



CIVIL SOCIETY BUDGET ADVOCACY GROUP

PRESS STATEMENT- FOR IMMEDIATE RELEASE

CSO CALL FOR ADHERENCE TO THE PFMA, 2015 AS GOVERNMENT OF UGANDA COMPENSATES ITS TRADERS WHO SUPPLIED SOUTH SUDAN GOVERNMENT

Date: 14th July 2019 | Venue: CSBAG offices, Ntinda, | Time: 10.00am – 12.00pm



From Left: Carol Namagembe-CSBAG Program Manager, Julius Mukunda, CSBAG Executive Director and Siragi Magara CSBAG Budget Policy Specialist during the press conference at CSBAG Offices.

1. The Civil Society Budget Advocacy Group (CSBAG) today raises concerns about irregularities and potential risks to misuse of public resources that have been observed in the process to clear outstanding dues to Ugandan traders that claim compensation having supplied goods to the Government of South Sudan.
2. Fellow Ugandans, we are all aware that South Sudan was Uganda's largest trading partner until the civil conflict that emerged in 2013. It is important to note that Uganda's exports were affected due to war outbreak for example Roofings's exports to S.S declined by 61%, Cement declined by 77% and tea exports decline by 76% among others.

FY	2012/13	2013/14	2014./15	2017
Formal exports to SS (\$)	80.3	236.28	308.54	299.88
Informal Exports to SS (\$)	127.6	125.3	113.67	...

3. Before this, Ugandan traders enjoyed access to South Sudan markets which improved Uganda's trade balances with South Sudan to surpluses. However, with the civil conflict, traders from Uganda and other countries lost significant business assets and the Government of the Republic of South Sudan owes several traders -funds for goods supplied to it. Below are some of the facts as we understand.

- a) **That** in 2016, the Government of Uganda (GOU) and that of South Sudan signed a Memorandum (Bi lateral Agreement) where the Uganda Government agreed to pay all the Uganda traders and that South Sudan would refund GoU within a period of 5 to 10 years from the date of Agreement.
- b) **That** a joint Verification exercise was conducted by officials from the two countries to verify the claimants and their claims in South Sudan. So far, we are aware that 10 companies have already been paid a total of 41 bn shillings.
- c) Since then, new traders and companies have emerged which has increased the list of claimants. There is need to verify the new claimants.
- d) **That** Parliament has passed several resolutions endorsing payments of the companies and traders whose claims have been submitted to government.
- e) **That** the Ministry of Finance contracted an audit firm to verify the claims and that the verification exercise is meeting strong resistance.
- f) **That** Parliament on 6th March 2019 constituted a Select Committee chaired by Hon. Anne Maria Nankabirwa after concerns emerged that whereas Government had paid Ushs 41bn the process was marred with lack of inclusiveness, transparency and conflict of interest. Below were their findings:
 - i. Some claimants lacked credible supporting documents as most of the trading was informal, while for other traders, their documentation was confiscated during the conflict in Sudan.
 - ii. The unprecedented delays to bail out Ugandan traders, considering traders from Ethiopia, Kenya and South Africa that suffered the same fate have already been compensated.
 - iii. Partial implementation of the Bilateral Agreement of 2016. Only UGX 41 billion (USD 10,872,519 has been released so far and a balance of USD 30,750,996 remains outstanding

CURRENT CONCERN

4. **Support the Verification /due diligence of claiming traders-** Whereas Ministry of Finance, Planning and Economic Development (MoFPED contracted Ernest and Young to undertake verification of traders¹. We observe resistance of this move, as some circles within Parliament want the claiming traders to be cleared without any due diligence. There is also reported Parliamentary proposal to pay some form of ex gratia payments to traders who cannot adduce evidence of their claims. This and many other issues continue to cloud the compensation arrangements.
5. The criteria which was used to identify companies and individuals to be compensated was not clear to the public.
6. CSOs recognize that the traders who were trading in South Sudan form a significant section of our private sector architecture and if not compensated, their loss would have a

¹ The Ministry of Finance requires that all trader provide some key documents like, Copies of contracts with the government of South Sudan to supply, Tax Identification Numbers or Certificate of Registration, Export Declaration Forms or Bills of Entry Issues by Uganda Revenue Authority, Tax returns, Good release orders and certificate of export issued by URA .

significant effect on Uganda's economic growth, We however call for the Verification exercise to be conducted by both external and public auditors and specifically call on the Speaker's direction on this matter. This will set a benchmark upon which in future such occurrences will be managed in conformity to the PFMA, 2015 as well as guard against wastage of public resources if ghost traders are paid in this process

7. **Adherence to the PFMA, 2015 on Consolidated Fund-** For this compensation to be effected, Funds will be drawn from the Consolidated Fund and later refunded to the Uganda Government by South Sudan. The PFMA, 2015 puts strict conditions to the utilization of funds from consolidated funds or Petroleum funds and it specifies that such funds should be appropriated by Parliament.

Section 45 (2) requires that an Accounting officer shall in respect of **ALL RESOURCES** and transactions of a vote, put in place effective systems of risk management, internal control and internal audit.

Further, Section 11 (2) (c) of PFMA requires the Secretary to the Treasury ***to promote and enforce transparent, efficient, and effective management of the revenue and expenditure and the assets and liabilities of votes.***

Similarly, Section 12 (2) of PFMA mandates Parliament to ensure transparent, accountable, effective and efficient utilization of public resources.

Whereas this arrangement is described as a loan under Sovereign Guarantee Framework and that it will be paid back- Given it will be drawn from the Consolidated Fund, we call on strict adherence to the clauses above in this process.

8. **South Sudan Government and its commitment to repay the Loan-** We understand that the MoU signed between Uganda Government and South Sudan Government is in the scope of a Sovereign Guarantee. CSOs are concerned whether the Ugandan Government has mechanisms of recovering these funds should South Sudan fail to fulfill the commit to this agreement by not refunding the Ugandan Government. Has the learned Attorney General offered guidance on this matter? This not being a national security '*Classified*' matter, we request for this MoU to be made public, this could allow other experts to advise on this matter?

In conclusion

On behalf of Citizens of Uganda, we call upon government to use existing mechanisms to ensure that transparent, efficient, and effective management of the revenue and expenditure is adhered to according to the PFMA 2015

As such we demand that Parliament permits government (executive) to undertake a verification exercise through an external independent auditor to confirm that the companies and traders to be paid are genuine.

.....because of Every Shilling Counts

Contact US

Civil Society Budget Advocacy Group

P.O Box 660 Ntinda | Plot 11 Vubya Close Tel: 0414 677707 | Email: csbag@csbag.org | Web: www.csbag.org