



## THE REPUBLIC OF UGANDA

# PUBLIC PROCUREMENT AS A STRATEGY TO PROMOTE LOCAL CONTENT: IMPLEMENTATION OF RESERVATION SCHEMES IN UGANDA

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## BACKGROUND

The Government of Uganda spends over 60% of its expenditure through Public Procurement. Public Procurement therefore is a very good avenue of promoting Local Content that will lead to the increase of the participation of local companies in public procurement which will in turn lead to employment opportunities, skills transfer for Ugandans. In March 2017, the regulatory body of public procurement (PPDA) issued guidelines to promote local content in public procurement. Specifically the guidelines provided for:

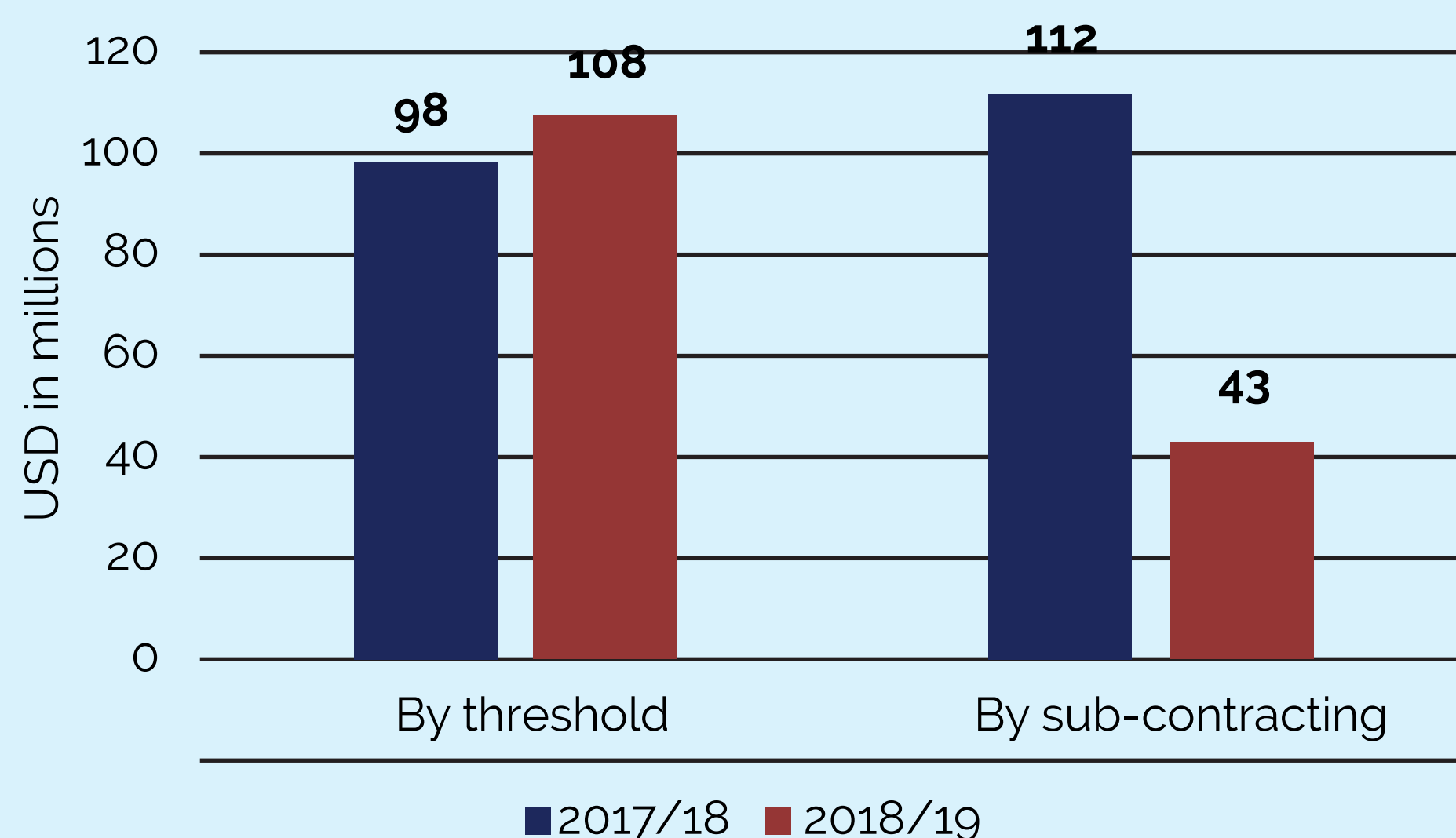
1. Exclusive reservation of public contracts by threshold to local providers in the following procurements:
  - Road works whose estimated cost is UGX 45 Billion (USD 12M) and below; and other public sector works whose estimated cost is UGX 10 billion (USD 2Million) and below;
  - Consultancy services whose estimated cost is UGX 1 Billion (USD 266,000) and below;
  - Supplies whose estimated cost is UGX 1 Billion (USD 266,000) and below and
  - Non-consultancy services whose estimated cost is UGX 200 Million (USD 53,000) and below.
2. Reservation of at least 30% of the value of works contracted to foreign companies through subcontracting of sub-works and supply of materials, equipment and services to local providers.
3. Reservation for procurement of uniforms and related clothing materials to providers with manufacturing facilities in Uganda;
4. Reservation for procurement of medicines and medical supplies.

## KEY ACHIEVEMENTS

### 1) Reservation of procurement of Road Works

For the financial year 2018/19, the Uganda National Roads Authority in charge of the roads network awarded an average of 26 % ( USD 196M) of the total value of contracts (USD 693 Million) to local companies.

Value of Road Works Contracts Awarded to Local Companies



#### Benefits to the Contractors in the Construction Sector;

- Increase in the companies' overall installed capacity.
- Increase in revenue from sales of construction materials.

- Increase in electricity utilization.
- Increase in investment by enhancing their systems to meet the various infrastructure projects' demands.
- Increase in Employment.

### 2) Reservation for Procurement of Uniforms and Related Clothing Materials by Armed forces and Health Workers

- Employment of about 200 staff who are mainly spouses of the police staff that tailor the materials into complete uniforms.
- Increase in number of employees by 7% for manufacturing companies.
- Increase in the consumption of cotton lint
- Increase in industrial manufacturing capacity utilization from 55% to 65%.
- Stimulation of further investments. Product diversification to include medical sundries (gauze and cotton) at a cost of USD 2.5 Million.
- Production Value Chain: Potential to address youth unemployment due to the increased cotton production that will be processed to garments.

### 3) Procurement of medicines worth USD 41M from local manufactures of medicines and medical supplies.

## CHALLENGES

- Lack of adequate capacity among the local companies.
- Exploitation of local companies through sub-contracting by the foreign companies.
- Increased prices due to limited competition among the local companies.
- Delayed payments from Government Entities.
- Inadequate enforcement mechanism in case of non-compliance by Procuring and Disposing Entities.
- Overly restrictive clauses/requirements in the bidding documents issued by some Entities.

## CONCLUSION

Promotion of local content in public procurement has the potential to achieve outstanding economic and social benefits including increased domestic tax revenue, and a more robust domestic economic growth.