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(SAPRI)

THE PRIVATISATION PROCESS AND ITS IMPACT ON SOCIETY

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List of Acronyms

ASAC	-	Agricultural sector Adjustment Credit
BAT	-	British American Tobacco
CMB	-	Coffee Marketing Board
DAP	-	Divestiture Action Plan
DAPCB	-	Departed Asian Property Custodian Board
DRIC	-	Divestiture and Reform Implementation Committee
EDP	-	Enterprise Development Project
ENHAS	-	Entebbe Handling Services
ERP	-	Economic Recovery Program
GDP	-	Gross Domestic Product
IDA	-	International Development Association
IGG	-	Inspector General of Government
LMB	-	Lint Marketing Board
MFEPED	-	Ministry of Finance, Planning and Economic Development
NIC	-	National Insurance Corporation
NOTU	-	National Organization of Trade Unions
NRC	-	National Resistance Council
NTB	-	National Textile Board
NTC	-	National Tobacco Corporation
NYTIL	-	Nyanza Textile Industrial Ltd.
PERD	-	Public Enterprise Reform and Divestiture
PERDS	-	Public Enterprise Reform and Divestiture Secretariat
PES	-	Public Enterprise Secretariat
PIES	-	Public Industries Enterprises Secretariat
PMB	-	Produce Marketing Board
PRWG	-	Policy Review Working Group
PSF	-	Private Sector Foundation
SAPs	-	Structural Adjustment Programs
SOEs	-	State Owned Enterprises

TUMPECO		The Uganda Metal Products and Enameling Company
UCB	-	Uganda Commercial Bank
UCC	-	Uganda Cement Corporation
UCCI	-	Uganda Chamber of Commerce and Industry
UCDA	-	Uganda Coffee Development Authority
UCS	-	Uganda Consumer Society
UDB	-	Uganda Development Bank
UDC	-	Uganda Development Corporation
UDN	-	Uganda Debt Network
UGMC	-	Uganda Grain Milling Company
UEB	-	Uganda Electricity Board
UFEA	-	Uganda Farmers and Exporters Association
UIA	-	Uganda Investment Authority
UMA	-	Uganda Manufacturers' Association
UMSC	-	Uganda Muslim Supreme Council
UPE	-	Universal Primary Education
UPTC	-	Uganda Posts and Telecommunication
USC	-	Uganda Steel Corporation
URC	-	Uganda Railways Corporation
UTA	-	Uganda Tea Authority
UTL	-	Uganda Telecom Limited

EXECUTIVE SUMMARY

Uganda embarked on the privatisation of formally SOEs in 1993 and is continuing with the process with 34 SOEs remaining to be privatised out of 139. Although privatisation was intended to result into fiscal benefits and equity-enhancing effects through income distribution effects, reduction of inequalities in access to goods and services by limiting opportunities for favouritism, corruption and differential fixing of rents that penetrate economies with extensive state controls and subsidies, there are concerns that privatisation has hurt the socio-economic welfare of the majority. Civil society concerns are that benefits have gone almost entirely to the mangers of the process. There is a feeling that government has not facilitated adequate participation of the locals in the process, thus the locals feeling robbed of national assets that were built through accumulation of taxpayers' contributions.

This report presents the findings of a study that was commissioned by SAPRI (Uganda) aimed at assessing the impact of privatisation on society. Its major findings and conclusions are three.

First, that given the appalling state of SOEs in Uganda, and its negative effects on the economy, privatisation was the most ideal choice for government.

Second that despite this, there is contention that the process has been poorly managed and that the timing and sequencing of the program were not proper. There was lack of an appropriate institutional framework to facilitate the process. A number of SOEs were undervalued and more money was spent on preparing and restructuring the enterprises for divestiture than has been realised from the sales. Although the utilisation of the divestiture proceeds has been provided publicly, there is discontent about valuation of net-worth of SOEs privatised and collection of the proceeds. For example, by the end of 1993, only 28 out of 55 enterprises sold out, that is 51 percent, had been fully paid for. The study further finds that large proportions of people interviewed were fairly well informed about the program. However, their understanding of privatisation in Uganda is

that it is a sale of SOEs that was imposed on the country by the Brettonwoods institutions to enrich government officials, give foreign investors windfall profits as a way of re-colonisation period! According to many, no provisions, were put in place for an employee preference scheme to increase opportunity to acquire ownership on favourable terms whether in form of shares, purchase of physical assets or 100 percent buy-out.

Third, that the impact of privatisation on society is mixed but with lessons to draw for post SAPRI recommendations.

Impact on Society

The study found that there is consensus on the following two issues:

1. That privatisation has led to increased supply of quality goods and services on the market especially essential commodities (sugar, salt, soap, e.t.c) that were in short supply and a monopoly of SOEs in production and distribution.
2. That privatisation has led to increased industrial capacity utilisation, profitability and higher employment levels in the privatised enterprises.

On the other hand, there are areas with mixed impact.

A number of workers in the privatised enterprises interviewed reported improved working conditions in terms of real wages and benefits and introduction of better technology though amidst increased workload and in some cases job insecurity.

The Gender Dimension

The study reveals that privatisation was more costly to former female workers in SOEs because of their initial conditions that saw women in the capacity of low or no specific skill thus forming the highest proportion of the laid off labour force. Post privatisation shows female workers as having increasingly gained employment in privatised enterprises particularly in the service sector. However, this not perceived to be an outcome of privatisation but rather as being influenced by the overall reform in the economic and social systems.

Political Economy Dimension

Group discussions with the laid off came across several discontented voices, many mentioning to support there families and educate their children following being laid off even where they had been paid terminal benefits. There was a feeling that they were not adequately paid and never in time. There are also claims that they were never empowered with new skills for survival in a different environment. In addition, there is a perception that privatisation might have led to exploitation of consumers through pricing mechanisms by the private entrepreneurs. Even when the move was towards rational pricing following removal of subsidies, there is a perception that this could have worsened income inequality. The low-income category is likely to have been hurt by this adjustment.

Policy conclusions

1. Inappropriate implementation of privatisation such as foot drugging by implementing agencies and decision making bodies, structural obstacles such as the absence of well developed financial and capital markets could frustrate privatisation. Therefore, privatisation, whatever form it takes, is no panacea. In the Ugandan situation, it could better have been introduced at a measured pace, and that due regard could have been given to the fact that some privatisation measures would hurt some vulnerable groups in an absolute sense. For instance, low-income earners are believed to have been hurt by the price adjustment on goods and services following removal of government subsidies that were provided through SOEs while female workers category in privatised SOEs were most affected. Therefore, post SAPRI privatisation measures should better target protecting the poor and vulnerable groups in a more cost effective way especially where it involves removal of subsidies that have been provided to these groups for so long.
2. Subsidy reduction through privatisation should only be justified on its ability to allow government to finance new investments in infrastructure and social services that in turn spur rapid economic growth and increased access to services.

1.0 INTRODUCTION

In the broadest sense, privatization has been referred to as a process of increasing efficiency of the private sector or any policy move to foster private sector development (Saiji Naya, 1990). However, in a narrower sense, privatization refers to a transfer of state activities into the private sector by sale –full or partial- of ongoing concerns or by sale of assets following liquidation.

Privatization, which is an integral part of an extensive public sector reform policy, occupies a central position in government efforts to develop the private sector. This is true for most countries in the world today. Privatization objectives are based on the needs and capability of individual countries. Although each country can be expected to have its own privatization objectives, depending on its level of development and the social goals it may wish to pursue, the common goals of privatization are; improving efficiency; enhancing freedom of consumer choice; fostering competition; reducing budget deficits and public debts; and extending private share ownership. However, the central concern of all privatization efforts is to promote the private sector as an engine of growth and to increase efficiency and productivity in the economy.

The success of privatization is closely related to carrying out other elements of reform and of special importance is the promotion of competition, creation of a stable macroeconomic environment and promotion of efficient institutions in the business environment. The privatization of a monopoly, for example, will not lead to the expected increase in efficiency if it is not accompanied by measures geared towards increasing competition, such as the opening of markets. Through the profit incentive, the economy is pushed forward into competitiveness, which finally enhances the welfare of all parties in the economy.

Privatization is associated with the reallocation of ownership and property rights in many countries. The domestic population, however, often possesses only limited savings and investable funds. Therefore the danger of a 'sell-out' of the entire economy exists, which would result in a division of the population between powerful capital holders (often foreigners or ethic minorities) and destitute wage earners. Privatization should therefore be implemented in as egalitarian and equitable way as possible to ensure that every citizen has equal starting opportunities. The participation of a larger part of the society in privatization creates the basis for wider economic development and raises the acceptance of the implemented measures and therefore the likelihood of political stability.

Following the country's economic recovery program (ERP) launched in 1987, the Uganda Government published a policy statement on Public Enterprise Reform and Divestiture (PERD) in November 1991 which out lined the government's privatization strategy. Since 1993, the objectives of PERD have been to reduce the role of the public sector and to promote the development of an efficient market-led private sector. The overall goal is to improve the performance of the remaining public sector enterprises, and to reduce the financial burden of PEs upon the treasury and to generate revenues from privatization proceeds.

Since 1993, 105 PEs have been divested (including 31 liquidations). The privatization program, which began with small commercial PEs, such as manufacturing, agro-business and hotels, has now progressed to larger and more strategic enterprises. As per PERD statute, there are 34 PEs remaining to be privatized.

Although the government view is that privatization policy has had a positive impact on the economy in terms of increased output, income, tax revenue and employment levels, the public's perception about the privatization process seems to be mixed.

This follows concerns that privatization has not improved the socio-economic welfare of the majority in Uganda and that the benefits have flowed almost entirely to those managing the process. There is a feeling that retrenchment, which usually accompanies the privatization process, has worsened the national employment situation and that not all privatized companies have increased productivity. Social costs have been very high. Further contention has been expressed that privatization has worsened the welfare of the poor and government has poorly managed the process. The civil society also feels that government has not facilitated adequate participation of Ugandans in the process, thus feeling 'robbed' of their national assets that were created through the taxpayers' contributions. Finally, they argue that the process seems to have replaced a number of Ugandans by foreigners.

Therefore, the general purpose of this report is to evaluate the privatization process as well as assessing the people's understanding of the privatization process in Uganda. The study is divided into six sections. Section 1 is the introduction followed by the methodology in section 2. The pre-reform period is contained in section 3 while evaluation of the privatization process in Uganda is section 4. The summary of the findings is contained in section 5 and finally section 6 is the conclusion and policy implications.

1.1 Objectives of the Study

This study is part of a general effort by Structural Adjustment Participatory Review Initiative (SAPRI) Uganda to assess the impact of structural adjustment program on society. As indicated in the terms of reference (TOR), the exercise is aimed at assessing the privatization policy and its impact on civil society. It aims at getting a clear understanding of the privatization process. Specifically, it critically analyzes the formulation of the privatization policy, its implementation, management and impact on society as a whole.

1.2 Terms of Reference

The study was guided by the following terms of reference: -

(i) assess people's understanding of privatization;

(ii) investigate and make a critical analysis of the management process of privatization of PEs in Uganda;

(iii) assess the extent to which workers have participated in the formulation and implementation of policy changes as well as their priorities for future policy changes;

(iv) analyze the employment levels, real wages, structure and sources of employees and their skills and gender mix in the companies in the selected sample;

(v) assess the extent to which changes have occurred in the structure of employment in the privatized companies, with respect to the involvement of Ugandans and foreigners;

(vi) assess the participation of workers in the management decisions of privatized companies and what stake they have in the companies;

(vii) assess the direct and indirect benefits and costs of privatization on the general population, both economically (e.g. through income distribution, prices, etc.,) as well as socially (e.g. quality of employment, access to privatized goods and services, distribution of benefits, etc.,);

(viii) analyze the fiscal impact on the national budget of the divestiture process and the utilization of the divestiture proceeds and;

(ix) make recommendations on how present policies can be modified and monitored with the participation of stakeholders.

2.0 METHODOLOGY

The methodology used by the study to assess the socio-economic impact of the on-going privatization comprised of four main components namely:

(i) review of relevant literature including government documents;

(ii) a survey of households/individuals conducted on the basis of a structured questionnaire;

(iii) a survey of firms conducted on the basis of a structured questionnaire; and

(iv) the participatory approach, where a series of in-depth discussions were conducted. The information was mainly on a qualitative nature on the privatization process in Uganda.

2.1 The Sample

Given the resource constraints, our sample of respondents was drawn from the districts of Jinja and Kampala. In addition, the majority of the PEs (PEs) are located in the above two districts. The study used a combination of purposive and random sampling method to classify them into 2 sectors namely: manufacturing and services. A structured questionnaire (Appendix I) was sent out to 50 firms; 40 in Kampala and 10 in Jinja. Of these, 35 were from manufacturing and 15 were from the service sector. This variation in the number of manufacturing versus service firms was due to the fact that privatization was mainly undertaken within the manufacturing sector. In addition, a monitoring exercise was carried out in order to obtain up-to-date information on firms. Table 1 indicates the number of returned questionnaires.

Table 1: Returned Questionnaires

Sub-sector/Location	Kampala	Jinja	Total	per cent
Manufacturing	27	3	30	77
Service	7	2	9	23
Total	34	5	39	100

Source: Own Survey

Purposive and random sampling method was used to identify 150 household[1] heads/individuals - 100 from Kampala, and 50 from Jinja. A structured questionnaire (Appendix II) was sent to a sample, which included workers in the various firms, both from government (50) and the private (60) sectors, NGOs (10) and academics (30). The 150, individuals/household heads comprised 100 male and 50 female. Out of the 150 questionnaires sent out, 120 were returned, 90 of which, the analysis is based upon.

A participatory approach on specific respondents who participated in focus group discussions was used in order to establish:

(i) whether the people feel that the privatization process was necessary;

(ii) people's understanding of the privatization process;

(iii) whether the process of privatization was properly managed;

(iv) whether the privatization process has increased the scope for corruption;

(v) whether the privatization process has improved upon people's socio-economic welfare.

[1] **Household defined as an economics unit (home) including male and fe male head of house.**

The discussions were carried out with 20 groups (3 – 8 persons), which included:

(i) members of the general public (irrespective of their status) to obtain views about privatization;

(ii) those who were retrenched by the ongoing privatization;

(iii) those who are employed by the new owners (including both low and middle class workers) and ;

(iv) academicians.

2.2 Literature Review

The study began with the collection of relevant literature on the subject. The data and information were obtained from the following sources:

- Documentation on the formulation and impact reviews of Structural Adjustment Programs (SAPs) in Uganda;
- Various statutory reports to Parliament on Public Enterprise Reform and Divestiture (1995-1999) by the Privatization Unit;
- Investor Survey Reports (July 1991-Dec 1999);
- Background to the Budgets for the fiscal years 1987/88 to 1999/2000;
- The Government budget speeches presented by the Minister of Finance for the fiscal years 1987/88 to 1999/2000;
- The PERD statute No. 9, 1993 and amendment act January 2000;
- The Uganda Investment Authority statute of July 1991 and the Investment Act of 1997;
- Policy papers, survey reports and reviews on social services delivery;
- The Uganda Manufacturers' Association (UMA) reports 1994-1999; and
- Any other documentation relevant to the study.

The review helped to establish the current status of privatization in Uganda, the strengths and weakness in the management of the process.

2.3 Sampling Limitations and Data Problems

A study of this nature requires a longitudinal approach, which was not possible. The study also required a comparative analysis between the privatized and non-privatized firms and be able to draw conclusions. However, this was not possible due to data limitations. It was difficult to find companies that had been divested long enough to have a post-divestiture history. Because the sample was drawn from Kampala and Jinja, there is a problem of sample bias and this bias affects the extent to which the results can be generalized to other companies.

Another form of concern was to project the changes into the future. Many of the changes associated with divestiture do not manifest themselves immediately. Many of the benefits of privatization emerge down the line, as a result of better planning, better management, and more forward-looking behavior. It was, therefore, difficult to project the trends.

The other limitation was that despite the promise that data sought was purely for research purposes and that it would be treated with utmost confidentiality, many firms declined to co-operate. In particular, it was difficult to obtain information on profits, wages, taxes and turnover. In addition, most companies do not have data on previous operations and neither does the Privatization Unit. It was, therefore, difficult to compare the operations of the firm before and after the divestiture process.

Lastly, the study is hampered by the confidentiality, which necessitated the use of code numbers, other than their real business names. From the obtained data therefore, it is difficult to know the actual operations taking place in a particular firm.

2.4 Data Analysis

The analysis used a combination of qualitative and quantitative methods. The raw data gathered from the field surveys was codified and analyzed. Statistical interpretations were done using micro-soft excel computer package. Statistical tables comprising mainly of frequencies and percentages were constructed and analyzed. Growth rates in percentage terms were also employed to capture the rate of change of among others things like the capacity utilization, profitability, employment, sales and tax revenue.

3.0 THE PRE-REFORM PERIOD

3.1 Evolution and Performance of Public Enterprises (PEs)

Developing countries have created PEs for many reasons: to balance or replace weak private sectors; to produce higher investment ratios and extract a capital surplus for investment in the economy; to transfer technology to strategic sectors; to generate employment; and to make goods available at lower costs. Although many PEs have been productive and profitable, a large number have been economically inefficient, incurred heavy financial losses, and absorbed disproportionate shares of domestic credit.

Uganda like many other countries created and owned PEs ever since the colonial era. The most important factors that led to the genesis and development of state-owned enterprises included:

(a) The need for the promotion and development of indigenous entrepreneurs;
(b) Inability of the private sector to undertake certain large investments which were essential to the economy;
(c) The need to maintain control over strategic sectors;
(d) Political and ideological considerations which led to the take over of private companies and;
(e) Forces pertaining to internal growth and diversification.

Government played an important role in shaping the economic development of the country mainly because of the absence of indigenous capital and entrepreneurship among the citizens. This was not only in production but also marketing of cash crops had been subjected to a considerable degree of government regulation and supervision through the various Marketing Boards such as Coffee Marketing Board (CMB), Lint Marketing Board (LMB), Produce Marketing Board (PMB) and Uganda Tea Authority (UTA). Most important in spearheading the country's development program was the Uganda

Development Corporation (UDC), which as a holding company had over 40 subsidiaries in the manufacturing sector alone.

In the 1970s, more parastatals were created by Decrees as holding companies to take care of some of the foreign investment which were nationalized. In the manufacturing sector, these included:

(a) Uganda Cement Corporation (UCC) – responsible for the two cement factories at Kasese (HIMA) and Tororo;

(b) National Textile Board (NTB) – responsible for the textile industry;

(c) Uganda Steel Corporation (USC) – responsible for the steel industry;

(d) National Tobacco Corporation (NTC) – responsible for the cigarette manufacturing factories at Kampala and Jinja; and

(e) Printpak (U) Ltd., at Jinja and Uganda Packaging industries (MULBOX) at Njeru were responsible for Uganda packaging industries.

In 1986, the NRM Government inherited at least 146 state-owned enterprises excluding banks. It had majority holding in 138 and minority interest in 8 enterprises (see Table 2). The performance of PEs had been poor due to the country's violent political history and depressed economic situation. Most enterprises were characterized by low capacity utilization, large operating losses (low profitability), low productivity, and increasing illiquidity and indebtedness. The entire sector was glutted with a non-productive and unmotivated labor force riddled with poor management.

Table 2: Ownership of PEs

Type of Ownership	Number	Joint Venture	Management Contract	Ownership Issue
Government's direct majority holding	86	9	8	6
Government's indirect majority holding	44	-	-	8
Government's direct/indirect majority holding	8	1	1	3
SUB TOTAL	138	10	9	17
Government's direct minority holding	3	1	-	2
Government's indirect minority holding	5	1	-	2
TOTAL	146	12	9	21

Source: Oketho (1995), Towards the Reform of State-owned Enterprises in Uganda", Selected Public Lectures, Privatization in Uganda.

The reasons for poor economic performance in the public enterprise sector were multiple and complex. A key reason was a scarcity of foreign exchange, thus preventing importation of raw materials to support production and shortage of spare parts, not to speak of the replacement of obsolete plant and machinery. Another fundamental problem was political interference leading to poor management practices.

Maintaining and supporting large numbers of non-viable PEs became a serious financial drain on the Treasury, and a management burden on government administration. For instance, during 1986, 1987 and 1988 financial years, the financial flows from government to the enterprises constituted about 9.4 per cent, 10.1 per cent and 3.8 per cent of total government expenditures respectively. To minimize these financial and administrative burdens, the government decided in 1987 to reassess its policy on ownership of PEs. This marked the beginning of the reform of PEs.

3.2 The Reform Policies

In 1987, government undertook a comprehensive economic recovery program to improve the performance of the economy and ensure continued sustainability of its growth. To achieve this, a number of economic reforms were found necessary, among which was the Public Enterprise Reform Divestiture.

The government also felt that through the reform process, the hitherto dormant private sector could be revitalized to play a more significant role in the economy. Through the sale of some enterprises, the government hoped to raise revenue for the cash-stricken treasury. The processes the government chose to effect the reform-included rationalization of its ownership, consolidation, rehabilitation, divestiture and liquidation. Many of these processes could not easily succeed because most enterprises had ownership problems, some were subsidiaries and had legal issues, and there was need to establish an appropriate institutional framework with adequate financial and technical support to implement the program.

In December 1988, the government signed a Development Credit Agreement with the World Bank (IDA) to fund a reform and divestiture program under the Uganda PEs Project. The Uganda PEs Project became effective in mid-1989 and its objective was to strengthen Uganda's capacity to sustain economic recovery by increasing productivity and reducing financial losses in the state-owned enterprise sector as part of the overall Economic Recovery Program (ERP).

The project's specific tasks included: -

(i) determining and recommending criteria for government equity participation in PEs with the objectives of reducing government equity participation in commercially oriented enterprises which could be more appropriately handled by the private sector;

(ii) defining and recommending institutional arrangements, policies, and procedures for efficient government administration of the PEs sector;

(iii) appraising the government with the options regarding the instruments and modalities that it might apply to expedite the divestiture program; and

(iv) preparing action programs for rehabilitation and performance improvement of the remaining PEs.

The main thrust of the strategy were to: -

(i) reduce the direct role of the government in the economy;

(ii) promote and develop an efficient and competitive private sector;

(iii) reduce the fiscal drain on the Treasury from unprofitable firms and generate revenue from privatization sales and;

(iv) broaden share ownership among Ugandans.

The objectives of Uganda's privatization process can broadly be categorized into three:

(i) Economic objective

- To improve the overall efficiency of the Uganda economy;
- To stimulate private investment and;
- To improve the efficiency, productivity and profitability of Ugandan firms, and the quality of products and services

(ii) Fiscal objective

- Reduce government subsidies to PEs;
- Raise money from the sale of PEs;
- Minimize asset – stripping in PEs;
- Increase government resources to social services and infrastructure and;
- Increase tax revenue from private enterprises.

(iii) Social and political objective

- To reduce the direct role of government in the economy;
- To reduce corruption and the abuse of public office;
- To increase total employment in the economy;
- To promote the ownership of private enterprises by nationals; and
- To create a property-owning middle class.

4.0 EVALUATION OF THE PRIVATISATION PROCESS

4.1 Peoples' Understanding of the Privatization Process

In this section, we present a qualitative assessment of the privatization process. Specifically, the aim of the section is to establish:

(i) people's understanding of the privatization process;

(ii) whether the process of privatization has increased the scope of corruption;

(iii) whether the privatization process has improved the socio-economic welfare; and

(iv) whether the process of privatization was appropriately managed.

From our survey findings, it was established that 75 per cent of 120 respondents were fairly well informed about the ongoing privatization program. According to them, it was government policy to sell PEs. However, they believe that the policy was not homegrown but foreign-induced. Many of the respondents (68 per cent) believe that the program was government's fulfillment of IMF and World Bank conditionalities, while 20 per cent were of the opinion that it was intended to generate revenues. Those who believed that the program was meant to reduce government expenditure on PEs constituted 12 per cent.

From group discussions, privatization is widely perceived as having been initiated to enrich government officials, give foreign investors windfall profits and as a way of re-colonization. It is also seen as an opportunity to spin-off loss-making enterprises and to generate revenue in the short term and to please the donors by fulfilling their conditionalities.

The respondents were told of the main objectives of the privatization program and asked to evaluate them as to whether the government had fulfilled them. Broadly, the objectives are: economic, fiscal and socio-political objectives.

4.1.1 Economic Objective

One of the major objectives of privatization in Uganda was an economic objective which included the following: - to increase the volume of goods and services; to raise the overall efficiency of the economy; generate revenue from the sale of PEs; improve upon the quality of products and; to stimulate private investment. On the average the government attained 52 per cent of the economic objective as indicated in Table 3.

Table 3: Responses vis-a-vis the achievement of the Economic Objective

Activity	Number	per cent
To increase the volume of goods and services	90	100
To raise the overall efficiency of the economy	56	62
To generate revenue from the sale of PEs	15	17
To improve upon the quality of products	45	50
To stimulate private investment	26	29
Average		52

Number of Respondents: 90: Source: Own Survey

Specifically, all respondents were of the view that there has been increased supply of goods and services on the market. Currently, a number of enterprises have been established to satisfy the local market. Prior to the privatization process, there were widespread shortages of most goods in Uganda. This included sugar, soap, salt, which is no longer, the case. In addition, most of the goods on the market prior to the privatization were imported.

Regarding the improvement of the overall efficiency of the Uganda economy, 62 per cent of the respondents were of the view that the government has achieved this aspect of the objective. According to the respondents, this is evidenced by the increased supplies of goods on the market. This view is supported by the statistical information from a number of firms. Capacity utilization in the privatized firms has on the average grown from 11 per cent in 1993 to 51 per cent in 1998. The remarkable growth has been experienced in Crown Beverages Ltd. (former Lake Victoria Bottling Co. Ltd) and Nile Breweries. In addition, new products have been introduced on the Uganda market. Today, consumers are faced with a wider variety of products, which was not the case before the privatization process.

The majority (83 per cent) were of the view that government had not realized its objective of raising money from the sale of PEs. This is because a number of PEs sold were undervalued. In addition, government injected a lot of money prior to the divestiture. Through group discussions, Lake Victoria Hotel Ltd., and Nile Hotel International Ltd., were singled out as having been undervalued. However, one can argue that possibly these enterprises were actually not undervalued as claimed by the civil society. Whereas the government used both the "replacement cost" (asset value) and the "going concern" (market worth) approaches to value their assets, the private sector used the "going concern approach". This means that whatever government might have spent in civil works and structure developments, was considered as sunk costs. These two valuation techniques have caused a lot of controversy. For instance, the replacement cost of the Nile Hotels Group was calculated at $33 million (this was the amount many people expected out of its sale) whereas the amount the investor wanted to pay, was only US $3.3 million. The same was the case with the Coffee Marketing Board Ltd., whose replacement cost was Ug. Shs. 51.69, in comparison with Ug. Shs. 25 billion, which the investor was willing to pay.

Consequently, the divestitures completed so far have achieved less than their asset value of the PEs. This has led to public outcry that the government has given away 'their property' free-of-charge. Because of this, therefore, this has led to skepticism about the privatization program.

Another aspect of the economic objective was to stimulate private investment. According to most of the respondents (71 per cent), they believe that private investment has not been stimulated. This is because the highest bidder method, which was largely used, excludes those with little capital, majority of whom are Ugandans - the presumed "owners" of the PEs. In addition, the low proceeds obtained from the privatization process have not enhanced the indigenous private sector development. From our discussions, it was revealed that a big portion of the proceeds was 'borrowed' by individuals who are 'well connected' to powerful people in the government.

It is worth noting that foreign direct investment in Uganda has increased. However, it is difficult for them to ascertain whether the increase in investment and output was solely due to privatization. This positive result is due to a combination of factors, namely: the success of structural adjustment policies; the creation of a more conducive environment for business development and; the political stability.

4.1.2 Fiscal Objective

The fiscal objective included: raising tax revenue from the privatized firms; reducing subsidies to PEs; overcoming asset-stripping in PEs; and investing more in social services and infrastructure. From Table 4, on the average, the government achieved 54 per cent of the fiscal objective. From the survey findings, it is revealed that the government has fulfilled its objective of raising tax revenue from the sold privatized firms. The majority (95 per cent) of the respondents were of the view that tax revenue from privatized firms had increased substantially. This is partly explained by the increased capacity utilization in a number of successfully private firms.

The majority of respondents (82 per cent) believe that the government has fulfilled its objective of reducing subsidies to PEs. However, available statistical data indicates that the level of subsidies has more or less remained constant for the period 1994 - 1998 fluctuating between shs 186 billion and shs 210 billion. Nevertheless, there was a belief that government injected a lot of money into some PEs just before they were put for bids. This was the case with Uganda Commercial Bank (Ug. Shs 4 billion was spent on restructuring and preparing UCB for sale), Uganda Development Bank and Lake Victoria Hotel. Some few respondents were aware that government was paying salaries and wages in some of the PEs. Coffee Marketing Board Limited was mentioned as an example.

Table 4: Responses vis-a-vis the achievement of the Fiscal Objective

Activity	Number	per cent
Raise tax revenue from PEs	85	95
Reduce Government Subsidies to PEs	74	82
Overcome asset-stripping in PEs	21	23
Invest more in social services and infrastructure	14	15
Average		54

Number of Respondents: 90 : Source: Own Survey

The majority (77 per cent) were of the view that government had not met its objective of minimizing asset-stripping in the PEs by management and employees. They believe that asset-stripping was rampant in most of the PEs. The classic illustration of this problem is the Uganda Airlines Corporation. The company was systematically stripped of its assets including ground-handling services. The lucrative ground handling services were taken over by the Entebbe handling services (ENHAS), a company belonging to one of the 'political heavy weights'. Parliament investigated the stripping of Assets of the Uganda Airlines Corporation, and their findings revealed influence peddling; underhand dealings and corruption, which were largely perpetrated by Government officials (Tukahebwa, 2000). After the stripping of its assets, Uganda Airlines has remained a 'shell', which no one could hardly buy when it is offered for sale.

Only 15 per cent of the respondents revealed that there has been increased government resources to social services and infrastructure. The face to face interviews revealed that government had financed social services and infrastructure using donor funds but not money from the sale of PEs. Mention was made of Universal Primary Education (UPE), which is co-financed by donors, especially the World Bank.

4.1.3 Socio-political Objective

Among the socio-political objectives, the government had the following aims: to broaden private ownership of enterprises; minimize the role of government in the economy; create more jobs; set up a property owning middle class and; fight corruption and abuse of public office. The performance of the government on this objective has been very poor, rated at 32 per cent (Table 5).

Table 5: Responses vis-a-vis the Achievement of the Socio-political Objective

Activity	Number	per cent
Broaden private ownership of enterprises	16	18
Minimize the role of government in the economy	85	95
Create more jobs in the economy	20	23
Set up a property-owning middle class	16	18
Fight corruption and abuse of public office	06	07
Average		32

Number of Respondents: 90: Source: Own Survey

The respondents ranked government performance on the objective of promoting ownership by nationals as poor, rated at 18 per cent. The majority of respondents (82 per cent) are of the belief that most enterprises are owned by foreigners. The principal beneficiaries of the privatization program have been foreigners. This is however, contrary to the actual figures obtained from the privatization unit. As of 31 December 1999, 22 per cent of the 63 PEs sold belong to foreign investors. Ugandans are constrained by lack of capital. From our discussions with civil society, it was revealed that Ugandans are willing to purchase the PEs but are constrained by lack of resources. This lack of resources is compounded by absence of a stock market. Besides, there is no credit program to enable local private entrepreneurs purchase the PEs. It has been observed that part of the World Bank loan that was given to set up PERDS could have been used to develop and operationalize the stock market, which would facilitate local participation in the privatization process.

Majority of the respondents (95 per cent), believe that the privatization program has reduced the involvement of government in the economy. The government is no longer involved in the production of any good.

One of the major objectives of privatization was to increase employment. The privatization of PEs has failed to meet the anticipated goal of creating more jobs. The majority of respondents (77 per cent) were of the view that total employment has reduced as a result of privatization. In almost all PEs that have been restructured, the laying off of employees has always been an inevitable aspect of the reform. Examples include Nyanza Textile Industrial Ltd. (NYTIL) and Coffee Marketing Board Ltd, Produce Marketing Board and Lint Marketing Board.

Regarding the aspect of creating a property owning middle class, the majority of the respondents (82 per cent) revealed that this objective has not been achieved. They are very few Ugandans who bought the privatized PEs, constituting a very small proportion of the entire population and have a negligible impact on the well being of the majority.

The majority of the respondents (93 per cent) were of the view that the privatization program has done very little to reduce corruption and the abuse of public office. Although PERDS had to comply with strict guidelines when negotiating with investors, there remains a perception among a number of people that the transactions have not been transparent. For instance, not all-potential bidders were aware when an enterprise was due for sale. However, it was pointed out that in the sold-off PEs, corruption and abuse of office has substantially reduced.

4.2 The Management of the Divestiture Process

It was necessary for the government to put in place an enabling legislation to carry out Reform and Divestiture. This was achieved by the passing of the Public Enterprise Reform and Divestiture (PERD) Statute No.9 of 1993 by the National Resistance Council (equivalent to Parliament). It should be noted that the divestiture of PEs had earlier started in 1992 without the enactment of the PERD Statute. This led to the suspension of divestiture activities by NRC between March and August 1993.

The PERD Statute defined reform and divestiture guidelines, classified PEs that were to be covered by the program and provided for the establishment of an institutional framework to implement its provisions.

The classification was done with a view of reducing the number of PEs. The primary principle the government adopted at first was that the government should not operate any commercially oriented enterprise unless it was absolutely necessary. This has since been replaced by complete government withdrawal from direct provision of good; and services. The government adopted a criterion where PEs were categorized into five classes. Class I consisted of enterprises to be fully owned by the government, Class II were those in which the government was to hold majority shares, and Class III were enterprises in which the government was to hold minority shares. Classes IV and V consisted of enterprises to be fully privatized and liquidated, respectively.

The criteria applied to categorize the enterprises into the five classes were: -

- Class I included those enterprises which were:-

(i) economically viable;

(ii) security (politically) sensitive;

(iii) provide essential services; and

(iv) tied to projects for which huge external funds had been acquired by government for their rehabilitation.

- Class II included those enterprises which were:-

(i) viable;

(ii) security sensitive; and

(iii) provide essential services.

- Class III included enterprises which were:-

(i) economically viable; and

(ii) high cost projects, which attract private equity and technology if, and only if, government were to take up some equity holding.

- Class IV included enterprises which were:-

(i) economically viable; and

(ii) commercially-oriented.

- Class V included enterprises which were:-

(i) economically non-viable; and

(ii) defunct or non-operating.

It appears, however, that the criteria for classifying firms into the five categories, was not well defined. Since 1993, the government has been shifting enterprises between classes according to the policy focus of the time. From Table 6, it is evident that the number of PEs in each category kept changing with time.

Table 6: Uganda: Classification of PEs: 1993 –1998

Class	Number		
	As at 1993	As at 1995	As at 1998
I	10	16	12
II	17	24	7
III	20	10	0
IV	43	46	78
V	17	16	17
Total	107	112	114

Sources: Government of Uganda (1993). The Public Enterprise Reform and Divestiture Statute. (Statute No. 9 1993).Enterprise Development and Policy: Report for the Period 1st July – 31st December, 1998

The framework constitutes the Divestiture and Reform Implementation Committee (DRIC) responsible for the implementation of Government policy on reform and divestiture of PEs under the Statute.

(a) The Policy Review Working Group (PRWG) was created to review policy issues, with the Public Enterprise and Reform Divestiture Secretariat (PERDS) as the implementation organization. PERDS comprised the Divestiture Secretariat (Privatization Component) and Public Enterprise Secretariat (PES) (Reform Component), with the Public Industrial Enterprises Secretariat (PIES) as the technical advisory body for the Ministry of Trade and Industry on Industrial PEs.

This framework had problems of a bureaucratic decision making mechanism with a chain of responsibility, which lead to delayed divestiture. There was lack of a divestiture procedure manual. The privatization process comprises the following steps:

- Carrying out Statutory requirements i.e. asset valuation, financial audit, legal audit;
- Preparation of the divestiture action plan (DAP) and information memorandum;
- DRIC approval of the DAP;
- Advertisement for bids, except in the case of repossession, debt/equity swaps and where preemptive rights exists;
- Public opening of bids;
- Bid analysis;
- Negotiations, where applicable;
- DRIC approval;

- Legal clearance;
- Offer to successful bidder;
- Signing of the sale agreement
- Transfer of ownership.

The first phase of the divestiture program commenced in 1992 and focused mainly on smaller enterprises of a commercial nature that were already operating in a liberalized private sector environment. They were directly transferred to the private sector without restructuring, reform or commercialization.

The divestiture process is now focusing on the remaining enterprises that were initially not set to operate commercially, providing public services or natural monopolies. This includes for instance, Uganda Electricity Board and Uganda Railways Corporation.

The institutional mechanism is in place. Through group discussions, it was felt that the divestiture process has been mismanaged and is largely influenced by political interference. The public has questioned the integrity of some of the top managers. Throughout the divestiture period, decision making has been cumbersome and as a result has hindered the conclusion of divestitures.

From the survey, it was revealed that 77 respondents (86 per cent) were not satisfied with the procedures of privatization. Many of them felt that the public was not provided with enough information regarding the privatization process. Through discussions with particular groups, it was revealed that there was insufficient public education. A number of individuals point out that the marketing of the program was poor compared to other countries where a directory with all the available investment opportunities was made possible. For instance, the public was not aware of the modes of privatization. The majority (82 per cent) felt that privatization was only through the sale of assets. They were not aware of other modes of privatization like sale of shares, repossession, debt equity swamp, lease, management contracts, and creditors' liquidation.

The information available from the privatization unit indicates that various methods of privatization have been used in Uganda as indicated in Table 7. Divestiture completed September 2000 indicates that out of the 74 firms divested, 23 (31 per cent) were by sale of assets, 23 (31 per cent) were by sale of government shares, 7 (10 per cent) by auction, 4 (6 per cent) by method of management contract and/or joint venture, and 4 (6 per cent) by method of repossession

Table 7: Uganda: Methods of Sale as at September, 2000

Method of sale	1992	1993	1994	1995	1996	1997	1998	1999	2000	Total	% of Total
Sale of assets		1	5	9	4	1		1	2	23	31
Sale of Gov't Shares	1	1	2	2	8	3	3	2	1	23	31
Management contract/ Joint venture			1	1				1	1	4	6
Repossession	1	1	1			1				4	6
Auction				5	2					7	10
Creditors Liquidation					1					1	1
Pre-emptive rights							1	2	3	6	8
Concession							1			1	1
Debt/Equity swap	1									1	1
Lease				1						1	1
Struck off Register				1						1	1
Initial Public offering								1	1	2	3
Total Divested	3	3	9	19	15	5	5	7	8	74	100

Source: Own Computation

Outright sale of assets and shares by private treaty/tender has been the most effective way of selling the PEs. This has not broadened the basis of ownership among Ugandan. However, it should be noted that employee-management, buy-out or employee share ownership plans, as priority should have been adapted in order to broaden ownership.

The objective of broadening ownership could not be achieved because of lack of capital markets. Government ought to have set up capital markets prior to the implementation of the program. This partly implies that there was lack of proper timing and sequencing of the program. For example, the government initiated the implementation of the coffee sub-sector reforms and market liberalization in 1991 under the Agricultural Sector Adjustment Credit (ASAC) funded by IDA which inter alia included the removal of the monopoly of Coffee Marketing Board (CMB) and restructuring it by separating regulatory and commercial functions. Uganda Coffee Development Authority (UCDA) was established for regulatory and promotional functions. CMB was converted into a limited liability company, namely Coffee Marketing Board Ltd (CMBL), for commercial functions. With liberalization and in a competitive environment, the market share of CMBL could not maintain and utilize all the assets on a viable and sustainable basis. The government decided to privatize CMBL in 1995 when the market was full of new players with modern and efficient technologies. Consequently, there was hardly any buyer interested in buying CMBL at a reasonable price. To-date, CMBL, remains unsold.

Group discussions have revealed that there has been lack of transparency in the privatization process with regard to a number of enterprises. The respondents alleged that PERDS negotiated steadily with foreign buyers who wanted to buy UPTC cheaply. The point emphasized is that the privatization of a number of enterprises did not follow the proper guidelines. Many investors feel that the most important deals were conducted behind the scenes, and that corruption episodes took place. The same type of bidders appeared for most of the enterprises. Such bidders were working in close contact with some politicians. In addition, there were a number of complaints about the length of time that the process took. Group discussions also revealed that a number of tendering procedures have been cancelled for various reasons even after the assets were formally awarded. Self-interest was advanced through political power and influence. Consequently, there was no fair competition.

There seems to be no major PE that has been privatized without political interference, corruption and underhand dealings. This was the case with Uganda Airlines, Nile Hotel and International Conference Center Complex, Uganda Commercial Bank (UCB) Ltd., Apollo Hotel Corporation and Uganda Grain Milling Company, (Tukahebwa 2000).

The bidding process has been blotted with speculative bidders who present very high bids but have no capacity to meet the payment. The result has been undue delays in the award of tenders to the most deserving bidders. The divestiture guidelines now require a non-refundable Bid Bond for balance of purchase price offered by winning bidders.

Local private sector development through privatization, was a major policy objective. The private sector feels precluded from the privatization process. The highest bidder method that was largely used in Uganda tended to benefit foreign entrepreneurs with big capital and a few local businessmen. The objective of local private sector development could be realized through the spread of ownership of the PE by sale of shares. This method however, was constrained by absence of a stock exchange market in Uganda.

In addition, the valuation of PEs has caused a lot of controversy and in most cases this has not only delayed negotiations, but also made them very difficult. The value of the PEs has in most cases been based on the market value, which is far much lower than the replacement cost. Consequently, this has led to public outcry that the government has robbed them of their property. Through group discussions, the feeling of the general public is that the government is just selling their property rather than setting up new ones.

Coupled with the fact that the benefits from privatization are not yet apparent, the civil society feels that privatization has introduced a new and more vicious round of corruption in which foreigners and state officials are the only beneficiaries. This is aggravated by lack of transparency in the implementation of the policy.

There is a general impression that the program implementation has lost momentum. Although, somehow generically, bad management is pointed out as a cause of such slow down, the present privatization fatigue also seems to be due to the fact that the best opportunities have already been taken.

4.3 Workers' Participation in the Formulation and Implementation of Policy Changes

Managers and employees of public firms, as well as those who receive subsidized or unsubsidized output from PEs do represent a concentrated special interest group that might oppose privatization. These two groups of public enterprise beneficiaries can be neutralized, if not won over, simply by ensuring that they are allowed to participate in the benefits of privatization through either higher wages, ownership rights, lower output prices, or higher quality services.

From group discussions and available literature, workers in PEs hardly participated in the formulation and implementation of policy changes. However, in three companies namely Uganda Hardware, Uganda Motors Ltd., and the Central Government Purchasing Corporation Ltd., workers participated in the process and eventually purchased the PEs. It should be noted that in most of the PEs, workers were only invited to discussions regarding their terminal benefits.

4.4 Enterprise Performance

The performance of the divested enterprises can be gauged from the capacity utilization, the investment performance, sales revenue, profitability, tax contribution to government, product quality and diversification.

4.4.1 Capacity Utilization

With the exception of the soft drinks industries and BAT (1994) Ltd., most manufacturing firms used to produce at capacities below 10 per cent prior to privatization. Several privatized enterprises have increased their productive efficiency and output has increased over ten fold, since they were privatized.

From the surveyed firms, average capacity utilization increased by 5 per cent from 47 per cent in 1997 to 52 per cent in 1998 and by 5 per cent from 1998 to 1999 (Appendix III). In 1997, there were 23 enterprises (59 per cent) whose capacity utilisation was above average (47 per cent), while in 1998, the number declined to 20 enterprises (51 per cent). There were 23 enterprises (59 per cent) in 1999 whose performance was above average

(57 per cent). It is noteworthy that 2 enterprises operated at full capacity over the period 1997 – 1999 whereas 20 enterprises utilized at least 60 per cent of the installed capacity.

4.4.2 Sales Revenue

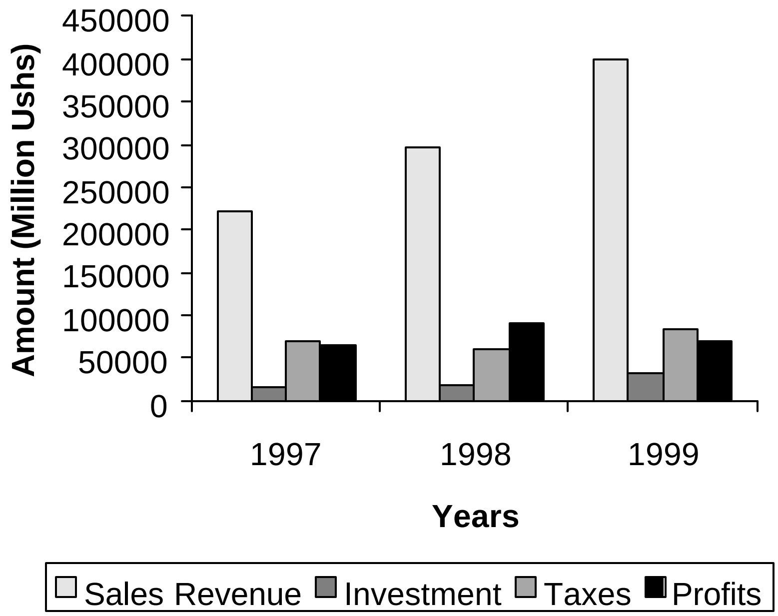
There has been a positive trend in sales revenue for the surveyed firms over the period 1997-1999. The average sales revenue for the surveyed firms was Ug Shs. 5689m in 1997, Ug. Shs. 7578m in 1998, and Ug. Shs. 10213m in 1999 (Appendix IV). Despite this improvement, there is evidence that about 15 per cent of the enterprises surveyed, had sales revenues above the average during the period 1997-1999.

4.4.3 Profitability

Evidence on profitability in privatized companies between 1997 and 1999 is rather mixed. The average profitability for the surveyed firms was Ug. Shs. 1637 in 1997, Ug. Shs. 2312 in 1998, and Ug. Shs. 1788, in 1999, (Appendix V). Between 1997 and 1998, average profitability increased by 41 per cent but declined by 23 per cent between 1998 and 1999.

The sample indicates that the number of enterprises making losses has decreased over the years from 21 per cent (8 enterprises) in 1997, 18 per cent (7 enterprises) in 1998, and 10 per cent (4 enterprises) in 1999. Of the enterprises that were making losses in 1997, four had made significant improvement by 1999, and 4 enterprises continued to make losses up to 1999 one of which incurred a loss of over Ug. Shs 5,000m. Generally, however, when compared with 1997, evidence suggests that most enterprises in 1999 have made significant improvement in terms of profitability (see Figure 1)

Figure 1: Uganda; Selected Privatization Performance Indicators:1997-1999



4.4.4 Product Quality/ Diversification

There has been substantial increase in the availability of commodities produced by the privatized enterprises, resulting into reduced prices. In addition the quality of products has greatly improved.

Privatization of public companies has paved the way for management innovations that have led to new product brands and improved packaging for existing brands, geared to enhancing consumer satisfaction. Examples of privatized companies that have introduced new products are East African Distillers Ltd, Nile Breweries Ltd, The Uganda Metal Products and Enameling Company (TUMPECO) and Shell (U) Ltd. The changes in the product mix have consequently led to the improvement of the quality of Ugandan products meeting the international standards for export. It is only in a few exceptions where operational and financial performance has not improved. The reasons for these include that, consumer tastes have changed rendering the products of these firms obsolete and in some cases the proprietors have pulled out of Uganda altogether.

4.4.5 Investment

Generally, there has been a positive trend in investment, which however has been dominated by five enterprises each investing over Ug. Shs 1000m. Between 1997 and 1998, average investment increased by 4.5 per cent from Ug. Shs. 423m to Ug. Shs 442m, while between 1998 and 1999 it increased by 92 per cent from Ug. Shs. 442m to Ug Shs 849m (Appendix VI). In 1997, there were only 7 enterprises (18 per cent) whose investment expenditures were above the average of Ug. Shs. 423m, whereas 17 enterprises (44 per cent), made no investment. In 1998, 4 enterprises (10 per cent) invested above the average of Ug. Shs. 442m and 11 enterprises (28 per cent) did not make any investment. Only 6 enterprises (15 per cent) invested above the average of Ug. Shs 849m and 11 enterprises (28 per cent) made no investment in 1999. Over the study period, 10 enterprises, consistently made no investment.

4.4.6 Taxes

PEs are generating more tax revenue compared to the prior privatization period. Average tax revenues for the surveyed enterprises declined from Ug. Shs 1790m in 1997 to Ug. Shs 1558m in 1998 but increased to Ug. Shs. 2140m in 1999 (Appendix VII). In 1997, only 2 enterprises contributed above the average tax revenue of Ug. Shs 1790m and 7 enterprises (18 per cent) made no tax contribution while in 1998, 2 enterprises made a tax contributions above the average of Ug. Shs. 1558m and 5 enterprises made no tax contribution. In 1999, 3 enterprises made tax contributions above the average of Ug. Shs 2140m whereas 3 enterprises made no tax contribution. Overall, less than 18 per cent (7 enterprises) dominate tax contribution with more than Ug. Shs. 1,000m per year.

4.5 Employment

4.5.1 Total employment

From the survey of 39 enterprises, overall average employment increased by 16 per cent from 6,695 workers in 1997 to 7770 workers in 1998 (Appendix VIII). An increase of about 3 per cent was registered from 7770 workers in 1998 to 7992 workers in 1999. Of the 39 enterprises, 38 per cent (15 enterprises) had steady increase in employment, 36 per cent (14 enterprises) had almost no change in employment, and 26 per cent (10 enterprises) had declining employment levels. Thus, it can be concluded that employment level was increasing at a decreasing rate.

An interesting pattern that emerges from the surveyed firms is that the number of enterprises employing over 100 workers increased steadily from 18 enterprises in 1997, 20 enterprises in 1998 and, 22 enterprises in 1999. Furthermore, there were two enterprises that were employing more than 800 workers each, during the period 1997 – 1999.

4.5.2 Gender Pattern of Employment

From Table 8, the available information does not reveal a clear pattern in terms of gender for the selected enterprises. However, for 1996 onwards, it is revealed that male workers dominated the work force of most PEs.

Overall, the structure of employment in the sample of privatized enterprises shows that female workers have become increasingly employed in the selected enterprises; particularly in the service sector as opposed to the manufacturing enterprises. It was revealed that this pattern was not due to privatization but rather due to attitudes that existed even before privatization. This concerns the division, specialization of labor and the system of skills training which tend to place female students into non-professional and non-scientific related subjects. As a proxy, graduation figures at higher institutions of learning such as Makerere University reveal that a small number of girls pursue science-oriented courses as opposed to boys who dominate in both arts and science subjects. Therefore, the nature of the employment dynamics today is far from totality being a privatization outcome but rather influenced by the overall process of economic reform, and the initial conditions of the economy prior to reforms.

In terms of category of enterprises, the service enterprises created more employment than manufacturing enterprises. This was attributed to the fact that service enterprises were expanding operation to several parts of the country and thus creating more employment opportunities than manufacturing sector. In 1997, of the total 1439 job placements in the service sector, 29 per cent (414 job placements) were female workers and 71 per cent (1,025 job placements) were male workers. In 1999, out of a total of 2,061 job placements in the service sector, 33 per cent were female and 67 per cent were male workers. Therefore this pattern shows that female workers in the service sector have slightly increased over the years. It was revealed that this is partly due to the nature of skills required by the service enterprises of which women were well placed and partly due to government campaign to increase women involvement in economic activities where they can perform better. On the other hand, looking at the manufacturing sector, the selected 10 manufacturing enterprises reveal that out of a total 3940, 6500, 6790, and 4070 job placements in 1996, 1997, 1998, and 1999, respectively, women constituted less than 25 per cent in each year as opposed to men constituting at least 75 per cent.

Overall, women are still a small percentage of the total work force of privatized firms. Generally privatization was costly to women, because: - they were mostly in labor category of low or no specific skill thus formed the highest percentage of those laid off by new owners. The closing of firms involved the closing of the firm's social services like canteens and clinics, which are crucial to female's domestic and health needs thus hindering their participation in the work force.

Table 8: Uganda: Gender Composition of Employment in PEs; 1993-1999

S/n	Category of Enterprise	Year of	1993		1994		1995		1996		1997		1998		1999	
		Divestiture	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
1	Manufacturing	1996	na	na	na	na	na	na	10	4	4	4	na	na	na	na
2	Service	1998	na	na	na	na	na	na	na	na	na	Na	166	146	168	144
3	Service	1996	na	na	na	na	na	na	122	98	110	98	114	86	118	104
4	Service	1995	na	na	na	na	312	148	286	138	300	126	286	142	302	138
5	Service	1995	na	na	na	na	90	40	108	62	120	58	110	72	124	80
6	Manufacturing.	1996	na	na	na	na	na	na	na	na	1520	620	1464	780	1388	802
7	Manufacturing.	1994	na	na	942	80	1578	80	1886	82	1796	86	1688	80	1144	36
8	Service.	1992	na	na	na	na	130	42	136	42	142	40	158	46	152	54
9	Service	1996	na	na	na	na	na	na	204	80	204	60	202	160	362	120
10	Service	1996	na	na	na	na	na	na	124	28	122	28	124	26	134	30
11	Service	1995	na	na	na	na	30	12	28	4	27	4	25	4	27	4
12	Manufacturing.	1993	1332	32	1220	24	1404	50	1372	76	1568	96	1720	68	na	na
13	Manufacturing.	1994	na	na	158	54	148	44	130	40	42	150	97	97	na	na
14	Manufacturing.	1997	na	na	na	na	na	na	na	na	na	Na	na	na	na	na
15	Manufacturing.	1992	184	60	120	42	130	42	132	44	118	46	120	44	120	64
16	Manufacturing.	1996	na	na	na	na	na	na	na	na	280	16	480	36	480	36
17	Manufacturing.	1996	na	na	na	na	na	na	118	2	110	10	60	8	na	na
18	Manufacturing.	1996	na	na	na	na	na	na	24	20	26	8	40	8	na	na

Source: Files of Respective Enterprises

4.5.3 Skills

The majority of the workers in the privatized companies attained education at least up to secondary level. Since hand over, there has been gradual increase in the number of higher degree or degree employees recruited by some enterprises. With the recent increase in student intake at higher institutions of learning due to privatization policy, the supply of quality labor is likely to increase in the privatized enterprises.

Privatization has led to an increase in the demand for specialized skills but lowered employment for the unskilled. In particular, privatization worsened the employment situation of women who did not have specialized skills.

In cases where privatized enterprises encouraged skills improvement and refresher courses, female as well as male workers improved on effectiveness and efficiency of the work of the enterprise. This was possible because female as well as male workers were given opportunities to acquire new and improved skills, which they could not afford previously. It should be stressed that skill improvement has been more due to the increased desire to improve one's welfare but not entirely, due to privatization. However, in a few instances workers revealed that there could be skill improvement through refresher courses. It was also pointed out that workers in the top category have had more access to staff training than clerical and group workers. In some companies, staff training has only benefited the top workers and neglected even the technical workers.

4.5.4 Remuneration Levels, Wages and Working conditions

The attitude towards remuneration levels is rather mixed. Through group discussions, it was reported that working conditions have improved in some enterprises, remained the same, and worsened in other enterprises.

Employees interviewed reported an improvement in working conditions. They indicated improved earnings, better fringe benefits (e.g. medical insurance coverage and loan facilities) and greater opportunities for career enhancement. There is no discrimination between women and men in terms of payments based upon their gender status. The available benefits have also been extended to their immediate family members. In addition to improved earnings, there has been introduction of new technology and better conditions in the production process. However, these benefits have come at a cost of increased workload and in several cases of job insecurity.

The majority of workers complained of wide income discrepancies between the low-income cadres and top management. Besides a salary of Ug. Shs. 2m that members of top management receive per month, there are a number of fringe benefits which are not enjoyed by the low and middle, income cadres.

4.5.5 Employment Turnover

It was revealed through group discussions that the majority of workers recruited were of the low and middle groups. Hardly any job opportunities were created at the top management levels.

Although the group employees constituted the largest portion in terms of recruitment, they also constituted the largest portion of those laid off. This included especially those in clerical work, the majority of whom were women. Workers were laid-off to enhance efficiency, productivity and cost effectiveness.

An observation that emerges is that lower category employees show high turnover as opposed to the top category (Top, Middle employees). Furthermore, while new job placements have been created, lay-offs have also increased. The reasons for the increase in the number of laid off, for some enterprises are within the organization structure and desire to attain a level of efficiency, cost effectiveness and output.

Through group discussions with workers, negative sentiments about the recruitment process were voiced (see Box 1). In most cases recruitment was based upon family ties or social interactions. In most cases, vacant positions are not advertised. To most, this is seen as a threat to their job security.

BOX 1: **You must be extremely careful with people who matter.**

Here we work in terrible fear

You must know somebody to get a job in this company.

Worker in Jinja.

What you earn depends upon who brought you into the company, or can I say who connected you.

Worker in Kampala.

4.6 Ownership Structures

Ownership structures have been central to the privatization decisions and indeed have raised a number of public concerns. It is argued that state ownership does not guarantee the social and economic interests of the people. The history shows that PEs have been a major drain on the treasury. In addition, it is believed that foreign investors have played a significant role in the privatization process.

One of the main objectives of the privatization policy in Uganda was to broaden share ownership, thereby fulfilling the social goals.

The majority of the respondents expressed the feeling that PEs were given away to foreigners. However, Table 9 reveals that 55 per cent of the PEs were bought by locals, while foreigners bought 37 per cent. However, foreigners bought PEs with higher value constituting 75 per cent of the total divestiture proceeds. The value of PEs bought by the locals constituted 16 per cent of the total divestiture proceeds (Table 10 and Figures 2 and 3).

Table 9 : Uganda; Privatized Enterprises by Form of Ownership: 1992-2000

Buyer/Year	1992	1993	1994	1995	1996	1997	1998	1999	2000	Total	% bought
Foreign Buyer	3	1	2	3	7	1	3	3	4	27	37
Local Buyer	0	1	7	14	8	4	1	3	3	41	55
Joint Venture		1		1				1	1	4	5
not indicated				1			1			2	3
Total	**3**	**3**	**9**	**19**	**15**	**5**	**5**	**7**	**8**	**74**	**100**

Source: Own survey Source: Privatization Unit.

Table 10: Uganda; Divestiture Proceeds (Ug. Shs billion) by form of Ownership: 1992-2000

	Foreigner	Locals	Joint Ventures	Total earnings
1992	13.4773	0		13.4773
1993	0	6.46	15	21.46
1994	20.59895	2.446		23.04495
1995	9.879	5.92124	2	17.51024
1996	24.166	9.0009		33.1669
1997	11.9149	0.307		12.2219
1998	34.76532	0.1	5	39.51532
1999	14.87248	13.40227		28.27475
2000	57.376	2.047557		59.42356
Sub-Total	187.05	39.68497	21.36	248.0949

Source: Own Computations* Calculations based on 72 firms.

Figure 2: Divestiture proceeds (%) by form of ownership

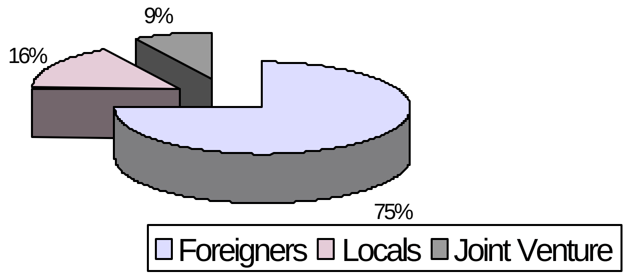
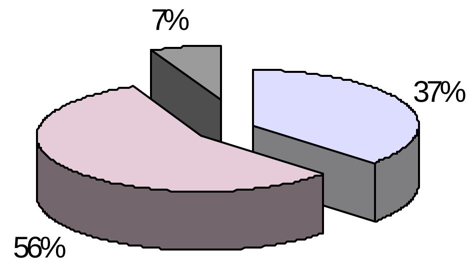


Figure 3: Number of firms by ownership



This shows that the objective of broadening ownership among Ugandans as stipulated in the 1993 PERD statute, sec.20 has not been met. Ownership of the PEs is largely determined by the mode of sale. In most developing countries, Direct Sales constitute virtually the only technique, a reflection perhaps, of the low value of assets, and the underdeveloped local capital markets. In few cases, the government has chosen to improve the efficiency of the PEs without a transfer of ownership through the privatization of management such as management contracts, leases and concessions.

Partly because of the slow evolvement of the domestic equity markets in Uganda, the traditional public offering of shares was not feasible and this explains why outright sales of PEs is the dominant method. As a result, the general public has not been able to participate fully in the privatization exercise. This has led to public outcry and resentment of the program. It is noteworthy, that Uganda Clays Ltd and BAT (U) Ltd, are only enterprises where the Initial Public Offering of shares has been used to-date. This accounts for only 3 per cent of PEs privatized by means of this method.

4.7 Cost-Benefit Analysis of Privatization

The interim costs of the PEs divestiture and reform program have been excessive. While it is accepted that the transfer of the responsibility for PEs involves short to medium-term costs, it is difficult to see how Ugandan taxpayers will benefit from such a colossal cost outlay. These costs are both financial and social.

4.7.1 Financial Costs

The necessary financial resources for PERD programs were mobilized from the International Development Association (IDA). These loans were US$ 15.4m for the Public Enterprise Project (EDP), of the latter amount $40.6m or 62 per cent of the credit went into the financing of recurrent costs (Administrative expenses).

Of the locally mobilized resources or US$25.64, US$15.64 or 61 per cent were used to finance the divestiture program (see Table 11). The EDP funding including local counter part funding was applied as in Table 11. A detailed examination of budgetary breakdown for EDP credit (US$65.6) and local counterpart funding (US$ 25.641m) reveals that the Ugandan tax-payers got a raw deal out of the divestiture program and yet they will have to bear the burden of repaying the credit.

4.7.2 Social Costs

It has been stated that the private enterprise is controlled by a private manager whose objective is maximization of profits. The emphasis on cost efficiency and market responsiveness inevitably leads to the dismantling of a greater part of the former PEs' labor forces.

Table 11: Uganda: Budgetary Breakdown for EDP Credit (US$65.6m) and Local counterpart funding (US$25.641m)

Component	**Foreign ($'000)**	**Local ($'000 equiv.)**	**Total ($'000)**	**% Foreign**	**% Total Base Cost**
A: Inv. Term Credit Refinance Scheme (ITCRS)					
1. Contribution to ITCRS					
2. Advisory Services	25,000	10,000	35,000	71.4	39.4
3. Equipment/vehicles	420	84	504	83.3	0.6
	50		50	100.0	0.1
Component Total	25,470	11,084	35,554	71.6	40.0
B: Technology & Management Fund (BOU)					
1. Contribution to IMF					
2. Advisory Services	11,000	0	11,000	100.0	12.4
3. Documentation	600	120	720	83.3	0.8
4. Equipment/Vehicles	20		20	100.0	0.0
	50		50	100.0	0.1
Component Total	11,670	120	11,790	99.0	13.3
C: Restructuring Fund (ST/UDB)					
1. Contribution to RF	16,000	12,000	28,000	51.5	31.5
2. Contribution to Redundancy Account					
3. Advisory Services			1,000	0.0	1.1
4. Equipment/vehicles	720	1,000	864	100.0	1.0
	70	144	70	100.0	0.1
Component Total	16,790	13,144	29,934	57.0	33.7
D: Support for PE Reform and Divestiture					
1. Advisory Services, Studies, etc.					
2. Training	4,400	880	5,280	83.3	5.9
3. Equipment/vehicles	1,700	340	2,040	83.3	2.3
4. Incremental Operation Expenses	100		200	100.0	0.1
	2,500	500	3,000	83.3	3.4
Component Total	8,700	1,720	10,420	83.5	11.7
E: Export Development Studies (Min. of T & I)					
1. Advisory Services					
	900	180	1,080	83.3	1.2
Component Total	900	180	1,080	83.3	1.2
Component Total	900	180	1,080	83.3	1.2
Total Base Line Cost	63,530	25,248	86,778	71.6	100.0
Price Contingencies (*)	2,070	393	2,463	84.0	2.8
Total Project Cost	65,600	25,641	91,241	71.9	102.6

Source: Ministry of Finance and Economic Development

4.7.3 Households

Privatization is intended to benefit households, employees, and the economy as a whole. Households benefit when the greater efficiency that can be achieved through privatization is passed on to them, in the form of lower prices, better quality and a wider choice. In this line of argument, 20 households interviewed appreciated the privatized firms to have responded to changing demands and to have been more innovative in introducing new products to the market. However, this is more to do with SAPs as a whole rather than with privatization per se.

During our group discussion, we came across several discontented voices whose livelihood has been extremely impaired by privatization (**see Box 2**). Many of them mentioned that most households can not support their families unless they receive some support from well to do relatives. The extended family social system that obligates the better-off families to cater for the poor in anticipation of future freedom seems to have minimized the impact of the poverty on the rural poor. In urban areas, however, SAPs have impacted on the urban more negatively because such people are expected not to get support from anybody but instead to give support. The urban people do not get any remittances. Those who have been laid off in some companies are expected to support their families and at the same time fulfil their obligations to the family people in the rural areas. As a result, some households have failed to; raise school fees for children; meet their daily meal requirements, and even attend to health care. Even in cases where the laid off have been given their terminal benefit packages, it was revealed that it is not enough to set up sustainable self-help projects. As a result, the money is not recycled back into business but to cater for the endless family and extended family obligations.

One of the arguments for PEs is the fear that the private sector will exploit consumers where there is monopoly or oligopoly power. From that fear, follows the concern that divestiture may lead not only to more efficient operation, but also to more efficient exploitation of consumers. The households interviewed acknowledged that consumers have been disadvantaged in form of higher prices of goods. These price increases reflected a shift from high subsidies to economically rational pricing. However, although the rise in prices from uneconomically low levels hurt consumers in the first round, in most cases this loss was offset quickly through increased investment and output expansion.

The move toward rational pricing worsened income distribution since the most vulnerable group, (i.e. lowly educated and the poorly paid most of whom women), were retrenched in the process of privatization. However, on the positive tone, it is not the poor who were benefiting substantially from these enterprises, but the upper and middle classes. Therefore the impact was more on the upper and middle-income classes.

One of the major references made by retrenchees about privatization has been that it has been an empty promise. From the households that have been associated retrenchment due to privatization of PEs, all of them complained about the small terminal packages, which were paid in small installments. Such packages were not beneficial. At the same time it was revealed that a number of household heads cannot raise tuition to send children to private schools which are considered to provide to better quality education. Instead, they have sent their children to government schools were education is less free.

Box 2: **It took me over a year to get my small package, which was after-all, a mockery of the privatization process in Uganda. I was unable to pay rent to National Housing Corporation. I have now sent my family to the village and have even failed to sell this flat for a reasonable 'goodwill',** ***Household Head in Buganda Road Flats.***

Certainly, this privatization has negatively impacted on me. I am unable to send my children to a good private primary school. You can see the small house I am in, you see it yourself, ***Household Head in Jinja.***

I used my small package of Ug. Shs 3.2m to start a business which was robbed by those people in Kampala, ***Household Head in Kawempe*****.**

There are some households, which have been lucky to acquire "social capital", to enable them get other jobs in the private sector. Some households, which have tried to start businesses, have failed. According to them it is not easy to move from a bureaucratic office and manage a business without any know-how. Those retrenched were not adequately paid and yet they were the breadwinners of their families. Besides they were never empowered with new skills to enable them survive in the New World without work. The profound social implication is that divestiture has greatly contributed to rural poverty and worsened the security situation occasioned by the demobilized soldiers.

4.8 Fiscal impact of Privatization Process and Utilization of Divestiture Proceeds

4.8.1 Fiscal Impact of Privatization

The fiscal impact of privatization is rather mixed. This is because on the one hand it reduced government expenditure due to the withdrawal of direct subsidies. On the other, it left its expenditure more or less unchanged or even increased, because the government has shifted from direct to indirect subsidies to PEs. Prior to the privatization process there was a fiscal drain on the treasury as the government was heavily subsidizing PEs, for instance, exempting them from import duties. Such favored treatment penalized other parts of the private sector that were not exempted. Privatization brought an end to what was a net fiscal drain for the government of many decades' duration and certainly the government made substantial savings. Political pressures for higher wages and higher employment had resulted in the segmentation of the labor market, fueling an upward spiral of higher wages and higher employment. The PEs used to have huge economy-wide negative effects, which are no longer, the case with the current PEs. Privatization has helped government to shift attention and energies from the public production of goods and services to the provision of an enabling environment for private-sector development. However, it should be noted that revenues from sales have been modest because of costs of settling enterprise debts, restructuring before sale, payment of delinquent taxes and transaction fees, and some PEs were fully paid.

Privatization has reduced subsidies to PEs and has led to increases in government income especially when taxes paid by the privatized firms have exceeded the sums previously paid PEs. For instance, the 39 companies surveyed paid an average of Ug. Shs 1.8 bn in 1997, Ug. Shs 1.6 bn in 1998, and Ug. Shs 2.1 bn in 1999.

Nevertheless, subsidies to PEs in Uganda still represent a significant burden to public finances. Subsidies towards PEs amounted to Shs. 186.2 billion in 1998, representing an 11 per cent decline in comparison with 1997, when they amounted to shs 210 billion (see Table 12). In 1998, the sector experienced a shift from direct subsidies towards indirect subsidies in the form of equity support, financing terms, fiscal terms (such as tax exemptions on imports, zero interest rate on arrears of tax payments) and other subsidies, (see Figure 4 for trends).

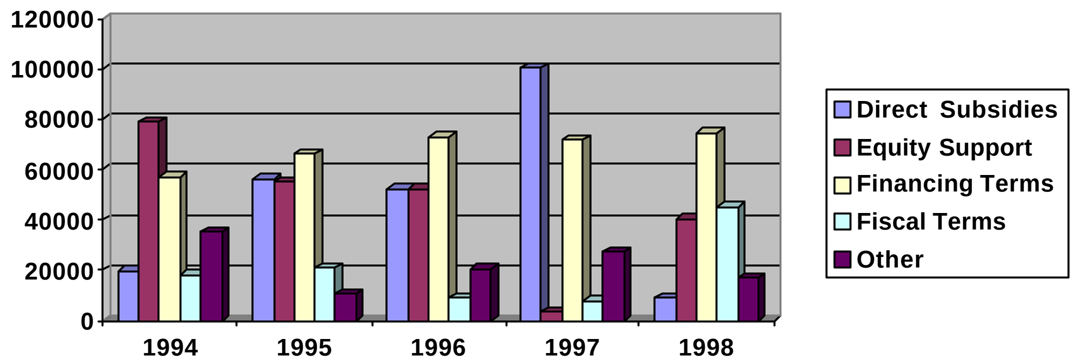
Direct subsidies accounted for only 5 per cent of the subsidies in 1998 compared to 48 per cent in 1997. Reducing the overall amount of subsidies will only be achievable once the desired sectoral reforms or financial/capital restructuring or divestiture are undertaken. Otherwise, subsidies are likely to keep rising in the absence of improved business performance from PEs.

Table12: Uganda: Public Enterprise Sector Subsidies from Government (bnUg. Shs)

Type of Subsidy	**1994**	**1995**	**1996**	**1997**	**1998**
Direct Subsidies	19.408	56.270	52.356	100..345	8.827
Equity Support	78.760	55.313	52.168	3.437	40.415
Financial Terms	57.042	65.958	72.842	71.628	74.774
Fiscal Terms	18.024	20.578	89.79	7.728	45.068
Other	35.303	10.560	20.336	26.964	17.069
Total	**208.537**	**208.679**	**206.681**	**210.102**	**186.153**

Source: Background to the Budget, 1999/2000

Figure 4: Uganda: Trends of Subsidies (1994 - 1998)



Source: Using Data in Table 12.

However, subsidies for the period 1995-1998 were influenced by the restructuring expenditures or re-capitalization of certain major PEs. Subsidy estimates excluding Uganda Commercial Bank Ltd., Uganda Development Bank and Uganda Posts and Telecommunications Corporation restructuring and re-capitalization costs indicate that subsidies have dropped from the 1995 peak of Ug. Shs. 209 billion by 48 per cent to Ug. Shs. 108 billion in 1998. While the re-capitalization usually requires direct subsidies, the restructuring of other enterprises involves more indirect subsidies.

Where privatization simply transfers a government monopoly to a private one – especially where privatization takes the form of contracting out public services to a sole-source private company – then it does not change the incentive structure. In such cases, rather than reducing costs, privatization ends up actually increasing costs (especially when one adds the costs of surveillance and monitoring that would go with contracting out).

4.8.2 The Utilization of the Divestiture Proceeds

There has been public concern as to where divestiture funds go. The proceeds of the divestiture process are broken down into: divestiture proceeds, liabilities assumed by the buyers and net sale proceeds. Over the period 1996-97, the accumulated net sale proceeds amounted to Ug. Shs 81,565m (see Table 13). Cash proceeds are deposited in three different accounts namely: the fixed deposits, operational and dollar accounts. The divestiture account holds the proceeds from the divestiture of PEs. The proceeds are utilized for the following four types of expenditure as provided for in section 23 of the PERD statute: -

(i) Terminal Benefits

This is provided for in section 23(b) of the PERD statute which states that, "Government through the responsible Minister and the Board of directors and management of a public enterprise may use the proceeds of sale in the Divestiture Account, to compensate or otherwise provide for employees who are laid off as a result of divestiture". As of June 1997, more than 10,000 workers from over 60 enterprises were paid terminal benefits and this accounted for 13 per cent of the expenditure. By July 1999, terminal benefits had increased to 53.6 per cent of the total expenditure from the Divestiture Account (see Table 13).

(ii) Payment of Parastatal Debt

As stated in section 23(a) of the PERD statute, "Government through the responsible Minister and the Board of directors and management of a public enterprise may use the proceeds of sale in the Divestiture Account to pay-off debts, if any or otherwise compromise with creditors of the public enterprise". By June 1997, public enterprise loan/creditors assumed by the EDP and paid from the Divestiture Account was 48.9 per cent of the total expenses and decreased to 9.5 per cent by July 1999 (see Table 13). Some of the public enterprise debts were so big that buyers were not ready to take them on. If the buyers took them on, most likely, the net worth of the enterprise would be zero or negative. It should be appreciated that PEs were accumulating debts year after year.

(iii) Professional Fees and Statutory Expenses

These expenditures are provided for in section 23(c) of the PERD statute which states that, "Government through the responsible Minister and the Board of directors and management of a public enterprise may use the proceeds of sale in the Divestiture Account, to do anything necessary to attain the most favorable conditions for divestiture".

These constitute the direct costs of preparing the enterprises for privatization up to the time of divestiture. As at June 1997, these costs were 6.3 per cent of the total expenses and they increased to 14.1 per cent as of July 1999 (see Table 13).

(iv) Public Enterprise Caretaker Loans and Costs

As of June 1997, these constituted 16.4 per cent of the total expenditure and were meant to ensure that, PEs slated for divestiture did not deteriorate but remained in a salable state. They increased to 22.8 per cent as of July 1999 (see Table 13). The loans advanced to PEs under this category are meant to create a 'more favorable' condition for divestiture as provided for in PERD statute section 23(c). This category of expenditures enable the smooth running of PEs through restructuring, rationalization, or day-to-day operational funding which a PE may require but cannot be obtained from alternative public or private sector financing. These are not straightforward expenditures as terminal benefits, debt payments and divestiture costs. However, the funds employed in this way are repaid by the Parastatal or recovered when the PE is sold.

Table 13: Proceeds of Divestiture and their Utilization (million shs); 1996 – 1997

Item	**1996**	**1997**	**Accumulated**
Proceeds			
Divestiture proceeds.	120,673	16,001	136,674
Liabilities assumed by the buyer.			
Net sale proceeds.	55,109		55,109
	65,564	16,001	81,565
Utilization			
Parastatal debts	13,076		13,076
Caretaker loans & Costs.	9,198	5,598	14,796
Creditors assumed by project.	38,487	5,497	43,984
Professional fees & statutory expenses.	2,276	3,426	5,702
Terminal benefits.	10,011	2,383	12,394
Total	**73,048**	**16,904**	**89,952**
Other income.	1,059	1,703	2,764
Surplus/deficit	-6,425	800	-5,625

Source: Enterprise Divestiture Project: Annual Report 1996/97

By the end of June 1997, the net accumulated sales proceeds from privatization amounted to Shs.81.6 billion, other income was Shs.2.8 billion, and the costs of divestiture amounted to Shs.90 billion, leaving a net deficit of (5.6 billion shillings). The biggest cost of divestiture was creditors assumed by the project amounting to Shs.44 billion. Also, many of the privatized PEs were not paid for in full, and as at 31st December, cumulative receivables were Shs.32.6 billion. As of December 1999, 28 privatized enterprise out of 55, which were sold, had fully paid. This is just 50 per cent of the proceeds, which ought to have been raised. Surprisingly, almost all of those enterprises that had not been fully paid for, the participants were locals or Ugandans.

Over the period July - December 1999, the divestiture proceeds totaled Ug. Shs. 12,855 million, out of which Ug. Shs 12,755 million was received in cash, and Ug. Shs 100 million was outstanding. Expenditures from the account amounted to Ug. Shs 10,217.7 million out of which Ug. Shs 5,536.5 million (54 per cent) was used for the terminal benefits of workers. Capitalization of certain industries, settling of creditors/loans, taxes, caretaker costs, fees, costs of divestiture and paying of rent and leases. Table 14 below gives the divestiture-related income and expenditure for the period: July – December 1999.

Table 14: Uganda: Operations of the Divestiture Account; July – December, 1999

Item	Amount (million Ug. Shs)	per cent
Revenue:		
Divestiture Sales	12755	72.1
Non-core Asset Sales	159	0.9
ITCRF Re-flows	4760	26.9
Other Income	20	0.1
Total Revenue	**17694**	**100.0**
Expenditure:		
Terminal Benefits	5536.5	53.6
Care-taker Costs	2354.6	22.8
Professional Fees & Expenses	1452.1	14.1
Creditors Assumed	983.5	9.5
Total Expenditure	**10326.7**	**100**

Source: Enterprise Development Project

5.0 Summary of the Findings

A number of findings emerge from this study. It was established that the respondents appear in general to be fairly well informed about the privatization program but they believe that the policy was not a homegrown policy but foreign-induced. The majority of respondents (60 per cent) believe that the privatization program was implemented for the sake of enriching government officials.

Regarding the fiscal objective, there is evidence that the privatization program reduced government subsidies to PEs. However, it was pointed out that a lot of money was spent on restructuring and preparing PEs for sale. To some extent there are perceptions that government had not realized its objective of raising money from the sale of PEs because a number of them were undervalued. There are views that government has not met its objective of minimizing asset stripping in PEs. Delays in concluding the divestiture of some PEs often led to asset stripping and siphoning of cash by the employees who were uncertain of their future employment. It was revealed that government has fulfilled its objective of raising tax revenue from the sold PEs. Majority of respondents, are of the view that the increase in expenditure on social services and infrastructure is due to donor funds and not divestiture proceeds.

With respect to the social and political objective, findings reveal that government has achieved its objective of reducing its direct role in the economy. There is a belief that less has been achieved to reduce corruption. There is suspicion that corrupt officials and buyers have engulfed the process of privatization. However, thee is hardly any corruption in the sold PEs.

A major discontent in the privatization process is the fact that no provisions for an employee preference scheme were put in place to create an opportunity for the employees of a state-owned enterprise to acquire an ownership interest on favorable terms, whether in the form of enterprise shares, purchases of physical assets or a 100 per cent buy-out. Therefore, the objective of creating a property owning middle class was not realized.

In terms of economic objectives, government is said to have achieved the objective of efficiency, productivity and profitability. In terms of enterprise performance, findings reveal that compared to the prior privatization period, capacity utilization, sales revenue, tax contribution to government, profitability, product quality and diversification have increased after privatization. Post divestiture investment have increased, particularly machinery, building and land purchase but the issue of who owns the investments leaves discontent. On the other hand, there is belief that the private sector has not been significantly stimulated. The goal of establishing a well functioning private sector has been constrained by the absence of institutional mechanisms to provide an engine for the growth of the private sector.

Overall the analysis shows an improvement in employment levels during the privatization period compared to the prior privatization period. But the composition of the employment is still more skewed in favor of the male compared to female workers. At the same time, it is pertinent to point out that female workers have increased in number as opposed to the prior privatization period. This is perhaps not due to privatization itself but factors beyond the outcomes of privatization.

Remuneration have shown an improvement but the issue of distribution across workers shows discrepancies that are likely to explain part of the social discontent. There is evidence that the majority of the workers earn much less than what the top management earns and consequently enlarging the inequality. Education has changed but largely due to factors driving self desire to improve oneself and not solely as result of privatized firms' policy to improve education of workers. In terms of job turnover, the group workers (lower cadres) have been recruited more than any other category but at the same time they are most susceptible to lay offs.

Privatization has to some extent improved people's welfare. This is mainly explained by the increased productivity, output and a wider range of consumer choice. On the other hand, there quite a number of households whose welfare has been adversely affected by the privatization process. Privatization is said to have significantly increased discontent among workers in the sense that improved pay has come with increased workload and other performance criteria that can be detrimental to the workers. In addition, workers are increasingly becoming insecure and their power to organize and have dialogue with the employer has been seriously weakened.

Privatization brought with it benefits and costs. However, it is difficult to ascribe with totality the costs to the privatization process itself given the fact that several forces are at play. The causes of the discontent about the process have multifaceted causes beyond the privatization process itself.

With respect to the management process, findings reveal that the privatization program was generally poorly managed. There was lack of transparency in the privatization process. Furthermore, there is belief that almost all privatized enterprises have not been independent of political interference, corruption and underhand dealings. The bidding process has been blotted with speculative bidders who present very high bids but have no capacity to meet the payment. The result has been undue delays in the award of tenders to the most deserving bidders. More so, the bidding process is revealed to have been unfair and biased in favor of certain entities. Although government has documented the way in which the divestiture proceeds are utilized, there is suspicion that the proceeds are mismanaged.

6.0 Conclusion and Policy Implications

6.1 Conclusion

Given the appalling state of the PEs and its negative impact on the economy, privatization of these enterprises was the most ideal choice for government. Though the privatization policy was clear, its implementation had a number of problems.

The timing and sequencing of the privatization program were not proper. There was lack of a market-friendly policy framework and a relatively well-developed institutional and regulatory capacity to work alongside privatization. There has been slow evolvement of domestic equity markets and as a result, the general public has not yet been able to participate fully in the privatization process.

In addition, there was inadequate government commitment to the program. It was the president mainly supported by the World Bank who has been pushing the divestiture program and there was much less enthusiasm for the program in parliament, cabinet or even some members of DRIC. There was hardly any body to ensure that decisions are taken and implemented in a timely fashion. Furthermore, decision making was cumbersome and hindered speedy conclusion of divestitures.

The method adopted for privatization was a top-down approach to setting rules and establishing an approval process without involving the workers. This process created uncertainty in the eyes of the public since it was politically supported.

There was inadequate public education based more on action than words, especially in the beginning. Public perception about privatization was mixed and this owes to the fact that there was lack of transparency and the public was insufficiently informed to appreciate the essence of divestiture. Mechanisms to foster implementation were not in place thus crippling the ability to purse successful privatization. Hence, the program had limited support.

To some extent, it can be argued that the program resulted into some success in the aspects of improved efficiency, capacity utilization, productivity, and profitability. There has been an improvement in the quality and quantity of products produced. Certainly increases in tax contribution and greater employment opportunities have occurred. On the other hand, in view of the objective of broadening share ownership among Ugandans, there is evidence of social-political discontent and therefore the program has achieved less than what it was meant to.

6.2 Policy Implications

A number of policy implications emerge from the study:

6.2.1 Stable macroeconomic environment

In general, the economic environment must be conducive to private ownership before one can even think about trying to develop a successful program for privatization.

6.2.2 Sequencing of the privatization policy

In order for the program to be beneficial there should be proper timing and sequencing of the policy.

6.2.3 A Developed Financial and Capital Market

Creating and broadening capital markets expands the choices available for privatization. Capital markets should be developed to mobilize saving and enable popular participation. It is highly recommended that for the rest of PEs, their privatization should be through the sale of shares in order to broaden share ownership. For this to succeed there is a need for USE to actively engage in educating masses about the importance and activities of the USE

6.2.4 Public Sensitization on intended reforms

Public education, in the form of public relations and mass communications is vital for the successful implementation of the privatization program. The public should be informed about the privatization process especially regarding the benefits, firms to be privatized, the method of sale, and the use of proceeds.

6.2.5 *Transparency in the privatization process*

To make the divestiture program more popular, the government must be transparent. Transparency can be ensured through clear and simple criteria for evaluating bids, clearly defined competitive bidding procedures, disclosure of purchase price and buyer, well-defined institutional responsibilities, and adequate monitoring and supervision of the program.

6.2.6 *Government Commitment to Reforms*

The best way to launch privatization will depend on the extent of government strength and commitment. Government, cabinet, and parliament should actively be involved in the program.

6.2.7 Civil Society Participation

There is need for bottom-up approach to increase participation from the grass roots level. There are significant advantages in a bottom-up approach, where by enterprises are given the opportunity to prepare their own privatization plans. This limits the opportunity and even the desire for obstruction, asset stripping, and delay of the program. It helps to obtain commitment at al levels.

6.2.8 Proper preparation of companies for sale

There is need for proper preparation of companies to make them attractive to the private market. Preparing them for privatization would imply making investments into them, reducing on the work force and building up the capital stock so that the company is appealing to private investors. The motive behind this is to make sure that if a firm is privatized, it should survive without subsidies from government.

6.2.9 Reducing Bureaucracy

For the program to be successful there is need to reduce the level of bureaucracy. To reduce the workload of the implementing body (PU) the responsibility for implementation can be delegated to other agencies as for instance, efficient financial institutions. The implementing agency should only supervise these implementing agencies and have a clear order and timetable for privatization.

The above policy recommendations should be taken as a package and if implemented the privatization policy is likely to benefit the entire population.

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Appendix I: QUESTIONNAIRE: SURVEY OF PRIVATIZED ENTERPRISES.

Interviewer's introduction**:** The objective of this research project is to examine how privatization has been implemented in Uganda and its impact on society. In this survey, we are interested in exploring the performance of privatized companies, in particular, in relation to profitability, investment, employment, capacity utilization and taxes paid to the government. The information obtained here will be treated strictly confidentially, and neither your name nor the name of your firm will be printed or used in any documents. The answers to these questions will be used for research purposes, and may be an important input in prescribing policies to improve the system.

Section 1: Background Information

1. Respondent's position?
2. Is the respondent the owner/one of the owners of the firm?

   Yes ………………………No …………………………………………………
3. What is the firm's main area of activity?
   (a) Manufacturing
   (b) Service
4. When was this business enterprise officially handed over to you?
5. What is the ownership structure?

Ugandan private owners only	
Foreign owners only	
Joint Ugandan and Foreign owned	
Joint Venture between Government of Uganda and private owners	

Section 2: Employment

1. What has been the total number of people employed by the company since hand over.

	At take over		**1995**		**1996**		**1997**		**1998**		**1999**	
A: Full-time/ Permanent	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
B: Contract												
C: Casual												
D: Total												

2. Please give reasons for the staff reductions if any_______________________________

3. What was the company's annual wage bill in the following years

Category	At take over	1994	1995	1996	1997	1998	1999
Annual Wage Bill Ushs.							

4. Did the company have to retrain the employees that stayed on after the enterprise was privatized? If so what skill gaps were targeted by the training programs________________________________

5. Has the quality of working conditions of the enterprise charged since hand over? (Rank on a scale of 1 to 5:1= Large improvement, 2= Small improvement, 3= No change, 4= Small deterioration, 5=Large deterioration).

   Safety Measures
   Social Security/Provident Funding
   InsuranceCompensations/Benefits
   Management Systems
   Career Advancement Opportunities
   Employment Contracts

Section 3: Investment, Production, Costs and Sales

1. The table below deals with the firm's investment since it was handed over?

How much did you invest in (Ushs)?	1994	1995	1996	1997	1998	1999
A: Land purchase or improvement						
B: Buildings						
C: Machinery and equipment						
D: Other (e.g. vehicles, cattle)						
E: Total						
F: What was the form of the acquisition						

2. What is the maximum production level/installed capacity for the products listed above?

   1. ____

3. What was the firm's approximate level of sales:

Sales	At take over	1994	1995	1996	1997	1998	1999
Sales Ushs.							

4.How much did the company pay to the URA in:

Tax/Remittances	1994	1995	1996	1997	1998	1999
Total taxes paid						

Appendix II
Qualitative Assessment of the Privatization Process in Uganda

Name of Respondent (optional)………….
Gender……………………………….Age………………………
District…………………………

1 Are you aware of the ongoing privatization process in Uganda? YES/NO
2 If YES to Question 1, was this policy in your view, necessary? YES/NO
3 If YES to Question 2, do you feel it was carried out because of the following:-
- (i) Reduce Government expenditure on PEs
- (ii) Improve the performance of PEs
- (iii) Generate revenues from the privatization program
- (iv) Fulfil IMF & WB conditionalities
- (v) Enrich government officials
- (vi) Other (specify)………………………

4 If YES to Question 1, has government attained the following economic objectives?

4.1	To increase the volume of goods and services	YES/NO
4.2	To raise the overall efficiency of the economy	YES/NO
4.3	To generate money from the sale of PEs	YES/NO
4.4	To improve upon the quality of products	YES/NO
4.5	To stimulate private investment	YES/NO

2 If YES to 1, has the government achieved the following fiscal objectives?

3.1	To raise tax revenue from the privatized firms	YES/NO
3.2	To reduce government subsidies to PEs	YES/NO
3.3	To overcome asset-stripping in PEs	YES/NO
3.4	To invest more in social services and infrastructure	YES/NO

3 If YES to 1, has the government met the following socio-political goals?

4.1	To broaden private ownership of enterprises	YES/NO
4.2	To minimize the role of government in the economy	YES/NO
4.3	To create more jobs in the economy	YES/NO
4.4	To set up a property-owning middle class	YES/NO
4.5	To fight corruption and abuse of public office	YES/NO

5 Are you aware of the different methods of privatization? YES/NO

5.1 If YES, which of the following were used in Uganda?
- Full Asset Sale
- Sale of 100 per cent shares
- Partial Sale of Shares
- Auction
- Repossession
- Partial sale with pre-emptive rights
- Debt Equity Swap
- Creditor Liquidation
- Management Contract
- Joint Venture
- Lease
- Other (specify)…………………………….

6 Do you feel the privatization process was well-managed? YES/NO

6 6.1 If YES, in which aspects?

____

6.1 If NO, in which aspects?

____

6.2 If NO, suggest ways of improving upon the process____________________________

7 Do you feel the general public was adequately sensitized about the on-going privatization? YES/NO

8 Do you feel the privatization process has benefited Ugandans? YES/NO

8.1 If YES, in which way(s) have they benefited?

(i) Greater output of goods and services
(ii) Wider range of goods and services
(iii) Better quality products
(iv) More jobs created
(v) Increased ownership of enterprises
(vi) Other (specify)

8.2 If NO, (specify) ____

9 Whom do you think bought the privatized firms?

(i) Ugandans
(ii) Foreigners
(iii) Joint Venture (Ugandans & Foreigners
(iv) Other (specify)

Appendix III:

Uganda: Capacity Utilisation (%) in Privatized Companies; 1997 - 1999

S/n	Firm Number/Year	1997	1998	1999
1	1	49	58	52
2	2	3	5	2
3	3	60	60	60
4	4	60	68	75
5	5	41	64	69
6	6	80	35	30
7	7	0	0	0
8	8	100	100	100
9	9	70	15	70
10	10	61	72	70
11	11	65	70	75
12	12	20	50	80
13	13	0	30	35
14	14	40	40	40
15	15	0	0	20
16	16	80	88	88
17	17	30	50	75
18	18	0	0	0
19	19	25	40	33
20	20	75	85	90
21	21	25	50	45
22	22	20	30	50
23	23	75	55	65
24	24	60	70	80
25	25	60	60	60
26	26	50	70	80
27	27	50	50	40
28	28	85	85	85
29	29	60	65	70
30	30	100	100	100
31	31	0	100	100
32	32	50	60	70
33	33	100	75	70
34	34	80	50	50
35	35	30	50	40
36	36	0	0	7
37	37	50	60	60
38	38	50	50	70
39	39	40	20	1
Mean			52.1	56.6

Appendix IV:

Uganda: Sales Revenue (mil. Shs.) in Privatized Companies; 1997 – 1999

S/n	Firm Number/Year	1997	1998	1999
1	1	22670	21180	18950
2	2	89	184	159.9
3	3	12	20	15
4	4	30100	44800	49700
5	5	1200	1200	1400
6	6	3100	2900	2480
7	7	1247	1363	0
8	8	1500	1800	1650
9	9	2083	858.5	1817
10	10	3200	3900	3300
11	11	800	900	950
12	12	500	2000	44000
13	13	0	1000	150
14	14	3873	3751	3971
15	15	0	0	185.7
16	16	68740	74640	90780
17	17	4800	5200	6000
18	18	0	0	1732
19	19	695	1200	1100
20	20	28.74	39.6	43.43
21	21	4593	8771	7361
22	22	3800	3900	4300
23	23	1	1.8	3.5
24	24	44000	65000	98000
25	25	3096	7250	11010
26	26	2400	2800	2900
27	27	146.2	139.4	140
28	28	0	10230	12630
29	29	4500	5000	6000
30	30	70	80	100
31	31	0	4200	4200
32	32	2601	6890	8049
33	33	70	64	48
34	34	1140	2930	3040
35	35	425	739.4	600
36	36	0	0	720
37	37	8954	8737	8416
38	38	1200	1600	2200
39	39	256	290	190
Mean		5689.5	7578.4	10212.6

Appendix V:

Uganda: Profits (mil.Shs0 in Privatized Companies;1997-1999

S/n	Firm Number/Year	1997	1998	1999
1	1	-6090	-5900	-5170
2	2	4	14	29
3	3	-4.69	-4.66	-3.54
4	4	17600	28500	30200
5	5	286.4	403.1	553.3
6	6	125	-640	-700
7	7	-1353	-927	0
8	8	200	300	100
9	9	521	317.4	217
10	10	1400	1600	1250
11	11	320	350	329.5
12	12	125	500	11000
13	13	0	100	150
14	14	868	348	357
15	15	0	0	102.76
16	16	56310	59680	7400
17	17	960	780	1200
18	18	0	0	421
19	19	66	128	1010
20	20	15.017	24.221	23.068
21	21	-127	178	134
22	22	100	100	450
23	23	-5.385	-5.717	-7.424
24	24	-4000	-4000	7000
25	25	-4949	-1879	250
26	26	1000	1000	1200
27	27	10.4	12.2	15
28	28	0	6509	8847
29	29	450	500	600
30	30	56	65	80
31	31	0	400	400
32	32	171	110	562
33	33	40	34	24
34	34	240	230	540
35	35	251.6	492	360
36	36	0	0	120
37	37	-986	487	316
38	38	200	300	350
39	39	56	50	30
Mean		1637.44	2311.7	1788.2

Appendix VI:

Uganda: Investment (mil. Shs) in Privatized Companies, 1997-1999

S/n	Firm Number/Year	1997	1998	1999
1	1	604	1545	462
2	2	17.5	32.5	22.5
3	3	3.7	2.7	3
4	4	0	2379	9068
5	5	110.1	101.6	137.9
6	6	0	0	0
7	7	0	0	0
8	8	33	30	150
9	9	0	0	0
10	10	259.9	73.358	46.546
11	11	125	60	45.5
12	12	0	0	0
13	13	1710	50	216
14	14	0	56.62	35.39
15	15	4000	4000	150
16	16	2088	2368	8937
17	17	68	147.8	283
18	18	0	0	1900
19	19	0	20	10.5
20	20	0	0	0
21	21	747.5	34.53	287.3
22	22	0	0	0
23	23	0.16	1.17	0.8
24	24	2690	548	0
25	25	634	87.23	89
26	26	344	90	300
27	27	0	0	0
28	28	150	150	150
29	29	0	1075	1130
30	30	17	7	9
31	31	0	0	0
32	32	1674	3739	7266
33	33	0	3.2	7.5
34	34	98.3	23.9	398.8
35	35	0	0	0
36	36	0	400	1200
37	37	0	0	0
38	38	1100	200	800
39	39	7.5	6	6
Mean		422.6	441.8	849.0

Appendix VII:

Uganda: Taxes (mil.Shs.) in Privatized Companies;1997-1999

S/n	Firm Number/Year	1997	1998	1999
1	1	3366	3228	3052
2	2	11.4	25.4	16.1
3	3	0.493	0.923	0.23
4	4	16330.5	2460.7	26341
5	5	74.4	56.4	134.4
6	6	54.328	87.496	152.78
7	7	54.5	61.3	0
8	8	30.4	374	320
9	9	127.42	87.1	267.1
10	10	396	428	319
11	11	3.065	52.66	63.21
12	12	2	5	10
13	13	1	36.8	54.8
14	14	1108.84	1040.84	1055.1
15	15	0	0	10.466
16	16	40514.1	43344	43218
17	17	602.5	722.5	902.5
18	18	0	0	10.4.796
19	19	0	0	9.6
20	20	19.957	2.78	3.72
21	21	3.68	6.22	7.027
22	22	124.5	78	249.3
23	23	0.25	0.5	0.55
24	24	5305	5474	2736
25	25	11.2	0.86	0
26	26	22	23	33.2
27	27	9.118	6.346	4.617
28	28	0	29.976	97
29	29	134	958.6	1195.7
30	30	0.6	0.75	0.9
31	31	0	2.4	1.6
32	32	151.1	798.5	506
33	33	0	0	0
34	34	60.3	23	228.4
35	35	16	17.5	16.7
36	36	0	0	132
37	37	1005.4	953.1	1859.8
38	38	246	348	472
39	39	9.2	8.2	5.2
Mean		1789.6	1557.5	2140.4

Appendix VIII.

Uganda: Employment in Privatized Companies; 1997 – 1999

S/n	Firm Number/Year	1997	1998	1999
1	1	102	152	380
2	2	100	100	100
3	3	16	16	16
4	4	361	394	368
5	5	96	92	90
6	6	185	168	160
7	7	350	350	350
8	8	190	225	225
9	9	30	20	20
10	10	124	137	133
11	11	250	225	200
12	12	72	72	72
13	13	80	94	129
14	14	69	69	69
15	15	70	100	100
16	16	1059	1133	1218
17	17	75	100	125
18	18	0	0	102
19	19	33	33	33
20	20	225	295	325
21	21	17	19	22
22	22	60	67	70
23	23	6	5	6
24	24	625	742	742
25	25	220	235	245
26	26	400	520	600
27	27	23	20	20
28	28	1050	1050	830
29	29	200	200	200
30	30	31	46	66
31	31	0	502	404
32	32	150	160	190
33	33	80	70	52
34	34	125	180	168
35	35	50	50	25
36	36	0	0	0
37	37	44	36	50
38	38	25	40	55
39	39	102	53	32
Mean		171.7	199.2	204.9

Appendix IX:

Divestitures Completed By September, 2000							
S/n	**Enterprise**	**Buyer**	**Date**	**Participant**	**Method**	**Price**	**Mode of Payment**
1*	Uganda American Insurance Co.	American Life Insurance Company	Nov. 1992	Foreign	Repossession of 51 per cent Government of Uganda Shares	N/A	N/A
2*	East African Distilleries	International Distillers and Vintners	Nov. 1992	Foreign	Sale of Government 51 per cent Shares	US $ 600,000	Cash Payment
3*	Shell (U) Ltd.	Shell Petroleum Co. Ltd	Dec. 1992	Foreign	Debt/Equity Swap	Shs. 12.79 billion	Gov't swapped its 51 per cent shares worth
4*	Lake Victoria Bottling Co. Ltd.	Crown Bottlers (U) Ltd.	Feb. 1993	Local	Sale of Government of Uganda 100 per cent Shares	shs. 6.46 billion	Shs. 3.6 billion paid. Assummed shs 8.86 billion in liabilities
5*	Uganda Securiko Ltd.	Securiko (U) Ltd	Aug. 1993	Foreign Registered in Uganda	Repossession Government of Uganda 100 per cent Shares under the Expropriated Properties Act	N/A	
6	Agricultural Enterprises Ltd.	Common Wealth Devt. Corp./James Finlays of the UK	Oct. 1993	Foreign/Local (UDC)	Sales of Assets. New company with government in joint venture through UDC	US $ 12.7m	New joint venture company, Rwenzori Highlands Tea Co., formed with UDC holding 25 per cent. US $ 11,852,451 paid and balance of US $ 847,549 paid into escrow account for settlement of land claims
7	Uganda Tea Corporation	Mehta Group	May-94	Local	Repossession of 51 per cent Government of Uganda Shares	N/A	Government returned 51 per cent shares to the group.
8	East African Steel Corporation Ltd (EASCO)						
9	Blenders (U) Ltd.	Unilever Overseas Holders BVC	Aug. 1994	Foreign	sale of Government 49 per cent shares	US $ 351586	US $ 41650 for 49 per cent government shares paid.

10	Hotel Margherita	Reco Industries Ltd	Aug. 1994	Local	sale of assets	US $ 400000	Cash Payment
11	White Horse Inn	Kabale Development Co.	Aug. 1994	Local	sale of assets	shs 600m	Cash Payment
12	Tumpeco	GM Co.	Aug. 1994	Local	Sale of government 100 per cent shares	US $ 700000 plus shs 429m	Cash Payment
13	Mt. Moroto Hotel	Kodet International	Nov. 1994	Local	sale of assets	shs 40m	Cash Payment
14	Rock Hotel	Swisa Industries Ltd.	Local	sale of assets	shs 300m	Cash Payment	Fully Paid
15	Uganda Cement Industry	Rawals Group of Industries	Dec. 1994	Foreign	sale of assets	US $ 20.5m	US$ 17,662,125 paid. Balance of US $ 2,837,874 applied towards liabilities assummed by seller
16	Lira Hotel	Showa Trade Co. Ltd.	Jan. 1995	Local	sale of assets	shs 250m	Cash payment shs 50m paid
17	Soroti Hotel	SpeedBird Aviation Services Ltd	Jan. 1995	Local	sale of assets	shs 150m	Cash payment
18	Acholi Inn	M/S Laoo Ltd	May-95	Local	sale of assets	shs 230m	Cash payment shs 50m paid
19	Hilltop Inn	Three Links Ltd	May-95	Local	sale of assets	shs 35m	cash payment shs10m paid
20	Mt. Elgon Hotel	Bugisu Cooperative Union	May-95	Local	sale of assets	shs 650m	Cash payment
21	White Rhino Hotel	Dolma Associates Ltd.	May-95	Local	sale of assets	shs 200m	cash payment
22	Uganda Fisheries Enterprises Ltd.	Nordic-African Fisheries Co. Ltd (Path Iceland Co. Ltd)	May-95	Foreign	Sale of GOU 100 per cent shares	US $ 1.1m	Cash payment - US $ 110000 paid
23	Uganda Leather and Tanning Industry (ULATI)	IPS (U) Ltd	Jul-95	Local/Foreign	sale of assets	shs 1.71billion	cash payment
24	Uganda Meat Packers Ltd (Kampala Plant)	Uganda Meat Industries	Aug. 1995	Ugandan	sale of assets	US $ 700000	Cash payment - US $ 484,000 paid. Balance of US $ 216,000 applied towards liabilities assummed by the seller

25	Lake Victoria Hotel	Windsor Ltd.	Aug. 1995	British	Sale of 51 per cent GOU shares	shs 3.06 billion	Cash Payment
26	Mweya Safari Lodge	Madhvani Group	Aug. 1995	Ugandan	Lease	Shs. 1.821 billion	Cash payment
27	Tororo Cement Works	Corrugated Sheets Ltd.	Oct. 1995	Kenyan	sale of assets	shs. 5.75 billion	Cash Payment
28	Winits (U) Ltd.	EMCO Works Ltd.	Oct. 1995	Ugandan	Auction	shs. 0.2745 billion	shs 0.125 billion paid, shs 0.172 billion liabilities taken over
29	Uganda Hardwares Ltd.	Management	Oct. 1995	Ugandan	Auction	shs. 0.298 billion	shs. 0.18 paid, shs 0.28 billion as liabilities taken over
30	Uganda Motors	Management	Nov. 1995	Ugandan	sale of 100 per cent government shares	shs 0.803 billion	Cash payment
31	Paramount Manufactures						
32	Uganda Hire Purchase Co.	Tadeo Kisekka	Nov. 1995	Ugandan	Auction	shs 0.00024 billion	cash payment
33	Kampala Auto Centre (Gomba Motors)	Management	Nov. 1995	Ugandan	Auction	shs 0.110 billion	shs 0.008 billion paid. Shs 0.102 billion as liabilities taken over
34	Republic Motors	Rafiki Trading Co.	Dec. 1995	Ugandan	Auction	shs 0.396 billion	shs 0.148 billion paid, shs 0.248 billion as liabilities taken over
35	Total (U) Ltd	Total Outre Mer	Mar-96	French	Sale of 51 per cent GOU shares	shs 5.7 billion	Cash Payment
36	African Textile Mills	R.S. Patel	Mar-96	Ugandan	Sale of 49 per cent GOU shares	US $ 1,400,855	cash Payment - US $ 100,000 paid
37	NYTIL	Picfare Ltd	Mar-96	Indian	sale of assets	US $ 7m	Cash Payment - US $ 2.1m paid
38	Printpak (U) Ltd.	NW Printpak (U) Ltd	May-96	Ugandan	sale of assets	shs 0.9 billion	Cash payment - shs 75m paid
39	Agip (U) Ltd.	Agip Petrol International	May-96	Italian	Sale of 51 per cent GOU shares	shs. 1.675 billion	cash payment
40	Fresh Foods Ltd.	Eddie & Sophie Enterprises	May-96	Ugandan	Auction	shs 0.0009 billion	Cash Payment
41	African Ceramics Co.	Muhindo Enterprises	May-96	Ugandan	sale of assets	shs 0.270 billion	Cash Payment
42	Foods & Beverages Ltd	James Mbabazi	May-96	Ugandan	Auction	shs 0.670 billion	Cash Payment

43	Uganda Pharmaceuticals Ltd	Vivi Enterprises	Jul-96	Foreign	Sale of Government shares	US $ 1,501,000	Cash Payment - US $ 1,340,119 paid
44	Kibimba Rice Co. Ltd	Tilda Holdings	Sept. 1996	Foreign	Sale of government shares	shs. 1.607 billion	Cash Payment
45	Motorcraft and Sales Ltd	Andami Works Ltd	Sept. 1996	Ugandan	Sale of Government shares	shs 0.200 billion	Cash payment
46	Stanbic (U) Ltd	SBIC Africa Holdings ltd.	Dec. 1996	Foreign	sale of Government shares	shs 6.75 billion + 150m	Cash payment
47	ITV Sales Assets	Roko Construction Ltd	Dec. 1996	Foreign	sale of assets	shs 230m	Cash Payment
48	Uganda Grain Milling Co.	Calebs International	Dec. 1996	Ugandan	sale of government shares	shs 5.3 billion	Cash Payment
49	Uganda Bags and Hessian Mills Ltd	Bestlines (U) Ltd.	Jan. 1997	Foreign	Creditors Liquidation	shs 260m	N/A
50	Comrade Cycles (U) Ltd	Uganda Motors Ltd	Jan. 1997	Ugandan	Sold as subsidiary of Uganda motors	N/A	N/A
51	Uganda Industrial Machinery Ltd.	F.B. Lukoma	May-97	Ugandan	Sale of shares	shs 7m	cash payment
52	Uganda Crane Estates Ltd	Buganda Kingdom	Jun-97	Ugandan	Repossession	N/A	N/A
53	Uganda Commercial Bank	Westmount Asia Pic	Oct.97	Foreign	Sale of 49 per cent gGov't shares	US$11m	
54	Uganda Meat Packers – Soroti	Teso Agric Industrial Co. Ltd	Nov. 1997	Ugandan	Asset Sale	shs 300m	cash Payment - shs 150m paid
55	Apollo hotel	Midroc	Mar.98	Foreign	Sale of shares	US$19m	
56	Second National Operator (SNO)	MTN	Mar. 1998	Foreign	Operating License	US $ 5.6m	Cash Payment
57	ENHAS	Efforte Corporation, Global airlinks and Sabena SAV	Apr-98	Preemptive	Sale of shares	US$3.75m	
58	Lango Dev. Co.	Sunset International Ltd	Oct. 1998	Ugandan	sale of shares	shs 100m	cash Payment - shs 81.505 m paid
59	Barclays Bank of Uganda Ltd	Barclays Plc	Oct-98	Foreign	sale of shares	US $ 5 m	cash payment

60	PAPCO Industries Ltd	Praful C. Patel	Feb. 1999	Local	Sale of shares	shs 100 m	Cash Payment
61	Uganda Consolidated Properties Ltd.	Government of Uganda	Apr. 1999	Local	sale of assets	US $ 9m	
62	Bank of Baroda	Bank of Baroda (India)	Jun. 1999	Foreign	sale of assets	shs 2.5bn	cash payment
63	SAIMMCO	Steel Rolling Mills Ltd	Sept. 1999	Local	Sale of shares	shs 202m	cash Payment - shs 101m paid
64	BAT	BAT Investments Ltd.	Sept. 1999	Foreign	sale of 20 per cent GOU shares by pre-emptive rights. Balance of 10 per cent GOU shares to be sold on Uganda Securities Exchange	US $ 7m	cash Payment
65	Uganda Clays Ltd						
66	NEC Pharmaceuticals Ltd						
67	Masindi Hotel	Ottoman Engineering	Feb. 1999	Ugandan	sale of assets	shs 198.5m	cash Payment - shs 99.25m
68	Uganda Telecoms Ltd	Detecon	Jun.2000	Foreign	sale of 51 per cent shares	US$33.5m	
69	BAT(U) Ltd	Various	Jun.2000	Local/Foreign	initial Public Offering	Shs. 1000 per share	
70	Kakira Sugar Works	East African Holdings Ltd	July.2000	Foreign	Premptive rights	Shs.3.5bn	
71	Steel Corp. of east Africa	Muljibhai Madhvani & Co. Ltd	July.2000	Foreign	Premptive rights	Shs326.9m	
72	Government Central Purchasing Corporation	Management and Employees	July.2000	Local	Management and Employee buy out	Shs.1.09bn	
73	UGIL	Phenix Logistics Uganda Ltd	Aug.2000	Local	Asset Sale	US$500,000	
74	Windsor Lake Victoria Hotel	The Windsor Limited	Aug.2000	Foreign	Premptive rights	US$1,750,000	

*Five PEs were divested before the enactment of the PERD Statute in August 1993

PEs struck off register of companies/liquidated.

1	Agro-Chemicals
2	Domestic Appliances
3	Hamilton
4	Itama mines
5	Lebel (EA) Ltd
6	Sukulu Mines
7	TICAF
8	Uganda Air Ltd
9	Uganda Aviation Services
10	Uganda Fish Marketing
11	Uganda farm Machiner Ltd
12	Uganda tourism development Corporation
13	Uganda Wildife development Co
14	Gobbot (U) Ltd
15	Uganda Toni services
16	Wolfram Investments Ltd
17	Ugadev bank Ltd
18	Uganda Transport Co Ltd
19	Peoples Transport co. Ltd
20	Uganda General Merchandise Ltd
21	Intra Africa Traders
22	Lint Marketing Board
23	Ugadev Properties Ltd
24	Ugadev Holdings Ltd
25	Chillington Tools Co. Ltd
26	Toro development Corporation
27	ugadev Investments
28	SINO (U) Ltd
29	Associated paper Industries Ltd
30	R.O.Hamilton
31	Produce Martketing Board