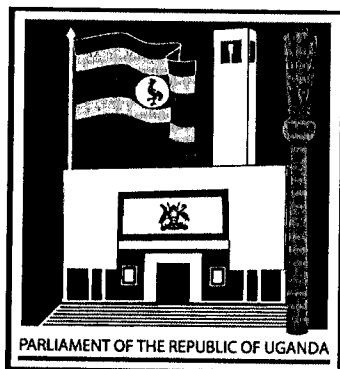


PARLIAMENT OF UGANDA



10TH PARLIAMENT

**MINORITY REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE
ACQUISITION AND UTILISATION OF THE USD 200 MILLION LOAN FROM
THE PTA BANK**

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Office of the Clerk to Parliament

July 2017

MINORITY REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE ACQUISITION AND UTILISATION OF THE USD 200 MILLION LOAN FROM THE PTA BANK

1.0 INTRODUCTION

The Public Accounts Committee carried out an investigation into the acquisition and utilization of the USD 200 Million loan in accordance with Article 90(3) of the Constitution of the Republic of Uganda and Rule 147 (c) of the Rules of Procedure of Parliament.

Pursuant to Rule 194 of the Rules of Procedure, I hereby present a dissenting opinion from the opinion of the majority of the Public Accounts Committee.

While I agree with some of the content in the report, the following are my grounds for dissent.

2.0 GROUNDS FOR DISSENT

I dissent from the majority of the Public Accounts Committee observations and recommendations on the following grounds:

1. Poor evaluation of evidence and records
2. Wrong interpretation of facts

3.0 AREAS OF DISSENT

3.1 OBSERVATIONS

A review of the documents availed to the committee revealed the following:

1. The percentage indicated was 4.6% while the draw down interest was 0.95% making a total percentage interest of 5.55% which was not made clear to Parliament.

This percentage was in the report presented to Parliament by the Minister of Finance, Planning and Economic Development and it is not true that there was a misrepresentation.

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2. At the time of requesting for approval of the USD 200 million loan from Parliament, Government through MoFPED provided contract documents of the beneficiaries as conditioned by the lender. i.e. (health –drugs and medical equipment), transport (road and earth moving equipment) and rural Electrification (government counterpart contribution).

See related comment under Observation No 3.

3. The MoFPED justification for funding to the Committee on National Economy was to finance a shortfall in domestic revenue projected at UGX 288billion and substitute domestic borrowing UGX 280 billion, to finance the supplementary expenditure that was approved by Parliament that required additional financing amounting to UGX 156.37 billion and to finance expenditure pressures resulting from the exchange rate depreciation experienced during FY 2015/16.

I also disagree with Observations Nos 2 and 3 because the purpose of the PTA Loan Facility was to support the stabilization of the Uganda Shilling against the US Dollar and at this time the economy was undergoing pressures arising from exchange depreciation. The immediate key priority therefore was to address this paramount problem for the benefit of all Ugandans and the documentation presented to Parliament was supportive of this objective.

4. On receipt of the loan facility, instead of prioritizing the already stated beneficiaries namely; health, roads, earth moving equipment and rural electrification, the money after being transferred to the Uganda Consolidated Fund was instead used for general budget support and not specified entities.



At this time the Ministry of Finance, Planning and Economic Development presented to the Committee that the major priority was to support the stabilization of the Uganda Shilling using the documentation from eligible institutions which would later receive part of their budgeted allocations, which I find appropriate.

5. The Ministry of Finance provided a breakdown of the disbursements of **USD 143,951,719.58** by 27th June 2017, the end date of the committee inquiry and **USD 199,999,513.48** by 14th July 2017.
6. Despite several demands, the Committee was never availed with the specifics on how the disbursed amount was spent by the end of FY 2016/17.

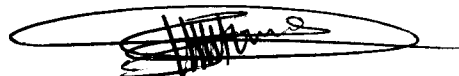
Observation No 6 contradicts the stated facts in Observation No 5 because the Ministry of Finance, Planning and Economic Development provided the Committee with all relevant documentation as stated in Observation 5.

7. The Committee further observes that the Speaker on Tuesday 11th July 2017 presented to Parliament a list of loans from the President inter alia objecting to a similar loan of USD 200 million “intended for fiscal management” a purpose similar to the loan in question.

7.0 CONCLUSION

The committee draws the following conclusions:

1. The Minister of Finance, Planning and Economic Development by false pretence impressed upon Parliament in the justification for the loan approval



stating that the critical area for funding was medical supplies by NMS thus MoFPED received the money fraudulently.

From the Observations I have made above, the Ministry of Finance, Planning and Economic Development provided the requisite documentation to support the major purpose for the PTA Loan Facility. Therefore there was no false pretense or fraudulent action by the Minister.

2. Although MoFPED had received the said funds, they had not released UGX 68 billion to NMS as earlier on claimed by the Ministry.

The NMS received the entire amount of budget allocation as appropriate by Parliament though this was done late.

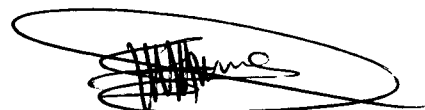
3. After more loan funds were released, the concerned “beneficiaries” were neither informed nor given the funds.

The said ‘beneficiaries’ received funds as appropriated by Parliament

4. The loan proposal had originally been rejected on 7th January 2016 by Parliament but MoFPED changed the objective of the loan emphasizing medical supplies to get the approvals required on 26th April 2016.

The purpose of the Loan remained the same, but the Minister of Finance, Planning and Economic Development provided additional information which I find appropriate

5. In a letter to the Rt. Hon Speaker of 15th March 2017, the Minister of Finance, Planning and Economic Development lied that the necessary contracts had not been provided by NMS to enable the necessary funds to be disbursed.

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This is not true because the said documents were already part of the report submitted by the Minister to Parliament

6. The Minister MoFPED did not reply to the letter of the Governor of the Bank of Uganda rejecting the loan proposal despite the concerns clearly raised.

The letter of the Governor Bank of Uganda was responded to by the Minister.

7. The PS ST lied to the committee that the loan was received to stabilize the exchange rate with the consent of the Bank of Uganda.

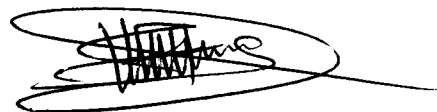
Bank of Uganda need not consent to any borrowing that is approved by Parliament

8. The Accountant General objected to the loan proposal through a letter written to the PS/ ST indicating that the loan was not favorable because of its high interest rate.

The alternative to finance the requirements of the various agencies would have been to borrow from the domestic market at higher interest rates compared to the PTA Loan

9. The PS ST, former Chairman of the Board of Directors of the PTA Bank insisted on acquiring the loan despite the emphatic objections from the Governor, Bank of Uganda, the Accountant General and the Director of Economic Affairs.

PSST was Chairman of the Board of Directors of the PTA Bank until 1998 - 2004 and served in that capacity as a representative of the Government of Uganda



10. Domestic borrowing would have been cheaper than the 4.6% per annum interest paid on the PTA loan in addition to other costs of borrowing.

Domestic borrowing has never been any lower than the rates reflected above.

11. Uganda as a member of the IMF qualifies to access from the IMF a rapid credit facility that is concessional and carries a zero interest rate, a grace period of five and a half years and a final maturity period of 10 years as opposed to the PTA loan obtained at the interest rate of 5.55% without a grace period.

This is true but would have taken an inordinately long period of time to access

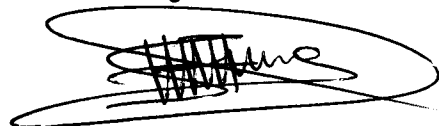
12. Upon the committee's intervention, the Ministry of Finance, Planning and Economic Development, has finally committed to provide the requisite funds to NMS in a letter to all Accounting officers dated 7th July 2017 **(see annex J attached herewith)**

I find this appropriate to continue providing NMS with funds

8.0

KEY RECOMMENDATIONS

1. **For misleading the House to believe that the most critical funding objective was medical supplies, lying to Parliament in writing that NMS had never provided the needed supply contracts to enable disbursement of funds and further duping Parliament by re-packaging the same loan thus obtaining money by false pretense, the Minister of Finance, Planning and Economic Development, Hon. Matia Kasaija should be censured.**



The Minister did not obtain money by false pretense because all documentation concerning the PTA Loan were provided to Parliament and therefore cannot be censured but instead thanked for quickening the process of exchange rate stabilization.

2. **The Committee on National Economy should adopt as part of their procedure a requirement to interface with the Governor, Bank of Uganda while considering loan proposals.**

3. **For lying to Parliament and for superimposing his authority portrayed by insisting on the loan acquisition against strong advice in writing by the Governor Bank of Uganda, the Accountant General and the Director of Economic Affairs MoFPED and superintending the gross diversion of public funds, Mr. Keith Muhakanizi, the PS/ST should be relieved of his office.**

The PSST and the Accountant General provided all the necessary documentation and used the loan proceeds as appropriated by Parliament and should instead be rewarded because they saved the economy from further deterioration.

4. **The IGG should further investigate the PS/ST for possible conflict of interest, collusion and connivance considering that he aggressively insisted on acquiring the loan with prior knowledge that he was a former Board Chairman of the PTA Bank. A report on the findings should be submitted to Parliament within sixty days from the date of the adoption of this report.**

There was no conflict of interest because PSST had ceased to be a Board Member of the PTA Bank and in any case was serving Government of Uganda's of Uganda's interest

- 5. Parliament directs that the USD 200 million be recovered, re-consolidated and applied for the sole and full purpose for which Parliament approved the loan. A report to this effect should be submitted to Parliament within sixty days from the date of adoption of this report.**

The purpose of the Loan has already been fulfilled and all the agencies provided with resources

- 6. The Executive should be more systematic while processing the presentation of loan requests to Parliament to avoid the embarrassing recall of some of them as Parliament witnessed on Tuesday 11th July 2017.**

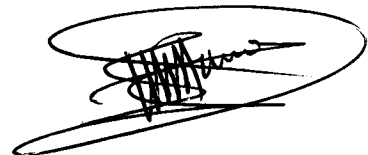
- 7. The Committee further recommends an amendment of the Public Finance Management Act (PFMA) 2015 to include that; the Minister of Finance, Planning and Economic Development should quarterly report to Parliament on the financial and physical performance of public debt.**

Rt. Hon. Speaker and Hon Members

I beg that the Minority report be adopted.

I thank you.

I beg to move

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NAME

HON. SILWANYI SOLOMON

PARTY

NRM

SIGNATURE

