



Uganda Debt Network (UDN) Overview

1.0 Introduction

UDN is a national policy advocacy organization that promotes and advocates for poor and marginalized people to participate in influencing poverty focused policies. The organization empowers citizens to demand for their rights and monitor service delivery to ensure prudent, accountable and transparent resource generation and utilization.

Currently, UDN operates in 24 districts and engages with various Government Ministries Departments and Agencies at national level, and through partnerships with Local Governments and nurturing CBOs at Sub national Levels. UDN also implemented Social Accountability and Community Monitoring (SACM) in another 33 districts in partnership with 8 CSOs, under NUSAF II, supported by

Inspectorate of Government and the World Bank.

At the national level, the organization engages with various Government Ministries, Departments and Agencies on issues of Debt management, service delivery, public sector accountability, budget processes and policy alternatives; some of which have been adopted by the various relevant institutions.

1. a) Improve the Governance system:

Corruption thrives in states where overall government capacity is weak desiring improvement of governance systems from national to the local levels.

While several corruption cases have been apprehended, they have not been handled to the satisfaction of citizens by the powers mandated; some of which are highly sophisticated leading to compromise on the necessary actions to be taken. However, improving resource management is largely determined by the strength of existing organizational capacities to deliver on their mandates. Slow response to reported cases by relevant institutions tends to frustrate citizens' efforts as they endeavour to hold officials accountable. Civil Society can produce and disseminate information on the cost of corruption and its negative impact on citizens to equip communities to be watchful over the management of natural resource proceeds.

b) Inadequate resource allocations for curbing Illicit Financial Flows (IFFs):

The practices that propel IFFs deprive Uganda from mobilizing enough revenue to finance its expenditure to ensure public service provision. The Financial Intelligence Authority (FIA) was established in 2014 under the Anti-Money Laundering Act, 2013 for the prohibition and prevention of money laundering. However, the effectiveness of FIA depends on the availability of resources (skill and monetary) necessary to tackle a problem as complex

as IFFs and money laundering. The NDP II alludes to the existence of illicit financial flow practices and notes that by 2030 IFFs should be significantly reduced to promote economic justice for all and inclusiveness for sustainable development at all levels. However, inadequate funding to FIA have frustrated efforts to bridge compliance gaps. IFFs have further led to increasing income inequality and deepening unequal distribution of power hence undermining the ability to achieve the Sustainable Development Goals, 2030.

Government should consider adequate resource allocation for the Accountability Sector institutions like FIA, URA, police CIID, Anti-corruption agencies among others to facilitate updating their functional capacities to curtail IFFs especially, through commercial transactions by Multi-National Corporations.

In the process, related cyber-crime should be handled. Collaboration with a clear implementation strategy among institutions is key for effectiveness.

Curtailing IFFs and the mechanisms facilitating them will strengthen the mobilization of domestic resources for long-term sustainable development.

2. Enhancement of access to information:

Government needs to recognize that availing Civil Society with relevant information stimulates criticisms and debates which provides valuable contributions to fiscal transparency. Therefore periodic availability of information on how natural

resource funds are being managed reduces derogatory perceptions that it is being misused. It also helps citizens to form realistic expectations based on the reliable and timely information. Government may engage the services of civil society organizations to take part in review processes to provide an alternative position on projects financed by natural resource revenue.

3. A separate National Natural Resource Account to be held by an independent custodial bank:

This will enable tracking of natural resource funds utilization and will guard against mismanagement of revenue if the proceeds are remitted to the consolidated fund. While an arrangement for restricting borrowing from this account, withdrawal amounts and frequency needs to be observed to ensure fiscal discipline, a significant portion of the proceeds should be allocated or set aside for investment as natural resources are faced with the challenge of depletion. Considerations of inter-generational equity upholds fiscal policy to reserve part of current oil revenues for future generations. In this case, Civil Society would oversee implementation of such arrangements to provide constructive criticism and alternatives for improving the revenue management.

4. Review the Decentralization Policy:

The Decentralization Policy should be revised to give endowed Local Governments responsibility for the management of a substantial portion of revenue from natural

resources for investment in rural communities in infrastructures eg schools, health facilities, clean water sources. Investments in productive ventures like the Local Economic Development programme would stimulate local development and growth. This will generate collective/community responsibility and commitment to monitor and hold duty bearers accountable for resource management.

5. Most natural resources are located at the sub-national regions.

In Uganda, the level of fiscal decentralization is so low at the sub-national authorities where a greater percentage of resources remitted from the central government are conditioned. Local Governments lack flexibility and independence in their expenditure decisions. While fiscal decentralization upholds the greater participation of local communities in monitoring

the utilisation of funds, it's challenging for such mechanisms to ascertain what projects are directly being supported by natural resource revenue if funds are from the consolidated fund from central government.

6. Oil Revenue Management:

The Public Financial Management Act 2015 regulations do not have an oil revenue management component. Despite government commitment for establishing separate regulation to manage such revenues, it has been slow in fulfilling this commitment.

7. Managing the Land tenure and renewable resources:

Land ownership dynamics have a high correlation to the magnitude of sustained economic activities carried out on it and fiscal transparency to the proceeds. While Government has authority over natural resource management, high tension on land ownership and

acute violations get heightened by the day. Article 273 of the Constitution of Uganda, 1995 states that, "all land in Uganda belongs to the people". The Uganda National Land Policy, 2013 consolidated various policies related to land resources focused on ownership, management and development. However, land disputes and conflicts have characterized the land question in Uganda especially in resource rich areas. Currently, a new proposed amendment to the Land Act, 1998 that seeks to provide for compulsory acquisition of land for Government development projects and infrastructure have generated outrage by Ugandans.

Accusations against Government of wishing to take a move towards trying to grab land, are high. If Government's proposal succeeds, the current land tenure system will change but this has to address itself to fiscal management frameworks of natural resource revenue management guidelines.

Message to Civil Society

1. Participation in the process of developing or formulation of natural resource governing and regulatory frameworks:

To submit substantive technical input which will enhance transparent revenue management. The low or non-existent civil society inclusion and participation challenges ownership and yields much criticism of government frameworks. Civil Society participation will provide a platform to demand for adherence to transparency and accountability by continuing to monitor the sector and budgetary processes, exposing shortcomings

and advocating for appropriate reforms.

2. Constant advocacy for mandatory disclosure of proceeds received from companies to government for the extraction of natural resources:

It is common for information on proceeds on natural resource to be concentrated within the presidency, key ministries and the state-owned natural resource institutions with little information provided to the public. For Civil society to contribute to strengthening fiscal management of natural resources, there is

need for mandatory disclosure of all contract information, withdrawals, publication of financial information and verification of company payments and government revenues to enable tracking of fiscal performance. This has to be in a timely manner for effective deliberations towards making government accountable. Availing information will encourage oversight by a cross section of stakeholders against misuse and will support diagnosing areas that need improvement to enhance transparency in revenue management.

3. Evidence based research to enhance advocacy on fiscal transparency:

Natural resource economics tends to be highly technical in nature and capacity building for Civil Society in understanding the extractive sectors is paramount to enable them scrutinize natural resources revenues. It's important to strengthen the technical capacity of Civil Society Organizations in adequately understanding the existing fiscal regime in the sector to conduct evidence based research. This will facilitate informed and constructive fiscal transparency debates for effective reforms. Regular publication of environmental and economic impact studies for all on-going natural resource projects will enhance public participation and awareness needs to be undertaken. Findings may be shared with a cross-section of relevant stakeholders who have the mandate to make change happen eg politicians, policy makers and accountability institutions.

4. CSO engagement platforms to monitor Contractual and Implementation processes:

The Constitution, 1995 invites citizens to participate in monitoring government activities as mechanisms to promote accountability of resources. Local communities can participate basing on the decentralization

policy to monitor any leakage of resources. Therefore, Government should engage Civil Society platforms to monitor contractual processes especially those relating to environmental aspects and oversight of revenues from the natural resources. Improved cooperation and coordination between Civil Society and other actors can help transform and re-inforce effective revenue management.

5. Sensitization and awareness campaigns for beneficiary communities to demand for accountability and transparency:

Civil Society also aids transparency through sensitization and awareness campaigns that provide citizens with valuable information on resource allocations by central government. This enables them to challenge their local authorities on the use of public funds. Civil Society must intensify its efforts to educate and empower citizens about their role in keeping government honest in order to ensure transparency and accountability in natural resource revenue management.

For instance, Uganda Debt Network's (UDN) conducts periodic Community Empowerment and Budget Literacy trainings which educate communities on budget revenue

sources and monitoring service delivery within their localities. Community and district dialogue meetings are held to discuss monitoring reports which provide government entities platforms to give feedback, accountability and commitments to improve on their operations.

Citizens' awareness is enhanced with Ministry of Finance quarterly releases of what the district receives and able to question the allocation and utilization of such funds. Through this approach, UDN Community Based Monitors are empowered to hold district leaders accountable for revenue management.

5. Establish Transparency and Accountability Initiatives (TAIs)

in the natural resource sector to devise institutional mechanisms to make government accountable for the extraction, allocation and investment of revenues to alleviate socioeconomic inequalities among citizens.

This requires improved data collection, reporting and analysis; a stronger focus on the allocation and use of government expenditures that come from natural-resource wealth; and a better understanding of importance of incentives and sanctions for ensuring effective impact .



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