

## PRIORITIZE SUPERVISION OF PUBLIC INVESTMENT VENTURES FOR 2020

### 1. INTRODUCTION

As It is broadly approved, there is a scaling-up need of public investment in physical and social infrastructure that should be done at-most apex in both low and middle income developing countries, in order to achieve sustained link between public service delivery, growth and development.

This has been witnessed by the mushrooming of a mix of projects, both tangible and intangible, worldwide and mostly on the African continent where development finance partners have offered support, aiming at accelerating financing modalities to flexibly address this factor of development financing, in forms of Official Development Assistance (ODA), Intergovernmental transfers, Capital financing, Grants, Sovereign debt to make Public investment a reality.

### 2. CASE OF UGANDA

Government in Uganda remains the prime provider of public services in the eyes of the citizens. Uganda's progress towards achieving inclusive sustainable growth is largely constrained by huge deficits in infrastructure stock (US\$ 1.4 billion per year in the medium-term) particularly in the Transport, Health, Agriculture, Education, Water and energy sectors, that require financing beyond the public budget ceilings (from both the domestic resources and development partners).

The International Monetary Fund (IMF, 2018) estimates for Low Income Countries such as Uganda (LIDCs) to need additional annual financing of 14 per cent of their GDP. Therefore, the country's development agenda is focused on scaling up financing for infrastructure development. However, faced with an increasingly constrained resource envelope, increasing public administration cost and rising debt levels, Uganda needs to urgently work on improving her



Hoima-Kaiso Tonya road being tarmacked by Kolin construction Ltd., courtesy of Daily monitor.

efficiency in public investment management (Health, Education, Water, Agriculture, Energy and Transport), arriving at this, will entirely depend on the degree to which the State manages its public investments.

### 3. CHALLENGES FACING PUBLIC INVESTMENT MANAGEMENT IN UGANDA

Uganda continues to face a myriad of challenges, posing numerous down-side risks, weaknesses in the management of projects has been known to particularly manifest into;

- a) Poor project selection and execution, further leading to the creation of "white elephants" that do not transform into productive assets,
- b) Unrealistic time and budget schedules that lead to delays in completion of projects and absorption capacity constraints,
- c) inefficient planning leading to unprecedented cost (inflated unit costs) and time over-runs,
- d) Poor operation and maintenance of leading to faster depreciation of created assets. Other bottlenecks affecting project implementation include; high compensation cost, and poor coordination among participating government agencies and Local Governments.

### 4. DEBT ACQUISITION AND PROCUREMENT OF GOODS AND SERVICES:

Based on the infrastructural projects for implementation identified in the NDPIII (2015/16 – 2020/21), in addition to concessional borrowing and domestic revenue mobilized, Uganda will also source for resource through non-concessional borrowing (Domestic and external). It is envisaged that such projects financed through no concessional borrowing shall have high economic returns which may not be viable in the short run but with enormous social benefits, However, the cost of such borrowing is usually higher.

### 5. IMPLEMENTATION OF THE NATIONAL BUDGET

Budget execution driven by overall inefficiencies in investments and consumption has increasingly become a nightmare an indication of a decline in efficiency utilization of public capital thus curtailing the desired socio-economic transformation. The budget process suffers from an overhang of incomplete projects, which become perpetual, with continuing demands on the budget or even requiring additional resources when poorly implemented. When budget execution struggles, there is a high risk of stop-go-cycles in investment. Realizing the gains from the ambitious fiscal strategy therefore will require addressing existing investment inefficiencies. The efficiency with which capital stock is used is a powerful lever with which to increase growth and reduce poverty.

### 6. FOR PUBLIC INVESTMENTS TO BE PRODUCTIVE;

- 1) There is need have an effective management of public investments at all stages of the project cycle, so they contribute to increased growth and improved productivity.

- 2) Harmonization of standards and guidelines is critical for quality control, greater tracking, and monitoring of results. A shared understanding is needed across institutions related to identification, appraisal, implementation, evaluation of projects.

- 3) Uganda's debt is expanding exponentially and tending to a non-concessional direction. It is imperative that Parliament critically considers this trend within the overall framework of continued borrowing, versus rationalization of national resources and multiple sector players at times with rather duplicate roles. Parliament needs to ensure that Uganda borrows at concessional terms and the projects realize a high positive return on investment, to enable an effective loan repayment record.

- 4) Government should also adopt discouraging loans that are tied to procurement of goods and services through fixed supplier. This will ensure transparency, flexibility in sourcing for any service provider; avoid possible inflation of costs in the process of purchase of goods and services and value-for-money.

- 5) Need to strengthen the legal and regulatory framework by mapping conducts and risks of corruption at each phase of the investment cycle, mitigate the risks, and to redress them by addressing each of the conducts and risks previously identified but also developing codes of conduct party to the investment process and engagement, as well as its values and principles and the linkages with standards of professional conduct .

### 7. CONCLUSION

Uganda needs to have better oversight in public investment management system's positively correlated to how projects are scrutinized and selected, tendered, implemented, subsequently operated, effectively completed on schedule and sustainably maintained to arrive at the required cost benefit analysis results.

UDN appreciates support by: Membership; [DGE](#); [DCA](#); [Save the Children in Uganda](#); [Inspectorate of Government](#); [IBP](#) and [Trocaire](#).

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