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## Improving Government Capacities for Policy Engagement with Business Associations

Annette Kuteesa and Joseph Mawejje

### Executive summary

*Cooperation between business agents and government is crucial to delivering the appropriate market competitive response. Business collectively termed as private sector, is considered the engine for growth, employment creation and socio-economic transformation, in Uganda. However, since 2011 state-business relations have been characterized by increased tensions over what is regarded as unfavorable environment to the business community. Effective communication by government is necessary to ensure that regulations respond flexibly to the changing constraints and opportunities facing the business sector. This demands that state institutions be adequately capacitated to be able to identify, define and constitute the ever shifting market issues.*

### Introduction

This brief highlights key findings from a study by EPRC<sup>1</sup> on existing government capacities for policy engagement with the business sector. In this regard the capacity of the state refers to its ability to incorporate various associations into the bargaining policy processes and find balance between the various interests. Achieving this requires the possession of strong regulatory capabilities; sufficient resources for enforcement including finances, personnel and coercive mechanisms; as well as bargaining capacity. This brief is based on information from interviews with twenty one business associations, and government ministries including the Ministry of Trade Industry and Cooperatives, Ministry of Local government and local government officials and related agencies including Uganda National Bureau of Standards, Uganda Investment Authority and Uganda Revenue Authority.

### Regulatory capacity

The nature of state regulatory structure is characterized by weak processes. First, the formulation of regulations and policies is such that it occurs at the ministerial level but implemented at the district local governments whose staff are not always part of the process. Second is that many of the new policies are not always accompanied by clear and timely communication and support to the business community. This encourages poor policy implementation at the local level thus promoting conflict and tensions with many businesses,

their associations and the state. This is exacerbated by the dysfunctional relationships between policy arms and agencies characterized by minimal supervision, lack of coordination in implementation processes and political manipulations.

Third is that some of the current business policies are too general, obsolete and at times inconsistent. The generality of policies relates to the fact that laws are commonly applied to the diversity of goods entering the market making it difficult for the state to prescribe solutions whenever it engages with firms and business groups. However in situations where laws and policies are specific and sectors well regulated, business agendas and bargaining positions are clear and state response is quicker. Obsolete policies make it difficult for especially local district government officials to define a fair position that is not exploitative to business but supports local development. Decisions for local governments to implement must be in line with current district demands. So very often officials have ignored such policies and laws and instead focused on meeting the district needs. What is worse is that there is also no uniform implementation of such outdated laws across the country.

### Resources for policy implementation and delivery

Many local government officials state that policy delivery is many a times constrained due lack of sufficient funds i.e. budgets are small as shown in figure 1. Many new policies and reviews are not accompanied with adequate funding

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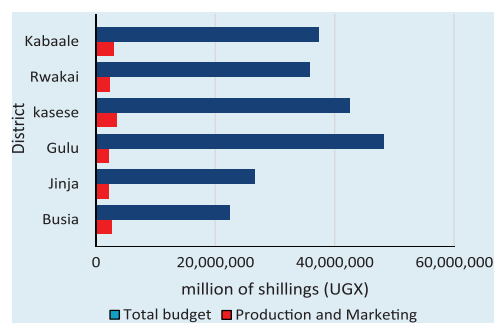
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needed to sustainably educate and equip the business groups to identify their needs. Furthermore local government offices lack adequate human resource capacity to attend to all matters concerning business in the district. Most offices have 1-2 commercial officers and do not always possess sufficient expertise to relay the right messages. They thus require continuous and sustainable capacity building particularly whenever new policies and procedures are constituted.

**Figure1. Budget allocation of to commercial activities of some of the border districts in Uganda**

**Bargaining Capacity**

In addition to the weak policies, there is a general lack of awareness about business groups and their formation by government institutions both central and local governments as well as the agencies. This limits their ability to detect changing market environment and reduces their negotiating capability with business agents. Many at times the institutions are ill prepared to deal with organizations and will address business demands as they come thus providing limited solution to their problems. Frequently government institutions will rather refer business agents to fairly renowned associations such as PSFU which

themselves are sometimes under capacitated offer solutions to all business problem. It is because of this behavior that business agents and their groups accuse the state of having little perception of their sector's needs.

**Conclusions and policy recommendations**

The above information reveals a weakly capacitated state characterized by weak regulatory and coordination policy processes, obsolete and inadequate policies, and insufficient resources to build and sustain effective and continuous engagement with the business sector. It is important that central government revisit the policy formulation and implementation process be more inclusive of officials who implement the regulations. There is need to revisit and update existing various market supporting policies and reinforce regulation to facilitate meaningful advocacy and implementation. It is critical that central government specifically Ministry of Trade Industry and Cooperative as well as its agencies including the Uganda National Bureau of Standards and Uganda Revenue Authority set aside adequate resources to continuously train and monitor local government officials at the district for sustainable policy delivery and impact. The ministry, local government and town/municipal councils should further identify and strengthen synergies to promote effective engagements with the business sector. Finally central government should consider setting up central register or information data base of business associations and their types which in part can quicken identification of the market constraints and changing dynamics and facilitate broader program delivery for business sector strengthening.

**Endnotes**

1 Kuteesa, A and Mawejje, J. 2013 Between the market and the state: Business associations and state

capacities for policy engagement in Uganda

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