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**IMPLEMENTING POLICY REFORM IN UGANDA:
RESULTS OF MSI/SEREFACO
IMPLEMENTATION PLANNING CONSULTANCY**

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I. INTRODUCTION

In September 1989, the U.S. Agency for International Development entered into a contract with Management Systems International (MSI) to provide technical assistance to selected African countries with respect to the management of the policy implementation process. This technical assistance was predicated on three premises, namely:

- (1) that one of the principal factors constraining the policy reform process in a number of countries is the management complexity of the policy changes to which the governments have nominally committed themselves;
- (2) that technical assistance in this area is most likely to be effective if it focuses on facilitating local analysis and decision making rather than providing a series of foreign "experts" to carry out line functions or provide advice; and
- (3) that the management problems that characterize the implementation of any single policy in a country are likely to reflect the management problems associated with the implementation of any major policy reform in that country. As a result, systematic attention to one policy area should illuminate the principal management problems constraining the implementation of the government's overall policy reform effort.

The objectives of the technical assistance being provided under this contract are to assist host governments with the implementation of a selected policy which forms part of its ongoing policy reform effort and, in so doing, to identify and learn lessons which can be applied to managing the implementation of desired policy reforms in general. The effort is designed to support operational work in which the government is already involved rather than add to their work program. The policy reform selected for attention in Uganda is privatization and divestiture of state-owned enterprises and enterprises currently under the control of the Departed Asian Property Custodian Board.

The scope of work for this activity calls for the consultant team to work with a cross-section of Ugandan officials over a 10-month period. During this period four visits by MSI team members working with a counterpart team and a cross-section of Ugandan officials would analyze the management problems constraining the implementation of the selected policy reform; develop and apply an improved process for managing the implementation of the policy; and assist Ugandan decision-makers to transfer lessons learned from the exercise to other aspects of their policy reform program.

During the reconnaissance visit to Uganda in March 1990, MSI engaged GOU in reviewing the relevance and potential value of a structured participatory approach to accelerate the implementation of its various policy initiatives. USAID/Uganda agreed at that time to support the application of this approach to the implementation of any aspect of GOU's economic policy reform program. The reconnaissance mission (the results of which are summarized in a separate report to GOU and USAID) resulted in a decision by GOU and A.I.D. to introduce the

proposed approach on an experimental basis in a single policy area -- divestiture/privatization. It was also decided at that time to engage the local firm of Serefaco Consultants Ltd. to assist MSI in carrying out the exercise.

This document summarizes the results of the second visit of the MSI team to Uganda in July and August 1990. This mission was composed of Lawrence Cooley, Lauren Cooper and Bruce Mazzie of MSI, assisted by K. K. Chapaa and Z. O. Ojoo of Serefaco Consultants and Leo Kibirango contracted locally through Serefaco Consultants.

11. OBJECTIVES AND ACTIVITIES

Activities by the MSI/Serefaco team during week one of this consultancy reflected the need to pursue three simultaneous objectives, namely:

- (1) to identify the individuals most appropriate for inclusion in the process;
- (2) to identify and gain agreement on the mechanics of the process to be used; and
- (3) to build a sense of "ownership" for the exercise on the part of at least one key decision-maker and as many as possible of the other individuals participating in the process.

Accomplishing these objectives was made somewhat complex by several factors. First, the use of a process approach to assist policy implementation is relatively unusual in the Ugandan context and was initiated by MSI and USAID. This mode of consultancy places a premium on the rapid identification of a senior level constituency in the government so that a viable client/consultant relationship can be established.

Secondly, the privatization process in Uganda involves several implementing agencies with related and somewhat overlapping responsibilities. While this is common to many policy areas and, in part, provides the rationale for this exercise, it also complicates the question of sponsorship of the exercise.

Thirdly, the government of Uganda has yet to reach consensus on many of the "sub-policies" associated with privatization, such as the means to be employed and the timetable. This lack of consensus means that, in addition to conventional implementation planning, clarity in the decision-making process and decisions about sub-policies are required if privatization is to proceed.

Finally, several steps for implementing privatization have already been taken. For example, the government has established a ministerial level Divestiture Implementation Committee similar in composition, but differing somewhat in function, to the Senior Policy Group recommended in the MSI reconnaissance report; and the Aide Memoire for a proposed World Bank project includes an Action Plan For Privatization and calls for the creation of a Divestiture Secretariat. None of these developments is inconsistent with the process approach called for in this exercise, and certain of these developments actually increase the exercise's relevance and urgency. From a planning perspective, however, each of

these "givens" complicates the design of an optimal process for implementing the government's privatization policy.

Initiation of this exercise was a consequence of dialogue between A.I.D/W and USAID/Uganda, and subsequent discussions between the Deputy Director of USAID/Uganda and the Minister of Finance, who selected the Permanent Secretary for Planning to coordinate the exercise.

Towards the end of its initial reconnaissance visit, the MSI team presented its recommendations to the Minister of Finance who selected privatization and divestiture as the focus for the exercise. It was understood that he was to serve as the ultimate "client" for the exercise. It was also apparent, however, that his commitment was to privatization and improved implementation as outcomes and not specifically to the process approach for realizing those outcomes. As a result, responsibility for refining and promoting the application of a process approach to the task at hand continued to reside with MSI and, to a lesser extent, with the Permanent Secretary for Planning.

Moreover, since privatization was selected as the policy of focus only at the end of the team's first visit, the team left Uganda without having built a constituency for this approach with those individuals (other than the Minister of Finance and the Permanent Secretary for Planning) who are directly involved in the privatization process.

The team's attempt to broaden "ownership" of the process took four forms. First, discussions were held with a number of the key individuals involved in the privatization process. These discussions included an explanation of the process approach and the rationale for it. Copies of the report from the reconnaissance visit were distributed in conjunction with these meetings. While people showed some interest in the approach, their willingness to participate appeared to be more a function of dissatisfaction with past implementation than confidence in the feasibility or value of the alternative process being proposed.

The second means of broadening ownership of the process was to build strong links between the local consulting firm and MSI. Serefaco professionals had shown an interest from the outset in the proposed approach, and their conversance with its application was viewed as important not only to the current exercise, but to the feasibility of replicating such activities in the future. It was therefore decided to manage and promote this activity as a joint MSI/Serefaco undertaking.

Thirdly, an effort was made to broaden the sponsorship of the exercise so as to continue to include, but not be limited to, the Permanent Secretary for Planning. This attempt included an effort to expand the role of the Minister of Finance and to establish a working group of key government officials associated with the privatization effort. This attempt at broadening sponsorship of the exercise within government was only partially successful. The prevailing view of the exercise continued to focus on inter-ministerial coordination rather than stakeholder involvement in joint problem solving.

The original concept suggested by the reconnaissance report called for a Senior Policy Group to affect the necessary collaboration at the cabinet level, to provide a locus for decision-making about privatization, and to offer a means for transferring the management lessons learned from this exercise to other areas of

the government's policy reform agenda. This concept assumed that this Senior Policy Group would be responsible for establishing its own terms of reference as well as those for the Working Group. In practice, it was found desirable to modify this approach in several respects. Time pressure on Cabinet officials is such that regular meetings of committees are unlikely. The Diverstiture Implementation Committee (DIC), for example, has managed to meet only three times since its establishment one year ago. The existence of the DIC and the nature of its operating mode also made it difficult to use it in the manner originally foreseen, at least until the working level had produced proposals for action by the Committee. Finally, there was no reason to assume that anyone at the Ministerial level had a commitment to the management approach to be introduced through this exercise.

Notwithstanding uncertain and uneven commitment to the process, it was decided to have the Minister of Finance convene a workshop as a means to broaden "ownership" and model an implementation process among those involved. The hope was that the workshop would serve to demonstrate the value of the approach and to promote commitment to its continuation, at least as it pertains to the privatization effort. The proposed approach implied a relatively participatory process for implementing privatization, but relatively little participation in the design of the workshop itself.

The expected outcomes of the workshop included a list of items requiring high-level decisions and an action plan. In addition, it was envisaged that participants might propose terms of reference, structure, and the operating mode for any subsequent working group(s). The list of decisions was to be presented to the Minister of Finance for review and, subsequently, presented to the DIC along with the group's proposed plan of action. A copy of MSI's reconnaissance report describing the management context of the exercise was to be passed to the DIC as part of this "package." It was hoped the MSI/Serefacco team would have an opportunity to meet with the DIC in an effort to increase their appreciation for the exercise and examine their own role in improving the implementation of the privatization program.

The Minister of Finance scheduled the workshop and asked the Permanent Secretary for Planning to sign the letter of invitation (see Attachment 1). The list of those invited to attend was developed by the Permanent Secretary for Planning in consultation with the Project Manager of the Public Enterprise Secretariat and the MSI/Serefacco team. See Attachment 2 for list of those invited.

The objectives of weeks 2-4 of MSI's second visit to Uganda were five, namely;

- (1) to initiate a collaborative planning and strategic management process at the working group level;
- (2) to produce an initial plan of action and set of decisions requiring ministerial-level action;
- (3) to establish effective management linkages among working group members and between the working group and the senior policy level;
- (4) to initiate action on selected implementation tasks; and

- (5) to establish procedures for monitoring progress, identifying management problems as they arise, and taking corrective action as needed.

Week two was devoted primarily to meetings with the Permanent Secretary of Planning, the Project Manager of the Public Enterprise Secretariat, and other individuals designated for participation in the planning workshop. The purpose of these meetings was to gather input for the planning session as well as to recruit participants and promote understanding and acceptance of the process to be employed. The concrete products of the week's work were a workshop agenda (see Attachment 3), a set of issues and instruments to be used in the workshop, and a finalized list of participants.

During the interviews that took place in week 2 it became clear that at least one key participant had serious concerns about the possible conflict between this exercise and the proposed World Bank-financed Enterprise Development Project, which is under preparation. It emerged that the individuals who are planning that project had been unaware of this exercise, despite several meetings between MSI consultants and officials of the World Bank in Kampala and in Washington. For its part, the MSI consultants had been equally unaware of the latest World Bank initiative.

Two lengthy telephone calls to the World Bank, discussions with relevant GOU personnel, and a meeting with World Bank personnel in Kampala, ultimately resulted in the conclusion that the current exercise was potentially of significant value to any upcoming project and did not duplicate or conflict with prior decisions or deliberations. Rather, this exercise is best seen as helping to provide a consensus and a broader strategic and managerial context within which a project such as that being proposed might operate. It was also agreed, however, that closer coordination would have been desirable and that, ideally, the current exercise should have preceded rather than followed the Bank's recent project development activity.

Week three began with a two-day workshop (August 6 and 7). The workshop was held off site, 10 kilometers outside of Kampala, to facilitate commitment to the task at hand while permitting participants to return home to their families in the evening. USAID financed the direct costs of the workshop.

The workshop was opened by the Permanent Secretary for Planning and facilitated by the MSI/Serefaco team. His opening remarks are included as Attachment 4. MSI then presented its assessment of the generic problems associated with implementing policy change, described strategic management and its rationale, and presented the following workshop objectives and norms:

Workshop Objectives

To develop a common understanding of the principal constraints impeding the implementation of the Government's policies on privatization and divestiture;

To develop a shared vision of the action steps needed to overcome existing constraints and the responsibilities of various parties for taking those steps; and,

To formulate recommendations for managing, monitoring and evaluating the implementation.

Workshop Norms

- Active and open participation;
- Problem-solving orientation;
- Product focus;
- Ex persona participation;
- Seek consensus, but don't insist on it; and,
- Use of facilitation.

This presentation was followed by a brief discussion of the concepts involved, participant introductions and clarification of the relationship of the workshop design to the desires and expectations of those present.

A brief time was then allocated to sharing information on the programmatic initiatives already under way with regard to privatization and divestiture. Information sharing had begun prior to the workshops through the distribution of a working paper summarizing the findings of several recent studies and conferences on the subject.

The first working session focused on clarification of the government's policy with respect to privatization and divestiture. Since it had become evident during the preparation for the workshop that no clear and generally accepted statement of policy existed on the subject, the facilitators formulated a draft statement embodying the policy elements implicit in an array of official and quasi-official statements on the subject. That statement was the following:

Policy

To promote as rapidly as possible the privatization and growth of a stable, productive and competitive private sector, reduced ownership by the government, and the maximum feasible participation by a broad base of Ugandans in ownership of the country's productive base.

Workshop participants were asked to reflect on this statement and identify areas where they felt it deviated from government policy as they understood it, areas where government policy was unclear, and issues raised by the policy as formulated. Among the issues raised were the following:

Unresolved Issues

Nature of activities to address claims of former owners;

Nature of activities to make widespread individual ownership available to Ugandans;

Policy on foreign ownership;

Policy on rehabilitation of enterprises to make them attractive to potential buyers;

Selection of enterprises to sell in short, medium and long term; and,

Preferred methods of privatization.

The group then considered the implications for policy implementation of the issues discussed.

The second working session involved an identification and prioritization of the principal factors constraining or limiting government's implementation to date of its privatization and divestiture policies. An initial list of problems, extracted from documents and interviews, was presented by the facilitators. Participants were then asked to review this list (in small groups), discuss it among themselves, amend the list, select the 4 or 5 items from their amended lists that they felt warranted greatest attention from a strategic point of view, and clarify their rationale for selecting these items. The facilitators suggested that criteria for selecting an item as strategic might include its importance and the feasibility of influencing it. Groups then reported back to plenary and an effort was made to synthesize their findings and reflect on the implications of those findings.

The following is a list of the problems or factors judged to be of relevance. Asterisks (*) identify those items identified by the group to be of particular strategic importance:

1. Lack of Clear Government Policy

- Reluctance to sell assets to foreigners.
- Reluctance to promote monopolies.
- Government has not established priorities for who should own the enterprises to be privatized or divested.
- Concern with possible displacement of current proprietors, managers and employees.

2. Thin Market for Enterprises

- Lack of investor confidence in stability of political and policy environment.
- Unavailability of domestic capital for acquisition and recapitalization.
- Uncertain viability and/or excessive debt burden of many of the enterprises involved.

Lack of interest by foreign investors for investing in Uganda.

Inadequate or unreliable physical infrastructure.

3. Possible Efficiency Losses

Perceived lack of sufficient number and expertise of local entrepreneurs.

Perceived lack of access by local entrepreneurs to necessary management expertise, technology and markets.

Perceived inability of the private sector to improve the efficiency of certain public enterprises.

4. Administrative and Managerial Problems

- Lack of clear, integrated and transparent set of procedures and decisions for privatization and divestiture.

Unclear title and/or unavailable financial information for many enterprises.

- Lack of generally accepted procedures for valuation, appraisal and prospectus preparation.

Lack of suitable incentives for those involved in implementing the process.

Lack of active support from industries and ministries that see themselves to be "adversely" affected by privatization and divestiture,

- Lack of effective mechanism for coordinating the actions of the various organizations involved in the process.

The third working session (the afternoon of day 1) was devoted to the formulation of strategies to address the problems or constraints deemed to be of particular strategic importance. Facilitators presented the concept and technique of force field analysis, reconstituted small groups with changed membership, and asked each group to use the technique in developing strategies for addressing 3 of the key problems identified in the morning session.

Extensive discussion followed the reports of each small group and led, in many cases, to suggestions for improving the proposed strategies. Following all presentations, the group as a whole was asked to identify any actions they felt were of particular strategic importance but not included in the strategies as presented. These items were noted and added to a list of possible implementation actions. This concluded day 1 of the workshop.

In the evening following day 1, the facilitators synthesized the results of day 1 in the form of a list of strategic problems and a list of proposed actions to address those problems. These actions were consolidated and listed (see below)

to facilitate the implementation planning activities intended for day 2.

Consolidated List of Activities

1. Investment Promotion Activities

- (1) Conduct seminars/workshops for potential investors.
- (2) Conduct publicity and educational campaign for the public on the benefits of privatization and the use of stock market and equity investments.
- (3) Strengthen investment promotion activities and materials of embassies.
- (4) Place ads and articles in trade journals.
- (5) Reduce/eliminate taxes on savings.
- (6) Introduce system of confidentiality with respect to savings and investment (i.e. no direct reporting to tax authorities).
- (7) Maintain positive real interest rates.
- (8) Establish tax incentives for investment in fixed assets.
- (9) Strengthen regulatory oversight of investment markets.
- (10) Create stock market, unit trust, bond market and/or other investment instruments.
- (11) Investigate feasibility of development bank financing for the purchase and rehabilitation of state-owned enterprises.
- (12) Approve and take action to restructure financial institutions and to publicize those steps.
- (13) Government borrows and/or solicits assistance from donors to establish funds from which Ugandans could borrow to purchase enterprises.

2. Activities Related to Labor Issues

- (1) Develop systems for selection, retraining, relocation, retirement and compensation for redundant employees.
- (2) Determine the magnitude of potential unemployment created by divestiture.
- (3) Investigate possibility of establishing an unemployment benefit fund/system.

(4) Develop system for recruitment or "open competition" for management jobs in SGE's selected for divestiture, prior to sale.

(5) Resolve labor disputes rapidly and efficiently.

3. Organizational Activities

(1) Constitute a task force from among participants in this workshop to make detailed recommendations to government on organizing, managing and monitoring the privatization/divestiture effort.

(2) Assign responsibilities and obtain necessary resources.

(3) Reach high level agreement on policy making process and means to avoid exceptions to it.

(4) Conduct workshops involving affected line ministries and state-owned industries to discuss privatization and their concerns.

(5) Invite members of affected line ministries to, participate with Secretariat when their ministries parastatals are being reviewed and assessed for sale.

(6) Encourage joint participation of foreign and local firms to conduct valuations, appraisals and restructuring plans.

4. Procedural Activities

(1) Establish general, simple and transparent implementation procedures and publish them widely.

(2) Establish clear and credible appeal/dispute process.

(3) Analyze, evaluate and re-energize the claims processing system.

(4) Establish standard valuation procedures.

(5) Standardize accounting procedures.

(6) Have state become pro-active in offering reasonable compensation to past owners.

(7) Deal visibly and fairly with several controversial properties to set an example.

(8) Make sure government pays fairly when it retains shares in enterprises.

- (9) Introduce simple auction/liquidation procedures for properties too small or unprofitable to warrant formal analysis.
- (10) Institute procedures for limiting management audits to most promising enterprises.
- (11) Establish procedure between banks, government and then buyers, on a case-by-case basis, for renegotiating debt repayment as part of buyout/restructuring.

Day 2 began with the presentation of the synthesized products of day 1 and a discussion of apparent implications. Some modifications were made to the "products" in light of that discussion.

Working session 4 concerned roles and responsibilities. After being introduced to the concept and use of organizational responsibility charts (ORC), small groups were each asked to take a number of the activities included on the proposed list and complete an ORC assigning roles and responsibilities for each activity to the appropriate stakeholder. Groups again made presentations to plenary and refined their suggestions based on the input received. The resulting product is presented as Attachment 5 of this report.

At this time day 2 was coming to a close. Participants decided to form a small group to develop recommendations and prepare them for presentation to interested workshop participants in a meeting to be convened one week after the workshop. Two workshop participants volunteered to work with the consulting team as an ad hoc committee to review the findings, synthesize the products, prepare the recommendations, and encourage the continued participation and commitment of other workshop participants.

The recommendations developed by the ad hoc committee are based on the Organization Responsibility Charts and are shown below:

Recommendations for Action

<u>Action</u>	<u>Target date</u>	<u>Lead Agency</u>
<u>I. Investment Promotion.</u>		
A. Establish a strategic plan for promoting new investment with appropriate promotional material for distribution to embassies, trade journals, the media and potential investors.	By Mar. 1991	MPED
B. Amend banking regulations to strengthen confidentiality and maintain positive real interest rates.	By March 1991	MOF

C. Establish equity and debt financing mechanisms for the purchase and rehabilitation of SOE's. Decide on mechanisms by December 1990; implement immediately MOF

D. Approve and take action to restructure financial institutions and publicize those steps. By Dec. 1990 MOF

II. Labor-related.

A. Determine the magnitude of any potential unemployment created by privatization and investigate the establishment of rapid and responsive programs for employment compensation, retraining, or retirement. By March 1991 MOL/MPED

III. Organizational.

A. Organize, manage and monitor privatization/divestiture. Immediately DIC/MOF

B. Encourage participation by conducting workshops and other activities for key players, and by including staff of line ministries in privatization and divestiture deliberations. From now on MOF

IV. Procedural.

A. Establish clear, simple and transparent implementation standards and procedures for claims, disputes, compensation, appeals, accounting, and valuation; publish them widely and deal openly. By Dec. 1990 MOF/MPED

B. Design and introduce simple procedures for liquidation of small properties, audits, and debt restructuring. By Mar. 1991 MPED/MOF

The committee suggested that workshop participants could influence the implementation of privatization by encouraging their own organizations to take appropriate actions as identified on the ORC. In addition, they expressed interest in continuing to meet informally as an inter-organizational working group to discuss ways to promote the privatization and divestiture effort. Individual follow-up visits were made to most of the participants in order to review draft workshop products, confirm agreements and initiate actions. As new issues and obstacles surfaced during those discussions, the consultants assisted as appropriate in efforts to resolve them.

The meeting of participants held one week after the workshop was intended to discuss and vet the recommendations of the committee and to identify any other actions requiring immediate attention. The principal items emerging from that discussion were: review, minor adjustment and confirmation of the recommendations drafted by the ad hoc committee; a determination to continue and expand as a constituency group for privatization and divestiture; and setting a date for the next meeting to be held September 29.

The remainder of week 4 was devoted to finalizing workshop products, presenting workshop findings to the acting Minister of Finance, further consolidating the commitments made and relationships established, and conducting briefings for USAID.

LESSONS LEARNED TO DATE REGARDING IMPLEMENTATION OF POLICY REFORM

1. The "entry strategy" for interventions of this type is extremely complex and of critical importance. Consultant credibility and appropriate host country sponsorship are essential, and decisions such as who convenes workshops and who decides who is invited to these sessions have particular significance.
2. Initial enthusiasm from government officials is likely to relate to specific performance gaps and to include minimal appreciation for the potential value of strategic management or the process approach. Process considerations should therefore be treated implicitly in the way specific activities are planned and discussed explicitly only after they have proven their value.
3. Policy reform is, by its very nature, political. There are always losers as well as winners. While broad-based participatory processes can be expected to result in consensus on some matters, such decision making processes are unlikely to achieve consensus with respect to a number of the decisions involved in implementing most policies.
4. In participatory workshop settings, there is an important difference between individuals participating ex persona in a problem-solving mode and individuals participating ex officio in a representational mode. If possible, the former mode is preferred since it serves to promote action and individualize commitment. The external consultants frequently need to exercise considerable leadership in establishing such modes of behavior.
5. In some settings, it is preferable to work first at the senior policy (i.e. ministerial) level and to work with individuals at that level to devise goals, management arrangements, and terms of reference for efforts to be taken at the working level. In most cases, however, it is more practical to seek general appreciation and a broad mandate from the policy level and to look for principal sponsorship for exercises of this sort at the working level. Senior policy makers are likely to become interested in the details only when tangible results are apparent.
6. Working with a local consultant or consulting firm with access to key decision makers and sensitivity to the political climate is valuable. Failing this, outside facilitators would be forced to rely on USAID Mission personnel, expatriate TA teams and perhaps an interested government official to establish

credibility and initiate an activity of this sort. Experience suggests that assistance from these alternative sources is both more difficult to obtain and less reliable than that which can be produced by an effective local partner.

7. Technical subject matter expertise on the consulting team contributes substantially to the team's initial credibility. It is important, however, to resist the temptation to exceed the limited and process-oriented function the team has undertaken to perform.

8. There is a history in many developing countries of participatory working groups and management processes that entail implicit features of strategic management. In such environments, the most useful role for outside facilitators is in promoting involvement and ownership by relevant parties; ensuring that decisions and agreements are arrived at through a systematic process and embodied in simple and agreed formats; helping to ensure that responsibilities are allocated and commitments are followed up on; establishing monitoring and accountability systems; and creating procedures for extracting and replicating the lessons learned from the activity. In some cases, however, rigid bureaucratic procedures prevail and facilitators have an added role in encouraging activities that cross organizational lines, deviate from established procedures, and incline individuals to act in a problem solving mode.

9. Even in countries with strong national traditions of consensual decision making and strategic management, such methods are often absent in the formal bureaucratic culture.

10. Using a participatory approach to policy implementation places substantial demands on the time of busy people. Unless the policy involved is their principal responsibility, means must be found to sustain interest and minimize time demands. Where possible, delegation of authority is one effective response to this problem and simultaneously addressing what is usually a major management problem impeding policy implementation. However, such delegation is viable only if those participating feel empowered to deal with operational issues in a decisive manner.

11. Often, what appears as a problem in policy implementation is actually a reflection of the lack of clear policy or the lack of obvious commitment to that policy at the highest levels. Under such circumstances, there is a reluctance by most to be seen as "champions" of the policy at any level.

12. Apparent agreement on a general policy direction is often obtained by formulating the policy in very vague terms. Such policy statements, if articulated at all, often conceal considerable disagreement or uncertainty about a variety of "sub-policy" issues related to the policy's implementation. Absent agreement on those subordinate issues, the policy has no substance. Moreover, since any given resolution of such issues is bound to have detractors, lower level officials are reluctant to make de facto case-by-case determinations and hence find it most prudent to find ways of limiting implementation. Should some officials decide to act notwithstanding the lack of sub-policy guidance, they are likely to be accused of exercising undue discretion or of setting undesirable precedent. On the other hand, there are cases where implementation is possible only because vague policy prescriptions permit divergent political views to co-exist. For the reasons noted above, such cases place major burdens on

implementation officials at the working level.

13. A common view of policy implementation by both host country officials and international donor representatives is that the principal requisites for implementation are technical (i.e. systems and procedures), logistical (i.e. human and material inputs), and/or political (i.e. endorsement from one or more "prime movers"). This view underestimates the capacity of those at the technical level to facilitate or frustrate implementation plans based on their understanding and support of those plans.

14. In contrast to projects, policy reform efforts typically lack a precipitating event and often lack designated staff. As a result, it is important to identify or create such events in the form of high level policy statements, national conferences, program assistance agreements, and the like; and it is equally important to devise a meaningful organizational structure and monitoring mechanism for the overall exercise.

15. Many well intentioned officials consider the participatory approaches and broader considerations involved in strategic management to be distractions from the more mechanical aspects of administration for which they feel responsible. Conversely, those inclined to strategic thinking are likely to see such technicians as impeding the meaningful implementation of the policies at hand. One important function of outside facilitation is to help both groups to realize the importance of one another to the implementation effort.

16. As a practical matter, governments are often reluctant to invite the private sector, donors or politicians into a planning process until the government itself has had an opportunity to meet and clarify its positions.

17. Donor coordination is an important and demanding aspect of policy implementation exercises. The World Bank is a particularly prominent donor in this arena and tends to guard its prerogatives somewhat carefully. A.I.D. and other bilateral donors are also frequently involved in actions related to the implementation of specific policies. Timed properly and coordinated closely, exercises of the sort undertaken in Uganda can be perceived as very helpful by all involved. But the possibilities for "crossed wires" and missed opportunities are myriad.

18. The specific design used for the workshop in Uganda was very effective and should be used as a starting point in designing future workshops of that type.

19. Organizations don't act or make decisions -- individuals do. It is therefore important to ask individuals to personalize responsibility and indicate the role they are able and willing to play in implementing agreed strategies. A follow up visit to these individuals (or, in some cases, teams of individuals) after the workshop is important both to clarify and strengthen statements of intent made at the workshop. These "commitments" should not initially be circulated beyond the group of those who participated in the workshop.

20. Synthesizing the "products" of a strategic planning workshop is complex since consensus is not reached on all points and much of the process is interactive. Flip chart presentations and standardized work sheets are helpful

but insufficient. The follow-up process for producing a record of the workshop should therefore include one of the following procedures:

1st Choice: A group of workshop participants work with the facilitators to produce the document before circulating.

2nd Choice: The facilitators produce the document and review it with a group of participants before circulating.

3rd Choice: The facilitators produce the document and circulate it for comment and later revision.

In any event, it would violate the spirit of the workshop for the document to be regarded as anything other than a best effort to summarize what was said by a group of individuals formulating ideas for affecting an important problem.

21. A process of the type being attempted in Uganda requires maintenance. Since it is nobody's regular job to oversee the strategy and maintain the linkages involved, it is necessary that some set of individuals participating in the process assume "ownership" of this task and/or that procedures be institutionalized to serve the purpose. Four visits by outside consultants are useful but inadequate to meet this need. An appropriate role for in-country consultants can often help considerably.

22. In addition to "ownership" by group members, a participatory policy implementation process requires high level "sponsorship" if it is to survive and take root. If such sponsorship is not firmly in place at the outset, it is essential that it be identified and consolidated subsequently. The appropriate locus for ownership and sponsorship may shift as the exercise progresses.

23. The composition of the working group involved in implementing a given policy should normally change over time as the nature of the tasks to be performed changes and as the constituency for the change effort grows.

OUTCOMES OF PHASE II AND NEXT STEPS OF CONSULTANCY

The workshop and other activities described above constitute Phase II of an intervention intended to develop, apply and generalize an improved approach to managing policy implementation in Uganda. The principal outcomes of this phase include the following:

(1) initiation of a collaborative process for planning and overseeing the implementation effort;

(2) development of the rudiments of a strategic plan; and

(3) generation of lessons learned with respect to the current exercise and possible replication of it.

While commitment to the application of strategic management and a participatory process in this exercise remains fragile, and high level sponsorship continues

to be somewhat elusive, it is clear to most that something of consequence has been started and several key individuals feel a genuine resolve to sustain and deepen this effort. The process of coordinating and deepening the ownership and sponsorship for this exercise will, however, remain a major issue.

Phase III of this exercise, monitoring of implementation, will entail the provision of intermittent support by Serefaco to the implementation exercise and a visit by an MSI team around November to meet with the working group and with senior policy makers to assess progress to date and institute corrective measures as necessary.

Phase IV, currently scheduled for March of 1991, will involve a final visit of the MSI team to participate in a review of lessons learned from the exercise and possible application of these lessons to other aspects of Uganda's policy reform effort.

RECOMMENDATIONS AND CONCLUSIONS

The workshop confirmed that implementation of policy reform requires orchestrated action by numerous organizations. Implementing privatization in Uganda will require not one but many organizations to take responsibility for actions. The difficulties inherent in inter-organizational management are compounded when there are diverging points of view on policy issues, when the policy is not well-articulated, and when the objectives of some government agencies are in conflict with the new policies. Even when no objections are present, resistance to necessary procedural changes that interfere with normal routines at the operational level can stymie implementation, thus leaving the policy short of fulfillment. In short, the process of managing policy change is complex.

In addition to supporting the recommendations made by the workshop participants, the consultant team makes the following recommendations to enhance the implementation of privatization and divestiture in Uganda:

1. Clarify the Policy. A clear, concise statement of the privatization and divestiture policy should be made by the highest level of government. It would be helpful if the policy statement included clarification of the unresolved policy issues raised in the workshop and elsewhere (e.g., in consultants' reports on privatization).

2. Maintain High Level Leadership. Discussions in the workshop and during interviews highlighted the strategic importance of high level "sponsorship" of the privatization/divestiture effort. Effective involvement of multiple government and non-government organizations and development of broad-based public support will require an official of high stature to be a persistent and vocal standard bearer.

3. Clarify respective roles, responsibilities and inter-relationships of existing groups and committees - at both policy and operational levels - which are already working on privatization/divestiture. In addition, a decision is needed to create a Divestiture Secretariat or some other operational body that has responsibility for preparing transactions. This should result in clearly understood terms of reference for each group and in the development of

transparent implementation procedures which are accepted, understood, and made available to all affected parties inside and outside of government.

4. Agree on a Plan of Action and a Schedule. Workshop participants identified strategic actions and dates by which time they should be achieved. Each group charged with responsibility for some aspect of privatization in recommendation #3 should develop more detailed action plans identifying objectives, actions to be taken, individuals responsible, and dates for accomplishment. Action plans are useful in measuring progress and highlighting any problems which surface during the course of implementation.

5. Establish a Mechanism for Monitoring Implementation. Workshop participants identified at least four categories of activities where action is required to ensure successful privatization/divestiture: investment promotion; organization; procedures; and labor-related activities. These activities cut across government bureaucratic hierarchy and even extend into the private sector. A mechanism is needed to monitor progress on all these fronts, whether in the form of an oversight committee or an individual with sufficient authority to supervise activities across organizational boundaries. The information generated through monitoring will be useful in making "course corrections" as needed as well as in generating lessons for implementation of other policy reforms.

6. Build a Constituency of Support. Establish a dynamic and collaborative strategic management planning process. Since many will be affected get many involved. Participation builds a constituency support system when those affected feel that they have a voice in the process.

7. Learn from Success. Make a study tour to a country that has had successful experience in privatization and divestiture. The privatization programs in Kenya, Tunisia and Egypt are moving ahead. Programs in Egypt are funded by USAID and World Bank having begun following years of study and constituency building. Ugandans responsible for implementation of elements of the privatization and divestiture program along with heads of state-owned enterprises might make up a group or study tour to visit one of these countries.

At a meeting with the acting Minister of Finance, the Honorable Joshua Mwanjanga-Nkangi, a delegation of workshop participants and consulting team members presented the products and recommendations of the exercise. He indicated that Government is, indeed, committed to privatization, but has not perhaps been as articulate as it could have been in communicating the policy.

LIST OF ATTACHMENTS

1. Letter of invitation
2. List of participants
3. Workshop agenda
4. Welcoming remarks by Permanent Secretary
5. Organizational responsibility chart

TELEGRAMS "ECSTATIC", KAMPALA.

DIRECT TELEPHONE NOS
MINISTER 241529.
PERMANENT SECRETARY 232730.
GENERAL ... 231031/4
TELEX 61117 ECONOMY UGA.



THE REPUBLIC OF UGANDA

MINISTRY OF PLANNING AND
ECONOMIC DEVELOPMENT.

P.O. BOX 7086.

KAMPALA, UGANDA.

IN ANY CORRESPONDENCE ON
THIS SUBJECT PLEASE QUOTE NO ED/C/USA/1/00.-

1 August 1990

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Dear

Government is concerned with the difficulties and delays have been experienced in implementing our privatization and divestiture policies. Earlier this year, a USAID financed team conducted a preliminary review of the management problems affecting the implementation of our overall policy reform programme. A number of these problems relate to the need to coordinate the actions of many organisations and individuals, and the need to build broad based consensus and commitment around a course of action. I am enclosing for your information a copy of the consultants' report along with a background paper on several recent privatisation studies.

To address some of these issues, I have decided to convene a Workshop on the theme of Managing the Privatisation Process: Current Constraints and Agenda for Action. The Workshop will be a brain storming one and will make recommendations for improving the implementation of the Government's privatisation and divestiture policy. I would like to invite you to participate in that Workshop.

I have scheduled the two day Workshop to be held at Colline Hotel in Mukono on August 6th and 7th. A tentative Agenda is enclosed. The sessions will begin each day at 9.00a.m. and end at 5.00p.m. Please plan to attend or notify my office if you are unable to participate.

Yours sincerely

E. Tumusiime Mutebile
PERMANENT SECRETARY

Encl.

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WORKSHOP PARTICIPANTS

	NAME	ORGANIZATION
1.	Emmanuel Tumusiime-Mutebile	Ministry of Planning and Economic Development
2.	D. Okullo Ongar	"
3.	Keith Muhakanizi	"
4.	Happy James Tumwebaze	"
5.	John Mitala	Ministry of Labor
6.	Vernon Sibley	Public Industrial Enterprise Secretariat
7.	Otweyo Orono	"
8.	O. A. Lakor	Public Enterprise Secretariat ✓
9.	Gerald M. Ogutu	Bank of Uganda
10.	Julius I. K. Kintu	"
11.	Mwerinde Bashenyi	Custodian Board
12.	Irene Wekiya	"
13.	Esra Tum-Rujojo	Office of the Prime Minister
14.	Wilson Nabudere	Uganda Commercial Bank

**MANAGING THE PRIVATIZATION PROCESS:
CURRENT CONSTRAINTS AND AGENDA FOR ACTION**

WORKSHOP AGENDA

Monday, August 6

Welcoming Remarks - The Policy Context

Introduction and Overview of the Workshop

Session 1: Clarification of Policy Objectives, Ongoing Initiatives and Organizational Arrangements.

Session 2: Identification and Prioritization of the Principal Problems and Unresolved Issues Impeding Implementation.

Lunch

Session 3: Developing Strategies for Overcoming Current Constraints.

Tuesday, August 7

Brief Review of Day 1

Session 4: Identification of Key Implementation Actions and Recommended Allocation of Responsibility.

Session 5: Clarification of Decisions that Need to be Made as Part of the Implementation Process and Recommended Allocation of Responsibility.

Lunch

Session 6: Formulating Recommendations for Managing, Monitoring and Evaluating the Implementation Process.

Session 7: Identification of Next Steps.

Opening Remarks by the Permanent Secretary of Ministry of Planning

I'm very pleased you are here. Sorry for the short notice.

The Government has been involved for some time in developing its policies on privatization and divestiture prompted by the obvious needs to revitalize the economy and promote efficiency. We have had 10 years of destruction and are now in a fiscal crisis. I want to stress the point that privatization is not an ideology. It is an imperative.

The Government has undertaken PES and PIES, had a major conference on privatization a little over a year ago and taken some steps to resolve the problems surrounding Departed Asian properties.

This workshop is sponsored by the Ministry of Finance.

Planning is underway for an ambitious Enterprise Development Project financed by the World Bank.

The Government's policy on privatization and divestiture, as I understand it, is to promote as rapidly as possible the revitalization and growth of a stable, productive and competitive private sector, reduced ownership and control by the Government, and the maximum feasible participation by a broad base of Ugandans in ownership of the country's productive assets.

Having said that, many differences exist with regard to interpretation within government and operationalization of that policy.

Our experience, and the experience of many countries, (that have attempted privatization) is that the implementation of policy reform is extremely complex. Implementation of these policies usually requires co-ordinating the actions of many organizations and individuals, and the need to build broad based consensus and commitment around a course of action. While efficient technical and administrative procedures are necessary if this process is to succeed, they are usually not sufficient to ensure success.

Developing a common assessment of the problem, a broadly supported and comprehensive implementation strategy, a clear allocation of responsibilities, and an effective approach to mobilizing an inter-organizational team effort are critical if the more technical and mechanical aspects of policy implementation are to yield the desired results.

The workshop is designed to complement and support the activities already underway in the Government's divestiture program and to place those activities in a larger context.

In March of this year, USAID financed a team of experts to look at the management problems associated with implementing the Government's policy reform program. The team's findings and recommendations have been shared with you. They recommended that innovative and participatory approaches to policy implementation be attempted initially in one policy area. The Minister of Finance selected privatization and divestiture as the focus for such an exercise because of the considerable importance the Government places on this issue and the number of organizations and individuals involved.

This Workshop is an important part of the effort.

Preparation for this workshop indicated at least four sets of problems that have impeded implementation to date of the Government's privatization and divestiture policies. These include lack of clarity about key aspects of the Government's policy; a thin market for the divested interests; concern about possible efficiency losses; and certain unresolved administrative and managerial issues.

This workshop is intended as a step in classifying and addressing these problems, has 3 principal objectives, namely:

- To develop a common understanding of the principal constraints impeding the implementation of the Government's policies on privatization and divestiture.
- To develop a shared vision of the action steps needed to overcome existing constraints and the responsibilities of various parties for taking those steps.
- To formulate recommendations for managing, monitoring and evaluating the implementation process.

I must emphasize that this workshop is not intended to supplant anyone's role, but rather to supplement their efforts. Please note that this is intended as a workshop not a seminar. We are to generate practical ideas and recommendations.

The Minister of Finance places major importance on the issues we are discussing. In sanctioning this workshop, he emphasizes again to me his interest in it. He would have liked to have been here to open it, but unfortunately could not. He specifically asked to receive a briefing from a sub-group of the workshop participants on what is discussed and decided.

The USAID financed team of management experts who conducted the March reconnaissance visit was from Management Systems International in Washington, DC, working together with Serefaco Consultants. I have asked them to join us here for this workshop to act as facilitators for me.

Let me introduce Larry Cooley, President of MSI, who will introduce his team and explain the agenda and process we will be using for this workshop.

I have arranged for some small payment for your travel expenses.

Again, welcome and thank you for your active participation.

**ORGANIZATION RESPONSIBILITY CHART
(ORC)**

INVESTMENT PROMOTION ACTIVITIES	APPROVAL	RESPONSIBLE	SUPPORT	INFORM
Conduct seminars/workshops for potential investors.	DIC	DS	Consultants, PES	Investors publicity
Conduct publicity and education campaign for the public on the benefits of privatization and use of stock market and equity investments.	DPWG	DS	LM, PES, IA	Investors, press, public, DIC
Strengthen investment promotion activities/materials of embassies.	PEC	IA	PES, DS, LM, banks	Investors, DIC, press, public
Place ads and articles in trade journals.	DPWG	DS	PES, LM	Press, public investors, DIC
Reduce/eliminate taxes on savings.	Cabinet	MOF	Banks, IA, MPED, BOU	Investors, PES, press, public
Introduce system of confidentiality with respect to savings and investment (i.e. no direct reporting to tax authorities).	Cabinet	MOF	Banks, MPED, BOU	Investors, public, IA
Maintain positive real interest rates.	PEC	MOF, BOU	Banks, MPED, BOU, LM	Politicians, press, public
Establish tax incentives for investment in fixed assets.	PEC	MOF, MPED, BOU	Investors, press, banks, public, LM	Investors, press, public
Strengthen regulatory oversight of investment markets.	Cabinet	BOU	IA, MOF	Press, public banks
Create stock market, unit trust, bond market and/or other investment instruments.	Cabinet	MOF	MPED, BOU	Investors, press, public banks, IA
Investigate feasibility of development bank financing for the purchase and rehabilitation of state owned enterprises.	MOF	MOF	Consultants, DPWG, banks, MPED, BOU	

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	APPROVAL	RESPONSIBLE	SUPPORT	INFORM
Approve and take action to restructure financial institutions and to publicize those steps.	Cabinet	MOF	Banks, PEC MPED, BOU	Press, public
ACTIVITIES RELATED TO LABOR ISSUES				
Develop systems for selection, retraining, relocation, retirement and compensation for redundant employees.	DIC	PES (DPWG)	Ministry of Labor, MPED	FUE, NOTU MPSCA management workers
Determine the magnitude of potential unemployment created by divestiture.		MPED	Ministry of Labor, PES (DPWG)	FUE, NOTU, MPSCA, DIC mgmt, workers
Investigate possibility of establishing an unemployment benefit fund/system.		Ministry of Labor, FUE, NOTU, management	MPED, MOF	
Develop system for recruitment or "open competition" for management jobs in SOE's selected for divestiture, prior to sale.	DIC	PES, (DPWG)	MPED, MOF	Ministry of Labor
Resolve labor disputes rapidly and efficiently.		Ministry of Labor, FUE, NOTU, management		
ORGANIZATIONAL ACTIVITIES				
Constitute a task force from among participants in this workshop to make detailed recommendations to government on organizing, managing and monitoring the privatization/divestiture effort.		MPED, MOF	PES(DPWG) consultants	
Assign responsibilities and obtain necessary resources.	DIC	MPED, MOF		management PES (DPWG)
Reach high level agreement on policy making process and means to avoid exceptions to it.	Cabinet	PES (DPWG)	MPED, MOF BOU, MOIT Justice	
Conduct workshops involving affected line ministries and state owned industries to discuss privatization and their concerns.	MOF	PES (DPWG)	MPED, MOIT Justice Consultants	

	APPROVAL	RESPONSIBLE	SUPPORT	INFORM
Invite members of affected line ministries to participate with Secretariat when their ministries parastatals are being reviewed and assessed for sale.		MOF		
Encourage joint participation of foreign and local firms to conduct valuations, appraisals and restructuring plan.		MPED	PES (DPWG) MOF	BOU, donors
PROCEDURAL ACTIVITIES				
Establish general guidelines and transparent implementation procedures and publish them widely.	MOF	PES, Custodian Board Exec. Comm.		BOU, buyers, public, press
Establish clear and credible appeal/dispute process.	MOF	PES, DS, Custodian Board Exec. Comm.	Justice	DIC, buyer, public
Analyze, evaluate and reenergize the claims processing system.	MOF	PES, Verifi- cation Comm.	Cust. Board Exec. Committee, PIES, PES DAPCB, consultants	public
Establish standard valuation procedures.	MOF	PES, Cust. Bd Ex Comm.	consultants	DIC, buyer, public
Standardize accounting procedures.	MOF	PES, Cust. Bd Ex Comm.	consultants	DIC, buyer, public
Have state become pro-active in offering reasonable compensation to past owners.	NRC	MOF	PES, Cust. Bd. Exec. Comm., DIC Justice consultant	previous owner
Deal visibly and fairly with several controversial properties to set an example.	Cabinet	MOF	PES, Cust. Bd. Exec. Comm., DIC	public, press, previous owner
Make sure government pays fairly when it retains shares in enterprises.	NRC	MOF	PES, Cust. Bd. Exec. Comm., PIES, PES, DAPCB, Cabinet Banks	press

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	APPROVAL	RESPONSIBLE	SUPPORT	INFORM
Introduce simple auction/liquidation procedures for properties too small or unprofitable to warrant formal analysis.	MOF, DIC	PES, Cust. Bd. Exec. Committee	PIES, PES, DAPCB, PES, Verification Committee, consultants	buyer, public, previous owner, press -
Institute procedures for limiting management audits to most promising enterprises.	MOF	PES	PIES, PES, DAPCB, PES, consultants	DIC
Establish procedure between banks, government and then buyers, on a case-by-case basis, for renegotiating debt repayment as part of buyout/restructuring.	MOF	PES, Cust. Bd. Exec. Committee	PIES, PES, DAPCB, PES, consultants, buyer, banks, Justice	DIC, public, press

POSSIBLE STAKEHOLDERS

Abbreviations

- Banks
- BOU - Bank of Uganda
- Board of Directors
- Cabinet
- Consultants, valuers
- Current proprietors
- Custodian Board Executive Committee
- DIC - Divestiture Implementation Committee
- DPWG - Divestiture Policy Working Group
- DS - Divestiture Secretariat Employees
- FUE - Federation of Uganda Employees
- Foreign Donors
- Foreign Investors
- IA - Investment Authority
- Land lords
- Local Investors
- Managers of Enterprises
- MOF - Ministry of Finance
- Ministry of Finance
- Ministry of Foreign Affairs
- MOIT - Ministry of Industry and Technology
- Ministry of Labor
- MPED - Ministry of Planning and Economic Development
- MPSCA - Ministry of Public Service and Cabinet Affairs
- NEC - National Executive Council
- NOTU - National Organization of Trade Unions
- NRC - National Resistance Council
- PEC - Presidential Economic Council
- PES - Public Industrial Enterprise Secretariat
- President
- Press
- Task Force
- Treasury
- Verification Committee
- I.M - Line Ministries