

German Development Co-operation with Uganda

Abstract of the Evaluation “Public-Private Partnership (PPP)” - Country Study Uganda -

Summary

In Uganda the general climate for PPP is all in all rather difficult. Two of the four projects evaluated involve agriculture/rural development and the others health and transport respectively. Three of the projects are financed from the so-called "facility". The project in the transport sector is part of bilateral financial cooperation (FC).

The projects show strengths and weaknesses. Strengths can be found in the rapid implementation and in the overall development impact. Weaknesses are shown in the process of identification, planning and steering of the projects as well as in the sustainability of the impacts reached so far or expected (due to the too short length of project duration). All in all, the projects make sense, for the private and the public side, and are largely effective and efficient.

The instrument PPP still has room for improvement in a wide range of areas. It especially needs a precise theoretical foundation and a planning procedure based on this, including an evaluation defining the public benefits. Documents which are more operational and an intensification of the dialog between the executing agencies (EA) and the private enterprises seem to be necessary.

Despite of difficult framework conditions Uganda certainly offers some opportunities for PPP projects. This is true of integrating PPP into the newly defined focal areas of bilateral development cooperation (mainstreaming) as well as for projects financed from the facility.

Observations

Since the end of the civil war Uganda has been pursuing a path towards a market economy, but at a relatively slow speed. The macroeconomic environment offers a rather difficult picture. However, there are certain possibilities for PPP projects.

All the projects are concerned with areas of intervention relevant for development and show a "win-win-situation" for the public and private sector, but sustainability seems not always secured. Given the short duration of activities depending on financing from the facility, some of the set objectives to be too ambitious. In the case of the transport sector there was too little support for the project from the public sector in Uganda. The dialog between EA and private enterprises during the process of setting objectives and during the planning was not always intensive enough. The objectives of the private sector are not clearly expressed in the development cooperation documents. The operational quality of the planning documents is not always good enough. The implementation of projects is carried especially by the dynamics of the private enterprises, which received too little support here from the EA. The internal steering of the projects by the enterprises is generally quite good, but there is little external steering by the EA. Monitoring is more input-oriented than impact-based. (For the project in the transport sector the last three points either do not apply or only have limited relevance.)

Despite certain weaknesses in concepts and planning, the results of the implementation of the projects range from satisfactory to good. The projects are making significant contributions to objectives which are relevant for the development process in selected individual areas and/or are helping to support or complement other bilateral development projects. Often the pilot nature of the projects and the expected impact linkages are more important than the direct impacts. This is why the aspect of sustainability is of particular importance, although it is not (yet) secured in all cases. All in all, the impacts already realized or still expected do justify the spending of public funds, which was generally carried out in an effective and efficient way.

Recommendations

The recommendations made relate mainly to individual aspects of projects and the relevant sectors and are not repeated in detail here. The essence of these recommendations, the relevant lessons learnt for the instrument of PPP, as well as reflections on how to optimize PPP are dealt with in the following section.

Conclusions/Lessons learnt

Conceptual further development of the instrument PPP as a project type

There seems to be a need to clarify who or what "public" is, since the partner country is not officially involved in projects financed from the facility. The realization of "win-win situations" depends on the definition of (at least partially) congruent objectives in a participatory process and a commitment by both the public and private side until the development process is self-sustaining.

It does not make much sense to compare PPP with traditional development measures, as reaching an optimum may require one form of cooperation or the other. Neither should PPP be defined as something separate from other instruments of economic support, rather these other instruments should be incorporated into PPP projects. Declining development budgets in real terms and growing challenges within the partner countries require the extension of the PPP approach, incorporating more private enterprises (regardless of their nationality).

In practice PPP lacks a clear theoretical orientation with regard to the differences between what is optimum for the private sector and for society (key words: external effects, meritorious or public goods). In practice opportunity cost should be the guiding factor instead of a pure orientation towards market prices and a distinction should be made between recurrent cost and investments (risk sharing instead of cost sharing). (Not only for this reason) an accounting system designed for PPP projects with clearly defined cost categories would be a good thing. The reciprocal learning between the public and the private sector is not sufficiently developed. Harmonization is often more a case of one-sided adaptation to development cooperation objectives by the private players.

It is not necessary for all PPP criteria to be met, as long as a "public benefit" exists. The criteria "compatibility with development objectives", "complementarity" and "the private sector's own contributions" do not pose any problems, and are also self-evident for a PPP project. The intention of the criteria "subsidiarity" is easy to understand and may be relevant in some cases, but it need not be met in each and every case. The criteria "neutrality in competition" is generally at odds with corporate objectives and should be understood as equal access to funds for PPP projects. Early and extensive publication of insights gained using public funds seems to be fair.

Even profitable PPP projects may suffer at times from a lack of liquidity. After a technically successful start a private partner may need financing to extend his activities. As capital markets do not always offer financing at acceptable (and economically justified) conditions, instruments ranging from (revolving) funds to venture capital might be needed.

Institutional, organizational and procedural development of the PPP instrument

To make procedures simpler and more flexible there is a need for a rapprochement between the different "cultures" in the private and public sector. A guiding principle could be: "creating, not administrating". A stronger focus on performance instead of on inputs would make sense, but requires greater readiness to take risks on both sides. Key persons (with backgrounds such as systems analysis in EDP and/or mediation) could act as "communicators" to speed up the process. They would need access to a network providing them with regional and sectoral information.

During the course of planning a Business Plan should be prepared. It needs to cover at least the time span until the project reaches normal capacity and should contain a Profit & Loss Statement, a Cash Flow Analysis and a Balance Sheet. Based on these documents an eco-

conomic evaluation needs to be done. Some planning and evaluation steps could be standardized leaving room for special aspects of individual projects to be taken into account. Standardized monitoring does not make much sense, as good M&E needs to replicate a "model" of the particular project in question. However, some common modules could be helpful. M&E needs to be seen as a management instrument.

The PPP Facility and integration into the "mainstream" of bilateral development cooperation (DC) both have their justifications. PPP should be better integrated into the structures of the EA, assisted by the "communicators". Active steering by the BMZ should make use of the advantages of the different EA, while competition between the EA does not make much sense. (Foreign) Chambers of Industry and Commerce and Chambers of Handicrafts could play a more important role as a link to the private sector and as its partners in preparing PPP projects.

Chances, risks and perspectives of PPP measures within bilateral DC with Uganda

Despite numerous and in some cases strong obstacles, Uganda offers some potential for PPP measures. DC needs to highlight these chances and help the private enterprises to deal with the frictions.

The focal areas of German DC with Uganda: Water Supply and Waste Water Disposal, Finance Sector Development, Vocational Training and the so-called "Space for Special Measures" do offer certain possibilities for PPP projects.

Good chances for PPP can be found in the field of water supply and waste water. In the financial sector German enterprises may be less interested as a result of a quite different banking system in Uganda and of low inclination to run high risks in a developing country. There is already considerable private provision for vocational training in Uganda, offering opportunities for job-related training in fields facing a certain demand, like water supply and waste water disposal as well as transport. In the "space for special measures", malaria prevention should enjoy equal status with HIV/AIDS measures and receive support.

There are individual areas where Uganda can still be attractive for projects from the PPP Facility. Niches (such as bark cloth or organically grown coffee) are possible areas and the great variety of plants in Uganda may offer opportunities in the fields of drugs and cosmetics.

As Ugandan policy is to give the market economy more scope, PPP is of particular importance for development cooperation with Uganda. Especially projects in financed from the PPP Facility, cooperation with other donors is advisable in order to fit smaller projects into their environment better.

Basic data

Social Marketing of Mosquito Nets - Aventis

Start of the Project:	06/2001
End of the Project:	05/2003
Budget allocated in DM millions:	0.096
Executing Agency:	GTZ
Division responsible for the project in the BMZ:	410

Organically Grown Coffee - Neumann Group

Start of the Project:	10/2000
End of the Project:	10/2003
Budget allocated in DM millions:	0.316
Executing Agency:	GTZ

Division responsible for the project in the BMZ: 410

Production of Bark Cloth - Bark Cloth

Start of the Project: 12/2000

End of the Project: 06/2003

Budget allocated in DM millions: 0.243

Executing Agency: GTZ

Division responsible for the project in the BMZ: 410

Repair of Railway Equipment - ADtranz or Bombardier

Start of the Project: 04/1996

End of the Project: 04/2000

Budget allocated in DM millions: 8.9

Executing Agency: KFW

Division responsible for the project in the BMZ: 214

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