

# WHERE DID COVID 19 MONEY GO?

## INTERNATIONAL FINANCE INSTITUTIONS' FUNDING TO UGANDA



**REPORT SUMMARY**

JUNE 2021



## INTRODUCTION

With the increasing need to prevent, contain and manage the pandemic as well as mitigate its socio-economic impact, the government has been on a borrowing spree, attracting funding from both bilateral and multilateral International Financial Institutions (IFIs), such as; the World Bank, International Monetary Fund (IMF), and the African Development Bank (AfDB). Uganda is estimated to have received US\$868 million from the 3 multilateral IFIs towards combating the pandemic and the resultant socio-economic impacts.

Uganda is undergoing a second lockdown, more than a year since IFIs provided funding to mitigate the impact of COVID 19. With increasing voices from a broad spectrum of stakeholders urging the government to be transparent and accountable and to ensure public resources reach those in most need, it is imperative to make a reflection on how the IFIs covid-19 funds have been managed.

This report documents the different forms of financing that Uganda received from IFIs to prevent, manage and control the COVID-19 pandemic as well as mitigate the associated socio-economic impacts; examines the implementation and accountability gaps in key projects that were financed; and draws lessons and recommendations for the ongoing and future pandemic financing responses and implementation mechanisms.

The study was conducted between January and June 2021 and involved mapping the different financing from multilateral IFIs in the FY 2019/2020. In tracking and assessing how Uganda has managed the multilateral IFIs' COVID-19 funding, we developed an assessment framework delineating different aspects of implementation and accountability including coverage, disbursement rate, comprehensiveness, the extent of stakeholder engagement, adherence to the country's procurement laws, transparency, timeliness and the impact the financing has had to the poor and the vulnerable Ugandans.

The review and analysis of literature was largely based on the publicly available documents, including funding agreements, projects progress and implementation status reports, policies and laws of Uganda. Information about the forms of financing was obtained from the appraisal reports and publicly funding agreements with the bilateral IFIs

At the time of the assessment, some projects were neither been piloted nor implemented, due to delay in loan approvals which is of grave concern. Failure to put in place sufficient institutional safeguards to prevent misuse of funds and limited measures to ensure participation of purported beneficiaries right from the onset of designing the COVID 19 response and through out resulted in measures that were not sufficiently tailored to benefit the populace's immediate needs or fool proof against misuse. The predominant use of loans in IFI's COVID 19 response, increased the country's debt, which more than doubled and poses risks of debt sustainability should the situation continue. Rising debt will undermine financing of public services and saddle the population with higher taxes. The government's failure to account for the COVID funds in line with the requirements in the funding agreements has eroded citizens' trust, which is urgently needed as the country grapples a second wave of Covid 19.

Nevertheless, we hope that this study provides insights into the covid-19 financing responses from

multilateral IFIs and how the government is spending the funds. ISER will continuously document the implementation and accountability gaps in the multilateral IFIs funded projects and share its findings with key stakeholders. The full report can be accessed by contacting [info@ISER.Uganda.org](mailto:info@ISER.Uganda.org).

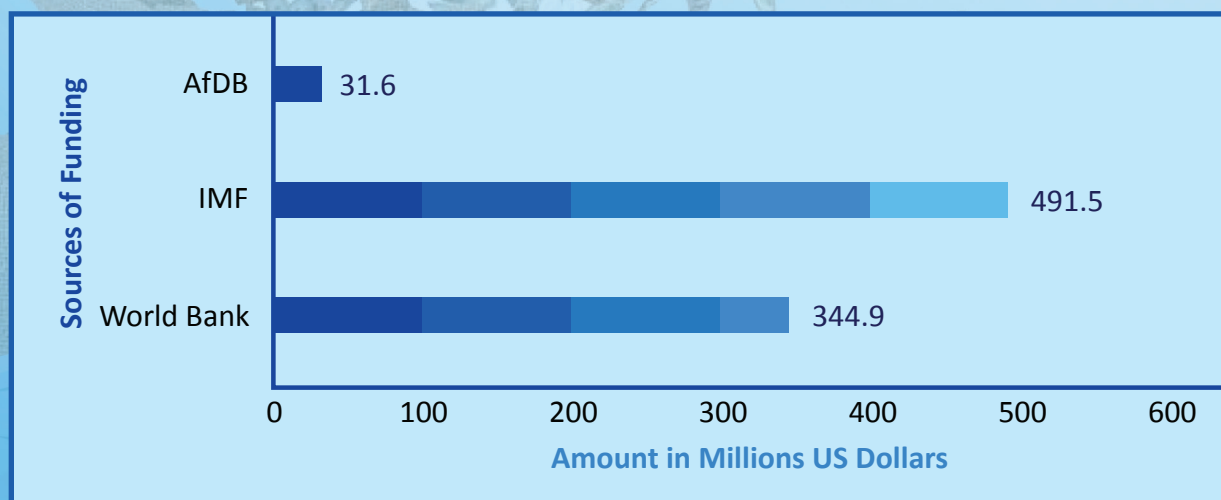
## BACKGROUND

**Mitigating the havoc wreaked by the pandemic necessitated the Government of Uganda (GoU) to reach out to external funders including multilateral IFIs for concessional borrowing.** The first multilateral IFI to respond was the [International Monetary Fund \(IMF\)](#) with the disbursement of [US\\$491.5 million](#), in form of Rapid Credit Facility (RCF). This was followed by the disbursement of US\$300 million by the World Bank in the form of budget support under the Development Policy Operation (DPO). In addition to the DPO, the World Bank also provided the following funding: US\$12 million for Contingency Emergency Response Component (CERC), US\$15.2 for Uganda COVID19 Response and Emergency Preparedness Project (REPP) and US\$14.7 for Uganda COVID-19 Emergency Education Response Project (see table 1. for details). The African Development Bank (AfDB) also [committed](#), although with substantial delays in the internal approval processes, to finance US\$31.6 million under the bank's Crisis Response Support Program (CRSP).

It is worth noting that the government [also received](#) cash donations amounting to UGX.11.6bn and donations-in-kind worth UGX.23 billion from private citizens; UGX. 27.23 billion from the contingent fund and 29.5 billion in form of grants. However, these donations and grants are not the subject of this report.

## HOW MUCH DID UGANDA GET FROM IFIs?

### *Multilateral IFIs' COVI-19 funding to Uganda*



Source: The World Bank, IMF, and AfBD



### List of Projects Funded by Multilateral International Financial Institutions

Funder	Project	Amount (million USD)	Form of financing	Date of approval	End date	Objective	Status
<b>WORLD BANK</b>	Contingency Emergency Response Component (CERC)	US\$15	Grant	31 <sup>st</sup> March 2020	31 <sup>st</sup> Dec 2020	Support prevention and early detection of COVID-19	Active by May 2020
	COVID-19 Economic Crisis and Recovery Development Policy Financing	US\$300	Loan	12 <sup>th</sup> June 2020	30 <sup>th</sup> June 2021	Strengthen the crisis response, help protect the most vulnerable, and foster growth recovery and debt transparency	Active
	Uganda COVID19 Response and Emergency Preparedness Project (REPP)	US\$15.2 (\$12.5 Loan & 2.7 Grant)	Loan/Grant	16 <sup>th</sup> July 2020	31 <sup>st</sup> Dec 2022	Prevent, detect & respond to the threat posed by COVID-19 and strengthen national systems for public health preparedness in the Republic of Uganda.	Partially active (only grant component)
	Uganda COVID-19 Emergency Education Response Project	US\$14.7	Loan	29 <sup>th</sup> August 2020	31 <sup>st</sup> Dec 2021	To mitigate the effects of COVID-19 on preprimary, primary and lower secondary education students and teachers and create resilience to future shocks in the education system in Uganda	Active
<b>IMF</b>	Rapid Credit Facility	US\$491.5 million	Loan	6 <sup>th</sup> May 2020	-	To provide critical support to limit the decline in international reserves, contribute to health care spending, shield the most vulnerable, and protect businesses from the shock of the COVID-19 crisis	Active
<b>African Development Bank</b>	Uganda: COVID-19 Crisis Response Support Program (CRSP)	US\$31.6 million	Loan	24 <sup>th</sup> July 2020	-	Strengthen the COVID-19 outbreak response mechanisms and mitigate the social and economic impacts of the pandemic	Not active
	Total	US\$868 million					

## WHAT DID WE FIND?

### 1. THE BULK OF THE MONEY PROVIDED BY INTERNATIONAL FINANCE INSTITUTIONS DID NOT DIRECTLY BENEFIT THE MOST VULNERABLE.

#### 1.1 THE ECONOMIC STIMULUS PACKAGE WAS NOT PROVIDED.

In mid-August 2020, the government capitalized Uganda Development Bank (UDB) by additional UGX.455 billion, earmarked from IMF loan, as a “stimulus package.” By its design, the goal of a stimulus package is to reinvigorate the economy, prevent or reverse a recession through boosting employment and spending. For a stimulus package to have the greatest impact, with the least long-run cost, it should be timely, temporary, and targeted – to the extent that financial resources should be extended to people with the greatest need and to the willingness to spend.

As ISER’s prior research, questioning [whether the Economic Stimulus Package would deliver](#), shows, the stimulus package predominantly focused on the Uganda Development Bank (UDB) which, due to its high collateral requirement (100 million minimum), did not reach the Micro, Small and Medium Enterprises (MSMEs) that were most detrimentally impacted by the pandemic. MSMEs, which comprise 85 percent of the entire private sector, are extremely vulnerable to recent emergencies due to low cash reserves and limited access to affordable investment finance. Majority of Ugandan business, MSMEs included, fail to access funding from UDB, the main reason being failure to meet lending requirements, chief among them being the provision of collateral security.

**Uganda Development Bank did not use the money for economic stimulus [but to further her strategic plan that was drawn long before the pandemic](#).** The country’s development bank gave money to only agricultural and manufacturing enterprises which were allowed to continue to operate and remained profitable during the lockdown. As the list from 18 March 2021 printed in the New Vision, shows, 22 of the facilities that benefited were Agro Industrialisation and 24 to primary Agriculture yet as the Minister of Finance noted in the budget speech, the agricultural sector [had grown by](#) 4.2% up from 3.8%. It also gave to entities whose criteria would not fit under its strategic plan [as claimed](#). **For example, from the list reported in the media, the second-highest beneficiary was Akamwesi, which runs hostels, and received UGX 20,795,200,000.** Yet, given that we are in a pandemic, the government and the IMF’s stated intention when providing a stimulus package was to enable struggling businesses to stay afloat. **The [Budget Speech of 2020/21](#) and the State of the Nation unequivocally communicated to Ugandans that this was a stimulus package.** The theme of the Budget was “Stimulating the Economy to safeguard Livelihoods, Jobs, Businesses and Industrial Recovery.” The [Budget Speech](#) noted that:-

*Micro, Small and Medium Enterprises (MSMEs) are the backbone of Uganda’s economy, representing an estimated 85 percent of private sector companies in regard to employment. The vast majority are operated by households and have also been extremely vulnerable to the recent emergencies, as they have low cash reserves and limited access to affordable investment finance.*



Uganda Development Bank, later on, [denied](#) this stating it did not give out a stimulus package but normal loan funds. Parliament's finance committee purportedly initiated an investigation but results are not public. While the subsidiary agreement between UDBL and the Ministry of Finance governing the deployment of the funds is not publicly available, it appears the initial government stance on the stimulus package was empty rhetoric, perhaps designed to soothe the public's anger towards the mismanagement of covid-19 funds.

Moreover, without access to information, as further discussed later on in the report, the public could not promptly monitor this and flag this as problematic early enough for it to be remedied.

## 1.2 FAILURE TO STRENGTHEN LIVELIHOODS AND LIMITED SOCIAL PROTECTION.

### Urban Cash For Work Programs Not Done

The government reneged on its pledge to develop and approve a COVID-19 social protection response plan and targeting guidelines and did not implement the urban cash for work activities to cushion the urban poor who were hardest hit by the pandemic. The [program](#) targeted 529,500 people in 16 urban centres and 16 in flood-affected districts of Uganda. Each of the targeted beneficiaries would work for 12 days a month for two months earning UGX. 6,500 (US\$1.5) daily. The program would be piloted in Arua district, with funding from the International Labour Organization (ILO). The government had also earmarked US\$35 million to support the national rollout.

Despite financing by the World Bank, by May 2021, the urban cash for work activities had not started. This is very concerning. Ideal cash for work programs should work within a specific time to protect intended beneficiaries from adopting extreme coping mechanisms. At the time of writing this report, the pilot phase had not started and there was no public information available on the fate of the project. Indeed, in its [factsheet](#) posted on its website on March 14th 2021, the World Bank noted that as of February 15, 2021, progress on follow-on activities related to achieving the results of the prior actions and fulfilment of commitments remained mixed. The affected people have resorted to adopting extreme coping mechanisms such as selling their household assets if any; [child labour](#), and sexual exploitation. Several factors account for the delay in piloting and eventual roll-out of the program and these include: delay in finalization of a financing agreement with the World Bank, delay of approval by MFPED, and national 2021 elections that one way or another slowed down government businesses. Nonetheless, the failure to implement the urban cash for work activities for more than one year in the pandemic grossly undermined the stated purpose of the program, which was to provide a cushion to households desperately in need of livelihoods. This failure to implement reflects a sheer lack of commitment by the government to ensuring social protection.

If it ever starts, the urban cash for work project is likely to only cover a small portion of people who have lost livelihoods due to the covid-19 pandemic. In April 2020, the Ministry of Finance reported that in addition to the existing 8.5 million Ugandans who are poor, an additional 800,000 to 2.6 million Ugandans would fall into poverty due to the COVID-19 pandemic. Simulations by [Doyle et al \(2021\)](#) based on 2016/17 UNHS showed that about 1.97 million urban households are



eligible for the urban cash for work program. This would leave approximately 1,508,000 households eligible but unable to benefit from the program.

Additionally, the requirement of potential beneficiaries of the urban cash for work program to have a national identity card will prevent eligible beneficiaries from participating, even when they are deemed poor. As ISER's research on [digital ID and Exclusion](#) has revealed, millions of Ugandans lack national IDs. There is overwhelming evidence which points to the fact that Ugandans who are eligible for social protection programs have not benefited on account of failure to have national Identity cards.

Other programs to benefit social protection like Social Assistance Grants for Empowerment (SAGE) for older persons and the creation of a single beneficiary registry to establish targeted social protection were done. However, while SAGE was expanded, the beneficiaries are those only 80 years and above excluding a number of older persons. Although Parliament, in 2018, resolved that the government should progressively lower the eligibility age to 65 years, the government is yet to comply with the resolution. The requirement for a national ID for SAGE beneficiaries excludes eligible beneficiaries. The Single Beneficiary Registry, while created, is yet to have updated data and it could have served as a useful targeting tool as the country grapples with second lockdown.

### **1.3 PREDOMINANTLY FOCUSING ON STOCKING RESERVES DEPRIVING PRIVATE SECTOR OF MUCH NEEDED LIQUIDITY**

In May 2020, the IMF extended a [US\\$491.5 million interest-free](#) loan as emergency assistance to Uganda under the Rapid Credit Facility. Out of the US\$491.5 million, 70% (US\$344.05 million) was allocated to Bank of Uganda to boost the country's stock of foreign exchange reserves. The remainder, 30% (US\$147.45million), was designated for capitalization of the Uganda Development Bank (UDB) to provide private credit to private companies. While reserves are critical, this percentage is high at a time when liquidity was urgently needed. By stocking an additional US\$344.05 million in form of reserves to cover imports, Bank of Uganda denied the private actors the much-needed liquidity to support their business. By end of June 2020, the country had import cover of close to [5.2 months](#), which was above 4 months import cover as an optimal level of the stock of foreign exchange for the country. The situation was not helped by the fact that the government played lip service to the stimulus package it was set to disburse.

### **1.4 REDUCTION IN THE CENTRAL BANK RATE (CBR) MAY NOT BE AN EFFECTIVE WAY OF GUARANTEEING LIQUIDITY TO THE SMALL AND MEDIUM ENTERPRISES (SMES) WHICH COMPRISE OVER 85% OF THE PRIVATE SECTOR IN UGANDA.**

Although Bank of Uganda's permission to Supervised Financial Institutions (SFIs) to provide credit relief to borrowers affected by the pandemic saw over UGX. 5.9 trillion of loans restructured, the reduction of the CBR rate from 9 percent to 7 percent did not substantially reduce the cost of borrowing nor ease SMEs' access to credit due to stringent lending measures and borrowing



requirements by commercial banks. Thus, a customized loan facility that suits the prevalent circumstances of the informal sector, including a government credit guarantee scheme, would ease SMEs' access to credit.

## 1.5 LIMITED IMPACT ON EDUCATION

**Uganda COVID-19 Emergency Education Response Project, which was largely supported by the World Bank, exacerbated exclusion in access to basic education, disproportionately affecting learners with disabilities and those in rural areas, particularly girls.**

Although the project intended to [support over 14 million learners](#), by November 2020, only 3.1 million learners had been allegedly served. Home study materials were not distributed in time while districts like Buikwe did not get the materials, at all. Additionally, the model of teaching through radio stations, televisions, and online platforms exacerbated the education exclusion for both students with learning disabilities and those from poor households who had no access to radios, televisions, and the internet. Over 181,809 learners with disabilities in both primary and secondary schools did not equally benefit from continued learning due to lack of assistive devices. The failure to ensure access to education resulted in a surge in child labour, as ISER's latest research "[I Must Work To Eat](#)" shows.

## 1.6 LIMITED IMPACT ON HEALTH

### **Creation of Funding Gap for Critical Health Services**

The Contingency Emergency Response Component triggered under existing projects caused a financing gap to affect people who rely on the project to access critical health services. The US\$15 million loan to Uganda by the World Bank triggered from the existing Reproductive, Maternal, and Child Health Services improvement project, for instance, created a funding gap on the maternal health services in the country, affecting patients, particularly pregnant and lactating women, who relied on the project for free and affordable health services.

### **Limited Investment in the Public Health System**

Despite acknowledging the dire need for ICU and Oxygen, financing was not earmarked for this. Uganda's Intensive care Unit (ICU) infrastructure remains inadequate, with some Regional Referral Hospitals (RRHs) having a dysfunctional oxygen system and adequate clinical capacity to treat surging COVID-19 cases. At the onset of the pandemic, the government put in place a National COVID-19 Preparedness and Response Plan which was costed at US\$126.2 million with a deficit of \$77.9 million. When applying to the IFIs, the government noted that the country must be equipped with oxygen equipment. It is therefore not clear why money was not fully earmarked to improve Uganda's poor ICU and oxygen infrastructure which, in its current state, remains a harbinger of death. With surging cases of the second wave of the COVID-19 pandemic, the government must use its own internally generated revenues to improve the capacity of RRHs to manage covid-19 cases by ensuring that: oxygen delivery equipment in all RRHs is functional,



ICUs are upgraded, and there is a steady supply of oxygen. This was a missed opportunity, raising questions about prioritization in line with the country's needs. With no IFIs' financing, so far, directed towards supporting Uganda's Intensive care Unit (ICU) infrastructure, covid-19 related deaths are rising as the country grapples with an [oxygen crisis](#). As ISER's research "[How Did We Get Here? Uganda's Medical Oxygen Crisis](#)" shows, the failure to prioritise financing medical oxygen and ICU has resulted in the poor being failed twice: unable to receive medical oxygen in public health facilities and having to pay exorbitant costs from private facilities [profiteering off the pandemic](#).

### High COVID-19 Testing Costs

One of the quickest ways to get the pandemic under control is to test and contact trace. The World Bank funding was to prevent, detect and respond to the threat posed by COVID-19 and strengthen national systems for public health preparedness in the Republic of Uganda.<sup>1</sup> This would be achieved through three components: (i) Case Detection, Confirmation, Contact Tracing, Recording, Reporting; (ii) Strengthening Case Management and Psychosocial Support; and (iii) Implementation Management and Monitoring and Evaluation. However, unless you have symptoms, of which many Ugandans are asymptomatic, you are asked to pay for a test both at the government facilities. At \$50 per PCR test, the cost of the COVID-19 test remains very high and unaffordable for many Ugandans of whom 21.4% are below the poverty line. Although it was reduced from \$65 in October 2020, with a reduction in international shipping costs and falling prices of COVID-19 testing kits, one would expect costs to reduce, further. The high cost of COVID 19 Testing has undercut the government's response to the pandemic, resulting in an unchecked spread as others sit at home or go about their business when infected because they do not have the money to test. It is one of the [ten things that Government must urgently address](#) as the country grapples with a second wave

## 1.7 FAILURE TO ADDRESS NEW CHALLENGES IMPOSED BY COVID-19 AND RESULTANT CONTAINMENT MEASURES.

The COVID-19 pandemic presented new challenges and exacerbated the existing ones partly due to the closing of schools, restrictions on movement, and limits on social activities which placed women and girls at heightened risks of "intimate partner violence and other forms of exploitation and sexual violence." According to the annual crime report by the Uganda police force, over 14,000 girls had been defiled in 2019/2020. Apart from inflicting physical and psychological harm on girls, these challenges limited their access to education. Unfortunately, none of the IFIs funding was earmarked to address these new challenges which have put women and girls at risk.

<sup>1</sup> Uganda COVID19 Response and Emergency Preparedness Project (REPP) document. Available at: <https://documents.worldbank.org/en/publication/documents-reports/documentlist?qterm=P174041>.



## 1.8 RISING DEBT AND DEBT TRANSPARENCY

### **IFIs support contributed to the rise in public debt which risks undermining the country's capacity to fund essential public services.**

Due to the pandemic, Uganda's public debt has risen to epic proportions. [The country's debt increased](#) by UGX. 16.82 trillion (34%) in a space of one year to UGX.65.82 trillion (47.2% of nominal GDP) in December 2020 from UGX. 49 trillion (38% of nominal GDP) at the end of 2019. With continued borrowing, the public debt is projected at 51.9 per cent of the GDP in FY 2021/22. Unfortunately, the multilateral IFIs, such as the World Bank and IMF predominantly provided loans rather than grants for their COVID 19 response. Out of the US\$ 868 million from IFIs to fund Uganda's covid-19 prevention and preparedness plan, 99.7% was in form of loans and only US\$ 2.7 (0.3%) was in form of grants. Besides the financing discussed in this research, Uganda has accrued even more debt from these institutions since then and from other sources raising serious concerns about a looming debt crisis.

Moreover, as discussed above, these loans do not always go to measures that benefitted the populace that will have to pay them back. The IMF loan which ultimately went to reserves and financing Uganda Development Bank's strategic plan and should not be considered a substantive response to the crisis, will still burden people whose immediate needs it did not serve.

Although the debt service suspension initiative (DSSI) initiated by World Bank and IMF may help the country save up to US\$ 91 million, Uganda is yet to qualify. In the middle of a pandemic, without providing options like [Special Drawing Rights](#) (SDRs) to low and middle-income countries like Uganda, this additional borrowing worsened the country's debt indicators, risking future provision of public services.

Ultimately Uganda's rising debt crisis means that eventually the country will have to choose between strengthening public services and debt payments. The effect of the rising debt can already be seen with the country planning to spend 34% of the FY 201/22 budget on debt repayment. Failure to reform the international finance architecture risks undermining future generations access to essential public services like health and education. It will also result in higher taxes on an already overburdened tax base.

### **Limited Debt transparency**

As a policy action, Ministry of Finance [published a report](#) on public debt, including approved government guarantees, PPPs and implicit contingent liabilities, which marked an improvement in debt disclosures. Before, the 2020 report, the stock of domestic arrears was published with a two-year delay due to processing lags in tracking overdue bills, which is largely undertaken manually.

Although the [recent world bank rankings](#) show that Uganda is one of the two leading countries in Africa on public debt transparency, the time lag of publishing debt data exceeds three months and is therefore seen as exhibiting partial transparency as a longer time horizon limits the usefulness of the report for informing policy decisions. Another hindrance is the existence of confidential clauses in most loan agreements which affect debt transparency.



## Domestic Arrears Crisis as a harbinger of Corruption

In the report [published in March 2020](#), domestic arrears totalled UGX. 4,010.35 of which UGX. 3,482.10 billion had been verified as of June 2019. However, the [Auditor-General's Report for FY 2019/20](#)-indicated that the Ministry of Finance did not make sufficient budget provisions towards the settlement of domestic arrears. The amount provided in the budget for FY 2019/2020 was only UGX.449.5 bn which is 13.4% of the reported arrears for the previous financial year. This is contrary to section 13(10) (a) (iv) of the Public Finance Management Act, 2015 which provides that the annual budget shall indicate a plan for Government debt and any other financial liabilities for the financial year to which the annual budget relates.

The judiciary has also decried the failure by the government to develop a criterion of paying Court awards and compensations which constitutes over 27% of the total domestic arrears. This, according to the letter issued by the principal judge of the High court, has become a harbinger of corruption and increased case backlog.<sup>2</sup>

The [Auditor-General's Report for FY 2019/20](#) over UGX 9.4 billion in domestic arrears were paid without supporting documentation like invoices, received notes, and completion certificates while UGX 640 million was undisclosed as it related to the previous financial year. It is therefore crucial that payment criteria of domestic arrears should be developed and made publicly available and repayment outcomes regularly publicized to provide full transparency and reduce the risk of corruption.

## WHAT WENT WRONG?

### 2. LACK OF TRANSPARENCY, ACCOUNTABILITY

#### 2.1 We found that the government has not been transparent, accountable and inclusive during the implementation of projects financed by multilateral IFIs.

The government has not adhered to the accountability and transparency commitments made to the bilateral IFIs. These measures include:

- Undertaking quarterly audits of the COVID-19-related budget spending by the internal auditor general, to be published with a one-month lag alongside the standard budget performance reports and procurement performance reports. There is no publicly available evidence that these audits have been conducted. Where they have been conducted, the attendant documents were not publicly available.
- Carrying out independent reporting for covid-19 expenditures to allow easier tracking of resources. While some entities like Uganda Development Bank made independent reporting of the recapitalization that it received from the MFPED, other institutions such as Bank of Uganda, Ministry of Education and Sports,

<sup>2</sup> Letter issued by Principal Judge dated April 28<sup>th</sup> 2020 highlighting concerns on Government's lack of procedures on payment of court awards and compensations.



- Ministry of Health (MOH), did not make independent reporting of the funds used.
- Publishing all large procurement contracts of covid-19 expenditures, together with the names of awarded companies and their beneficial owners. No publication of companies and their beneficial ownership had been made by end of May 2021.
- There have been some cases of [failing to adhere](#) to the country's procurement laws and regulations. In some cases, irregular use of direct procurements, procurements without signed contracts, late delivery of goods, payments before receiving goods and failure to involve the contracts committee.

**This lack of transparency was, perhaps, triggered by IFIs which did not take appropriate measures to ensure meaningful participation of purported beneficiaries when designing the package.** Despite the need for speed and flexibility in the face of the pandemic, the design of the support package should have followed set standards of transparency and participation. The only documents publicly available were the press release, staff report, the statement by executive directors and letter of intent sent by Government of Uganda. None of which paint a comprehensive picture. This limited transparency by IFIs, made it difficult for citizens to track.

## **2.2 Funding agreements did not create sufficient transparency and accountability safeguards.**

This could include measures such as tranche-based financing to reduce fiduciary risk and reign over discretionary spending. This resulted into significant variations in the intended purpose and outcomes and failure of funds to reach those most in need. IMF did not ensure that its funds were earmarked making it likely for them to be easily misused.

Yet IFIs were aware of the country's high fiduciary risk. According to AfDB and World Bank country analysis reports, the government of Uganda's fiduciary risk – the tendency to compromise transparency, oversight and accountability, and anti-corruption measures - remains substantial. This is partly due to weaknesses in public investment management, mostly in the preparation and selection of projects, and the inefficiency of public procurement. This fiduciary risk is likely to be persistent given the urgency with which government must take actions to respond to the COVID-19 crisis. While non earmarked funds, gave the government some urgently needed fiscal flexibility, it came with a lot of discretionary spending powers which resulted in inefficiency in the utilization of funds, varying unit costs, mischarges, and lack of accountabilities. It put the burden on public accounting officers to exercise prudence and act legally and ethically, which they may not always do.

The failure to address accountability issues is troubling given that Uganda will be receiving [another loan from the IMF](#) with similar terms like the publication of beneficial ownership of contracts yet this has not been done. Moreover, there have been general accountability and transparency concerns with COVID 19 money as the Office of the Auditor General report confirmed. There have not been deliberate steps by concerned government agencies to follow up on the recommendations of the report, including efforts to recover the funds that were mismanaged.



### 2.3 General Accountability and Transparency Concerns With COVID 19 Money

In the FY 2019/20, the Parliament of Uganda approved a supplementary budget of UGX.284bn for multi-sectoral interventions, to enable the Government to respond to and manage the Covid-19 pandemic. According to [Auditor General's report](#) for the FY 2019/20, these funds were disbursed by the treasury to 134 districts and 11 MDAs for undertaking covid-19 related interventions. In addition, the government received cash donations amounting to UGX.11.6bn and donations-in-kind worth UGX.23bn from private citizens; UGX. 27.23 billion from the contingent fund and 29.5 billion in form of grants.<sup>3</sup> However, the management of covid-19 funds was marred with several accountability challenges.

#### *Accountability issues in the management of covid-19 funds*

#	Key Accountability Issues	Amount (UGX. Billion)
1	Funds not utilized yet planned for	6.68
2	Procurement not adhering to the PPDA's laws and regulations	166
3	Unaccounted for funds	0.758
4	Quality testing of procured supplies not done for key procured supplies (intensive care Equipment, face masks and lab testing Kits)	52
5	Funds Diverted	10.5
6	Failure to quantify and implement planned activities	

Source: Auditor General's report for FY 2019/20

### 2.4 Winning back public trust during the pandemic requires transparency and accountability.

At the onset, Government MDAs, including the Ministry of Health, district COVID-19 task forces, and the National COVID-19 Task Force received several donations from both corporate companies as well as private individuals to support the fight against COVID-19. Unfortunately, many of the Task Forces have not fully acknowledged the receipt of these donations and later alone make public the utilization of the received donations. With no end in sight as to how long the pandemic will last and undergoing a second lockdown, there have been more calls to the government to win back the public trust and bring everyone on board as it charts the path to a better recovery. This is essential because the profound consequence of the failure to account for public trust affects the countries' future ability to mobilise resources and to ensure adherence of the population to preventative measures.

<sup>3</sup> Auditor General's report for FY 2019/20

### 3. LIMITED MEANINGFUL STAKEHOLDER PARTICIPATION

There was no real effort either by the IFIs or Government to ensure meaningful participation of the affected key stakeholders including affected persons in the design and implementation of the project. This would have made interventions more likely to be successful. The [Office of the Auditor General](#) report faulted the Ministry of Health for failing to consult stakeholders before procuring the tents that blew away. Doing so would have resulted in an earlier recognition that the turf was not suitable for those tents and avoided a colossal waste of funds. The COVID-19 pandemic [stakeholder engagement plan](#) was not broad-based. It left out vulnerable people including, rural communities, historically marginalized communities and ethnic minorities, which exacerbated their exclusion particularly in accessing health and education services during the pandemic. The failure to ensure meaningful participation also undermined real-time monitoring of the interventions by communities or their representatives like civil society organizations, that would have provided timely information, rather relying on audits, that are often post mortem, are inherently reactive and often published with substantial time lags.

### 4. THERE HAVE BEEN MISSED OPPORTUNITIES IN RESPONDING TO THE PANDEMIC DUE TO DELAYS IN APPROVAL OF COVID 19 FUNDS.

While the World Bank and the African Development Bank approved 20% (\$15.2 million) and 40% (\$31.6 million) respectively, at the time of writing this report, these loans were not active, save \$2.7 million grant from the Pandemic Emergency Financing Facility of the World Bank. The loan from the Africa Development Bank, in particular, may be too late to be used for its intended purpose.

## CONCLUSION

While IFIs initially seemed to respond swiftly to the COVID 19 pandemic, delays in loan approvals and disbursements of funds undermined the COVID 19 response. Failure to put in place sufficient institutional safeguards to prevent misuse of funds and limited measures to ensure participation of purported beneficiaries right from the onset of designing the COVID 19 response and through out resulted in measures that were not sufficiently tailored to benefit the populace's immediate needs or fool proof against misuse. The predominant use of loans in IFI's COVID 19 response, increased the country's debt, which more than doubled and poses risks of debt sustainability should the situation continue. Rising debt will undermine financing of public services and saddle the population with higher taxes.

The government's failure to account for the COVID 19 funds in line with the requirements in the funding agreements has eroded citizens' trust, which is urgently needed as the country grapples a second wave of COVID 19. Instances of misuse of funds have been reported within the broader COVID 19 money and no action taken against perpetrators. The cost of this is lives that could have been saved through timely intervention whether through strengthened health system with basics like ICU beds and oxygen or access to livelihoods through stimulus packages.





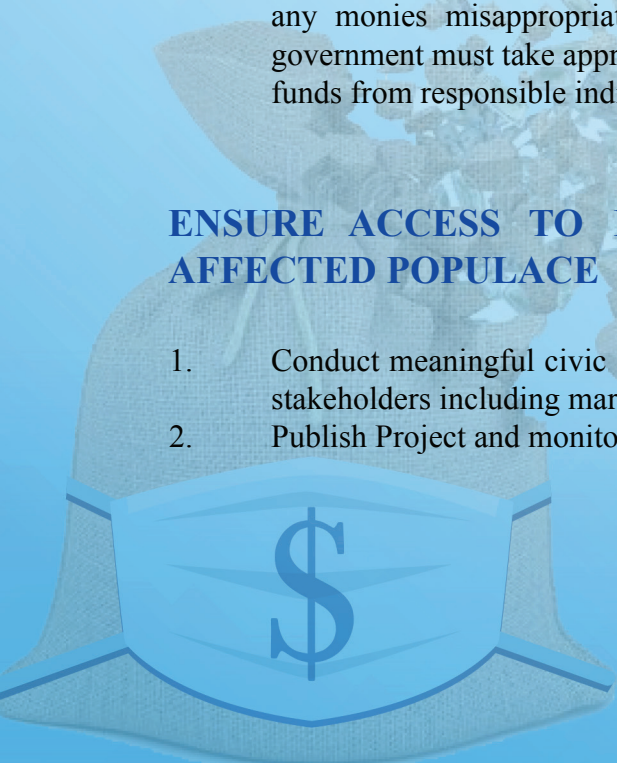
## RECOMMENDATIONS TO THE GOVERNMENT

### STRENGTHEN ACCOUNTABILITY FOR FUNDS AND TAKE MEASURES WHEN FUNDS MISUSED

1. Make the public aware of the utilization of the received COVID-19 financing responses including various donations that were received by the various COVID-19 task forces; indicating the utilization of both cash and in-kind donations. This may win back the public trust.
2. Accounting officers should ensure the timely execution of planned activities. In case of failure to execute the activities, they should endeavor to return any unexpended funds to the consolidated fund per Section 17(2) of the PFMA 2015. In other cases, authorization from proper authorities should be sought before partial execution of activities takes place.
3. Publish quarterly monitoring reports and covid-19 related procurement contracts on a dedicated government website, undertaking a forensic audit of COVID-19 funds.
4. Accounting Officers should ensure that there is strict adherence to the country's procurement laws, including publishing all large procurement contracts of covid-19 expenditures, together with the names of awarded companies and their beneficial owners.
5. The Office of the Auditor General should carry out a forensic audit on the expenditure of the COVID-19 funds that were obtained from bilateral donors in line with the commitments made by the government. This will go a long way in obtaining reasonable assurance on the accountability and value for money aspects of multilateral IFIs financing as well as guide future utilization of funds during the pandemic.
6. The PPDA should undertake and publish Procurement Audits on all direct procurements undertaken by the Ministry of Health and Ministry of Education and Sports.
7. Relevant government institutions such as the Inspectorate of Government should take necessary measures, including criminal prosecution of public officers involved, to recover any monies misappropriated or unaccounted for. In case of failure to account, the government must take appropriate measures, including criminal prosecution to recover the funds from responsible individuals.

### ENSURE ACCESS TO INFORMATION AND PARTICIPATION OF AFFECTED POPULACE

1. Conduct meaningful civic and stakeholder engagement and information sharing with key stakeholders including marginalized groups and civil society organizations.
2. Publish Project and monitoring reports on government website.





## PRIORITISE INVESTMENT IN PUBLIC SOCIAL SERVICES AND SOCIAL PROTECTION

1. Urgently provide economic stimulus package for businesses, particularly SMEs, that have been hardest hit by the pandemic.
2. Invest heavily in critical health care infrastructures such as intensive care treatment infrastructure and decentralized critical care apparatuses.
3. Ministry of Health (MOH) should enhance health-seeking behaviour during the pandemic through innovative and tailored responses such as community outreach, telemedicine, and home-based delivery of services as family planning methods, ANC, postnatal care, and immunizations using village Health teams (VHTs).
4. Urgently develop a comprehensive Covid-19 social protection plan that does not only cushion the poor but also addresses emerging issues such as GBV, child labour and teenager pregnancy.
5. Strengthen the existing social protection tools to protect the most vulnerable during the crisis and continue increasing health spending over the medium term to cushion the poor population both during the current emergency and the recovery phase.
6. The government should scale up social protection, including conditional cash transfer programs, such as urban cash for work, to cushion the poor and release stimulus packages to businesses that are most in need.

## ADDRESS RISING DEBT BURDEN

7. With the public debt rising at astronomical speed, Uganda must commit to contract no new non-concessional debts. Borrowing should be in tandem with the debt relief and suspension initiative as well as comply with the limits agreed under the IMF Debt Limit Policy (DLP) or WBG policy on non-concessional borrowing.
8. Double the country's efforts on domestic resource mobilization as well as start implementing fiscal consolidation once the pandemic abates.







## RECOMMENDATIONS TO THE INTERNATIONAL FINANCE INSTITUTIONS

- Conduct meaningful civic and stakeholder engagement before approval of any form of financing and ensure timely access to information and transparent evaluation of Bank projects. This is key to enhance inclusion and participation during project implementation.
- Strengthen the implementation of accountability mechanisms that are embedded in financing agreements. Budget support financing should be released in multiple tranches which are tied to the country's adherence to accountability and transparency mechanisms embedded in the financing agreements.
- IFIs are also urged to carry out independent forensic and social audits of the project that they are financing
- Ensure timely approval and subsequent disbursement of funds. This will afford the government to respond to the pandemic and resulting socio-economic effect promptly.
- IFI financing should prioritise the country needs at a given time. For example, during this COVID 19 pandemic, it is prudent to support the country's efforts to build a robust health care infrastructure including Intensive care Unit and medical oxygen infrastructure.
- Although IMF's primary mandate is to enhance the country's macro-economic and financial stability, COVID-19 has presented economic challenges that call for the government to earmark part of the recently announced US\$ 1billion loan under the IMF's extended credit facility for the provision of the economic stimulus package to SMEs as well as increase social protection, including cash transfers, to both the urban and rural poor who have been affected by the pandemic.
- Issue Special Drawing Rights to provide fiscal flexibility and reduce debt burden.





**Initiative for Social and Economic Rights (ISER)**

**Plot 60 Valley Drive, Ministers' Village, Ntinda**

**P.O Box 73646, Kampala - Uganda**

**Email: [info@iser-uganda.org](mailto:info@iser-uganda.org) Tel: +256 414 581 041**

**Website: [www.iser-uganda.org](http://www.iser-uganda.org) Cell: +256 772 473 929**



@ISERUganda



ISERUganda



ISER Uganda

