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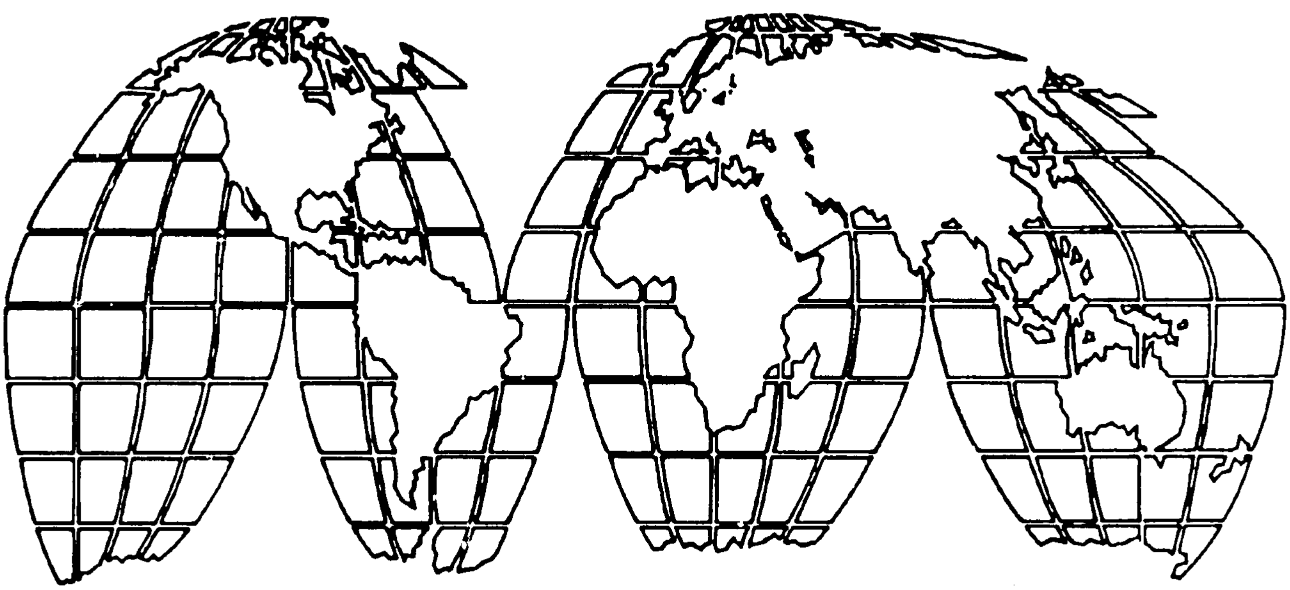
The A.I.D. Economic Policy Reform Program in Uganda Appendices



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APPENDIX A

Policy Decision-Making and Implementation Affecting Nontraditional Exports in Uganda

The Actors

In Uganda, several entities are key in formulating and implementing macroeconomic and trade policy. Among them are, in the executive branch, the President, the President's Economic Committee (PEC), the Ministries of Finance (encompassing customs, taxation, and central banking), Planning and Economic Development, Commerce, Agriculture and Forestry, and Animal Industry and Fisheries. The Ministry of Transport and Communication and the Ministry of Works are also important because of the reliance of exports on a reliable infrastructural system. The National Resistance Council (NRC), Uganda's legislature, plays a significant role, as do the Ugandan private business and state-owned enterprise sectors. The donors provide both technical analyses and advice, although they are perceived as sometimes wielding their considerable financial resources as a prod to effect certain policy changes.

The Decision-Making Process

Decision-Making at the Government Level

The process for the adoption of the policy measures supporting nontraditional exports began with an analytical paper, "The Preliminary Export Strategy for Non-Traditional Export Commodities," prepared by the Export Policy Analysis and Development Unit (EPADU) of the Ministry of Planning and Economic Development. During preparation, the paper was discussed with the USAID Mission, the principal donor supporting trade sector policy reform. The paper was then reviewed at the staff level by various sections of the Ministry, and subsequently, on recommendation of staff, adopted by the Minister. The Minister then circulated the paper to the Cabinet for review prior to presenting it to President's Economic Committee. At least one ministry strongly opposed the policy paper, requesting that it be withdrawn from consideration by the Committee. However, the Committee's acting chairman permitted the paper to be tabled. The EPADU Director, who was the principal author of the policy paper, was invited to the Committee to explain and defend the paper's conclusions and recommendations. After considerable internal discussion on the issues, the Committee adopted the paper.

Many of the paper's recommendations were then incorporated into the President's 1990-1991 budget speech. Some of the key recommendations considered for immediate implementation were as follows:

- Appropriate valuation of the exchange rate

- Unrestricted use of foreign exchange earned by nontraditional commodity exporters

- One-stop processing of licenses and certificates

- Multiple export licensing/certification (i.e., time-limited rather than commodity-limited permit system)

- Reduction of red tape in licensing

- Improvement in terms of air transport, for example, removal of Ugandan Airlines monopoly and other bureaucratic controls and fees, and payment of air freight charges in local currency

- Promulgation of an investment code that attracts foreign capital

No one actor can claim full credit for the legalization of the *kibanda* (the unofficial foreign exchange market) rate and the lifting of restrictions on uses of the forex; voices within the Government, the private sector, and the donor community all pressed for these measures.

Communication With the Productive Sector

The private sector and state-owned enterprises have several vehicles for making their positions known. A large firm's managing director can seek, and usually obtain, an audience with a minister or deputy minister. The Uganda Manufacturers' Association invites representatives of the Government (and sometimes of the donors) to its monthly luncheons to speak on a specific topic and to respond to questions from the audience. The private sector and sometimes state-owned enterprises prepare documents on their financial needs, which also inform decision-makers of some of the issues facing the productive sector of the economy.

Finally, business people have informal channels for communicating with decision-makers. Uganda is a relatively small country in which many leaders of the government and industry have ties going back to their secondary school or university days or to the term of their first employment. These individuals often socialize together, using such occasions as an opportunity to discuss business.

However, smaller firms with fewer contacts may not have as easy an access to decision-makers. In some instances, the interests of larger firms and smaller firms converge, but in others, lack of appropriate channels may preclude decision-makers from understanding the constraints facing new entrants or small businesses. Therefore, establishing an objective analytical base and making special efforts to reach small entrepreneurs and new businesses are important for promoting the private sector.

Policy Implementation

Policy implementation in the ANEPP appears to have been uneven. For example, although the response to the legalization of the kibanda rate and the forex bureaus seems to have been immediate, changes permitting the establishment of foreign exchange retention accounts, announced a year earlier, were still not being observed.

The decision to legalize the kibanda rate was announced in the President's budget speech in June 1990. The evaluation team arrived on July 18, 1990 and found that foreign currencies were being readily exchanged, but that the markets were as yet disorganized and information on relative rates unavailable. Within a few days, however, all forex bureaus had rates posted, and, according to newspaper reports, the rates were rapidly converging from one bureau to the next, although some bureaus were using competitive pricing to try to attract foreign currencies. Similarly, the evaluation team found people openly exchanging foreign currency at the border posts visited, although no formalized offices with posted rates were yet evident. Authorities did not interfere with the informal trade, perhaps because of the small quantities of currency involved.

Although news about foreign exchange regimes traveled quickly, the opposite was true about changes in Custom's regulations. The Customs officers in Busia, for example, appeared unaware that the export-import licensing system had been modified in 1989 to permit the establishment of foreign exchange retention accounts. Both customs agents insisted that the exporter had to bring back to the country the same value of goods he or she had exported under the export license. It is possible that the agents did not know of the change because they had not yet encountered such a situation. The volume of trade passing through the border at Busia (other than gasoline, which is fully controlled) is small, and only a few participants are involved in foreign currency retention account. Still, it seems that notice of a change in regulation made a year earlier, one that is fundamental to the work of the Customs office, would have been better disseminated among employees.

Sustainability of Policy Reform Process

Three major endogenous factors are important to ensuring the sustainability of the policy reform process: (1) analytical capability at the working level of policy formulation and the willingness of decision-makers to demand and use empirical information, (2) an effective implementation and feedback system, and (3) popular political support.

When the Museveni Government came to power, it broke with the IMF and pursued policies that led to significant inflation, expansion of the money supply, and an overvalued exchange rate. Within 1 year, the Government's own economic analysts determined that this course was unsustainable, and, after debate and discussion, the Government changed its policy course, coming to an agreement with the IMF and the World Bank over a course of stabilization and adjustment.

However, the stabilization and adjustment process must be underpinned by popular support if it is to succeed. Thus far that support has been forthcoming for several reasons. Ugandans indicated a greater sense of security as a result of changes since the early 1980s. They no longer feared being accosted by soldiers or police seeking money, or worse, seeking to brutalize whoever crossed their paths. There appears to be a broad understanding, at least among the 10 percent urbanized population, of the need for a realignment of the economy. And there is broad-based desire for respite from civil strife.

Other indicators of a more open and supportive political climate are evident as well. The press appears to operate in relative freedom, including newspapers published in local (minority) languages. Almost every day the Kampala-based daily publishes accounts of corruption and wrongdoing by public officials. Free and fully participatory elections have taken place at the village level of the Revolutionary Council system. Finally, the record of the Government on human rights abuses and reports of (as well as a few personal encounters with) returned exiles on recent changes have been relatively good.

Despite these positive changes conducive to sustainability, there are legitimate concern and continued discussion over the following kinds of issues:

- The Ugandan Government's ability to maintain the economy's 5-7 percent annual growth rate is unlikely to continue once the IMF loans come due; thus the average Ugandan will not be feeling as directly the benefits of stabilization and adjustment.

- After 20 years of decline and 15 years of disinvestment (the Amin period and the war years), rehabilitation of productive infrastructure and improvements in social services, including education, are needed to attain previous levels of GDP growth—these require new investments.

- Combatting continued resistance to the Museveni Government requires large military expenditures, which impedes the stabilization and adjustment processes.

- Expectations among average Ugandans for growth and prosperity are high, and tolerance for setbacks in living standards can probably only be expected if they are perceived as temporary.

APPENDIX B

The ANEPP Technical Assistance Activity

Background

The Agricultural Nontraditional Export Promotion Program (ANEPP) included a $1.5 million technical assistance activity as a component of the overall program to strengthen the Government of Uganda's trade policy analysis and planning capacity. The Program Assistance Approval Document (PAAD) describes a need for a "comprehensive, medium-term trade strategy and a program to support nontraditional exports." An additional requirement was support to the private sector "to directly and indirectly expand its role in the export of nontraditional crops." The PAAD also noted that "the country's trade regime requires diversification and direction on the export side and streamlining of administrative arrangements to encourage greater private sector trade through formal channels."

The rationale led to a covenant with the Government of Uganda to establish an Export Trade Policy Analysis and Monitoring Unit within the Ministry of Planning and Economic Development. The Unit, whose name was subsequently changed to

Export Policy Analysis and Development Unit (EPADU), was responsible for trade policy analysis and program monitoring. Additional technical assistance funding was provided to "expand the capacity of the Ugandan private sector to implement the strategy and to continue dialogue with the Government on further policy and institutional improvements; and . . . [to] improve the knowledge of private marketing agents and exporters on the structure and functioning of international markets for Uganda's actual and potential (non-coffee) exports."

At some point during program implementation, the responsibilities for trade policy analysis and export promotion were amalgamated within the EPADU mandate, along with program monitoring. Accordingly the Unit was to "receive monthly reports from both the central bank and the Ministry of Commerce regarding foreign exchange approvals, import license approvals, draw downs on the central bank's economic policy reform program funds, record of imports financed, name of importers and shilling deposits into the ANEPP Special Account." It was then supposed to "set up a computerized tracking network to identify the location of program resources, at any given time, and the quantity and types of commodities actually imported," as well as tracking "compliance with A.I.D. Regulation 1 requirements." As EPADU evolved more into a line unit within the Government, these monitoring tasks were partially assumed by A.I.D., but many were simply forgotten.

The PAAD stipulated the provision of one long-term (at least 24-person months) agricultural trade economist as technical assistance to EPADU (at $431,000). It also provided funds for short-term technical assistance (16 person months) and training; it budgeted $790,000 for such activities as (1) market surveys to identify major external markets; (2) collection and dissemination of market/trade intelligence data; (3) seminars and workshops on a variety of specialized topics; (4) advisory services on packaging, quality control, export pricing and financing, and (5) other specialized technical assistance as required. Funding of $75,000 was included for the purchase of related office equipment and vehicles, as well as for an evaluation programmed at $90,000 and inflation contingency bringing the total to $1.5 million over 2 years. EPADU's recurrent costs, such as Ugandan staff salaries and gasoline, payable in Uganda shillings, were to be provided from the local currency generated by the sale of commodities under ANEPP's Commodity Import Program (CIP).

Activities to Date

The Unit was formally established in August 1989, and a $1.25 million contract was signed the same month with Louis Berger International, Incorporated (LBII) for the long-term technical adviser, the short-term technical assistance, training, and related equipment. The U.S. long-term technical adviser arrived in September 1989, and the EPADU Director was appointed in October 1989. However, the offices did not become fully operational until February 1990.

Five of the seven professionals at EPADU were on leave without pay from a Government of Uganda agency (including Makerere University, Bank of Uganda, Ministries of Agriculture, Planning and Economic Development, and Cooperatives and Marketing). Two professionals were recruited from the private sector.

A few short-term technical assistance consultants have been provided to the Unit under the LBII contract. A macroeconomist prepared an initial organizational assessment and provided some background materials for the development of the preliminary export promotion strategy. Another consultancy provided a computer needs assessment and specialized training of EPADU staff. A packaging expert was brought to Uganda to assess the state of packaging availability and needs, and to give a one-day seminar to exporters on packaging.

Funds within the project, but outside the LBII contract, were granted to the African Project Development Facility for a Pineapple Export Pilot project. The LBII contract was reduced by $96,000 in order to provide a grant to Fintrac for technical assistance to the Ntangauzi Vegetable Growers Association. A $300,000 fund was budgeted in the grant amendment to continue financing these pilot and technical assistance efforts apart from the LBII contract.

Performance to Date

The first task of EPADU was to produce an export strategy for adoption by the Government of Uganda. The task entailed the preparation of a set of analyses, or background papers, written in February 1990 by EPADU staff, including the following:

- "Air Transport for the Export of Fresh Horticultural Products"
- "Aspects of Marketing and Support Services in the Preliminary Export Strategy for Uganda"
- "Preliminary Export Strategy for Uganda: Institutional Factors"
- "Export Strategy for Uganda: Data Base and Production—Problems of Timber Exports"

In addition, the long-term technical adviser produced the following relevant papers, though they were not used in the strategy formulation:

- "A National Strategy for the Development of the Agricultural Export Trade Sub-Sector in Uganda—A Model"

- "Comments/Observations To Be Considered in the Development of a National Agricultural Export Trade Policy and Strategy"

The short-term adviser from LBII contributed the report "Ugandan Export Policies and Strategies: Assessment and Recommendations" in August 1989, and a subsequent brief report in February 1990. The earlier report was a general overview of the economy, which was consistent with the PAAD analysis of August 1988, and provided some recommendations for analytical and programmatic tasks for EPADU. It was essentially written directly to A.I.D. The evaluation team did not have an opportunity to review the later report, but was informed that it did not directly influence the shape of the preliminary strategy document ultimately prepared by EPADU.

During March 1990, a series of discussions were held among EPADU professional staff, the USAID Project Development Officer, and the technical advisers on both content and format issues related to the development of the policy strategy. The Director of EPADU prepared the final paper, and on March 28, 1990, the "Preliminary Export Strategy for Nontraditional Export Commodities" was presented to the Minister, for review and adoption by the Ministry of Planning and Economic Development and subsequently by the President's Economic Committee in May 1990.

Since that time, EPADU has been working on a number of follow-up activities, including the following:

- A survey of exporters to determine the impact of the policy reforms undertaken since 1988

- A survey of producers to determine the impact of the policy reforms

- An inventory of information on external markets for use by exporters

- A survey of commercial banks to assess the impact of the 1989 establishment of forex retention accounts

- An assessment of the cold storage facilities at Entebbe

- A review and critique of the liberalizations announced in the 1990-1991 Government budget speech and the plans for the implementation of the new regulations

- Development of information for exporters on guidelines and operations of the forex bureaus.

In addition, the Export Promotion and Development Adviser has developed a set of recommendations related to the organization and work planning of EPADU, which was not yet available for review by the impact evaluation team.

Analysis of the Technical Assistance Activity Under ANEPP

The ANEPP design accurately identified the need for the Government to focus on trade policy analysis and planning. It also correctly recommended assistance to the private sector in export promotion. The establishment of the Unit within the Government and A.I.D.'s initial capitalization and recurrent cost support to the Unit have been critical to the production of the preliminary export strategy and to the inception of activities to monitor the impacts of trade policy reform. However, there is an economy-of-scale argument that can be made for government involvement in promoting a country's exports in a least developed country like Uganda, as well as in providing various kinds of information and other services for which private gain is difficult to capture. As private sector capacity to advise individual exporters on specific aspects of their businesses expands, the rationale for the exclusive involvement of the public sector will fade. Donors should ensure that the public sector does not over time, crowd out the private sector in the provision of export services, but that it does maintain its involvement in areas in which no private gain can be captured.

The means by which the trade policy development and monitoring and export promotion objectives were addressed under ANEPP have raised a number of issues discussed in the paragraphs below.

Institutional location of EPADU. EPADU was established within the Ministry of Planning and Economic Development. Although that Ministry has an important role in the Government's development policy and strategy formulation, it is normally not responsible for providing assistance to the private sector in export promotion. In Uganda, that role is usually taken by the Ministry of Commerce; the United Nations Development Programme (UNDP) has drawn plans to assist the Ministry of Commerce's Export Promotion Council to take on many of EPADU's responsibilities. Officers of EPADU have indicated a willingness to amalgamate the Unit's export promotion functions with those of the Ministry of Commerce's, should the latter's capacity be improved, and A.I.D. should be willing to support this move. The Ministry of Commerce is also reviving and upgrading its policy formulation and research capacity, which will again overlap with EPADU's efforts. Because EPADU has no financial viability beyond the life of the ANEPP, A.I.D. should objectively consider efforts to merge these two units. The principal criterion for such a merger should be sustainability, and the organizational context for the unit should be where the unit is most useful to the Government and to its potential clientele.

Effectiveness of the U.S. technical assistance. The U.S.-provided technical assistance has had, at best, mixed results to date. The economic analysis capacity appears to have had no impact on the major effort of developing the preliminary export strategy, although the project officer played a very useful role and, in some senses, provided the kind of technical input that the program-funded assistance failed to provide. The packaging and computer experts offered a specific service that was valued and not available within Uganda. As the Export Promotion and Development Adviser had only just arrived at the time that the evaluation was undertaken, it was too early to assess his contribution.

The strong showing of EPADU despite the poor record of the U.S. technical assistance, as far as trade policy and organizational advice is concerned, suggests that (1) the program design assessment underestimated the availability of qualified Ugandan personnel to staff a trade policy analysis unit and (2) the assumptions that an expatriate adviser is required "to shape and guide the unit into a highly productive team . . ." and "to take the lead in promoting an entrepreneurial spirit within [sic] the Unit" (March 30, 1990 PIR) were not valid. A more consultative approach, with the Ugandan staff firmly in the lead, should be used for assessing and meeting additional technical assistance needs in the policy analysis area.

Contract terms of reference and position descriptions. The mixed record of U.S. technical assistance also points to the need for clear, realistic terms of reference. The LBII contract lists a series of expected outputs, but it does not clarify which are expected of the contractor as indicators of adequate performance and which are expected of EPADU as a unit. The original scope of work for the Trade Policy Adviser attempted to compensate for the fact that the technical assistance package had been curtailed from an earlier two long-term positions to one at the time of PAAD approval. Thus, it loaded into one position description the tasks of two persons. The current terms of reference for the Trade Policy Adviser and Export Promotion and Development Adviser appear almost reversed in title and function and to have significant overlaps. This overlap brings into question the need for A.I.D. to provide the level of long-term technical assistance that it proposes for the July 1990-1993 period.

At the time of the evaluation team's visit, two of EPADU's staff members were attending a short course at Harvard Institute for International Development. It was therefore still too early to assess the efficacy of A.I.D.'s offshore training support. Although the packaging expert was valued for his technical assessment of the packaging production industry in Uganda, no follow-up of the seminar he conducted had been performed so it was likewise impossible to determine the effectiveness of the short-term technical assistance in providing targeted information to exporters.

Recurrent Costs. Recurrent cost is another issue of serious concern. At present, EPADU is fully funded by the ANEPP and the local currency it generates. After the end of the program, however, funds must either be allocated from the Government budget or through a means established to make EPADU (or its successor within the Ministry of Commerce) at least partially self-supporting, for example, by charging a fee for its services to exporters.

Development Results and Impact

Relevance. There is a need for public sector trade policy analysis and monitoring. There are economies of scale in shifting from public sector provision of certain kinds of assistance in export promotion, such as generalized market development, to the private sector. Uganda continues to emphasize development of nontraditional exports through trade liberalization and private sector involvement, so an activity that provides support in these areas continues to be warranted.

Effectiveness. Including a covenant for the Unit's establishment was an effective approach. However, programming 24-person months of long-term U.S. technical assistance, given that it soon became evident that Uganda already had a relatively available, quality analytical capacity, may actually have impeded institutionalization of the unit. A.I.D. needs to reexamine its standard technical assistance package in such an environment. In some of the other countries with A.I.D. economic policy reform programs, analytical capacity was limited and policy decision-makers were not receptive or able to absorb empirical approaches to policy reform. Uganda is favored in this regard, and U.S. technical assistance should be used in a carefully targeted manner to extend Uganda's indigenous capacities.

Impact. The ANEPP has had an almost immediate impact on Uganda's trade policy via the establishment of EPADU. Within 2 months of becoming fully operational, the Unit had completed a preliminary strategy for promoting nontraditional exports. That document was debated and adopted by the Government within 3 months of its preparation. Some of the discussion papers prepared as background to the strategy have had a similar impact on the reformulation of individual administrative or regulatory procedures, such as changes in airport cargo fees and procedures. It is premature to assess whether the Unit has had an impact on the businesses of the entrepreneurs it has assisted or more generally on increases in values or volumes of nontraditional exports or on income and employment from nontraditional exports.

Sustainability. The establishment and continuation of a unit in the Government to address Uganda's needs in trade policy and export promotion appears appropriate, at least for the present. In the future, however, some of the services may be more efficiently handled by the private sector. It remains to be seen whether the unit can be sustained over time in the ministry that was perceived as the most able to absorb the assistance instead of the ministry that was organizationally more appropriate. A financial analysis and plan for devolution of the recurrent cost burden of the Unit should be included in the design document and adhered to during implementation.

Replicability. Other parts of the Government appear to be gearing up to shoulder their responsibilities with regard to nontraditional exports. The approach of establishing and fully funding a unit with brief overlaps with other units in the Government may have accomplished the short-term demonstration effect; however the approach has enough drawbacks to merit careful scrutiny before it is replicated.

Case Study 2. Innovation in a Changing Marketing Environment

In 1989, when Mr. Semitarabana, a Ugandan businessman, learned of the high demand in Rwanda for mixed dried beans, he decided to take advantage of the marketing opportunity. Through his small company, Linda Holdings Ltd., he took out an export license for 125 metric tons (t) of beans and arranged to purchase and package the beans in southern Uganda. Then, using his own and hired trucks, he shipped the beans over land to Rwanda.

The export marketing arrangement was barter. Linda Holdings sold the beans to a firm in Rwanda that agreed to pay in-kind with batteries sold by another firm in Rwanda. However, the Rwandan bean importer lacked the cash to pay the battery exporter on time and Mr. Semitarabana waited more than 4 months for the batteries. Although he was able to sell the batteries at considerable profit, the long delay convinced him to terminate the triangular barter arrangement and avoid such arrangements in the future.

In 1990, Mr. Semitarabana took out an export licence for 90 t of maize. After purchasing the maize from Ugandan farmers, he put it in storage to await higher prices in Rwanda. But the maize spoiled in storage because of improper fumigation and could not be exported to Rwanda. To recover some costs, Mr. Semitarana crushed the maize for animal feel and sold it to livestock owners. Thus, his losses were only about 30 percent.

These experiences have not discouraged Mr. Semitarabana. In 1991, he plans to export sesame. He will buy sesame from farmers in the north-central and northwest parts of Uganda, ship it by a train that runs through the region once a week, and export it to a buyer in the United Arab Emirates. He appreciates the easing of restrictions on licensing and the availability of export licenses with just one stop at the Ministry of Commerce. He welcomes the legalization of the foreign exchange rate and believes it will help his own business and that of other private entrepreneurs.

Searching for Solutions to Marketing Problems

The demise of Uganda Airlines in December 1989 brought abrupt changes to the export activities of Makindu Growers & Packers Ltd. For four years, Makindu, an association of farmers and investors, had been exporting jackfruits, chili peppers, sweet and green bananas, plantain, ginger, pineapples, and smoked fish to the United Kingdom.

Makindu Growers & Packers experienced steady growth through 1986 and 1987, but airline problems led to a levelling of exports in 1988. When Uganda airlines failed to fly on schedule, Makindu could not keep its commitments to ship perishable produce. Even when the airlines did fly on time, Makindu was not guaranteed cargo space. Problems with shipments made buyers in the U.K. reluctant to enter into permanent marketing arrangements with Makindu, arrangements that could have guaranteed Makindu a market niche and a basis for expansion.

Mr. Nsabuga of Makindu made several trips to London to establish more secure market relationships. Eventually, in 1989, he established his own receiving company in the U.K., known as London Fruit and Vegetable Company. The London company took over a warehouse and office from which Makindu sold fresh produce to supermarkets and other retain operations. The establishment of that office led to a dramatic increase in the volume of exports--from 62 metric tons in 1988 to 160 metric tons in 1989.

But when Uganda airlines closed its doors, Makindu ceased export shipments. Alternative air cargo space is available from two airlines, but they use the kibanda foreign exchange rate, which is higher than the lower official foreign exchange rate used by Uganda airlines. When the higher air cargo costs are added to the already high cost of imported packaging materials (cardboard cartons from Kenya), Mr. Nsabuga maintains that competitive prices are impossible.

Recently, Makindu joined forces with another export firm in an attempt to establish an air cargo service for Uganda. The service would be known as Trans Africa Air Services Ltd.: The Farmers' Airline. Although they have not yet secured sufficient start-up financing (about $2 million) to lease the airplanes, Mr. Nsabuga and his counterpart, Mr. Ssegendo, are hopeful that their persistence will pay off soon.

Diversification and Investment in Agricultural Marketing

Mr. James Musingizi, an economist and lawyer, is typical of the highly educated, motivated people who have taken advantage of the A.I.D.-funded opportunities. As Chairman of the Garuga Group of Companies, he oversees a diverse and profitable portfolio of activities.

The largest Garuga Group investment is in a poultry farm. With assistance from the USAID Rural Private Enterprise project, the company secured a loan for $108,000 of imports needed for poultry production--a hatchery, feed mill, cement for constructing the business site, and a truck. Other investments include a cattle ranch, a consulting firm and a construction company.

Under the A.I.D. ANEPP Commodity Import Program, the Garuga Group imports fishnets and gunny bags. The fishnets are sold to Village Fishing Associations which sell them to their own members. The gunny bags are used by the Garuga Group for exports of beans and sesame and sold to the state-owned Produce Marketing Board (PMB) for its produce marketing activities.

In 1990, the Garuga Group (GG) expected to export 5,000 metric tons of beans (up from 800 metric tons in 1989).

Marketing arrangements operate in the following manner. After choosing a bean-growing region, the GG distributes bean seeds to all the farmers on credit through the local Village Farmers' Cooperatives. For every one kilogram of seed provided, the coop must return two kilograms of beans. All remaining beans grown by farmers will be bought at a market price.

The GG employs about 20 agents to handle these marketing arrangements, and those agents employ an additional 50-60 laborers who collect and sort the beans at harvest time. The agents are responsible for the quality of the beans they buy from farmers and will not be reimbursed if they buy poor quality beans. (At one time, the GG used the state-owned PMB to sort and clean their beans, but the PMB did not perform on time and a shipment was delayed. As a result, the GG is investing in its own facilities for sorting and cleaning.)

Recently, the GG bought preservatives to treat beans so they can be held in storage for later sale. The GG has storage capacity for about 3,000 metric tons in the Rukunguri District where bean marketing takes place. Beans bought there will be sold there at a profit later in the year.

To expand exports, the GG has established links with traders in Europe and is initiating joint ventures with some firms to obtain capital and technical assistance for quality control operations. Mr. Musingizi is looking forward to prosperous times for his company and his country.

Experience Counts

Twenty-five miles from Kampala is a 600 acre farm operated by Dr. M. Sali Bazze, an agronomist. Dr. Bazze acquired the farm in 1975 after the Asian owner fled the country and he is still struggling to obtain legal title. In the meantime, he produces French beans, cucumbers, chili peppers, eggplant, okra, and many other Asian specialty foods and exports primarily to the Asian market in the United Kingdom.

Since taking over the farm in 1975, Dr. Bazze has been assisting neighboring farmers who also want to produce for export. Usually he supplies them with seeds and services, such as spraying with pesticides and insecticides and explaining the farming practices that will achieve the best results.

At harvest time, the prices paid to the farmers are reduced by the cost of the services they have obtained. The farmers don't realize that the services reduce the price they receive, but Dr. Bazze maintains that if they knew, they would not accept the services. And if they did not get the services, their produce would be below export quality and of less value.

Sometimes Dr. Bazze is unable to pay farmers for all their produce at harvest time because of his own financial constraints. With delays in payments and delays in getting produce shipped out at the airport, much horticultural produce must be dumped on the local market where lower prices prevail. Some farmers have quit growing horticultural exports for Dr. Bazze because of these problems.

Despite these difficulties, Dr. Bazze has recently expanded his export business. In 1988, he had only five full-time employees; in 1990, he had nine.

Dr. Bazze hopes the Departed Asians Custodian Board, recently established by the Government of Uganda, will adjudicate his case soon and decide how much compensation he owes. Once these legal problems are resolved, Dr. Bazze is confident he will get the loans he needs to expand his production and marketing of produce for export.

The Progressive Farmers

"It all started with this," explained David Lule, as he held up a plastic bag with a small, twisted root of ginger inside. Mr. Lule is managing director of NAVAGA Ltd., an association of businessmen and farmers organized in 1985. They began by producing ginger. Today, they grow yams, plantain, chili peppers, okra, sugar cane (industrial and sweet), green beans, pineapple, bananas (sweet and green), and jackfruit.

NAVAGA is led by a Board of Directors who refer to themselves as progressive farmers. The association has 4,000 members, both men and women, and is organized into three basic divisions: peasant farmers, progressive farmers, and the company itself. The progressive farmers dominate export-oriented production and act as agents to assist the peasant farmers.

The company hires marketing agents to buy all the members' produce. Prices vary by crop and season, but generally, they are market determined. At present, the company has three buyers and about 20 other staff who handle and process vegetables. Often as many as ten casual laborers are hired at marketing time.

Although NAVAGA was organized in 1985, it did not begin to export commodities until 1989. The founders spent almost four years organizing the farmers in their areas and teaching them modern farming methods. The first crop they experimented with was ginger. Using locally available ginger seeds, NAVAGA first conducted seed trials to find a robust seed and then worked with farmers to multiply the seed and distribute it widely among all the farmers of the region.

After ginger proved successful as a cash crop, NAVAGA transformed a coffee factory into a processing facility to dry and pack ginger. Since the facility was previously owned by Asians who fled during the time of Amin, NAVAGA does not have legal title to this facility until their case is adjudicated and they make payment to the fund that is compensating former owners.

To initiate export marketing, NAVAGA prepared samples of whole dried ginger, sliced dried ginger, and fresh ginger and sent them to European and Middle Eastern markets. Marketing arrangements have now been established with both Abu Dabai and Europe. Agents in Abu Dabai have even sent technical assistance to NAVAGA to help with the drying and processing of ginger.

During its first year of exporting, NAVAGA sent 24 metric ton of ginger to Abu Dabai (by sea through Mombasa) and three separate air shipments of fresh ginger (2.5 metric tons) to Holland. Fresh ginger was also exported to the United Kingdom. NAVAGA's research to select the right seed, their work with farmers, and their careful development of export markets is paying off.