Private Sector Development Programme Performance in FY 2021/22: What are the issues?

Overview

The Budget Monitoring and Accountability Unit (BMAU) started Programme-Based Monitoring in FY 2021/22, to assess performance against targets and outcomes in the Programme Implementation Action Plans (PIAPs) of the third National Development Plan (NDPIII). The monitoring is undertaken to verify how funds are utilised by entities and beneficiaries, as well as establish the outputs, and intermediate outcomes achieved. The monitoring also reviews the coherency in implementing the PIAP interventions, highlights key challenges and actions required to improve performance.

This policy brief highlights performance of the Private Sector Development (PSD) Programme for FY 2021/22. It is based on assessment of 12 (60%) out of 20 interventions under the two sub-programmes.

Key Issues

- Slow progress of infrastructure projects that are enablers to private sector growth such as the Kampala Industrial and Business Park (Namanve), Uganda Hotel and Tourism Training Institute, Uganda Museum, Uganda Wildlife Training Institute, and Uganda Wildlife Education Centre.
- Inadequate staffing especially at UNBS and UIA.
- Lack of regulations for the amended PPDA Act (2021) and the Local Content Act.
- Increased production costs arising from COVID-19 disruptions, and the geo-political tension caused by the Russia-Ukraine war.

Introduction

The Private Sector Development (PSD) Programme implementation is coordinated by the Ministry of Finance, Planning and Economic Development (MFPED), with complementary roles from the Ministry of Trade, Industry and Cooperatives (MoTIC), Public Procurement and Disposal of Public Assets Authority (PPDA), Uganda National Bureau of Standards (UNBS), Uganda Investment Authority (UIA), Uganda Free Zones Authority (UFZA), Uganda Export Promotion Board (UEPB), Uganda Registration Services Bureau (URSB), Uganda Retirement Benefits Regulatory Authority (URBRA) and Uganda Revenue Authority (URA).

The goal of the PSD Programme is to **increase the competitiveness of the private sector to drive sustainable inclusive growth.** The programme key objectives are to:

1. Sustainably lower the costs of doing business;
2. Promote local content in public programmes;
3. Strengthen the enabling environment and enforcement of standards;
4. Strengthen the role of government in unlocking investment in strategic economic sectors; and
5. Strengthen the organisational and institutional capacity of the private sector to drive growth.

The key outputs under the programme for the FY 2021/22 were: 42.35km road network and bridge constructed in Namanve; water supply distribution works commence; sewer treatment plant works-commence; warehouse receipting system regulations and trading rules drafted and adopted; 35 storage facilities (install the e-WRS and pre-test it); food safety laboratories at UNBS completed; 4,000 product certification permits issued; 600 standards developed; holistic local content policy, legal and institutional framework developed; *Emyooga* Programme implemented; market studies and 6-7

Industrial Parks and Economic Zones Digital Management Services platform designed; funds for capitalization of Uganda Development Bank, Agriculture Credit Facility and Agriculture Insurance Scheme disbursed.

Implementation is through two sub-programmes: Enabling Environment; and Institutional and Organisational Capacity.

Performance

The approved budget for the PSD Programme was Ug shs 661.289 billion (bn) of which Ug shs 656.008bn (99%) was released and Ug shs 636.046bn (97%) spent by 30th June 2022. The release and expenditure performance was very good. However, the implementation of intervention and achievement of targets was fair at 69.2%. The programme output performance was good at 71.2%, whereas outcome performance was fair at 65.1%.

Table 1: PSD Programme Performance by 30th June 2022

Sub-programme	Performance		
	Output	Outcome	Overall
Enabling Environment	74.5	72.3	73.7
Private Sector Institutional and Organizational Capacity	68.4	57.9	64.7
Average	**71.2**	**65.1**	**69.2**

Source: Field findings

The Enabling Environment Sub-programme performed better than that of Institutional and Organisational Capacity at 73.7% and 64.7% respectively (Table 1). The performance of interventions related to the development of relevant infrastructure for private sector growth was fair.

Enabling Environment Sub-programme

In support of the national conformity assessment system to attain international recognition through accreditation, 428 national standards in the areas of chemical and consumer products, food and agriculture, engineering and management and services were developed. Enforcement of standards by UNBS was enhanced by equipping the analytical laboratories with advanced testing equipment, operationalisation of Gulu Regional Office, and acquisition a fleet of nine field vehicles. Opening of the Gulu Regional Analytical Laboratory was reported to have reduced the time to get test results from over two months to 16 days.

To reduce the high cost of doing business due to non-financial factors, the URA upgraded its web portal to enable taxpayers without electronic issuing systems to use their accounts to issue electronic invoices. A total of 50,719 taxpayers were registered on the electronic fiscal receipt and invoice system (EFRIS) and 445 were utilizing digital tax stamps. The UIA finalized the procurement of a building in Mbale City to house the regional One Stop Centre. A total of 16 collaborating institutions were integrated into the e-biz platform.

The Uganda Warehouse Receipt System Authority (UWRSA) installed an e-Warehouse Receipt system (e-WRS) at eight (8) facilities in Masindi, Kamwenge, Zombo, Soroti, Nakaseke and Mityana, and sensitized 5,400 potential depositors, traders and LGs across the country. A total of 16 warehouses and storage infrastructure were inspected against a target of 50.

Infrastructure development at the Kampala Industrial and Business Park (KIBP) was at 28% against the planned target of 44% physical progress. The project encountered a number of both administrative and contractual challenges including encroachment on utility corridors, delayed and inadequate counterpart funding for the project management team and owners' engineer, delayed revision of the work program by the contractor, delayed implementation of the livelihood restoration and biodiversity action plans, and failure to approve a suitable piece of land for waste treatment by the National Environmental Management Authority (NEMA).

The UEPB facilitated and participated in six international market expositions in Dubai, USA and China among others. They conducted producer-exporter infield training and matchmaking sessions as part of promoting exports.

The UFZA facilitated four missions to attract Foreign Direct Investment (FDI) and conducted 25 pre-inspection of different locations for free zones suitability. One private free zone in the Eastern growth corridor was gazetted and six private free zones were licensed, bringing the total number to 31. Eleven free zone operator licenses were renewed and the total export earnings from free zones were US$37.48 million. The construction of the Entebbe International Airport Free Zone was at 39% against the planned target of 45% physical progress.

A total of Ug shs 234.518bn was disbursed for the capitalization of institutions and financing schemes under the programme. A total of Ug shs 74.725bn went to Uganda Development Bank (UDB); Ug shs 137bn for the Agricultural Credit Facility and Ug shs 5bn to Uganda Agriculture Insurance Scheme as a government subsidy. In addition, Ug shs 133.29bn was disbursed to the Uganda Microfinance Support Centre (MSC), all in a bid to increase non-commercial lending to the private sector. The MSC disbursed a total of 723 loans worth Ug shs 61.6bn on both conventional and Islamic basis. A total of 376 (52%) of the loans extended were for agricultural-related investments.

Processing units under construction at Entebbe International Airport Free Zone

Institutional and Organizational Capacity Sub-programme

Eight new enterprises were funded under the United States African Development Fund (USADF). A 50% increase in income was realised with over 2,000 jobs sustained by enterprises funded. The Enterprise Uganda, the Skills Development Facility (SDF) Project and MoTIC provided Business Development Services (BDS) to small and medium enterprises (SMEs) and farmers.

The BDS covered several modules including but not limited to: business recovery series, pre-season planning, risk management, business registration, product development, accounting, financial skills (compliance), and certification. The SDF extended 885 grants and trained 73,729 beneficiaries in all four windows of the project. Construction of the Uganda Business Facilitation Centre (UBFC) was completed whereas construction of the hotel block at Uganda Hotel and Tourism Training Institute in Jinja was at 40%. A recognized national product code system was developed.

The EPRC produced nine (09) research reports and 14 policy briefs. The following reports were produced during the FY21/22: Economic Growth and Development Factsheet (GRAD 2020); Factor Employment and Structural Transformation Factsheet (FEST 2020); Competitiveness and Investment Factsheet (COIN 2020); and Private Sector Development Report FY2020/21 as part of enhancing evidence-based decision making.

The PPDA conducted training for 2,237 local providers in public procurement aimed at enhancing their competitiveness and compliance with common requirements. The Authority also conducted procurement and disposal performance audits in 79 Ministries Departments and Agencies (MDAs) and compliance audits in 77 MDAs. A total of 255 entities were supported in preparation for enrolment to the Electronic Government Procurement (e-GP) portal.

The total number of contracts awarded to local providers was 98%; however, the value of the contracts awarded to local firms was 73%. The performance of compliance audits was below average at 35% of all MDAs due to inadequate staffing and lack of regulations for the amended PPDA Act (2021).

Conclusion

The overall output performance of the PSD Programme during the period under review was fair despite the very good budget release concerning the NDPIII financing projections. The implementation of the planned interventions was ongoing with fair achievement in infrastructure development like industrial parks, export processing zones and processing plants. The development and enforcement of standards and increased access to long-term finance performed well, however, the level of prevalence of substandard imported and locally manufactured goods on the market remained high at 51%.

Recommendations

- The UIA and the NEMA should expedite the clearance of alternative land within the KIBP for the construction of the waste treatment plants and the project steering committee should be activated to avoid further implementation delays.
- The Ministry of Public Service should review the human resource requirements at UNBS and UIA to recruit additional staff to bridge the gap in the existing workload.
- The MFPED and PPDA should expedite the development of regulations for the PPDA (Amendment) Act 2021 and the Local Content Act (2022).

References

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For more information, contact

Budget Monitoring and Accountability Unit (BMAU)
Ministry of Finance, Planning and Economic Development
P.O.Box 8147, Kampala
www.finance.go.ug