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## Public-Private Sector Dialogue in Uganda's Reform Process

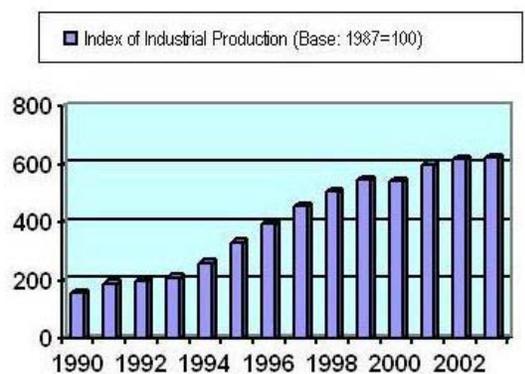
Uganda's impressive track record as a fast reformer has been well documented and widely acclaimed (R. Reinikka and P. Collier, 2001). The country recorded robust economic growth averaging 6.8 percent in the period 1990–2003 (World Bank, 2004), thanks to political stability and to prudent macro economic reforms that have imposed fiscal discipline, restructured public expenditure, and liberalized the economy. The reforms were implemented following a period of civil conflict (the 1970s and early 1980s) that saw Uganda's economy spiral out of control.

Key reforms successfully implemented have included the enactment of an Investment Code offering opportunities, incentives and protections to both domestic and foreign investors, an independent role for Bank of Uganda, the central bank, enhancing its capacity to manage the strengthened financial sector; overhaul of the trade regime and abolition of state commodity marketing monopolies; and privatization of public enterprises. Today, Uganda has one of the better investment climates and the most liberal trade regime in the region. Much still remains to be done, but there is a commitment to lowering investment risks and

reducing the costs of doing business, by implementing efficiency-enhancing reforms, strengthening key institutions, and providing better physical infrastructure.

The wide-ranging reforms have resulted in a radical improvement in Uganda's main economic fundamentals and provided a strong platform for sustained economic growth. The rapid recovery of Uganda's small but important industrial sector sharply illustrates this point (Figure 1).

Figure 1



Source: Statistical Abstract 2001, Uganda Bureau of Statistics & Background to the Budget 2004/05, Ministry of Finance Planning & Economic Development.



## **Public-private sector consultation**

Public-private sector consultation has been a major factor driving Uganda's reform process. Indeed, the evolution of a strong public-private partnership presents interesting lessons for countries aiming to structure a successful consultative dialogue in a post conflict or emerging economy context.

Towards the end of the 1980s, the Ugandan economy was lacking in the most basic commodities, the inflation rate was over 90 percent, and a sudden collapse in the price of coffee, the country's only export commodity at the time, had precipitated a currency crisis. At the beginning of the 1990's, both the Government of Uganda and other key stakeholders in the economy had recognized that they needed to pull together to face the serious challenges of economic recovery. A major outcome of this realization was the launch of Uganda National Forum in 1992.

Key to the effectiveness of the Forum was the support of the President of Uganda, who made clear his commitment to private sector-led growth. The Uganda Manufacturers Association, the strongest and most credible business support organization in Uganda at the time, and the Presidential Economic Council (PEC), sponsored the Forum, with financial support from USAID.

The Forum, conceived by a small but influential group of reform minded public servants and visionary private sector leaders, was seen as a way to stimulate private sector investment and promote export development. The initial core group effectively steered a larger partnership including opin-

ion leaders, catalysts, believers, skeptics, and others. The Forum had a well-defined organizational structure, with clear mandates for its working committees. It held a high level annual conference, attracting world-class speakers to provoke new thinking, with a strong mandate to conclusively define the country's reform agenda.

The Forum ran for 5 years, and while it lasted it provided a dynamic platform for key economic stakeholders to articulate business-friendly and growth-promoting policies, working on such initiatives such as the liberalization of interest rates, improved tax policy and administration, an export strategy, privatization, and public utility reform, among others. Starting from a background where government bureaucrats were more familiar with a command and control approach to policy-making, the forum worked hard to eliminate the high level of mistrust that had existed between the public and private sectors and to consolidate an emerging culture of participation. Participation of high-level leaders from business, government, and academia provided a deep reservoir of power and knowledge to exert influence in the public policy arena.

## **The Private Sector Foundation Uganda (PSFU)**

The success of the National Forum was a major factor in the creation of strong sub-sector business organizations with the Private Sector Foundation Uganda (PSFU) at the apex. Formed in 1995, the PSFU now has a membership of 66 business associations and corporate bodies.

The PSFU broadly represents all sub-sectors of the economy and is at the heart of structured consultations between the public and private sectors. The Foundation has benefited from strong support and patronage of the many individuals from business, government and academia that were instrumental to the success of the National Forum. Strength in consensus building has enhanced the Foundation's profile as an effective platform for greater transparency among private sector associations thereby mitigating/limiting tilt of policies in support of narrow special interests.

The Foundation enjoys growing recognition and is now Government's main partner in the implementation of the country's main framework for the development of the private sector - the Uganda's Medium Term Competitive Strategy (MTCS, [www.psfuganda.org/docs/Content-MTCS.doc](http://www.psfuganda.org/docs/Content-MTCS.doc)). The fact that the Foundation is not directly dependent on Government funding, conducts its business via transparent channels and is broadly representative of different sub-sectors has been its source of strength. Most importantly, the leadership of the PSFU is widely respected, not only by its private sector constituency but also by the government and by Uganda's development partners.

The Foundation successfully managed a US\$ 20 million World Bank funded Private Sector Competitiveness Project (PSCPI) on behalf of the Government and now is poised to manage a successor project valued at US\$ 70 million. PSFU has managed other private sector programs sponsored by the EU and the USAID.

The successful record of the PSFU has inspired the formation of similar private sector apex organizations in Tanzania and in Rwanda, and the Foundation has played a pivotal role in the evolution of the East African Business Council [EABC], the apex business organization at the East African Community level.

Like any other new organization, the Foundation has had its share of challenges. For example, the disproportionate strength of some of its member associations, such as the Uganda Manufacturers Association, leads them on occasion to ignore PSFU consultative channels and take their case directly to government. The challenge of meeting the ever-rising expectations of both members and the Government has resulted in added pressure for PSFU to deliver on its mandate and has stretched the Foundation's internal capacity.

#### **Other initiatives**

Other parallel, but no less important, initiatives have positively impacted on the quality of Uganda's public private dialogue. Government's launch of a Regulatory Best Practice initiative (RBP, [www.goodregulation.or.ug](http://www.goodregulation.or.ug)) in 2000 is a case in point. The RBP program, working with both public and private sector partners, is enhancing public - private sector consultative channels thereby contributing to a more structured and efficient dialogue. Institutionalization of regulatory best practices in Government coupled with capacity building in Regulatory Impact Assessment (RIA) among private and public sectors, has provided a strong foundation for quality policy

and law making in Uganda. Under this initiative, capacity in evidence based policy advocacy has been enhanced among private sector organizations, enabling them to dialogue with Government more effectively.

The drive to further improve the quality of Uganda's investment climate will increasingly depend on the skill with which the private sector associations, with the PSFU at the apex, work with government to identify new reform priorities and deliver solutions that progressively reduce both the risks and costs of doing businesses in Uganda. Following the quick, high-impact policy reforms of the type pursued with such success in the early 1990s, Uganda's major economic stakeholders now have to grapple with the challenges of implementing institutional reforms and building their capacity to respond strategically to the demands of an increasingly competitive world.

*This article by William Kalema has been reproduced from the March 2005 issue of Development Outreach, published by the World Bank Institute. The author is Chairman of the Board of the Uganda Investment Authority.*

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Information on the Government of Uganda's Medium Term Competitive Strategy (MTCS) available at the Private Sector Foundation Uganda (PSFU) website: [ww.psfuganda.org/docs/Content-MTCS.doc](http://ww.psfuganda.org/docs/Content-MTCS.doc).

Information on the Government of Uganda's Regulatory Best Practice (RBP) Initiative is available on the website:

[www.goodregulation.or.ug](http://www.goodregulation.or.ug)