
**Theme:** Building Capacity Of Farmers & Business Community In Mityana And Mubende Districts To Monitor How Their Tax Money Is Put To Use Through Budget Tracking And Monitoring Service Delivery Points That Lower The Cost Of Doing Business.

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FOREWORD

This is the report of the district-level dialogue on capacity building and citizen participation under the ‘Budget Monitoring and Lowering Cost of Doing Business’ theme of the Governance Accountability Performance Participation (GAPP) Programme. The Project activities implemented by Agency for Transformation (AfT) seeks to strengthen oversight role of farmers and private sector to improve budget integrity and reduce cost of doing business in Mityana and Mubende districts. The overall programme is being implemented by Research Triangle Institute (RTI) with funding from United States Agency for International Development (USAID).

In the 2012 Open Budget Survey, Uganda scored 65 out of 100, which was much higher than the average score of 43 for all the 100 countries surveyed and the highest in the East Africa region. Uganda’s score indicates that the government provides the public with significant information on the national government’s budget and financial activities during the course of the budget year. This makes it possible for citizens to hold the government accountable for its management of the public’s money. Yet, Research and advocacy experience of civil society over the past 15 years has demonstrated that transparency by itself is insufficient for improving governance. Transparency along with opportunities for public participation in budgeting can maximize the positive outcomes associated with open budgeting.

This district-level dialogue aimed at introducing to the participants’ simplified information on the Budget Transparency Initiative as part of social accountability efforts. Special focus was also made on the quality of agricultural sector service delivery under the NAADS program. It also shared with SMEs the opportunities and challenges of operating profitably in Uganda with emphasis on lowering costs of doing business.

This report brings out the actual citizen participation and their feedback has informed the programme in making an informed assessment and proposes appropriate and effective recommendations. It also sets out the challenge and reforms, as guided by both the Open Budget Index (OBI) 2012 and Doing Business 2014 reports, required to meet the needs of increased public engagement in open budgeting and a sustainable and conducive business environment respectively across the two districts.

It is hoped therefore that this report on the dialogue, provides insights to both the citizens, government and development partners in respectively creating an optimum private sector business operating environment and support to CSOs social accountability initiatives towards promoting budget integrity not only at the sub-national level, but for the nation at large.

Morrison Rwakakamba
CEO, Agency for Transformation, www.agencyft.org
July 2014
ACKNOWLEDGEMENT

We owe a great deal of gratitude to several people in these organizations who assisted AfT to successfully conduct the dialogue. In particular, we thank John Walugembe from Uganda Small Scale Industries Association (USSIA); Stephen Kabagambe from Uganda National Chamber of Commerce & Industries (UNCCI); Moses Ogwal from the Private Sector Foundation – Uganda (PSF-U), and in a special way, the Chief Admsitrative Officer (CAO)of Mityana district.

Special thanks are due to Ms Nkechi Charles and Nelson Wasswa both research fellows from AidData who provided expert technical support by extracting and visualizing budgetary performance figures for the two focus districts.

This report was written by Edward Ssekayiba. Samson Akankiza, the Director of Programs & Projects – AfT, played a crucial role in editing the report.

Special thanks are due to Morrison Rwakakamba, Chief Executive Officer at the Agency for Transformation, who not only helped review the report but also provided detailed edits.

Finally, the dialogue would not have been possible without the intellectual and financial support of both RTI and USAID-Uganda. These institutions provide generous support to AfT for our efforts to, inter alia, bolster budget transparency and accountability.

Disclaimer
The district-level dialogue was organised by Agency for Transformation’s (AfT) Programmes and Projects division as part of the overall GAPP program design implemented by Research Triangle International (RTI) and financed by United States Agency for International Development (USAID) Uganda.

This report was prepared by AfTs research team. Responsibility for the contents and presentation of critical issues and proposed actions rests with the research team.

The views and opinions expressed in the report do not necessarily correspond to the views of USAID-Uganda or RTI.
1. BACKGROUND & CONTEXT

1.1 THE ROLE OF CITIZEN-LED ACCOUNTABILITY INITIATIVES

Recognising that transparency, accountability and participation around budgets and service delivery enhance their efficiency and effectiveness, national governments and the broader development community have deepened efforts to make governments more open. While these initiatives are laudable, they typically lack true ownership and accountability. Similar efforts led by citizens and citizen organisations’ bridge this gap by emphasising ownership, practical solutions and advocacy for real and sustainable change. They improve the efficiency and effectiveness of spending and services, curbing the waste of limited resources and enhancing beneficiaries’ human development.

No government action has the potential to improve the daily lives of the poor more than the budget. This is because the national budget, including donor aid, finances services essential to human development, such as basic education and health. However, in many places, the budget’s development potential is not fully realised. While insufficient resources undeniably contribute to this, in most cases the budget’s impact on human development is also limited by inefficiencies: budget funds may not be allocated to priority sectors or successful interventions, or the funds may be diverted from their original purpose and intended beneficiaries. Too often, services funded by the budget are not delivered in an efficient, effective way and therefore fail to produce the desired human development outcomes.

While the lack of efficiency in public spending and services is an issue in countries at all levels of development, its repercussion is felt most strongly in those countries where a greater proportion of the population relies on public interventions and where systems to identify and rectify these inefficiencies are weak or non-existent. Preventing and correcting inefficiencies requires transparency, accountability and participation. Transparency, or the availability of information about the budget and services, makes it possible for the wider public to understand government actions, their successes and limitations. Participation – in elections, the budget process, and the design and assessment of services – allows stakeholders the opportunity to voice their priorities and satisfaction (or lack thereof) with government spending and services. Finally, accountability – which requires both transparency and participation – entails a mechanism through which the government is ensured to correct ineffective actions.

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Importantly, while transparency, accountability and participation are each valuable independently, they must all be present concurrently to ensure efficient and effective spending. A famous illustration of a successful combination of the three elements is the 1996 Public Expenditure Tracking Survey in Uganda. The study, which found that on average only 13 per cent of the non-wage spending allocated to schools actually reached them between 1991 and 1995, also had an accountability and participation component. It increased transparency by publicising its findings nationally and by publishing the exact amounts intended for every individual school in local newspapers. This facilitated participation and accountability: better informed citizens were empowered to identify inefficiencies and to exert pressure on relevant actors to ensure they received the government funds they were entitled to. Partly as a result of this project, the rate of capture decreased from almost 80 per cent in 1995 to just 20 per cent in 2001.

In the light of this and other evidence that investments in health and education were failing to deliver proportional improvements in services and human development, governments and donors have sought to enhance the efficiency and effectiveness of public spending and the aid that contributes to it. As part of this, national and international actors have spearheaded initiatives and reforms designed to strengthen transparency, accountability and participation. For example, the independence and oversight role of different branches of the government have been strengthened, and greater and more direct participation in policy design and assessment have been encouraged – for example, through participatory budgeting and the institutionalisation of whistle blowing. These initiatives are laudable and necessary, but they lack two elements essential for change: ownership and accountability. Both of these components can be introduced successfully by civil society monitoring.

**CSO Accountability Initiatives**

In addition to engaging in government- and donor-led initiatives, citizens and citizen organisations (civil society organisations, or CSOs) design and implement their own accountability efforts. These efforts, sometimes called social accountability projects, involve a range of activities, such as monitoring spending and services and identifying issues limiting their effectiveness; enhancing transparency by disseminating information about government actions and their impact; working to hold governments accountable by advocating for issues to be addressed; and encouraging citizen participation in decision-making, monitoring and developing solutions to inefficiencies. CSO-led accountability efforts vary widely, ranging from analyses of the national budget and high-level advocacy campaigns to the monitoring of community budgets and services. However, these efforts share a common advantage over government and external efforts: they more directly represent beneficiaries and have a greater focus on ownership, accountability and change. The distinguishing feature of CSO accountability initiatives is that they are led by beneficiaries of government spending and services.
They are the group most directly affected by the quality of government actions and the
group to which the government is ultimately accountable. Unlike government and
donors who face competing pressures such as showing short-term results, these
organisations are independent and have clear incentives to identify and address
obstacles to quality spending over the long run. In addition, citizen organisations have a
number of practical advantages over external actors. Based in-country, they have a
deeper understanding of the local context, needs and constraints, and are able to
develop practical, appropriate and sustainable solutions.

In Uganda around July 2013, as a part of ongoing reforms and initiatives aimed at
improving the transparency and accountability of public spending, the Government of
Uganda, through the Ministry of Finance, Planning and Economic Development
(MoFPED), launched a new website for accessing information on the budget. The
Uganda Budget Information website (www.budget.go.ug) aims to provide all Ugandans
with access to detailed information on how public money is being spent on the provision
of services throughout the nation.

Almost a year later, around May, 2014, The Budget Transparency Initiative was launched
at the 4th Annual High Level Policy Dialogue on the Budget.

The Budget Transparency Initiative is a partnership between the Ministry of Finance,
Planning and Economic Development (MoFPED) and civil society organizations including
Advocates Coalition for Development and Environment (ACODE), Innovations for
Poverty Action (IPA) and the Overseas Development Institute’s Budget Strengthening
Initiative (BSI), to help disseminate budgetary information and generate feedback from
citizens. The goal of the partnership is to strengthen transparency; improve
accountability and; the quality of public service delivery.

As representatives of citizens, particularly those whose needs are not adequately
addressed by the government, CSOs’ approach and tools emphasise citizen ownership
and real accountability. Beyond increasing transparency, these initiatives involve active
efforts to improve the efficiency of spending and service, either through advocacy
campaigns that pressure the government to adopt reforms and/or through the
facilitation of dialogue, participation and the development of joint ‘action plans’ within
communities.

CSO-led initiatives typically involve citizen participation – both as a means to better
results and as an end in themselves. In the short run, seeking out citizen feedback and
participation helps CSOs ensure that their assessment and recommendations are
appropriate and effective. In the longer run, these efforts empower individuals and raise
their awareness that they have the right and responsibility to play an active role in
holding government and service providers accountable for efficient and quality services.
This strengthens citizen engagement in transparency, accountability and participation
initiatives of all types.
1.2 EASE AND REDUCING COST OF DOING BUSINESS

Regulation is a reality from the beginning of a firm’s life to the end (figure 1.1). Navigating it can be complex and costly. On average around the world, starting a business takes 7 procedures, 25 days and costs 32% of income per capita in fees. But while it takes as little as 1 procedure, half a day and almost nothing in fees in New Zealand, an entrepreneur must wait 208 days in Suriname and 144 in República Bolivariana de Venezuela. Sound business regulations are important for a thriving private sector—and a thriving private sector is important for overall development. In the developing world the private sector is the largest employer, providing an estimated 90% of jobs. Having the right business regulations and related institutions is therefore essential for the health of an economy.

**FIGURE 1.1 Regulations as measured by Doing Business affect firms throughout their life cycle**

**WHAT DOING BUSINESS COVERS**

*Doing Business* captures several important dimensions of the regulatory environment as it applies to local firms. It provides quantitative measures of regulations for starting a

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business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. *Doing Business* also measures regulations on employing workers.

In many parts of the world in recent years, *Doing Business* data show that there has been remarkable progress in removing some of the biggest bureaucratic obstacles to private sector activity. Yet small and medium-size enterprises still are subject to burdensome regulations and vague rules that are unevenly applied and that impose inefficiencies on the enterprise sector. This curtails the overall competitiveness of economies and their potential for creating jobs.

**AN EMPHASIS ON SMART REGULATIONS**

*Doing Business* is not about eliminating the role of the state from private sector development. On the contrary, *Doing Business* recognizes that the state has a fundamental role in private sector development. A key premise of *Doing Business* is that economic activity requires good rules. These include rules that establish and clarify property rights, reduce the cost of resolving disputes, increase the predictability of economic interactions and provide contractual partners with core protections against abuse. The objective is to have regulations designed to be efficient, accessible to all who use them and simple in their implementation.

Among the 30 economies ranking highest on the ease of doing business, a substantial number—Canada, Denmark, Germany, Japan, the Republic of Korea, New Zealand, Norway, Sweden—come from a tradition of the government having quite a prominent presence in the economy, including through setting out rules to regulate different aspects of private sector activity. Yet all these economies perform well not only on the *Doing Business* indicators but also in other international data sets capturing dimensions of competitiveness. The economies performing best in the *Doing Business* rankings therefore are not those with no regulation but those whose governments have managed to create rules that facilitate interactions in the marketplace without needlessly hindering the development of the private sector. Ultimately, *Doing Business* is about smart regulations, and these can be provided only by a well-functioning state (figure 2.1).
FIGURE 2.1 How does *Doing Business* define SMART business regulations?

- **STREAMLINED**—regulations that accomplish the desired outcome in the most efficient way
- **MEANINGFUL**—regulations that have a measurable positive impact in facilitating interactions in the marketplace
- **ADAPTABLE**—regulations that adapt to changes in the environment
- **RELEVANT**—regulations that are proportionate to the problem they are designed to solve
- **TRANSPARENT**—regulations that are clear and accessible to anyone who needs to use them
Findings on Uganda:

The table below gives Uganda’s country summary for each of the ten indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Rank</th>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ease of doing business (rank)</td>
<td>132</td>
<td>Sub-Saharan Africa - Low income</td>
<td></td>
</tr>
<tr>
<td>Starting a business (rank)</td>
<td>151</td>
<td>Registering property (rank)</td>
<td>126</td>
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<td>Procedures (number)</td>
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<td>Procedures (number)</td>
<td>11</td>
</tr>
<tr>
<td>Time (days)</td>
<td>32</td>
<td>Time (days)</td>
<td>47</td>
</tr>
<tr>
<td>Cost (% of income per capita)</td>
<td>78.3</td>
<td>Cost (% of property value)</td>
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</tr>
<tr>
<td>Minimum capital (% of income per capita)</td>
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<td></td>
<td></td>
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<tr>
<td>Dealing with construction permits (rank)</td>
<td>143</td>
<td>Strength of legal rights index (0-10)</td>
<td>7</td>
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<tr>
<td>Procedures (number)</td>
<td>16</td>
<td>Depth of credit information index (0-6)</td>
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<td>Time (days)</td>
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<td>Public registry coverage (% of adults)</td>
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<td>Cost (% of income per capita)</td>
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<td>Private bureau coverage (% of adults)</td>
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<td>Getting electricity (rank)</td>
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<td>Protecting investors (rank)</td>
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<td>Extent of disclosure index (0-10)</td>
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<td>Time (days)</td>
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<td>Extent of director liability index (0-10)</td>
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<td>Cost (% of income per capita)</td>
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<td>Ease of shareholder suits index (0-10)</td>
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<td>Strength of investor protection index (0-10)</td>
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<tr>
<td>Paying taxes (rank)</td>
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<td>Payments (number per year)</td>
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<tr>
<td>Time (hours per year)</td>
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<tr>
<td>Total tax rate (% of profit)</td>
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<td>Trading across borders (rank)</td>
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<tr>
<td>Documents to export (number)</td>
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<tr>
<td>Time to export (days)</td>
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<td>Cost to export (USD per container)</td>
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<td>Documents to import (number)</td>
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<tr>
<td>Time to import (days)</td>
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<tr>
<td>Cost to import (USD per container)</td>
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<td>Enforcing contracts (rank)</td>
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<td>Procedures (number)</td>
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<td>Time (days)</td>
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<td>Cost (% of claim)</td>
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<td>Resolving insolvency (rank)</td>
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<tr>
<td>Time (years)</td>
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<tr>
<td>Cost (% of estate)</td>
<td>30</td>
<td></td>
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</tr>
<tr>
<td>Recovery rate (cents on the dollar)</td>
<td>35.0</td>
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</table>

2. **OBJECTIVES OF THE DIALOGUE**

With support from USAID- Governance Accountability Performance and Participation (GAPP) Program; AFT is undertaking two major interventions among two sets of constituents: farmers and micro to medium sized enterprises (private sector) in the districts of Mityana and Mubende. The objectives of the dialogue were;

- to build capacity of small holder farmers to understand local government processes and monitor how their tax money is put to use through lower local
government (sub-counties) budget tracking and monitoring service delivery in the agriculture sector with a special focus on the NAADS program;

- to help to significantly reduce the cost of doing business by building capacity and amplifying the voice of business community in the two districts in order to increase private sector participation in local governance, reduce impediments that increase the cost of doing business; and
- equip and empower both the farmers’ and SMEs entrepreneurs to monitor and track both local and lower government budgets using the latest online/technological-based platforms.

The meeting commenced at 10.20 am.

An opening prayer was led by a farmer participant after which the day’s programme agenda was read out by Mr. Samson Akankiza, AfTs Director of Programmes.

Thereafter there were self-introductions.

3. WELCOME REMARKS & KEYNOTE PRESENTATION

Mr. Morrison Rwakakamba, the Chief Executive Officer, Agency for Transformation (AfT) welcomed members’ and emphasized the need to exploit such dialogues to get new contacts and expand their existing networks. He challenged members to ensure that by the end of day, each member should have gotten at least a new value adding contact.
He hinted on the need for members to pay special attention on the scheduled presentation of Mr. Moses Ogwal from the Private Sector Foundation Uganda (PSF-U) citing that it would focus, inter alia, on the implications of the 2014/15 budget to normal business life.

Mr. Rwakakamba also emphasized the importance of attending such structured public dialogues and airing their business concerns. For example, with respect to the last interactive workshop held in the same venue, their raised concern with respect to inconveniences in transacting with the Uganda Registration Services Bureau (URSB) was captured and shared with stakeholders through the print media outlets. Notably was the fact that their proposal to have URSB decentralize its services was widely shared and there is optimism that the concerned authorities have captured this.

As regards budget transparency, accountability and participation, Mr. Rwakakamba pointed out that business leaders should look beyond the prism of demand and supply and focus on business environment and governance issues that impact on their businesses. He highlighted the importance of Ms. Nkechi Charles’ due presentation on budget tracking and monitoring through the visualization of the variance analysis with the added option of service delivery evaluation. This is made possible with the use of a GIS software – ArcGIS that has been made freely available to AfT by AidData.

Most important to the two constituents is the need for them to track how the collected taxes are applied by the respective government departments in service delivery down at their respective sub-county levels.

On the ‘ease of doing business’ dimension, Morrison pointed out the importance of business perpetuity. He gave an example of a winery in Germany that has been in business for over two centuries – with governance and management succession moving seamlessly from one family generation to the next. He pointed out all this was possible because of adopting good business practices. One such practice is having the founder exposing an interested family member to the daily hands-on management of the family business.

3.1 Remarks by Mr. Daudi Malagala: Member USSIA – Mityana Zone.

Mr. Malagala, an entrepreneur based in Mityana informed members that the private sector contributes about 80% of the National Budget’s income estimates through taxes. He re-emphasized the need for members to attend such dialogues to gain valuable knowledge and skills.

He had bitter words for the current high electricity tariffs citing that they are really affecting operating results of his maize mill enterprise. He noted that electricity is a major production input for most SMEs and thus requested government to intervene by at least subsidizing the power tariffs.

Mr. Malagala wound up his remarks with an honest appeal to government:
“Give us (private sector) affordable electricity and we shall give you all the development Uganda needs”.

Mr. Rwakakamba advised that Mr. Ogwal’s scheduled technical presentation shall give a detailed background to the genesis of the current high power tariffs across all consumer levels.

4. PANEL DISCUSSION.

The keynote presentation was followed by a panel discussion. Panelists were drawn from Uganda Small Scale Industries Association – Mityana/Mubende districts, Uganda National Chamber of Commerce & Industries (UNCCI), Private Sector Foundation (PSF) and the Chief Administrative Officer – Mityana district. Each of the panelists made a 30-minute presentation as follows.

4.1 TECHNICAL PRESENTATION – EASE AND COST OF DOING BUSINESS IN UGANDA.

Mr. John Walugembe – the Executive Director of Uganda Small Scale Industries Association (USSIA) presented a keynote paper on ‘Cost of Doing Business’. He started by discouraging Mr. Malagala’s approach of throwing business problems/bottlenecks at the government for possible solutions. Mr Walugembe instead encouraged the formation of business coalitions to enjoy the benefits of synergy.

He informed members that USSIA membership in principle comprises enterprises that add value to a raw product. For example, a maize farmer would not be admitted to the Association on account of just growing maize for sale: instead if s/he obtained a maize mill and processed the maize seed to say maize flour and further utilised the other by-products (like maize bran for chicken feeds, etc), then s/he would automatically be embraced into the Association.

Mr. Walugembe provided clarification by quoting the 11th series of Doing Business 2014 report. The annual report benchmarks the regulations that affect private sector firms, in particular small and medium-size enterprises. The report presents quantitative indicators on 11 areas of business regulation for 189 economies. The data are current as of June 2013.

He cautioned that Doing Business measures business regulations for local firms. The project focuses on small and medium-size companies operating in the largest business city of an economy. In our case, the statistics and results focused on Kampala city. He further explained that basing on standardized case studies, it presents quantitative indicators on the regulations that apply to firms at different stages of their life cycle.

Quoting from the report, Mr. Walugembe further advised that a thriving private sector—with new firms entering the market, creating jobs and developing innovative
products—contributes to a more prosperous society. Governments play a crucial role in supporting a dynamic ecosystem for firms. They set the rules that establish and clarify property rights, reduce the cost of resolving disputes and increase the predictability of economic transactions. Without good rules that are evenly enforced, entrepreneurs have a harder time starting and growing the small and medium-size firms that are the engines of growth and job creation for most economies around the world. He however pointed out that as entrepreneurs, they need to find practical solutions to their day-to-day business problems in order to sustain their enterprises. He encouraged formation of coalitions so that common problems may be shared and ideas generated on how to get lasting solutions.

He wrapped up by emphasizing the importance of tracking where their taxes are utilised by the local government.

[Mr John Walugembe’s full power point presentation may be obtained upon a written request to the Chief Executive Officer, AfT through: mrwakakamba@agencyft.org]

The dialogue broke up for tea.

During break tea, Mr. Paul Kasirye, the leader of Enterprise Committee under the Mityana–Mubende District Farmers Association (MMUDFA) and also an elected member of the independent Mityana Budget Committee under the GAPP program design, introduced the various vocational and entrepreneurial skills being taught at the Institute. He picked out Mr Rwakakamba’s example of the over two centuries German family winery business and explained that such enterprises normally start small as cottage industries at the backyard. He noted further that white collar jobs are becoming almost irrelevant in the African context, thus families should focus on initiating cottage industries as a starting point for industrialization in Uganda.

4.2 **TECHNICAL PRESENTATION - BUDGET TRACKING & SERVICE DELIVERY OF THE AGRICULTURAL SECTOR IN DISTRICTS OF MITYANA & MUBENDE.**

Ms Nkechi Charles assisted by Nelson Wasswa, both Fellows from AidData currently interning by training AfT staff in practical use of ArcGIS software, presented a visualized paper on budget tracking and evaluation for the two districts with respect to fiscal year 2013/14.
A. National Budget Performance Visuals – Agricultural-related Sector:

1). National level Cash Releases: cash releases to all the districts and their comparable amounts. The comparison being detonated with the color scheme with each spectrum assigned a range of budget amounts. (Please refer to visualized map below). During the interactive segment, the participants noted that Mubende, which is geographically larger than Mityana got a relatively bigger cash release compared to Mityana district. They also pointed out that except for Kibale and Wakiso districts, the two districts are surrounded by quite a number of districts that received relatively smaller releases during the same period.
Participants were informed that the data focused on the following agricultural related votes;

1) Technical and Farm schools;
2) NAADS (District) wage;
3) Total Allocation of roads rehabilitation grant; and
4) NAADS.
AfT included the ‘Roads Rehabilitation Grant’ in the analysis because it is logically argued that a good road network in such rural agro settings is a critical support infrastructure in facilitating both quality and timely delivery of agro products to both the local urban and regional/international markets.

Ms. Nkechi informed the participants that the visual shows that Kibale and Arua received the biggest release (dark green shade) during the period under review as opposed to such red-shaded districts like Kotido up in the north-east and Kyegegwa towards the west, among others.

She cautioned that all the information/date used to generate the visuals were picked from the Ministry of Finance special budget website (www.budget.go.ug) and that the Ministry uploads this information basing on returns/submissions from the respective local governments.

She also pointed out that all the figures captured and processed by the GIS programme to generate the various visuals are with respect to the Agricultural-related categories as explained above unless stated otherwise.
2) National level Cash Releases: Ms. Nkechi went ahead and focused on local governments releases this time with a specific focus on NAADS releases for the same time frame. (Please see map below).

The visuals show an unchanged position in terms of amounts disbursed, basically implying that the districts were not considered for the Roads Rehabilitation Grant during the fiscal year – an interesting observation/trend!
B. Mityana District Budget Performance Visuals – Agricultural-related Sector:

a) Mityana District – Budgeted Amounts: The presentation now narrowed down to the two implementation districts. The visual on Mityana was reflecting annual budgeted amounts under each of the sub-counties forming the district. This covers the period July ’13 – June ’14. Please refer to visual below.

It is noted that sub-counties Kalangalo (Ushs 114.7 million) and Bulera (Ushs 123.3 million) had the highest budget amounts even overshadowing the Town Council itself.
(Ushs 68.5 million). However, it can be argued that being an urban dwelling, one would expect very minimal agricultural related activities at the Town Council.

b) Mityana District Releases: the next visual looked at the actual cash releases for the six-month period (July – December, 2013).

Ideally one would expect this to show at least 50% of the budgeted amounts. Unfortunately this is not the case. The biggest release went to Bulera sub-county.
(Ushs 32.6 million) and yet this did not even account to 30% of the budgeted amount.

c) Mityana District - Budget Amounts Not Released Yet: this visual is basically showing the variance between budgeted amounts and actual cash released by mid-way the fiscal year (December, 2013).

Notably are the two sub-counties of Kalangalo and Bulera whose statistic show they fall within the extreme upper band of high unutilized amounts.
d) Mityana District Budget Performance - Recap: this slide presented a quick snapshot of budgetary performance for the period under review at a go.

C. Mubende District Budget Performance Visuals – Agricultural-related Sector:

(Important: The district had finalized the In-Year reports for the three quarters ended 31 March, 2014.)
a) Mubende district – Budgeted Amounts: The same processed data was visualized for this district.

We note the same trend with respect to the Town Council’s estimates. On the other hand, sub-counties of Kitumbi (Ushs 130.4 million), Kassanda (Ushs 125.5 million) and Manyo-gaseka (Ushs 121.2 million) had the highest budgetary provisions in a descending order.

b) Mubende District Releases: the next visual showed the Central governments progress towards effecting cash releases to the district by the close of the third quarter.
A tabulated variance analysis of the selected three sub-counties shows that:

<table>
<thead>
<tr>
<th>Sub-county</th>
<th>Annual Budgeted (A)</th>
<th>Cash Releases to-date (B)</th>
<th>%age of Annual Budgeted</th>
<th>Cash Not Released Yet (A – B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kitumbi</td>
<td>130.4</td>
<td>104.1</td>
<td>80</td>
<td>26.3</td>
</tr>
<tr>
<td>Kassanda</td>
<td>125.5</td>
<td>99.7</td>
<td>80</td>
<td>25.8</td>
</tr>
<tr>
<td>Manyo-Gaseka</td>
<td>121.2</td>
<td>89.6</td>
<td>74</td>
<td>31.6</td>
</tr>
<tr>
<td><strong>Kiganda</strong></td>
<td><strong>99.2</strong></td>
<td><strong>117.3</strong></td>
<td><strong>119</strong></td>
<td><strong>(18.1)</strong></td>
</tr>
</tbody>
</table>

(shs. '000 million)
the total cash releases to date are slightly more than the expected average of 75% of budgeted amounts, considering the remaining fiscal quarter.

It was observed that two sub-counties, namely Kiganda and Kasambya received more than the budgeted amounts by the close of the quarter.
c) Mubende District - Budget Amounts Not Released Yet: the visual on the variance went further to distinctively reflect the two mentioned sub-counties (see (b) above) whose analysis resulted in over expenditure.
d) Mubende District Budget Performance - Recap: this slide presented a quick snapshot of budgetary performance for the period under review at a go.

Following this final slide, Ms. Nkechi opened the floor for discussion and reactions. She provided guidance that members’ reaction should focus on the presentation with specific emphasis on;

1) Whether they had ever heard of the Uganda Budget Information website; and if Yes, whether they know how to navigate it and provide necessary feedback?
2) Whether they are familiar with their respective sub-county level budgets and respective quarterly releases, most especially for the reflected agricultural-related votes; and finally

3) Whether they are familiar with the NAADS program and are tracking the budgetary releases towards this program including the service delivery points/quality?

Mr. Stephen Kabagambe, the Head of Membership Recruitment – Uganda National Chamber of Commerce and Industries (UNCCI) advised participants to form coalitions in their respective sectors. He hinted that this government listens to business community outcries, but these are given special attention when they are presented under one umbrella body/voice. He even went further to advice that UNCCI is mandated to receive concerns from the business community through its district arm (UNCCI – Mityana district forum). Such a single organized voice would also be most effective in tracking the cash releases from the Central government going to the local governments/sectors.

Ms Madrina Kyalema a female farmer from Nakizoma – Mityana district, had very bitter words for NAADS. She says the program design is quite disorganized. She was also bitter with the district officials whom she thought were accomplices to the NAADS officials’ devious schemes.

Ms Kyalema reasoned that from her observations of the budgetary provisions for the NAADS program on a national scale and compared this to the district’s amount, it was no surprise that this was minimal owing to the numerous inefficiencies.

She further shared that in her opinion, NAADS was meant to benefit close friends of the district officials. Her observation is that its only when there is a big government official or a special monitoring team scheduled to make a field visit, that they see the NAADS officials approaching them to

“They call us farmers for training meetings and we dutifully attend all of them. They then include us in the beneficiary list, but surprisingly, we never get to receive the promised services. Some of us have received repeated promises but in vain. It seems they have a special list of beneficiaries,” she lamented in Luganda.
showcase their various enterprises much as they don’t benefit from the program. She disclosed that they are normally promised inclusion in the next round of ‘benefits’ but all in vain.

Another male farmer from Mityana, a beneficiary of the NAADS program intimated that, even with the meager NAADS funds released to the district, the officials serve them poor quality cows that are incomparable to their own much superior local cows.

He wondered from which sources NAADS procures the agricultural items earmarked for distribution and whether there were any quality control measures in place.

The farmer gave an interesting account of how NAADS officials dupe the independent monitors following up service delivery under the program which drew a lot of laughter from other members, with most of them agreeing with his submission:

“When political leaders visit farmers to assess progress on the program implementation, these officials have the audacity to go to a neighbor’s kraal to pick a cow which they plant on a makeshift cow shed posing that it belongs to that farmer. Then when the officials go, they return the cow to the truthful owner”.

A female farmer from Mityana district, complained that the biggest problem with the officials is that they never follow-up on the services they dispense to them. She noted that once they give you the first lesson or handout any agricultural item, that’s it! But again, surprisingly, it’s the same NAADS officials who point fingers to the farmers’ citing how unsuccessful their enterprises were owing to their lack of seriousness!

Another female farmer disclosed that NAADS interventions normally come late, for example when the rainy season is ending. Like one of the previous discussants, she also decried the quality of items distributed by the program, for example the pigs or cows handed out are of the worst breed compare to those being distributed under the MMUDFA program.

A male farmer from Mubende district said that the NAADS program can be best summarized as a supplier of water in a jerry can with whom most people in the village setting, where the supply is a problem, had high hopes labeling it a savior only to end up with muddy water!
Farmers were then asked how best the NAADS program should be handled (re-designed) to better serve them.

- The program should be implemented through the MMUDFA structures, since these have been proven to be quite effective in serving their membership;

- The farmers’ propose that the service delivery of agro-inputs should be centralized to a particular specialized Institution, like NARO. They cited picking cassava cuttings from Kawanda research center as opposed from the district offices where the officials are technically unqualified about the quality of the delivered items. This would guarantee quality control ensuring supply of the best items for the farmers;

- They also advised that the method and channel of distribution should change – from falling within the domain/involvement of the district officials to a non-political independent vehicle to guarantee delivery of items to the true intended beneficiaries. They argued NAADS normally distribute to repeat beneficiaries under the direct influence of district politicians

- They also proposed that NAADS services should be dispensed directly through the Local Council structures (LCS) since, as opposed to the politicians and NAADS technocrats, these officials are quite familiar with the village members at the grass root level.

- They further proposed putting in place chairpersons of villages; religious leaders or even farmers themselves to form village farmer groups and elect respective group leaders.

- One elderly farmer argued that government should abandon the approach of giving handouts and instead focus on imparting the relevant farming practices and entrepreneurial skills.

Mr. Ssegane, the Secretary to MMUDFA, spoke on behalf of the members confessing that they are unaware of their rights to participate in monitoring the local budgets most especially with the current online development initiated by the MoFPED.

He pointed out they are unaware that there is even an option of giving an online feedback to government.

Mr. Stephen Kabagambe interjected and insisted that the local farmers have the capacity to track and report on quality of service delivery within their respective sub-counties.

4.3 Technical Presentation – The mandate and roles of UNCCI towards SMES

Mr. Stephen Kabagambe of UNCCI – national office presented a paper on the mandate and roles of UNCCI in Uganda. He pointed out that the Chamber has district forums
including one in Mityana where the business community can collectively channel their concerns and grievances to the national office. He emphasized the importance of collectivism as a strong platform for voicing their concerns to government. He hinted that government is a good listener to a single voice of diverse players as opposed to multiple voices. Most importantly is that the Chamber coordinates linking the private sector with government. The Chamber also endeavors to protect SMEs but he cautioned that they should adopt good business practices. He also singled out that the Chamber carries out specialized and/or tailor-made training of business communities anywhere in Uganda. The Mityana business community can approach the district’s UNCCI forum to help coordinate such trainings.

Figure 5: Mr Stephen Kabagambe, the Head of Membership recruitment at UNCCI presenting his paper on the mandate and roles of UNCCI to the business community.

He concurred with the findings contained in the Doing Business 2014 report for Uganda in as far as the indicators of Cost of Finance and Utility are concerned. He also pointed out a general state of general low labor productivity, owing to poor skills among the workers. [The details on the mandate and roles of UNCCI may be obtained from AfT National Offices upon request or directly from the UNCCI website: http://www.chamberuganda.com/.]

Reacting to Mr. Walugembe’s presentation, an entrepreneur expressed his worry on who to approach at the district level to air their views for possible incorporation during the budgeting process/cycle. He contended that local government officials focus on well-to-do members of the business community during the consultation process.
He also re-echoed the concern raised against the abnormally high power tariffs of UMEME that has proven a stubborn bottleneck in the production processes.

### 4.4 Technical Presentation – Opportunities and Challenges of SMEs in Operating Profitable Business in Uganda.

Mr. Moses Ogwal, a Director with the PSF started by providing a detailed explanation of the genesis of the high power tariff rates. The root cause stems from the delayed commissioning of the project by some legislators and environmental activists post award of contract by Government.

The contractor had secured financing by way of a hard currency loan and this unexpected long delay of contract execution (eight years) resulted into accumulated financing charges. Finally, upon clearance by government for the commencement of works recently, the contractor was forced to push forward these various charges/costs to the final consumers. The charges include forex fluctuations in the course of installment repayments and accumulated interest charges.

All this was explained to the consumer community by the Electricity Regulatory Authority (ERA).

Mr. Ogwal’s presentation focused on availing statistics on the key cost elements of doing business in Uganda and within the region, the details of which are contained in his appended presentation.

![Figure 6](image.png)

Figure 6: Moses Ogwal from the Private Sector Foundation presenting his paper to the business community present during the dialogue.

Notably was his plea to the entrepreneurs to endeavor to adopt smart practices. He hinted out that the more difficult a challenge, the more valuable it is as a business opportunity.
Moses’ humble advice to the business community was the need for a keen business eye to exploit whatever opportunity available within a value chain – whether vertical or horizontal. He hinted that there are always opportunities available along the value chain right from pre-production to product placement to the final consumer.

He emphasized the need to be continuously innovative while conducting business on a daily basis. For example the high power tariff concern can be overcome, by say, controlling machine usage during off-peak hours when the rates are subsidized.

Mr Ogwal also presented on opportunities currently available in the economy, most specifically under the young Oil and Gas sector.

He then presented an overview of the just read 2014/15 budget by analyzing revenue sources for the government. He tabled the priority areas of government and wondered whether it had covered all their worries?

- A member pointed out the Environment and Natural Resources was not featuring anywhere in the proposed priority areas mentioned.
- Most members were baffled with government’s reintroduction of taxes on agro-inputs yet the President had recently pointed out that Agriculture was among the four priority sectors for the government.
- Their concern with respect to VAT was whether the current VAT registration requirements as provided for under the VAT Act would comfortably accommodate farmers who would be interested in charging Output VAT on the produce they eventually sell on the market?

In reacting to Moses’ presentation, an ICT entrepreneur was worried with the reintroduction of VAT on both ICT hardware and software. She argued that this would be counter-productive to the spread of ICT knowledge more so still in its infancy stage in the economy.

A poultry farmer argued the taxes on inputs would make their products uncompetitive in the market compared to say, the local hens, since taxes on feeds shall increase the cost of production.

5 VOTE OF THANKS – CHIEF ADMINISTRATIVE OFFICER, MITYANA DISTRICT.

The CAO was represented by the District Commercial Officer.
He pointed out on the need to sensitize the farmers and private sector and also provide relevant technical information in a simplified manner that would add value to the way they conduct business.

He advised members present that they can actively participate in the budgeting process at the local government level by engaging the various sub-committees’ during their deliberations. Such committees’ include the Production and Marketing, Works, Education etc. The committees’ are obliged to entertain public views and concerns which are then presented in the district council sittings.

He advised that the public is never invited in the district council sittings.

The CAO encouraged citizen participation in such forum.

6 CRITICAL ISSUES AND PRIORITY ACTIONS EMERGING FROM THE DIALOGUE.

The following emerged as the critical issues and priority actions:

- Awareness at all levels in the two districts on the Budget Transparency Initiative. A key component of the Initiative is MoFPED’s new budget website (www.budget.go.ug), which serves as a single portal for budget and performance data from both central and all local governments in Uganda. The website draws on the detailed budget and output data now available for both central and local governments as a result of Uganda’s budget reforms over the last few years. It makes that data accessible to the public through a variety of simple search tools. It also allows citizens and civil society organizations to provide feedback on the budget data presented.

- For the few stakeholders who are conversant with ICT and have access to internet services, there is an urgent need to develop simple training kits on accessing and reconciling data by navigating the various search tools under the website. The kit should also guide the public on developing content for the feedback and how to upload it on this website.

- Continue engaging the two constituents; farmers and SME entrepreneurs, in budget tracking and monitoring of service delivery using the online platform under a more practical/hands-on approach to help build individual confidence.

- Publishing a paper highlighting the concerns of farmers over the NAADS program and their proposed practical solutions to the relevant government department.

- In close consultations with USSIA and UNCCI, map the various enterprises and agro-produce that may benefit from value-addition within the two districts and organize hands-on sessions on the various value addition enterprise opportunities for both farmers and SMEs.
Research to generate key data such as weather data and information on road infrastructure for the two districts to help build up an argument on the adequacy/inadequacy of the national budgetary support towards the agriculture sector.

7 PROPOSED ACTIONS TO BE UNDERTAKEN ON BOARD URGENTLY AND IMMEDIATELY INCLUDED

- Creating awareness of different key stakeholders in the two districts on the Budget Transparency Initiative.
- Develop a simple training kit on navigation of the website’s (www.budget.go.ug) search tools and guidance on packaging of relevant online feedback under the Initiative.
- Publish nationally the concerns of farmers’ on the specific 2014/15 budget proposals on re-introduction of taxes on agricultural inputs and the conflicting contrast in earlier government’s principle of focusing support towards the sector as pointed out in the 2014 State of the Nation Address by the President.
- Develop a road map on continuous hands-on engagement of constituents for monitoring and evaluation of budget performance using visuals generated by GIS program and frequently publishing such results for consideration by the relevant government departments.
- Develop a Community Knowledge Center in which all visual results and simple publications on budget monitoring and evaluation are shared with the constituents to help maintain momentum on citizen participation.

8 CONCLUSION

8.1 CITIZEN-LED ACCOUNTABILITY INITIATIVES IN BUDGET TRACKING & MONITORING OF SERVICE DELIVERY.

In light of citizen organisations’ comparative advantages in preventing vast resources from being squandered and in achieving efficient and quality spending and services, Governments should be receptive to their work and recommendations, and donors should support these groups’ work with financial and technical support (where appropriate).
Finally, and most importantly, serious work needs to be done to better measure the financial savings and the additional development that these interventions produce. Specifically, evaluations should look at the relative cost-effectiveness of investing resources into such accountability efforts. Evidence suggests that in some cases, the pay-off for investing in CSO-led monitoring and accountability efforts can be greater than channelling the same amounts into additional education or health services.

### 8.2 Ease and Cost of Doing Business.

The economies ranking highest on the ease of doing business therefore are not those with no regulation but those whose governments have managed to create a regulatory system that facilitates interactions in the marketplace and protects important public interests without unnecessarily hindering the development of the private sector—in other words, a regulatory system with strong institutions and low transactions costs. These economies all have both a well-developed private sector and a reasonably efficient regulatory system that has managed to strike a sensible balance between the protections that good rules provide and the need to have a dynamic private sector unhindered by excessively burdensome regulations.

Uganda’s rural private sector players need tremendous technical support in building up capacity and skills in order to keep abreast with latest developments and trends in the business world. The umbrella body (Private Sector Foundation of Uganda) should endeavor to protect their members by continuously lobbying government to adopt win-win policies, especially in as far as reducing costs of doing business compared to their counterparts in the region in order to make their products more competitive.
# ANNEX 1: PROGRAMME FOR THE DIALOGUE

Programme for District level Dialogue on the Lowering the Cost of Doing Business in Mityana and Mubende Districts on 30th June 2014.

<table>
<thead>
<tr>
<th>Time</th>
<th>Activity</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>9:00 – 9:30am</td>
<td>Arrival and registration of participants</td>
<td>Agency for Transformation</td>
</tr>
<tr>
<td>9:30am – 9:50am</td>
<td>Introductions</td>
<td>All</td>
</tr>
<tr>
<td>9:50am – 10:20am</td>
<td>Welcome remarks by C.E.O AFT</td>
<td>Mr. Morrison Rwakakamba</td>
</tr>
<tr>
<td>10:20am – 10:30am</td>
<td>Opening Remarks by Guest of Honour</td>
<td>Executive Director Uganda Small Scale Industries Association (USSIA)</td>
</tr>
<tr>
<td>10:30am – 11:00am</td>
<td>Break Tea</td>
<td>Hotel</td>
</tr>
<tr>
<td>11:00am – 11:30</td>
<td>Monitoring and tracking budgets for Mubende and Mityana districts using ArcGIS</td>
<td>Nkechi U Charles</td>
</tr>
<tr>
<td>11:30 – 12:00</td>
<td>The role of Uganda National Chamber of Commerce Industry in facilitating SMEs to improve their businesses.</td>
<td>Steven Kabagambe (UNCCI)</td>
</tr>
<tr>
<td>12:00 – 1:00 pm</td>
<td>The cost of doing business and private sector in Mityana and Mubende districts</td>
<td>Executive Director – USSIA</td>
</tr>
<tr>
<td>1:00pm – 2:00pm</td>
<td>Lunch</td>
<td>Hotel</td>
</tr>
<tr>
<td>2:00pm – 3:00pm</td>
<td>Opportunities and challenges of SMEs in operating profitable businesses</td>
<td>Moses Ogwal (Private Sector Foundation)</td>
</tr>
<tr>
<td>3:00pm – 3:40pm</td>
<td>The role of Local Government and Ministry of Trade Industry and Cooperatives in promotion of SMEs.</td>
<td>Mityana District Commercial Officer</td>
</tr>
<tr>
<td>3:40pm – 4:00pm</td>
<td>Closure remarks</td>
<td>Chief Administrative Officer Mutyana District</td>
</tr>
<tr>
<td></td>
<td>Evening Tea and Departure</td>
<td>All participants</td>
</tr>
</tbody>
</table>