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**Wednesday, 25 April 2018**

*Parliament met at 2.00 p.m. in Parliament House, Kampala.*

PRAYERS

*(The Deputy Speaker, Mr Jacob Oulanyah, in the Chair)*

*The House was called to order*

COMMUNICATION FROM THE CHAIR

**THE DEPUTY SPEAKER:** Honourable members, I welcome you to this sitting. I will cause an alteration to the Order Paper. Item No.5 is actually supposed to be for laying on the Table. Therefore, we will create a new item on laying of papers because that matter has not yet come before Parliament. That is the only change we are making on the Order Paper.

LAYING OF PAPERS

2.02

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PLANNING) (Mr David Bahati):** Mr Speaker, I beg to lay on the Table a request by Government to borrow up to $212,669,840.08 from the Export-Import Bank of China for the implementation of the Bridging the Demand Supply Balance Gap Through the Accelerated Rural Electrification Programme for the remaining 287 subcounties.

**THE DEPUTY SPEAKER:** Honourable members, let the records capture that. It stands referred to the Committee on National Economy to examine it, come back and advise the House on how to proceed with this request. Thank you.

BILLS

SECOND READING

THE INVESTMENT CODE BILL, 2017

2.04

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PLANNING) (Mr David Bahati):** Mr Speaker, I beg to move that a Bill entitled, “The Investment Code Bill, 2017” be read for the second time.

**THE DEPUTY SPEAKER:** Is the motion seconded? It is seconded by the Member for Rubanda County East, Member for West Moyo County, Member for Mukono County South, Member for Igara County East, Woman Representative for Pader District and the Workers’ Representative. Would you like to speak to your motion?

**MR BAHATI:** Mr Speaker, the object of the Bill is to revise, modernise and replace the Investment Code Act (Chapter 92) to make it conform with the Constitution; to continue the existence of the Uganda Investment Authority as established under the Act; to spell out the objectives of the authority; to redefine the functions of the authority; to modify the composition of the board; to provide for the registration of investors and issuing of investors with investment certificates; to make the authority a one-stop centre for co-ordination, promotion, facilitation and monitoring of investment and investors; to incorporate provisions relating to finance, accounting and auditing; to provide for the submission of annual reports by the authority; and to provide for other related matters.

In brief, it is a Bill that is aimed at continuing to improve the investment climate of our country and aiming at making the country the best destination for direct foreign investments on the continent. I beg to move.

**THE DEPUTY SPEAKER:** Thank you. Honourable members, the motion that I propose for your debate is that the Investment Code Bill, 2017 be read for the second time. You remember that this Bill was read for the first time and referred to our Committee on Finance, Planning and Economic Development on 16 May 2017. As you can see, committee chairperson, time has quite passed but you have redeemed yourself by at least coming today. To kick-off our debate, we will hear from the committee chairperson before we debate this motion.

2.06

**THE CHAIRPERSON, COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (Mr Henry Musasizi):** Thank you, Mr Speaker. We acknowledge that the time allocated to us to process the Bill has passed. However, considering the magnitude and objectives this Bill is intended to achieve, we had to give it due justice. Anyhow, we are glad that we have finally been able to reach the point of reporting back to the House.

**THE DEPUTY SPEAKER:** Well done, Mr Chairman.

**MR MUSASIZI:** Thank you. Mr Speaker, I will straightaway go to the observations made by the committee:

1. The current Investment Code Act commenced in 1991 and due to the passage of time, some aspects of the Investment Code Act have become outdated, especially in light of the present Government policies, emerging international best practices and the legal environment. In its current form, the Investment Code Act impedes investments as a result of the inadequate protection and facilitation that investors are given. There is, therefore, need for changes to be made in the law to bring it in line with the current Government policy.

2. The current Board of the Uganda Investment Authority is composed of 13 members and two ex officio members. Most of the members on the board are high-ranking civil servants who are preoccupied with their official duties. This paralyses the work of the authority as convening meetings has become a problem due to lack of quorum. The big size of the board also makes decision-making very lengthy, which affects the efficiency of the authority. This Bill intends to reduce the size of the board in order to improve efficiency.

3. The minister in the Bill is defined to mean “the minister responsible for finance, planning and economic development”. However, the ministry may change in future, given that there are three functional areas mentioned in the definition. This may cause confusion in the future when the ministries are renamed by Government and functional areas separated. This definition should be made clear so that the minister responsible is certain at all times.

4. The Bill defines a domestic investor as a citizen of the East African Community Partner States. However, there is need to define a domestic investor as a Ugandan citizen, so that the country is able to provide incentives and develop local investment in the country.

5. The Bill proposes to issue an investment certificate in seven days if the application fulfils the stipulated requirements. However, this is not in tandem with the best practices in other countries. Seven days will defeat the purpose of the Bill, which is to improve the business investment climate and attract investment into the country. The number of days should be reduced to improve Uganda's business climate in the world.

6. The Bill prescribes the minimum capital requirements for investors to be granted an investment licence. The minimum capital requirement is set at $50,000. This will require the minister to come to Parliament every time this amount has to be revised depending on the circumstances. This amount should be put in the regulations to enable the minister revise the figure when the circumstances require it to be adjusted.

7. The Bill provides for the Permanent Secretary of the Ministry of Internal Affairs or his or her nominee to be a member of the board, in clause 4. However, the Director of Citizenship and Immigration Control tasks the board with the responsibility of regulating and controlling aliens in Uganda. The officers in charge have historically done this and they always have more expertise in this field.

The committee recommends that the Permanent Secretary be replaced by the Director, Immigration and Citizenship Control Board who is in a better position to provide the necessary guidance to the board on immigration procedures.

Government has been accused on various occasions of favouring foreign investors at the expense of local investors. However, for an investor to qualify to access investment incentives, he or she must be holding an investment licence. Most of the local investors do not acquire investment licences and, therefore, miss out on their investment incentives. It should therefore be made mandatory, under this law, for all investors with investment capital above the prescribed minimum to acquire an investment licence and submit annually, investment statistics to Uganda Investment Authority. This will enable them to access the investment incentives like land, tax holidays, and empower the authority with relevant information necessary for decision making and policy development.

Recommendations

Mr Speaker, the committee recommends that the Investment Code Bi11, 2017, be passed into law subject to the proposed amendments. I beg to move.

Mr Speaker, in considering this Bill, the committee conducted various meetings with various stakeholders. I would like to lay on the Table the minutes of the meeting together with other supporting documents that we used in processing the Bill. I also beg to lay on the Table the original copy of the Bill as I conclude. I beg to lay.

**THE DEPUTY SPEAKER:** No, a copy of the Bill was already laid here.

**MR MUSASIZI:** I meant a copy of the report.

**THE DEPUTY SPEAKER:** Let the records capture the report and the minutes of the meetings of the committee. Thank you very much, Mr Chairman.

Honourable members, I have already proposed the question for the debate on the principles of this Bill, for the debate on a motion for second reading of this Bill and debate starts now. Can we agree on the time? We shall limit the debate to three minutes each.

2.16

**MR MICHAEL MAWANDA** (**Independent,** **Igara County East, Bushenyi):** Thank you very much, Mr Speaker. I rise to support the Bill entitled the “Investment Code Bill, 2017”. This Bill has come at the right time because we have been lagging behind in as far as business is concerned in Uganda. When I look at the principles of the Bill, I notice that they go a long way in making the business climate in Uganda competitive.

The committee, in scrutinising the Bill, talked about recognising domestic investors. There has been a serious outcry by domestic investors that due consideration has always been given to foreign investors. Therefore, if this Bill is passed into law, it will recognise domestic investors who will be able to enjoy incentives in order to do business in Uganda.

Secondly, the committee has recommended a reduction on the number of members of the board. This will reduce the bureaucracy of doing business in the Uganda Investment Authority. Most of the board members are civil servants who are engaged in other activities. This makes it very difficult to call for board meetings due to lack of quorum. If the board can be reduced to a sizable number, it will enable Uganda Investment Authority to conduct business very well.

There was the issue of reducing the number of days in which one can get an investment licence. In other countries when you go to their investment authority to get a licence, you come out with an investment licence. However, in Uganda, it takes not less than 14 days for one to acquire an investment licence. The committee has proposed between four to seven days, which I think are still many. I would like to propose that we reduce the number of days to two, since competition in business is very high.

If they are to make Uganda Investment Authority a one stop centre, I do not see why someone cannot go to Uganda Investment Authority and come out with his or her investment licence. Most of these investors do not have time to come and wait for the licences. Therefore, I would like to propose that we reduce the number of days in which one can get a licence to either one or a maximum of two days. In Rwanda, for example, the maximum number of days for acquiring an investment licence is two. Why should it take us four days if the authority is going to be made a one stop centre? (*Member timed out.)*

**THE DEPUTY SPEAKER:** Thank you. Honourable members, though not on record, my attention has been drawn to rule 201, which requires reports on Bills to be laid on the Table and a debate on the report to be stayed for three sittings. That is what the rules say. However, we need to make the distinction because we do not debate the report of the committee but the motion for the second reading of the Bill. I do not know which of them takes priority but this is a report on the Bill. Otherwise, the rule says that a report on a Bill, when it is laid, should be debated three days after.

I think the spirit of this rule needs to be looked at again because what we debate at this time is the motion for second reading of the Bill, which we can debate with the report of the committee. Therefore, I do not know how we handle this for future references, but that is what the rules say, that we need to defer debate when the report of the committee is laid on the Table– Okay, then you can proceed.

**MR SSEMUJJU:** Thank you very much, Mr Speaker. I think what the committees will need to help us with is to have these reports laid on the Table as soon as they are ready, so that in future we comply with this rule and do not have to ask the minister for borrowing to come and request Parliament to suspend the rule – *(Interjection)* – Borrowing is one of the activities you do here. Even today, you have laid on the Table a request to borrow.

I think the committees will need to help Parliament have the reports on all the Bills laid on the Table as soon as they are ready, so that we do not have to think about this rule each time we come to debate a report on a Bill.

**THE DEPUTY SPEAKER:** So, how do we proceed, Members? Do you want to look at rule 16 or something close to that and suggest? Would you like to check that and see whether it is applicable?

**MR BAHATI:** Thank you very much, Mr Speaker. I rise under rule 16 - suspension of rules - and beg to move that rule 201 be suspended to allow the report from the Committee of Finance, Planning and Economic Development be debated this afternoon.

**THE DEPUTY SPEAKER:** Is the motion seconded? It is seconded by the Members for Mitooma, Moyo, Koboko, Tororo Municipality and Kibuuku. Do I see secondment from the Opposition side - *(Laughter)* – to facilitate discussion of this matter? Is it agreeable that we suspend rule 201 to enable us debate the motion for the second reading of this Bill? I put the question to the motion for suspension of rule 201.

*(Question put and agreed to.)*

**THE DEPUTY SPEAKER:** Let debate continue with the Member for Kira Municipality coming next.

2.25

**MR IBRAHIM SSEMUJJU (FDC, Kira Municipality, Wakiso):** Thank you very much, Mr Speaker. This Bill, according to the mover of the motion, who is the minister, is intended to facilitate investment. I would like to request Government - What is hindering investment is not necessarily the absence of this Bill. When I chaired the committee on Commissions, Statutory Authorities and State Enterprises (COSASE), I interacted with Uganda Investment Authority and got to know that part of this failure was with Government; it was not legal. There was a time we spent two and a half years without a board at the Uganda Investment Authority and the ministers responsible for investment were busy with other things.

As we welcome this Bill, I would like to ask Government to stop the ad hoc way of doing things in that sector, where the road to investment in Uganda must start from State House. There are incentives that are known only to a category of investors. When you are going to exempt taxes, you exempt only some companies. If we want to grow investment, we must be formal. If I want to borrow money and come to invest in Uganda, I must know what incentives are available and I do not have to make a trip either to Rwakitura or Kisozi or wherever to go and plead for some incentives. Therefore, some of the roadblocks in the investment sector are administrative and you need to deal with them as a Government.

The investors called in by Government have also been a disappointment, sometimes deliberately. Part of the problem is that there is no criterion. You just hear that so and so has been given land in Nakawa and/or Naguru and then the next month you are told he has not come and land is being shared. You then hear that someone has been called to build a five-star hotel at Shimoni, then the school is demolished but that does not happen and land is stolen.

I remember the former minister who was chairing the Uganda Land Commission actually said that when they were giving out that land to the investor, Alwaleed, the condition was that if he failed to construct a hotel, the land would revert to Uganda. However, it appears there are agents in the corridors of Government who are waiting for opportunities to strike when they hear someone has failed to fulfil their conditions. They benefit from these kinds of deals.

While I welcome this Bill, I think Government must also address its house. The moment you come and convince Parliament that this Bill will sort out the investment sector, we should not hear of the problems we have been having with industrial parks, where even when a category was introduced for those who must benefit from free land, the minister started revising the qualifications. We had a classic case of someone who was going to deal in timber there and he was being approved for free land as someone who was promoting farming - that Chinese. Therefore – *(Interruption)*

**MR OKUPA:** Thank you, honourable colleague. The example I would like to add onto what you have stated here is the issue of the Naguru and Nakawa estates, where Government ended up chasing people in the name of putting up a satellite city. All the people there were bundled out and that is how we ended up having so many people in Kasokoso. However, as we talk, we only see a bush in the middle of the city. We wonder what happened to that investor. We do not know who is going to take that land in the end. Tomorrow, we shall end up giving it to another investor or some people will share it, just like what happened to the other property. Thank you.

**MR SSEMUJJU**: As I conclude, I would like to say that if you have been a culprit and you want to continue leading investment - Government privatized or concessioned out Uganda Railways; we have had the problem of Umeme; we have had problems of the defunct Uganda Commercial Bank. I do not believe that these were legal issues.

Mr Speaker, at the time I was the chairperson of the Committee on COSASE, we presented a report to this Parliament on this issue. The Managing Director of Uganda Investment Authority was being paid about Shs 18 million. However, other managing directors supposed to be at the same level in other authorities, like Civil Aviation Authority, were being paid up to Shs 33 million, some were being paid Shs 36 million and the one for Uganda National Roads Authority was being paid Shs 49 million. I do not know when this Government went on holiday. There is no way you can have people heading authorities, and even within the authorities there are glaring salary disparities.

I hope this Bill is finally passed by Parliament and you have a board in place. However, this is a matter that probably can be resolved by Cabinet because my own understanding is that when I am a managing director of an authority, I must be paid the same salary like a managing director of any other authority. Otherwise, this *ad hoc* and *quara quara* way of doing business by this Government -

**THE DEPUTY SPEAKER:** Honourable member, the official language is either English or Swahili. *(Laughter)*

**MR SSEMUJJU:** I am sorry, Mr Speaker. I meant the *ad hoc* wayof doing things to the extent that Government does not even have standards.

Finally, on capital flight, I am happy that both the chairperson and minister have spoken about who an investor is and what they are entitled to. If you went to Dubai, for example, where many of us go to, if you have an investment of $100,000, you are entitled to bring in five foreign workers. However, in Uganda, I think even when the investor has an investment of $1000, they can bring in 20 Chinese workers. That is why I am saying we must make and follow standards.

The chairperson said that in order to be an investor, one needs to have $50,000 but there is also an obsession with foreign investors. The moment you make the investment climate conducive and then - (*Member timed out.)*

2.33

**MR JOHNSON MUYANJA (NRM, Mukono County South, Mukono):** Thank you, Mr Speaker and honourable colleagues. I stand here to support the motion. However, I have two concerns which the chairperson must note seriously.

The current board has 13 members, although we are requesting to reduce the number to a few. However, all the 13 were old retired civil servants and the time has come to consider people in business. There are those who are in investment and who can even advise as serious board members. Therefore, it is my humble request that this time, we look for vibrant people to be members of the board; they can assist.

We have been talking about people masquerading. I am lucky because even last week, I welcomed the honourable minister in charge of investment at the Coca-Cola plant but I also told her clearly, that masquerading has caused loss to the country. This is because many people masqueraded as investors and they were given plots at Namanve Industrial Park in 2001 but up to date, those plots have never been developed because these people were not investors but masqueraders. Therefore, let us get a board that can help us. When we say that this is an industrial park, it must look like an industrial park.

Secondly, on the issue of the investment licence, honourable minister, we have so many young investors who are not sensitised. Let there be an opportunity to sensitise our people on how they can also acquire the investment licences so that they can also benefit from these incentives. Otherwise, many of our people in Katwe and Ndeeba who have that minimum qualification to be called “investors” lack sensitisation and so they do not know what to do and where to go.

The time has come because we have so many investors who cannot even understand English. Are we creating for them chances so that they can be part of the team and they –*(Interruption)*

**MR OLANYA:** Thank you, my colleague, for giving way. The information I would like to give you is that in Uganda, we have Ugandans who are very good investors but when it comes to giving licences, the ministry looks at foreigners; they value foreigners more than Ugandans.

There is an example from my area. There are youth in my area who completed university and they started large cultivation - very large scale farming. They struggled to get a licence and up to now they have not got it. However, the foreigners who are coming to get land in Amuru get licences very fast. Thank you.

**MR SSENYONGA:** Let me conclude by saying that since we are trying to create a better environment for investment, middlemen are also becoming a problem to many of our foreign investors. Middlemen and these ministries or departments like National Environment Management Authority (NEMA) are just getting money out of these people and by doing so, they are chasing them out of this country. That should also be noted seriously. I thank you.

2.37

**MR JACK WAMANGA-WAMAI (FDC, Mbale Municipality, Mbale):** Thank you very much, Mr Speaker. I stand to support the motion.

Investment per say is not a bad thing. One of the main roles of our missions abroad is to attract investors to Uganda. The Uganda Investment Authority was created to assist investors -call it a one stop centre - to get licences and so on, which is not a bad thing.

However, there was the idea of creating investment parks, and some of us were architects of that. It came from somewhere and we expected the Government, through the finance ministry, to inject money into Uganda investment Authority so that industrial parks are not left to investors. The idea of industrial parks was to have them ready so that when investors come in, they do not have to spend time grading the land given to them, bringing in water and constructing roads, like what is happening at Namanve Industrial Park.

In an industrial park, when an investor comes in, they must find roads, water, electricity, communication and waste management in place so that as soon as they come in, they do not have to spend time clearing the bushes and putting in money. That is why many of the investors were going away because investing in Uganda was quite a big problem. At the time, investors came here, looked for land, land titles and went ahead to get water and electricity to those areas. That was a very difficult thing and that is why investment parks came into place. The problem is that the finance ministry did not put in money to get investment parks ready for the investors to start business.

Secondly, when these investors come here, they are given tax holidays. However, Ugandans who are also investors do not enjoy that offer; they are not given tax holidays. They cannot bring in machinery and investment materials without paying taxes. This makes it very difficult for Ugandans to get into investment.

Thirdly, Mr Speaker and honourable members, we have seen other countries in Africa where for one to come in as a foreigner to start some investment, they must team up with the local people *– (Member timed out.)*

**THE DEPUTY SPEAKER**: Please, conclude.

**MR WAMANGA-WAMAI:**We want Ugandans to also benefit. When an investor comes in, let him team up with a Ugandan so that Ugandans can also benefit. However, in this country, you find investors alone.

Government must also set a minimum wage for Ugandans. Some of these investors are paying our people as little as Shs 100,000 for a monthly salary. How can one live on Shs 100,000? Therefore, if Government sets a minimum wage and the big investors that we bring to Uganda value the services that are given to them by Ugandans, then the country will move. However, right now, the salary paid to the people working for these investors is very little and our people are suffering. Therefore, Government should look at the minimum wage factor.

1 May, Labour Day, is approaching and workers all over the world unite to fight against exploitation. We would like the Government to come up with a minimum wage Bill on the Floor of Parliament so that we pass it and save Ugandans from being exploited. Thank you, Mr Speaker.

2.41

**MS SYLIVIA RWABWOGO (NRM, Woman Representative, Kabarole):** Thank you, Mr Speaker. I stand to support the motion but I have issues that I need to address.

First, I appreciate the chairman and the committee for coming up with the idea of registering all investors, both local and international. For the first time, maybe the local investors will be recognised. However, I beg that we should not leave a loophole that will cause all the local investors to flood and masquerade as investors. We should have a threshold within which someone should be referred to as an investor. Otherwise, we are likely to have someone from the streets selling very local and cheap products claiming to be an investor because they want to benefit from the incentives that we are going to set in this Bill.

Besides, this Bill should also strategically guide investment in all regions so that we spread investment across the whole country and address unemployment in the different regions, and also to have a fair market share for all. Thank you.

2.43

**MAJ. GEN. PECOS KUTEESA (UPDF):** Thank you, Mr Speaker. I rise to support this motion. My concern is on the issue of micro management. These people have been having a lot of authority. When you take over power, you accept responsibility. If there is so much micro management, you cannot tell who went wrong. Someone should be in charge.

If these people have been mismanaging this authority for all that time, that was then. Whoever is now put in place should give guidelines regarding what is needed - achieve it or fail. All I would like to know is how much authority and responsibility the man in charge has for anything which goes wrong.

2.44

**MR KENNETH LUBOGO (NRM, Bulamogi County, Kaliro**): Thank you, Mr Speaker. I would like to thank the committee chairperson for the report. I must confess that I have had very little time to go through the report. However, I would like to say that I have had an interaction with Uganda Investment Authority and we have met them as a committee.

Mr Speaker, there are glaring weaknesses in Uganda Investment Authority, which I wonder whether the committee has taken serious interest in and addressed in this Bill we are now handling. Since the inception of the body, for instance, licences have been issued to some of these so-called investors but they divert from the original purpose of the licence into doing something quite different from what they were licensed to do. For the over 20 years or so that this body has been in existence, they have never found any fault or anybody violating the licence that was given.

There are cases where an investor was given a licence to go into leather manufacturing but he went into packaging of *waragi*. Another was licensed to build a big hotel but he is operating a small restaurant upcountry. These are unacceptable things an authority should have identified. However, for 20 years they have not found any fault at all.

I have also looked at the proposals of the committee and there are amendments I would have expected to come. In the Investment Code Act we have today, for instance, there is the term “Investment trader”. Investment traders are wholesalers and retailers according to the Act but that amendment has not been provided for in the report, which we are processing right now.

There is serious inefficiency in the authority, for example as regards Namanve Industrial Park, where much of the land was misappropriated, misused or given to wrong people. The authority has been very sluggish in enforcing the use of this land to ensure that it is put to the right purpose. Ask the authority about the jobs created for the period they have been in existence; they can hardly give an explanation regarding what they have done on job creation for this economy.

Therefore, it is my wish that by looking at this amendment of the Act, we address some of these serious issues - the inefficiencies and gaps that are in the Uganda Investment Authority as it exists today, some of which I believe we have not addressed. Thank you, Mr Speaker.

2.48

**MR FRANCIS MWIJUKYE (FDC, Buhweju County, Buhweju):** Thank you, Mr Speaker. I rise to support the motion, and I would like to agree with Maj. Gen. Pecos Kuteesa that when you get to power and there are no checks, you become a micro manager. I am happy that this came from a General because this is what this Bill is coming to sort out. We have had micromanagement where you have got to go through State House, which has actually become a clearing agency. I, therefore, agree with you, General Kuteesa.

Secondly, if we put in place standards, then these issues of fake products - When someone wants to say that his phone is genuine, he tells you that it is not Chinese as if to say that Chinese products are fake. We need to have standards and once we do so, it means we shall have investors bringing in genuine products.

Finally, not everyone should come and invest. You find people coming to invest in what we can do by ourselves. Somebody comes to invest in making popcorns and they are in Buhweju operating kiosks. – (*Interruption*)

**MS LUCY AKELLO:** Thank you, honourable colleague, for giving way. The information I would like to share with the House is that I happened to meet the domestic rice growers of Acholi region in Nwoya last week. One of the challenges they told me is that there are people who come in the name of investing in growing rice but never grow it. They just import, keep it in their stores and then sell it as if it is rice grown in Uganda. That is the information I wanted to give. Thank you.

**MR MWIJUKYE:** Thank you for the information. As I conclude, Mr Speaker, I was making a point to the effect that people should not just come and pretend to be investors when they are dealing in what Ugandans can do. We must have a threshold so that by the time you come in, you are investing in what we cannot do as Ugandans. Thank you, Mr Speaker.

**THE DEPUTY SPEAKER:** Thank you. Honourable members, in the gallery this afternoon, we have students and lecturers of the ethics and development studies programme in Uganda Martyrs University, both the Nkozi and Rubaga branches. They have come to observe the proceedings. Please, join me in welcoming them. *(Applause)*

2.55

**MR TOM ALERO (NRM, Moyo County, Moyo):** Thank you, Mr Speaker. First, I would like to thank the Committee on Finance, Planning and Economic Development for the Bill to facilitate investment dubbed “Investment Code Bill, 2017”. I am highly in support of this new Bill because the old Bill has become outdated.

There have been issues to do with corporate governance of investment; the large size of the board, which has to be reduced; meetings where at times there is no quorum and issues cannot be discussed and resolutions cannot be passed. There is also the issue of inefficiency when the board is very large; so it needs to be reduced. There are issues to do with corruption and bribery, briefcase businessmen or investors. Some of these people come here pretending to be investors and yet they come, deceive Ugandans and then go away without doing anything tangible.

Mr Speaker, in Moyo District especially in Metu Sub County, we have mountain ranges and hills where we have limestone, which can easily be used to make cement. However, investors have gone there, surveyed the place but because they have not been given licences, they go away. Therefore, those areas need investment.

The policy of Buy Uganda Build Uganda (BUBU) should be encouraged and it is only our local investors who can do that. They know our problems and our issues so they will try to produce items that suit our interest. Therefore, in the end, we shall buy products from Uganda and build Uganda, dubbed as BUBU.

The Government should discourage as much as possible the issuing of licences to foreigners. Most of these foreigners import items from abroad in total disregard of our local products. Therefore, I highly support the Bill and request Members to pass the motion. Thank you for listening to me.

5.55

**MR WILFRED NIWAGABA (Independent, Ndorwa County East, Kabale):** Mr Speaker, I would want to throw a spanner in the works of not only the committee but also the Bill itself.

Mr Speaker and honourable members, if you read the Bill, you will wonder whether the Bill is about investment or it is about the investment authority. What is in the Bill and what is in the committee report that would interest me as a domestic or foreign investor to actually register for an investment licence? The entire Bill seems largely to be about the appointment of the board, its functions and the like.

The only thing it mentions for the investor, domestic or foreign, is under clause 19 - protection in case of compulsory acquisition. That protection is already in our Constitution -protecting rights, investments of any person in Uganda, be it foreign or domestic. The foreign investor will only benefit in a way that compensation paid to him or her will be repatriated without being subjected to the Foreign Exchange Act.

Therefore, the Bill as it is has nothing to do with interesting anybody to invest. Therefore, unless we make a law that will institutionalise the benefits of registering for investment, we will still have the corruption we are talking about, we will still have investors go to State House and get their benefits by reaching State House other than looking at this law as it is.

In my view, Mr Speaker, we need –(*Interruption*)

**MR MULINDWA:** Thank you, Mr Speaker. The honourable colleague is saying that the Bill is only about appointments. I would like to inform you that the Bill mentions a one stop centre. If you read it properly, it mentions reducing the number of days in which an investor can come into the country and get a licence to less than three where possible. Is he in order to say that the Bill is only talking about appointments? Thank you, Mr Speaker.

**THE DEPUTY SPEAKER:** I think your first question was the right one. That is the information you wanted to give.

**MR NIWAGABA:** I had to give the Member the courtesy to speak but I knew he did not have anything to raise like a point of order. However, notwithstanding, Mr Speaker, even the clause to do with making regulations - clause 33 - is silent on the kind of regulations that would be made to enable or assist any investor to get the urge to register. If you look at that clause, it mentions regulations to give effect to the general provisions of the law, which general provisions are over 90 per cent about the investment authority - functions, appointments and the like. The other matters the regulations would look at are the forms to be used, the field to be charged and the penalties.

Therefore, where in this law does the investor get an interest and urge to come and register for an investment licence? I thought the law would address those concerns along the way. Since we have had the Investment Code Act since 1991, we would have known where the concerns of the investors are, which need to be institutionalised in form of an Act of Parliament.

With those concerns, Mr Speaker, I will support the motion but bearing that in mind that the institutional incentives to attract –(*Interruption*)

**MR NANDALA-MAFABI:** Thank you very much, Mr Speaker. I would like to thank my honourable colleague, hon. Wilfred Niwagaba. I would like to seek clarification. This committee report is about the Investment Code Bill; supposing we changed it to “Uganda Investment Authority Act”, would you be more comfortable?

**MR NIWAGABA:** That is why I asked the question: Is this law about investments or about the Uganda Investment Authority? I would be more comfortable if it was clear, instead of hiding under investment, and we said “Uganda Investment Authority Act”. You are talking about the Uganda Investment Authority Act but nothing to do with institutionalising incentives for investors, be it domestic or foreign.

3.01

**MR RONNIE MUTEBI (NRM, Buikwe County South, Buikwe):** Thank you very much, Mr Speaker. I rise to support the motion. When you look at the many investors who have come to our country, they come with very good plans. However, when it comes to implementation, they do the contrary to what is on paper. I would like to cite an example where the Chinese came –(*Interruption*)

**MR OKUPA:** Mr Speaker, the dress code for this House is well known. The way the honourable member’s chest is open and showing only the vest inside does not qualify to be a dress code for this House. Is he in order?

**THE DEPUTY SPEAKER:** The honourable member is almost there. (*Laughter*)

**MR RONNIE MUTEBI:** Thank you, Mr Speaker. This is a Kaunda suit, which is allowed on the Floor of Parliament.

As I continue with my contribution, I would like to say that when you see the Chinese who come as investors and open up factories or those who started a rice factory at the border of Luweero and Nakasongola, by the time they come they have very good plans. However, there is nothing on ground.

Secondly, when the investors came, they promised that they would recruit 12,000 locals to get jobs in their factory or gardens. However, the majority of them are Chinese. They have gone ahead to chase even the locals neighbouring the swamp. They do not allow them to collect water from that swamp both for their home use and cattle.

Therefore, my humble request is that Government of Uganda should regulate and promote our local investors, as we allow investors to come to our country. I would like to urge that we support the local investors and the local content Bill which was presented by hon. Patrick Nsamba, Member of Parliament for Kassanda County North.

Mr Speaker, my humble request is that we set aside a percentage; when the foreign investors come into the country, at least 70 per cent of the workers should be Ugandans. That is my humble request. I would like to thank you very much, Mr Speaker.

3.05

**MR RICHARD GAFABUSA (NRM, Bwamba County, Bundibugyo):** Thank you, Mr Speaker. I rise to support the motion.

However, aware that we still have gaps and challenges in this country in regard to land use, planning and management, I have one major concern related to the proposal to reduce the number of days within which an investment licence should be granted vis-à-vis the rights of Ugandans that need to be protected and respected. We have had cases where investment licences are granted, especially for large scale investments like industries, factories and there is no due diligence to consider where these investments are going to be located. In the end, we have running battles with the local communities whose land rights are being infringed.

We have factories emitting very dangerous, toxic pollutants affecting the health of the communities around. With all these, if we rush and do not do due diligence, then we put the expense at the forefront and we do not look at the land rights of the people or the health rights of the surrounding communities. I doubt whether we can be able to do all these in two or three days. In the end, we shall have running battles with the people for whom we are bringing these investments.

If those concerns are addressed, I would have no problem with the Bill. I thank you, Mr Speaker.

3.07

**MS STELLA KIIZA (Independent, Woman Representative, Kyegegwa):** Thank you very much, Mr Speaker. I also rise up to support the motion, only if this Bill can provide a clear definition of the investment category the Government has to offer to the people who want to invest, for both foreign and local investments. The current law does not clearly favour the local investors. It is tilted mostly to foreign investors.

Also, if the law could only point out the monitoring process of the registered investors, this will allow us to make a follow up on where these licensed investors are and what they are doing. I say this because I sit on the Committee on Tourism, Trade and Industry and one day, we received a very voluminouslist of investors. Uganda Investment Authority showed us what these investors were licensed for and they also showed us that they had diverted completely from what they were licensed for. That indicated that there is no law in the Uganda Investment Authority to monitor these new investors and what they are doing.

I also need to see in the Bill penalties for noncompliance or non-adherence to the projects for which they are licensed. I would also like to see in this Bill clear incentives to foreigners and clear incentives to local investors. Why shouldn’t we also think of decentralising the Uganda Investment Authority and create a desk at local governments so that we can have a desk where our local investors can get information, know what incentives they can get and what the Government is interested in investing –(*Interruption*)

**MS KAMATEEKA:** Thank you, honourable member, for giving way. The information I would like to give honourable is that there will be guidelines that will spell this out. I do agree with you in the case of the last issue that was mentioned, but there will be guidelines that will spell out the categories of investment and also the issue of supervision, monitoring and evaluation. That will be done by the guidelines rather than us having it in the main law, which would be too limiting.

**MS STELLA KIIZA:** Thank you. Finally, I would wish to include in this Bill environment protection compliance by those investors. Thank you.

3.11

**MR FREDRICK ANGURA (NRM, Tororo South County, Tororo):** Thank you very much, Mr Speaker. I join my colleagues in support of the motion. However, I would like to raise a few issues.

Local investors really find themselves in a challenge as far support that they would expect is concerned. I have a case in point, which is a case of sectoral coordination. A local investor imported a lot of machinery and the clearance he got from the Uganda Investment Authority warranted him exemptions. However, the machinery came in pieces and he has a very big challenge with Uganda Revenue Authority (URA) in clearing this machinery. As you are aware, all the machinery cannot be carried in one piece. The pieces to be assembled caused a very big challenge. This should be taken up by the ministry in charge of investment, that is, the Ministry of Finance, Planning and Economic Development, so that they are aware that what is coming as a unit should be supported.

This takes us to sensitisation. We are trying to encourage investment not only by foreigners but also by local investors. However, many of our people think that when you talk about investment and its benefits, it only concerns the foreigners. We should also widen our level of sensitisation amongst our communities so that they too can enjoy part of the benefits that come with these investments.

The $50,000 minimum investment amount may be adequate, but I would look at it as not being very adequate. If we can widen this, we would be able to stop importation of many items like toothpicks or scrubbing sponges that are now coming from abroad. This can be done here. Can we encourage our own people to do these things? We can then revise the amount beyond $50,000 for the foreigners. This way, we can encourage our local investors and encourage employment to grow here internally other than the many investors that come with their money but also come with many workers accompanying the investment that they have brought here. In the long run, we realise very little benefit to our people. I beg to submit.

3.14

**MS NABILAH NAGGAYI (FDC, Woman Representative, Kampala):** Thank you, Mr Speaker. I would like clarification on the method that was used. This Parliament recommended, through the Committee on Tourism, Trade and Industry, that there are areas that need harmonization. However, I do not see the inclusion of the recommendation of trade vis-à-vis foreign investors and how they operate within the country. That is my concern.

The report of the Committee on Tourism, Trade and Industry delved in detail into the problems that foreign investors that transform into traders cause the country. I do not see how the parliamentary report informed the Bill. I feel that this takes us round in circles as Parliament. We make recommendations and the relevant ministry does not take them into consideration while presenting the Bill. That is my concern, Mr Speaker, because I see that the recommendation would have informed this Bill so that even our concerns would not arise.

I see cooperation with agencies. That is where our gist was. This Bill proposes that it is the responsibility of the local government to cooperate with the investment authority. I will cite an example. If someone came in with a tourist visa and then after one week got an investment licence, who was supposed to cooperate; is it the authority or the department of immigration? That means that the authority, through this Bill, is not going to follow the relevant laws with other agencies in providing and issuing licences. If you came as a tourist to Uganda, how does the authority give you an investment licence? We assume that the department of immigration should cooperate with the authority.

I think the Bill should first accommodate the recommendations by this Parliament that were very relevant and address those issues within this Bill. Otherwise, we will just pass a Bill that will not solve anything. I beg to move.

3.17

**MR ATKINS KATUSABE (FDC, Bukonjo County West, Kasese):** Thank you very much, Mr Speaker. I will support the motion but not right now. Any Bill before being processed has got to factor in a motto, which is common to all of us - a sort of analysis motto.

The best call in the country is that we need to look at what our strength could be in terms of investment, look at our weaknesses and then the opportunities available. This is because when you are passing a Bill as important as an investment Bill, you do not have to look inward; you have to also look externally because we want to position Uganda so that we can stand as a major player in the entire region and probably globally.

Any Bill has got to focus on two variables: one dependent variable and an independent variable. When we look at those two variables, we critically draw our attention to how the two variables relate with one another. When we do that, we then look at the intersection or the meeting point. In the event that we do not find any meeting point, we create an equation. I do not see this Bill addressing that because it is narrowing the scope and range of investment to the authority. That is what is provided for.

Therefore, Mr Speaker, this Bill needs to strictly bring out the duties, responsibilities or rights and obligations of each player, those from the Government side and those that need to partner with Government.

I end by saying that if this Bill is to stand the test of time, we will have to look at it critically. What could be the clear feedbacks? What could be the possible conflicts? How about the trade-offs? Things like synergies, complementarities, and of course cohesion and sanctions in the event that you have made or have acquired the investment or certificate and you do not meet the standards; what happens? This is still lacking in the Bill. Therefore, to the generators of the Bill, before this Parliament can pass it, you might have to focus on addressing that first to earn my support. Thank you, Mr Speaker.

3.21

**MR ELIJAH OKUPA (FDC, Kasilo County, Serere):** Thank you. Mr Speaker, amendments are necessary but allow me – I wish the ministers could listen. I do not want to give the names. *(Laughter)*

Mr Speaker, first of all, I want a clarification from the Leader of Government Business and probably the minister in charge of finance because at the end of last year, we read in the newspapers and also got copies of the letter where the President was directing the Minister of Finance, Planning and Economic Development that some authorities should be merged by 31st of December. May we be told whether this is not one of those authorities to be merged with another?

The President was complaining that there were very many authorities and that they were duplicating work. May we know from the Leader of Government Business before we proceed with this debate? What has happened? What are those authorities that were to be merged or do we take it that they have defied the President’s directive, at their own risk? *(Laughter)*

3.22

**THE FIRST DEPUTY PRIME MINISTER AND DEPUTY LEADER OF GOVERNMENT BUSINESS (Gen. (Rtd) Moses Ali):** Mr Speaker, I agree with the honourable member that what he has quoted is true. However, the information I would like to give him is that the process of implementing that directive is ongoing. When it is complete, the House will be informed. If this is part of that directive, we shall inform the House. We shall come at an appropriate time but the process is going on.

**MR OKUPA:** Has he answered? *(Laughter)* I leave that for you to decide. *(Laughter)* He has communicated what is going on. That is now a bigger challenge because if it happens that this is one of those to be merged then we would have done no work. Nonetheless, I can proceed with my submission, Mr Speaker.

Looking at these proposed amendments – if you look at clause 8 (2) on the functions and powers, *“The authority shall have powers to monitor the processing of investment approvals that are by law the mandate of other government agencies”.* The question I would like to pose is: Who will now be superior to the other? Wouldn’t this end up causing a conflict between these authorities? I think that also needs to be clarified. I hope the committee chairperson and honourable minister are listening.

Clause 8(2) needs to be clarified and this is to the minister, not the chairperson of the committee. If we put it here, there could be a conflict because you are saying the authority shall have powers to monitor the processing of investment approvals that are by law the mandate of other government agencies. How are they going to manage this? I need that clarified.

The third one, Mr Speaker, is on the re-composition of the board. First of all, if you look at the old composition of the board, I was asking this question: Who are we removing and who are we adding? This is because it was very clear at that time when we passed that law. We listed the composition and it was well thought out. I do not know whether time will allow me to read - I would build up the point from there.

Mr Speaker, it had:

1. The chairperson, who is appointed by the minister.
2. The executive director.
3. Five members with sound knowledge or practical experience in investment, who shall be appointed by the minister after consultation with the relevant bodies – This is where my colleagues had already raised challenges. Sometimes we end up appointing people who do not fit what is specified.
4. A representative of the Governor of Bank of Uganda.
5. A representative elected by the Uganda Chamber of Commerce.
6. A representative elected by the Uganda Manufacturers Association.
7. The Commissioner for Economic Affairs, Ministry of Finance, Planning and Economic Development.
8. The Chief Economist, Ministry of Finance, Planning and Economic Development – How can the ministry have two people representing it on the same board?

Now, when you look at the proposed amendments, they are even worse. We see here “permanent secretary, permanent secretary, permanent secretary…” First of all, we know the permanent secretaries are very busy. We have had a challenge. I serve on the Committee on Commissions, Statutory Authorities and State Enterprises (COSASE) where most of these authorities report for accountability. We have had a challenge that in almost all of them – where the permanent secretaries are members of the board – they do not show up for the meetings. We had a problem with Uganda Revenue Authority. We also had a problem with National Identification and Registration Authority (NIRA) where the permanent secretary wants to be on over five boards. He even wants power to take all the votes back to the ministry yet when it comes to appearing in the meeting, they are not there.

This proposal you are making here, Mr Chairman, we should not agree to it because it even bogs down the work of the authority because the “permanent secretary in the ministry responsible for finance, permanent secretary in the ministry responsible for trade, permanent secretary in the minister responsible for land, permanent secretary in the ministry responsible for internal affairs “*–(Interruption)*

**MR MUSASIZI:** Thank you, hon. Okupa, for giving way. Your observations are similar to the observations of the committee and we are proposing amendments actually to delete most of the proposals and replace them with new ones.

**MR OKUPA:** I call on Members that when that time comes we should make proposals and also side with the proposals of the committee. Also, there is no way we are going to remove a representative of the Uganda Chamber of Commerce in this and there is no way we are going to remove a representative of the Uganda Manufacturers Association because these are the people which this law is meant to benefit. There is no way we can have them out of the Act. I appeal to colleagues that when we reach that level *– (Interruption)*

**MR REAGAN OKUMU:** Thank you, Mr Speaker. I also thank hon. Elijah Okupa for giving way for me to give this information. Actually, the Permanent Secretary/Secretary to Treasury (PS/ST) is appointed to be a member of over 20 boards. It is practically impossible for an individual to be on 20 boards and at the same time to be the PS/ST. That is the information I wanted to add.

**MR OKUPA:** Thank you, honourable colleague, for giving that information. Colleagues, these are some of the things we shall need to deal with when we get to that question.

Also, I think the honourable minister needs to put her feet down. I think there are challenges within the authority where she has to take charge and really address some of the issues. Some of the issues have been reported in the media regarding the management of the authority and the board. Recently, we discussed the issue of the supplementary budget. How do you recruit in the middle of the financial year? This is something which you should have foreseen but you were asking for a supplementary budget to cater for salaries. These issues need to be addressed.

They should also address the time investors take to communicate - I can give an example. I was with the honourable minister but some investors complained about the responses from some of the entities they met. Up to now, they have not received the feedback. Those are some of the challenges you need to address regarding that entity.

Finally, there is the issue of professionalism. We need professionals to deal with issues of accountability. We do not want this tomorrow to come to the Committee on Commissions, Statutory Authorities and State Enterprise (COSASE) or Public Accounts Committee to discuss these matters. Handle some of these matters at that level before you come to the accountability committees. Thank you, Mr Speaker.

3.31

**MS SANTA ALUM (UPC, Woman Representative, Oyam):** Thank you, Mr Speaker. I would like to thank the chairman for presenting his report. However, I would like to seek some clarification from the chairman. The committee interacted with the different stakeholders but I noticed the committee did not interact with some vital Government agencies like the National Environment Management Authority (NEMA) and the Ministry of Lands, Housing and Urban Development and yet investment has a lot to do with land and the environmental impact assessment.

Therefore, I would like to know how and why those key Government departments, ministries and agencies were left out and yet the issue of investment in one way or the other touches on environmental impact assessment and land. That is clarification number one, I would like to seek.

Secondly, I would like to believe that if this Bill is meant to help the country, the promotion of local investors must be considered as paramount. However, when I read through the Bill, I notice that it has more to do with foreign investors. Many times, the President has talked “Build Uganda and Buy Uganda”. Therefore, if we do not consider the local investors - the local investors refer to the East African Community Partner States. I would like to urge you that when we go to the committee stage, we should consider Ugandans as a priority. Even at the East African Community level, I do not think we can compete favourably with our sisters and brothers in other East African Community Partner States.

I would like to also comment on the issue regarding the number of days. The Bill has proposed seven days but the committee has proposed three days. However, I would like to inquire from the chairperson whether we have the necessary systems in place to make sure that these seven days proposed is adequate enough for Uganda Investment Authority to handle the investors. Otherwise, I would not be happy that we make a law and then we fail to implement it. We are talking of three days but we may fail to implement it and then later, we find ourselves in the courts because the law prescribed three days. I think it would be better for us to stick to the seven or five days so that we are not caught off guard - *(Member timed out.)*

3.35

**MR JOSHUA ANYWARACH (Independent, Padyere County, Nebbi):** Thank you, Mr Speaker. When I looked at this law, my understanding is that it intends to address the loopholes, which already exist in the Investment Code Act.

To address the loopholes squarely, the best thing we should have done is to separate the investment authority from the investment code. When you look at an investment authority, it is a super-structure that is established over the whole department and for that matter, it is investment. Therefore, an attempt to have a law under which there is a section that provides for that bigger body, that supervises the whole sector is denying it a full autonomy that board needs.

Mr Speaker, when you look at number two of the committee report, which talks about the object of Bill - the committee has talked about defects in the existing law. The committee said that the law that commences on 25 January 1991 has a lot of defects and expressed challenges of present e-Government policies, emerging international best practices and the legal environment. This should have been left to the authority, which would be fully mandated.

Mr Speaker, we actually need an investment authority Act in which, we will provide for many other things, which I do not see here, including the property of the authority. For example, if we want to place all the industrial parks under the authority, it will be clearly marked here in that law. However, when we separate the code, it will define the different portfolios for one to invest in the country. It will also go to what hon. Okupa was asking on recommendation number eight, which says: *“The authority shall have power to monitor the processing of investment approvals that are by law the mandate of other government agencies.”* In this code, we would provide all the procedures of undertaking investment in this country.

Mr Speaker, it will also address issue number nine of their report. When you look at what they are proposing as their recommendation in number nine: “The Government Ministries, Departments and Agencies performing functions relating to registration, licensing and approval of establishing an investment in Uganda, shall corporate with the authority.”

Mr Speaker, they have listed Uganda Registration Services Bureau and Uganda Revenue Authority – if we have a code, it would say that for one to invest in Uganda, you would need a certificate of clearance from Uganda Registration Services Bureau, tax clearance certificate. This would make it easy for the authority in their procedure to provide for an investor how to follow procedure to establish investment in Uganda.

Finally, if we made a code, that code would also look at Ugandan investors who are risking their money in South Sudan. We shall also look at Ugandan investors that have issues where they are investing in. What should the code provide? I, therefore, think that we should not even go to the committee stage. Let the committee and the minister go back and come up with a law that establishes Uganda Investment Authority super-structure, which is very independent, well-empowered, mandated and then we can come up with an investment code for this country, specifying the requirements. In that way, we shall iron out all these issues. Thank you very much, Mr Speaker.

3.39

**MR PATRICK NSAMBA (NRM,** **Kassanda County North, Mubende):** Thank you, Mr Speaker. From the submission of hon. Anywarach, I almost felt that he has handled much of what I wanted to say.

Mr Speaker, the Bill in its form, does not answer the needs of the investors in this country. What it provides for here, the way it is, is the authority and how the authority will be managed. It is only in part three or part four, I think – *(Interruption)*

**MR MUSASIZI:** Thank you, hon. Patrick Nsamba, for giving way and thank you, Mr Speaker. There is something that keeps emerging. The Bill does not address things that Members would wish to see but they do not state what those things are that are not in the Bill. Maybe, we can see whether we can put them and move forward.

**MR NSAMBA:** Mr Speaker, that is where I was going. Hon. Musasizi, among the challenges of investors are issues to do with the products they manufacture. I will use the manufacturers as an example. Among the problems they have is that there is no preference for their products. Recently, we heard that the President put a stop to the “Buy Uganda, Build Uganda” campaign so that the matter can be addressed.

There are issues of investors you license and tomorrow they turn out to be retailers. They compete with the people who are doing retail. These are matters that must be addressed within an investment code. Each country that promotes investments does so not in vain. We should promote investments so that we can create jobs for our people. This code said nothing along those lines.

If this is an investment code, it should really be elaborate. Consult these investors on what issues they are going through. When you go to other countries, you see that their investors are given incentives. Here, which incentives are we talking about in this Bill? What incentives are we mentioning in the Bill that will promote investments in this form? There is nothing.

All we are talking about are the board, the authority and that is it. Mr Speaker, if we are dealing with the code, we need much more on issues that deal with investment in the country. We have fake investors. We have people who come here and claim that they are investors –*(Interruption)*

**MR WAMANGA-WAMAI:** Thank you, Mr Speaker and colleague for giving way. What is also surprising on page 17, sub-section (3), it reads, “*Compensation paid out to the investor under sub-section (2) shall be freely transferrable out of Uganda and shall not be subjected to exchange control restrictions under the Foreign Exchange Act, 2004*.”

This is very unfair indeed and that is why they are siphoning money out of this country under the pretext of investment. Therefore, you can see clearly that this is a very bad code. The money is being taken out under money laundering and the ministry is simply looking on. That is the information I wanted to give you.

**MR NSAMBA:** Thank you very much, honourable and that is just one of the issues.

Mr Speaker, our investment code must address much more than what is in here. We need issues to do with succession plans. The other day, I heard an investor who came to invest in Tororo announcing on national television that he has 3,000 jobs; 2,000 jobs for Chinese and 1,000 jobs for Ugandans. I said, “What?” In which country can this happen, where an investor comes and announces such? It is not possible. However, if we have guidelines in place that if you would like to do investment in this country, these are the issues that you should follow - the investors are not interested in the authority but in the code. Thank you very much, Mr Speaker.

**THE DEPUTY SPEAKER:** Honourable members, at this stage, let us hear responses from the minister and the chairperson, if there are issues from the chair. However, minister, it is your motion.

3.45

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PRIVATISATION AND INVESTMENT) (Ms Evelyn Anite):** Mr Speaker, I would like to, first of all, thank Members of Parliament for supporting this Bill. There are very many views in support of this Bill. They actually surpass the views of those who do not support the Bill. Therefore, I really would like to commend those who support the Bill.

The spirit of this Bill is to address the challenges that we are facing as a country, emanating from both domestic and foreign investors that we promote in this country. I will not go name by name or issue by issue but would like to go straight to the general points that were raised.

One is on why this Bill is lacking the specific concern of addressing the challenges that investors face in this country. I would like to state clearly that if you read this Bill very carefully, you will realise that – *(Interjection)* – when we go to committee stage, we will go clause by clause.

I would like to talk about the Bill, not addressing only Uganda Investment Authority’s administrative role but talking about how investors should be supported or promoted in this country. We are talking about how we want to reduce the days for an investor to invest in this country and building synergies from the seven different agencies that give licences to an investor to come and invest in this country. Due to that bureaucracy, our investors, both foreign and domestic, face a big challenge.

If a domestic investor wants to start a steel plant, for example, initially, this investor will take one month before he or she gets their business cleared. We want to reduce this long time by getting these several agencies under one roof. That is why we are proposing a one-stop centre, where all the agencies will sit under one roof at the Uganda Investment Authority and offer a service.

We are also looking at foreign direct investment. We are looking at creating jobs in this country. The Bill proposes to address the big challenge in the initial Bill on supporting specific or promoting specific areas of investment. Initially, we were only promoting tourism and ICT. We have seen so many investors coming into the country and investing in almost all the sectors. Both the domestic and foreign investors have decided to invest in all the sectors.

Therefore, the Bill is proposing that we do not limit the sectors of investment. We should make the sectors of investment to be open such that anyone can come and invest in the country.

This Bill is also trying to promote and support strongly the local investors. Initially, we were promoting foreign investors but we have decided that in this Bill, we must license domestic investors. The investment licence was going for free but we are proposing that we attach value to the licence and give it to all people who are in business and would like to invest in this country.

Mr Speaker, there were issues raised to do with land. I would like to state very clearly that the idle land that you have been seeing - this is specifically to address the point raised by hon. Okupa. The idle land that you are seeing people having like the Naguru land, among others, we are in advanced stages of withdrawing it from those various investors.

We have reduced the time we give an investor to develop. Within 18 months, if you have not developed the land, we withdraw the land. This is being addressed in this Bill - *(Interruption)*

**MS NSAMBA:** Thank you, honourable minister for investment. The words you are speaking are very nice - (*Laughter*) - whatever you are saying here is very nice but it is not in your Bill.

You are talking about foreign direct investment; those are the issues we think should be in our investment code. You are talking about promoting local investment and those are things that should be in our investment code. Unfortunately, they are not in the Bill.

There are issues, honourable minister, to do with money laundering, and a lot of things that are still missing which you are labouring to say that this Bill is addressing. I would like to know whether you went through this Bill.

**MS ANITE:** Mr Speaker, I did not speak lies and I would like to disprove – *(Interjection)-* stop being a speculator. I want to justify my point. I talked about incentives that we give to investors. Open page 12 clause 10. That is number one; open.

Incentive for investors; for the avoidance of doubt, any tax incentives or other incentives or benefits that will be granted to investors shall be as prescribed by or under the relevant Acts of Parliament. *(Interjection)* No, Let us go systematically.

We laid here Stamp Duty (Amendment) Bill, 2018 - *(Interjection)* it is here. We laid it. It is subject to debate; we have already laid it here and introduced it in this House. Tax Procedures (Amendment) Bill 2018; it was also here. Therefore, I am not speaking lies; we even have income tax. Let me go ahead. *(Interjection)* I am still sorting him; I will come to you *(Laughter)*

**MR OKUPA:** Honourable minister, take some information. The issue why we are raising this is, what hon. Bahati is giving you is just still a Bill. This Parliament has not approved. Therefore, Members are worried. Suppose the Members do not approve those finance Bills, what happens? That is why we are concerned. It is not that we were not knowledgeable about what you laid here. However, there is a possibility that they may not be passed. What happens? That is why we need you to -

**THE DEPUTY SPEAKER:** Honourable members, we have a strict rule on anticipation. We cannot start discussing this Bill in anticipation of another Bill *(Applause)* This Bill must stand on its own or on laws that have already been passed. We cannot begin on anticipation to deal with things that will come in future and take the decision now. In any case those are the normal tax Bills that we receive every year.

**MR NIWAGABA:** Honourable minister, for Members of Parliament who would want to support you and your ministry; why don’t you come up with a list of incentives. If you cannot make them strictly in the Act itself, you make them part of the schedule so that we pass it once and for all other than leaving things to speculation, “I must go and see a minister to get this.”

We list all the incentives and make them part of the schedule to this Act and make a law that will help an investor to know that if I come to invest in Uganda, this is what I will get. You can even bring those that are already in other Acts of Parliament and say, “These are the incentives under these Acts and we incorporate them here.”

**THE DEPUTY SPEAKER:** In the current drafting now, we try to make laws one-stop centres for the specific subject they are dealing with so that when a person is going to read, he/she does not have to read so many other laws in order to come to that same conclusion.

Therefore, there should be clear highlights in this law of what somebody, who is interested only in this law should be guided to know. I don’t know how this has come up but -

**MS ANITE:** Mr Speaker, we will be very glad and I appreciate your guidance because we have already identified the incentives that we would like to give to the investors. That is why we were looking at putting them in the tax laws. However, with your guidance, if we can debate, we are very glad to attach it here and make this law a one-stop centre.

**THE DEPUTY SPEAKER:** Honourable members, how do we proceed?

**MR NANDALA-MAFABI:** Mr Speaker, thank you very much. The procedural issue I would like to raise is this: I have looked at the investment code. It was having issues like tax holidays for 10 years, withholding tax exemption, filing returns and many more; which are missing in this one.

The procedural issue I am raising is: If you are removing - a code means how you should behave and conduct yourself. However, this one is not a code of conduct; it is bringing the people who are going to conduct or manage affairs. Wouldn’t it be procedurally right that we have the conductors and the “conductees” so that they know each of them where you go; the dos and limitations so that we do it once and for all?

When we talk of one-stop centre which you have brought in, nowadays, you do not need to sit in one building to do everything. You can be in London or Washington and still be conducting business here. You play your part and it is done. You know that. Therefore, there is no reason to carry URA, URSB and the rest and put them in the same building. Technology has come and things move very fast.

Therefore, wouldn’t it be procedurally right that we do the “conductees” and the conductors?

**THE DEPUTY SPEAKER:** Honourable members, you know in the area of drafting, all new laws that are proposed are considered to be amendments. In other words, there is a body of laws that already exists. Therefore, any legislation that is being proposed is amending the status quo and treated as an amendment to the body of laws that are already in existence.

Therefore, when the proposal is made and brought to this House, this House must ask itself some questions: How will this new proposal fit within the Constitution? How will it fit within the existing framework of laws in place? How will it fit within the judgments of court that have already been passed? Is it an improvement on the existing law? If it is not an improvement, it has no place in this House. *(Applause)* It must only improve on the status of the laws that exist already. If it is taking us backwards, it has no place of entertainment in this House.

Therefore, the question that the honourable minister should answer in this House to justify this law is: Why are you dispensing with some of the provisions, which are already in the law that exists? For example, Government had decided that there should be priority areas; why are you now saying there shouldn’t be any?

The old Act says that there are activities where a foreign investor is not eligible to invest in, but you are now departing from that. Explain to us, why the policy shifts? The body of laws says there are priority areas, and also that there are areas where foreign investors should not get involved. That is the body of laws that we know, which you want to change; tell us why? Say that there are no longer priority areas and there is no longer need for areas where foreign people should not get involved as well as the many other changes that you are proposing.

You are proposing to move away from regulation and control to promotion and facilitation; is it shown in the law that you are proposing that that is what you want to achieve so that we move to improve on the body of the laws that already exist rather than undermine what we already have?

**MS ANITE:** Thank you, Mr Speaker. We are not diverting from what is already in the law but we are only strengthening it. I would like to go to specific areas, just to address myself to the questions that you raised, first of all on the priority areas.

The parent law restricted itself into the four priority areas we are looking at. These four priority areas –

**THE DEPUTY SPEAKER:** There are 25 priority areas in the Act.

**MS ANITE:** Mr Speaker, the 25 priority areas in the Act have since been overtaken by events – The events, with my experience as the Minister of Investment, are that investors no longer invest only in the 25 priority areas. They have since moved to almost all other areas, which have become an investment priority for the investors in this country. As such, we could not limit ourselves to the 25 priority areas.

We have been facing a very big challenge with investors who come asking for an investment licence – *(Interruption)*

**MR ANYWARACH:** Mr Speaker, you are one of the perfect legislative drafting experts. When there is an issue to translate the Government programme, policy and law - when you did a small lecture somewhere when I did not know I would sit here one day, I listened to you and appreciated - the Government will look at a problem which has become an issue; from an issue it becomes a Government programme and when it later requires a policy, we call it so, hence the law. That therefore means that a law has no basis without a policy.

If we are going to enact a law, which will restrict priority areas contrary to section 13, wouldn’t it be right for the honourable minister to provide a shift in the policy so that we also have a shift in the law other than haphazardly telling us that investors are now changing? Well, if investors are changing, that is up to them. However, has their change translated into Government policy that has caused a shift in the policy and therefore necessitates a shift in the law?

Are we proceeding well without her providing for us the new change in the policy on which we should even have a shift in the law, and probably their performance in the sector? Thank you.

**THE DEPUTY SPEAKER:** She has actually done that, if you look at the memorandum to the Bill. The first item there is “Policy and Principles”; the object of the Bill is to revive, modernise” - which translates into the long title of the proposed legislation. The shift they are making is there.

The question is: Has it sufficiently accommodated that shift in the provisions? That is what she was explaining. Honourable minister, proceed.

**MS ANITE:** Thank you, Mr Speaker. I would like to draw the attention of the Members to the reason we are amending this law. The current law on investment in Uganda is the Investment Code Act 1992, which commenced on 25 January 1991. Due to the passage of time, some aspects of the investment code have become outdated. That aspect is the one of restricting ourselves to only 25 priority areas.

Every area has since become a priority area for investment. Initially, we were not seeing investors coming into the country to say that they would like to invest in, may be, -*(Member rose\_)*

**THE DEPUTY SPEAKER:** Honourable member, before you present a motion, let the minister explain, and then you can propose your motion. *(Laughter)*

**MS ANITE:** We were not having investors investing in ceramics and so we did not list ceramics manufacturing or cement as a priority area. Then, sand for manufacturing of glass was not included, but we are now seeing investors coming to those sectors and that is why we are proposing that we must let the sectors of investment be open.

Mr Speaker, you also raised an issue as to why we are not restricting ourselves to the old law where the foreign investors were restricted from investing in this country and have specific areas that we leave for our domestic investors. That was just improved in this Bill; page 14 regarding foreign investment says: “The minister may, by statutory instrument and with approval of cabinet, specify an investment activity that may be available for participation by foreign investors.” That, in my opinion, takes into account what you are raising right now. Thank you.

**THE DEPUTY SPEAKER:** Honourable members, can I now put a question to this motion for a second reading?

**HONOURABLE MEMBERS:** No.

**MR NIWAGABA:** Mr Speaker, I am at pains; I would like to help my friend, the minister. We do have a law that will cater for the interest of both the investors, domestic and foreign, and we Ugandans. However, if we move on the motion for the Bill to be read for the second time and we pass it with amendments as proposed by the committee we shall not have addressed the issues.

I thought that the minister would pray that the proceedings now be stayed, then she goes back to the committee with a list of proposed amendments, particularly those that would suit within -(*Interjection*) – yes, because short of that, I will then move a motion that –(*Interruption*)

**MR ANYWARACH:** Mr Speaker, for example, when you look at the Bill, there is nowhere - I wish the honourable minister would listen. In this Bill, there is no provision that punishes any investor for any wrong doing. Our prayer here is that we want to make a law that is comprehensive and helps the honourable minister even with investors, who come here and act like investors but change colours the following day. We want to make a law which specifies the areas for foreign investors and areas for local investors.

We also would like to make a law that helps the minister define the portfolio - that is why I said that if, for example, you have Shs 10 billion, this is your area. If you want to further change your investment portfolio within that amount of profit you have attained, how much should you have attained within the country without you repatriating the profits? Then you can apply for approval to climb to a higher portfolio.

Honourable members, if you look at investment codes of other countries, you will say that we do not have any investment code in Uganda. That is why we were saying that let the conduct be a conduct. In other words, the Uganda Investment Authority should be empowered with a complete law and then some of the other things that we may not have seen here may probably come in as regulations that would be supervised by the authority.

Honourable minister, in other words, it is very hard to bring laws here. You have got the opportunity; we are supporting you but do it comprehensively so that your problem is solved once and for all.

**MR BAHATI:** Mr Speaker, Members have raised an issue here to do with incentives. There is a reason, in our wisdom and I want Members to listen to this and if it is not proper, then we can consult and see how to fix it.

The reason we hadn’t wanted to put all the incentives investors will qualify to in the investment code because most of these incentives cut across and are in so many Bills. Not only are they affecting the investors but also any ordinary person; for example, the exemption of import of equipment to invest here in the country. There are issues that affect income, which might affect others. There are issues to do with incentive stamp duty.

Therefore, we thought that it would be better, instead of putting it in the investment code, since most of them are tax issues, we put them in the respective tax Bills. Now the voice we are getting in the House- I wanted Members to probably see whether we could, with the consent of the minister, reflect on this issue and then come back and concretize it.

However, when you think about it properly, you will get our point. We can consult on it and then we come and finalise the Bill tomorrow.

**MS JOY ATIM:** Thank you. Mr Speaker, as hon. Anywarach has just said, if you look at the settlement of disputes, it is as if it favours only the investor. I would like to bring it to the attention of the honourable minister that investment in this country - I do not know whether we can say that it supports the country but it is like cheating this country in one way or the other. We are not gaining in anyway.

Mr Speaker, we had the Uganda Spinning Mill which was given to an investor and at one time I demanded that the investment authority should bring to us that investor that they had given Uganda Spinning Mill before that person went away. Uganda Spinning Mill had machines worth billions of shillings. However, when it was given to an investor, an industry that was employing more than 4,000 people is empty and all the machines had been ferried.

Are these the kind of investors that the country needs? If there is any issue of arbitration in situation where such an investor ferries all things, it is not adding any value but subtracting. Uganda Spinning Mill that was in working condition is nowhere now. What do they have to say as the investment authority?

**THE DEPUTY SPEAKER:** Honourable, you rose on information.

**MR NIWAGABA:** Thank you, honourable members. I believe the request by the minister that debate be stayed for them to go and consider what has transpired in the House this evening, is acceptable and I beg Members that we allow the ministers to go and reconsider the views and come up with a position that will help the entire House.

4.18

**THE FIRST DEPUTY PRIME MINISTER AND DEPUTY LEADER OF GOVERNMENT BUSINESS (Gen. (Rtd) Moses Ali):** Thank you, Mr Speaker. I would like to add that this document is now not for the minister but for the House. Therefore, it is wrong to say minister this or that. This is your document; if it has fallen short of your expectations, improve it. You should know what is missing. The minister may not know what you are thinking.

Mr Speaker –(*Interjection*)– I believe we are all concerned; this document has gone through so many stages; it went to the committee and that is where we should have gone to improve it. However, because you maybe had no time, you have now come; there is still time, just improve it.

However, you cannot just begin to talk about this document as if it is just coming to the House for the first time. The minister has no capacity to know what you are thinking. Therefore, tell the minister what she has left out that is making this law incompetent. The Members should bring amendments but not say that the minister should just go back. We do not know what you are thinking about. Thank you.

**THE DEPUTY SPEAKER:** Honourable members, when a Bill is brought to this House for first reading and goes to the committee, it becomes a property of the House. However, there is still an owner of the Bill. That is why it is the minister who moved the motion for second reading and third reading; that is why they seek the minister’s consent for amendment and when they disagree then they take a vote on a particular amendment.

Therefore, the House is saying there are these issues that they have raised - and hon. David Bahati said, it could be possible for them to go and look at it again with the Members who are interested in this matter, so that it is improved and then come back. Instead of going to committee stage and we hit a stalematethere, they could harmonise this position and when they come, we would be okay. (*Applause*)

I think that would be a good way to proceed and the issues are clearer. Once those issues are ironed, we will come back here and put the question on the second reading of the motion and then we proceed with this matter. Is that okay, Chair? When are you convening your meeting of -

**MR MUSASIZI:** Thank you, Mr Speaker. I would like to thank you for your wise guidance. I would like to observe that the contentious issue being debated in the House came to the committee. Our view was that, we should put these incentives in our report. However, we were properly guided by the legal department in Parliament here that they can better reside elsewhere and that is the cause of the standoff.

However, now that you think they are best fit to be here, we have no problem going back; even this evening we can finish and come back tomorrow. Mr Speaker, hon. Lugoloobi is saying that we should not rush and he is a member of the committee -

**THE DEPUTY SPEAKER:** No, the honourable member is not on record. Therefore, why are you referring to a matter that is not on record? (*Laughter*) I have not heard hon. Amos Lugoloobi say anything here. Please, proceed with matters that are – (*Laughter*)

**MR MUSASIZI:** Mr Speaker, my view is that let us go back and in the minimum time possible, review the concerns of Members. We shall invite the minister, reconsider the Bill and then come back and report to the House.

**THE DEPUTY SPEAKER:** Okay. Honourable members, you do not have to be specific. You just need to provide the areas of the incentives. For example, on taxes so that people know what areas of incentives are likely to be available? The details could be in another place but at least, the actual idea should be captured in the spirit of the law. That is what the Members are saying.

**MR MUSASIZI:** Mr Speaker, the key incentive that came to us –

**THE DEPUTY SPEAKER:** Do you want to report now or you want to come back later?

**MR MUSASIZI:** No, Mr Speaker; we shall come back and report to the House.

**THE DEPUTY SPEAKER:** Thank you.

**MS EVELYN ANITE:** Thank you, Mr Speaker. I would like to emphasise the spirit of this Investment Code 2017. As Government and also as the Minister for State for Privatisation and Investment, is to ensure that we improve the investment climate in Uganda.

I would like to appreciate the views of our colleagues and all this is in good faith and in the spirit of improving the Bill such that we have the best investment climate in this country.

I would like to request Members that as we reconsider the issues raised and put them in the Bill they should really come up and raise all their views. The investment climate that we want to create in this country is for the betterment of our country, and our goal is to create jobs for the young people of this country and to also protect our natural resource.

I pray that we make the best law that can enable us to protect our natural resource and also to make sure that we do not get exploited as Ugandans. I am very open to all the views and I would like to thank the House very much for the input they have made towards this Bill. I thank you, Mr Speaker.

**THE DEPUTY SPEAKER:** Honourable members, we had gone very far with this matter. I should have put the question but these issues came up. I will now ask the Chairperson, if you know the time, you could inform Members who are interested to come and join you, give a time and then we finish. You could then come back probably tomorrow afternoon or whichever day is convenient and we finish this matter. If you had a time in mind which you could use tomorrow morning unless the committee is very busy.

**MR MUSASIZI:** Mr Speaker, I have a feeling that as a committee, we can reconvene on Tuesday next week at 10.00a.m. and we reconsider the Bill.

**THE DEPUTY SPEAKER:** Honourable members, those of you who have views that you would like to share with the committee, please go there. Also, if you have any amendment that you would like to propose, please have it in writing and submit it to that meeting so that they consider it together with all the other proposals and then they come back and we handle this matter.

**MR NIWAGABA:** Mr Speaker, just to remind my colleague that Tuesday is a public holiday and we will be celebrating with the labourers.

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| **MR MUSASIZI:** Mr Speaker, that is simple. If Tuesday is a public holiday then let us meet on Wednesday.  **THE DEPUTY SPEAKER:** Okay. Honourable members, can we stop this matter; we have another Bill.  **MR MUSASIZI:** Mr Speaker, we shall be in Room 220 at 10 o’clock. |  |

**THE DEPUTY SPEAKER:** On Wednesday next week, honourable members, at 10.00a.m. in Room 220, please be there if you have views that you want to share with the committee on this matter. Thank you.

BILLS

SECOND READING

THE LOCAL GOVERNMENTS (AMENDMENT) BILL, 2017

**THE DEPUTY SPEAKER:** Okay. Honourable member, I thought it was a minister’s Bill.

**MR NANDALA-MAFABI:** Mr Speaker, I have the Order Paper here. It says, “*The Local Governments (Amendment) Bill, 2017 (Minister for Local Government).”*

**THE DEPUTY SPEAKER:** No. I am just being informed that there was a shift because they eventually discovered that this amendment has been moved by a private member and not the minister. The one that I have has hon. Rose Mutonyi, MP Bubulo West.

**MR NANDALA-MAFABI:** Was it amended?

**THE DEPUTY SPEAKER:** Yes, it was amended.

**MR NANDALA-MAFABI:** From here?

**THE DEPUTY SPEAKER:** No. My text shows amended. I think you have the older version of the Order Paper.

**MR NANDALA-MAFABI:** Can the Clerk apologise to us for –

**THE DEPUTY SPEAKER:** No; the Clerk should have indicated that this is an amended Order Paper. On the iPad it says “amended Order Paper” and mine does not say so. The hard copy, I have says the Order Paper.

4.29

**MS ROSE MUTONYI (NRM, Bubulo County West, Manafwa):** Thank you, Mr Speaker. I move in accordance with Rule 129 of our Rules of Procedure of Parliament for the Bill entitled, “The Local Government (Amendment) Bill, 20l7” to be read - (*Interruption*)

**MR OKUPA:** Mr Speaker, you know very well when we do this type of thing, we expect the Minister of Local Government or the Minister of State for Local Government to be here. But looking at the frontbench, I do not see any member from that ministry. I do not think they can be effectively represented by somebody that we have not seen.

I remember hon. Butime had issues with this matter, so we would have loved to have the Minister of Local Government around. Is it procedurally right for us to proceed in his or their absence?

**THE DEPUTY SPEAKER:** I thought I saw both the minister and the minister of state here?

4.30

**THE MINISTER OF STATE FOR FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (PLANNING) (Mr David Bahati):** Mr Speaker, the Minister of state for Local Government is within the precincts of Parliament and we are going to call her to come into the House.

**MR OKUPA:** Mr Speaker, we do not operate Parliament like that. We cannot say that if a Member is in the canteen, then we can proceed. I think hon. Bahati is a senior Member and he should know better. We do not want the honourable member to create issues. If the minister is within the precincts, then look for him and bring him to the House, only then can we proceed.

**THE DEPUTY SPEAKER:** Do we receive the motion?

**MR OKUPA:** If I remember, the honourable had some reservations when that motion was moved here. That is why I wanted the minister around. I do not want us to risk with those issues. There were some technical issues that hon. Butime raised. For us to receive the motion in the absence of the Government side of the issues unless hon. Bahati is taking the portfolio and has got briefings from the minister responsible. Without that, I find it difficult to proceed.

**THE DEPUTY SPEAKER:** Honourable members, this matter was put on the Order Paper and both the cabinet minister and the minister of state were actually here. I saw them reading the Order Paper well. If they should decide to be absent at the moment the matter is being discussed, the Speaker has no mechanism of enforcing attendance of ministers. This matter is moved by a private member; we will listen to the motion and see how to proceed with it.

**MS MUTONYI:** Mr Speaker, I beg to move again. I move in accordance with Rule 129 of the Rules of Procedure of Parliament for the Bill entitled, “The Local Government (Amendment) Bill, 2017” to be read the second time.

**THE DEPUTY SPEAKER:** Is the motion seconded? It is seconded by the Member for PWD Eastern, the Member for PWD Western, Member for Gulu Municipality, Member for Bwamba, Member for Ndorwa, Member for Nebbi, and Member for Samia Bugwe. Would you like to speak to your motion?

**MS MUTONYI:** Thank you, Mr Speaker. You will recall that the Local Government (Amendment) Bill, 2017 was read for the first time on 22 June 2017. It was then referred to the Committee on Public Service and Local Government for scrutiny.

The object of the Bill is to amend the Local Government Act by replacing Part XII of the Act that deals with interim councils.

I have been made to understand a while ago that the committee has concluded its work and that they are ready to report to the House. I, therefore, move that the Bill now be read for the second time. I beg to move.

**THE DEPUTY SPEAKER:** Thank you, honourable member, for the motion. Honourable members, the motion that I propose for your debate is that the Local Government (Amendment) Bill, 2017 be read the second time.

**MR ANYWARACH:** Mr Speaker, I was a district councillor and I am in support. However, the point of procedure that I am rising on is; the Electoral Commission has issued out a scheduled roadmap for elections in most of these local governments including Nebbi Municipality. Wouldn’t it be procedurally right to delay going to the second reading of this Bill until a time when these elections are concluded? They may even have financial implications that eventually may take us into supplementary budgets and so on. That is why we wanted the minister here. Wouldn’t it be procedurally right that debate be suspended until these elections are done so that we can see what the loopholes are and then we proceed afterwards? Thank you.

**THE DEPUTY SPEAKER:** Laws are passed when they are ready to be passed. They alter circumstances which come after them so we cannot wait for anything. If a law is ready to be passed, it will be passed, if it is not going to be passed, it will not be passed. Therefore, we are proceeding properly.

Honourable members, I have posed the question for your debate and this matter was referred to our committee. I would now like to hear the report from the committee.

4.38

**THE VICE-CHAIRPERSON, COMMITTEE ON PUBLIC SERVICE AND LOCAL GOVERNMENT (Mr Godfrey Onzima):** Thank you, Mr Speaker. This matter was referred to the Committee on Public Service and Local Government. We had our interactions and I would like to lay at the Table, a copy of our report and also the minutes. I beg to lay.

**THE DEPUTY SPEAKER:** Let the records capture the minutes and the report. Please give us a summary of the report and not the whole text.

**MR ONZIMA:** Mr Speaker, on 22 June 207, hon. Rose Mutonyi Masaaba tabled the Local Government (Amendment) Bill, 2017. The Bill was read for the first time and referred to the Committee on Public Service and Local Government for scrutiny in accordance with Rule 128 of the Rules of Procedure of Parliament of Uganda. The committee has considered the Bill and hereby reports.

Let me go to our findings, observations and recommendations.

During the committee's interface with the leadership of the districts visited, the following concerns emerged:

1. That there was a need to amend the Local Government Act. There was an argument that existing holders of elective offices should be given an opportunity to choose whether to move to a newly created local government or to remain in the old one, once a new local government unit has been curved out of the old, without necessarily subjecting them to a fresh election.
2. That the special interest groups like the persons with disabilities, the youth and women representatives who were resident in the newly created districts, usually continue representing people in the old district yet they are no longer in their electoral area. Such leaders are often viewed as aliens, rendering their representative role ineffective.

c) That the term of office of interim councils in some newly created local governments has always run for a period exceeding six months without conducting elections. According to the Local Government Act, the term of office for interim councils is six months.

d) The Local Governments Act, Cap 243, has overtime since its enactment in 1997, been amended 14 times in a bid to streamline management of local governments and administrative units to accommodate emerging policy changes. Some of the original amendments were subsequently amended and some of these amendments were later reversed by other amendments. At the moment, the Act is difficult to make reference to and it is extremely tedious to read and use.

The following were given as main reasons in support of the proposed amendments by the people we interfaced with:

1. The chairperson was elected by the same electorate, which was later sub-divided into two different local governments. It would, therefore, be unfair to subject him/her to another election process.
2. It would tantamount to a waste of taxpayers' money to conduct fresh elections in the same area for the same person.
3. Going through another election would lead to serious financial implications on the same person within the same term of office.
4. The provision in the principal Act does not cater for circumstances where the chairperson is resident in the newly created local government and wishes to remain chairperson of that newly created local government.
5. Local government administration is based on ethnicity and in instances where a new local government is curved out of the old one and the chairperson does not come from the old one, it is most likely that he/she will be stigmatised and often times violence is meted on him/her.
6. There is loss of trust and cooperation in the leadership from the local people towards the chairperson and other elected leaders who happen to originate from the new district but remain the political leaders of the old district.

There were also views against this proposed amendment, they were:

1. In some cases, the reason for creation of new districts is because the people want to be free from the old local government. Therefore, it would be unfair to impose on them leaders from the old local government.
2. Once leaders are just imposed on the new local government, the people in the new local government are denied the right to vote for leaders of their choice.
3. The chairpersons will start moving from one local government to another for the wrong reasons.
4. The chairpersons will influence the district councils to pass resolutions for creation of districts, which are in their favour, and this will lead to rampant emergence of new districts.
5. The chairperson leads an entire government of the district which he/she nominates. This includes executive members and members on statutory bodies such as District Service Commission, District Tender Board, District Land Board and the District Public Accounts Committee. If such a chairperson is given an opportunity to move to the newly created local government, the incoming chairperson for the original local government will most likely disband the entire original government because he/she will also want to work with those he trusts.
6. The formation and composition of the executive committee of the council has always faced challenges of raising the required quorum and this has crippled the service delivery, thus no need to have interim councils.

Observations

The committee made the following observations:

1. The Bill does not introduce anything new, except the need to give the chairperson of the original local government an opportunity to choose whether to move to a newly created local government or to remain in the old one, once a new local government has been curved out of the old one. This is, however, contrary to Article 1(4) of the Constitution and the principles contained in the Local Governments Act, which give the people the right to choose who shall govern them through regular, free and fair elections.
2. Whereas the committee appreciates the intention of the proposed amendment Bill to give the chairpersons of local governments an opportunity to choose where to belong once a new local government has been created, the committee observes that this has its own shortcomings and implications since it is contrary to the Constitution and other laws that would also need to be amended first.
3. The argument that the proposed amendment would limit the financial burden on Government is misconceived because even if the chairperson is given the opportunity to move to the newly created local government, there would still be a vacancy created in the old one which would have to be filled through an election.
4. The legal effect of the meaning of “interim council” in the proposed amendment seemingly creates two “interim councils” when a new local government is created out of the existing one; that is to say, an interim council of the original local government and an interim council of the new local government. This is not in conformity with interim councils as contained in Part XII of the Local Governments Act.
5. An existing council cannot be termed as an “interim council” on the basis that its chairperson has opted to join a newly created local government, yet the other persons that form the council are still in office.
6. Under Article 180 (2) (a) of the Constitution, a person elected as a chairperson of a local government is a member of the council of the district for which he or she was elected chairperson. This means that the chairperson of a local government is always part of the council of the local government for which he or she was elected and that the chairperson cannot constitutionally opt to be part of the new local government created out of his or her local government since that is not the council for which he or she was elected. This is a matter Parliament is not able to change without amending the Constitution.
7. The chairperson elected under universal adult suffrage cannot simply move to another legal entity because under section 137 of the Local Governments Act, he/she will have been gazetted under the original local government. Section 137(1) provides that: “The Electoral Commission shall, as soon as practicable after the election, ascertain, declare and in writing under its seal, publish in the gazette the results of the election in each constituency.” In this case, the particular chairperson will have been gazetted under a particular district, so, he/she cannot simply opt for another district.
8. The proposal to provide for the Electoral Commission as an institution to conduct the interim elections is already provided for under sections 101 and 187 (1) of the Local Government Act. There is, therefore, no need to create another provision on the same.
9. Once a new local government is created out of an existing local government, the chairperson of the original local government may become the chairperson of the new local government but only after vacating the office of the chairperson, in accordance with section 14 of the Local Government Act.
10. Under section 184(2) (a) & (b) of the Local Governments Act, the powers and functions of interim councils and statutory bodies such as District Service Commission (DSC), District Public Accounts Committee (DPAC) and District Land Board have limited powers to perform certain duties. Most times, there is a delay in conducting elections in the newly created districts and this affects the formation of substantive bodies and as a result there is always poor delivery of services.

In some cases, some districts are created comprising of two to three sub-counties, as an interim council, which is composed of a limited number of councillors to form the executive committee. This tends to pose a challenge in executing duties due to lack of quorum of the executive committees.

The committee made the following recommendations:

1. After careful scrutiny of the Bill, the committee is of the considered opinion that the Local Government (Amendment) Bill, 20l7 should not be passed by the House because it is contrary to Articles 1(4) and 180 (2)(a) of the Constitution as already highlighted in the report.
2. The Ministry of Local Government should undertake a comprehensive review of the Local Government Act and initiate comprehensive amendments to cater for emerging realities in the Local Government Act, as observed in this report. This amendment Bill should be tabled in Parliament within three months of adoption of this report.
3. The proposed amendment, among others, should also focus on repealing Part XII of the Local Government Act and synchronising the timing of elections in the newly created districts with presidential and parliamentary elections in order to give Government sufficient time for proper planning as well as to do away with interim issues.

Mr Speaker, I beg to report.

**THE DEPUTY SPEAKER:** Honourable members, this is the report of the committee on the Private Member’s Bill that has been presented. Earlier, we looked at rule 201 that caters for this kind of reports and a motion was moved to dispense with that rule to allow debate. That is how we ended up debating the Investment Code Bill, 2017.

This is one of those rare reports that objects to the passage of a Bill. It may only be fair that we look at the report properly so that we can come back at another time and have proper debate on why the committee believes that this particular Bill should not be adopted by the House.

If the committee had recommended that we adopt, we would say that there is some concurrence and we would have the latitude to say, “Well, the committee has looked at it and they agree so maybe we can look at it also.” Since the committee is disagreeing with the Bill and saying it should not be adopted, maybe we should give it some time and look at it again.

I have proposed a motion for second reading and we have received the report of the committee but debate is deferred until next week when we come back here on Wednesday and see how we can proceed with the Bill.

Honourable members, please look at the report of the committee and find out the reasons why they recommend that this Bill should not be passed by this House and see if we have a different opinion, as a Parliament, on the proposal made by the honourable member for Bubulo West.

**MS ALUM:** Thank you very much, Mr Speaker. You have deferred debate to next Wednesday. However, I would like to say that this very issue came before the Ninth Parliament. I was on that committee and we tried to handle the matter. Today, we have not seen the ministers and yet we have the merits and demerits of this proposed Bill. I am wondering whether it would not be procedurally right for the Speaker to ensure that next week when we come back on Wednesday, the ministers in charge of this docket are here so that they help this Parliament to move forward. Thank you.

**THE DEPUTY SPEAKER:** The Speaker cannot make sure that there is a minister.

**MS ALUM:** But the Speaker has the powers to direct them. We have the Government Chief Whip and the Leader of Government Business here.

**THE DEPUTY SPEAKER:** No, you cannot force someone to do what he should be doing. It is discourteous, for lack of a better word and I will not do that. If the minister thinks it is his docket and it is a matter that he should be responsible for, the minister will be here. However, if the minister feels local government is not his docket, he will not be here.

On what matter do you rise, hon. Nandala-Mafabi?

**MR NANDALA-MAFABI:** Mr Speaker, I am rising on a procedural matter. I would like to thank you for your ruling. However, if we are going to discuss this matter next week, wouldn’t it be procedurally right for the mover of the motion to give us the justification as to why this Bill was tabled? They brought this Bill and we all gave the mover permission to go and process it. When the Bill came for first reading, all the Members agreed that it was very good. They even gave examples that when a district is created, the Woman Member of Parliament decides where to go. However, the district chairpersons are not being given that option. Everybody clapped and I thought the chairperson of the committee saw the clapping and I thought that would make part of the report. However, when he sat down –

**THE DEPUTY SPEAKER:** Do you mean that the clapping should have formed part of the report?

**MR NANDALA-MAFABI:** Mr Speaker, he should have said, on presentation of the Bill, the whole House clapped but on my own behalf together with the committee, we have deferred the Bill for this reason.

Therefore, wouldn’t it be procedurally right that the mover of the motion; hon. Rose Mutonyi, Member of Parliament for Bubulo West and former Resident District Commissioner (RDC) makes -

**THE DEPUTY SPEAKER:** No, you do not need to belabour the point. If the honourable member wanted to do that, she would have requested for it. Honourable member, do you want to do that?

**MS MUTONYI:** Mr Speaker, I would like to thank the Members for their concern. I was ambushed this afternoon and informed that the Bill had come on the Order Paper. As such, it was a bit difficult for me to interface with the committee. That is why I appreciate your ruling to defer this matter to next Wednesday. Thank you very much.

**THE DEPUTY SPEAKER:** Thank you very much. In any case, when the matter comes back on Wednesday, she might seek an opportunity to speak first so that her arguments are fresh to the Members when we begin the debate. Thank you.

MOTION FOR ADOPTION OF THE REPORT OF THE COMMITTEE ON PUBLIC ACCOUNTS (LOCAL GOVERNMENT) ON THE 139 REPORTS OF THE AUDITOR-GENERAL ON DISTRICT LOCAL GOVERNMENTS AND MUNICIPAL COUNCILS FOR FINANCIAL YEAR 2015/2016

**THE DEPUTY SPEAKER:** Honourable members, this matter was presented and we deferred debate and the decision on this matter. Can we proceed with the debate?

Honourable members, can we adopt the report on the motion for the adoption of the report of the Committee on Public Accounts (Local Government) on the 139 reports of the Auditor-General on district local governments and municipal councils for financial year 2015/2016?

This report covered a period of six years so it was a backlog report, which covered many years in the past. It is not something of two or three years ago. This is the one of 2015-2016 but there was also one of 2010-2014. Would we want to debate 2015-2016 or should we adopt this so that the recommendations can be extracted and it comes back to us as Treasury Memoranda on reports under 2017 on action taken on the report? That can make it fresh. Would that not be a good way to proceed?

Can I put the question that we adopt this so that we extract the recommendations, transmit them to the ministers to take action and it comes back to us under rule 217? Would that be proper?

Honourable members, I will now put the question for the adoption of this report. I put the question that the report of the Committee on Public Accounts (Local Government) on the 139 reports of the Auditor-General on districts, local governments and municipal councils for Financial Year 2015/2016 be adopted.

*(Question put and agreed to.)*

*(Report adopted.)*

MOTION FOR ADOPTION OF THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR-GENERAL ON ENTITIES WITH UNQUALIFIED OPINION FOR FINANCIAL YEAR 2014/2015

**THE DEPUTY SPEAKER:** Thisreport was not yet presented, if I remember properly and I got this information from the chairperson and members of this committee. Has that changed? Can we receive this report now?

**MR NANDALA-MAFABI:** Mr Speaker, I am not a member of the committee. However, the procedural issue I am raising is, the report says, “unqualified opinion”, which means that there is no problem. I may be wrong but as auditors and accountants, the moment the opinion is unqualified, it is a good and clean report. If the committee was around, I would have asked what they are reporting on.

The procedural issue I am raising to the honourable chairperson is, don’t you think that this is a report, which we should also adopt because it is unqualified? Unless there are issues, which the committee wants to report on and say, the Auditor-General gave an unqualified opinion but when we looked at it, there was a problem. I think that should be answered by the committee.

**THE DEPUTY SPEAKER:** Is there any member of this committee here? Yes, Member for Mitooma -

**MS KAMATEEKA:** Thank you, Mr Speaker. I am not a member of the committee but I feel uncomfortable that we should adopt this report when the chairperson is not here to tell us whether this report was okay. The report may be unqualified but when there are some specific issues that need attention.

Therefore, Mr Speaker, I would beg that we defer this report until the chairperson is here to give us a clean bill and then we can go ahead and adopt the report.

**THE DEPUTY SPEAKER:** Is there a member of the committee in the House who can help us?

5.04

**MR ELLY ASIKU (NRM, Koboko County North, Koboko):** Mr Speaker, I am a member of the committee. When a report is not qualified, it is to the extent of the errors that the auditors found. If the errors are not significant, you say the report is not qualified.

To that extent, it does not mean that there are no salient issues. I would like to agree that the committee considered those issues and made some recommendations and I pray that we adopt the report and extract those recommendations, as you had previously ruled.

**THE DEPUTY SPEAKER:** Why don’t you present it then because it has not yet been presented? Would you like to present it?

**MR ASIKU:** I can present it.

**THE DEPUTY SPEAKER:** However, you need a copy to lay formally. *(Laughter)*

**MR ASIKU:** Unfortunately, I do not have that. *(Laughter)*

**THE DEPUTY SPEAKER:** Then, we cannot proceed with that one.

**MR SSEGGONA:** Mr Speaker, procedural decency would require us to receive the report, first and foremost, have it laid on the Table and then we can proceed to adopt it.

I think what we can do is to undertake, on behalf of the chairperson, to have it tabled on Wednesday, with your permission.

**THE DEPUTY SPEAKER:** Okay.Not tomorrow?

**MR SSEGGONA:** It has not been possible - If the vice-chairperson has come, we can have it tabled.

**THE DEPUTY SPEAKER:** Yes. Honourable chairperson, we were about to adopt your report even before presentation. That is how much faith we have in you. *(Laughter)*

5.06

**THE VICE-CHAIRPERSON, PUBLIC ACCOUNTS COMMITTEE (Mr Gerald Karuhanga):** Thank you, Mr Speaker, for your indulgence. I beg to present a report of the Public Accounts Committee on the report of the Auditor-General on entities with unqualified opinions for the financial year ending 2014/2015.

In accordance with the mandate given under rule 162 of the Rules of Procedure of Parliament and Article 90 of the Constitution of the Republic of Uganda, the Public Accounts Committee considered the Auditor-General’s report for the financial year 2014/2015 on 20 entities with unqualified opinion as follows:

1. Judiciary;
2. Directorate of Public Prosecutions;
3. Ministry of Justice And Constitutional Affairs;
4. Ministry of Tourism, Wildlife and Antiquities;
5. Ministry of Trade, Industry and Cooperatives;
6. Ministry of Agriculture, Animal Industry and Fisheries;
7. Ministry of Information and Communications Technology;
8. Ministry of East African Community Affairs;
9. Ministry of Water and Environment;
10. Ministry of Foreign Affairs;
11. Directorate of Ethics and Integrity;
12. Uganda Management Institute;
13. State House;
14. Ministry Of Gender, Labour and Social Development;
15. Makerere University;
16. Busitema University;
17. Mbarara University of Science and Technology;
18. Ministry of Defence;
19. Ministry of Education and Sports.

Mr Speaker, we may know, there are a number of entities that are audited by the Public Accounts Committee or the audits that the Public Accounts Committee covers. In this particular financial year, there were 20 entities that had unqualified reports. Therefore, what we did as a committee was to make a comprehensive report on these 20 entities.

Before I lay the minutes and the signed committee report, allow me, Mr Speaker, to basically present the summary of this report, considering that it is quite voluminous.

**THE DEPUTY SPEAKER:** Proceed, chairperson.

**MR KARUHANGA:** Mr Speaker, under Article 163 of the Constitution, the Auditor-General is enjoined to submit to Parliament annually a report of the accounts audited by him or her for the financial year immediately preceding.

Salient issues in the report

Mr Speaker, wasteful expenditure amounting to Shs 17.2 billion worth of interest costs was paid as penalty on account of delayed settlement of contractual obligations. This is covered under page 26 of the main report.

Out of the above total, Shs 12.3 billion was diverted by the Ministry of Agriculture from the ADB credit meant for the Fisheries Development Project and used to pay interest arising from the contracts for the rehabilitation of five valley dams.

It was observed that contractual obligation and interest accumulated were never disclosed in the budget estimates as unfunded and in the ministry's financial statements as outstanding commitments until it was paid off.

The committee recommends –(*Interruption*)

**MR NANDALA-MAFABI:** Thank you, Mr Speaker. The clarification I would like to seek, before we go ahead, is if a report reads unqualified, there will be no issues raised. Was it unqualified with exception? Was what you are raising exceptional because when you tell us that the report was unqualified, I assume there is nothing - income was equal to expenditure and everything conformed to the law and there was no problem.

If there was an exception, you would say, reports unqualified with exception. I would like to understand because there is no auditor that can see something of this nature and unqualify the report.

**MR KARUHANGA:** Thank you, Mr Speaker. When we received the Auditor-General’s report of the FY 2014/2015, we realised that a number of entities had qualified reports and some had unqualified reports.

What we chose to do, as a committee, was we decided to collectively look at those that had unqualified reports and see whether they were issues of concern that we would raise to Parliament. Indeed we found some and so, we decided - because ordinarily, each entity would have its own report. Since the issues were not individually voluminous, we decided to put these issues together for the 20 entities. This is the report I am presenting.

**THE DEPUTY SPEAKER:** Honourable, what hon. Nandala-Mafabi is raising is critical for us. If the Auditor-General says he has unqualified opinions on that particular subject, that means he has no queries. Is that the same matter?

**MR KARUHANGA:** Mr Speaker, the spirit of qualifying or unqualifying a report largely emanates from the magnitude of the issues raised during the audit process. Therefore, the greater the magnitude of the issues, the more likely that report will be classified or categorised as qualified. If there are fewer issues, largely depending on the amounts involved and sensitivity of the issue, it is likely to be categorised as an unqualified report.

However, it is always certainly clear that there are some issues even with unqualified reports. As a committee, we took time to look at these unqualified reports to see whether there are issues worth reporting to Parliament -

**THE DEPUTY SPEAKER:** You see, my concern is now you are raising issues of tens of billions of shillings. How would that be unqualified or small? That is my point.

**MR KARUHANGA:** Mr Speaker, there are tens of billions of shillings because there are 20 entities. What I am mentioning is not an issue of one entity but an issue of a multi -

**THE DEPUTY SPEAKER:** Then it was not clear in your report because now it sounds like a particular loss accrued from a vote of over those - that is what the record seems to be reflecting, in my opinion.

For purposes of this House, you should go sector by sector and tell us the amount and then in the conclusion, you can tell us that this whole thing came to this but individually, they were these. The minute you mention Shs 17 billion and it is unqualified, it does not make sense.

**MR NANDALA-MAFABI:** Mr Speaker, when you say something was not recorded, that means the accounts are misreported. Even if it is by one shilling, it is qualified immediately. That is misreporting. However, you can write and qualify the report with exception and say, “This report is unqualified save for the following” and you name them.

The moment you say it is unqualified, it means it has no issues. The moment you say unqualified save for this, it means that it is unqualified but has issues, which are not material. When it is qualified, it means it has substantial issues. When you say, no opinion, it means it is a very dangerous report.

Therefore, we would like you to help us. Is this report unqualified with exception or unqualified and the committee decided to make their own audit and not the Auditor-General’s - That is what we are trying to establish. If you got it right that misrepresentation existed then the Auditor-General must explain to us why he saw something and never reported it. That is all.

**MR BAHATI:** Mr Speaker, the vice-chairperson is giving us a report of the committee and we seem now to be debating the report. However, the guidance you gave of saying, can we have individual sectors and how they performed then you give us a total rather than just starting with the total as if -

The purpose of these accountability committees is to make them accountable and accountability is person to holder; it is not a collective responsibility. Therefore, we would like to know what happened in agriculture, in State House or in the Parliamentary Commission then we look at the total after we have seen what is happening.

However, if you aggregate them before, unless you are doing what you do best by alarming - but we would want to know the real issues first. Thank you.

**THE DEPUTY SPEAKER:** What is the procedural matter before I rule you out of order? (*Laughter*)

**MR BAHATI:** My procedural issue is, can’t we allow the Member to first report to us and then we raise these issues after receiving the report, in line with what you have guided?

**THE DEPUTY SPEAKER:** Thank you. Hon. Sseggona,the chairperson has to allow you.

**MR SSEGGONA:** He had not taken the microphone but he indicated that he has no objection, Mr Speaker. The clarification I wish to seek relates to the word “unqualified”. I think the distortion that we need clearly is, unqualified according to who?

My understanding is that this is unqualified according to the Auditor-General. Accordingly, the answer would stem from our rules of what we are required to do. Whether a report of the Auditor-General is qualified or unqualified, the committee of Parliament has a duty to look at it, examine, scrutinise and report to Parliament.

Therefore, if my understanding of “unqualified” is correct; that it is according to the Auditor-General, then I think we would be proceeding well to receive the report with all those questions that are being asked because we required our committee to go and examine, analyse and report.

**MR KARUHANGA:** Thank you, Mr Speaker, for your guidance. It now appears that you are giving me more time to look at the individual entities. Initially, the spirit was to give a general overview since we have the report but let me see how to present to Parliament the individual reports of each entity.

The first entity is the Ministry of Agriculture but before I get to that – (*Interruption*)

**MS KAMATEEKA:** Mr Speaker, having given the committee chairperson guidance as to how he should present this report, wouldn’t it be procedurally correct to give him time to go and summarise each of his reports and then come and make a proper presentation rather that requiring him now to try and summarise these 20 reports?

**THE DEPUTY SPEAKER:** My understanding was that in making the summary, since you have a list of the sectors that are involved, you would say that the affected figure for agriculture is this and that for the other sector that - like you enumerated the sectors. Then you would come to the totals instead of coming with a total, which makes the whole thing look so different from what should have been unqualified. That is the point and so it is not a very big thing. If the figures were there, it would have been in the summary because the sectors are summarised there.

What is the problem with agriculture and how much money is affected by this unqualified opinion? We would proceed that way and come to the total but if it is difficult to do that, as of now, you could ask for time to do it.

**MR KARUHANGA:** Mr Speaker, I am more than ready to present this report, unless Members are looking at the clock.

Mr Speaker, like I had said, there are 20 entities and I will give the main substance of each of them.

As per the arrangement of the detailed report, particularly beginning from page 12 for those of you who have the main report, the first item is the Judiciary Department.

Accrued Expenditure Commitments on Rent

Contrary to section 23(1) of the Public Finance Management Act (PFMA), 2015 that prohibits the accounting officer from entering into a contract, transaction or agreement that binds Government to financial commitments for more than one financial year or which results in a contingent liability, audit noted that Shs 7.4 billion accrued on rent.

The observations are:

1. The accounting officer deliberately breached the established commitment control systems as enshrined in section 23 of the PFMA, 2015.
2. The rental liability of the Judiciary is unsustainable for the country.
3. Delayed payment of rent was as a result of poor planning, which may lead to possible eviction of the courts causing embarrassment to the country.

The committee recommends that:

1. The Permanent Secretary/Secretary to Treasury (PSST) should reprimand the accounting officer for failure to execute his obligations in accordance with the provisions of sections 78 and 79(1) (m) of the PFMA.
2. The accounting officer should, as a matter of urgency, follow up this matter within three months from the adoption of this report.
3. The Auditor-General should verify validity of the rental commitments and report to Parliament within one month from the adoption of this report.

The second issue is budget performance. Although the Judiciary received 100 per cent of its approved budget, audit noted that total payments amounted to Shs 87 billion resulting into an unutilised amount of Shs 119 million.

The committee observations are:

1. While the Judiciary states that it is underfunded, its absorption capacity remains low due to reported understaffing in some departments and courts, which hampers utilisation of released funds.
2. The committee noted that as of January 2016, two Justices of the Supreme Court, two Justices of the Court of Appeal and 16 judges of the High Court were appointed, although belatedly.

Recommendations

1. The Executive should prioritise recruitment and facilitation of the Judiciary for efficiency and effectiveness in delivering their mandate.
2. The balance of Shs 119 million, which was unutilised, should be accounted for.

The third issue is the staffing gap, which I have already alluded to in the earlier paragraph.

The fourth issue is payments to MTN Uganda Limited and Uganda Telecom Limited

Contrary to regulation 10(1-4) of the National Information Technology Authority (NITA) regulation that requires all public bodies to use the National Data Transmission Backbone and electronic Government information as the primary vehicle for all Government data, internet and voice services, the department paid a sum of Shs 783 million to MTN and UTL to provide internet and data connectivity services, upgrading, bandwidth and implementing the SMS/USSD systems.

Observations and recommendations:

In view of the actions taken, the committee notes that the query was addressed hence it could be dropped.

The second entity is the Directorate of Public Prosecutions

Non deduction of withholding tax from rental payments to National Social Security Fund (NSSF):

Contrary to the provisions of the Income Tax Act, the directorate paid a total of Shs 1.7 billion to NSSF for rent during the financial year. However, 6 per cent withholding tax amounting to Shs 103.9 million was not deducted and therefore not remitted to URA.

The accounting officer submitted that NSSF had been exempted from withholding tax in the financial year 2013/2014, which was however not renewed in the financial year 2014/2015.

Observations

The committee observes that the non - deduction of withholding tax was an act of negligence on the part of the accounting officer, which attracts interest, penalties and undermines revenue collection.

The committee recommends that the Uganda Revenue Authority should recover Shs 1O3.9 million from NSSF within one month from the date of adoption of this report.

Ministry of Justice and Constitutional Affairs

Escalating Contingent Liabilities for Court Awards and Compensations

The Auditor-General noted that Shs 4.3 trillion was recorded as contingent liabilities in cases against Government as at 30 June 2015. The contingencies increased by Shs 34.7 billion from the previous year's position of Shs 4.295 trillion. The contingent liabilities comprise of cases that have been filed against Government pending hearing –(*Interruption*)

**MR NANDALA-MAFABI:** Mr Speaker, I am hesitant to stop my chairman from presenting. However, the procedural issue I am raising is; if you hear the figures that are coming up, they are so big. If the Auditor-General never reported them, I think we should impeach him in this case.

Wouldn’t it be procedurally right, Mr Speaker - you see, the Auditor-General is an office of Parliament; in your wisdom, Mr Speaker, you could meet with the Auditor-General; the moment he issued an unqualified reports; it meant there was no problem to clean. I am sure the minister of finance will agree with me, unless he put in an exception.

However, the moment it is unqualified without exception that means it is clean - it is putting us in danger. The Office of the Auditor-General is an office of Parliament. Wouldn’t it be procedurally right, Mr Speaker, that the Office of the Auditor-General meets you and looks at this report and you ask him why he issued unqualified reports and yet there were problems in it? Otherwise, in the public eye, if we continue with this, there is no single day the Auditor-General will bring a report and people agree with it.

Mr Speaker, wouldn’t it be procedurally right that you and the chairman of our committee meet the Auditor-General and look at this report before it is fully presented?

**THE DEPUTY SPEAKER:** Honourable members, this issue keeps coming back - unqualified, qualified, unqualified with exceptions, and all those complicated terms which seem to be causing some challenges.

Chair, maybe we need to have a meeting with the author of the initial document and see what is actually meant by these things so that I am properly in position to guide on this matter.

Right now, I do not even know - that is not my area. Therefore, I need to understand what actually is meant by what is contained in this report of the Auditor-General and therefore arising from what the chairman has said.

In the meantime, also honourable chair, you could now do a real summary of the entities and those issues that you are raising. Because if they were general issues of rent committals, issues of understaffing and issues of budget, those cross financial years, that would make sense.

However, if you are now talking about audited figures, then we might need to discuss it with the Auditor-General and see what this means. I do not know what his schedule is like; I would like to have a meeting with the chair and the Auditor-General then we will come back here. Therefore, let us pause this here then we shall continue from there.

In the meantime, try to give the summary and then when we come back - can we deal with the next matter? Chair, in the meantime, you can lay the report so that we can have it captured on the record.

**MR KARUHANGA:** Mr Speaker, the matter raised has also been a matter of concern to the committee.

**THE DEPUTY SPEAKER:** I think let us leave it now.

**MR KARUHANGA:** It is wiser that indeed you ruled that we interface with the Auditor-General. Mr Speaker, I beg to lay.

**THE DEPUTY SPEAKER**: Maybe we deal with it when you have finalised then we can lay them all together. Let us leave it for now. Do not lay it on the Table. When you finish the report, then you lay the whole thing altogether. Thank you

MOTION FOR ADOPTION OF THE REPORT OF THE COMMITTEE ON DEFENCE AND INTERNAL AFFAIRS ON THE LEARNERS' PROJECT UNDER THE NATIONAL

IDENTIFICATION AND REGISTRATION AUTHORITY (NIRA)

5.36

**MS JUDITH NABAKOOBA (NRM, Woman Representative, Mityana):** Thank you, Mr Speaker, for giving me this opportunity to present a report of the Committee on Defence and Internal Affairs on the learners’ project under the National Identification and Registration Authority.

Mr Speaker, the Committee on Defence and Internal Affairs conducted an oversight visit in the districts of Kampala and Wakiso, to appraise the status of the Learners' Project under the National Identification and Registration Authority (NIRA) in accordance with Rule 185 of the Rules of Procedure of Parliament, and Article 90 of the Constitution of the Republic of Uganda; which empowers the committee to monitor the performance of the ministries and agencies under its supervision.

National Identification and Registration Authority was established by the Registration of Persons Act, 2Ol5. Its principle mandate and responsibility is to create, manage, maintain and operationalise the National Identification Register.

National Identification and Registration Authority is expected to achieve this mandate by among others; registering all citizens of Uganda, registering non-citizens; who are lawful residents in Uganda, assigning a National Identification Number (NIN) for all registered persons and assigning National Identification Cards and Alien Identification Cards to all registered persons, including Refugees.

In pursuit of the above mandate, in a retreat of Government Ministers and Permanent Secretaries at Kyankwanzi, between 6th and 16th February 2017, Government passed a resolution to operationalise the idea of the Learners' Project. The project's aim was to register all learners in the country aged 5 to 16. There was a set target of registering 10 million learners in primary schools, secondary schools and post-primary technical institutions across the country. The project officially commenced on 29 May 2017 and was expected to run until 30 August 2017.

During the field visit, the committee interacted with staff members of the different schools, guardians/parents and the enrolment officers. The schools sampled included both private and Government aided schools. These are:

1. Noor Secondary School - Queens Way, Katwe
2. Kings Day Care and Boarding Primary School, Kabowa
3. St. Andrew's Primary School, Ndejje
4. St. Kizito Primary School, and
5. St. Kizito Senior Secondary School, Bugolobi.

The committee also invited and interacted with the Minister for Internal Affairs and National Identification and Registration Authority technocrats in a meeting at Parliament. The committee was also guided by the following documents:

1. The Registration of Persons Act, 2015
2. The National Budget 2016/20I7
3. The Ministry of Internal Affairs Ministerial Policy Statement for financial year 2017/2018

Terms of reference

The committee was guided by the following terms of reference;

1. To ascertain the financial performance of the project
2. To ascertain the level of stakeholder's awareness
3. To ascertain the logistical and equipment related challenges faced by the project
4. To ascertain the purpose of the frequent supplementary budget requests
5. To establish the general challenges faced by the enrolment officers.

Findings

The committee interacted with NIRA technocrats, heads of beneficiary schools at registration points, parents/guardians and the enrolment officers and concluded that the project was faced with challenges. These challenges range from equipment issues, disgruntlement among workers, lack of sensitisation/ awareness among parents/guardians and other major stakeholders as to the purpose of the project, and a considerable disparity between the approved budget and the overall performance of the project.

Financial performance

The initial budget for the registration of learners’ project was Shs 53.6 billion. It was planned to be released in two instalments; financial years 2016/2017 and 20l7/2018. During the financial year 20l7/2018, Shs 69.5 billion was spent out of the approved budget of Shs 53.6 billion reflecting performance of 130 per cent. The over performance was due to supplementary funding of Shs 15.6 billion which was approved for the project.

Poor stakeholder awareness and publicity of the project

Whereas Parliament approved a budget of Shs 468 million for publicity and media relations, NIRA reduced it to Shs 192 million and the balance was irregularly re-allocated to other activities without parliamentary approval. Due to the low public awareness, some parents/guardians turned up with incomplete records and requirements for the registration of their children, which delayed the registration process.

The committee further noted that poor stakeholder awareness was brought about by NIRA's failure to involve the local leaders, like LC III Chairpersons and the District Education Officers. Being on ground, such categories of people would have been the best to sensitise the public.

Recommendations

The committee recommends that in future, NIRA should desist from irregularly reducing and re-allocating funds without Parliament's approval. Reducing of the publicity and media relations budget far compromised the sensitisation/awareness purpose which was a vital component in the registration of Learners’ Project. Such funds would have been used to facilitate the local leaders, like the LC III Chairpersons and the District Education Officers.

Use of old and outdated registration equipment

The committee noted that the project equipment used was old, which negatively affected the smooth implementation of the registration exercise. Cameras, laptops and other accessories including batteries were outdated, yet Parliament had approved a budget for the procurement of new equipment and other accessories during the budget for financial year, 2016/2017. The equipment that was used in the Learner's Project is the same equipment that was used during the registration of persons in 2014.

The committee further established that, whereas 2,000 laptops and batteries were procured for the exercise at the cost of Shs 7.98 billion; delivery was only made at the end of the project hence; the expenditure did not meet the needs of the project.

Recommendations

The committee recommends that a serious investigation should be instituted on NIRA Management regarding all procurements. This should include the procurement of generators, laptops, batteries and all other procurements that were meant to assist in the registration of the Learners project.

The committee further recommends that the Auditor-General should conduct a forensic audit on the registration of Learners Project and if any discrepancies are found; the culprits should be interdicted.

Supplementary funding for the project

The committee established that since the inception of the project, the Ministry of Finance, Planning and Economic Development has since granted supplementary funding amounting to Shs 15.6 billion to NIRA. During financial year 2016/2017, Shs 5.7 billion was granted and in the financial year 20l7/2018, Shs 9.9 billion has been granted. This was by technical re-allocation which is not supported by the Public Finance Management Act, 2015.

The committee's further inquiry revealed that the steering committee approved a supplementary budget of Shs 2.8 billion towards the closure of financial year 2016/2017, which is a sign of last minute expenditure. This supplementary was granted, yet the original budget had not yet been exhausted, which is rather questionable.

Recommendation

The committee recommends that Parliament should first undertake a critical study of such requests, and unless there is clear evidence of the exhausted funds, supplementary requests should not be approved to avoid abuse of funds.

Challenges faced by the enrolment officers

a) Inadequate facilitation for the enrolment officers: The committee established that the enrolment officers were paid a daily allowance of Shs 15,000. This rate was based on what was paid to the enrolment officers in 20l4 in which lunch was estimated at Shs 3,000 per day. However, this assumption was unrealistic cognisant of the current cost of living and mindful of the fact that poor facilitation risked safety of Government information and equipment in the hands of i11-facilitated project officers.

The committee further established that the exercise was conducted daily; that is, from Sunday to Sunday and yet their letters of appointment only assigned Shs 450,000 per month for their allowances; without any additional facilitation. This led to a go-slow approach to their work because the money was too little, compared to the tasks assigned. This arrangement kept the enrolment officers frustrated and disgruntled, leading to a general failure to beat the deadline.

The committee was also informed that some officers borrowed to implement the project activities and endured the pain in anticipation that they would be considered for the appointment in the massive recruitment to fill NIRA vacancies. This, however, did not materialise as the recruitment exercise attracted other applicants and not the enrolment officers who had been hired during the Learners’ Project.

Absence of attendance registers

During the inspection, the committee further established that there were no daily attendance registers for enrolment officers at all registration centres and lack of supervision. This casted doubt on the basis, accuracy and reliability of the daily allowance computation.

Even then, the enrolment officers the committee interacted with reported delays in payment of their allowances. For example, at the time of the visit in July, 20l7 some payments had not been effected, others reported receiving half pay.

The committee learnt that payment was made according to the days worked yet no attendance registers were found at the registration centres. To make matters worse, the allowances were paid selectively to some individuals but not to all enrolment officers. The committee did not ascertain the criteria NIRA used to pay these allowances and why some of the workers were not paid at all.

c) Payment of Allowances through Mobile Money Platforms

The committee also noted the unnecessary change in the payment method of the enrolment officers' allowances. Upon receipt of the appointment letters, the enrolment officers were asked to submit their account numbers through which their allowances would be channelled. However, NIRA opted to effect their payment through Mobile Money Platforms. This new payment method did not factor in withdrawal charges, which is a considerable sum relative to the meagre allowances being paid to the project staff.

d) Withdrawal of Original Appointment Letters

The committee also learnt that NIRA withdrew the original appointment letters from the enrolment officers and were told to keep photocopies only. As such, they were left working without formal contracts and terms and conditions of service; a factor that the committee noted could have also contributed to the disgruntlement among workers.

The committee further noted that some of the enrolment officers were recruited from long distances, outside Kampala; which was so costly on their part because it involved feeding and accommodating themselves. The committee wondered why they could not recruit the natives where the exercise was being conducted.

Recommendations

The committee recommends that all current project staff should be offered new contracts reflecting their terms and conditions of engagement.

The committee further recommends that a revision of the current allowance structure of the enrolment officers be done to reflect the current economic environment and cost of living in the country.

6.2 a) Equipment-related challenges

The committee discovered that there were no arrangements for storage of NIRA equipment in schools; their safe custody depended on the good will of the head teachers. Whereas it would have been appropriate for the head teachers to provide safe places to keep the equipment, in some schools, it was not the case. As a result, the equipment would be left exposed to harsh weather conditions and that affected their performance. There were incidences of cameras getting lost since most of them were not engraved. Lack of a clear marking and engraving system to indicate which equipment belonged to NIRA and which was personal made the equipment very susceptible to theft.

b) Electricity outages and blackouts:

The committee noted that in case of power outage, there was no provision for power storage; not even provision to cater for charging batteries. Information would get lost from machines that were lacking power saving options. NIRA did not adequately prepare for the possibility of power outage or lack of electricity in hard to reach areas.

The committee noted that issues like provision for power outages and storage for the equipment should have been ironed out in June 2017, when the Project was rolled out. This was the first stage when registration forms, equipment and other materials were distributed. Some enrolment officers were left with no option but to carry the equipment to their homes which was very risky. Unfortunately, NIRA did not put this into consideration despite the considerable budget Parliament had approved for the Learners Project. In the long run, it had an effect on the smooth implementation of the Project.

Recommendations

The committee recommends that the entire exercise of registering learners should be redesigned, and repeated because the work was shoddy. The Ministry of Internal Affairs should take an upper hand in regularly monitoring and evaluating such an important project and should report to Parliament quarterly.

The committee further recommends that NIRA should involve the local leaders especially the LC III Chairpersons and the District Education Officers.

They should be well facilitated so that they are able to educate, sensitise and identify hindrances in the implementation of the project. This is possible because they are better placed on ground.

General Recommendations

Owing to the challenges above, it is clear that the results of the Registration of Learners Project are far from what Government expected. The committee therefore wishes to recommend generally as follows:

1. The committee strongly recommends that the Auditor-General should conduct a forensic audit on the entire Learners Project and this should include the procurement processes, method of recruitment, level of facilitation and mode of payment to the enrolment officers. NIRA Management should be held responsible for failure to pay some of the project staff, who up to date, still demand payment of their allowances.
2. The committee further recommends that for the project to be successful, there should be regular monitoring/evaluation by the mother ministry and adequate sensitisation and continuous awareness among all the stakeholders.
3. The committee also recommends that the remuneration of implementers of such an important project should be in tandem with the prevailing economic situation.
4. The committee further recommends that future requests for a supplementary should be in line with the Public Finance Management Act (PFM), 2005.
5. The committee further recommends that the complaints of enrolment officers and other staff should be investigated and NIRA management should be answerable for the pain caused to the Ugandans who were trying to earn a living.

Conclusion

The committee notes that official figures show that more than 48.1 per cent of the population of Uganda is below the age of 15 years. As such, the success of the Learners' Project reflects the success of the NIRA Registration of Persons Exercise as a whole. It is therefore pertinent that the project is managed with the clout it deserves and that those managing it be held accountable for its success or failure. The above recommendations are therefore required to be implemented so as to ensure that the project is managed successfully. Mr Speaker, I beg to move.

**THE DEPUTY SPEAKER:** Thank you very much, chair. Honourable members, this is a report of the committee. It is not based on any other thing, except that the committee has institutions under its mandate and they deemed it fit, arising from matters that had arisen in this House. I think it was raised as a matter of urgent public importance and several other issues came, so the committee took it on itself to take this investigation and here is the report. This committee report attracts debate and then we can adopt the recommendations.

**MS SANTA ALUM:** Thank you so much, Mr Speaker. This is a very important report. I would like to first thank the committee for coming with the actual problem which is on the ground in regard to the registration of the young ones of this country.

The procedural issue I am raising is that there are questions here which must be answered by the minister on behalf of NIRA. For example, the money which was given from Shs 486-192 million, the issue of the machines which were delivered late, the issue of the workers that were not paid. I feel that we should not go ahead to debate when the minister in charge of this sector is not in the House to pick these questions and give the House answers. From my district alone, Mr Speaker, I have complaints and names of enrolment officers who were not paid. Therefore, wouldn’t it be procedurally right for us to defer this debate until the minister in charge of this sector is here to pick our concerns? Thank you.

**THE DEPUTY SPEAKER:** Honourable Prime Minister, you can see how the absence can cause us hiccups in our procedures. Unless you are prepared to proceed with this matter, General- *(Laughter) -* are you prepared to proceed to handle this matter, being the Leader of Government Business, or should we -

6.01

**THE FIRST DEPUTY PRIME MINISTER AND DEPUTY LEADER OF GOVERNMENT BUSINESS (Gen. (Rtd) Moses Ali):** Mr Speaker Sir, I am of the view that nothing should stop this House from debating any paper *–(Interjections)-* why? It is because whatever we say here is on the record *–(Interjections)-* therefore, the *Hansard* can be referred to. The ministers who are not in can go to the *Hansard* and they will come and answer the questions here because they are on the record. If we base our debates on presence or absence of the ministers, then we are also absent in our approach. *(Laughter)*

**THE DEPUTY SPEAKER:** Honourable members, really, the reason we publish the Order Paper early is to alert the people concerned that there is going to be a debate on this subject. They were here and they saw that the matter was coming up. Sometimes you do not even understand why they leave when they have matters on the Order Paper.

However, honourable members, it is 6 O’clock. This House is adjourned to tomorrow at 2.00 p.m.

*(The House rose at 6.03 p.m. and adjourned until Thursday, 26 April 2018 at 2.00 p.m.)*