



THE REPUBLIC OF UGANDA

Issue 5, April 2019

# ASB

# ACCOUNTABILITY SECTOR BULLETIN



The Newly  
opened OAG  
Regional Office in  
Moroto District





# Contents

- |    |  |    |   |
|----|--|----|---|
| 4  | ASB Editorial Team   | 31 | PPDA Tips Women Entrepreneurs on Winning Government Tenders               |
| 5  | Note from the Accountant General                                       | 32 | The IG-ODS, Declarations Made Easy  |
| 6  | Consolidation of Financial Statements in Public Sector                 | 34 | The Melodious Success of NUSAF 3 in Eastern Uganda                        |
| 10 | Why the Talk on Taxation Matters                                       | 35 | Why Investment Clubs Should Invest in Collective Investment Schemes       |
| 12 | Uganda Investment Authority on an upward trajectory                    | 36 | Africa Public Service Day: Its Philosophy and Linkage on Service Delivery |
| 19 | Translation of Anti-Corruption Laws                                    | 38 | Securing Road and Drainage Reserves in Kampala                            |
| 20 | Statistics & More Statistics – Understanding the Price Index           | 40 | Safe Money for a Secure Market  |
| 22 | Progress on Implementation of the Free Zones Scheme in Uganda          | 44 | Weyonje   |
| 25 | Regulatory Reforms to Drive Growth of the Insurance Sector in Uganda   | 43 | Borrow from Licensed Microfinance Institutions, UMRA                      |
| 27 | Auditor General Submits Report to Parliament                           | 46 | Investing in Agriculture to Drive Socio-Economic Development              |
| 29 | Office of Auditor General Extends Services To Hoima And Moroto Regions | 48 | Rethinking an Agro - industrialization Transformative pathway for Uganda  |
| 30 | PPDA Opens Eastern Region Office in Mbale                              |    |   |

# ASB Editorial Team



**Anthony Kintu Mwanje**  
Sector Coordinator  
Secretariat for Accountability Sector  
anthony.mwanje@finance.go.ug



**Peter Kauju**  
Ag. Head Public and  
Corporate Affairs  
pkauju@kcca.go.ug



**Geoffrey Nabongo**  
Manager Communication and  
Public Relations  
Uganda Bureau of Statistics  
godfrey.nabongo@ubos.org



**Farouk Kayondo**  
Senior Public Relations Officer  
Inspectorate of Government  
fkayondo@igg.go.ug



**Sylvia Kirabo**  
Senior Public Relations Officer  
Public Procurement and Disposal  
of Public Assets Authority  
skirabo@ppda.go.ug



**Namakula Regina Ceali**  
Senior Communication Officer  
Directorate for Ethics and Integrity  
ceali22@gmail.com



**Gloria Namugera Nakibuuka**  
Senior Public Relations Officer  
Office of the Auditor General  
gloria.nakibuuka@oag.go.ug



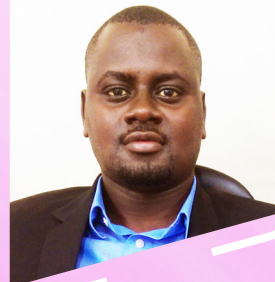
**Maria Muzaaki**  
Communication Officer  
Budget Monitoring and  
Accountability Unit  
maria.muzaaki@finance.go.ug



**Gorret Imakit**  
Secretariat for Accountability Sector  
Ministry of Finance Planning and  
Economic Development  
misskajumba@yahoo.com



**Doreen Kembabazi**  
Public Relations Executive – UFZA  
kembabazidc@gmail.com



**Nichodemus Nayebare**  
Secretariat for Accountability Sector  
Ministry of Finance Planning and Economic Development  
nichodemus.nayebare@finance.go.ug

# NOTE FROM Accountant General

The Accountability Sector as an enabling sector in facilitating the performance of the entire public service delivery returns to this readership with an exciting as well as informative edition of this Bulletin.



For our new readers, the Accountability sector is mandated with the mobilization, management and accounting for the use of public resources to facilitate the delivery of quality and equitable services. The Accountability Sector brings together state and non-state actors for the purpose of coordinated planning and implementation of sector projects and programmes. In the realization of the above mandate, the Sector is made up of four thematic areas that include Economic Management; Resource Mobilisation and Allocation; Budget Execution and Accounting; and Audit and Anti-corruption. Each of these contribute to pre-determined broad sector outcomes against which progress is measured.

This Edition comes with a wealth of information on a number of reforms and initiatives being undertaken in line with the objectives stipulated in the Accountability Sector Strategic Investment Plan 2017/18-2019/20. In this edition, you will get deeper insights about the Consolidation of Financial Statements in the Public Sector; in the multi-sectoral approach to sustaining economic growth; we are privileged to share excerpts from the research by the Economic Policy Research Centre that informed the 2019/20 budget strategy that highlights/focuses on Agro-industrialization as an option that will offer a home-grown citizen-centered approach to a sustainable socio-economic growth. You will also find the step-by-step guide through the Online Declaration system, the necessity of price indices in your day-to-day cash flows, and the initiative of self-accountability “Weyonje” where KCCA engaged with

the citizenry to take responsibility for their wellbeing before expecting cure for preventable scourges.

This indeed is a robust Edition that is coming to you at the time the Sector is organizing Regional Accountability Forums aimed at among others; decentralizing the ASJAR event by involving more players and collecting views from various stakeholders who may not have a chance of coming to the annual review; providing a platform for LGs to share information on accountability issues so as to improve service delivery as well as creating awareness on the roles of the Accountability Sector, its mandate, goals and strategies. These fora are being organised in four sub-regions namely Bunyoro, West-Nile, Karamoja and Kigezi.

The Government of Uganda is committed to a vibrant, progressive, transparent and inclusive public service provision. Under the prevailing theme, I continue to invite every one’s participation in ensuring value for money for the resources government manages in public trust. Right from resource mobilization through taxation, to budget allocations, to budget executions, and finally to auditing and anti-corruption, the contribution of the public is indispensable in ensuring “ACCOUNTABILITY - AS A SHARED RESPONSIBILITY FOR EFFECTIVE SERVICE DELIVERY”.

**Lawrence Semakula**  
Accountant General

# Consolidation of Financial Statements in Public Sector.

From the Accountant General's Office - Public Sector Accounts Department

**C**onsolidated Financial Statements (CFS) are the financial statements of an economic entity presented as those of a single entity. For Government of Uganda, the consolidated Financial Statements are divided into the central Government consolidated Financial Statements (CGCFS) and Local Government Consolidated Financial Statements (LGCFS). The CGCFS is composed of Financial Statements for Ministries, Agencies, Referral Hospitals and Missions abroad. The LGCFS is however composed of Financial Statements for District Local governments and Municipal Councils.

## The CFS of the Republic of Uganda is governed by:

- The Constitution of the Republic of Uganda, 1995 as amended,
- The Public Finance Management Act, 2015 as amended, its attendant Regulations 2016, and Treasury Instructions 2017.
- Generally Accepted Accounting Practices.
- Guidelines issued from time to time by the Permanent Secretary/Secretary to the Treasury and Accountant General

## Why consolidate?

*Section 52 of the PFMA, 2015* requires the Accountant General to prepare and submit to the Minister and the Auditor General Consolidated Financial Statements of Government within three months after the end of each financial year.

In addition, CFS provides an overview of the Government's financial position, performance and cash flows of the central government as a whole, which cannot be provided by the financial statements of the individual entities. The beneficiaries of this information include

development partners/investors, regulatory bodies, customers, employees, vendors, suppliers, media and the general public, parliament, executive, tax payers and CSOs among others.

The CFS can be used as a basis for performance evaluation through comparing the actual performance against the budget and analyzing the variances if any. The information provided in the CFS can also be used to compare the performance of countries in the same region by the rating agencies and international bodies.

CFS is a form of accountability to the tax payers, development partners and the general public. It demonstrates how the funds received were expended. These financial statements are regularly and timely audited to test their compliance with the legal and regulatory framework making them more reliable.

However, the CFS have their own challenges as will be demonstrated in the subsequent paragraphs including their inability to be interpreted by the non-technical general public. The information provided is also historical in nature and subjected to various subjective assumptions like depreciation rates among others.

## Frequency of Consolidated Financial Statements

The law requires that the Accountant General prepares and submits consolidated accounts to the Auditor General and Minister at year end. Half Year accounts are submitted only to the Secretary to the Treasury by Accountant General. The Accountant General is also authorized by the Public Finance Management Act, 2015 to request for financial Reports from Votes any time during the course of the Financial Year.

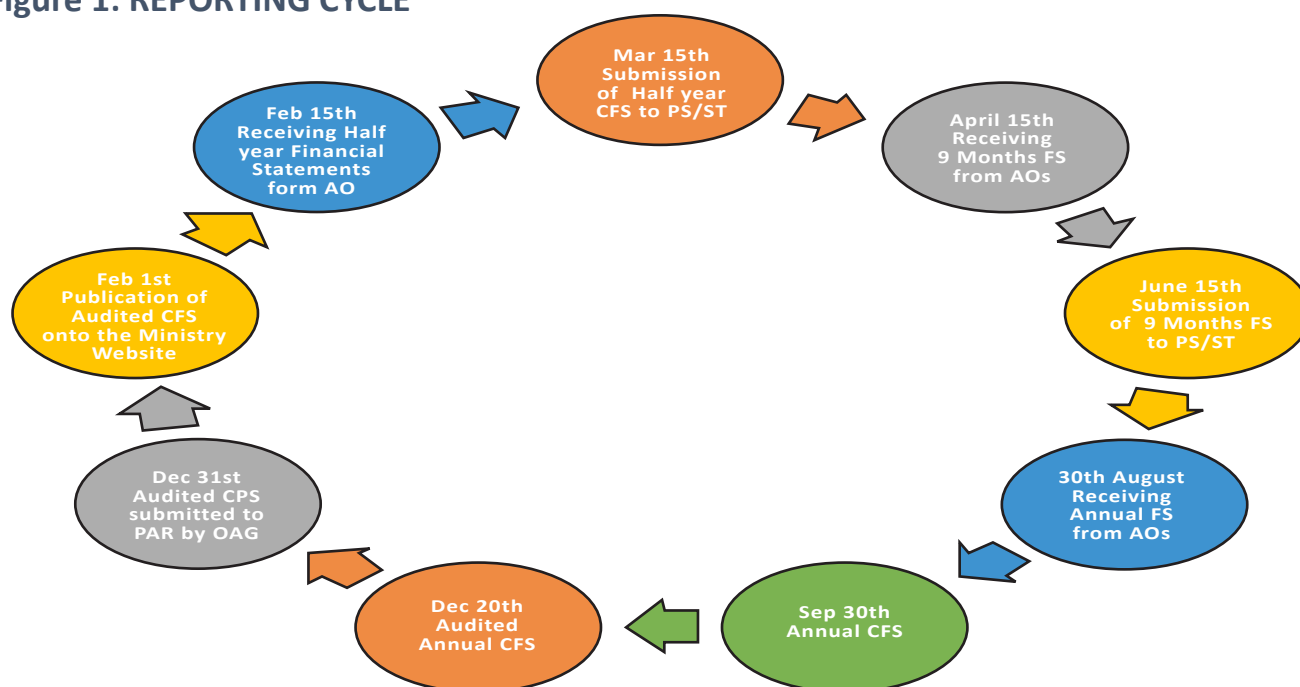
## Scope of consolidation

As required by the law, the following entities are currently being consolidated.

	Type	No	Accounting basis
1	<b>Central Government</b> Ministries Agencies Universities Hospitals Missions	23 58 12 16 36	<b>Modified Cash</b> • Expenditure are accrued • Revenue is cash except URA taxes
2	<b>Local Governments</b> District Local Governments  Municipalities	127  41	<b>Modified Cash</b> Expenditure are accrued Revenue is cash except URA taxes  <b>Accrual</b> • Expenditure accrued • Revenue recognized when earned.
3	Petroleum Fund		<b>Accrual</b> Expenditure accrued • Revenue recognized when earned.
4	Contingencies Fund		<b>Modified Cash</b> Expenditure are accrued Revenue is cash except URA taxes.
5	State Enterprises, Public Corporations & Companies	73	Private Sector Accounting Standards (IFRS) for companies where Government has shares and International Public Sector Accounting standards for State Enterprises and Public Corporation.

Below is the calendar for preparation and submission of Financial Statements

**Figure 1: REPORTING CYCLE**



## Unique Characteristics of GOU CFS.

The primary objective of most public entities is to deliver services to the public rather than contribute/present a commercial motive (profit) for the investors. This objective makes public sector unique and different.

The unique characteristics and reporting implication of the GOU CFS are indicated in the table below;

	Unique Characteristic	Reporting Implication
1	Government's goal is to provide services & redistribute resources, not to make profit	The accumulated surplus/deficit available to use in providing future services should be reported
2	Principal source of revenue is taxation	Ability to tax is equal to ability to spend. So net debt needs to be reported as well as non-exchange transactions such as penalties.
3	Government operates in a non-competitive environment	Both Financial and Non-financial measures are needed
4	Governments are held to a higher standard of accountability than a business or not-for-profit Organization	The taxpayers as major contributors to Gov't finances require to be given simple yet robust information about what has been done with their money
5	Control Environment	Government CFS have to comply to the national legal framework and best accounting practices
6	Accrual Vs Cash Accounting	Accrual accounting provides more complex information.



## Challenges

The challenges to the Consolidation process are highlighted below;

Currently, different entities are using different accounting policies making whole government consolidation difficult. Municipals are for instance using the accrual basis of accounting where revenue is recognised when earned and expenditures accrued leading to receivables and payables respectively. Districts and central Government votes are however using the modified cash basis of accounting in which revenue is recognised when received, and property, plant and equipment expensed in the year of acquisition.

For quite some time different entities were having reporting periods differing from that of Government of Uganda i.e June 30<sup>th</sup>. The Public Finance management Act, 2015 as amended gave a transition period of three years for all the entities to harmonise their respective reporting period to that of Government. All the entities complied apart from Financial Institutions that follow the Financial Institutions Act that have their reporting period as December 31<sup>st</sup>.

Some LG votes are not yet fully automated making it difficult to have complete information off the system. This affects the quality and also delays the preparation and submission of periodic Financial statements by those votes still using manual books.

Accuracy and timeliness of financial reporting. Many votes especially Local Governments delay to submit financial statements for consolidation mainly due to incompetent staff, bad attitude towards work and Inadequate Integrated Financial Management system knowledge. Others even reach an extent of totally failing to submit the financial statements, a case in point is where 27 LG votes and 3 CG votes failed to submit six months Financial Statement for the FY 2018/19.

Increasing number of Government Ministries/Agencies/Local Governments (votes) for example from 263 in 2014/15 to 386 in 2017/18. This implies that there are always new votes still learning Government processes, not yet put on the system hence using manual books and new staff being trained. All these affect the quality and timeliness of financial statements for consolidation.

## The Road A head

The Office of Accountant General has embarked on a roadmap to ensure that within 8 years beginning from financial year 2019/20, all Ministries/Departments/Agencies/Local Governments will be following uniform Accounting Standards. The compliance to IPSAS accrual roadmap once implemented will ensure homogeneity of reporting across the reporting entities and hence a seamless consolidation process.

The Accountant General's Office is rolling out Financial Management Systems across all votes. These include the Integrated Financial Management System (IFMS) to central and Local Government votes, AIMS for Tertiary institutions and Navision for Missions and embassies abroad. Automation of financial reporting will lead to improvement in the accuracy and timeliness of the financial reports submitted by the respective Accounting Officers for Consolidation.

The Accountant General's Office has an extended program for continuous capacity development and training of its staff. The office further sponsors its staff for continuous professional Development (CPD) to keep the staff abreast with the global professional developments

## Conclusion

**The Consolidation of Financial Statements is a key accountability tool for Government. In addition, accrual accounting is considered to provide useful information for improved fiscal transparency, accountability and evaluation. It is therefore critical for the public sector to harmonise its accounting practice to enable presentation of the public sector as a single entity. This supports the whole of Government approach in new PFM. However, in doing so, the presentation of CFS must remain relevant to the different users of the information.**

# Why the Talk on

Ian Rumanyika Public and Corporate Affairs Manager Uganda Revenue Authority



Let's all talk about better roads, improved health care, a better education system or salary increase. Everyone is willing to jump in and contribute to the discussion, to point fingers, offer solutions and a way forward. It's the all-willing can-do attitude that makes all these conversations 'hot topics' and draws attention to the raw importance of having such developmental conversations as citizens of Uganda. However, when the conversation steers towards taxation and how to mobilise revenue for these needs, many will cringe; fold in complete disdain and a no-can't-do attitude. If not at the top, taxation is in the top A-list very important topics that hunger for public debate, engagement and discussion. Talking about taxes is equally as important as everything else. Therefore, we must. Yes we must talk about Tax increments and cuts, Exemptions, Incentives, Tax policies. Etc.

Like breathing and death, taxation is one of the most certain things in life. It engulfs a large chunk of our lives both directly and indirectly. When you try to dodge the inevitable, it will always creep up on you in the future. Policies are ever changing, it is therefore our duty to make the habit of contributing to discussions about taxation of our business and see how to exploit the benefits of those policies that favour our business and work for this economy.

Following the recent proposed Tax amendments, the public has been abuzz with an awakened interest in what actually goes on in the corridors of taxation, how that actually affects the flow of their daily lives, businesses and the development of this country at large. I should therefore use this opportunity to extend my formal invitation to the 'woke' public. Welcome to this dialogue, we have been waiting for you! I was having a chat with a longtime friend who has been in business for 20 years, to his dismay I showed him the policies that were passed last financial year that favoured his businesses and astonishingly he had no inkling! Who is to blame, the business man who does business without scrutinizing the economic trends that affect his business or the Government that brought in policies that favour his business and then Government etuyambe falls in.

It has long been understood with great difficulty how it is both politically and religiously complicated to praise taxation. The ease only manifests when discussing the things that we spend our taxes on. Even then, for the most part, most of us rarely notice the positive developments with the majority having set up permanent shop in the critics' arena. How is it so easy to praise the rewards while easily being dismissive of the process? Demonising the taxation system is only part of a larger psychological battle that should have no place in the developing world. The need to reframe the tax debate goes without say.

# Taxation Matters

Wastage, fairness and inequality are some of the usual default topics cantered in a way that is meant to be representative of the taxation system in Uganda. How misguided. The issue of fairness always trickles down to who is most affected and how suddenly their lives are getting worse, not forgetting the pointers in the direction of the people whose lives are getting better from the taxes, either because they are benefiting directly or indirectly. The war on taxation usually ends on wastage and who is getting the better end of the deal and yet that overzealous fire power can be easily channelled towards ideas on how that which has been collected can be used to better services, develop sustainable policies, improve lives, the economy and in the long run help increase the tax basket. We should use taxation to build social solidarity, encourage feedback and returns and most of all use it to strengthen our patriotism and the desire for better and developed Uganda.

Taxes are not your enemy. As a tool, if used right, they can be used to generate revenue for the country. Revenue to contribute to development ventures in the infrastructure business, education, security, impartial institutions and a good health care system. It is Because of you the Taxpayer that all these services are provided. Taxes are also important in discouraging undesirable behavior like unnecessary importation hence supporting local markets through heavy import tariffs, reducing harmful products from

supermarket shelves and most importantly, distributing resources to reduce inequality in the country. Taxes can boost the low employment rates in the country through forming tax policies that encourage investment and in the long run job creation. The positive possibilities of a healthy taxation system are enormous which is why we should all make an effort to keep our eyes on the ball. The idea we should strive for is to develop a self-sustaining economy. We must all learn to walk the talk when it comes to taxation. Let us all bring that can-do attitude when it's time to talk about tax compliance and be involved in proposing policies that work for our economy.

Even religion has endorsed that as good behavior.

Tremendous attempts have already been made to modernize and automate processes both at International and Domestic levels. This gives plenty of room for efficiency, convenience and reliability, eliminating corruption and encouraging transparency. Seek out for this information and let us build Uganda together. We should not underestimate the power of positive dialogue in framing policies and systems.

The Quran endorses Taxes "Blessed are those who pay their taxes and there after go for prayers" Jesus paid taxes and called on His disciples to do so, as well (Matthew 17:24-27, 22:15-22). Paul the apostle also discussed taxation, and wrote in Romans 13, "For because of this you also pay taxes, for rulers are servants of God, devoting themselves to this very thing. Render to all what is due to them: tax to whom tax is due; custom to whom custom; fear to whom fear; honor to whom honor."

Cringe not at the thought of taxes, instead, embrace them, and talk about them!

# Uganda Investment Authority on an Upward Trajectory

By David Rupiny, Investment Executive Media Relations, UIA

At Uganda Investment Authority (UIA), not a single day passes without delegations of prospective investors visiting. This is testimony to the significant role the Investment Promotion Agency (IPA) is playing in attracting investments for the growth and development of Uganda.

The UIA, now in its 27<sup>th</sup> year of operation and under the stable leadership of H. E. Yoweri Kaguta Museveni, is continuing to achieve satisfactory investment inflows.

With recent positive developments, there is growing optimism of a resurgent UIA poised to attract even more investments going forward.

## Investments in Numbers

Cumulatively, UIA has, over its 27-year period, attracted and facilitated about 7,000 planned investment projects with a combined value of over US\$24 billion, equivalent to about UGX74 trillion shillings, and nearly one million planned jobs.

**Table 1: Planned investments in dollars (Jan 1991 to Dec 2018)**

No.	DESCRIPTION		Domestic	Foreign	Total
1.	Licensed Projects	Value	2,687	4,490	7,177
		%ge	37.4	62.6	100
2.	Planned Investments	Value	10,383,939,248.32	13,620,696,618.43	24,004,635,866.75
		%ge	43.3	56.7	
3.	Planned Employment	Value	382,576	522,655	905,231
		%ge	42.3	57.7	100

Source: UIA Database, March 2019

## New mandate:

UIA is the primary investment promotion agency of the Government of Uganda. The Authority has been transformed into a One Stop Centre that coordinates, promotes and facilitates investments in Uganda. UIA also advises the Government on investment policy and advocates for a competitive business environment in Uganda.

UIA operates under the Investment Code Act, 2019. The President assented to the Act on February 20, 2019, giving UIA a fresh and robust mandate. The Act, amongst other things, revises, modernizes and replaces the Investment Code Act, Cap 92 Revised Edition 2000 Laws of Uganda, to make it conform to the Constitution.

The new Act continues the existence of UIA as established under the Section 2(1) which states thus: “The body known as the Uganda Investment Authority and existing immediately before the commencement of this Act under the Investment Code Act shall continue in existence by the same name and shall be subject to the provisions of this Act”. Under the new Act, the composition of the Board of Directors of UIA has been reduced to seven (7) members, down from 13 under the old Act.

The new Act details a list of 26 priority sectors government is focusing on to incentivize investors. The Act also emphasizes the enhancement of local content by detailing areas that warrant incentives.

These include: ensuring that 60 percent of the jobs created are for Ugandans, 70 percent of materials used in production are sourced locally, production substitutes 30 percent of imports, 80 percent of products is exported and advanced technology is used and adapted in the country, amongst other areas.

All these criteria have been introduced to ensure that the country's development vision of a modern and prosperous nation is achieved.

## Forward-looking Strategic Plan

UIA's Vision is "A globally competitive Uganda profitable for business, investment and brimming with cutting-edge innovations" with the Mission being "To unleash, promote, attract and retain value adding domestic and foreign investments through robust marketing, nurturing and aftercare services".

In its Strategic Plan 2016 – 2021 aptly themed "Uganda: Profitable for Investment, Business and Innovative", UIA sets an ambitious but feasible target of creating 1,000,000 new jobs by 2021.

To achieve the target, the agency is focusing on investment opportunities in the following key sectors: agriculture/agribusiness and agro-processing; tourism; minerals/oil and gas; and science, technology and innovations (STI) including information communication technology (ICT).

The strategic plan also focuses on the robust development of small and medium enterprises (SMEs) in order to exploit their vast potential. An entire unit is devoted to this effort.

Overall, UIA's strategic plan situates and brands Uganda as profitable for investments, business and as the land of entrepreneurial and innovative people; that in and through Uganda both domestic and foreign investors can access a larger market of over 400 million people in the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA).

## Investment promotion

UIA, in order to increase actual investments in the country, carries out promotional activities in top global locations spanning each of the five key sectors identified in National Development Plan II namely agriculture, information communication technology (ICT), tourism, minerals and oil and gas, and infrastructure. This is done through Uganda's embassies abroad, physical visits as well as targeted promotional campaigns online.

Amongst many other investment promotions, UIA signed various memorandums of understanding with counterparts in selected investment source countries. From these, actualized investments during FY2017/18 included, amongst others, Nissin Co. Ltd from Japan incorporated as Masago Japan Ltd to produce rice in Nakaseke District, creating 1,000 jobs, and Al Rawabi Dairy Company, a US\$17.12 million project expected to create 3,000 jobs.

Others are Juseda (Japan), Hurera Leather Ltd (India), Jinke Union Uganda Development Company (China) which is to produce 500 megawatts of solar energy, Rhino Starts Genesis, Safa Agriculture Investment (China), Hotel Passions, Uganda Falcon International Coffee Ltd (Saudi Arabia), SNS Impex (India) to operate a modern abattoir, Afro Hyat Ltd (Turkey) to process coffee and pineapple, TransAfrique (Sudan), and BFP Investments operating a tourist lodge in Hoima.

## UGX3.2 trillion in licensed projects in FY 2017/18

Challenges notwithstanding, in FY2017/18 UIA demonstrated that it has the capacity to deliver on its mandate. A total of 247 projects were licensed, valued at US\$ 877 million (equivalent to UGX3.2 trillion) with planned employment of 23,816 people.

UIA's target in FY2017/18 was 300 projects, implying 82 percent was achieved. The 'deficit' was mainly on account of changes in the licensing system which introduced e-Biz, a digital project licensing platform. Some investors faced challenges in using the new system.

The Central region registered the biggest number of licensed projects (201), accounting for 81 percent of all the licensed projects. This performance could be attributed to the economic infrastructure, financial services, markets and skilled manpower which are abundant in this region.

The biggest number of licensed projects, 116, was located in Kampala District, accounting for 47 percent of all the licensed projects. Wakiso, Mukono, Jinja and Kasese districts were in second, third, fourth and fifth positions with 49, 25, nine and six projects respectively.

The manufacturing sector registered the biggest number of licensed projects, 125, which accounted for over 50 percent of all the licensed projects. This performance could be attributed to the government policy towards value addition and incentives such as free land in Kampala Industrial and Business Park and the 10-year tax holiday for foreign investors.

The agriculture, forestry and fishing sector was in the second position with 34 projects, which accounted for 14 percent of all the licensed projects.

Domestic businesses contributed the biggest number of projects, 79, accounting for 32 percent of all the licensed projects. China, India and Kenya were in the second, third and fourth positions with 54, 34 and 9 projects respectively.

Comparatively, foreign direct investment (FDI) sourced projects contributed a bigger number of licensed projects, 168, which accounted for 68 percent of all licensed projects, while domestic sources contributed 79 projects which accounted for 32 percent of all the licensed projects.

In terms of continental and/or regional sources of investments, Asia registered the biggest number of licensed projects, 100, and these accounted for 41 percent of all the licensed projects.

The East African Community came in second position with 95 licensed projects, accounting for 39 percent of all the licensed projects.

### Licensed investments in FY 2018/19 even more promising

A comparison of the investment performance figures for FY 2017/18 and FY 2018/19 shows a significant increase in both the number and value of projects licensed.

A total of 128 investment projects were licensed in Q1 and Q2 of FY 2018/2019 alone, compared to 111 for the same period in FY 2017/18. This represents a 13 percent increment.

In FY 2017/18 licensed investments stood at US\$867 million (a decline of 48 percent) compared to US\$1.67 billion in licensed investments in FY 2016/17.

Notably, in the first two quarters of FY 2018/19 the total value of planned investments was US \$ 581 million.

This good performance is largely attributed to targeted investment promotion efforts that have started attracting investors from non-traditional sources of foreign direct investments (FDI).

When figures from Q3 and Q4 are eventually added, the results would be even much better.

## Development of industrial and business parks

### a) Infrastructure improvement at Kampala Industrial and Business Park

Infrastructure development at the Kampala Industrial and Business Park (KIBP) located in Namanve, 12 kilometres on the Kampala-Jinja highway, has received a boost in financing. In December 2019, the Parliament of Uganda approved a loan of Euros 249,867,697 (equivalent to UGX1.08 trillion), sourced from the United Kingdom Export Finance (UKEF) and Standard Chartered Bank (London), to transform the industrial park on a design-and-build arrangement.

It is in the interest of UIA that the project is implemented in the most effective and efficient manner in order to get value and, as the UIA Executive Director Lawrence Byensi puts it, “to solve the challenges of poor infrastructure at the Namanve industrial park”.

In summary, 33 industries are already operating in the park, directly employing 15,000 Ugandans; 87 projects have commenced construction creating an additional 17,000 indirect/short term/contract/technical jobs during this period ; and 121 companies at pre-start stages like surveying, processing deed plans and titles, environmental impact assessment certificates, architectural designs, geotechnical and hydrological studies.

### b) Progress at Mbale Industrial and Business Park

In 2018, Mbale Industrial and Business Park (MIBP), which sits on a 619-acre piece of land, was handed over to a private developer. According to the Chief Government Valuer’s Report, 98 percent of the land claimants have been compensated. The developers have started development on 90 percent of the industrial land.

### c) Jinja Industrial and Business Park

The Jinja Industrial and Business Park (JIBP) covers 182 acres of land. The park is connected to the water and sewerage system and is yet to get connected to grid power.

A firm has been contracted, with financial support from United Kingdom’s Department for International Development (DFID), to carry out detailed feasibility studies for development of the park.

UIA's specific objective is to establish the JIBP as a functional and competitive modern industrial park and a trade logistics hub. Kiira Motors Corporation, which was allocated 100 acres out of 182 acres of the park, is already setting up their vehicle manufacturing infrastructure.

In addition to the above, UIA is working on six (6) other industrial and business parks which are at different stages of development. These are Luzira (70 acres), Bweyogerere (50 acres), Soroti (219 acres), Kasese (216 acres), Mbarara (12 acres) and Moroto (417 acres).



*An aerial view of works at the Kiira Motors Corporation (KMC) vehicle plant at Jinja Industrial and Business Park. UIA provided KMC with 100 acres of land for the vehicle project. (Cr. Denis Jjuuko)*

## SME development

One of the biggest challenges facing small and medium enterprises (SMEs) is availability of affordable workspaces. To that end, UIA is focusing on the development and provision of workspaces for them.

A feasibility study and business plan for the development of workspaces for domestic investors and small scale industrialists has been finalized. On completion, at least 500 low-cost workspaces will be made available for domestic SMEs in Uganda. These will enhance SME productivity and contribute to the sustainability of startup businesses which have been winding up before their second birth date.

UIA continues to conduct Entrepreneur Training Programs (ETPs) to further boost the capacity of the SMEs. During the last financial year, at least 489 SMEs were equipped with relevant business skills throughout the country.

UIA partners with like-minded institutions and to this end UIA, in partnership with KPMG and Nation Media Group, carried out the Top 100 SME Survey, which generates vital statistics and information relevant to SME development. Top performing businesses are recognized annually, which increases their visibility on the market.

In order to provide for regional balanced enhancement of SMEs, UIA has formed District Investment Committees (DICs) in the country with the latest being formed in the Greater Rwenzori region districts of Kasese, Bundibugyo, Kabarole, Kamwenge, Ntoroko, Kyenjojo and Kyegegwa.

DICs have also been established in the districts of Luwero, Kyankwanzi, Kiboga, Mityana, Mubende, Nakaseke and Nakasongola in Greater Luwero Triangle.

To boost SMEs further, innovation clusters for value addition have been created in Mukono District (Central Uganda) targeting metal fabrication, grain milling and poultry feeds. In Lira District (Northern Uganda), clusters have been formed for edible oil processing and animal feeds.

Further, UIA, in collaboration with the Consortium for Enhancing University Responsiveness to Agribusiness Development (CURAD), signed an agreement for a UGX4.6 billion incubation centre in Namanve Park. The centre will nurture SMEs in order to improve operational efficiency, productivity and ensure sustainability.

Over the same period, UIA established business linkages between eight Ugandan SMEs dealing in coffee, cocoa and honey value chains to German buyers of organic products.

In order to expand the SME database, in FY 2017/18 UIA captured and profiled 1,452 SMEs based upcountry. These included 600 SMEs from Mukono District, 450 from Lira

District, 389 from Kisoro District and 402 from Mbarara District. This is an ongoing activity.

Annually, UIA organizes the Private Equity and Venture Capital Conference as a platform for SMEs to find alternative financing options such as private equity, venture capital, crowd funding, listing on stock markets, etc. Last year's conference, in June 2018, attracted over 250 SMEs who benefited from a range of activities. The conference is scheduled to take place in June this year (2019).

UIA also organized two regional exhibitions to help SMEs improve access to markets. Last year, at least 143 SMEs participated by showcasing their products.

## The Investors' One-Stop Centre (OSC)

UIA now provides investment project licensing services physically and virtually, and this is no mean feat! The Cabinet officially established the OSC in 2014 to respond to increasing demand for efficient and effective government services (G2B and G2C). The OSC emphasizes reduced red tape, processing time and use of digital systems to achieve maximum efficiency and effectiveness.

### a) The Physical One-Stop Centre

The Investors One-Stop Centre (OSC) at the UIA Investment Centre has grown into a robust, thriving and vibrant hub, rated amongst the largest OSCs in East Africa. Presently, twelve investment-supporting institutions are represented at the OSC.

The agencies are Uganda Investment Authority (UIA), also the host, National Environment Management Authority (NEMA), Uganda Registration Services Bureau (URSB), Uganda Revenue Authority (URA), Uganda National Bureau of Standards (UNBS) and Kampala Capital City Authority (KCCA).

Others are the Directorate of Citizenship and Immigration Control (DCIC), National Water and Sewerage Corporation (NWSC), Uganda Free Zones Authority (UFZA), as well as private sector players namely on-grid national power services provider Umeme, Diamond Trust Bank and Space for Giants (a specialized tourism and conservation promotion and marketing agency).

The latest entrant is Ministry of Lands, Housing, and Urban Development (MLHUD) which has on site a four-member team comprising two Land Registrars and two

Information Officers. This will not only speed up the sign off of land searches but also boost the speed in land registrations championed by UIA through its various parks.

All these institutions are providing quick and efficient services to investors. In the OSC's first year of operation (FY 2017/18) as a fully-fledged hub, it handled 12,000 transactions across the main services and products.

### b) The Electronic (Virtual) One-Stop Centre Solution (the e-Biz)

The electronic services portal e-Biz has enormous potential to take investment services provision to higher level. The following services are now accessible electronically (virtually) at the e-Biz portal [www.ebiz.go.ug](http://www.ebiz.go.ug) :

## EAC Secretary-General visits the OSC

The positive reputation of the OSC attracted the Secretary-General of the East African Community (EAC), Amb. Liberat Mfumukeko, who visited on March 12, 2019.



*The Secretary-General of the East African Community, Amb. Liberat Mufumukeko (C) touring UIAs One-Stop Centre (OSC) in Kampala. The OSC is reputed as one of the best in the region. (Cr. David Rupiny)*

Amb. Mfumukeko lauded UIA for operating such a robust investment support centre, noting that it is good for the private sector which plays a significant role in the Community's quest for industrialization.



**Table 2: OSC services and their respective Service Level Commitments**

Institution	Services offered	SL commitment
UIA	Business and investment advisory services	Immediate
	Investment licensing	48 hours
URSB	Business registration	4 hours
DCIC	Visa application	1 day
	Dependents' pass application	2 days
	Work permit application	4 days (maximum)
	Student's pass application	2 days
URA	Residence permit application	3 weeks
	TIN application	4 hours (maximum)
	Customs assessment and clearing information	By referral (maximum 5 days)
UNBS	Product certification (application for)	1 month (local), 15 months (outside Uganda)
NEMA	Environmental impact assessment (application for)	2 – 5 days (industrial parks), 21 days (zoned parks)
MLHUD	Land title verification	1 day
KCCA	Trading license application (in all 5 divisions of KCCA)	1 day
NWSC	Industrial grade water (application for)	1 week
Umeme	Industrial grade power (application for)	1 week
UFZA	Investor access to Free Zones (application for)	1 month
NIRA	Citizenship verification / confirmation of service	Online only
DTB (bank)	Cash banking services	Immediate
DirectPay	Online payment service	immediate

## Investment facilitation and aftercare services

UIA, through its Investment Facilitation and Aftercare Division, provides licensing, monitoring and investor aftercare services, as well as policy advice to government on an enabling investment climate.

In FY 2017/18, investor facilitation services were offered to 585 companies in the form of responding to licensing information inquiries, securing secondary licenses and approvals. The annual target was 200

companies and that was surpassed by 293 percent because of the increased use of the online services under the e-Biz system.

UIA provided aftercare services to 138 companies out of the annual target of 140, representing 98 percent. The service was focused on existing investors who faced issues like conflicts with land squatters, taxation, delays in utility availability and connections, quality standards, etc.

In the area of project monitoring, 670 companies were registered compared to the annual target of 200,

surpassing it by 325 percent. This was due to the census survey carried out in the three districts of Kampala, Mukono and Wakiso.

## The Presidential Investor Roundtable (PIRT)

The Presidential Investor Roundtable (PIRT), now in its 6<sup>th</sup> phase (2019 to 2021), focuses on six thematic areas: tourism, competitiveness, oil and gas, minerals and mineral beneficiation, agriculture value addition, and transport and haulage.

President Yoweri Museveni successfully launched PIRT VI in February 2019, and UIA immediately started coordinating the deliberations at Technical Working Group level. This is aimed at discussing sector specific issues and coming up with recommendations that will be presented to government after six months.

Under PIRT 5, UIA provided technical support to all 38 Technical Working Groups meetings and already some key achievements have been made, for instance, government's reduction of visa fees from US\$100 to US\$50 to make the country competitive as a tourist destination in the region and introduction of e-visa application system.

As the coordinating agency, in conjunction with the Office of the Prime Minister (OPM), which oversees the PIRT, UIA continues to play a vital role in the success of the PIRT.

*To appreciate the developments at the OSC, one needs to visit it and get first-hand experience. The OSC is a hive of activity, with prospective investors receiving various services.*



*Members of the Oil and Gas Technical Working Group under the Presidential Investor Roundtable (PIRT). UIA coordinates and supports all PIRT Technical Working Group meetings. (Cr. David Rupiny)*

## Challenges:

Although there are a number of challenges, it has been demonstrated above that UIA is resilient and on an upward trajectory.

One of the biggest challenges to the agency has been underfunding, making it one of the most underfunded government institutions, but with an enormous mandate. With improved funding, UIA would have a stellar performance.

Another big challenge is the low level of infrastructure development in the industrial and business parks which hinders full-scale operation of investors who have been allocated land within those parks.

## Conclusion:

**Considering the constraints UIA faces, including inadequate funding, the team at UIA could do even better if these constraints were dealt with. With guidance from the new Board of Directors and sound stewardship of management, UIA has to but claim her coveted spot as a sound investment promotion agency that is in sync with Uganda's development aspirations.**

# Translation of Anti-Corruption Laws

By: Ms. Ruth Namirembe Olijjo- Commissioner for Religious Affairs -DEI



*The Minister of State for Ethics and Integrity, the Cultural Leader of Teso and Soroti District Local Government Officials, at the launch of the Ateso translation in Soroti , May 2018*

There is always a saying that ignorance of the law does not make one innocent. It is quite painful to be arrested and tried from an action you innocently thought was right. This is at times attributed to failure to access the laws or inability to read and understand what is contained in that legislation.

To address such challenges, the Directorate for Ethics and Integrity (DEI), through its Legal Department, is engaged in the dissemination of Anti-corruption Laws. This programme is carried out quarterly to District Local Governments, Law Enforcement Officers and members of the public, to enhance their awareness on Anti-Corruption Laws and

also enable them to appreciate their role in the fight against corruption. During the interactions, it was established that the language of the law is complex, and is often difficult to understand. The Anti-corruption Laws were therefore simplified, and DEI went further to have the simplified version translated into local languages.

In coordination with the Centre for Language and Communication Services, College of Humanities and Social Sciences of Makerere University, DEI had the Simplified Version of Anti-corruption Laws and the Citizen’s Handbook on Anti-Corruption translated into four local languages. These are Ateso, Runyankore-Rukiga, Luo and Luganda, to reflect Regions of Eastern, Western, Northern and Central Uganda respectively. The Ateso translation was launched in Soroti in May 2018, while the Luo translation is due to be launched in Gulu in May 2019. The English versions as well as the translated versions are available at the DEI office. Samples of the Luo and Ateso translations are shown below:



# Statistics & More Statistics

## Understanding the Price Index

By Didacus Okoth, Information Officer, Uganda Bureau of Statistics

The Uganda Bureau of Statistics (UBOS) is responsible for collecting, producing and disseminating official statistics. The Bureau coordinates the Nationals Statistical System and provides quality demand driven statistics that support Policy, decision making, research and development initiatives. But how does the Bureau achieve this? By conducting various programmes of statistical importance and among the many products it produces are; price indices (price index). A price index is percentage number that shows the extent to which a price (or a 'basket' of prices) has changed over a period (month, quarter, year) as compared with the price(s) in a certain year (base year) taken as a standard.

The Bureau produces various price indices such as the monthly Consumer Price Index (CPI), Producer Price Index for Manufacturing and Utility sectors (PPI M&U), Producer Price Index for Hotels and Restaurants (PP H&R), and the Construction Sector Indices (CSI). Each of these indices play valuable roles across the economy and when well utilised they form better understanding of investment portfolio across the country. But what exactly would these price indices mean to various stakeholders?

Consumer Price Index (CPI) - is a general indicator of price levels paid by households for consumer goods and services. That amount of money one spends on food, fuel, clothing and footwear.

However, there is also what is known as CPI basket: which is a commonly used term for the goods and services priced for the purpose of compiling the Consumer Price Index. Some of these goods include food crops, fruits and vegetables. There is also another category of Energy, Fuels and Utilities (EFU) which include petrol, diesel, firewood, and charcoal.

The CPI basket further includes communication services like (Postal services, Telephones and Telefax equipment and Telefax services), Food and Non Alcoholic Beverages, Tobacco & Narcotics, Furnishings, household equipment & routine household maintenance, Alcoholic Beverages, Clothing and Footwear, Water, Electricity, Gas, Medical

Products, Appliances & Equipment, Outpatient Services, and Hospital Services as well as transport.

Take for example in the month of February 2019, the Annual Headline Inflation for the year ending February 2019 was recorded at 3.0 percent compared to the 2.7 percent registered during the year ended January 2019. This is a 0.3 percentage point increase from that recorded during the year ended January 2019. This means that a consumer paid an extra of 0.3 percent in the month of February 2019 compared to the month of January 2019 for the same basket of goods or services.

The monthly Consumer Price Indices for Uganda is collected from the ten baskets of Kampala High Income, Kampala Middle Income, Kampala Low Income, Jinja, Mbale, Masaka, Mbarara, Fortportal, Gulu and Arua. All the baskets are for the urban households.

Notably, a rise in prices is called inflation, and a persistent fall is called deflation. The CPI figures is mainly used by Bank of Uganda among other agencies as well informing the public on their expenditures.

Similarly, other indices such as Producer Price Index for Manufacturing and Utilities (PPIs) measure price changes from the perspective of the Producer. How much does a manufacturer receive on average for a unit of goods that he/she sells now compared to what he/she received previously? The manufacturer therefore, uses this data to monitor short-term price inflation for different types or through different stages of production.

***The CPI is a key component in the economy because of its ability to monitor the prices changes of goods and services also gazetted as inflation, a term commonly used to refer to changes in price levels.***

In the recently released PPI-M&U for the month of December 2018 and January 2019, the combined annual average producer prices for manufactured goods and utilities decreased by 2.8% during the year ending January 2019 compared to 3.3% decrease recorded for the year ended December 2018.

This implies that customers, (mostly whole sellers) who bought directly from factories and Service Providers paid less by 2.8% in January 2019 compared to January 2018 for the same basket of manufactured/produced products. PPI –M&U, therefore plays a very critical part in guiding investment decisions.

In addition, the Producer Price Indices for Hotels and Restaurants is equally important in measuring the average change in the prices that Hotels and Restaurant Service providers receive for their services. It further reflects the price trend of a constant well-defined and representative basket of services provided by hoteliers such as accommodation, food, conference facilities and drinks.

The Construction Sector Indices (CSI), however, is another critical index with wide scale contribution in the economy especially within the construction industry. This index measures the average changes in the prices of inputs to the construction sector such as construction materials, labour & equipment. And it

plays other roles like enabling price escalation clause payments to be calculated on large construction contracts that take at least 18 months.

This means that if the contract was signed off to last a period of 18 months and goes beyond the scheduled period, it means that the extended period, may find when the prices of raw materials such as cement, timbers, metal bar, pavers, nails, electric materials and aggregate have either increased or decreased and therefore, the need for contract review.

The Bureau recently released the Construction Sector Indices for the month of November, December 2018 and January 2019 and the figures showed that on annual basis, the average input prices into the Whole Sector level increased by 2.0% in the year ending January 2019 compared to a 1.5% in the year ended January 2018. For the year ending December 2018, prices increased by 2.6% compared to a 1.2% in the year ending December 2017. For the year ending November 2018, prices increased by 3.4% compared to 1.0% in the year ending November 2017.

All that said, indices have tremendous role in informing the various sectors of the economy and enabling better decision making by the investors, policy makers and individual consumers of goods and services.



*Nakasero Food Market*

# PROGRESS ON IMPLEMENTATION OF

By Doreen Kembabazi, Public Relations Executive – UFZA



*A processing machine at Nilus Free Zone in Jinja District*



*A Stakeholder engagement with TMEA for the detailed feasibility study for the Logistics Hub in Jinja*

## 1. What is Uganda Free Zones Authority?

Uganda Free Zones Authority (UFZA) is a body corporate, created by an Act of Parliament in 2014 and started operations on 1<sup>st</sup> September 2014. The Authority is 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.

## 2. What are Free Zones?

- Free Zones are designated areas 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.
- They can be gazetted vast expanses of land with different individual factory units or single factory companies.

## 3. What is the rationale for establishment of Free Zones?

Government adopted Free Zones as complementary economic development tools to:

### Static Benefits

- Accelerate export-oriented manufacturing
- Boost Direct Domestic Investment (DDI) and attract Foreign Direct Investment (FDI)

- Create employment
- Increase forex earnings

### Dynamic Benefits

- Enhance technology transfer
- Create backward and forward linkages
- Economic growth.

## 4. Does the Authority issue any Licences?

Investors wishing to join the Free Zones program are classified into three categories depending on the nature of business they undertake.

- Developer's Licence:** This is provided to investors who are investing in infrastructure development like construction of industrial buildings and Warehouses, development of internal roads, landscaping and fencing, as well as provisions of utilities like power, water, sewerage systems and telecommunication lines.
- Operator's Licence:** This Licence is granted to a business enterprise authorising it to carry out any service or other industry including manufacturing or processing, commercial activities like breaking bulk, re-packaging, re-labelling and trading export-oriented services.
- Manager's Licence:** This Licence is granted to a Business Enterprise which will undertake the Management of a Free Zone.

# THE FREE ZONES SCHEME IN UGANDA



*Hon Evelyn Anite, Minister of State for Privatisation and Investment interacts with Julie Musoke, ED of UFEA, Richard Jabo, ED of UFZA, Eng Dr Feredrick Kiwanuka, Chairman Board of Directors of UFZA and Managing Director of Fiduga, one of the licensed Developers of a Free Zone in Uganda*

## 5. How does the Private Sector stand to benefit from Free Zones?

The Government has provided for special incentives for holders of Free Zone Developer, Operator or Manager Licenses which include:

- a) Exemption from taxes and duties on all Export Processing Zone imported inputs that are for the exclusive use in the development and production output of the business enterprise (raw materials and spare parts);
- b) Unrestricted remittance of profit after tax;
- c) Exemption from tax on income from Agro-processing;
- d) Exemption on income derived from the operation of aircrafts in domestic and international traffic or the leasing of aircrafts;
- e) Exemption from tax on plant and machinery used in the Free Zones for 5 years and 1 day upon disposal;
- f) Exemption from all taxes, levies and rates on exports from the Free Zones;
- g) Exemption on personal income of a person offering Technical Assistance under a Technical Assistance Agreement;
- h) Exemption from import duties and taxes on all goods entering a Free Port Zone;
- i) VAT exemption on supply of selected services such as tourist arrangement services, access to tourist sites, tour guide and game driving services among others;
- j) VAT exemption on the following supplies i.e. animal feeds and premixes, crop extension services, irrigation works, sprinklers and ready to use drip lines, deep

cycle batteries and composite lanterns;

- k) Exemption of Withholding Tax on petroleum, petroleum products, plant and machinery, human or animal drugs and supply/importation of raw material; and
- l) Initial allowance for eligible property / industrial buildings situated 50Km from Kampala put into use for the first time (rates are 50% and 20% respectively).

### Non- fiscal incentives

- a) Economies of Scale for the business entities resulting from well-planned Zoning and Clustering of the business activities in Free Zones;
- b) Warehousing of domestic goods provided that the warehousing facilities of the Free Zone are under-utilized;
- c) Onsite Customs inspection of buildings, premises, vehicles, vessels and aircrafts entering and leaving the Free Zone;
- d) Enhanced Technology uptake;
- e) Business facilitation and aftercare services in the acquisition of secondary licences, permits and approvals from other Government Agencies; and
- f) Serviced physical infrastructure facilities and buildings within the Public Free Zones.

## Figures were derived from the Enterprise Survey Report done by UFZA for FY2017/18

No.	Job description	Actual employment			
		Foreign	Local	Total	Percentage
1.	Managers/Supervisors	41	187	228	3.1
2.	Skilled/Technical	44	217	261	3.5
3.	Administrators/Accountants	7	220	227	3.0
4.	Semi-skilled	14	3,453	3,467	46.5
5.	Casual/Unskilled	0	3,273	3,273	43.9
	<b>Total</b>	<b>106</b>	<b>7,350</b>	<b>7,456</b>	<b>100.0</b>

### 6. What is the impact of the Free Zones Scheme so far?

The Authority is in the process of implementing its Strategic Plan 2015/16 - 2019/20 which was launched on 21<sup>st</sup> December 2016. The following are the achievements so far:

- As at 20<sup>th</sup> March 2019, 20 Free Zones Licences had been issued; 17 Developers, 3 Operators;
- At the end of FY2017/18, total investment by Free Zones Enterprises stood at \$61,564,604;
- Actual employment created was 7,456 including skilled, semi-skilled and unskilled in FY2017/18;
- Exports from Free Zones stood at \$57,392,015. And in the first half of FY2018/19, Free Zones export value was at UGX93,600,000,000;
- Local purchases and sub-contracting activities (trickle down and multiplier effect) were up to the tune of \$18,495,292; and
- Acquisition of 5 acres of land at the Entebbe International Airport and purchase of 109 acres in Buwaya, Kasanje.

### 7. What are the Authority's plans in the short and medium term?

In line with its Strategic Plan 2015/16 – 2019/20, the following are some of the plans in the near future:

#### a) *Development of land at Entebbe International Airport*

The Authority has acquired 5 acres of land from Civil Aviation Authority (CAA) at Entebbe International Airport and is embarking on the preliminary stages of developing it;

#### b) *Development of the Investment, Trade and Logistics Hub in Jinja*

The Authority is partnering with TradeMark East Africa (TMEA) and Uganda Investment Authority to develop an Investment, Trade and Logistics Hub in Jinja. This is a strategic location that will boost export-oriented investment and trade on the Northern Corridor;

#### c) *Partnering with Msingi East Africa Limited*

The Authority is partnering with Msingi East Africa Limited to develop a Textile and Apparel Strategy for Uganda with specific bias towards growing the exports in this sector; and

#### d) *Engaging Private Sector to invest in Free Zones*

There are various activities that the Authority will take part in geared towards marketing Free Zones to potential local and international Developers and Operators of Free Zones. The events will include trade fairs, business forums and inward/outward trade delegations, among others.

### 8. Where are your offices?

6<sup>th</sup> Floor Communications House,

Plot 1 Colville Street,

P. O. Box 37578, Kampala

Tel: +256 417 722 626

Email: [info@freezones.go.ug](mailto:info@freezones.go.ug)

[www.freezones.go.ug](http://www.freezones.go.ug)

Facebook: Uganda Free Zones Authority

Twitter: @freezonesug

The Authority also has presence at:

- UIA One Stop Centre at TWED Plaza, Plot 22B, Lumumba Avenue and
- URSB One Stop Centre located at Georgian House, Plot 5, George Street.



# REGULATORY REFORMS TO DRIVE GROWTH OF THE INSURANCE SECTOR IN UGANDA:

## What is new in the new Insurance Act, 2017?

By PROTAZIO SANDE, AG. Director Planning, Market Research & Development - IRA, Uganda



**O**n the 23<sup>rd</sup> of May 2017, President Yoweri Museveni assented to the Insurance Act No.6 of 2017. The Minister of Finance Planning and Economic Development thereafter issued a statutory instrument commencing the Insurance Act, 2017, effective 30th March 2018. This is a major milestone given that the review and overhaul of the Insurance Act is one of the strategies aimed at increasing Uganda's insurance penetration levels. The new insurance law also addresses the Financial Action Task Force (FATF) requirements on anti-money laundering and combating financing of terrorism, harmonization of insurance laws with other East African Community countries, introduces best insurance supervision practices like Risk Based Supervision and it complies with the Insurance Core Principles (ICPs) of the International Association of Insurance Supervisors (IAIS).

Uganda's insurance penetration rate currently stands at just 0.81% and this has been due to low demand resulting from low levels of disposable income, somewhat negative attitude towards insurance, low positive press publicity, lack of general insurance knowledge by some members of the general public, cultural and religious beliefs, among others.

It is hoped that the Insurance Act No.6 of 2017, once implemented, will on a whole make a significant contribution to the Sector particularly by ensuring efficient and quality insurance services given that the insurance sector will be better regulated, supervised, monitored and controlled.

### So, what is new in the New Insurance Act?

The Act has enhanced the powers of the Insurance Regulatory Authority of Uganda (IRA) as the Regulator of Insurance Business. Unlike previously, the IRA can now undertake certain remedial measures such as a management takeover if in its opinion, the licensed entity is conducting business contrary to the Act, or if its activities are detrimental to

the interests of its customers. The fines imposed by the IRA and other penalties and criminal sanctions have greatly been enhanced to ensure that licensed players strictly comply with the Act.

To improve on oversight and coordination amongst the various financial services subsectors, the Board of the IRA has been enhanced with representation from the Capital Markets Authority (CMA) and the Uganda Retirements Benefits Regulatory Authority (URBRA). Additional expertise means better regulation as the insurance sector leverages on the strengths of the other sectors.

The new Insurance Act introduces business licensing reforms in a bid to ease doing insurance business in Uganda. The period for grant of a licence on receipt of a complete application has been reduced from six months to four months. In addition, the annual licensing requirement under the current law will be abandoned for the perpetual licensing regime under the new Act whereby first time insurers shall apply for a license which shall be granted in perpetuity, subject to meeting all other statutory requirements at all time. Brokers and other insurance intermediaries shall be granted licences for every two years. It is anticipated that through these reforms, insurers will instead further concentrate on product development and expansion into emerging market segments.



The IRA CEO, Alhaj Kaddunabbi Ibrahim Lubega and the then State Minister of Finance for General Duties Hon. Gabriel Ajedra Aridru during presentation of the Insurance Bill to the Parliamentary Committee on Finance.

The Insurance Act, 2017 introduces stringent measures aimed at ensuring efficient and quality insurance service provision through various mechanisms. For instance the Act introduces “Cash and Carry” where premiums will be paid directly to the insurer and largely prohibits the sale of insurance cover on credit. This will improve insurer’s liquidity through eased cash flow to insurance companies. This will enhance their capacity to settle claims and other obligations on time. Timely settlement of claims is critical in the customer trust and experience function.

The new insurance law provides for product approval flexibility through introduction of the file and use system. This means that if the IRA does not approve or reject the text or format of a policy or proposal form, or an amendment in the text or format within a prescribed period (to be determined in the regulations), the insurer shall treat the text or format of the policy or

the proposal form or amendment as approved and shall thereon be at liberty to put the product on the market. This eliminates bureaucracy in product approval while ensuring certainty on the part of the insurer as regards timelines.

To improve on the internal management of the licensed insurers and ensure effective service delivery extension to policyholders, the new Act requires them to put in place key internal control functions for Risk Management, Compliance, Actuarial, Internal Audit, among others. IRA shall now have the power to direct that certain changes be made in management should the performance of an individual or licensee be found wanting. The inclusion of the Actuarial function will particularly remedy the challenge of inappropriate pricing. Right pricing is crucial for orderly insurance sector growth.

The new Act transforms the Insurance Institute of Uganda into

the Insurance Training College, a public tertiary institution that will administer the insurance training levy for certification and training of the licensees. This is expected to result into the development of a highly skilled and trained insurance labour force that is effective and able to deliver high quality insurance services.

Conclusively, the new Insurance Act is a framework law and most of the detail will be contained in the Insurance Regulations that are currently under development. Once fully operationalised, the new law presents the sector with new opportunities, which, when taken advantage of will put them in position to deliver better quality services to their clients and more value to their shareholders. The regulator will look to a better managed and more stable insurance industry. Government on the other hand will expect a highly penetrated insurance industry stimulating sustained Economic Growth.

# AUDITOR GENERAL SUBMITS REPORT TO PARLIAMENT

By Gloria Namugera Nakibuuka, Senior Public Relations Officer - Office of the Auditor General



The Speaker of Parliament receives the annual audit

In accordance with the Auditor General's mandate as stipulated under Article 163 of the Constitution of the Republic of Uganda and as amplified by the National Audit Act, 2008, the Annual Audit Report was submitted to the Speaker of the Parliament of Uganda, Rt. Hon. Rebecca Kadaga on 31<sup>st</sup> December, 2018.

The Auditor General's mandate under Article 163 (3) of the Constitution of the Republic of Uganda and as amplified by Sections 13 (1) and 19 of the National Audit Act, 2008, is to audit and report to Parliament on the public accounts of Uganda and of all public offices including the courts, the central and local government administrations, Universities and public institutions of like nature, and any public corporations or other bodies established by an Act of Parliament.

The Audit report focuses on the audit matters and emerging trends that may need urgent attention by those charged with Management and Governance of the audited organisations to improve public accountability in the processes of delivering public service.

Below is a highlight of the key audit findings from Government Ministries, Departments and Agencies, Commissions, Statutory Authorities and State Enterprises, Local Governments and Value For Money Audits.

1. The audit revealed gaps in Government planning and budgeting which affect the timeliness, accuracy and usefulness of plans by Government.
2. By close of the financial year, Ministries, Departments and Agencies as well as Local Governments had not paid out UGX 65.6bn in Pension and gratuity arrears despite the fact that

these funds had been released. Funds were thus returned to the consolidated fund.

3. Debt has increased by 22% from UGX 33.99trillion as at 30th June 2017 to UGX 41.51trillion as at 30th June 2018. Although Uganda's debt to GDP ratio of 41% is still below the IMF risky threshold of 50% and compares well with other East African countries, it is unfavourable when debt payment is compared to national revenue collected which is the highest in the region at 54%.
4. Youth Livelihood Program a) Whereas Ministry of Gender, Labour and Social Development had budgeted for a total amount of UGX. 231.2 bn for the F/Y 2013/2014 to F/Y 2017/2018, only UGX. 161.1bn (69.7%) was released to the program resulting in a shortfall of UGX. 70.1bn (30.3%). As a result only 15,979 (67%) of the proposed 23,850 projects were funded. This affected the number of youths who had been targeted by the program by benefiting only 195,644 out of 286,200 youths, (68%) by 30th June 2018. c) From a total amount of UGX.38.8 bn that was disbursed to 5,505 YIGs in the financial years 2013/2014 and 2014/2015, on average, only 26.7% was recovered from the youth countrywide. There is high probability that the balance of almost UGX 28.4bn may never be recovered as almost 64% of the sampled projects, consisting of 71% value of loans, were non-existent. Another 25% had reportedly embezzled or diverted the funds.
5. Funding for Tax Incentives: Because of lack of a proper policy, tax incentives are given to Investors without an accompanying budget. Close of financial year debts for the incentives had grown by 83% to UGX153.6bn up from UGX83.8bn in the previous year.
6. Payroll and Pension management: Out of the total Government staff establishment of 469,216 positions, only 311,987 positions had been filled leaving a gap of 157,229 representing 34% of vacant posts across MDAs/LGs. This affects service delivery as a majority of these are critical jobs like Doctors, Clinical Officers, Professors, commissioners. Public

Universities and Local government districts were most affected.

7. Management of court awards and compensations: Although government has won many cases in court and has been awarded a total of UGX 20.6bn as at 30th June 2018, this money has not been collected.
8. Land management issues: Significant pieces of land owned by government MDAs, SEs and LGs have either been encroached on, lack titles or are undeveloped. Further, over 2m hectares of forest cover have been encroached upon. Police, Prisons and NAGRIC land are the most affected.
9. MDAs and Statutory Authorities continue overriding financial controls which has resulted in mischarge of expenditure amounting to UGX. 369.8 bn, unaccounted for expenditure of UGX 21.7 bn, wasteful expenditure of UGX. 66.9 bn and expenditure on undisclosed domestic arrears amounting to UGX 377.1 bn.
10. Whereas government committed itself to implement SDGs Agenda 2030 over the next 15 years from 2016 to 2030, and had formulated the SDGs coordination framework and launched the SDGs roadmap in 2018, some gaps were noted in the operationalisation of the SDGs framework which pose a challenge in creating a suitable environment for their implementation.
11. The roadmap for cancellation of land titles in wetlands approved by Cabinet had not been funded by Ministry of Finance, Planning and Economic Development (MoFPED), and this hindered its implementation.

The Auditor General made recommendations to the concerned to mitigate on the consequences of the key findings.

# OFFICE OF AUDITOR GENERAL EXTENDS SERVICES TO HOIMA AND MOROTO REGIONS

By Gloria Namugera Nakibuuka, Senior Public Relations Officer - Office of the Auditor General



*The Newly opened OAG Regional Office in Hoima District*

In line with its strategic objective in the corporate plan 2016-2021 aimed at strengthening financial and operational independence, the Office of the Auditor General (OAG) has constructed 2 branch offices in Moroto and Hoima regions. The construction project was funded by Development Partners, KfW through Ministry of Finance, Planning and Economic Development and specifically Financial Management and Accountability Program.

The project to construct office premises for OAG was conceptualized in 2008. This has resulted into construction of offices in Jinja, Mbale, Kampala and Mbarara. The office buildings in Jinja and Mbale were completed in 2011 and have since been occupied by staff. The construction of Audit house in Kampala was also completed in December 2014 and Mbarara was completed in February 2015.

The Auditor General in his remarks at the official opening of both Hoima and Moroto offices noted that the OAG is not only focused on effectively delivering her mandate, but also intends to bring her services

closer to the population which should further enhance efficient service delivery.

Moroto Regional office was crafted out of the Soroti, Mbale and Gulu regional offices.

On the other hand, Hoima Regional Office has been crafted out of the Fort-Portal and Masaka Regional Offices.

Hoima and Moroto branch offices bring the total number of OAG Regional offices to eleven (11) including; Mbarara, Masaka, Fort-Portal, Arua, Gulu, Soroti, Moroto, Mbale, Jinja and Kampala.

Hoima Regional office is in charge of Hoima, Kiboga, Kyankwanzi, Kiryandongo Masindi, Kibaale, Kabaale, Kakumi, Buliisa and Kikube districts.

Moroto regional office will handle the districts and related town councils and municipalities of Moroto, Nakapiripirit, Kotido, Kaabong, Nabilatuke, Abim, Napak, Amudat, and Moroto Referral hospital.

# PPDA Opens Eastern Region Office in Mbale

By Sylvia Kirabo, Senior Public Relations Officer, Public Procurement and Disposal of Public Assets Authority



*PPDA procession along the streets of Mbale Town during the official launch of the Mbale office*



*PPDA Management and other officials cut the cake to mark the official opening of the offices in December 2018.*

The Public Procurement and Disposal of Public Assets Authority (PPDA) has established Eastern Region Office in Mbale. The regional office is the third of such offices by PPDA after Gulu 2015 and Mbarara in 2016.

This is part of PPDA's strategy of moving services closer to all entities especially the local governments and serving them better in terms of providing the Authority's oversight functions to ensure efficient and accountable use of public resources as a basis for improved service delivery.

The Eastern region office is in charge of 53 Entities in the Bugisu, Teso, Sebei, Bukedi, Karamoja and part of Busoga sub regions and distributed as follows;

**38 districts:** Abim, Amudat, Amuria, Budaka, Bududa, Bugiri, Bugweri, Bukedea, Bukwo, Bulambuli, Busia, Butebo, Butaleja, Kaberamaido, Kaboong, Kapchorwa, Kapelebyong, Katakwi, Kibuku, Kotido, Kumi, Kween, Manafwa, Mbale, Moroto, Nabilatuk, Nakapiripirit, Namayingo, Namisindwa, Namutumba, Napak, Ngora, Pallisa, Serere, Sironko, Soroti, Tororo.

**9 Municipalities:** Bugiri, Busia, Kapchorwa, Kotido, Kumi, Mbale, Moroto, Soroti, Tororo.

**3 Regional Referral Hospitals:** Mbale, Moroto, Soroti.

**2 Public Universities:** Busitema University, Soroti University.

**1 Public Entity:** East African Civil Aviation Academy

**The regional office offers the following services:**

- a) **Provision of Legal and Advisory Services** on public procurement and disposal systems. For instance clarifications on the PPDA Act and Regulations, Standard bidding documents, guidelines and circulars among others.

- b) **Undertake registration of service providers:** PPDA maintains a Register of Providers (RoP) to offer reliable and up-to-date data on the competence of existing providers. The regional office registers providers for works, services and supplies. The RoP is an important step in promoting a sound private business environment and is a quick avenue to reduce process time and cost during the prequalification process.
- c) **Undertake procurement and Disposal audits:** PPDA conducts procurement and disposal audits covering public contracts and projects to assess the compliance of both Local government and central government entities with regard to implementation of the PPDA Law. The audits enhance accountability and ensure improved service delivery to the citizenry. PPDA audit recommendations feed into the Auditor General's report submitted to Parliament annually.
- d) **Undertake capacity building and training activities in public procurement.** PPDA conducts trainings to build capacity of bidders, procurement cadres and other stakeholders in public procurement. The trainings enhance the capacity of local entrepreneurs, and providers to favourably compete for public tender opportunities thus eliminating unnecessary complaints and delays in the procurement process.
- e) **Investigations:** PPDA carries out investigations in respect of complaints from providers with regard to the procurement and disposal function of government entities. The investigations relate to non-adherence to principles of fairness, transparency and disregard of procurement procedures and recommends corrective measures for improving the procurement and disposal function.

# PPDA Tips Women Entrepreneurs on Winning Government Tenders

By Sylvia Kirabo, Senior Public Relations Officer, PPDA



*PPDA Ag. Executive Director Mr. Benson Turamy (C) and other stakeholders during the PPDA sensitization meeting with Women in business on Public Procurement.*

**The Public Procurement and Disposal of Public Assets Authority (PPDA)** organized a training session with women in business to address issues that affect their participation in public procurement. The main objective of the engagement was to stimulate increased entrepreneurial activity by women owned businesses and enhance their participation in public procurement. The women were particularly trained on how to prepare responsive and winning bids, business opportunities through reservation schemes, tax compliance and business registration issues among others.

In 2017, with the support of UN Women Uganda Office, PPDA conducted a study to review the opportunities and barriers to participation of women entrepreneurs in public procurement in Uganda. The study highlighted that women in business face challenges including lack of knowledge on public procurement, lack of awareness on public procurement among others.

The Authority has made strides towards promoting local content in public procurement. In accordance to Section 50 (1) of the PPDA Act 2003, when using

the open bidding methods of procurement, Procuring and Disposing Entities (PDEs) are required to give preferential treatment to domestically manufactured goods, Ugandan contractors and Ugandan consultants and all bidding documents issued by PDEs must provide for application of the margin of preference in accordance with section 59A of the PPDA Act, 2003.

PPDA has also issued guidelines on reservation schemes to promote local content in public procurement. The objective of the guidelines is to provide for mechanisms of increasing the input of local labour, goods and services in the procurement of public sector projects, goods and services within the country.

*PPDA plans to review the Register of Providers (RoP) to allow for capturing gender and profiles of women owned businesses.* This will promote the visibility for women owned businesses and provide an opportunity for women to show case their skills and experience. The purpose of the RoP is to create a sustainable and vibrant web-based forum for PDEs to interact with providers hence promoting a more transparent and enabling business environment.

# The IG-ODS, Declarations Made Easy

By Farouk Kayondo, Senior Public Relations Officer – IG



**O**ne of the three distinct mandates of the Inspectorate of Government (IG) is to enforce the Leadership Code of Conduct. Specified leaders are required by law to declare their income, assets and liabilities to the Inspector General of Government (IGG) every two years.

**It is the duty of the Inspectorate of Government (IG) to verify the declarations for any breaches. The Leadership Code prohibits conduct that is likely to compromise the honesty, impartiality and integrity of leaders or conduct that leads to corruption in public affairs and imposes penalties on leaders who breach the Code. The Directorate of Leadership Code at the IG is directly in charge of this function.**

Once any breach is detected, the IGG should refer the culprit to the Leadership Code Tribunal for disciplinary action. However, the Tribunal is yet to be established though efforts towards this cause are in high gear by the Directorate for Ethics and Integrity. According to the IGG, Ms Irene Mulyagonja, the Inspectorate has cases which are waiting for the Leadership Code Tribunal. Once constituted, the Tribunal will handle

cases of officials who under declared their wealth and those who have refused to declare. “Cases don’t rot. If you commit a crime in 2019, you can still be prosecuted in 2020 because the evidence does not rot,” she warned.

## Online Declaration System

In 2016, the Inspectorate of Government Online Declaration System (IG-ODS) was unveiled. The IG-ODS is an online application that was developed by the IG in-house to effectively and efficiently serve leaders required by law to declare their income, assets and liabilities. The system was an instant success. Out of the over 25,000 registered leaders, 22,645 successfully declared using the IG-ODS, giving a compliance rate of 90.6%. Hon Frank Tumwebaze, the Minister for ICT and National Guidance said, “The more institutions take their services online enabled by tailor-made applications, the more they employ our young talents in the innovation ecosystem. This also improves our Country’s IT index ranking.”

The IG-ODS has now been upgraded with an Update Module where leaders who previously declared can just log onto the system and update their declarations. The other modification is a Leader Support System, where new leaders whose particulars have been verified can register them onto the system, while those with queries can use the system to seek solutions.

## Declaration year

2019 is a declaration year. Following the modifications on the IG-ODS, compliance this time round is anticipated to be much higher. The IGG recently revealed that the Inspectorate of Government will publish the list of public officials who will have declared to enable the public also have their input by providing more information about the property that could have been concealed.

Ms Irene Mulyagonja said the public has always complained that they are not involved in the verification exercise yet they have information about the property that is not declared by the public officials. “We have been receiving complaints about leaders’ declarations. This time around we shall put up lists of leaders and ask the public what they know about these people,” she stated.

So if you are eligible, make it a point to declare and please do not under declare.



## How to declare using the IG-ODS



### THE INSPECTORATE OF GOVERNMENT ONLINE DECLARATION SYSTEM - (IG-ODS) 'Declaration made Easy'

#### THE INSPECTORATE OF GOVERNMENT ONLINE DECLARATION SYSTEM (IG-ODS)

The IG Online declaration system enables leaders to declare their incomes, assets and liabilities online efficiently, effectively and conveniently from anywhere in the world.

#### WHAT SHOULD A LEADER DO?

##### 01 Submit information to the Inspectorate of Government

- a) A Leader can submit his/her personal details to the Inspectorate of Government. The information provided must be the most reliable and known.
  - Names
  - Title
  - Institution you are working with
  - Mobile Number (the reliable)
  - Reliable email
- b) The Leader will receive an email: "Invitation to declare". Use the link contained in the email to submit the declaration.

##### 02 Self - Registration System (SRS)

- a) A Leader can use the Self Registration System (SRS) to submit personal details to the Inspectorate of Government in order to create a leader's profile in the IG-ODS register, for the system to send an email: "invitation to declare".
- b) Steps to follow to access the SRS

**Step 1:** To access the SRS, visit the Inspectorate of Government website at <http://www.igg.go.ug>.

**Step 2:** Click "Declaration". The declarations page will appear.

**Step 3:** On the declarations page, click on "Self Registration". The registration form will appear on the screen.

**Step 4:** Type the details in the fields provided and click the submit button.

##### 03 Service Request

- a) The Service Request (SR) enables a Leader to make inquiries about their declarations of income, assets and liabilities.
- b) Steps to follow to access the Service Request.

**Step 1:** To access the service request, visit the Inspectorate of Government website at <http://www.igg.go.ug>.

**Step 2:** Click "Declaration". A declarations page will appear.

**Step 3:** On the declarations page, click on "Service Request". A service request form will appear on the screen.

**Step 4:** Type the details in the fields provided and click the submit button.

#### For any inquiries or assistance

- i) Click the help button on the IG-ODS form.
- ii) Contact your Accounting Officer e.g. Permanent Secretary, Chief Administration Officer, Town Clerk etc.
- iii) Contact the IG-ODS Focal Person of your institution.
- iv) Visit the nearest Regional Inspectorate Office.
- v) Visit the Directorate of Leadership Code at IG headquarters in Kampala.

#### For more information,

Please call: 0414-231183 / 0776-231184 / 0702-231184 or send an email to [declarations@igg.go.ug](mailto:declarations@igg.go.ug) or visit the IG website: <http://www.igg.go.ug>.

# THE MELODIOUS SUCCESS OF NUSAF 3 IN EASTERN UGANDA

By Mwesigwa Herbert, Inspectorate Officer – IG



**A**s the convoy slowly rounded up the fairly steep hill, the faint din of noise steadily grew louder and louder until you could discern the instruments and voices engulfed in the growing cacophony. By the time the convoy came to a stop, the faint noise had transformed into a melodious rhythm of beating pans, drums, sticks, singing voices, ululating voices, shouting voices, dancing footsteps and twisting waists. The melodious rhythms increased in their intensity as if in mortal competition with each other but none rose highest than the women's high pitched ululating voices. The voices were brimming with a genuine passion and warmth that infected everyone witnessing the glorious spectacle. It was a scene of frenzied action, bustling with infectious energy, radiating joy and happiness. This was certainly no ordinary welcome.

This was Manafwa district and the enthusiastic welcome was from the NUSAF 3 community beneficiaries of Manafwa Watershed. Manafwa District is one of the 62 districts that are covered under the Northern Uganda Social Action Fund (NUSAF 3). NUSAF 3 is a World Bank funded project geared towards providing

effective income support to and building the resilience of poor and vulnerable households.

What had brought the convoy to the winding hills of Manafwa district was to review with the community beneficiaries what had been achieved and lessons learnt in the previous 2 years of the 5 year project. The welcome however was already a good indicator of the successes that the project had attained, for it would probably be a person with a heart of stone not to have been positively affected by the happiness that these beneficiaries were showing.

The team conducting the review consisted of World Bank officials in partnership with other Government officials from the Office of the Prime Minister, Inspectorate of Government, Ministries of Water and Environment, Local Government, Gender, Labor and Social Affairs. The tumult of the welcome gradually died down and although the festive mood still hung in the air, the interactions between the officials and the community began. Among the outstanding testimonies was the 81-year-old woman who was finally able to construct a house to live in due to accumulating savings from a sub-project in which she was a member.

Perhaps this may have been enough evidence of success and the team headed back to the airy confines of Kampala or Washington D.C. However, other communities were anxiously waiting for the team's arrival. The team made its way through the districts of Namisindwa, Bududa and Kapchorwa with the enthusiasm of the welcome never diminishing in the districts.

However, beyond the festive welcomes, compassionate hugs and smiling faces, was the satisfactory reality of positively changed communities. NUSAF 3 has achieved outstanding successes for both communities and individuals, and these successes are as clear as the high pitched voices of the ululating women that greeted the team in every district.

# WHY INVESTMENT CLUBS SHOULD INVEST IN COLLECTIVE INVESTMENT SCHEMES

By Dickson Ssembuya Director, Research & Market Development, Capital Markets Authority

In the past seven to ten years, Uganda has witnessed an explosion of investment clubs. Friends, family members, colleagues at work, former schoolmates and a host of individuals with a common bond have come together to save and invest, as a means of securing their financial future. According to the Investment Club Association of Uganda, there are over 8,000 investment clubs in Uganda. Investment clubs have sought to create wealth for members by investing in a variety of asset classes. Investment clubs typically invest in real estate, transportation and agriculture. Apart from helping in the cultivation of a savings culture among Ugandans and providing financial security for members, investment clubs can be an economic driver by providing long term capital for businesses, if soundly managed with the necessary investment know-how.

There is an old saying that cautions on the risk of putting all your eggs in one basket. Applied to investment clubs, to minimize risk to their members' savings, it is imperative that they invest widely in different types of assets. Investment clubs need to give consideration to the purchase of financial assets by investing in Collective Investment Schemes (CIS) which invest across different other financial assets, selected by a professional manager, rather than the investment clubs' leadership (who are typically comprised of busy full time employees). Diversification through such financial assets can contribute to growing members' wealth in a regulated environment.

A CIS involves several investors contributing money into a common pool, with the funds collected being invested by a professional manager. In Uganda, there are five CIS managers (UAP-Old Mutual, Xeno, ICEA, Stanlib and Britam) who are licensed and closely regulated by the Capital Markets Authority (CMA). The regulation of CIS managers by CMA provides a layer of safety and protection for members' contributions. Currently the five CIS managers are managing approximately Shs. 45 billion on behalf of Ugandans. In Kenya and Morocco, the total size of assets under management by CIS's are approximately 1% and 39% of GDP respectively, the equivalent of which would be assets of between Shs. 1 trillion and Shs. 39 trillion. This therefore presents a huge growth opportunity.

## But what is in it for Investment Clubs?

**An investment in a CIS is an indirect investment. The CIS manager invests on behalf of the investment club which saves the club members the hassle of undertaking research on what and where to invest.** With investment club members most likely being employed elsewhere or engaged in other personal income generating activities, a passive investment such as a CIS saves them the trouble of continuous monitoring of their investments. CIS managers have knowledge and skills to carry out research and allocate funds in investments that

will yield higher returns while minimizing risks. Additionally, the CIS managers handle the day to day administrative details of the fund on behalf of the investors, lowering the administrative burden on the members.

Additionally, CIS can invest in a wide variety of assets such as shares, treasury bills and treasury bonds. Investing in all these assets might be an uphill task for a single investment club, considering the huge amount of money required. The CIS can provide exposure to several asset classes without necessarily requiring a high capital outlay from an investment club as funds are pooled from several other investors (both individuals and groups) with a similar investment objective. This helps in diversification of investments, which is good practice in maximizing earnings for the investment club and minimizing risk.

CIS units when held can be converted with great ease to cash. An investment club only needs to complete a sale request and submit it to their CIS manager, with the proceeds being credited to an investment club's account, usually within four days. This is a relatively easy investment to turn into cash when the need arises, compared to investments such as land that might take a lot of time and effort before the proceeds are received.

## How to Get Started

For an investment club to invest in a CIS, an account needs to be opened with a CIS manager. This is an account where all units purchased are deposited by the CIS Manager. Once an account is opened, sales and purchases can be made by placing an order with a CIS manager. A Club can buy as many units as it wants and can sell either part, or all their units at any time of the year. This flexibility is specifically important for investment clubs which oftentimes have members joining or leaving at any time of their existence.

Investment clubs could also commit to saving a fixed amount every month for a long period of time, say 5 or 10 years. This could expose the club to the benefit of compound interest on every monthly investment, as CIS managers compute returns on a monthly basis. It is much harder to save a lump sum for investment purposes, given family and societal demands on our savings. However contractually committing to a monthly saving for 5 or 10 years with a CIS manager, with penalties for early withdrawal, is a powerful way of growing individual or group savings.

With investment clubs becoming a prominent feature in Uganda's savings culture, mobilization of capital by channeling investment club savings to CIS managers will not only impact the savings of their members, but will also have a positive impact on Ugandan businesses and contribute to economic growth.

# Africa Public Service Day: Its Philosophy and Linkage on Service Delivery

By Mary Magdalene Apasait, Communication Officer Ministry of Local Governments

**A**frica Public Service Day (APSD) is a strategic event on the African Union calendar. It is a special day for Public Servants and Public Service Organizations which is celebrated across the African continent by African Union Member States on 23<sup>rd</sup> June of every year and continentally as a biennial event. The basis of APSD is the Africa Charter of Values and Principles of Public Service and Administration. Uganda ratified the Charter on 16 April 2014.



The United Nations General Assembly designated June 23 of each year as United Nations Public Service Day vide Resolution 57/277 of December 20, 2002. Subsequently, the first United Nations Public Service Day (UNPSD) was held on June 23, 2003 during which the member states were encouraged to organize special events on the day to highlight the contribution of Public Service in the development process.

At the national level, APSD is commemorated and celebrated by AU Member States to mark and appreciate the work being done by the Public Service and recognize its positive contribution to socio-economic development in their respective countries. In addition, it is also celebrated every two years at a continental level and is normally hosted by one of the AU Member States.

The first Public Service Day under Auspices of the African Union was held on June 23, 2003 in South

Africa. Since then, Uganda has been commemorating the Day.

It is not an overstatement to describe accountability as the engine of public service delivery given its mandate in Economic Management; Resource Mobilization and Allocation; Budget Execution and Accountability and Audit and Anticorruption. In line with the Objectives and Principles of APSD that are derived from the Africa Charter of Values and Principles of Public Service, the Accountability Sector and its Employees are at the centre of public service delivery.

APSD is celebrated to recognize the fact that democracy and good governance are built on the foundation of a competent Civil Service for Sustainable Development through innovative practices and for championing human rights, social justice and promoting universal access to quality public service. **In the**

**same vein, the Accountability Sector advocates for policies and interventions that deliver sustainable development, human rights and quality public service.** At the same time, it is also a strategic partner in the delivery of social justice. In this regard, the Accountability Sector Institutions, without any exception should be at the fore front in championing the ideals of APSD and participating in the commemoration activities. This Article therefore serves to highlight the philosophy of APSD and its linkage to service delivery and accordingly energize the accountability Sector Institutions to play their rightful role in APSD affairs.

## The APSD PHILISOPHPY

The APSD philosophy is premised on the values and principles of the Africa Charter established by the African Union.

**Principles 3, 4 and 5 of the Charter provide for neutrality in the provision of public service, continuity of public service in all circumstances and adaptability of public service in the changing needs of the community and users respectively.**

These principles shape the philosophy of APSD. This being so, the philosophy then, recognizes the public service as the epicentre



Commemorating Africa Public Service Day 22nd June 2018

### LINKAGE OF APSD PHILOSOPHY AND SERVICE DELIVERY

of state existence, growth and transformation. In establishing the Charter, the AU Member States stated that they were *conscious of the need to preserve public service legitimacy and to adapt the civil service to the demands of economic, social, human and sustainable development*. This implies that preserving public service legitimacy is one of the elements that define APSD philosophy. The legitimacy of the public service is partly measured by its ability to foster adherence to a body of fundamental principles and values in a bid to provide efficient, effective and innovative public services that are satisfactory to the community or users (vide objective No.1).

The Africa Charter objectives for which, APSD objectives are derived are significantly linked to the Public Service strategic objectives (as enshrined in NDPII) generally and the strategic objectives of the Accountability Sector in particular. Objectives 3, 4, 5 and 7 of the Charter read: *encourage citizens and users to participate in the process of providing public service, particularly through communication, consultation and active contribution to the formation of administrative procedures; promote moral values inherent in the duties of public service employees in order to ensure transparency in the provision of public service; contribute to*

*improving the working conditions of public service employees and protecting their rights and promote gender balance and equity in public service and administration* respectively. Indeed, these objectives are inherent in the NDPII Strategic Objective 4 that focuses on the following specific objectives:

1. Increase public demand for accountability
2. Improve compliance with accountability rules and regulations
3. Establish national service delivery standards
4. Strengthen enforcement of regulatory and service delivery standards
5. Streamline and strengthen the inspection function in the public sector

# Securing Road and Drainage Reserves in Kampala

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

Kampala City's infrastructure landscape has been changing over the last close to 8 years with major works on Roads and Drainages.

This has come on the back of the need to improve mobility and safety of the travelling public since the City is largely situated on a floodplain and the growing settlements cannot make the situation any better.

With over 250 kilometers of roads built and 150 drainage constructed, more works have been planned in the next five years.

Kampala Capital City Authority KCCA is upgrading, widening and constructing Roads and drainage channels in all the 5 Divisions of Kampala. In this regard, several roads and drainage channels were designed, and land required for development identified and marked using pegs. These roads and drainage channels are due to be constructed as soon as KCCA secures funds from Government and Development Partners.

KCCA has since, notified owners of properties along these sites to halt any construction or utilization of these stretches of land. The Government is in the process of securing funds for compensating valued properties and land. The extent of the reserve corridor is based on the proposed development, and does exceed the infrastructure by a few meters. The

intention of limiting the land affected by proposed road and drainage works is to minimally impact or disrupt activities of residents along these areas.

KCCA has drafted a Road Bill to cater for acquired road and designed drainage reserve spaces. This bill awaits Parliament's approval.

## The Message

1. All affected property owners were briefed about planned road or drainage works.
2. Nobody should construct within pegged reserve areas.
3. All affected properties shall be compensated in cash or in-kind before construction starts.
4. Any clarifications can be sought from your local leader or KCCA Divisions or City Hall.

## Designed Drainage Channels

The following drainage channels are designed and waiting for funding. There shall be no activity nor development along the marked construction area along these channels:

Nalukolongo-Lubaga, Lubigi - kawempe, Kinawataka - Nakawa, Gaba - Makindye, Kansanga - Makindye, and Nakamiro - Kawempe



*Some of the Roads already improved. The Kololo Terrace Lights*

## Designed Roads

The roads below were designed by KCCA and are ready for construction. All residents along these roads should halt any development in the road reserve; -

No.	Road Name	From	To	Division
1.	Port Bell Rd	Nakawa Junction	Portbell Pier	Nakawa
2.	Old Port Bell/Spring Rd	Wampewo Roundabout	NewPortbell Road	Nakawa
3.	Nakawa Ntinda Rd	Nakawa-Spear Motors	Kiira Rd	Nakawa
4.	John Babiha Avenue	Yusuf Lule Rd	Kiira Rd	Central
5.	Sir Appollo Kagwa Rd	Bwaise KNBP	Nsalo road	Kawempe
6.	Bukoto-Ntinda Rd	Kabira Club	Nakawa Ntinda Rd	Nakawa
7.	Sentema Rd	Wakaliga Road	Northern bypass	Lubaga
8.	Kayemba Rd	Katwe Road	Jjuko Road	Makindye
9.	Lukuli Rd	Kayemba Rd	Salaama Rd	Makindye
10.	Kabuusu-Lweza Rd	Kitebi Road	Seguku	Beyond
11.	Kulambiro Ring Rd	Northern bypass	Kisasi Road	Nakawa
12.	Namungoona Rd	Masiro road	Nakibinge road	Lubaga
13.	Kasubi-Northern Bypass	Kasubi	K'la Northern Bypass Rd	Lubaga
14.	Kibuye-Busega	Kibuye Roundabout	Busega	Lubaga
15.	Ssuna Rd 2	Nyanama	Zzana	Beyond
16.	Sezibwa Rd	Fairway Junction	Kintu Rd	Central
17.	Kulambiro-Najjera Rd	Kulambiro Ring Rd	Najjera Rd	Kiira TC
18.	Ttuba Rd	Kulambiro Ring Rd	Unnamed Road	Kisaasi
19.	Muzito Rd	Wankulukuku Rd	Entebbe Rd	Lubaga
20.	Eight St./Namuwongo Rd	Mukwano Rd	Bukasa Rd	Makindye
21.	Luwafu Rd	Mobutu Rd	Salaama Rd	Makindye
22.	Ntinda-Kisasi Rd	Ntinda Rd	Kisasi Rd	Nakawa
23.	Buwambo / Kitezi Rd	Gayaza Rd at Mpererwe	Kitagobwa Rd	Kawempe
24.	Naguru Rd	Lugogo By-Pass	Katalima Rd	Central
25.	Katalima Rd	Jinja Rd	Ntinda Rd 2	Nakawa
26.	Sixth Street	Mukwano Round	Fifth Street	Central
27.	Seventh Street	Mukwano R/about	Fifth Street	Central
28.	Fifth Street	Spring Rd	Seventh Street	Central
29.	Kyebando Ring Rd 2	Kyebando Ring Rd 1	Kyebando Ring Opp.Hill	Kawempe
30.	Muteesa I Rd	Balintuma Rd	Albert Cook Rd	Lubaga
31.	Mugema Rd	Masaka Rd	Sentema Rd	Lugaga
32.	Kabega Rd	Hanlon Rd	Kirombe Rd	Makindye
33.	Kirombe Rd	Nsambya Estate Rd	Lukuli Rd	Makindye
34.	Kisasi Rd 2	Bahai Rd/Bukoto Round	Waligo Rd	Kawempe
35.	Wamala Rd	Entebbe Rd 2	Mutundwe Rd	Lubaga
36.	Old Mubende Rd	Wakaliga Rd	Busega Rd	Lubaga
37.	Ssuna Rd 1	Entebbe Rd 2	Nyanama Rd	Lubaga
38.	Lungujja Rd	Old Mubende Rd	Makamba Rd	Lubaga
39.	Kigala Rd	Lungujja Rd	Wakaliga Rd	Lubaga

Once these infrastructure works are concluded, Kampala will certainly have a different picture with better connectivity.

# Safe Money for a Secure Market

Mr Sydney Asubo –Executive Director Financial Intelligence Authority (FIA)



**F**inancial Intelligence Authority (FIA) is a government agency created by the Anti-Money Laundering Act (AMLA) 2013. It was established in 2014, with the principal objective of assisting in the identification of proceeds of crime and the combating of money laundering. The Anti-Terrorism Act (ITA) as Amended in 2017 also mandates the FIA to fight against financing of terrorism.

Though the FIA belongs to the Accountability sector as per the government's categorization of Ministries, Departments and Agencies, the FIA has made tremendous strides in supporting agencies under the Justice, Law and Order Sector (JLOS). This has been done through dissemination of intelligence reports of suspected money laundering and financing of terrorism criminals. Based on the need to strengthen domestic cooperation and coordination, competent authorities within JLOS are required under the AMLA, to share with FIA information that facilitates the administration and enforcement of the laws of Uganda, especially with regards to combating financial crime.

Money laundering and financing of terrorism crimes are carried out under cover and hence difficult in ascertaining with precision. However, it is estimated by International Monetary Fund that countries lose up to 5% of their GDP to launderers. Since Uganda's GDP is estimated at Ugx 101trillion (US\$ 27billion), the economy is estimated to lose annually approximately Ugx 5 trillion to this crime. These illegal activities distort the level of macroeconomic fundamentals, governance, credibility of the finance system and other socio-economic aspects thereby perpetuating poverty

levels.

Fighting Money laundering and financing of terrorism requires both a national and international cooperation and coordination. The Minister of Finance, Planning and Economic Development appointed a national AML/CFT taskforce to coordinate the implementation of AML/CFT framework. It is composed of constituting all relevant stakeholders who include the following; Ministry of Finance Planning and Economic Development, Bank of Uganda Insurance Regulatory Authority, Inspectorate of Government, Uganda Bankers Association, External Security Organization, Office of Director Public Prosecution, Internal Security Organization, Uganda Revenue Authority, Uganda Registration Services Bureau, Ministry of Justice and Constitutional Affairs, Capital Markets Authority, NGO Bureau, Department of Immigration, Uganda Police Force, Ministry of Lands, Housing and Urban development, Ministry of Foreign Affairs.

At the international level Uganda is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) which is a FATF regional style body. The ESAAMLG peer reviews its members to ensure AML/CFT compliance with international standards based on the FATF 40 recommendations. To this effect Uganda has been evaluated twice by ESAAMLG, in 2005 and 2016. The 2016 evaluation report highlights the strength and weakness of the country's AML/CFT framework and proposes actions to address the deficiencies.

## FREQUENTLY ASKED QUESTIONS

### What is Money Laundering?

Money laundering is the process through which criminals disguise the illegal origin of their proceeds. This process is of critical importance, as it enables the criminal to enjoy these profits without jeopardising their source.

Sources of illegally earned proceeds include; Illegal arms sales, smuggling, drug trafficking, prostitution, Embezzlement, insider trading, bribery and computer fraud schemes, among others.

### How much money is laundered per year?

According to a study conducted by the United Nations Office on Drugs and Crime (UNODC) to determine the magnitude of illicit funds generated by drug trafficking and organised crimes and to investigate to what extent these funds are laundered, the report estimates that in 2009, criminal proceeds amounted to 3.6% of global GDP, with 2.7% (or USD 1.6 trillion) being laundered.



However, the above estimates should be treated with caution because due to the illegal nature of the transactions, precise statistics are not readily available and it is therefore impossible to produce a definitive estimate of the amount of money that is globally laundered every year.

### How is money laundered?

In the initial - or placement - stage of money laundering, the launderer introduces his illegal profits into the financial system. This might be done by breaking up large amounts of cash into less conspicuous smaller sums that are then deposited directly into a bank account, or by purchasing a series of monetary instruments (cheques, money orders, etc.) that are then collected and deposited into accounts at another location.

After the funds have entered the financial system, the second – or layering – stage takes place. In this phase, the launderer engages in a series of conversions or movements of the funds to distance them from their source. The funds might be channeled through the purchase and sales of investment instruments, or the launderer might simply wire the funds through a series of accounts at various banks across the globe.

This use of widely scattered accounts for laundering is especially prevalent in those jurisdictions that do not co-operate in anti-money laundering investigations. In some instances, the launderer might disguise the transfers as payments for goods or services, thus giving them a legitimate appearance.

Having successfully processed his criminal profits through the first two phases the launderer then moves them to the third stage – integration – in which the funds re-enter the legitimate economy. The launderer might choose to invest the funds into real estate, luxury assets, or business ventures.

### Where does money laundering occur?

As money laundering is a consequence of almost all profit generating crime, it can occur practically anywhere in the world. Generally, money launderers tend to seek out countries or sectors in which there is a low risk of detection due to weak or ineffective anti-money laundering programmes. Because the objective of money laundering is to get the illegal funds back to the individual who generated them, launderers usually prefer to move funds through stable financial systems.

Money laundering activity may also be concentrated geographically according to the stage the laundered funds have reached. At the placement stage, for example, the funds are usually processed relatively close to the under-lying activity; often, but not in every case, in the country where the funds originate.

With the layering phase, the launderer might choose an offshore financial centre, a large regional business centre, or a world banking centre – any location that provides an adequate financial or business

infrastructure. At this stage, the laundered funds may also only transit bank accounts at various locations where this can be done without leaving traces of their source or ultimate destination.

Finally, at the integration phase, launderers might choose to invest laundered funds in still other locations if they were generated in unstable economies or locations offering limited investment opportunities.

### How does money laundering affect business?

The integrity of the banking and financial services market place depends heavily on the perception that it functions within a framework of high legal, professional and ethical standards. A reputation for integrity is one of the most valuable assets of a financial institution.

If funds from criminal activity can be easily processed through a particular institution – either because its employees or directors have been bribed or because the institution turns a blind eye to the criminal nature of such funds – the institution could be drawn into active complicity with criminals and become part of the criminal network itself. Evidence of such complicity will have a damaging effect on the attitudes of other financial intermediaries and of regulatory authorities, as well as ordinary customers.

As for the potential negative macroeconomic consequences of unchecked money laundering, one can cite inexplicable changes in money demand, prudential risks to bank soundness, contamination effects on legal financial transactions, and increased volatility of international capital flows and exchange rates due to unanticipated cross-border asset transfers. Also, as it rewards corruption and crime, successful money laundering damages the integrity of the entire society and undermines democracy and the rule of the law.

### What influence does money laundering have on economic development?

Launderers are continuously looking for new routes for laundering their funds. Economies with growing or developing financial centres, but inadequate controls are particularly vulnerable as established financial centre countries implement comprehensive anti-money laundering regimes.

Differences between national anti-money laundering systems will be exploited by launderers, who tend to move their networks to countries and financial systems with weak or ineffective countermeasures.

As with the damaged integrity of an individual financial institution, there is a damping effect on foreign direct investment when a country's commercial and financial sectors are perceived to be subject to the control and influence of organised crime. Fighting money laundering and terrorist financing is therefore a part of creating a business friendly environment which is a precondition for lasting economic development.

### What is the connection with society at large?

Organised crime can infiltrate financial institutions, acquire control of large sectors of the economy through investment, or offer bribes to public officials and indeed governments.

The economic and political influence of criminal organisations can weaken the social fabric, collective ethical standards, and ultimately the democratic institutions of society. In countries transitioning to democratic systems, this criminal influence can undermine the transition. Suffice to note is that, money laundering is inextricably linked to the underlying criminal activity that generated it. Laundering enables criminal activity to continue.

### How does fighting money laundering help fight crime?

In law enforcement investigations into organised criminal activity, it is often the connections made through financial transaction records that allow hidden assets to be located and that establish the identity of the criminals and the criminal organisation responsible.

When criminal funds are derived from robbery, extortion, embezzlement or fraud, a money laundering investigation is frequently the only way to locate the stolen funds and restore them to the victims.

This is intended to achieve depriving the criminal of his ill-gotten gains while hitting him where he is vulnerable i.e. his criminal activity and thus without a usable profit, the criminal activity will not continue.

### What should the government do about it?

Establishment of comprehensive anti-money laundering regimes. These regimes aim to increase awareness of the phenomenon – both within the government and the private business sector – and to provide the necessary legal or regulatory tools to the authorities charged with combating the problem.

Some of these tools include making the act of money laundering a crime; giving investigative agencies the authority to trace, seize and ultimately confiscate criminally derived assets; and building the necessary framework for permitting the agencies involved to exchange information among themselves and with counterparts in other countries.

It is critically important that FIA includes all relevant stakeholders in fighting the ML/TF vice. They should, for example, bring law enforcement and financial regulatory authorities together with the private sector to enable financial institutions to play a role in dealing with the problem. This means, among other things, involving the relevant authorities in establishing financial transaction reporting systems, customer identification, record keeping standards and a means for verifying compliance.

### With all the AML/CFT measures in place, why should FIA be concerned?

Money launderers have shown themselves through time to be extremely imaginative in creating new schemes to circumvent a particular government's countermeasures. A national system must be flexible enough to be able to detect and respond to new money laundering schemes.

Anti-money laundering measures often force launderers to move to parts of the economy with weak or ineffective measures to deal with the problem. Again, a national system must be flexible enough to be able to extend countermeasures to new areas of its own economy. Finally, national governments need to work with other jurisdictions to ensure that launderers are not able to continue to operate merely by moving to another location in which money laundering is tolerated.

### What about multilateral initiatives?

International organisations, such as the United Nations or the Bank for International Settlements, took some initial steps at the end of the 1980s to address the problem. Following the creation of the FATF in 1989, regional groupings – the European Union, Council of Europe, Organisation of American States, to name just a few – established anti-money laundering standards for their member countries. The Caribbean, Asia, Europe and southern Africa have created regional anti-money laundering task force-like organisations, and similar groupings are planned for western Africa and Latin America in the coming years.

This is because, large-scale money laundering schemes invariably contain cross-border elements. Since money laundering is an international problem, international co-operation is a critical necessity in the fight against it. A number of initiatives have been established for dealing with the problem at the international level.

### Who can I contact if I suspect a case of money laundering?

Financial Intelligence Authority  
Rwenzori Towers (Wing B)  
4<sup>th</sup> Floor, Plot 6, Nakesero Road  
Kampala –Uganda,  
P.O.Box 9853, Kampala  
Tel. +256414231556  
E-Mail.fia@fia.go.ug

# Weyonje!

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

The Capital City has once again been reminded of the consequences of poor sanitation. It doesn't matter what status one has in his community, Cholera can reach your door step if you are surrounded by poor sanitation. In responding to sanitation related diseases, providing information, Education and Communication (IEC) is key. But how do we effectively communicate to communities to practice good sanitation? This was the debate during a community baraza in Makindye in March 2018. **WEYONJE** was born!



WEYONJE is KCCA's flagship campaign through the Directorate of Public Health and Environment, to inspire individuals to "clean themselves." WEYONJE when directly translated from Luganda means "make sure you're clean" or 'Clean yourself' or 'Be Clean.' It addresses the "individual" be they children, passengers in a taxi, tenants, bodabodas, e.t.c to be 'clean' and by our individual actions, collectively our communities become cleaner, our city becomes cleaner.

During its development, WEYONJE was piloted from February to July 2018, in two Divisions of Makindye-Lukuli and Central-Kamwokya with tenants and landlords. The messages in the pilot phase centered on improved pit latrine construction, emptying and

**Kamwokya Baraza outcome...** "it is everyone's responsibility to ensure that the community/ city is kept clean by; disposing rubbish/faecal matter in a way that doesn't spoil the environment"



personal sanitation and hygiene related to toilet use. The messages were delivered by a joint team of Division staff including the Mayors and Community volunteers known as Community Activation teams (CATs). The pilot demonstrated that communities can be empowered to lift themselves to better their conditions through dialogue, leadership, training, monitoring and working with KCCA.

A key ingredient in the community dialogues was a commitment by the communities and individuals, however small, to better themselves. This is essential to achieving behavior change. The campaign has since been rolled out citywide as a community based social behavioral change campaign to inform, educate, motivate and commit city dwellers to improve their sanitation.

Back to the Cholera situation, what are you doing to keep it at bay? What's your commitment? WEYONJE?

For more information,  
contact KCCA divisional offices  
or call toll free on 0800 990000

# BORROW FROM LICENSED MICROFINANCE INSTITUTIONS, UMRA

By Bindhe Edward

**U**ganda Microfinance Regulatory Authority is asking Ugandans to borrow money from licensed and regulated microfinance institutions.

The Uganda Microfinance Regulatory Authority –UMRA was established under section 6 of the Tier 4 Microfinance Institutions and Money Lenders Act, 2016. It came into effect on 5<sup>th</sup> July 2016 and commenced operations on July 1<sup>st</sup> 2017 with the mandate of regulating, licensing and supervising tier 4 Microfinance Institutions and Money Lenders.

**These institutions include Money Lenders, Non Deposit Taking Microfinance Institutions, SACCOS and Self-Help Groups.**

Apart from SACCOS and Self-Helps groups whose Regulations and Operation Guidelines have not been gazetted respectively, the Authority is effectively licensing Money lenders and Non Deposit Taking Microfinance Institutions in Uganda.

The licensing process for Money lenders and Non Deposit taking Microfinance Institutions started



last year immediately after gazetting regulations in March. The license is valid for one calendar year starting from January 1<sup>st</sup> to December 31<sup>st</sup>. The maiden licenses were issued in June 2019.

Last year, Uganda Microfinance Regulatory Authority successfully licensed 230 Microfinance Institutions. Majority of all these have had their licenses renewed.

By March this year, over 100 new institutions have been licensed and more than 180 others approved to get licenses. With new institutions applying for licenses daily, the Authority will see a number of institutions licensed this calendar year more than double.

It has however come to our attention that some unlicensed institu-

tion and money lenders are operating illegally.

We are encouraging borrowers to get money from those institutions that we have licensed. There are many around the country.

## HOW TO DETECT A LICENCED INSTITUTION.

A licensed Money lender or Non deposit taking microfinance institution is one that has fulfilled all the requirements needed to transact money lending business. After satisfying the Authority with all the requirements, they are now issued with a license. That UMRA license is pinned in a corner of the premises where it is the first thing seen when one visits.

What are the requirements for money lenders and non-deposit taking MFIs?

Below are the requirements;

- (a) Certificate of Incorporation **CERTIFIED COPY**
- (b) Forms of particulars of directors and company Secretary
- (c) Registered address **CERTIFIED COPY**
- (d) National Identity Cards for all the directors and company secretary
- (e) Certificates of good conduct for all the directors
- (f) Proof of payment of fees for application of the licence.

- (g) A copy of the interest rates according to the categories of loans products offered.
- (h) Memorandum and articles of association.

Mr. Elly Avu Biliku, the Acting Executive Director says it is risky to borrow money from unlicensed Money lenders. “We ask all Ugandans to borrow from licensed institutions. There are many licensed money lenders and Non deposit taking microfinance institutions around the country. Look for any of those. Remember all licensed institutions are given a license which is on display. Before you borrow, make sure you have seen a valid license in the offices of the institution from where you seek to borrow,” says Biliku.

“We expect all licensed institutions to comply with the tier 4 Microfinance institutions and Money lenders Act, 2016 and the regulations. Their compliance means borrowers will have trust in the microfinance sector and this will promote financial inclusion,” observes Biliku.

Uganda Microfinance Regulatory Authority also extends an olive branch to those who are yet to get licenses to do so to avoid being caught off guard. The Authority intends to roll out enforcement and the repercussions are always grave. Remember, if you are found operating money lending business without license, it is illegal.

It has also come to our attention that unauthorized institutions are impersonating Uganda Microfinance Regulatory Authority and are issuing out licenses contrary to the Tier 4 Microfinance Institutions and Money Lenders Act, 2016.

Take note that the enactment of the Tier 4 Microfinance Institutions and Money lenders Act, 2016 repealed the 1952 Money Lenders Act which authorized Magistrates Courts to issue Money Lending licenses.

Uganda Microfinance Regulatory Authority has therefore not delegated its mandate to any third parties permitting them to issue licenses to tier 4 Microfinance Institutions and Money Lenders who fall within its jurisdiction.

In the same spirit, we have also received reports that a group of unscrupulous people are illegally carrying out operations against Money Lenders who are purportedly operating without licenses.

Section 84 of the Tier 4 Microfinance institutions and money lenders Act, 2016 spells out the offences.

If one is found carrying out money lending without a licence, you are liable, on conviction, to a fine of two hundred currency points or four hundred currency points. One currency point is an equivalent of 20000 Shillings.

#### **Collateral for money advanced.**

(1) A money lender shall not demand or accept the following as collateral for any money advanced to a borrower as a loan—

- (a) A national identity card, passport, warrant card, or other document establishing the identity or nationality of the holder;
- (b) bank savings, ATM cards and security codes for the ATM cards or deposit account books; or
- (c) an instrument of transfer of any property or assets signed prior to the disbursement of the loan.

(2) Where it is proved to the satisfaction of court that a transaction for money lending is disguised as a sale or transfer of property, the court may;

- (a) Nullify the transaction;
- (b) Order the borrower to refund the money borrowed without interest;
- (c) Revoke the license; or
- (d) Make other such orders as it may deem fit.

(3) A money lender shall not dispose of any collateral given by a debtor as a sale, pledge or collateral for the loan advanced to him, unless 60 days have passed since a written demand notice has been issued to the debtor requiring him or her to pay any outstanding monies on the money advanced.

(4) A money lender may dispose of the collateral given by the debtor by way of public auction or private treaty without recourse to a court of law.

Have received complaints that some money lenders are violating this key regulation. Our team is following up all these complaints.

#### **How to Apply?**

You can pick the application forms from our offices located on Plot 6 Rwenzori Towers Nakasero Rd ground floor Wing B. Alternatively, you can download from our website [www.umra.go.ug](http://www.umra.go.ug).

# INVESTING IN AGRICULTURE TO DRIVE SOCIO-ECONOMIC DEVELOPMENT

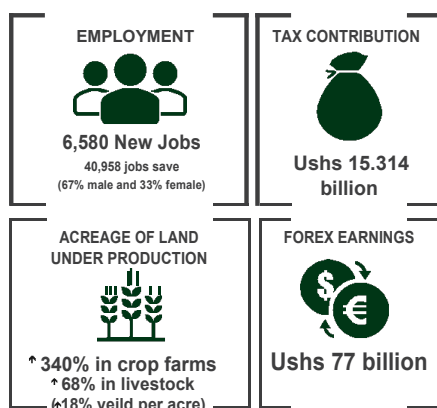
As one of Uganda’s vision 2040 key priority sectors, the agriculture sector presents various opportunities across a spectrum of fields.



From Uganda Development Bank



## UDB HAS NOTABLY CONTRIBUTED TO SOCIO-ECONOMIC DEVELOPMENT IN TERMS



In an effort to minimize the challenges the agricultural sector faces, Uganda Development Bank plays a significant role in supporting the growth of agriculture as one of the key priority sectors in the economy through focusing on its associated value chain activities. It specifically supports agro-processors and farmer groups with intent to increase productivity as well as farmers’ livelihood. UDB targets mainly medium to large scale entities, majority of which are in primary agriculture and agro-processing. The Bank also provides funding to organized groups or associations/co-operatives operating as a business. The agro-processors are involved in value addition and the majority financed benefit from machinery acquisitions and construction of storage facilities (silos). A total of 69% of the projects financed are in primary agriculture and 31% in agro-processing.

**A**griculture is the backbone of Uganda’s economy and is central to her economic growth. It is a major source of raw materials for the manufacturing sector, a market for non-agricultural output and a source of surplus for investment as well as poverty reduction. Over 70 per cent of the working population in Uganda is employed across the value chain of agriculture, contributing 26% to the GDP annually. In FY 2016/17, the Government increased the agriculture budget by 65% in an effort to increase production and productivity, improve household food security, increase farmers’ income and increase the value of exports.

**Although the agricultural sector has the potential to transform Uganda’s overall economic performance and despite its enormous contribution to Uganda’s GDP, small scale farmers still face problems associated with weather variation, low quality inputs and use of rudimentary tools which negatively impacting on their productivity.**

The effectiveness of the agricultural value chain is important because of its significance to other sectors of the economy (Manufacturing, services, tourism, and energy among others). This therefore means UDB’s strategic intervention in agriculture is a move in the right direction.

To achieve the above, the bank extends low interest rate loans with longer tenor of up to 15 years, offering grace periods, provision of market information and direct linkage of farmers/producers to off-takers. The bank supports agriculture value chain

activities at attractive terms evident in their use of both the Apex and Group lending model. This has attracted thousands of small holder farmers across the country enjoying modest but nonetheless critical credit that they would not have access to in conventional commercially oriented financial institutions. UDB's intervention in agriculture value chain through longer tenor at a low interest rate has majorly benefited primary and agro-processing clients.

grain processing technology from M/s Cimbria, Denmark, a leading supplier of grain processing equipment worldwide. The equipment is expected to process 60 MT per day from 40 MT per day.

The equipment financed by UDB also includes 3,000 MT silos up from handling capacity of 400MT, pre-cleaner, drier, destoner and sorter, Weigh Bridge and construction of a modern factory warehouse. The company currently employs 24 permanent staff and

of the locally sourced raw material demanded by Uganda Breweries Ltd. The project is expected to have significant socio-economic impact including increasing household income for over 6,000 small holder farmers, creating over 10,000 indirect jobs along the value chain, contribute 13,500 MT of grain per annum to support food security as well as tax contribution to the Government.

Consequently, the beneficiaries have demonstrated changes in behaviours, practices which in some cases have led to increased savings, award and recognition, among others. The signature group lending has helped to break the traditional barriers of access to credit for small holders' farmer (Village Associations/Co-operatives). There has been tremendous improvement in the performance of the value chain in the agricultural sector.

UDB has notably contributed to socio-economic development in terms of job creation by generating 6,580 new employment and saving 40,958 jobs (67% male and 33% female), GDP growth by UGX489.962bn, domestic resource mobilization through tax contribution of UGX15.314bn as well as forex earnings of UGX77bn. The bank has also increased acreage of land under production by 340% in crop farms and 68% in livestock. Average yield per acre of crops has increased by 18%. Despite the numerous challenges, UDB stays committed to playing a meaningful role in contributing towards the transformation of Uganda's economic landscape while remaining financially sustainable.



The Value-Chain approach capitalizes on existing and new business linkages between farmers and buyers (processors/traders) to lessen the credit risk. UDB recognizes the value-chain as one of the financing models that have a potential for promoting inclusive growth in the country.

Local enterprises that benefit from UDB's intervention are mainly comprised of crop production and livestock for dairy products. The dominant crops in primary agriculture include Maize, rice, soya, cotton, tea, coffee, and sugarcane. There are also enterprises involved in value addition (milling rice, maize and wheat). A good case in point is Arise and Shine Millers, a farmers' group that collaborates with farmer cooperatives in Kiryandongo district for the supply of maize grain. Through a UDB funded facility, the company is currently overhauling the existing local grain handling system to modern low power consuming

14 additional jobs are to be created upon project completion. However, the project's staffing needs exceed 100 personnel during the peak season. The project is an intervention to avert post-harvest losses and will further enhance food security in the Country. The silos will be able to store grain with the same quality for a long period of time.

Kapchorwa Commercial Farmers Association Ltd (KACOFA) was incorporated in 2006 and grew to the tune of 6,000 small holder supplier farmers with a 2,000 acre nucleus farm for sorghum and maize production. Between 2006 and 2012 the association was the most productive farmer organisation in Eastern Uganda for sorghum and barley which were mainly grown for the breweries and residually for food. It was the biggest producer of grain and major single supplier of barley and sorghum to Uganda Breweries Limited. KACOFA was supplying up to 90%

**ARISE AND SHINE MILLERS HIGHLIGHTS**



**KACOFA HIGHLIGHTS**



# Rethinking an Agro - industrialization Transformative pathway for Uganda

Dr. Swaibu Mbowe, Senior Research Fellow, EPRC

## Introduction

The current structure<sup>1</sup> of the Ugandan economy—characterized by low employment growth and export of primary agricultural products—highlights the need to develop an agro-industrial economic base. The transformation of the agricultural industry requires strong linkages between farms as sources of raw materials, and agro industries that produce competitive agro-manufactured products for the domestic and international markets. Anchoring the economy—to be driven by agro-industry—would deepen the economy’s roots in the rural areas and at the same time support growth in the non-inclusive and urban centered service-led growing economic activities. Furthermore, growth from light agro-manufacturing will automatically broaden the export base and contribute to further macroeconomic stability.

The low value of agro-manufactured products remains an outstanding challenge—one that needs to be addressed by specific policies and strategic interventions.

This article is an excerpt from the main report produced by the Economic Policy Research Centre (EPRC). It advocates for new thinking towards effective economic management in the country—specifically to a frontier of achieving expanded growth. First, we provide the reasons why Uganda should take agro-industry development as a priority. Second, we identify the challenges that need to be addressed for implementation of agro-manufacturing in the country. Finally, the article ends by making proposals for transformative shifts—that integrate small holder agro-raw material production with manufacture agro-products.

**Table 1: Manufacturing index of production (2002=100), 2011-2015**

Description	Weight	Year					Annual %change	
		2011	2012	2013	2014	2015	2014	2015
<b>Total Manufacturing</b>	1,000	186.7	193.4	199	219.7	222.9	10.4	1.4
<b>PANEL A: AGRO-MANUFACTURING</b>								
Food Processing	400	145	158	175	211	190	20.4	-10.1
Beverages & Tobacco	201	251	266	261	288	289	10.3	0.3
Textiles, Clothing & Footwear	43	188	192	139	116	126	-16.2	8.6
Sawmilling, Paper & Printing	35	212	234	249	222	246	-10.9	11.1
<b>PANEL B: OTHER MANUFACTURING</b>								
Chemicals, Paint, Soap & Foam Products	97	219	209	205	214	267	4.8	24.7
Bricks & Cement	75	244	240	251	244	291	-3.0	19.5
Metal Products	83	151	140	149	156	167	4.8	7.2
Miscellaneous	66	157	153	161	191	200	18.1	4.9

Source: UBoS (2016), Statistical Abstract.

Uganda’s manufacturing sector, is driven by agro-manufacturing industries which account for about 68 percent (679 out of 1000) in the total weight of manufacturing index (Table 1).<sup>3</sup> Furthermore, Table 1 shows that food processing accounts for the largest share of agro- manufacturing (400 out of 679 of the index). This implying that any shock to food processing has a big impact to total manufacturing in the country. Other studies have revealed that whereas the weight of agro-manufacturing is high as shown in Table 1, the value of agro-manufactured products remains low (EPRC, 2018).<sup>4</sup>

## Why Agro-industrialisation?

There are *five* key reasons why Uganda should venture hard in getting its agro-manufacturing to a transformative path:

- Agro-manufacturing has the potential to promote inclusive and equitable growth, especially in rural areas, as well as closing regional income disparities;
- Uganda has a positive trade balance for agro-industrial products (valued at USD 420 million in 2016). This can be improved by tapping into the growing local market of agro-manufactured products (via import replacement), and by fully

<sup>1</sup>The Ugandan economy is predominately an agricultural economy is seen in a number of ways; Agriculture is the biggest (72%) employer of the country labour force, contributes 26% of GDP (World Bank, 2017); major source of raw materials for most industries; contributes greatly 20% to foreign exchange earnings (UIA, 2018); and a major source of food for the increasing population.



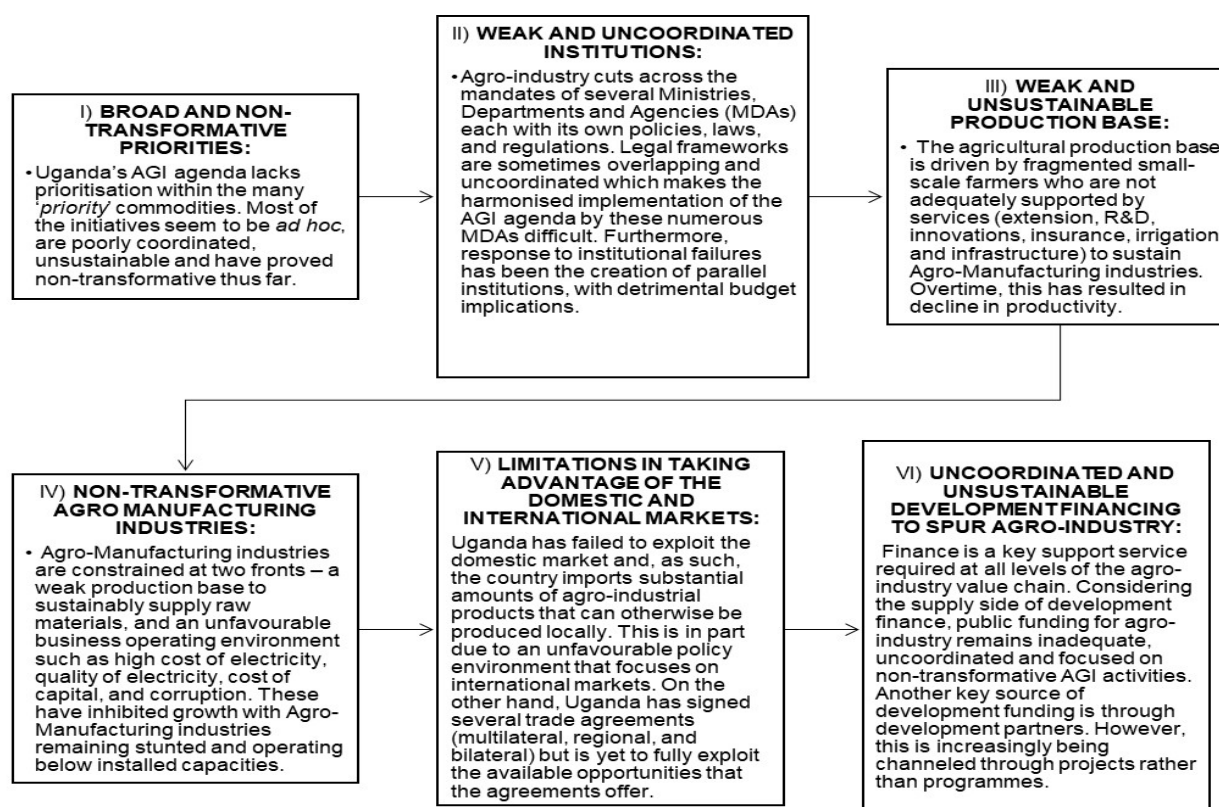
exploiting opportunities available in international markets (export promotion);

- Agro-manufacturing presents an opportunity for the country to tap into the market opportunities that arise from urbanisation (at an annualised growth rate of 5.4 percent) and a growing middle class that demands higher value-added agro-industrial products;
- Uganda should Agro-industrialise to address the high post-harvest losses which range between 20 to 40 percent of production at crop level; and
- The backward and forward linkages between agriculture and agro-industries will help Uganda to upgrade agro-value chains and create employment for its citizens. The effects emerge through backward and forward production linkages from agriculture to rural input suppliers and agro-processors, and through expenditure linkages as farm incomes are spent on locally produced goods and services or invested in nonfarm activities (Davis et al., 2002).<sup>5</sup>

initiatives to kick-start agro-manufacturing. Examples of such weak linkages include: Soroti Fruit Factory; Nakaseke Tomato processing plant; - Kisoro Potato Processing Industries (KPPIL); and - Egypt-Uganda Food Security Company Limited (for beef processing). The problem of inadequate raw material is also prominent in the dairy industry, palm oil industry BIDCO Uganda Limited (for oil palm); the cotton textile industry where we find that 48 percent of ginneries are silent (non-operational), while those that are operating between 8 and 33 percent operating capacity.

Inadequate supplies of agro raw materials has inhibited growth of agro-manufacturing industries –most of them operating below installed capacities. This has led to failure to exploit the domestic and international market opportunities and, as such, the country imports substantial amounts of agro-industrial products that can otherwise be produced locally. On the other hand, the weak growth in agro-manufacturing has had implications on the country's capacity to increase the export of agro-manufactured products to expand the potential foreign exchange earnings. Additional information on other

**Figure 1: An illustration of the most pressing challenges in Agro-manufacturing**



Source: EPRC 2018

### Agro-industry outlook and Challenges

The linkages between production systems with industry are weak, inadequate and limited to consistently supply industries engaged in agro-manufacturing raw materials. This is one of the stumbling blocks to past government

challenges standing in Uganda's path to agro-industrialize are summarized in Figure 1 above.

The above piece of information tends to suggest that, a successful agro-industrialisation (AGI) agenda is tied to: expanding agro-manufacturing activities in the country,

support research and development (R&D) to uplift the frontiers of innovations within agro-industries to expand production capacity in manufacturing high value and diversified agro-products beyond food processing. The list of agro-products in Uganda with a big domestic market include; textiles, footwear, manufacture beef and fish products, high grade coffee and maize grain products, vegetable oil products etc. These are the best candidates to help improve the county's trade balance through import replacement. The new paradigm shift in planning for agro-industrial development ought to create clusters of vibrant agro-raw material production groups tightly interlinked with a network of industries that can understudy market dynamics and produce agro products that are competitive in both domestic and international markets

### What needs to be done to transform Agro-manufacturing in Uganda

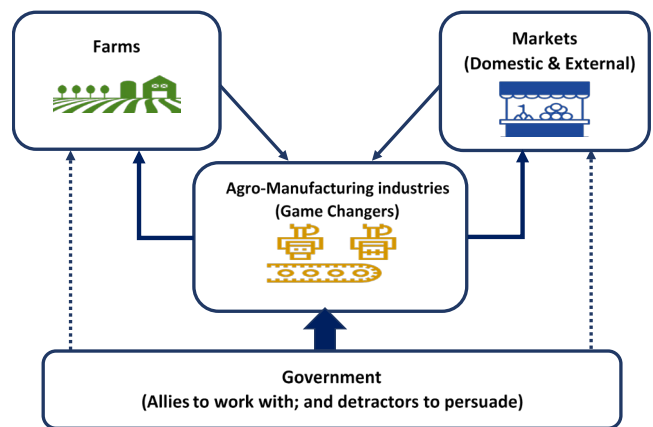
We proposes four (4) interrelated action points to foster a transformative and sustainable AGI path for Uganda. Each of these actions are discussed briefly below:

- **An Integrated Model:** The article proposes an agro-industrial development model (Figure 2), with a framework for re-organising the production systems to reliably and sustainably supply specified raw materials to agro-industries. The *modus operandi* of the suggested model, places agro-manufacturing industries, especially high-end manufacturers, as game changers with government playing a key strategic role in the provision of public services such as R&D and extension services but guided by industry requirements. In addition, the high end manufacturers should build competitiveness through adding value to meet both domestic and global market;
- **Program approach to AGI:** It is recommended that a program-based approach be adopted if Uganda is to achieve its AGI agenda on a sustainable basis. The program should start with *fewer* fundable priorities in the short-to-medium term with an integrated planning and budget approach. Given the initial conditions discussed under the agro-industry outlook, the program should be spearheaded by a strong and committed steering committee, preferably chaired by Ministry of Finance Planning and Economic Development (MoFPED). The committee should have clear and measurable performance targets;
- **Institutional framework:** There is need to rethink the current institutional framework, especially the role of government. In particular, the government has to take on a developmental state role to ensure the proper coordination and financing of actors. Furthermore, the government has to regulate the activities of Agro- Manufacturing industries to ensure support

of inclusive growth. This can be attained through tools such as contractual arrangements, commodity exchange systems, and warehouse receipt system. In addition, local governments have to play a critical role in ensuring availability of the necessary services at the sub county level and monitoring the performance of farmers. For example, tractors for hire can be placed at the sub country level. Finally, the government has to retain the role of providing training and extension services as well as promotion of agricultural research and development;

- **Government's role to go beyond an enabling environment:** Uganda, as a late industrial developer, must carefully use strategic state guidance to *induce* wealth creation. This is particularly true for value-added manufacturing, which is difficult but necessary as a precondition for structural economic transformation. Thus, strategic State guidance must go beyond just ensuring an enabling environment to actively support a sustainable AGI agenda.

**Figure 2: Proposed integrated model for agro-industry**



Source: EPRC (2018)

- 1 World Bank (2017). World development indicators; structure of output. <http://wdi.worldbank.org/table/4.2>
- 2 UIA (2018). Agriculture and Business. Uganda Investment Authority. <http://www.ugandainvest.go.ug/priority-sectors/agriculture-agribusiness/>
- 3 UBoS (2016), Statistical Abstract. Uganda Bureau of Statistics. Kampala.
- 4 EPRC (2018). Fostering a Sustainable Agro-Industrialisation Agenda in Uganda. Report Series. Economic Policy Research Centre (EPRC).
- 5 Davis, B., Reardon, T., Stamoulis, K., Winters, P., 2002. *Promoting Farm/Nonfarm Linkages for Rural Development: Case Studies from Africa and Latin America*. FAO, Rome.



**ASB**  
**ACCOUNTABILITY**  
SECTOR BULLETIN




THE REPUBLIC OF UGANDA

**Secretariat for Accountability Sector**

Ministry of Finance, Planning & Economic Development

 Plot 2/12 Apollo Kaggwa Road

 P.O. Box 8147 Kampala - Uganda

 +256 414 707 507/8