

Statement of Uganda's Development Partners on Governance and Anti-Corruption

Consultative Group Meeting

**Kampala
April 2003**

On behalf of Uganda's development partners, let me first express our appreciation for the extent to which we and the Government of Uganda (GoU) clearly agree that the Poverty Eradication Action Plan cannot be implemented in a sustainable manner without addressing the issues concerning Good Governance and the fight against Corruption.

Corruption undermines development. It deters foreign and domestic investment, slows economic growth, increases inequities and thwarts poverty reduction. The poor suffer the most from petty corruption, while grand corruption distorts politics, policies and incentives, squanders public resources, and generates widespread cynicism towards Government's anti-corruption efforts.

We recognise that the GOU has a broad range of governance, public sector reform, economic and social achievements to its credit since it assumed power in 1986 and began implementing its Ten Point Programme in which Anti-Corruption was a pillar. We are pleased to have supported many of these initiatives, which I will not enumerate here. Such support was provided in recognition that a holistic approach is required to address corruption effectively. This reflects a common appreciation that anti-corruption efforts must be multi-faceted in order to reduce the opportunities for, and the payoffs from corruption, while increasing the probability and the consequences of being caught.

Notwithstanding Government's many laudable policy and technical achievements, there is a widely held perception in Ugandan society that corruption is pervasive, institutionalised and on the increase. In addition Uganda continues to rank among the most corrupt countries in international indices. The Second National Integrity Survey, published by the IGG in April, carried with it a clear message: large-scale corruption and embezzlement at the top, which is carried out with impunity, has worked to encourage the proliferation of administrative corruption at the grassroots. This has resulted in a disturbing trend of an increasing tolerance of corrupt practices within Ugandan society.

The prevalence of corrupt practices – both administrative and grand – is of grave concern to your development partners. According to the Auditor General's annual reports to Parliament around Ush200 billion is not accounted for, lost, or misused each year. This represents 7.5% of the GOU budget, which is lost through poor financial management or corruption each year. It is becoming increasingly difficult for us, as donors, to explain this to our taxpayers at home who currently provide just under half of the Government of Uganda budget.

It also comes at a clear economic cost to the people of Uganda. The *Economist* estimates that bribery and corruption increase a company's cost by about 8% with the effect of discouraging domestic and international investment. According to this year's Eastern Africa Association survey, fraud and corruption remain major concerns among international firms investing in Uganda. The greatest problems were encountered with the Ugandan Revenue Authority, the police and the judicial system. This view is supported by the National Integrity Survey, which rates the police force as the most corrupt of all government institutions, closely followed by health units, magistrate courts and the Ugandan Revenue Authority. The haemorrhaging of revenue generation, due in large measure to corruption at the URA, continues to be a major concern for donors.

We, your development partners, endorse fully the anti-corruption priorities you have set yourself for the coming year in your most recent progress report, and we would like to continue our support to the areas of governance reform and anti-corruption. Where corruptly acquired assets are transferred abroad, we stand ready to help track them down. We look forward to the preparation and implementation of the 2003-2006 Government Strategy and Plan of Action to Fight Corruption and Build Ethics and Integrity in Public Office (GSPOA) by DEI and a new corporate plan for the IGG. But there are some issues and actions that we believe merit particular attention, and we should like to monitor them very closely with you. We see it as a question of focusing on some key, achievable measures in the short term whilst continuing to make steady progress across a wider front over the longer term.

We would like to highlight nine action areas on which to focus our continued dialogue on the fight against corruption.

Key Action Area One: Law Reform

The first key action area is law reform. We would ask Government to focus on a number of ongoing measures from Government's own list of high priorities as set out in your report to the CG. We believe that, when implemented as an ensemble, they should enhance significantly the capacity of citizens and Parliament to hold the Executive Branch accountable. This includes the drafting and enactment of the following five important pieces of legislation:

- The new Prevention of Corruption Bill;
- The revision of the Official Secrets Act;
- The drafting and enactment of the new Freedom of Access to Government Information Bill. We believe this is of particular importance inasmuch as "Information is the oxygen of democracy. If people do not know what is happening in their society, if the actions of those who rule them are hidden, then they cannot take a meaningful part in the affairs of that society."
- The drafting and enactment of the new Whistleblower Protection Bill that will complement and work in tandem with the Freedom of Access to Government Information Bill;
- And finally, the drafting and enactment of the new Auditor General Bill so as to ensure the AG's complete operational independence from the Executive (and we understand this may require some changes to the Constitution that could be effected in the course of the current review due for completion later this year).

Key Action Area Two: Public Sector Pay Reform

The second key action area is implementation of the public sector pay reform strategy. We believe this is essential to the improvement of Government's capacity to deliver goods and services economically, effectively, efficiently and with integrity. Here we are speaking about the need to ensure that Uganda will have a lean, professional, well-paid, well-motivated, well-led and fully accountable public service. Government has approved a medium-term pay reform strategy. The requirement now is to carry it out but, until now, Government's commitment to its implementation is unclear.

One of Government's major achievements in the early 1990s was to halve the numbers on the public service payroll from 320,000 to 160,000, but the total number today has crept up to near 200,000, an increase of nearly 25 per cent! It is essential, therefore, that Government institute policy and systems controls on the size of the public administration. Limiting the size of the public workforce will also enable more effective pay reform and better motivational incentives for those who remain.

Key Action Area Three: Adequate Resourcing of Anti-corruption Agencies

The third key action area is ensuring that the Directorate of Ethics and Integrity, the Inspectorate General of Government and the organisations within the Justice, Law and Order Sector (JLOS) are adequately resourced. According to Transparency International, Government currently allocates only 1.1 percent of its budget to accountability institutions. This amount is clearly inadequate to the tasks of the anti-corruption agencies and might be interpreted as a lack of political support for the effective enforcement of anti-corruption measures in Uganda.

In practical terms, it is of great concern to development partners that the Directorate of Ethics and Integrity is severely understaffed and therefore not capable of carrying out its mandate that includes coordinating activities in the fight against corruption.

Similarly, lack of resources and capacity at the IGG will weaken its ability to verify the declarations of income, assets, and liabilities made under the Leadership Code, thereby undermining one of the country's most stellar achievements in the fight against corruption.

Finally, the budget of the Anti-Fraud Squad of the CID should be increased. At present it receives only some Ush 3,000,000 a month (about \$1,639) to administer its establishment of 120 staff stationed across the nation. It cannot possibly carry out its mandate with so few resources.

Key Action Area Four: Commissions of Inquiry

The fourth key action area is the publication and follow-up to Government's commissions of inquiry and anti-corruption reports. Government has commendably vested a great deal in a series of Commissions of Inquiry that address very important issues of governance, corruption and public sector performance. Specifically, we are speaking of the Porter Commission into the plundering of resources in the DRC and the Ssebutinde inquiry into malpractice at the URA. We welcome the Minister for Ethics and Integrity's recent pledge that action would be taken soon with regard to the Ssebutinde junk helicopter report. Nevertheless, we would ask you to be diligent and expeditious in

following through on the findings and recommendations of each of these three Commissions, making their reports available to the public and initiating administrative sanctions, dismissals and legal proceedings where appropriate. Select reports of commissions of inquiry should be published within six months of work completion in tandem with a GoU White Paper on proposed action.

Key Action Area Five: Combating a Culture of Impunity

The fifth key action area we would flag, is our perception of the general pervasiveness of a culture of impunity with respect to corruption. Several senior politicians and officials who have been censured or sanctioned for corruption, for example, by Parliament, have not really been called to account or prosecuted. Instead they have been rewarded with lateral transfers to the Movement or elsewhere in Government. Administrative sanctions, dismissals and prosecutions appear to be rare and poorly publicised throughout the Executive, except in the police force, where they have been welcomed by the public. Such practice does not set a “tone” that views corruption as unacceptable behaviour to be punished, or dissuade Ugandan politicians and public servants from being corrupt. Experience throughout the world show that corruption cannot be controlled unless public officials and employees know that they are likely to be caught and the punishment will be severe. Persons identified in tribunals of inquiry or otherwise implicated in corrupt practices should not continue to hold public office pending completion of legal proceedings or investigations.

Key Action Area Six: Strengthening the Accountability Regime

The sixth key action area is strengthening the accountability regime. At the last CG in 2001 you undertook to implement under the Directorate of Ethics and Integrity an approach to report on, monitor and control the core functions of government that must work well to curb corruption. Eight areas that were seen to be key in anti-corruption were identified. These were: human resource management; rule of law and the administration of justice; economic management, including regulation; public financial management; public procurement management; revenue collection; oversight and accountability; and public facilities and assets management. After two years this reporting, which will make an important contribution to the accountability regime, has not commenced. We would ask you to put it in place over the next few months beginning with public financial management and to continue with reporting on the other core functions very soon.

The crisis in public procurement must also be addressed. One third of the national budget is spent through procurement and yet it continues to be plagued by corruption. The National Integrity Survey singled out district tender boards for consistent irregularities in the award of contracts. This has led to unqualified firms winning concessions and poor services being passed on to citizens.

Although the Public Procurement Act is now on the statute books, it must be made functional. The Reformed Central Tender Board, now called the Public Procurement and Disposal of Public Assets Authority, must be empowered with adequate staffing and budget levels. This includes the immediate recruitment of an Executive Director and Technical Advisor to PPDA. Our additional recommendations include the carrying out of independent procurement audits and the quarterly publication of reports on contracts over \$200,000.

We also look forward to the auditing of classified expenditure which amounts to Ush36bn and an additional US\$500,000 for defence spending, the Office of the President, State House, IGG, and the Ministry of Internal Affairs and the Police. In the particular case of defence spending, we await the outcome and recommendations of the defence review.

Key Action Area Seven: Court Awards and Compensation Claims

The seventh key action area surrounds the issue of large court awards and compensation and war debts claims relating to government contractual obligations. The value of these claims amounts to almost Ush80 billion plus an additional \$69.2 million. Many may have been based upon fraudulent documents and collusion among several government agencies and private sector interests. This matter has been documented to some extent by the IGG (and reported in the media) and is to be addressed by appropriate government authorities. As you have reported yourself, these payments risk undermining the extensive debt relief that has been accorded the Government of Uganda by its major development partners under the Heavily Indebted Poor Countries Initiative (HIPC). Under HIPC it is a condition that GOU accords none of its creditors preferential treatment. This is a particularly troubling subject that we would ask you to address as a matter of high priority. During the JLOS review held in December last year, the Attorney General suggested a way forward. This includes legislation barring the revival of causes of action through acknowledgement by GOU officials; a December 2002 cut off point for new war claims; dissolution of the War Debt Committee in favour of a Committee comprising officials from the Ministry of Justice, Finance and Defence; and that Accounting Officers who do not comply with commitment control systems should have their Ministry budgets debited at source to pay for expenditures that result in court awards or out of court settlements. The Ministry of Justice and Constitutional Affairs does not have a director of civil litigation. He or she should be appointed as a matter of urgency.

Key Action Area Eight: Addressing Corruption in Local Government

The Government of Uganda's decentralisation programme has been applauded for increasing democracy and accountability at the local level. Districts have been delegated authority in local civil service matters, budgets and planning, as well as in tendering for and administering contracts. More than 30 percent of the government budget is currently allocated to decentralised local governments. Unfortunately, there is growing evidence that corruption has accompanied the decentralisation of power and authority from the central to local government levels. This is of particular concern given the increase in the proportion of the national budget that has been entrusted to local governments. We do not believe that corruption at the local government level should be addressed through the 're-centralisation' of services. Rather we believe that Uganda's laudable commitment to decentralisation carries with it a need to craft new tools to address corruption at the local level.

In November last year, the Directorate of Ethics and Integrity conducted a workshop on corruption in local government. A series of important recommendations were made with regard to human resource management, public financial management, public procurement management, revenue collection and institutional strengthening. We would urge Government to follow through on the proposed interventions outlined by the DEI.

Key Action Area Nine: Semi-Annual Anti-Corruption Reviews

Government, and in particular the DEI, has been very diligent about reporting to the CG against the progress and achievement of the Government Strategy and Plan of Action to Fight Corruption and Build Ethics and Integrity in Public Office (GSPOA) and about working closely with the Donor Technical Group on Anti-Corruption (DTGA). We find, however, that the current reporting interval against the GSPOA is too long. We should like to strengthen this collaborative relationship and the rigour of our joint approach by initiating a system of semi-annual progress and issue reporting to a meeting to be chaired by the DEI with the DTGA.

In conclusion, it has been in the spirit of partnership, that we have taken this opportunity to highlight a number of issues that are of concern to your development partners and require the urgent attention of Government. I shall conclude by acknowledging that success in tackling corruption calls for collaboration among a coalition of partners.