

Business Integrity Initiative

Factors affecting private sector participation in public infrastructure procurement in Uganda

Study results

November 2021



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Objective of the study

1. To assess the factors that inhibit the private sector from participating in public infrastructure procurement.
1. Identify recommendations for increasing private sector participation in infrastructure procurement processes.

Study Methodology



Qualitative approach

- Key informant guide
- Interviews



Quantitative approach

- Online survey with a set of questions

Study respondents

1. Public Procurement and Disposal Authority (PPDA)
2. Uganda National Roads Authority (UNRA)
3. World Bank Uganda Country Office
4. Uganda Association of Consulting Engineers (UACE) Staff and board members.
5. Uganda National Association of Builders and Civil Engineering Contractors (UNABCEC) Secretariat
1. Kampala City Council Authority (KCCA)
2. Terrain Services Ltd, Sseguku
3. Novelty Consult and Engineering Ltd
4. Kezian Africa
5. Members of UNABCEC
6. Private local firms (Not members to any association)
7. District Officials e.g., Kamuli, Kabarole and Gulu

Study limitations



- Slow response

Citing study fatigue and less action from decision makers.

- Elections and Covid19 lockdown effects – use of online interviews.

- Fear to open up on experiences, and pains in the sector especially public officials.

Current opportunities for local firms

UNRA

- a) Mechanised maintenance of unpaved and paved roads
- b) Periodic maintenance of paved and unpaved national roads
- c) Low Volume Sealed Roads(LVSR)
- d) Swamp improvements
- e) Selected bridge works (short span bridges and multiple box culverts)- Terrain is working on a number of them.
- f) Labour based maintenance of national roads
- g) Selected feasibility studies and detailed engineering consultancy services for road upgrading projects.

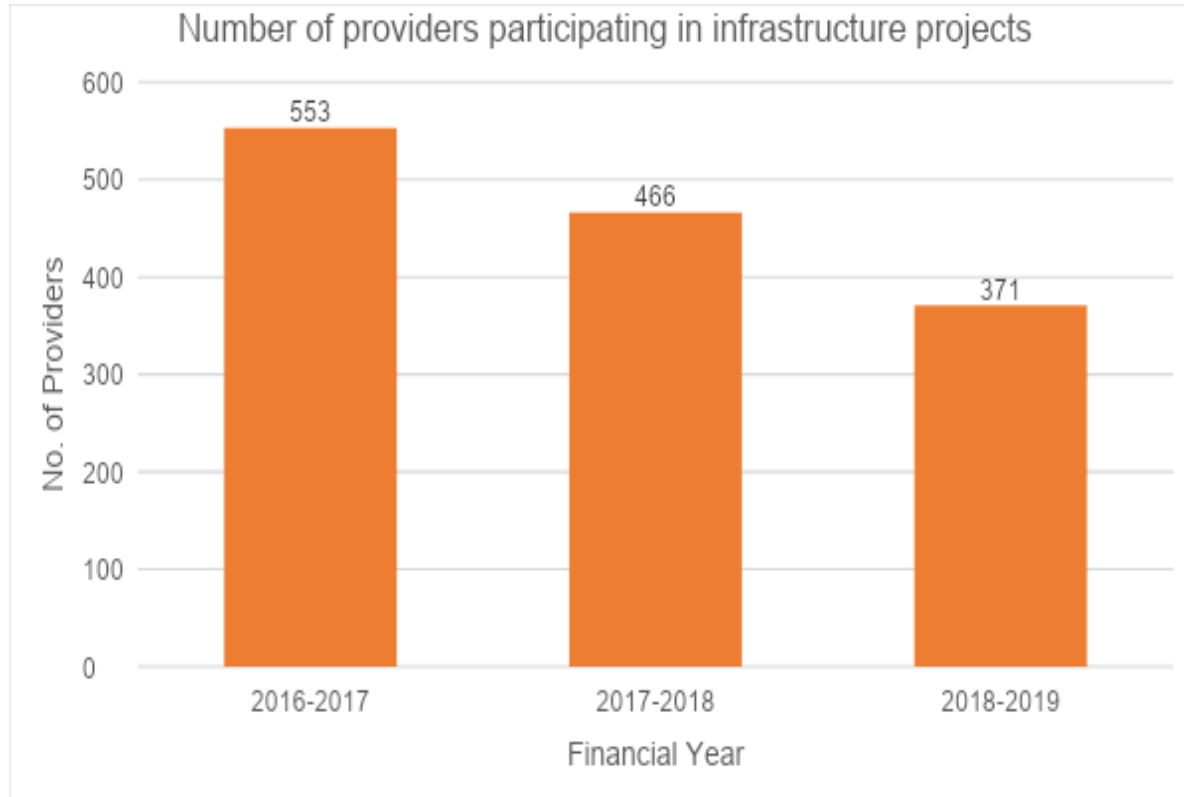
KCCA

- a) Renovation of schools
- b) Road Maintenance
- c) Gravel road upgrade-upgrading to tarmac
- d) Garbage collection in the city

Study results



Sharp decline in number of firms engaging



A reduction of 182 registered providers from 553 registered providers in 2016/2017 and 371 registered providers in 2018/2019

Sharp decline in number of private sector firms engaging annually

Who is taking the tenders?

100% of the firms engaging in procurement for infrastructure projects are from Uganda, China, India, Tanzania and Serbia.



Foreign firms are risk averse to engage in procurement

USA and UK firms do not participate because they are risk-averse and; have neglected the market due to failure to prevent corruption locally (*a Consulting Engineering based in Scotland noted*)



43% of the respondents expressed that corruption was the biggest challenge in procurement.

High cost of bidding, unfair competition

51% of the local firms consulted had never participated in public procurement processes pointing to;

- High cost of bidding
- Unfair competition with foreign firms
- Others considered public procurement a waste of time and resources since they are always not considered.



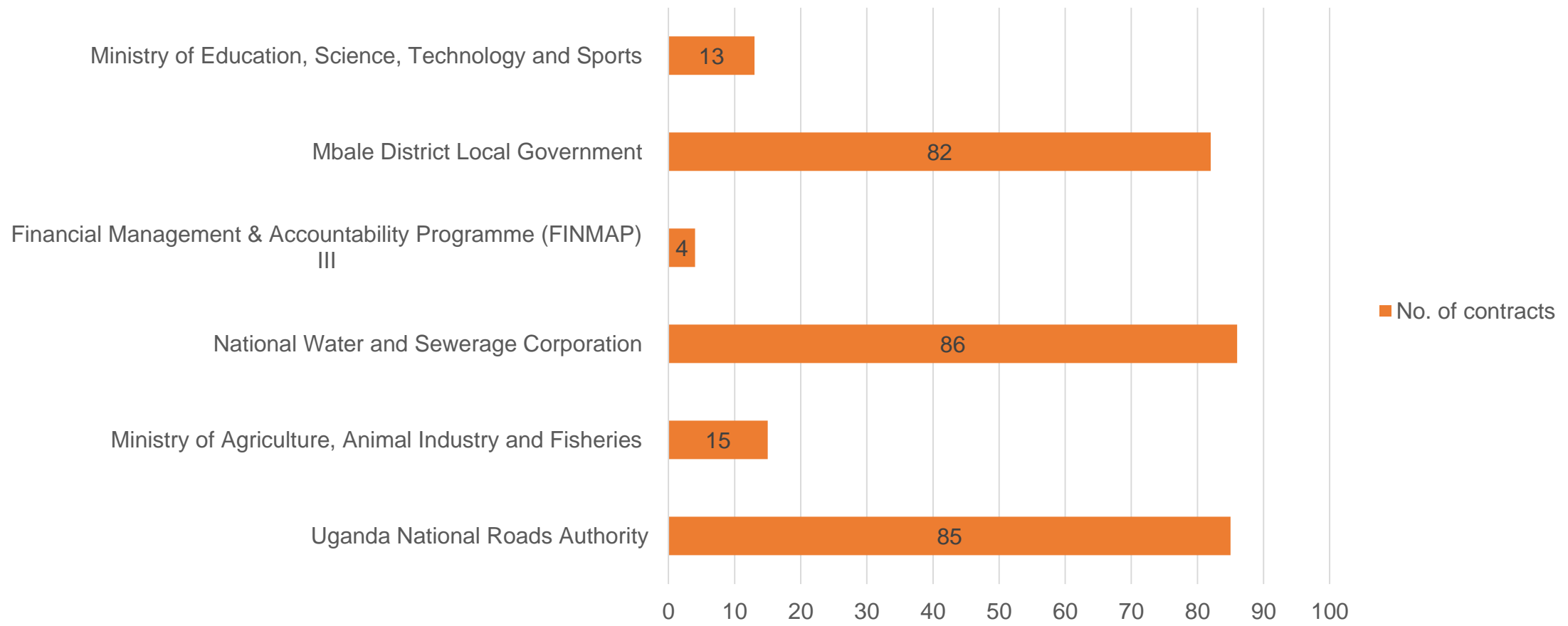
about 80% of civil works contracts in Uganda were undertaken by foreign firms.

Implementation of reservation schemes

88% doubted the implementation of the reservation and preference schemes despite their knowledge of these schemes.

12% did not know about their existence when they were developed, their intended purpose and responsible entity.

PDE with the highest No. of contract spending in 2019/20



Contract value of entities with the biggest spending 2019/20

No.	Entity	Value spent on infrastructure FY 2019/20 (UGX)	Total Contract Value FY 2019/20 (UGX)
1	Ministry of Education & Sports	10,359,062,602	112,824,069,681
2	National Water & Sewerage Corporation	19,157,259,270	447,248,383,506
3	Ministry of Agriculture, Animal Industry	42,418,825,089	56,591,122,189
4	Uganda National Roads Authority	257,865,625,832	773,135,201,546
5	Mbale DLG	11,849,620,848	17,711,544,864

Unfair competition

67% of the respondents noted that there was unfair competition with foreign companies. Foreign firms easily access finances at very low interest rates (2-3%) in their home countries, while local firms borrow from commercial banks at an interest rate of 20-25%.



A lacuna in the implementation of reservation schemes

The study identified a lacuna in the implementation of guidelines on reservation scheme to promote local content in public procurement such as *reservation of public contracts by the threshold to national and resident providers and reservation of at least 30% value of works and supply of materials, equipment and services.*

Currently, this is not being respected in its totality, which frustrates both national and resident providers

Capacity of the national providers

Limited capacity by national providers, such as equipment, finances, and capacity to prepare quality bids, documentation such as audited books of accounts, business reports, and tax clearance certificates.

38% progress reports
and bids usually have quality
concerns with



Clustering of projects limits participation & uncertainties around hybrid procurements

Clustering of projects limits the participation of the local private sector due to high requirements, e.g., bid security and multiple equipment, for example *clustering of roads in different parts of Kampala, and the USMID road construction in the different project municipalities.*

The study found it unclear whether hybrid procurement would actually deliver in practice what they promise in theory as they are based on absent guidelines and no law.

Low disclosure levels



Limited access to procurement information by national providers.

Of the **76 business** representatives at a CoST forum in February 2021, only **3 confirmed** that they **knew GPP existed**.

Delays in procurement

Project delays in procurement were attributed to lengthy administrative reviews and the use of government staff in the evaluation of public infrastructure tenders which affected the integrity and led to delays in procurement.



Sub contracting between foreign and local firms is highly practiced.

What affects relationships between foreign and local firms



Limited trust among local and foreign firms on finances and quality of work



Lack of enforcement of reservation scheme of contracting 30% of local firms.



Limited negotiation skills: Some local firms lack the ability to negotiate a better deal in joint ventures and so they end up being affected.

Strategies for improving effectiveness of joint ventures



PDEs should supervise, monitor and follow up on Joint Ventures and subcontracting to national or resident providers



Institute mandatory requirements for PDEs to monitor the implementation of joint ventures. *37% respondents noted lack of monitoring led to termination of relationships between foreign and local firms over unclear reasons*



- Capacity building
- Joint ventures should be aimed at mutual benefit
- Timely payments
- Stipulate in the law clear regulations on joint ventures
- Clarity of roles and responsibilities
- Build trust

Benefits of hybrid projects



Promotes value for money (VfM) e.g., because of the multiple partners like central and local governments, expertise and technology used in procurement results into efficient and quality deliverables.



Creates a favorable environment which attracts international bidders to participate in bidding hence promoting competitive bidding.



- Use of multiple procurement systems helps to attract the best firms with the required capacity.
- It creates equal opportunities for all bidders as it minimizes influence peddling.

Strategies to strengthen the performance of hybrid projects



Establish/identify hybrid project management units, ensure central data management at all levels



Develop and issue standard hybrid guidelines to guide hybrid procurement.

Recommendations to MoFPED/PPDA

- Develop guidelines and regulations to manage implementation of all forms of joint ventures between foreign and local firms and local and local firms.
- Establish an infrastructure industry development fund or credit facility in Uganda Development Bank (UDB), where local firms could borrow at an interest rate between 3-5% annually.
- Strengthen use of subcontracting between foreign and local firms to realize 30% of the value of works.
- Establish programmes to uplift the local private sector, e.g. preparing quality and winning bids

Recommendations to MoFPED/PPDA

- Rebuild trust in public procurement; strengthening transparency, considering independent actors to undertake evaluation of tenders to address conflict of interest, leveraging on e-procurement system.
- Establish clear guidelines and regulations on the reservation and preference schemes.
- Strengthen local content monitoring, evaluating and reporting, and timely feedback on the reservation and preference schemes, joint ventures and subcontracting.

Recommendations to MoWT

- Expedite operationalization of the national consultants and contractors register and network it with NITA-Uganda for proper record keeping.
- Support development and review of the construction sector classifications, handbooks and policies, e.g., the National Construction Industry policy should be prioritized.

Recommendations to Development Partners

- Anti-corruption Agencies such as Directorate for Ethics and Integrity should address the perceived corruption in the sector.
- Consider enabling procurements to be governed by country policies and systems or the use of flexible hybrid policies and systems.
- Consider partnerships to build the capacity of the local private sector in preparation of winning proposals, financial management, among others.
- Support the development of policy and legal frameworks to implement hybrid financing and procurement.

Recommendations to other actors (CSOs, media)

- Consider advocating for formalization of lead sector associations as Government entities. Require all contractors and consultants to belong to those associations.
- Lead sector associations to champion capacity building
- CoST should further its work on business integrity across sectors, LG and CG.
- Position CoST as a trusted go to platform for infrastructure transparency and sector reform.



*Thank you for listening
Questions?*