



# THE COST OF CORRUPTION IN UGANDA

“Corruption has a face – that lavish lifestyle that is not commensurable with one’s legitimate income”

## Everyone shall recognise and hate Corruption



“We want to exhibit the face of corruption in every classroom, living room, place of worship, place of entertainment and bedroom, so that everybody can recognize it, despise it and hate it.”

**Hon. Beti Kamywa Turwomwe,  
Inspector General of Government**

Corruption is one of the major obstacles that undermines Uganda’s social economic development. Although substantial investments and efforts have been made to end corruption in Uganda, it continues to impose wide-ranging costs on the society.

Research studies, such as the Fourth National Integrity Survey in Uganda and the East Africa Bribery Index, show that Ugandan citizens often only access essential public services if they pay a bribe to the public servants who function as gatekeepers of these services. As such, corruption contributes to the worsening of poverty and inequality in Uganda.

Corruption leads to the loss of trust in government, poor infrastructure, delays in project implementation, low investments and insufficient service delivery.

Despite being a clear challenge, there are no comprehensive estimates

of the extent and cost of corruption. By failing to measure the cost of corruption and to establish the magnitude of the problem to Ugandans, adequate and appropriate anti-corruption measures cannot be developed.

The costs of corruption in Uganda are categorized as direct and in-direct cost and across different sectors and groups of actors.

**The Inspectorate of Government (IG)** commissioned the research on the cost of corruption with support from the German Government, through the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH. The research was conducted by the Government Transparency Institute, which is an international and non-partisan think tank in good governance.

The evidence provided in the study will be used to inform debate as well as support advocacy campaigns to change policies and strategies of institutions in the fight to eliminate corruption in Uganda.

For more details of the study, visit [www.igg.go.ug](http://www.igg.go.ug) for the full report.

### Key Highlights of the Study

**The total cost of corruption in Uganda is estimated to be UGX 9.144 trillion per year which is equivalent to 44% of total government revenue in 2019.**

**The highest total cost of corruption was estimated for the environmental protection sector - at about UGX 2.8 trillion per year.**

*The cost of corruption estimates are based on a variety of methods and data sources. This study considers direct and indirect costs as explained below. There are some costs that are estimated, including the cost of bribery and loss of public services through absenteeism among others. **Overall, the estimates on cost of corruption are considered to be lower than actual in Uganda** since some costs are in kind while others are non-measurable due to lack of data.*

## Direct Costs

Direct costs include all those costs that are attributed to corrupt acts. This can be a cost to the public budget (either to the Ugandan government or donor governments providing aid to the Ugandan budget); or a cost to citizens who are required to pay a bribe to get a public service.

### TAXATION

The study considered how regularly and how much money citizens pay in bribes to tax officials as well as bribes and gifts paid by firms to tax officials. It also looked at the loss in income tax collection and indirect domestic taxes as well as the estimated loss for the public budget due to reporting wrongly or reporting less than the actual value added tax amount. The total cost of corruption in taxation is estimated to be UGX 136 billion per year.

### USER FEES FOR PUBLIC UTILITIES

The amounts people have to pay in bribes in order to access water and electricity utilities as well as the corruption costs of unpaid utility fees for the government result in a total loss of almost UGX 478 billion per year.

### NATURAL RESOURCE RENTS

Uganda is rich in natural resources such

as oil, gas, gold, phosphate, etc.

However, due to corruption in the sector, a significant share of income from natural resources is lost. The estimated cost of corruption in contract royalties is UGX 868 billion per year.

### ENVIRONMENT PROTECTION

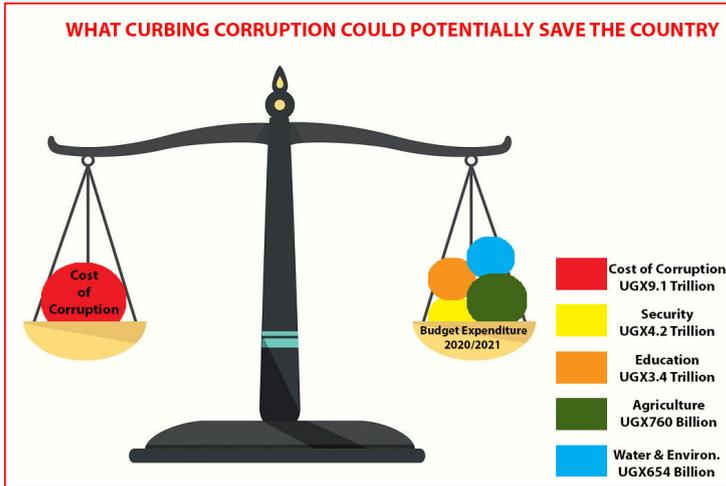
Uganda loses a considerable amount of her resources each year due to weak environmental regulations, enforcement, and overexploitation of the environment.

Environmental degradation brings significant losses for citizens. For example, deforested slopes cause landslides and floods resulting in losses.

The estimated loss of environmental resources to corruption is UGX 2.28 trillion per year, while the cost of environmental pollution and degradation amounts to UGX 536.8 billion per year.



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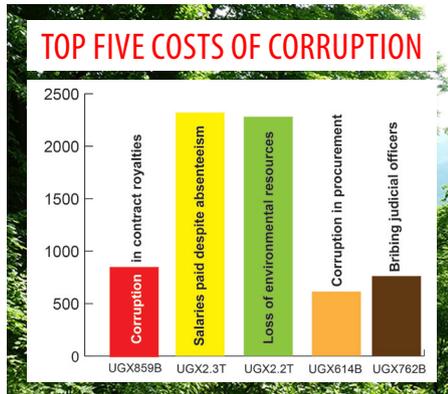
### ABSENTEEISM IN HEALTHCARE AND EDUCATION SECTORS

Absenteeism means the public cannot access essential services when they need them. Moreover, when employees are paid yet they did

not work, this constitutes a net loss to the public budget.

The analysis couldn't measure general absenteeism in all government sectors due to lack of data, but used reliable data on absenteeism in health and education sectors.

The study shows that approximately one out of every two health workers is absent on any given day at healthcare facilities



in Uganda, while the rate of teachers' absenteeism in Uganda is 27%.

In total, approximately UGX 2.3 trillion is lost annually due to absenteeism in the healthcare and education sectors.

### BRIBERY IN HEALTHCARE AND EDUCATION PROVISION

Here the study considered the bribes people have to pay to access services in the healthcare and education sectors. The public funds embezzled in the education sector were also considered. In total, the cost of corruption in healthcare amounts to nearly UGX191 billion per year and in the education sector to about UGX 278 billion per year.

**SECURITY**

There is limited data on corruption in the security sector because of its classified nature. However, for this study, one cost was estimated - the cost of bribing security officials. If, for instance, the average size of a bribe is UGX 56,779, the total cost of bribery in this sector is estimated at UGX 91 billion per year.

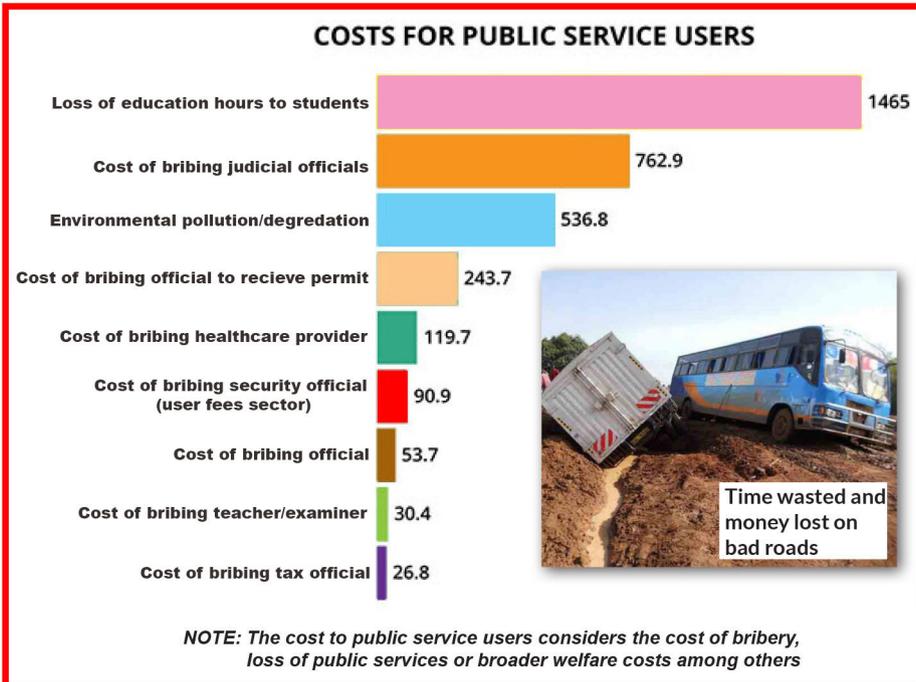
When corruption is widespread, all aspects of society are affected with far-reaching consequences

**REGULATION**

The cost of bribery for citizens is estimated to be UGX244 billion per year. For example, if one pays a bribe to receive a permit they are not entitled to, resultant service delivery will be affected. Similarly, government will lose the funds the individual was supposed to pay.

**PROCUREMENT AND BUDGETING**

As a key area of government spending, procurement processes are prone to corruption. The study found that about UGX 614 billion was lost to corruption in procurement in 2019 alone.



## Indirect Costs

Indirect costs are all those costs that are hard to measure in exact monetary terms. They are a loss to society when resources are not allocated to the public budget and more broadly, to the whole economy in the best possible way. They are the net social cost.

### FOREIGN DIRECT INVESTMENT (FDI)

Many investors avoid countries with high corruption because of the associated risks and costs. Similarly, countries with low levels of corruption hardly invest in countries with high corruption levels.

The analysis shows that if corruption could be entirely eradicated, the gain in FDI net inflows would be nearly UGX 18.5 billion per year.

### LABOUR MARKETS

In countries with high corruption, labour markets suffer from limited labour force supply and an inefficient workforce.

The analysis forecast a 10.95% improvement in the labour force participation rate (LFPR) if corruption could be fully eliminated. Such rise in LFPR would translate into UGX320.5 billion increase in total wages earned annually.

### JUDICIARY

High-level, transactional corruption in public sector leads to large indirect costs by undermining society's trust in public institutions and eroding the rule of law. The estimated costs paid by citizens to bribe Judicial Officers amounts to UGX 763 billion per year. To provide context, this corruption cost amounts to 43% of the national spending on the Justice Sector in 2019.

### INTEREST RATES

Uganda's interest rates have been consistently high in the recent decade. In 2018, real interest rate was 14.7%. Studies shows that high-levels of corruption lead to higher interest rates, since the risk of lending out money is bigger for the lending institutions.



The estimated amount spent on bribing Judicial Officers in 2019 was UGX763b

## Conclusion

Full eradication of corruption in Uganda will lead to potential savings of UGX9.144 trillion per year, which can translate to 23% of annual government budget. The savings from eliminating corruption in Uganda hold a potential to significantly improve the provision of public services to the citizens.

These cost estimates help direct policy attention to areas where addressing corruption is not only the right thing to do but also offers the highest savings. Demonstrating anti-corruption financial benefits for Ugandans can reignite support for the fight and improve public service delivery.

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### Extracts on the financial costs

Group bearing the costs	Cost description	Cost form	Costs Estimates, UGX, 2019
Citizens	Cost of bribing tax official	Financial	26,772,719,937
Public budget	Loss of government tax revenue due to tax evasion (firms)	Financial	107,164,777,778
Public budget	Loss of government revenue from fees for public utilities	Financial	424,529,391,990
Citizens	Cost of bribing official	Financial	53,699,851,718
Society at large	Cost in terms of environmental degradation	In-kind	non-measurable due to lack of data
Citizens	Corruption in contract royalties (citizens)	Financial	859,208,000,000
Public budget	Loss of government salaries paid despite absence (education and healthcare sectors)	Financial	2,321,070,867,521
Citizens	Cost of bribing teacher/examiner	Financial	39,085,200,000
Public budget	Loss of public education funds	Financial	244,613,871,795
Citizens	Cost of bribing healthcare provider	Financial	140,800,000,000
Citizens	Cost of bribing security official	Financial	90,940,512,532
Citizens	Cost to budget for non-paid fines	Financial	non-measurable due to lack of data
Citizens	Loss of security to citizen	In-kind	non-measurable due to lack of data
Public budget	Loss of environmental resources	In-kind	2,281,377,131,090
Public budget	Loss of public environment funds	Financial	non-measurable due to lack of data
Citizens	Environmental pollution/degradation	In-kind	536,794,619,080
Citizens	Cost of bribing official to receive permit	Financial	243,720,615,540
Society at large	Unlawful provision of land rights, building rights etc	In-kind	non-measurable due to lack of data
Public budget	Cost of corruption in procurement	Financial	614,414,529,915
Citizens	Low-quality delivery of procured good/services/works	In-kind	non-measurable due to lack of data
Society at large	Loss due to undereducated, inefficient workforce	Financial	320,490,570,910
Society at large	Loss of society's trust in public institutions	In-kind	non-measurable due to lack of data
Society at large	Loss of trust in rule of law, resorting to street law	In-kind	non-measurable due to lack of data
Citizens	Cost of bribing judicial officers	Financial	762,906,612,759

**Not all costs are included in the table above. For all corruption costs, see full report at [www.igg.go.ug](http://www.igg.go.ug)**

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