service more Ugandans. For example, MSC partnered with Heifer international to implement a dairy project in the Acholi sub region through the Micro lease loan product and as June 2018, 42 members from 10 VSLAs have received Heifers and are running dairy farming on a commercial level.

All these initiatives are in line with the company's strategic plan and are aimed at achieving a more focused and orderly management of operations to maximize operational efficiency and have tools at hand that enable us to keep improving efficiency going forward.

### Challenges

MSC took on a national mandate and with a small credit capital, plus the nature of clients its supports, it is inevitable that the company has occasionally run into execution difficulties or incurred unforeseen risks mainly of credit, reputational, and liquidity nature. However, the company's new models of governance and the newly implemented control mechanisms have been precisely designed to structurally reduce the company's risk profile and to drastically mitigate the risk of failed projects. Some of the key challenges that MSC still faces today include:

### Challenges at MSC

Big mandate versus small credit funds. Given its country focused mandate, the demand for affordable financial services is overwhelming and yet the credit funds don't match the demand. This is true for both the conventional as well the Islamic funds.

### Challenges with MSC's Client institutions

- Weak Institutional capacity: the suboptimal performance of many cooperative societies, microfinance institutions and SMEs which is largely attributed to poor governance and managementsystems, weak internal controls and lack

of deposit protection schemes have largely contributed to increasing cases of fraud and embezzlement of funds, and have threatened the confidence in the sector.

- **Weak capital Base:** Most of the Microfinance institutions and Cooperatives have weak capital bases which may not adequately provide a cushion for the risk of lending to micro entrepreneurs and Smallholder farmers without collateral.
- **The existence of huge unnerved market:** the size of the unnerved market is still large compared to existing support institutions. The current data from the Ministry of Cooperatives indicates that there are over 11,000 registered Cooperatives in the country while statistics from the UBOS indicate that there over 1.1 million registered micro enterprises. This is in addition to the hundreds of thousands of registered groups and associations.
- **Lack of appropriate products and product range:** Inability to devise appropriate, innovative and low cost credit product design choices and screening mechanisms that better respond to this target market could reduce their effectiveness, as well as their financial viability.
- **Low savings mobilization capacity** High poverty levels among the rural populations limit their ability to smoothen consumption by self-protecting themselves against economic shocks and invest more in their micro enterprises. Low financial literacy contributes to this factor.
- **Lack of appropriate micro insurance mechanisms and products** that are designed to mitigate different types of risks, such as agricultural or health risks mainly due to limited sensitization of the communities on the insurance in general and its benefits and of asymmetric information.
- **Low levels of technological innovation.** Most micro finance institutions are still struggling with both the appreciation and investments into the digital innovation and yet, this is considered as an enabler for financial inclusion. Rapid changes in the micro finance industry have seen changes in technology and led to the expansion of services among some MFIs especially through mobile money and visa card platforms. There is still room for sensitization and leveraging this dramatic penetration of mobile technology to improve financial services delivery.
- **Lack of individual credit products.** The microfinance model rides mainly on group strengths and therefore still inclined more to the traditional group lending model through bundle product packages, which then limits the development and design of the individual microfinance products and services.
- **Lack of effective and appropriate market systems.** Guaranteeing farmers' produce is a big incentive for engaging in productive activities. Without a sure and sustainable market, production will reduce and in turn

affect the savings. This might eventually bring about the eventual collapse of the system.

### Plans and Prospects

- Consolidate and Scale up the Islamic financing program
- Work with the Ministry of Trade and other partners to revive 120 cooperatives during the financial year 2018/19.
- Accelerate the development and market availability of digital solutions and services that will enhance service delivery to MSC's clients, mainly, groups and SACCOs.
- Strengthen and multiply the numbers of reference SACCOs and extension teams and their district coverage in order to deepen the outreach of MSCs services and achieve financial inclusion.
- Full scale consulting services implementation of the online courses
- Aggressive marketing and public relations activities in order to increase brand awareness and visibility and fully restore company image.
- In the new direction, MSC seeks to further expand outreach to have service points at sub county and parish levels.
- Diversify into new market niches and sectors as well as improve our portfolio of products and projects, focus our business strategy on higher value-added clients and products, and continue gradually to evolve our production and delivery model. The new products in the pipeline include invoice discounting loan product and forward contract financing products.

We are confident that, having laid the foundations of a properly reformed and efficient organization with improved risk management mechanisms, we shall be in a strong position to grasp the opportunities in the industry and translate them into orderly and profitable growth for the benefit of all stakeholders. MSC will now be highly alert to potential strategic alliances that will boost its go-to-market capability and even create opportunities to enrich its product range and client base via organic transactions; in so far as its financial position will stabilize.

By supporting social safety net programs in line with the critical sectors such as agriculture, MSC shares responsibility with other MDAs and development partners and makes a greater contribution towards Governments development goal as set in the vision 2040, which provides strategies to operationalize Uganda's vision statement of a 'transformed Ugandan Society from a peasant to a modern and prosperous country within 30 years.

# UMRA Commences Issuance of Licenses to Money Lenders and NDTMFIS

By Edward Bindhe, Communications Manager UMRA

**U**ganda Microfinance Regulatory Authority-UMRA has commenced issuance of Licenses to Money Lenders and Non-Deposit Taking Microfinance Institutions.

## About Uganda Microfinance Regulatory Authority

The Uganda Microfinance Regulatory Authority (UMRA) was established under section 6 of the Tier 4 Microfinance Institutions and Money Lenders Act, 2016 which came into effect on 5th July 2016 and commenced operations in July 2017.

Uganda Microfinance Regulatory Authority was established to regulate, license and supervise Tier 4 Microfinance Institutions and Money Lenders in Uganda. The need to protect the clients' savings and control unethical lending practices, and building confidence in the financial system to promote financial inclusion through effective regulation and supervision of the spectrum of Tier 4 financial institutions and money Lenders.

### UMRA Vision

Enhancing financial inclusion and Sanity

### Mission:

To effectively supervise and regulate Tier4 Microfinance institutions and moneylenders by carrying out due diligence, ensure stable, sound and inclusive financial services to the people.

### Our clients include;

- Money lenders
- SACCOs
- Non-deposit taking Microfinance Institutions
- Self-help group

### Functions of the Authority

- a) The authority is responsible for regulating, licensing and supervising tier 4 microfinance institutions and money lenders
- b) Promote programmes and interventions that are necessary for the development of tier 4 microfinance institutions
- c) Protect the interests of the members and beneficiaries of tier 4 microfinance institutions including the promotion of transparency and accountability by applying non prudential standards.

- d) Promote stability and integrity of the financial sector through ensuring the stability and security of tier 4 microfinance institutions.
- e) Ensure the stability of the microfinance sector with a view to promote long term capital development.
- f) To establish and enforce standards of sound business and financial practices for tier 4 micro finance institutions
- g) Collect and publish statistics related to the operations of tier 4 microfinance institutions.
- h) Manage savings protection scheme and a stabilization fund for the tier 4 microfinance institutions.
- i) The minister on matters relating to the development and operation of the tier 4 microfinance institutions.
- j) Conduct periodic reviews of the activities of tier 4 microfinance institutions.
- k) Prescribe performance indicators for tier 4 microfinance institutions to the credit reference bureau.
- l) Prescribe minimum capital requirements
- m) Regulate and supervise self-help groups.
- n) Regulate and supervise commodity-based microfinance institutions and
- o) Perform any other activity necessary to facilitate the discharge of its functions and for giving full effects to this Act.

### Why regulation for tier 4 Microfinance Institutions?

The advantages of regulation in the microfinance industry for the customer and financial markets are numerous. Regulation serves to ensure the financial soundness of an MFI, reducing the chance of failure and reinforcing the public's trust in these financial institutions.

Regulations also serve to protect both borrowers and lenders by control and preventing ethical lending behaviors. MFI's can often have considerable market power that can be used to surprise borrowers. These practices include very excessive interest rate and other prohibitive charges fees on loans. For MFI's that accept deposits, regulation helps to prevent a loss of client savings from failure of the MFI.



UMRA Staff with Mutukula Money Lenders after Tier 4 Microfinance Institutions and ML Act Dissemination workshop

For the Clients, the savings can be vital to deal with economic uncertainties and the loss can have grave effects on their social economic wellbeing. In addition, regulation and supervision may promote the development of the microfinance industry, attracting greater investments within and without.

Licensing requirements for tier 4 Microfinance Institutions

Money Lending License and Non-Deposit taking MFIs

- Incorporate a company under the Companies Act 2012(if not yet incorporated)
- Apply to the Uganda Microfinance Regulatory Authority for a money Lending License.

**(Attach necessary document ie.)**

- Certified copy of certificate of incorporation
- Certified copy of memorandum and Articles of association.
- forms of particulars of directors and secretary
- postal and physical address of the Company,
- copies of national identity cards for directors and the secretary;
- certificate of good conduct and
- Evidence of payment of the application fees

**Licensing Requirements for SACCOs**

- o Dully completed application form
- o Certified copy of the certificate of registration
- o Financial Statements
- o Business Plan
- o Credit Policy & Lending procedures

- o Details on the members of the Executive Committee and senior management
- o Evidence of payment of application Fees

**Progress and Achievements**

The regulations for Money Lenders on and those of the Non-Deposit Taking Microfinance Institutions were gazette on March 16th,2018 March 29th 2018 respectively. This triggered the licensing process

Uganda Microfinance Regulatory Authority has issued over 80 licenses to Money Lenders and Non-Deposit Taking Microfinance Institutions. Some applications for Licenses are also under review. UMRA also continues to receive several new applications for licenses from Money lenders and Non-Deposit Taking Microfinance Institutions.

**Governance and Management**

The minister appointed a seven the Board of Directors for UMRA. The Board was inaugurated in December 2017 by honorable Minister State for Finance Planning and Economic Development (Microfinance). The seven-member board is chaired by Mrs Jacequiline Mbabazi. The Executive Director is Mr. Avu Elly Biliku.

**Licensing and Supervision**

Following the issuance of the Regulations, UMRA has begun the process of licensing Institutions. The regulatory body has so far licensed over 80 Institutions these include Money Lenders and Non Deposit Taking Microfinance Institutions. UMRA is also reviewing several applications Money lenders and Non Deposit Taking Microfinance Institutions.

## Sensitization and public awareness

Uganda Microfinance Regulatory Authority has also rolled out dissemination workshops to sensitize the masses about the tier 4 Microfinance Institutions and Money Lenders Act, 2016. UMRA has conducted these workshops in districts of ; Bushenyi, Kabale, Kyotera and Kabalore. Alongside these workshops, UMRA has also appeared on Four Radio stations; these are B.FM in Bushenyi, Capital radio, Voice of Kigezi in Kabale, Voice of Tooro in Fort Portal and Buladde FM IN Masaka municipality. The purpose of these radio talk shows was to sensitize the general public about the tier 4 Microfinance Institutions and Money Lenders Act, 2016.

## Frequently Asked Questions About Umra

### How long does it take to have a License?

The Act provides for 90 days after receiving the application. In case additional information is requested for by the authority, the 90 days will be counted from the day the additional information is submitted.

How is UMRA going to Regulate Money Lenders in the rural areas given its thin staff on ground?

- UMRA is to work closely with the Associations and the Unions of the Money Lenders like UMOLA that is an umbrella body for the Money Lenders in Uganda to ease enforcement of policies, programs and legislation tools in that sector.
- The fact that the law requires the authority to gazette all Tier 4 Microfinance Institutions in at least a Newspaper of wide circulation in the country, this will threaten a number of illegal and unregistered Money Lenders from illegally transacting thus regulating them.

Can't an individual start own company and secure a License to transact Money lending business?

Any individual can secure a Money Lenders License from UMRA provided they register as a Company with the Uganda Registration Services Bureau under the Companies Act 2012

### What is the difference Between UMRA and The Microfinance Support Centre Limited?

UMRA is an Authority established under Section 6 of the Tier 4 Microfinance Institution and Money Lenders Act, 2016 with the key purpose of Regulation, Supervision and Licensing the all Tier 4 Microfinance Institutions and Money Lenders in the country to ensure the financial health, sustainability and financial discipline in the industry.

The Microfinance Support Center Limited is a government owned company established in 2001 and it is one of the lead agencies in the implementation of the government's "Prosperity for All" programme, which aims at transforming the rural economy through job creation and increase in household incomes but most importantly extension of credit services.



UMRA team led by ED Mr Avu Elly Biliku pose for a picture after meeting with URSB Management

### How these Money Lenders are operating now?

The money Lenders are currently operating illegally unless they are licensed under the Tier 4 Microfinance Institutions and Money Lenders Act 2016

- Money Lenders are currently setting their own interest rates which are exorbitant
- Money Lenders apply rudimentary means of debt collection
- Confiscation of client's property
- Mislead clients through signing wrong agreements i.e. signing sales agreements instead of a Loan agreement

### What happened to the old Money Lenders Act?

The old Money Lenders Act was Repealed and Replaced by the Tier 4 Microfinance Institutions and Money Lenders Act 2016

### Why was Uganda Microfinance Regulatory Authority established?

- Promoting legitimacy and building the confidence of members, customers and investors in the Microfinance Facilitating the microfinance industry to promote social and economic development Business
- Establishing prudential standards for microfinance institutions in order to safeguard the deposits of members, prevent financial system instability of the funds of depositors and ensure stability of the financial system
- Applying non-prudential standards to tier 4 microfinance institutions by-
  - (i) Defining sources of capital;
  - (ii) Establishing default protection mechanisms;
  - (iii) Enforcing compliance with generally accepted accounting practices; and
  - (iv) Instituting mechanisms for the prevention of fraud and financial crimes
  - (v) Providing a framework for the management and control of money lending

### Future plans

In next coming years Uganda Microfinance Regulatory Authority will focus much on supervision and compliance of the licensed Institutions to the regulations. UMRA plans to intensify public awareness to disseminate the tier 4 Microfinance Institutions and Money lenders Act, 2016 to educate the masses.



# Why you need a business mentor

Basil Ajer Executive Director of UIA



**A**s the business environment becomes more competitive, many entrepreneurs in Uganda are relying on friends and family, the Internet, business journals, and even casual acquaintances to provide them with information regarding industry developments, trends and opportunities. However, most of these sources of information do not contain reliable content on an ongoing basis. In view of the above, there is a nascent opportunity that lies with mentorship.

Business mentoring is when a business brings in an experienced person from outside to support, encourage and develop specific skills to help optimize a business' potential and performance. Their benefits are many, and a lot of businesses, in many sectors, have leveraged mentoring into real successes. The experience a mentor can bring to a new venture is priceless. Working with someone who has 'been there and done that' will help you avoid many mistakes since the mentor has made them themselves with their own businesses". Mentoring can be formal, organized through specific organizations or networks, or informal, drawing on the expertise of peers, friends or family.

Usually the mentor-mentee relationships are built on a foundation of mutual respect, not money. Your mentor won't be "taking over" your business, and, in fact, you can take legal steps to protect your inventions or trade secrets, should that be necessary. The best mentoring relationships don't cost a thing—except time. They ensure you see the bigger picture of your business, and that you approach problems and challenges in a logical way, not an emotional one.

The reasons as to why Uganda Investment Authority advocates for experienced business mentors for Uganda's entrepreneurs are straightforward.

The majority of Uganda's businesses (65%) are aged between 1 and 5 years and those that are 25 years or more are only 4%, suggesting one of the highest mortality rates of business start-ups in the world.

Indeed it is estimated that about 80% of Ugandans ended up in business by accident with little to no prior preparation partly due to high unemployment levels, copy and paste syndrome, and unplanned retirement or retrenchment. Although some easily learn on the job, others spend a lifetime in business without

learning even the basics of business management or learn too slow to cope with the ever-changing business environment.

Today we see a more urgent need than ever before to adopt frugal business practices if we are to compete in this space. Entrepreneurs need to find practical solutions to their day-to-day business problems in order to sustain their businesses. Uganda's businesses definitely need mentors to provide technical support in building capacity and skills in order to keep abreast of the latest developments and trends in the business world. There is no standard for how often or for how long to meet with a mentor, as with most non-formal business relations, that's entirely up to the parties involved. The only constant across all mentoring relationships is to meet regularly, and to use the time together constructively.

Here are seven reasons as to why having a mentor is important.

1. Gain experience not shared in books; experience is a very expensive asset yet it is crucial to business success. Mentorship is one guaranteed way to gain experience from others.
2. You're more likely to succeed with a mentor; the valuable connections, timely advice, occasional checks together with the spiritual and moral guidance you will gain from having a mentor will guide you to success.
3. They've "been there and done that." Perhaps the most obvious benefit of finding a business mentor is that you can learn from their previous mistakes and successes.
4. Networking opportunities; A successful mentor has an unlimited network of people who can benefit your career.
5. A mentor gives you reassurance. Having someone who guides you and shares your worries is invaluable. Mentors have the capacity to help young founders tap into their self-confidence and see every challenge as an opportunity.
6. Emotional intelligence; emotional intelligence is crucial to entrepreneurial success. A quick way to make a business fail is to mix it with emotions or make crucial decisions based on emotional feelings. Mentors advise entrepreneurs to have greater control over their emotions and to react appropriately in different instances.
7. Encouragement; in hard times, having a mentor will help you keep your head high.

It is for the reasons above that The Uganda Investment Authority (UIA) has a mentorship program designed to support SMEs obtain comprehensive support to their business growth. We match SMEs with mentors from outside their business, thus providing them the opportunity to explore business processes and obtain a fuller understanding of business management and leadership. In so doing we strive to build sustainable, trusting relationships between mentors and mentees to enhance their ability to start, maintain and grow their businesses. We have received commendable feedback from both SMEs and mentors and will be expanding this service to cover many districts in Uganda.

# The 4<sup>th</sup> World Customs Organisation/ Authorized Economic Operator (AEO) Conference

By Vincent Seruma, URA

Over 1000 Participants attended 4<sup>th</sup> WCO/AEO Global Meeting



Participants during the 4th WCO/AEO Global Meeting

## It was unprecedented!

An international conference in sub-Saharan Africa? There were many naysayers and “doubting Thomases”.

Moreover, an African country had earlier reportedly hosted a run-of-the-mill international conference, lending credence to the fears.

However, Uganda Revenue Authority (URA), the first to host the 4<sup>th</sup> World Customs Organisation (WCO) Authorised Economic Operator Conference (AEO) in Africa, was determined to excel.

A brainchild of the WCO, AEO offers complaint institutions preferential treatment like fast clearance at borders or ports.

Almost eight months before the conference, preparations kicked off. Several committees in charge of several aspects of the conference, were appointed. They met routinely and executed work diligently.

And when the doors of the Kampala Serena Conference Centre were opened on February 14-16, 2018, it was unbelievable! Over 1100 delegates from 95 countries attended.

The days' menu was a hotchpotch of trade facilitation topics involving plenaries, focused group discussions, an opening ceremony presided over by President Yoweri Museveni and a closing ceremony at which Ndere Troupe wowed participants with an energetic cultural dance performance.

Among the key outcomes of the conference were the mutual recognition agreements (MRA) signed between blocs. One of them was between the East African Community and South Korea. The other was between Paraguay and Peru.

Citing the East Africa Community-South Korea MRA, URA officials said the companies with AEO status would get preferential treatment like quick clearance of goods whilst importing/exporting items.

Enabling small and medium enterprises to benefit from AEO and Uganda's bilateral discussions with USA and China were on the line-up.

Opening the conference, Museveni said that the African continent could no longer be a spectator in the global industrial and technological revolutions.

According to him, Africa has since solved many of the bottlenecks that dragged it back as the rest of the world industrialized, and that it is now ready to be an equal player in global trade.

Although Africa is bigger in size than most of the developed economies combined, Museveni noted, it had for long been sidelined in the global economy due to challenges like slave trade, poor leadership and disunity registered in different countries.

However, he stressed, Africa has now woken up and is ready to catch up.

"Most of the problems we suffered were partly because of our internal weaknesses. We are trying to solve the issue of unity through regional integration," Museveni told participants in a speech peppered with jokes that cracked participants.

**He argued that the rising population in Africa is a silver lining, adding that the continent ought to position itself as the "next frontier for industrialization".**

"Under population has also been our problem, but we are sorting it out, especially with the discovery of modern medicines to counter killer diseases. By 2050, Africa will have over 2.5 billion people. We shall have caught up with other big economies," he said.

"We are going into the industrial age and digital revolution, and this time we shall be part of global trade on equal terms with the rest."

Participants were customs administrators, companies, government officials, academia and policymakers attended the biannual event themed **"Promoting Mutual Recognition of AEOs to Strengthen and Secure Global Trade"**.

WCO Secretary General, Kunio Mikuriya said that Africa possesses a huge economic growth potential.

"Customs authorities and businesses should work jointly to improve the economic competitiveness of the respective countries, regional blocs and Africa," Mikuriya said.

The conference, he added, offered an opportunity to listen to and replicate success stories regarding AEO, customs administration, trade facilitation and other best practices.

URA Commissioner General, Doris Akol said that the conference was a key platform for all players in international trade to share best practices.

Alongside the conference, was an exhibition at which initiatives like the Regional Electronic Cargo Tracking System, Single Customs Territory and Electronic Single Window were showcased. The initiatives are meant to facilitate trade.

Uganda has a total of 51 companies registered as AEOs and these account for 28% of all the tax revenue generated. Of these, 30 are importers and exporters while 21 are clearing agents.

Commissioner Customs, Dicksons Kateshumbwa hailed WCO for choosing Uganda following a pitch to host the conference. Uganda, he pointed out, was committed to facilitating trade locally and regionally and to creating a "safe environment for business".



Participants during the 4th WCO/AEO Global Meeting



Hon. Matia Kasaija, Minister of Finance, Planning and Economic Development during the Orientation Workshop for Accountability Sector Management Committees



Dr. Muvawala Joseph one of the panelists during the Orientation Workshop for Accountability Sector Management Committees



Development Partners during the Orientation Workshop for  
Accountability Sector Management Committees



The IGG sharing her views during the Orientation Workshop for  
Accountability Sector Management Committees



Dep. Director UIA, makes a submission during the Orientation Workshop for Accountability Sector Management Committees



CG, URA making a presentation during the Orientation Workshop for Accountability Sector Management Committees



**ASB**  
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THE REPUBLIC OF UGANDA

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