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Examining the Impact of Privatization on the Development of Enterprises from the lens of Serena hotel (Formerly Nile Hotel) in Uganda

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ABSTRACT

This research examines the impact of privatization on the development of enterprises in Uganda, with a focus on Serena Hotel, a prominent service industry located in the heart of Kampala. Literature was sourced from various mediums including textbooks, speeches, periodicals, journals, and the internet. The study employed the distribution of 30 questionnaires and conducted oral interviews to gather data. The collected data was meticulously presented, incorporating both questionnaire responses and observational data. A critical analysis of the collected data was conducted, leading to findings that highlight the significant role of privatization in the development of enterprises in Uganda. This discussion culminated in a conclusion drawn in support of the positing the positive impact of privatization on enterprise development in the country. The research concludes that privatization has indeed had a substantial impact on the development of enterprises in Uganda.

Keywords: Development enterprises, Impact, Lens, Privatization, Service industry.

INTRODUCTION

The privatization of public enterprises (PEs) is a relatively recent phenomenon, emerging on most countries' policy agendas not more than two decades ago. Privatization, stemming from the word "private," which denotes "not public," signifies the reduction of the state's role in national economies while expanding private ownership and the private sector, encompassing both local and foreign entities[1]. Privatization has gained momentum worldwide since the early 1980s, commencing in Great Britain and spreading to developing countries in the 1990s. Its widespread adoption, with over 100 countries employing it, underscores its significance in the global embrace of market mechanisms for resource allocation. Among these nations is the Republic of Uganda. In formulating its Economic Recovery Program (ERP) in 1987, the Government of Uganda (GOU) acknowledged the necessity of comprehensive reform for PEs. The rationale behind this reform stemmed from the financial and administrative burdens imposed on the government due to the sheer number of PEs, compounded by their financial losses and poor performance. The PE sector comprises 156 entities, with 133 commercially oriented ones, 20 dormant, and others facing operational challenges ranging from dilapidated infrastructure to unresolved ownership disputes [2]. Since 1987, the Government of Uganda has implemented economic policy changes under the ERP to liberalize trade and monetary regimes, as well as strengthen fiscal discipline. These measures aimed to establish macroeconomic stability, introduce competitive pressures into the business environment, and incentivize Ugandan enterprises to enhance investment and production efficiency for economic growth[3]. Recognizing the redundancy of many PEs in the public sector and the need for efficiency improvements, the government adopted two primary policy objectives: to reduce its direct role in the Ugandan economy while promoting a corresponding expansion of the private sector, and to enhance the efficiency and performance of remaining PEs under government control. Since 1993, 105 PEs have been divested, including 31 liquidations. The privatization program, initially targeting small commercial PEs, such as manufacturing, agribusiness, and hotels, has progressed to larger and more strategic enterprises. As per the PERD Statute, the program is nearing completion, with 20 PEs remaining for privatization[4]. Despite the government's assertion of positive impacts on enterprise development and the economy, public perception regarding privatization remains mixed. Concerns have been raised about its adverse effects on socioeconomic welfare, with suggestions that benefits have disproportionately accrued to foreign interests. Additionally, evidence suggests that not all privatized companies have experienced productivity gains, with retrenchment exacerbating unemployment concerns[5]. Following the launch of the country's Economic Recovery Program (ERP) in 1987, the Uganda government published a policy statement on

Public Enterprise Reform and Divestiture (PERD) in November 1991, outlining its privatization strategy. The government committed to reducing its role in the economy by divesting from most public enterprises. Under PERD, five preliminary divestiture classifications were established: for immediate divestment, financial restructuring, long-term stabilization, liquidation or total restructuring, and retention. These classifications pre-screened PEs and categorized them based on their divestiture potential [2]. According to the Government Policy for Public Enterprises Reform and Divestiture[6], criteria were adopted to classify commercially oriented PEs into those to remain in state hands with majority or minority government shareholding, those slated for privatization, and those marked for liquidation.

The government adopted the following principles:

a) PEs deemed economically unviable and detrimental to Uganda's economic health were earmarked for liquidation.

b) The government refrained from operating commercially oriented PEs except for those providing essential services or considered politically sensitive.

c) Government only took minority shareholding in new enterprises attracting private equity and technology, while all others were slated for privatization, barring exceptions outlined in (b) above.

Government classified its 133 commercially oriented PEs into five groups based on the above criteria:

Class I: Fully owned by the government - 16 PEs

Class II: Majority government shareholding - 24 PEs

Class III: Minority government shareholding -10 PEs Class IV: Fully privately owned - 46 PEs Class V: Liquidate - 17 PEs

By January 1993, changes to the classification saw Nile Hotel reclassified from Class II to Class IV for full privatization. The Nile Hotel International Conference Centre (NHICC) history is marked by high-cost indices and incomplete work, stemming from rushed construction prior to the 1975 OAU Conference and subsequent rehabilitation before the 1987 PTA Summit. Situated in the northern periphery of Kampala Civic Centre, NHICC's operations have been marked by financial challenges, with minimal returns on investment and negligible sales margins.

The Government of Uganda initiated privatization with two main objectives: (i) to foster the development of enterprises and service delivery, and (ii) to reduce subsidies to Public Enterprises. However, despite more than a decade passing since the inception of the privatization program, Ugandans remain skeptical about its benefits. There is uncertainty about where privatization has actually benefited them, and if so, in which areas these benefits are evident. Against this backdrop, this research aims to investigate the impact of privatization on the development of enterprises in Uganda.

LITERATURE REVIEW

Improvements in privatized companies since their sale

Privatization is recognized globally as a means of achieving economic growth. It assures new competitors that the state will not favor and subsidize its own firms, thereby promoting competition. Privatization is also crucial for convincing the business community to engage in commerce[7]. It enhances transparency and accountability in the performance of privatized companies and optimizes ownership structures to secure stable conditions for economic growth. The financial success of privatized enterprises by examining key indicators such as revenue growth, profit generation, ROI, and shareholder value[8]. The company's financial health has been significantly impacted by privatization, with increased revenues, higher profit margins, and enhanced shareholder returns. Operational effectiveness is assessed through factors like manufacturing processes, supply chain management, and cost structure. Privatization can lead to increased efficiency through decreased expenses, optimized procedures, quicker completion times, and better resource utilization[9]. Companies can improve efficiency by adopting new technology, optimizing procedures, and adopting best practices. Customer satisfaction is crucial for measuring the impact of privatization on service quality and customer experience. Surveys, comments, and customer retention rates can be used to gauge changes in customer satisfaction. Positive changes, such as increased satisfaction levels, loyalty, and favorable brand impression, indicate that privatization has improved service quality and overall satisfaction. Privatization can enhance innovation within organizations by creating a more entrepreneurial atmosphere and motivating risk-taking and creativity[10]. Researchers can assess the level of R&D, novel products, and creative tactics used to gain a competitive advantage. Privatization can lead to unique products, market expansion, and long-term growth. Market performance is another factor to consider, with increased market share, expansion into new areas, and increased competitiveness indicating that privatization has strengthened the company's position and potential for development.

The relief in government expenditure resulting from the sale of state-owned enterprises

Privatization is a process that can significantly reduce government expenditure by transferring ownership and control of state-owned enterprises (SOEs)[5]. Privatization gained importance worldwide due to its potential to enhance efficiency and productivity by substituting market forces for the multiple objectives of public enterprises.

It was viewed as necessary for balance of payments adjustment and reducing government budget deficits. Privatization aimed to raise revenue for financing development expenditures, improve motivation within enterprises, and align managerial incentives with market forces[11]. This shift in financial burden allows the government to avoid the need to provide funds for subsidizing SOEs, resulting in substantial cost savings. Privatization can also reduce maintenance expenses, as private owners can implement more effective maintenance methods, invest in modernization, and take on the maintenance of deteriorating infrastructure[12]. This relieves the government of the responsibility of upkeeping deteriorating assets and diminishes costs associated with ongoing maintenance. Privatization also alleviates the government's responsibility of allocating cash for these goals, as private owners can contribute their own capital and resources to invest in the firm. This decreases the government's financial obligations and releases resources for other important areas like social services, infrastructure development, or debt reduction[13]. Privatization can also lead to efficiency increases in previously state-owned firms, leading to cost savings for the government. Individual proprietors can adopt strategies that reduce costs, optimize processes, and enhance efficiency, resulting in less total expenditures. The presence of competition in the private sector and market forces can also motivate individuals to enhance efficiency, leading to reduced financial costs for the government and overall budgetary relief[14]. Assessing the reduction in government spending caused by privatization allows scholars to analyze its overall effect on public finances. Policymakers must have a thorough understanding of the fiscal consequences of privatization to make informed decisions about economic reform initiatives and fiscal management.

Challenges in the operation and productivity of privatized enterprises

A survey conducted by various researchers revealed public perceptions of privatization, with concerns about corruption, socio-economic welfare, and appropriate management of the process. While some saw privatization as an opportunity for revenue generation and future enterprise development, others perceived it as benefiting elites at the expense of the disadvantaged[15]. The impact of privatization on the production processes of state-owned firms, focusing on changes in manufacturing techniques, supply chain management, inventory control, and workflow efficiency. Privatization can lead to more efficient and economical manufacturing methods, driven by profit and competitiveness motivations[16]. Workforce efficiency is another crucial aspect of evaluating privatized firms' performance, as it can influence labor productivity, employee motivation, training programs, and performance management techniques. Private proprietors can adopt strategies to improve employee productivity, such as reorganizing operations, delegating non-essential tasks, or implementing performance-based rewards. Technology adoption is another area of focus, as privatized firms often invest in new technologies, automation systems, and digital infrastructure to improve efficiency and competitiveness[17]. This can result in significant improvements in efficiency, reduced manufacturing costs, and enhanced product quality. Assessing changes in technology adoption after privatization can help assess the enterprise's readiness to compete in a rapidly changing market environment. Product quality is another crucial aspect of assessing productivity, as privatized firms may prioritize quality management systems, product innovation, and customer service activities to differentiate their products in the market[18]. Assessing output quality helps determine the enterprise's ability to meet consumer needs and effectively compete in the marketplace. Privatization can enhance the competitiveness of privatized firms by implementing operational improvements, promoting innovation, and facilitating swift market responses.

METHODOLOGY

Study Design

The study utilized a case study approach to provide detailed insights into the impact of privatization on specific enterprises. Detailed information was gathered through structured questionnaires and in-depth discussions with key stakeholders involved in the privatization process.

Survey of Households/Individuals

A survey was conducted using structured questionnaires to gather data from households and individuals. The questionnaire was designed to collect quantitative data on perceptions, opinions, and experiences related to privatization and its impact on enterprise development.

Research Design

The study used a combination of purposive and random sampling methods to select participants experiencing circumstances due to privatization. The sample included top managers, middle managers, clerical staff, privatization unit staff, and the general public.

Sample size

A total of 30 participants, including employees, staff of the privatization unit, and the general public, were surveyed using structured questionnaires.

RESULTS

Table 1: Status of debtor/creditors at the time of sale

Debtors/Creditors	UGS
State House	738Million
President's Office	80Million
Various government Ministries	69Million
Total	952Million
Creditors/Account payable Tax: VAT	551,205,397, Plus accrued interest
Corporation Tax	290,000,000, Plus accrued interest

Source: Field survey

The fundamental thrust of most privatization programmes was to increase the efficiency of the economy, reduce government budgetary costs, broaden direct ownership of productive assets, and reduce and reorient the role of government to concentrate on the provision of social and economic infrastructure. Whatever methods adopted in the privatization process, the realization of the goals of the programme rest on effective management of the privatization process and the privatized enterprises[20]. In the Implementation completion Report carried out by Deloite Touche and the Impact Assessment Study of the Privatization Programe UMSACIS (2002) of 21 privatized companies which studies showed that there was firm level of evidence that; Privatization had succeeded in turning around the performance of many former public enterprises, yielding social and economic benefits and; Government's fiscal, social & economic objectives for privatizing the PEs have been achieved[21]. The studies also revealed that in the absence of a fully developed, supportive, and mature enabling environment characterized by a well-developed capital market, investment codes, a flexible labor market, and adequate infrastructural facilities, effective managerial practices were found to be crucial to the attainment of privatization goals[16]. Therefore, achieving economic goals, maintaining competitive advantage, and being socially responsible simultaneously required innovative managerial practices. These practices were needed not only to seize the opportunities but also to face the challenges created by privatization.

Review of past performance

As of March 2004, a total of 116 divestitures, mainly involving commercial enterprises, had been completed, which included 39 liquidations and write-offs. This left a remaining total of 35 divestitures to be concluded under the Privatization and Utility Sector Reform project (PUSRP)[22]. Several preparatory activities were undertaken during the fiscal year, resulting in the divestment of four PEs. One significant achievement during this period was the successful conclusion of the Nile Hotel International Concession, which involved the execution of a 30-year lease concession. This concession was expected to attract a total investment of US$30 million within the first five years[23]. The progress in implementing the divestiture program, coupled with diligent monitoring of PEs, led to a considerable reduction in subsidies to the PE Sector. This reduction is summarized in Table 2 below.

Table 2: PE sector recurrent subsidies (FY1993/4to2002/03) (Shs.M)

Financial Yr	1993/4	1994/5	1995/6	1996/7	1997/8	1998/9	1999/00	2000/01	2001/02	2002/03
Direct Subsidies	17,300	29,916	46,394	34,951	13,177	10,074	18,249	17,483	9,807	35,437 -
Indirect subsidies	169,250	149,524	113,472	111,696	115,893	100,750	68.526	51,091	41,237	
Total	186,550 -	179,439	159,866	146,647	129,070	110,823	86,573	68,573	51,044	35,437
Cumm.Change			14%	21%	31%	41%	53%	63%	73%	81%

Preliminary estimate based 011 direct subsidies from Treasury: Source Expe11diture framework for2004105-2006/07-MOFPED

The table indicated a continued improvement in PE performance. The reduction in subsidies eventually eliminated the need for any form of direct government support for commercial PEs. Additionally, a number of performance improvement measures would eliminate indirect subsidies such as tax and other statutory obligations, unpaid loans, or loans extended at non-commercial lending terms[24]. Thus, the performance of the divested enterprises was measured by capacity utilization, investment performance, sales revenue, and profitability, tax contribution to the government, product quality, and diversification.

Sales Revenue

Privatized firms were turning out much more in goods and services produced and similarly selling more. With aggressive marketing and sales promotions, every enterprise began taking its products to the customers in the community, breaking the practice of customer queuing and selling at the factory[20]. According to Villazon et al.[25], 28 of the 30 firms in the sample had increased sales. Starting from a low point, agro-industry firms had sold 2 times more produce than before privatization, growing by 30% every year, while manufacturing sales were 5 times higher, increasing by 42% annually. Hotel revenues had doubled, growing by 36% per year, and service firms have increased sales and service firms have increased sales by 19% per year since divestiture (Table 3 below).

Table 3: Growth in annual sales

Sector	Total Sales	Growth Pa
Agro-industry	Up from Ushs 49.5 billion to 93 billion	30%
Manufacturing	Up fromUshs.26 billion to 132 billion	42%
Services	Up from Ushs.247billion to 509 billion	19%
Hotel & Tourism	Up from Ushs.9.5 billion to 22billion	20%

Source: Privatisation and Utility Sector Reform Project

Despite this improvement, there was evidence that about 15 per cent of the enterprises surveyed, had sales revenues above the average during the period.

Profitability

Most literature and studies carried out showed improvement in profitability after privatisation. Evidence on profitability in privatised companies between 1997 and 1998 was rather mixed. The average profitability for the survey firms wasUgshs.2312in 1998, and Ugshs.1988, in 1999[26]. Between 1997 and 1998, average profitability increased by 41 per cent but declined by 23 per cent between 1998 and 1999. The sample indicated that the number of enterprises making losses had decreased over the years from 21 per cent (8 enterprises) in1997, 18 per cent (7enterprises) in1998, and 10 per cent (4 enterprises) in 1999. Of the enterprises that were making losses in 1997, four had made significant improvement in 1998, and 4 enterprises continued to make losses up to 1999 one of which incurred a loss of over Ugshs 5,000m[27]. Generally, however, when compared with 1999, evidence suggested that most enterprises in 2000had made significant improvement in terms of profitability.

Table 4: Financial Performance of NHL during 1997

	1997	**1996**
	UGS.	**UGS**
Gross revenue	2,804,791,625	**3,777,219,695**
Loss before taxation	618,825,499	**254,403,789**
Room occupancy%	**50**	**57**

According to the findings the loss was attributed to the following:

1. Sorry state of the Hotel facilities in 1997 with one floor completely unusable
2. Lack of social amenities e.g. swimming pool, health clubs, banqueting hall
3. Reduced market share of the Hotel caused by the new hotels that were springing up and the poor tourism business in 1997
4. Inadequate marketing and promotion of the Hotel services because of the limited budget.

In 1998, debtors stood at shs731and of this figure, government debts account forshs.465m.Shs 200m fall under domestic arrears while the balance was related to current year[28].

Table 5: Summarized budget performance review of NHI for 1998

	Actual UGS	**Budget UGS**	**Variance UGS**
Revenue	1,048,939,279	1,020,839.280	**28,099,999**
Cost of Sales	151,452,552	175,437,760	**23,985,208**
Operating Costs	882,084,928	1,000,468,581	**118,383,653**
Net Profit (Loss)	**15,401,799**	**(155,067,061)**	**170,468,860**

Source: Own Survey: Privatisation Unit

This is a classic example of how government used to run its business. Most of the debts were owner's debts - the government. This is a good example to show that Government Parastatals were really ripe for divestiture.

NHL Concession

In the concession, Government of Uganda will retain ownership of all assets, both current and future (to be brought in by the Concessionaire), while the concessionaire will manage and operate the assets for an agreed-upon period, allowing them to recoup their investment. The assets will therefore remain 100% owned by the government of Uganda [29]. While GOU will not invest additional funds, the concessionaire is required to invest in the refurbishment and re-development of existing assets, provide additional amenities, and expand the number of hotel rooms. At the end of the concession, NHIL/GOU management and operations will receive all assets[30]. The terms of the concession areas follows:

- refurbishment and expansion of the hotel and conference center to a 5-star standard, while the property remains GOU/NHIL-owned; the assets will be improved by US$ 19 million during the first phase and by another US$ 11 million during the second phase;
- We concluded the agreement by paying US$1.2 million in cash. The hotel computes the guaranteed annual concession fee based on gross revenue, regardless of whether it makes a profit.
- For the first ten years, the estimated taxes from expanded operations were US$13 million.
- The estimated increase in employment from 268 to 429, combined with the resulting payroll tax, contributes to a better-trained workforce.
- Indirect employment initially through construction works, local supplies arising

From increased activities;

- Increasing Uganda's competitiveness in the region for tourists, international conferences, and functions is a priority.
- A continuous refurbishment every three years to maintain a 5-star

Benefits Arising from NHL Concession

The study's observations indicated that a major contributory factor to the change in operation and productivity were the managerial improvements that led the companies to generate increased profits. It is asserted that 89 percent of the divested enterprises have undergone major repairs, installed new equipment, and established new production lines. A significant number of privatized enterprises also embarked on the construction of new premises[9]. In the case of Serena, the key aspects of the business development plan that management has proposed is a two-phased refurbishment and redevelopment/upgrading plan (See table 6 below). The first phase was implemented between 2004 and 2005, and the second phase has just begun to be carried out in 2005-2006.

Summary Serena Business Development Plan

- In the first phase, the hotel rooms are to be increased from 85 to 146, and in the second phase, 58 additional rooms will be constructed, giving a total number of 204 rooms of various categories.
- Guest and service lifts are to be replaced, and a swimming pool, health club, tennis court, and water features are to be constructed.
- The conference center is to be configured into a flexible multipurpose hall for large conferences, sporting activities, large banquets, large music concerts, and similar social events.

This is a clear sign that truly privatization of the government enterprises brings with them a lot of changes as can be seen from the privatization of the obsolete NHL.

The same was affirmed by a Privatization Unit Publication "Outlook," which showed that the Crown Bottlers' production of soda rose from 1,921,781 crates in 1992 to 4,358.824 Crates in 1995, a 126.8 percent increase. That of Rima Cement production rose from 80 tonnes per day to 500 tonnes per day, a 525 percent increase.

The Consequences of Privatisation

The new hotel owners have now refurbished and upgraded the hotel and conference center. The hotel upgrade cost the company an investment of US$18.95 million for the reconfiguration of the rooms of the existing hotel from 85 to 146 rooms through the construction of an additional floor. 58 additional hotel rooms were achieved through the construction of a new six-storey structure. The room categories were raised from Standard, deluxe standard, and 8 executive suites to Standard, deluxe standard, deluxe standard (disabled), 12 executive suites, superior suites, senior suite, VIP suite, and 2 Presidential suites. The Conference Center main hall has been reconfigured into a flexible multi-purpose hall for conferences, sporting activities, banqueting, and music concerts. There has been replacement of utility infrastructure, such as air conditioning, hot and cold water system, electrical equipment, and fire safety[31]. Recreational and health facilities, such as a swimming pool, health club, tennis courts which were previously not there, have been fixed. All the operational equipment and furniture, and kitchen equipment are all new. The ground floor has also been reorganized to a 5-star standard.

Table 6: Illustrations the consequences of privatization according to respondents

Responses	Number	Percentage (%)
Product diversification	5	**17**
More Productivity	10	**33**
More Efficiency	10	**33**
Less Wastage	5	**17**
Total	**30**	**100**

Source: field survey

From the above table, 33 percent of respondents (the majority) are happy with the privatization program because of the increase in productivity and efficiency. While 17 percent are happy with the product diversification, and another 17 percent accept that privatization has led to less wastage, which is a positive sign in the operation and productivity of the privatized enterprises, fully leading to the public acceptance of the privatization program as a success.

Working Conditions

The respondents were asked to rank the quality of improvement in the enterprise in the working conditions since handover. The responses are as indicated in Table 7 below:

Table 7: The quality of working conditions in the enterprises

Responses	No	Percent
Large improvement	28	93
Small improvement	2	7
No Change	0	0
Small deterioration	0	0
Large deterioration	0	0
Total	**30**	**100**

Source: Own Survey

The above table shows that the working conditions of most employees improved as the terms and conditions of their appointments were elevated to include benefits which were never in their terms of services before privatization. The response of the improved conditions is at 93% (the majority), which leaves no doubt in one's mind of the improvement that came with the privatization program. Only 2 per cent think there is a small improvement, and none of the respondents accepted that the conditions remained the same or had a small deterioration. None also accepted a large deterioration of conditions of services to the employees[32]. The ranking of respondents indicated that opportunities for career advancement have improved considerably. This analysis is proof beyond doubt that the privatization exercise actually was a turning point in the development of enterprises in our country.

Economic Objectives

One of the major objectives of Privatization was an economic objective, which aimed 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 average, the government attained 66 percent of the economic objective as indicated in Table 8 below:

Table 8: Responses vis-à-vis the achievement of the economic objective

Activity	No of Responses	Percent
To increase in goods and services	60	100
To raise overall efficiency of the economy	48	80
To generate revenue from the sale of PEs	10	15
To improve upon the quality of products	50	83
To stimulate private investment	30	50
		66

Number of Respondents: 60 | Source: Own Survey

Specifically, all respondents were of the view that there has been an 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, salt, which is no longer the case. In addition, most of the goods on the market prior to the privatization program were imported. Benefits in Terms of Expanded Tax Base, Improved Productivity and Competitiveness, and Job Creation. According to Wright, Haynes and Thompson[33], the divestiture and reform process has triggered a number of improvements in the commercial sector, spearheaded by reforms in the PE sector. The economy benefited in terms of expanded tax base, improved productivity and competitiveness, and job creation.

Expanded Tax Base

The report by the Privatization Unit indicated that the enterprises that were formerly a burden to the Treasury now contributed taxes to finance government expenditure as indicated in Table 9 below:

Table 9: Tax Remittance (millions)

	Before Divestiture	*1999*
Lake Victoria Bottling Co. Ltd.	7,222	14,238
TUMPECO	103	182
Uganda Pharmaceuticals Ltd	7	
Nile Breweries Ltd.	6,875	78,200
Shell	47,971	73,841
Mweya Safari Lodge	63	119

(Source: Uganda Revenue Authority reports)

Available tax figures from the Uganda Revenue Authority also showed that annual tax remittance by privatized enterprises has, on average, increased by between 40% and 5,000% from the time they were privatized to 1999[34].

Improved Productivity and Competitiveness

Privatization in competitive industries has been recognized as a key part of structural reform policies in developed and developing countries. Experience and research have shown that privatizing state-owned firms in competitive sectors was an effective way to correct economic inefficiencies, enhance competitiveness, and spur growth. Despite overwhelming evidence that privatization in competitive sectors contributed to efficiency improvements, privatization remained largely unpopular in many developing countries. Critics claimed that the process led to increased unemployment and unequal income distribution[35]. The impact assessment from the Privatization Unit also revealed that productive capacity in privatized enterprises grew from an average of 11% in 1993 to 51% in 1998. This improvement in capacity, coupled with new investment, led to a change in the product mix of privatized companies to meet changing consumer tastes and demand. Liberalization of the telecom sector has also witnessed one of the most dramatic changes as a result of the privatization program. On average, the Ugandan consumer now has a wider variety of products to choose from[34]. The quality of the products has correspondingly improved. Privatization has therefore promoted competition, improved productivity, and induced market-based efficiency in the private sector, as stated by the Minister in charge of Privatization.

Job Creation

Privatization is widely associated with labor layoffs and retrenchment. Many jobs were cut before, during restructuring, and after divestiture. From the survey of 39 enterprises, the overall average employment increased by 16% from 6,695 workers in 1997 to 7,770 workers in 1998. An increase of about 3% was registered from 7,770 workers in 1998 to 7,792 workers in 1999. Of the 39 enterprises, 38% (15 enterprises) had a steady increase in employment, 36% (14 enterprises) had almost no change in employment, and 26% (10 enterprises) had declining employment levels. Thus, it can be concluded that the employment level was increasing at a decreasing rate[36].

Impact of Privatization

The Impact of Privatization on Infrastructure Services

Infrastructure services such as electricity, telecommunications, transportation, and water and sanitation played a critical role in a country's development and were directly and indirectly linked to living standards and economic growth. Until the 1990s, most developing countries relied on public sector monopolies to finance and operate their infrastructure, with disappointing results. Beginning in the late 1980s, countries began turning to the private sector to take over the operation of existing infrastructure and to finance new infrastructure development. Private sector participation in infrastructure was expected to expand and improve services, create incentives for efficiency, and reduce the burden on strained public resources[37]. In the Uganda chapter, the privatization of some infrastructure services, such as transport and telecommunications, has played a successful role in modeling and adapting to the new changes that came with the telecommunications era of mobile phones.

The Impact of Privatization on the Development of Enterprises achievement in Enterprise Development

There has been a substantial increase in the availability of commodities produced by privatized enterprises, resulting in reduced prices. In addition, the quality of products has greatly improved, as per the respondents' views in Table 19 below, where the majority was in agreement (100%). It was unanimously agreed that the privatization of public companies 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 banks that have now come up with ATM systems, The Uganda Metal Products and Enameling Company (TUMPECO), telecommunication companies, and the construction of big supermarkets that are now even mushrooming all over the country. The changes in the product mix have consequently led to the improvement of the quality of Ugandan products, now meeting international standards for export[38]. It is only in a few exceptions where operational and financial performances have not improved. The reasons for these, the researcher was reminded, include the consumer tastes that might have changed rendering the products of these firms obsolete and in some cases the proprietors might have pulled out of Uganda altogether.

Table 10: Responses vis-a-vis the achievement of the development of enterprises

Activity	No. Responses	Percent
Product Quality/Diversification	60	100
Hope for Investment	58	97
Generation of Taxes	40	67
Employment	40	67
Training Needs Assessment	10	17
Remuneration Levels/Working Conditions	30	50
Average	66	

No. of Respondents: 60 Source: Own Survey

On investment, the respondents were of the opinion that given the opportunity to develop a saving culture, many Ugandans would love to invest in all sorts of businesses because Uganda as a nation has an enthusiastic approach to higher standards of living, and they would do all that are possible to elevate their standards. Regarding the generation of taxes, 67% believe that Privatized Enterprises (PEs) are generating more tax revenue compared to the period before privatization. Many said they have heard from the host, i.e., Uganda Revenue Authority (created during the era of privatization for collecting taxes), declaring their year collection of taxes, which clearly shows tremendous improvement in the generation of taxes. For employment, many respondents also believe that there has been a tremendous increase in employment. They said the new companies that come with renovation such as MTN, banks, etc., have created enough room for employment. However, some of the renovations that have come with modern technologies have caused almost no changes in some employments and instead have caused declining employment levels. Thus, it can be concluded that employment level was increasing at a decreasing rate[39]. About the training needs assessment, the response was only 10%. On this, the majority of respondents attributed this low percentage to the level of education the majority of workers in privatized companies had at the time of recruitment. Most of the workers then had only attained education at least up to secondary level. The survey further indicates that since handover, there has been a 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.

On remuneration levels, the attitude towards it was rather mixed. Through group discussion, it was reported that working conditions have improved in some enterprises, but in others have remained the same, and even 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. They said the available benefits have also been extended to their immediate family members which were never there before privatization. In addition to improved earnings, there have been introductions of new technologies and better conditions in the production processes. Other employees, however, assert that though the benefits are there, they have come at a cost of increased workload and in several cases of job insecurity.

DISCUSSION

After a couple of decades of privatization, it's essential to evaluate its impact and consider how to design privatization reforms to maximize economic benefits while ensuring equitable distribution of gains. Extensive empirical research has been conducted to determine whether privatization is truly advantageous and to what extent. Decades of experience suggest that privatizing poorly performing public enterprises and subjecting them to market competition can yield substantial benefits. Early research on the social impact of privatization indicates that ensuring entry and competition are crucial to extending these benefits to impoverished communities. Notably, there's a significant difference between an economically sound privatization policy and one that is socially sound [40].

Knowledge about Privatization

From the study, it's evident that the general public is well-informed about privatization programs, with the majority believing these programs are for their benefit rather than for foreigners. However, a minority, approximately 10%, still holds the belief that the program primarily serves the enrichment of those in power.

Reduction in Subsidies

Evidence indicates that privatization programs have reduced government subsidies to Public Enterprises (PEs). At the start of the Reform & Divestiture program, the public enterprise sector encompassed about 137 entities across various sectors, contributing only 5% to GDP. These enterprises were inefficient and heavily reliant on subsidies, amounting to shs. 208 billion by 1994, constituting 8% of GDP[41]. Subsidies remained relatively constant at 21 billion in 1997, but equity support and indirect subsidies reduced from 38% in 1994 to 2% in 1997. Further restructuring and divestiture, particularly in the utilities sector, are expected to continue the decline in subsidies, freeing up government resources for investment in social services and infrastructure[42]. However, some sectors highlighted significant expenditures on restructuring and preparing PEs for sale. There are perceptions that the government has not realized its objective of raising money from the sale of PEs due to undervaluation. Additionally, concerns exist regarding asset stripping and cash siphoning by uncertain employees, with many believing that increased expenditure on social services and infrastructure is due to donor funds rather than divestiture proceeds[43].

Economic Growth

Over the past decade, there has been a significant shift in opinions regarding the roles of state and private enterprises in driving economic growth. A strong consensus has emerged that achieving more dynamic economic growth requires a greater involvement of the private sector. The underlying belief is that resources are utilized more efficiently when transferred to the private sector. A key component of this emerging market ideology has been the privatization of state-owned enterprises (SOEs)[44]. While empirical studies consistently show that transferring assets from the public to private hands yields efficiency and welfare gains, there has been a surprising lack of research on the macroeconomic consequences of privatization. Regarding enterprise performance, research findings indicate that capacity utilization, sales revenue, tax contributions to the government, profitability, product quality, and diversification have all increased following privatization. Post-divestiture investments have particularly increased in machinery, building, and land purchases. However, issues regarding ownership of these investments have left some discontent. Despite improvements, there is a belief that the private sector has not been sufficiently stimulated. The goal of establishing a well-functioning private sector has been constrained by the absence of institutional mechanisms to foster its growth [44].

Promotion of the Private Sector

The government has reduced its direct involvement in the economy as a producer of goods and services, granting managerial autonomy and control to enterprises it partially or wholly owns. Consequently, the government is no longer seen as crowding out the private sector by unfairly competing in the commercial sector. Moreover, over 60% of the divested enterprises have been purchased by nationals, indicating a significant domestic interest in privatization. Joint ventures with foreigners have also been formed, especially in enterprises requiring substantial funding, such as the telecoms sector. By transferring public enterprises to the private sector, privatization has subjected these enterprises to the discipline of the free market, leading to the introduction of new products, processes, and technologies. This increase in investment by privatized enterprises has been matched by improved productivity, increased sales, and technology transfers[45]. The increase in investments resulting from privatization is reflected in the economy-wide increase in investment as a share of GDP. Between 1994 and 2000, private investment as a share of GDP consistently rose, with private investment levels surpassing public investment levels during this period.

Broadening Share Ownership

Privatization has facilitated the sale of shares in public enterprises through stock exchanges, allowing many Ugandans with smaller savings to participate in the divestiture process. This has kick-started capital market development in the country, with companies now listed on the Uganda Securities Exchange, providing another avenue for savings mobilization. Employee Share Ownership Plans (ESOP) and Management and Employee Buy Outs (MEBO) have empowered management and employees to purchase public enterprises. Employees are given preferential treatment during initial offerings, further spreading share ownership among the broader Ugandan public, thanks to the privatization program[46].

Efficiency Improvements

The divestiture and reform process has catalyzed several improvements in the commercial sector, primarily driven by reforms in the Public Enterprise (PE) sector. The economy has experienced benefits such as an expanded tax base, enhanced productivity and competitiveness, and job creation.

Employment

Analysis indicates an improvement in employment levels during the privatization period compared to the preceding one. Additionally, the workforce composition now includes both male and female workers. Notably, there has been an increase in the number of female workers, which may not be solely attributed to privatization but rather to broader socio-economic factors. There has been a noticeable enhancement in remuneration, working conditions, human resource development, and technical skills improvement[47]. Privatization has, to some extent, improved people's welfare through increased productivity, output, and a wider range of consumer choices. However, there are households adversely affected by privatization, particularly those impacted by retrenchment. The process has led to increased discontent among workers due to higher workloads and performance criteria, potentially compromising their welfare. Moreover, job insecurity has risen, and workers' ability to organize and engage in dialogue with employers has weakened[48].

Social and Political Objectives

Regarding social and political objectives, the study reveals that the government has successfully reduced its direct involvement in the economy. There is a perception that significant strides have been made in curbing corruption.

CONCLUSION

Given the deplorable state of the Public Enterprises (PEs) and their detrimental impact on the economy, privatization emerged as the most suitable option for the government. However, the implementation of the privatization policy encountered several challenges, such as timing and sequencing of the privatization program were not appropriately managed. Despite these challenges, privatization of these enterprises played a pivotal role in driving economic development in the country. It is in this light that this study underscores the necessity for the government to withdraw from most commercial activities to allow the private sector to operate efficiently. Privatization of enterprises has relieved the government budget of subsidizing loss-making parastatals, reduced corruption, and enabled the allocation of scarce resources to sectors like education, health, and infrastructure, which directly benefit the population. Therefore, it is recommended that the government relinquish its role in commercial activities to foster a conducive environment for private sector growth. The success of privatization is contingent upon the implementation of complementary reforms, particularly the promotion of competition, macroeconomic stability, and efficient institutional frameworks. Thus, privatization efforts must be accompanied by measures to enhance competition, such as market liberalization. Competitiveness should be prioritized as a key determinant of enterprise success. Transparency in the divestiture program is essential to build trust and confidence. Clear evaluation criteria, competitive bidding procedures, disclosure of purchase price and buyer information, well-defined institutional responsibilities, and robust monitoring mechanisms are crucial for ensuring transparency and preventing dubious transactions that could lead to losses for the government. A bottom-up approach to privatization, involving enterprises in the preparation of their own privatization plans, can mitigate obstruction, asset stripping, and delays. This approach fosters commitment at all levels and ensures smoother implementation. Prior to retrenchment exercises, adequate preparation and support for workers are necessary to mitigate negative consequences such as substance abuse and financial mismanagement post-retrenchment. Proper preparation of companies for privatization, including investment, workforce optimization, and capital stock enhancement, is vital to attract private investors and ensure the sustainability of privatized firms without government subsidies. For future privatization efforts, selling shares in public enterprises is recommended to broaden share ownership and foster public participation in enterprise development. The Uganda Securities Exchange (USE) should actively engage in educating the public about the importance and activities of the stock market to facilitate this process. Encouraging a savings culture and expanding capital markets will enable Ugandans to participate more actively in the development of enterprises, promoting economic growth and prosperity for all stakeholders.

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