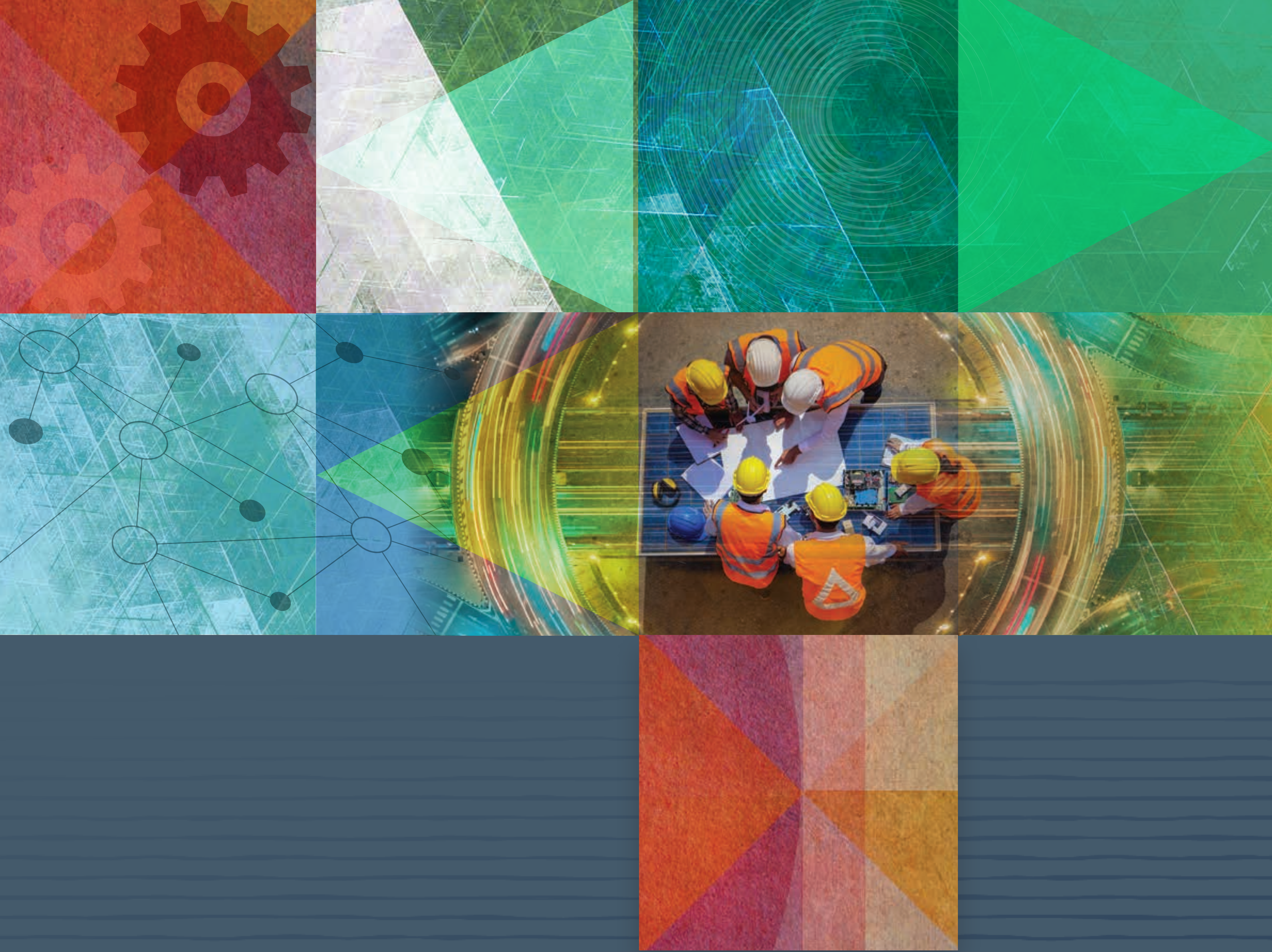

Uganda

INFRASTRUCTURE PUBLIC-PRIVATE PARTNERSHIP DIAGNOSTIC STUDY REPORT

March 2023

United Nations
Economic Commission for Africa

CONTENTS

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This Uganda diagnostic study provides an overview of typologies, challenges, opportunities and risk mitigation for public-private partnerships in infrastructure projects. It is one of the significant outputs of the United Nations Development Account (UNDA) project titled: *Public-Private Partnerships to Catalyse Infrastructure Development and Innovative Financing for Industrialisation in Africa.* The project aims to strengthen the capacities of stakeholders to utilise public-private partnerships as the means for innovative financing and infrastructure development in support of industrialisation in selected African countries» in the post-COVID-19 era.

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ABBREVIATIONS

AfDB	African Development Bank
AG	Auditor General
Covid-19	Coronavirus disease 2019
CSO	civil society organization
FY	financial year
GDP	Gross Domestic Product
ICT	information and communication technology
IFC	International Finance Corporation
IPP	independent power producer
KIS	Kalangala Infrastructure Services
KJE	Kampala-Jinja Expressway
MoFPED	Ministry of Finance, Planning and Economic Development
MW	megawatt
NDP	National Development Plan
OPEC	Organization of the Petroleum Exporting Countries
PPP	Public-private partnerships
SDGs	Sustainable Development Goals
SPV	Special purpose vehicle
Ush	Uganda shilling
USPs	unsolicited proposals (for PPPs)

EXECUTIVE SUMMARY

This diagnostic study assesses Uganda's public-private partnership (PPP) readiness by examining critical questions, systematically organized by thematic headings, that are part of the United Nations Economic Commission for Africa (ECA) Scorecard. The Scorecard is a formidable tool for evaluating a country's readiness to undertake successful PPPs. It is the first step in preparing a national PPP action plan to increase Uganda's readiness to use PPPs to enhance infrastructure services.

The study consisted of three phases:

1. Desk review using the ECA Scorecard to establish a country's PPP readiness.
2. On-site due diligence through interviews and consultations with key stakeholders to confirm findings from the literature review and identify gaps in the PPP framework.
3. Prepare an action plan that identifies options for structuring a robust and sustainable PPP programme.

The findings suggest that:

- Uganda's investment climate presents crucial opportunities and significant challenges for investors. As the economy recovers from the Covid-19 pandemic, Uganda's energy, agriculture, construction, infrastructure, technology, and healthcare sectors present attractive opportunities for business and investment.
- The government of Uganda sees the private sector as pivotal in realizing the National Development Plan (NDP) and the Sustainable Development Goals (SDGs), mainly through PPPs that focus on infrastructure, energy, transport, tourism and other projects that require substantial financial resources.
- Since the PPP Act of 2015, the PPP Unit has received over 100 project ideas, with 44 projects making it into the PPP project pipeline and 16 projects currently at various stages of preparation.
- Due to a shortage of project development funds, limited capacity and readiness of contracting agencies, reprioritization of projects, and perceptions of the complexity of the PPP process, most projects have stalled or been cancelled. Recommendation: operationalize the Project Development Facilitation Fund and capacity building to strengthen stakeholder buy-in and support of PPPs.
- Some public members still view infrastructure as the government's sole responsibility and resent cost-recovery pricing such as tariff increases, cost-sharing and user fees, which are regarded as double taxation. Recommendation: increase public awareness of the operation and benefits of PPPs.
- Public and civil society organizations (CSOs) support transparent processes involving local participants. Recommendation: demonstrate transparency and disclosure during PPP arrangements to win public and CSO support.
- The private sector would like some PPPs to be ring-fenced for local providers.
- There is a need for greater PPP awareness, knowledge and skills. Recommendation: intensify PPP training workshops while targeting the public (politicians, technical staff) and the private sector.
- Uganda has an elaborate PPP framework to guide PPP implementation. The PPP framework also sets out the requirements for approving unsolicited proposals. The private sector needs to be more aware of this option.
- Regulations need to be developed to guide procedures for project inception and feasibility studies, monitoring of PPPs, bidding documents and

forms used by contracting authorities, and enforcement mechanisms.

- The PPP Unit's advisory services capacity needs to be strengthened, as does the capacity of contracting authorities to prepare, appraise and monitor PPP implementation.
- Due diligence and rigorous assessments are needed to gauge the viability of PPP projects.
- The government should explore the mobilization of local currency financing, such as encouraging commercial bank syndicates and pension funds to finance PPPs.
- A PPP communications strategy is needed.
- The PPP law should be amended to establish a PPP Appeals Tribunal to adjudicate petitions and complaints submitted by private parties during the PPP procurement process.
- Uganda's PPP framework does not provide explicit guidance on climate financing. The environmental module, which should include climate readiness and related issues, needs to be appraised at the pre-feasibility stage.
- The domestic capital market has not been tested to establish its capacity to accommodate PPP infrastructure financing needs. Domestic partners for PPP projects have limited capacity to invest in projects with such slow returns. There is a need to strengthen capital providers in Uganda to match the diverse investment needs. Recommendation: The government could explore such financing options as project-specific bonds, pension funds, insurance companies, green financing, Islamic financing, and relaxation of limitations on bank lending for infrastructure projects and how such financing options could capacitate local investment in PPPs.
- The government is considering issuing an international infrastructure bond soon.
- All information and documents should be published on a web-based platform owned and administered by the PPP Unit and other media platforms as identified in the PPP Act of 2015.
- The PPP Act of 2015 assigns to the Auditor General's (AG) Office, the country's supreme audit institution, the mandate to audit all PPP projects. Overall, the AG's Office has the capacity and skills to undertake PPP audits and publish the findings. Still, there is a need to develop standard procedures for PPP lifecycle and value-for-money audits.

1. INTRODUCTION

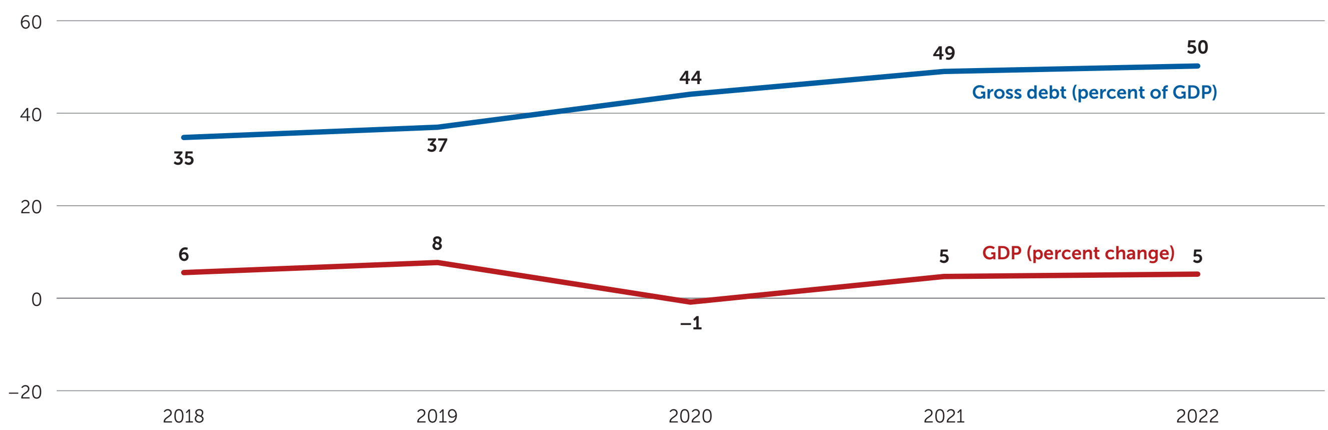
Every country has felt the harmful effects of the Covid-19 pandemic. The African Development Bank's (AfDB) 2020 *African Economic Outlook* reports that Africa's economic growth decelerated to 1.8 per cent on average in 2020, and its GDP was expected to decrease by 2.1 per cent. The pandemic has directly affected most African governments' plans to invest in large infrastructure projects. Resources have been diverted instead to crucial health and welfare initiatives to support residents' survival. On the other hand, infrastructure is one of the most critical sectors for rebuilding after a disaster. Towards this end, the range of infrastructure funding instruments has to be expanded, and an expansion of external resources must supplement the mobilization of resources from within African countries.

Before Covid-19, most African economies were expanding, with an average annual GDP growth rate of 3.6 per cent. Growth fell to 3.1 per cent in 2019, down from 3.3 per cent in 2018, then to 1.7 per cent in the pandemic year of 2020, before recovering to 3.7 per cent in 2021.[1] Economic growth in Africa was projected to be the same in 2022. Uganda followed a similar pattern. Its GDP grew by 5.6 per cent in 2018 and 7.7 per cent in 2019 (figure 1). The economy contracted by −0.8 per cent in 2020, rose to 4.7 per cent in 2021 and is predicted to maintain a steady growth rate of 5.1 per cent in 2022. Over the past five years, there has also been massive growth in debt, which soared from 34.8 per cent of GDP in 2018 to 50.2 per cent in 2022.

The AfDB has assessed the continent's infrastructure needs at $130–$170 billion annually, with an annual financing deficit of $68–$108 billion.[2] African governments have traditionally been the predominant investors in infrastructure development on the continent.

Under the current growth strategy, public-private partnerships (PPPs) benefit financing infrastructure development. PPPs encourage private investment by dividing risks between the public and private sectors. PPPs can assist in mobilizing capital, technology and expertise for projects, leading to more effective service delivery and lower public sector costs. More than half (29) of African countries have a PPP unit. Most PPP units are under the control of the finance ministry, while others report to the country's head of state or line ministries. Some PPP units face substantial obstacles in structuring, managing and accessing PPPs; allocating risk; and establishing PPP standards.

FIGURE 1 **Trends in GDP and debt in Uganda, 2018–2022**



Source: IMF 2021.

This diagnostic report analyses Uganda's PPP structure, processes and implications during and after the Covid-19 pandemic to advance the development of the country's action plan for promoting PPPs in the following areas:

- Background environment
- Overview of the macroeconomic situation and business climate;
- Assessment of the PPP experience.
- Analysis of PPP stakeholder support, ownership, legislative and regulatory framework;
- Analysis of the institutional framework and capacity
- Assessment of funding and management of financial risk
- Access to finance
- Transparency and disclosure.
- Adherence to people-first PPP principles.
- Regional PPPs.
- Assessment of overall readiness.

2. BACKGROUND ENVIRONMENT

Uganda, a landlocked country, has a broad natural resource base, a range of agroecological climates and abundant rainfall across 75 per cent of the country. As of January 2021, its population totalled 47 million. Uganda comprises four regions (northern, central, eastern and western), with 135 districts, 31 municipalities and ten city authorities. An elected council governs each local and urban governance and has political and judicial authority over local matters. The lesser administrative entities are controlled within a tiered framework of elected councils at the sub-county and division levels.

Uganda Vision 2040, launched in 2013, sets the country's development goals. It calls for transforming the country into a competitive middle-income economy by exploiting its enormous economic potential. Uganda Vision 2040 addresses strategic bottlenecks that have impeded the country's socioeconomic development since independence. Chief among these are ideological disorientation, a weak private sector and civil society, underdeveloped human resources, inadequate infrastructure, a small market, inadequate industrialization and underdeveloped service and agriculture sectors.

The government has used short- and medium-term national development plans to meet the vision's objectives. The third National Development Plan (NDP) for 2020/2021–2024/25 aims to strengthen the business climate, accelerate industrialization and support firm-level productivity growth and modernization. The government regards the private sector as critical to achieving the NDP and the Sustainable Development Goals (SDGs), primarily through PPPs in infrastructure, energy, transportation, tourism and other sectors needing significant financial resources. According to the National Planning Authority, progress towards numerous SDGs could be impeded if the government uses resources transferred from the existing resource envelope rather than seeking external funding. Poverty reduction, hunger reduction, equality, decent employment and economic growth, and growth in industry and infrastructure are among the SDGs that could be negatively impacted by 2030.[3]

Covid-19 has had a large and varied influence on numerous economic sectors in Uganda, including real, fiscal, external and monetary sectors. While the spread of Covid-19 is primarily a public health issue, it has also posed a severe threat to the macroeconomy due to widespread adverse effects on production, taxation, investments, financial flows, employment, money markets, supply chains, people's mobility and poverty, among others. Funds to address this public health emergency has come from reallocations from the existing resource envelope, diverting monies previously allocated to other areas critical to development, such as infrastructure. This has created significant hurdles to meeting government goals.[4] The mechanics of funding infrastructure must be drastically altered.

Government spending has been tilted towards the recurrent budget for the past two years. Because of the need to transfer resources from the development budget to the recurrent budget, some projects, including planned major infrastructure, have been postponed. The recurrent budget increased to 55 per cent of the total budget in FY 2020/21, up from 47 per cent in 2019/20. This translates into a reduction in infrastructure spending of 53 per cent in 2019/20 and 55 per cent in 2020/21, indicating a shift in the government's objectives. This transfer was sustained in the FY 2021/22 budget, with operation expenditures increasing to 18,971.65 billion Ugandan shillings (Ush), accounting for 58 per cent of the budget. At the same time, the infrastructure budget shrank even more, to Ush 14,865.40 billion, accounting for 46 per cent of the total government budget and a 9 per cent reduction in the development budget.

3. OVERVIEW OF THE MACROECONOMIC SITUATION AND BUSINESS CLIMATE

Macroeconomic outlook

Uganda has implemented significant economic and structural reforms and maintained solid economic growth during the last three decades. Poverty rates have fallen considerably, although poverty remains high in some areas. The Covid-19 pandemic and lockdowns led to a slowdown in economic growth. In 2020, GDP per capita was $822.[5] The economy grew by 2.9 per cent in FY 2019/20, down from 6.8 per cent in FY 2018/19 [reconcile these growth rates with those mentioned in the previous sentence].[6] The industrial sector was the hardest hit by the pandemic, expanding by only 2.2 per cent in FY 2019/20, compared with 10.1 per cent in FY 2018/19. Similarly, growth in the services sector slowed to 2.9 per cent, down from 5.7 per cent in FY 2018/19. Agriculture, forestry and fisheries were the most resilient sectors in FY 2019/20, growing at a rate of 4.8 per cent.

Economic growth was forecast at 2 to 3 per cent in FY 2020/21 and 4–5 per cent in FY 2021/22, reflecting an expected recovery in aggregate demand due to government support of private sector activity. Increases in manufacturing and public and private construction were expected to boost returns from public infrastructure investments, increase oil and gas production and boost industrial recovery.[7]

The central bank held inflation to 3.8 per cent in 2020, up from 2.9 per cent in 2019, but still below the medium-term target of 5 per cent. The fiscal deficit worsened to 6.6 per cent in 2020, up from 5.2 per cent in 2019, as the government prioritized public health spending, including increased Covid-19 testing and cross-border surveillance. The government also supported private enterprises, but the economy has remained sluggish, and tax receipts have been depressed. To make up for revenue deficits, the government expanded borrowing. By June 2020, the debt-to-GDP ratio had risen to 40.8 per cent, up from 35.9 per cent in June 2019.[8] Foreign direct investment fell from $1.42 billion in FY 2018/19 to $1.2 billion in FY 2019/2020, an 18.6 per cent drop.

Capital and profitability projections reflect strong macroeconomic and credit risk management measures and rising capital buffers, enhancing resistance to future shocks. As of the end of September 2021, the aggregate core capital-to-risk-weighted assets ratio was 36.4 per cent for multilateral development institutions (compared with 38.2 per cent at the end of June 2021), 22.6 per cent for commercial banks (22.1 per cent at 2021) and 14.8 per cent for credit institutions (15.6 per cent in 2021). All commercial banks met the regulatory minimum core capital adequacy requirement of 10 per cent. Fitch Ratings assigned Uganda a B+ sovereign credit rating (a non-investment grade rating) as of 2021.

Business and investment climate

Uganda's investment climate offers both crucial opportunities and substantial hurdles for investors. Uganda has a pleasant climate, vast agricultural land, a young and primarily English-speaking populace and at least 1.4 billion barrels of recoverable oil. Uganda is a market economy and has a free-trade and foreign exchange policy. Uganda's power, agriculture, construction, infrastructure, technology and healthcare sectors offer appealing prospects to prospective businesses and investors as the economy recovers from the impacts of the Covid-19 pandemic.[9]

Uganda's economic performance has been above average (table 1). In 2021, the country ranked 21st out of 54 countries on the RMB Investment Attractiveness Index, with a score of 4.9 out of 10. For the operating environment index, Uganda scored 4.5 out of 10 or 23rd of 54 countries. Less favourably, Uganda was ranked 142 and 144 of 180 countries on the 2020 and 2021 Corruption Perception Index, revealing an increase in perceived corruption levels, despite having a government watchdog body (Inspectorate of Government) dedicated to fighting corruption in the public sector.

Key issues and recommendations

Analysis of Uganda's macroeconomic outlook yields several critical observations and recommendations:

- The government views the private sector as pivotal in realizing the NDP and SDGs, mainly through PPPs focusing on infrastructure, energy, transport, tourism and other projects that require substantial financial resources.
- The modalities of financing infrastructure must be changed. The reallocation of funding to address public health emergencies arising from the Covid-19 pandemic has cut into the infrastructure investment budget, leading to the possible postponement of projects.
- There is a need to maintain solid measures for macro and credit risk management and strengthen capital buffers to enhance Uganda's resilience to economic shocks.
- Uganda's energy, agriculture, construction, infrastructure, technology and healthcare sectors present attractive opportunities for business and investment.
- To improve investment attractiveness, the IG must fight tirelessly against corruption in Uganda's public sector.

TABLE 1 **Uganda's rankings on RBM's Where to Invest in Africa 2021**

Item	Measure	Country ranking among 54 African countries
GDP (purchasing power; US $ billion)	106.6	14
GDP/Capita (market prices; US $)	915	34
GDP (average annual growth 2019–2021; %)	5.50	9
RMB investment attractiveness (from 1 low to 10 high)	4.9	21
Operating environment (from 1 low to 10 high)	4.5	23
Economic environment (from 1 low to 10 high)	5.3	16

Source: RMB 2021.

4. ASSESSMENT OF PUBLIC-PRIVATE PARTNERSHIPS EXPERIENCE

Public-private partnerships before 2015

Uganda had 31 PPP projects with a total investment commitment of Ush 2.265 billion that were completed between 1990 and 2021.[10] Most of the projects are in the energy sector and were implemented before the PPP Policy of 2010 and the PPP Act of 2015 as part of Uganda's Privatization and Utility Sector Reform Programme, as mandated by the Public Enterprise Reform and Divestiture Act of 1993, which established the legislative framework for the privatization programme. Projects include the Umeme concession for the electricity distribution network, the Bujagali hydropower project, the Namanve power plant, Rift Valley Railways concession, the Eskom power generation concession, the Kampala Serena Hotel concession, the Nakawa-Naguru housing project, Uganda People's Defence Force housing accommodation, Lubowa International Specialized Hospital and Nakivubo War Memorial stadium. The PPP Policy of 2010, which aims to deliver cost-effective and excellent quality services, a clear customer focus, enhanced service diversity, increased incentives, better asset utilization and broader economic benefits, calls for adopting a PPP approach.

Uganda's experience with PPPs has been uneven. PPPs in the energy sector, such as the Bujagali hydroelectric project, have boosted electricity generation capacity (IRBD). Experience has been less favourable in the transport sector, as with the Rift Valley Railways' Kampala–Malaba line.

Public-private partnerships after 2015

Since the PPP Act of 2015, the PPP Unit has received over 100 PPP project ideas, with 44 projects making it into the PPP project pipeline.[11] Currently, 16 projects are at various stages of project preparation (table 2), but none has reached commercial closure. Most projects are at a standstill, exploring opportunities for funding transaction advisory services and detailed feasibility studies. Project conceptualization is low, and projects have stalled or been cancelled because of scarce project development funds, limited capacity and readiness by ministries and departments, reprioritization of projects and the perceived complexity of the PPP process.

TABLE 2 Public-private partnership projects under development by the Ministry of Finance, Planning and Economic Development between 2015 and June 2022

No.	Project name	Contracting authority	Date of registration	Description	Project size (US $)	Project stage
1	Kampala–Jinja Expressway	Uganda National Roads Authority	October 2017	Design, build, finance, operate and transfer a limited-access 95 km tolled expressway from Kampala to Jinja.	1.5 billion	Procurement of a private party
2	Kampala Waste Management	Kampala Capital City Authority	13 March 2018	Design, build, finance and operate a new sanitary landfill and waste treatment facility at Dundu (Mukono); build and operate a waste transfer station and close the current landfill at Kiteezi (Wakiso).	47 million	Feasibility study
3	Entebbe Iconic ICT Park	National Information Technology Authority	22 November 2021	Construct a 17-acre technology park in Entebbe that will provide a fully functional IT complex with amenities hosting multinational companies	180 million	Procurement of a private party
4	Redevelopment of National Council of Sports Complex, Lugogo	National Council of Sports	6 June 2017	Redevelop the sports complex in Lugogo.	19 million	Procurement of a transaction advisor
5	Redevelopment of Uganda National Cultural Centre Properties	Uganda National Cultural Centre	10 May 2017	Redevelop the National Theatre and associated properties	174 million	Procurement of a transaction advisor
6	Mulago Car Parking	Mulago National Referral Hospital	10 May 2017	Design, finance, build, operate and transfer concession for a multilevel parking garage and commercial amenities (shops, supermarkets, food, medical courts and office space) on a built-up space of approximately 26,311 square meters with a capacity for 1,550 cars	19.1 million	The project is on hold because of a lack of funds for the feasibility study
7	Gulu Logistics Hub	Uganda Railways Corporation (URC)	9 November 2020	In Phase 2, construct, operate and maintain a logistics hub in Gulu on land belonging to URC, with support from Trademarks East Africa, which offers funding for transaction advisory services and a grant for the project's construction phase	21 million	Procurement of a private party

(continued)

No.	Project name	Contracting authority	Date of registration	Description	Project size (US $)	Project stage
8	Uganda Rural Water Development Project	Ministry of Water and Environment	9 November 2020	Ministry of Water and Environment, with the help of M/S Hydro Nova Ltd, proposes developing large-diameter groundwater wells (bulk underground water supply systems) in water-stressed parts of the country through a design, build, finance, operate and transfer concession for the wells and associated infrastructure	Approx. 650 million	Feasibility study
9	Uganda Post Ltd Properties Development	Supposed to Uganda	20 September 2017	Renovate or redevelop all company properties for better utilization	225 million	Feasibility study
9.	Uganda Coffee Development Authority Multiuse Office Complex	Uganda Coffee Development Authority (UCDA)	22 November 2021	UCDA seeks to relocate its headquarters, currently operating out of an old building on Plot 35, Jinja Road, to Plot 9/11 Baskerville Avenue Kololo Kampala on 1.1 acres	17 million	Concept stage
10	Ministry of Trade and Industry Office Accommodation Complex.	Ministry of Trade and Industry	22 November 2021	Design, build, finance and operate concession for a space to accommodate all staff and affiliated agencies of the Ministry of Trade and Industry in one place for ease of monitoring, coordinating, supervising and sharing of common facilities such as conference facilities, resource centres and cafeterias (Proposed duration: 20 years)	68 million	Concept stage
11	Busitema University Multi-Purpose Business Complex	Busitema University	22 November 2021	Construct a multipurpose business complex to provide services the university cannot offer shopping, restaurants, banking, stationery and printer facilities, pharmacies, hair salon, fuel station and car washing bay, guesthouse and other auxiliary services necessary for a university environment;	1.4 million	Concept stage
13	Kyambogo University Student Accommodations	Kyambogo University	23 May 2022	construct accommodation facilities for about 10,000 students that include an entertainment area, cafeteria, lobbies, laundry area, administrative offices and self-contained rooms, and other relevant services; will include commercial space for renting to generate revenue	10 million	Concept stage
14	Kyambogo University Multipurpose Sports Complex	Kyambogo University	23 May 2022	Construct a multi-purpose sports complex with multipurpose indoor facilities arena that will also house entertainment and conference facilities with a seating capacity of up to 5,000 people and parking for over 340 cars and outdoor courts and swimming pool, basketball courts, volleyball, netball, handball, badminton, futsal, swimming and water polo, among others; will also include commercial space for renting to generate revenue	6 million	Concept stage
15	Kyambogo University Multipurpose Business Centre	Kyambogo University	23 May 2022	Construct a multipurpose business centre at Kyambogo Hill consisting mainly of commercial spaces and conference facilities, offices, secretarial services, entertainment, restaurants, accommodation facilities, a bookstore, children's play areas and other services; includes commercial space for renting to generate revenue to supplement dwindling central government subsidies	7.5 million	Concept stage
16	Uganda Coffee Development Authority Soluble Coffee Processing Plant	Uganda Coffee Development Authority	23 May 2022	Construct the first soluble coffee processing plant in Uganda to improve the value addition of Ugandan coffee, provide a market for coffee farmers and auxiliary industries and increase exports of Ugandan coffee to newly emerging economies in Africa and beyond, thus increasing foreign exchange earnings	50 million	Concept stage

Note: All projects in the table began preparation after the passage of the Public–Private Partnership Act of 2015.
Source: The PPP Unit – Internal Database.

The 16 PPP projects at various project preparation stages do not include PPP projects such as the operation and maintenance of the Kampala–Entebbe Expressway, the Lubowa International Specialized Hospital and the Nakivubo War Memorial Stadium, which are being implemented outside the PPP Act of 2015 process cycle and were not approved by the PPP Committee, as required by law.

Review of selected public-private partnership projects

Selected PPP projects are discussed below, organized by sector.

Energy sector

The Uganda Power Sector Restructuring and Privatization Plan of 1999 privatized Uganda's energy sector.[12] The plan proposed structural improvements to the electricity system, including modifications to power generation, transmission, distribution, rural electrification and regulations. The Uganda Electricity Board was split into three successor firms in 2000: Uganda Electricity Generation Company Ltd, Uganda Electricity Transmission Company Ltd and Uganda Electricity Distribution Company. Several PPPs were formed soon after to implement the unbundled tasks of generating and distributing electricity.

The Uganda Electricity Distribution Company Ltd handed over the electricity distribution network to Umeme Ltd in March 2005 as part of a 20-year concession agreement to distribute and supply electricity directly to customers. Umeme took on responsibility for the operation, maintenance and upgrade of energy distribution infrastructure, power retail and the supply of related services under this agreement. Umeme's investments in distribution infrastructure (estimated at $500 million) resulted in reducing electricity losses from 38 per cent to 17.2 per cent, increasing access to electricity, with an estimated 1.2 million customers connected to the grid compared with 296,000 before the concession; improvement in distribution efficiency from 50 per cent to 83 per cent; the addition of 10 new substations to the network; and the deployment of a smart metering system.

Several independent power producers (IPPs) have entered the electricity generation industry. These IPPs include Eskom's 20-year concession to manage Uganda Electricity Generation Company Ltd's power stations at Kira and Nalubaale; Kakira Sugar's 52 MW bagasse power plant; Jacobsen Uganda Ltd's 50 MW thermal plant; and the Bujagali hydroelectric power project, Uganda's flagship electric power generation project. These arrangements have advanced the government's goal of increasing electricity supply to meet rapidly rising demand. However, the cost of power and the degree of access have been contentious issues, generating concerns about the structure of these contracts, especially the methodology for determining tariffs and risk. The AfDB has also been involved in IPPs on a case-by-case basis (for example, the Buseruka IPP). The AfDB notes the challenge of oversupply as power is generated with inadequate transmission lines, resulting in excess power and losses. A comprehensive readiness study on power absorption is needed before any additional investment in generation.

Transport sector

In the transport sector, Uganda started with PPPs in the railway sector and then moved on to the road sector.[13] The Rift Valley Rail joint concession between Uganda and Kenya began in 2006 to enable the development and provision of rail services between Kampala and Mombasa for 25 years. Although initially producing positive results, such as a 60 per cent increase in operating efficiency and an 80 per cent reduction in inland cargo transit time to Kampala, the concession had to be restructured and then cancelled because the special purpose company failed to meet several concession agreement obligations. Among them was the failure to pay concession fees, achieve freight volume targets, repair and maintain conceded assets and provide Uganda Railways Corporation with timely operating reports and safety management plans.

The Kampala–Jinja Expressway (KJE) was among Uganda's first PPPs following the passage of the PPP Act in 2015. Uganda National Roads Authority, the project's contracting authority, conducts private-party procurement and a series of competitive dialogue sessions. With an estimated cost of $1.5 billion, the KJE PPP is expected to be a 30-year greenfield design, construction, finance, management and maintenance agreement for a 77-km mainline from Kampala to Jinja and an 18 km bypass to the south of Kampala City. The KJE is funded by the Ugandan government, the European Union, the French Development Agency and the AfDB, among others.

Health sector

In October 2014, the Ugandan government approved the construction of the International Specialized Hospital of Uganda in Lubowa, Wakiso District, planned as a world-class, internationally accredited health institution to treat people with ailments that Uganda has been referring to in other countries. The government and Finasi/Roko Construction SPV Ltd negotiated and executed the following agreements after the approval: the Project Framework Agreement, signed in November 2014, to guide the negotiation of the final project agreements; the Project Works Investment Agreement, signed in May 2015, for the design, finance, construction and equipping of the hospital and training of Ministry of Health staff seconded to the project; the Project Services Agreement, signed in December 2015, for the operation and maintenance of the hospital for eight years; the Direct Agreement, signed in December 2015, for the design, finance, construction and equipping of the hospital; the Direct Agreement, under which the Ugandan Parliament passed promissory notes valued at $379.7 million (approximately Ush 1.3 trillion) in March 2019. These funds were allocated to a project agreement between the Ugandan government and Finansi/Roko Construction SPV Ltd to design, build and equip the hospital. Finansi/Roko Construction SPV Ltd will run the facility for eight years before handing it over to the Ugandan government, according to the project agreement.

The project was in line with the second NDP goal of improving the competitiveness of the health sector, which included building centres of excellence in heart, cancer and kidney care and diagnostic services. Following a proposal from Finasi International, the project was developed as a PPP before the enactment of the PPP Act of 2015. As a result, the consortium has the appearance of an unsolicited bid.

The project has received much unfavourable publicity and CSO reviews. CSOs claim that the project agreement signed in December 2018 lacked openness in awarding the contract and was not submitted to proper PPP competition procedures.

Multisector infrastructure

To attract investments, stimulate new enterprises and enhance livelihoods, the Ugandan government decided to create infrastructure on Bugala Island in Lake Victoria's Kalangala District, one of Uganda's poorest regions, where residents lacked safe and reliable access to the mainland, consistent electricity and adequate drinking water. This has stifled the island's agricultural and fishing industries and prevented it from realizing its tourism potential. InfraCo Africa began addressing these obstacles in 2005 by forming the infrastructure firm Kalangala Infrastructure Services (KIS). The firm is a pioneering multipurpose utility company created to meet the unique demands of Bugala Island.

KIS is a PPP that includes the Uganda Development Corporation, Infraco and the International Development Corporation. The Uganda Development Corporation owns 45.7 per cent of ordinary and convertible preference shares in KIS, and Infraco owns 54.3 per cent. The International Development Corporation owns 100 per cent of redeemable preference shares in KIS. KIS has delivered and now operates two modern roll-on–roll-off ferries. It has upgraded the Island's 66 km Luuku–Mulabana main road. It supplies clean water to 19 villages on the island. It has also developed 1.6 MW of hybrid solar-diesel power and recently taken over the Kalangala Town Council grid. Bugala Island has changed dramatically in the last decade due to the KIS PPP project. The island is flourishing, and Kalangala is one of Uganda's wealthiest regions. KIS has been instrumental in this transformation.

The KIS PPP investment portfolio comprises the following:

- *Ferry services.* In December 2011, KIS finished building ports (landing sites) in Bukakata (mainland) and Bugoma (Bugala Island) and began marine transportation services. Two roll-on–roll-off passenger and car ferries provide secure and dependable 30-minute passage between the mainland and Bugala Island. Before KIS ferry services, the government ran a ferry between Bukakata and Luuku that made just 2,000 crossings annually; under KIS, the number has risen to 5,200. The new ferry operations have also boosted economic growth, increased trade between the mainland and the island, increased tourism, and improved access to public services such as schools, hospitals and other amenities.

- *Power services from the Bukuzindu power plant's solar panel array.* Under a license to generate and sell electricity in Kalangala District on Bugala Island, KIS built a 1.6 MW solar-thermal hybrid power plant, a two megavolt amperes substation and a 120 km medium voltage distribution network to feed over 40 settlements on the island. Of the 49 settlements with a nucleated community on the island, 80 per cent have access to electricity, and the remaining 20 per cent are awaiting network expansion and connection. The power system went into commercial operation in 2015 with over 4,208 clients. Since then, the availability of these utility services has improved the island's quality of life; increased the district's retention of professional workers (such as teachers and doctors); shifted the economy from a reliance on the lake (unregulated fishing) and forest (lumbering) to productive business ventures that use electricity, such as agro-processing and tourism; and boosted person-hours of productive work, school performance and healthcare quality.

- *Water services at Mwena water treatment plant.* KIS improved the water system of the Kalangala Town Council and five areas in Kalangala District on Bugala Island. KIS built the Mwena water treatment facility, producing more than 400,000 litres of water daily, along with 200,000-litre reservoir tanks and storage facilities providing safe water to Bugala Island 24 hours a day. As a consequence of the safe water supply services, the inhabitants of Bugala Island have seen a reduction in medical expenses due to improved sanitation and reduced water-borne infections.

- *Road maintenance services.* Under the direction of the Uganda National Roads Authority, KIS completed a 66 km class B gravel standard marram road on Bugala Island from Luuku to Mulabana. In March 2016, KIS turned the road over to the government. This road improvement project widened business opportunities and increased trade, improved accessibility to goods and services, reduced wear and tear on automobiles, boosted tourism and reduced the mortality rate of expectant mothers referred to the adjacent district of Masaka.

Several investors made infrastructure improvement funding for this project possible: the Private Infrastructure Development

Group, InfraCo Africa, Nedbank Ltd, Uganda Development Corporation Ltd, Industrial Development Corporation of South Africa, Emerging Africa Infrastructure Fund, U.S. Agency for International Development and GuarantCo. Despite the positive impacts of the KIS projects, shortcomings in PPP implementation have been highlighted in several reports (see Box 2 later in the report).

Key issues and conclusion

Several key issues and observations emerge from Uganda's experience with infrastructure PPPs:

- Since the passage of the PPP Act of 2015, the PPP Unit has received more than 100 PPP project ideas, with 44 projects making it into the PPP project pipeline. Currently, 16 projects are at various preparation stages, but none have reached commercial closure.
- Most projects are at a standstill, exploring opportunities for funding transaction advisory services and detailed feasibility studies. Furthermore, project conceptualization is low, and projects have stalled or been cancelled because of inadequate project development funds, limited capacity and readiness in contracting agencies, reprioritization of projects and the perceived complexity of the PPP process. Recommendation: operationalize the Project Development Facilitation Fund, capacity building, stakeholder buy-in, and support of PPP arrangements.
- Access and cost have been contentious issues in the energy sector, raising questions about the structure of energy PPP contracts, including the methods for establishing tariffs and risk sharing. Recommendation: establish transparent terms on tariff structures during PPP development.
- In the transport sector, the Rift Valley Rail concession failed to pay concession fees, meet freight volume targets, rehabilitate and maintain conceded assets and submit timely operational reports and safety management plans to Uganda Railways Corporation. As a result, the concession was terminated. Recommendation: conduct comprehensive due diligence to avoid contracting with parties incapable of fulfilling PPP agreement terms.
- Much negative press and CSO reviews complain of a failure to follow due process. Recommendation: adhere to the stipulated PPP procurement process and embrace transparency in a contract award to motivate stakeholder cooperation.

5. STAKEHOLDER SUPPORT AND OWNERSHIP

Public perceptions

A paradigm shift in the PPP debate has been fundamental in shaping the public's perceptions, expectations and reactions. One segment of the public appreciates the substantial investments and efficiency required to provide a public good and commends private sector contributions that can be paid back through market prices. Another segment still views PPPs as expensive and an avenue for corruption. They consider public infrastructures as the sole responsibility of the government and perceive PPP arrangements as a deliberate attempt at government ownership and control of public goods. They resent cost-recovery pricing such as tariff increases, cost-sharing and user fees, considering their double taxation. The public and CSOs are supportive when PPPs involve transparent processes with local participation, while domestic industries would like some PPPs to be ring-fenced for local providers.

Opposition to PPPs is generally on an individual project basis. For example, the Lubowa Hospital project, in which the public has a bias against the process because there was no observed open contracting, as well as efforts to justify the approval to fund the KJE road construction through a PPP, met resistance from some segments of the public and from legislators (box 1) primarily because of inadequate information about the PPP projects. Opposition to PPPs might also stem from a lack of understanding of the PPP concept and processes.

The benefits of PPPs are not widely known. With its small staff, the PPP Unit is overburdened by its mandated responsibilities. PPP implementation may benefit from educating and obtaining buy-in from non-state actors and CSOs and using this support in PPP public awareness campaigns.

BOX 1

OPPOSITION TO PUBLIC–PRIVATE PARTNERSHIPS

Extracts from the discussions on the floor of Parliament tell a story:

Rebecca Kadaga, then Speaker of Parliament: "On this one, I will take off my gloves. You cannot experiment PPP on the east. Everywhere else in the country we have got loans, when it comes to the east, you want PPP. It is unacceptable, we don't want it."

Jacob Marksons Oboth, Ind. West Budama County South, said that PPPs are not a guaranteed source of funding. "If you want construction of an 85-kilometer road to fail, take it to PPP. PPP is still a struggling source of funding."

Source: The Independent 2019.

Key issues and conclusion

Several issues and recommendations from the analysis of PPP stakeholder support and ownership have been highlighted in this study:

- Some citizens still view public infrastructures as the government's responsibility and resent cost-recovery pricing such as tariff increases, cost-sharing and user fees, which they view as double taxation. Recommendation: increase awareness and sensitization about PPPs' benefits and operations.
- The public and CSOs support PPPs when transparent processes involve local participation. Recommendation: enhance transparency and disclosure during PPP preparation to win more significant support from the public and CSOs.
- Domestic industries would like some PPPs ring-fenced for local providers.
- Awareness, knowledge and skills related to PPPs are still insufficient. Recommendation: intensify PPP awareness and training workshops that target the general public (politicians, technical staff) and the private sector.

6. ANALYSIS OF LEGAL AND REGULATORY FRAMEWORK FOR PUBLIC-PRIVATE PARTNERSHIPS AND STAKEHOLDER SUPPORT

Legal and regulatory framework

The PPP Policy of 2010 and the PPP Act of 2015 support a legal and regulatory framework for the adoption and execution of PPPs. The PPP Policy establishes a framework for the public and private sectors to collaborate to improve public service delivery by allowing private companies to provide public infrastructure and related services. The PPP Policy is a vehicle for improving the use and distribution of public funds and creating and delivering public infrastructure, high-quality public services, economic growth and foreign direct investment.

The PPP Act of 2015 is the primary statute in Uganda governing the development and execution of PPPs. It defines a PPP as "a commercial transaction between a Contracting Authority and a Private Party in which the Private Party (a) acquires the use of the Contracting Authority's property, equipment or other resources to execute the agreement; (b) assumes substantial financial, technical and operational risks in connection with the performance of the function on behalf of the Contracting Authority for a specified period; and (c) receives a benefit for performing the function through payment of the Contracting Authority or charges or fees collected by the Private Party from the users of the infrastructure or service, or both."

The PPP Act establishes the PPP Committee, which reviews and authorizes all PPP projects. The PPP Unit serves as the committee's secretariat and provides technical, financial and legal expertise to the committee and project teams. The act also provides for the PPP process cycle and specifies the types of PPPs that can be undertaken concession; operation and maintenance; lease, develop and operate; build, own and maintain; build, own, operate and transfer; design, build, finance and operate; and build, own, operate and transfer.

The PPP Act is made operational by PPP regulations, which cover PPP Committee meetings, management of PPPs and procedures for private-party procurement. PPP Guidelines provide contracting authorities and the PPP Unit with a rigorous procedural framework and a comprehensive set of assessment tools to identify projects where PPP can deliver benefits and effectively achieve these benefits through a sound planning and implementation process.

The public-private partnership project cycle and stakeholders

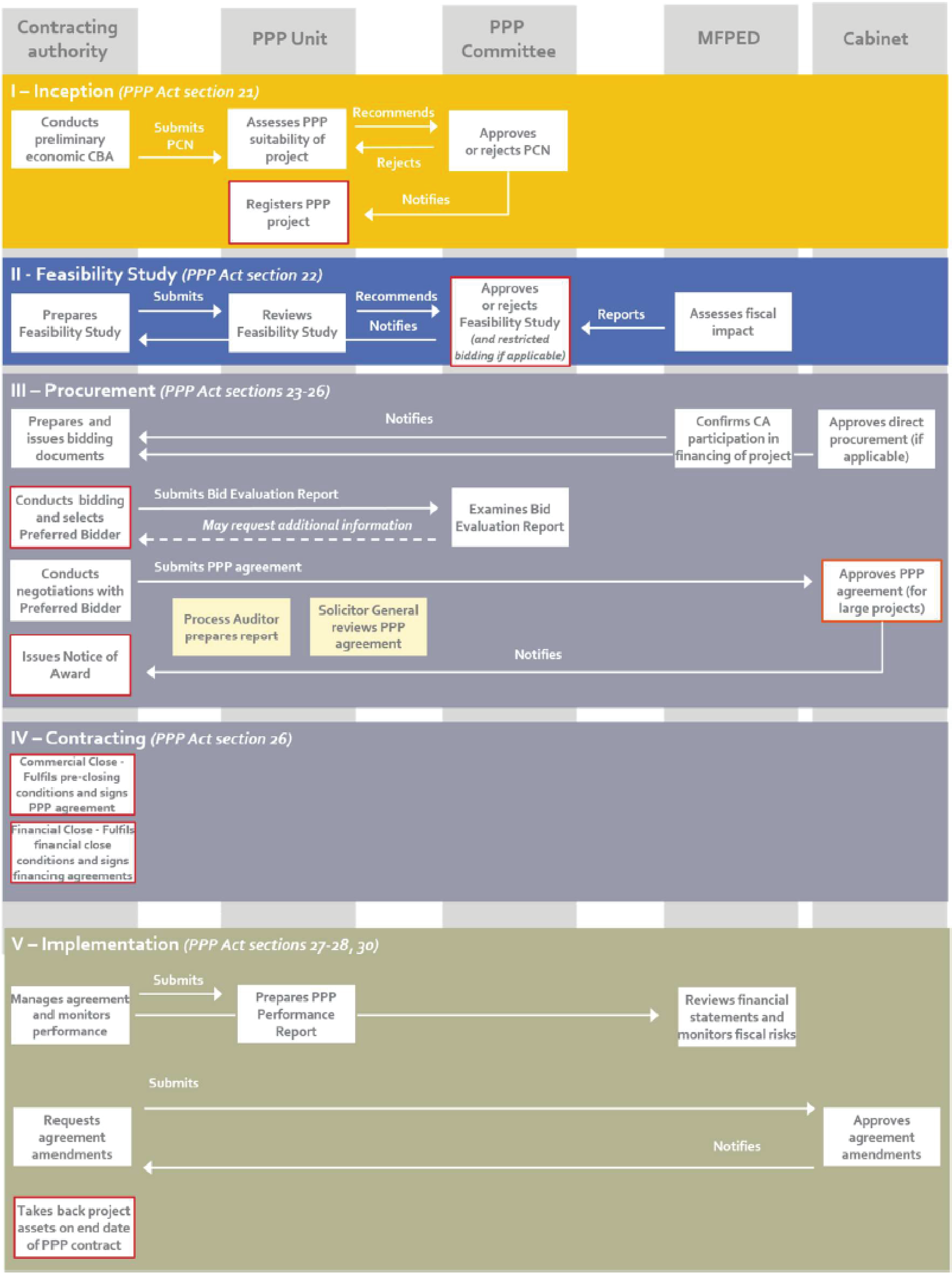
The PPP project cycle has five stages: inception, feasibility study, procurement, contracting and implementation (figure 2). The PPP Unit evaluates the PPP concept note presented by the contracting authority, assessing its suitability, and submits it to the PPP Committee for approval as a PPP project or rejects it. The contracting authority undertakes a PPP feasibility assessment after registration of the PPP project. The PPP Unit assists the contracting authority with the PPP process cycle and provides technical, financial and legal advice to the PPP Committee to support its approval mandate. The Ministry of Finance, Planning, and Economic Development (MoFPED) determine the fiscal impact during the feasibility study stage. It confirms the contracting authority's participation in project financing, reviews financial statements and assesses financial risk during contract implementation. The Cabinet is engaged in approving the direct procurement technique, the final PPP agreement and any later revisions for significant projects (see figure 2).

The PPP model is considered an alternative for implementing projects in Uganda under the new Development Committee standards, which are the main point of reference for Uganda's project investment plans (PIP). Traditional projects go through four steps of evaluation: concept, profile, pre-feasibility study and feasibility study, with ministries and departments considering PPP as a funding option during the pre-feasibility stage.

Unsolicited proposals

Unsolicited proposals (USPs) are also permitted under the PPP framework, which specifies the conditions for submitting USPs: the project must meet the objectives of the NDP, a feasibility

FIGURE 2 **Project cycle for public-private partnership ventures in Uganda**



Source: PPP Unit n.d.a.

study must be completed, the project must have an innovative design and use an innovative approach to project development and management; the project must demonstrate a new and cost-effective method of service delivery, and it must have the financial and technical capability to be implemented (figure 3).

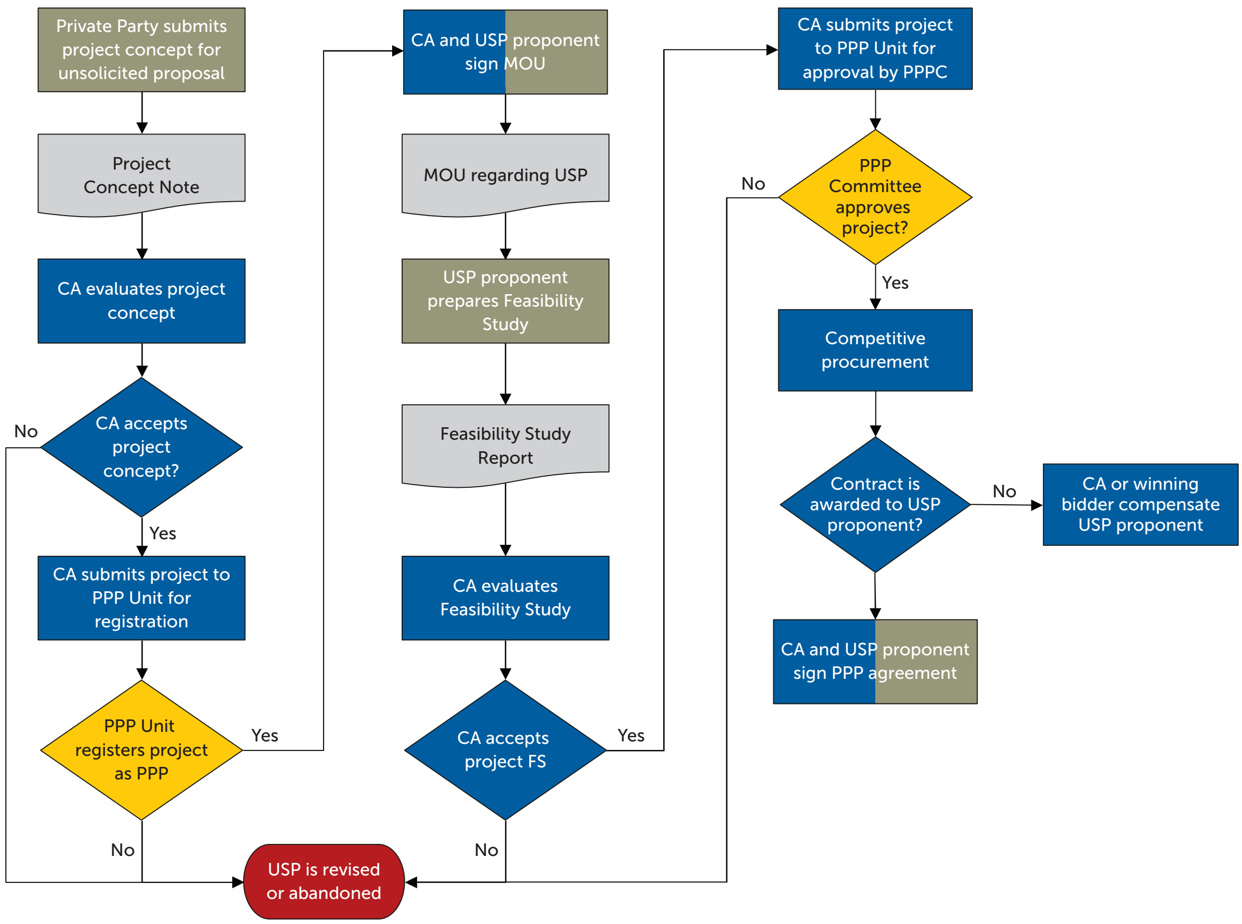
The framework includes processes for ensuring reasonable value or competition. The guidelines acknowledge the private party as the original proponent of the USP, direct the private party to conduct the feasibility study per section 22 of the PPP Act and commit the contracting authority to procure the project if the PPP Committee approves it. The guidelines also confirm the contracting authority's right to determine the contents of the bidding documents, including the bid variables and the performance standards for the competitive bidding process following the PPP Act; grant ownership rights of the feasibility study to the contracting authority; determine the compensation that the proponent is entitled to if the contracting authority decides not to procure the project after the PPP Committee approves it, or if, as an outcome of a competitive procurement procedure, the project is awarded to another bidder.

Other legislation affecting public-private partnerships

In addition to the PPP Act, the constitution and several other pieces of legislation affect PPP disclosure (table 3). The Public Finance Management Act of 2015 enables legislative oversight of government spending to improve openness and offers a framework for transparency and accountability in government expenditures. Section 12(2) of the act states that Parliament shall guarantee accountability in public resources and efficient, effective and sustainable use following the Charter for Fiscal Responsibility and the Budget Framework Paper. All government spending must be reviewed and approved by Parliament. PPP contracts must include multiyear funding obligations that Parliament must approve. Accounting officers of contracting agencies must present Parliament with details of all actions and expenditures related to a PPP project.

Uganda's PPP Policy and legal framework provide descriptive clarity in terminology, techniques and regulations for a competitive economy. There is room, nonetheless, for further development to cover gaps. In line with section 51 of the PPP Act 2015,

FIGURE 3 Overview of the unsolicited proposal process



CA (Contracting Authority), USP (Unsolicited Proposal), MOU (memorandum of understanding), PPP (public-private partnership), PPPC (Public-Private Partnership Committee), FS (feasibility study)
Source: PPP Unit n.d.a.

TABLE 3 Legal framework and implications of public-private partnerships disclosure

Legal source and section	Text	Implication
Constitution		
Article 41 (1) and (2)	Citizens have a right to access information in the hands of a public body.	Citizens can access PPP records and information.
Access to Information Act 2005		
Section 2 (1)	The act applies to all information and records of public bodies.	This definition extends to all PPP project documentation.
Section 4	The public body includes government, ministry, department, statutory corporation, authority or commission.	All contracting authorities have proactive and on-demand disclosure obligations except for private parties.
Section 7 (1)	Publication of a manual on public body functions and categories of records held by the public body.	Imposes proactive disclosure obligations on contracting authorities.
Section 8	Publication of description of categories of information automatically available.	
Sections 23 to 33	Exemptions to disclosure.	Could limit PPP disclosure, especially concerning clauses related to deliberations of public authorities.
Section 34	Mandatory disclosure.	PPP documents may be disclosed where disclosure would reveal a substantial contravention of the law or a severe or imminent public safety, public health or environmental risk.
Section 16 (2) (c), Section 37, and Section 38	Appeal mechanisms.	Provides avenues for redress in instances of nondisclosure.
Public–Private Partnership Act of 2015		
Section 43	Submission of the annual report to Parliament.	Contracting authorities must disclose the number of information requests received and the actions taken in response.
Section 3	The principles of transparency and accountability must govern PPPs.	All bid notices must be made public in a fair, transparent and timely manner
Section 11	The PPP Unit is to collect and disseminate PPP-related information and conduct civic education on PPPs.	Imposes proactive disclosure obligations on the PPP Unit.
Section 30	The Office of the Auditor General is to conduct annual audits of PPPs and table reports to Parliament.	Audit reports tabled in Parliament are ordinarily considered public documents.
Section 47 (1)	Any person can access PPP-related information upon written request to the contracting authority. Private parties are excluded from disclosure obligations.	The contracting authority has an on-demand disclosure obligation.
Section 47 (2)	Exemptions to disclosure.	Exceptions may be used to restrict PPP disclosure.
Section 47 (3)	PPP agreements are to be published on the website of the Ministry of Finance, Planning and Economic Development (MoFPED).	Imposes proactive disclosure obligations on the MoFPED.
Inspectorate of Government Act 2002		
Section 8	Functions of the Inspector General of Government (IGG): promote fair, efficient and good governance in public offices and investigate the conduct of any public official related to abuse of authority or economic malpractice.	IGG can investigate abuse of authority or economic malpractice in PPP projects.
Section 9	IGG has authority over government bodies or departments, statutory corporations, and anybody who administers public funds on behalf of the public.	IGG has authority over contracting authorities, private parties and special-purpose companies.
Section 14	IGG has powers to investigate, arrest and prosecute cases involving corruption, abuse of authority or abuse of public office.	IGG can investigate and prosecute corruption and abuse of office in PPP projects.
Section 24	Any person can make a complaint to the IGG	The public can use IGG's office to hold stakeholders in PPP projects accountable.
Public Finance Management Act of 2015		
Section 16	Accounting officers must submit quarterly reports to the secretary of the Treasury on expenditure commitments of the public body.	Accounting officers of contracting authorities must disclose public expenditures in PPP projects.
Section45	Accounting officers are personally accountable to Parliament.	Accounting officers must give Parliament an account of all the expenditures and activities undertaken in a PPP project.

(continued)

Legal source and section	Text	Implication
Press and Journalists Act Cap 105		
Sections 2 and 3	Provides the right to publish and print newspapers, which cannot be derogated except per the Act.	The public can access information about PPP. projects through publications in the media.
Section 4	Grants all persons access to public information subject to any law relating to national security, secrecy, or confidentiality of information.	Information relating to PPP projects can be accessed in media publications.
National Audit Act 2008		
Sections 18 and 22	The Auditor General's (AG) Office may examine, investigate and report on the expenditure of public monies disbursed to a private organization or body in which the government has no controlling interest. The AG may also conduct special audits when required.	The AG can examine and investigate expenditures relating to a special-purpose company.
Official Secrets Act Cap 302		
Section 4	Public officers are prohibited from disclosing national security information.	National security information generated by the state security apparatus related to PPPs may be withheld from the public.
Evidence Act Cap 6		
Section 122	Use of unpublished official records in court is prohibited except with the permission of the head of the department, who is at liberty to give permission or deny it as seen fit.	Use of unpublished PPP project records in PPP-related suits may be denied. Section 122 may function as an incentive for contracting authorities not to publish PPP-related information
Section 123	Public officers cannot be compelled to reveal information received during duty.	Public officers cannot be compelled to give evidence relating to information in their possession in PPP-related suits.
Parliament (Powers and Privileges) Act Cap 258		
Section 14	Prohibits disclosure of any information laid before Parliament or any of its committees without the permission of Parliament	Hinders access to Parliament's discussions on PPP projects
Oaths Act Cap 19		
Section 2, 1st and 2nd Schedules	Public officers are required to take an oath of secrecy.	Officers of contracting authorities are bound by the oath, which promotes a culture of secrecy and may deter the dissemination of PPP-related information.
Trade Secrets Protection Act 2009		
Section 2	Defines a trade secret as a formula, pattern, compilation, program, method, technique, process or information contained or embodied in a product, device or mechanism.	Trade secrets include designs and innovations of a private party and could be applied to PPPs, particularly in defining confidential information.
Section 11	A government department that receives trade secrets is mandated to protect them.	The contracting authority is obliged to protect the trade secrets of a private party that are in its possession.

Source: World Bank 2019.

regulations need to be developed to guide the procedure for project inception and feasibility studies, monitoring of PPPs, bidding documents and forms to be used by contracting authorities, evaluation bids, negotiating procedures and enforcement mechanisms. In addition, there is a need to establish a tribunal to adjudicate all petitions and complaints submitted by a private party during the procurement process (dispute resolution mechanism). The PPP agreement governs disputes after the commercial close.

Key issues and conclusion

The key emerging issues and recommendations from the legal and regulatory framework are as follows:

- Uganda has an elaborate PPP framework to guide PPP implementation.
- The PPP framework provides for approving USPs and lays out the requirements for submission of USPs. The private sector must be aware of the right to submit a USP.
- Recommendation: regulations need to be developed to guide procedures for project inception and feasibility studies, monitoring of PPPs and determination of bidding documents and forms to be used by contracting authorities.
- Recommendation: a tribunal needs to be established to adjudicate petitions and complaints submitted by a private party during the procurement process (dispute resolution mechanism).

7. ANALYSIS OF THE INSTITUTIONAL FRAMEWORK FOR PUBLIC-PRIVATE PARTNERSHIPS AND INSTITUTIONAL CAPACITY

The policy framework

The PPP policy and legal framework identify the critical PPP institutions, including the PPP Committee, PPP Unit, contracting authorities, MoFPED, the Cabinet and the AG's Office. The PPP Committee is responsible for developing policy, analysing and amending the PPP legal and regulatory framework and approving PPP project plans and feasibility studies. The PPP Committee comprises representatives from the AG's Office, the MoFPED, the Prime Minister's Office, the National Planning Authority, the Ministry of Lands and the Ministry of Local Government. In addition, the PPP Committee must include four non–public sector representatives: one from the Private Sector Foundation, the Uganda Investment Authority, academia and a retired judge. The Permanent Secretary of the MoFPED chairs the PPP Committee.

The PPP Unit under the MoFPED is the secretariat and technical arm of the PPP Committee, providing technical, financial and legal expertise to the committee and project teams established under the PPP Act. Accordingly, the PPP Unit serves as a resource centre on matters relating to PPPs. It is mandated to liaise with and assist contracting authorities during all stages of the project cycle. Contracting authorities are responsible for identifying, appraising, developing, procuring and monitoring PPP projects.

Furthermore, the PPP policy framework requires stakeholder discussions, including consultations with potential service customers, government institutions and the general public. Table 4 explains the duties and responsibilities of critical institutions during the PPP lifecycle, and figure 2 (in section 6 of this report) provides a diagrammatic presentation of their relationship. The structure could be strengthened by including a PPP Tribunal/ Petitions Committee to adjudicate petitions and complaints submitted by a private party during the procurement process.

TABLE 4 Institutional framework for public-private partnerships in Uganda

Institution	Role in the public-private partnership process
Cabinet	• Responsible for approving PPP agreements and amendments to PPP agreements. The minister responsible for finance must specify the value of projects for which Cabinet approval is required, which has yet to be done.
Ministry of Finance, Planning and Economic Development (MoFPED)	• Oversees and monitors contracting authorities and private parties' performance in implementing PPP projects. • Receives reports on the project status from the contracting authority and private parties. • Advises the government on the financial implications of a proposed project and provides funding for implementing a project, as necessary.
PPP Committee	• Formulates and reviews policy and updating of PPPs' legal and regulatory framework. • Approves project proposals, feasibility studies and any project financial support. • Ensures that all projects align with national priorities and that project agreements follow the provisions of the PPP Act. • Oversees efficiency of PPP project implementation.
PPP Unit	• Guides contracting authorities on the appropriate use of PPPs, especially regarding identification, development, procurement, implementation and monitoring. • Collects and disseminates PPP-related information to create awareness. • Maintains an inventory of prospective PPP projects. • Conducts research and gap analysis to ensure continuous improvement in PPP implementation. • Assists the PPP Committee in the performance of its duties. • Develops guidelines and standard documentation. • Maintains a record of all project documentation. • Consults with and assists contracting authorities in the performance of their duties. • Monitors contingent liabilities arising from PPPs. • Reviews and assesses requests for government support for PPP projects. • Ensures that the procurement process conforms to the PPP Act. • Develops measures that eliminate constraints to PPPs.
Contracting authority	• As defined by the PPP Act, this consists of a ministry, department of government, or other body established by the government and mandated to conduct a public function. • Identifies, appraises, develops, procures and monitors PPP projects.
Accounting officer	• Solicits a private party for a project. • Appoints the project team and other project staff. • Protects property placed under the control of a private party. • Signs agreements on behalf of the contracting authority. • Takes custody of the project agreement and monitors compliance with its terms and conditions.
Project team	• Identifies, screens and prioritizes projects. • Prepares and appraises PPP projects. • Procures the private party. • Ensures that the parties comply with the project agreement. • Monitors implementation of the project agreement. • Maintains a record of all documents relating to the PPP project. • Prepares projects under the guidelines issued by the PPP Committee. • Reports to the PPP Committee.
Project officer	• Under the direct supervision of the accounting office, heads the project team, manages the procurement and implementation of PPP projects and monitors the performance of the private party.

(continued)

Institution	Role in the public-private partnership process
Transaction advisor	• A firm that possesses the financial, technical, legal and other technical skills to prepare and procure a PPP project. • Conducts a comprehensive Feasibility Study for the project. • Designs and negotiates the PPP agreement. • Safeguards the interests of a contracting authority in the project. • Ensures optimum risk allocation in the PPP agreement.
Evaluation Committee	• Evaluates submitted bids to verify their economic, financial, technical and professional standing.
Private party	• A special purpose company incorporated under the laws of Uganda to implement a specific PPP. • Bears the responsibility and risks of financing the project.
Process auditor	• Ensures that the contracting authority follows the PPP Act in implementing the PPP project.
Accountant General	• Prescribes the private parties' accounting and financial reporting rules.
Auditor General	• Audits a PPP project from its inception to completion.

Source: World Bank 2019.

The PPP policy requires a project information disclosure structure and time-limited measures to encourage inclusiveness and transparency. Before being conveyed to the public, the information disclosure is prepared by the contracting authority and sent to the PPP Unit for approval.

One of the implicit goals of institutional investment in conducting PPP arrangements is to adhere to standards and deliver quality results from PPP projects. The PPP Unit's assessments and the PPP Committee's approvals are quality control measures. Before describing the specific requirements of the various parts of the feasibility study, the PPP unit ensures that: the scope and research methods of the feasibility study have been chosen in line with the project characteristics; the assumptions and calculation methods are comprehensively documented and justified; the different parts of the feasibility study are internally consistent (use of same assumptions where relevant; cost estimates in the technical analysis must correspond to cost inputs in the economic and financial analysis; updates must be applied in all parts of the study so that consistency is maintained); the most recent available data have been used (when new information becomes available with a significant impact on the results, the study must be updated while taking care to preserve internal consistency as mentioned in the preceding point). Table 5 lists standard documentation and templates for various phases of PPP projects that can be found on the PPP Unit's website.

TABLE 5 References for selected standards and guidelines on public-private partnership execution

Kind of information	Reference
Concept Note template.	Annex B Project Concept Note_ Pg 5–22)
Project Registration template	Annex D Project Register Template_ Page 3
PPP Project Assessment Report Template	Annex F Feasibility Study Guidelines pg. 30–32
Financial Analysis	Annex G - Financial Analysis Guidelines_0
	Annex G - Example simple financial model
Value for money	Annex H VFM Analysis_0
Risk allocation	Annex I Generic Risk Matrix
Template for Request for Pre-qualifications (RFQ)	Annex K PPP Bidding Documents_ Pg4
Template for Project Information Memorandum (PIM)	Annex K PPP Bidding Documents_Pg9
Template for Request for Bids (RFB)	Annex K PPP Bidding Documents_ Pg11
Bidding documents	Annex K PPP Bidding Documents_ Pg 60

Source: PPP Unit n.d.b.

Although the guidelines emphasize the importance of a uniform template for PPP agreements, no standard agreement has been produced, and agreements are drafted on a case-by-case basis. Local governments find the processes and standard documents complex, and efforts by the PPP Unit, supported by the World Bank, to simplify these processes and documents for local governments are ongoing.

The capacity of the Public–Private Partnership Unit to deliver on its mandate

The PPP Unit, based at MoFPED, was established in 2015 as the PPP Committee's secretariat and technical arm. The PPP Unit reports to the PPP Committee for technical matters and the permanent secretary/secretary to the treasury for finance and administrative matters (figure 4). The PPP Unit provides contracting authorities with technical expertise and support in creating and implementing PPP projects. The PPP Unit's role in decision-making is limited to advising on projects begun by the contracting authority. Depending on the process stage, decisions are made by the contracting authority, the PPP Committee or the Cabinet.

The PPP Unit has been bolstered with technical, legal, financial and PPP expertise to fulfil its legal role. However, not all positions within the PPP Unit organigram have been filled due to budgetary constraints, and the PPP Unit still requires more technical personnel. The PPP Unit employs 14 people, including support personnel. The PPP unit has filled vital roles such as PPP director, project finance expert, legal expert, technical expert and PPP technical specialist. As needed, the PPP unit can provide technical, financial and legal expertise to the PPP Committee and project teams established by contracting authorities.

Despite a limited operational budget and understaffing, Uganda's PPP Unit has achieved notable progress in the technical management of PPP projects. Given the economic recession caused by the Covid-19 pandemic, there is considerable room for improvement of the PPP Unit in avoiding political interferences and seeking a larger budget to overhaul its capabilities as a learning organization.

In 2019, efforts were made at the central level to enhance the capacity of contracting authorities and others to plan, coordinate, undertake and monitor PPP projects and to promote awareness and understanding of the PPP process among stakeholders through civic education. The PPP Unit has presented general public awareness programs through newspaper articles and participation in TV talk shows and PPP roundtable discussions. The PPP Unit's and PPP Committee's communication and outreach were significantly affected by the Covid-19 pandemic.

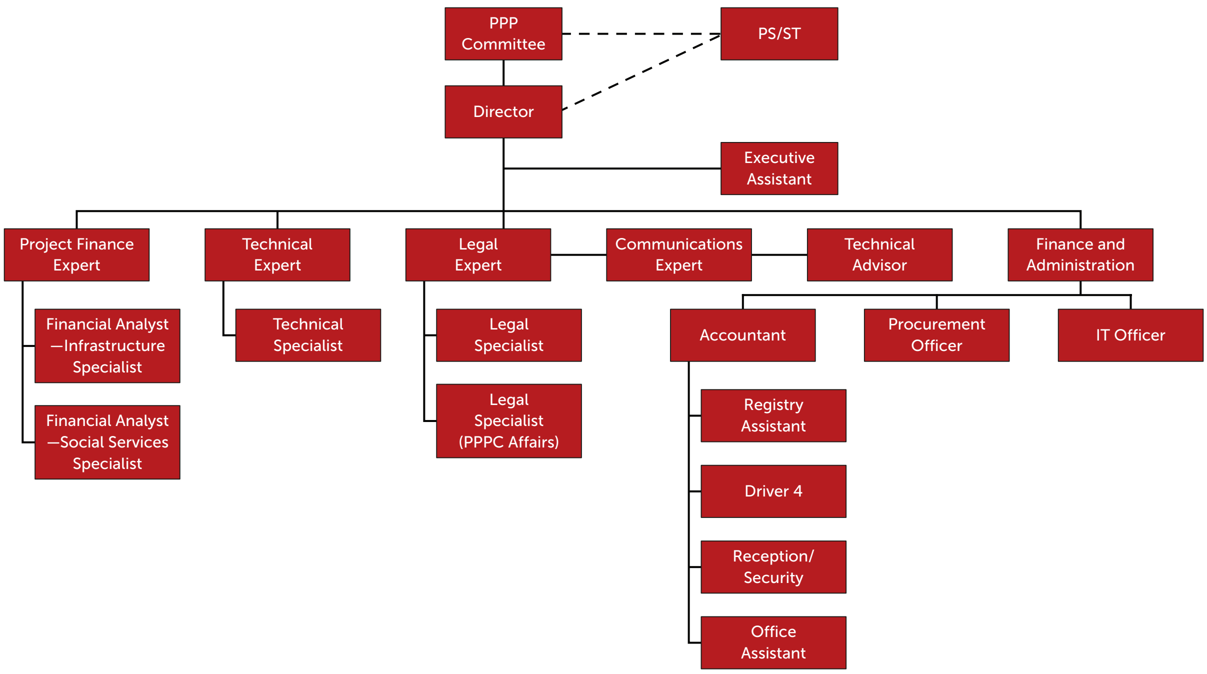
The capacity of contracting authorities and other stakeholders

Contracting authorities identify, appraise, develop, procure and monitor PPP projects. Basic PPP awareness, knowledge and skills are still required even though the PPP Unit has conducted over 30 training workshops for more than 1,500 public officials, including political leaders and technical staff at both central and local government levels and in the private sector. The lack of knowledge and skills has affected PPP project initiation, development and appraisal. There is also a lack of awareness about PPPs in the private sector. However, there are constraints with training political leaders whose tenure in office may not extend beyond the five-year electoral cycle. Because of the frequent turnover among political leaders, a continuous training approach is needed. In addition, an awareness campaign should be launched to ensure that the public understands the benefits and risks of PPPs, according to the 2017 World Bank report on the infrastructure finance gap.[14]

The domestic financial sector must be strengthened to establish the expertise and create the instruments needed to support PPPs.[15] The delayed outreach is partly related to a lack of funds. This diagnostic investigation recognizes the absence of a PPP communication strategy in Uganda.

Despite general capacity constraints, the experience of the Uganda National Roads Authority and Kampala Capital City Authority provides some positive lessons. These two contracting authorities are implementing PPP projects that have reached the private party stage. They have accumulated practical PPP knowledge and skills in-house by working alongside the transaction advisors recruited with International Finance Corporation (IFC) support. They observe that PPP training is most beneficial if it moves beyond workshops into the practical experience with the

FIGURE 4 Public-Private Partnership Unit organogram



Source: PPP Unit n.d.b.

PPP project process. Another lesson is that PPP preparation and development are costly, and Uganda National Roads Authority only managed to pull through with the support of the IFC. It is also essential that other government ministries and departments be brought on board during the development phase, for example, MoFPED, Uganda Revenue Authority, Ministry of Works and Transport and the PPP Unit, to accelerate process decisions.

Key issues and conclusion

To address the critical issues that emerged from the analysis of the institutional capacity to implement PPPs in Uganda, there is a need to:

- Build the capacity of the PPP Unit to enable it to execute its mandate.
- Build contracting authorities' capacity to conceptualise, prepare, appraise and provide better oversight.
- Build the capacity of the domestic private sector to enable it to participate in PPP arrangements.
- Undertake due diligence and perform rigorous assessments to gauge the viability of PPP projects.
- Set up the Project Development Facilitation Fund.
- Use guidelines for managing contingent liabilities to assess PPPs.
- Develop a PPP communications strategy.
- Amend the PPP Act to establish a PPP Appeals Tribunal to decide all petitions and complaints submitted by private parties during the procurement process (dispute resolution).

8. FUNDING AND MANAGEMENT OF FISCAL RISKS

PPPs aim to bolster government financing of capital-intensive public projects with private investment money. As a result, it is critical to evaluate the effectiveness of any PPP by examining the government's financial contribution in the form of debt, equity, grants or guarantees.

Government contribution to financing

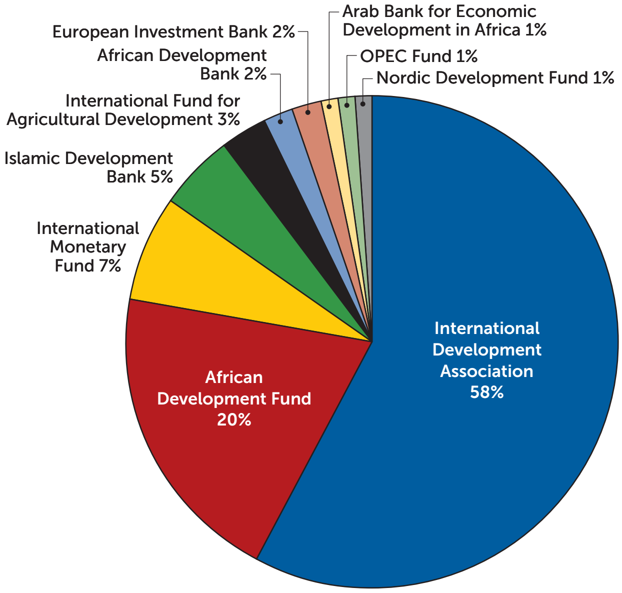
Section 13 (10)c of the Public Financial Management Act (PFMA) of 2015 stipulates that the annual budget must include a statement of the government's multiyear commitments for the fiscal year. Section 23 (4) of PFMA 2021 requires that any contract or transaction that binds the government to a financial obligation of more than one fiscal year must be authorized by Parliament.

The minister of finance must submit to Parliament the Annual Estimates of a Statement of Multiyear Commitments to be undertaken by the government and an update on ongoing multiyear commitments. The following key issues are highlighted in the statement: comparison of multiyear commitments for the fiscal year and the Medium-Term Expenditure Framework (five-year timeframe), the value of ongoing projects, the performance of previous multiyear commitments, disbursement performance and NDP–core projects.

Depending on the structure of the PPP, the government assists the contracting authority by tying its annuity payments to the special purpose vehicle (SPV) that dedicates the budget line for the PPP project. The resources are included in the Medium-Term Expenditure Framework until the project is completed. This was done for the Bujagali hydropower generation project, the Eskom generation concession and Kalangala Infrastructure services, which required government contributions. A similar payment mechanism is envisaged for the Finasi project, although the government pays directly to the SPV handling the toll road on the Entebbe Expressway.

The overall contract value for the 380 PPP projects in FY 2017/2018 was Ush 81.559 trillion.[16] Government funding accounted for Ush 36.2 trillion (44 per cent) of the amount, while external financing accounted for Ush 45.8 trillion (56 per cent). In FY 2018/19, a total of Ush 13.066 trillion was authorised under the development budget, of which UGX 7.735 trillion was to be funded by the government of Uganda and UGX 5.331 trillion through external financing. The Public Investment Plan for FY 2019/20 was anticipated to include 397 projects with an estimated budgetary value of Ush 87.56 trillion over the medium term, of which Ush 40.567 trillion (46 per cent) was to be funded by the government and Ush 46.993 (54 per cent) trillion by development partners. The World Bank is the most significant multilateral contributor (58 per cent), followed by the AfDB (20 per cent; figure 5). Other multilateral partners include the

FIGURE 5 Multilateral partners' contribution to government financing of public-private partnership projects in Uganda



Source: Bank of Uganda.

International Monetary Fund, International Fund for Agricultural Development, Arab Bank for Economic Development in Africa, OPEC Fund, and European Investment Bank.

Multilateral banks are the largest lenders, at 64 per cent, followed by bilateral banks at 35 per cent; commercial banks have the smallest share, at 1 per cent. However, the proportion of external debt owed to commercial creditors increased from 7.2 per cent in FY 2019/20 to 8.9 per cent in FY 2020/21. Contributions to Uganda from multilateral lenders show a consistent decline since 2018/19 (figure 6 and table 6).

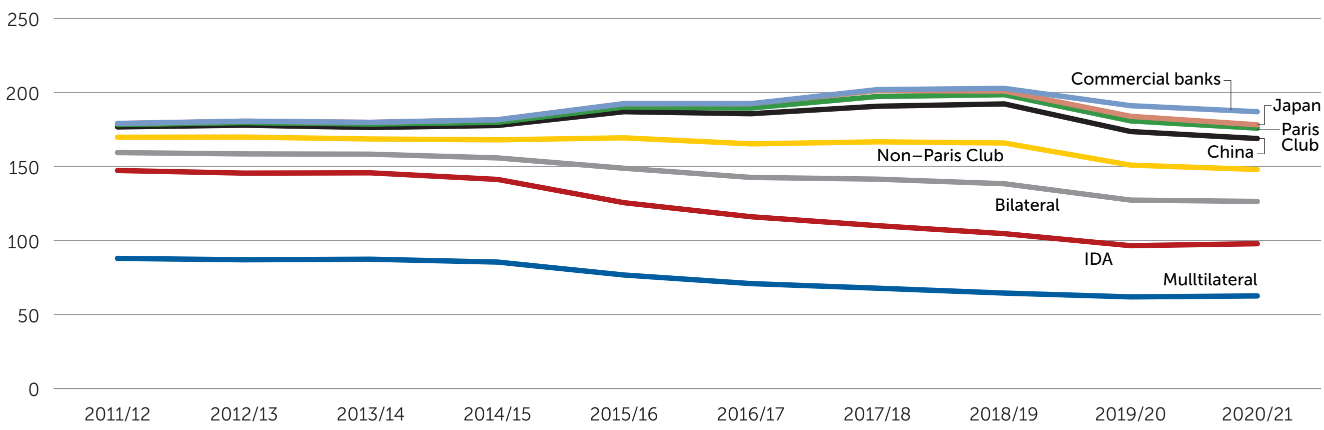
Managing risk

The PPP Policy provides a framework for managing and tracking contingent liability risks in PPPs to maximise the efficiency ratio of PPP funding. This is accomplished using a variety of measures. First, the Development Committee Guidelines and Project Preparation and Appraisal Handbook reviews projects before financing. Relatedly, the PPP Unit provides an appraisal framework for project evaluation. The first stage in the PPP process is to conduct a PIP screening to determine whether the project is PPP-worthy (table 7). The government of Uganda published its financial selection criteria in May 2021. Before being included in the budget, all projects, regardless of funding source, have to meet the requirements. Strategic alignment, implementation readiness and budget preparedness are the significant parameters.

Second, debt sustainability management provides a framework for guiding the various financing methods employed annually and the quantity of debt to ensure that it is sustainable. Debt sustainability management directs the mobilisation of resources with the least risk and costs to ensure the government's financial ability to satisfy its debt obligations. It outlines how the government intends to structure its debt portfolio in the medium term and implement debt management objectives while considering limits and the government's preferences regarding cost–risk trade-offs. The National PPP Guidelines on the Fiscal Commitments and Contingent Liabilities Management Framework provides a methodological tool for MoFPED, the PPP Unit and contracting authorities at both the national and local government levels to assess and manage fiscal commitments and contingent liabilities arising from PPP projects. Annex 2 outlines the various institutions' roles and duties within this framework.

Third, overall financial risk analysis is carried out annually through the report on public debt, guarantees, other financial

FIGURE 6 External debt stock by creditor (credit cummulative in Ugx trillions)



Source: PPP Unit n.d.b.

TABLE 6 Share of loans to Uganda by source (per cent)

Creditor Category	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Multilateral	87.9	86.9	87.4	85.5	76.6	70.8	67.8	64.5	61.9	62.5
Of which IDA	59.4	58.6	58.3	55.8	48.9	45.2	42.2	40.1	34.6	35.3
Bilateral	12.1	13.1	12.6	14.5	23.4	26.6	31.5	33.7	30.9	28.6
Non-Paris club	10.4	11.3	10.4	12.3	20.4	22.8	25.1	27.5	23.6	21.6
Of which China	7	8	7.7	9.6	17.8	20.3	24.2	26.5	22.6	20.9
Paris Club	1.6	1.8	2.2	2.2	3	3.8	6.5	6.2	7.3	7
Of which Japan	0.7	0.9	1.3	1.7	2.4	3	4	2.5	3	2.3
Commercial banks	0	0	0	0	0	0	0.7	1.8	7.2	8.9

Source: Ministry of Finance, Planning and Economic Development, Debt Sustainability Report 2021.

TABLE 7 Project investment plan criteria for public-private partnership project screening

Parameter	Subcategory
Strategic alignment	• Alignment to the National Development Plan • Regional balance • Economic impact on the country
Implementation readiness	• Land acquisition and right of way • Developed quality work plan, procurement and implementation plan
Budget readiness	• Disbursement readiness • Multiyear requirement vs fiscal space in the Medium-Term Expenditure Framework • Interlinkages within the programme

Source: Integrated Bank of Projects Website, MoFPED.

commitments, grants for each fiscal year, the fiscal responsibility charter submitted to Parliament each year and the budget address.

The PPP projects implemented since the PPP Act of 2015 are still under development and have yet to be exposed to risk. Other ongoing PPPs established under the Public Enterprise Reform and Divestiture Act, such as the Bujagali hydropower generation project, Eskom generation concession, Umeme power distribution, Kalangala infrastructure services and Kampala Serena Hotel, are being closely monitored by the government. Furthermore, one of the PPP standards (2020) requires the development of a generic risk matrix showing how risk can be distributed among project owners. The PPP Act states that risk should be assigned to the party most suited to handle it. As a result, the PPP Unit prepares to control risk during the planning process. The risk matrix is one of the regular reports generated by the project manager while the project is running.

Despite the risk management framework, the Statement of Multiyear Expenditure Commitments of Government for FY 2019/20 performance report highlights persistent challenges in project implementation, such as failure to meet financing agreement conditions, resulting in late disbursement of external funding; delays in the acquisition of land for infrastructure projects; failure by accounting officers to prioritise ongoing projects; delays in procurement planning and processes; and limited capacity across government to identify, appraise, select and implement projects.

Operationalising the PPP Project Preparation Fund is one of the realistic ways envisioned to address such project development delays. Section 29 of the PPP Act of 2015 established the Project Development Facilitation Fund. Section 29(2) specifies the fund's sources, including monies appropriated by Parliament, grants and gifts, charges that may be levied on a project, and any other sources authorised by the minister responsible for finance. Section 29(3) stipulates that money in the fund is to be used to assist contracting authorities in project preparation, procurement and project appraisal; support the activities of the PPP unit; and provide a source of liquidity to meet any contingent liabilities from a project.

However, the fund has never been created, even though various reports, including the Statement of Multiyear Expenditure Commitments of the Government for FY 2019/20, have advocated for urgent implementation. PPP projects continue to stall at the concept stage due to a lack of finances to retain a transaction advisor and conduct the full feasibility assessment specified by the PPP guidelines and framework.

Attempts to get project development financing through technical support from multilateral partners have only sometimes yielded positive results. More often than not, multilateral partners support initiatives they are interested in pursuing on a case-by-case basis. For example, in 2019, the PPP Unit received $910,000 from the Foreign, Commonwealth and Development Office, administered by the World Bank under the Strengthening Capacities and Institutions for Public Investment Management PPPs and Domestic Revenue Mobilization programme. The grant is intended to increase the government's capacity to identify, prepare for and finance PPPs and improve the decision-making processes for PPPs.

Private financing and climate change sensitivity

PPP financing targets private parties, but most private sector participants need more governance structures, are not transparent and are unwilling to open their financial records to public scrutiny. Most are family-owned businesses, and financiers, including development banks, are not ready, still waiting to finance them. Hence awareness of such financing constraints by the private sector is essential.

PPP projects must consider climate change and the need to safeguard the environment by following the principles of sustainable development. However, Uganda's PPP framework offers no guidelines on climate finance. The environmental module, encompassing climate readiness and challenges, is one of the modules that must be evaluated during the pre-feasibility stage. Climate change as a policy concern has progressed slowly in Uganda, with only minimal integration into government programs and initiatives.[17] Uganda's climate finance is not entirely quantifiable. The country lacks a climate change code and a dedicated fund to monitor, report efficiently and verify climate-related inflows and outflows.

Key issues and conclusion

The key issues arising from the analysis of financing for PPPs include the following:

- Despite the risk management framework, the 2019/2020 Statement of Multiyear Expenditure Commitments of the Government for FY 2019/20 highlights persistent challenges, including failure to meet conditionalities in the financing agreements, which led to late disbursement of external funding; delays in the acquisition of land for infrastructure projects; failure by accounting officers to prioritise ongoing projects; delays in procurement planning and processes; and limited capacity across government to identify, appraise, select, implement and evaluate public investments, among others.

- PPP projects continue to stall at the concept stage due to a lack of funds to hire a transaction advisor and undertake the detailed feasibility study required by the PPP guidelines and framework.
- Recommendation: create the PPP Project Development Facilitation Fund, thus operationalizing the PPP Act of 2015, Section 29.
- Attempts to appropriate project development funds through technical assistance from multilateral partners have not always been fruitful. More often, multilateral partners fund projects they are interested in undertaking on a case-by-case basis.
- Uganda's PPP framework does not provide explicit guidance on climate financing. The environmental module, which should include climate readiness issues, needs to be appraised at pre-feasibility.

9. ACCESS TO FINANCE

The availability of financial resources during PPP project development and assessment is critical to successfully implementing PPP projects. Financing is needed to ensure proper preparation of project activities and their practical implementation.

Sources of debt financing

The high cost of and limited access to credit and financial services reduce Uganda's capacity to obtain project finance for infrastructure development. It is vital to seek long-term local currency finance sources for infrastructure development because having more local investors reduces foreign exchange risks and allows domestic investors to finance locally. The problem is that local banks impose even higher liquidity and maturity restrictions than international banks. Institutional investors, such as pension and insurance funds, are the most promising source of long-term local finance.[18]

The domestic capital market is not yet well-developed enough to support PPPs, and domestic partners have limited capacity to invest in low-return projects. In addition, the financial sector in Uganda is focused on corporate finance and has little to no experience in project finance. Long-term funding is limited, and commercial banks and the Uganda Development Bank have been unable to participate actively in long-term finance. The National Social Security Fund, Uganda's largest capital provider, is far too small to meet the country's diverse investment demands.

The government issues debt through various channels, including commercial banks and capital markets. For example, in FY 2021/22, 10-year bonds accounted for 23.9 per cent of domestic debt stock (Ush 5.5 trillion), followed by 1-year T-bills at 21.7 per cent, 5-year bonds at 19.3 per cent, and 15-year bonds at 16.9 per cent. The pattern was similar in FY 2020/21, when 10-year bonds accounted for the largest share of the domestic debt stock, at 34.9 per cent (Ush 6.07 trillion). With no more than five years of investment horizons, short-term investors continue to dominate the domestic debt market. However, changes are being implemented to alleviate this, promote long-dated securities investment and reduce refinancing risk.

Debt sustainability management analysis proposes several ways to strengthen the macroeconomic framework: boosting domestic debt borrowing, issuing Eurobonds and increasing external debt financing. This analysis suggests an opportunity for international investment and external support for government debt. The enhanced domestic debt borrowing approach focuses on growing domestic borrowing relative to external borrowing, with domestic borrowing eventually accounting for 70 per cent of total borrowing and foreign finance for 30 per cent. This strategy seeks to develop the domestic market by issuing debt and reducing refinancing risk by issuing longer-term instruments.

Eurobond issuance, an external financing instrument, accounts for 34.3 per cent of Uganda's total external funding over the medium term (3–5 years). This Expanding Eurobonds would lower commercial creditors' borrowing by an average of 12 per cent since interest rates are lower in the bond market than in the loan market. The repayment arrangements enable the government to borrow more funds to achieve its extensive spending commitments. With enhanced external debt financing, the administration proposes a 62.5 per cent rise in the medium term, consisting of a 40.5 per cent increase in commercial borrowing.

Credit enhancement and risk reduction solutions (guarantees) are also used to support project financing, with project-to-project variations. Each PPP project obtains its risk mitigation product during development, such as from the Multilateral Investment Guarantee Agency for the Bujagali project. The Swedish International Development Cooperation Agency guarantees Trine's[19] crowdfunding platform to encourage private investment and expand access to finance for Sub-Saharan Africa's energy service providers.

The government has also invested in several credit enhancement products, including the Agricultural Credit Facility, Export Credit Financing, Extended Credit Facility, Support for Agricultural Revitalization, Transformation Facility and others.

As of 2018, the Ugandan government had declared credit enhancement, guarantees and risk mitigation products totalling $52.8 million (table 8).

TABLE 8 Credit enhancement and guarantees products as of 2018

Creditor	Project	Beneficiary	Guaranteed amount (US$ million)	Exposure as of June 2018 (US$ million)
Arab Bank for Economic Development in Africa	Private sector project and trade transactions	Uganda Development Bank Ltd	16.0	16.0
Islamic Development Bank	Student hostel	Islamic University in Uganda	4.3	2.3
	Student hostel	Islamic University in Uganda	1.0	0.7
	East Africa trade and transport facilitation	Rift Valley Railways	10.0	10.0
	Private sector project and trade transactions	Uganda Development Bank Limited	10.0	10.0
	Enhancing the learning environment	Islamic University in Uganda	13.8	13.8
Total guaranteed debt			55.1	52.8

Source: MoFPED.

Furthermore, the macroeconomic framework includes secondary market mechanisms for debt and equity refinancing. However, the secondary market has been severely hurt by the economic impacts of the Covid-19 pandemic, with transactions falling by 72 per cent between 2018 and 2019, from Ush 127 billion to Ush 35 billion. Trade on the Uganda Securities Exchange increased in January 2022 over January 2021, however, with volume, turnover and agreements growing dramatically (table 9).

A majority of the companies have equity shares. These include British American Tobacco Uganda, Bank of Baroda Uganda, Development Finance Company of Uganda Ltd, East African Breweries Limited, Jubilee Holdings Limited, Kenya Airways, New Vision Printing and Publishing Company Ltd, Stanbic Uganda Holdings Limited, Uganda Clays Limited, Equity Bank Limited, KCB Group, National Insurance Corporation, Nation Media Group, Centum Investment Company Ltd, Use Local Company Index, Umeme Limited, Cipla Quality Chemicals Industries Limited and MTN Uganda.

A functioning bond market exists, dominated by the government of Uganda bonds totalling Ush 21.7 trillion. Kakira Sugar Ltd (Ush 985.3 million) and AfDB (Ush 85.7 million) are the only corporate entities that have issued debt instruments with maturities in 2020 and 2022. The proportion of longer-term dated instruments (treasury bonds) in public domestic debt has risen over time, in line with the government's goal of reducing refinancing risks by increasing the share of longer-term debt issuance.

Short-term debt (treasury bills) accounted for 22.5 per cent of the total domestic debt at the end of June 2021, down from 24.4 per cent in 2020, while long-term debt (treasury bonds) accounted for 77.5 per cent, up from 75.6 per cent at the end of June 2020 (figure 7).

The Ugandan government is considering issuing an international infrastructure bond shortly. Only AfDB has a diverse bond investor base that includes overseas investors.

TABLE 9 Monthly trading volumes and activity on the Uganda Securities Exchange, year on the year 2021 and 2022

Parameter	January 2022	January 2021
Volume traded	41,935,930	2,199,505
Turnover (Ush)	2,050,479,088	305,052,157
Number of deals	371	160
Trading delays	20	18
Daily average turnover (Ush)	102,523,954	16,947,342
The daily average number of trades	19	9
Market capitalization (Ush billion)	23,549.32	18,116.38
Uganda Securities Exchange All Share Index (ASI)	136.35	1,299.94
Local Share Index (LSI)	313.54	337.01

Source: Capital Markets Authority.

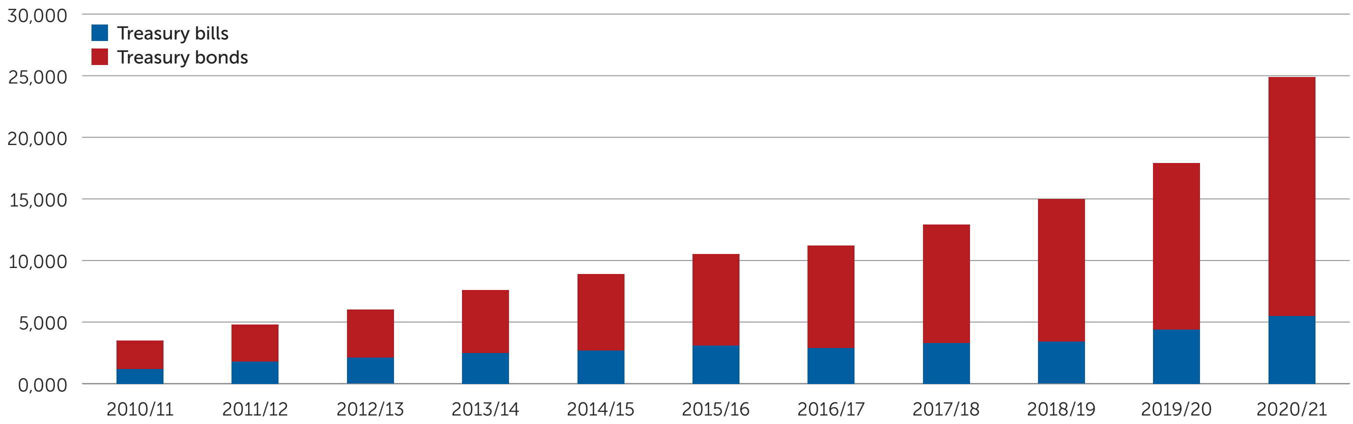
There are no statutory caps on pension funds, and pension and equity funds are legally allowed to participate in infrastructure finance. Among the available instruments are grants, loans, foreign direct investment, remittances, philanthropy, crowdfunding, climate finance, and international and green bonds. There is no regulatory limit on investment exposure, and defence is the only sector excluded from not subject to foreign infrastructure financing.

Key issues and conclusion

While the trends in access to finance have been promising, this diagnostic study has noted some essential concerns that need attention:

- The domestic capital market is not developed enough to accommodate PPP financing. Domestic partners for PPP projects have limited capacity to invest in projects with such slow returns. Recommendation: There is a need to strengthen capital providers in Uganda to match diverse investment needs. The government could explore project-specific

FIGURE 7 **Short- and long-term Ugandan government debt, 2010/11–2020/21**



Source: Bank of Uganda.

bonds, loosening the capital requirements of banks and other limitations that impede bank lending for infrastructure projects, pension funds, insurance companies, green financing and Islamic financing and how they would capacitate local investment in PPPs

- The government of Uganda is considering issuing an international infrastructure bond soon.

10. TRANSPARENCY AND DISCLOSURE

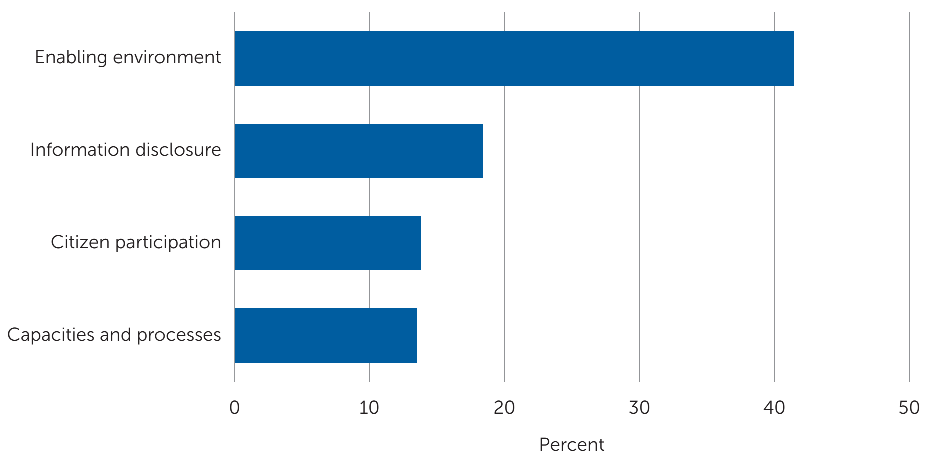
The 2021 National Infrastructure Transparency Index for Uganda stood at 20.8 per cent, representing 60 projects from 30 government entities across multiple sectors.[20] The level of disclosure broadly measures transparency. According to a study by CoST Uganda, access to infrastructure-related information remains limited across the country, and only one of every five government entities proactively discloses infrastructure data.[21] Figure 8 provides the results of the sub-indicators of the index scores. A concern that emerges from the index is that citizens are not involved in the planning and implementation of PPP infrastructure projects: the citizen participation score is a low 13.8 per cent. The index also reveals weak capacities and processes for infrastructure projects, with the lowest score at 13.5 per cent. Although openness is mandated by law, as indicated in a relatively high score for the enabling environment dimension (41.4 per cent), information disclosure is alarmingly low (18.4 per cent).[22]

The report by CoST Uganda recommends that the government demonstrate more outstanding political commitment to transparency, manifesting itself in bold actions on transparency, access to information and citizen participation in public infrastructure delivery processes.

The disclosure framework

The World Bank Infrastructure PPPs and Guarantees Group have developed a framework for disclosure in PPPs, which

FIGURE 8 **National Infrastructure Transparency Index and sub-indicator scores for Uganda, 2021**



Source: CoST 2021.

proposes a systematic structure for proactively sharing information at each stage of the PPP process. The PPP framework calls for monitoring, audit and disclosure procedures to be implemented by the entities supervising or carrying out PPP activities. Uganda used this PPP framework tool to develop the National PPP Guidelines Annex L: Disclosure Framework, which covers all aspects of PPPs. The framework includes sections on general guidelines for disclosing information about PPP projects, templates for information disclosure, and sample contractual clauses to be inserted in the PPP agreement to ensure the private party's cooperation in disclosing information while also guarding the private party's business interest by protecting the confidentiality of some information.

The National PPP Guidelines apply to any PPP project begun under the PPP Act of 2015 and any PPP initiated through a USP. This suggests that these guidelines do not direct PPPs initiated before the act's implementation. Indeed, little information on these PPPs is in the public domain.

All information and documents must be disseminated on the PPP Unit's web-based platform and other media outlets listed in the PPP Act of 2015. The PPP Unit must disseminate summarized and simplified project information in local languages through offline techniques such as posters to ensure broad public engagement.

The following are specific disclosure elements required:

- Information at project initiation, updated after that:
    - Basic project information.
    - Project progress tracking.
- Information during procurement:
    - Feasibility Study Report (partially redacted).
    - Request for Qualification.
    - List of shortlisted bidders.
    - Total Request for Bids.
    - Bid award.
- Information following the execution of the project agreement (commercial close):
    - Project summary.
    - Complete Feasibility Study Report.
    - The financial structure of the project (project documents).
    - Renegotiations and renegotiated agreements and associated documents.
    - Where execution of project agreement (commercial close) takes place, but the project does not reach financial close.
- Performance disclosure throughout the contract period:
    - Performance information.

The supreme audit institution

The National Audit Act of 2008 created the AG's Office, which has the authority to review, investigate and report on the expenditure of public funds disbursed to a private organization or body in which the government does not have a controlling interest. The Public Finance Management Act of 2015 establishes parliamentary control of all public expenditures, including for PPPs. The AG or an auditor chosen by the AG shall audit each PPP entered into by a contracting authority in each fiscal year after the National Audit Act, according to section 30 of the PPP Act of 2015, from the beginning to the end of the project. The AG must act within nine months of submitting the audit report to Parliament.

Overall, the AG's Office has the capacity and expertise to conduct PPP audits and publish the results. One of the AG's strategic objectives for 2016 to 2021 was to manage the expanding range and emerging scope of audit work by developing and revising methods, manuals and standards for executing audits. During FY 2018/2019, 25 personnel were trained in conducting PPP audits with World Bank assistance as part of the capacity-building effort of the AG's Office. The AG Consolidated Report 2019 shows two audited PPP projects and one scheduled for 2020 but not completed due to the Covid-19 pandemic.

The audits examined the projects' implementation and performance in delivering promised outputs. The audits thus offer an opinion on project planning and development (whether the project was well-conceived); the PPP agreement (scrutiny of the obligations and other clauses); delivery of expected outputs (the various components of the project); whether expected outputs are being delivered per the agreement; and monitoring and evaluation. Supervision entails determining whether the project is being monitored and overseen under the agreement.

Review of selected audit reports

The main findings of the two completed PPP audits are described in boxes 2 and 3.

Key issues and conclusion

The critical issues under transparency and disclosure highlighted by this diagnostic study were:

- All information and documents must be published on a web-based platform owned and administered by the PPP Unit and other media platforms as identified in the PPP Act of 2015.
- The PPP Act also mandates the AG to audit each PPP project.
- Overall, as the supreme audit institution, the AG's Office has the capacity and skills to undertake PPP audits and publish the findings. Embracing that role will increase the success rate of PPPs in Uganda.
- Recommendation: establish a systematic structure for proactively disclosing information through a customized framework for disclosure.

BOX 2

THE KALANGALA INFRASTRUCTURE SERVICES PROJECT AUDIT

In fulfilment of the Memorandum of Understanding (MoU) signed between the government of Uganda and Bidco in April 2003, the government entered into an MoU with InfraCo Limited ("InfraCo") in September 2005 to develop, expand and maintain critical infrastructure services in Bugala Island in Lake Victoria for the benefit of Bidco Oil Company and Kalangala district residents and businesses.

InfraCo formed Kalangala Infrastructure Services Limited (KIS) as an integrated, multisectoral limited utility liability company registered in Uganda to be the implementing agency/vehicle for the Kalangala Infrastructure Services Project. KIS was designed as a PPP to achieve the economies of scale necessary to attain project finance, operate efficiently and serve the island residents with improved access to safe water, safer transportation and more dependable solar-powered electricity.

The total project investment was estimated at $49.56 million, and the government was required to pay in advance the annual and quarterly support payments to KIS for ferry and road services, respectively. These support payments were disbursed through Uganda National Roads Authority from 2012 to 2017 and through the Ministry of Works and Transport in 2018.

The audit's objective was to evaluate the KIS project's implementation and performance delivery of expected outputs. The audited scope included:

Project planning and development. The government investment decision was based on the research market analysis report and a development plan presented by InfraCo. The government did not undertake an independent assessment of the infrastructure services gaps on Bugala Island to evaluate the best possible service delivery options as a basis for the investment decision. The Ministry of Finance, Planning and Economic Development (MoFPED) directly sourced KIS without considering alternative providers to compare the costs and benefits and establish the best option required by the procurement regulations. The MoFPED could not confirm that the infrastructure investment option chosen was the most economical, efficient and effective for the government and the citizens.

Delivery of expected outputs. The project's construction phase commenced in 2011 with the ferry component and concluded in June 2016 upon completion of the road works.

Ferry component. As of the audit in October 2018, two ferries with a capacity of 206 passengers each had been constructed and were operational, and the ferry landing sites at Bukakata and Luuku had been reconstructed. KIS had not paid the government annual license and ferry operating fees amounting to $275,000. The agreement, however, did not provide for penalties for delayed payment. In addition, it was established following the amendment of the Implementation Agreement that ferry service support payments would be adjusted on per-trip payment terms based on actual ferry traffic (passengers and vehicles). KIS indicated monitoring several trips was less cumbersome than monitoring passengers and vehicles. However, on further analysis of relevant documentation, it was noted that a passenger manifest is prepared for each trip which could have been used to compute the traffic-based payment. An evaluation of both options reveals that the per-trip option is more costly and resulted in the government paying Ush 16.3 billion more in the first six years of the ferry operations. The amendment of the implementation agreement provided that if KIS failed to provide a ferry service due to the government's default in payments, KIS would be deemed to have operated a ferry service. The government spent a total of Ush 871 million on deemed trips from 308 non-performed trips for 2017.

Road component. The road construction works for the upgrade of the Luuku–Kalangala–Mulabana (65.6 km) road from Class "C" to Class "B" gravel standards that were expected to be executed within 12 months took three years to complete until March 2016, resulting in a two-year delay. The agreement included no provisions for remedies/penalties for delayed completion. During the project's construction phase, the government had paid Ush 40.85 billion in road support payments against a total of Ush 40.16 billion in actual costs reported to have been incurred by KIS on completion of the road construction works. In addition, with the road support payments spread over 13 years, projections show that the government was to spend a total of Ush 120.25 billion, which was high given that KIS is not responsible for maintaining the road.

Water component. The water performance agreement signed between the government and KIS did not specify the water system design, capacity, target population or timelines to be met by KIS. Annual plans and performance reports showed that KIS had constructed five of the eight agreed water systems on Bugala Island, with an installed capacity of 21,500 cubic meters of water production per month. However, the monthly average consumption was only 4,750 cubic meters (22 per cent), serving approximately 8,720 inhabitants, or 16 per cent of the island's population.

Power component. KIS constructed a power plant with a 1.6 MW per hour capacity in Bukuzindu, Kalangala district, with transmission and distribution lines serving the larger settlements on Bugala Island. At the audit visit in September 2018, the extended grid length stood at approximately 140 km, with 67 transformers installed. The power performance reports for KIS revealed that the company had attained the customer connection target of 3,000 customers by year 4 (2018) set out in the power license agreement. It was observed that KIS faces the challenge of low utilization. The maximum load attained during the period under review was 0.4 MW per hour, putting average utilization below 25 per cent of installed capacity.

Monitoring and supervision. The oversight committee had not been operationalized as required under the implementation agreement, and there was no evidence that the involved agencies had nominated representatives to the oversight committee. KIS had appointed an independent monitor (Mott MacDonald) for ferry operations on behalf of the government and had installed GPS monitoring devices. Still, none of the government agencies was closely monitoring ferry service operations. There was no mechanism for Mott MacDonald to certify the passenger and vehicle traffic levels independently. It was established that the government had made erroneous payments to KIS amounting to Ush 13.039 billion due to applying the wrong base factors and Ush 564 million due to the wrong consumer price indices. In addition, the government did not recover Ush 686.7 million resulting from a decrease in the cost of operating ferry services provided by the implementation agreement. IAA. To ensure proper implementation of the project, it is essential that the government, through the Ministry of Finance, Planning and Economic Development, invoke the renegotiation clause to ensure that KIS services are offered at reasonable costs.

Source: OAG 2019.

BOX 3

NAKIVUBO WAR MEMORIAL STADIUM AUDIT

The Board of Trustees entered into a PPP with a private developer to erect, construct, renovate and refurbish Nakivubo War Memorial Stadium (NWMS) perimeter wall and construct lock-up shops around it.

The audit for FY 2019 had these key findings:

Management signed a PPP agreement with a private developer (Ham Enterprises) without considering the proposed amendments by the Attorney General.

The tenure of the PPP agreement between the contracting authority, NWMS, and a private developer was never specified, undermining the efficiency and effectiveness of each party's implementation of their obligations.

The NWMS Board of Trustees failed to prepare and submit project monitoring reports for the period under review to the ministry responsible for sports. The audit could not verify the performance of the PPP arrangement and the progress made under the project.

Contrary to section 28 (2) of the PPP Act of 2015, the private party neither submitted an annual report nor audited financial statements submitted to the contracting authority, creating the risk of significant challenges in confirming and certifying the total amount invested by the private party.

Source: OAG 2019.

11. PEOPLE-FIRST PUBLIC-PRIVATE PARTNERSHIPS

People-first PPPs are a new generation of infrastructure, utility and social service projects implemented through PPPs that put people's interests at their core, generating value for people and the planet. According to the United Nations Economic Commission for Europe, the SDGs call for different partnerships, including PPPs, to close the infrastructure gap. However, the complexity of designing and managing these long-term PPP arrangements also presents some challenges and limitations, which must be considered when analysing the potential of PPPs to promote sustainable development. To realize PPP's social and economic value, PPPs need to be "fit for purpose." That means that PPPs are becoming an instrument that provides value for people and the planet and a financing tool.[23]

There is a need for Uganda to mainstream the people-first agenda into the PPP legal framework. With the advent of concepts such as local content and the inclusion of disadvantaged groups (women, youth, people with disabilities and micro, small and medium-sized enterprises) into public procurement through set-aside schemes, the people-first agenda needs to be considered at all the stages of the PPP cycle. The agenda fits in well with the potential for PPPs at the subnational level. This diagnostic study revealed that the effort to apply people-first principles to PPPs could be assessed as part of the socio-economic impact requirements during the feasibility study.

12. REGIONAL PUBLIC-PRIVATE PARTNERSHIPS

Uganda has participated in several regional initiatives. Twenty-one infrastructure projects have been implemented under the Programme for Infrastructure Development in Africa/New Partnership for Africa's Development (PIDA/NEPAD) initiatives, with some having a regional outlook (table 9). However, there has been no explicit effort to promote regional infrastructure projects using the PPP arrangement, nor has the PPP Unit explored that potential. The projects listed in table 10 offer an opportunity to explore regional PPP implementation.

The difficulty to be resolved is how to coordinate national governments with the private sector or coordinate sectoral strategies that are sometimes incompatible. Additionally, financing of cross-border feasibility studies is required.

13. ASSESSMENT OF OVERALL READINESS FOR PUBLIC-PRIVATE PARTNERSHIPS

Table 11 summarizes the results of the assessment of the overall readiness for PPP projects in Uganda and lays out the priority areas for improvement.

TABLE 10 Selected Programme for Infrastructure Development in Africa/New Partnership for Africa's Development projects in Uganda

Programme	Project	Sector	Subsector	Status	Location
Terrestrial Broadband Connectivity	Dar es Salaam–Kampala Fibre-optic Link (Uganda section)	Information and communication technology	Fibre-optic cable	Active	Uganda
Terrestrial Broadband Connectivity	Juba–Kampala Fibre-optic Link (Uganda section)	Information and communication technology	Fibre-optic cable	Active	Uganda
Northern Multimodal Transport Corridor	Kampala–Kasese Standard Gauge Railway (part of Mombasa–Kigali Railway Project)	Transport	Railway	Active	Uganda
Northern Multimodal Transport Corridor	Kasese–Mirama Hills Standard Gauge Railway (part of Mombasa–Kigali Railway Project)	Transport	Railway	Active	Uganda
Northern Multimodal Transport Corridor	Malaba–Kampala Standard Gauge Railway (part of Mombasa–Kigali Railway Project)	Transport	Railway	Active	Uganda
Northern Multimodal Transport Corridor	Malaba One-Stop Border Post	Transport	Border Post	Completed	Kenya, Uganda
Northern Multimodal Transport Corridor	Mpondwe One-Stop Border Post	Transport	Border Post	Active	Democratic Republic of the Congo, Uganda
Northern Multimodal Transport Corridor	Tororo–Gulu–Pakwach Standard Gauge Railway (part of the Mombasa–Kigali Railway project)	Transport	Railway	Active	Uganda

Source: PIDA n.d.

TABLE 11 Readiness Scorecard summary

Themes	Readiness questions	Yes	No	Priority		
				High	Medium	Low
Background environment	Do the country's economic fundamentals and business climate facilitate successful PPPs?	✔				✔
Experience with the PPP process	Does the government have successful experience implementing PPPs?	✔			✔	
Stakeholder support and ownership	Is there broad support for PPPs from the government, the public, the private sector and other key stakeholders?	✔		✔		
PPP legal and regulatory framework	Does the existing framework facilitate successful PPPs? Are improvements needed in the PPP framework through amendments to existing legislation and regulations or additional legislation or guidelines?	✔				✔
PPP institutional capacity	Is there a second tier of PPP-related institutions and processes that facilitate the implementation of the law, regulations, rules and policies?	✔			✔	
Funding and managing fiscal risk	Does the government provide funding support to PPPs through debt, equity, grants or guarantees? Does the government effectively identify and manage financial risk associated with PPPs?	✔		✔		
Access to finance	Are project financing structures and sources available to support PPPs?		✔	✔		
Transparency and disclosure	Are PPP-related oversight, audit and disclosure procedures and institutions in place?	✔			✔	
People-first PPPs	Is the PPP legal, regulatory and institutional framework consistent with principles established by the United Nations Economic Commission for Europe International PPP Centre of Excellence regarding "people-first" PPP projects?		✔	✔		
Regional PPPs	Is the government prepared to identify, develop and manage cross-border PPPs, Programme for Infrastructure Development in Africa Priority Action Plan II PPP projects and other regional PPPs involving benefits for multiple countries?	✔		✔		

LIST OF INTERVIEWEES

Name	Position	Organization
1. Jim Mugunga	Director	PPP Unit
2. Orono Otweyo	Senior PPP Technical Advisor	PPP Unit
3. Monica Namuli	PPP Officer	PPP Unit
4. Elijah Mushabe	Legal Officer	PPP Unit
5. Gertrude Basiima	Ag. Assistant Commissioner Projects Analysis and Public Investment Department	Ministry of Finance Planning and Economic Development
6. Calyst Bikwasi Ndyomugabi	Principal Economist Projects Analysis and Public Investment Department	Ministry of Finance Planning and Economic Development
7. Anthony Kimuli	Director Value for Money and Specialized Audits	Office of the Auditor General
8. Mark Kabirizi	Planner Public Private Partnerships	National Planning Authority
9. Marios Obwona	Resident Consultant	National Planning Authority
10. Henry Sebuteera	Manager Investment Planning	National Planning Authority
11. Hannington Musimenta		National Planning Authority
12. Paula P. Coetzee	Energy and Infrastructure, Investment Banking	Stanbic Bank
13. Francis Omuse		Stanbic Bank
14. Edson Masereka	Manager, Research and Business Development	Kampala City Council Authority
15. Dr Patrick Birungi	Executive Director	Uganda Development Corporation
16. Mildred Barungi	Manager Research, Monitoring & Evaluation	Uganda Development Corporation
17. Obey Twinomujuni	Researcher	Uganda Development Corporation
18. Keith Kalyegira	Chief Executive Officer	Capital Markets Authority
19. Dickson Sembuya	Director, Research and Market Development	Capital Markets Authority
20. Ronny Mulongo	Manager: Membership and Partnership	Private Sector Foundation of Uganda
21. Isaac Wani	Director of Network Planning and Engineering	Uganda National Roads Authority
22. Moses Ochole		Uganda National Roads Authority
23. Phillip Kazibwe,		Uganda National Roads Authority
24. Eng. Rebecca Abonyo	Senior Highways Engineer	Uganda National Roads Authority
25. Olive Kabatwairwe	Manager	CoST Uganda
26. Betty Atim	Program Associate	CoST Uganda

Name	Position	Organization
27. Juliet Akello	Economist	The Civil Society Budget Advocacy Group CSBAG
28. Peter Engbo Rasmussen		African Development Bank
29. Andrew Lugu		African Development Bank
30. Edward Kihani		African Development Bank
31. David Ofungi	Consultant	African Development Bank
32. Josephine Kalege Kusemererwa	Acting Secretary General	Uganda Local Governments Association
33. Ezra Rubanda	Principal Policy Economist	Prime Minister
34. Jonas Mbabazi	Project Manager Local Government Councils' Scorecard Initiative (LGCSCI)	Advocates Coalition for Development and Environment
35. Ismail Barugahare	Assistant Lecturer	Kyambogo University
36. Moses Kalengyo Mumbere	MSc Student	Kyambogo University
37. Simon Peter Nsereko	Economist	UNRCO
38. Winner Jeannette	Economic Analyst	UNRCO

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