



**“The Parliament: Contribution to and Challenges for Greater
Finance Transparency and Accountability to Citizens”
A case study of Uganda**

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FINANCE TRANSPARENCY AND ACCOUNTABILITY TO CITIZENS” A CASE
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Ekanya G. has worked in the parliament for 10 years, 8 years, he has been on different committees with different responsibilities including the committee of national economy whose main task was to examine, evaluate, and analyze the terms and conditions of the loans. During this period, loans worth USD 4.8 billion were approved by the committee.

THE PARLIAMENT: CONTRIBUTIONS TO AND CHALLENGES FOR GREATER FINANCE TRANSPARENCY AND ACCOUNTABILITY TO CITIZENS” A CASE STUDY OF UGANDA.

INTRODUCTION

According to Uganda’s Budget Speech Financial Year 2007/08, total resource envelope amount to Shs. 5,025 billion, the equivalent of US \$ 3,358,000 (at a rate: 1US\$ - Shs1500). Total budget and project support from outside Uganda would finance 38.7 percent (US\$ 1,299,546) of the Budget for FY2007/08. Uganda’s debt stock as at 31st March 2007 stands at US\$1.1 billion compared to US\$ 4.3 billion in March 2006, a decrease of 74%. The accumulated interest amounts to US\$ 1.7 million. The decrease in debt stock is a result of Multilateral Debt Relief Initiative (MDRI) from IMF, World Bank and Africa Development Bank (AfDB) that cancelled all the eligible debt.

According to the Auditor General's Report 2005/2006 financial years, loans amounting to Shs 1,794,469,423,077 (US\$1,196,312,949) due for disbursements were not drawn by beneficiary projects. Commitment fees totaling Shs. 6,497,578,313 (US\$ 4,331,719) were paid during the period under review. Shs 2,256,567,147 (US\$ 5,836,097) was paid during 2003/2004 an increment of 65%. The extent of un-drawn loans and penalties occasion signals a poorly managed government loan portfolio. Many loans are expiring without loan amounts being fully drawn. Between 31st December 2004 and 31st December 2005 of loan accounts closed 24 were partially drawn. US\$101,851,922 (Shs 177,803,918,754) representing 28% of US\$ 361,676,878 (Shs 629,679,445,910) expected full disbursements was forfeited as a result. For some of these loans, forfeited monies are far in excess of 50 percent contracted loan amounts. It is not likely that a project which received less than 50% of planned resource envelope can satisfactorily perform.

PARLIAMENT’S CONTRIBUTIONS/SUCCESSSES

The Parliament is an important element of the institutional setup of any democracy. The democratic ideas are based on good governance, transparency, and participatory systems, which by default reinforce uniform approaches and practices to issues on development and provision of public goods and services. The parliament is charged with the duty of protecting the constitution and the democratic governance of

Uganda¹ under Article 79(3) and also has the mandate to carry out legislation, appropriation and oversight under Article 79.

Parliament oversight mandate in ensuring accountability is derived from Chapter 6 and Chapter 9 of the Constitution which details financial management accountability and transparency system to be complied with by government. Whereas Article 164 (3) stipulates that parliament shall monitor all public expenditures in accordance with the constitution and the public finance and accountability Act 2003, the permanent secretary/secretary to the treasury in the Ministry of Finance, Planning and Economic Development (MFPED) appoints accounting officers for lower & upper levels of government every financial year. These accounting officers must ensure that appropriated funds are spent on what they are meant for. In fulfilling its legislative role, parliament has passed several laws which include the Local Government Act (Cap 243), the Public Procurement and Disposal of Public Assets (2003), the Budget Act, the Inspector General of Government Act (2002), the Leadership Code Act (2002), and the Access to Information Act(2005) etc as a measure to promote accountability and greater transparency.

At the end of each financial year, the Auditor General (AG) carries out financial audit to establish that the budget implementation is complied with the agreed policy, accountability regulations and objectives. The report is submitted to parliament of Uganda and to the respective local authorities to improve on accountability and transparency in local governments, in accordance with Article 90 of the 1995 constitution and the parliamentary rules of procedure. Parliamentary Local Government Accounts Committee was created to specifically handle local governments' accounts as laid before parliament in accordance with Section 89 of Local Government Act (CAP 243). Whereas the Public Accounts Committee handles audited accounts for Central Governments, the Committee on Parastatals handles accounts on Parastatals. However all these committees chaired by Members of Parliament in the opposition have been so successful.

Article 90 of the 1995 constitution states that parliament shall appoint committees necessary for the efficient discharge of its functions; the Committees of Parliament which are categorized as Standing, Sessional, Ad hoc, Select Committees and a Committee of the Whole House. The committees of Parliament may call any minister or any person holding public office and private individuals to submit memoranda or appear before them to give evidence; the committees have the powers of the high court for enforcing the attendance of witnesses and examining them on oath,

¹ The Constitution of the Republic of Uganda, 1995

affirmation or otherwise; compelling the production of documents; and issuing a commission or request to examine witnesses abroad. Committees have exercised this provision to great success.

Parliament has the power to ensure that the Government budget is prepared, taking account of the agreed policy priorities within the constraints of resource availability. Parliament has in many occasions threatened not to approve the budget until its recommendations have been taken into account, e.g. refusal to pass and approve loans which are not in line with peoples needs and aspirations, e.g the Farm Income Enhancement of Forestry Loan, the Bujagali Dam Project that was stopped when members of parliament petitioned World Bank not to fund the project (sixth parliament), among others. In such cases, government can bring such loans after considering parliament's concerns of which it may then pass or approve.

A number of government officials, ministers, officials (accounting officers) have been forced to

refund money that was either misappropriated or spent without authority while others have

been charged and interdicted, this usually takes place when they appear before accountability

committees to answer queries raised by the auditor general.

The civil society and the media have been vigorously demanding that parliament to applies stronger sanctions to corrupt acts in order to promote financial discipline and reduce poverty. In attempt to respond, government has established commissions of inquiry, the most recent being on misuse of global funds for HIV/AIDS and malaria, in police, in the army and a recent case of investigations by the IGG on embezzlement of immunization funds which led to arrest and dismissal of 3 ministers. Another case in point is when a citizen petitioned the judicial service commission on misconduct of a Judge, this culminated into his resignation. Other examples are; the removal of office a member of parliament who declined to comply with the Leadership Code Act by declaring his wealth, in the 7th parliament, parliament caused the removal of a port folio of agriculture from the vice president because of mismanagement of the valley dam project, and the censor and resignation of four ministers due to mismanagement of divestiture in the 6th parliament and corruption and abuse of office among others.

The involvement of civil society is of great importance to protect the public resources. This was seen in the Mabira sage where the public demonstration that took place in May 2006 and the issue was tabled in Parliament, this has put a lot of pressure on Government to reconsider its move to de-gazette the forest reserve.

Parliament has over the years been able to effectively appropriate resources by passing the appropriations Act, which is normally passed before the 30th day of September of every financial year. The appropriation is done after rigorous scrutiny of policy statements of government ministries, departments and agencies. The scrutiny is done at Sessional Committee level in the presence of the media. The Sessional Committees prepare reports which are then submitted to house for general debate and approval, which later feed into the Appropriation Bill. Committees also carry out on-spot assessment of various Government programs and projects and discuss petitions from citizens despite the limited capacity and resources at their disposal presently.

4.0 CHALLENGES TO PARLIAMENT

- MPs and parliament staffs have been limited by technical capacity to perform their oversight functions effectively, particularly in ensuring proper absorption of foreign aid by government departments, and this has led to penalties, surcharge and Uganda has been forced to forfeit substantial amount of money due to expired loan period.
- In exposing corrupt acts, investigative reporting elicits popular indignation about corruption and puts pressure on the government to change. It is precisely this risk of exposure that motivates governments to censure the press and jail journalists. In Uganda it has been evidenced with the imprisonment of the popular journalists i.e. Andrew Mwendha and Frank Nyakairu of the monitor publications including closure of media houses.
- Failure to scrutinize and appropriate budgets for some government agencies such as Bank of Uganda, yet Article 155 of the Constitutions provides for this purpose;
- Limited time to analyze terms and conditions of the loan and capacity to say no to some bad loans, this is coupled with inadequate follow up of all government programmes and projects due to limited resources to execute this function. Handling of the big backlog reports from independent bodies like the Inspectorate of General Government, Public Procurement and Disposal of Assets, The Human

Rights Commission, the Electoral Commission, the Road Authority and the Auditor General are among the challenges Parliament is faced with.

- There is the challenging issue of the government of Uganda providing partial risk guarantees to private commercial investors like is the case with the Bujagali Power Project worth US \$ 115 million and that of rift valley railway concession worth US \$15 million, this challenge is not only to parliament but to the whole nation as it portrayed investing in the country as risky, such moves puts the tax payers at a risk of bearing the burden of private investment.
- Besides the above, the big question in Uganda today is does the president have the will and ability to ensure greater financial transparency and accountability? Whereas he has come out publicly against corruption and facilitated establishment of institutions, he has with one hand weakened the same institution by not adequately funding it, reappointed ministers who have been censored, threatened and ordered the closure of media houses and arrest of journalists, ordered the release of funds from the consolidated account without parliamentary approval.
- For many years now, the minister of finance has deliberately failed to declare unspent balance at the close of the financial year and to submit quarterly report on the implementation of the budget.
- In parliament, the proceeding is only accessible to persons with internet facilities and the coverage by television is only viewed in the city. Though the auditor general is office of parliament, it has no financial and administrative independence besides the capacity to carry out value for money audit.
- In judiciary, there is a backlog of cases which requires 300 years to be declared which is discouraging to the public.

5.0 KEY POLICY MESSAGE AND PRACTICAL ACTION ON THE CHALLENGE

- Development partners should extend their support through budgets and stop project funding, discourage debt swap, debt buying and selling which has resulted into proliferation of vulture fund which must be banned globally.
- In order to stimulate greater citizen participation, developed countries/developing countries should promote establishment of special funds to keep all monies recovered from corruption activities. All government financial management must be fully computerized and open to the public and civil society for scrutiny. Government must also disseminate friendly access to Information Act.

- Parliament must be given adequate time, and be involved in early stages of loan design to enable them take informed decisions.
- Developed countries/lenders must bear responsibility for poorly designed donor funded projects, waive off surcharge, eliminate requirement for counterpart funding, penalties, reimburse forfeited funds on loans which have expired and remove unnecessary procurement bureaucracy which causes delay in implementation of projects.
- Adequate legal and financial reforms should be carried out to support the opposition, media, parliament and office of the auditor general to promote budget expenditure tracking, value for money audit, training of MPs and staff, blacklisting of government that close media houses and parties that discipline their member without regard to the acceptable international common good.
- Uganda needs to urgently introduce national database for people in government and private sector who have got involved in financial mismanagement as well as those who have promoted greater transparency.

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