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**Thursday, 21 February 2019**

*Parliament met at 3.27 p.m. in Parliament House, Kampala.*

PRAYERS

*(The Speaker, Ms Rebecca Kadaga, in the Chair.)*

*The House was called to order.*

COMMUNICATION FROM THE CHAIR

**THE SPEAKER:** Honourable members, I welcome you to this afternoon sitting. I apologise for the late start of our proceedings. I had gone to celebrate the 40 years of the Joint Medical Service in the work of the church in Busoga. However, the traffic on Jinja-Kampala Road is a nightmare and it took me much longer to get here. I hope we will be able to pick up on our plans for today.

Secondly, honourable members, I am sure you feel the heat in the city and the whole country. We have been talking about climate change and we are not taking it seriously but it is real. Kampala has become humid. Can you imagine Kampala is humid? I hope we can grow more trees.

Honourable members, as I said, I went to Jinja and there is a factory called Doctor’s Choice, which manufactures something from Moringa. We had given up on growing Moringa but now, there is a factory producing nutrients called Moringa Replenish Elixir. They told me that children suffering from nodding disease have been assisted by that supplement and some of them are now walking. I hope that is good news for our children in northern Uganda. I have also told them to come and exhibit here so that more people can know about it.

We had stopped growing Moringa and I was even afraid of talking about it. Now that there is a factory, I think I will start talking about it again so that people can grow it.

Honourable members, this week, we are receiving a high level delegation. My counterpart the Speaker of Serbia National Assembly, hon. Maja Gojkovic will be arriving today for a three-day visit. Later, the Speaker of the Hungarian Parliament will also be coming to visit us. For these two weeks, we are going to be quite engaged with our colleagues. They are coming to hold bilateral meetings with the Parliament of Uganda and I have asked some of us to form the Uganda-Serbia Friendship Group and Uganda-Hungary Friendship Group so that we are able to start collaboration.

In the public domain, there is now a new wave of murders and kidnap of children. Last week, it was reported that Gift Margret Akech aged three and Johnson Ssempereza aged six were kidnapped and murdered in Wakiso. In Ibanda District, 14 years old Oscar Muheirwe was also kidnapped and murdered and so was Gordon Kasirye of Kasanje. I would like to invite the House to observe a moment of silence in their memory.

(*Members observed a moment of silence.)*

**THE SPEAKER:** Honourable members, we condemn in the strongest terms this abuse and murder of innocent Ugandans. I know we had a debate here on issues of child sacrifice sometime back but I hope that the state is going to take action and the population should be more vigilant. When I go to my constituency, I ask these people not to send children to the shops. You know, you are afraid to go to the shops at night but you send children tokeroseneyet yourself you are afraid of moving but you send the child to walk in the dark. I think we really mismanage our children. However, I would like to thank the security operatives of the police flying squad and Internal Security Organisation (ISO) who on the night of Tuesday rescued a young Kevin Ssesanga, five years old and a pupil of Green Care Valley inKawule.

Honourable members, when you came to Parliament, you were inducted on Parliamentary Procedures and Practices as well as etiquette. However, you have also been told to behave like honourable members. Despite our regular information to you about our conduct, I have been told that there are some former chairpersons who are not willing to vacate their offices. There is a chairperson who wants to retain his Member of Parliament office as well as the chairperson’s office. Can you imagine one Member having two offices in this institution? We have told you that the chairperson’s offices are for the institution. They are not personal to the Members.

I would like to appeal to the chairpersons and deputy chairpersons that once you leave the chair, you must go to another office and leave the label because it is an institutional office. You are given one week to vacate the offices. If you fail, the Sergeant-at-Arms will assist you. The appropriate whips should allocate an office one week after the outgoing chairpersons and deputy chairpersons have vacated so that arrangements can be made for them to be properly accommodated.

Please, whips, look at your proposed leadership and ensure that the old chairpersons and deputy chairpersons have vacated the offices within a week and the incoming should be able to come into the institutional offices of the chairpersons. Thank you very much.

3.35

**MS ELIZABETH KARUNGI (NRM, Woman Representative, Kanungu):** Thank you very much, Madam Speaker. Like you have observed, the heat is too much and it is very serious. I remember in the Ninth Parliament, we encouraged those who were concerned to stop people from building in the swamps. If you move around Kampala, those who have big factories have put them in swamps and the law has been there. Those who have big churches have also put them in swamps. Those who have serious nice homes and rental houses have put them in swamps and the law has been in place.

I wonder what is happening with our officers and the ministries in charge. Why are they not performing their duties to make sure that our environment is protected? I would like to request that we enforce this law and use all the means to make sure that these people leave the swamps because they have disorganised the environment and it is affecting everybody. These are people who have money and should leave the swamps with immediate effect. If you put a factory worth billions of shillings and you know what you are doing is not right and you are not even a Uganda - Anyway, sorry but some of them are not Ugandans. If they do that to us, they have the capacity to go back to where they belong and we remain here suffering.

Madam Speaker, they should leave immediately. Thank you.

**THE SPEAKER:** Hon. Karungi, can you indicate where these factories are and the name of the swamps so that we cause action?

**MS KARUNGI:** Madam Speaker, there are very many. I am going to write them down and bring the list to this House.

**THE SPEAKER:** Thank you very much.

3.37

**MS FLORENCE NAMAYANJA (DP, Bukoto County East, Masaka):** Thank you very much, Madam Speaker. Sometime back, we were informed by the Minister in charge of Environment - and there was a directive that there are some land titles within the wet lands that are supposed to be cancelled. May we get more clarification on this cancellation of the land titles that are in the wetland? The list was given.

**THE SPEAKER:** I will ask the Clerk to retrieve the list so that you can forward the issue to the minister for urgent answer.

3.38

**MR CHARLES ILUKOR (NRM, Kumi County, Kumi):** Thank you very much, Madam Speaker. I rise on a matter of national importance regarding the completed fruit factory in Soroti.

You will note that last year, in September, we raised the same issue and asked the minister when the factory will be opened. The minister promised that the factory would be opened on 20 October 2018. The date has kept on shifting and up to now, the factory is not open.

Around January, we were given information that the President was coming to commission the factory but at the last minute, when we were preparing to go, the function was cancelled.

The information available is that the factory may never function. The factory was actually fitted with wrong equipment despite the advice from Uganda Industrial Research Institute. Therefore, it is very impossible to commission the factory when it cannot consume the local fruits around. The factory is turning out to be a white elephant and the people are bothering us left and right as to when the factory will open.

My prayers are; let the minister come here again and deceive us as to when they will commission the factory. Secondly, I pray that in your wisdom, the minister should come and clear the allegation that the factory was fitted with the –*(Interruption)*

**MR MULINDWA:** Thank you, Madam Speaker. The honourable colleague is seeking clarification and wanting information from the minister and he is using the word “deceive.” He has said, “Let the minister come and deceive”. Is he in order to use such statements on the Floor of Parliament?

**THE SPEAKER:** Honourable members, owing to the fact that he was given a date of October 2018 to open and it has not happened, that is why he is saying that.

**MR ILUKOR:** Thank you very much, Madam Speaker, for your wise ruling. It is not only once, he has said it several times. It was 20th October, 20th November and another date in January. So, isn’t that lies, honourable colleagues? *(Interjections)* I was asking that the Committee of Trade and Industry other than the minister also interests itself to establish whether this allegation of wrong equipment in the factory –

**THE SPEAKER:** No, this is not a debate. It is about the factory not being operational. Unfortunately, I was beginning to encourage the Basoga to take their fruits to Soroti but now, it seems I am giving wrong advice.

I instruct the Committee on Tourism, Trade and Industry to visit the Soroti fruit factory and come back and give us a report. In the meantime, the Minister of Trade and Industry should come here quickly and tell us when or whether the factory will be open. We want an answer next week on Thursday.

3.41

**MS MARGRET LAMWAKA (NRM, Woman Representative, Kitgum):** Thank you, Madam Speaker. I rise on a matter of national importance.

Aware that Uganda celebrates the life of the Late Archbishop Janani Luwum on the 16th February every year, this date was pronounced in 2015 by H.E the President of Uganda as a public holiday.

Ugandans and the whole world who are always responding to this day as pilgrims converge in Kitgum District, Mucwini sub-county to celebrate the life of our father, brother, preacher, teacher, mentor and above all the martyrdom of Church of Uganda in the second century after James Hannington who also suffered his fate in Uganda on 3 June 1886 followed by his companions who were also martyred on 29 October 1885.

My concern here is that this fateful day of Janani Luwum is not budgeted for by the Ministry of Ethics and Integrity. Every year, the local people and well-wishers are supposed to contribute for the commemoration of the day. This year, it was worse, the pilgrims who walked all over to go and celebrate turned to walk back with swollen legs.

Kitgum Diocese and Church of Uganda has remained with a lot of debt to the tune of almost shs 100 million for last year’s function.

My prayers are;

1. The Ministry of Ethics and Integrity includes these holidays of Uganda Martyrs 3rd June and 16th February in their budget.
2. The ministry should build this holy ground as it was promised to the standard of Namugongo. I beg to submit.

**THE SPEAKER:** I do not know whether it is the Ministry of Ethics and Integrity that is supposed to do this. You remember during the Budget Speech, I asked the Ministry of Finance, Planning and Economic Development to budget for Mucwini, to budget for Kyando-Bunya and the other sites where the martyrs died but I do not know which ministry owns this issue.

3.45

**THE MINISTER OF STATE, GENDER, LABOUR AND SOCIAL DEVELOPMENT (YOUTH AND CHILDREN AFFAIRS) (Ms Florence Nakiwala):** Madam Speaker, it is the Office the Presidency. Thank you.

**THE SPEAKER:** Honourable members, all these are matters of Uganda and I think we should support the prioritisation and elevation of the facilities.

3.45

**THE MINISTER OF STATE, OFFICE OF THE PRIME MINISTER (NORTHERN UGANDA) (Ms Grace Kwiyucwiny):** Thank you, Madam Speaker. What I know and what we always discuss in Cabinet is that there is a budget for all these national days but it is never enough to cater for everything and people contribute a lot.

In Cabinet, what we are now discussing is that whenever there is a national function, whether it is Martyrs’ Day or any celebration, there should be a landmark of that celebration. There should be some project left behind. That is what we are discussing.

Otherwise, all national functions are budgeted for under the Presidency or the ministry responsible. However, what I can say is that it is never enough to cater for each and everything.

**THE SPEAKER:** We shall ask the Minister for the Presidency to come and explain to us because I have not seen any money for Kyando-Bunya. Hannington was the first martyr for Uganda in 1885. The Minister for the Presidency should come and brief the House about the arrangements and funding for the various martyr’s days. There is 16th February for St Janani Luwum, 29th October for St James Hannington and 3rd June, which is catered for. There are also martyrs like St Matia Mulumba, St Gonzaga Gonza. We need an answer for all of them so that we can plan properly. The minister should come and report next Thursday.

3.47

**MS FAITH ALUPO (NRM, Woman Representative, Pallisa):** Madam Speaker, I rise on a matter of national importance regarding Hepatitis B, especially in Pallisa. I would like to begin by thanking the Government for expanding the Hepatitis B vaccination services to Pallisa District. However, by the time Government came to the rescue of our people, most of them had already contracted the virus.

Much as we have Hepatitis B vaccination in the health centres, they have not yet given us medication for those who had been tested positive. They are being referred to Mbale Hospital, which is far away from Pallisa District and some people do not even know where Mbale Hospital is located. Therefore, at the end of the day, most of our people are lying in their households without medication for Hepatitis B.

Madam Speaker, my prayer is that Government helps the people of Pallisa by rescuing them as fast as possible. We have Pallisa Hospital where the Government may put the equipment and medication for people suffering from Hepatitis B so that those who are tested and found to be positive can easily access medication from Pallisa Hospital other than travelling a longer distance to Mbale Hospital. Thank you.

**THE SPEAKER:** The Minister of Health is requested to go and address the issue of Hepatitis B care in Pallisa District and give us an update next Thursday.

3.49

**MR ROLAND MUGUME (FDC, Rukungiri Municipality, Rukungiri):** Madam Speaker, I rise on a matter of national importance. When the Primary Seven and Senior Four examination results were released, the Minister of Education and Sports reported that a number of candidates’ results were withheld and investigations were on-going. It is now a month and the report is not yet out. The parents and children are stranded.

My prayer is that the Ministry of Education and Sports avails this Parliament a comprehensive report on the withheld results. In my constituency, I have one school where there were 92 candidates. Eighty received their results while 12 had their results withheld. Parents and children are stranded. We seek an explanation from the Government. Thank you.

**THE SPEAKER:** Honourable members, of course, this touches the future of these children and the parents are equally unsettled because they do not know what to do with the children. Can we ask the minister to report to us on Tuesday because time is going and we should know whether the students are going to repeat or they will just sit in the villages.

3.51

**MR SIMON OYET (FDC, Nwoya County, Nwoya):** Thank you, Madam Speaker. I rise on a matter of national importance. Some time back, this Parliament passed a loan to pay traders and companies, which suffered losses in South Sudan due to the crisis there. We have information that some payments were made and that out of the 23 companies, which were approved by Parliament, only 10 were paid. To our disappointment, some of the companies, which were paid, were not actually the ones that suffered the losses in South Sudan.

I, therefore, request this august House to demand the Minister of Finance, Planning and Economic Development to give us the list of all the companies that were paid with Ugandans’ money and secondly, they should tell us the criteria used to select the 10 which were paid out of the 23 that were approved.

Some of these companies and individuals are being pursued and taken to courts for failure to pay loans and they are losing property. These companies had a chain of people behind them and they were not doing business alone. There were people supplying them and even those suppliers are being taken to court.

**THE SPEAKER:** Honourable members, this House has been engaged on this issue for several months. Therefore, the Minister of Finance, Planning and Economic Development should come here on Tuesday and table a full list of those who have been paid and those who have not been paid.

People’s businesses are being ruined and unfortunately, they end up in our offices. They petition and I have to look for the Minister of Finance, Planning and Economic Development and the Minister for Trade and Industry. Please, Minister of Finance, Planning and Economic Development, on Tuesday come and table that list of traders who lost items in South Sudan.

3.54

**MR PATRICK NSAMBA (NRM, Kassanda County North, Kassanda):** Thank you very much, Madam Speaker. I would like to raise a matter of national importance concerning Kassanda District. You may recall that on 1 July 2018, Kassanda and five others started running as districts. Unfortunately, they were not given road equipment yet, money was allocated to those districts. In August last financial year, the Chief Administrative Officer of Kassanda District wrote to the ministry about the same problem, saying we have the money but without road equipment for us to utilise the money.

The ministry responded by deploying one of the graders they had and the district was able to utilise money for quarter one and quarter two. Unfortunately, the grader that was deployed was withdrawn when money for the first two quarters were utilised. The district has money on the account and has no machines to enable them utilise the money.

I was informed, as a Member of Parliament, to raise this matter and we see what the districts can do. They have resorted to writing to nearby districts to borrow equipment but no district is willing to lend them.

**THE SPEAKER:** Honourable member, I think the simple thing is that you are a new district and you need your equipment.

**MR NSAMBA:** Yes, Madam Speaker. We need the road equipment but in the meantime, we have resources that might be returned, yet, people are suffering with the roads in the districts.

**THE SPEAKER:** I do not know how your region operates but in Busoga, we sometimes share equipment. Aren’t you able to borrow from Mubende, your mother district? They have both the Chinese and Japanese equipment.

**MR NSAMBA:** Madam Speaker, that was the advice that came that we borrow from nearby districts. However, all the nearby districts are busy working on their roads.

**THE SPEAKER:** Minister of Local Government, when will you give equipment to the new districts?

3.57

**THE MINISTER OF STATE FOR LOCAL GOVERNMENT (Ms Jenipher Namuyangu):** Thank you, Madam Speaker. As hon. Nsamba has pointed out, we have a challenge because the units that were procured did not include the districts that started last year in July and those that are going to start this year, as well as the municipalities. Otherwise, borrowing equipment from neighbours will be difficult.

As you are aware, just like districts, the sub-counties are given money for fuel and they are working within the set time. If they do not use these equipment and the money that is given to them in a financial year, they lose it back to the center.

**THE SPEAKER:** Honourable minister, I thought there are regional centers where there is some common equipment. I know that.

**MS NAMUYANGU**: Madam Speaker, at the regional centres, it is only the bulldozers that are there.

**THE SPEAKER**: Can you give us a solution - because you are the minister?

**MS NAMUYANGU**: My proposal would be that – Madam Speaker, I need protection from my honourable brothers –

**THE SPEAKER:** Hon. Nzoghu, please, sit down. *(Laughter)*

**MS NAMUYANGU:** Madam Speaker, I am speaking with authority. The new road equipment that were brought at the zonal offices are the bulldozers, which are shared by the districts.

The other road units were given to the respective districts. However, it is also true –

**THE SPEAKER:** Honourable minister, can you give us a solution? What is your advice to the people of Kassanda?

**MS NAMUYANGU:** My proposal is that since the Ministry of Works and Transport retained some road units, they should be able to lend to the new districts as we plan to procure for them. That is my proposal.

**THE SPEAKER:** As the line minister, could you propose that to the Minister of Works and Transport that you are not able to give the road units but they should lend? Please, give me a copy of that proposal so that we can share it with the new district.

**MS NAMUYANGU:** Most obliged, Madam Speaker.

**THE SPEAKER:** Thank you very much. Before hon. Mbwatekamwa comes, in the Public Gallery, we have Student’s Guild Cabinet of Gulu University, represented by the Leader of the Opposition, hon. Betty Aol and hon. Lyandro Komakech. They are here to observe the proceedings. They are really smart. You are welcome. (*Applause)*

4.00

**MR GAFFA MBWATEKAMWA (NRM, Kasambya County, Mubende):** Madam Speaker, I rise on a matter of national importance.

As you may be aware, National Identification Registration Authority (NIRA) launched a national campaign to register all Ugandans from zero years to infinity. *(Interjections)*

**THE SPEAKER:** Order, Members. Allow hon. Mbwatekamwa to speak.

**MR MBWATEKAMWA:** Madam Speaker, the exercise is good but they are extorting money from our people. In Mubende, people pay between Shs 10,000 to Shs 20,000 for registration. This is not a new scenario because at the time of registering primary pupils, we also paid money.

Madam Speaker, the exercise is very expensive for Ugandans. My prayer is that the Minister of Internal Affairs should give us a statement whether this money is legally solicited. I would like to also request the sharpshooter, hon. Rukutana, to give a hand why people are extorting Ugandans –

**THE SPEAKER:** Is he a sharpshooter? Honourable members, this is a national issue. We ask the Minister of Internal Affairs to come and update this House next Wednesday, about Shs 10,000 and whether the money is official or not. The minister should also update us about the action he is taking. Otherwise, people need their identify cards for banking and schools. Thank you.

4.04

**MS JACQUELINE AMONGIN (NRM, Woman representative, Ngora):** Madam Speaker, I rise on a matter of national importance in regard to the looming famine in Teso, Karamoja, Busoga and some areas in the cattle corridor.

Last year, the Ministry of Finance, Planning and Economic Development released money for resettlement of people in Bugisu sub-region but the food aspect is still a very alarming issue.

Madam Speaker, looking at the climatic conditions in Uganda, normally in January to April, these areas tend to be heavily affected. Yet, the ministry sometime releases money in July to December to purchase some disaster emergency relief for the people in those areas.

Therefore, I pray that the minister clarifies to Parliament how much will be available from the Ministry of Finance, Planning and Economic Development to address such disasters and give that money to the respective ministry in order to address those emergencies in Teso.

This weekend, I came from Teso but some of the expectant mothers are in disarray. Karamoja region is even worse and some of the places in Bugisu including Busoga are very wanting. I beg to move.

**THE SPEAKER:** Honourable members, I do not know whether the situation has been assessed and quantified in terms of money and food. Maybe, we should ask the ministry to check. To say how much they are going to spend, I do not know that. Can we first establish the problem?

**MS AMONGIN:** Madam Speaker, I remember we had an ad hoc committee of this very House, which was chaired by the then Chairperson of the Committee on Agriculture, Animal Industry and Fisheries and I. We worked closely with the Ministry of Agriculture, Animal Industry and Fisheries and Office of the Prime Minister and an assessment report was brought indicating areas that are prone to disasters especially, during drought and flooding seasons.

Madam Speaker, there was also a recommendation in this very House that –*(Interruption)*

**MS ANYAKUN:** Thank you, Madam Speaker. There is what is called lean season. Lean season is a period when there are no rains and it starts in December. Just as my sister, hon. Amongin, has said, two weeks ago, an old woman was found dead in one of our constituencies in Karamoja; she died of famine.

The problem is bigger than you can imagine. I remember sometime back last year, I brought this matter on the Floor of Parliament that Government should plan during the lean season and get funds especially, for these places that experience drought.

Actually, all the cows go and look for water. This means that the people who are depending on pastoral lives have nothing in their homes during this season. For sure, we need this kind of planning such that by December, the Ministry of Finance, Planning and Economic Development injects funds in all these regions and cater for the people. Otherwise, it is hard to find a family where fire has been lit for more than one week because they have nothing to put on fire. Thank you.

**THE SPEAKER:** The difficulty is in how we assess this.

**MS AMONGIN:** Madam Speaker, in 2017, the ministry did an assessment. It was the recommendation of this House that annually, assessments of the different areas that are affected by these changes are done. Since we last made an assessment –

**THE SPEAKER:** Who was supposed to do that assessment?

**MS AMONGIN:** That was the Office of the Prime Minister, together with the Ministry of Agriculture, Animal Industry and Fisheries. We had also requested that the two ministries come and give a comprehensive report in regards to short term, medium term and long term strategies in addressing the disaster. The Office of the Prime Minister came and gave us what their mandate is. However, to date, neither has the Ministry of Agriculture, Animal Industry and Fisheries nor the Ministry of Finance, Planning and Economic Development come to Parliament to tell us about the usage – (*Member timed out.*)

**THE SPEAKER:** Let us hear from the Minister of State, Office of the Prime Minister.

4.08

**THE MINISTER OF STATE, OFFICE OF THE PRIME MINISTER (NORTHERN UGANDA) (Ms Grace Kwiyucwiny):** Thank you, Madam Speaker. What hon. Amongin is saying is new. It is true that the Minister, Office of the Prime Minister (Relief, Disaster Preparedness and Refugees) always has information but what she said is new. It needs an assessment of the current situation so that something can be planned accordingly. So, I will report to the minister responsible accordingly.

**THE SPEAKER:** Can he give us a report in a forth night about the situation in the areas mentioned?

**MS KWIYUCWINY:** I will report to him.

4.09

**MR LAWRENCE SONGA (NRM, Ora County, Zombo):** Thank you, Madam Speaker. I rise on a matter of national importance concerning land wrangles and evictions. The next war we shall be fighting in many communities will be on land and water. This is specifically in Kigorobya where over 300 families have been evicted in the last two weeks with 135 persons arrested. Of the remaining members of the 300 families, we do not know their whereabouts.

The size of the land is about 500 acres especially in Kyabasagazi, Kigorobya in Hoima. The evictees are being termed as Congolese rebels or Pele Kingdom. However, the information that we have is that they are the people who settled in Bunyoro for a very long time especially the Luo who settled with the Banyoro since 1290 and they lived in Bunyoro Paluo among the clan of Kyomya. These are the Alur, the Kebu, the Lendu and others.

**THE SPEAKER:** What are your prayers?

**MR SONGA:** Madam Speaker, my prayers are that:

1. Government halts the eviction
2. The injured should be treated and food provided for them
3. A committee of Parliament should investigate this issue
4. Government should account for the 300 families and 138 persons arrested
5. Government should provide security to the affected persons
6. Government should explain the involvement of the Minister of State, Prime Minister’s Office (Bunyoro), the RDC of Hoima and Mr Edgar Agaba, the former PPDA man
7. Government should also provide documentation that this land belongs to Edgar Agaba-

**MR MUHEIRWE:** Thank you my brother for giving way. Madam Speaker, I am a neighbour who was formerly living in Hoima before Kikuube District was curved out. There is another method of evicting people by labelling them rebels so that security can evict them at no cost. I am wondering how 300 families can be evicted without a court order and then somebody says these are rebels. In searching, they find Uganda national identity cards. I am also giving information that I have heard this is going to be another method of evicting people.

**MR SONGA:** Thank you. In conclusion, I would like to request that the deployment of the UPDF especially in the villages of Kebi 1, Kebi 2, Hanga and the villages of Kapaapi, Lenju and Rwamutunga be explained. This is very important so that we can address the issue of co-existence as we have competing demands for land. Thank you.

**THE SPEAKER:** Honourable minister, do you want to say something?

4.13

**THE MINISTER OF STATE, OFFICE OF THE PRIME MINISTER (BUNYORO AFFAIRS) (Mr Ernest Kiiza):** Thank you, Madam Speaker. This country is peaceful. We are enjoying stability and I would like to request all of us to strive to protect it.

I have been to that place. Last year, I held two meetings with those people who they claimed have been evicted. I have held several meetings with them. First of all, they were proving to be very stubborn. They could not allow even the police to go there; they chased away the police. They were all afraid.

At one point, I went there and told *– (Interjections)*– Please, give me time to speak. When Government received information that there was a security threat, we investigated and found out that there were only women and children living in the houses. The men were not appearing. They would only appear on particular days.

We carried out what we called a cordon and search operation. During this search, those people fought our security forces and killed one policeman. So, all these were arrested. They are not 300; they are only 70 people and they were arrested for killing a policeman. They were found with spears and arrows.

Let us give ourselves time. Government is investigating this issue. I had a meeting with the Members of Parliament who come from Hoima: hon. Karubanga and hon. Dan Muheirwe. It is surprising that our political leaders are the ones bringing Congolese – (*Interjections*) – There are Congolese – (*Member timed out.*)

**THE SPEAKER:** Honourable minister, you know you are interesting. First, you said they chased the police but for you, you were able to go there to address them. Then, you said it is only women and children who were in the houses. Was it the women and children who chased the police? I think we should ask the Prime Minister to carry out an urgent investigation into this matter and report to us next week. (*Members rose\_)* Honourable members, can we have this matter investigated?

Do not forget that the oil in the area can cause a lot of interests. Therefore, we want an answer from the Prime Minister on this issue next Tuesday. Thank you.

**MR MUHEIRWE:** Madam Speaker, as they have informed you, over 120 men were arrested; women and children have been told to go somewhere else and not in that land. They are now hiding in the bush, unable to get food and there is a security ring, what they call cordon and seal. They say that whoever will feel hungry will come and get arrested.

Now, we are giving up to Tuesday. Are we, therefore, being humane if we postpone? This happened on Tuesday last week. Today is Thursday and then we say Tuesday -

**THE SPEAKER:** What is your proposal?

**MR MUHEIRWE:** My proposal is that we should have an immediate intervention. A committee should go and we rescue some of these people before they die. Much as we call them Congolese, I know they were from West Nile and they acquired land legally. *(Interjections*) Yes, it has turned into a tribal war.

**THE SPEAKER:** Is the committee able to take food and distribute it between now and Tuesday? Is it feasible?

**MR FUNGAROO:** Thank you, Madam Speaker. First thing first, what we can do even here is no.1, to uphold the first prayers to stop the eviction. If the security forces are under civilian command, they will obey your command. Let them suspend the eviction awaiting the investigations of Parliament.

Secondly, the people who are scattered in the bush should be rescued and gathered to a place where they will be accounted for. Those who are injured can be given treatment as Parliament organises to go there. I beg to submit.

**THE SPEAKER:** It is only Government, which can do that. Shall we ask the Red Cross to go there? I am trying to see how it can be done.

**MR MWIRU:** Thank you very much, Madam Speaker. From the submission of the honourable minister, this comes out as a land dispute. What they are all using is their mighty being in power and using the military. This even determines when the husband should go back home.

I am of the view that a committee of Parliament investigates this matter other than ordering the Prime Minister to do the investigation. In any case, the Prime Minister is the head of Government in terms of supervision and ministers. These matters are taking place when the Office of the Prime Minister exists.

Therefore, I wonder if it is procedurally right that a committee of Parliament interests itself into this matter so that they can investigate the security dimension because I normally see the honourable minister - you look like a Congolese but I have never arrested you. Therefore, it is very surprising.

**MR OLANYA:** Thank you, Madam Speaker. According to the minister, there are some UPDF soldiers who are staying within that area and terrorising the people. We have the ministers in charge of the UPDF security here; why can’t you direct the honourable minister to instruct the UPDF who are there to allow our people to enjoy their land rights.

Madam Speaker, this is impunity, which has happened even in many other areas. Many of our people are being denied their land rights because of the impunity of some greedy individuals. Let the honourable minister stop evicting the people who are there. That is my submission.

**THE SPEAKER:** I do not know who is evicting and which security is there. Honourable Minister of Defence, can you tell us what is happening so that we know how to move?

4.23

**THE MINISTER OF STATE FOR DEFENCE AND VETERAN AFFAIRS (VETERAN AFFAIRS)(Lt Col (Rtd) Bright Rwamirama):** Madam Speaker, this is not a matter that we have to trivialise. This is a serious security matter. Uganda is surrounded by many conflict areas and we have a huge influx of refugees. Refugees here are settled in camps and not in villages *–(Interjections)–* please, I am talking.

The matter being talked about is a security concern. We have sent intelligence officers to evaluate - what is happening is that some foreigners are coming into this country and officially*-(interjections)-* Yes*-(Interruption)*

**MR FUNGAROO:** Madam Speaker, we know that there are conflicts in the neighbouring countries of Uganda; we also know that they are refugees who have entered our country and that there are camps. Refugees who enter the country are supposed to be taken to the camps and not to be just evicted.

Is the minister in order to justify eviction as a way of handling refugees instead to taking them to the settlement? Do you evict refugees or you organise and take them to the refugee settlement?

**THE SPEAKER:** Honourable members, this is getting a bit complicated. Members think the Prime Minister’s Office should not investigate. Can we send the Committee on Human Rights? Can we ask Human Rights Commission to go there - because they are not part of this? Would that be okay to send – no for the immediate?

**MS SSEMUJJU:** Madam Speaker, it will be a dangerous precedent to absolve Government of its responsibility. A colleague has raised a matter and another colleague has supported him. This Parliament should just direct Government to go and sort out the matter.

There are matters that are urgent and the only body that has capacity to shift the act is Government. We can only guide them on how we want them to handle this. This is what I would like to propose. We do not want to give them an open cheque. If Government thinks there is a matter of security concern, we also have a concern on how you are handling human beings. These two can be handled together.

The proposal that I would like to invite Parliament to support is to stop the forceful eviction. When you stop it, you investigate and then come to tell Parliament because you need to share with Parliament and Uganda what has happened. This is not a private estate. Therefore, if there are issues of security, you come and brief Parliament but you stop herding and harassing human beings.

We also invite the Office of the Prime Minister to which we commit resources every year, to go and provide relief to those people as these measures are being taken. That is my proposal.

**THE SPEAKER:** That is the difficulty I have. Who should go there and who should be tasked to do it? There are immediate issues of relief and security, which the committee cannot handle.

**LT COL (RTD) RWAMIRAMA:** Madam Speaker, the trouble is that we just want to nab the explanation before it is completed. I would like to tell the House that this is a serious matter. Unfortunately, the local politician seems to be manipulating it.

We are going to isolate the variables *–(Interjections)-* yes, you are joking – and we shall report to this House the findings and actions taken.

**THE SPEAKER:** The Minister of Public Service wants to say something. Let us listen to him first.

4.29

**THE MINISTER OF PUBLIC SERVICE** (**Mr David Karubanga):** Madam Speaker, the issue being talked about is in my constituency. I was out of the country and we had had quite some clashes or tensions between the people on the land and the neighbouring communities because of their benefiting from renting through the *Busuulu* from the landlords.

It had degenerated into a security situation. Personally, since I was not present, I had to believe security because what I gathered was that the communities had created a Republic. The only problem was that many people were affected and we have a humanitarian issue. We lost a police officer, which was very unfortunate but we have serious humanitarian issues. There is nobody on the land; they are in the bush.

Parliament or Government should come in, in addressing the serious humanitarian issue as they also try to weed out the wrong elements that were causing the insecurity in the area.

4.31

**MR ANTHONY SSEMULI (NRM, Mubende Municipality, Mubende):** Thank you, Madam Speaker. I am rising on the issue of land disputes. In my jurisdiction, I am prone to land disputes. I do not know whether there is a hidden agenda to evict Ugandans. From experience, even in Mubende District, the first excuse they come up with is security.

Just near the barracks, we have a case of reference. There is an area called Kambuye. To our surprise, we are being informed that the tenants are foreigners. How do you define and vary a foreigner from a national who holds an identity card?

I have been watching all land evictions, now in Kigorobya (Bunyoro); Mubende, Mityana, Kassanda and Kasambya. The justification is security issues. They come up with that excuse, which is classified and you cannot challenge. We find ourselves as leaders left with no remedies.

This is a legal issue. The land Act is very clear. For very many years, we have been demanding land tribunals. This is well provided for within the Land Act. Why aren’t they operationalised if it is a remedy, which is going to provide a solution? Thank you.

**THE SPEAKER:** Honourable members, it seems this is a deeper issue than we thought but we shall reflect on how to handle all these series of evictions. For now, we need to deal with the humanitarian situation. We ask the Prime Minister’s Office to go and support the communities there, make sure that they get some food and also stop the evictions and give us a report. *(Applause)*

Honourable members, if you are not careful, this country is going to be taken over in ways that we do not understand. I will give my ruling on the bigger one, which the Member of Parliament for Buwekula has brought out so that we get a way forward. For now, stop the evictions, support them to get food and if necessary, the Uganda Red Cross should also get involved so that they are assisted.

Honourable members, I informed you that we have guests; my counterpart, the Speaker of the Parliament of Serbia is here together with her delegation. You are welcome. *(Applause)*

The Speaker is Rt Hon. Maja Gojkovic accompanied by;

1. Prof. Dr Zarko Obradovic, the Chairperson of the Foreign Policy Committee
2. Hon. Dragomir Karic – President of the Serbia-Uganda Parliamentary Friendship group.
3. Amb. Dragan Zupanjevac – Ambassador of Serbia to Uganda based in Nairobi
4. Mr Dragaga Djurasinovic Radojevic – Advisor in the Speaker’s Cabinet
5. Ms Marjana Jeremic – Advisor for Media in Cabinet of Speaker
6. Mr Dragana Pokrajac - Interpreter
7. Mr Jasminka Urosevic – Senior Protocol Officer
8. Mr Darko Milanovic – Security Officer
9. Ms Danica Kostic – Journalist
10. Mr Dejan Popovic – Camera person

They have come to observe the proceedings before we have our meetings tomorrow. You are welcome.

Honourable members, there are several matters to handle but I think we have so far taken 11 Members. Let us take the last person; the others will speak on Tuesday. I know there is hon. Oguzu and hon. Nyakecho but the latter’s is more burning. Let us do it quickly.

4.36

**MS ANNET NYAKECHO (Independent, Tororo County North, Tororo):** Thank you, Madam Speaker, for this opportunity. I rise on a matter of national importance.

This morning, Tororo woke up to yet another serious clash. A fight occurred between the people of Tororo County and the security team of Tororo District. This was because a group of councillors from Tororo District were blocked from accessing the council premises. The District Police Commander (DPC) of Tororo woke up very early in the morning with a list of who should access the council premises. He pointed out that if any councillor did not have an invitation, the councillor was not welcome to the council premises.

Madam Speaker, the councillors who were blocked were from Tororo County. This prompted them to use force to access the council premises. However, it ended up in retaliation from the security team in Tororo. They used rubber bullets, tear gas *–(Interruption)*

**MR ANGURA:** Thank you, colleague, for giving way. The situation that we encountered in Tororo was not very good. I would like to inform my colleague that as we speak, very many of our people, including the councillors who had gone to attend the meeting, were denied access. However, those from West Budama were escorted by security to the council hall for whatever deliberations that they were going have there.

The information that I want to give my sister and the House in general is that the issues of Tororo took us to London on 16 June 2018. The faster these issues are resolved, the better for all of us. Those who were arrested should be immediately released unconditionally and the Minister of Internal Affairs should come and explain the role of security in stopping eligible councillors from accessing the council*- (Interruption)*

**MR OTHIENO OKOTH:** Thank you, Madam Speaker. The country may recall that during the Liberation Day anniversary celebrations in Tororo, the President of this country held what he called the first council sitting of the Tororo District Council. Symbolically, he called all Members of Parliament from Tororo and the general Teso to come together.

Madam Speaker, during the burial of the mother of hon. Yeri Ofwono, hon. Nyakecho was on the spot and she said that -

**THE SPEAKER:** Honourable member, the issues raised were what happened today in Tororo, not about the burial.

**MR OTIENO:** I am coming to that.

**THE SPEAKER:** What is the point of order?

**MR OTIENO:** Madam Speaker, the Member said as far as they are concerned, they cannot respect the President’s advice. Therefore, she called upon all members of the council from Tororo County not to attend any council sitting. Yesterday, the councillors from Tororo County addressed a press conference and warned whoever dared to go for that council *–(Interruption).*

Madam Speaker, my sister and brother are the very people who advised the councillors not to attend the meetings. They advised councillors to use all means to stop council meetings. Is my colleague, hon. Nyakecho, in order therefore to cry crocodile tears here and claim that her people have been stopped from attending council when she is the very person who advised her people not to attend?

**THE SPEAKER:** Honourable members, I did not attend the funeral of hon. Ofwono’s mother. In addition, the Members who went have not reported to me what happened. Therefore, I am not in a position to rule on that issue.

However, I would like to appeal to the Government. Some months ago, I do not remember who wrote to me from Tororo but they said “You are sending money but we have no district council, no public accounts committee, no district service commission…” It was a very long letter. I sent it to the President and said, “Your Excellency, why don’t you solve this problem?” He wrote to me and said I should give him a few months. However, this is still happening up to now.

There is no Prime Minister here today. We spent money to send people to London to look for the maps but we have not seen the report.

**MS NYAKECHO:** Thank you, Madam Speaker, for your guidance. If hon. Okoth Othieno wants me to shed real tears for him in this House, I can because I know the pain our people have gone through.

Madam Speaker, the issue of Tororo is not news to anybody in this House and this country. Everybody knows what is happening in Tororo. My people today were beaten up by security forces. One of them was shot in the leg and is admitted in hospital. In addition, for hon. Okoth Othieno to rise and assert that I am crying crocodile tears, may God forgive you!

Madam Speaker, my prayer to this House is like what you have mentioned. The Attorney-General is here seated and he was among the delegation that went to London. Could he give information to this House? We want your London findings. Please tell us. Other teams have gone to London; the Apaa team went recently –*(Member timed out)*

4.45

**THE MINISTER OF STATE FOR LOCAL GOVERNMENT (Ms Jenipher Namuyangu):** Thank you, Madam Speaker. The issue of Tororo is before His Excellency the President.

Today’s council meeting came about as a harmonised position so that the council can start sitting and sort out issues like instituting the district service commission and other institutions that are not yet in place in Tororo. It is very unfortunate if there was chaos and fighting. I condemn it. As a ministry, we were consulted and we advised them to have their council meeting and we expected it to be a peaceful one.

I would like to appeal to colleagues, because at times when we are here it becomes tribal and looks like we are fighting each other. Our people have lived together all this time and have intermarried. Therefore, I would like to appeal to the leaders to lead the crusade of uniting our people.

It is very unfortunate because at times, even us, as ministers, when we want to meet these councillors, we find external forces coming in. Let the Members of Parliament concentrate on legislating and leave the local government *–(Member timed out.)*

**MS NYAKECHO:** Madam Speaker, as I conclude, picking from the minister’s words, we are sent here to represent the people. We are here speaking because of the mandate that we were given by the people. You cannot sit here comfortably in this air conditioned room when there is fire burning behind you. We shall be lying to ourselves.

Yes, the council meeting was supposed to take place, but honourable minister, do you think that it was a good thing to isolate a section of councillors and to plant a whole battalion of policemen at the gate? If your name was not on the list, then you were not allowed to enter. Is that what the Ministry of Local Government is promoting, that councillors should just be handpicked? That was the genesis of the problem.

Madam Speaker, we have *–(Member timed out.)*

**THE SPEAKER:** Okay. Can I ask the Minister of Local Government to go and investigate the situation in Tororo and give us a report next week so that we know what to do?

**MS NAMUYANGU:** I would like my dear sister to know that the Ministry of Local Government cannot allow what happened. If it happened, I said it is unfortunate and we condemn it. We shall investigate and bring a report to this Parliament.

**THE SPEAKER:** Minister, can you also, as Cabinet, discuss this matter and conclude it? It has been here for over 15 years. We, therefore, expect a report from the Ministry of Local Government.

4.49

**MR ABDULATIF SEBAGGALA (Independent, Kawempe North Division, Kampala):** Thank you very much, Madam Speaker. Last week, business in Kampala was disrupted, especially for businessmen and businesswomen who work downtown. This was as a result of the wrangles between the late Muhangi and two business tycoons, Mansoor alias “Young”, and Lubega for the ownership of that building.

Madam Speaker, we are informed that court ruled in favour of Lubega and Mansoor. Also, His Excellency the President, on the advice of the Attorney-General and others, said that these buildings should go back to their rightful owners. However, as we speak now, there are some people who now own that building which is in contention and they have denied the owners access. They are the ones collecting rent.

Madam Speaker, I would like this House to intervene so that we do not get more scuffles in the city. We need to know the rightful owners of these buildings so that nobody collects rent if they are not the rightful owners.

**THE SPEAKER:** What is your proposal? How do we intervene?

**MR SEBAGGALA:** Madam Speaker, the Attorney-General is here and the case was in court, so he is aware of what transpired. Therefore, may we get a position as to who the rightful owner of that building is.

**THE SPEAKER:** Attorney-General, we shall want you to give us a position on this issue. I think you are aware about the conflict of the Qualicel building. I am told some people have been collecting rent and generally distributing it among themselves since November yet they are not the rightful owners. Can we have an update from you next Thursday?

4.51

**MR DENIS OGUZU LEE (FDC, Maracha County, Maracha):** Thank you, Madam Speaker. I rise here on a health emergency issue that is affecting Maracha District and West Nile Subregion.

The Uganda Virus Research Institute and the central laboratories have confirmed an outbreak of measles. Whereas we expected Government to undertake mass vaccination, they have not been able to provide the urgently needed vaccines neither have they declared an epidemic in the region. Therefore, I am here to make an urgent call to the Ministry of Health to supply the districts that have been constrained and are unable to respond to the health emergency. Thank you.

**THE SPEAKER:** We request the Minister of Health to address the situation in Maracha and give us an update on Thursday next week.

4.52

**MS STELLA NAMOE (NRM, Woman Representative, Napak):** Madam Speaker, I rise on a matter of national importance.

Two weeks ago, honourable minister, you directed the Ministry of Lands, Housing and Urban Development and the Ministry of Local Government to handle the issue of the border between Napak and Katakwi. The Minister of Lands, Housing and Urban Development called a meeting and all the Members of Parliament from Katakwi and Napak attended it. In that meeting, it was resolved that the two reports from the two surveyors - an independent one and the one from the Ministry of Lands, Housing and Urban Development - be presented and shared with the committee.

We were still waiting for that process to take place. However, on Tuesday, the Minister of Local Government went to Napak and declared that the issue of the boundary is now concluded. He said that the land now belongs to Katakwi. As I speak now, so many people are going to lose their lives. This was so abrupt and hon. Terence Achia and I were not informed. There was no single Member of Parliament or Local Council V chairpersons (LCV) allowed to speak in that meeting. The leaders of Katakwi came with buses celebrating their victory and we did not know anything, only to be told that the issue has been concluded.

Madam Speaker, these eyes should respect your directive. When you give a directive, it has to be responded to properly. We cannot work in a situation of confusion *–(Interruption)*

**MS AKURUT:** Thank you, Madam Speaker. It is true that we were invited to Napak for a meeting on Tuesday. The dissemination workshop or process was held in Napak, which is hon. Stella Namoe’s constituency, where she is the Woman Member of Parliament. She was not there and hon. Achia, whom she alluded to as not being there, was available. The LC V chairpersons and other local leaders from Napak and Katakwi as well as all the Members of Parliament from Katakwi were present. It was only hon. Namoe who was not available during that process.

Madam Speaker, is hon. Namoe, therefore, in order to say that the Members of Parliament were not given the opportunity to speak, yet she was not there?

**MR TERENCE ACHIA:** Thank you, Madam Speaker. Yesterday, we discussed this very motion at length –

**THE SPEAKER:** Where did you discuss it from?

**Mr TERENCE ACHIA:** It was discussed here in Parliament. The Speaker concluded by saying that this matter should be given more time for more information to be derived. The minister, Dr Baryomunsi, discussed with me and advised me to write to him a letter, which would lead him to call the surveyors of the Ministry of Lands, Housing and Urban Development and Uganda Wildlife Authority because these are the two authorities that can help Katakwi and Napak determine their border. I also wrote to you a letter, Madam Speaker. It was in your office and I do not know whether you got it.

My prayer is that Minister Baryomunsi, whom you had already given instructions to process this, should complete that exercise. Let him send officers to the field and bring to us a report to Parliament, which will help us.

**THE SPEAKER:** Thank you, honourable members. I think it is a mistake that this matter came up yet it was discussed yesterday. Therefore, let the Minister of State for Lands, Housing and Urban Development, Dr Chris Baryomunsi, come and report as directed earlier and we have a debate later.

4.58

**THE** **MINISTER OF STATE FOR LOCAL GOVERNMENT (Ms Jenipher Namuyangu):** Madam Speaker, yesterday the same matter was brought to the attention of this House and I did say that the issue of boundaries is constitutional and they are also determined scientifically. The issue of Napak and Katakwi has been on for the last eight years. I am happy that hon. Terence Achia and hon. Stella Namoe are senior legislators and they have been around for many years in this House and have participated in this particular exercise.

When the First Lady was the Minister for Karamoja Affairs, she was involved in this issue. Colleagues and other leaders gave her conditions. One of the conditions was that they should be flown in a chopper and the President provided it. They even mentioned that the pilot should not be a Karimojong or an Itesot and they gave them a one Kakooza as a pilot with a Global Positioning System (GPS). They all saw the pillars and positions. When they came out, they said they had seen and that they were going to consult.

Madam Speaker, even when the professional surveyors of Government had done the reopening of the boundaries, they insisted that this report would not be respected. The Government again hired an independent surveyor but the two reports were -

**THE SPEAKER:** Honourable members, if it was said yesterday and the minister in charge of housing was asked to bring a report officially, why don’t we wait? Maybe I should check the *Hansard* to see who is telling me the truth. Okay, I will check the *Hansard* and come back to you.

5.00

**MR GEOFREY DHAMUZUNGU (NRM, Budiope County East, Buyende):** Thank youvery much, Madam Speaker. I rise on a matter of national importance. There is a subcounty called Kagulu in my area where 70 per cent of the people get their earnings from the lake. Two months ago, a water weed affected the areas of Irundu, Budipa**,** Ngole, Iyingo and Buyumba.

I have tried to engage the ministry because people are suffering and have nothing to eat but I have not got any response. My prayer is that you kindly direct the ministry to go and deal with this weed because people are suffering, sleeping hungry and they have not been helped. Thank you very much.

**THE SPEAKER:** Honourable members, I thought about a fortnight ago we discussed this issue and tasked the Minister of Agriculture, Animal Industry and Fisheries to deal with the weed on all the waters. If he has not yet reached Kagulu, we are going to remind him, because we discussed it and sent him. The minister is here.

5.01

**THE MINISTER OF STATE FOR AGRICULTURE, ANIMAL INDUSTRY AND FISHERIES (ANIMAL INDUSTRY) (Ms Joy Kabatsi):** Thank you, Madam Speaker. We took the matter to Cabinet and Cabinet discussed it. Several ministries wanted to take it up but finally, we agreed that it should be taken up by the Ministry of Agriculture, Animal Industry and Fisheries.

The Ministry of Agriculture, Animal Industry and Fisheries was asked to go and come up with a paper showing how much it would cost to remove the weed? Actually, the ministry in charge of security was ready to send the army to remove the weed but we decided that the scientists in the Ministry of Agriculture, Animal Industry and Fisheries should work together and come up with a better solution to the weed.

The paper is ready and we are presenting it in Cabinet to ask for money. There is $230,000 which was given by the Government of Egypt and there is a commitment of $2 million every year to work on that lake. All that has to come out in a paper so that we confirm how much money is actually available. This will be done soon because the paper is ready.

**THE SPEAKER:** Studies and investigations on weeds! Anyway, I am sorry.

5.03

**MR MOSES NAGWOMU** **(NRM, Bunyole County East, Butaleja):** Thank you, Madam Speaker. I rise on a matter of national importance.

Butaleja is known to be a flat area and right now, we are in the dry season. However, last year, we all read about how Butaleja was flooded. The only road that we have is the famous Namutumba-Butaleja-Nabumali Road. The whole team of Uganda National Roads Authority (UNRA) went there when that road was cut off and they brought a very big culvert. However, since last year, that culvert has been laying there not installed.

Madam Speaker, after a few months, Butaleja will again be cut off. All the water from Mt. Elgon and Manafwa ends up in Butaleja. This bridge that I am talking about is actually on River Manafwa. I request your honourable office to instruct the Ministry of Works and Transport or UNRA to go and install that bridge. Thank you, Madam Speaker.

**THE SPEAKER:** Honourable members, you will recall that we felt disturbed by what happened in Butaleja last season. The destruction was a lot. Therefore, if we can prevent it, we really should. The Ministry of Works and Transport is directed to go and first of all find out why the culvert was not installed and also the bridge. They should report to us next week on Thursday. The rains have somehow started and we are going to get in trouble.

5.05

**MR** **GEORGE KUMAMA (NRM, Bbaale County, Kayunga):** Thank you very much, Madam Speaker. I rise on point of national importance.

About last month, I raised an issue here about helicopters that were flying over Galilaya in my constituency at a level so low that it scared everyone in that subcounty, including the leadership. These helicopters are flown in that area without the knowledge of the local leaders and Members of Parliament.

Madam Speaker, you wrote a letter to the Ministry of Lands, Housing and Urban Development to explain that scenario and the ministry has written back to you disassociating themselves from anything concerning the helicopter flights in the area. I am, therefore, wondering what is happening. Can Government explain to us what is happening? Is it a security matter? Is it oil? What is happening in Galilaya? We need an explanation from Government to allay fears of the public in my constituency.

**THE SPEAKER:** Honourable members, the issue raised by hon. Kumama is very serious. Some of our areas have got minerals and people are trying to map out what they can take. A fortnight ago, I received a call from Namasagali; they were telling me that there were planes flying over there and they did not know why they were flying. I got another call from Kidera on the same issue - even Teso -

**MR ABALA:** Madam Speaker, even in Teso it is happening; it is not only in Mbale. There are two planes, and the two of them move very close to the ground. Sometimes they come down, then they move up, they proceed and then come back. We are therefore wondering, what is going on?

**THE SPEAKER:** We need answers because before we know it, people will have been dispossessed again. Can we ask the Minister of Works and Transport who is in charge of the air space –

**MR ANGURA:** Madam Speaker, maybe my chairperson of the natural resources committee should be saying this, but he is not here. There are aerial surveys that are going on across the country by the Ministry of Energy and Mineral Development. They are trying to ascertain the mineral wealth that we have. Even in my constituency, this has been going on. The only unfortunate thing with this programme is that they never give reports about what is underground even where they put pegs down. However, they are doing aerial surveys.

**THE SPEAKER:** Let us get an official explanation. The minister in charge of the airspace is the Minister of Works and Transport. Let her come and tell us who is flying in our airspace - Yes, Uganda is getting finished.

RESPONSE BY THE MINISTER OF INTERNAL AFFAIRS TO ISSUES RAISED

5.09

**THE MINISTER OF STATE, OFFICE OF THE PRIME MINISTER (NORTHERN UGANDA) (Ms Grace Kwiyucwiny):** Madam Speaker, I am acting as the Prime Minister today; that is why I am responding*.* The Minister of Internal Affairs has just been called to State House. He requests to report on Wednesday next week.

**THE SPEAKER:** Honourable members, these matters have been on the Order Paper for some time. Let him report on Tuesday next week.

QUESTION FOR ORAL ANSWER

QUESTION 53/03/01 TO THE MINISTER OF HEALTH

**THE SPEAKER:** Where is yourMinister of Health?

**MS KWIYUCWINY:** She is attending the same meeting; I will report back to her.

QUESTION FOR ORAL ANSWER

QUESTION 54/03/01 TO THE MINISTER OF LOCAL GOVERNMENT

5.10

**THE MINISTER OF STATE FOR LOCAL GOVERNMENT (Ms Jenipher Namuyangu):** Madam Speaker, I rise to answer a question that was raised by hon. Alex Byarugaba. This question was raised on 25 January 2019 and the question was:

*“The Ministry of Local Government created quite a number of local governments (districts), which were slated to commence during the Financial Year 2018/19 but none of them has been operationalized, putting the Government and leaders in very bad light. Can the minister update the country as to why these local governments have not been operationalised and what is the next course of action?”*

Madam Speaker, it is true, on the 3 September 2015, Parliament resolved to create new districts among which were a batch that took effect in 2018. These new districts include Kikuube, Kapelebyong, Kwania, Kassanda, Bugweri and Nabilatuk. These districts took effect on 1 July 2018 and they are operational. The ministry has deployed accounting officers and technical staff.

The Electoral Commission has, however, delayed to conduct elections for both interim and substantive leaders in these districts. There is a district council in each of these districts. The office that is vacant is the one of the district chairperson and in some districts, the office of the Woman Member of Parliament.

Under section 101 of the Local Governments Act, Cap. 43, the Electoral Commission is mandated to organise, conduct and supervise elections of local councils. The Local Governments Act further mandates the Electoral Commission to organise and conduct elections of the interim chairpersons of a new local government under section 187, Cap. 243.

Accordingly, the Electoral Commission has conducted interim elections for chairpersons in the new districts except for Bugweri and Kikuube districts. Elections for interim chairpersons in the districts of Bugweri and Kikuube were not conducted because of disagreements among the members of the interim council. All the councillors requested for deferment of the interim elections and preferred to wait for the substantive elections.

I am informed that the Electoral Commission has requested for the requisite funds to conduct substantive elections in all the six new districts. The roadmap and programme for these elections will be released soon. In addition, you are well aware that the National Resistance Movement (NRM) primaries were held on 21 November 2018 as an indicator that the electoral process is on.

The other question that was raised by hon. Alex Byarugaba was, *“When will the local council chairpersons get their bicycles?”* I would like to respond as follows:

The ministry has submitted a budget proposal to the Ministry of Finance, Planning and Economic Development for bicycles for village and parish chairpersons. The estimated cost is Shs 25,751,250,000. There is also a proposal to procure bicycles for parish chiefs in the 8,954 parishes at an estimated cost of Shs 3,133,900,000. We are still waiting for the Ministry of Finance, Planning and Economic Development to avail these funds and we shall procure and hand over these bicycles to the leaders. I beg to submit.

**THE SPEAKER:** Honourable minister, I just want clarification; are you giving the new leaders who were elected recently? There are 55 districts that you did not give bicycles last year, including mine. Are you dealing with the 55 districts, including mine?

**MS NAMUYANGU:** Madam Speaker, a similar question was raised on this Floor yesterday by hon. Waira Majegere and I indicated that these bicycles were for offices not individuals. It may be difficult for Government to procure bicycles for the former leaders. However, if Parliament feels that we can appreciate the former leaders – since they served for 16 years – it is up to us to avail funds and appreciate them.

**THE SPEAKER:** Honourable minster, the reality is that they feel entitled because some chairpersons were given and in 55 districts these other chairpersons were not given. Even when we go for meetings, they ask us for the bicycles. When I go there they ask, “Speaker, where are our bicycles?”

**MR KATUNTU:** Madam Speaker, I seek clarification from the minster. Did I hear properly from the minster that they have not held elections for the interim administration in Bugweri because there was a disagreement between the councillors? That is not true. In fact, the councillors have even sued the Electoral Commission to make sure that the commission conducts elections for the interim administration.

A void has been created and as we talk now, there is no council because the council can only be convened by a speaker and there is no speaker in Bugweri. Therefore, when you are talking about monitoring programmes or approval of the budget, there is no council in place.

May I, therefore, seek clarification from the honourable minster as to who disagreed and where, so that you did not hold elections for the interim administration and you created a leadership void in Bugweri District?

**MR MAJEGERE:** Thank you, Madam Speaker. The issue of bicycles for the old LC I administration is not a token but an entitlement. There is a letter from the then Minister for the Presidency, hon. Wabudeya, in 2010, in which the President directed that the LC I and LC II chairpersons of the old administrations should get bicycles.

The fact that the money was eaten should not exonerate Government, and those people should not lose the elections and also lose the bicycles. Before the Ministry of Local Government comes up with new administration, let them make good on their obligation to the other remaining districts, which did not get their bicycles. Thank you.

**THE SPEAKER:** Honourable minister, the bicycles were an entitlement. If you had not given anybody, it would have been okay, but you gave some and left out some. The LC I chairpersons of that tenure expect the bicycles. Please, look for money.

**MR KATUNTU:** Madam Speaker, I sought clarification from the minister about Bugweri and I see her sneaking out.

**THE SPEAKER:** Honourable minster, if you talk about democracy, you should go all the way. You cannot do half here, half somewhere and leave out the others. People have been gearing up and spending money in campaigns for several months.

**MR NSAMBA:** Madam Speaker, I would like to thank you for highlighting the fact that people were put in the mood that there were going to be elections. At one point, the Electoral Commission set a deadline, which was in November last year. People campaigned but the commission postponed the elections without giving a definite date.

You are a politician and you know how difficult it is to sustain a campaign when you do not know the date the election is going to happen. The minister was here and she said they were going to have a roadmap very soon, but I do not think that is fair for the people of Uganda. When people are in the mood for elections, they even leave what they are doing and wait for elections.

Can the minster be clear on when the elections are going to take place? If there are going to be no elections, let her come out clearly and people wait for 2021.

**MS ANN NANKABIRWA:** Madam Speaker, I also need clarification from the minister. The Local Governments Act is clear that at the formation of a new local government entity, the councillors that form that entity – whether subcounty or district – will form an interim government. That interim government has no speaker and the interim chairperson acts as the speaker.

For the districts of Kikuube and Bugweri, which do not have interim chairpersons, are there districts in those areas now? What is the status quo? Does anybody legally have a right to prohibit an election of an interim council when the general elections are not going to be conducted soon? Who decides on behalf of those local governments?

**MR OKUPA:** Madam Speaker, could the minister also clarify to this House whether it is true that the Opposition are the majority in Bugweri District among the councillors and that is the reason they fear to hold elections there? Can the minster confirm or deny? *(Laughter)*

**MR ABALA:** Madam Speaker, even in the administrative units where they have interim administrations, such as Kapelebyong, their term has expired as we talk. The interim administration is supposed to work for some specific period, according to the Local Governments Act. When these councils sit now, are their decisions valid legally? Let the minister educate me so that when I go to Teso, I will have an answer because they will ask me about Kapelebyong. Thank you very much.

**MS NAMUYANGU:** Madam Speaker, I will start with the easiest matter, which is from my brother, hon. Okupa. I am not aware about the Opposition being the majority in Bugweri and even if it were true, I do not think anybody would stand in their way. However, what happened is that we got a petition as a ministry from those two local governments, saying they would prefer waiting for the general elections and we knew that these general elections were coming very soon.

Recently, about a week ago –

**THE SPEAKER:** Honourable minister, the council cannot sit on the rights of the people to elect their leaders.

**MR KATUNTU:** Madam Speaker, it is not true. I know the number of councillors and only two of them are against holding of the interim elections. How can two councillors influence the decision of Government to deny a district leadership? A council is a creature of law and no individual has got a right to deny a district leadership.

**THE SPEAKER:** Honourable minister, why should there be a petition against the law? The law is clear.

**MS NAMUYANGU:** Madam Speaker, we shall engage the Electoral Commission. Otherwise, as a ministry, it is in our best interest to have leadership in all these local governments. I do not want to appear like we are dialoguing with my senior counsel –*(Interruption)*

**MR KATUNTU:** Can we have a timeline of next week, for the minister to report?

**MS NAMUYANGU:** Like I mentioned, a week ago, all the councillors from Bugweri were in my office. We had a meeting with them and agreed on the way forward. However, the most important thing is that the Electoral Commission has not yet accessed money for even those local governments that have interim leadership.

When we consulted the Electoral Commission, like I mentioned in my report, they told us that they have written to the finance ministry and they have been promised money. Colleagues, you are aware that for us to –*(Interruption)*

**MS ANNA NANKABIRWA:** Thank you, Madam Speaker. Many of these interim councils have got not more than 30 people. Every district has a district returning officer who is the district registrar and is being paid. How much money does the Electoral Commission require to conduct interim elections?

Madam Speaker, an interim government is not for councillors but it is constituted for the benefit of the local government. No one has a right to say that because they do not want to go for elections as a councillor, then another person should not stand to be elected. If you do not want, stay at home. They do not even show the percentages of how many come to vote.

**THE SPEAKER:** Honourable minister, follow the law and organise the elections. Come back next week and give us a timeline.

Honourable members join me in welcoming the chairperson, councillors, a member of the district land board and an elder from Butebo. They are in the public gallery. You are welcome. *(Applause)* They are represented by hon. Ameede and hon. Mudukoi.

QUESTION FOR ORAL ANSWER

QUESTION 63/03/01 TO THE MINISTER OF WORKS AND TRANSPORT

**THE SPEAKER:** The Minister of Works and Transport is not here. Please, put the question back on the Order Paper for Tuesday. Hon. Pentagon, you had something to raise. Be quick and please use one minute.

5.30

**MR PENTAGON KAMUSIIME (NRM, Butemba County, Kyankwanzi):** I thank you very much, Madam Speaker, and I thank God for having made you the Speaker of this Parliament.

Mid last month, I presented an urgent matter of national importance about the torture of the people of Bugaba, Butemba Town Council, by one Masa James, who has done so for quite a long time. I told this House that some of his rude ways include torture and trumped-up charges of criminal trespass and malicious damage.

The people he is intending to evict from their land are our parents and *jaja*s who have been there. I told you that there are many who are languishing, having similar cases in different courts in Kyankwanzi, Kiboga and Mubende. Today, I got a phone call before I came to Parliament that one Bisaso Edward aged 60, Tima Wilson aged 75, Nabulime Victo aged 61 and Sentayi Edward aged 68, have been sent to jail for one year on charges of criminal trespass and malicious damage.

Madam Speaker, these people were born on that land. My honourable colleague is aware. This man bought a mailo land title from Kampala. I went ahead and told this House that the President had passed a directive in 2010 but nothing was done. Madam Speaker, this is too much.

A week after I had presented the matter, I saw a copy of the letter that the rich man had written to you, trying to dispute what I said. I knew that it was common language of land grabbers. As local leaders, this is too much.

**THE SPEAKER:** What are your prayers?

**MR PENTAGON KAMUSIIME:** I pray that a committee of Parliament goes to the ground to interact with the people. I also pray that the Ministry of Justice and Constitutional Affairs reins in its judicial officers. How dare someone make a judgement on such a matter without interacting with the people to discover exactly what is going on?

Madam Speaker, it hurts me to see that our parents, our *jajas,* are going to die in prison. I am worried that these people will not finish this one year in prison because they will die. Actually, this man is trying to kill evidence by killing our parents in prison. This is not fair. I have been here on several occasions but Government is not responding. The people of Kyankwanzi deserve justice - *(Interruption)*

**MS ANN NANKABIRWA:** Thank you, Madam Speaker. The information I would like to give is that this issue happened before I became Woman Member of Parliament for Kyankwanzi. By then, the Woman Member of Parliament for Kiboga was hon. Ruth Nankabirwa. I remember at that time she went to solve the problem as the then Minister of State for Defence but she was not able to resolve it.

When we were in the Ninth Parliament, we intervened through the President. This was because even the police had been intimidated, saying that the first family was involved in the land. So, I raised this matter with the President when he came for the 25th anniversary celebrations of the Cardinal Nusbuga Schools. The President took up the matter and assigned Brigadier Muhoozi then to reach us in order to clear his name, if the first family was involved. Brigadier Muhoozi contacted me and he denied involvement, saying that they did not know that person. We tasked him to explain and compel the person using his name to stop and that was done.

Madam Speaker, because of the intervention of the President, the former minister, Hope Mwesigye, contacted me and my former colleague, hon. Semugaba, and we met. We did not know the issue she was going to talk to us about, but we learnt that she was concerned about the matter that we had reported to the President. She actually said she was going to intervene since she knew the person.

We told her that we can only sit with the forum of elders from Kyankwanzi to sort out the problem and a meeting was held. Mr Masa was represented by his wife; they apologised and agreed to work with the community. Indeed, for the whole of 2011 up to 2016, there was silence because we compelled him - He had actually closed off dams meant for the community. He had to compensate them by giving in money and other new water sources were constructed. We compelled him to fence off his land so that his animals do not terrorise the people in the neighbouring villages and he did that. He appointed his wife to work with us.

We appointed *Mzee* Anania Rukuba to be the chairperson of the elders’ forum and I happened to be the vice-chairperson of the Kyankwanzi Elders’ Forum. We enjoyed that relationship for those years. It is only recently that we were perturbed that the same scenario has come back after so many sittings.

If agreed by my colleague, I pray we resurrect the methods we had used before, in addition to his prayer, which I also agree with. This is because the problem is now the police and not the Judiciary because it is the police that take the file with evidence to the Resident State Attorney. That means the problems arise from the investigators destroying the evidence. I agree with him-

**THE SPEAKER:** What do you propose? We need to find a solution.

**MS ANN NANKABIRWA:** We pray that the Ministry of Justice and Constitutional Affairs compels – We have had so many issues and that incident is just one of them. We also had another incident where somebody was imprisoned for two years in West Nile and his people could not access him. He has just come back. This was because of another landlord. This one intimidates people.

**THE SPEAKER:** Attorney-General, can you examine this level of impunity? What I can confirm is that ever since hon. Pentagon came to this Parliament, he has been coming to me to speak about the problems of his people - land evictions. The first one was the army near Nakasongola. It is a full time job for this poor young man.

**MR PENTAGON KAMUSIIME:** Madam Speaker, this lady, Nabulime Victo, was shot in the shoulder about five years ago by one of the armed guards of this man and the case has died. This is a serious matter that a committee of Parliament should interact with the people to discover the truth and the Attorney-General should also help. Why should we have people out there working against Government by torturing the people of this country?

**THE SPEAKER:** So, do we ask the Attorney-General or a committee of Parliament? Can we ask the Committee on Physical Infrastructure to visit Butemba and give us a report on those issues?

**MR PENTAGON KAMUSIIME:** Meanwhile, Madam Speaker, for these elders who have been sent to jail for one year, it is a duty of the Attorney-General –

**THE SPEAKER:** Can we appeal? If they have been convicted, then we have to appeal to reduce the sentence. That is the only way.

MOTION FOR ADOPTION OF THE REPORT OF THE COMMITTEE ON TOURISM, TRADE AND INDUSTRY ON THE INQUIRY INTO THE MANAGEMENT OF PRE-EXPORT VERIFICATION OF CONFORMITY TO STANDARD PROGRAMMES FOR INSPECTION OF USED MOTOR VEHICLES

**THE SPEAKER:** Where is our chairperson? Is the chairperson here?

**MR KALULE SSENGO:** Thank you, Madam Speaker. This item just came to our committee yesterday. We are now trying to prepare the report. Therefore, I request that we are given more time. I happen to be a member of that committee. Thank you.

**THE SPEAKER:** We will defer it until we get a report from the committee. We shall give you a fortnight. It is not exactly new; it was here even before. So, you rise to the occasion and deal with it.

MOTION FOR ADOPTION OF THE REPORT OF THE COMMITTEE ON COMMISSIONS, STATUTORY AUTHORITIES AND STATE ENTERPRISES ON THE SPECIAL AUDIT REPORT ON THE CLOSURE OF COMMERCIAL BANKS IN UGANDA

5.41

**THE CHAIRPERSON, COMMITTEE ON COMMISSIONS, STATUTORY AUTHORITIES AND STATE ENTERPRISES (Mr Abdu Katuntu):** Thank you, Madam Speaker. It is my honour to present the report of the Committee on Commissions, Statutory Authorities and State Enterprises (COSASE) on the special audit report of the Auditor-General on the defunct banks.

Madam Speaker, I also beg to lay on the Table the minutes of the proceedings duly signed by the chairperson and the Clerk plus the soft copy of the entire proceedings. I beg to lay.

I also beg to lay on the Table the original copy of the signed report of the committee.

This is the report of the Committee on COSASE on defunct banks.

Introduction

Having received numerous complaints about the closure of commercial banks by the Bank of Uganda vide letter Ref: AB:70/288/01 dated 28 November 2017, the Committee on Commissions, State Authorities and State Enterprises requested the Auditor-General to undertake a special audit on the closure of commercial banks by Bank of Uganda.

Section 13 (3) of the National Audit Act, 2008 empowers Parliament or the minister to request the Auditor-General to conduct a special audit and to make a special audit report. In this respect, it should be noted that under section 18 of the Act, the Auditor-General is empowered to inquire into, examine, investigate and report as he considers necessary, on the expenditure of public monies disbursed, advanced or guaranteed to a private organisation or body in which Government has no controlling interest.

This report covers a total of seven defunct banks that were closed during the period 1993 to 2016. These banks include:

1. Teefe Trust Bank
2. International Credit Bank
3. Cooperative Bank
4. Greenland Bank
5. Global Trust Bank Uganda
6. National Bank of Commerce
7. Crane Bank Limited

Objectives of the Investigation

The objectives of the enquiry were as follows:

1. To establish whether proper inventory of the assets and liabilities of the banks were undertaken at closure in line with section 89(3) of the Financial Institutions Act, 2004 and section 32 (3) of the Financial Institutions Statute, 1993;

2. To establish whether the liquidator appropriately managed the sale of assets and accounted for the funds resulting from the sale and whether the receiver appropriately transferred assets under the purchase and assumption agreement;

3. To ascertain whether the liabilities and all the creditors’ claims after closure were properly ascertained, recorded and settled;

4. To ascertain whether the funds from the Deposit Protection Fund/Deposit Insurance Scheme were properly used to settle insured deposits of closed banks;

5. To establish the total cost of liquidation of the defunct banks;

6. To establish whether the statutory managers performed the functions in line with the Financial Institutions Statute, 1993 and Financial Institutions Act, 2004 and ascertain the total cost incurred by Bank of Uganda during the intervention period;

7. To carry out any procedures that may be appropriate in the circumstances.

Methodology

In a letter referenced AB:70/288/1 dated 28 November, 2017, the parliamentary Committee on Commissions, Statutory Authorities and State Enterprises (COSASE) requested the Auditor-General to undertake a special audit on the closure of the commercial banks by Bank of Uganda.

The Clerk to Parliament and her technical officers, Office of the Auditor-General and the Criminal Investigation and Intelligence Department, Public Accounts Committee squad assisted the committee during the proceedings in keeping custody of confidential documents, verification of the documents tabled, and follow-up of other functions as assigned to them from time to time.

During the probe, the committee interfaced with the following:

1. The Board, management and retired officers of the Bank of Uganda.
2. Shareholders and former board members of the defunct banks except Teefe Trust Bank.
3. Hon. Matia Kasaija, Minister of Finance, Planning and Economic Development.
4. Messrs J.N. Kirkland Associates.
5. Messrs SIL Investments Ltd.
6. DFCU Bank Ltd.
7. MMAKS Advocates.
8. Uganda Registration Services Bureau.
9. Mr Chris Tushabe.
10. Mr Ssekiziyivu.
11. Mr Bitwire.
12. Mr Charles Owor, former Corporation Secretary, Co-operative Bank Ltd, and
13. Members of the Uganda Co-operative Alliance.

Findings According to Audit Objectives

1. Was to establish whether proper inventory of the assets and liabilities of the defunct banks was undertaken at closure in line with section 89(3) of the Financial Institutions Act, 2004 and section 32(3) of the Financial Institutions Statute, 1993.

Madam Speaker, to answer this audit objective, like all other objectives, the committee interrogated the closure of all banks and interacted with key stakeholders.

Section 89(3) of the Financial Institutions Act provides that,

*“The Central Bank shall, as soon as possible after taking over management of a financial institution, appoint an auditor at the cost of the financial* *– “(Interruption)*

**MS FRANCA AKELLO:** Thank you, Madam Speaker. A very important report, which attracts the attention of the whole country is being presented. However, I do not see a single Minister of Finance, Planning and Economic Development present in the House. Are we proceeding rightly? It would be very important for the ministers to be here.

**THE SPEAKER:** Yes, we are. This is our report and it is going to be available on the *Hansard*. The minister can take an interest. Let us proceed and receive it.

**MR KAMUSIIME:** Thank you, Madam Speaker. I have just been checking on my iPad and this report has just been uploaded. *(Interjections)* It is there and that is what I am saying. My procedural point is, wouldn’t we be proceeding rightly to be given some time to read through, internalise and then come and receive -

**THE SPEAKER:** Can’t you listen? Don’t you have time to listen? Proceed.

**MR KATUNTU:** Madam Speaker, *“The Central Bank shall, as soon as possible after taking over management of a financial institution, appoint an auditor at the cost of the financial institution to make an inventory of the assets and liabilities of the financial institution and submit a report to the Central Bank.”*

Further, section 32(3) of the Financial Institutions Statute, 1993 provides that, *“The Central Bank may, in carrying out its duties as a receiver, either arrange a merger with another financial institution, in which case the acquiring financial institution will assume all recorded deposit liabilities of the insolvent financial institution or proceed with liquidation of the insolvent financial institution.”*

The Auditor-General, on page 5 of his special audit report, observed that the documentation relating to Teefe Trust Bank, specifically the inventory report, loan schedules, customer deposit schedules, statement of affairs and reports supporting assets and liabilities taken over by Bank of Uganda, were not availed to him. As a result, he observed that he could not fu1fil the specific audit objectives.

In the case of the International Credit Bank (ICD), the Auditor-General, on page 6 of the special audit report observed that he was never availed with the inventory report although the other required statutory documents were availed.

Inventory reports were availed in respect of Greenland Bank, Co-operative Bank, Global Trust Bank, National Bank of Commerce and Crane Bank. The purpose of conducting an inventory under the herein above cited provision is to ensure that the assets and liabilities of the insolvent financial institution are properly recorded in order to aid in decision making. It also determines the value of the assets and liabilities of the financial institution. Further, it forms the basis for accountability to both the shareholders and other stakeholders.

Bank of Uganda Management

The management explained that they would continue to search in the archives for the inventory. Management subsequently forwarded a balance sheet prepared by a Bank of Uganda staff, which the committee rejected as not being sufficient as it lacked the fundamental components of an inventory.

Committee Observations

Madam Speaker, the Auditor-General was not availed with an inventory report contrary to section 32(3) of the Financial Institutions Statute, 1993. The committee observes that whereas Bank of Uganda claims that the bank was closed under the provisions of the Banking Act, 1969, which did not require preparation of an inventory, the closure was actually in November 1993 pursuant to the Financial Institutions Statute, 1993, which required the Central Bank to prepare an inventory as soon as possible after taking over of the financial institution. Whereas the Central Bank provided a balance sheet, we observed that the same was not an inventory as required by the law.

The committee further observed that there are no documents relating to the post closure and management of Teefe Trust Bank assets and liabilities. This further complicates the process of winding up, including resolving claims and some securities still in possession of the Central Bank.

International Credit Bank Limited

No inventory report was availed in respect of ICB but an inception report for liquidation by the liquidation agent KPMG dated 30 September 2001. An inception report for liquidation is a means of ensuring mutual understanding of the consultant's plan of action and timeline for conducting the liquidation. It also provides additional guarantee of adherence to and interpretation of the terms of reference.

Indeed, the inception report is not an inventory as it lacks the fundamental components, including but not limited to the list of depositors, book values of the physical assets, cash balances, balances due from other banks, list of assets and liabilities. Without a proper inventory report, Bank of Uganda did not know what it was taking over in terms of entirety of assets and value. Accordingly, Bank of Uganda acted in breach of section 32(3) of the Financial Institutions Statute, 1993.

The Co-operative Bank

The Bank was closed on 19 May, 1999. The date for the auditors' appointment was not ascertained by the committee but a report was issued in June 1999. Considering that a report was availed in June, a month after closure, the committee observes that there was compliance with the requirement of section 32(3) of the Financial Institutions Statute, 1993.

The Greenland Bank

The bank was closed on 1 April, 1999. The auditors were appointed on the same day and an inventory report was produced in July 1999. The committee therefore observes that there was non-compliance with the requirements of section 32(3) of the Financial Institutions Statute, 1993.

National Bank of Commerce

The bank was closed and sold on the same day; 27 September 2012. The auditors were appointed on 17 October 2012 and an inventory report was produced on 15 January 2013.

The committee therefore observes that there was non-compliance with the requirement of section 89(3) of the Financial Institutions Act, 2004 in that-

1. the auditors were appointed three weeks after take over and sale, which contravened section 89(3) that requires the said appointment to be made as soon as possible;
2. due to the absence of an inventory report, the Central Bank could not ascertain with certainty the value of what it took over and eventually sold.

The takeover and sale of the bank happened on the same day and was concluded within six hours, in contravention of section 99 (1) and (2) of the Financial Institutions Act, 2004, which required that the Central Bank can only intervene after making a winding up order and publishing the same in the newspaper for general circulation.

The committee observes that this section is impracticable.

Global Trust Bank (U) Limited

The bank was closed and sold on the same day; 25 July, 2014. The auditors were appointed on 22 August, 2014 and the inventory report was submitted in November 2014.

The committee therefore observed that there was non-compliance with the requirement of Section 89(3) of the Financial Institutions Act, 20O4 in that –

1. without an explanation, the auditors were appointed one month after take over and sale, which contravened section 89(3) that requires the said appointment to be made as soon as possible;
2. due to the absence of an inventory report, the Central Bank could not ascertain with certainty the value of what it took over and eventually sold;
3. the take over and sale of the bank happened on the same day in contravention of section 99 (1) and (2) of the Financial Institutions Act, 20O4, which require that the Central Bank can only intervene after making a winding up order and publishing the same in a newspaper of general circulation.

The committee observes that this section is impracticable.

Crane Bank Limited

The bank was placed under statutory management on 20 October, 2016. The auditors were appointed on 28 October, 2016 and the inventory report was produced on 13 January 2O17. This bank was sold on 25 January 2Ol7.

The committee therefore observes, as it earlier did with the other defunct banks, that there was no compliance with the requirement of section 89(3) of the Financial Institutions Act, 2004:

1. Without an explanation, the auditors were appointed on 28 October 2016, one week after take over and sale, which contravened section 89(3) that requires the said appointment to be made as soon as possible as earlier observed.
2. Due to the absence of an inventory, the Central Bank could not ascertain the value of what it took over.
3. The auditors produced the inventory report on 21 December 2016. However, Bank of Uganda had invited DFCU to bid for the purchase of assets and assumption of liabilities of Crane Bank on 9 December, 2016 and subsequently, DFCU submitted the bid on 20 December, 2016 a day before the production of the inventory report.
4. Bank of Uganda did not carry out valuation of the assets and liabilities of Crane Bank Limited but relied on the inventory report and the due diligence undertaken by DFCU to accept their bid to arrive at the Purchase and Acquisition (P&A) agreement. However, the final inventory report was submitted on 13 January, 2O17. In essence, the final inventory report was never used in evaluating the bid for the purchase of assets and assumption of liabilities of Crane Bank Limited.
5. A perusal of some of the Non-Disclosure Agreements (NDAs) revealed that the Central Bank was disclosing confidential information of distressed financial institutions to potential purchasers who are competitors without their knowledge in contravention of section 40(3) of the Bank of Uganda Act.
6. Whereas section 95(3) of the Financial Institutions Act requires the Central Bank to appoint auditors on assumption of management of a distressed bank as soon as possible, in numerous cases, Bank of Uganda has been appointing auditors after the sale.

It is the committee's further observation that the bank is not clothed with the authority to appoint an auditor for an institution that it has already sold and whose assets and liabilities have been passed on to a third party.

Recommendations

1. The committee therefore recommends that the Central Bank should strictly follow the provisions of section 89(3) of Financial Institutions Act, 2004 and invoke its mandate of appointing auditors only when it is in statutory management.
2. The Bank of Uganda Board, in consultation with the Minister of Finance, Planning and Economic Development should, by Statutory Instrument in not more than six months from the day of the adoption of this report, issue procedures and guidelines under the Financial Institutions Act, 2004 on the resolution of financial institutions in distress because they are lacking.
3. The Financial Institutions Act, 2004 should be amended to make specific provisions for the timelines of undertaking all the activities related to and connected with resolution of financial institutions in distress.
4. Whereas the resolution of financial institutions in distress has been under the Bank of Uganda supervision department, it is recommended that the mandate of resolving financial institutions in distress be independent of the bank supervision function. This would mitigate the risk of conflict of interest.
5. The Central Bank should strengthen the supervision function to ensure that it is able to adequately supervise financial institutions in real time. This may require investment in human resource and systems, technological or otherwise.

To establish whether the liquidator appropriately managed the sale of assets and accounted for the funds resulting from the sale and whether the receiver appropriately transferred assets and liabilities under the Purchase and Acquisition agreements

In respect to this audit objective, section 33(5) (a) and (d) of the Financial Institutions Statute, 1993 provides:

*“(5) Where the Central Bank decides to liquidate a financial institution-*

*(a) it shall realise the assets of the insolvent financial institution;*

 *(d) In winding up the affairs of the insolvent financial institution, eliminate the interest of the shareholders and may purchase, sell or transfer assets in order to recover the maximum amount of a prorata distribution to depositors and creditors of an insolvent financial institution.”*

Currently, section 95(1)(b) of the Financial Institutions Act, 2004 provides that:

*“(1) The Central Bank shall, within 12 months from the date of taking over as a receiver, consider and implement any or all of the following options either singly or in combination;*

*(b) Arrange for the purchase of assets and assumption of all or some of the liabilities by other financial institutions.”*

Further, section 95(3) (a) and (b) of the Financial Institutions Act, 2004 provides:

*“(3) In determining the amount of assets that is likely to be realised from the financial institution’s assets, the receiver shall-*

*(a) evaluate the alternatives on a present value basis, using a realistic discount rate; or*

*(b) document the evaluation and the assumption on which the evaluation is based, including any assumptions with regard to interest rates, asset recovery rates, inflation, asset holding and other costs.”*

Further, section 106 (1) of the Financial Institutions Act, 2004 provides:

*“A liquidator shall keep proper financial ledgers and financial records in a manner prescribed by the Central Bank in which shall be recorded all financial transactions relating to the liquidation.”*

The purpose of all the above cited provisions is to statutorily ensure that the liquidator keeps proper financial ledgers, and records in which shall be recorded all financial transactions relating to the liquidation.

They also seek to statutorily ensure that all alternatives have been evaluated and assumptions on which evaluations are based have been documented. The liquidator owes the shareholders a fiduciary duty while managing the assets and liabilities of the financial institution in distress.

The Auditor-General, on pages 26 and 48 of the special audit report, observed that there were no guidelines/regulations or policies in place to guide the identification of the purchasers of banks and to determine the procedures for the sale and transfer of assets and liabilities of the defunct banks to the eventual purchasers.

Further, he was not provided with the negotiation minutes leading to the Purchase and Acquisition (P&A) agreement and therefore, could not determine how BoU selected the best evaluated bidder and how the terms of the P&A were arrived at.

BoU management conceded the absence of operating guidelines on resolution of financial institutions in distress. They however stated that the circumstances of each institution's resolution differ and cannot always be predicted in advance.

BoU management stated that the process of selecting a purchaser commences by identifying prospective purchasers within the industry and sharing with them preliminary information of the institution in distress. Once the potential buyer expresses credible interest to purchase the bank, according to them, the buyer is required to sign a Non-Disclosure Agreement in order to access information on the targeted institution.

BoU further responded that minutes of the negotiations are not taken due to confidentiality reasons and they further quoted the report of the Judicial Commission of Inquiry into the closure of Banks, 1999 commonly known as the Justice Ogoola Report, pages 1 to 8, which state: “BoU had the responsibility to keep the integrity of information until final conclusion of the closure and resolution of the bank concerned. At that particular time, no other person or authority had need for such confidential information.”

Committee Observations

Whereas BoU stated the above, it is the committee's observation that resolution of financial institutions is such a fundamental process and the informality with which these processes were handled is contrary to sections 95(3) (a) and (b) of the Financial Institutions Act, 2004 and in breach of all sound corporate governance principles. For example, a perusal of the Justice Ogoola Report in fact reveals a requirement to record and keep minutes confidential until final resolution.

The committee is of the view that a post-resolution report by the liquidator can never be prepared without proper and accurate record of the minutes of the meetings.

Secondly, all Government institutions are required to keep and preserve records for accountability and institutional memory. In this regard, section 7 of the National Records and Archives Act, 200l requires all heads of organs of state to create and maintain adequate documentation of the function and activities of their respective institutions through the establishment of good record keeping practices.

Further, section 106 of Financial Institutions Act, 2004 requires a liquidator to keep proper financial ledgers and financial records in a manner prescribed by the Central Bank in which shall be recorded all financial transactions relating to the liquidation.

It was therefore in breach of the National Records and Archives Act, 2004 and Financial Institutions Act, 2004 for officers in the BoU supervision function to negotiate, evaluate bids and dispose of the financial institutions assets and liabilities without ensuring proper documentation. The committee, like the Auditor-General, could not determine how BoU negotiated and selected the buyers and how the terms in the P&A were determined.

Secondly, by sharing information of a financial institution in distress with a third party, more so with a competitor in the industry, BoU had, in all resolutions, acted in breach of section 40(3) of the Bank of Uganda Act, which provides that, *“The bank shall not publish or disclose any information regarding the affairs of a financial institution or of a customer of a financial institution unless the consent of the institution or the customer has been obtained.”*

In light of the observation in (2) above, section 40(3) makes it impracticable for the Central Bank to dissolve a financial institution through a P&A, which would of necessity, require disclosure of fundamental information regarding the institution in distress.

It is the committee’s view that in the absence of guidelines and minutes of the proceedings relating to the resolution of financial institutions in distress, the BoU staff who handled the transactions greatly compromised the principles of transparency.

Committee Recommendations

The committee recommends that BoU should never dissolve any financial institution without strictly adhering to the provisions of the law to with sections 95(3) (a) and (b) of the FIA, 2004, section 40(3) of the Bank of Uganda Act and section 7 of the National Records and Archives Act, 2001.

The individual officers who handled the transactions should be held personally responsible.

At pages 27, 35 and 48 of the special audit report, the Auditor-

General noted that BoU did not carry out valuation of the assets and liabilities of Global Trust Bank (GTB), National Bank of Commerce (NBC) and Crane Bank Limited (CBL) yet in the absence of such valuations he could not establish how the terms for the transfer of assets and liabilities in the P&A were determined.

BoU management stated that estimating the recoverable amount of

closed banks’ loan portfolios cannot be done with precision.

BoU further stated that they did not carry out valuation of the assets and liabilities of CBL but relied on the interim inventory report of 12 December, 2016 and due diligence undertaken by the eventual purchaser; DFCU Bank, to arrive at the P&A.

BoU further informed the committee that in addition, they relied on the on-site and off-site inspection reports by their staff as well as the forensic audit report, which together informed the valuation of assets and liabilities at the time of the CBL P&A.

The committee observes that whereas BoU stated that estimating the recoverable amount of closed banks’ loan portfolios cannot be done with precision, it has a legal obligation under the Financial Institutions Act, 2004 to undertake valuation of all assets and liabilities on a present value basis as required by section 95(3)(a) of the Financial Institutions Act, 2004.

It is such valuation that can form the basis for determining the amount of consideration. Without that valuation and minutes or records, it is impossible to determine how the BoU negotiating team arrived at the figures in the P&As of Global Trust Bank (GTB), National Bank of Commerce (NBC) and Co-operative Bank Limited (CBL).

Similarly, the committee observes that BoU did not document the evaluation of alternatives and the assumptions on which the evaluation was based, including interest rates, asset recovery rates, inflation, asset holding and other costs contrary to section 95(3).

Therefore, without the requisite evaluation, as provided for under the herein above cited provision of the law, it is incomprehensible to determine whether Bank of Uganda (BoU) evaluated the different options as required by the law and how they eventually arrived at the options they chose resulting in the P&A of Global Trust Bank (GTB), National Bank of Commerce (NBC) and Co-operative Bank Limited (CBL).

Whereas section 95(2) (a) of the Financial Institutions Act (FIA) requires the Central Bank/Receiver, while undertaking any receivership decision that is most likely to result in marshalling the greatest amount of the financial institutions assets to protect the interests of the depositors, minimise costs to the DPF and losses to other creditors as well as ensure stability of the financial sector, the committee received no evidence of any such activity undertaken by the bank in this regard.

On the contrary, there is evidence of actions and inactions on the part of the Central Bank that undermine adherence to such standards of professional prudence, as required by the law. The matter or situation is made worse by non-availability of any records. It was not only careless but also contravened sections 95(2) (a) to (d) of the Financial Institutions Act, 2004. Accordingly, in relation to the resolution of Global Trust Bank (GTB), National Bank of Commerce (NBC) and Co-operative Bank Limited (CBL), the Central Bank failed in its statutory obligation.

Recommendations

The Central Bank should, at all times when exercising its mandate as Receiver under the Financial Institutions Act, 2004, value all assets and liabilities of a received financial institution before any action is taken in accordance with section 95(1) (a), (b), (c) and (d).

The Central Bank must, at all times, document all processes in the management and resolution of financial institutions as by law required.

On pages 8 to 9 of the Special Audit Report, the Auditor-General observed that the asset movement schedules for Greenland Bank, International Credit Bank and Co-operative Bank Limited indicating details of assets at closure, assets so1d, selling price, period of sale, unsold assets, performing and non-performing loans from time of closure to the year 2001 when the liquidation role was outsourced, were availed.

However, for the period starting 2002, when the liquidation role was directly performed by Bank of Uganda, no asset movement schedules were availed. As a result, the Auditor-General could not adequately verify the movement of assets of the three banks from Shs 1l7.6 billion at closure to Shs 19.7 billion as at 30 June 2016.

Management Explanation

BoU explained that the information shared with the Auditor-General did show the value of assets (mainly loans and advances) at closure, recoveries made, interest accrued and outstanding balances. In their opinion, it was adequate to explain the movement of assets.

Committee observations

The committee observed that recovery accounts provided to the Auditor-General and later to the committee by Bank of Uganda did not include payee details of assets at closure, assets sold, selling price, period of sale, unsold assets, performing and non-performing loans from the time of closure to date.

Further, a perusal of the documents that were submitted to the committee did not reflect the assets movement. Instead, they were incomplete statement of accounts without payees or details of assets sold and it was also not authenticated by the preparer.

BoU did not keep the asset movement ledgers and all records relating to the liquidation of the three financial institutions in distress i.e. International Credit Bank, Greenland and Cooperative Banks (whose liquidation started under the Financial Institutions Statute, 1993 and continued under the Financial Institutions Act, 2004). This offended the provisions of section 106(1) of the Financial Institutions Act, 2004.

With respect to CBL, BoU lacked financial ledgers contrary to section 106 (1) of the Financial Institutions Act, 2004.

BoU failed in its statutory duty under section 106(l) of Financial Institutions Act, 2004 to prescribe the manner in which liquidators should prepare and keep proper financial ledgers and financial records during resolution period.

Committee Recommendations

The committee, therefore, recommends that:

1. Maintenance of financial ledgers and records of all financial transactions relating to financial institutions in distress is a requirement, which must be adhered to by the Central Bank when exercising its mandate under the Financial Institutions Act, 2004.
2. The Central Bank should, by instrument, manual, guidelines or operating procedures, prescribe the manner in which liquidators should prepare and keep proper financial ledgers and financial records relating to all liquidation transactions.
3. All officers who flouted the law as herein above indicated should take personal responsibility.

On pages 10, 11, 12, 27, 35 and 36 of the Special Audit Report, the Auditor-General observed that Bank of Uganda sold assets worth Shs 164 billion of the five defunct banks (International Credit Bank, Greenland Bank, Co-operative Bank, GTB and NBC)

However, the assets were sold at the respective discounted rates as per the table below yielding only Shs 32 billion, yet the assets were Shs 164 billion.

Madam Speaker, for those who have their iPads – I see many colleagues do not have their iPads so let me try to tabulate.

1. In ICB, Greenland and Co-operative Bank, the assets were loans and the book value of the assets was Shs 135 billion. The proceeds from the sale were only Shs 8.8 billion. This meant that Bank of Uganda gave a discount of 93 per cent to the purchaser.
2. In Global Trust Bank, loans and overdraft were Shs 28.2 billion. They recovered Shs 22.6 billion and here they gave a discount of 20 per cent.
3. National Bank of Commerce’s secured performing loans were valued at Shs 297 million. The proceeds were Shs 208 million and they gave a discount of 30 per cent.
4. There was land of Shs 400 million, which they had intended to sell at Shs 300 million and discounted at 25 per cent.

In the case of ICB, Greenland Bank and Co-operative Bank, the total loan portfolio sold of Shs 135 billion including secured loans of Shs 34.5 billion, which had valid legal or equitable mortgage on the real property and were supported with legal documentation, were sold to M/S Nile River Acquisition Company at 93 per cent discount.

Further, the negotiation minutes detailing the evaluation of alternatives and assumptions of the sale of GTB and NBC assets were not provided and as such, the Auditor-General could not determine the basis for selling these assets at such discounts.

Management Response

BoU stated that estimating the recoverab1e amount of a closed bank's loan portfolio cannot be done with precision. Further, that finding a prospective buyer for the loan portfolio of an institution in distress is difficult due to uncertainty of the prospects of recovery.

BoU further stated that they relied on a desktop valuation of the available securities to confirm the market and forced sale values in a bid to estimate recoverable debt amount as per letter dated 25 September, 2007 from the Executive Director, Bank Supervision to the Governor.

Committee observations

1. Whereas the GTB and NBC discount percentages of 20 and 30 respectively appear reasonable, the 93 per cent discount in respect of the loan portfolio of the International Credit Bank, Greenland Bank and Co-operative Bank acquired by M/S Nile River Acquisition Company was incredibly outrageous.
2. Whereas it could be difficult to establish with certainty and precision the prospects of sale and recoverable amount, the decision by BoU to undertake a desktop valuation of properties, which had been mortgaged to the various banks more than eight years does not represent the realistic values at the time of sale.
3. The consultant, M/S JN Kirkland and Associates employed by BoU to implement the exit strategy, identified the purchaser of the loan portfolio M/S Octavian Advisors, which incorporated another company called Nile River Acquisition Company in Mauritius as a special purpose vehicle for purposes of entering into a contract with BoU on 5 December 2007.

The said Kirkland and Associates ended up again as the local agent of the M/S Nile River Acquisition Company with, for example, the rights to run an account in Citi Bank in which all the recoveries of the sold loan portfolio are deposited.

Madam Speaker, as an explanation, M/S Kirkland had been the consultant of BoU and is the one who identified who to purchase. Eventually, the person whom he identified to purchase had him as his local agent here and even the proceeds, which were being obtained as a result of the sale of the properties, were going to them. Now, the consultant of BoU turned to be the agent of the person he procured.

1. The committee obtained evidence from Uganda Registration Services Bureau that M/S Nile River Acquisition Company was not registered in Uganda as a local or foreign company, which is a violation of sections 369 and 370(1) of the Companies Act. M/S Octavian Advisors was also never registered in Uganda.

5. Records available to the committee indicate that the then Director, Commercial Banking of Bank of Uganda, Mr Ben Ssekabira, who was the agent of the liquidator/Receiver of the three defunct banks (ICB, Greenland Bank and Co-operative Bank) was up to l2 August 2009, the agent of M/S Nile River Acquisition Company. Mr Ben Ssekabira is currently still employed with BoU but he was the agent of the company that bought the loan portfolio. It is further noted that between 12 and l6 February 2007, Mr Ben Ssekabira, together with Mr Kakembo Katende of JN Kirkland and Associates, travelled to the United States of America (USA) to meet the management of M/S Octavian Advisors. However, while appearing before the committee, he stated that he did not know the purpose for his travel to the USA.

 In BoU vide letter dated 25 September 2007 herein above mentioned from the then Executive Director, Bank Supervision, Mrs Justine Bagyenda to the Governor, the committee observed that BoU had granted exclusivity at pre-bidding stage as thus she writes: “Hence, upon confirming its interest in writing, Octavian Advisors Plc requested exclusivity from any competition, a request which BoU granted.” This grant did not allow any competition that would return the highest possible bidder. BoU, as a liquidator, owes a distressed financial institution a duty to marshal the greatest amount from its assets. The action of the then EDS, as communicated in the above letter, is contrary and in breach of the fiduciary duty owed to a financial institution in distress, which ultimately shoulders the burden of the liquidation costs. Besides, the Governor Bank of Uganda being the Chief Executive and ultimately the decision maker was only briefed for his information of a decision already taken by subordinate officers. The letter ends thus: “… the above brief is submitted for your information.”

1. The committee observes that by the time a delegation of JN Kirkland together with Mr Ssekabira travelled to the USA to meet the prospective purchaser, M/S Octavian Advisors Plc had already made a deposit of US $5 million on an escrow account with Citi Bank, New York. It is therefore mind boggling that only US $200,000 would later be paid added to constitute the full purchase price of US $5.2 million as the full consideration for a portfolio whose original offer was US $10 million. The exclusivity that had already been granted meant that M/S Octavian Advisors Plc had no impetus to up or meet their earlier offer.

8. The committee further notes that in all the business transactions involved in this transaction, the purchaser and her agent have not paid the requisite taxes.

9. The loan portfolio sold to M/S Nile River Acquisition Company is now being managed on their behalf by a local company called M/S SIL Investments Ltd. M/S SIL Investment has been charging an interest rate varying between 27 and 25 per cent on the loan portfolio and recovering monies from different debtors; ordinary people who had mortgaged their property.

10. While appearing before the committee, BoU and M/S SIL Investments Ltd, when tasked, failed to produce evidence on the legal existence of M/S Nile River Acquisition Company (NRAC) at the time of making this report. This notwithstanding, the committee did a quick internet search, which revealed the following:

a) That M/S NRAC No. 007463 was incorporated on 26 September, 2007 (over 11 years ago). Company type is limited by shares, jurisdiction; Mauritius, status; ‘defunct’. The source of this information is the Mauritius Ministry of Finance and Economic Development, companies division and the site is given in the report.

11. M/S Nile River Acquisition Company agent, SIL Investments Ltd is not VAT registered and accordingly has never remitted tax derived from the income earned on their commission.

Committee recommendations

1. The committee concludes that the transaction between BoU and M/S Octavian Advisors Plc and her agents lacked transparency and the officers involved should be held responsible for the commissions and omissions, which resulted in not marshalling the greatest amount from the assets of the distressed financial institutions.

2. The committee further recommends that the officers involved should be held responsible for conflict of interest.

3. The fraudulent business activities being conducted by M/S SIL Investments, on behalf of a non-existent or defunct M/S Nile River Acquisition Company, should immediately cease and -

 (a) the Inspector General of Police is required to immediately, on adoption of this report, go and seize all the land titles still in the possession of Mr Kakembo Katende of M/S JN Kirkland and Associates and M/S SIL Investments arising from their management of the loan portfolio sold to M/S NRAC by Bank of Uganda.

Madam Speaker, I need to explain this. SIL Investments is supposed to be an agent of M/S Nile River Acquisition Company, which does not exist. However, they are still collecting money from the public and they are charging interests like they are a bank. They are still having the land titles in their hundreds. We do not know where they are taking the money as it goes to an account in Citi Bank operated by Mr Kakembo Katende who was the consultant of Bank of Uganda.

Therefore, you need to protect the public, Madam Speaker. There are people at SIL offices trying to redeem their land titles and they are paying money and the company, which Bank of Uganda contracted, according to the evidence we have, does not exist.

4. M/S SIL Investments and Mr Kakembo Katende should render an account to the public trustee of all monies received from the time M/S Nile River Acquisition Company (NRAC) ceased to exist. The agency of M/S SIL Investments Ltd cannot legally exist upon dissolution of the principal (M/s NRAC).

5. The Uganda Revenue Authority should take interest in the tax activities of M/s NRAC and its agent M/s JN Kirkland and M/s SIL Investments Ltd to cover unpaid tax.

On pages 50, 51 and 52 of the special audit report, the Auditor-General observed that under clause 1.1.1 (ix) of the P&A signed between BoU and DFCU, all loans and advances of CBL were transferred to DFCU except-

1) the insider loans referred to in Schedule 2 of the P&A agreement;

2) all liabilities provided in Schedule 3 of the P&A.

According to the BoU memo from the EDS (Executive Director, Supervision) to the Governor ref. EDS 122.10G dated 31 July, 2017, the non-performing loans (bad book) was Shs 570 billion out of the gross loans of Shs 1.1 trillion, which (bad book) was transferred to DFCU to provide a resource for repayment of loans of Shs 200 billion and bridge the shareholders' deficit of Shs 439 billion at the date of takeover. The Auditor-General could not establish how the consideration of Shs 200 billion was derived from the bad book of Shs 570 billion.

Management Response

1. BoU stated that the bid price by DFCU comprised of two elements:
2. Assumption of net asset/liabilities at fair value (excluding the BoU loan and adjusted for a 10 per cent discount on the standard book, additional provisions and contingent liabilities) of CBL as finally determined on the completion date.
3. A deferred cash consideration of up to Shs 200 billion was based on net recoveries on fully provisioned non-performing assets as adjusted following DFCU Bank’s due diligence (approximately Shs 500 billion at reference date).

During the process of negotiating the P&A agreement, focus was shifted from the bid position referring to amount recoverable from fully provisioned assets to ensuring recovery of the BoU loan to CBL.

In that light, Shs 63 billion of insider loans was tactfully retained by the Receiver (BoU) to contribute towards repayment of the BoU loan to CBL.

It should be noted that although the non-performing loans of CBL was Shs 570 billion, all of it was not fully provisioned because part was assessed to be either substandard or doubtful requiring 20 per cent and 50 per cent provisions respectively. The fully provisioned amount (loans and advances for which CBL made 100 per cent provision in its books) were assessed to be Shs 458 billion.

Committee observations

In the absence of a proper valuation of all assets and liabilities, which contravened section 93(3) of the Financial Institutions Act, 2004, it is difficult to ascertain adherence to the principles of prudence, transparency and fairness.

The principles of legality therefore were highly compromised. This is exacerbated by the absence of minutes or any record detailing the process of arriving at these figures.

The committee further observes that whereas the P&A in Schedules 2 and 3 clearly stated excluded assets and liabilities respectively, there was no indication or schedule for total assets purchased and liabilities assumed by DFCU. The inevitable conclusion therefore is that BoU did not know the exact assets and liabilities it was disposing of.

As a small explanation here, there was an agreement, which clearly states in the schedule assets and liabilities details, which details have been excluded. However, they do not state, which assets were being sold. Any average lawyer would realise that there is a problem with such an agreement. You do not state what you are selling, you just say all but you find it necessary to state what you are not selling. As such, you do not know what you are selling but you know what you are not selling. Ordinarily, it should have been the other way round.

The reliance by the Central Bank on the due diligence undertaken by an interested party and eventual purchaser to purport to determine the value of assets and liabilities was imprudent and an abdication of statutory responsibility enshrined in section 95(3) of the Financial Institutions Act, 20O4 which requires determining the value of assets on the present value basis using a realistic discount rate.

The committee also notes that whereas in other financial institutions in distress (National Bank of Commerce and Global Trust Bank), the bad book was never transferred to the purchaser, in the case of CBL, the general clause in the P&A of all assets and liabilities being transferred would automatically include the bad book.

A scrutiny of the DFCU bid reveals that the deferred cash consideration of up to Shs 200 billion, based on net recoveries on fully provisioned non-performing assets, was the only consideration. This means that of all the assets and liabilities, which were being transferred to DFCU, consideration was Shs 200 billion but it was to be recovered from the sale of those assets as it had been deferred.

Given the fact that the Shs 200 billion deferred cash consideration was to be paid from the recoveries from the bad book estimated by DFCU in its bid of 20 December, 2016 to be in the region of Shs 500 billion was fully provisioned by CBL, the only prudential decision would have been to treat the bad book like in the case of GTB and NBC.

Secondly, whereas the outstanding liability owed to BoU by CBL was Shs 478 billion, DFCU only assumed liability to the extent of Shs 200 billion whose value was to be recovered from the bad book. This, in the committee’s considered opinion, resulted in a financial disadvantage to both BoU and CBL.

At the BoU Board of Director's sitting on 15 December 2016, it was resolved under minute no. 3754 paragraph 10, Board Observations and Resolutions that, “The buyer of Crane Bank Limited would take all the assets and liabilities and a report of a forensic audit was still awaited.”

The Board, having resolved as above, it was *ultra vires* (acting without legal authority) for management to agree, conclude and execute a P&A that excluded some assets and liabilities as stipulated in Schedules 2 and 3, contrary to the resolutions of the Board. These exclusions disadvantaged both BoU and CBL.

However, in a strange turn of events, the Board, at its 335th special meeting held on 27 January, 2Ol7, was presented for ratification with an already signed agreement, which excluded some assets and liabilities contrary to what they had decided.

Further, the terms of the P&A, as presented to the Board, included charging interest on the Shs 200 billion deferred consideration at the Central Bank rate on reducing balance basis and the same would be recovered from the claims to be made by BoU on the CBL shareholders.

Despite this, the term on charging of interest was never included in the P&A and the subsequent Shs 200 billion liability agreement executed between BoU and dfcu. This, in the opinion of the committee, was irregular to commit the CBL shareholders for negligence on the part of the BoU officials. By their actions, the BoU officials occasioned loss to CBL and ultimately BoU.

Further, by the Board’s resolution to charge the interest on the shareholders for money lent – and “lent” is in inverted commas – to DFCU, the committee finds it inconceivable that CBL shareholders, who were not party to the P&A and the Shs 200 billion liability agreement between DFCU and BoU, would be called upon to bear the cost of negligence on the part of BoU officials.

The committee observes that the BoU, in conducting this sale, owed a fiduciary duty and indeed a duty of care to ensure that all its activities are conducted in the best interests and to marshal the greatest amount from the assets of the financial institutions. By conducting the sale in a casual and informal manner, deviating from the basic principles enshrined in the Financial Institutions Act, 2004 and acting in a manner incongruous with the best interests of all concerned, BoU acted highhandedly. For example, one wonders how, without minutes and records, the BoU management generated a report they used to brief the Board.

Committee recommendations

1. The committee finds that BoU’s failure to observe principles of financial prudence and in the course breaching their statutory duties provided under the Financial Institutions Act, 2004 thereby financially disadvantaging CBL, it should make good the loss occasioned to the commerciality fair extent of the value of the bad book.
2. The BoU, having failed to value the assets and liabilities of GTB, NBC, Greenland Bank, ICB, Co-operative Bank and CBL and considering the lapse of time and impossibility in revaluation of assets, should address the probable financial loss occasioned.
3. All BoU officials who failed to properly execute their duties in accordance with the law should be held responsible for their commissions and/or omissions.

At pages 29, 40 and 41 of the special audit report, the Auditor-General observed that under the purchase and assumption agreements signed between BoU and the purchasers to take over the assets and assume liabilities of NBC and GTB, the purchasers were required to manage the assets in Escrow (non-performing and performing loans that remained with the insolvent bank) on behalf of BoU for purposes of debt collection.

I underline: Any proceeds realised from the assets in Escrow were to be shared between the purchaser and BoU at agreed ratios. He noted that at the time of writing the special audit report, Shs 4.442 billion had been recovered from assets in Escrow leaving a balance of Shs 10 billion.

The table below shows it all.

Management response

Management stated that they will continue to follow up on the collection of the outstanding balances and, Madam Speaker, we are talking about things that happened over 10 years ago and management is saying they are continuing to follow up now.

Committee observations

1. Due to the absence of records relating to the procurement and negotiations leading to the P&A, it is difficult to discern how the sharing percentages were arrived at. Accordingly, the entire transaction was lacking in terms of transparency. This offended the principles and provisions of section 95(2)(a) of the Financial Institutions Act, 2004.
2. It is further observed by the committee that under Article 3 of the Addendum to the NBC P&A, the liquidator was, on execution of the agreement, to pay Shs 285,133,824 to the purchaser being the value of liability transferred in excess of the assets. No explanation was provided as to why BoU would, on top of the small sharing percentage, go ahead to make an additional payment to the purchaser of the amount above.
3. In all the commitments on resolutions of financial institutions, the Board of BoU has played a minimal role, if any.

Recommendations

1. All procurements and negotiations in relation to resolutions of financial institutions should be properly documented and records properly secured in compliance with section 95(3) of the Financial Institutions Act, 20O4.

2. Having noted that the Board of Directors of BoU has literally divested itself from its constitutional and statutory obligations under Article 161(2) of the Constitution and section 10 (a) and (b) of the Bank of Uganda Act respectively, it is recommended that the current BoU Board should carefully re-examine their delegated responsibility and constitute a sub-committee of the Board to monitor financial stability and bank resolution matters.

At pages 12, 13, 30 and 39 of the special audit report, the Auditor-General observed that Shs 3.4 billion due from Co-operative and GTB foreign banks at closure was recovered by BoU and deposited on their respective loan recovery and collection accounts.

Similarly, a sum of Shs 2.6 billion out of Shs 6.5 billion due from the six Greenland Bank foreign accounts as at 30 June 2016 was recovered as full and final settlement following the conclusion of a court case filed in London. However, Shs 464 million on six NBC foreign accounts had not been recovered by BoU because the liquidation process was halted by a court order.

In addition, Shs 44 million due from eight ICB foreign accounts as at 30 June 2016 had also not been recovered. ICB was closed over 20 years ago.

Management response

Bank of Uganda explained that following the conclusion of a court case relating to Greenland Bank, funds due from the foreign accounts filed in London UK, funds (less costs of the legal suit) amounting to Shs 2.6 billion were recovered in full and final settlement. BoU stated that in the case of ICB, management wrote to the foreign banks. However, the banks have never responded.

Committee observations

BoU did not provide evidence of the costs incurred in the suit. Looking at the awarded sum and the Shs 2.6 billion that ended up on the account of Greenland Bank, this leads to the conclusion that the cost incurred by the bank was too high. You cannot recover Shs 2.6 billion out of a claim of Shs 6.5 billion and you pay legal fees of almost Shs 3 billion. Therefore, the costs were actually more than the money recovered.

BoU acknowledged an error in its preparation of the Greenland Bank’s statement of affairs as at 30 June 2016, where full provision of Shs 6.5 billion was made to write off funds due from foreign banks despite partly recovering Shs 2.6 billion from the court case, which was credited on the Greenland Bank loan recovery and collection account on 31 March 2015.

Greenland Bank was closed in 1999.

The committee recommends as that:

1. The Bank of Uganda should rectify the error on the Greenland Bank’s statement of affairs for proper financial reporting; and
2. The Bank of Uganda should take full responsibility for any probable loss to Greenland Bank.

On Page 13 of the special audit report, the Auditor-General observed that Greenland Bank equity investment in African Export-Import Bank Egypt worth $45,000 had accumulated dividends of $22,410 as at 30 November 2015. However, the liquidator, Bank of Uganda, had not sold off the shares and therefore, the funds have not been recovered.

Bank of Uganda management said that the process of selling the shares commenced in 2017 and a reminder was sent in September 2018, upon which they were advised by Afrexim Bank to look for a buyer who qualifies to take the shares and this process is still ongoing. They also stated that over time, the investment has yielded dividends of $22,410, over the period.

The committee observed that it was not until the beginning of this audit process that Bank of Uganda took further steps in September 2018, to dispose of the shares the bank held. There has been laxity in the disposal of the shares so as to realise value from them.

The committee, therefore, recommends that Bank of Uganda should expedite the disposal of the shares so as to realise the attendant value; and secondly, that Dr Louis Kasekende, the Board member of the Afrexim Bank, should expedite the process of disposal.

4.3. To establish whether all Labilities at closure and creditors claim after closure were properly ascertained, recorded and settled in line with sections 102, 105 and 106 of the Financial Institutions Act and section 34(3) of the Financial Institutions Statute

Madam Speaker, section 34 provides that the minister, from time to time, in consultation with the Central Bank and by notice in the Uganda Gazette, fix the size of the funds sufficient to protect the interests of the depositors to be made up by contributions under Section 35 and may authorise the Central Bank to borrow any such amounts as it may require for temporary purposes of making up deficiency in the fund pending collection of contributions.

Currently, section 102 of the Financial Institutions Act, 2004 provides that the Central Bank or its appointed liquidator shall, within a period not exceeding 45 days from the date of publication of the intention to liquidate a financial institution, for the purpose of making an estimate of the debt and liabilities of the financial institution, publish in a local newspaper of national circulation, a notice calling upon all creditors secured and unsecured including depositors, to submit to the Central Bank or the liquidator within one month from the date of publication, a statement of the amount claimed and the particulars of the claim.

Further, section 105 provides that the liquidator shall, within two months after submission of a report of the assets and liabilities of the financial institution, commence the payment to depositors and creditors of the financial institution except for exceptions in sub sections (a), (b), (c), (d), and (e).

Section 315 of the Companies Act shall not apply to a liquidation of a financial institution and lastly and where any assets remain after the payment by the liquidator of all claims against the financial institution, the remaining assets shall be distributed among the shareholders in accordance with their respective rights and interests.

Section 106 of Financial Institutions Act, provides that a liquidator shall keep proper financial ledgers and financial records in a manner prescribed by the Central Bank which shall be recorded - all financial transactions.

Where the liquidator has realised all the property of the financial institution or so much of it as can, in his opinion, be realised without needlessly protracting the liquidation and has made distribution to all depositors and creditors, he or she shall cause audited financial statements to be submitted to the central bank.

On pages 15, 16, 31 and 32 of the special audit report, the Auditor-General observed that liabilities amounting to Shs 503 billion were still outstanding as at the time of writing this report, from a total liability of Shs 1.6 trillion, held at closure as detailed in the table below.

The process of settling liabilities of the International Credit Bank, the Cooperative Bank and Greenland Bank has taken over 17 years and this has affected the winding up process of these banks despite the three banks in receivership holding cash balances of Shs 19.5 billion on their respective accounts as at 30 June 2016.

The Bank of Uganda stated that the process of settling Global Trust Bank Limited creditors' claims was still ongoing, pending full verification on account of missing supporting documentary evidence.

They further stated that settlement of the National Bank of Commerce creditor claims had not commenced as a result of the court order that halted the liquidation process.

They also stated that Crane Bank Limited’s outstanding liabilities are funds that were injected by Bank of Uganda during statutory management and according to Bank of Uganda, these will be recovered from DFCU Bank and Bank of Uganda claims against Crane Bank Limited shareholders.

Committee observations

1. The winding up process of all the defunct banks has taken an unjustifiably long time to settle creditor claims. For Teefe Trust Bank, it is now 26 years, for Cooperative Bank, it is 20 years; for the International Credit Bank it is 21 years, Greenland Bank is 20 years, the National Bank of Commerce is 7 years, Global Trust Bank Limited is 5 years and Crane Bank Limited, 2 years.

For Teefe Bank alone - I am sure some colleagues were not yet born by the time this bank was closed *– (Interjections)* - it is very possible because we have a colleague below is 26 years old. *(Laughter)*

Regrettably, many of the creditors and shareholders have indeed died. In fact, we had a very emotional experience that we only had one shareholder of the defunct Teefe Bank who appeared. He said majority of his colleagues had died and he did not know the whereabouts of the rest. Actually, he did not know what to do. Eventually, we did not even get any evidence from him.

The unsatisfactory explanation by Bank of Uganda on their failure to verify and settle creditor claims has unreasonably delayed the process of winding up and consequently increases the liquidation costs which, under section 93, are charged on the financial institution in distress, thereby reducing the residual amounts due to the shareholders.

Bank of Uganda’s failure to publish the creditor calls within the time prescribed by section 102 of the Financial Institutions Act, 2004 constituted a violation of the law. Indeed, cal1s on creditor claims have come as late as end of 2018, decades after the closure of the financial institution.

Madam Speaker, can you imagine someone owing you money and they are calling for your claim 20 years later? Where do you even get the documentation? Like we said, some of them are no longer around.

2. As a liquidator to keep the proper financial ledgers and records contravened section 106 (1) of the Financial Institutions Act, 2004; and

3. To prescribe the manner and procedures of keeping and maintaining financial records contravened section 106 (1) of the Financial Institutions Act, 2004.

Recommendations of the committee

1. Bank of Uganda should immediately put in place procedures and guidelines for the proper function of all liquidation related activities;
2. Bank of Uganda should strengthen the legal and compliance functions to ensure compliance with all legal requirements related to resolution of financial institutions;
3. Government should consider amending the Financial Institutions Act, 2004 to provide for the sanctions against noncompliance with any provision by the Bank or any agent thereof including but not limited to liquidation agents;
4. Bank of Uganda should end the winding up processes of al1 defunct banks within a period not exceeding one year on the adoption of this report; and
5. Government should consider amending the Financial Institutions Act, 2004 to provide a time limit within which liquidation of financial institutions in distress should be concluded.

On pages 20, 56 and 57, the Auditor-General, in the special audit report, observed that prior to closure, Bank of Uganda injected a Shs 504 billion into three closed banks (Greenland, ICB and CBL) to avert a run on the banks. At the time of writing this report, Shs 374.64 billion was outstanding and due to Bank of Uganda as indicated in the table below.

At this point, it should be noted that in the course of the inquiry, the committee found it prudent to interrogate the funds injected into CBL for liquidity support and other interventions costs, amounting to Shs 478 billion in a period of three months. As a consequence, the committee requested the Auditor-General to conduct a quick audit on the same. On pages 9, 10, 11, 12, 13, 14 and 15 of the Auditor-General observes as follows:

1. Real Time Gross Settlement System (RTGS) amounting to Shs 87 billion and $20 million, the Auditor-General confirmed transfer of funds from CBL customers to the respective beneficiaries.
2. Letters of Credit amounting to $9.95 million were settled by CBL during statutory management.
3. Telegraphic Transfers (TTs) amounting to $53 million (approximately Shs 195 billion), the Auditor-General could not confirm the recipients of the respective transfers from CBL Nostro account as the account did not indicate the beneficiary account names, account numbers and beneficiary banks.
4. Cash to CBL branches amounting to Shs 77 billion, the Auditor-General confirmed that the cash was transferred to the CBL by Bank of Uganda and recorded in the cash accounts of the various branches. However, he was not able to confirm that the funds were paid to the bona fide claimants’ account holders since the daily transaction reports provided by Bank of Uganda did not indicate the customer name and account numbers.

Management response

Bank of Uganda stated that the amounts due from Greenland Bank and ICB were written off on 30 June 2009 and 31 March 2009 respectively due to very low likelihood of recovery.

The Central Bank further stated that the amount due from CBL would be recovered through the implementation of the P&A and claims against CBL shareholders.

Observations by the committee

Whereas Bank of Uganda claims to have spent Shs 504 billion as liquidity support and intervention costs to avert a run on the banks, the committee was not availed any documentation in proof of the claim in respect to ICB and Greenland Bank. The amount in issue for the two defunct banks is Shs 25.6 billion.

In respect to CBL, the committee observed as follows:

1. Bank of Uganda injected Shs 12 billion on other intervention costs for service lawyers, auditors, surveyors, valuers, security and staff allowances. Part of this money was also paid as terminal benefits to CBL staff.
2. Bank of Uganda accounted for Shs 87.2 billion and $20 billion disbursed to settle Letters of Credits of the remaining Shs 466 billion they injected as Liquidity Support;.
3. There was no accountability for the Telegraphic Transfers (TTs) amounting to $ 53.1 million as there was no confirmation of the recipients of the respective transfers from the CBL Nostro account especially because the account did not indicate the beneficiary account names, account numbers and beneficiary banks.
4. While cash to CBL branches amounting to Shs 77 billion was transferred to the CBL by Bank of Uganda and recorded in the cash accounts of the various branches, the committee was not able to confirm that the funds were paid to the bona fide claimants or account holders since the daily transaction reports provided by Bank of Uganda did not indicate customer names and account numbers.
5. By their response dated 13 February 2019, Bank of Uganda explained that the requisite details can only be sourced from the CBL banking correspondents, Standard Chartered Bank, New York. Alternatively, they stated that the Office of the Auditor-General could review the swift messages for the details and as such, it requested DFCU bank to retrieve the swift messages and provide them to the Office of the Auditor-General. That also applies to the cash at CBL.

The committee, therefore, observed that by the time of writing this report it was not possible for the Auditor-General to verify and confirm what Bank of Uganda claimed. This committee of Parliament may follow up this matter with the Office of the Auditor-General after this report.

In failing to prepare and submit reports, the statutory manager did not adhere to the requirements of Section 89 of the Financial Institutions Act, 2004 which require him to, upon assumption of office, control and conduct affairs and business of the institution with diligence in accordance with sound banking and financial principles and in particular with due regard to the interest of the institution, its depositors and other creditors, which would form a basis for sound decision-making for resolution of the bank.

The failure to involve the statutory manager in the sale of the bank he was managing more so, when they had no report from him giving the status of assets and liabilities of the bank, was a serious irregularity.

There was even no opportunity for the statutory manager to formally hand over the bank. Indeed, Mr Katimbo Mugwanya only learnt of the sale of the bank when he received a picture of loans files being ferried on his phone by *WhatsApp* while he was on his farm. He was told of the sale by the staff of – Madam Speaker, with your permission, I would like to play for you Mr Katimbo Mugwanya when he appeared before the committee:

*(An Audio recording was played.)*

Madam Speaker, this was the state of affairs where the statutory manager appointed by the bank was on his farm and then his staff told him on *Whatsapp* that files are being carried away from the bank by DFCU bank.

The committee, therefore, recommends that Bank of Uganda should, at all times, produce reports regarding the affairs of the financial institution in issue and share the same with shareholders who ultimately shoulder the burden of the management cost by the Central Bank as per section 93.

The law and policy regulating resolution of financial institutions should expressly provide a mechanism of sharing information on accountability for funds generated from the financial institution as well injected by Bank of Uganda as liquidity support.

The law should provide penalties and sanctions against non-compliant bank officers. The statutory manager should be involved in matters regarding the resolution of financial institutions under his management. Further, investigations should be carried out by the Uganda Police to establish if financial loss was occasioned and hold the responsible officers personally accountable to the extent of the loss, if any.

4.4 To ascertain whether the funds from the DPF were properly used to settle insured deposits of closed banks in line with sections 34, 105 and 108. Section 34 provides that - so is section 102 and section 105. Section 108 is also mentioned but I will just go straight to page 47.

On pages 15, 16 17, 18 and 23 the Auditor-General observed that in line with section 34, Government of Uganda and Bank of Uganda came up with an intervention policy in May 1997, which provided that when a bank is liquidated, Bank of Uganda commitment to depositors would be limited to the Shs 3 million per depositor - what we call “Secured deposits” covered under the Deposit Insurance Scheme.

According to the financial statements of the DIF for the six years ended June 2000 from 1994, the balance of DIF at the time of closure was only Shs 5.8 billion, which was insufficient to cover the total insured deposits of the three closed banks was Shs 41 billion. Consequently, Government intervened with a contribution of Shs 91 billion, in July 2001, to settle both insured and uninsured deposits of the three closed banks.

Despite Government intervening with a contribution of Shs 91 billion in July 2001 to settle both insured and uninsured deposits of the three banks, there was no memorandum of understanding to enable the Auditor-General assess the terms of lending to Bank of Uganda and how the funds would be repaid.

The Auditor-General further observed that depositors worth Shs 101 billion of Cooperative bank, ICB and Greenland bank were verified and paid in full as pledged by Government. The funds used to pay depositors were obtained from four sources namely; Government of Uganda, DPF, Bank of Uganda and Cooperative bank Ltd. bank assets were used to pay the customers as per the table below.

Following the verification by Bank of Uganda, customer deposits, totalling Shs 101 billion were verified but Shs 104 billion was paid resulting into a variance of Shs 3.4 billion. At the time of writing this report, this variance had not been reconciled.

The Auditor-General also noted that the Liquidator Bank of Uganda refunded Shs 25 billion to DPF, which was in excess of the DPF contribution of Shs 2l billion. Therefore, the funds should have been used to offset Government contribution towards insured deposits.

Management stated that the decision to pay the depositors was taken by the Government and there was no legal requirement for the execution of a memorandum of understanding. The Government commitment was documented in the budget speech and the Memorandum of Economic and Financial Policies of the Government of 2000/2001.

The deposits that needed verification and therefore not paid were Shs 7.2 billion of which Shs 3.4 billion was later verified and paid.

Band of Uganda stated that after reconciliation, Government outstanding claim was Shs 70 billion. Government subrogated the rights of the depositors with respect to the uninsured portion of their deposits.

It therefore, ranks as a creditor that will participate in the distribution of the realised value of assets on a pro-rata basis, after conclusion of the winding up process that has been on going.

The Shs 21.9 billion is still held at DPF account in Bank of Uganda and will be disbursed to Government after the conclusion of the liquidation exercise of the three banks. Of course you will have to note that the exercise is taking 20 years; it might take another 20 years too.

Committee observation

Whereas there was no memorandum of understanding between Government and the Bank of Uganda, it is the opinion of the committee that public monies being expended in the resolution of processes of distressed financial institutions should be on terms clearly defined and documented. This should be applied *mutatis mutandis*. In the absence of such defined and documented terms, it is difficult to ascertain the terms upon which Shs 91 billion was given to the bank and would be recovered.

The committee was not availed any document relating to the authority that approved or authorised payment of the funds in issue from Bank of Uganda and Ministry of Finance, Planning and Economic Development.

The committee observes further that whereas Government paid Shs 91 billion to be refunded by Bank from the asset recovery accounts of the three defunct banks, only Shs 21 billion has been recovered and is held in the DPF leaving an outstanding sum of Shs 70 billion unrecoverable since the remaining assets of the three defunct banks were lumped up and sold to Nile River at aptly Shs 8.9 billion.

Due to absence of documents, it was not possible to ascertain whether the Shs 91 billion used to settle customer claims of ICB, Cooperative bank and Greenland bank went to the bona fide beneficiaries. The absence of documents could, among others, be attributed to the long delay in concluding the winding up process.

Recommendations

The DPF should within one month refund the Shs 2lbillion due to Government to the Consolidated Fund; the money is still lying on an account in Bank of Uganda.

The Minister of Finance, Planning and Economic Development should regularly review and fix the size of the fund to ensure the sufficient protection of the depositors interests and avoid recourse to the public purse.

4.5 To establish the total cost of litigation; section 106 provides as stated there. At pages 20, 33 and 43, the Auditor-General in the special audit report observed that a sum of Shs 18 billion was incurred by the Liquidator as liquidation costs as illustrated in the table below. Liquidation costs incurred on NBC and CBL could not be ascertained since Bank of Uganda had not commenced the process of liquidation.

The table is clear. I can just go through the figures quickly and they are as follows:

ICB the cost was Shs 2.7 billion; Cooperative Bank, Shs 7 billion; Greenland Bank, Shs 8 billion; Global Trust Bank (GTB), Shs 750 million; and total, Shs 18.7 billion.

It was further observed that bank of Uganda did not maintain full ledgers in relation to liquidation costs of International Credit Bank (ICB), Co-operative and Greenland Banks. As such, the Auditor-General could not confirm the total liquidation costs for these three (3) banks.

Management response

Bank of Uganda stated that in the case of ICB, Greenland and Co-operative financial ledgers in relation to liquidation are maintained. They also stated that because of a court injunction in respect of National Bank of Commerce (NBC), they could not prepare a statement of affairs detailing the liquidation costs so far incurred.

In the case of Crane Bank Limited (CBL), Bank of Uganda management stated that CBL is still under receivership and has not yet progressed into liquidation. Following the completion of the current court cases, a statement of affairs will be prepared in accordance with the law.

Committee observations

The committee observed that Bank of Uganda provided recovery accounts for ICB, Cooperative Bank, GTB, NBC and Greenland Bank detailing the liquidation costs, creditor claims settled and proceeds from sale of assets. However, the recovery accounts for ICB, Greenland and Cooperative banks did not have clear details of the transactions and could therefore, not confirm the accumulated liquidation costs reported.

Further, we observed that whereas Bank of Uganda management explained that they could not avail the sums spent in the liquidation of NBC because of a court injunction issued on 28 September 2012 and extended on 27 December 2012 and 15 February 2013, a perusal of the interim order does not reveal the same.

The interim order did prohibit the Bank of Uganda from proceeding with the winding up of the bank until the final determination of the Constitutional Application No. 52 of 2012.

It was also of concern to the committee that a court interim order could last seven years *–(Laughter)–* I do not know what was now interim about that order yet the affected party, which was Bank of Uganda, had not taken steps to fix the Constitutional Petition of 44 of 2012 for hearing and disposing of.

Whereas it is correct that there are contestations in court about issues in regard to CBL in liquidation, it is the committee's observation that, that does not stop Bank of Uganda from preparing the statement of affairs as at the time of the special audit.

Further, it is obvious, like indeed in NBC that Bank of Uganda has already incurred ascertainable liquidation costs including but not limited to legal, audit, security and survey. It is the committee's observation that the cost of liquidation would have been mitigated had Bank of Uganda relied on its internal human resource as opposed to outsourcing professional services. I will give you an example; one of the biggest components of the liquidation costs is the legal fees. This is because Bank of Uganda has decided to outsource services of private law firms.

However, the Bank of Uganda Legal Department has got 11 lawyers, all of them with master’s degrees yet despite this well-resourced department, they go out and source private lawyers to represent them in court. I do not think there is any well-paying Government institution with 11 lawyers; it is only Bank of Uganda.

The committee has already made critical observations in relation to record keeping in resolving audit objectives 1 and 2 earlier in this report.

Committee recommendations

Bank of Uganda should strictly adhere to the requirements of section 106 (1) of the Financial Institutions Act (FIA) by keeping proper financial ledgers and financial records in a manner prescribed by the Central Bank in which sha1l be recorded all financial transactions relating to the liquidation.

Further, we recommend that the fiduciary duty owed to the person who is ultimately bearing the burden of paying the liquidation cost dictates that such cost should be minimised.

Lastly, decisions to hire external professional help should be done under the authority of the Board upon justification by management.

4.6 To establish whether the statutory managers performed the functions in line with section 90(4) of the FIA, 2004 and ascertain the total cost incurred by Bank of Uganda during the intervention period

Under this audit objective, Madam Speaker, it is important to note that of a1l closed financial institutions, only CBL was placed under statutory management under Section 89 (2) (g) of the FIA, 2004. For clarity, the relevant provision reads as stated therein.

The duties of the said statutory manager are as detailed in Section 90(4) of the FIA, 2004; they are all stated up to (g).

On pages 52 to 59, the Auditor-General in the special audit report, observed that CBL was placed under statutory management from 20 October 2016 to 20 January 2017. During this period, the statutory manager did not prepare a plan detailing efforts to return the bank into compliance with prudential standards despite Bank of Uganda injecting Shs 478 billion to support the operations of Crane Bank.

In the absence of any documented assessment to revive the bank, he could not provide assurance as to whether sections 89(5) and 90(4)(c) of the FIA 2O04 were complied with.

Management response

Bank of Uganda stated that the intervention and subsequent resolution of CBL was done under sections 87(3) and 89(5) of the FIA, 2004, did not come into play as indicated by the Office of the Auditor-General.

Bank of Uganda further stated that when Bank of Uganda took CBL into statutory management, it was found to be grossly insolvent. It is not possible to revive a bank with this level of insolvency and restore it to full compliance with capital adequacy and other requirements. Therefore, Bank of Uganda pursued other means to resolve the bank.

Committee observations

The committee established that during the period of statutory management, the statutory manager recovered Shs 16.2 billion from loans in the performance of his functions and compliance with Section 90(4)(b) of the FIA, 2004.

The committee further established that the processes leading to the sale of CBL in receivership commenced during the period of statutory management contrary to Section 95 of the FIA, 2004.

Whereas the letter of appointment dated 20 October 2016 made no reference to section 89(5) of the FIA as claimed by Bank of Uganda, it is the duty of the statutory manager in the exercise of statutory functions, to observe and comply with all the provisions of the Financial Institutions Act and other laws of Uganda. Accordingly, section 89(5) of the FIA applied to his functions.

In light of the findings in 2 above, the committee observed that Bank of Uganda management did not provide a plan or assessment detailing efforts to return the bank into compliance with prudential standards despite funding it with Shs 478.8 billion.

The above notwithstanding, on pages 7 and 8 of the special audit report of February 2019 on the accountability of the Shs 478 billion injected into CBL, the Auditor-General observed that CBL liquidity position was significantly below compliance level for the first two months of the statutory management period.

However, in the last month of statutory management, from 01 January 2017 to 24 January 2017, CBL met the required liquidity compliance levels. Therefore, the bank’s liquidity position had stabilised. The table gives all the details. The source of those details is Bank of Uganda liquidity assessment report for that period; it is a daily report.

A critical analysis of the table above reveals that CBL had recovered from liquidity distress from mid-January 2017 to the time it was disposed of on 25 January 2O17. It fact, Bank of Uganda stopped injecting money in CBL on 09 January 2017. Therefore, the bank’s liquidity position had stabilised.

The committee established that during the period of management the statutory manager recovered Shs 16.2 billion from the loans in performance and compliance of his function.

The committee further established that the processes leading to the sale of CBL in receivership commenced during the period of statutory management contrary to section 95 of the FIA, 2004.

Whereas Bank of Uganda is mandated under the cited section to arrange for a P&A, such powers can only be exercised after Bank of Uganda has taken over as receiver. As observed herein, the process for the P&A was commenced on 9 December 2017 when the bids were invited from selected prospective buyers. This indicates that the decision to sell was conceived while the bank was under statutory management.

The committee is, therefore, satisfied that the statutory manager performed his functions in compliance with section 90.

The committee observes, however, that the statutory manager did not provide accountability and a handover report as required by law, owing to the termination of his services upon placing the bank in receivership without his knowledge or input.

From the report of the audit on the accountability for the Shs 478 billion injected into CBL at page 6, the committee observes that the statutory manager prepared CBL annual reports and financial statements for the year ended 31 December 2016, as required by section 90 (4)(f) of the FIA, 2004.

KPMG Auditors were engaged to audit the financial statements prepared by the statutory manager during the time of his management. The requisite professional fees were fully paid. However, the financial statements were neither signed by the statutory manager nor Bank of Uganda.

The committee recommends that in the process of taking a decision to liquidate a financial institution, detailed plans for the revival should be exhausted before taking more extreme action of liquidating a financial institution, which act has far reaching implications to the financial sector.

The absence of such plans would connote premeditated intentions to windup a financial institution instead of reviving it to the extent that such is possible.

The committee further recommends that the statutory manager’s assessment, as may be revealed in his report prior to liquidation, should be key in forming the basis for the decisions of the Central Bank in relation to liquidation. Such a report would reveal the financial status of the institution including its ability to return to prudential compliance.

4.7 To carry out any procedures that may be appropriate in the circumstances

In the course of the inquiry, the committee came across several matters incidental to and connected with its terms of reference. These relate to the seven financial institutions in issue and the Bank of Uganda. They included the following:

Co-operative Bank Limited

The committee, in the course of interaction with the Uganda cooperative Alliance (representing the cooperators that formed the Cooperative Bank in 1964), established that in 1992, the Government of Uganda together with USAID made attempts to recapitalise the distressed Cooperative Bank.

They complained that in the process a new company - the Cooperative Bank Ltd – was incorporated in 1997 in the same name with new directors and subscribers. This was done without deregistering or liquidating the previous Cooperative Bank Ltd of 1964, registered under the Cooperative Societies Act.

In interrogating this matter, the committee interfaced with the subscribers of the Cooperative Bank Limited, 1997, officers from the Uganda Registration Services Bureau, Mr Charles Owor, former Bank Secretary of both banks, Bank of Uganda officials and the finance minister officials.

The committee also received copies of correspondences from hon. Amelia Kyambadde to the Governor Bank of Uganda, inquiring about the final report on the closure of the Cooperative Bank. In those correspondences, hon. Amelia Kyambadde informed the Governor that her ministry was considering reviving the Co-operative Bank Ltd.

It was the observation of the committee that it is true that a new Cooperative Bank was incorporated in 1997 with the same name as the original one of 1964.

By having two co-operative banks duly registered without winding up the first one resulted into confusion leading to the question as to which bank was closed in 1999. This explains the concern by the Uganda Cooperative Alliance as to what happened to the assets of the Cooperative Bank of 1964. The committee was availed with a complete asset register of the defunct Cooperative Bank as at 1997.

The committee, therefore, recommends that Bank of Uganda, Ministry of Trade, Industry and Cooperatives and the Ministry of Finance, planning and Economic Development resolves the concerns of the Uganda Cooperative Alliance regarding the closure and assets of the Cooperative Bank of 1964.

It is further recommended that Government reports on this matter to this House within six months.

The Bank of Uganda Board of Directors

In the process of the inquiry, the committee reviewed the legal regime establishing and governing the Bank of Uganda Board, particularly the Constitution of the Republic of Uganda and the Bank of Uganda Act.

A perusal of Article 161(2) of the Constitution reveals a conflict thereof with section 10 of the BOU Act as far as the number of directors and their appointment.

Whereas Article 161(2) of the Constitution provides that the Board shall consist of the governor, deputy governor and not more than five other members, section 7 of the Bank of Uganda Act provides that the Board of Directors shall consist of the governor, deputy governor, secretary to treasury and not less than four and not more than six other directors.

In terms of appointment, whereas the Constitution provides, in Article 161 (3)(a) that the board shall be appointed by the President with approval of Parliament, section 7 (2) of the Bank of Uganda Act provides that the directors shall be appointed by the minister.

Whereas the section 7(1)(c) of the Act provides for Secretary to the Treasury to be a statutory member of the board, the Constitution has no such requirement. Currently, the committee observes that Mr Keith Muhakanizi is a voting member of the BOU board of directors appointed under the Constitution, as Secretary to the Treasury.

The committee recommends that the Secretary to the Treasury or his or her representative (not below the rank of commissioner), like it is in other jurisdictions, should be a non-voting member of the board. This will be a good safeguard against any likely compromising of the Bank of Uganda’s independence guaranteed under Article 162(2) of the Constitution.

With respect to the term of office of Bank of Uganda board of directors, whereas the Constitution, under Article 161(3)(b), provides for a term of five years for the board, section 7(3) of the Bank of Uganda Act provides for a renewable term of four years.

In terms of the functions of the board, the committee observed that the board did not adequately supervise management in the process of liquidating the financial institutions. Indeed, their failure is exemplified by the fact that up to the time of writing this report, they have never demanded for final reports on the liquidated financial institutions.

The committee observed that it is against the latter and spirit of Article 161 of the Constitution, which provides, *“the authority of the BOU shall vest in the Board...”* Indeed, section 10 of the Bank of Uganda Act clearly provides for the duties of the Board as being responsible for the general management of the affairs of the bank, ensuring the functioning of the bank, the implementation of its functions and formulation of policies.

Madam Speaker, it is recommended that the board reminds itself of its obligations and mandate under both the Constitution of Uganda and the Bank of Uganda Act. The appointing authority, may, in the event of any failure on the part of the board in effective supervision of the management of the bank, consider reviewing their appointments.

Article 161(4) of the Constitution of Uganda provides that the governor and deputy governor shall be chairperson and vice chairperson of the board, respectively. Good corporate governance principles would require the position of the chairperson and vice chairperson of the Board to be separated from the position of Chief Executive Officer and the deputy.

In line with G20/OECD principles of Corporate Governance, 2015, it is observed that in countries with single Tier Board Systems, the objectivity of the board and its independence from management may be strengthened by separation of the role of the Chief Executive and chairperson.

The separation of these two positions is generally regarded as good practice, as it can help to achieve an appropriate balance of power, increase accountability and improve the Board's capacity for decision-making independent of management.

It is the recommendation of this committee, therefore, that Article 161(4) be reviewed to separate the offices of the leadership of the board - the chairperson and deputy of the board and that of the top management; the governor and deputy governor.

Security at the Bank of Uganda

While conducting the inquiry, the committee came across evidence of serious security laxity at the Central Bank. This involved movement of persons contrary to the provisions of the security policy and unverified items in and out of the bank.

It is the committee’s observation, Madam Speaker, that the Central Bank of any country is a highly security sensitive installation and the casual and unprofessional handling of security at the Bank of Uganda is unacceptable. The practice of senior staff at the Bank of Uganda violating the security policy should immediately cease.

It is, therefore, recommended that the bank strengthens its monitoring and observance of its security policy; and secondly that all bank officials should strictly adhere to the security policy and anyone found in breach should be subjected to the disciplinary proceedings of the bank.

Reports raised by the Internal Auditor of the bank

The committee was not provided with the response on issues raised by the Bank of Uganda Internal Auditor's reports in regard to liquidation processes, neither was there evidence of compliance with the internal audit recommendations provided. The board should take serious consideration of the reports generated by the internal auditor as a basis for formulation of policies of accountability.

Confidentiality

Section 40 of the Bank of Uganda Act, 1998 provides as stated - the committee observed that Bank of Uganda in pursuant of its mandate is duty bound to make decisions including procuring prospective purchasers of a financial institution in distress. This may be before takeover. In such cases, it is impossible for the prospective purchaser to express interest without sufficient information.

The section, on the other hand, prohibits disclosure of such information yet section 95 (1)(b) of the FIA allows the option of sale by public auction, which would guarantee the interest of depositors without resorting to tax payers’ money.

Accordingly, the committee observed that section 40(3) places an unreasonable restriction on the Central Bank. It is the recommendation of the committee that Section 40 (3) of the Bank of Uganda Act be amended to provide for exceptional circumstances.

Securities of petitioners

Upon inviting stakeholders for interaction with the committee on matters within its terms of reference, a number of customers of the defunct banks appeared with complaints relating to the management of their securities by Bank of Uganda and/or its liquidation agents. The complaints ranged from irregular sale of securities, contempt of court orders, illegal withholding of securities upon clearance of obligations.

The committee observes that the management of securities during liquidation process has not been fully transparent. Indeed, the Bank of Uganda itself is still in possession of certificates of title, which they have failed to explain.

The committee, therefore, recommends that the Bank of Uganda establishes a mechanism of receiving and resolving complaints, including against its liquidation agents.

Madam Speaker and honourable members, I beg to report. *(Applause)*

However, before I take leave of this matter, Madam Speaker, I would like to thank you for the support you gave to the committee. I would also like to thank all other Members, who have done their best to make sure this report is here before 22 February 2019, the day you gave us as the last day.

On record, this issue eventually became so controversial; a lot has been said and written about people not wanting to leave offices. However, I can confirm, Madam Speaker, that I have no interest at all in staying in the office against the rules or the will of the House. I am ready to handover the office, come next Monday at 10.00 a.m. I hope the Opposition Chief Whip organises the handover ceremony. Even if he does not organise it, I will be handing over the office at 10.00 a.m. next Monday.

I thank you, Madam Speaker. *(Applause)*

**THE SPEAKER:** Thank you very much, Chairperson of the Committee on Statutory Authorities and State Enterprises (COSASE) and the whole committee for a very comprehensive report, which has far bearing implications on this economy.

Honourable members, the report is quite lengthy; it covers several banks and there are policy issues to consider. Therefore, I would like the Members to go back and read it so that we debate it on Tuesday. Thank you very much. *(Applause)*

Honourable members, the House is adjourned to Tuesday at 2.00 p.m.

*(The House rose at exactly 7.51 p.m. and adjourned until Tuesday, 26 February 2019 at 2.00 p.m.)*