



Independent observer
of the Global Fund

UGANDAN OFFICIAL INQUIRY CONDEMNS MINISTER

A Ugandan Presidential commission of inquiry into misuse of Global Fund money has concluded that the man who has just been replaced as Uganda's Minister of Health, Maj. Gen. Jim Muhwezi, lied to the inquiry under oath. The commission recommended that he and two junior ministers "be investigated further with a view to prosecution" for perjury, causing financial loss, and providing false documents, and that they be required to return Global Fund money that they had inappropriately made use of.

The commission of inquiry was led by James Ogoola, Principal Judge of the High Court of Uganda. The inquiry was called for by President Museveni after the Global Fund temporarily suspended its grants to Uganda last year. (The Fund's own action was originally triggered by a report of corruption relayed to it by Aidspan from a whistle-blower reader of GFO.)

The inquiry, which lasted nine months, was based on evidence from 150 witnesses who testified through public hearings that were widely reported in the Ugandan media. The 340-page report of the inquiry was handed over to President Museveni on 31 May and was summarized in the Ugandan media the following day. GFO has obtained a copy of the full report from sources in Uganda.

Most of the inquiry related to activities within the Project Management Unit (PMU) that was set up within the Ministry of Health to administer Uganda's Global Fund grants. (The Principal Recipient was the Ministry of Finance, but the inquiry found that the problems arose almost entirely within the Ministry of Health, and particularly within the PMU.)

The main findings contained in the report of the Commission of Inquiry were as follows:

Recruitment: The Minister of Health instructed the Permanent Secretary of the Ministry of Health (PS/MOH) to obtain the Minister's clearance before recruiting senior staff for the PMU. The Minister

specified, in particular, that the head of the PMU should be Dr. Tiberius Muhebwa, despite the “explicit negative warning” expressed by the recruitment consultants regarding Dr. Muhebwa’s “dire lack of managerial experience and competence.”

One of the staff employed by the PMU’s Finance Department was the son of a junior minister in the Ministry of Health. The PS/MOH and the head of the PMU displayed “timidity and sycophancy” in appointing to this “lofty” position someone who “had no basic accounting knowledge at all” and “simply could not cope.”

Salaries: PMU salaries were far too high; they were about three times those at the Uganda AIDS Commission.

Training: The PMU, which was entirely financed using Global Fund money, had a training budget that was mis-used. Many PMU staff were sent on training abroad, with no attempt being made to identify less expensive local courses. The staff applied for these courses “recklessly”, and the head of the PMU approved them “indiscriminately”. One senior staffer incurred nearly \$9,000 in expenses going to South Africa for a month to present her PhD thesis. And the wife of the Acting PS/MOH was reimbursed over \$7,000 in travel expenses to attend a conference in the US that bore no relationship to Global Fund activities.

Borrowing: Whenever the PS/MOH was asked – usually by the Minister of Health – to fund an activity for which the MOH had no ready funds available, he would invariably “borrow” the required funds from the PMU. Often, such a requisition was accompanied by “a false voucher” incorrectly suggesting that the money was needed for GF-related purposes.

For instance, the PS/MOH requisitioned nearly US\$20,000 from the PMU to facilitate travel by the Minister to Southern Africa to campaign for a particular Ugandan to become WHO Regional Director for Africa. As it turned out, the Minister did not travel to Southern Africa at all, he went elsewhere on a different mission. (This money has since been refunded.)

Also, the PS/MOH requisitioned a few thousand dollars from the PMU’s malaria programme to facilitate travel by the three MOH Ministers to their districts to campaign for a “yes” vote in the 2005 national referendum.

Sub Recipients: The PMU appointed several Sub Recipients to serve as Lead Agencies, with the intention that they would sub-grant money to smaller organizations that had less sophisticated managerial systems in place, retaining 10 percent as a management fee. One such Lead Agency, ICOBI, retained not 10%, but about 90%. Others passed on the necessary funds, but only after considerable delays. Yet others did not have the capacity to monitor their sub-grantees’ progress.

One sub-recipient, ironically named the Uganda Centre for Accountability (UCA), was given a grant of about \$60,000 to monitor the activities and use of funds of other sub-recipients. UCA withdrew this grant from the bank almost immediately and “dismally failed” to account for the money. “Their purported Co-ordinator ran into hiding from the Commission. Those who remained claimed that UCA had submitted a report of its work to the PMU, [but] none of the PMU staff admitted having ever seen or received any such a report.”

Exchange rate manipulation: A Ugandan bank named DFCU Bank was used to convert large amounts of Global Fund money into local currency. This task was clearly necessary; however, the conversion was done at an unfavourably low exchange rate. The difference between the appropriate rate and the actual rate amounted to about \$250,000, which was then transferred outside the bank. This amounted to a “criminal scheme” carried out by the former Executive Director of the bank and certain others. The

Minister of Health participated in at least one meeting at which the banking arrangements were discussed. This was “a serious and complex fraud” in which the bank was “as much a victim as was the PMU”.

Contracting: The PMU appears to have favoured particular suppliers by a variety of means, including by restricting the specifications such that in fact only one bidder could comply. In at least one case the inquiry found strong reason to suspect “collusion between those responsible for the procurement process and the successful bidder”, and recommended further investigation into possible criminal wrongdoing.

Global Fund pressure: PMU senior staff “testified that [GF] Geneva’s song was one of intense pressure on Uganda to ‘disburse, disburse and disburse’, without the concomitant chorus of ‘account, account and account’.”

Local Fund Agent (LFA): The PS of the Ministry of Finance, which served as Principal Recipient, “complained that the LFA had never alerted them that the mismanagement of the Project was so severe.”

The Commission of Inquiry recommended that some of the moneys that were inappropriately obtained by individuals and organizations should be reimbursed. It also decided to release to the press the full list of which organizations and individuals had received how much Global Fund money.

The inquiry concluded that in this “sordid” story of “grand managerial inefficiency and incompetence”, the main losers have been “the people of Uganda, the international donor community, [and] the new experiment in Global Fund Public-Private Sector partnership.” But above all, it found, “the most poignant and pathetic losers have been the millions of persons infected and affected by the three scourges of HIV/AIDS, TB and Malaria. These millions watched in pain and agony as their dire hopes were dashed to dust through the incompetence of the PMU stewards, and the naked greed of the middlemen (the sub-recipients) of the Global funds.”

The Ugandan media reported that upon receiving the report, President Museveni said he was happy that the commission’s work had already led to the recovery of some stolen money, and that enforcement officials were already planning prosecutions. “Impunity had gone too far in Uganda and it must stop,” Museveni was quoted as saying. A week before he received the Ogoola report, Museveni announced that none of the three MOH ministers subsequently criticised in the report would feature in his new cabinet.

The Global Fund issued a statement saying that it welcomed the recommendation regarding reimbursement to the Global Fund of misused funds, and added that “the Ugandan incident should help us strengthen our procedures so that we can avoid such problems in the future.”

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